



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Paul Krutko

SUBJECT: SEE BELOW

DATE: June 4, 2007

Approved

Ray Wines

Date

6/10/07

COUNCIL DISTRICT: 3, 6

SUBJECT: Approval of the Proposed Business Terms for the October 14, 2007, Rock 'n' Roll Half Marathon to be Produced by Elite Racing, Inc. and Authorize the City Manager to Negotiate and Execute an Agreement with Elite Racing, Inc. for said Rock 'n' Roll Half Marathon

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate and execute a grant agreement with Elite Racing, Inc. for a Rock 'n' Roll Half Marathon within the City of San Jose on Sunday, October 14, 2007, in an amount not to exceed \$180,500.

OUTCOME

An agreement with Elite Racing, Inc. will result in a premier half marathon, a major two-day health exposition and a headliner concert in downtown San Jose in October 2007, expected to attract 15,000 entrants and 50,000 spectators. The half marathon will be broadcast nationally with the potential of reaching 70 million homes. This major event will significantly increase out-of-town visitors to downtown San Jose.

BACKGROUND

Elite Racing, Inc. developed the concept of musical full and half marathons, which have had phenomenal success in the six American cities where they have been held. These events combine a world-class race for elite runners with a fun, participatory event that features live bands and cheer squads every mile of the race; a two-day health and fitness exposition open to race registrants and the general public; and a post race party and headliner concert.

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In 2006, Elite Racing, Inc. partnered with the City of San Jose, Team San Jose and the San Jose Sports Authority to successfully bring this concept to northern California. An economic impact analysis of the 2006 *Rock 'n' Roll Half Marathon – San Jose* found 39,333 people in attendance at the Downtown event (this total did not include the thousands of spectators along the 13.1 mile route); and conservatively estimated that economic impact within the City of San Jose (attributed only to visitors, not residents) was \$16.5 million of new spending.

ANALYSIS

Elite Racing, Inc., a San Diego-based sports marketing and management company specializing in road racing, launched the musical marathon concept with the 1998 San Diego Rock 'n' Roll Marathon. The concept has grown, attracting more than 124,000 national and international runners annually to six cities nationwide. Additional Elite Racing musical marathons include the P.F. Chang's Rock 'n' Roll Arizona Marathon & ½ Marathon in Phoenix, Tempe and Scottsdale; the Country Music Marathon & ½ Marathon in Nashville; the Rock 'n' Roll Half Marathon in Virginia Beach and San Jose; and the Jefferson Hospital Philadelphia Distance Run.

Building on Success

The proposed second annual Rock 'n' Roll Half Marathon, centered in downtown San Jose, builds on the economic and community success of the 2006 *Rock 'n' Roll Half Marathon - San Jose*. The inaugural three-day event kicked off on Friday, October 6, with a 2-day Health and Fitness Expo and race pre-registration in the San Jose McEnery Convention Center, culminating in a 13.1 mile race on Sunday. Runners and walkers on the course enjoyed the music of 13 bands, passed by iconic San Jose City Hall and ran through San Jose's unique Japantown and Rose Garden neighborhoods. The race attracted 11,536 runners and thousands of spectators and visitors.

The 2006 *Rock 'n' Roll Half Marathon – San Jose* set records as the second fastest half marathon ever to take place in the nation and the seventh most successful inaugural half marathon in the world. Winner Duncan Kibet, 28, of Kenya, claimed a California state record with a time of 1 hour, 22 seconds.

Economic Impact

The 2006 event drove \$16.5 million in spending by visitors and \$4.5 million spending by local residents. Requiring on-site race pre-registration no later than Saturday captured overnight visitors and drove hotel room nights. The \$544,932 return to the City through net new incremental tax impact (transient occupancy and sales tax revenues) reflects the success of this strategy. It is anticipated that the 2007 event will attract, at minimum, 3,000 more registrants; increased spectators and volunteers; and a corresponding increase in new spending and tax impact to San Jose.

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Proposed Business Terms

City staff has negotiated a terms sheet with Elite Racing, Inc. for the 2007 *Rock 'n' Roll Half Marathon – San Jose* to be held on Sunday, October 14, 2007 (Attachment A). In summary, Elite Racing will obtain all necessary permits and approvals for a 13.1 mile race to be conducted on downtown and surrounding San Jose streets, with coordination assistance provided by the City. The event is expected to attract 15,000 runners and walkers; more than 50,000 spectators; and over 1,000 volunteers to assist with race logistics. The Health and Fitness Expo and headliner concert are projected to attract 45,000 participants. The 2007 race course will follow a course similar to last year's, with a start from Almaden Boulevard onto Santa Clara Street and a finish at Plaza de Cesar Chavez.

As outlined in Attachment A, the City will provide up to \$130,500 from the 2007-2008 Sports Opportunity Fund for City services in support of the race, such as road closure and traffic management, public safety services, community outreach and clean-up. In addition, the City may reimburse Elite Racing up to \$50,000 from the same fund for certain marketing and logistic expenses depending upon the number of on-site race registrants and the number of San Jose hotel room nights that are directly attributable to the event.

Team San Jose/San Jose Convention and Visitors Bureau is also providing financial support for the 2007 Rock 'n' Roll Half Marathon, depending on the number of on-site race registrants and San Jose hotel room nights attributable to the event. In addition, rental of the Convention Center for the Health and Fitness Expo will be supported by Team San Jose's city use fund.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The San Jose Sports Authority, Convention and Visitors Bureau and Team San Jose have participated in discussions about the proposed partnership with Elite Racing, Inc. Date selection for the 2007 *Rock 'n' Roll Half Marathon – San Jose* has been coordinated with the Silicon Valley Marathon. Significant outreach to the downtown business community and affected neighborhoods will be undertaken in the four months leading up to the event.

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COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office; the City Attorney's Office; and Planning, Building and Code Enforcement.

FISCAL POLICY/ALIGNMENT

This high profile sports event supports the City's long-term economic development strategy to increase national recognition and to support the local hospitality industry. It will generate significant transient occupancy tax and sales tax revenue for the City.

These actions further the vision of San Jose as the world's most livable big city, with diverse and distinctive qualities of life; and the City's Economic Development Strategy Initiative 13 to "Encourage Sporting Teams, Events and Facilities, Professional as well as Amateur."

COST SUMMARY/IMPLICATIONS

The agreement with Elite Racing, Inc. will be funded by the City-Wide Sports Opportunity Fund appropriation in the General Fund which is included in the 2007-2008 Proposed Operating Budget with a proposed allocation of \$350,000.

BUDGET REFERENCE

Fund #	Appn #	Appn Name	Total Appn	Amount for Contract	2007-2008 Proposed Operating Budget Page	Last Budget Action
001	3346	Sports Opportunity Fund	\$350,000	\$180,500	Page IX-9	N/A

CEQA

Exempt, PP05-170.



PAUL KRUTKO
Chief Development Officer
City Manager's Office

Attachment

For questions, please contact Irene Ray, Division Manager, at (408) 277-5144 x13.

ATTACHMENT A
Term Sheet for Rock 'n' Roll Half Marathon Agreement
between
Elite Racing, Inc. and the City of San Jose
For the period January 2007 – October 2007

Elite Racing, Inc. agrees to provide:

1. A premier half marathon in San Jose, CA on Sunday, October 14, 2007.
2. A major two-day health and fitness expo at the San Jose McEnery Convention Center.
3. A national broadcast reaching at least 70,000,000 homes.
4. A race with many of the top distance runners in the world.
5. A race with potential to break the record as America's fastest half marathon.
6. A premier headliner concert.
7. A community cheerleading competition along the racecourse.
8. A \$2,000,000 insurance policy to cover the expo and the race itself listing the City of San Jose as an additional insured.

The City of San Jose agrees to provide a grant to Elite Racing which may be expended on the following costs:

1. \$130,500 for the following support activities (costs above the total amount identified will be payable by Elite Racing):
 - a. Services, equipment and personnel related to road closures
 - b. Police and emergency medical personnel
 - c. Access, personnel and assistance from the water department, including hydrant usage
 - d. Community notification regarding course/street closures and assist in distribution
 - e. Services for clean up of the course, start and finish areas
 - f. Trash containers, dumpsters and trash receptacles for start, finish and course locations

In addition to the \$130,500 described above, the City will partner with Elite Racing to fund certain marketing and logistical support expenses up to a maximum of \$50,000. Elite Racing will advance funds for overall marketing and logistical support to attract participants for the event. The City will provide reimbursement to Elite, post-event, based on the below matrix. Both the on-site race registrant number and the number of San Jose hotel room nights attributed to the event must be met in each category to qualify for City funds. The room nights will be managed and captured by Elite Racing's Hotel Department.

Race Registrants Number	Room Nights	City of San Jose Cash
12,500 or less	0-2,500	\$ 5,000.00
12,501-13,000	2,501-3,000	\$ 10,000.00
13,001-13,500	3,001-3,500	\$ 15,000.00
13,501-14,000	3,501-4,000	\$ 25,000.00
14,001-14,999	4,001-6,000	\$ 35,000.00
15,000+	6,001+	\$ 50,000.00

This letter of agreement covers the 2007 Rock 'n' Roll Half Marathon. Elite Racing, Inc. intends to continue this event in San Jose for as long as both parties find it advantageous. The terms of the relationship for 2008 will be determined in discussions to begin November 2007. Negotiations for the 2008 event should be completed by January 31, 2008.