



COUNCIL AGENDA: 05-20-08  
ITEM: 4.2(c)

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Paul Krutko

**SUBJECT:** See below

**DATE:** April 28, 2008

Approved

Date

5/2/08

**COUNCIL DISTRICT:** City Wide

**SUBJECT: ADOPTION OF A RESOLUTION TO APPROVE THE 2008-2009  
BUDGET REPORT AND TO LEVY HOTEL BUSINESS IMPROVEMENT  
DISTRICT ASSESSMENTS FOR FISCAL YEAR 2008-09**

## RECOMMENDATION

Adoption of a resolution to approve the Hotel Business Improvement District budget report for fiscal year 2008-09, as filed or as modified by the Council, and to levy the Hotel BID assessments for 2008-09.

## OUTCOME

Approval of this action will result in the levy of assessments for the upcoming fiscal year of the Hotel Business Improvement District.

## BACKGROUND

The Hotel Business Improvement District ("BID") was established by the Council in 2006 pursuant to the California Parking and Business Improvement Area Law ("BID Law") to provide revenues for marketing efforts and event opportunities including research, re-branding of San Jose, co-op promotions, new promotional materials and sponsorship of room-night generating events. The Council appointed the board of directors of San Jose Hotels, Inc. as the Advisory Board ("Advisory Board") for the BID to advise the Council on the levy of assessments in the BID and the expenditure of revenues derived from the assessments. The Council approved an agreement with San Jose Hotels Inc. for the operation and administration of the BID.

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Pursuant to BID Law, an annual public hearing is required in order to approve the annual budget report and levy the annual BID assessments. On May 6, 2008, the Council preliminarily approved the 2008-09 budget report, as filed by the Advisory Board or as modified by the City Council, and adopted a resolution of intention to levy the annual assessments for fiscal year 2008-09 for the BID. The Council also set May 20, 2008 at 1:30 p.m. as the date and time for the required public hearing on the levy of the proposed 2008-09 assessments. The 2008-09 budget report submitted to the Council on May 6, 2008 is attached to this memo as Attachment A. In accordance with the BID Law, the City Clerk has published the required legal notice with regard to the levy of assessments for fiscal year 2008-09.

### **ANALYSIS**

When a hearing is held under BID Law with regard to the levy of assessments of a BID, the City Council shall hear and consider all protests against the continued authorization of the BID, the extent of the area, the assessments, or the furnishing of specified types of improvements or activities. Protests may be made orally or in writing. Written protests must be filed with the City Clerk at or before the fixed time for the public hearing. BID Law requires that the proceedings shall terminate if protests are made in writing against the continued authorization of the BID by businesses or property owners in the proposed district that will pay a majority of the charges to be assessed. If the majority protest is only against the furnishing of a specified type or types of improvement or activity within the area, those improvements or activities shall be eliminated.

The Advisory Board has prepared a budget report (the "report") attached as Attachment A, for the Council's consideration as the budget for the Hotel BID for Fiscal Year 2008-09. As required by BID Law, the report has been filed with the City Clerk and contains, among other things, a list of the improvements and activities proposed to be provided in the BID in Fiscal Year 2008-09 and an estimate of the cost of providing the improvements and activities. The Advisory Board has recommended no change in the BID boundaries or the method and basis for levying assessments. Therefore, the proposed assessments in the BID for Fiscal Year 2008-09, described in the report, are the same as the original assessments approved for the Fiscal Year 2007-2008.

During the course or upon the conclusion of the public hearing, the City Council may order changes in any of the matters provided in the Advisory Board's report. At the conclusion of the public hearing, the City Council may adopt a resolution confirming the report as originally filed or as modified by the Council. The adoption of the resolution constitutes the levy of the assessment for the fiscal year 2008-09.

### **EVALUATION AND FOLLOW-UP**

The Advisory Board will come before the Council next year to present a report to the Council that proposes a budget for the upcoming fiscal year.

### **PUBLIC OUTREACH/INTEREST**

In accordance with the BID Law, the City Clerk has published the required legal notice with regard to the levy of assessments for fiscal year 2008-09. The budget for Fiscal-Year 2008-2009 was reviewed and approved by the Advisory Board at their board meeting on March 25, 2008.

- 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)**

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office, Finance Department, Planning, Building and Code Enforcement, Budget Office, San Jose Hotels, Inc. and the City Clerk's Office.

### **FISCAL/POLICY ALIGNMENT**

This action is consistent with the Economic Development Strategy approved by the Council, attracting additional hotel guests to San Jose through increased promotion of the area and seeking new event opportunities (Diversify San Jose's Economic Base and Encourage Sporting Teams, Events, and Facilities: Initiatives 8 and 12). The new hotel guests drawn to the area will help drive new money into the local economy generating additional jobs and opportunities for the community.

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### **COST SUMMARY/IMPLICATIONS**

Adoption of the proposed BID budget does not impact City revenue. BID assessments are restricted for use exclusively by the BID. It is anticipated that a healthy Business Improvement District will encourage growth of the retail community and consequently result in additional business tax and sales tax revenue for the City.

### **CEQA**

CEQA: Exempt, File No.PP08-048



PAUL KRUTKO  
Chief Development Officer  
Phone # (408) 535-8181

Attachment



**Hotel BID, Assessments, Boundaries & Board Members**  
**Fiscal Year 2008 -2009**

**Assessment**

0 – 1 mile from the Convention Center	\$2.00*
1 – 3 miles from the Convention Center	\$1.00*
More than 3 miles from the Convention Center	\$0.75*

**Boundaries**

All hotels with 80 or more guest rooms located within the city limits of the City of San Jose.

**Board Members**

Cyril isnard – The Fairmont Hotel  
Clifton Clark – San Jose Marriott  
John Southwell – Hilton San Jose  
Alison Hartman – Hotel De Anza  
Gary Lind – Holiday Inn San Jose  
Rob Balmer – Double Tree San Jose  
Bonnie Best – Hotel Valencia Santana Row

\* Assessment per room for every night the room is occupied.

**San Jose Hotels, Inc.  
Summary Budget  
FY 2008-09**

	<b>Total</b>
Zone A Collections	1,000,334
Zone B Collections	638,814
Zone C Collections	312,891
<b>Total Collections</b>	<b><u>1,952,039</u></b>
<b>Marketing Expenses</b>	
Sales Client Subsidies	397,600
Advertising	235,520
Website Development	65,000
Collateral	13,000
Opportunity Fund	126,500
Trade Shows	340,500
Market Research	120,000
Public Relations	39,200
<b>Total Marketing Expense</b>	<b><u>1,337,320</u></b>
<b>Administrative Expenses</b>	
Accounting Expense	24,000
City Administration	13,596
Professional Fees - Audit	18,000
Local Meetings	4,800
Insurance	3,239
Depreciation	8,964
Interest Income	(32,400)
<b>Total Administrative Expenses</b>	<b><u>40,199</u></b>
<b>Total Expenses</b>	<b><u>1,377,519</u></b>
<b>Excess/(Deficit)</b>	<b><u>574,520</u></b>
Available Sponsorship for FY2008-09	939,720

**San Jose Hotels, Inc.  
FY 2008-09 Budget Detail**

<b>Account #</b>	<b>Account Name</b>	<b>Total</b>
<b>5000-01-170</b>	<b>Sponsorship</b>	
	US Fencing Super National Championships	15,000
	No. American Roller Hockey Championships	65,000
	NVIDIA	90,000
	Generation of Youth for Christ	33,600
	Software Engineering institute	44,000
	CMP Media - Embedded Systems Conf.	40,000
	Canlan Ice Sports	60,000
	Presbyterian Church - 2009 Big Tent Event	50,000
	<b>Total</b>	<b>397,600</b>
<b>6000-05-160</b>	<b>Advertising - Print</b>	
	Convenc Magazine	43,200
	Tradeshaw Week	10,000
	Meetings and Conventions	26,000
	Succesful Meetings	21,000
	Rejuvenate Magazine	11,700
	Sports Travel Magazine	16,620
	MPINCC	12,000
	Smart Meetings	15,000
	Creative Development / Print Outsourcing	25,000
	Direct Mailer - All Markets	10,000
	San Jose Business Journal	5,000
	Festival Promo Mariachi Festival / SJ Jazz	40,000
	<b>Total</b>	<b>235,520</b>
	<b>Website Development</b>	
	Contractor Design and Services	65,000
	<b>Total</b>	<b>65,000</b>
<b>6020-01-160</b>	<b>Collateral</b>	
	General Sales Brochure	6,000
	Sales Folder	7,000
	<b>Total</b>	<b>13,000</b>
<b>6050-01-160</b>	<b>Opportunity Fund - Advertising</b>	
	Magazine Insert - Smart Meetings List	15,000
	<b>Total</b>	<b>15,000</b>

**San Jose Hotels, Inc.  
FY 2008-09 Budget Detail**

<b>Account #</b>	<b>Account Name</b>	<b>Total</b>
<b>6050-02-160</b>	<b>Opportunity Fund - Promo</b>	
	Fraternity Executives Association	13,000
	MPINCC	15,000
	CALSAE	3,500
	Society of Government Meeting Planners	10,000
	Opportunity Funds	70,000
	<b>Total</b>	<b>111,500</b>
<b>6060-01-160</b>	<b>Tradeshows</b>	
	Sales FAM Trips - (Focus - Jazz Festival)	25,000
	Sales FAM Trips - (Focus - AMEX - Intel)	25,000
	American Society of Assoc. Execs w/sponsorship	25,000
	CALSAE Golf Tournament	1,500
	TEAMS Conf. w/ client event or sponsorship	20,000
	Sacramento Client Event	8,000
	CalSAE - Seasonal Spectacular	12,000
	Prof. Conf. Managers Assoc. Conf. (Client Event)	5,000
	Destination Showcase - Washington	
	DC w/sponsorship or event	12,000
	CESSE 2008 - Sponsorship	3,500
	Chicago Area CVB Event Sponsorship	500
	Chicago Focused Client Event	15,000
	DC Sales Mission	15,000
	Colorado Springs Client Event	5,000
	Rejuvenate Marketplace - Event Sponsor	28,000
	Springtime w/ sponsorship or event	25,000
	Affordable Meetings West / Sponsor	15,000
	New York Sales Mission (Tri State - NYC/ NJ/ CT)	50,000
	Nat'l Coalition of Black Meeting	
	Planners - Sponsorship	2,500
	MPI WEC w/ client event or sponsorship	20,000
	Holiday Showcase	12,000
	AMPs Golf Tournament - Sponsorship	1,500
	PCMA Capital Chapter - Sponsorship	9,000
	Tradeshow Booth (Appareal, Equipment, Repairs)	5,000
	<b>Total</b>	<b>340,500</b>
<b>6090-01-160</b>	<b>Research Consultant</b>	
	Market Research Consultant: Projects include: Branding/ Messaging, Comp Analysis, Visitor and Economic Impact Study	40,000
	<b>Total</b>	<b>40,000</b>
<b>6090-03-160</b>	<b>Research - Survey</b>	
	Branding/Messaging	40,000
	Visitor/Economic Impact Study	40,000
	<b>Total</b>	<b>80,000</b>

**San Jose Hotels, Inc.  
FY 2008-09 Budget Detail**

Account #	Account Name	Total
<b>6120-01-160</b>	<b>Public Relations</b>	
	Media Fam Trips (08/08 & Spring 09)	10,000
	Media Fam with Sales Mission	5,000
	Univision Radio Partnership (Mariachi Festival)	10,000
	Update Meetings Podcast	3,000
	Update Video Footage	1,500
	Update Press Kits	2,500
	California Tourism Event NY - Sales Calls	3,200
	California Tourism SF Event	1,000
	Host Quarterly Local P/R Meetings	1,000
	Quarterly "What's New" News Release	2,000
	<b>Total</b>	<b>39,200</b>
<b>7000-01-000</b>	<b>Professional Fees- Audit</b>	
	Petrinovich & Pugh	18,000
	<b>Total</b>	<b>18,000</b>
<b>7010-00-000</b>	<b>Local Meetings</b>	
	Board Meetings	4,800
	<b>Total</b>	<b>4,800</b>
<b>7050-00-000</b>	<b>Insurance</b>	
	General Liability	368
	Directors & Officers	2,871
	<b>Total</b>	<b>3,239</b>
<b>7200-01-000</b>	<b>City Administration</b>	
	City Fee	13,596
	<b>Total</b>	<b>13,596</b>
<b>7300-01-000</b>	<b>Accounting Expense</b>	
	CVB Accounting Fee	24,000
	<b>Total</b>	<b>24,000</b>
<b>7400-00-000</b>	<b>Depreciation</b>	
	Monthly Expense	8,964
	<b>Total</b>	<b>8,964</b>
	<b>Interest Income</b>	
	Interest Income	(32,400)
	<b>Total</b>	<b>(32,400)</b>
	<b>Grand Total</b>	<b>1,377,519</b>