



COUNCIL AGENDA: 06-02-09
ITEM: 4.2(cc)

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: See below

DATE: May 11, 2009

Approved

Christine Shyppin

Date

5/19/09

COUNCIL DISTRICT: City Wide

**SUBJECT: PRELIMINARY APPROVAL OF 2009-2010 BUDGET REPORT,
ADOPTION OF RESOLUTION OF INTENTION TO LEVY 2009-2010
ASSESSMENTS IN THE HOTEL BUSINESS IMPROVEMENT
DISTRICT, AND SETTING THE DATE AND TIME FOR THE PUBLIC
HEARING ON THE LEVY OF ASSESSMENTS**

RECOMMENDATION

Preliminary approval of the report as filed by the Hotel Business Improvement District Advisory Board, or as modified by Council; and adoption of a resolution of intention to levy the annual assessment for Fiscal Year 2009-2010, and set June 16, 2009 at 1:30 p.m. as the date and time for the public hearing on the levy of the proposed assessments.

OUTCOME

Approval of this action will result in a resolution of intention to levy of assessments for the upcoming fiscal year of the Hotel Business Improvement District and set the time and date for the public hearing.

BACKGROUND

The Hotel Business Improvement District ("BID") was established by 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 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.

Pursuant to BID Law, the Advisory Board must come before the Council on an annual basis to present a report to the Council that proposes a budget for the upcoming fiscal year for the BID. The Council must then: 1) review the report and preliminarily approve it as proposed or as changed by the Council; 2) adopt a resolution of intention to levy the assessments for the upcoming fiscal year; and 3) set a date and time for the public hearing on the levy of assessments in the BID. Absent a majority protest at the public hearing, at the conclusion of the public hearing the Council may adopt a resolution approving the budget for Fiscal Year 2009-2010 as filed or as modified by the Council. The adoption of the resolution constitutes the levying of the BID assessments for Fiscal Year 2009-2010.

ANALYSIS

The Advisory Board has prepared a budget report (the “report”) attached as Exhibit 1, for the Council’s consideration as the budget for the Hotel BID for Fiscal Year 2009-10. 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 2009-10 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 2009-10, described in the report, are the same as the assessments for Fiscal Year 2008-2009.

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

The budget for Fiscal Year 2009-2010 was reviewed and approved by the Advisory Board at their board meeting on May 8, 2009.

- 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)**

Honorable Mayor and City Council

May 11, 2009

Subject: Approval of 2009/10 Budget Report – Hotel BID

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COORDINATION

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

FISCAL/POLICY ALIGNMENT

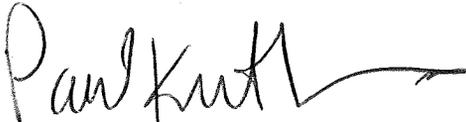
This action is consistent with the Economic Development Strategy approved by the Council, specifically Initiative No. 5, "Support Start up and Growth of Local Businesses, in Tech as well as Non-Tech fields" and Initiative No. 13, "Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Livability." A healthy Business Improvement District will encourage growth of the retail community and consequently result in additional sales tax revenue for the City.

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

For questions, please contact Lee Wilcox at (408) 535-8172

Attachment

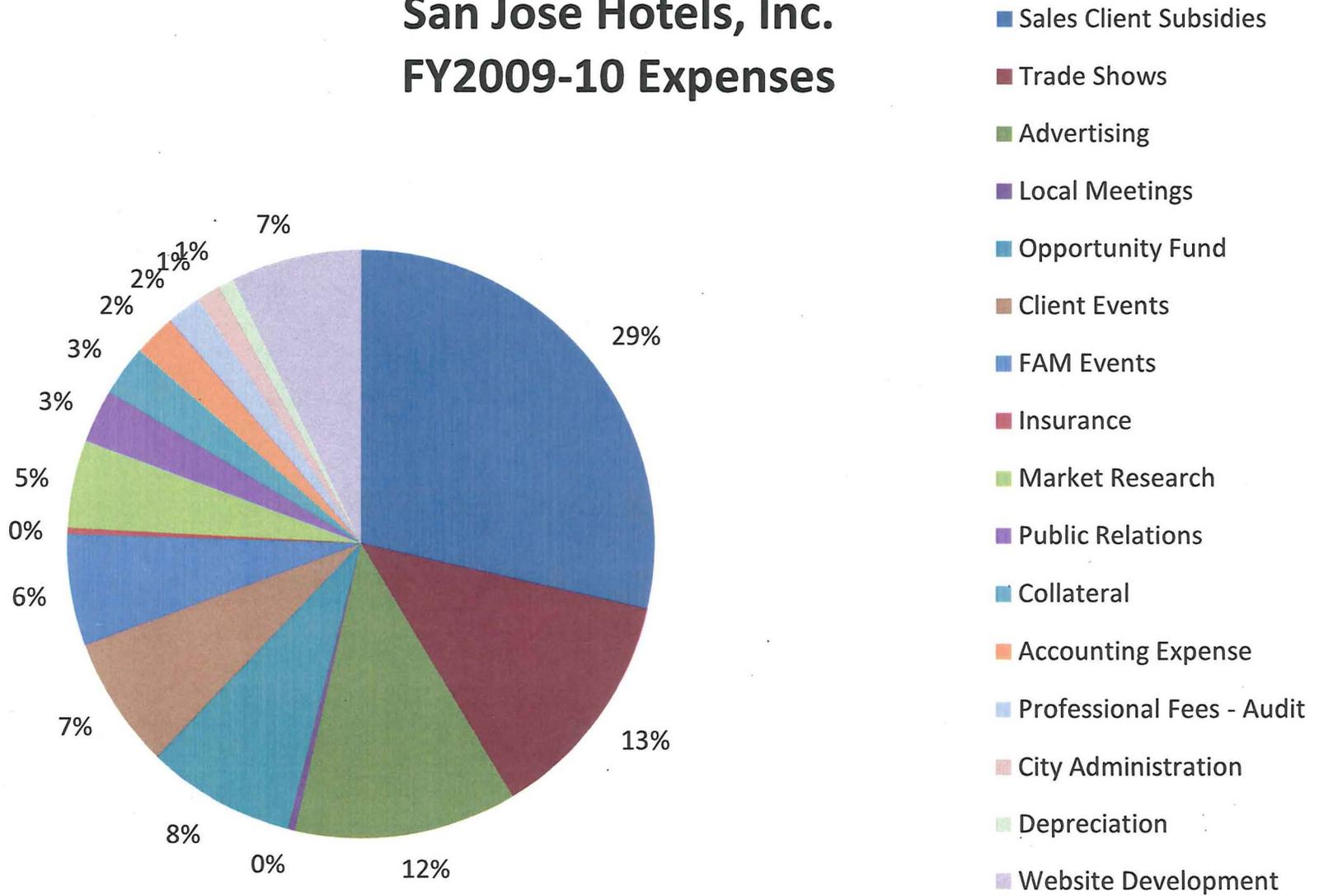


San Jose Hotels, Inc.
Summary Budget
FY 2009-2010

Exhibit 1

	Total
Zone A Collections	734,693
Zone B Collections	455,402
Zone C Collections	220,099
Total Collections	<u>1,410,194</u>
Sales Client Subsidies	296,225
Marketing Expenses	
Advertising	127,550
Website Development	75,000
Collateral	29,000
Opportunity Fund	85,000
Trade Shows	133,000
FAM Events	63,000
Sales Missions	-
Client Events	75,000
Market Research	50,000
Public Relations	30,600
Total Marketing Expense	<u>668,150</u>
Administrative Expenses	
Accounting Expense	24,000
City Administration	13,596
Professional Fees - Audit	19,750
Local Meetings	4,200
Insurance	3,552
Depreciation	8,964
Interest Income	-
Total Administrative Expenses	<u>74,062</u>
Total Expenses	1,038,437
Excess/(Deficit)	<u><u>371,757</u></u>
Sponsorships	
Sponsorships Available	400,840
Business Retention Available	267,226
Sponsorship Target for FY09-10	<u><u>\$668,066</u></u>

San Jose Hotels, Inc. FY2009-10 Expenses



**San Jose Hotels Inc.
FY 2009-2010 Budget Details**

Exhibit 1

Account #	Account Name	Total
5000-01-170	Sponsorship	
	US Water Polo Jr. Olympics	35,000
	National Senior Games	30,000
	League of Calif. Cities	35,000
	Nat'l Head Start Assoc.	48,000
	Greek Orthodox Folk Dance	35,000
	Nat'l Youth Leadership	35,000
	United Business Media	40,000
	Optical Society of America	38,225
	Total	296,225
6000-04-160	Website Development	
	Website Redesign	75,000
	Total	75,000
6000-05-160	Advertising - Print	
	Convene	36,000
	Smart Meetings	25,250
	Rejuvenate	27,300
	Meetings West	39,000
	Total	127,550
6030-01-160	Photography	
	Stock Photo	1,400
	Pro Photo	3,600
	Total	5,000
6040-01-160	Outside Creative	
	Creative Development	24,000
	Total	24,000
6050-02-160	Opportunity Fund - Promo	
	Sales/Marketing Lead Gen	70,000
	Hotels B&C Participation	15,000
	Total	85,000

**San Jose Hotels Inc.
FY 2009-2010 Budget Details**

Exhibit 1

Account #	Account Name	Total
6060-01-160	Tradeshows	
	CESSE	4,000
	Rejuvenate	30,000
	TEAMS	15,000
	Destination Showcase	12,000
	AmEx Sponsorship	15,000
	Springtime	15,000
	Seasonal Spectacular	10,000
	Connect 2009	12,000
	PCMA	9,000
	Tradeshow Misc-Booth Supplies	5,000
	Total	127,000
6060-04-160	Tradeshows - Booth Storage	
		6,000
	Total	6,000
6080-01-160	FAM Event	
	Jazz Fest FAM Tour	40,000
	Sports FAM Tour	15,000
	Local Corp Initiative	8,000
	Total	63,000
6090-03-160	Research - Survey	
	SmithTravel Research	10,000
	EEl Project	20,000
	Comp Analysis	20,000
	Total	50,000
6110-01-160	Client Events	
	DC	25,000
	Chicago	25,000
	Sacramento	10,000
	Indianapolis	5,000
	Colorado Springs	5,000
	Rock'n'Roll Client	5,000
	Total	75,000
6120-01-160	Public Relations	
	Media Fam Trips	2,500
	01SJ Festival	10,000
	Update Video and Podcasts	15,000
	CTTC SF	300
	Local PR Quarterly Mtgs	800
	What's New Releases	2,000
	Total	30,600

San Jose Hotels Inc.
FY 2009-2010 Budget Details

Exhibit 1

Account #	Account Name	Total
7000-01-000	Professional Fees- Audit	
	Petrinovich & Pugh	19,750
	Total	19,750
7010-00-000	Local Meetings	
		4,200
	Total	4,200
7050-01-000	Insurance	
	General Liability	756
	Directors & Officers	2,796
	Total	3,552
7200-01-000	City Administration	
	City Fee	13,596
	Total	13,596
7300-01-000	Accounting Expense	
	CVB Accounting Fee	24,000
	Total	24,000
7400-00-000	Depreciation	
	Monthly Expense	8,964
	Total	8,964
	Grand Total	1,038,437

**Hotel BID, Assessments, Boundaries & Board Members
Fiscal Year 2009-2010**

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 – Doubletree San Jose
Bonnie Best – Hotel Valencia Santana Row
Enos Esquivel – Crowne Plaza San Jose
Gary Hageman – Wyndham Hotels San Jose