



COUNCIL AGENDA: 06-8-10
ITEM: 4.2(a)

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: See below

DATE: May 17, 2010

Approved

Date

5/24/10

COUNCIL DISTRICT: City Wide

**SUBJECT: PRELIMINARY APPROVAL OF 2010-2011 BUDGET REPORT,
ADOPTION OF RESOLUTION OF INTENTION TO LEVY 2010-2011
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 2010-2011, and set June 22, 2010 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 2010-2011 as filed or as modified by the Council. The adoption of the resolution constitutes the levying of the BID assessments for Fiscal Year 2010-2011.

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 2010-2011. 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 2010-2011 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 2010-2011, described in the report, are the same as the assessments for Fiscal Year 2009-2010.

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 2010-2011 was reviewed and approved by the Advisory Board at their board meeting on April 27, 2010.

- 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, 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

/S/

PAUL KRUTKO
Chief Development Officer

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

Attachment



**San Jose Hotels, Inc.
Summary Budget
FY 2010-2011**

	<u>Total</u>
Total Collections	<u>1,493,101</u>
Sales Client Subsidies	543,050
Marketing Expenses	
Advertising	128,000
Event Hosting	35,000
Expansion Launch	100,000
Website Development	25,000
Collateral	22,000
Opportunity Fund	90,000
Trade Shows	127,000
FAM Events	63,000
Client Events	142,650
Market Research	50,000
Public Relations	82,831
Total Marketing Expense	<u>865,481</u>
Administrative Expenses	
Accounting Expense	24,000
City Administration	13,596
Professional Fees - Audit	20,000
Local Meetings	4,200
Insurance	3,552
Depreciation	8,964
Interest Income	-
Total Administrative Expenses	<u>74,312</u>
Total Expenses	1,482,843
Excess/(Deficit)	<u><u>10,258</u></u>

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 of San Jose

Board Members

Vacant – Fairmont San Jose
Clifton Clark – San Jose Marriott
John Southwell - Hilton San Jose
Alison McKennon – Hotel De Anza
Enos Esquivel – Crowne Plaza San Jose
Rob Balmer – DoubleTree San Jose
Gary Hageman – Wyndham Hotels San Jose
Vijay Bhatia – Holiday Inn San Jose
Bonnie Best – Hotel Valencia Santana Row