



COUNCIL AGENDA: 06-22-10
ITEM: 4.1(a)

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: See below

DATE: June 1, 2010

Approved

Date

6/9/10

COUNCIL DISTRICT: City Wide

**SUBJECT: ADOPTION OF A RESOLUTION TO APPROVE THE 2010-2011
BUDGET REPORT AND TO LEVY HOTEL BUSINESS IMPROVEMENT
DISTRICT ASSESSMENTS FOR FISCAL YEAR 2010-2011**

RECOMMENDATION

Adoption of a resolution to approve the Hotel Business Improvement District budget report for fiscal year 2010-2011, as filed or as modified by the Council, and to levy the Hotel BID assessments for 2010-2011.

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.

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 June 8, 2010 the Council preliminarily approved the 2010-2011 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 2010-2011 for the BID, and set June 22, 2010 at 1:30 p.m. as the date and time for the required public hearing on the levy of the proposed 2010-2011 assessments. The 2010-2011 budget report submitted to the Council on June 8, 2009 is attached to this memo as Exhibit 1. 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 2010-2011.

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 time fixed 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 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 changes 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 in Fiscal Year 2009-2010.

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 2010-2011.

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 2010-2011. 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, 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, 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.

Honorable Mayor and City Council
May 26, 2009
Subject: Approval of 2010-11 Budget Report –Hotel BID
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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

	Total
Total Collections	1,493,101
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	865,481
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	74,312
Total Expenses	1,482,843
Excess/(Deficit)	10,258

Attachment 2

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