



COUNCIL AGENDA: 6/5/12  
ITEM: 2.11(a)

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Kim Walesh

**SUBJECT:** SEE BELOW

**DATE:** May 14, 2012

Approved

Date

5/22/12

**SUBJECT: PRELIMINARY APPROVAL OF 2012-2013 BUDGET REPORT, ADOPTION OF RESOLUTION OF INTENTION TO LEVY 2012-2013 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 2012-2013 and set June 19, 2012, 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 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 José, 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.

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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 to advise the Council on the levy of assessments in the BID and the expenditure of revenues derived from the assessments for the benefit of 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 2012-2013 as filed or as modified by the Council. The adoption of the resolution constitutes the levying of the BID assessments for Fiscal Year 2012-2013.

### **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 2012-2013. 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 2012-2013 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 2012-2013, described in the report, are the same as the assessments for Fiscal Year 2011-2012.

### **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**

- 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)**

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The budget for Fiscal Year 2012-13 was reviewed and approved by the Advisory Board at their board meeting on February 28, 2012. This memorandum will be posted to the City's website for the June 5, 2012 City Council meeting.

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office, San Jose Hotels, Inc., Planning, Building and Code Enforcement, 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. 1, "Encourage Companies and Sectors that Can Drive the San José/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure," Initiative No. 2, "Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Vitality," Initiative No. 4, Nurture the Success of Local Small Business," and Initiative No. 10, "Continue to Position Downtown as Silicon Valley's City Center." 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**

Exempt, File No. PP08-048.

/s/

KIM WALESH  
Director of Economic Development  
Chief Strategist

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

Attachment





### **San Jose Hotels Inc FY 2012-2013**

The San Jose Hotels Inc, or the Hotels Business Improvement District (HBID) is a non-profit corporation established and driven by San Jose hotels to provide funding for initiatives which help boost leisure and meeting travel business.

HBID partners include 35 San Jose hotels, each with more than 86 rooms, are assessed a fee which are pooled and invested in board-approved programs designed to increase hotel room night bookings. The funds are invested in two strategic priorities:

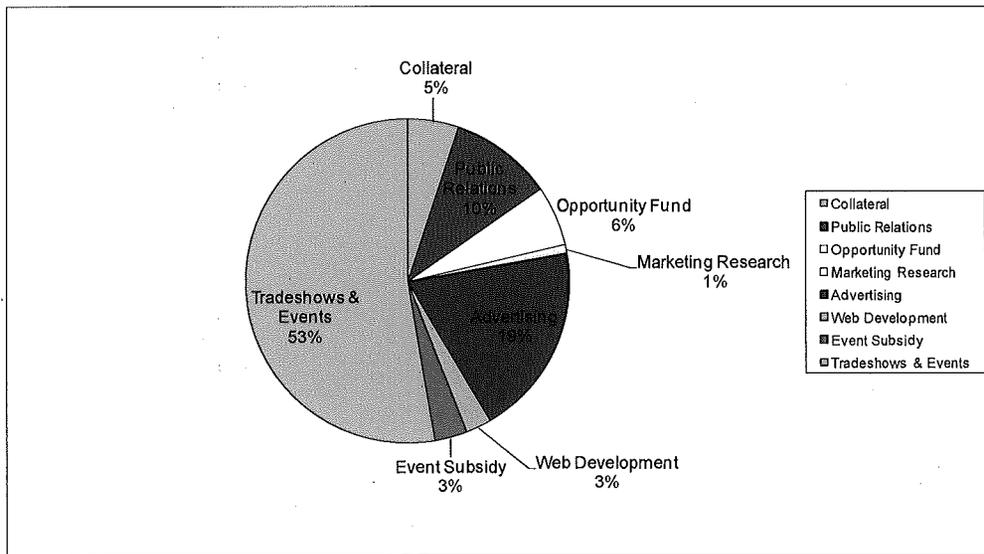
- 1) Provide incentives to potential meeting planners to secure citywide conventions to San Jose; and
- 2) Provide more marketing and PR opportunities to increase room night bookings to San Jose hotels.

The FY 2012-2013 budget forecast includes a 3.9% decrease in FY 2012-2013 HBID Collections (corresponds to a decrease in hotel occupancy due to economic factors and a much-needed convention center expansion and renovation construction that will help us attract more business in the long run). The HBID leadership's budget priority maintains a 50/50 split between Sales Subsidies (business incentives) and Marketing/PR Funding to attract business to San Jose for FY 2012-2013. HBID assessment is driven by hotel occupancy, as there is a flat fee assessed per hotel zone based on room occupancy. Hotel occupancy in the downtown or Zone A will be impacted the most due to Convention Center expansion and renovation project and this zone pays the highest fee District-wide. While Transient Occupancy Tax revenue is forecasted to increase in FY 2012-2013, room hotel occupancy is forecasted to slightly decrease.

San Jose hotels, through HBID, continue to partner with the City of San Jose, leveraging resources to drive tourism which benefits the local economy -- not only hotels, but also the convention center and surrounding businesses downtown such as restaurants, museums, performing arts, etc. HBID collections is driven by a tiered assessment, with hotels closest to the convention center charged a higher assessment than those further from the convention center. This tiered assessment provides a fair way to charge partners based on their perceived benefit from HBID programs, with those closest to the center more likely to gain the highest business.

<b>Top Level Budget FY 2013</b>	
<b>Revenue</b>	
Total Collections	1,735,933
Retention Fund	664,532
Marketing and PR Expansion Launch	238,000
<b>Total Revenue</b>	<b>2,638,465</b>
<b>Sponsorship Expenses</b>	
New Sponsorship 50% split	810,467
Retention Fund	664,532
<b>Marketing Expenses</b>	
Marketing and PR Expansion Launch	238,000
<b>Total Marketing Expense 50% split</b>	<b>810,467</b>
<b>Administrative Expenses</b>	
<b>Total Administrative Expenses</b>	<b>115,000</b>
<b>Total Expenses</b>	<b>2,638,465</b>

**HBID Budget Breakdown for Marketing and PR Priorities:**



## Marketing and PR Scope of Work:

Collateral	\$	60,000.00
Public Relations	\$	120,805.00
Opportunity Fund	\$	70,000.00
Marketing Research	\$	10,000.00
Advertising	\$	228,000.00
Web Development	\$	30,000.00
Event Subsidy	\$	38,500.00
Tradeshows & Events	\$	619,900.00
	\$	<u>1,177,205.00</u>

## HBID Marketing and Communications/Media Relations Strategy

The above budget is driven by a Board of Directors made up of partner San Jose hotels leaders. This Board approved a contract with Team San Jose Inc., to execute their marketing, sales, PR and financial scope of work. Team San Jose provides recommendations for the HBID Board to consider, but ultimate approval of budget and priorities falls to San Jose hotels leadership.

The above scope of work is driven by the following high level strategies:

- Top Priority: Maximize opportunities around expansion and renovation to reach new clientele and re-connect with established accounts
- Launch the convention center expansion sales, marketing and PR campaign
- Focus on points of differentiation for both TSJ and San Jose: model and location
- Develop key industry partnerships to maximize return on marketing investments
- Increase investment in Tradeshows & Events and Advertising
- Continue to develop web portal as sales tool
- Targeted media opportunities and leverage expansion project announcements

## Expansion and renovation marketing after 100% design

- Utilize targeted lists and other initiatives to secure new City-Wide business
- Capitalize on San Jose's new competitive position with additional square footage
- Limited availability during renovation in FY 2013 will drive focus for sales goals
- Continue positive, proactive PR efforts through targeted media destination tours and media missions

## **FY 2011-2012 ACCOMPLISHMENTS**

### **MARKETING**

- **Marketing & Sales Results**
  - Finished 1<sup>st</sup> Half of the year at 126,849 room nights or 118% of goal
  - Current definite Room Nights for all future years at 110% over the same time last year
  - Increased sales opportunities by 110% over the same time last year
  - Sales funnel is currently at 123% over the same time last year
- **Tradeshows and events**
  - Held 12 Tradeshows and Events, reaching 2,724 planners
  - Direct Lead Source of 76 events and 113,637 potential Room Nights, a 153% increase over same time last year
- **Advertising**
  - Increased Impressions by 220% over same time last year
  - Leveraged increased exposure with more PR placements
- Placed 26 placements in 13 publications
- Developed new collateral to match 100% design of expansion/ renovation program
- Developed Client Testimonial program with the Client Advisory Board
- Planning the launch of San Jose Civic, partner with PR and Theater Team
- Republish San Jose Official Visitor Guide as a quarterly publication
- Publishing new edition of San Jose MPG

### **Web:**

- Conclude development of destination Sales Sheets
- Meeting Planner site optimization and new sales tools including virtual tours and mobile applications
- Focus on usability for Meeting Planner site

- Development of theaters selling tools
- Update Sales presentation – PowerPoint and Online tools
- Integration of Client testimonials and new Convention Center collateral into online space

## **COMMUNICATIONS & PUBLIC RELATIONS**

- August Media Familiarization Tour
  - Mixed media represented
  - Recent and ongoing Coverage in Washington Times, Trade Media
  - Building media relationships for future exposure
- Fielding Media Requests and Exposure
  - Positive press with events to San Jose, i.e Rejuvenate, US Figure Skating, etc.
- Convention Center Expansion project launch and coverage
- Media Missions to NY
- Continued positive momentum with media interest in upcoming media FAMs
- Supported Sales Missions and Sales Announcements
- Other Media announcements coverage
  - Fiscal and Economic Results
  - Removal of RFP
  - New Sales Deployment and Strategy to Prepare for Expansion
  - Arts, Culture, Leisure media awareness
- Executed Advertorials about San Jose and the destination
- Quarterly Destination What's New and Events Releases
- Trade media story pitching opportunities and Advertorials
- Celebrating Expansion milestones
- New Hotel and Destination developments
- Maximizing PR for San Jose Events

- SMX Marketing Expo, US Figure Skating, etc.
- Partner with Marketing on Client Advisory Board Testimonials Campaign
- Press Kit Revisions
- 2 upcoming Spring media destination tours
- Press events around expansion milestones
- Press support for various upcoming convention center events

## **PARTNERSHIP OPPORTUNITIES**

- California Travel Tourism Commission
- San Jose Business Journal, Trade media publications partnerships
- Nederlander Concerts and San Jose Broadway
- San Jose Mineta International Airport partnership to leverage awareness about San Jose as a destination