



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Kimberly Welsh  
Hans F. Larsen

**SUBJECT:** AGREEMENT WITH  
SAN JOSE DOWNTOWN  
ASSOCIATION

**DATE:** May 29, 2012

Approved

Date

6/7/12

**COUNCIL DISTRICT: 3**

## RECOMMENDATION

Authorize the City Manager to negotiate and execute a Services Agreement with the San Jose Downtown Association for the period of July 1, 2012 through June 30, 2013, for an amount not to exceed \$320,000.

## OUTCOME

Approval by City Council will result in the negotiation and execution of an agreement with San Jose Downtown Association ("SJDA") for services including marketing the City's Downtown Parking Program, Downtown Place Promotion, business retention and expansion and Downtown events that would continue through June 30, 2013, to align with the City's Downtown Strategy.

## BACKGROUND

On December 7, 2011, the Rules Committee directed the City Manager to assess and consider a recommendation for a potential services agreement with the SJDA for FY 2012-13 promotions, events and marketing programs, to be paid from the Parking Fund. Rules Committee further directed the City Manager to return with a recommendation for review by the Community and Economic Development ("CED") Committee in January 2012, and then proceed with the FY 2012-13 budget process.

On January 23, 2012, City staff updated the Community and Economic Development committee on negotiations and the City's intent to ensure any possible future agreement help move the City's adopted Downtown Strategy. In addition, the Mayor's March Budget Message, which was approved by the City Council, further directed staff to "allocate \$260,000 in one-time funds from the Parking Fund to the San Jose Downtown Association. The scope of work will include services related to downtown business retention and recruitment, promotion, and event

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production. There is \$40,000 in funding is available from Transient Occupancy Tax ("TOT") funds and an additional \$20,000 in funding is available through the Environmental Services Department ("ESD") grant program. This will ensure that the funding level for the Downtown Association remains the same as the current year, which was a large reduction from the previous year."

The San Jose Downtown Association represents business and property owners and works to enhance downtown's vitality and livability. The non-profit, membership-based organization was founded in 1986 and has played a vital role in Downtown.

For nearly 25 years the SJDA has received funding from the Redevelopment Agency ("Agency") to provide services Downtown, chiefly event production and place promotion, through a contract services agreement. The FY 2011-2012 year agreement is for \$250,000; the agreement totaled \$610,000 in FY 2010-2011 and \$640,000 in FY 2009-2010. Due to state action eliminating redevelopment agencies, Agency funding for SJDA services will not continue in FY 2012-13.

In addition to the contract services agreement with the Agency, SJDA currently receives funding from two City sources:

- *Department of Transportation Parking Promotion Agreement: \$70,000.* SJDA provides various marketing and outreach activities for the Downtown Parking Program. The three-year agreement ends June 30, 2012 and has two, one-year options to extend. Activities include: marketing campaign to promote various parking programs (primarily the validation program), special event and holiday advertising, promoting and updating the parking website.
- *Office of Cultural Affairs Competitive Grant Program: \$60,911.* Through the TOT-based "Festivals, Parades and Celebrations" competitive grant program, the SJDA was awarded funds to produce Downtown Ice, Music in the Park, Starlight Cinemas, and the Downtown Doors project (through the San Jose Downtown Foundation).

The combined amount of Agency/City funding for SJDA in FY 2011-12 is \$380,911.

## ANALYSIS

Since December 2011 City staff from the Office of Economic Development and Department of Transportation met with the SJDA on a number of occasions about a potential services agreement for Downtown. At this meeting, the SJDA shared their proposals for new events that would help program the Downtown during the summer of 2012.

City staff also familiarized themselves with the scope of services that had been funded previously through the Redevelopment Agency. Due to the City's constrained budget, it is imperative that any potential future funding of SJDA be considered and allocated to advance

current priorities set for Downtown by the Office of Economic Development, the CED Committee, and Mayor/Council.

### **Current Downtown Strategy**

As reported to the CED Committee in September 2011 and January 2012, the loss of the Redevelopment Agency staff and resources has forced the Office of Economic Development and its partners to focus and prioritize Downtown efforts. These priorities include:

1. Position Downtown San José as an easy-to-access, high-value, and distinct work environment for start-ups, scaling businesses, and corporate headquarters.
2. Maintain a dialogue with existing downtown businesses and build relationships and information base through in-person visits.
3. Continue to create a vibrant and safe environment attractive to a diverse range of employers, residents and visitors.
4. Enhance the competitiveness and success of the San Jose Convention Center and Downtown cultural facilities.

Underlying all of this is the high-priority need to drive down the high commercial vacancy rate, currently around 24%. Improvement in the commercial vacancy rate will have a positive trickle-down effect for our supporting businesses in Downtown and for City revenue, including revenue from parking garages. While many factors affect company location decisions, it is clear that Downtown's attractiveness to young professional talent is increasingly important. The recent City partnership with PricewaterhouseCoopers on their iLead Challenge demonstrates the power of connecting young professionals to Downtown through focused engagement efforts.

Staff recommends that any possible future funding for the SJDA be aligned with the current Downtown Strategy.

The key elements of the new Services Agreement are as follows:

#### *Term*

The term of the Agreement is from July 1, 2012 until June 30, 2013.

#### *Renewal*

The Agreement provides no renewal option.

*Scope of Services*

The scope of services requires SJDA to implement or continue the following programs:

- **Parking Program** – provide various marketing and outreach activities for the Downtown Parking Program with the overall objective to stimulate economic activity and vibrancy of the Downtown, increase parking activity and revenue in City parking facilities, improve and upgrade the parking website, and support positive customer parking experiences.
- **Downtown Place Promotion** – better leverage existing activities and entertainment options with the launch of “Live & Local,” develop way-finding signage and produce a year-round awareness campaign around Downtown as a destination for summer, holidays and arts and cultural experiences.
- **Office Retention and Expansion** – the Office of Economic Development and SJDA have developed a joint business development program that is aimed at driving the commercial vacancy rate downward. Under this program, with additional resources outside this Agreement, the SJDA will be assisting the City with business retention visits, implementing Downtown’s “Welcome Wagon” for new businesses, communicating the Choose Downtown messaging to potential new Downtown businesses and assist businesses with the pre-lease and pre-permitting phase of opening a business together with the Office of Economic Development and Development Services.
- **Downtown Events** – SJDA will continue to strengthen the connection that residents, employees and visitors have to Downtown and increase Downtown’s reputation as an attractive location for businesses and employees via new summer programming, Downtown Ice Rink, Farmers’ Market, Dine Downtown, Outdoor Cinema and the SoFA Street Market.

*Performance and Reporting Requirements*

SJDA is responsible for developing quarterly reports for review by the City. SJDA and the City will meet quarterly to review the report and results of SJDA’s services relative to support of the adopted Downtown Strategy. In addition, the Office of Economic Development and SJDA will meet monthly to coordinate on the Downtown Business Development Program.

*Communications Working Group*

The 2007 and 2008 Mayor’s Budget Message directed the City Manager to work with the Mayor’s Public Information Officer (“PIO”) to conduct research into the scope of San José-funded marketing efforts. The outcome of this effort was the Communication’s Working Group (“CWG”), which is chaired by the Mayor’s PIO. Consistent with Council direction and other agreements between the City and San José-funded marketing organizations, this Services Agreement requires SJDA to participate in the CWG.

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

City staff from the Office of Economic Development and the Department of Transportation will be evaluating the Services Agreement and SJDA performance over the next year to develop recommendations for possible future agreements.

### **PUBLIC OUTREACH/INTEREST**

City staff and SJDA met on a number of occasions to develop and negotiate the proposed Services Agreement. In addition, City staff presented a draft scope of services to the San José Art's Commission. The proposed agreement with the SJDA was discussed with, and approved by, the Downtown Parking Board at their May 2, 2012 meeting. This memorandum will be posted on the City's website for the June 19, 2012 Council agenda.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 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)**
- Criterion 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 was coordinated with the Budget Office, Office of Cultural Affairs and City Attorney's Office.

### **COST SUMMARY/IMPLICATIONS**

Funding for this agreement was assumed in the development of Source and Use of Funds for the General Purpose Parking Fund in the 2012-2013 Proposed Operating Budget. The TOT funding was assumed in the development of the 2012-2013 Cultural Funding Portfolio, consistent with the TOT Cultural Development allocations included in the 2012-2013 Proposed Operating Budget. The \$20,000 in funding from the ESD Grant Program is subject to the competitive process and has not yet been formally awarded.

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**CEQA**

Not a Project, File No.PP10-066 (e), Agreements/Contracts.

/s/  
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Chief Strategist

/s/  
HANS F. LARSEN  
Director of Transportation

For questions please contact Leland Wilcox, Downtown Manager, at 408-535-8172.