



Memorandum

TO: RULES COMMITTEE

FROM: Councilmember Sam Liccardo

SUBJECT: **POTENTIAL CONTRACT
SERVICES AGREEMENT WITH
SAN JOSE DOWNTOWN
ASSOCIATION**

DATE: November 30, 2011

APPROVED: _____

11-30-11

RECOMMENDATION

Direct the City Manager to assess and consider a recommendation for a potential contract services agreement with the San Jose Downtown Association (SJDA) for FY 2012-13 promotions, events and marketing programs, to be paid from the Parking Fund. Return with a recommendation for review by the CED Committee in January, 2011, and then proceed with the FY 2012-13 budget process.

BACKGROUND

The Parking Fund

The Parking Fund received revenues of approximately \$9.6 million in the last fiscal year. City lots and garages earned 62% of their revenue from regular and occasional visitors to the downtown, while the remainder comes from monthly parking fees paid by downtown employers, many of whom are SJDA members. A significant number of those occasional parking customers attended an event, such as Dine Downtown, Downtown Ice, Starlight Cinemas, Music in the Park, or the Farmer's Market, all created and promoted by the SJDA.

Higher-than-expected revenues and belt-tightening have increased the net revenues to the Fund's reserve balance by some \$2 million when compared to the Fiscal Year 2010-11 Adopted Budget, turning an anticipated \$1 million reduction to the reserve balance into a \$1 million increase. Of course, more claims are being made on that balance than ever before, particularly to cover bonded indebtedness on the 4th and San Fernando Street Garage. Nonetheless, growing the Fund with additional Downtown activity provides the surest path to sustaining the Fund long-term.

Current Public Funding for the Downtown Association

Like many of the City's partner organizations, the SJDA has taken a serious hit in financial support, including a 62% reduction in Redevelopment Agency (RDA) funding for the current year. The RDA currently pays \$250,000 for the SJDA's promotional, events and marketing services. Since the RDA will not likely participate in any new agreements next year, we should begin to explore alternative sources of funding if we wish to continue SJDA promotional programs, in addition to its business outreach and retention efforts.

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The current RDA agreement with SJDA has clear, detailed performance measures. SJDA provides detailed quarterly written reports to RDA, and participates with the Mayor's Communications Working Group to coordinate marketing messages with citywide partners. SJDA leverages every dollar of RDA support with 13 dollars, much of which comes from member businesses, property owners, and event sponsors. In this time of scarcity, precisely this private-public partnership provides a model for the future.

Downtown Programs for 2012

SJDA will substantially reinvent its event programming for next summer, supplanting the Music in the Park concert series with a host of new events. Based on what I could garner from a recent Downtown Association meeting, the programming promises to cater increasingly to families. It will feature after-work events focused on young professionals, and it will further the City's live music strategy by focusing on promoting and programming live music in a variety of Downtown venues. All of these concepts require adequate lead time to develop the new events, solicit sponsors, book performers, and obtain City permits.

The City Manager's Office should review these concepts with the SJDA, and if an agreement is ultimately developed determine the target market and scope of the programming to ensure maximum benefit and return for Downtown and the City. In addition, the City Manager should evaluate how the City's existing parking marketing agreement and funds can best be integrated and leveraged with this potential new promotions agreement, as well as City's grant funding through the Office of Cultural Affairs.

Why Now, and Why The Parking Fund?

Waiting until the end of the budget cycle next spring will not allow SJDA enough time to commit to new productions and develop the sponsor, marketing and partner support required. Obtaining some indication from City staff, with input by the CED Committee by the end of January, will enable the SJDA to move forward and develop new summer event programming.

Why should we consider looking to the Parking Fund for support of downtown events promoted by SJDA? As noted above, Downtown events help contribute parking revenues to the Parking Fund, and much of the remainder comes from downtown businesses that constitute SJDA members. The Parking Fund will benefit from the survival of those events, and very much depends on the vibrancy of the Downtown, which is vital to companies attracting young professionals. Through the continuation of special events in the Downtown, the City will advance its economic and cultural development goals and position Downtown as the Urban Center of Silicon Valley.