

OFFICE OF ECONOMIC DEVELOPMENT

Impact Analysis Report

OVERVIEW

The Office of Economic Development (OED) is responsible for administering the City's Foreign Trade Alternative Site Framework (ASF) Zone and various fees and permits associated with cultural activities.

Maintaining a Foreign Trade Zone enhances the City's economy and prestige as a foreign trade-friendly international city and it is an important international economic development tool. The ASF Zone fees were established on November 5, 2012 to provide San José businesses an expedited application review process by the City and the Foreign Trade Zone Board for businesses who want to activate a site as a Foreign Trade Zone.

In addition, OED administers the application review for the Wayfinding Banner program. Wayfinding banners are directional in nature to identify a unique area of the City and are limited to streets in the Downtown and major arterials.

The Office of Cultural Affairs (OCA), a division of OED, collects fees for activities such as event permit and use permit fees. Consistent with past practice, these fees and charges are designated as Category II (fees which may be less than or more than full cost recovery).

On April 6, 2010, the City Council approved strategies to reduce charges to outdoor special event producers with the goal of promoting outdoor special events that generate economic impact and cultural vibrancy for the City of San José. In accordance with direction, the Gated Event on

Public Property Fee was suspended through June 30, 2012 (from 5% of gross gate receipts to 0%). Extension of the fee suspension through June 30, 2014 was approved by the City Council on May 1, 2012 to provide continued opportunity for event producers to increase revenues through 2013-2014. On April 15, 2014, City Council approved an additional extension of the fee suspension through June 30, 2016. On June 14, 2016, the City Council approved an additional extension of the fee suspension through June 30, 2018. As a result of the suspension, signature San José events such as the San Jose Jazz Summer Fest, San Jose Juneteenth in the Park Festival, San Jose Pride, and Fountain Blues Festival were able to increase their revenue generation, which was critical to the continued success of these events. A continuation of this suspension is recommended through June 30, 2020 in this report.

SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

Existing Fees

Included in this report is a recommendation to continue the suspension of the Gated Event on Public Property Fee through June 30, 2020. If Council approves this recommendation, event organizers who choose to collect entrance fees for their events will continue to receive and retain additional revenues to help offset event production costs. The 5% gate fee revenue traditionally augments the Transient Occupancy Tax (TOT) based grant funds awarded through the Festival, Parade and Celebration (FPC) Grant Program administered by the OCA.

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SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

Existing Fees (Cont'd.)

The extension of this suspension will continue to reduce the amount of available funds in the FPC Grant Program. If the suspension is allowed to expire, the projected impact to the FPC Grant Program is estimated to be between \$45,000 and \$48,000 in revenue per year for 2018-2019 and 2019-2020.

Additionally, it is recommended that the Gated Event Maximum Ticket Charge be increased from \$30 per person per day to \$35 per person per day to account for consumer price index adjustments over the past several years. This maximum ticket charge amount has not been adjusted since 2010-2011.

NOTIFICATION

The Proposed Fees and Charges Report was released on May 4, 2018, allowing for a minimum of 10 days for public review. Public input on fee proposals will be heard by the City Council at public hearings held on Tuesday, May 15, 2018, at 1:30 p.m. and Monday, June 11, 2018, at 6:00 p.m. in the Council Chambers.

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

| Service | 2017-2018 Adopted Fee | 2017-2018 % Cost Recovery | 2018-2019 Proposed Fee | 2018-2019 Estimated Cost | 2018-2019 Estimated Revenue | | 2018-2019 % Cost Recovery | |
|---|---|---------------------------------|---|--------------------------------|--------------------------------|-----------------|------------------------------|-----------------|
| | | | | | Current Fee | Proposed Fee | Current Fee | Proposed Fee |
| ECONOMIC DEVELOPMENT - CATEGORY II | | | | | | | | |
| 1. Foreign Trade Alternative Site Framework Zone | | | | | | | | |
| 1 Annual Operating Agreement Maintenance Fee | \$300 | | No Change | | | | | |
| 2 Application Fee | \$525 | | No Change | | | | | |
| 3 Operating Agreement Set-Up Fee | \$2,775 | | No Change | | | | | |
| Sub-total Foreign Trade Alternative Site Framework Zone | | 98.9% | | 1,274 | 1,200 | 1,200 | 94.2% | 94.2% |
| 2. Gated Event on Public Property | | | | | | | | |
| 1 Gated Event Maximum Ticket Charge | Maximum \$30 per person per day (unless modified by a contractual agreement approved by City Council) | | Maximum \$35 per person per day (unless modified by a contractual agreement approved by City Council) | | | | | |
| 2 Gated Event on Public Property Fee Note:Extend fee suspension through June 30, 2020. | 0% of gross gate receipts (unless modified by a contractual agreement approved by City Council) | | No Change | | | | | |
| Sub-total Gated Event on Public Property | | | | | | | | |
| SUB-TOTAL ECONOMIC DEVELOPMENT - CATEGORY II | | 98.9% | | 1,274 | 1,200 | 1,200 | 94.2% | 94.2% |
| TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II | | | | | | | | |
| 1. Parque de los Pobladores (also known as Gore Park) Use Permit | | | | | | | | |
| 1 Amendment Fee | \$35 (for previously approved event) | | No Change | | | | | |
| 2 Cleaning and Damage Deposit | \$1,500 (refundable) | | No Change | | | | | |
| 3 Series Permit Fee* | \$105 (series up to 4 events held in 3-month period) | | No Change | | | | | |

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

| Service | 2017-2018 Adopted Fee | 2017-2018 % Cost Recovery | 2018-2019 Proposed Fee | 2018-2019 Estimated Cost | 2018-2019 Estimated Revenue | | 2018-2019 % Cost Recovery | |
|--|---|---------------------------------|---------------------------|--------------------------------|--------------------------------|-----------------|------------------------------|-----------------|
| | | | | | Current Fee | Proposed Fee | Current Fee | Proposed Fee |
| TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II | | | | | | | | |
| 1. Parque de los Pobladores (also known as Gore Park) Use Permit | | | | | | | | |
| 4 Single-Use Permit Fee* | \$65 (1 to 3 (consecutive) day period for a single event) | | No Change | | | | | |
| Sub-total Parque de los Pobladores (also known as Gore Park) Use Permit | | 69.3% | | 333 | 235 | 235 | 70.6% | 70.6% |
| 2. Paseo/Plaza Use Permit | | | | | | | | |
| 1 "Non-Peak" Extended Permit Fee (Cleaning and Damage Deposit) | \$1,500 (refundable) | | No Change | | | | | |
| 2 "Non-Peak" Extended Permit Fee* | \$285 plus \$285 per each 28 day period (or portion thereof), after the first 28 day period | | No Change | | | | | |
| 3 Easy Urbanism Permit Fee* | \$150 per permit | | No Change | | | | | |
| 4 Limited Special Event and Guaranteed Simple Assembly Permit Fee | \$45 per permit | | No Change | | | | | |
| 5 Permit Amendment Fee | \$245 | | No Change | | | | | |
| 6 Series Events Permit Fee (Cleaning and Damage Deposit) | \$1,500 (refundable) | | No Change | | | | | |
| 7 Series Events Permit Fee* | \$440 | | No Change | | | | | |
| 8 Short-Term Event Permit Fee (Cleaning and Damage Deposit) | \$1,500 (refundable) | | No Change | | | | | |
| 9 Short-Term Event Permit Fee* | \$290 per event not to exceed 28 days including set-up and teardown | | No Change | | | | | |

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

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|---|--------------------------|---------------------------------|---------------------------|--------------------------------|--------------------------------|-----------------|------------------------------|-----------------|
| | | | | | Current Fee | Proposed Fee | Current Fee | Proposed Fee |
| TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II | | | | | | | | |
| 2. Paseo/Plaza Use Permit | | | | | | | | |
| 10 Street/Public Sidewalk - Additional Inspection Fee | \$100 per return visit | | No Change | | | | | |
| Sub-total Paseo/Plaza Use Permit | | 81.5% | | 7,538 | 5,695 | 5,695 | 75.6% | 75.6% |
| 3. Permit Cancellation | | | | | | | | |
| 1 Permit Cancellation Fee - 30 days or less notice Note: Applicable to those permits marked with an asterisk (*). | 50% of permit fee | | No Change | | | | | |
| 2 Permit Cancellation Fee - More than 30 days notice Note: Applicable to those permits marked with an asterisk (*). | 25% of permit fee | | No Change | | | | | |
| Sub-total Permit Cancellation | | | | | | | | |
| 4. Private Property Event Permit | | | | | | | | |
| 1 Administrative Process Fee for Downtown Core Note: Formerly titled "Administrative Process Fee." | \$110 per permit | | No Change | | | | | |
| 2 Private Property Event Permit - Limited Tent Fee* | \$450 per event | | No Change | | | | | |
| 3 Private Property Event Permit - Reoccurring Site Location Fee* | \$450 per event | | No Change | | | | | |
| 4 Private Property Event Permit Fee* Note: Formerly titled "Non- Vehicle Sales Event" | \$850 per event | | No Change | | | | | |
| Sub-total Private Property Event Permit | | 81.3% | | 9,348 | 8,010 | 8,010 | 85.7% | 85.7% |

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ECONOMIC DEVELOPMENT

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|--|--------------------------|---------------------------------|---------------------------|--------------------------------|--------------------------------|-----------------|------------------------------|-----------------|--|
| | | | | | Current Fee | Proposed Fee | Current Fee | Proposed Fee | |
| TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II | | | | | | | | | |
| 5. Wayfinding Banner Application | | | | | | | | | |
| 1 Wayfinding Banner Application Additional Review Fee | \$98 per hour | | No Change | | | | | | |
| 2 Wayfinding Banner Application Review Fee | \$575 per application | | No Change | | | | | | |
| Sub-total Wayfinding Banner Application | | | | | | | | | |
| SUB-TOTAL TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II | | 80.9% | | 17,219 | 13,940 | 13,940 | 81.0% | 81.0% | |
| TOTAL DEPARTMENT - GENERAL FUND | | | | 1,274 | 1,200 | 1,200 | 94.2% | 94.2% | |
| TOTAL DEPARTMENT - NON-GENERAL FUND | | | | 17,219 | 13,940 | 13,940 | 81.0% | 81.0% | |
| TOTAL DEPARTMENT - Category II | | | | 18,493 | 15,140 | 15,140 | 81.9% | 81.9% | |
| TOTAL DEPARTMENT | | | | 18,493 | 15,140 | 15,140 | 81.9% | 81.9% | |