



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Torres

SUBJECT: SEE BELOW

DATE: June 18, 2024

Approved

Date: 6/18/24

SUBJECT: AMENDMENT TO THE AGREEMENT WITH TEAM SAN JOSE

RECOMMENDATION

1. Accept the staff recommendation to adopt a resolution authorizing the City Manager or her designee to negotiate and execute the Third Amendment to an agreement with Team San José to operate the convention center and four cultural facilities, and the Second Amendment to an agreement with Team San José to operate as the convention and visitor bureau, for the final five-year option term from July 1, 2024, to June 30, 2029.
2. Accept recommendations 2.1, 2.2, and 3 in the Mayor, Councilmember Davis, Cohen, and Foley Memo.
3. Amend item 2.4 to read "Using industry knowledge captured from the RFI, release an RFP at least 18 months before the final 5-year options with TSJ expires."

DISCUSSION

The pandemic has profoundly impacted downtowns across the country, often leading to what is referred to as the "doom loop." However, thanks in part to the efforts of Team San José, San José has managed to avoid this fate. According to the Mercury News, downtown San José has experienced a remarkable 28.2% increase in visits, ranking 8th in North America.¹ This recovery can be attributed to our city's strategic investments in downtown revitalization and our collaborations with partners like Team San José and our Arts and Cultural Organization. Together, we are witnessing the recovery of our downtown and the emergence of a vibrant urban core.

Looking ahead to 2026, San José is gearing up for a significant year with major events such as Super Bowl 60, March Madness, and the FIFA World Cup converging in the South Bay. It is

¹ <https://www.mercurynews.com/2024/05/09/economy-san-jose-oakland-downtown-jobs-restaurant-store-tech-property/>

imperative that San José positions itself as the premier destination for these world-class sporting events. Team San José, in addition to the City and our other partners, must proactively market our city in anticipation of these events.

The stakes are high beyond the economic impact; over 1,400 individuals are employed by Team San José, and their livelihoods would be jeopardized if Team San José's contracts are not continued. This includes the direct employees and their families who depend on them. The potential consequences would be particularly significant for Districts 3, 5, 6, and 7, where half of Team San José's workforce is located.

The Transient Occupancy Tax (TOT) is a critical revenue stream for San José, directly supporting our local economy and enabling continued investment in our arts and cultural stakeholders. These stakeholders play a vital role in creating vibrancy throughout our city, drawing visitors, and enhancing the quality of life for our residents. According to the upcoming Downtown progress report coming to CED on Monday, June 24, 2024, attendance at the four Team San José-managed theaters (Civic Auditorium, Montgomery Theatre, California Theater, and Center for the Performing Arts) was 22% greater than pre-pandemic levels, reaching 500,000 attendees. San José's Downtown hotels are seeing a 25% year-over-year increase in revenue, and attendance at the Convention Center grew by 10%.² Spending from attendees in San José increased by 40 percent, and overall spending in San José businesses by visitors to the Convention Center and theaters increased by 46 percent to \$76 million for FY 2023-2024. By maintaining and boosting TOT revenue through strategic partnerships and effective marketing, we ensure that our arts and cultural sectors continue to thrive and contribute to the dynamic character of San José.

Recommendation 2.4 of the memo authored by Mayor Mahan, Councilmembers Davis, Foley, and Cohen, the authors call for separating uses of Team San José facilities and an organizational division before investigation, exploration, and full understanding of current practices. The purpose of the Request for Information (RFI) is to gather information to inform the structure of the RFP, so it would be most conducive to have the RFI completed before any decision on what to include in the Request for Proposals (RFP).

It is important that Downtown stakeholders, including Team San José, collaborate effectively to bring vibrancy and attract visitors. By marketing the city as a premier tourist destination and highlighting its numerous amenities, we can collectively showcase the unique offerings of Downtown San José.

² <https://sanjose.legistar.com/View.ashx?M=F&ID=13035667&GUID=9A333C09-D08B-4A37-AA9E-BA8B5E7FD6EC>