

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Kim Walesh

SUBJECT: SEE BELOW

DATE: May 23, 2017

Approved

D. D. S. L.

Date

5/24/17

SUBJECT: ADOPTION OF RESOLUTION TO APPROVE THE 2017-2018 BUDGET REPORT AND TO LEVY HOTEL BUSINESS IMPROVEMENT DISTRICT ASSESSMENTS FOR FISCAL YEAR 2017-2018.

RECOMMENDATION

Adopt a resolution to approve the Hotel Business Improvement District budget report for fiscal year 2017-2018, as filed or as modified by the Council, and to levy the Hotel BID assessments for 2017-2018.

OUTCOME

Approval of this action will result in the levy of assessments for the upcoming fiscal year of the Hotel Business Improvement District (BID) to allow the Hotel BID to fund programs and services that support the BID.

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 to attract business opportunities including research, branding of San Jose as a meetings and convention destination, co-op promotional materials and sponsorship of room-night generating events. Council appointed the board of directors of San Jose Hotels, Inc. as the Advisory Board ("Board") for the BID, to advise Council on the levy of assessments in the BID and the expenditure of revenues derived from the assessments for the benefit of the BID.

Pursuant to BID Law, an annual public hearing is required in order to approve the annual budget report and levy the annual BID assessments. On May 23, 2017, the Council preliminarily approved the 2017-2018 budget report as filed by the Advisory Board or as modified by the City Council and adopted a resolution of intention to levy the annual assessments for fiscal year 2017-2018 for the BID, and set June 6 at 1:30 p.m. as the date and time for the required public hearing

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on the levy of the proposed 2017-2018 assessments. The 2017-2018 budget report preliminarily approved by the Council on May 23, 2017 is attached to this memo as Exhibit 1. In accordance with the BID Law, the City Clerk has published the required legal notice with regard to the levy of assessments for fiscal year 2017-2018.

ANALYSIS

When a hearing is held under BID Law with regard to the levy of assessments of a BID, the City Council shall hear and consider all protests against the continued authorization of the BID, the extent of the area, the assessments, or the furnishing of specified types of improvements or activities. Protests may be made orally or in writing. Written protests must be filed with the City Clerk at or before the time fixed for the public hearing. BID Law requires that the proceedings shall terminate if protests are made in writing against the continued authorization of the BID by businesses or property owners in the proposed district that will pay a majority of the charges to be assessed. If the majority protest is only against the furnishing of a specified type or types of improvement or activity within the area, those improvements or activities shall be eliminated.

The Advisory Board has prepared a budget report (the “report”) attached as Exhibit 1, for Council’s consideration as the budget for the Hotel BID for Fiscal Year 2017-2018. 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 2017-2018, 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 2017-2018, described in the report, are the same as the assessments for Fiscal Year 2016-2017.

During the course or upon the conclusion of the public hearing the City Council may order changes in any of the matters provided in the Advisory Board’s report. At the conclusion of the public hearing the City Council may adopt a resolution confirming the report as originally filed or as modified by the Council. The adoption of the resolution constitutes the levy of the assessment for the fiscal year 2017-2018.

EVALUATION AND FOLLOW-UP

The Board will come before Council next year to present a report that proposes a budget for the 2018-2019 fiscal year.

PUBLIC OUTREACH

In accordance with the BID Law, the City Clerk has published the required legal notice with regard to the levy of assessments for Fiscal Year 2017-2018. The budget for Fiscal Year 2017-2018 was reviewed and approved by the Advisory Board on April 11, 2017.

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This memorandum will be posted on the City's website for the June 6, 2017 Council agenda.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the Finance Department, the City Manager's Budget Office, the Hotel Business Improvement District, Team San Jose, and the City Clerk's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

This action is consistent with the Economic Development Strategy approved by Council, specifically Initiative No. 1, "Encourage Companies and Sectors that Can Drive the San Jose/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure."

COST SUMMARY/IMPLICATIONS

Adoption of the proposed Hotel BID budget does not impact City revenue. The Hotel BID assessments are restricted for use exclusively by the Hotel BID. This action is consistent with the Economic Recovery Strategy of Council approved Budget Strategy.

CEQA

Exempt, File No. PP08-048

/s/
KIM WALES
Deputy City Manager
Director of Economic Development

For questions please contact Sal Alvarez, Executive Analyst, at (408) 793-6943.

Attachments

SCOPE OF WORK FOR FISCAL YEAR 2017 – 2018

In conjunction with the bylaws of San Jose Hotels Inc. in managing the San Jose Hotel Business Improvement District- the following scope of work presentation was presented to the Board of Directors on Tuesday, March 17, 2017. The Board had previously reviewed and approved the topline budget by a unanimous vote (see minutes attached as Exhibit A) at the Tuesday, February 14, 2017 Board of Directors meeting. Further, based on feedback given on the proposed scope of work, the Board authorized re-approval of the district at the April 11, 2017 (see minutes attached as Exhibit B). The Board will finalize the proposed scope of work at the May 16, 2017 Board meeting.

PROJECTED INCOME FOR THE FUND: \$2,847,005

HIGH LEVEL EXPENSES:

- Sales Sponsorships for Convention and Event Business - \$1,366,002
- Marketing and PR Scope of work - \$1,366,002
- Administrative Fees for oversight of the Fund - \$115,000

FY 2017-18 Budgeting Assumptions

Staff recommendations are based on the following:

- Recognizing that we have seen moderate occupancy growth, staff is recommending that we forecast for a 3% increase in revenues for FY 2017 – 18 vs Budgeted FY 2016 – 17
- Maintain a 50/50 split between Sales Subsidies and Marketing Funds for FY 2017 – 18 collections.



FY 2017 - 18 Estimated HBID Collections

	Rate Per Room Night	FY 2016 - 17	FY 2017 - 18	% Change
Zone A Collections	\$ 2.50	\$ 1,445,431	\$ 1,543,080	107%
Zone B Collections	\$ 1.25	\$ 724,164	\$ 778,417	107%
Zone C Collections	\$ 1.00	\$ 589,501	\$ 525,508	89%
Total Collections		\$ 2,759,095	\$ 2,847,005	103%



FY 2017-18 Proposed Budget

Top Level Budget FY 2017 - 2018

	Total
Zone A Collections	1,543,080
Zone B Collections	778,417
Zone C Collections	525,508
Total Collections	2,847,005
Sponsorship	1,366,002
Marketing Expenses	
Total Marketing Expense	1,366,002
Administrative Expenses	
Total Administrative Expenses	116,000
Total Expenses	1,481,002

Excess/(Deficit) -



Proposed Sales Allocations

SALES BUDGET BREAKDOWN	
Sales Subsidy	\$ 1,041,002
Housing	\$ 200,000
Branding	\$ 125,000
Total	\$ 1,366,002

Staff recommends

- Allocations to eliminate individual hotel housing and offer a competitive product for association groups
- Allocation to eliminate branding subsidies for groups

Total of \$2,126,065 for sales between new funds and remaining FYTD fund



Marketing & PR Strategy

Tradeshows & Events

- Focus investment on big splash presence at key industry events: ASAE Annual Meeting, IMEX, Connect Marketplace, Destination Showcase, XDP, PCMA Annual Meeting and MPI WEC.
- Adjust budgets and participation based on ROI analysis of previous years. Drop CESSE, IEEE POCO, CTS, SmartMeetings (non-Northern CA) and Cvent Connect.
- Enhanced in-market events focused on DC and Local Corporate marketplace.

ASAE Strategic Partnership – Year 3

- Continue to maximize exposure to association executives through enhanced presence at ASAE Annual Meeting and XDP conference.
- Maintain strong presence in all ASAE channels including Associations Now magazine, digital assets and collateral.
- Develop and launch (in partnership with ASAE and a tech strategic partner) a new technology summit – targeting CEOs and CIOs of top associations. First iteration in Chicago in September 2017 with San Jose as title sponsor. To be hosted in San Jose in September 2018.



Marketing & PR Strategy (cont.)

Advertising

- Utilize MMGY to maximize buying power and emerging best opportunities. Leverage buying power and create ensure cohesion of group marketing efforts with leisure destination branding program.
- Increase digital spend over print spend – with favor given to native advertising opportunities and retargeting.
- Key target publications: Convene, Tradeshow Executive, The Meeting Professional, Connect.

Event and Content Subsidy

- Enter into new agreements with City of San Jose for support of dance program in Plaza de Caesar Chavez and *Content* magazine for distribution of magazine to interested hotel properties and supporting advertising exposure.
- Maintain financial commitment to events that gain San Jose significant exposure from a leisure PR side: San Jose Rock 'n' Roll ½ Marathon & San Jose Jazz Summer Fest



Marketing & PR Strategy (cont.)

Public Relations

- Utilize funds to host targeted leisure travel writers in San Jose, thereby increasing brand recognition nationally.
- Select opportunities to blitz key media markets, such as New York City, to promote San Jose as a leisure travel destination.

Lead Generation and Marketing Research

- Utilize third-party companies to identify and qualify potential sales leads and build funnel for long-term booking opportunities

Web & Creative Services

- Utilize third-party agencies and resources to continue to develop cohesive meetings campaign that will align with consumer campaign currently under development

Opportunity Fund

- Continue commitment to supporting in-market events and select tradeshow participation to bolster in-house opportunities for Greater San Jose hotels

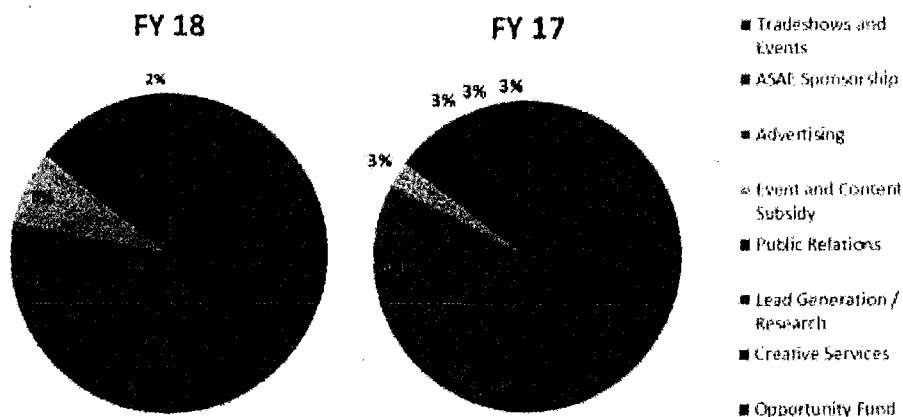


FY 2016-17 Proposed Marketing Budget

Fiscal Year 2017-18	
Tradeshows and Events	\$ 565,000
ASAE Sponsorship	\$ 330,000
Advertising	\$ 172,500
Event and Content Subsidy	\$ 103,500
Public Relations	\$ 80,000
Lead Generation / Research	\$ 45,000
Creative Services	\$ 40,000
Opportunity Fund	\$ 30,000
Total	\$ 1,366,000



FY 2017 vs. FY 2018 Proposed Budget



Attachment**Boundaries**

All hotels with 80 or more guest rooms located within the city limits of the City of San Jose.

FY 2017-18 HBID Fee Rates

Zone	Fee Structure
Zone A Collections (1 mile radius from CC)	\$2.50
Zone B Collections (1 to 3 mile radius from CC)	\$1.25
Zone C Collections (Outside 3 mile radius from CC)	\$1.00

**San Jose Hotels Inc.
Meeting Minutes
April 11th, 2017
8:00 a.m.
Conference Call Dial In 512-489-3100 Code 791353**

On Call: Gary Hageman, *Hilton San Jose*; Mike Lerman, *Hyatt Place*, LiLinda Carta- Samuels, *AC Hotel*

Staff and Other Meeting Attendees: John Southwell, *San Jose Marriott*, Max Schultz, *Hotel De Anza*, Patrick Reece, *Doubletree*, Bonnie Best, *Hotel Valencia*, Martin Hoellrig, *Hotel De Anza*, Karolyn Kirchgesler, *Chief Executive Officer*, Dave Costain, *Chief Operation Officer*, Janette Sutton, *Chief Financial Officer*; Laura Chmielewski, *VP Marketing & Communications*, Cheryl Little, *Director of Sales*, Naresh Kapahi, *Director of Finance*; Ben Roschke, *Director of Business Development*; Becky Gile, *Trade Show & Events Manager*; Tamara Mienders, *Executive Administrative Assistant*, John Lambeth, *Civitas*

Minutes

Gary Hageman started the meeting at 8:06 am and determined we had quorum. He reminded the Board that the anti-trust guidelines are at the beginning of the packet and should always be aware of these guidelines over the course of the meeting.

Gary introduced John Lambeth from Civitas. John Lambeth presented. Dave Costain said it would take 8 months to complete the conversion process and the cost would be \$34k. John Southwell asked if we can pay the fee directly from HBID. John Lambeth confirmed the fee can be payable from the HBID fund. John Southwell motioned the approval to move forward with reauthorization of the 89 Law and transition to the 94 Law. The motion was made, seconded and approved.

Gary asked for approval of the March 7th, 2017 minutes. A motion was made for approval, seconded and approved unanimously for the minutes.

Laura Chmielewski presented the free program the City is currently offering with the Sharks activation and Day of Music promotion opportunities. This is a program to create opportunities for nontraditional venues to take place in Hotels. Laura will send out all the details by e-mail to the group to review. A follow up call will be scheduled for next week after the first round of playoffs.

Naresh Kapahi reviewed the February 2017 Financials. A motion was made to approve, seconded and approved unanimously.

Cheryl Little reviewed the Tentative Report.

Cheryl Little Presented the Subsidy requests:

Cheryl presented a request on behalf of Paula Zimmer for \$50k for Google to be held July 7-13 2018 to offset discounts and incentives to be competitive with other cities.

A Vote was made to approve, seconded and approved unanimously.

Cheryl presented a request on behalf of Paula Zimmer for \$50k for Google to be held July 3-11 2019 to offset discounts and incentives to be competitive with other cities.

A Vote was made to approve, seconded and approved unanimously.

Cheryl presented a request on behalf of Paula Zimmer for \$35k for Oracle to be held January 28-31st 2018 to offset discounts and incentives to be competitive with other cities.

A Vote was made to approve, seconded and approved unanimously.

Cheryl presented a request on behalf of Paula Zimmer for \$35k for Oracle to be held February 7th-13th 2019 to offset discounts and incentives to be competitive with other cities.

A Vote was made to approve, seconded and approved unanimously.

Becky Gile presented the Tradeshow and Events upcoming events;

Shows participated in since last meeting:

MPI NCC

Experient Envision

Smart meeting Seattle

Connect CA

NASC

GSJ- Sharks Game

CalSAE Annual Education Conference

Upcoming Events:

HelmsBriscoe

Conference Direct Annual Partner Meeting

AMPS Golf Tournament

No remaining questions so meeting was adjourned.

The next meeting will be Tuesday May 16th, 2017 at 8:00 am – Conference Room A --Team San Jose Office



April 17, 2016

Dear Honorable Mayor and City Council,

San Jose Hotels Inc., also known as the San Jose Hotel Business Improvement District (HBID), is a non-profit organization representing San Jose hoteliers. The District was created to support San Jose's position as a meetings and conventions, sports and travel destination by investing HBID funds and leveraging the City's investment in convention and visitors bureau services.

Since, 2006 the San Jose Hotels Inc. has been the City's partner supporting event sponsorships to secure hotel room night bookings within San Jose. The Board of Directors supports 50% of its funding to focus on key marketing, online, research and public relations activities that drive exposure for San Jose as a destination and 50% of its funding to secure business to San Jose through event sponsorship opportunities. San Jose Hotels Inc. contracts with Team San Jose to execute on these specific priorities as set forth in the annual scope of work and as reviewed on a monthly basis at our Board of Director meetings.

San Jose Hotels Inc. structure requires an annual approval of the Board of Directors to reauthorize the extension of the Hotel Business Improvement District. We appreciate the City's continued investment in convention and visitors bureau services, as our commitment to support HBID funds is contingent upon the city's continued investment in CVB priorities.

The San Jose Inc. Board of Directors approved the reauthorization of the hotel improvement district for FY 2017 – 2018 through first the approval of the topline FY 2017 – 2018 budget at the February 2017 Board of Directors meeting and then through direction to staff to proceed with the reauthorization process based on direction of the presented scope of work at the April 2017 Board of Directors meeting.

We look forward to partnering with the City of San Jose to support San Jose's strong position with the travel industry.

Sincerely,

Gary Hageman

General Manager, Hilton San Jose

Chairman of the Board, San Jose Hotels Inc.