



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: SEE BELOW

DATE: May 28, 2019

Approved

Date

6-7-19

COUNCIL DISTRICT: 3

SUBJECT: SAN JOSE DOWNTOWN ASSOCIATION SERVICES AGREEMENT

RECOMMENDATION

Adopt a resolution authorizing the City Manager to:

- (a) Negotiate and execute a Services Agreement with the San Jose Downtown Association to provide marketing, business retention and expansion, event production and promotional services for the period of July 1, 2019 through June 30, 2020 for an amount not to exceed \$602,000;
- (b) Negotiate and execute subsequent amendments to the Agreement to revise the scope of services, subject to the appropriation of funds; and
- (c) Execute up to five additional one-year options to extend the Agreement through June 30, 2025 to provide ongoing services for an estimated annual cost of \$303,850 in Year 1, \$312,966 in Year 2, \$322,355 in Year 3, \$332,026 in Year 4, and \$341,987 in Year 5, subject to the appropriation of funds.

OUTCOME

Approval by City Council will result in the execution of an agreement with the San Jose Downtown Association for services aligned with the City's Downtown Strategy, marketing the City's Downtown parking program, Downtown place promotion, business retention and expansion, Downtown Ice Rink capital improvements and Downtown events that would continue through June 30, 2020, with options to extend through June 30, 2025.

BACKGROUND

The San Jose Downtown Association represents approximately 2,100 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 the evolution and development of Downtown San Jose. From 1989 to 2012, the Downtown Association received funding from the Redevelopment Agency to provide services, primarily event production and place promotion, through a contract services agreement. In 2012-2013, the City assumed responsibility for funding these services. This arrangement, with varying allocations of funding, has continued through FY 2018-2019.

The City's Office of Economic Development and Department of Transportation work together on oversight of the San Jose Downtown Association agreement. The overarching goals of this Agreement focus on the following priorities:

1. Positioning Downtown San Jose as an easy-to-access, high-value, and distinct work environment for start-ups, scaling businesses, and corporate headquarters.
2. Maintaining a dialogue with existing downtown businesses and building relationships and information base with new businesses through in-person visits.
3. Continuing to create a vibrant and safe environment attractive to a diverse range of employers, residents, and visitors.
4. Increasing revenue and parking activity in city facilities while improving customers' parking experience and knowledge of multi-modal options.
5. Creating an enhanced pedestrian experience along key downtown corridors through the activation of vacant storefronts and the implementation of the City's public life strategy.

ANALYSIS

Staff recommends continuing the San Jose Downtown Association's services in FY 2019-2020 because of the organization's unique qualifications and record of accomplishment in event marketing and production, place promotion and branding, and business facilitation. The key aspects of the FY 2019-2020 Agreement are as follows:

Term

The term of the Agreement is from July 1, 2019 until June 30, 2020.

Renewal

The Agreement provides renewal options for up to five additional one-year terms after the term of the original agreement has ended. The City Manager is authorized to extend the

Agreement beyond the first year. In that case, the City and the Downtown Association will meet to modify the scope of services as needed.

Scope of Services

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

- Downtown Parking Program – Stimulate economic activity and vibrancy in the core, increasing parking activity and revenue in City parking facilities. Improve and support positive customer parking experience, and support dissemination of information regarding balanced transportation options. *(\$45,000 fixed fee with up to an additional \$125,000 in reimbursable expenses for agreed upon related services)*
- Place Promotion – Branding and Perception Measurement - Enhance and modify “Live and Local” live music marketing to promote Downtown San Jose as a place to experience live music and promote downtown festivals and businesses that feature live music. Manage and implement Downtown District promotions and branding and downtown marketing campaigns highlighting summer and holiday activities and events. Implement initiatives based on the results of the FY 2018-2019 Downtown Perception Survey. *(\$96,000)*
- Business Retention and Expansion – Continue to implement a joint business development program with the Office of Economic Development that is aimed at driving the commercial vacancy rate downward. Assist businesses with the pre-lease and pre-permitting phase of opening a business together with the Office of Economic Development and Development Services and conduct Downtown "Welcome Wagon" visits for new businesses. Maintain an up-to-date map and listing of available ground floor spaces, with pertinent property and contact information on the Downtown Association's website. *(\$56,000)*
- Downtown Events – Continue to strengthen the connection that residents, employees and visitors have to Downtown and increase Downtown's reputation as an attractive location for people via the production and implementation of events such as Downtown Ice, the Farmers' Market, Dine Downtown, outdoor movies at St. James Park, City Dance and Music in the Park. *(\$180,000)*
- Additional Services – As requested by the City, the Downtown Association may perform additional services related to implementing the City's Downtown priorities and objectives such as increased safety and enhanced pedestrian experience along key downtown corridors, activation of vacant storefronts and implementation of the City's public life strategy. *(reimbursable expenses up to \$100,000)*

Performance and Reporting Requirements

The Downtown Association is responsible for developing and submitting bi-annual reports for review by the City and meets regularly with the City to review and discuss the services provided under this Agreement. In addition, the Agreement calls for the Downtown Association to submit monthly business outreach reports.

Cost of Living Adjustment

A three percent annual cost of living adjustment to the ongoing non-reimbursable sources of funds will be included in this Agreement, consistent with other similar agreements, beginning with the Year 1 option.

EVALUATION AND FOLLOW-UP

City staff from the Office of Economic Development and Department of Transportation will evaluate the Services Agreement and San Jose Downtown Association performance over the next year to develop recommendations for the appropriate scope of services in the Year 1 option under this Agreement. The Downtown Association bi-annual reports are available through the Office of Economic Development.

Staff will seek City Council approval for any one-time funding to the Downtown Association, over and above the Association's base-funding, through the annual budget process each year, as appropriate.

PUBLIC OUTREACH

The memorandum will be posted on the City's website for the June 18, 2019 City Council agenda.

COORDINATION

This memorandum has been coordinated with the Department of Transportation, the Office of Cultural Affairs, the Department of Parks, Recreation and Neighborhood Services, the City Attorney's Office, and the City Manager's Budget Office.

COMMISSION RECOMMENDATION

No commission recommendation is associated with this action.

BUDGET REFERENCE

The table below identifies the sources proposed to fund the agreement recommended in this memorandum.

Fund #	Appn #	Appn. Name	Current Total Appn	Contract Amount	2019-2020 Proposed Budget (Page)*	Last Budget Action (Date, Ord. No.)
001	2065	San Jose Downtown Association	\$250,000	\$250,000	IX-17	N/A
533	0512	DOT Non-Personal/Equipment	\$8,570,217	\$170,000	X-39	N/A
001	NEW	Downtown Pedestrian Quality of Life	\$250,000	\$100,000	IX-9	N/A
461	0096	Cultural Grants	\$8,888,780	\$35,000	X-88	N/A
001	0181	OED Non-Personal/Equipment	\$808,561	\$32,000	VIII-77	N/A
377	5541	Strategic Capital Replacement and Maintenance Needs	\$150,000	\$15,000	V-213	N/A

*Council is scheduled to adopt the 2019-2020 Annual Budget on June 18, 2019.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

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

For questions please contact Blage Zelalich, Downtown Manager at (408) 535-8172.