



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jen Baker

SUBJECT: See Below

DATE: May 26, 2026

Approved

Date:

6/1/26

COUNCIL DISTRICT: Citywide

SUBJECT: Actions Related to the Approval of the San Jose Hotel Business Improvement District Annual Report for Fiscal Year 2026-2027 and Levy of Assessments

RECOMMENDATION

Adopt a resolution approving the San Jose Hotel Business Improvement District Annual Report prepared by San Jose Hotels Inc. for Fiscal Year 2026-2027 as filed or modified by the City Council and confirming and levying the individual assessments as filed or modified by the City Council.

SUMMARY AND OUTCOME

The San Jose Hotel Business Improvement District (SJHBID) Annual Report (Attachment) describes the planned activities for the district in Fiscal Year (FY) 2026-2027 and explains how assessments are calculated, the proposed increase in the assessment rate, and justification for the increase.

The SJHBID Board of Directors recommends an assessment increase of \$0.50 per zone for FY 2026-2027 to support further investments in the listed sales, marketing, and public relations activities, thereby increasing awareness of San José as a meetings and travel destination of choice. Likewise, the proposed increase will also permit additional investment into the Citywide Business Development fund to assist in attracting and retaining large conventions and events. City staff reviewed the report and accompanying budget detail to ensure the SJHBID services and funds are managed in compliance with the Management District Plan.

City Council approval of the Annual Report would result in the continued assessment of lodging businesses with 80 rooms or more within the City of San José.

BACKGROUND

The SJHBID is a benefit assessment district that helps fund marketing and sales promotion efforts for San José lodging businesses with 80 rooms or more located within the City of San José. Similar benefit assessment districts have been successfully implemented in destination areas throughout the state to enhance tourism and increase room night absorption.

The SJHBID was originally formed in 2006 pursuant to Streets and Highways Code Section 36500 et seq., commonly referred to as the Property and Business Improvement Area Law of 1989 ('89 Law). The '89 Law requires the SJHBID to be renewed annually. In an effort to implement long-range and larger-scale marketing and visitor attraction programs, the City Council disestablished the SJHBID in 2018, as required by the '89 Law and established a new SJHBID pursuant to Streets and Highways Code Section 36600 et seq., commonly referred to as the Property and Business Improvement Area Law of 1994, for an initial five-year term ending June 30, 2023.

The new business improvement district was approved by hoteliers and adopted by the City Council on December 6, 2022, for an additional 10-year term beginning July 1, 2023, through June 30, 2033. Once per year, beginning on the anniversary of SJHBID formation, there is a 30-day period in which business owners paying 50% or more of the assessment may protest and begin proceedings to terminate the SJHBID. San Jose Hotels Inc. (SJHI) was selected as the Owners' Association for the SJHBID to implement its Management District Plan.

ANALYSIS

Hotel Business Improvement District

A hotel business improvement district leverages the efficiencies of private sector operations in market-based tourism and promotion. This special assessment district enables lodging and tourism-related business owners to collaborate on efforts to boost tourism. Tourism-related business owners within the district fund the district, and those funds are used to provide services that the businesses desire and benefit the assessed lodging businesses within the district.

Benefits of a hotel business improvement district include:

- They are customized to fit the needs of each destination;
- They allow for a wide range of services, including marketing of the destination,

- tourism promotion activities, and sales lead generation;
- They are designed, created, and governed by those who will pay the assessment;
 - They provide a stable funding source for tourism promotion; and
 - Funds cannot be diverted for other government programs.

Management District Plan

The SJHBID's Management District Plan, approved by the City Council when the SJHBID was renewed in 2023, outlines the district's boundaries, includes a service plan and budget, and establishes a means of governance.

The SJHI Board of Directors has approved the following activities for FY 2026-2027:

Tradeshows and Events: Teams will focus on sales, marketing, and public relations activities to expand San José's visibility and attract new business opportunities through tradeshows, events, advertising, public relations, housing support, destination development funding, and research initiatives. Increased sales missions, client events, and familiarization tours will help showcase San José to a national audience of planners while strengthening business development opportunities. The tradeshow and event calendar will be enhanced to better align with sales deployment strategies, and additional opportunities will be identified to increase the City's presence and impact at key industry events. These efforts will also maximize customer engagement and planner awareness.

Advertising and Public Relations: Initiatives will include targeted digital media campaigns directed at meeting planners, individuals who influence meeting location decisions, and corporate decision-makers. Marketing efforts will also focus on audiences demonstrating digital intent to host meetings or events in California and the Bay Area. Additional outreach will occur through industry-specific media outlets and publisher partnerships that produce e-newsletters and educational content designed to generate business leads for San José. Earned media opportunities will be leveraged to expand awareness of San José as a travel destination and complement paid marketing campaigns.

Housing: Complimentary group housing services will encourage groups to select San José as their meeting and event destination.

Destination Development Funds: Strategic support for events and activities that generate significant public relations exposure, increase San José's notoriety, and create substantial transient room demand within the city.

Research: Initiatives will strengthen business intelligence capabilities by expanding both quantitative and qualitative insights into group and transient business trends.

SJHBID Boundaries and Benefit Zones

The map outlining the SJHBID boundaries and three benefit zones is included in the Management District Plan. The boundaries are based on proximity to the San José McEnery Convention Center, the San José Mineta International Airport, and city limits.

During the 10-year term, the SJHI Board of Directors may increase the assessment rate in each zone by up to \$1.50 per paid, occupied room per night. The maximum increase in any year is \$0.50 in each zone. The table below provides the assessment rates for each benefit zone. The SJHI Board of Directors approved a \$0.50 increase in assessment rates for FY 2026-2027 in each zone.

The increase in the assessment rate will enable further investment in the listed Sales, Marketing, and Public Relations Activities in the Management District Plan to raise awareness of San José as a preferred meetings and travel destination. All activities undertaken within the SJHBID are focused on increasing the room-night activity of the hotel economy, either through direct bookings, demand created by increased business levels within the city, or through increased perception of San José as a travel destination.

Table 1: Assessment Rates for each Benefit Zone

Benefit Zone	FY 2025-2026 Assessment Rate	FY 2026-2027 Assessment Rate	Maximum Assessment Rate
A: Within one mile of the San José McEnery Convention Center	\$2.50	\$3.00	\$4.00
B: Within one and one-half miles of the San José Mineta International Airport	\$1.25	\$1.75	\$2.75
C: Over one mile from the San José McEnery Convention Center and over one and one-half miles from the San José Mineta International Airport	\$1.00	\$1.50	\$2.50

The City is responsible for collecting monthly assessment revenue from each lodging business located in the SJHBID at the same time and in the same manner as the City's Transient Occupancy Tax. The City, less a one percent administrative fee or

\$25,000, whichever is greater, forwards the assessments to SJHI, which is responsible for managing SJHBID programs as outlined in the Management District Plan. The amount of the administration fee varies based on the number of assessments collected each month. The amount of the administration fee is reviewed annually as part of the Annual Report submitted by SJHI. The administrative fee is made to the City as a deduction from the assessments that are forwarded to SJHI.

EVALUATION AND FOLLOW-UP

SJHI will present its Annual Report for FY 2027-2028 to the City Council in June 2027.

FISCAL IMPACTS

The projected assessment revenue from the SJHBID for FY 2026-2027 is \$4,164,327. Per the Management District Plan, the City receives an administrative fee of one percent of the assessments collected or a flat fee of \$25,000, whichever is greater, each year, adjusted annually for inflation if the cost of living in the city has increased over the preceding base period as shown by the Consumer Price Index. In no event shall the adjustment exceed three percent per year.

The estimated administrative fee for FY 2026-2027 is \$41,643. Additionally, because SJHBID programs are intended to increase tourism in the city, there may be a resultant increase in transient occupancy tax and sales tax collections. As SJHBID assessments are restricted for use exclusively by the SJHBID, the allocation of net assessments will continue to be administered through the City's Business Improvement District Fund.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, City Clerk's Office, City Manager's Budget Office, the Finance Department and San Jose Hotels Inc.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the June 16, 2026 City Council meeting. The Annual Report is filed in the City Clerk's Office for public review and will also be made available to the business owners within the district upon request. Finally, SJHI's Board of Directors approved the fiscal year budget at its publicly noticed meeting on January 31, 2026.

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BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project, which may result in a potentially significant impact on the environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.



JEN BAKER
Director of the City Manager's Office
of Economic Development and Cultural
Affairs

For questions, please contact Sal Alvarez, Senior Executive Analyst, City Manager's Office of Economic Development and Cultural Affairs at, Salvador.alvarez@sanjoseca.gov or (408) 793-6943.

ATTACHMENT: San Jose Hotels Inc. Annual Report Fiscal Year 2026-2027



**ANNUAL REPORT
FISCAL YEAR 2026-2027
January 31, 2026**

1. Hotel Business Improvement District

Developed by San Jose lodging businesses, San Jose Hotels Inc. (SJHI), and Team San Jose (TSJ), the San Jose Hotel Business Improvement District (SJHBID) is an assessment district proposed to provide specific benefits to payors, by funding marketing and sales promotion efforts for assessed businesses. This approach has been used successfully since formation in 2006 and in other destinations throughout the country to provide the benefit of additional room night sales directly to payors.

The annual assessment rate for lodging businesses with eighty (80) rooms or more is a fixed dollar amount per paid occupied room per night and location of the property within the City of San Jose.

2. Changes to Rate Structure for FY 2026-27

In accordance with the provisions of the ten-year Management District Plan, as explained below in Section 5, the board has elected to enact a \$0.50 fee increase for each zone for the upcoming fiscal year.

The raise in assessment rate will allow for further investments in the listed Sales, Marketing, and PR Activities to provide increased awareness of San Jose as a meetings and travel destination of choice. Likewise, it will also permit additional investment into the Citywide Business Development funds to assist in attracting and retaining large conventions and events. All activities undertaken within the SJHBID are focused on increasing the room night activity of the hotel economy, either through direct bookings, compression created from increased business levels within the city, or through increased perception of San Jose as a travel destination.

The improvement in the hotel economy's performance over the past two years has been significant. For calendar year 2025 compared to 2023, major indicators for the hotel economy have increased significantly: Revenue is up 13.7%, Occupancy is up 9.2% and Revenue per Available Room (RevPAR) is up 16.8% - increases that rank first amongst the thirteen western cities benchmarked in hotel reports.

The increased rates will ensure that this positive trajectory of improved hotel performance citywide continues. The new rate structure will be as follows:

Zone	FY 2025-26 Rate	FY 2026-27 Rate
Zone A	\$ 2.50	\$ 3.00
Zone B	\$ 1.25	\$ 1.75
Zone C	\$ 1.00	\$ 1.50

3. Improvements and Activities to be provided in FY 2026 – 27

The usage of funds by the SJHBID will remain focused on sales, marketing and public relations activities geared towards promoting travel and room night sales to the local hotel industry. SJHBID will continue to focus on growth of the hotel sector through activities that drive new business opportunities to San Jose and generate room night sales.

The following activities have been approved for this fiscal year by the SJHI Board of Directors:

Sales, Marketing and PR Activities:

Tradeshows & Events

- Increase sales missions, client events and familiarization tours to help develop new business opportunities and showcase San Jose to a national audience of planners.
- Enhance the tradeshow & event calendar to align with changes to deployment of sales efforts.
- Identify opportunities to increase presence and impact at key industry tradeshows.
- Maximize opportunities for customer engagement and planner awareness.

Advertising and PR

- Targeted digital media purchases to meeting planners, internal meeting planner database, those influencing meeting location decisions, and corporate decision makers.
- Also targeting those displaying digital intent to host meetings or events in California and Bay Area.
- Audiences will also be reached through endemic industry media and through publisher content partnerships that create e-newsletters and educational series that directly generate lead opportunities for business within San Jose.
- Leverage earned media to maximize reach and complement paid marketing efforts through opportunities that elevate awareness of San Jose as a travel destination.

Housing

- Will support providing complimentary group housing services to groups to better incentivize groups to choose San Jose.

Destination Development Funds

- Strategic support for events or activities that gain San Jose significant exposure for PR and notoriety and/or create significant transient room demand for the City of San Jose.

Research

- Support tools to increase business intelligence capacities through increased quantitative and qualitative insights into group and transient business.

Citywide Business Development Funds:

Citywide Business Development

- SJHI Board will approve on a case-by-case basis funds for group business opportunities that impact the City on a large scale to generate room nights for the assessed businesses.
- The funds will be utilized for activities such as offsetting costs within the destination, payment of bid fees, incentives, or other costs associated with bringing large-scale events to the destination that generate room nights for the assessed businesses.
- Funds may also be utilized to provide branding services that expand the clients' presence within San Jose to incentivize events to locate in the city and generate room nights.
- Funds will not be utilized for direct payment to hotels or for events utilizing a single property within the destination.

Administrative Expenses:

Administrative Expenses

- The administration and operations portion of the budget shall be utilized for administrative staffing costs, office costs, advocacy, and other general administrative costs such as insurance, legal, and accounting fees.

City Administration Fee

- Per the Management District Plan the City shall retain 1% of the collections as an administrative fee for its costs in collecting the SJHBID assessment.

4. Estimate of Costs for Improvements and Activities in FY 2026-27

The following is the proposed total expense allocations for this fiscal year compared to the approved budget for FY 2025-26:

SJHI FY 2026-27 Topline Budget vs FY 2025-26

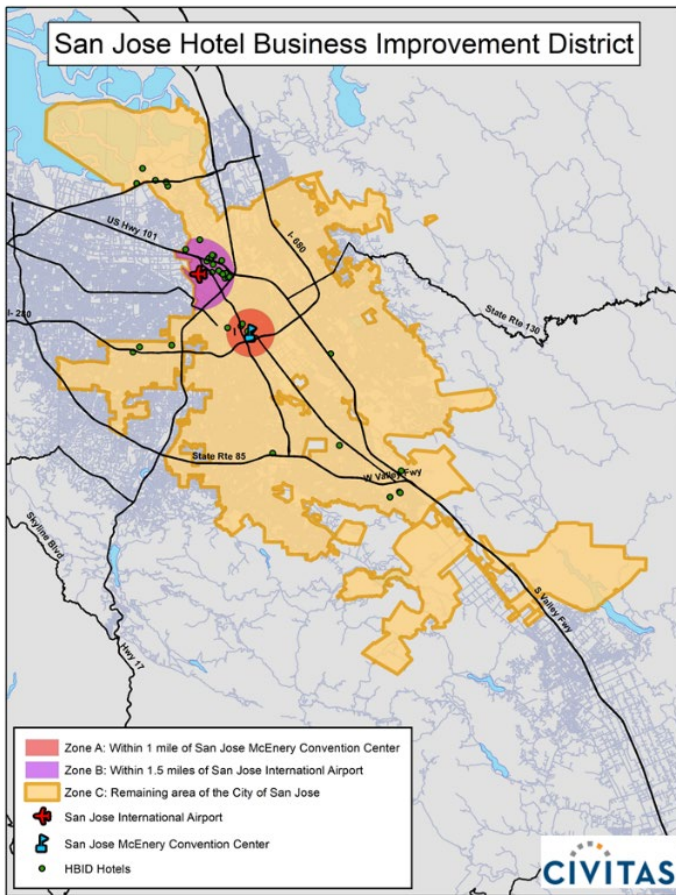
	FY 2026-27	FY 2025-26
Total Collections	\$ 4,164,327	\$ 3,102,012
Citywide Business Development	\$ 1,868,842	\$ 1,147,670
Marketing Expenses		
Total Sales, Marketing & PR Expenses	\$ 1,868,842	\$ 1,639,835
Administrative Expenses		
Total Administrative Expenses	\$ 385,000	\$ 373,322
City Fee	\$ 41,643	\$ 31,020
Total Expenditures	\$ 4,164,327	\$ 3,191,847

And the following chart provides a breakdown of the Sales, Marketing and PR allocations – the exact distribution is still being finalized:

Proposed Sales, Marketing, and PR Allocations	FY 2026-27	FY 2025-26
Tradeshows & Client Events	\$ 904,421	\$ 770,000
Advertising and PR	\$ 804,421	\$ 729,835
Housing	\$ 60,000	\$ 60,000
Destination Development	\$ 50,000	\$ 50,000
Research	\$ 50,000	\$ 30,000
Total	\$ 1,868,842	\$ 1,639,835

5. Method and Basis for Levying FY 2026-27 Assessments

The annual assessment rate is a fixed dollar amount per paid occupied room per night as shown in the following table. During the ten (10) year term, the assessment rate in each zone may be increased by the SJHI Board by a maximum of \$1.50 per paid occupied room per night. The maximum increase in any year shall be \$0.50 in each zone. Based on the benefit received, assessments will not be collected on: stays of more than thirty (30) consecutive days; stays by any federal or state officer or employee when on official business; and stays by any officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty.



The assessment is levied upon and a direct obligation of the assessed lodging business. However, the assessed lodging business may, at its discretion, pass the assessment on to transients. The amount of assessment, if passed on to each transient, shall be disclosed in advance and separately stated from the amount of rent charged and any other applicable taxes, and each transient shall receive a receipt for payment from the business. The assessment shall be disclosed as the “SJHBID Assessment.” The assessment is imposed solely upon, and is the sole obligation of, the assessed lodging business even if it is passed on to transients. The assessment shall not be considered revenue for any purposes, including calculation of transient occupancy taxes.

6. Amount of Surplus Revenue to be carried over from previous fiscal year

The SJHBID maintains a fund balance year-over-year within the allocations for Citywide Business Development Funds on an ongoing basis. The projected uncommitted year end fund balance for FY 2025-26 is \$2,000,000. The funds may be utilized to incentivize additional group business into the destination to generate hotel room nights, or may be diverted to direct sales, marketing and public relations activities to promote travel and tourism into San Jose.

7. Contributions from Non-Assessment Revenue

The SJHBID does not receive any additional contributions from non-assessment revenues.