



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni J. Taber, MMC
City Clerk

SUBJECT: SEE BELOW

DATE: May 1, 2025

A handwritten signature in blue ink, appearing to read "Toni J. Taber", is placed over the "FROM" field.

SUBJECT: Berryessa Flea Market Status Report

Recommendation

As recommended by the Community and Economic Development Committee on March 24, 2025, accept the status report on the redevelopment of the Berryessa Flea Market, as well as the Flea Market Advisory Group, Vendor Transition Fund, and the Flea Market Owner's Quarterly Report from January 2025.

CEQA: Not a Project, File No. PP17-009. Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action. (Economic Development and Cultural Affairs/ Planning, Building and Code Enforcement)

[Community and Economic Development Committee referral 3/24/2025 - (d)2]



COMMITTEE AGENDA: 3/24/25
ITEM: (d)2

Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Nanci Klein

SUBJECT: Berryessa Flea Market Update

DATE: March 10, 2025

Approved

Date

3/14/25

RECOMMENDATION

Accept the status report on the redevelopment of the Berryessa Flea Market, as well as the Flea Market Advisory Group, Vendor Transition Fund, and the Flea Market Owner's Quarterly Report from January 2025.

BACKGROUND

On June 29, 2021, the San José City Council approved the San José Flea Market (Flea Market) Southside Rezoning Project (Ordinance No. 30646), rezoning the site at Berryessa and North King Road to accommodate up to 3,450 residential units, 3.4 million square feet of commercial space, as well as public plazas, parks, trails, and open spaces. The Flea Market has been an important economic and cultural anchor for San José and the region for more than 65 years. As part of City Council's approval of the rezoning effort in 2021, the Council found that the Flea Market "provide(s) employment and a livelihood for underrepresented and vulnerable communities..." The Flea Market has created a significant number of sustainable businesses over the decades, supporting the culture of entrepreneurship for which San José is well known.

As part of the rezoning, measures were put in place to support business owners/vendors at the existing Flea Market during redevelopment. The Planned Development zoning designated approximately five acres for an urban market and required the property owner to contribute \$5 million to a Flea Market Vendor Transition Fund. Additionally, the City pledged \$2.5 million, bringing the total fund to \$7.5 million. This fund is intended to help vendors transition their businesses to a new location or the future five-acre urban market when the current site is redeveloped. To ensure vendor input, City staff were directed to establish a Flea Market Advisory Group (Advisory Group) comprised of market vendors and a representative from the market's ownership to create recommendations for how the fund should be allocated. The City Council approved an Economic and Cultural Impact Study and an Alternative Market Sites

Assessment Study while directing staff to provide business technical assistance and educational resources to Flea Market vendors. The Flea Market property owner was required to submit a written quarterly status report detailing planning, permitting, and construction activities at the site, as well as any vendor displacement. These reports have been submitted to the Community and Economic Development Committee with staff status updates.

As the official body of vendor representatives advising the City of San José on the vendor transition process, the Advisory Group's role includes providing input on the use of the Vendor Transition Fund, exploring new market concepts, advising on vendor relocation opportunities within the planned five-acre urban market, and engaging with the broader vendor community. The Advisory Group has demonstrated strong commitment and engagement, with members maintaining consistent meeting attendance and offering diverse perspectives. Advisory Group meetings are open to the public, with time allocated for non-member comments and interpretation services available in Spanish and Vietnamese.

Since its launch in May 2023, the Advisory Group has held four public meetings, covering key aspects of the vendor transition process, economic and cultural impact, alternative market locations, and potential operational models for a future market. The Advisory Group's initial meeting in May 2023 outlined the group's purpose and member expectations, while the second and third meetings in June and September 2023 focused on data collection for the Economic and Cultural Impact Study and the Alternative Sites Assessment Study. Staff provided a detailed summary of the Advisory Group's first three meetings in its report to the Community and Economic Development Committee in October 2023.

Since the last update to the Committee, consultant Strategic Economics finalized the Economic and Cultural Impact Study and conducted the Market Operations Study while City staff further explored the possibility of the three most promising alternative market sites – The Singleton Landfill, the former Sears building at Eastridge Mall and the Santa Clara County Fairgrounds. In June 2024, staff convened a virtual Advisory Group check-in to preview all three market reports and receive final comments.

On September 11, 2024, the Advisory Group met publicly for the fourth time at the Berryessa Community Center. The group received a presentation of the Operational Models Report and a status update on the feasibility of alternative sites for the market. The analysis section of this memorandum provides an overview of the key findings from each of the three market reports conducted, a summary of staff's efforts around continued support for Flea Market vendors, and the latest information regarding the redevelopment of the current market site.

ANALYSIS

To support the continuation of the Flea Market in some form, staff worked with consultants to produce a package of three studies: economic and cultural impact; sustainable market operations; and an alternative sites assessment. The Economic and Cultural Impact Study was intended to assist project stakeholders in understanding not just the economic value of the Flea Market but its cultural value. This information is important for a future investor, developer, or philanthropist who may wish to support these efforts. The Market Operations Report was intended to inform stakeholders of potential public market models, including design, ownership, financial, and operational factors. Finally, the Alternative Site Assessment aimed to provide analysis and due diligence in determining if there are potential sites for market alternatives.

The following are key findings from each report:

1. Economic and Cultural Impact Report ¹

- The Flea Market is the largest cluster of small businesses in the South Bay, surpassing even major shopping centers.
- Post-pandemic, the Flea Market draws 836,000 to 1.7 million people annually, comparable to the average American shopping mall, generating spending between \$20 million and \$40 million annually.
- The market supports over 1,000 jobs and is a crucial economic driver for vendors, many of whom use their earnings to buy homes, pay debts, and fund education.
- Low stall rents make the market a valuable incubator for small businesses, with some, such as Shoe Palace, Ramos Furniture, and Calderon's Tires, transitioning into successful brick-and-mortar establishments.
- The Flea Market's adaptable merchandise mix and culturally significant offerings make it an important public space and family-friendly attraction in San José.

2. Operational Models Report ²

- The Flea Market is profitable, generating an estimated \$5.7 million annually, due to low overhead, prime location, and multiple revenue streams including parking.
- Moving the Flea Market presents significant hurdles, including high land costs, potential vendor loss, and difficulty replicating the existing market's success.
- Other markets facing displacement have struggled without long-term leases or ownership models, emphasizing the need for cooperative or land trust solutions.
- Future market operational structures may include:
 - A smaller, five-acre market within the existing site
 - A downsized market at a new location
 - A multi-use market combining retail and vendor space

¹ <https://www.sjeconomy.com/home/showpublisheddocument/113360/638579473166530000>

² <https://www.sjeconomy.com/home/showpublisheddocument/114050/638604577999330000>

- A transition strategy is essential to preserve the market's economic and cultural value while adapting to new realities.

3. Alternative Site Assessment Report ³

- City staff and consultants, including experts in retail strategies, market analytics, and location intelligence, conducted thorough research of local sites and assessed their viability as an alternative site for the Flea Market.
- The relocation of the Flea Market will be both a complicated and expensive undertaking because of the few suitable sites and the cost of acquiring and developing them.
- Eight locations were identified and analyzed on location (trade area, demographics, traffic patterns), facility (size, parking, access), and high-level feasibility. These locations include:
 - A five-acre market on the current site; Singleton Landfill; Remillard; Santa Teresa/Great Oaks; Evergreen Center; Sears/Eastridge; Fairgrounds; City-owned land near Morgan Hill; retail relocations.
- Each site presented significant costs and challenges, particularly for site preparation, infrastructure, and regulatory approvals.
- Sears/Eastridge, Singleton Landfill, and Santa Clara County Fairgrounds seemed to be the most viable options, though all pose significant challenges related to space limitations, environmental issues, and ownership constraints.
 - The former Sears site at Eastridge Mall was explored as a short-term solution, though the site has space constraints and high renovation costs pose challenges.
 - The Singleton Landfill is a City-owned site and is considered the most viable long-term permanent option because of the City's control of the site but requires significant environmental remediation, project planning and capital financing.
 - The Santa Clara County Fairgrounds was considered a possible alternative, but the City involvement in the development of the site is limited due to the County's ownership of the site and multiple existing redevelopment proposals for the site.

As a follow-up to the Alternative Site Assessment Report, staff engaged the property owner of the former Sears site in conversations around the potential for an indoor or outdoor market at the site. Staff also secured pro-bono services from Steinberg Hart Architects to design potential market layouts and generate associated costs estimates. The uncertainty around the timing of the current market's closure and subsequent availability of funds through the Vendor Transition Fund, coupled with the property's owners' desire to secure an immediate arrangement, deemed further conversation about relocation of the Flea Market to this site infeasible.

³ <https://www.sjeconomy.com/home/showpublisheddocument/113548/638584676625100000>

The Singleton site, although City-owned, presents two significant challenges to the relocation of the Flea Market. One challenge is the timeline and cost associated with the required environmental mitigation of the former landfill. Staff estimates that the necessary mitigation measures will take three to five years and cost between \$3 million and \$4 million per acre. Construction costs on landfills are also considerably higher than non-landfill sites. Another challenge is the State of California's Surplus Land Act which obligates the City to prioritize the development of affordable housing on the site. Staff is in the process of seeking an exemption for redevelopment of the site from the state's Housing and Community Development Department based on the infeasibility of satisfactorily mitigating the environmental concerns when limiting development on the site to affordable housing. An exemption would allow the City to move forward with development on the site that is employment and revenue-generating. Initial indications from the Housing and Community Development Department indicate it is not inclined to exempt the site; however, conversations with staff are ongoing.

The formation of the Flea Market Advisory Group has been instrumental in building trust, fostering open dialogue, and strengthening collaboration between vendors, City staff, and community stakeholders regarding the Flea Market's future. While progress has been made, critical questions remain about the feasibility of relocating the entirety of the current Flea Market and developing a viable alternative. Continued engagement, thorough site evaluation, and strategic planning will be necessary to ensure the market's long-term sustainability and preserve its economic and cultural contributions to San José. Uncertainty around the future of the Flea Market remains until the announcement of a definitive closure date. While the Office of Economic Development and Cultural Affairs remains committed to supporting Flea Market vendors and their economic success in the City of San José, staff's work will be paced to coincide with new information around site redevelopment as it becomes available.

Vendor Transition Fund

The Vendor Transition fund totals \$7.5 million, with a \$5 million contribution from the Flea Market property owner and a \$2.5 million contribution from the City. The 2020-2021 Annual Report approved by the City Council in October 2021 included allocating the City's funding to the Berryessa Flea Market Vendor Business Transition Fund Reserve. The \$5 million contribution from the Flea Market property owner will be received in stages during the transition process.

Funding Stage	Amount	Timeline
Early Funding	\$500,000	Within 120 days of Zoning File Effective Date - Received
Notice of Closure Issuance	\$2,000,000	Upon issuance of the one-year notice to vendors – Timing currently unknown

Funding Stage	Amount	Timeline
Flea Market Ceases Operation	\$2,500,000	Once the existing Flea Market closes on site operations – Timing currently unknown

To date, \$1.094 million has been spent on the Flea Market transition initiative, as approved by City Council in October 2021. Funds expended include \$500,000 towards vendor support through a business transition program and \$594,500 towards the management and facilitation of the Advisory Group (\$244,500) and the production of the market studies (\$350,000). The remaining \$6.4 million will be allocated once the timeline and plans for the site's redevelopment become clearer.

Business Transition Program

In December 2022, City Council approved a vendor support, loan, and technical assistance program to assist Flea Market businesses. Mission Asset Fund, a local nonprofit organization that specializes in helping small businesses achieve long-term success, was selected to provide vendor technical assistance in the areas of business planning, credit building and business expansion, as well as provide access to 0% interest loans. The technical assistance and financial tools provided by Mission Asset Fund are intended to help vendors navigate the transition process with advice, support, and resources.

Mission Asset Fund began outreach for the program in April 2023 and has been progressively expanding its efforts. In addition to hosting in-person group orientations and financial workshops multiple times monthly, their team regularly provides personalized support to vendors through one-on-one coaching sessions. Coaching sessions cover topics such as credit building, business planning, debt management, and general guidance on financial literacy. Mission Asset Fund has partnered with the City, the Flea Market Vendor Association, and the Flea Market property owner to conduct a substantial amount of on-site vendor outreach, including staffing a booth at the Flea Market to broaden access to its programs and services. These combined tactics have resulted in 65 outreach events, 267 vendor leads, 175 technical assistance events/one-on-one coaching sessions, 69 completed loan applications and 53 approved loans. A total of \$131,500 has been loaned to support market vendors. A complete overview of the work completed by Mission Asset Fund since April 2023 is summarized in **Attachment A**.

Before providing access to financial literacy tools and education, Mission Asset Fund had to invest a significant amount of staff time into building trust within the vendor community. The vendors, many of whom have spent generations establishing their livelihoods at the Flea Market, had a significant amount of anxiety around being displaced with the redevelopment of the site and distrust for any outside assistance. Mission Asset Fund took the time to understand where the information gaps were and helped reassure vendors of the support and resources that were created for them.

While Mission Asset Fund's contract with the City of San José ended March 7, 2025, they will continue the work with all the vendors they have engaged to date to support their path to continued economic prosperity.

Communication and Outreach Efforts

City staff have implemented multiple outreach strategies to ensure vendors remain engaged in the transition planning process, including:

- **Direct Stall-to-Stall Outreach:** Distributing information and engaging vendors in-person at the Flea Market.
- **Text Messaging:** Regular updates and meeting reminders.
- **E-mail Communication:** Emails sharing information around relevant vendor workshops and resources.
- **Advisory Group Check-ins:** Online check-ins with Advisory Group members between scheduled public meetings to provide updates and receive feedback on staff's work.
- **Online Resource Hub:** A dedicated webpage with meeting materials, agendas, and ongoing updates - sjeconomy.com/FleaMarketVendors

Additionally, staff helped promote the Flea Market during the holiday season by adding it as a destination in the Holiday San José shop local campaign website under the Alum Rock page (the third-most visited neighborhood page of the campaign). The Office of Economic Development and Cultural Affairs collaborated with both Flea Market ownership and the Flea Market Vendor Association to amplify [holiday-themed social media content](#) produced by Flea Market contractors. This [collaboration continues](#) as staff is in regular communication with Flea Market ownership on promotional and marketing content they generate.

Flea Market Owner Quarterly Report

In the latest quarterly report provided in January 2025 (**Attachment B**), the Flea Market property owner confirmed that the required one-year advanced notice of the Flea Market closure will not be given before July 1, 2025. The earliest vendors may have to relocate from the site is July 2026.

San José Flea Market Southside Rezoning Project Update

Flea Market ownership withdrew their Planned Development Permit and Tentative Map applications for site redevelopment on October 24, 2023. They simultaneously applied State Law Senate Bill 330 to reduce the scale of the project under a provision of the Housing Accountability Act known as "Builder's Remedy." The applicant let that Senate Bill 330 application expire, never formally submitting a Builder's Remedy application, and has taken no further action since then. At this time there is no indication of an imminent development proposal for the site.

March 10, 2025

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EVALUATION AND FOLLOW-UP

Future reports on staff's work to facilitate the successful transition of Flea Market vendors when the site is redeveloped will be incorporated into the Office of Economic Development and Cultural Affairs, Business Development Division Activities Annual Report to the Community and Economic Development Committee.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

/s/
NANCI KLEIN
Director of Economic Development
and Cultural Affairs

For questions, please contact Jessica Munoz, Senior Executive Analyst, at Jessica.munoz@sanjose.gov or (408) 659-0202.

ATTACHMENTS

Attachment A: Mission Asset Fund Final Report

Attachment B: Flea Market Property Owner Quarterly Report – January 2025