



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Nanci Klein  
Jim Shannon

**SUBJECT: BERRYESSA FLEA MARKET  
BUSINESS TRANSITION PROGRAM**

**DATE:** November 30, 2022

Approved

Date

12/2/22

**COUNCIL DISTRICT: 4**

## **RECOMMENDATION**

- (a) Adopt a resolution authorizing the City Manager or designee to: (a) negotiate and execute a consultant agreement with Mission Asset Fund to implement a Business Transition Support Program for the Berryessa Flea Market vendors for a total compensation not-to-exceed \$500,000 for an initial term of 24 months; and (b) exercise an option to extend the agreement for one additional year under the same terms and conditions and with no increase in total compensation.
- (b) Adopt the following 2022-2023 Appropriation Ordinance Amendments in the General Fund:
  - (1) Increase the Berryessa Flea Market Vendor Business Transition Fund City-Wide Expenses appropriation to the Office of Economic Development and Cultural Affairs by \$500,000; and
  - (2) Decrease the Berryessa Flea Market Vendor Business Transition Fund Reserve by \$500,000.

## **OUTCOME**

If approved, this action will enable staff to negotiate and execute a consultant agreement with Mission Asset Fund (MAF) to develop and launch a program to assist vendors at the Berryessa Flea Market (Market) take stock of their business options and access financial and business-support resources in preparation for the closure of the Market. The Market may close as soon as July 2024, in accordance with the approved San José Flea Market Southside Rezoning Project (June 2021).

## **BACKGROUND**

On June 29, 2021, City Council approved the San José Flea Market Southside Rezoning project (Ordinance No. 30646). The project rezoned the site to allow up to 3,450 residential units and up to 3,400,000 square feet for commercial uses, as well as plazas, parks, and open space.

As part of City Council's approval of the Rezoning (Ordinance No. 30646), City Council found that the Flea Market "provide(s) employment and a livelihood for underrepresented communities in the City of San Jose." As such, the Council included protections and resources to support the hundreds of small business owners at the Market. For example, the property owner must provide a one-year notice to vendors before removing any stalls for any construction work; they cannot provide this notice before July 2023, meaning the existing Market cannot close until July 2024 at the earliest. City Council also required an approximately five-acre Urban Market to be included in the planning of the future transit-oriented development.

City Council's approval also created a Flea Market Vendor Business Transition Fund (Transition Fund) to be funded by the property owner, with additional supplemental funding from the City, in accordance with the following schedule:

- \$500,000 within 120 calendar days of the effective date of the Planned Development Zoning;
- \$2.0 million on the date that the property owner issues the one-year notice to the vendors; and
- \$2.5 million on the date that the existing Flea Market ceases operation on-site.

Included in their approval of the 2020-2021 Annual Report, the City Council allocated an additional \$2.5 million in City funding from the General Fund to support vendors, for a total commitment of \$7.5 million. The City's contribution is currently held within the Transition Fund Reserve.

The general purpose of the Transition Fund is to mitigate direct expenses the vendors may experience when moving to any temporary site and/or the Urban Market area on the site, some other market location, or any other retail location in San José because of the redevelopment of the current Market site. The Transition Fund may also be spent on consultant services, non-profit partners, communications with vendors, data collection, research on models of public/private markets and examples of self-sustaining operational methods, or other resources to inform the design and operation of a new market.

City Council directed staff to use the first \$500,000 of the funding from the property owner to establish a Flea Market Advisory Group (Advisory Group) and to conduct studies that will support the next steps, including an economic impact study and assessment of potential alternative sites. The Advisory Group shall consist of a supermajority of vendors, along with other stakeholders. The role of the Advisory Group will be to make recommendations to the City related to the use of the Vendor Business Transition Fund; the design, operation, and associated parking of the Urban Market; and protocols for determining how Market vendors with a month-to-month rental agreement will be offered the opportunity to relocate to the new Urban Market.

The Advisory Group will also be responsible for communicating with the broader vendor community about the Urban Market concept and Fund. The City Council also previously approved the use of \$100,000 from the \$2.5 million Transition Fund Reserve established in the General Fund to ensure sufficient capacity for vendor outreach.

### Implementation to Date

The Office of Economic Development and Cultural Affairs converted these requirements and Council directions into a comprehensive work plan. The objectives of the work plan are to reach out, engage, and support vendors. Staff began meeting with vendor representatives shortly after City Council's approval of the rezoning project in June 2021. Staff created a website, contact list, and resource brochure for vendors, and hosted outreach events in October 2021, February 2022, and October 2022. These events and outreach materials, as well as staff engagement, have been consistently produced in English, Spanish and Vietnamese. Throughout this time, the vendors have shared their concerns, needs, and ideas with staff – informing the evolution of the work plan.

Staff is currently working with consultants and the vendor community to develop a draft charter for the Advisory Group. The charter will address how the Advisory Group will function, membership criteria, the process for selecting the members, and ground rules. Staff anticipates bringing the charter to the City Council in early 2023 following robust engagement with vendors and other stakeholders. After charter adoption will be the member selection process, which will allow the Advisory Group to begin meetings as early as the spring.

At the same time, work has begun on a package of studies to inform the Advisory Group, the City, and the wider community on key topics including potential relocation options, operating models, and key economic data related to the current Market.

## ANALYSIS

### Vendor Support

As described above, staff has been conducting vendor outreach to better understand the needs and priorities of the community. A key takeaway when it comes to the future of their businesses is that there is no single “one-size-fits-all” solution for every vendor. Some vendors may want to move to a brick-and-mortar storefront; others may prefer to transition to an eCommerce model; and still others could retire or change careers. Many hope to stay at the Market for as long as possible and transition to some form of a future market. In nearly all these scenarios, there is strong interest in attaining financial security and accessing resources that can help cover immediate expenses and to plan for the future. Indeed, many vendors are already working on strengthening their business models as they look ahead.

Staff has explored several approaches to offering this support to the vendor community. For example, at the February 2022 outreach event, staff convened nine local providers of business support services and technical assistance as part of a resource fair. Vendors appreciated the ability to meet and connect with these service providers.

In spring 2022, bilingual Spanish-, Vietnamese- and English-speaking staff surveyed more than 40 vendors at the Market and via email/text to gauge their interest in a conceptual zero-interest loan and financial education program to better understand their needs and challenges. Of the respondents, 84% said they were “extremely” or “very” interested in the opportunity. About 90% said they would find the financial training associated with the program “extremely” or “very” valuable. About 80% said they would use funds to purchase inventory or equipment; 6% would pay down other debt; and the balance would be used for day-to-day expenses, marketing, or rent. For some vendors, there was concern about their ability to pay back a loan even at zero percent interest, especially given the uncertain environment of the Market’s future.

These outreach efforts demonstrated the value of a comprehensive program that could provide both direct access to capital and custom guidance for vendors to help them address their unique needs. A specialized training program focused on financial planning and capacity building, customized for vendors, is needed to assist them during this transitional time. However, City staff is not set up to provide this type of technical assistance, particularly given the size of the vendor community (at least 400 active monthly vendors). In addition, the existing nonprofit service providers each offer specific support services, but none currently offer a one-stop shop for vendors combining in-house lending/grant-making with technical assistance and training.

To implement this approach, staff proposes to contract with Mission Asset Fund (MAF), a nonprofit Community Development Financial Institution with deep experience working with small businesses, including immigrant-owned businesses. MAF offers the unique mix of services that the vendor community desires. Under the proposed program, Market vendors will complete business planning assessments, with a focus on financial planning, access to capital, and next steps, in both 1:1 and group-based settings. MAF will also connect vendors to loan and grant opportunities, including those that MAF has created specifically for Market vendors.

#### About Mission Asset Fund

Founded in 2007, MAF is a nonprofit that pairs business and financial training with zero-interest loan products to build the credit of mostly immigrant entrepreneurs, allowing them to pay down high-cost debt, and start or expand a business. The organization is well-known for its Lending Circle program, which organizes groups of people that pool money together to lend to each other. MAF is the servicer of these social loans, allowing it to report the activity to credit bureaus and build participants’ credit scores.

MAF also offers other products and services, including a direct credit-building, zero-interest business microloan of up to \$2,500. The organization services more than 2,500 active loans annually, comprising \$3 million in loan volume each year. Financial training, delivered digitally and/or in person, is a required component of participation in these programs. During the pandemic, MAF expanded to play a key role in financial assistance efforts. Nationally, MAF has distributed more than \$64 million in grants to immigrant families excluded from federal assistance. In the Bay Area, MAF partnered with the San Mateo County government, local philanthropy groups, and nonprofit organizations to distribute more than \$16 million in grants to immigrant families.

Currently, MAF is managing a \$21 million national guaranteed income program to support 3,000 immigrant families with monthly cash grants for up to 24 months. MAF is partnering with the City of Daly City and the City of Coachella to manage their respective guaranteed income programs.

MAF was attracted to the Market project because of the opportunity to support a diverse group of entrepreneurs who are part of a longstanding, vibrant community. The chief executive of MAF, José Quiñonez, also has direct experience with the Market; as a child, his family sold at the Market and his brother continued to sell there for many years. In 2016, Quiñonez was awarded a MacArthur Fellowship “Genius” grant in recognition of his innovation in financial services for the underserved.

#### Business Transition Support Program

Staff and MAF have developed a program proposal that provides a range of options that address feedback provided by vendors through staff’s engagement efforts.

MAF will offer its full suite of technical assistance services for Market vendors, including individual business assessments, financial coaching, credit counseling, business planning, loan/grant application assistance, and resource referrals. The technical assistance will take place both in person and through electronic/phone means, including via MAF’s smartphone app, with MAF’s coaching staff facilitating conversations in a safe and supportive environment to explore issues of concern and determine what level of support is needed by individual vendors. All vendor-entrepreneurs will be provided with relevant and sector-specific technical training to help them improve their business operations and finances, as they figure out their path forward. MAF will refer vendors to other local service providers for specific types of support, as needed. The program aims to provide financial services and technical assistance to at least 150-200 vendors over the anticipated two years.

At the same time, MAF will provide access to appropriate zero-percent interest loan and grant opportunities specifically for vendors.

Under the terms of the agreement, the City will contribute up to \$500,000 over a period of 24 months to support the MAF’s staffing, outreach, technical assistance, application development, and loan and grant management. This funding will support 2.25 FTE staff working on the project, as well as costs associated with program development, technology services, loan and grant management, and administration. The City’s funding will not directly fund the loans or grants to be provided. Rather, MAF will utilize private funding sources for the loans or grants and administer them. MAF has so far obtained \$500,000 in loan capital and \$200,000 in grant funds from local philanthropy to support vendors. MAF is actively seeking support from other philanthropies that can bring additional substantial dollars to the effort. MAF recognizes the need to begin working quickly and aims to begin outreach to Market vendors by late January 2023.

The chart below summarizes some of the key attributes of the loan and grant products to be made available.

	<b>Microloan</b>	<b>Small Loan</b>	<b>Vendor Grant</b>
<b>Number of loans/grants possible/number of vendors supported</b>	Between 30-50 loans of up to \$2,500	Between 10-20 loans of up to \$15,000	Will range between 100-150 grants of \$1,000 or \$2,000
<b>Technical Assistance and Financial Education Participation</b>	Required	Required	Required
<b>Outcomes</b>	Personal-credit building; help with immediate needs	Business credit-building; business survival, growth or repositioning	Help with immediate needs
<b>Interest Rate</b>	0%	0%	N/A
<b>Allowable Use of Funds</b>	General business expense	General business expense	General business expense, emergency

MAF has identified an equity framework to guide decisions on distributing the financial assistance it will offer. This approach, developed and implemented during MAF’s COVID-19 grant work, looks at several aspects of a client’s profile and unique situation: income (such as whether someone has multiple revenue streams or is dependent on a single source of income), strains (additional financial obligations or life shocks), and systemic barriers to success (such as immigration status). The result is a system that prioritizes those who could benefit the most from direct financial assistance.

While the City is not funding the actual grants or loans, MAF will provide quarterly reports outlining metrics related to vendor support, including technical assistance delivered; aggregate loans/grant applications being reviewed and funded; progress on loan repayments; and relevant outcomes for participating vendors.

Unique Services Justification

It is recommended that the City Manager’s Office authorize the unique service’s determination with MAF per Municipal Code Section 4.12.235, Unique Services, for the execution of this agreement. Multiple factors combine to make MAF uniquely suited to perform the proposed services. MAF has a fundraising capacity grounded in significant relationships with philanthropic organizations. The organization will match a significant portion of the City’s contribution to this vendor assistance program with private-sector investment. MAF has already recruited private philanthropic capital to the proposed Market effort, including \$200,000 to fund grants. MAF is also committing \$500,000 from its own funds for loan capital. MAF is in discussions with other philanthropic partners and expects additional private financial commitments to this program.

In addition, as a U.S. Treasury-certified community development financial institution lender, MAF already has a program in place that combines a lending platform with a culturally competent educational curriculum in a one-stop shop, targeted at immigrant-owned small businesses. It is important to note that many lenders would not underwrite loans amid such uncertainty over the future of the Market; however, MAF’s intensive and multi-pronged vendor

support strategy allows it to have confidence in engaging at this level with the community. This is a unique service offering in the Bay Area.

## **CONCLUSION**

Since June 2021, staff has been working with the vendor community to assess their needs and to identify solutions, as the closure of the Market approaches. In response, staff developed the proposed Business Transition Support Program to access financial and business-support resources, including planning, education, and capital. MAF is uniquely suited to provide privately funded, customized financial products combined with a publicly funded education and technical assistance program to help vendors plan for the future and stabilize their businesses. MAF will leverage the City's contribution of \$500,000 from the Transition Fund Reserve to serve many of the 400+ vendors in need.

## **EVALUATION AND FOLLOW-UP**

Staff provides updates twice a year to the Community and Economic Development Committee on the status of the work with vendors at the Market, as well as progress on the redevelopment of the site itself. The next update will be delivered at the May 2023 Community and Economic Development Committee meeting. At this meeting, staff will include an update on the Business Transition Support Program.

Staff also shares information with the public at [www.sjeconomy.com/fleamarketvendors](http://www.sjeconomy.com/fleamarketvendors).

## **CLIMATE SMART SAN JOSE**

The recommendations in this memo have no direct effect on Climate Smart San José energy, water, or mobility goals.

## **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council agenda website for the December 13, 2022 Council Meeting.

Since summer 2021, staff has been meeting with vendor representatives and utilizing a range of outreach and engagement methods to understand vendor concerns and needs. This included a resource fair in February 2022, followed by a survey of vendors on a potential loan program. The outreach event with vendors on October 19, 2022, affirmed interest among vendors to prepare for the closure of the market.

**COORDINATION**

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

**COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

**COST SUMMARY/IMPLICATIONS**

The recommended actions will allow staff to negotiate and execute a consultant agreement with MAF to implement a Business Transition Support Program for a total compensation not-to-exceed \$500,000. This will cover the technical assistance and loan and grant servicing components of the program. MAF will leverage private funding to cover the direct costs of grants and loans provided to Market vendors.

The recommended actions will also allocate \$500,000 within the General Fund from the Transition Reserve to the Transition Fund City-Wide Expenses appropriation to fund the agreement with MAF.

**BUDGET REFERENCE**

The table below identifies the fund and appropriations to fund the contract recommended as part of this memo.

Fund #	Appn #	Appn Name	Current Total Appn	Rec. Budget Action	2022-2023 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	221R	Berryessa Flea Market Vendor Business Transition Fund	\$587,402	\$500,000	898	10/18/2022 Ord. No. 30833
001	8734	Berryessa Flea Market Vendor Business Transition Fund Reserve	\$2,400,000	(\$500,000)	941	08/30/2022 Ord. No. 30811



HONORABLE MAYOR AND CITY COUNCIL

November 30, 2022

**Subject: Berryessa Flea Market Business Transition Program**

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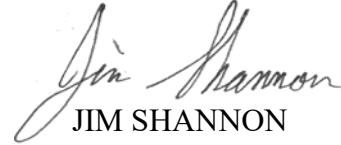
**CEQA**

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

/s/

NANCI KLEIN

Director of Economic Development  
and Cultural Affairs

A handwritten signature in black ink that reads "Jim Shannon". The signature is written in a cursive style with a large initial "J".

JIM SHANNON

Budget Director

For questions, please contact Nathan Donato-Weinstein, Business Development Officer, at (408) 535-8178.