



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lee Wilcox

SUBJECT: See Below

DATE: May 12, 2025

Approved

Date:

5/23/2025

COUNCIL DISTRICT: Citywide

SUBJECT: Actions Related to the Approval of San José Hotel Business Improvement District Annual Report for Fiscal Year 2025-2026 and Levy of Assessments

RECOMMENDATION

Adopt a resolution approving the San José Hotel Business Improvement District Annual Report prepared by San José Hotels, Inc. for Fiscal Year 2025-2026 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 José Hotel Business Improvement District (BID) Annual Report (Annual Report) (Attachment) describes the planned activities for the district in the Fiscal Year 2025-2026 and explains how assessments are calculated. City staff reviewed the report and accompanying budget details to ensure the San José Hotel BID services and funds are being 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's boundaries to help fund marketing and sales promotion efforts for Fiscal Year 2025-2026.

BACKGROUND

San José Hotel BID 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 boundaries of the City of San José. This approach has been successfully implemented in destination areas throughout the state to enhance tourism and increase room nights.

The San José Hotel BID 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 required the San José Hotel BID to be renewed annually. In an effort to implement long-range and larger-scale marketing and visitor attraction programs, the City Council disestablished the San José Hotel BID in 2018, as required by the '89 Law and established a new San José Hotel BID 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 BID 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 San José Hotel BID 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 San José Hotel BID. San José Hotels, Inc. (SJHI) was selected as the Owners' Association for the San José Hotel BID to implement the Management District Plan.

ANALYSIS

HOTEL BUSINESS IMPROVEMENT DISTRICT

Generally, a Hotel BID leverages the efficiencies of private sector operations in market-based tourism promotion. These special assessment districts enable lodging and tourism-related business owners to collaborate on efforts to boost tourism.

Tourism-related business owners within the district fund the Hotel BID, and those funds are used to provide services that the businesses desire and benefit the assessed lodging businesses within the Hotel BID.

Hotel BID benefits include:

- Funds cannot be diverted for other government programs;
- 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; and
- They provide a stable funding source for tourism promotion.

Management District Plan

The Management District Plan, approved by the City Council when the San José Hotel BID was renewed, outlines the San José Hotel BID's boundary, includes a service plan and budget, and establishes a means of governance.

The City is responsible for collecting the assessment every month from each lodging business located in the San José Hotel BID boundaries at the same time and in the same manner as the City's Transient Occupancy Tax. The City forwards the assessments to SJHI, which is responsible for managing San José Hotel BID programs as outlined in the Management District Plan. The City will retain an administration fee equal to one percent of the amount of assessments collected or a flat fee of \$25,000, whichever is greater each year, with the minimum guaranteed administration fee of \$25,000 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. However, in no event shall the adjustment exceed three percent per year. 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 the SJHI Board of Directors. The City deducts the administration fee from the assessments and forwards the remaining funds to SJHI.

The following activities have been approved for Fiscal Year 2025-2026 by the SJHI Board of Directors.

Tradeshows and Events: The sales team will be fully deployed to execute a robust tradeshow and customer event engagement strategy, targeting the Midwest and East Coast to diversify the customer base and continue identifying emerging industries, such as artificial intelligence and biotech. Key industry trade shows will be mixed with direct sales efforts, including sales missions, client events, and familiarization tours. There will be ongoing coordination with the local hotel community and convention center to address peak periods within the calendar through proactive sales efforts, maximizing opportunities for hotel partner participation with Team San José sales staff.

Advertising and Public Relations: Targeted efforts will amplify those of the sales team, focusing on generating lead opportunities primarily through digital channels. Funds will be utilized to digitally target opportunities, driving direct transient bookings into hotels that contribute to the district. Larger destination branding efforts will be minimized to maximize the focus on direct lead generation. Earned media will be leveraged to maximize reach and complement paid marketing efforts.

Housing: Complimentary group housing services will be provided to support groups to better incentivize groups to choose San José.

Event Hosting: This activity will maintain the financial commitment to events that gain San José significant exposure for public relations and notoriety to promote these events to out-of-town visitors, thereby generating room nights for the assessed businesses.

Research: The development of business intelligence tools will better quantify the impacts of activities for the assessed businesses and identify influential trends that can assist in generating room nights for the assessed businesses.

San José Hotel BID Boundaries and Zones of Service

The map outlining the San José Hotel BID area and three zones of benefit 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 the City limits.

During the 10-year term, the assessment rate in each zone may be increased by the SJHI Board of Directors by a maximum of \$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 is not recommending any increase in assessment rates for Fiscal Year 2025-2026.

Zone	Initial Assessment Rate	Maximum Assessment Rate
A: Within one mile of the San José McEnery Convention Center	\$2.50	\$4.00
B: Within one and one-half miles of the San José Mineta International Airport	\$1.25	\$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	\$2.50

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EVALUATION AND FOLLOW-UP

The SJHI will present to the City Council its Annual Report for Fiscal Year 2026-2027.

COST SUMMARY/IMPLICATIONS

Per the Management District Plan, the City's General Fund will receive a fee of one percent of the assessments collected to cover its costs of collecting the assessments from the hotels or a flat fee of \$25,000, whichever is greater each year, with the minimum guaranteed administration fee of \$25,000 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. However, in no event shall the adjustment exceed three percent per year. The estimated administrative fee for Fiscal Year 2025-2026 is one percent of the projected assessment revenue of \$3,102,000, or \$31,020. Additionally, because the San José Hotel BID programs are intended to increase tourism in the City, there may be a resultant increase in transient occupancy tax and sales tax collections. As San José Hotel BID assessments are restricted for use exclusively by the San José Hotel BID, the allocation of net assessments will continue to be administered through the Business Improvement District Fund. The Fiscal Year 2025-2026 Proposed Operating Budget, subject to City Council approval, includes projected assessment revenue and corresponding expenses of \$3,102,000, as detailed in the Source and Use Statement for the Business Improvement District Fund.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Clerk's Office, the City Manager's Budget Office, the Finance Department, the San José Hotel BID, and Team San José.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the June 3, 2025, 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 and held meeting on April 1, 2025.

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COMMISSION RECOMMENDATION AND INPUT

No commission 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 physical 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.



Lee Wilcox
Assistant City Manager
Acting Director, 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 (408) 793-6943.

ATTACHMENT:

San José Hotel BID Annual Report for Fiscal Year 2025-2026



ANNUAL REPORT
FISCAL YEAR 2025-2026

April 1, 2025

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 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. No changes are proposed to the district's boundaries, benefit zones, or classifications of businesses within the district.

2. Improvements and Activities to be provided in FY 2025 – 26

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 hotels paying assessments within the district. 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 for the assessed businesses.

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

Sales, Marketing and PR Activities:

Tradeshows & Events

- Leverage the fully deployed Sales team to execute a robust tradeshow and customer event engagement strategy.
- Continue efforts to diversify our customer base on a national level. Will continue to identify emergent industries like AI and biotech for new client opportunities.
- Will mix key industry tradeshows with direct sales efforts like sales missions, client events and familiarization tours.
- Will continue to coordination with local hotel community and convention center to address need periods within the calendar through proactive sales efforts.

- Maximize opportunities for hotel partner participation with TSJ sales staff.

Advertising and PR

- Targeted efforts to amplify those of the sales team focusing on generating lead opportunities through primarily digital channels.
- Will also utilize funds to digitally target opportunities to drive direct transient bookings into hotels paying into the district.
- Will minimize larger destination branding efforts in order to maximize focus on direct lead generation.
- Leverage earned media to maximize reach and complement paid marketing efforts.

Housing

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

Event Hosting

- Maintain financial commitment to events that gain San Jose significant exposure for PR and notoriety to promote these events to out-of-town visitors thereby generating room nights for the assessed businesses.

Research

- Access and develop business intelligence tools to better quantify impacts of activities for the assessed businesses and identify influenceable trends that can assist in generating room nights for the assessed businesses.

Event Sales Subsidies:

Event Sales Subsidies

- SJHI Board will approve on a case-by-case basis sponsorship / subsidies for select group business opportunities that impact the City on a large scale to generate room nights for the assessed businesses.
- Subsidies 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.
- Subsidies may also be utilized to provide free housing services through Team San Jose at no cost to the client to incentivize events to locate in San Jose and generate room nights.

- Subsidies 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.

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.

3. Estimate of Costs for Improvements and Activities in FY 2025-26

The following is the total proposed expenses allocations for this fiscal year compared to the approved budget for FY 2024-25:

SJHI FY 2025-26 Topline Budget vs FY 2024-25

	FY 2025-26	FY 2024-25
Total Collections	\$ 3,102,012	\$ 3,005,140
Sponsorship	\$ 1,147,670	\$ 1,162,634
Marketing Expenses		
Total Marketing Expenses	\$ 1,550,000	\$ 1,450,000
Administrative Expenses		
Total Administrative Expenses	\$ 373,322	\$ 362,455
City Fee	\$ 31,020	\$ 30,051
Total Expenditures	\$ 3,102,012	\$ 3,005,140

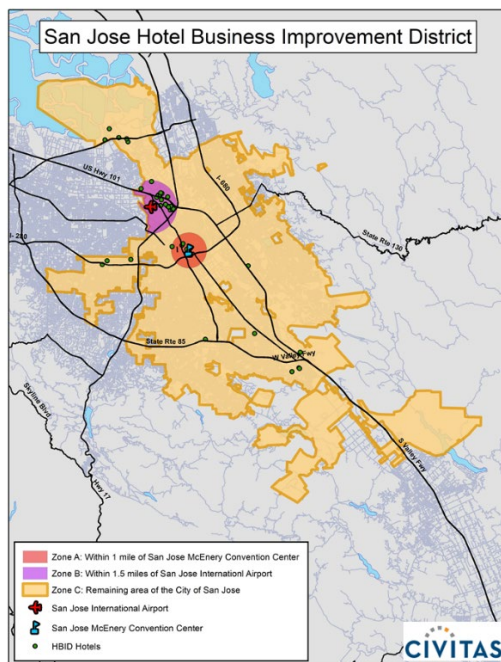
And the following chart provides a breakdown of the Marketing allocations – the exact distribution is still being finalized:

Proposed Marketing Allocations	FY 2025-26	FY 2024-25
Tradeshows & Client Events	720,000	720,000
Advertising and PR	700,000	620,000
Housing	60,000	60,000
Event Hosting	50,000	50,000
Research	20,000	-
Total	1,550,000	1,450,000

4. Method and Basis for Levying FY 2024-25 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.

Zone	Initial Assessment Rate	Maximum Assessment Rate
A: Within one (1) mile of the San Jose McEnery Convention Center	\$2.50	\$4.00
B: Within one and one-half (1.5) miles of the San Jose International Airport	\$1.25	\$2.75
C: Over one (1) mile from the San Jose McEnery Convention Center and over one and one-half (1.5) miles from the San Jose International Airport	\$1.00	\$2.50



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.

5. 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 Event Sales Subsidies on an ongoing basis. The projected uncommitted year end fund balance for FY 2024-25 is \$2,000,000. The funds may be utilized to incentivize additional group business into the destination to generate hotel room nights for the assessed businesses, or may be diverted in direct sales, marketing, and public relations activities to promote travel and tourism into San Jose and directly generate room nights in the assessed businesses.

6. Contributions from Non-Assessment Revenue

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