



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Nanci Klein

SUBJECT: SAN JOSE FLEA MARKET
UPDATE

DATE: September 14, 2022

Approved

Date

9/14/22

RECOMMENDATION

Accept the Flea Market Owner Quarterly Report and the report from the Office of Economic Development and Cultural Affairs (OEDCA) regarding work undertaken and planned in support of the Flea Market Advisory Group and the Vendor Transition Fund, consistent with City Council direction provided in June 2021 and August 2022.

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 public plazas, parks, trails, and open space.

The project included a variety of measures intended to support vendors as the Flea Market site transitions to transit-oriented development. For example, the Planned Development zoning designates approximately five acres for an urban market. The project also included the requirement for the property owner to contribute \$5 million toward a new Flea Market Vendor Transition Fund (Fund) and for staff to establish a new Flea Market Advisory Group to consist of a supermajority of vendors. The general purpose of the Transition Fund will be to mitigate direct expenses the vendors may experience when moving to any temporary site or future site due to redevelopment of the current Flea Market site. City Council has since allocated an additional \$2.5 million in City funding to support vendors, for a total of \$7.5 million.

In addition, Council directed OEDCA staff to reach out to vendors and offer resources and technical assistance, and to initiate economic studies to assess the existing market and explore alternative sites for a future market.

Lastly, Council directed the Flea Market owner to submit written, quarterly status reports to the City to summarize planning, permitting, and construction activities and the displacement of any vendors. The Community and Economic Development (CED) Committee will view and consider the reports twice a year.

Since the approval of the Flea Market Rezoning project, OEDCA staff has prepared a work plan to implement Council direction. This includes the following workstreams:

- Advisory Group formation
- Planning for future market
- Vendor outreach, engagement, and support

Staff provided the first update to the CED Committee in April 2022. Since that time, staff has continued to make progress with implementing Council’s direction. The following sections summarize progress under each of OEDCA’s three workstreams and the most recent Quarterly Report from the property owner.

Additional background information is included in the [April 2022 CED staff report](#) for additional background information, and the complete Council direction/action is included in the approved [zoning ordinance](#) and this [summary organized by category](#).

ANALYSIS

The City received the first \$500,000 contribution from the property owner in December 2021. Staff worked with vendor representatives to develop a budget for these initial funds, posted the recommended framework for the initial \$500,000 to the vendor website in January 2022, and shared it at the vendor outreach event in February 2022. A key theme was ensuring that the City understand and address the most urgent needs of vendors related to sustaining their businesses. There was general support for the recommended budget and interest in participating in the process moving forward.

Category	Amount	Notes
Economic studies	\$350,000	4.7% of budget
Advisory Group set-up	\$125,000	1.7% of budget
Language access and other outreach costs	\$125,000	1.7% of budget
<i>Flea Market Reserve</i>	<i>\$2,400,000</i>	
<i>Future funds from property owner</i>	<i>\$4,500,000</i>	
TOTAL	\$7,500,000	

Consistent with this budget, staff then moved forward with developing and posting two requests for proposals (RFPs) to procure consultants: one to support the formation of the Advisory Group and one to conduct three inter-related economic studies:

- Economic and Cultural Impact Study
- Public Market Operations Research
- Alternate Site Assessment

Through the RFP process, the evaluation panels selected Estolano Advisors as the consultant team to conduct the economic studies and Baird + Driskell Community Planning to support the formation the Advisory Group. On August 30, 2022, City Council approved the actions that enabled staff to move forward with these consultants and the associated processes, including an additional \$100,000 in funding for language access and other outreach costs.

Advisory Group Formation

Following the execution of the consultant agreement, staff will work with Baird and Driskell to engage stakeholders in drafting the Advisory Group charter for City Council approval. The charter will, at a minimum, include the purpose of the group, the number of members of the group, the composition of the group, and which members shall have voting rights. With a charter in place, the next step would be to select the specific Advisory Group members, using the process established in the charter. The goal is to complete these steps and start Advisory Group meetings in Spring 2023. The [August 30, 2022, City Council Memorandum](#) includes additional details.

Economic Studies

The purpose of the economic studies is to assist in developing plans for the next steps. For example, the intent of the Public Market Operations Research is to explore potential operating and ownership models and designs. The intent of the Alternate Site Assessment is to explore potential sites that could accommodate a significant portion of existing vendors, analyzing the pros and cons based on various factors of success. Understanding the functioning of the existing market, the characteristics of the existing vendors, and their future goals will inform the Public Market Operations Research and Alternate Site Assessment. The intent of the Economic and Cultural Impact Study is to demonstrate the full value of the existing market and provide critical data that will feed into other efforts.

As part of the August 30, 2022 approval, the City Council directed OEDCA to move forward with the Public Market Operations Research and Alternate Site Assessment but to consult with the vendor community before moving forward with some or all of the Economic and Cultural Impact Study. Additionally, Council expressed concern that any relocation of the Berryessa Flea Market to an area near the Capitol Flea Market could impact vendors at that market. Council authorized an additional \$25,000 to study any potential impacts on the Capitol Flea Market and

to conduct outreach with vendors, in the event the Alternative Site Assessment explores potential sites near the Capitol Flea Market.

Staff is currently working with Estolano Advisors and consulting with vendor stakeholders to review the scope of work prior to executing the consultant agreement. Staff aims for completion of the draft studies in summer 2023. The studies will not result in specific recommendations, but rather a series of findings, insights, and information that can guide the City, vendors, property owners, and other stakeholders as the project evolves. For example, the Economic and Cultural Impact Study can help attract partners for the development of a future market.

Vendor Outreach, Engagement, and Support

Staff has been meeting regularly with vendor representatives and community leaders since June 2021, including representatives from the Berryessa Flea Market Vendor Association. Staff is also working with the vendor community to provide multi-lingual resources that can help their businesses right now. This includes but is not limited to providing connections to existing technical assistance, relevant grants and loans, and potential customized assistance programs. For example, staff worked with MarketLink to host a Vendor Electronic Benefit Transfer (EBT) training in August 2022 to assist Flea Market vendors in becoming an EBT/Cal-Fresh authorized retailers to help them expand their customer base.

Staff is currently planning a vendor outreach event for October 2022. The goal of this outreach event is to introduce Baird + Driskell Community Planning and Estolano Advisors to stakeholders and vendors. During this event, staff and the consultants will go over the next steps for the formation of the Advisory Group and economic studies and engage vendors in the processes.

Flea Market Owner Quarterly Reporting

The Flea Market owner has submitted four quarterly status reports to date—October 2021, January 2022, April 2022, and July 2022. These reports can be found in Attachment A of this memorandum.

The July 2022 report states that the property owner submitted applications to the Planning Department for a Master Planned Development (PD) Permit (PD21-018) and a Tentative Map (T21-041) in October 2021. These applications are still under review by the City. The Master PD Permit application will be subject to approval at a Planning Director Hearing. The purpose of these entitlements is to plan the details and establish the layout of future public roadways, public parks site, creek trail setbacks, plaza sites, and development blocks for future development, including the preliminary site grading and utilities layout. These entitlements in and of themselves do not authorize the construction of any building or infrastructure. Future processes will need to be completed before any construction can occur. For example, prior to the construction of any new buildings, the property owner must submit subsequent PD permit applications with specific building and open space designs to the City for review and approval.

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The property owner has not initiated any physical activity associated with the redevelopment of the site under the PD zoning. For this reason, the quarterly reports have indicated that no vendors have been relocated or displaced, which the property owner is defining as involuntarily removing vendors from the market due to physical changes to the site. The latest report (July 2022) indicates the termination of two vendors due to license agreement issues.

CONCLUSION

Staff is working quickly to execute the consultant agreements and advance the advisory group formation process and economic studies. The goal is to complete the advisory group charter, select its members, and begin meetings by spring 2023. Staff aims to complete the draft economic studies in summer 2023 and will continue to work with the vendor community to engage them in completing the identified workstreams. The CED Committee will receive its next update on this work in Spring 2023.

/s/

NANCI KLEIN

Director of Economic Development and
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For questions, please contact Adolfo Ruelas, Business Development Officer, at (669) 259-5585.