



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Kim Welsh

SUBJECT: SEE BELOW

DATE: March 27, 2019

Approved

Date

3-28-19

COUNCIL DISTRICT: 3

SUBJECT: ADOPT A RESOLUTION AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO NEGOTIATE AND EXECUTE A SECOND AMENDMENT TO THE AGREEMENT WITH CHRISTMAS IN THE PARK, INC.

RECOMMENDATION

Adopt a Resolution authorizing the City Manager or his designee to negotiate and execute a Second Amendment to the Agreement with Christmas in the Park, Inc. to do the following:

- (a) Extend the term of the agreement for one of the two three-year extension periods for the period of May 1, 2019 through April 30, 2022 to manage and produce Christmas in the Park at Plaza de Cesar Chavez and to provide reimbursable fees for limited support staff, if needed, with an estimated \$414,600 of in-kind services, calculated on an annual basis;
- (b) Delegate authority to the City Manager or his designee to execute the second of the two three-year extension periods provided in the agreement; and
- (c) Provide flexibility for use of the Central Service Yard or equivalent space in an alternative location for storage and maintenance of displays, decorations, equipment and office space.

OUTCOME

The extension of the agreement with Christmas in the Park, Inc. (CITP) will result in the production of the Christmas in the Park event from 2019-2022, provide for delegation of authority to the City Manager or designee to exercise the second extension term and provide flexibility to address space at the Central Service Yard use.

BACKGROUND

The City of San José and CITP have successfully worked together since 1980 to make the annual 35-day event in Plaza Cesar Chavez a memorable experience for all who attend. Christmas in the Park is one of three downtown holiday attractions along with Downtown Ice, produced by the San Jose Downtown Association, and Winter Wonderland, produced by Giant Creative Services. Prior to 2011, CITP was produced by the City of San José. Up until that time, CITP was a nonprofit partner that provided fundraising and volunteer support. Due to the City's significant budget reductions, the City resources that previously supported the production of Christmas in the Park were eliminated in the 2010-2011 Adopted Budget. Recognizing its significant community and economic benefits, the City explored alternative funding and event management strategies for the annual holiday event. The City worked closely with the CITP volunteer board and the community to successfully transition the event to a community-based production model.

To evolve from a volunteer fundraising organization into the event's producer, CITP advanced and sustained several organizational development initiatives. A strategic business plan, marketing plan, and board development plan were implemented. CITP met crucial capacity building milestones including board development, staffing, fundraising, revenue generation, communications, marketing, and event production. The CITP board hired a full-time executive director and over the years has added more full-time, part-time and seasonal staff. CITP is now a strong community-based nonprofit organization that is the holiday event producer with sound financial and operational practices. Ensuring a safe and well-managed event for the 650,000 annual visitors, CITP has been compliant with its City contract and with all City policies.

To meet its annual budget goal of one million dollars (\$1,000,000), CITP has implemented several fundraising and revenue-generating strategies. CITP successfully educated the community about the changes to the event and the need for additional new support to sustain the event. In addition to new contributions from individuals, the CITP board has actively developed new multi-year sponsorships and new revenue streams that have sustained and stabilized the organization. CITP cultivated new partnerships with community and business organizations such as the Silicon Valley Leadership Group, San Jose Rotary Club, San Jose Downtown Association, Giant Creative Services, and the SVO.

The organization has created strategic partnerships with other local entities to bring new attractions to the event. Happy Hollow Park and Zoo, the Santa Clara County Sheriff's Office, History San Jose, and the San Jose Parks Foundation have partnered with CITP to create new displays.

In addition to CITP raising its annual operating budget, approximately 10,000 volunteer hours are invested by the community in cleaning, preparing, decorating, designing, and performing at the event. This investment by the community drives the traditions and celebrations that make this the largest event held in Downtown San Jose.

Economic Impact

In addition to important community-building impacts, CITP provides significant economic benefits. According to the City's Economic Impact Tool and the International Festivals & Events Association Economic Impact Assessment from 2010, Christmas in the Park generates an estimated \$14,000,000 in total visitor spending per year, driving critical economic activity for the restaurants, museums, and attractions in the downtown area during the holiday period. The estimated new fiscal impact to the City is \$701,000 per year, which comes to the City in the form of parking revenues, Transient Occupancy Tax, and sales tax.

In December 2013, Essential Travel Magazine, a United Kingdom-based travel guide company, named Christmas in the Park as one of the "Top Ten Christmas Displays in the World." This honor brought international attention to our long-standing holiday festivity. Consistently Christmas in the Park is awarded the Best Holiday Event by readers of the Metro newspaper and the Silicon Valley Concierge Association has also awarded the event with the same honor over the past several years. The International Festival and Events Association has acknowledged CITP's efforts numerous time and most recently awarded them a Gold Level award for their sponsorship recognition program industry wide.

ANALYSIS

In 2011, upon City Council approval, the City and CITP entered into a five-year partnership agreement (initial agreement) for the management and production of the event in exchange for City in-kind services aimed at controlling event production costs. In 2016, the current agreement was executed with two additional three-year extension periods.

Building on this successful transition of the event into a community-based production model, it is recommended that the City exercise the first extension period of the current agreement which expires on April 30, 2019 with two amendments.

Terms of Agreement

A three-year extension of the current agreement with CITP is recommended to enable CITP to develop multi-year sponsorships and other funding agreements which will help sustain the event. In the Agreement, the City will continue to provide the following in-kind support for the event:

1. Use of up to 32,000 square feet in the City's Central Service Yard for storage and maintenance of displays, decorations, and equipment plus two (2) office spaces. City shall provide normal maintenance and utilities to service the 32,000 square feet of storage (based on current market value of \$1.00 per square foot);
2. Use of Plaza de Cesar Chavez for the event;
3. Parking meter space surrounding Plaza de Cesar Chavez during the event;
4. Use of the City's Event Recycling Services in accordance with available funding through the Environmental Services Department's ZERO Waste Program;
5. Costs associated with the fountain support, maintenance, and control;

6. Costs for turf repair and renovation; and
7. American Society of Composers, Authors and Publishers license.

CITP is responsible for submitting an Outdoor Special Event Application prior to each event for the use of Plaza de Cesar Chavez. CITP is responsible for the submission of a Tow Permit Application for the use of metered spaces surrounding the Plaza de Cesar Chavez Park during the event and for the posting of tow-away signs at each metered space. Because the holiday event in Plaza de Cesar Chavez Park is considered a City-owned event and CITP is producing it, the fees associated to obtain the Park Use Permit and the Tow Zone Permit (including subsequent lost meter revenue fees) are part of the in-kind support by the City.

The terms of the Agreement require CITP to reimburse the City for support costs including partial funding of Parks, Recreation and Neighborhood Services Department staff positions. In accordance with the Agreement, CITP will reimburse the City for the staff time spent supporting the Christmas in the Park event for the set-up, take-down, and operations. Annually since 2011, CITP reduced its reliance on City staff with the most recent production of 2018, requiring no City staff support for set-up, take-down, and operations. It is anticipated CITP will remain self-sufficient for the remainder of the terms of this Agreement, if approved, requiring no City staff support for future productions.

There are two proposed amendments to the existing agreement. The first amendment is related to Section 6, D of the current Agreement and allows the CITY flexibility to relocate the current storage and maintenance location for CITP outside of the Central Service Yard in an equivalent alternate location, should the occasion arise during the term of the Agreement. The amendment to this section of the Agreement is:

CITY will provide the use of up to 32,000 square feet in the CITY's Central Service Yard or equivalent space in an alternative location for storage and maintenance of displays, decorations and equipment for the EVENT plus two (2) office spaces included within the 32,000 square feet, two (2) trailer parking spaces estimated at 600 square feet for trailer parking plus eight (8) vehicle parking spaces in close proximity to the building. CITY shall continue to provide the cost for normal maintenance, water and electrical utilities to service the 32,000 square feet of storage. CITY may terminate occupancy and use of the warehouse at the CITY's Central Service Yard any time and for any reason with at least six months' notice contingent upon the CITY ability to provide an equivalent alternate location for storage, maintenance, office space and parking. Upon notification by CITY, CORPORATION will execute the transition to the alternative location, unless it occurs during the CORPORATION's annual event production season of September through December. Should CITY determine an alternate location for storage and maintenance is required, CITY is responsible for reasonable associated costs related to the relocation.

The second amendment is related to Section 3 of the current Agreement to allow the City Manager authority to extend future terms of the Agreement. The amendment to this section of the Agreement is:

CITY delegates the authority to the City Manager or his or her designee to negotiate and execute the second of the two additional three year periods (“Extension Period”) provided in SECTION 3.B.

Upon City Council approval, it is anticipated that an agreement will be entered into no later than April 30, 2019. Any City in-kind support is subject to City Council appropriation of funds as part of the annual budget process. If future City support is not acceptable to CITP, CITP may terminate the Agreement.

EVALUATION AND FOLLOW-UP

City staff and CITP will continue to collaborate to assess the efficacy of the partnership and the success of the event.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the April 9, 2019 City Council agenda.

COORDINATION

This memorandum has been coordinated with the City Manager’s Budget Office, Parks, Recreation and Neighborhood Services Department, Public Works Department, Transportation Department, Environmental Services Department, and the City Attorney’s Office.

COMMISSION RECOMMENDATION/INPUT

There is no commission recommendation or input associated with this item.

FISCAL/POLICY ALIGNMENT

This Agreement furthers the *Economic Strategy* goal of San Jose as the world’s most livable big city, with diverse and distinctive qualities of life, and the City’s economic development initiative to “Develop a Distinctive Set of Sports, Arts and Entertainment Offerings, Aligned with San Jose’s Diverse, Growing Population.”

COST SUMMARY/IMPLICATIONS

The recommended action will have no impact to the General Fund. Should the need arise again, CITP will reimburse the City's General Fund for any City staff that supports the event's production. Expenditures associated with CITP are subject to future budget approvals and the appropriation of funds. The in-kind support from the City to CITP is estimated at \$414,612 per year, which includes the current market value of leasing the office and warehouse space, park permit fees, damage deposits, and parking meter fees. These in-kind funds do not represent any direct costs incurred by the City.

BUDGET REFERENCE

The recommended action will have no impact to the General Fund. Should the need arise again, CITP will reimburse the City's General Fund for any City staff that supports the event's production. Expenditures associated with CITP are subject to future budget approvals and the appropriation of funds.

CEQA

Categorically Exempt, CEQA Guidelines Section 15304(e) Minor Alterations to Land, File No. PP16-031.

/s/
KIM WALESH
Deputy City Manager
Director of Economic Development

For questions, please contact Kerry Adams Hapner, Director of Cultural Affairs, at (408) 793-4333.