



COUNCIL AGENDA: 12/8/2020

ITEM: 3.13

FILE NO: 20-1681

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: December 8, 2020

SUBJECT: Update to the Greater Downtown San José Economic Recovery Initiative.

Recommendation

As recommended by the Rules and Open Government Committee on December 2, 2020, approve the recommendations outlined in the attached letter dated November 24, 2020 and direct the City Manager to integrate those recommendations into staff's work plan.

CEQA: Not a Project, File No. PP17-010, City Organizational and Administrative Activities resulting in no changes to the physical environment. (Peralez)

[Rules Committee referral 12/2/2020 - Item G.3]



Memorandum

TO: RULES & OPEN GOVERNMENT
COMMITTEE

FROM: Councilmember Raul Peralez

SUBJECT: Update to the Greater Downtown
San José Economic Recovery
Initiative

DATE: November 24, 2020

Approved by:

Date: *11/24/20*

RECOMMENDATION

Agendize the following item for the December 8, 2020 City Council meeting:

1. Approve the recommendations outlined in the attached letter dated November 24, 2020 and direct the City Manager to integrate those recommendations into staff's work plan.

BACKGROUND

On June 30th, the City Council accepted a comprehensive list of recommendations from the Greater Downtown San José Recovery Task Force as well as City Staff's response to those recommendations¹.

Since then, the Task Force has reconvened and expanded to include additional industries and sectors. For two and half months and over a span of 40 meetings, the Task Force of 55 Greater Downtown business stakeholders met to contemplate policy recommendations in the face of a winter of uncertainties. Meanwhile, both State and County public health officials have taken surprising but necessary action to address the growing rate of COVID-19 transmission including restrictions to certain sectors and dining options. This has unfortunately impacted many local businesses in the Greater Downtown Area, many of whom are increasingly concerned about their livelihoods in the face of unpredictable public health mandates.

Study has shown that in the San José Metro area, as of November 09 2020, total small business revenue decreased by 39.2% compared to January 2020.² However, consumer spending has dropped only by 4.1% compared to January 2020.³ This indicates that while consumer spending is still relatively moderate, fewer dollars are apparently not flowing through the doors of our local

¹ City of San José. (2020, June 30) *Greater Downtown San José Economic Recovery Initiative*.

<https://sanjose.legistar.com/LegislationDetail.aspx?ID=4579035&GUID=65FB5565-81CB-4ADC-BE7B-58AA062816EE&Options=&Search=>

² Opportunity Insights (2020, Nov 9) *Percent Change in Small Business Revenue: San José Metro Area*. <https://www.tracktherecovery.org/?bvrms>

³ Opportunity Insights (2020, Nov 9) *Percent Change in All Consumer Spending: San José Metro Area*. <https://www.tracktherecovery.org/20y1bc>

small businesses. I imagine that the impact is far greater in the Greater Downtown Area considering the lack of employee and collegiate student presence. Therefore, we as a City must work together and consider all available tools to increase economic benefits for our local business community.

I would like to thank all the Task Force participants and guests for all their hard work and contributions to this process during these challenging times. Their updated recommendations are rooted in their day-to-day experience and we should heed their feedback in order to support the survival and sustainability of our Greater Downtown business community. I am cognizant that there is no one solution or establishment that will single handedly catalyze the economic recovery of our Greater Downtown area, but it will require all of our collective and creative efforts to help our business community fully thrive again.



GREATER DOWNTOWN SAN JOSÉ ECONOMIC RECOVERY TASK FORCE

SUPPORTED BY THE OFFICE OF COUNCILMEMBER RAUL PERALEZ

November 24, 2020

Honorable Mayor & City Council
City of San José
200 E. Santa Clara Street, 18th Floor
San José, CA 95113

Dear Honorable Mayor and Councilmembers,

We are voting representatives of the Greater Downtown San José Economic Recovery Task Force, a coalition of over 55 small businesses and community organizations operating in and around the Greater Downtown area.¹ The first session of our task force convened in mid-May and the second session recently between September to November. We came together to respond to the struggles and impacts that our business community have continued to endure throughout the COVID-19 pandemic.

Our Task Force is subdivided into eight industry-based committees:

- Arts & Special Events
- Faith Based & Community Spaces
- Food & Beverage
- General Retail & Services
- Hotels & Hospitality
- Large Employers & Property Owners
- Performance & Entertainment Venues
- Personal Care

For two and a half months and over a span of 40 meetings, our task force met intensively to generate policy and tactical solutions that would support the economic recovery and safe reopening of our local economy. We are pleased to share with you those recommendations.

RECOMMENDATION #1: Report back through an information memo on the status of the Task Force's June 30th recommendations and follow up actions.² This should also include a status update on the recently funded Downtown Economic Stimulus & Recovery Study.

BACKGROUND

On June 30th, 2020, the San José City Council accepted the Phase I Task Force recommendations and staff response. City Staff and the Task Force met on August 17th to follow up on several pending items.

¹ See Attachment A

² City of San José. (2020, June 30) *Greater Downtown San José Economic Recovery Initiative*.
<https://sanjose.legistar.com/LegislationDetail.aspx?ID=4579035&GUID=65FB5565-81CB-4ADC-BE7B-58AA062816EE&Options=&Search=>

Since then, there have been several items from the recommendations that have been implemented, while the status of others remain to be determined.

During this Task Force process, we called for funding from the Downtown Revitalization budget, matched by our Office of Cultural Affairs and other private sector partners, to conduct a Downtown Economic Stimulus & Recovery study in order to plan for a blueprint towards long term economic and cultural recovery. We ask for the City to continue monitoring the progress of this study and use its findings towards crafting effective long term recovery strategies.

RECOMMENDATION #2: Include in the 2021-2022 FY Budget Discussion the following:

- a. Plan for Long-Term Outdoor Business Operations in the Greater Downtown Area
- b. Financial Assistance Programs that includes:
 - i. Grants and funding for businesses and programs that are unable to operate and/or have been severely restricted, prioritizing arts organizations.
 - ii. Waivers for businesses' regulatory license fees, business registration fees, payroll expense taxes for a prescribed duration for businesses and organizations unable to operate or are severely restricted.
- c. In the event future federal and state relief funds are made available, explore instituting a Consumer Cash Card pilot program and leverage private-public partnerships for additional funding.
- d. Consider a tax relief program for businesses that have already incurred COVID-19 Related Business expenses.

BACKGROUND

During the week of November 16, the State of California forced the County of Santa Clara back into the most restrictive tier of conditions on reopening. This indicates that there remains a lot of uncertainty moving into 2021 and beyond on how businesses will be allowed to operate. The San Jose Al Fresco program has proven to be a lifeline for many, if not all, our small local businesses that have opted to operate outdoors. The program was imagined to be a temporary fix, implemented in our local emergency ordinance. However, we have seen now especially with the recent rollbacks in the California Blueprint that it is unknown whether indoor operations will be guaranteed in the foreseeable future. Therefore, we should set in place the components for a more robust outdoor business program, especially in a city that gets 300 days of sunshine.

We are cognizant that many businesses are still unable to open and even if they were, they are severely restricted, some even opting to either remain closed or permanently shuttering their doors. As businesses continue to suffer, we ask that our local government leaders continue to provide financial assistance ranging from additional grants to fee waivers. For example, the City of San Francisco recently announced that they are providing up to \$2.5 million of business permit fee waivers to help food and

entertainment businesses stay afloat.³ This form of financial assistance will go a long way in supporting our businesses. Other states have found creative ways to utilize Federal and State relief funds to stimulate their economy. The State of Hawaii for example implemented a Hawaii Restaurant Card Program⁴ utilizing \$75 million in CARES Act funding to provide \$500 prepaid debit cards to residents affected by the pandemic-related economic downturn, while helping to sustain restaurants that have suffered. This type of win-win model should be explored, especially as we approach the harsh winter months.

Finally, small business owners are working hard to adjust their operations to adhere with public health mandates. This also means unexpected and at times substantial investment in expenses to safely operate. While there may be funding opportunities available, there is no guarantee as limited resources does exclude certain businesses from benefitting. Therefore, another potential tool could be exploring a form of local tax relief for those businesses that have already incurred expenses to keep their doors open.

RECOMMENDATION #3: Explore and potentially implement the following City Policy Updates

- a. Reevaluate Public Parking Program.
- b. Institute a third party delivery service business fee cap of 15%.
- c. In the event that the State
 - i. Passes legislation permitting longer term allowances of to-go alcoholic sales, report back to City Council on what policy changes are needed to be in alignment, and,
 - ii. Allows for open container consumption in a controlled, prescribed location, consider conducting a pilot.
- d. Consider expanding allowable uses for religious assembly and community gathering spaces.
- e. Contemplate additional areas in the Greater Downtown Area that could benefit from opening public right of ways for pedestrians and businesses only.

BACKGROUND

As the pandemic continues to surge on, the City must be forward thinking in providing the relief that our business community needs. Parking should continue to be carefully monitored and allowed to be temporarily recalibrated if needed. In the Greater Downtown Areas such as Japantown and East Santa Clara Business Corridor, waived parking meter fees have been a much welcomed and partial source of consumer appeal. This relief should continue and be expanded into certain peripheral parts of the Downtown Core that are not in close proximity to a public garage that provides the 90 minutes of free parking. There are also other existing parking resources such as the Convention Center that should be considered open to the public as well.

³ Office of San Francisco Mayor London Breed. (2020, Oct 26) *Mayor London Breed Announces Fee and Tax Waivers to Support Entertainment and Nightlife Businesses*. <https://sfmayor.org/article/mayor-london-breed-announces-fee-and-tax-waivers-support-entertainment-and-nightlife>

⁴ State of Hawaii DBET (2020) *Hawaii Restaurant Card Program*. <https://dbedt.hawaii.gov/hawaii-restaurant-card/>

We do not deny that third party delivery services like Doordash, Grubhub, etc... have been instrumental in keeping our businesses afloat. However, in a time when every dollar helps, the overall fees can amount to a substantial impact forcing food service providers to raise their prices. Recently, the City of Santa Clara approved a temporary ordinance that caps fees at 15% that a third-party delivery service can charge restaurants for deliveries during the COVID-19 pandemic.⁵ This policy change should be contemplated as well here in the City of San Jose. We believe third party companies like Doordash who are currently valued at \$16 billion and recently contributed to passing a \$204 million ballot measure, can afford to reduce their fees to support our mom-and-pop businesses. Note that the intent is not to take away earnings from drivers who need the income, but rather by capping the business fee at 15% during these harsh times, it can help businesses salvage some of their hard earned revenue to further sustain.

This has also been an unprecedented time for community-oriented businesses that rely on alcoholic beverage sales. All of our food and restaurant operators unanimously agree that the ability for operators with on-sale privileges to sell those alcoholic beverages for off-sale consumption has been lifesaving. We understand that there have been state legislative discussions in the past such as Senate Bill 1114 (Allen) that would make this relief permanent, the City should be proactive as well in being prepared to react if such legislation does arise again.

Furthermore, this pandemic has shown that outdoor sale and consumption of alcohol can be done so safely in a strictly controlled environment. With uncertainty of when indoor operations will ever fully resume to pre-COVID-19 capacities, it is time that all government agencies including the City consider allowing for open consumption in a public right of way, starting with a pilot that includes a closed restricted street with robust security measures. In addition, the opening of Post Street and San Pedro Street to business and pedestrians-only has been a proven success of the San José Al Fresco Program. The City should continue to explore other streets such as South First Street and certain right of ways in the Greater Downtown Area, especially in areas that could benefit retailers.

Finally, as large gatherings have been severely restricted during the pandemic, religious assembly and community gathering spaces have large meeting areas that are now being significantly underutilized. Staff should explore additional uses for these spaces, such as temporarily allowing faith based communities to serve as small business incubators for struggling businesses. While it might be some time before restrictions are eased on the types of gatherings, these spaces have the potential to assist with Downtown's economic recovery.

⁵ City of Santa Clara (2020, Sep 2) *Santa Clara Limits Third-Party Food Delivery Fees to Help Local Restaurants*. <https://www.santaclaraca.gov/Home/Components/News/News/41736/3171>

RECOMMENDATION #4: Update any existing marketing strategies worked on by the City and its Convention & Visitors Bureau to include

- a. Strong consumer safety messaging as well as highlights of ongoing work from the arts and non-profit community.
- b. Streamlining of ongoing marketing promotional efforts from various groups as well as leverage existing robust employee networks to promote ongoing local business activities.

BACKGROUND

With the slow restoration of marketing resources at Team San José, there are opportunities to appeal to our residents in supporting our local Downtown economy. We hope that any parties working on marketing campaigns or communications place consumer safety as the highest priority in messaging. There are efforts such as the Safely Social San José campaign that can be leveraged to help increase consumer confidence. Furthermore, while it is critical that small local businesses are well promoted in any form of marketing, it is also important to the morale of our city that we highlight the wonderful work that our arts and non-profits organizations are doing to keep our community afloat.

We also encourage that those leading marketing efforts utilize the robust employer networks in our City. One of our committee members, Adobe, has 1500 employees that live within a 10 mile radius of campus and communicate with their employees within their internal network not only regarding public safety updates but business activities as well. We should also continue to partner with Downtown's largest employer, San José State University, to educate the 900+ students living on campus on the Downtown commercial amenities they can take advantage of. In an age where there is an ocean of daily communications coming through on numerous consumer platforms, the City's interests must be articulated in a loud, distinct voice.

RECOMMENDATION #5: Include in high priority legislative advocacy

- a. Support for state legislation allowing for To-Go Alcoholic Beverages such as Senate Bill 1114 (Allen).
- b. In the event that Recommendation #3(d) has implications on State or Federal Tax code due to the nature of religious assembly and/or non profit statuses, call for a provision of temporary tax exemptions.
- c. Improve communication between State and County to streamline and coordinate regulatory changes to the general public.
- d. That the County Board of Supervisors prioritize Downtown small businesses in the implementation of the proposed \$100 million low-interest loan program.⁶

⁶ County of Santa Clara (2020, Oct 19) *Simitian, Ellenberg Propose \$100 Million Loan Program for Local Small Businesses*. [https://www.sccgov.org/sites/d5/newsmedia/Pages/Simitian_Ellenberg_Propose_\\$100Million_Loan_Program_for_Local_Small_Businesses.aspx](https://www.sccgov.org/sites/d5/newsmedia/Pages/Simitian_Ellenberg_Propose_$100Million_Loan_Program_for_Local_Small_Businesses.aspx)

BACKGROUND

We would like to thank the City's Intergovernmental Relations team, led by Bena Chang, on their incredible partnership. Together, we have worked to elevate Downtown San José's interests to the Governor's Office of Business and Economic Development (GO-BIZ) and they have acknowledged and responded to our concerns. As we move into the new calendar year that includes new legislative sessions, we hope that the City will continue advocating on behalf of our local Downtown business community.

As shared in Recommendation #3(b), there may be opportunities in the future at the state level to consider allowing To-Go Alcoholic Beverages to sustain past the current ABC regulatory relief. SB1114 (Allen) is an example of the efforts proposed in the State Legislature to explore this notion and we encourage the City to support those efforts in the event that similar legislation is proposed.

While exploring whether Recommendation #3(c) is feasible, there may be questions when it comes to the State and Federal tax codes due to the nature of tax-exempted religious assembly and non-profit organizations. Unfortunately, these vast halls are sitting empty and can be repurposed for community and economic development. Therefore, if there are temporary land use changes that could be implemented and tax code changes prove to be a hurdle, we hope the city will call for sensible temporary tax exemptions at the State and Federal level to allow those changes.

We applaud County Supervisors Ellenberg and Simitian for proposing a bold \$100 million low-interest loan package to assist small businesses, especially during this time when it is very much needed. As the economic and cultural engine for the South Bay, the sustainability and success of Downtown San José ripples out to all our neighboring cities and communities. With skyrocketing commercial rents, ongoing quality of life issues, and many other hurdles, it is critical that the Board ensures Downtown small businesses that are barely hanging on are given an equitable opportunity in participating in this program. Furthermore, in the development of this loan program, we ask that the Board consider including a mechanism for loan forgiveness for businesses that invest in improvements that advance public health interests.

Finally, we understand that both the State and County essentially control the mandates on what can reopen and operate in our community. Unfortunately, we have seen a disconnect that has occurred several times. The first was during July 4th weekend when there were ABC enforcement actions on businesses that were in compliance with County regulations. This was followed by a confusing moment on determining the allowance of personal care businesses, which the State and County were on different pages. Finally it was evident there was some form of disconnect when recently the State surprisingly forced the County to leapfrog to the most restrictive tier. While there are always hiccups in our bureaucracy, we cannot stress enough that this is our livelihoods on the line and a disconnect between State and County officials could equate to loss of critical income on our behalf. We urge that the City call for better cooperation, communication and transparency between our State and County partners.

IN CONCLUSION, we ask that you implement these recommendations as expeditiously as possible. As we enter the winter and a new year, there are many unknowns that could possibly threaten the livelihoods of not only our business, but the very fabric of the Greater Downtown area that we wholeheartedly believe in.

Sincerely,

Dalia Rawson, *Task Force Co-Chair*
Performance & Entertainment Venues Co-Chair
Executive Director, New Ballet

Adriana Amador
Food & Beverage Committee Co-Chair
Assistant General Manager, Enoteca La Storia

Gabrielle Antolovich
Faith Based & Community Spaces
Committee Co-Chair
Executive Director, Billy DeFrank LGBTQ+ Community Center

Jeff Arrillaga
Large Employers & Property Owners
Committee Co-Chair
Property Owner, Urban Community

Fernanda Carreira
Food & Beverage Committee Co-Chair
Owner, Adegas / Pastelaria Adegas

Scott Guggenheim
Performance & Entertainment Venues Co-Chair
Owner, 3Below Theaters

Enrique Fernandez
Hotels & Hospitality Committee Co-Chair
Business Manager, Unite Here Local 19

April Gee
General Retail & Services Committee Co-Chair
Owner, Petite Galleria

Wisa Uemura, *Task Force Co-Chair*
Arts & Special Events Committee Co-Chair
Executive Director, San José Taiko

Takahiro Kitamura
Personal Care Committee Co-Chair
Owner, State of Grace Tattoo

Alan "Gumby" Marques
Personal Care Committee Co-Chair
Owner, Heroes Martial Arts

Phil Mastrocola
Faith Based & Community Spaces
Committee Co-Chair
Director of Outreach, Grace Baptist Church

Chris Patterson-Simmons
General Retail & Services Committee Co-Chair
Owner, Neu2U Thrift Boutique / Urban Kiosk

Brendan Rawson
Arts & Special Events Committee Co-Chair
Executive Director, San José Jazz

Jay Ross
Large Employers & Property Owners
Committee Co-Chair
Shareholder, Hopkins & Carley

Jimmy Sarfraz
Hotels & Hospitality Committee Co-Chair
General Manager, Hilton San José

ATTACHMENT A

Greater Downtown San José Economic Recovery Task Force Committee Roster - September to November 2020

Arts & Special Events

Anjee Helstrup-Alvarez, *MACLA*
Brendan Rawson, *San José Jazz**
Trami Nguyen Cron, *Chopsticks Alley*
Chris Esparza, *Giant Creative*
Dana & Yori Seeger, *School of Visual Philosophy*
Daniel Garcia, *Content Magazine*
Nick Nichols, *Symphony Silicon Valley*
Sayre Batton, *San José Museum of Art*
Wisa Uemura, *San José Taiko**
Nathan Svoboda, *ProjectMORE*

Faith Based & Community Spaces

Gabrielle Antolovich, *Billy DeFrank LGBTQ+ Community Center**
Jill Bourne, *MLK Library*
Milan Balinton, *AACSA*
Phil Mastrocola, *Grace Baptist Church**
Rev. Gerald Sakamoto, *San Jose Buddhist Church Betsuin*
Rev. Joseph Benedict, *St. Joseph's Cathedral*
Rev. Julia McCray-Goldsmith, *Trinity Cathedral*

Food & Beverage

Adrian Kalaveshi, *Clandestine Brewery*
Adriana Amador, *Enoteca La Storia**
Cache Bouren, *Haberdasher SJ*
Fernanda Carreira, *Adega/Pasteleria Adega**
Jasmine Rast, *Roy's Station Coffee Shop*
Liana Ryan, *Devine Wine & Cheese*
Ryan Summers, *Good Karma/Pizza Flora*

General Retail & Services

April Gee, *Petite Galleria*
Chris Patterson-Simmons, *Neu2U/Urban Kiosk**
Cindy Ahola, *Community Cycles*
Ivy Vuong, *Flowers by Ivy*

Hotels & Hospitality

Dan McGowan, *Fairmont San José*
Enrique Fernandez, *Unite Here Local 19**
Jimmy Sarfraz, *Hilton San José**
John Southwell, *Marriott Hotel*
Misoon Kong, *DoubleTree Hotel*
Tanya Fleming, *Holiday Inn San José*

Large Employers & Property Owners

Alicia Forbrich, *Forbrich Properties*
Edwin Tan, *San José State University*
Gary Dillabough, *Urban Community*
Jay Ross, *Hopkins & Carley**
Jeff Arrillaga, *Urban Community**
Judy Ross, *Mineta San José Internal Airport*
Nathan Ulsh, *San José Downtown Association*
Scott Ekman, *Adobe*

Performance & Entertainment Venues

Bill Fairweather, *134 IATSE*
Cathleen King, *San José Stage Company*
Chris Burrill, *Hammer Theater*
Dalia Rawson, *New Ballet**
Dana Zell, *Children's Musical Theater*
John Ciulla, *Team San José*
Marilee Jennings, *Children's Discovery Museum*
Rob Lindo, *Casino M8trix*
Scott Emmert, *SAP Center/SSE*
Scott Guggenheim, *3Below Theaters**
Matthew van Cleave, *The Rtiz San José*

Personal Care

Alan "Gumby" Marques, *Heroes Martial Arts**
Takahiro Kitamura, *State of Grace**

At-Large Members

Blage Zelalich, *City of San José*
Jonathan Perez, *Senate District 15*
Laura Chmielewski, *Team San José*
Stacie Shih, *Assembly District 27*

* = Committee Co-Chairs