

2024-2025 Proposed Budget
BUDGET DOCUMENT COST ESTIMATE REQUEST

To request a Budget Document (BD) cost estimate, please complete the first page of this form (use as much space as required) and submit it to Kate Handford in the City Manager’s Budget Office starting April 22nd, 2024 and by no later than May 8th, 2024.

City staff will return the form with the cost estimate provided on the second page of the form by May 17, 2024. The BDs with the cost estimates are due to the Mayor’s Office by **May 23, 2024**.

Please note that the number of budget document cost estimate requests is limited to **five requests per City Council District**. Additionally, all Budget Documents that recommend a City-provided service or project must be based on a Cost Estimate Response.

TO BE COMPLETED BY COUNCILMEMBER:

Councilmember: Omar Torres

Council District: 3

BD PROPOSAL: Pop-Up Vendors in Japantown

City Department (if known): OEDCA

Program/Project Title: Pop Up Vendors in Japantown

Proposal Description, including anticipated outcomes (describe how change would affect services for San José residents, businesses, community groups, etc.):

Due to the pandemic many businesses have had to close down shop leaving behind many vacant storefronts. There are many small businesses who would love to go into a brick and mortar, but the high-rent costs are a barrier for them. By doing what was done in El Paseo De San Antonio where 5 new businesses are able to be in a storefront ensures that our downtown is vibrant and all businesses are able to thrive in the city of San José. I want to replicate this in Japantown, to help reduce the number of vacant storefronts in the neighborhood.

Position Changes (include classifications, if known):

Estimated Amount of City Funding Change (to be validated by the cost estimate):

Fund(s) Impacted (e.g. General Fund, C&C Tax Funds, etc.):

Ongoing or One-Time:

BD PROPOSAL OFFSET/FUNDING SOURCE (identify the offsetting action to fund the BD proposal identified above):

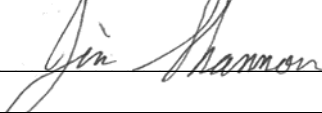
Essential Services Reserve:

Other (Program/Project/Fund):

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Cost Estimate #: 19

TO BE COMPLETED BY CITY MANAGER’S OFFICE:

Cost Estimate Approved By  Date 5/17/2024

CITY DEPARTMENT:

Staff Person Completing Cost Estimate: Salvador Alvarez/Executive Analyst Date 5/15/2024
Name/Title

Department Approval of Cost Estimate: Kerry Adams Hapner, Asst. Director, OEDCA Date: 5/15/24
Department Director or Designee

BD Cost Estimate:

| Fund | 2024-2025 Cost | Ongoing Cost |
|--------------|--------------------------|--------------|
| General Fund | \$145,600 for two spaces | |
| | or | |
| | \$72,800 for one space | |

Position Changes (if applicable):

| Position Classification | 2024-2025 FTE | Ongoing FTE |
|-------------------------|---------------|-------------|
| | | |
| | | |
| TOTAL | | |

BD Cost Estimate Notes (if applicable – provide any notes only if necessary to clarify the cost estimate):

BD PROPOSAL:

Pop-up retail programs can address vacant commercial spaces while providing opportunities for small-business entrepreneurs to test their concepts in brick-and-mortar locations. There are various ways that these programs can be implemented. They generally involve an entity (such as a city or business association) leasing a vacant storefront, and then working to fill that space with a temporary tenant (or tenants). Spaces may be subsidized for the tenants through reduced rent. The pop-up program sponsor may work with tenants directly, or with a third party that specializes in retail recruitment and activation.

Regardless of the program approach, spaces must be move-in ready. These programs can typically only pay minor improvement costs (such as for cleaning, paint, and signage). Therefore, a successful pop-up location requires in-place infrastructure such as a bathroom, electrical, HVAC, and an Americans with Disabilities Act-compliant layout. Many spaces in newly constructed buildings are in “cold shell” condition, meaning that they do not have the necessary infrastructure in place for a pop-up user. Bringing cold shell spaces up to a suitable standard can cost upward of \$150-\$160 per square foot (SF)

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in today’s high construction-cost environment. A 1,400-square-foot space would therefore require at least \$225,000 to get to a usable “warm shell” condition.

The most prominent available vacant storefronts in Japantown are primarily located in ground floor mixed-use developments. These include:

- Eleven retail spaces along the ground floor of the recently completed Sixth and Jackson apartment building, totaling 18,546 SF. These spaces are in cold shell condition (they do not have bathrooms, electrical, HVAC) and would require additional costs for construction.
- The former coffee shop in the Pavona apartments building totaling 1,296 SF.
- Esplanade development on Taylor, which includes a former tanning salon split into individual rooms with access to a common area restroom. The landlord does not want to strip back to original shell.

Pop-up program elements and costs

- **Rent:** A rent budget depends on the rental rate, number of spaces, and average sizes planned to be activated. Market rate retail rents average \$3.10 per SF per month triple-net (meaning property taxes, maintenance, and utilities are not included), but landlords may be willing to accept less rent in return for short-term flexible arrangements.
- **Additional rent costs:** Commercial leases may require “triple net” expenses, which include all other expenses like insurance, real estate taxes and maintenance and utilities and add up to \$1 PSF.
- **Minor improvements:** While pop-up programs generally do not contemplate full-on construction, some funding to spruce up spaces is recommended. This would include paint, window treatments, signage, fixtures, and lighting.
- **Marketing and contingency:** Some budget is advisable to reserve for supporting marketing and public relations efforts as well as planning for unforeseen contingencies.
- **Third-party management:** A third-party partner is advisable to negotiate and sign leases; carry insurance; recruit and onboard tenants; pay invoices; implement marketing strategies; and manage the program overall. The partner may or may not subcontract with other service providers to fulfill some of the program elements.

Currently there are two spaces available in Japantown that are suitable for a pop-up retail program. The table below details the cost to install pop-up retail for both available spaces for one year, the cost for one space, and the additional cost to build out a cold shell space to make it suitable for a pop-up retail location.

Conceptual Operating Costs for 2 Spaces (at 1,400 SF each) for up to 1 year

| Program Element | Concept Terms | Cost |
|--------------------------------|---------------------------------|----------|
| Rent | \$1.50/SF X 12 months per space | \$50,400 |
| Additional rent costs | \$1.00/SF X 12 months per space | \$33,600 |
| Minor Improvements | \$5,000 per space | \$10,000 |
| Marketing and Contingency | \$5,000 per space | \$10,000 |
| Third-party Program Management | 15% total cost | \$15,600 |

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| | | |
|--|------------------------------|------------------|
| Retail Recruitment & Technical Assistance | 25% total cost | \$26,000 |
| Total for 2 Spaces | | \$145,600 |
| Cost per Space | | \$72,800 |
| <i>Additional cost for construction of each cold shell space</i> | <i>\$160/SF for one unit</i> | <i>\$225,000</i> |