

OFFICE OF ECONOMIC DEVELOPMENT

Impact Analysis Report

OVERVIEW

The Office of Economic Development (OED) is responsible for administering the City's Foreign Trade Zone Alternative Site Framework and various fees and permits associated with cultural activities.

Maintaining a Foreign Trade Zone enhances the City's economy and prestige as a foreign trade-friendly international city and it is an important international economic development tool. Prior to 2015-2016, OED was responsible for administering the Foreign Trade Main Zones and Subzones. With the approval of the Alternative Site Framework (ASF) Zones by the City Council on November 5, 2012, the ASF fees were established to provide San José businesses an expedited application review process by the City and the Foreign Trade Zones Board for businesses who want to activate a site as a Foreign Trade Zone. In addition to streamlining the application process, the lowered fee structure is designed to encourage the use of the Foreign Trade Zone program by more businesses, including manufacturing entities. With the approval of the ASF, the previous Foreign Trade Main Zones and Subzones fees are no longer needed and can be eliminated.

In addition, OED administers the application review for the Wayfinding Banner program. Wayfinding banners are directional in nature to identify a unique area of the City and are limited to streets in the Downtown and major arterials.

The Office of Cultural Affairs (OCA), a division of OED, collects fees for activities such as event permit and use permit fees. Consistent with past practice, these fees and charges are designated as Category II (fees which may be less than or more than full cost recovery).

As a result of the economic downturn, on April 6, 2010, the City Council approved a set of strategies to encourage activities and events in the City of San José. The Gated Event on Public Property Fee was suspended through June 30, 2012 (from 5% of gross gate receipts to 0%). Extension of the fee suspension through June 30, 2014 was approved by the City Council on May 1, 2012 to provide continued opportunity for event producers to increase revenues through 2013-2014. On April 15, 2014, City Council approved an additional extension of the fee suspension through June 30, 2016. In the past, revenue from the fee has funded the City's Festival, Parades, and Celebration (FPC) Grant Program. The continued suspension of the Gated Event on Public Property Fee will have a General Fund impact of \$33,000 in 2015-2016, resulting in reduced levels of funding available to the FPC Grant Program.

SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

Deleted Fees

The deletion of the Foreign Trade Main Zone and Subzone Fees is proposed. With the establishment of the Foreign Trade Zone ASF Program and completion of Foreign Trade

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SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

Deleted Fees (Cont'd.)

Main Zone and Subzone operating agreements, the Foreign Trade Main Zones and Subzones can be eliminated. There is no loss in revenue anticipated with this elimination as all operating agreements related to Foreign Trade Main Zone and Subzones have been terminated.

NOTIFICATION

The Proposed Fees and Charges Report was released on May 1, 2015, allowing for a minimum of 10 days for public review. Public input on fee proposals will be heard by the City Council at public hearings held on Tuesday, May 12, 2015, at 1:30 p.m. and Monday, June 8, 2015, at 7:00 p.m. in the Council Chambers.

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2014-2015 Adopted Fee	2014-2015 % Cost Recovery	2015-2016 Proposed Fee	2015-2016 Estimated Cost	2015-2016 Estimated Revenue		2015-2016 % Cost Recovery		
					Current Fee	Proposed Fee	Current Fee	Proposed Fee	
ECONOMIC DEVELOPMENT - CATEGORY II									
1. Foreign Trade Alternative Site Framework Zone									
Note: Adopted by City Council on November 27, 2012.									
1 Annual Operating Agreement Maintenance Fee	\$275		No Change						
2 Application Fee	\$500		No Change						
3 Operating Agreement Set-Up Fee	\$2,500		No Change						
Sub-total Foreign Trade Alternative Site Framework Zone		91.8%		3,276	3,275	3,275	100.0%	100.0%	
2. Foreign Trade Main Zone									
1 Additional Zone Application Fee	\$3,200		Delete						
2 Annual Fee	\$3,000		Delete						
3 Expansion Fee	\$1,600		Delete						
4 Performance Fee	\$100		Delete						
Sub-total Foreign Trade Main Zone									
3. Foreign Trade Subzone									
1 Annual Fee	\$15,000		Delete						
2 Application Fee	\$5,000		Delete						
Sub-total Foreign Trade Subzone									
4. Gated Event on Public Property									
1 Gated Event Maximum Ticket Charge	Maximum \$30 per person per day (unless modified by a contractual agreement approved by City Council)		No Change						

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Service	2014-2015 Adopted Fee	2014-2015 % Cost Recovery	2015-2016 Proposed Fee	2015-2016 Estimated Cost	2015-2016 Estimated Revenue		2015-2016 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
ECONOMIC DEVELOPMENT - CATEGORY II								
4. Gated Event on Public Property								
2 Gated Event on Public Property Fee Note: Extension of fee suspension through 2015-2016 per City Council direction on April 15, 2014.	0% of gross gate receipts (unless modified by a contractual agreement approved by City Council)		No Change					
Sub-total Gated Event on Public Property								
SUB-TOTAL ECONOMIC DEVELOPMENT - CATEGORY II		91.8%		3,276	3,275	3,275	100.0%	100.0%
TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II								
1. Paseo/Plaza Use Permit Fee								
1 "Non-Peak" Extended Permit Fee	\$275 plus \$275 per each 28 day period (or portion thereof), after the first 28 day period		No Change					
2 "Non-Peak" Extended Permit Fee (Cleaning and Damage Deposit)	\$1,500 (refundable)		No Change					
3 Permit Amendment Fee	\$235		No Change					
4 Series Events Permit Fee	\$420		No Change					
5 Series Events Permit Fee (Cleaning and Damage Deposit)	\$1,500 (refundable)		No Change					
6 Short-Term Event Permit Fee	\$275 per event not to exceed 28 days including set-up and teardown		No Change					
7 Short-Term Event Permit Fee (Cleaning and Damage Deposit)	\$1,500 (refundable)		No Change					
Sub-total Paseo/Plaza Use Permit Fee		71.7%		10,197	8,480	8,480	83.2%	83.2%

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2014-2015 Adopted Fee	2014-2015 % Cost Recovery	2015-2016 Proposed Fee	2015-2016 Estimated Cost	2015-2016 Estimated Revenue		2015-2016 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II								
2. Paseo/Plaza Use Permit Fees for Temporary Outdoor Uses of Parque de los Pobladores (also known as Gore Park)								
Note: Adopted by City Council on August 21, 2012.								
1 Amendment Fee	\$30 (for previously approved event)		No Change					
2 Cleaning and Damage Deposit	\$1,500 (refundable)		No Change					
3 Series Permit Fee	\$100 (series up to 4 events held in 3-month period)		No Change					
4 Single-Use Permit Fee	\$60 (1 to 3 (consecutive) day period for a single event)		No Change					
Sub-total Paseo/Plaza Use Permit Fees for Temporary Outdoor Uses of Parque de los Pobladores (also known as Gore Park)		58.6%		364	280	280	76.9%	76.9%
3. Private Property Event Permit								
Note: The Vehicle Sales Event Permit of \$595 was transferred to the Department of Planning, Building & Code Enforcement.								
1 Administrative Process Fee	\$100 per permit		No Change					
2 Non-Vehicle Sales Event	\$850 per event		No Change					
Sub-total Private Property Event Permit		70.0%		17,476	14,500	14,500	83.0%	83.0%
4. Wayfinding Banner Application								
1 Wayfinding Banner Application Additional Review Fee	\$89 per hour		No Change					
2 Wayfinding Banner Application Review Fee	\$535		No Change					
Sub-total Wayfinding Banner Application								

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2014-2015 Adopted Fee	2014-2015 % Cost Recovery	2015-2016 Proposed Fee	2015-2016 Estimated Cost	2015-2016 Estimated Revenue		2015-2016 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II								
SUB-TOTAL TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II		70.4%		28,037	23,260	23,260	83.0%	83.0%
TOTAL DEPARTMENT - GENERAL FUND				3,276	3,275	3,275	100.0%	100.0%
TOTAL DEPARTMENT - NON-GENERAL FUND				28,037	23,260	23,260	83.0%	83.0%
TOTAL DEPARTMENT - Category II				31,313	26,535	26,535	84.7%	84.7%
TOTAL DEPARTMENT				31,313	26,535	26,535	84.7%	84.7%