

OFFICE OF ECONOMIC DEVELOPMENT

Impact Analysis Report

OVERVIEW

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

The administration of the Foreign Trade Main Zones, Subzones, and Alternative Site Framework Zones includes processing applications, boundary modifications, and contract negotiations. 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 December 31, 2013, OED was responsible for administering the City's Enterprise Zone (EZ) incentive program, which is a key business retention tool. The EZ covered a 12-square mile area in San José and served as a key business retention tool. This fee-funded program was terminated by the State of California on December 31, 2013 by the passage of AB93 and SB90.

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 2014-2015, resulting in reduced levels of funding available to the FPC Grant Program.

SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

Deleted Fees

The Enterprise Zone Fee has been eliminated. The Enterprise Zone Program, designed to encourage business investment and promote job creation in economically distressed areas throughout California, was terminated by the State of California on December 31, 2013. City staff is in the process of completing the applications that were received through December 2013 and expect to complete

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SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

Deleted Fees (Cont'd.)

all related activities by June 30, 2014. The loss in revenues (\$135,000) associated with this elimination is included in the 2014-2015 Proposed Operating Budget along with the elimination of costs associated with the program.

Existing Fees

The fees collected by the OCA staff are recommended to be reallocated from the General Fund to the Transient Occupancy Tax (TOT) Fund. Because the OCA staff are budgeted in the TOT fund, the associated fee revenue generated by this staff should also be budgeted in the TOT fund. The fees impacted by this realignment are expected to generate \$23,080 in 2014-2015 and include: Paseo/Plaza Use Permit Fee, Paseo/Plaza Permit Fees for Temporary Outdoor Uses of Parque de los Pobladores (also known as Gore Park), Private Property Event Permit, and Wayfinding Banner Application.

NOTIFICATION

The Proposed Fees and Charges Report was released on May 2, 2014, 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 13, 2014, at 7:00 p.m. and Monday, June 9, 2014, at 7:00 p.m. in the Council Chambers.

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2013-2014 Adopted Fee	2013-2014 % Cost Recovery	2014-2015 Proposed Fee	2014-2015 Estimated Cost	2014-2015 Estimated Revenue		2014-2015 % Cost Recovery		
					Current Fee	Proposed Fee	Current Fee	Proposed Fee	
ECONOMIC DEVELOPMENT - CATEGORY I									
1. Enterprise Zone									
1 Enterprise Zone Voucher Application Fee	\$109 per application		Delete						
Note: The State eliminated this program on December 31, 2013.									
Sub-total Enterprise Zone		92.1%				135,188			
SUB-TOTAL ECONOMIC DEVELOPMENT - CATEGORY I		92.1%				135,188			
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				3,567	3,275	3,275	91.8%	91.8%	
2. Foreign Trade Main Zone									
1 Additional Zone Application Fee	\$3,200		No Change						
2 Annual Fee	\$3,000		No Change						
3 Expansion Fee	\$1,600		No Change						
4 Performance Fee	\$100		No Change						
Sub-total Foreign Trade Main Zone		9.1%							

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2013-2014 Adopted Fee	2013-2014 % Cost Recovery	2014-2015 Proposed Fee	2014-2015 Estimated Cost	2014-2015 Estimated Revenue		2014-2015 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
ECONOMIC DEVELOPMENT - CATEGORY II								
3. Foreign Trade Subzone								
1 Annual Fee	\$15,000		No Change					
2 Application Fee	\$5,000		No Change					
Sub-total Foreign Trade Subzone		91.1%						
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					
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		84.5%		3,567	3,275	3,275	91.8%	91.8%
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					

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2013-2014 Adopted Fee	2013-2014 % Cost Recovery	2014-2015 Proposed Fee	2014-2015 Estimated Cost	2014-2015 Estimated Revenue		2014-2015 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II								
1. Paseo/Plaza Use Permit Fee								
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		28.3%		9,206	6,600	6,600	71.7%	71.7%
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)		17.7%		307	180	180	58.6%	58.6%
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					

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2013-2014 Adopted Fee	2013-2014 % Cost Recovery	2014-2015 Proposed Fee	2014-2015 Estimated Cost	2014-2015 Estimated Revenue		2014-2015 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II								
3. Private Property Event Permit								
2 Non-Vehicle Sales Event	\$850 per event		No Change					
Sub-total Private Property Event Permit		66.4%		23,282	16,300	16,300	70.0%	70.0%
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								
SUB-TOTAL TRANSIENT OCCUPANCY TAX FUND ECONOMIC DEVELOPMENT - CATEGORY II		47.2%		32,795	23,080	23,080	70.4%	70.4%
TOTAL DEPARTMENT - GENERAL FUND				3,567	138,463	3,275	3881.8%	91.8%
TOTAL DEPARTMENT - NON-GENERAL FUND				32,795	23,080	23,080	70.4%	70.4%
TOTAL DEPARTMENT - Category I					135,188			
TOTAL DEPARTMENT - Category II				36,362	26,355	26,355	72.5%	72.5%
TOTAL DEPARTMENT				36,362	161,543	26,355	444.3%	72.5%