

OFFICE OF ECONOMIC DEVELOPMENT

Impact Analysis Report

OVERVIEW

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

The administration of the Foreign Trade Zone and Subzones 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.

San José received an Enterprise Zone designation by the State of California and is responsible for administering the City's Enterprise Zone (EZ) incentive program, which is a key business retention tool. The EZ covers a 12-square mile area that encompasses the Downtown, Monterey Corridor, Edenvale, North San José, Japantown, and also includes the Santa Clara/Alum Rock Business District. Businesses located in the EZ are eligible to receive State income tax credits valued up to \$37,000 per eligible employee for hiring individuals from 13 targeted categories. Since the adoption of the application fee in 2011-2012, the program has been 100% cost recovery. However, due to changes in staffing levels, the cost recovery for this fee is 92% for 2013-2014. Costs will be monitored in 2013-2014 and adjustments will be brought forward as part of the 2014-2015 budget process as necessary to bring the program to full cost recovery.

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, OCA 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 San José 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. Revenue from the fee funds 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 \$32,000 in 2013-2014, resulting in reduced levels of funding available to the FPC Grant Program.

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SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

Existing Fees

During 2012-2013, changes to the OED fees and charges were approved. On August 21, 2012, the City Council approved fees for outdoor event use of the newly renovated Parque de los Pobladores (also known as Gore Park) to spur downtown vibrancy and cultural development. A series of event fees were adopted including: a single-use permit fee for \$60 (one to three consecutive day period), a series permit fee for \$100 (series up to four events held in a three month period), an amendment fee for \$30, and a refundable cleaning and damage deposit of \$1,500. These new fees reflect a 17.7% cost-recovery level.

On November 27, 2012, the City Council approved the addition of the Foreign Trade Zone Alternative Site Framework fees for businesses who want to take advantage of this new expedited review process by the Foreign Trade Zone Board. 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. The 100% cost-recovery fees include an application fee of \$500, an operating agreement set-up fee of \$2,500, and an annual operating agreement maintenance fee of \$275.

In order to properly align the Fee Resolution and the Fees and Charges document, the addition of the following fees are reflected in this department: Cleaning and Damage Deposit for the Paseo/Plaza Use Permit Fees.

In addition, the Vehicle Sales Event Permit of \$595 is now displayed in the Planning, Building and Code Enforcement (PBCE) Department, since PBCE is responsible for this activity.

NOTIFICATION

The Proposed Fees and Charges Report was released on May 3, 2013, 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 14, 2013, at 1:30 p.m. and Monday, June 10, 2013, at 7:00 p.m. in the Council Chambers.

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2012-2013 Adopted Fee	2012-2013 % Cost Recovery	2013-2014 Proposed Fee	2013-2014 Estimated Cost	2013-2014 Estimated Revenue		2013-2014 % 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		No Change					
Sub-total Enterprise Zone		100.0%		272,177	250,700	250,700	92.1%	92.1%
SUB-TOTAL ECONOMIC DEVELOPMENT - CATEGORY I		100.0%		272,177	250,700	250,700	92.1%	92.1%
ECONOMIC DEVELOPMENT - CATEGORY II								
1. Foreign Trade Alternative Site Framework Zone								
1 Annual Operating Agreement Maintenance Fee Note: Adopted by City Council on November 27, 2012.			\$275					
2 Application Fee Note: Adopted by City Council on November 27, 2012.			\$500					
3 Operating Agreement Set-Up Fee Note: Adopted by City Council on November 27, 2012.			\$2,500					
Sub-total Foreign Trade Alternative Site Framework Zone								
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		100.0%		3,836	350	350	9.1%	9.1%

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2012-2013 Adopted Fee	2012-2013 % Cost Recovery	2013-2014 Proposed Fee	2013-2014 Estimated Cost	2013-2014 Estimated Revenue		2013-2014 % 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		100.0%		43,908	40,000	40,000	91.1%	91.1%
SUB-TOTAL ECONOMIC DEVELOPMENT - CATEGORY II		100.0%		47,744	40,350	40,350	84.5%	84.5%
OFFICE OF CULTURAL AFFAIRS-CATEGORY II								
1. Gated Event on Public Property								
1 Gated Event Maximum Ticket Charge Note: Formerly named "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 2013-2014 per City Council direction on May 1, 2012.	0% of gross gate receipts (unless modified by a contractual agreement approved by City Council)		No Change					
Sub-total Gated Event on Public Property								
2. Paseo/Plaza Use Permit Fee								
1 "Non-Peak" Extended Permit Fee Note: Formerly named "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					

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2012-2013 Adopted Fee	2012-2013 % Cost Recovery	2013-2014 Proposed Fee	2013-2014 Estimated Cost	2013-2014 Estimated Revenue		2013-2014 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
OFFICE OF CULTURAL AFFAIRS-CATEGORY II								
2. Paseo/Plaza Use Permit Fee								
4 Series Events Permit Fee Note: Formerly named "Series 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 Note: Formerly named "Short- Term Permit Fee."	\$275 for event not to exceed 28 days including setup 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		36.6%		22,858	6,470	6,470	28.3%	28.3%
3. Paseo/Plaza Use Permit Fees for Temporary Outdoor Uses of Parque de los Pobladores (also known as Gore Park)								
1 Amendment Fee Note: Adopted by City Council on August 21, 2012.			\$30 (for previously approved event)					
2 Cleaning and Damage Deposit Note: Adopted by City Council on August 21, 2012.			\$1,500 (refundable)					
3 Series Permit Fee Note: Adopted by City Council on August 21, 2012.			\$100 (series up to 4 events held in 3-month period)					
4 Single-Use Permit Fee Note: Adopted by City Council on August 21, 2012.			\$60 (1 to 3 (consecutive) day period for a single event)					
Sub-total Paseo/Plaza Use Permit Fees for Temporary Outdoor Uses of Parque de los Pobladores (also known as Gore Park)				1,354	240	240	17.7%	17.7%

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2012-2013 Adopted Fee	2012-2013 % Cost Recovery	2013-2014 Proposed Fee	2013-2014 Estimated Cost	2013-2014 Estimated Revenue		2013-2014 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
OFFICE OF CULTURAL AFFAIRS-CATEGORY II								
4. 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		100.0%		24,532	16,300	16,300	66.4%	66.4%
5. 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 OFFICE OF CULTURAL AFFAIRS-CATEGORY II		34.9%		48,744	23,010	23,010	47.2%	47.2%
TOTAL DEPARTMENT - GENERAL FUND				368,665	314,060	314,060	85.2%	85.2%
TOTAL DEPARTMENT - Category I				272,177	250,700	250,700	92.1%	92.1%
TOTAL DEPARTMENT - Category II				96,488	63,360	63,360	65.7%	65.7%
TOTAL DEPARTMENT				368,665	314,060	314,060	85.2%	85.2%