

OFFICE OF ECONOMIC DEVELOPMENT

Impact Analysis Report

OVERVIEW

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

The administration of the Foreign Trade and Subzones includes processing applications, boundary modifications, and contract negotiations and expansions. 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.

OED is also responsible for administering the City's Enterprise Zone (EZ) incentive program. San José is designated as an Enterprise Zone by the State of California. The EZ covers a 12 square mile area that encompasses the Downtown, Monterey Corridor, Edenvale, Rincon de Los Esteros, Japantown, and also includes the Santa Clara/Alum Rock Business District. The EZ is a key business retention tool. Businesses located in the EZ are eligible to receive State tax credits valued at up to \$37,000 per eligible employee for hiring individuals from 13 targeted categories.

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 guidelines are complete and applications may be submitted.

The Office of Cultural Affairs (OCA) is a division of the OED. Collection of fees related to OCA activities such as event permit and use permit fees are included in this section. Consistent with past practice, the OCA fees and charges are designated as Category II (fees which may be less than or more than full cost recovery).

SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

Existing Fees

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 \$28,000 in 2012-2013, resulting in reduced levels of funding available to the FPC Grant Program.

The EZ program was administered by the San Jose Redevelopment Agency from July 2008 through June 2011, and administrative costs were absorbed by the Agency. In 2011-2012, the program was moved to OED and this program was budgeted on a one-time basis with the

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SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

establishment of a fee of \$109 per application to ensure full cost recovery for administration of the program. OED has nearly completed a year of operating the EZ as a full cost recovery program. As part of the 2012-2013 Proposed Operating Budget, this fee is recommended to continue, and associated staffing and resources made permanent in OED to sustain the EZ program and an increased activity level.

It should be noted on April 23, 2012, the City Council approved the recommendation for staff to assess the feasibility of eliminating the private property permit fee for commercially zoned parking facilities in the downtown and return to Council with a recommendation during the Fees and Charges process. OED will provide an update on this City Council direction through the release of a Manager's Budget Addendum in late May.

NOTIFICATION

The Proposed Fees and Charges Report was released on May 4, 2012, 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 15, 2012, at 7:00 p.m. and Monday, June 11, 2012 at 7:00 p.m. in the Council Chambers.

DEPARTMENTAL FEES AND CHARGES

ECONOMIC DEVELOPMENT

Service	2011-2012 Adopted Fee	2011-2012 % Cost Recovery	2012-2013 Proposed Fee	2012-2013 Estimated Cost	2012-2013 Estimated Revenue		2012-2013 % 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		99.8%		241,653	241,653	241,653	100.0%	100.0%
SUB-TOTAL ECONOMIC DEVELOPMENT - CATEGORY I		99.8%		241,653	241,653	241,653	100.0%	100.0%
ECONOMIC DEVELOPMENT - CATEGORY II								
1. 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%		350	350	350	100.0%	100.0%
2. Foreign Trade Subzone								
1 Annual Fee	\$15,000		No Change					
2 Application Fee	\$5,000		No Change					
Sub-total Foreign Trade Subzone		100.0%		20,000	20,000	20,000	100.0%	100.0%
SUB-TOTAL ECONOMIC DEVELOPMENT - CATEGORY II		100.0%		20,350	20,350	20,350	100.0%	100.0%
OFFICE OF CULTURAL AFFAIRS-CATEGORY II								
1. Gated Event on Public Property								
1 Gated Event on Public Property Fee	0% of gross gate receipts (unless modified by a contractual agreement approved by City Council)		No Change					
Note: Extension of fee suspension through 2013-2014 per City Council direction on May 1, 2012.								

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ECONOMIC DEVELOPMENT

Service	2011-2012 Adopted Fee	2011-2012 % Cost Recovery	2012-2013 Proposed Fee	2012-2013 Estimated Cost	2012-2013 Estimated Revenue		2012-2013 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
OFFICE OF CULTURAL AFFAIRS-CATEGORY II								
1. Gated Event on Public Property								
2 Ticket Charge	Maximum \$30 per person per day (unless modified by a contractual agreement approved by City Council)		No Change					
Sub-total Gated Event on Public Property				28,000				
2. Paseo/Plaza Use Permit Fee								
1 Extended Permit Fee	\$275 plus \$275 per each 28 day period (or portion thereof), after the first 28 day period		No Change					
2 Permit Amendment Fee	\$235		No Change					
3 Series Permit Fee	\$420		No Change					
4 Short-Term Permit Fee	\$275 for event not to exceed 28 days including setup and teardown		No Change					
Sub-total Paseo/Plaza Use Permit Fee		36.0%		17,664	6,470	6,470	36.6%	36.6%
3. Private Property Event Permit								
1 Downtown Core Commercial Zoned Multiple-Event Permit	\$1,200		No Change					
2 Non-vehicle sales event	\$850 per event		No Change					
3 Vehicle sales event	\$595 per event		No Change					
Sub-total Private Property Event Permit		100.0%		14,500	14,500	14,500	100.0%	100.0%
4. Wayfinding Banner Application								
1 Wayfinding Banner Application Additional Review Fee	\$89 per hour		No Change					

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ECONOMIC DEVELOPMENT

Service	2011-2012 Adopted Fee	2011-2012 % Cost Recovery	2012-2013 Proposed Fee	2012-2013 Estimated Cost	2012-2013 Estimated Revenue		2012-2013 % Cost Recovery		
					Current Fee	Proposed Fee	Current Fee	Proposed Fee	
OFFICE OF CULTURAL AFFAIRS-CATEGORY II									
4. Wayfinding Banner Application									
2 Wayfinding Banner Application Review Fee	\$535		No Change						
Sub-total Wayfinding Banner Application									
SUB-TOTAL OFFICE OF CULTURAL AFFAIRS-CATEGORY II		33.2%		60,164	20,970	20,970	34.9%	34.9%	
TOTAL DEPARTMENT - GENERAL FUND				322,167	282,973	282,973	87.8%	87.8%	
TOTAL DEPARTMENT - Category I				241,653	241,653	241,653	100.0%	100.0%	
TOTAL DEPARTMENT - Category II				80,514	41,320	41,320	51.3%	51.3%	
TOTAL DEPARTMENT				322,167	282,973	282,973	87.8%	87.8%	