



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Nanci Klein

SUBJECT: SAN JOSE FLEA MARKET
UPDATE

DATE: April 15, 2022

Approved

Date

4/14/22

RECOMMENDATION

Accept the report from the Office of Economic Development and Cultural Affairs regarding work undertaken and planned in support of the Flea Market Advisory Group and the Vendor Transition Fund, consistent with City Council direction provided in June 2021.

BACKGROUND

On June 29, 2021, City Council approved the San José Flea Market Southside Rezoning project (see Ordinance No. 30646). The project rezoned the site to CP (PD) Planned Development Zoning District to allow up to 3,450 residential units and up to 3,400,000 square feet for commercial uses, as well as plazas, parks, and open space. City Council's approval also included approximately five acres designated for a new urban market on the site and a \$5 million Flea Market Vendor Transition Fund (Fund) to be funded by the property owner, among other conditions. Included in the annual report, City Council allocated an additional \$2.5 million in City funding to support vendors, for a total of \$7.5 million.

The general purpose of the Fund is to mitigate direct expenses the vendors may experience when moving to any temporary site and/or Urban Market area on the site, some other market location, or any other retail location in San José as a result of the redevelopment of the current market site at 1590 Berryessa Road. The Fund may also be spent on consultant services, non-profit partners, communications with vendors, data collection, research on models of public/private markets and examples of self-sustaining operational methods, or other resources to inform the design and operation of a new market.

The City Council directed staff to use the first \$500,000 of the funding from the property owner to establish a Flea Market Advisory Group (Advisory Group) and conduct relevant economic impact studies. The Advisory Group will consist of representatives of the property

owner/developer, the City, and a supermajority of Flea Market vendors, including members from any vendors' associations.

Pursuant to City Council direction, the role of the Advisory Group will be to make recommendations to the City related to:

- The design, operation, and associated parking of the Urban Market area;
- The use of the Vendor Business Transition Fund; and
- Protocols for determining how Flea Market vendors with a month-to-month rental agreement will be offered the opportunity to relocate to the new Urban Market.

The Advisory Group will also be responsible for providing regular communication with all of the Flea Market vendors on the status and progress of the Flea Market transition, decisions, and recommendations made by the Advisory Group, as well as the opportunity for Flea Market vendors who are not part of the Advisory Group to provide feedback to the Advisory Group.

Staff will convene a group of stakeholders to draft the Advisory Group charter, which will be presented to the City Council when completed. The charter will, at a minimum, describe the composition of the group, membership terms, and selection process.

In addition, City Council directed the Flea Market owner to submit written, quarterly status reports to the Director of Planning, Building, and Code Enforcement. The reports shall summarize: all construction planning and permitting activities (soil remediation, utilities, infrastructure, grading, building construction) that may result in construction impacts to the existing Flea Market operations; estimated dates of construction impacts; and whether any vendors have been displaced, relocated or terminated. The Community and Economic Development Committee will view and consider the reports twice a year.

To view all Council direction made to staff and the property owner, see the [approved zoning ordinance](#) and this [summary organized by category](#).¹

ANALYSIS

Office of Economic Development & Cultural Affairs (OEDCA) Work Plan

Since the approval of the Flea Market Rezoning project, OEDCA staff has prepared a work plan to implement Council direction. This includes the following categories of work:

1. Vendor outreach, engagement, and support
2. Establishing the Advisory Group and Vendor Transition Fund
3. Conducting studies to support the development of the future market
4. Exploring alternative sites

¹ If there is any discrepancy between the zoning ordinance and the summary, the zoning ordinance will control.

OEDCA's work plan contains two primary objectives:

- Work to prevent displacement of vendors due to redevelopment of the Flea Market site and to advance equity, leading the City's efforts to find solutions in collaboration with stakeholders (i.e., vendors, property owners, developer(s), consultants, other City departments, other public agencies, and community leaders)
- Engage, support, and collaborate with the vendors. These efforts should:
 - Utilize clear, consistent communication with transparent feedback loops
 - Connect vendors to financial tools, resources, information, and opportunities, as they become available
 - Center the voices of vendors in the City's decision-making processes
 - At a minimum, provide language access in Spanish and Vietnamese

Vendor Outreach, Engagement, and Support

To help guide the implementation of the work plan, staff has proactively established and nurtured partnerships with the Berryessa Flea Market Vendor Association (BFVA), community coalition leaders (e.g., Latino Business Foundation, Catalyze SV, Working Partnerships), along with local financial and technical service providers.

In September 2021, staff created a new website to provide information to Flea Market vendors and the public (<https://www.sjeconomy.com/how-we-help/programs-and-services/san-jose-flea-market-vendor-info>) in English, Spanish and Vietnamese. Regularly updated, the website provides information associated with available resources, outreach events, the Advisory Group, the future market concept, and quarterly reports.

Staff continues to collect addresses to enhance email outreach, with a current email distribution list of more than 150 contacts. The list is used to send information directly to vendors with meeting notices, updates on staff activities at the Flea Market, and information on business support services offered by the City.

To reach, support, and involve the broader vendor community, staff launched two outreach campaigns in October 2021 and February 2022. In October 2021, OEDCA partnered with the Housing Department to provide vendors with information about residential relief resources. In February 2022, staff hosted an on-site meeting with vendors in collaboration with BFVA, community coalition leaders, and local financial and technical service providers. The goal was to provide an update on the project and outline the spending plan for the first \$500,000, gather feedback from the vendors, connect vendors with business and financial service providers, and begin to engage vendors in the formation of the Advisory Group. Professionals provided simultaneous interpretation of Spanish and Vietnamese during the formal presentations by staff and BFVA representatives. Then, attendees disbursed into multiple breakout sessions—two in Spanish, one in Vietnamese, and one in English—to answer vendor questions and take vendor input. Approximately 150 vendors attended the event.

Establishing the Advisory Group and Vendor Transition Fund

According to the approved rezoning, the Flea Market owners will contribute an initial sum of \$500,000 to assist in establishing the Advisory Group, another \$2 million when they give notice of the market's closure, and a final \$2.5 million when the market closes. The purpose of the Advisory Group is to ensure that the vendors have a meaningful role in guiding decisions on the \$7.5 million that will go into the Vendor Transition Fund and providing input on new market concepts. The Vendor Transition Fund is intended to fund studies to inform the design and operation of the new market and to help vendors with the costs of transitioning to a new location.

The City of San José has received the first installment of funding from the property owner in the amount of \$500,000 for the formation of the Advisory Group and to conduct relevant economic impact and feasibility studies. Of the monies received, \$350,000 will be spent on four studies; \$125,000 toward the formation of the Advisory Group; and \$25,000 on language access and outreach capabilities.

Currently, OEDCA staff is preparing to recruit consultants to help establish and support the Advisory Group and conduct three types of economic studies, as described further below. The next steps for the formation of the Advisory Group are shown in the graphic below. Staff anticipates selecting the members of the Advisory Group by fall 2022.



Conducting Studies to Support the Development of the Future Market and Exploring Alternative Sites

The economic and feasibility studies to be conducted will be the building blocks for long-term solutions in support of the Flea Market vendors. Staff anticipates that these studies will be conducted over the next 12 to 18 months, with the Economic and Cultural Impact study being the first study completed. Below is a description of each one of the studies.

- **Economic and Cultural Impact Study:** Shows the value of the market to the economy and community and will develop a compelling case to attract investors, property owners, and others who might be able to partner in a future market.
- **Public Market Operations Research:** Explores potential business models—including operations, ownership, design, etc.—for a new flea market on either the existing site or a new site.
- **Site Assessment:** Helps to analyze the pros and cons of other potential market locations as well as opportunities to reconstitute the market on-site.

Flea Market Owner Quarterly Reporting

The Flea Market owner has submitted three quarterly status reports to date—October 2021, January 2022, and April 2022. These reports can be found in Attachment A of this memorandum.

The January 2022 report states that the property owner submitted applications to the Planning Department for a Master Planned Development Permit (PD21-018) and a Tentative Map (T21-041). The purpose of these entitlements is to obtain Planning approval for the demolition, grading, and road and utility construction necessary to develop under the Planned Development (PD) zoning approved in June 2021. The Vesting Tentative Map proposes to subdivide the existing seven lots into 19 lots. Staff completed its initial review of the application, sent comments to the property owner, and is now awaiting resubmittal of the plans to address those comments. The Master Planned Development Permit application will be subject to approval at a Planning Director Hearing.

The Master Planned Development Permit and Tentative Map would not directly allow physical changes to the site; the property owner would still need to obtain a Building permit for any demolition to occur and to obtain Public Works permits for the grading and road/utility construction work. Prior to the construction of any new buildings, the property owner must submit subsequent PD permit applications with specific building and open space designs to the City for review and approval.

The property owner has not initiated any physical activity associated with the redevelopment of the site under the PD zoning. For this reason, the quarterly reports have indicated that no vendors have been relocated or displaced, which the property owner is defining as involuntarily removing vendors from the market due to physical changes to the site. The latest report (April 2022) indicates the termination of two vendors due to license agreement issues.

CONCLUSION

Over the past nine months, OEDCA staff has made significant strides to establish a positive working relationship with the Flea Market vendor community and to gather the necessary resources and inputs to implement City Council direction in a thoughtful and efficient manner. What staff has heard loud and clear from the vendors is threefold: 1) they want to stay in

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business; 2) they want to pursue opportunities for a new market, whether on-site or elsewhere; and 3) they want to participate in the decision-making process. These desires are consistent with the intent of the City Council's direction. To that end, staff looks forward to establishing the Advisory Group and initiating the related economic and feasibility studies toward a long-term, sustainable, and mutually desired solution to this very significant and complicated redevelopment project for the City of San José.

Moving forward, staff will provide reports on this project to the Community and Economic Development Committee twice a year (approximately every six months), consistent with City Council's direction.

/s/

Nanci Klein
Director of Economic Development
and Cultural Affairs

For questions, please contact Lori Severino, Assistant to the City Manager, at (408) 535-3537.