



San José Arts Advocates

March 18, 2024

Honorable Mayor and City Council,

On behalf of San José Arts Advocates (SJAA), we are writing regarding Item 3.3 on your agenda for Tuesday, March 19, 2024: Approval of the Fiscal Year 2024-2025 Mayor's March Budget Message. As you may know, SJAA is a volunteer collaborative of the San José creative community dedicated to education, advocacy, and action to support arts and culture. We believe that arts and culture are essential to our city's economic, social, and civic wellbeing.

Arts programs and destination events were the first to be decimated by the pandemic and will be the last to fully recover. In the midst of this existential threat, San José's creative industry continues to be a critical component of our city's economic engine and Downtown's recovery. According to a 2023 Americans for the Arts study, San José's nonprofit arts sector alone generates \$292M in annual economic impact, supports over 4,700 jobs for local residents, and contributes \$6M in direct local taxes. This financial impact is a tremendous return on the City's modest annual investment in cultural grants that help keep these organizations afloat and city cultural centers maintained.

We appreciate the Mayor's intention in his March Budget Message to explore additional funding opportunities to support arts, culture, and tourism programs and other initiatives to improve the vibrancy and quality of life in San José. However, we have serious concerns with the Mayor's continued reliance on one-time or bridge funding to "fill the gaps" caused by what can now be categorized as chronic underperformance of the Transient Occupancy Tax (TOT) and a lack of sufficient foresight to create more diverse, dependable, and ultimately sustainable funding streams for the City's growing arts and culture programs.

Of particular concern is the neglect to address a "Private Percent for Art" policy, which has been a City Council priority since 2020. Such a policy could meaningfully improve the city's built environment and generate desperately needed infrastructure for local artists, arts nonprofits, and small businesses that live under constant threat of displacement by large developments. There are many cities in the Bay Area and throughout California which have successfully implemented a Private Percent for Art policy. San José needs to stop dragging its feet on this issue. We understand and appreciate the concerns we have heard from your offices and the developer community about the rising costs of development. We believe you can create significant cost savings for developers through a streamlining of the City's entitlement processes and an investment in Planning, Building, and Code Enforcement staff — while also implementing a Private Percent for Art policy to protect our creative community.

Also unaddressed in the Mayor's March Budget Message is our recommendation to allocate a greater portion of TOT revenue to arts, culture, and tourism programs. During the Council's recent study session on Arts, Destination Marketing, and Destination Events (Feb. 16, 2024), three different TOT funding scenarios were examined, yet none of these are currently being recommended for further examination.

Instead, the Mayor has chosen to focus on only one of the 12 funding options presented at the study session: an admissions fee for San José events. While the potential for revenue generation from such a fee is immediate and measurable, it would effectively create an additional burden for arts patrons and presenters alike. Any such fee would need to be structured to keep the programs provided by arts and cultural organizations accessible to our entire community and anyone visiting San José to experience those programs. According to the same study referenced above, patrons of San José nonprofit arts already invest an average of \$43.88 per person on expenses beyond the ticket fee for every event they attend — buying meals in local restaurants, staying in local hotels, parking in local garages, taking public transit. We cannot expect these individuals to contribute even more toward solving a problem created by a lack of bold leadership.

While considering the Mayor’s March Budget Message, we call on you once again to direct OEDCA staff to work with SJAA, the local developer community, and other stakeholders to return to the Council with a Private Percent for Art ordinance for your consideration prior to the close of Fiscal Year 2023-24.

Furthermore, we continue to recommend that you direct City staff to conduct further financial modeling of a full or partial reallocation of TOT dollars and/or the establishment of a baseline of TOT revenues allocated to the General Fund with the “net new” allocated to arts, destination marketing, and destination events.

Absent the addition of these recommendations, we cannot support your approval of the FY 2024-2025 Mayor’s March Budget Message.

In addition to serving as an economic driver, the arts continue to provide equitable, inclusive, and accessible opportunities for learning, leisure, and community building in our city. It is within your power to ensure that our arts industry receives the resources it needs to survive.

Thank you for your service and your consideration.

Regards,

SJAA Core Team

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cc:
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City Budget Director
Director, Office of Economic Development and Cultural Affairs
Director of Cultural Affairs
San José Arts Commission
Arts, Destination Marketing, and Destination Events Advisory Committee