



DATE: June 19, 2018

TO: Mayor and City Council

FROM: City Manager

SUBJECT Downtown Business Improvement Area Annual Report and Proposed Budget for FY 2019

RECOMMENDATION

That the City Council adopts a resolution accepting the Annual Report and declaring intention not to levy annual charges for the Downtown Hayward Business Improvement Area (DBIA) for Fiscal Year 2019.

SUMMARY

The collection of Downtown Business Improvement Area (DBIA) assessment fees was suspended while the City explored the establishment of a Community Benefit District (CBD). The result of suspension of fees is a projected fund balance by the end of FY 2019 of zero. The Council will need to decide regarding reestablishment of fee collection or disbanding the DBIA following the conclusion of balloting for the CBD in July.

BACKGROUND

Over the past three years, the City has been working to establish a Community Benefit District (CBD) in downtown Hayward to replace the Downtown Business Improvement Area Advisory Board, which was established in 1984 to promote economic revitalization and physical improvement of the downtown business district and attract new businesses to the downtown. If the City is successful in establishing a CBD, assessments will be made on properties versus businesses which would result in more revenue from fee collection.

Historically, the DBIA funds received were coupled with financial support from the Hayward Redevelopment Agency and were used to promote and improve Downtown Hayward. With the State of California's decision to eliminate Redevelopment Agencies in 2012, DBIA funding was essentially reduced by fifty percent and greatly reduced the program effectiveness. Coupled with the downturn in the economy, annual DBIA fee assessments have been averaging \$43,000 when collected and were directed to select services which included sidewalk cleaning, special event funding, and marketing. Administrative support of the DBIA has been handled through the City Manager's Office from the General Fund. Current activities associated with supporting the DBIA include: DBIA assessments and collections; administration and legal review of service contracts; DBIA Advisory Board quarterly meetings

and special meetings; and fulfillment of regulatory requirements of the DBIA. Given the activities and funding level of the DBIA, City staff resources allocated to the collection and administration of the very limited annual DBIA revenues has become a strain on limited City resources. Staff time and resources to administer the collected DBIA funds has reduced time available for other priority programs.

In FY 2015, the City began pursuing formation of a Community Benefit District (CBD) to provide necessary funding to support the downtown. By providing a stable source of revenue derived from property owners, including the City and Bay Area Rapid Transit, funding generated could provide for the desired services to improve the downtown including sidewalk cleaning, security, marketing, and support of special events.

DISCUSSION

Since the elimination of the Redevelopment Agency support in 2012, the DBIA funding and program effectiveness has been greatly reduced, creating a question of long term viability of the DBIA and its funding and administration structure. The Downtown remains a focal point of City activity; however, its current needs in terms of marketing, maintenance, cleanliness, and hosting of community events is far greater than the DBIA assessments and funding capacity.

On February 21, 2018, a special meeting of the Downtown Business Improvement Area Advisory Board was held. At this meeting, the FY 2018-2019 proposed budget was presented and approved. The remaining FY 2018-2019 funds were approximately \$41,603, enough to cover event funding requests from the Hayward Chamber for street parties and Vintage Alley for the Car Show. The advisory board voted in favor of funding both requests which would leave a remaining fund balance for the DBIA of \$603. Staff recommended that the remaining funds be allocated for miscellaneous beautification projects, which leaves an ending balance at the conclusion of FY 2019 of zero. Understanding that the projected DBIA fund balance at the end of FY 2019 will be zero, the Council will ultimately need to make a determination whether to resume collection of fees or suspend the DBIA following the conclusion of balloting for the CBD in July. The DBIA's Annual Report and Proposed Budget for FY 2019 are included as Attachment III.

With adoption of the recommended 2019 budget as proposed with this report, the DBIA would no longer have funds available. The suspension of levying fees for the DBIA for next year will finalize the duties of the DBIA as the projection of a zero-fund balance is imminent. The City has determined a CBD to be a viable means to address support needed for the downtown. The City Council will be considering a resolution of intent at their May 8, 2018 meeting. The Resolution of Intent will trigger the balloting phase for formal establishment of the Community Benefit District by the district's property owners. The votes will be tallied during a Public Hearing of the City Council on July 10, 2018. Should the property owners vote to establish the CBD, assessments will begin during FY 2019 and the Council can consider officially disbanding the DBIA. If the balloting is unsuccessful, staff will return to Council for direction on whether to reinitiate DBIA assessments.

FISCAL AND ECONOMIC IMPACT

The Business Improvement Area exists to help create the conditions that support a robust downtown economy. The DBIA mission/vision statement is: “To create a safe, clean, and inviting downtown environment that supports existing businesses, attracts new businesses, and increases the number of downtown visitors.”

No administration fees or costs for services are charged to the DBIA. A fully burdened cost benefit analysis has not been prepared. The cost to levy, collect and administer the DBIA funds is handled through existing City staff. The staff duties required to support include: DBIA assessments and collections; administration and legal review of service contracts; DBIA Advisory Board quarterly meetings and special meetings; and fulfillment of regulatory requirements for collection of \$40,000 to \$50,000 annually. The absorption of these costs by the General Fund is an area of concern given limited City resources.

If the Community Benefit District comes to fruition, the projection for funds collected from Downtown property owners could be \$600,000 annually compared to \$50,000 from business owners. The monies generated could be used for additional downtown security, regular sidewalk cleanings, and to combat blight; items the DBIA has been unable to adequately address with the steadily decreasing budget. If the Community Benefit District does not come to fruition, then collection of DBIA assessments could be reestablished.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Initiative. The purpose of the Complete Communities Strategy is to create and support structures, services and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. This item supports the following goal and objectives:

- Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods
- Objective 1.a. Increase neighborhood safety and cohesion.
- Objective 1.b. Foster a sense of place and support neighborhood pride.
- Objective 1.c. Increase collaboration with businesses, non-profits and neighborhood groups on placemaking projects.

PUBLIC CONTACT

The DBIA Advisory Board met on the following dates during FY 2018: October 4, 2017 and February 21, 2018. A representative from the Hayward Chamber of Commerce attended DBIA Board meetings to report on Chamber activities. The DBIA and Chamber coordinate closely on the street party implementation. A quorum of the DBIA Advisory Board adopted a motion approving the proposed FY 2019 budget on February 21, 2018.

NEXT STEPS

Staff will work to execute the necessary agreements to complete the programmed items from the adopted DBIA budget.

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Recommended by: Micah Hinkle, Economic Development Manager

Approved by:



Kelly McAadoo, City Manager