



DATE: June 20, 2017

TO: Mayor and City Council

FROM: Economic Development Manager

SUBJECT Downtown Business Improvement Area Annual Report and Proposed Budget for FY 2018

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 2018.

BACKGROUND

Hayward's Downtown Business Improvement Area (DBIA) was established by the City Council in 1985. The DBIA's purpose is to promote the economic revitalization and physical improvement of the downtown business district and to attract new businesses to the downtown. Funding for the DBIA is direct from business owners collected through the City Business License process.

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 and staff time and resources to administer the collected DBIA funds has reduced time available for other priority programs.

The City is pursuing formation of a Community Benefit District (CBD) to provide necessary funding to support the downtown. The project has been delayed given staffing resources and priority development projects within the downtown. The City will likely resume formation exploration activities in 2018 and re-establish informational outreach to property owners and businesses. 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 special events.

Understanding that the City and DBIA are potentially moving away from assessing businesses, the DBIA Advisory Board made the recommendation to spend down the remaining DBIA fund balance held in reserve and not levy collections of funds for 2018.

The DBIA's Annual Report and Proposed Budget for FY 2018 are included as Attachment III. Mandated by State legislation, the Annual Report is required to discuss a variety of topics concerning boundaries, levy rates, business classifications, recommended funding from the DBIA levy, and other sources. It also recommends the DBIA activities for the upcoming fiscal year.

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.

All administrative activities of the DBIA are administered through the City from the General Fund. Current activities of 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.

In 2016 and 2017, the City Council suspended collection of fees to spend down DBIA reserves. With adoption of the recommended 2018 budget, the DBIA would still have minor operational reserves that would extend into 2019. Staff is recommending approval of the attached 2018 budget and suspension of the Annual Downtown Business Improvement Area fees and annual Public Hearing to set levy amounts. The suspension of levying fees for the DBIA for next year will likely wind down activities of the DBIA in 2018/2019, allowing the City and Downtown Property owners to determine if the CBD is a desired approach to address the needs of the Downtown. If the CBD approach is determined not a desired approach, then the City would re-evaluate the DBIA assessment during its next scheduled annual report.

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."

As discussed above, the cost to levy, collect and administer the DBIA funds is handled through existing City staff. No administration fees or costs for services are charged to the DBIA. A fully burdened cost benefit analysis has not been prepared, but given the staff time supporting 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 has become an area of concern given limited City resources.

If the Community Benefits District comes to fruition, the monies generated could be used for additional downtown security, regular sidewalk cleanings, and to combat blight created by vacant properties; all the items and issues the DBIA has been unable to address with the steadily decreasing budget. If the Community Benefits District does not come to fruition, then collection of DBIA assessments could be reestablished.

PUBLIC CONTACT

The DBIA Advisory Board met on the following dates during FY 2017: October 5, 2016 and April 5, 2017. 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. On April 5, 2017, a quorum of the DBIA Advisory Board adopted a motion approving the proposed FY 2018 budget.

NEXT STEPS

With the proposed suspension to collect DBIA assessment fees for fiscal year 2018, staff has not included a Public Hearing to set fee amounts in the attached Resolution. Staff will continue to support the DBIA to implement the proposed DBIA budget 2018.

Prepared and Recommended by: Micah Hinkle, Economic Development Manager

Approved by:



Kelly McAdoo, City Manager