



CITY OF SAN MATEO

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Agenda Report

Agenda Number: {{item.number}}

Section Name: {{section.name}}

File ID: {{item.tracking_number}}

TO: City Council
FROM: Drew Corbett, City Manager
PREPARED BY: City Manager's Office
MEETING DATE: June 15, 2020
SUBJECT:
Downtown Business Improvement Area – Annual Renewal

RECOMMENDATION:

Adopt a Resolution to levy the annual assessment for the Downtown Business Improvement Area for fiscal year 2020-21.

BACKGROUND:

The Downtown Business Improvement Area (DBIA) was formed in 1986 for the purpose of improving the Downtown area and to promote businesses within the area. The Downtown San Mateo Association (DSMA) has served as the DBIA administrator since its formation in 1986. Each year, as required by the California Streets and Highway Code Section 36533, the DSMA provides the City Council with an annual report of accomplishment and proposes goals and assessment rates for the upcoming fiscal year.

In May 2020, the DSMA submitted its annual report incorporating a summary of 2019-20 activities, proposed programs, and budget for the next fiscal year 2020-21, included as Attachment 2. Before Council may act on the DSMA request to renew the DBIA assessments, the request must be considered at two Council meetings. At the previous meeting on June 1, 2020, the Council accepted the DSMA's annual report and adopted a resolution of intent to levy the proposed assessment. The second meeting on June 15, 2020 calls upon the Council to conduct a public hearing on the proposed assessment and consider its adoption for fiscal year 2020-2021.

During the prior year, the DSMA had been primarily focused on getting its finances in order and planning for the future. The DSMA completed a financial review and pursued a modification of the DBIA fee schedule. Morton & Associates was hired to conduct the financial review and the firm found no irregularities in the accounting. In February, the DSMA submitted the completed financial review to the City. The financial review report is included in the appendix of the annual report. Additionally, DSMA hired NBS Consulting to study a modification of the assessment fees in November 2019. NBS completed the study in February 2020. In March, the DSMA had planned to launch a series of public reach out meetings to Downtown businesses. However, the outreach efforts were cancelled due to the mandated suspension of public gatherings and face-to-face meetings by public health officials due to Covid-19.

Annual Assessments

There has not been fee increases or an adjustment for inflation for the Downtown assessment fees since 2009. The flatlined revenue has made it difficult for the organization to hire, to maintain personnel, to grow as an organization, to initiate new projects, or to support Downtown businesses to the greatest extent possible. For the past two years, the DSMA has functioned as an all-volunteer team with City staff providing administrative support.

At last year's annual meeting, the DSMA expressed to City Council its desire to seek a modification to increase assessment fees for 2021. Due to COVID-19 impacts on the economy, the DSMA has decided to temporarily postpone pursuing an

assessment fee increase. Furthermore, the economic damages created by COVID19 will continue to affect businesses for months after shelter-in-place order has ended. Consequently, DSMA is proposing a 50% reduction of business improvement district fees for 2021 to help small, independent businesses make ends meet during these difficult times and reduce the cost of doing business. The assessment rate schedule is included as Attachment 3, and the new assessment rates with the reductions are reflected in the proposed resolution to levy.

The DSMA's projected revenue for the next year is approximately \$75,000 from estimated DBIA assessments. Its budgeted expenditures are \$175,000, which will require them to dip into their reserves this next year. The DSMA projects a cash balance of \$230,000 at the start of fiscal year 2020-21 and projects a cash balance of \$130,000 at the end of fiscal year 2020-21.

As of the writing of this report, City staff has not received written public comments regarding the annual assessments. Any written public comments received after the preparation of this report will be provided to the Council at the public hearing on June 15, 2020.

Planned Activities for Fiscal Year 2020-21

With COVID-19 creating severe economic injuries to local businesses, DSMA will continue to market and promote Downtown restaurants open for business with print ads in local newspapers, online social media, and newsletters. They plan to redesign and launch the DSMA website in order to help promote Downtown businesses. Additionally, as retail restrictions loosen, DSMA will increase efforts necessary to support Downtown businesses as more businesses restart operations. Finally, the DSMA will continue to expend a significant portion of their funds, over \$80,000 per year, on a daytime porter cleaning contractor to pick up trash, debris, wipe down trash cans and news racks, and provide necessary cleaning in the Downtown.

Next Steps

At the June 15, 2020 Council meeting, Lew Cohen, President of the DSMA, will present an overview of DSMA's Annual Report and will be able to address any questions from the Council and the public. Should the Council adopt the resolution levying the proposed annual Downtown Business Improvement Area assessment, the Finance Department shall undertake steps to include the 2020-2021 DBIA assessments in all City business tax certificate notices for businesses located within the boundaries of the DBIA. Additionally, the DSMA will mail all the businesses in DBIA the new assessment schedule if approved by the City Council.

BUDGET IMPACT:

The levying of the annual DBIA assessment does not have an impact on the General Fund.

ENVIRONMENTAL DETERMINATION:

This item is not a project subject to CEQA, because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5).)

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

Att 1 – Proposed Resolution

Att 2 – DSMA Annual Report 2019-2020

Att 3 – DSMA Request for Assessment Fee Reduction

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