



CITY OF SAN MATEO

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Agenda Report

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TO: City Council

FROM: Drew Corbett, City Manager

PREPARED BY: City Manager's Office

MEETING DATE: June 20, 2022

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 2022-23.

BACKGROUND:

The Downtown Business Improvement Area (DBIA) was formed in 1986 for the purpose of improving Downtown San Mateo and promoting businesses within the area. The Downtown San Mateo Association (DSMA) has served as the DBIA administrator since its formation. Annually, the DSMA provides the City Council with a report of activities and expenditures for the previous fiscal year and proposes an assessment schedule for the upcoming fiscal year, as required by the California Street and Highways Code Section 36533.

In May 2022, the DSMA submitted its annual report, incorporating a summary of fiscal year 2021-22 activities and proposed program and budget for fiscal year 2022-23 (included as Attachment 2). Before City Council may act on the DSMA's request to renew the DBIA assessments, the request must be considered at two City Council meetings. At the previous meeting on June 6, 2022, the City Council accepted DSMA's annual report, adopted a Resolution of Intent to Levy the Annual Assessment, and set a public hearing date for June 20, 2022 on the proposed assessment schedule and continuation of the DBIA for fiscal year 2022-23. At the public hearing on June 20, 2022, the City Council is being asked to adopt the Resolution to levy the annual DBIA assessment (included as Attachment 1).

In the past year, the DSMA has continued to play a critical role in supporting small businesses who remain challenged by the economic impact of the COVID-19 pandemic. DSMA's monthly meetings are a key forum for businesses to connect, collaborate and discuss common issues like workforce needs, local economic trends, ADA lawsuits, public health mandates, and best practices for COVID safety. In order to attract visitors to the Downtown, the DSMA redesigned, modernized and launched a new mobile-friendly website last year. This is in addition to DSMA's continued marketing efforts such as weekly shop local ads in the Daily Journal during the holiday season, monthly newsletters, and regular social media engagement. Finally, the DSMA supports the on-going effort to keep the Downtown customer friendly by managing a daily cleaning porter that picks up trash, sweeps sidewalks, and wipes down garbage bins and newsracks.

Annual Assessment

In response to the COVID-19 pandemic, the DSMA voluntarily asked the City Council to reduce its annual assessment fees by 50% in July 2020 and again in July 2021. The COVID-19 rate reduction has resulted in the DSMA spending down a significant amount of its reserves and has been a setback to the organization's desire to have long-term, financial stability in order to hire, maintain personnel, grow organizational capacity, initiate community events, and support Downtown businesses. Consequently, the DSMA requests that the City Council restore the assessment fees to the full pre-pandemic rate. A letter requesting Council approval to restore the full assessment is included as Attachment 3.

Prior to the 50% reduction in fees, the last time DSMA had any revenue adjustments, including cost of living increases, was in 2009. The DSMA was able to absorb the costs of the two-year reduction by dipping into its funding reserves and by delaying the hire of a new Executive Director, but this is not sustainable indefinitely. The DSMA has struggled to operate without staff but has managed because of the dedication of its board members and administrative support from the City Manager's Office. Restoration of the full assessment returns the organization to 2009 level funding but does not solve for the organization's long-term financial sustainability. Thus, the DSMA will return to City Council later this year to request a modification of the fee structure. The modified fee structure would enable the DSMA to staff the organization, ensure long-term financial stability, provide services such as enhanced cleaning, marketing, sponsorship of community events, and support small businesses in the Downtown.

The DSMA's projected revenue for the next year is approximately \$150,000 in estimated DBIA assessments. Its budgeted expenditures are \$161,000, which will require them to draw from reserves next fiscal year even with the restoration to the full fees. DSMA projected revenue is conservative and around \$20,000 lower than the average annual revenues they received prior to the pandemic. DSMA is projecting the lower revenue because of the continued uncertainty of the pandemic, delay of employees returning to the office, and uncertainty in the national economy.

During the next fiscal year, the DSMA will continue to focus on its strengths as a forum to convene business owners, providing enhanced cleaning services, and continuously highlighting Downtown businesses with print ads, social media engagement, newsletters, and regular content updates to the website. The DSMA has budgeted funds to sponsor special Downtown events but would need full-time staffing to initiate events. Additionally, the DSMA will focus on business owner engagement and outreach to support its fee modification request to City Council.

At the June 20, 2022 public hearing, Lew Cohen, President of the DSMA, will present an overview of the DSMA's Annual Report and will be able to address any questions from the Council and public. Should Council adopt the resolution levying the proposed annual Downtown Business Improvement Area assessment, the Finance Department will include the 2022-23 DBIA assessments in all City business tax certificates for businesses located within the boundaries of the DBIA.

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 to Levy Assessment
Att 2 – DSMA Annual Report Fiscal Year 2022
Att 3 – DSMA Letter

STAFF CONTACT

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