

STAFF REPORT

City Council Business Item

DATE: May 20, 2024

TO: Honorable Mayor and Council Members

FROM: Merritt Perry, City Manager

SUBJECT: Fortuna Business Improvement District Annual Report

STAFF RECOMMENDATION:

Staff recommends that the Council accept, with or without modification, the Fortuna Business Improvement District Annual Report.

EXECUTIVE SUMMARY

The Fortuna Business Improvement District (“FBID”) was established by the City in 1990 under the Parking and Business Improvement Area Law of 1989 (California Streets and Highways Code §§ 36500 et seq.) to benefit and promote the City’s businesses. Under the enabling statute, the Council is required to approve an annual report that contains the following information:

- (1) Any proposed changes in the boundaries of FBID or in any benefit zones within the area.
- (2) The improvements and activities to be provided for that fiscal year.
- (3) An estimate of the cost of providing the improvements and the activities for that fiscal year.
- (4) The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.
- (5) The amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
- (6) The amount of any contributions to be made from sources other than assessments levied pursuant to this part.

The annual report will be presented to the Council during the Council Meeting in written and oral form. The Council may approve the report as filed or may modify the report and approve it as modified.

As noted above, FBID was established by the City for the purpose of imposing benefit assessments and charges on businesses for certain identified purposes, including:

- Promotion of public events which are to take place on or in public places in the District

- Decoration of any public place in the District
- Furnishing of music in any public place within the District; and
- The general promotion of business activities within the District
- Marketing to fill available space, recruiting and expansion of commercial enterprise

FBID is administered through an advisory committee of the City Council with the following designated representatives:

- One from the Downtown Area
- One Redwood Village Shopping Center
- One Citywide
- One Strong's Creek Shopping Center
- One designated by the City Council
- One nominated by the Chamber of Commerce
- One person nominated by the other representatives

PROPOSED CHANGES IN THE FBID BOUNDARIES:

There are no proposed changes to the FBID boundaries; however, as set forth below, it is recommended that the Council remove the core area designations for the Downtown core area, the Strongs Creek core area, and the Redwood Village core area.

SUMMARY OF ACTIVITIES FOR FISCAL YEAR 2023/2024:

The Fortuna Chamber of Commerce held the Al Gray Lighted parade on December 8th, the Kid's Free Movie on December 10th and hosted the Shop Fortuna for the Holidays in November and December. The Small and Home-based Business Marketplace was held on March 18th through the MOU as well.

The FBID Administrator attended the above events as staff support to the Fortuna Chamber of Commerce. Beginning on December 5, 2022, the FBID Administrator completed the following tasks for FBID as a new department of the City of Fortuna.

- Supporting Fortuna Rotary with Art & Wine in the Park to promote Fortuna businesses as vendors
- Removed items from storage unit and transferred unit to Downtown Merchants
- Maintained a list of open buildings for lease and sale for inquiring businesses that would like to begin a business in Fortuna
- Updated budget to reflect data from annual events and created a projected budget for next fiscal year
- Submitted Fortuna Chamber of Commerce Newsletter write-up to promote FBID
- The BID supported Art & Wine in the Park on June 11th at Fortuna Rohner Park from 12pm until 4pm, which was hosted by Fortuna Rotary. The BID assisted with securing vendors and wine for the event as well as promoting the event.
- The BID hosted Rodeo week activities at Redwood Village on July 11th from 6pm to 8pm. It was an exciting evening as it has been some time since Redwood Village was a part of the week of activities during Rodeo. The event was well attended and volunteers and vendors made it possible for people of all ages to participate in fun activities.

- The BID supported and promoted Hops in Humboldt, Sip of Summer and the Apple Harvest Festival. Hops in Humboldt took place on August 26th at Rohner Park. Sip of Summer, which is hosted by Wild Souls Ranch, was on September 23rd from 1pm to 5pm at Rohner Park.
- The Apple Harvest Festival was held at five stops in Fortuna with the People Mover that transported participants to each stop. The event was on October 7th from 10am to 4pm. The BID hosted activities at Redwood Village Shopping Center. There were 17 vendors and three music acts for the community to enjoy.
- On December 8th, 2023 the BID hosted the Al Gray Lighted Parade. The route was changed to begin on Main Street and end on Main Street. The route made a loop on Fortuna Blvd. for all the community to enjoy the 33 entries. The BID held the safety briefing and the awards ceremony in 1122 Main Street and provided food and drinks to entries and the community.
- On December 9th, 2023 the BID hosted the Kid's Free Movie. The event was held at the Fortuna Fireman's Pavilion and there were 18 children in attendance.
- During November and December Shop Fortuna for the Holidays was organized by the BID. Twenty-five businesses in Fortuna participated. The contest consisted of businesses providing patrons with a slip of paper to provide contact information. The event provided ten winners with gifts and gift cards from Fortuna businesses. There were over 100 entries.
- The BID developed and maintained social media outreach to inform the business community and to promote events, specials, interviews of owners and staff, and give recognition to newly opened businesses. Social media sites that were created are Facebook, City of Fortuna BID, Instagram, City_of_Fortuna_BID, and TikTok, city_of_fortuna_bid. The BID posted videos and posts about the city's businesses.

BUDGET SUMMARY:

The FBID Advisory Committee reviewed and recommended that the council accept the annual report and budget for FBID on March 26, 2024. The proposed budget for the next fiscal year will be approved with the City's annual budget. The total expenditures for Fiscal Year 2023-2024 was \$47,871. The FBID assessment generated approximately \$65,000 and the City Council budgeted a contribution of \$50,000 so the total revenue generated was \$115,000. The total surplus for Fiscal Year 2023-2024 was 67,726. The unused funds (\$50,000) designated by the City for FBID will be returned to the City's General Fund. The proceeds from the FBID assessment in the amount of \$17,726 will be retained in the FBID fund dedicated for FBID purposes.

LEVY OF ASSESSMENT

The FBID Advisory Committee met on April 17th and April 23rd where the committee considered multiple options for how the assessment should be renewed for Fiscal Year 2024-2025. Going to a simplified assessment model with a flat rate fee would be desired by the City to simplify the business license process. Currently the assessment structure is complicated geographically based, and revenue based, forcing businesses to apply for their business licenses in person. Many businesses complain about the FBID fee and likely underreport gross revenue to avoid paying FBID fees.

- A majority of businesses do not perceive the benefit for the assessment BID and many businesses express their displeasure when obtaining business licenses.
- The Downtown Merchants use their assessment to pay for fees and other expenses for their events, but generally don't appreciate the efforts of the BID to host other events downtown.
- Generally, many of the activities/events of the BID were challenging to put on and may not have provided a benefit valued by those assessed.
- Some events, such as the Al Gray lighted parade, that are appreciated by the community, may be better to be handled as a tourism and marketing effort with Measure W funds.
- The amount of funding for the Redwood Village and Strongs Creek Core areas, returned to those core areas, is not enough to justify organizing a non-profit and having regular meetings (for example \$5k for Strongs Creek Core Area).
- There has been little to no participation to host events in Redwood Village Core Area and it was difficult for FBID to host events without volunteers from the core area.
- The input from businesses in the Downtown Core Area were mixed, with some expressing need for the assessment funding, and others wishing it to be discontinued.
- Doug Strehl shared his opinion of how FBID functioned in the past as an entity that provided "seed" money to group hosting events or performing activities, rather than taking on responsibilities for those activities by the BID staff.

Following the discussion, the committee discussed three basic options for levying the assessment moving forward including:

- Keep the assessment as-is
- Discontinue the assessment and FBID
- Assess a flat rate to all businesses citywide and eliminate core areas

There was general consensus from the committee that the FBID assessment should not be kept as it currently is established, primarily because of the perceived limited benefit to the businesses assessed, and the general consensus that the BID was not recognized for being effective to provide benefits to the entire city. It was also noted that the time and effort to manage the Redwood Village and Strongs Creek core areas would take more effort than there would be benefit. So keeping the assessment as is, was not recommended by the committee, and is not supported by staff.

The amount currently assessed and distributed to the core areas is shown in the table below:

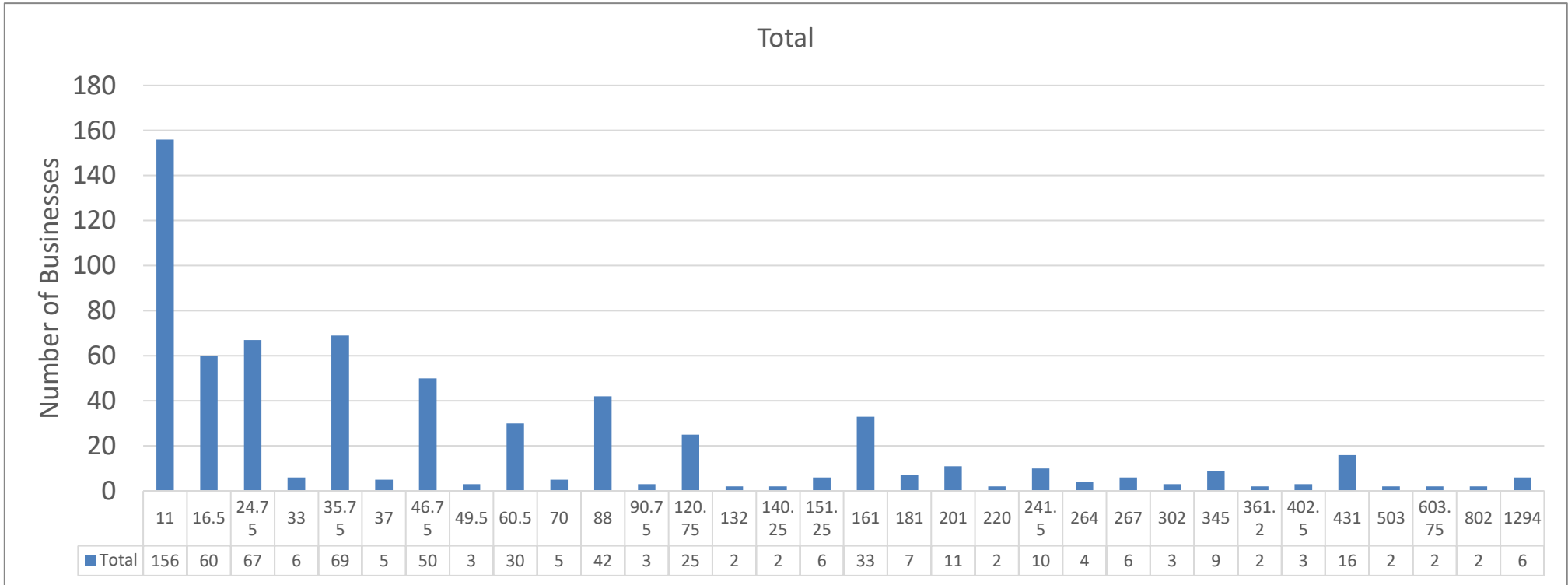
Core Area	Assessment	Distribution to Core Area (62%)	Citywide Share (38%)
Citywide	\$35,000	\$0	\$35,000
Downtown	\$13,000	\$8,060	\$4,940
Redwood Village	\$10,000	\$6,200	\$3,800
Strongs Creek	\$5,000	\$3,100	\$1,900
Total	\$63,000	\$17,360	\$45,640

Although there was not great support to keep the FBID, the committee was reluctant to recommend discontinuing the assessment altogether, as representatives from the Downtown Core area

expressed the desire to keep the funding to pay for costs associated with events put on by in the Downtown area.

It was the consensus of the committee that the assessment should be on a flat rate basis and be the same for all areas within the City, and the core areas eliminated. The primary reasons being that it would simplify the process for obtaining business licenses, and provide funding for some of the ongoing events put on in the Downtown Area as well as more popular events such as the Al Gray Lighted Parade. The recommended assessment proposed by the advisory committee was \$100 per business regardless of revenue. However, the advisory committee was not presented with any data regarding the number of businesses, how much each paid, and how the proposed flat rate would be perceived by majority of business that pay the lowest amount, and now could pay a significant increase. Had the committee had the information on how many businesses are assessed and at what rate, would likely have changed their opinion on the flat rate of \$100 being proposed, and they would have proposed a lesser amount.

A chart showing the distribution of businesses categorized by how much of an FBID assessment they pay is shown below. In the table the number of businesses is shown on the vertical axis and the fee they pay is shown on the horizontal axis and broken down by fee amount.



As can be seen in the table above, the highest percentage of businesses are assessed the minimum assessment of \$11 at 24%. The next five highest percentages of businesses are charged, \$16.50 (9.2%), \$24.75(10.3%), \$35.75 (10.6%) and \$46.75 (7.7%), and \$88 (6.4%), with the corresponding percent of businesses paying that fee shown in parentheses. Currently approximately 76% of businesses pay an assessed amount of \$90.75 or less. Approximately 24% of businesses pay \$120.75 or more. A \$100 flat fee would result in \$66,000 in revenue being generated annually. It is likely that a flat fee of this rate would be opposed by many of the businesses currently paying significantly less. and supported by the businesses paying more than \$100 now (24% of businesses).

Given the low level of support for the BID in the community, it is the opinion of staff that the City should reduce its efforts and not hire staff for the express purpose of FBID, and that the Council either assess businesses a lower flat rate of \$25 or less, and eliminate the core areas, or not levy an assessment at all.

If the assessment is reduced to a \$25 flat fee and the core areas are removed, approximately \$16,500 would be generated annually. This would cover “seed” money for events, or could be used to cover some of the costs to the Downtown Merchants to pay for event insurance, storage or other low cost projects. Additionally, other groups could request funding for new events or financial support for other activities consistent with the City’s municipal code. Under this model, the city would not have a staff person, and would not organize events using funds from the FBID assessment. The city could use the funds that had historically been allocated from the General Fund to match FBID funding, for other community promotion and beautification activities. If there is a strong demand for assessment funds in the future, the City could incrementally increase the assessment in future years.

A change in the amount of the assessment and the elimination of the core areas would need to be memorialized in the Council’s annual resolution declaring its intention to levy the assessment and the resolution (following a public hearing) adopting the levy for the next fiscal year. Staff is seeking direction on the proposed levy from the Council to be able to bring this forward at the upcoming Council meetings.

For the foregoing reasons, it is the recommendation of the FBID Advisory Committee and staff that the Council make the following changes:

1. That, without changing the overall boundaries of the District, the Council de-designate the core areas within the District; and
Revise the basis and method of collection of the assessment to a flat rate of \$25 per business.

FINANCIAL IMPACT:

No fiscal impact.

RECOMMENDED COUNCIL ACTION:

1. Receive presentation of the FBID annual report and discuss
2. Open Public Comment
3. Close Public Comment
4. Motion to adopt the FBID Annual Report either (1) as presented or (2) with specified modifications and provide direction on the proposed changes to assessment. Voice vote.