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DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

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May 3, 1989
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916-449-5454

Joint Budget and Finance/
Transportation and Community Development Committee
Sacramento, California

Honorable Members in Session:

Subject: **BUSINESS IMPROVEMENT AREA ADMINISTRATION AGREEMENTS**

SUMMARY

This report requests that the Joint Budget and Finance/Transportation and Community Development Committee recommend that the City Council establish a policy to periodically review the Business Improvement Area (BIA) administration agreements.

BACKGROUND

Section 36500 et seq. of the California Streets and Highways Code authorizes the City Council to establish BIA's for any or all of the following purposes.

- a. The acquisition, construction or maintenance of parking facilities for the benefit of the area.
- b. Decoration of any public place in the area.
- c. Promotion of public events which are to take place on or in public places in the area.
- d. Furnishing of music in any public place in the area.
- e. The general promotion of business activities in the area.

The process to establish a BIA involves public hearings and direct notification to the businesses in the proposed BIA of the City Council's intent to establish the BIA. The City Council cannot establish a BIA if it receives a protest by the majority of the businesses in the proposed area.

The City Council has established five BIA's. Generally, local business organizations request the formation of a BIA to promote business activity for a downtown or neighborhood shopping district. The promotional activities are restricted to the specific purposes authorized when the BIA is established. Funding for BIA promotional activities is provided from a fee that the City collects when the Business Operations Tax is collected. The monies collected are considered "public funds" and therefore are subject to all legal restrictions imposed upon the use of public funds.

City Code Chapter 23 authorizes the City Council to contract for the administration of BIA activities with an entity or entities: (1) having the capability of representing the interests of the businesses in the BIA; (2) whose general objectives will be consistent with the purposes of the BIA; and (3) that will provide the resources to effectively achieve those objectives.

Historically, the City Council has informally selected the business organization that requested the formation of the BIA as the entity to administer the BIA. The City Council has also approved the annual budget of each BIA and has received annual reports of the actual BIA expenses.

Staff has received inquiries from businesses located in several BIA's regarding the City's policy for awarding the BIA administration agreements. The City has not established a formal policy for awarding BIA administration agreements nor has the City periodically reviewed the BIA administration agreements.

DISCUSSION

The following table presents the status of the BIA administration agreements.

<u>BIA</u>	<u>Administrative Entity</u>	<u>Year Awarded</u>	<u>FY 1988/89 Budget</u>
Del Paso Boulevard	North Sacramento Chamber of Commerce	1987	\$24,000
Downtown	Sacramento Downtown Association	1970	\$150,000
Franklin Boulevard	Franklin Boulevard Business Association	1985	\$12,000
Old Sacramento	Old Sacramento Citizens & Merchants Association	1984	\$56,000
Stockton Boulevard	Stockton Boulevard Merchants & Property Owners Association	1987	\$10,000

The motivation for establishing each of the five BIA's has been a perceived need to solve specific promotional problems facing the local business districts. The initial objectives of the BIA's are to resolve these problems. Additional BIA objectives are established once the initial objectives are achieved and when new problems arise. This process occurs without direct City participation although the City Council is directly responsible for the use of the BIA funds.

The active membership of business organizations tends to evolve as new problems arise. New business organizations may form as a result of a change in the structural make-up of the business community. The dynamic changes in the City's core business area, for example, have resulted in dramatic changes in the structure of the business community.

A formal policy is needed for the selection of the entity or entities to administer the BIA's and for reviews of the effectiveness of the BIA's. The City should issue a Request for Proposals (RFP) prior to awarding an administration agreement for a BIA. The City should require the entity to submit an annual program budget and achievable objectives that associate expenditures with the objectives. The administration agreements should expire annually with a fixed number of optional renewals based upon satisfactory performance. (Multiyear renewals are frequently used for the purchase of commodities and for other professional services.) Effective promotional campaigns may require several years of administration. Four optional renewals would allow the administrative entity a reasonable time frame to fully achieve the promotional campaign objectives. At the end of the fourth renewal period or upon unsatisfactory performance, the City should issue another RFP for administration of the BIA. The RFP process and the review of the annual program budget and objectives should be administered by the City's Economic Development Coordinator to facilitate coordination of business promotional efforts and reduce the likelihood of conflicting objectives.

FINANCIAL DATA

BIA activities are funded from assessments imposed on businesses in the BIA. The City bills, collects, and administers the BIA monies at no cost to the BIA. The City benefits from each BIA through increased property values, sales, and employment opportunities resulting from the promotional activities.

POLICY CONSIDERATIONS

Developing a policy for selection of entities to administer BIA's should provide all interested parties a fair and equitable opportunity to participate in the process. Annual review of the objectives that the administrative entity plans to achieve will assure that the City Council fulfills its responsibility to make certain the funds are expended properly. Periodic RFP renewal of BIA administration agreements assures that the most qualified entity has been selected to administer the BIA.

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The proposed formal policy deviates from the informal arrangements that have been adhered to for approximately 19 years. The informal policy, with few exceptions, has proven satisfactory. However, the recent increase in the number of BIA's and the amount of monies involved necessitate the establishment of a formal policy.

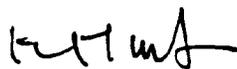
MBE/WBE EFFORTS

The present lack of a formal policy for review of BIA annual budget expenditures and objectives and for renewal of selected entities to administer the BIA's precludes MBE/WBE participation. The selection of the administrative entity via the RFP process and periodic RFP renewal will allow MBE/WBE participation.

RECOMMENDATION

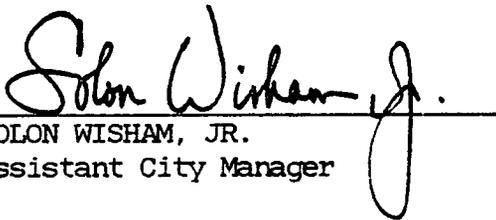
It is requested that the Joint Budget and Finance/Transportation and Community Development Committee recommend that the City Council adopt the attached resolution that establishes policies for the administration of the BIA's.

Respectfully submitted,



Michael L. Medema
Revenue Manager

RECOMMENDATION APPROVED:



SOLON WISHAM, JR.
Assistant City Manager

Attachment

CONTACT PERSON: Michael L. Medema, Revenue Manager, 449-5724

All Districts
May 23, 1989

RESOLUTION No.

Adopted by The Sacramento City Council on date of

A RESOLUTION ESTABLISHING POLICY FOR ADMINISTRATION OF BUSINESS IMPROVEMENT AREAS

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. The City will endeavor to contract for the administration of Business Improvement Areas with an entity or entities: (1) having the capability of representing the interests of the businesses in the Business Improvement Area; (2) whose general objectives will be consistent with the purposes of the Business Improvement Area; and (3) that will provide the resources to effectively achieve those objectives.
2. The City will issue Requests for Proposals for administration of each Business Improvement Area.
3. The City will award Business Improvement Area administration agreements on a fiscal year basis with the provision of four fiscal year renewal options contingent upon satisfactory performance by the administration entity.
4. The City will require the administration entity to submit annual budgets that specify objectives to be achieved with identifiable performance criteria for expenditures.
5. The City's Economic Development Coordinator will be responsible for: (1) evaluating the responses to the Requests for Proposals; (2) reviewing the annual Business Improvement Area budgets, objectives, performance criteria, and expenditures; and (3) recommending the administration entity and Business Improvement Area objectives to be achieved for City Council approval.

MAYOR

ATTEST:

CITY CLERK