



City of Culver City

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Staff Report

File #: 21-304, **Version:** 1

Item #: C-7.

CC - (1) Discussion Regarding Advancing Funds to the Downtown Business Association and Culver City Arts District in Connection with the COVID-19 Pandemic; and (2) Provide Direction to the City Manager as Deemed Appropriate.

Meeting Date: September 29, 2020

Contact Person/Dept: Todd Tipton, Economic Development
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Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☒ No ☐

Public Hearing: ☐ **Action Item:** ☒ **Attachments:** ☒

Commission Action Required: Yes ☐ No ☒ **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council (09/23/2020); The Downtown Business Association (09/23/2020); the Culver City Chamber of Commerce (09/23/2020); The Culver City Arts District (09/23/2020)

Department Approval: Sol Blumenfeld, Community Development Director (09/21/2020)

RECOMMENDATION

Staff recommends the City Council (1) discuss advancing funds to the Downtown Business Association and Culver City Arts District in connection with the COVID-19 pandemic; and (2) provide direction to the City Manager as deemed appropriate.

BACKGROUND

On March 26, 2020 the City Council discussed various measures requested by the Downtown Business Association (DBA), the Culver City Arts District (CCAD), and the Culver City Chamber of Commerce (Chamber) to offset business losses sustained as a result of health and safety measures enacted in response to the 2019 Novel Coronavirus (COVID-19). Among other things, the DBA and CCAD requested that a portion of their assessments be advanced by the City in order to fund operating costs. The DBA requested \$198,000 and the CCAD requested \$40,000. Upon conclusion of the discussion the City Council directed the City Manager to advance funds collected from assessments in an amount deemed appropriate.

Prior to the end of March 2020 approximately \$118,000 was advanced to the DBA and \$20,000 to the CCAD.

DISCUSSION

Business Improvement District (BID) members remit payment of district fees once annually to the City. The fees are due to the City by March 31 and are used to fund BID work programs, which are approved by the City Council. The City remits the revenue collected to the district after retaining a two percent administration fee to cover its costs. With the onset of COVID-19, the March 31, 2020 remittance deadline was extended until June 1st, 2020 in order to give businesses additional time to make their business tax and BID assessment payments.

In prior years the DBA typically collected an average of 80% of its assessment and the CCAD collected 75% of its assessment. It's uncertain how COVID-19 will impact collection of the outstanding BID assessments in 2020 and as a result the DBA and CCAD are requesting the following:

DBA

The DBA is requesting the City advance \$45K. The 2020 Downtown Culver City Business Improvement District budget estimates assessment revenues of approximately \$265K (assuming all businesses pay 100% of their assessment). From this the City retains 2% of the estimated assessment as an administrative fee (approximately \$5K). As of August 31, 2020, \$170K had been collected and that full amount (net the administrative fee) has been disbursed. The remaining uncollected assessment balance is approximately \$95K.

CCAD

The CCAD is requesting the City advance \$7.5K. The 2020 Culver City Arts District Business Improvement District budget estimates assessment revenues of approximately \$51K (assuming all businesses pay 100% of their assessment). From this the City retains 2% of the estimated assessment as an administrative fee (approximately \$1K). As of August 31, 2020, \$36K has been collected and that full amount (net the administrative fee) has been disbursed. The remaining uncollected assessment balance is approximately \$15K.

Delinquent Assessments

City staff, the DBA, the CCAD and HdL Companies (the firm contracted by the City to invoice and collect assessments) met multiple times to ascertain the status of collection efforts and confirm all businesses within the assessed areas had been invoiced. One outcome of the discussion involves businesses that have not paid their assessment for many years.

HdL is responsible for collecting delinquent assessments per its agreement with the City. In order to improve the collection rate in Fiscal Year 2019/2020, Business License and BID assessments were combined on a single invoice and must be paid at the same time. Failure to pay the total amount invoiced can result in the City initiating enforcement actions for any unpaid Business Tax. HdL believes the collections rates would be further improved if any partial amount received was applied to the BID assessment portion of the invoice first leaving any unpaid balance applicable to Business

Tax. Although this may improve BID assessment collection rates, it could adversely affect the City's revenues until such time unpaid balances were collected.

The DBA believes collections would be further improved if the City did not issue permits and other City approvals to businesses with unpaid assessments. The City Attorney believes it is within the City's authority to do so if the City Council so desires.

Options

Staff has identified the following options regarding the advancement of funds for the City Council's consideration:

1. Direct the City Manager to fund the DBA and CCAD requests (staff supports this request as the amounts are likely to be repaid from assessments not yet collected);
2. Direct the City Manager to fund an alternate amount.
3. Disapprove the request.

Summary

Staff is seeking direction from the City Council to understand if it is interested in advancing a portion of the uncollected DBA and CCAD assessments and what additional collection measures the City Council would like to pursue.

FISCAL ANALYSIS

If the City is not able to collect any portion of the advance to either the DBA or CCAD, this shortfall will have to be paid out of the City's General Fund Reserves. After receiving direction from the City Council this evening, staff will further analyze the financial and operational impacts of implementing the measures the City Council directs the City Manager to pursue.

ATTACHMENTS

1. Downtown Business Associations request for funds;
2. Culver City Arts District request for funds.

MOTIONS

That the City Council:

1. Discuss advancing funds to the Downtown Business Association and Culver City Arts District in connection with the COVID-19 pandemic; and
2. Direct the City Manager as deemed appropriate.

