



City Council

Discussion of Financial Impacts and Recommendation on whether City would opt into the Proposed Downtown Improvement District (DID)

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Title

Discussion of Financial Impacts and Recommendation on whether City would opt into the Proposed Downtown Improvement District (DID)

Recommended Action

Committee Recommendation:

Not referred to a committee

City Manager Recommendation:

Move to recommend the City of Olympia opt into the Downtown Improvement District (DID) along with charge the Olympia Downtown Alliance for administrative services, should the DID ultimately be adopted

Report

Issue:

Whether to opt into the Downtown Improvement District (DID) and/or charge the Olympia Downtown Alliance for administrative services should the DID be adopted

Staff Contact:

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Presenter(s):

Amy Buckler
Todd Cutts, Executive Director, Olympia Downtown Alliance

Background and Analysis:

Downtown property owners are exploring the notion of a Downtown Improvement District (DID), which would be a property-owner based assessment in downtown Olympia. The Olympia Downtown Alliance (ODA) is facilitating this process.

This past fall, a work group comprised of Mayor Cheryl Selby, Councilmember Lisa Parshley, Mr. Cutts, members of the DID Steering Committee and City staff met four times to discuss the proposal. The group discussed whether the City would opt into the district if it passes, as well as whether the City would charge administrative costs for billing, collections and contract management. Councilmember Parshley referred these questions to the Finance Committee for a recommendation.

On February 4, the City Council held a study session on the draft operating plan for the proposed DID. The Alliance is planning a petition drive and needs property owners representing 60 percent of the assessed value in the district to sign on. Prior to the start of the petition drive, Mayor Selby and Councilmember Parshley have agreed to bring forward a non-binding resolution to the City Council. The resolution would state support for the effort to propose a DID, what the assessments would be used for, whether or not City would opt into the district, and the intention to disestablish the PBIA if the DID were ultimately adopted. As requested by Council, the Operating Plan and Petition presented alongside the resolution will be final and may represent changes based on the study session discussion. Responses to City Council's comments from the study session are not presented here tonight because the topic is more narrow, and will be presented at the time of the resolution.

Once petitions are verified, the Olympia City Council would hold a public hearing to consider adopting the DID by ordinance. **See attached timeline.**

Financial Impacts of the DID

The proposed DID presents three potential financial impacts to the City:

- Cost of opting in - \$37,000
- Cost of providing administrative services - \$7,205
- Loss of Ambassador program funding from PBIA - \$43,500

Cost of Opting In:

Should the DID pass, public sector entities would not be obliged to pay an assessment; however may opt into the district. The Alliance estimates the cost to the City of Olympia of opting in would be \$37,000 annually. This is based on the assessed value and linear footage of each City-owned property within the DID boundary. **See attached.**

The initial DID budget projection is about \$600,000, broken down as follows:

Beautification & Hospitality Services (appx 400 hours of weekly deployment + ops manager + equipme	\$425,000
Assisting Small Businesses	\$80,000
Management	\$95,000
TOTAL	\$600,000

This projection assumes the City will opt into the district for approximately \$37,000 annually. The Steering Committee has directed most of these proposed City funds to the category of Assisting Small Businesses, to raise the budgeted amount from \$45k in previous proposals to \$80k, in recognition of the City Council's interest in the programs of this category.

Cost of Administrative Services:

The estimated annual administrative cost to the City of providing accounting and contract management services is \$7,205. **See attached.**

The proposal is for the City to contract with the Alliance to manage day-to-day operations. This would involve the Alliance, for example, managing Board meetings, administering cleaning/ambassadorial service contracts and implementing projects. The Alliance would also provide an annual assessment roster to the City, and the City would conduct accounting (billing and collection) services.

Annual DID fees would be collected by the City and dispersed to the Alliance per a contracted arrangement. An estimated 40 hours annually of staff time would be required to ensure ongoing compliance with the contract, including restrictions regarding use of public funds, non-discrimination policies, etc. This amount of time assumes the Alliance would be responsible for conducting bidding and sub-contracting for services per its contracted arrangement with the City, rather than staff carrying out these functions. Similarly, the City provides that the Washington Center for Performing Arts may conduct bidding and subcontracting per expectations provided in the City's contract with the Center.

Administrative costs for the DID are less than administrative costs associated with the PBIA. The main difference is that the City provides day to day management of the PBIA program, including meeting management and project execution. Under the DID proposal, these tasks would be performed by the Alliance.

Loss of PBIA Funding:

If the City ultimately adopts an ordinance establishing the DID, the intent is that the City follow up that action with an ordinance disestablishing the PBIA. Disestablishment of the PBIA would impact the budget for the Downtown Ambassadors as PBIA annually allocates \$43,500 toward the program.

The DID operating plan does not propose providing DID funds to replace the PBIA's Ambassador program funds. The DID Steering Committee believes using the DID to fund existing City programs would not garner support from property owners.

Staff Recommendation

Staff recommends that the City opt into the DID district along with charge the Alliance for the administrative costs. The overall financial impact to the City would be as follows:

Expenses:	
Opting Into District	\$ (37,000)
Ambassador Program Funding	\$ (43,500)
Revenue:	
Administrative Service Fees	\$ 7,205
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Total	\$ (73,295)

The cost to the City would be about \$73,295 for both opting in plus replacing PBIA funding for the

Ambassador program. The source of funds would be a combination of economic development, parking and general funds.

The DID presents an opportunity to advance the community's Comprehensive Plan vision for downtown as an attractive urban destination that is safe and welcoming for all. To achieve this, Olympia's Downtown Strategy calls for more of what is proposed by the DID and more private sector partnerships. The DID presents an opportunity for the City to partner with the Olympia Downtown Alliance to leverage significant new private investment and more participation by property owners which has long been desired.

Opting into the district is a concrete way for the City of Olympia to show support for the formation of a DID. The Steering Committee believes such a demonstration of support could influence property owners who have not yet made up their minds to sign the petition. It would also raise the percentage of support by about 4 percent out of the total 60 percent needed. If the City opting in to the DID can help generate further support, then it makes sense from an economic development standpoint to do so. A \$73k contribution by the City would help to leverage more than 8 times that from the private sector.

Neighborhood/Community Interests (if known):

The proposed DID is a topic of conversation among the downtown community, with some in support and others not. The PBIA Advisory Board voted 5-2 to endorse the creation of a DID.

Options:

1. Move to recommend the City of Olympia opt into the Downtown Improvement District (DID) along with charge the Olympia Downtown Alliance for administrative services, should the DID ultimately be adopted
2. Modify the above recommendation
3. Move that the City should not opt into the DID district, should it be adopted

Financial Impact:

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Attachments:

City Assessment
Administrative Costs
Timeline
Draft Operating Plan