



Legislation Text

File #: 24-027, **Version:** 1

Report Prepared by: Frank Quintero, Deputy City Manager and Director of Economic Development

SUBJECT: Approval of the Suspension of the Double Business License Fee Collected Within the Business Improvement Area as Contained in Chapter 3.44 - Business Improvement Area Tax in the Merced Municipal Code

REPORT IN BRIEF

Considers approving not collecting the Business Improvement Area Tax which was identified as part of the Downtown Merced Property Based Improvement District Management Plan since the PBID would be funded through the voluntary property assessment. Staff is recommending the Downtown Business Area Tax be suspended until further notice.

RECOMMENDATION

City Council - Adopt a motion:

- A. Approving **Resolution 2024-07** a Resolution of the City Council of the City of Merced, California, Suspending the Collection of the Business Improvement Area Tax as Contained in Chapter 3.44 (Business Improvement Area Tax) of the Merced Municipal Code; and,
- B. Authorizing the City Manager to execute the necessary documents; and,
- C. Directing the Finance Officer to suspend collecting the tax as part of the Business License process.

ALTERNATIVES

- 1. Approve as recommended by Staff; or
- 2. Approve, subject to conditions as specified by the City Council; or,
- 3. Refer to staff for reconsideration of specific items as requested by the City Council; or
- 4. Defer action until a specific date; or
- 5. Deny the request.

AUTHORITY

Charter of the City of Merced, Section 200; City of Merced Resolution 2023-65, a Resolution of the City Council of the City of Merced Forming the Downtown Merced Property Based Improvement District and Levying Assessments Starting with the Fiscal Year 2023-2024 Pursuant to the Property and Business Improvement District Law of 1994; and, the Downtown Merced Property Based

Business Improvement District Management District Plan, Existing City Services - Upon City Council approval of the Downtown Merced PBID, the City Council shall simultaneously eliminate both the downtown maintenance district and the part of the business license tax that marketing and special events ...”

CITY COUNCIL PRIORITIES

As adopted in the FY 2023-2024 Budget, Chapter 13, Special Districts, Downtown Fund, Objectives, (1.) Continue working towards the formation of a Property Based Improvement Districts and Tourism Business Improvement District.

DISCUSSION

The Downtown Merced Property Based Improvement District (PBID) was approved and adopted by the City Council on August 7, 2023. Subsequent actions following approval of the PBID include appointing PBID directors, modifying the Downtown Maintenance District, and ultimately dissolving the Downtown Business Improvement Area Tax. Staff is requesting the City Council approve the attached Resolution suspending the Downtown Business Improvement Area Tax as contained in Chapter 3.44 of the Merced Municipal Code (Attachment 1.)

Business Improvement Area History

The Business Improvement Area has been known by different names including the Downtown Business Improvement District and Double License Fee Area. The Area was created on December 15, 1969, and effective January 15, 1970, pursuant to the authority of the Parking and Business Improvement Area Law of 1965. The Downtown Business Improvement Tax is codified in the Merced Municipal Code as Chapter 3.44.

The boundaries of the Area include the centerline of the main track of the Union Pacific Railroad, to the westerly line of G Street, to the center of the alley between W. 19th and W. 20th Streets, and to the easterly line of V Street. With few exceptions, all businesses within the Area are required to pay a business license tax of twice the tax each is paying. In other words, each business pays a “double” business license fee. One fee is kept in the General Fund, and the other fee is deposited into a special dedicated account (Downtown Business Improvement Area).

The uses to which the proceeds from the additional tax revenue, realized from the additional levy of license tax imposed by this chapter, shall be put are capital improvements, administration, promotion, and such other uses as the city council, upon the recommendation of the advisory board, shall approve by ordinance or resolution. Examples of how the Fund has been used include the Christmas Parade, steam cleaning, art mural repair, Wi-Fi monthly charges, advertising, radio spots, staff administration, Cap and Town, sponsorships for the Art Hop and Playhouse Merced, temporary security, banners, Christmas decorations, breakfast business meetings, newsletters, and so on. Currently, the Merced Main Street Association provides the services to the Downtown Merced Business Improvement Area.

PBID Adoption

As part of formation the Downtown Merced PBID, the Management District Plan calls for the

elimination of the Downtown Business Improvement Area Tax (Double Business License Fee.) Rather than eliminate the Business Improvement Area Tax, staff proposes that the Tax be suspended for 5-years. When the PBID is up for renewal which is 5-years after it commences (January 1, 2024, to December 31, 2028), if the renewal is successful, the Downtown Business Improvement Area Tax will be permanently dissolved by an Ordinance Amendment. However, if the PBID renewal fails, the City Council will have the option to reinstate the Business Improvement Area Tax.

The action proposed by the staff is an effort to assure a funding stream is available to support Downtown Merced.

IMPACT ON CITY RESOURCES

A part of an Economic Development Associates direct service charge is derived from the Business Improvement Tax. When suspended, the position will have to be funded by the General Fund or through another direct service charge source. The adjustments would be made either at the mid-year budget review or at the adoption of the FY 2024-2025 budget.

ATTACHMENTS

1. Resolution 2024-07
2. Downtown Business Improvement Area Boundaries