



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: AUGUST 15, 2023**

FROM: COMMUNITY & ECONOMIC DEVELOPMENT **WARDS: 4 AND 5**
DEPARTMENT
FINANCE DEPARTMENT

SUBJECT: ANNUAL REPORT OF RIVERSIDE NEW CAR DEALERS ASSOCIATION AND RESOLUTION DECLARING INTENTION TO LEVY ANNUAL ASSESSMENT IN AUTO CENTER BUSINESS IMPROVEMENT DISTRICT FOR ONE YEAR BEGINNING SEPTEMBER 1, 2023, FIXING TIME AND PLACE FOR A PUBLIC HEARING ON LEVY OF PROPOSED ASSESSMENT; AGREEMENT WITH RIVERSIDE NEW CAR DEALERS ASSOCIATION FOR BUSINESS IMPROVEMENT DISTRICT FUNDING FOR A FIVE-YEAR TERM THROUGH JUNE 30, 2028, PAYABLE IN AN ANNUAL AMOUNT OF \$100,000 FOR A TOTAL AMOUNT OF \$500,000; SUPPLEMENTAL APPROPRIATION FOR \$100,000 FOR FY23/24 – SUPPLEMENTAL APPROPRIATION

ISSUES:

Approve the annual report of the Riverside New Car Dealers Association acting in its capacity as the advisory board to the Auto Center Business Improvement District, adopt a Resolution declaring the City of Riverside's intent to levy an annual assessment within the Auto Center Business Improvement District beginning September 1, 2023, fix the time and place for a public hearing on the levy of the proposed assessment for September 5, 2023, at 3:00 p.m.; approve an Agreement with the Riverside New Car Dealers Association for Business Improvement District Funding for a five-year term through June 30, 2028, payable in an annual amount of \$100,000 for a total amount of \$500,000; authorize a supplemental appropriation for \$100,000 for FY23/24.

RECOMMENDATIONS:

That the City Council:

1. Receive and approve the annual report of the Riverside New Car Dealers Association acting in its capacity as the advisory board to the Auto Center Business Improvement District;
2. Adopt a Resolution declaring the City of Riverside's intent to levy an annual assessment within the Auto Center Business Improvement District beginning September 1, 2023, and ending August 31, 2024;
3. Set a public hearing for September 5, 2023, at 3:00 p.m. on the levy of the proposed

assessment;

4. Approve an Agreement with the Riverside New Car Dealers Association for Business Improvement District Funding for a five-year term through June 30, 2028, payable in an annual amount of \$100,000 for a total amount of \$500,000;
5. Authorize the City Manager, or designee, to execute the Agreement for Business Improvement District Funding, including making minor and non-substantive changes; and
6. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a supplemental appropriation from the General Fund undesignated balance in the amount of \$100,000 to the Finance Department Development Agreements account.

BACKGROUND:

Business Tax Assessment

In early 2011, the City of Riverside (City) worked with the Riverside New Car Dealers Association (RNCDA) to develop a Business Improvement District (BID) in the Riverside Auto Center. An assessment is levied on each business located in the BID and is collected as an additional amount assessed through the City's annual Business Tax collection process. The funds collected from the BID assessment are to be used by the BID for purposes including business promotion activities, advertising, the operation and maintenance of the electronic LED display sign located along the 91 Freeway, and maintenance and repair of the entryway monuments, pods, and landscaping located in the Auto Center. The City Council approved the formation of the Auto Center BID on July 26, 2011, with the assessments effective on September 1, 2011, and was codified in Riverside Municipal Code Chapter 3.49. It was determined that 13 businesses were part of the Auto Center BID, and each business was assessed \$8,000 as an additional assessment on its Business Tax renewal. The Riverside New Car Dealers Association was appointed as the advisory board and is empowered to manage the Auto Center BID.

In 2021, RNCDA proposed a modification to the district boundaries to include four additional businesses and to adjust the assessment amount to \$6,100 per business. On July 20, 2021, a Public Hearing was held to hear and rule on any protests against the proposed action. Following the Public Hearing, City Council approved the recommended modifications and adopted Ordinance No. 7558 to modify Section 3.49 of the City Charter.

The Auto Center BID was formed under Section 36500 of the Streets & Highway Code of the State of California. Section 36533 of the Streets & Highways Code requires that RNCDA prepare a report for each fiscal year for which assessments are to be levied and collected to pay the costs of the improvements and activities described in the report. The City Council may approve the report as filed by the advisory board or may modify any portion of the report and approve it as modified.

Business Improvement District Funding Agreement

On August 15, 2011, the City, the Redevelopment Agency of the City of Riverside (Agency), and the Riverside New Car Dealers Association entered into a Business Improvement District Funding Agreement whereby the Agency would pay RNCDA \$1,000,000 at the rate of \$100,000 per year for services set out in the BID.

On August 26, 2015, the City Council approved a subsequent agreement with the RNCDA to continue the matching funds to help fund the maintenance and operating costs of the electronic

sign in exchange for 15% of the daily advertising time on the electronic LED display sign for City advertising. The Agreement is for an annual amount of \$100,000, is funded from the General Fund, and expires on September 1, 2023.

The City's initial investment in this Business Improvement District has proven to be beneficial to both the City and businesses within the District. The Auto Center BID is one of the highest producing sales tax revenue streams in the City of Riverside. Citywide, the Autos and Transportation sector, which includes all new and used car dealers and leasing companies in the City, accounts for approximately 25% of all sales tax dollars collected annually. Total estimated sales tax for FY2022/23 is approximately \$90 million, translating to \$22.5 million collected annually from this business sector, which includes the Auto Center area. In addition, there is also a transaction and use tax component related to Measure Z. The Autos and Transportation sector accounts for approximately 19% of Measure Z tax, or approximately \$16 million contributed by this sector.

DISCUSSION:

The Riverside Auto Center features 25 dealerships and 32 brands, offers over 8,000 new and used vehicles, and rivals Ontario Auto Center as the largest in the Inland Empire. The Auto Center's central location, in Riverside off the 91 Freeway, makes it easily accessible to Riverside residents, neighboring cities, and it draws customers from the Los Angeles and Palm Springs areas.

The Riverside Auto Center features a large electronic sign, prominently located along the 91 Freeway. Staff recommends continuing the legacy program and partnership with the Auto Center, whereby the City provides matching funds to the Auto Center for a BID levy in exchange for daily advertising time for the City on the electronic sign display.

District Levy

Based on the 2023-2024 Auto Center BID Annual Report, there are no proposed changes to the boundaries of the Auto Center BID. The current activities and improvements for the upcoming year include advertising, installation and maintenance of a new Auto Center electronic sign, and property maintenance. The report details 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. Each business within the Auto Center BID will be assessed \$6,100 per year as an additional assessment on its business tax renewal.

In 2021, City Council requested that all Business Improvement Districts address the following questions during the annual levy process. Below are the responses from the Auto Center BID, which are provided in the 2023-2024 Annual Report as well. A representative of the Auto Center BID will be on hand at the Public Hearing to address these questions and any others Council might have at that time.

- 1) What are the specific benefits the BID is providing to businesses?

The BID supports Riverside Auto Center District businesses by bringing awareness of businesses within the district to auto buyers and those needing their vehicle serviced in the Riverside area.

- 2) How do we know the intended benefits have been achieved?

The freeway sign has proven to achieve its intended benefits by continued patronage of the dealers in the Auto Center Square and feedback from customers regarding offers and promotions that the sign displays.

- 3) How are BID staff and activities responding to emerging needs and how are these needs identified?

To compete with new freeway signs in surrounding areas, the RNCDA has purchased a new and more efficient electronic sign for the District. The Board was able to negotiate a 20% discount on the purchase and anticipates the new sign will increase visitors in the auto center area. Any topics related to the function of the sign including regular maintenance, replacement of failed/faulty LED panels, and annual washing, are regularly discussed with the Auto Center association and sign company. There are also regular reports covering the content each dealer and the City of Riverside displays in their given allotment.

- 4) What are the strategic goals of the BID and how is progress tracked over time?

One of the primary goals of the BID was to fund the creation and maintenance of an updated freeway sign to help drive business to the Riverside Auto Center by advertising district businesses, event promotions and business activities. In an effort to effectively continue with that goal, the Board has purchased a new and improved electronic sign for the District, which is in the process of being installed.

To levy the Auto Center BID assessments for Fiscal Year 2023-2024, the City Council must adopt the Resolution of Intention and set a date for a public hearing. The Resolution of Intention will be published in a newspaper of general distribution seven days prior to the public hearing. In addition, a notice of the public hearing will be mailed to each holder of a business license tax certificate within the amended Auto Center BID by mail, postage prepaid as required. The Public Hearing will be held on September 5, 2023, at 3:00 p.m. at which time any protests may be heard against the proposed action.

Business Improvement District Funding Agreement

The current Agreement for Display on Riverside Auto Center Sign expires on September 1, 2023. Under the current Agreement, the City is allotted 15% of the daily advertising time on the electronic sign display. The City uses this platform to promote and bring awareness to a variety of items:

- The Cheech
- The 311 Mobile App (now available in Spanish)
- The Riverside Convention Center
- PulsePoint (mobile app to alert CPR-trained community members of nearby cardiac arrest events in public places)
- RiversideAlert (the City's mass notification service to alert you in case of an emergency)
- Seeking Community Input for New Playground Improvements
- Don't Doubt the Drought
- City job opportunities
- Explore Riverside (newsletter for residents, business owners, and visitors)
- Safety messaging such as the danger of balloons tangled in power lines

The approximate annual value of the City's time on the sign is \$170,000. Weekly impressions, or the number of times the sign is viewed, average between 500,000 and 615,000.

Staff recommends that the City enter into a new agreement with the RNCDA to invest in the BID for five years, at a cost of \$100,000 per year in exchange for advertising time on the electronic sign display. This agreement would allow the City to support this flourishing District, while also benefiting from use of a new and improved electronic sign along the 91 Freeway to bring awareness of City information and programs.

STRATEGIC PLAN ALIGNMENT:

This action contributes to **Strategic Priority 3 – Economic Opportunity** and **Goal 3.1 – Facilitate partnerships and programs to develop, attract and retain innovative business sectors.**

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The formation of Business Improvement Districts and subsequent Annual Reports provide a transparent and equitable way to finance, administer, and report maintenance and services within the business district area.
2. **Equity** – The Auto Center BID spreads the cost of promoting the Auto Center area businesses to the owners that receive the benefits.
3. **Fiscal Responsibility** – The Auto Center BID supports marketing, promotion, and business and community partnerships within the Auto Center District with minimal use of public funds.
4. **Innovation** – The Auto Center BID is an innovative and collaborative way to support the changing needs of the Auto Center Business District, enabling business owners to guide their destiny.
5. **Sustainability & Resiliency** – The annual levy process provides a way to finance improvements and promotions for businesses within the Auto Center Business District.

FISCAL IMPACT:

The total fiscal impact of this action is approximately \$203,700 for FY 2023/24. The revenue generated from the assessment is projected to be approximately \$103,700 for FY 2023/24. The City collects the assessments for the Auto Center BID via the annual business tax process. All assessments collected are transferred directly to the RNCDA.

A supplemental appropriation of \$100,000 for the BID Funding Agreement in FY 2023/24 will come from General Fund undesignated balance. If Council agrees with staff's recommendation to enter into a new agreement with the RNCDA, \$100,000 per year will be budgeted for in account number 7223000-446000 over the next five years, for the remaining term of the new agreement.

Prepared by:	Karen Hessel, Interim Debt and Treasury Manager Jennifer A. Lilley, AICP, Community & Economic Development Director
Certified as to availability of funds:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/City Treasurer
Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/City Treasurer

Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Annual Report of the Auto Center BID
2. Resolution of Intention to Levy Assessments in the Auto Center BID
3. Map of Auto Center BID
4. BID Funding Agreement