



REPORT to the MAYOR and MEMBERS of the CITY COUNCIL
From the CITY MANAGER

DATE: May 25, 2021

SUBJECT: Village Enhancement Fund Pilot Program Update and Council Consideration
to Continue the Program

ISSUING DEPARTMENT: City Manager's Office

SUMMARY:

Issue:

Should the City Council continue the Village Enhancement Fund Pilot Program?

Recommendation:

Staff recommends City Council receive the Village Enhancement Fund pilot program update and provide direction to staff on whether to continue the program.

Fiscal Impact:

In its first year, the Village Enhancement Fund Program was funded in the amount of \$99,440 dollars which was 50% of the annual net parking revenues (revenues minus expenditures and interfund transfers) from the Downtown Parking District Fund in Fiscal Year 2018-2019. If the City Council desires to continue the grant program, \$47,420 would be available from Fiscal Year 2019-2020 net revenues to be used for the Fiscal Year 2021-2022 grant year.

Strategic Goals:

- Continue to improve high quality municipal services.
- Enhance recreation and quality of life opportunities.

BACKGROUND:

On September 24, 2019, the La Mesa City Council approved the La Mesa Village Enhancement Fund Program ("VEF Program") as a one-year pilot program. The purpose of the VEF Program is to encourage ongoing investment in the Downtown Village and create more entertainment opportunities for residents and families by creating a program where non-profit organizations and private businesses can apply for funds to finance events, promotions, programs, and advertising to the benefit of the businesses in the Downtown Village. The program is funded

from 50% of annual net parking revenues (revenues minus expenditures and interfund transfers). At the same meeting, City Council also approved the first reading of Ordinance No. 2019-2872 amending Section 12.56.120 of the La Mesa Municipal Code adding events, programs, and advertising as allowable expenses of revenue from parking meters and parking enforcement in the downtown parking district.

Per the VEF program guidelines, the Parking Commission was tasked with recommending applications for funding to the City Council for final consideration. At its November 19, 2019, meeting, the Parking Commission recommended the following four applications to City Council for VEF Program funding:

<u>Applicant</u>	<u>Event</u>	<u>Date</u>	<u>Amount Recommended</u>
LMVA	2019 Holiday in the Village	12/13/19 to 12/14/19	\$40,000
LMVA	2020 Holiday in the Village	12/11/20 to 12/12/20	\$30,000
LMVA	2020 Car Show	6/14/20 to 8/27/20	\$9,000
McFarlane	2020 Oktoberfest	10/2/20 to 10/4/20	<u>\$20,440</u>
TOTAL AVAILABLE FUNDING			\$99,440

At the November 26, 2019, meeting, Council approved the Parking Commission's recommendation to fund the La Mesa Village Association's ("LMVA") applications for the 2019 and 2020 Holiday in the Village events and the 2020 Car Show and to fund McFarlane Promotion's application for funding for the 2020 Oktoberfest event.

DISCUSSION:

VEF Pilot Program: First-Year Summary

The City Council approved the VEF Program as a one-year pilot program and directed staff to bring the program back to City Council at the end of the pilot year to provide an update on the year's events, share feedback about the program, and to receive direction on whether to continue the program.

Of the four events approved for funding, only the 2019 Holiday in the Village event occurred before the coronavirus pandemic. The event took place on December 13, 2019, and December 14, 2019. The event was well attended and considered a success based on public feedback. In conformance with grant guidelines, the applicant provided the necessary documentation of eligible expenses to the City and was subsequently awarded the approved amount of \$40,000 of grant funding. In March of 2020, the State of California and County of San Diego enacted restrictions on businesses and social gatherings with the goal of reducing the spread of COVID-19. Due to these restrictions, the applicant for the 2020 Car Show (LMVA) cancelled the event. Therefore, the \$9,000 of approved funding for the event was not awarded and was returned to the parking fund.

The applicant for the 2020 Oktoberfest event (McFarlane Promotions) moved forward with a virtual event that focused on promoting the Downtown Village and businesses; the event did not include a public gathering or beer garden. The virtual event was held and live-streamed on

October 2, 2020, to October 4, 2020. The event included taped and live streamed Oktoberfest activities designed to highlight promotions offered by village businesses. After the event, the applicant submitted the necessary documentation of eligible expenses to the City and was awarded the approved amount of \$20,440 of grant funding.

The LMVA decided to move forward with the 2020 Holiday in the Village event with a modified event plan to meet County restrictions for outdoor events. The event was held on December 5, 2020 from 10:00 am to 9:00 pm. The City required that the applicant receive approval from the County for their modified event plan prior to approving an application for a special event permit. The San Diego County Office of Emergency Services worked with the LMVA regarding required protocols to ensure a safe event and subsequently approved the modified event plan. After the event, the LMVA submitted the necessary documentation of eligible expenses to the City and was awarded the approved amount of \$30,000 of grant funding.

State and County restrictions on public gatherings and the subsequent cancelling of the Car Show and modifications to the Oktoberfest event made evaluation of the VEF program difficult. Having taken place prior to the pandemic, the 2019 Holiday in the Village event was well attended and anecdotal feedback from attendees was widely positive. The virtual Oktoberfest event was well publicized with three television ads promoting the event and village businesses running on Fox 5 and CBS networks from October 1st to October 3rd. Promotional flyers, social media, and email blasts were also distributed leading up to the event. Webpage analytics provided by the applicant show the La Mesa Oktoberfest website generated 28,564 page views from August 1st through October 6th. During this same time period, there were 3,626 total followers of the virtual event on Facebook and 1,461 followers on Instagram. According to the LMVA and McFarlane Promotions, restaurants reported increased business during the event; however, feedback from retail establishments was mixed.

Potential Extension of VEF Pilot Program

The pandemic has significantly impacted the availability of funding for the second year. The \$47,420 in available funding for the Fiscal Year 2021-2022 grant year is 47% less than what was available in the pilot year. This is primarily due to a significant reduction in parking revenue during late Fiscal Year 2019-2020 through the majority of Fiscal Year 2020-2021 when state and county restrictions on businesses were in place.

The City received minimal feedback regarding the grant program and applicants were generally pleased with the process. Staff initially received feedback that the one-month application window to submit applications for funding was too short. However, recent feedback from applicants minimized this concern as they believe they can begin preparing applications in advance of the September application window if the program becomes annual and ongoing.

During a normal grant cycle, the 50% amount of annual net parking revenue from the year prior is not known until August of each year. Due to the program being inactive in Fiscal Year 2020-2021, flexibility exists to accept applications as early as June for the Fiscal Year 2021-2022 grant year because the available funding amount is already known. After the upcoming fiscal year, the application window would occur in September.

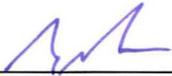
One of the program goals is to encourage new events and promotions in the village. Grant funding in the pilot year did not support any new events or promotions. Due to potential lasting impacts to special events from the pandemic, applicants have stated that for year two of

possible VEF funding they are apprehensive to create new events and feel that focusing on rebuilding existing events is warranted. As stated earlier, program funding has been reduced by about half from the pilot year which could potentially limit program success. Notwithstanding, the limited available funding could present an opportunity to support economic development in the downtown village as businesses emerge from the pandemic.

CONCLUSION:

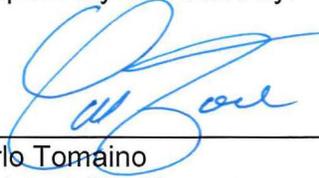
Staff recommends the City Council receive the VEF Program update and provide direction to staff on whether to continue the program. If the City Council desires to extend the program, there is \$47,420 of available funding for the second year.

Reviewed by:

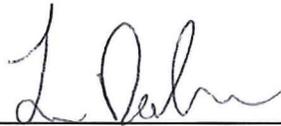


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