

FINAL REPORT

**FINDINGS AND LESSONS FROM A STUDY
OF THE DOWNTOWN AREA IMPROVEMENT FUND
OF THE CITY OF MERCED**

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**Produced by the
Alliance for Community Research and Development**

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Introduction

In 1970, business owners asked the City to increase the downtown business license taxes and create a Downtown Fund from the additional tax. This tax was designated to improve Merced’s downtown area through capital improvements, administration, promotions, and other uses as approved by the City Council. Ever since, downtown businesses have been paying into the fund and the money has been allocated towards these goals. In May 2013, the City initiated a study to understand whether or not the businesses that pay for this fund would like continue paying the tax and their recommendation for its use.



The City hired the Alliance for Community Research and Development (ACRD) to provide the City council with objective, third party feedback and recommendations from the downtown business owners themselves, in regards to whether or not they would like to keep this tax and their recommendation for any modifications. In addition, the City wanted to understand the different perspectives that business owners located further away from the downtown “core”, given that approximately 80% of the fund is spent in about 20% of the total area taxed. To this end, a study was designed to include focus group discussions with businesses from the East, the West and the Core areas and a brief survey of experiences, priorities and recommendations. The study was intended to provide an accurate representation of what the downtown owners as a whole think about the tax and their ideas as to how Merced’s downtown could be improved. As a complementary element to the study, a focus group discussion with UC Merced students to

understand their perceptions of downtown, how to improve downtown’s appeal to them, and recommendations for how they can help improve Merced’s downtown.

Evaluation Methods

The study included two primary methods: focus groups and a survey. Focus groups were conducted first in order to gain a broader understanding from businesses and to help inform the design of a brief survey. ACRD and City staff met to co-design the focus group questions and its process (e.g., participant recruitment and facilitation of the discussions). Following the focus groups, the analysis and discussion of the results were used to develop questions for a survey of business owners and managers. Near final versions of the survey were pilot-tested using personal interviews with three businesses. The survey was formatted to be self-administered on the Internet. Further pilot testing was used to ensure the survey was easy to complete on the Internet. In order to increase the number of businesses that completed the survey, additional surveys were completed by visiting businesses and conducting the survey as an in-person interview.

Focus Groups

One focus group was conducted for each of the three different regions (West, East, and Core). These discussions were separated by the location of businesses in order to investigate how the physical location of businesses may affect business owners' opinions about the downtown tax. Merced City Staff selected ten businesses for each focus group based on their experience on who might be most knowledgeable about the existence and use of the Downtown Fund. The evaluation staff called the owners and/or managers of those businesses to arrange the timing and process of the discussions. Each discussion was held on a different day in the morning. Only the individuals who were invited to the focus group were allowed to attend. The Core focus group had 10 businesses agreed to attend with 6 in attendance. Eight of the businesses in the East focus group agreed to attend, but only 4 attended. The West had the least participation from businesses with 8 agreeing to attend and 2 in attendance. Due to the small representation of businesses that attended the West focus groups, two additional businesses in this area were chosen for personal interviews.

During the Core focus group meeting, a business owner, who was not on the list of participants, attempted to attend. This individual showed much interest and concern for the downtown business community, so a personal interview was conducted with this person following the focus group.

Surveys

Surveys were administered in two different ways 1) online and 2) in-person. The online version of the downtown tax survey was created using SurveyMonkey.com. In order to notify businesses of its existence, Merced City Staff sent a letter containing an introduction of the survey with the online address to each of the 544 businesses. After 17 days, only 12 businesses had completed the online version. Due to the low response rate, the city sent a final call letter to each of the businesses announcing a deadline for the survey as September 2, 2013. On the deadline date a total of 30 online surveys were completed by business owners.

In another attempt to raise awareness about the survey and increase business participation, an in-person version of the survey was also created. Three students from UC Merced were trained to aid in completion of in-person surveys with businesses. Paired teams (one student and one evaluator) visited

businesses to conduct the survey. A major challenge experienced was catching business owners during a convenient time. Often, the business owner or manager was not at the location or was busy working and did not have time to complete the survey. Business cards with the online survey link were also provided to these businesses in efforts to increase participation. Also, there were several businesses that did not have regular business hours which made it difficult to get in contact with them. A total of 30 in-person surveys were completed with business owners.

Focus Group Results

Core Area Focus Group

The Core group unanimously agreed that the tax fund should be kept but that they should have a say in the allocation of funds. It was mentioned by one of the participants that s/he is currently being taxed without proper representation on the current Downtown Fund Steering Committee. In order to ensure communication, equitable input, and accountability, the group suggested forming a hybrid between the Steering Committee and a Downtown Association. It was also suggested that the steering committee should be meeting more frequently and that the length of their terms should be reduced. Most of Core business owners' discussion focused on ensuring the growth of downtown by creating a welcoming downtown identity that is also a way of life.

Participants shared several ways to improve downtown and community wide events. Community-wide events were considered extremely important. In fact, many would like to see additional events created, improvements made on the ones that currently exist, and efforts to increase turn-out rates for these events. The Art Hop was referenced as the most successful community event. The Farmers Market (also known as the Thursday Night Program) was noted as needing the most improvement. The group acknowledged that there is currently a lack of communication and involvement among business owners and discussed the need of paid staff to be in charge of coordinating, promoting and planning all events. However, it was also discussed that the paid employee should use volunteers, business owners and community members to help brainstorm and plan events, forming event committees. Other techniques discussed to develop the downtown identity included: improving the quality of promotional designs, using art to fill vacant buildings, having signs in different languages for the Yosemite international visitors, creating a downtown Facebook, and putting up decorations downtown for major holidays such as the 4th of July, Halloween, and St Patrick's Day.

The most common concern was the volume of homeless people in the downtown area displaying inappropriate behavior, and as a result, damaging the image of downtown and its security. Relocation of Catholic Charities was mentioned by several people as a solution as well as volunteer patrol and possibly a special City ordinance in the area.

East Area Focus Group

The East business owners expressed that they do not feel as though they are a part of downtown and are not receiving all of the benefits as the Core businesses. There was general agreement that the downtown area boundaries are from Canal Street through Martin Luther King Street and that the downtown map, on which the tax is based, is too large. They believe it should not include anything north of 18th Street or south of 16th Street. While the owners discussed needing to create a vibrant downtown, it was also emphasized that efforts should be focused on the entire area and not just the Core. Ideas shared about how to improve downtown included: murals and art in vacant store fronts or walls, allowing business' to paint store fronts any color, improving events such as the Farmers Market and rotating its location downtown, incorporating cultural street events, and using the travel budget to visit and get ideas from other downtown areas.

There was also discussion of a Downtown Association in order to ensure communication, input and accountability. Similar to Core business owners, East business owners also see a benefit in having a paid employee in charge of effectively coordinating, promoting and planning all events. Susie Rossi was referenced by several participants as an example of the leadership needed to improve downtown Merced. Personal communication was described as key to building relationships among the downtown businesses and they would like to see communication improve. Due to the lack of communication, many of the East businesses noted not knowing how the fund was being used and what community events were being planned. Security was a large concern. East businesses suggested having bike officers patrolling their area more often. However, it was also noted that funding for police presence should be paid out of the City's general public safety fund and not the Downtown Fund.

In conclusion, the East group would like to see the fund kept but wants to be able to get involved and have a say in how it is used. They emphasized throughout the meeting that the allocation of funds, especially for landscaping, sidewalk cleanings, and security, should be dispersed more evenly. On the other hand, if improvements could not be made, there would be some opposition to the tax. One participant also mentioned having the fund matched by the City in order to generate more revenue to make improvements.

West Area Focus Group

The West businesses expressed feeling disconnected from downtown completely and one business owner described themselves as the step-children of the area. The owners feel extremely disconnected and believe their business area is dying even more since the recent closure of Save Mart. They would like to feel connected to the area and suggested that having someone from the City checking in with them would be beneficial. The West business owners believe that downtown events are beneficial to the community as a whole but not specifically their businesses. They stated that if they are not receiving basic benefits of maintenance and security from the fund, they do not want to be included. They would rather support community events by participating and spending money at them, than being taxed for them. There was agreement that the downtown community and all events need to be promoted more, however participants were not too aware of existing marketing efforts.

The most common concerns were the volume of prostitution, thieves, and homeless in the area and the image these create of downtown and their businesses. They would like to see police presence increase in the area and want the area cleaned up. As with the other areas business owners, the West business believe that funding to improve safety and security should be paid by the general public safety fund and not the Downtown Fund. The West group discussed costumers being propositioned by prostitutes and how these concerns create a source of embarrassment. The owners feel that if the fund is kept, a portion should be used in their areas for beautification and security. Some examples include, expanding landscaping, street banners, decorations, as well as providing paint to artists to create murals. They stated they simply want to see their area “cleaned up.” Otherwise, they feel they should not be paying into the fund.

Emerging Themes from the Three Focus Groups

Despite the difference in geography, participants in all the focus groups agreed on several concerns and ideas. The perception and identity of downtown Merced is of major concern to all business owners. The volume of homeless in the area, aggressive pan-handling of customers, vacant buildings, excessive trash, and prostitution in the area is considered to be tarnishing the downtown experience for customers. Art was also continually discussed as a way to inexpensively beautify the vacant storefronts, counteract graffiti and improve downtown. There was consensus among the three focus groups that community-wide events (e.g., Christmas parade) are considered to be beneficial to downtown as a whole and should be continued. However, businesses not located in the Core expressed not seeing much or any of the benefits from these events. The businesses agreed that there should be someone to coordinate these events and facilitate better communication among business owners. Overall, the business owners believed that the fund should continue to exist. However, the Core and East businesses expressed that they want to have input regarding how the money is allocated while business owners in the West felt strongly that they should pay into the Downtown Fund only if their area was cleaned up. East and West businesses also expressed not wanting to contribute into the fund if improvements in landscaping, maintenance, and security could not be made.

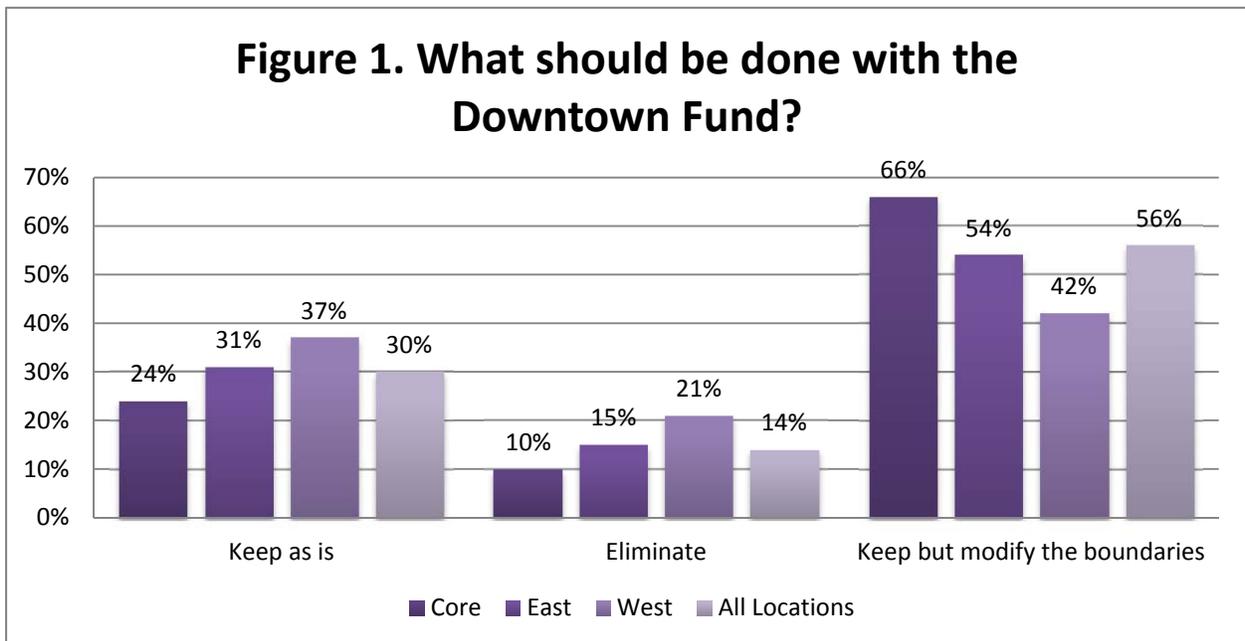
Findings from the UC Merced Student Focus Group

The findings from the focus group with UC Merced students revealed that the highest priorities are safety, security and beautification, which includes cleanliness, landscaping and building restoration. These findings are consistent with the opinions expressed in both the surveys and the other focus groups. The students referred to downtown as a “scary” place and cited this as the main deterrent to coming to downtown. A general belief among UC students is that downtown is appealing and that they do not feel welcomed. Students feel that downtown businesses do not make an effort to reach them as a market with specific needs and priorities. Several ideas were shared for how businesses could market to and appeal to them. They suggested that downtown businesses advertise in their campus publication, “The Prodigy” and by any other means, as well as posting downtown activities and events in their in-campus bulletin board. They would like to see more “fun” activities that they might enjoy, such as

musical and artistic events, which is something that would also improve the atmosphere and general appeal of our downtown. Furthermore, they also suggested that businesses tap into their Bob Cats program to extend their security patrols into the downtown area and to help in the renovation and beautification efforts. Community service credits that the students already get in this program will be incentive for their contribution towards making downtown a safer and more beautiful place. “Offer us special promotions” they said, and “Create a campaign that focuses on improving downtown’s image”.

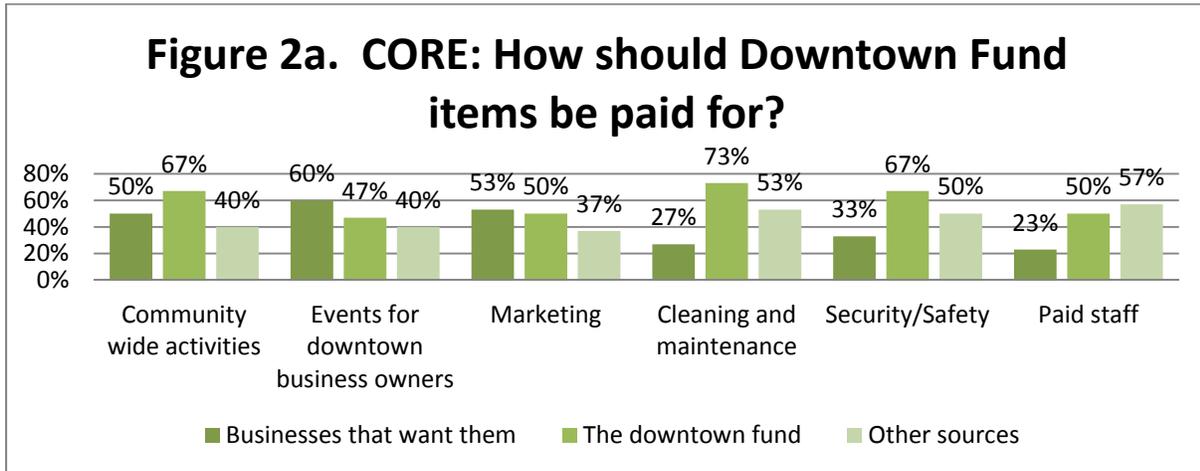
Survey Results

Figure 1 illustrates what each group (Core, East, and West) would like to see happen with the Downtown Fund.

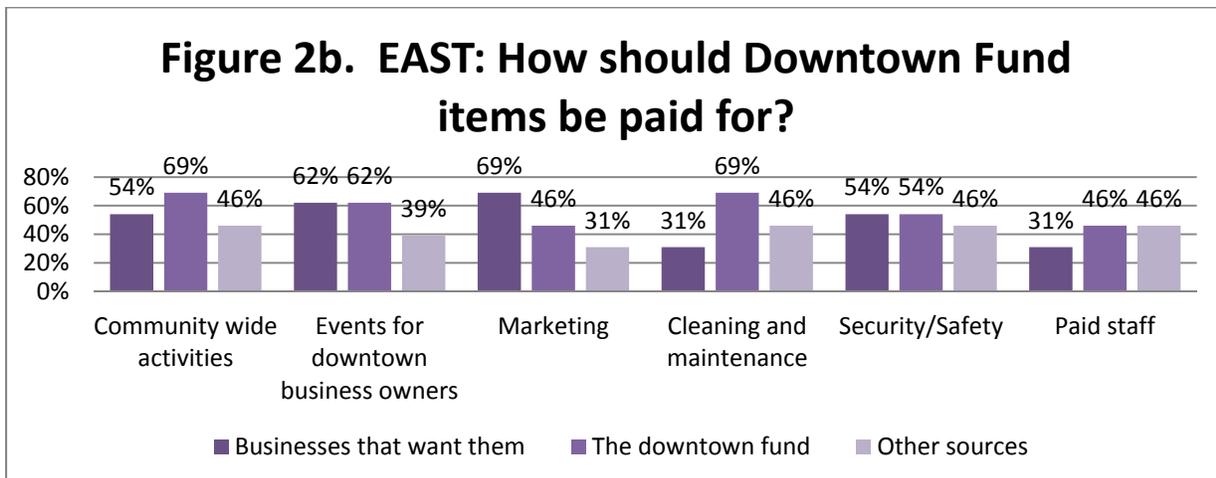


Across all locations, more than half of all businesses (56%) want to keep the Downtown Fund but modify the boundaries. Only 14% of respondents want to eliminate the tax while 30% want to keep it as is. It is surprising that West businesses had the highest percentage of votes for keeping the tax as is (37%) because this group experiences/benefits the least from the services and activities supported by the fund due to their location.

Figures 2a through 2c show business' opinions of how activities and events currently supported by the Downtown Fund should be paid for.

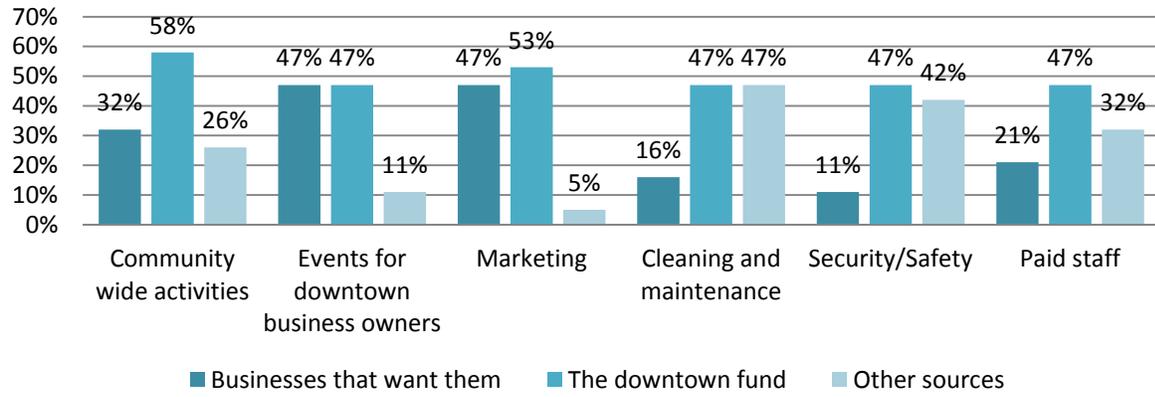


Of the Core businesses, the three activities with the highest support to be financed by the fund were: 1) cleaning and maintenance (73%), 2) security/safety and (67%) and 3) community wide events (67%). The two activities that most respondents thought should be paid by other sources of funding were: 1) paid staff and 2) cleaning and maintenance. Six out of every ten respondents thought that events for downtown businesses should be paid by those businesses that want them.



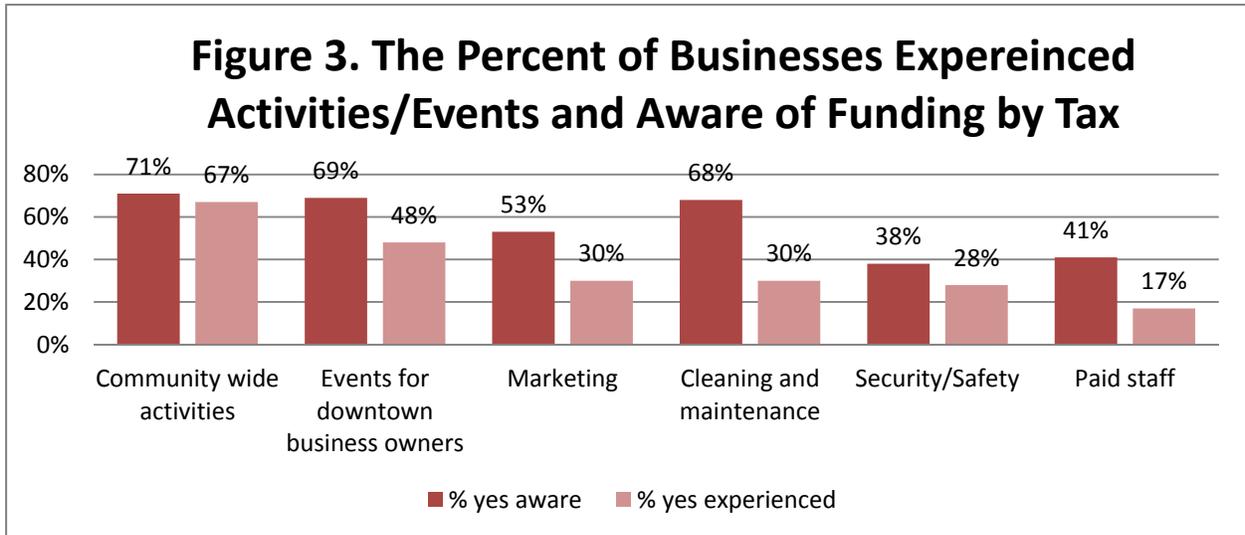
Similar to the Core business' opinions, the East businesses rated cleaning and maintenance (69%), community wide events (69%) and 3) security/safety (54%) as the highest to be paid for by the downtown fund. For the activities that respondents thought should be paid for by other sources of funding, the highest rating was 46% for all four of the following categories: 1) cleaning and maintenance, 2) security/safety and 3) community wide activities 4) paid staff. Sixty-nine percent of respondents thought that marketing should be paid by those businesses that want it.

Figure 2c. WEST: How should Downtown Fund items be paid for?



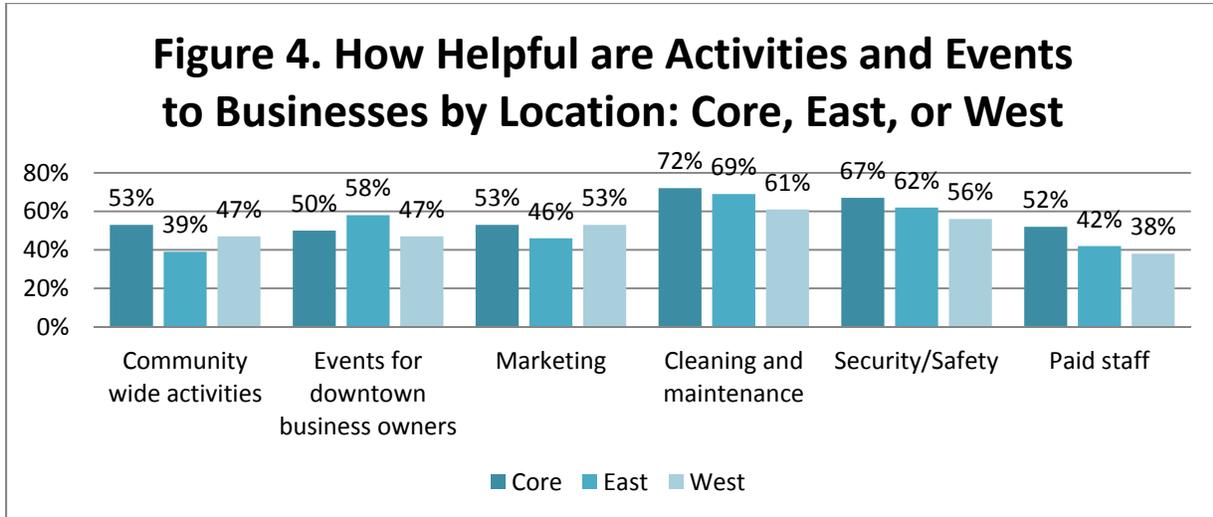
The highest ratings by West businesses for what the Downtown Fund should pay were community wide events (58%) and marketing (53%). This suggests that even though this group may not experience community wide events at the same rate that other do, they still appreciate them enough to support them and view them as beneficial to downtown. The two activities that West businesses thought should be paid for by other sources of funding were 1) cleaning and maintenance (47%) and 2) security/safety (42%). The two items that this group thought should be paid by businesses that want them were events for downtown businesses and marketing.

Figure 3 illustrates the percentage of businesses that know the Downtown Fund supports various activities and events and the percentage of businesses that have experienced or been exposed to these activities and events.



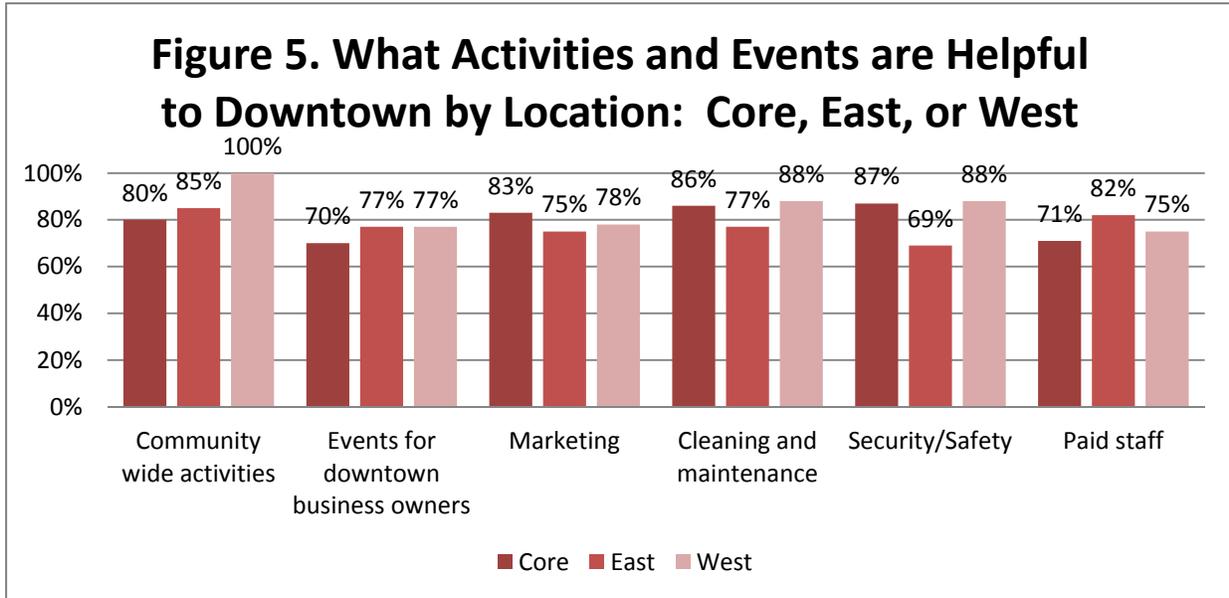
The three activities most respondents did not know that were being supported by the fund were safety/security (62%), paid staff (59%) and marketing (47%). Of all the activities and events experienced, community wide events (67%) was rated as being experienced the most among businesses. Having paid staff to coordinate events was the least experienced at 17%. Although more than half of all businesses were aware that the fund pays for marketing and cleaning and maintenance, only 30% have experienced it.

Figure 4 shows the percent of activities and events that were viewed as helpful to businesses (not overall downtown) by business location (Core, East or West).



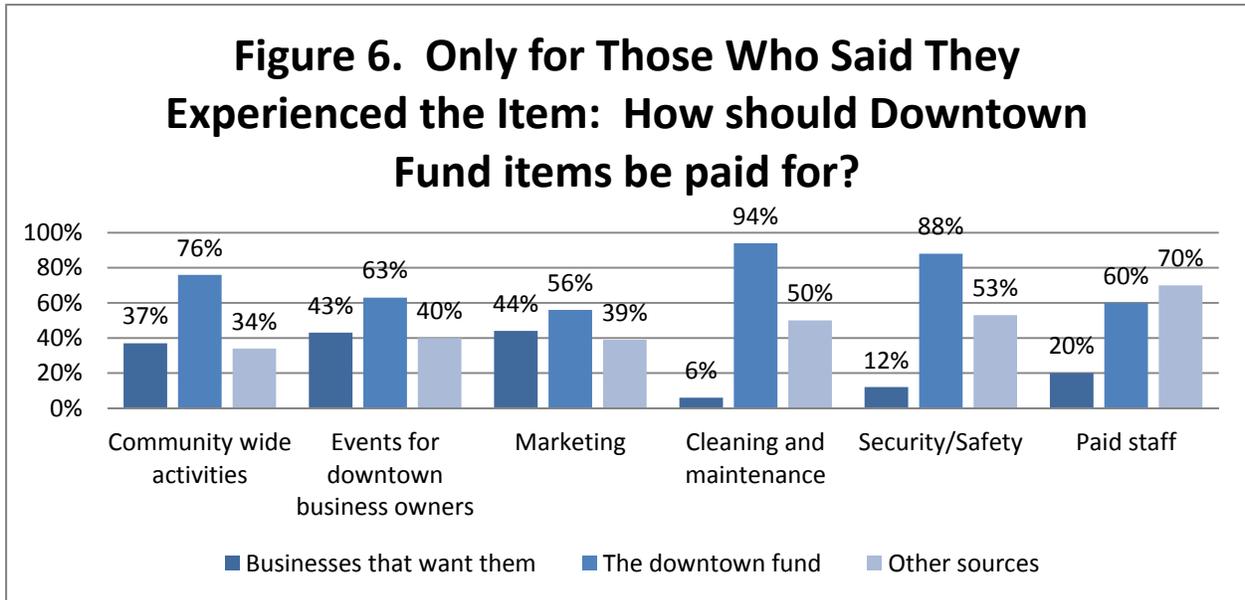
Across all three groups (Core, East and West) cleaning/maintenance and security were rated as helpful to their business. Businesses in the West rated paid staff as the least helpful (38%) while the Core businesses viewed events for downtown business owners (50%) as the least helpful. East businesses rated community wide events as the least helpful.

Figure 5 illustrates the percent of activities and events that were rated as most helpful to downtown overall (not necessarily the respondent’s own business) by business location (Core, East, or West):



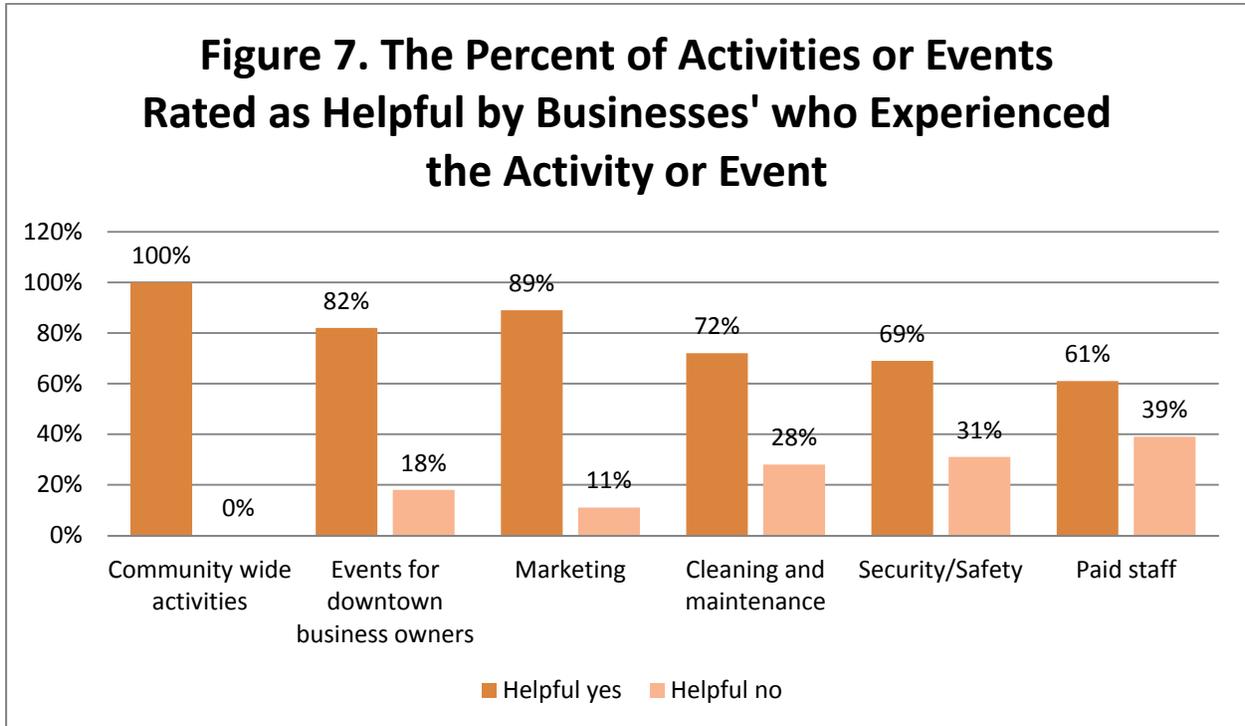
The West businesses rated community-wide events as the most helpful activity to downtown. Across all locations, community wide events (88%) was rated as the most helpful to downtown. Eighty-four percent of businesses viewed cleaning and maintenance as most helpful and 81% rated security/safety as most helpful. These results mirror the findings from the focus groups. Paid staff to coordinate events was viewed as the least helpful by Core and West businesses while security/safety was viewed as the least helpful by East businesses.

Figure 6 shows the percent of activities and events that should be paid for by businesses that want them, the downtown fund, and/or other sources by only those businesses that reported having experienced Downtown Fund benefits.



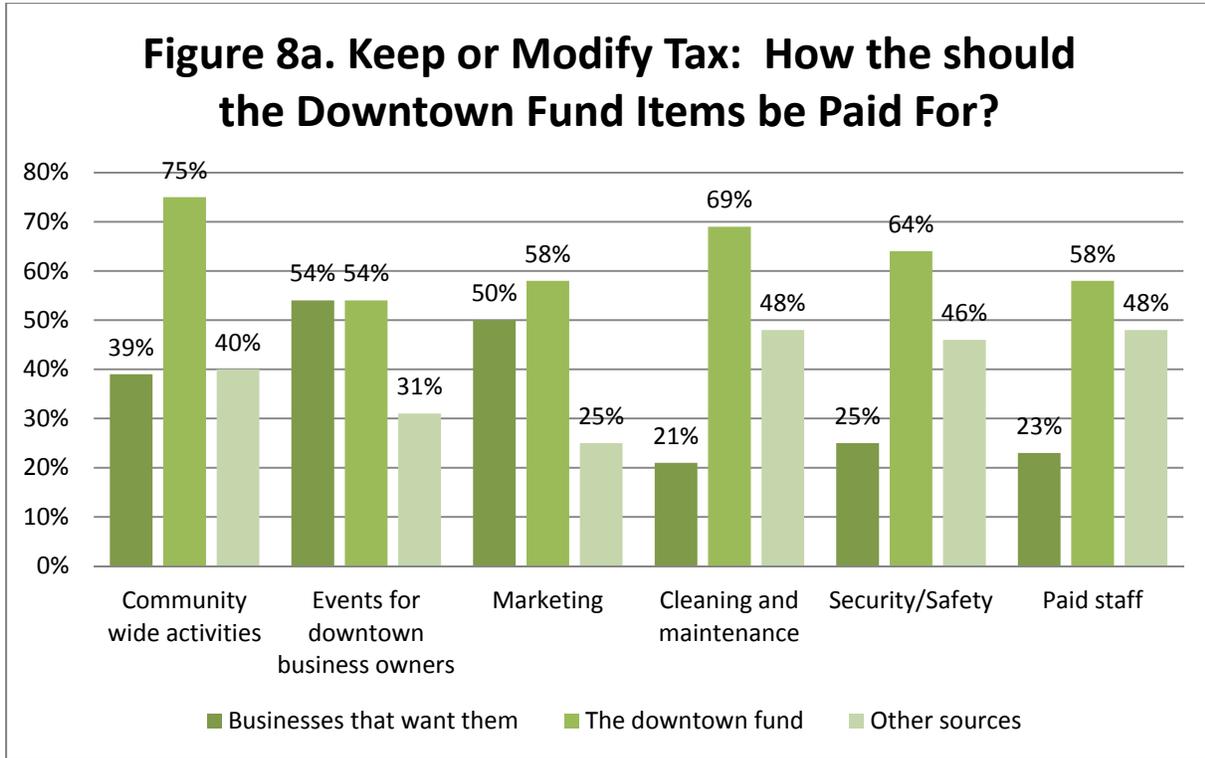
Marketing was rated the lowest (56%) as an activity that the Downtown Fund should support and was rated the highest (44%) as an activity to be supported by businesses that want it. Of the businesses that experienced these activities and events, cleaning and maintenance (94%) and security/safety (88%) had the most support for being financed by the Downtown Fund.

Figure 7 illustrates the percent of activities and events that businesses viewed as helpful to them by businesses who experienced them.



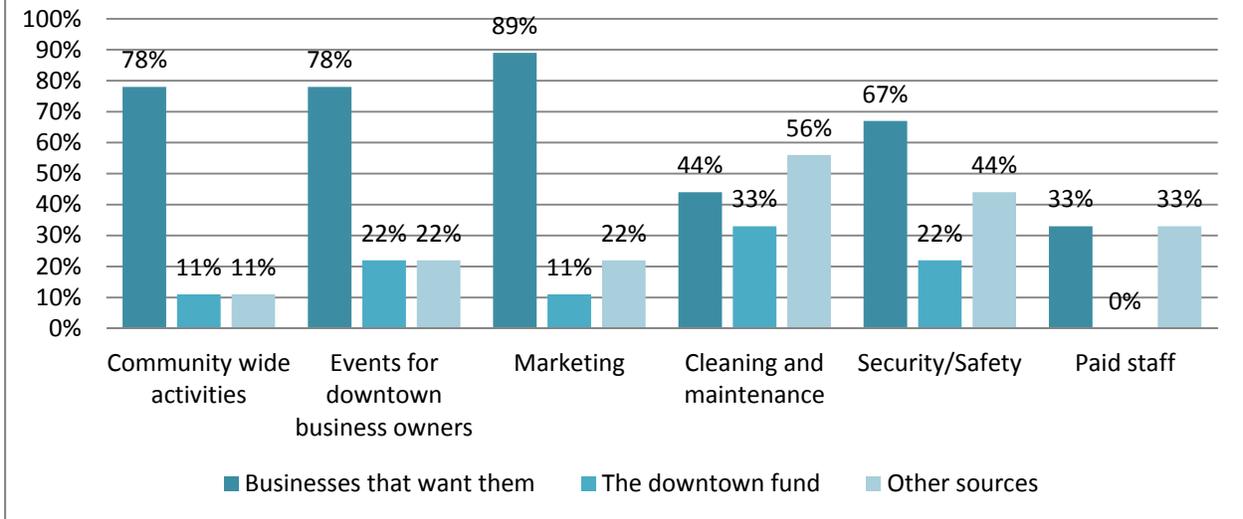
Of the businesses that experienced these community-wide events and activities 100% viewed them as helpful. The least helpful item that was experienced by the business was paid staff to coordinate events.

Figure 8a and 8b show businesses’ perceptions of how activities and events should be paid for by whether or not the businesses want to keep or eliminate the tax overall. Responses to “keep” and “keep but modify the boundaries” were grouped for this analysis.



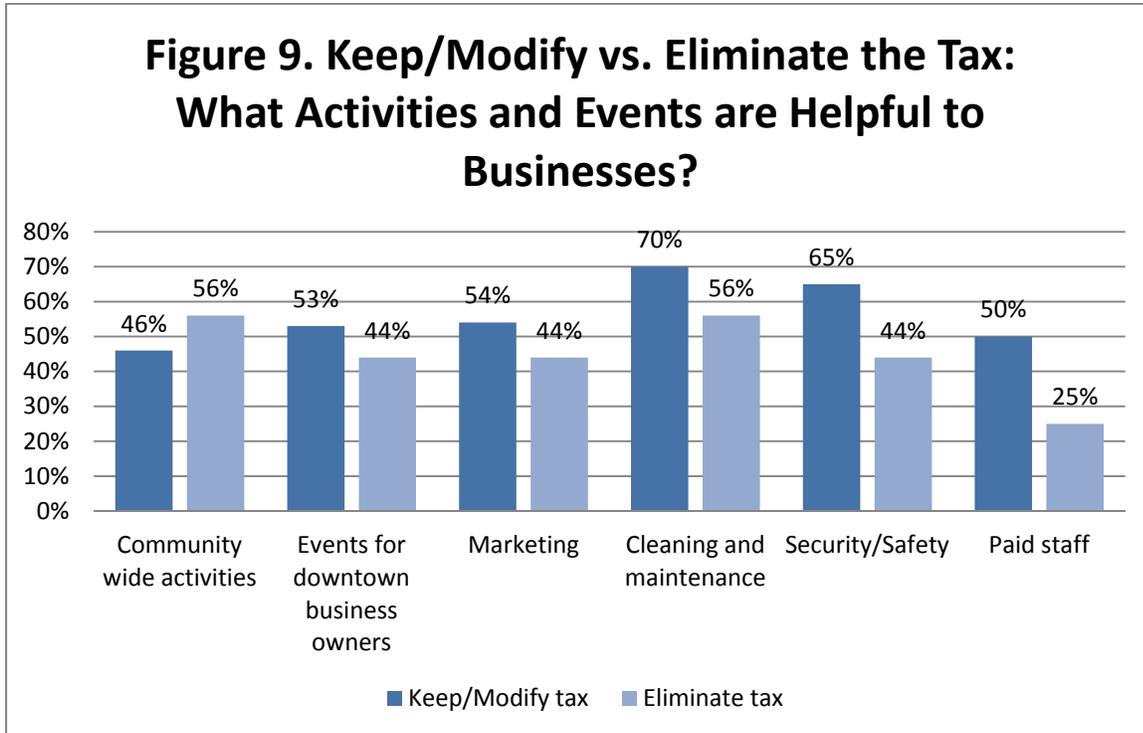
Business owners who stated that they would like to keep/modify the tax reported that the Downtown Fund should be used for community wide events (75%), cleaning/maintenance (69%) and security (64%) the most. Cleaning and maintenance and paid staff were the ones that respondents most wanted to be paid by other sources of funding (not the Downtown Fund). More than half of all businesses who wanted to keep/modify the tax believed that events for downtown business owners should be paid for by those businesses that want them.

Figure 8b. Eliminate Tax: How should the Downtown Fund Items be Paid For?



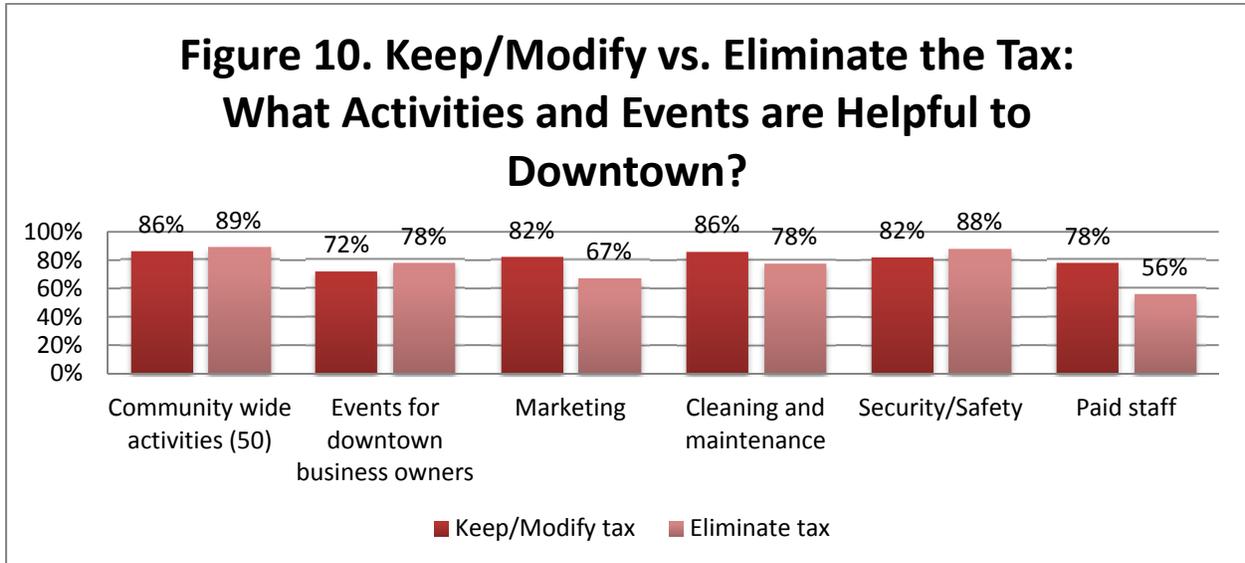
Business owners who stated that they would like to eliminate the tax most often believed that businesses should pay for those services themselves: community wide events (78%), events for downtown business owners (78%), marketing (89%), and security (67%). Over half reported that cleaning and maintenance should be paid for by funds other than the Downtown Fund. None of the business owners who wanted to eliminate the tax believed that the Downtown Fund should support paid staff. Cleaning and maintenance was rated the highest as something that should be paid for by the Downtown Fund.

Figure 9 illustrates the percent of activities and events viewed as helpful to businesses by whether or not businesses wanted to keep/modify or eliminate the tax.



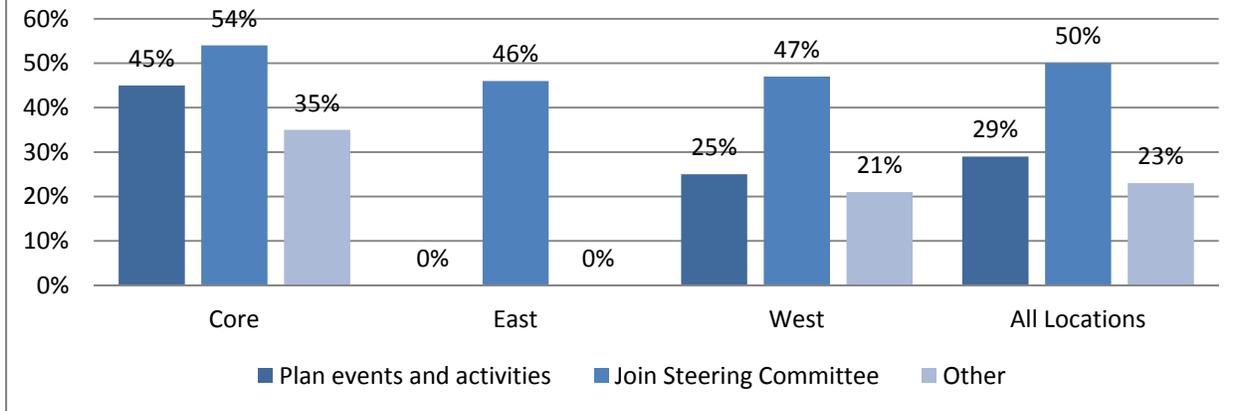
Of the businesses that would like to keep/modify the tax, cleaning and maintenance was rated as the most helpful (70%) while community wide events was rated as the least helpful (46%). However, businesses that would like to eliminate the tax rated cleaning/maintenance and community wide events as the most helpful (56%). Paid staff was viewed as the least helpful by businesses that want to eliminate the tax.

Figure 10 shows the percent of activities and events that have been experienced by businesses and rated as helpful to downtown.



Community-wide activities was rated as the most helpful item for downtown Merced by both businesses that want to eliminate the tax (89%) and businesses that want to keep/modify the tax (86%). Among businesses that would like to eliminate the tax, marketing (67%) and paid staff (56%) were rated as the least helpful to downtown Merced. Events for downtown business owners were rated as least helpful to downtown by businesses that wanted to keep/modify the tax.

Figure 11. What Activities are Businesses Willing to Volunteer for by Location: Core, East, or West



Across all three location, half of all businesses indicated that joining the steering committee was how they would like to volunteer. However, Core businesses expressed more willingness to volunteer with planning events (45%) and other opportunities (35%) than any other group. In contrast, there was not a single business in the East stated they would be interested in planning events or other opportunities for downtown.

Summary of Findings and Recommendations

Key Findings and Recommendations Emerging from the Study

1. Keep the tax to support the Downtown Fund, but consider modification of the boundaries based on ability to provide its promised or expected benefits.
2. Use the Downtown Fund to help create and support a Downtown Association that can assist City staff towards the three objectives for the entire area contributing to the Downtown Fund:
 - Expanding cleaning and maintenance services
 - Bolstering and expanding security services, and
 - Increasing, improving and expanding events to bring the entire community to downtown.
3. Incorporate some members of the Downtown Association into the City's Steering Committee.
4. Work to gain the support of other City agencies and organizations (e.g., police department, maintenance department, arts organizations and community clubs) to contribute towards the three main priorities to improve downtown (listed under #2 above).
5. Use art as a means to enrich the downtown experience and draw more people to downtown.
6. Adjust the budget allocation to reflect the priorities of the majority of the downtown establishments, which may increase funding for community events, safety, and cleaning/maintenance.
7. Provide more frequent evaluation and public discussion of the Downtown Fund's impact in order to quantify and celebrate its benefit and to critically reflect and improve downtown.

Other Ideas Suggested by Downtown Business Owners

1. Create a neighborhood watch program that would have volunteers patrolling the down town area for security.
2. Have a paid full time position in charge of coordinating, promoting and growing all of the events.
3. Go "big" on the decoration for the events, to build an "atmosphere" that will draw people to the events.
4. Have special downtown nights every Saturday from Black Friday until Christmas (e.g., offering free hot chocolate).
5. Get downtown residents or supporters (go beyond business owners) to help revive downtown.
6. Incorporate young people from local schools, UC Merced and Merced College to concentrate some of their events and community service in downtown.
7. Use some of the fund to lobby for more money (e.g., grant writing and fundraising for downtown).
8. Add welcome signs in different languages (or those known to be most frequent to Merced) to welcome people of different countries that come through Merced in route to Yosemite.
9. Increase the frequency of meetings for the existing Steering Committee (beyond quarterly).
10. Hang pictures and art work inside empty buildings for public viewing through the windows.

11. Improve the Farmers Market by having more to see, arts and crafts and community events by local and regional people and groups.
12. Paint murals throughout downtown. (Artists might do it for free, if paint is paid for.)
13. Incorporate some cultural street events in the downtown area (e.g., Hmong New Year's celebration).
14. Alternate event locations to include East and West sides of Main Street to help make all businesses feel "included".
15. Match funds from the City for cosmetic improvements to downtown businesses for a better downtown atmosphere.
16. Get ideas from other cities as to what is working to revitalize their down towns.
17. Have mixers hosted by the Downtown Fund, so that business owners can meet, support each other and exchange ideas.
18. Expand banners (e.g., Welcome to Merced) to the entire area taxed and supported by the Downtown Fund.

The perception and benefits of the Downtown Fund may also be improved with better communication between the City staff paid to coordinate the Downtown Fund and the downtown businesses. Only 21% of Core businesses and 13% of outer (East and West) businesses report having any contact with the staff paid to coordinate the Downtown Fund activities. Businesses that prefer to eliminate the fund report never having any contact this coordinator. Fifty percent state they are interested in becoming a part of the Steering Committee. Seventy-four percent of businesses believe that evaluating the use of funds is very important. Improving communication, increasing business owner involvement, and evaluating the fund expenses and perceived benefits are all important to the future success of downtown.

Overall, the study finds that the Downtown Fund is a valuable resource to support and improve downtown. Activities to improve safety, cleaning and maintenance for all three areas of downtown are urgently needed. Improvements for only the Core area without attention to the East and West areas are not likely to succeed given the relatively small size of the overall downtown area. Pedestrians and people driving thru the downtown areas will gain an impression of downtown overall. Events to help the broader community become more aware of and visit downtown are also important. However, increasing awareness of downtown events without first improving safety and cleanliness may lead to more people developing negative impressions and avoiding future visits to downtown. Modifications to the boundaries and uses of the fund should be considered. However, given the low rate of responses and participation of businesses in the study's activities, it is highly recommended that such modifications are made with more input and representation of the downtown businesses. The lessons from this study represent a resource to share with downtown businesses and residents , and an opportunity for the community to improve the downtown as a source of pride for Merced City.