City Council Presentation

HB Sports Complex

Finance Commission

City of Huntington Beach

8/12/26

Sports Complex History and Financials

History of Sports Complex – Brownfield Rehab

- 1940’s -1960’s – 30-acre site was operated as an unlined municipal solid waste landfill
    - Millions of cubic yards of commercial and household waste were buried up to 35 feet deep
- 1960’s Dump Closed
    - When landfill operations ceased in the 1960s, the site was capped with a soil layer varying from 4 to 25 feet thick—partially composed of silty sand dredged from the Santa Ana River. Without engineered bottom liners, subterranean anaerobic decomposition naturally began generating significant quantities of landfill gas (primarily methane and carbon dioxide), along with volatile organic compounds (VOCs).
- Present Day
    - The buried organic waste has matured, the landfill gas generation rate has naturally decayed. Current operational data indicates the system extracts roughly 40 standard cubic feet per minute (SCFM) of gas at a methane concentration of around 30%.
    - A complex Gas Recovery and management system is in place . The system remains under strict quarterly surface emission and perimeter probe monitoring regulated by SCAQMD, the Regional Water Quality Control Board, and the Orange County Waste and Recycling agency.
- Mushroom Farm – The site also housed the Ocean View mushroom farm – closed in the 1980’s

Sports Complex Approved by Voters in 1996 - Measure L

- 1996 - Ballot Measure L narrowly approved by voters in general election for $1.5 Million in Spending to build the Sports Complex – passed by 284 votes
  - In Favor – 34,604
  - Opposed - 34,320
  - Total Votes – 68, 924
- City issued bond in 2001 for $31,360,000 for several projects. $18,420,000 was earmarked for Sports Complex Construction after voters approved $1.5 million to build it – additional spend after contractor went bankrupt

L	Shall the City of Huntington Beach at a cost of $1.5 million construct lighted soccer and soft-ball fields, a roller hockey and snack bar con-cession, parking, restrooms, and related improvements in an undeveloped portion of Huntington Central Park, south of Talbert Avenue and east of Goldenwest Street, on property that was formerly a landfill and mushroom farm?	Yes	+
		No	+

3 Bonds - Total Cost of Bond Payments and interest in Net Present Value – $36 Million to date (should be checked) and will likely end near $40 million

- Nominal bond values supplied by city finance department (Amount shown is portion of bond that can be allocated to the sports complex)

	Sports Complex		
	Principal	**Interest**	**Total Paid**
2001 Series A	3,794,426.02	7,862,886.27	11,657,312.29
2011 Series A	8,285,473.34	3,502,672.73	11,788,146.07
2020 Series B	3,741,566.55	298,912.25	4,040,478.80
	15,821,465.90	**11,664,471.25**	**27,485,937.15**

- Net Present Value using National CPI – About $36 million
- More still to pay – Approx $2 Million

Remaining 2020 Series B – Approx $2 Million
FY 27, FY 28, FY 29 - Approx $640,000 per year
FY 2030 – Approx $144,000

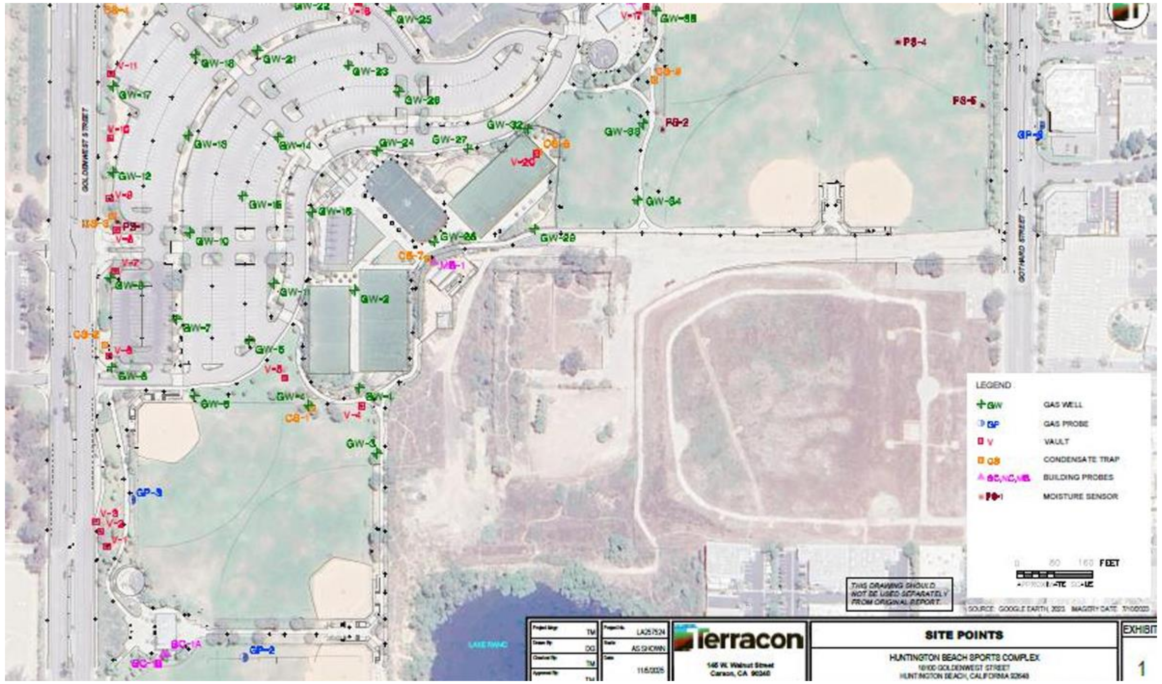
The total cost to build the Sports Complex paid by the city in Net Present Value – $38 - $40 Million

- Approximately $38 - $40 Million to date to build the Sports Complex in present day dollars
- This does not include the annual expenses like water, electric, landscaping, maintenance, bathroom cleaning, capital costs associated with the concession buildings, sewer, tree trimming, trash collection...
- This also does not include capital expenses like parking lot repairs, methane collection replacement, LED lights, driveway, batting cages

Ongoing Capital Expenses

- There are ongoing capital expenses associated with the Sports Complex including lights, electrical, parking lot ....
- These are estimated around $3 - $4 Million or more in the next few years

Ongoing - Gas Extraction and Monitoring



Basic Description of Landfill Gas Monitoring/Extraction System

System Architecture & Components

34 vertical gas extraction wells distributed across the site footprint.

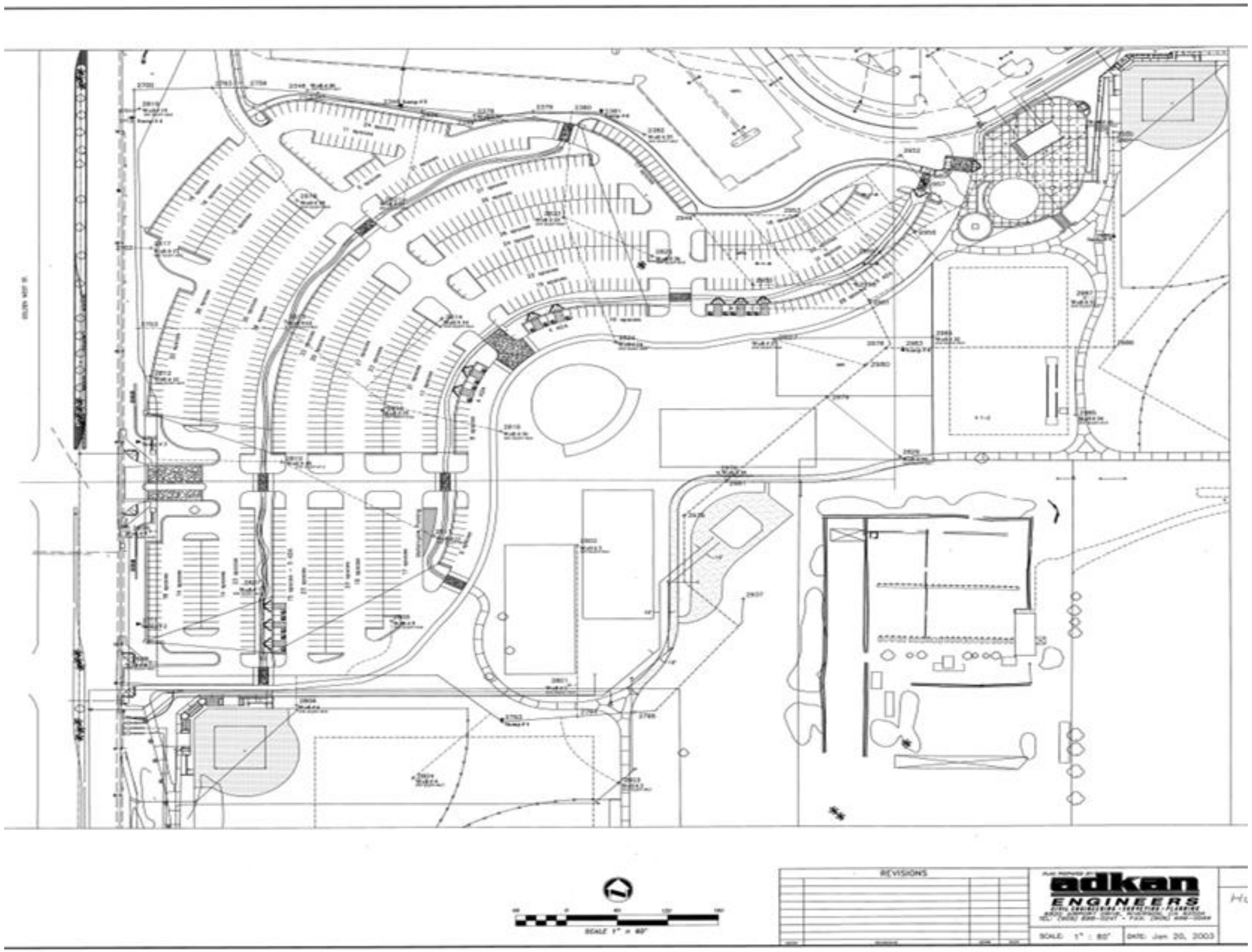
A **10-horsepower gas extraction blower facility** to pull sub-slab methane and landfill gases.

Activated carbon canister scrubbers and filtration units to filter emissions prior to release/venting, compliant with South Coast AQMD Rule 1150.1 standards.

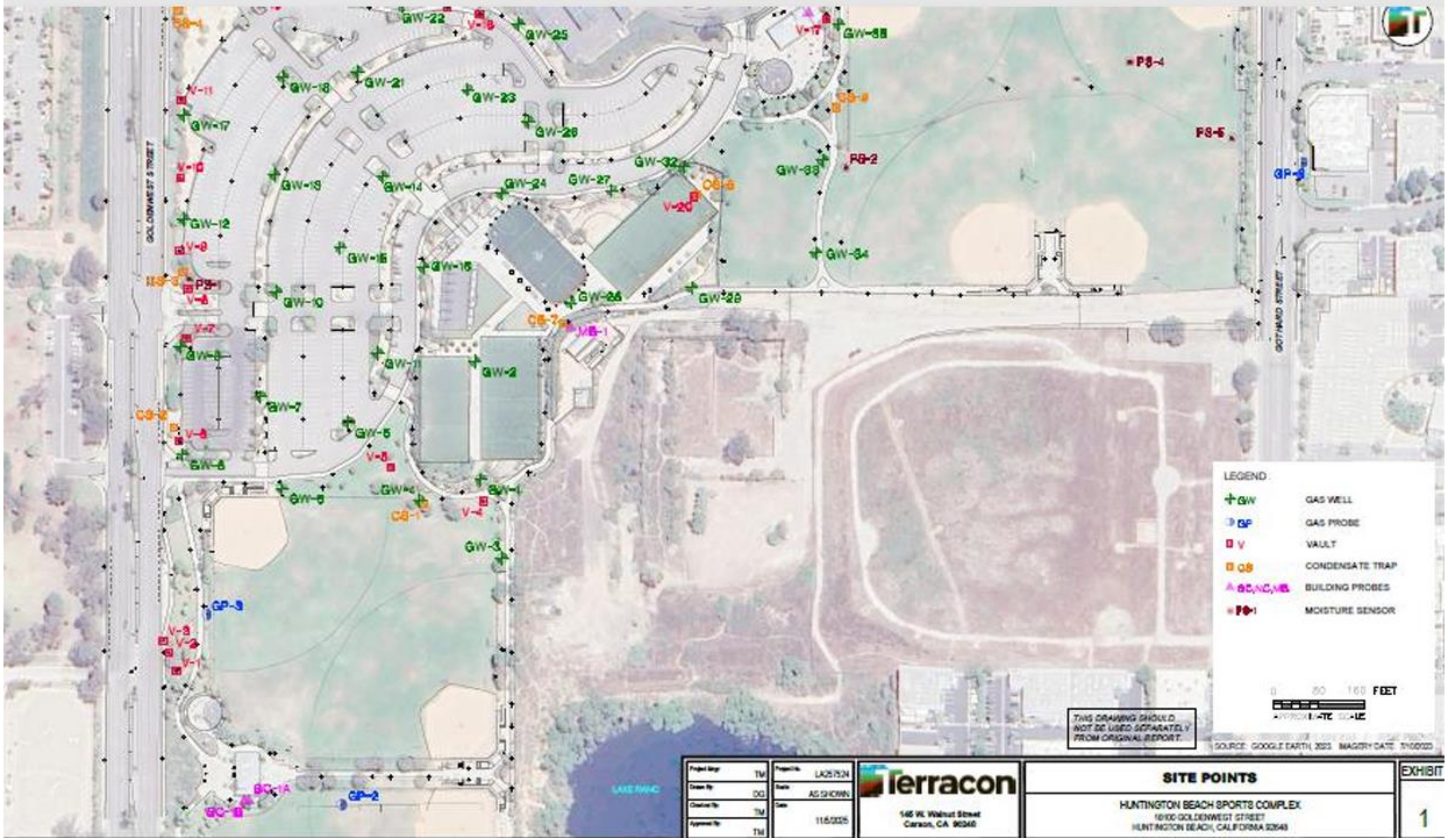
Main header piping connecting into the local landfill gas collection grid.

Monitoring Extraction and Monitoring Layout

Diagram of Landfill Gas Monitoring/Extraction System



Monitoring Extraction and Monitoring Layout



Aging System That Will Need Replacement

Ballpark Estimate of Replacement Costs

Full System Infrastructure Replacement ($350,000 – $800,000+)

- If the entire extraction infrastructure across the Sports Complex footprint required full replacement (re-drilling extraction wells, relaying headers, replacing sub-slab vapor barriers, and updating the blower/treatment skid):
- **Well Field Work (34 Extraction Wells):** Drilling, well screens, heads, and piping run roughly **$8,000 to $15,000 per well** ($270,000 – $500,000+ total).
- **Collection Piping & Trenching:** High-density polyethylene (HDPE) header piping across the park grounds adds **$50,000 to $150,000+** depending on surface restoration requirements (pavement, turf, or hardscape).
- **Blower Skid & Controls: $50,000 – $100,000+**.
- **Engineering, CEQA/Permitting & Construction Management:** Soft costs typically add **20% to 30%** to the total capital outlay.

Financial Highlights of Current Operations

- Net loss of around $1 million a year to city
- Annual rent approximately $900 - $950K a year
  - $725K in Parking (this raised significantly when city raised parking from $1 to $10)
  - $200K in Rent from operations
- Annual costs to city approximately $2 million a year
  - $650K in Bond Payments
  - $625K Operating Expenses
  - $500K to $750K a year average (LED lights, driveway & parking lot, switches)
  - Major Capital projects on horizon include methane systems, parking lot, irrigation system
- Details on next slide
- Note – 40% of parking revenue is allocated for Capital Improvements in Sports Complex

HB Sports Complex

** Estimated

Revenue Share	Fy22/23	FY 23/24	Fy24/25	FY 25/26	FY 26/27 **	FY 27/28 **
Parking	$ 130,160.73	$ 203,176.83	$ 729,126.00	$ 713,081.00	$ 713,081.00	$ 713,081.00
Revenue Share	$ 127,214.85	$ 160,006.16	$ 201,139.00	$ 227,109.00	$ 227,109.00	$ 227,109.00
Total Revenue	$ 257,375.58	$ 363,182.99	$ 930,265.00	$ 940,190.00	$ 940,190.00	$ 940,190.00

Expenses	Fy22/23	FY 23/24	Fy24/25	FY 25/26	FY 26/27 **	FY 27/28 **
Water	$ 88,000.00	$ 88,000.00	$ 88,000.00	$ 88,000.00		
Electricity	$ 110,000.00	$ 110,000.00	$ 107,099.00	$ 117,758.00		
Methane Mitigation	$ 231,000.00	$ 231,000.00	$ 231,000.00	$ 231,000.00		
Field & Landscape Maintenance	$ 135,000.00	$ 135,000.00	$ 135,000.00	$ 135,000.00		
Restroom & Janitorial Maintenance	$ 38,400.00	$ 38,400.00	$ 39,600.00	$ 39,600.00		
Restroom Paper/Cleaning Supplies	$ 9,600.00	$ 9,600.00	$ 9,600.00	$ 9,600.00		
Equipment Replacement			$ 6,390.00	$ 182,689.00		
Tree Maintenance			$ 83,879.20			
Natural Turf Replacement	$ 17,000.00	$ 17,000.00	$ 17,000.00	$ 17,000.00		
Total Operating Expenses	$ 629,000.00	$ 629,000.00	$ 634,793.00	$ 821,751.00	$ 629,000.00	$ 629,000.00
Revenue less Expenses	**$ (371,624.42)**	**$ (265,817.01)**	**$ 295,472.00**	**$ 118,438.00**	**$ 118,438.00**	**$ 118,438.00**

Total FY 22/26 Revenue - Expenses

$ (223,531.43)

	Fy22/23	FY 23/24	Fy24/25	FY 25/26	FY 26/27 **	FY 27/28 **	FY 28- FY 30 **
Bond Payments	**$ 717,270.97**	**$ 694,756.00**	**$ 681,553.32**	**$ 671,340.54**	**$ 660,626.91**	**$ 661,745.10**	**$ 784,000.00**

Capital Improvements	Fy22/23	FY 23/24	Fy24/25	FY 25/26	FY 26/27 **	FY 27/28 **
LED Lights	$ 442,644.00				$ 335,000.00	$ 560,000.00
Sports Turf	$ 181,840.00	$ 62,020.00				
Switching			$ 300,000.00			
Pump				$ 90,971.00		
Driveway Repair				$ 400,000.00		
Batting Cage					$ 330,000.00	
Total Capital	**$ 624,484.00**	**$ 62,020.00**	**$ 300,000.00**	**$ 490,971.00**	**$ 665,000.00**	**$ 560,000.00**
Total Annual FY Cost Paid By City	**$ 1,970,754.97**	**$ 1,385,776.00**	**$ 1,616,346.32**	**$ 1,984,062.54**	**$ 1,954,626.91**	**$ 1,850,745.10**
Net Cost To City After Revenue Share & Parking	**$ (1,713,379.39)**	**$ (1,022,593.01)**	**$ (686,081.32)**	**$ (1,043,872.54)**	**$ (1,014,436.91)**	**$ (910,555.10)**

Total Cost to City FY 22/26

$ (6,390,918.27)

Per Robert Szilagyi

The current 2020 Lease Revenue Bonds, Series B, require annual debt service payments of approximately $1.6 million annually through FY 27 - 29 with the final payment declining to approximately $360,000 in Fiscal Year 2029-30.

**The Sports complex is 40.32 pct of the bond

Sports Complex Usage Trends

Declining Usage During HBSC Partners Management Roughly only 1/3 of Usage by Local Residents

- Attendance is Declining
  - This is based upon data reported by city staff
  - City Supplied Data Set –
  - Usage Data Provided from city owned Placer.AI tracking software

FY Totals July 1- June 30	Total Visits	Total Unique Visitors	Resident Visitors*	Non-Resident Visitors*	PCT of Resident to Non Resident
22-23	830,900	438,400	158,100	280,300	36%
23-24	767,900	421,100	138,392	282,708	33%
24-25	705,000	392,900	122,600	270,300	31%
25-26	676,700	383,900	129,276	272,786	32%

City Supplied Data Set - Usage Data Provided from city owned Placer.AI tracking software

Trends

- **Total Visits** - Declining each year: **Three-year cumulative decline: -154,200 (-18.6%)**
  - **-63,000** (-7.6%) from 22-23 → 23-24
  - **-62,900** (-8.2%) from 23-24 → 24-25
  - **-28,300** (-4.0%) from 24-25 → 25-26

- **Unique Visitors** - Also declining, but at a slightly slower rate: **Three-year cumulative decline: -54,500 (-12.4%)**
  - **-17,300** (-3.9%)
  - **-28,200** (-6.7%)
  - **-9,000** (-2.3%)

- **Resident Visitors -** Sharp drop in first two years, slight rebound more adult league games played during the week at Sports Complex: **Net three-year change: -28,824 (-18.2%)**
  - **-19,708** (-12.5%)
  - **-15,792** (-11.4%)
  - **+6,676** (+5.4%)

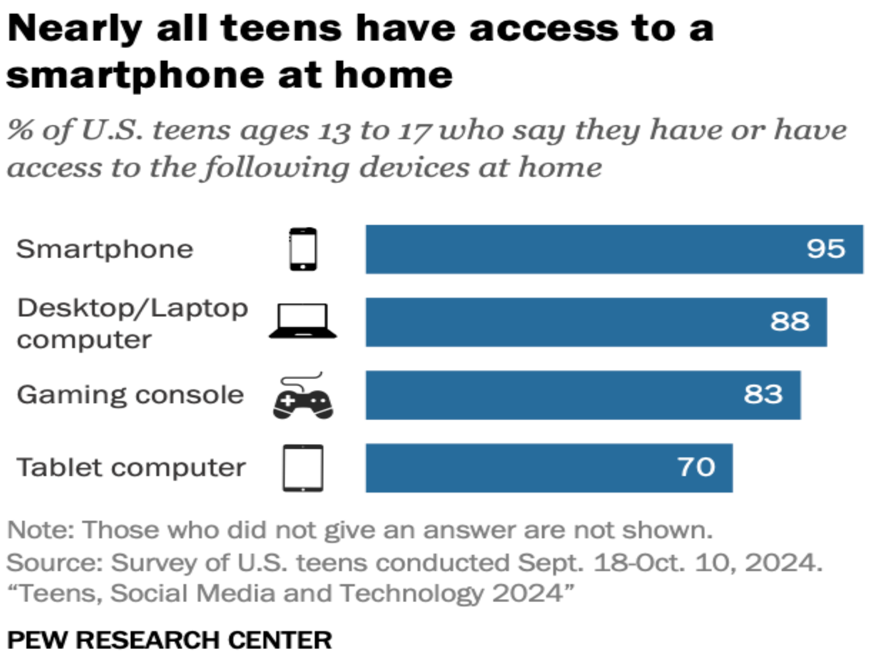
- **Non-Resident Visitors** - Very stable compared to residents: **Net three-year change: -7,514 (-2.7%)**
  - **+2,408** (+0.9%)
  - **-12,408** (-4.4%)
  - **+2,486** (+0.9%)

- **Resident Share of Total Visitors -** 36% → 33% → 31% → **32%**

  - I believe the slight uptick in 25-26 is driven by the resident rebound due to additional games during the week of adult leagues .

How Does Placer.AI determine the “Home” of a Visitor of the Sports Complex

- City Owned Tracking Software – Placer.AI
  - Uses **anonymous location signals** from mobile apps with location permission
  - Identifies where a device spends **most nights (9 PM–6 AM)** over multiple weeks
  - Assigns that nighttime location to a **Census Block Group** (neighborhood-level, not an address)
  - No personal data is used — **no names, phone numbers, area codes, or exact addresses**
  - “Home” = **inferred nighttime pattern**, not the user’s actual residence



Link to 2025 Pew Research Study

[Nearly all teens have access to a smartphone at home | Pew Research Center]

HBSC Proposal Update and Recommendations

Update on HBSC Partners Proposal

- All comments as of 8/4/26
- Verbal description of project (does not match the PowerPoint that was presented to City Council)
  - 20 Year Agreement
  - Soar Academy (enclosed cross training facility)
  - 23 Acres of Sports Turf
  - Completely enclose Sports Complex to create gates where admission is required for entry
  - Double parking rates with 73% of parking revenue flowing to over 20 year period
  - No outside food allowed in sports complex
  - Complete control of all aspects including all maintenance
  - Expense covered by HBSC – unclear, different versions of proposed expense coverage given verbally
- Challenges
  - No written proposal or financial projections submitted by HBSC Partners available to public
  - Significant legal and environmental challenges
    - CEQA and EIR required for Soar Academy due to methane remediation issues
    - CEQA and EIR likely to be required for Sports Turf
  - No formal Resident input
  - Ongoing issues with Current HBSC Partner agreements – especially concessions lease and batting cages

Sports Complex Recommendations – Strategic Drivers

- **Operational Performance** — The Sports Complex is heavily used but under-optimized for revenue generation for both the City and operators.
- **Facility Upgrades** — Modernized fields, amenities and alternate uses may expand revenue opportunities and potentially reduce long-term maintenance costs.
- **Resident Benefit** — The City should evaluate options that increase offerings, benefits, and access for Huntington Beach residents.
- **Revenue Generation for the City** – The sports complex relies heavily on parking revenue - 80% of total revenue that flows to the city - and is costing city around $1 million a year

Recommendations – Passed 6-0 by Finance commission

- **<u>Recommendation 1 – CEQA First, No Agreements Until Complete</u>**
  - **Background**
    - **HBSC Proposed Changes** — HBSC Partners has proposed significant upgrades and operational changes.
    - **CEQA Requirements** — Because the Sports Complex sits atop a former county landfill with an aging methane management system, it is expected most proposed changes will require CEQA review.
    - **CEQA Timeline** — CEQA can take **3 months to over a year**, or longer.
    - **City Oversight** — Jennifer Villa-Senor team, with C&L and Legal, is leading the CEQA process.
  - **Recommendation**
    - **Do not execute any agreements, contracts, or MOUs until CEQA is fully completed** and the City understands what is permissible and at what cost.
    - **HBSC Partners should fund all CEQA-related costs** (scope, studies, environmental services), not the City.

- **<u>Recommendation 2 – Issue an RFI to Maximize Value and Resident Benefit</u>**
  - **Background**
    - **Upgrade Potential** — The City recognizes there are significant opportunities for expanded uses and upgrades.
    - **Resident & Revenue Goals** — The City seeks increased resident benefit and increased revenue.
    - **Operator Market** — Many qualified operators would be interested in managing the Sports Complex.
  - **Recommendation**
    - **Issue an RFI immediately** to ensure the City receives the best possible suggested upgrades, alternative usage options, improved operational and revenue performance, and enhanced value that improves revenue to the city and usage by, and value to residents.
    - Require a formal response by HBSC Partners so the city has a formal proposal from them
    - Responses should be evaluated by **C&L, Legal, Environmental, Finance, the C&L Commission, and the Finance Commission** to determine whether continuing with HBSC Partners beyond **9/7/27** is in the City's best interest.

Recommendations

- **Recommendation 3 – All Upgrades Must Follow City Procurement Rules**
  - **Background**
    - **City Ownership** — The Sports Complex is a City-owned public asset.
    - **Major Upgrades** — Proposed upgrades are multimillion-dollar capital improvements.
  - **Recommendation**
    - **All approved upgrades must follow City procurement processes**, ensuring transparency, competitive bidding, and compliance with City code and charter.

- **Recommendation 4 – Establish Minimum Base Rent + Revenue Share**
  - **Background**
    - **Current Financial Burden** — The Sports Complex currently costs the City roughly **$1 million per year**.
    - **No Minimum Rent** — The existing agreement does not include a minimum monthly rent.
  - **Recommendation**
    - **Create a new agreement requiring a guaranteed minimum base rent** to ensure positive cashflow.
    - Add a **revenue-sharing structure above the base rent** to reward strong operator performance.

Recommendations

- **Recommendation 5 – Modernize Parking & Field Use Rates**
  - **Background**
    - **Rate Restrictions** — Operators must adhere to fixed parking and field-use rates.
    - **Market Flexibility** — Operators believe significant additional revenue is possible with market-based pricing.
  - **Recommendation**
    - **Consider removing rate restrictions** and direct staff and the Finance Commission to develop **new market-aligned rates** for parking and field use.
    - **Determine equitable revenue split between the city and operator**
    - Finance Commission works with staff to **create an agreement framework that is enforceable and in the City and resident's best interest**.

- **Recommendation 6 – Independent Audit of HBSC Partners' Three Agreements**
  - **Background**
    - HBSC Partners currently holds three agreements:
      - **Sports Complex Operations**
      - **Concessions Lease**
      - **Outer Field Maintenance**
    - The Finance Commission has noted **non-compliance concerns**.
    - **Self-reported revenue has never been independently validated**, despite rent being based on revenue percentages.
  - **Recommendation**
    - **Conduct an independent audit** of financial reporting and operational compliance across all three agreements.
    - Audit should be directed by the Finance Commission with assistance from City staff.
    - **Refer any breaches to Legal** for remediation, termination, or recovery of funds as appropriate.
    - Audit recommendation attached as separate document

Recommendations

- **Recommendation 7 – Move Agreement Oversight to Treasury / Legal Engagement**
  - **Background**
    - **Enforcement Issues** — Current agreements have not been consistently enforced.
    - **Staff Limitations** — Weekly meetings occur, but enforcement actions have not been taken or escalated.
  - **Recommendation**
    - **Move management of HBSC agreements to Bill Krill's team and Legal.**
    - Also move oversight of **Equestrian Center, Meadowlark, and Yacht Club agreements** under the same structure.
    - **Place Bill Krill's team under Treasury leadership** for stronger financial oversight.

- **Recommendation 8 – Public Engagement Before Any Facility Changes**
  - **Background**
    - **Lack of Public Review** — HBSC Partners has worked with staff for two years on proposed upgrades without public review.
  - **Recommendation**
    - **Engage an independent facilitator** to conduct public meetings on all proposed changes.
    - **No changes to facilities or operations should proceed** until public feedback is collected.
    - Findings should be reported to **City Council, Finance Commission, and C&L staff and commission**.

Requested Actions

- Do not execute any agreements until CEQA(s) completed
- HBSC Partners to pay for all CEQA costs if they decide to move forward
- Direct staff to develop and issue RFI immediately
- Require a formal written proposal
- Do not renew current agreement with HBSC Partners on 9/7/27 and instead, create a new, more favorable agreement based upon recommendations in this presentation
- Immediately authorize an audit on all current agreements with HBSC Partners
- Move oversite and management of Sports Complex under Treasury
- Engage Public for direction and support