

C) Appropriate an additional \$16,000 for a total of \$106,000 into fund 710 for FY 2021-2022.

Alternative Action(s):

- 1) Modify elements of the Annual Report, such as the proposed assessments, activities and/or improvements to be funded, district boundaries, categories of assessments, or benefit zones and amend the Resolution; or

- 2) Do not approve the resolution if written protests of at least 50% are received.

Analysis:

Background

In September 2004, the City Council approved Ordinance No. 3661, establishing the Huntington Beach Downtown Business Improvement District (the "District") to fund promotional activities benefiting all businesses within the boundary area. In addition, pursuant to State Law, the City Council appointed an Advisory Board for the District. The purpose of the Advisory Board is to make recommendations to the City Council regarding the expenditure of revenues derived from the assessments, the classifications of businesses, and the method of levying the assessments. The Advisory Board's recommendations are then considered by the City Council at a noticed public meeting and approved or modified by the City Council.

In 2008, the City Council adopted Ordinance No. 3797, amending Ordinance No. 3661, to change how the Advisory Board was selected and subsequently approved Resolution No. 2008-04 appointing a non-profit corporation known as the Huntington Beach Downtown Business Improvement District (HBDBID) to act as the Advisory Board for the District. The HBDBID is a private, 501c(6) business based organization focused on creating a thriving downtown by providing consumer marketing, events, security, cleanliness, beautification, and member engagement.

Annual Report and Proposed Budget

While the economy continues to adjust from the COVID-19 pandemic, downtown remains well-positioned to recover from the adverse impacts of reduced tourism, loss of business conventions, cancelation of weekly and signature events, and periodic disruption from civil unrest. The past year has been difficult on businesses that were forced to close temporarily, alter their business model, experienced staffing shortages, or were dependent on traffic from popular events that were put on hold. Despite these challenges, the nearby beach remained a local and regional destination, with diners patronizing expanded outdoor dining areas and business owners pivoting operations to attract new sales.

In light of the pandemic, the HBDBID has taken steps to improve operations and develop programs and events that support downtown businesses. Although assessments collected were less than projected and Surf City Nights, a major revenue generator, was canceled throughout most of FY 2020-2021, the HBDBID was awarded COVID-19 related stimulus funding which helped to offset the decline in revenue. The HBDBID communicates regularly with businesses and actively identifies ways to stimulate commercial activity in partnership with the City, Visit Huntington Beach (VHB), and the Chamber of Commerce. Improved marketing efforts have helped to promote the downtown area and include the increase of social media exposure via Facebook and Instagram, and partnerships on

local campaigns such as the OneHB Clean & Safe Pledge, 12 Blocks of Cheer, and Show your HB Love. For additional information, a copy of the FY 2020-2021 Annual Report is attached which provides an overview of the past year.

Other notable achievements include enhancements to safety and cleanliness with the re-introduction of the Ambassadors Security Program and a re-evaluation of maintenance services. The Ambassadors Security Program has played an instrumental role in the safety of downtown and will continue, in partnership with VHB, to work with business owners, patrons, residents, and the City's Police Department to address safety-related issues by observing and reporting situations concerning well-being and safety within downtown. Maintenance operations, with funds administered through the City's Public Works Department for the maintenance agreement, saw an increase in takeout trash which prompted a reevaluation of power washing and daily porter services. The City and the HBDBID recently collaborated on a Request for Qualifications with the objective of expanding the footprint of cleaning services while also focusing on the most heavily trafficked areas.

Looking ahead, the FY 2021-2022 Annual Report outlines opportunities that will be explored to provide a cleaner, safer, and more pedestrian-friendly downtown by incorporating lessons learned from COVID-19. In addition to enhanced maintenance and safety measures, other efforts to increase economic vitality include rebranding, new off-peak events, expanded social media engagements, redesign of the website, and improved membership services through marketing, communications, and programming. The return of successful holiday events such as Halloween and Miracle on Main Street and new events like Surf City Movie Nights will help to increase foot traffic and consumer spending throughout downtown.

In 2017, a revised Reserves Operating Policy established guidelines for how resources can be used to benefit downtown businesses and included a suggestion to maintain one year of operating expenses. As of June 30, 2021, there is a reserve of \$160,733.80 (reflected on the Statement of Financials in the Annual Report) which includes \$100,000 in Economic Injury Disaster Loan (EIDL) funds which helped compensate revenue losses associated with COVID-19. The HBDBID received a total of \$150,000 in EIDL funds and the remaining \$50,000 was used to cover operating costs this past year.

The proposed FY 2021-2022 budget will increase slightly from the previous year from \$538,930 to \$549,330 due to increased revenue from new and returning events and grant funding. While projected annual BID assessment revenue is only 19% of the total budget, recurring event revenue from Surf City Nights continues to be robust at 33% of the budget, even with a reduction in vendors resulting from the expansion of outdoor dining. Assessments are projected to be less than 100% collection based on past years' receipts. Integrating the annual business license and the BID assessment fees into one invoice will assist with monthly revenue collections. For this reason, the projected assessment revenue is higher than actual FY 2020-2021 collections but lower than what was budgeted for FY 2020-2021. Changes to expenses can be attributed to marketing and events, repayment of the EIDL, and other minor program modifications. The proposed budget for FY 2021-2022 is summarized below, and includes variances from last year's approved budget, as well as the operations and revenues of Surf City Nights and the maintenance agreement, which previously operated under its own budget.

INCOME:	FY 2020-2021 (APPROVED BUDGET)	FY 2021-2022 (PROPOSED)	VARIANCE
City of HB Maintenance	\$188,430	\$188,430	\$0
BID Assessments	\$124,000	\$106,000	(\$18,000)
Surf City Nights	\$152,500	\$182,400	\$29,900
Surf City Days	\$0	\$15,000	\$15,000
Summer Kickoff Event	\$0	\$10,000	\$10,000
Chili at the Beach	\$25,000	\$10,000	(\$15,000)
Surf City Movie Nights	\$0	\$17,500	\$17,500
Families Forward Program	\$11,000	\$0	(\$11,000)
Main St. Outdoor Program	\$3,000	\$0	(\$3,000)
Halloween	\$0	\$5,000	\$5,000
City of HB Grant	\$0	\$10,000	\$10,000
Miracle on Main	\$5,000	\$5,000	\$0
Transfer from Reserves	\$30,000	\$0	(\$30,000)
TOTAL INCOME:	\$538,930	\$549,330	\$10,400
EXPENSES:			
Maintenance	\$176,430	\$176,430	\$0
Marketing/Advertising	\$16,500	\$10,900	(\$5,600)
Ambassador	\$36,000	\$40,200	\$4,200
Office Expenses	\$3,000	\$1,200	(\$1,800)
Bank Charges	\$1,200	\$1,200	\$0
Dues & Subscriptions	\$3,000	\$3,000	\$0
Insurance	\$1,900	\$1,900	\$0
Accounting	\$6,950	\$7,350	\$400
License & Fees	\$2,000	\$2,000	\$0
Repairs & Maintenance	\$500	\$500	\$0
Rent & Storage	\$14,900	\$14,600	(\$300)
Telephone/Internet	\$2,200	\$2,220	\$20
Meeting/Training	\$1,650	\$800	(\$850)
Board of Directors Election	\$0	\$2,000	\$2,000
EIDL Repayment	\$0	\$7,668	\$7,668
PAYROLL:			
Executive Director	\$100,000	\$100,000	\$0
Events Coordinator/Mngr.	\$48,000	\$63,600	\$15,600
Admin. Asst.	\$15,600	\$0	(\$15,600)
Payroll Taxes	\$2,000	\$0	(\$2,000)
Workers Comp.	\$1,250	\$0	(\$1,250)
Payroll Expenses	\$1,700	\$225	(\$1,475)
Security	\$0	\$0	\$0
BID EVENTS:			
SCN Rental & Set-up	\$22,500	\$12,000	(\$10,500)

SCN Street Cleaning	\$2,400	\$6,000	\$3,600
SCN Closure	\$3,700	\$6,000	\$2,300
SCN Parking	\$6,900	\$2,400	(\$4,500)
SCN Miscellaneous	\$4,500	\$6,000	\$1,500
SCN Quickbooks	\$9,000	\$3,648	(\$5,352)
BID Event Misc.	\$0	\$7,989	\$7,989
Summer Kickoff Event	\$0	\$10,000	\$10,000
Chili at the Beach	\$15,000	\$10,000	(\$5,000)
Surf City Days	\$0	\$5,000	\$5,000
Surf City Movie Nights	\$0	\$4,500	\$4,500
Air Show	\$0	\$0	\$0
Halloween	\$5,150	\$10,000	\$4,850
Miracle on Main	\$10,000	\$10,000	\$0
Holiday Beautification	\$25,000	\$20,000	(\$5,000)
TOTAL EXPENSES:	\$538,930	\$549,330	\$10,400
CASH RESERVES	\$150,706.89	\$160,733.80	\$10,026.91

District Renewal

Funding recommendations to the City Council are made by a ten (10) member (nine voting members, one non-voting member) Advisory Board, which is elected annually by assessed members. State Law requires that improvements and activities funded by assessments benefit businesses located within the District. Downtown businesses are assessed based on their size, location, and business type. Assessments range from \$40 to \$1,404 per annum. For FY 2021-2022, there are no changes to the boundary map or the assessment formula (Exhibit B) which was last amended in FY 2018-2019.

Per State law, business owners within the District may submit a written protest of the proposed assessment being considered by the City Council. Any protests received will be weighted by the assessment to be paid by those businesses. If businesses representing a majority of the assessment do not want to the District to continue (weighted by the total value of the assessments, not by the number of protests received), the City Council cannot levy the assessment for one year. If there is no weighted majority against the assessment, the District will continue.

Environmental Status:

Pursuant to CEQA Guidelines Section 15378(b)(4), government fiscal activities that do not result in a physical change in the environment and do not commit the lead agency to any specific project, do not constitute a project. Therefore, these activities are exempt in accordance with CEQA Guidelines Section 15060(c)(3).

Strategic Plan Goal:

Economic Development & Housing

Attachment(s):

1. Resolution No. 2021-56, "A Resolution of the City Council of the City of Huntington Beach Approving an Annual Assessment within the Huntington Beach Downtown Business Improvement District for Fiscal Year 2021-2022"
2. Exhibit A - Huntington Beach Downtown Business Improvement District FY 2020-2021 and FY 2021-2022 Annual Reports
3. Exhibit B - Boundary Map, List of Businesses to be Assessed for FY 2021-2022, and Assessment Schedule for FY 2021-2022
4. Types of improvements and activities proposed to be funded