



Legislation Details (With Text)

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Title: Approve Huntington Beach Downtown Business Improvement District (HBDBID) Annual Report and Proposed Budget for Fiscal Year (FY) 2021-2022, and Adopt Resolution No. 2021-42 declaring the City's intention to levy an annual assessment for FY 2021-2022 at a public hearing scheduled for October 5, 2021

Attachments: 1. Att#1 Reso 2021-42 Intention to Levy, 2. Att#2 Exhibit A -- HBDBID Annual Reports FYs 20-21 and 21-22, and Proposed Budget for FY 21-22, 3. Att#3 Exhibit B -- Boundary Map, list of businesses assessed, schedule, 4. Att#4 Exhibit C -- Types of improvements and activities proposed to be funded

| Date | Ver. | Action By | Action | Result |
|----------|------|---|----------|--------|
| 9/7/2021 | 1 | City Council/Public Financing Authority | approved | Pass |
| 9/7/2021 | 1 | City Council/Public Financing Authority | adopted | |

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Oliver Chi, City Manager

PREPARED BY: Ursula Luna-Reynosa, Director of Community Development

Subject:

Approve Huntington Beach Downtown Business Improvement District (HBDBID) Annual Report and Proposed Budget for Fiscal Year (FY) 2021-2022, and Adopt Resolution No. 2021-42 declaring the City's intention to levy an annual assessment for FY 2021-2022 at a public hearing scheduled for October 5, 2021

Statement of Issue:

In September 2004, the City Council approved Ordinance No. 3661, establishing the Huntington Beach Downtown Business Improvement District as a method of marketing the Downtown area. The State of California Parking and Business Improvement Law of 1989 requires the City Council to approve an annual report each fiscal year, and adopt a Resolution of Intention to levy an assessment for the next fiscal year at a scheduled public hearing.

Financial Impact:

There is no fiscal impact to the General Fund. Revenues and expenses are included in the FY 2021-2022 Huntington Beach Business Improvement District budget (710). The expenditures are only reimbursed based upon revenue collected.

Recommended Action:

A) Approve Huntington Beach Downtown Business Improvement District Annual Report and Proposed Budget for FY 2021-2022; and,

B) Adopt Resolution No. 2021-42, "A Resolution of the City Council of the City of Huntington Beach Declaring the City's Intention to Levy an Annual Assessment for Fiscal Year 2021-2022 Within the Huntington Beach Downtown Business Improvement District," which sets a public hearing for October 5, 2021; and,

C) Authorize the City Manager to sign all necessary documents.

Alternative Action(s):

Do not approve the Annual Report and do not adopt the Resolution.

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 is still adjusting from the COVID-19 pandemic, downtown remains well-positioned for recovery and local businesses continue to rebound from the adverse impact caused by loss of tourism and business conventions, cancelation of weekly and signature events, and periodic disruption from civil unrest. During the past year, various businesses were required to close temporarily or alter their business model, and several popular events 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 has regular contact 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 the 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 re-evaluation 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. Integrating the annual business license and the BID assessment fees into one invoice will also assist with monthly revenue collections.

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 un 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 expected to be less than anticipated based on prior year receipts. 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

The City Council is asked to approve the FY 2021-2022 Annual Report and Proposed Budget, adopt a Resolution declaring the City’s intent to levy an annual assessment for FY 2021-2022, and schedule a duly noticed public hearing for October 5, 2021. 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. As required by State law, a protest hearing must be held to provide the opportunity for those businesses affected to voice their protest or submit their protest in writing.

The Resolution of Intention sets this public protest hearing for October 5, 2021. At that time, the City Council will tally the percentage of assessments protested and will hear additional public comments on the renewal of the District. The City Council also has the option of reducing assessments or modifying the boundary area if public comments prompt adjustments. If written protests are received from affected businesses owners totaling 50% or more of assessment value, no further proceedings to continue the District can be considered for a period of one (1) year.

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. 2021-42, A Resolution of the City Council of the City of Huntington Beach declaring the City's Intention to Levy an Annual Assessment for FY 2021-22 within the Huntington Beach Downtown Business Improvement District
2. Exhibit A - Huntington Beach Downtown Business Improvement District Annual Reports for FY 2020-21 and FY 2021-22, and Proposed Budget for FY 2021-2022
3. Exhibit B - Boundary Map, List of businesses to be assessed for FY 2021-2022, and Assessment Schedule for FY 2021-2022
4. Exhibit C - Types of improvements and activities proposed to be funded