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Title: Approve the Huntington Beach Downtown Business Improvement District’s (HBDBID) Annual Report and Proposed Budget for Fiscal Year (FY) 2022-2023; Adopt Resolution No. 2022-44 declaring the City’s intention to levy an annual assessment for FY 2022-2023 at a public hearing scheduled for October 4, 2022; and, Approve and authorize execution of an Agreement between the City and the Huntington Beach Downtown Business Improvement District to Act as the District Advisory Board

Attachments: 1. Attachment 1--Resolution 2022-44--Intention to Levy, 2. Att#2 Exhibit A - HBDBID Annual Report and Budget, 3. Att#3 Exhibit B - Boundary Map, Businesses Assess, Assessment Schedule, 4. Att#4 Exhibit C - Improvements and Activities, 5. Att#5--Agreement btwn City and HBDBID, 6. 9/6/22 Supp Comm - Agreement Signature Page

Date	Ver.	Action By	Action	Result
9/6/2022	1	City Council/Public Financing Authority	approved	Pass

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Al Zelinka, City Manager

VIA: Ursula Luna-Reynosa, Director of Community Development

PREPARED BY: Robert Ramirez, Economic Development Project Manager

Subject:

Approve the Huntington Beach Downtown Business Improvement District’s (HBDBID) Annual Report and Proposed Budget for Fiscal Year (FY) 2022-2023; Adopt Resolution No. 2022-44 declaring the City’s intention to levy an annual assessment for FY 2022-2023 at a public hearing scheduled for October 4, 2022; and, Approve and authorize execution of an Agreement between the City and the Huntington Beach Downtown Business Improvement District to Act as the District Advisory Board

Statement of Issue:

In September 2004, the City Council approved Ordinance No. 3661, establishing the Huntington Beach Downtown Business Improvement District (“District”). Each business within the district is assessed an annual fee that the City collects and then distributes to the District for use towards additional services for the downtown area beyond the City’s baseline services. As part of its due diligence under the California Parking and Business Improvement Law of 1989, the District must prepare an annual report each fiscal year for City Council approval; the Council must also adopt a Resolution of Intention to levy an assessment for the next fiscal year at a scheduled public hearing.

Financial Impact:

The FY 2022-2023 District budget includes revenues of \$822,796, of which \$107,000 are projected to come from District assessments on businesses; expenditures are reimbursed based upon revenue collected.

In the Fiscal Year 2022-23 Operating Budget, the Huntington Beach Downtown Business Improvement District Fund (Fund 710) totals \$106,000 in revenues and offsetting expenditures. It is recommended that an additional \$1,000 in revenue be appropriated to maintain a balanced budget.

Recommended Action:

A) Approve the Huntington Beach Downtown Business Improvement District Annual Report and Proposed Budget for FY 2022-2023; and,

B) Adopt Resolution No. 2022-44, "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 2022-2023 within the Huntington Beach Downtown Business Improvement District", which sets a public hearing for October 4, 2022 to consider continuation of the Huntington Beach Downtown Business Improvement District; and,

C) Approve the Agreement between the City of Huntington Beach and the Huntington Beach Downtown Business Improvement District to act as the District Advisory Board and authorize the City Manager to execute the Agreement; and,

D) Authorize the revenue appropriation of \$1,000 in account 71000710.40500 and an expenditure appropriation of \$1,000 in account 71080101.69505, for a net zero impact to the fund.

Alternative Action(s):

Do not approve the Annual Report, deny the Resolution, and/or do not execute the Agreement.

Analysis:

Background

In September 2004, the City Council approved Ordinance No. 3661, establishing the District to fund activities and improvements, above the City's baseline, in order to benefit and support all businesses within the boundary area. In addition, pursuant to state law, the City Council appointed an Advisory Board for the District to make recommendations to the City Council regarding the expenditures of revenues from the assessments, the classification of businesses, and the method of levying the assessments. The recommendations made by the Advisory Board are then considered by the City Council at a noticed public meeting and approved or modified by the City Council as needed.

In 2008, the City Council adopted Ordinance No. 3797 that modified the selection of members to the Advisory Board and approved Resolution No. 2008-04, appointing the business-based organization of the Huntington Beach Downtown Business Improvement District (the "HBDBID") to act as the District's Advisory Board. The HBDBID is a private, 501c(6) business-based organization focused on creating a thriving and livable downtown by providing marketing and events, security, maintenance,

beautification, and member engagement.

Annual Report and Proposed Budget

The HBDBID supports enhanced services for businesses within the District. These services include increased marketing opportunities through promotions and events, a social media presence, and the management of essential services such as enhanced security and maintenance operations. Most notably, the HBDBID hosts weekly and signature events that add value to downtown by creating a sense of community and a vibrant destination to attract visitation and business activity.

New this year for HBDBID was their role in becoming operator of the Surf City Artisan Fair, a weekly event showcasing local and regional artists at Pier Plaza. HBDBID's involvement has allowed them to curate a retail anchor in downtown and provides increased revenue to the HBDBID. Furthermore, Surf City Nights continues to welcome new vendors, live performances, and meaningful community partnerships, which have helped to attract a local audience mid-week. HBDBID also brought back family-friendly events following a hiatus during the COVID pandemic, which included Surf City Spooktacular, Magic on Main, and Chili at the Beach. Lastly, the launch of a new event, HB Fourth of July Opening Block Party, added to the City's Fourth of July weekend festivities with live music and vendors.

Working in partnership with the Huntington Beach Police Department (HBPD), the HBDBID Ambassadors Program continues to provide enhanced safety efforts by observing and reporting safety concerns in downtown. Visit Huntington Beach assists with funding a portion of the program. Also of significant importance is the maintenance and cleanliness throughout the District. The HBDBID oversees the management of the Maintenance Agreement for the District, with funds mostly administered through the City's Public Works Department. Services include cleaning and power washing sidewalks and gutters, mainly in heavily trafficked areas.

The HBDBID seeks opportunities to create stronger communication and relationships with business stakeholders and collaboration with partners such as Visit Huntington Beach and the Chamber of Commerce. To further strengthen communication amongst downtown business owners, the HBDBID held two stakeholder events with topics focused on marketing, events and safety, and worked with the HBPD to host a Responsible Service Meeting. Additionally, HBDBID meets with new and existing businesses and communicates with its members in person, by phone, and by email. They host "Downtown Business Briefing" biweekly calls, allowing discussion on downtown-related issues and disseminating information. HBDBID also continues to tell the story of downtown through its website and on social media by promoting events and new business openings.

The FY 2022-2023 Annual Report outlines ways to will build on last year's activities and enhance outreach and communication, including partnership opportunities for downtown events. The HBDBID states they will continue to prioritize maintenance and safety measures and maintain its relationship with Public Works and HBPD staff. The Ambassadors Security Program will extend service during key events such as the Fourth of July, the US Open of Surfing, and the Airshow. Other efforts include updating HBDBID's website with social media integration and improved features to incorporate a landing page for each business. Expanding social media engagements under two separate Instagram accounts will continue to help distinguish between events and general downtown items.

Other marketing campaigns, e-newsletters, improved member engagement, and an emphasis on branding will highlight the contributions of the HBDBID. The HBDBID will also work with the City through the planning phase on a proposal to develop a permanent plaza and cohesive streetscape along Main Street to accommodate the increased public interest in outdoor dining.

The proposed FY 2022-2023 Budget for the HBDBID will increase substantially from the previous year from \$549,330 to \$822,796 due to the incorporation of the Surf City Artisan Fair. Annual revenue received from District assessments is projected to be \$107,000 (13% of the total budget), while the addition of the Surf City Artisan Fair will add \$310,000 (38% of the total budget) and Surf City Nights will add \$182,400 (22% of the total budget). The HBDBID Reserves Operating Policy suggests maintaining one year of operating expenses. As of June 30, 2022, a reserve of \$160,758 (reflected on the Statement of Financials in the Annual Report) includes \$100,000 in Economic Injury Disaster Loan (EIDL) funds that helped compensate revenue losses associated with the COVID-19 pandemic.

Assessments received this past year are slightly higher than anticipated due to an increase in new business activity, the integration of the assessment invoice with the annual renewal of the business license, and the collection of past dues. Assessment funds collected for next year are projected to be consistent with last year. The Advisory Board recommends allocating assessment funds toward the following expenses: \$32,100 security (30%), \$26,750 Executive Director salary (25%), \$21,400 marketing and events (20%), \$16,050 holiday beautification (15%), and \$10,700 cleaning (10%). The remaining expenses will be funded by other revenue received by the HBDBID.

The proposed FY 2022-2023 budget is summarized below, and includes variances from last year's approved budget, as well as the operations and revenues of the Surf City Artisan Fair, Surf City Nights, and the Maintenance Agreement. Events such as the Summer Kickoff and Surf City Movies Nights have not been extended because they were not profitable. An increase in security, maintenance and event set-up expenses is mainly attributed to rate increases and extended services. Due to an overall increase in costs, the position of Events Manager has been eliminated but a Surf City Nights Coordinator has been added.

INCOME	FY 2021-2022 (APPROVED)	FY 2022-2023 (PROPOSED)	VARIANCE
City of HB Maintenance	\$188,430	\$198,396	\$9,966
Business Assessments	\$106,000	\$107,000	\$1,000
Surf City Nights	\$182,400	\$182,400	\$0
Surf City Days	\$15,000	\$10,000	(\$5,000)
Summer Kickoff Event	\$10,000	\$0	(\$10,000)
Chili at the Beach	\$10,000	\$10,000	\$0
Surf City Movie Nights	\$17,500	\$0	(\$17,500)
Halloween	\$5,000	\$5,000	\$0
City of HB Grant	\$10,000	\$0	(\$10,000)
Miracle on Main	\$5,000	\$0	(\$5,000)
Surf City Artisan Fair	\$0	\$310,000	\$310,000
TOTAL INCOME	\$549,330	\$822,796	\$273,466

EXPENSES			
City of HB Base Maintenance	\$176,430	\$186,396	\$9,966
Enhanced Maintenance	\$0	\$39,251	\$39,251
Marketing/Advertising	\$10,900	\$10,883	(\$17)
Ambassadors	\$40,200	\$56,200	\$16,000
Office Supplies/Expenses	\$1,200	\$4,200	\$3,000
Bank Charges	\$1,200	\$1,200	\$0
Dues & Subscriptions	\$3,000	\$4,200	\$1,200
Insurance	\$1,900	\$2,100	\$200
Accounting	\$7,350	\$7,350	\$0
License & Fees	\$2,000	\$3,000	\$1,000
Repairs & Maintenance	\$500	\$960	\$460
Rent & Storage	\$14,600	\$16,400	\$1,800
Telephone/Internet	\$2,220	\$2,400	\$180
Meeting/Training	\$800	\$800	\$0
Administrative	\$0	\$9,600	\$9,600
BOD Election	\$2,000	\$2,000	\$0
Website	\$0	\$6,000	\$6,000
EIDL Repayment	\$7,668	\$10,224	\$2,556
Payroll:			
Executive Director	\$100,000	\$105,000	\$5,000
Event Manager	\$63,600	\$0	(\$63,600)
Payroll Expenses	\$225	\$0	(\$225)
BID Events:			
Surf City Nights	\$36,048	\$42,056	\$6,008
Surf City Nights Coordinator	\$0	\$25,800	\$25,800
BID Event Misc.	\$7,989	\$6,000	(\$1,989)
Surf City Artisan Fair	\$0	\$235,776	\$235,776
Summer Kickoff Event	\$10,000	\$0	(\$10,000)
Chili at the Beach	\$10,000	\$10,000	\$0
Surf City Days	\$5,000	\$5,000	\$0
Surf City Movie Nights	\$4,500	\$0	(\$4,500)
Halloween	\$10,000	\$5,000	(\$5,000)
Miracle on Main	\$10,000	\$5,000	(\$5,000)
Holiday Beautification	\$20,000	\$20,000	\$0
TOTAL EXPENSES	\$549,330	\$822,796	\$273,466
CASH RESERVES	\$160,734	\$160,758	\$24

District Renewal

The City Council is asked to approve the District's FY 2022-2023 Annual Report and Proposed Budget, adopt a Resolution declaring the City's intent to levy an annual assessment for FY 2022-2023, and schedule a duly noticed public hearing for October 4, 2022. Additionally, staff is seeking

City Council approval authorizing the City Manager to execute the Agreement between the City and the HBDBID to act as the District's Advisory Board (Attachment 5).

Per the Streets and Highway Code, Chapter 3, Section 36533, the Annual Report (Attachment 2) has been filed with the City Clerk and includes the following information:

1. No proposed changes in the boundaries or in the benefit zones;
2. Improvements and activities and their estimated cost;
3. The method and basis of levying the assessment for each business;
4. Amount of any surplus or deficit revenues to be carried over from the previous fiscal year; and,
5. Amount of contributions to be made from sources other than assessments.

Funding recommendations to the City Council are made by a ten-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. Approximately 255 businesses are active in the District and assessed based on size, location, and business type. Assessments range from \$80 to \$1,404 per annum. There are no changes to the boundary map or the assessment formula (Attachment 3), 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 4, 2022. At that time, the City Council will tally the percentage of assessments protested and will hear additional public comment on the renewal of the District. The City Council can also reduce assessments or modify the boundary area if public comments prompt adjustments. If written protests are received from affected business owners totaling 50% or more of assessment value, no further proceedings to continue the District can be considered for a period of one 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. 2022-44, A Resolution of the City Council of the City of Huntington Beach Declaring the City's Intention to Levy an Annual Assessment for FY 2022-2023 Within the Huntington Beach Downtown Business Improvement District
2. Exhibit A - Huntington Beach Downtown Business Improvement District Annual Report and Proposed Budget for FY 2022-2023
3. Exhibit B - Boundary Map, list of businesses to be assessed for FY 2022-2023, and Assessment Schedule for FY 2022-2023
4. Exhibit C - Types of improvements and activities proposed to be funded

5. Agreement between the City of Huntington Beach and the Huntington Beach Downtown Business Improvement District to act as the District Advisory Board