



# City of Huntington Beach

**File #:** 18-331

**MEETING DATE:** 9/17/2018

## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Mayor and City Council Members

**SUBMITTED BY:** Fred A. Wilson, City Manager

**PREPARED BY:** Kellee Fritzal, Deputy Director of Economic Development

**Subject:**

**Public Hearing to consider adoption of Resolution No. 2018-53 approving an Annual Assessment within the Huntington Beach Downtown Business Improvement District (DTBID) for Fiscal Year 2018-2019; and, authorize appropriation of funds**

**Statement of Issue:**

On August 20, 2018, the City Council approved Resolution No. 2018-43, declaring its intention to levy an assessment for the Huntington Beach Downtown Business Improvement District (DTBID) and authorized the City Clerk to schedule a public hearing for September 17, 2018. The City Council is requested to conduct the public hearing and consider adopting Resolution No. 2018-53 to approve the annual assessment for 2018-19.

**Financial Impact:**

The 2018-2019 Huntington Beach Downtown Business Improvement District Budget includes revenues of \$651,460 and expenses of \$651,356. Within the DTBID budget, \$121,460 in revenues is derived from DTBID Member Assessments which are only included in the City's 2018-2019 Budget (Fund 710). The actual amount of all DTBID fees assessed is \$134,360; however, due to vacancies, business closures, and other non-payments, the DTBID does not budget for 100% of projected fees.

City Council authority is needed to increase the appropriation of current year budgeted revenues and expenditures by \$11,460. The budget was originally estimated at \$110,000, but City Council approval will increase Fund 710 to \$121,460.

**Recommended Action:**

A) Conduct the Public Hearing; and,

B) If protests of 50% are not received, adopt Resolution No. 2018-53, "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 2018-2019"; and

C) Appropriate an additional \$11,460 for a total of \$121,460 into Fund 710 for 2018-2019.

**Alternative Action(s):**

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 for adoption or denial.

**Analysis:****BACKGROUND**

On September 7, 2004, the City Council approved Resolution No. 3661, establishing the Huntington Beach Downtown Business Improvement District (DTBID) to fund promotional activities benefiting all businesses within the district area. In addition, pursuant to State law, the City Council appointed an Advisory Board for the District. The purpose of the BID Advisory Board is to make recommendations to the City Council regarding the expenditures of revenues derived from the assessments, on the classifications from businesses, and on 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 as determined by the City Council.

In February 2008, the City Council adopted Ordinance No. 3797, which amended Ordinance No. 3661, to change the manner in which the District's Advisory Board was selected. Following adoption of Ordinance No. 3797, the City Council approved Resolution No. 2008-04, which appointed a non-profit corporation known as the Huntington Beach Downtown Business Improvement District (the "Non-Profit Corporation") to act as the Advisory Board for the District. On August 16, 2010, the City Council approved Resolution No. 2010-60, which re-affirmed the designation of the Non-Profit Corporation as the Advisory Board. The Non-Profit Corporation has continued to act as the Advisory Board for the District since the adoption of the Resolution.

At the Study Session held on April 3, 2017, the City Council recommended that the DTBID retain the services of an outside, industry-specific consultant to review and evaluate the DTBID's operations and structure, and provide recommendations to improve the functionality and professionalism of the organization to the benefit of its members. The DTBID subsequently contracted with the International Downtown Association (IDA) to review the DTBID. The IDA is an association of place making and experienced City professionals who bring their expertise and successful experience to provide tools, intelligence, and strategies for creating healthy and dynamic centers that anchor the well-being of towns, cities, and regions of the world. An IDA panel of professionals from various areas within the U.S. visited Huntington Beach from June 19-21, 2017. The panel spent significant time in the Downtown area, interviewed over 55 stakeholders, and produced a report in July containing their observations and recommendations. At the City Council meeting of August 21, 2017, the International Downtown Association (IDA) presented the findings and recommendations.

**BID PROCESS**

On August 20, 2018, the City Council adopted Resolution No. 2018-43, affirming its intent to approve the proposed assessments for 2018-2019 and setting the public hearing for September 17, 2018. Copies of the Resolution of Intention and Annual Report were mailed to each current business owner within the boundaries of the DTBID. A Notice of Public Hearing and copy of the Resolution was published in the Huntington Beach Wave on September 6, 2018.

Prior to City Council approval of the Annual Report and Proposed Budget, the City sent two letters dated May 24, 2018, and June 14, 2018, to all the members of the DTBID concerning the process to levy the assessment this year. Included with the letters was DTBID District Boundary and Benefit Zones, the proposed formula/method and basis for levying the assessment including the current and proposed assessment, as well as a general description of the activities or improvements the proposed assessment will fund. In addition, the letters informed that there are two public meetings where the City Council will provide an opportunity for public testimony regarding the annual assessment. Both of the meetings were open to the public, the meetings were conducted on May 21, 2018 and August 20, 2018.

As required by State law, a protest hearing must be held to provide the opportunity for an affected business to voice their protests or submit protests in writing. If such protests should be received during the hearing, the City Council will tally the percentage of assessment protests and will hear additional public comment on the renewal of the DTBID. If the protests total less than 50% of the amount to be collected, the City Council may approve the renewal of the DTBID. The City Council also has the option of reducing assessments or modifying the boundary area if public comments prompt adjustments. If protests are received from affected business owners totaling 50% or more of assessments, no further proceedings to continue the DTBID can be considered for a period of one year.

### BID ACTIVITIES

During Fiscal Year 2017-2018, the DTBID promoted and enhanced the overall appeal of Downtown through its programs and services, including: creation of an Enhanced Security Program, Downtown Ambassador Program, events such as Chili at the Beach, Surf City Days, HalloweenFest, Tree Lighting/Miracle on Main Street, holiday decorations, and marketing to drive locals and visitors to eat and shop downtown. The DTBID manages the downtown maintenance operations with funds administered through the City's Public Works Department. During the last year, the DTBID has increased the maintenance, using DTBID funds for additional Day Porter services and steam cleaning. Surf City Nights continues on Tuesday and the DTBID continues to make improvements to the event with funds generated from event vendors and sponsor fees.

Over the last year, the DTBID has begun to implement many of the changes recommended by the IDA, especially focused on staffing, development of policies and procedures and creation of a vision. Job descriptions have been created and a new DTBID manager was hired in February 2018, and an Events Coordinator was hired to manage Surf City Nights, who reports to the BID Manager. New financial policies were adopted to manage the DTBID and Surf City Nights. The Board of Directors

approved a Reserves Operating Policy and establishing guidelines for how the board can best use these resources for the benefit of business improvement Downtown.

The DTBID will be launching a new website in October 2018, to improve communication with stakeholders, citizens and visitors. The improved communication will include the creation of a comprehensive database separating Downtown Business e-mail contacts (both owner and local managers) and interested public members for general information. The new database will ensure that the DTBID is communicating with the local on-site managers and the corporate offices, for the larger corporations. In addition to continuing with their annual programs and events, the DTBID President developed a list of perception issues to develop solutions. The perception issues include homeless, public safety, parking, restrooms, lighting, dedicated walkway between Pacific City and Main Street, ordinances, visual appeal and information districts.

Funding recommendations to the City Council are made by a ten-member Advisory Board (nine voting members, one non-voting member) which is elected annually by assessed members. State law requires that DTBID activities benefit businesses located and operating in the assessment boundary.

Downtown businesses are assessed based on their size, location, and business type. Assessments range from \$40-\$1,200 per annum, per business.

On May 10, 2018, the DTBID Board recommended changes to the assessment formula and the DTBID Zones. The BID Retail/Restaurant assessments for Zone 2 were changed from a flat \$300 to assessments based on square footage; similar to Zone 1. The Benefit Zones were modified to move Waterfront Hotels and Pacific City from Zone 1 to Zone 2. Based upon this change, a majority of the retail/restaurant businesses assessments were lowered in Pacific City/Waterfront. However, the hotel fees were increase for both Zone 1 and 2. The Finance/Governance Committee recommended the changes in the Zone 2 fees, based on benefits from the DTBID, such as the Enhanced Security and additional cleaning focused on Main Street and 5<sup>th</sup> Street areas.

The DTBID's total operational budget includes the operations and revenues of Surf City Nights, which previously operated under its own budget and the Downtown Maintenance/Malco. The total budget for 2018-2019 is summarized within the Annual Report with an additional line-item attachment. The summary is as follows:

<b>INCOME</b>		<b>2018-2019 BUDGET</b>	
City of HB - Maintenance	\$	160,000	
Surf City Nights	\$	308,000	
BID Assessments	\$	121,460	
Other Events	\$	62,000	
<b>TOTAL INCOME</b>	<b>\$</b>	<b>651,460</b>	
<b>EXPENSES</b>			
Malco Maintenance	\$	148,000	

Surf City Nights	\$	90,700
Events/Holiday Décor	\$	130,980
Marketing	\$	42,000
Wages/Payroll	\$	79,880
Ambassador	\$	48,000
Office/Admin	\$	67,796
Security	\$	44,000
<b>TOTAL EXPENSES</b>	<b>\$</b>	<b>651,356</b>
<b>TOTAL VARIANCE</b>	<b>\$</b>	<b>(104)</b>
<b>RESERVES</b>	<b>\$</b>	<b>200,000</b>

At the request of Councilmember Brenden, staff has reviewed the DTBID four (4) bank statements ending August 31, 2018. The DTBID account currently has \$48,658; Surf City Nights account has \$260,064 (the transfer of \$199,000 into the Reserve account will occur by October 1, 2018); Malco Account has \$45,948 and the reserve account has \$1,001. Bank statements confirming these balances as of August 31, 2018 are in the city's possession.

**Environmental Status:**

Not Applicable

**Strategic Plan Goal:**

Strengthen economic and financial sustainability

**Attachment(s):**

1. Resolution No. 2018-53, "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 2018-2019"
2. 2018-19 Annual Budget
3. BID Dues
4. BID Map