



# City of Huntington Beach

File #: 19-001

MEETING DATE: 1/22/2019

## REQUEST FOR CITY COUNCIL ACTION

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

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

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

**Subject:**

**Adopt Resolution No. 2019-06 modifying the Management District Plan (MDP) of the Huntington Beach Tourism Business Improvement District (HBTBID); approve execution of the terminating Grant Agreement with Visit Huntington Beach (VHB) and authorize entering into a new Memorandum of Understanding (MOU)**

**Statement of Issue:**

On December 17, 2018, the City Council conducted a Public Hearing and renewed the Huntington Beach Tourism Business Improvement District (HBTBID). Prior to the renewal of the HBTBID, the City Council on November 17, 2018, adopted a Resolution of Intention to modify the current HBTBID to terminate on January 31, 2019. This resolution, if approved, will be the final action on the HBTBID. In addition to the termination of the existing HBTBID, the current City and Visit Huntington Beach Grant Agreement is being terminated effective January 31, 2019 and a new Memorandum of Understanding is being recommended for adoption.

**Financial Impact:**

The proposed Visit Huntington Beach Grant Agreement effective February 1, 2019, allows for the General Fund to maintain the full 10% of the Transient Occupancy Tax. Under the current contract, the General Fund remits the HBTBID 1% of the 10% equaling about \$1 million per year. In FY 2018/19, the pro-rated General Fund reduction to the HBTBID is approximately \$550,000. For the HBTBID, appropriations in Fund 709 will be increased to reflect the modification of the assessment from 3% to 4% going forward.

**Recommended Action:**

- A) Adopt Resolution No. 2019-06, "A Resolution of the City Council of the City of Huntington Beach Modifying the Management District Plan of the Huntington Beach Tourism Business Improvement District"; and,
- B) Approve and authorize the Mayor and City Clerk to execute the "Mutual Agreement to Terminate the Grant Agreement between the City of Huntington Beach and Visit Huntington Beach"; and,

C) Authorize the City Manager to negotiate and execute an Agreement for Tourism Business Improvement District Management to administer the TBID activities and improvements in a form acceptable to the City Attorney along with the required budget modifications.

**Alternative Action(s):**

Do not adopt the Resolution, approve the Memorandum of Understanding and terminate the Grant Agreement and direct staff as necessary.

**Analysis:**

In California, Tourism Business Districts (TBID) are primarily formed pursuant to the Property and Business Improvement District Law of 1994. This law allows for the creation of a special benefit assessment district to raise funds within a specific geographic area. The key difference between TBIDs and other special benefit assessment districts is that funds raised are returned to the private non-profit corporation governing the TBID. The HBTBID funds the marketing and sales promotion efforts for Huntington Beach's overall destination brand awareness including Huntington Beach lodging businesses. This approach has been used successfully in other destination areas throughout the state to improve tourism and drive additional room nights to assessed lodging businesses. The early-renewed HBTBID includes all lodging businesses located within the boundaries of the City of Huntington Beach.

The City of Huntington Beach created the HBTBID on September 15, 2014, by resolution for a five year (5) term which ends on September 30, 2019. The VHB is proposing to renew the HBTBID in order to continue a revenue source devoted to marketing Huntington Beach as a leisure, meetings and events destination. The new HBTBID will be effective on February 1, 2019 and has at 4% self-assessment, an increase of 1% from the current 3% assessment in the current HBTBID.

**Early Termination of HBTBID**

On December 17, 2018, the City Council renewed the HBTBID for 9 years and 6 months. As part of the renewal, the City Council on November 17, 2018, adopted a Resolution of Intention to modify the current HBTBID to terminate on January 31, 2019. The attached Resolution, if approved, will be the final action on the HBTBID.

**Termination of Grant Agreement**

Effective October 1, 2006, the City and VHB entered into a separate agreement in which 1% of 10% of the City's Transient Occupancy Tax rate was granted to VHB for public relations services. The Agreement was set to expire in two more years on September 29, 2021. Visit Huntington Beach is proposing to terminate the Agreement early as part of the renewal of the HBTBID. This action would result in the City retaining the 1% (which is approximately \$1 million annually), which would be a reduction of expenditures in the General Fund.

As part of the early termination, the City and VHB is recommending three (3) years of funding for special program/events.

**Memorandum of Understanding**

The Property and Business Improvement District Law of 1994 provides for the administration of the district by a separate non-profit entity. Visit Huntington Beach has requested to manage the district on

behalf of the City and the "Owner's Association." The City and VHB entered into a Memorandum of Understanding to ensure that the management of the district is agreed upon. The current MOU was approved on September 15, 2014. The specific responsibilities of the City and Visit Huntington Beach is set forth in the MOU, which is currently under final review between the two entities. Staff recommends that the City Manager be authorized to finalize and execute the contract.

**Environmental Status:**

Not applicable

**Strategic Plan Goal:**

Strengthen economic and financial sustainability

**Attachment(s):**

1. Adopt Resolution No. 2019-06, "A Resolution of the City Council of the City of Huntington Beach Modifying the Management District Plan of the Huntington Beach Tourism Business Improvement District.
2. Termination of Grant Agreement between the City of Huntington Beach and Visit Huntington Beach (formally called the Huntington Beach Marketing and Visitors Bureau for Public Relations Services.
3. Memorandum of Understanding.