



# City of Huntington Beach

File #: 19-940

MEETING DATE: 9/16/2019

## REQUEST FOR CITY COUNCIL ACTION

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

**SUBMITTED BY:** Dave Kiff, Interim City Manager

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

**Subject:**

**Public Hearing to consider adoption of Resolution 2019-69 approving an Annual Assessment within the Huntington Beach Downtown Business Improvement District (DTBID) for Fiscal Year 2019-2020; and authorize appropriation of funds**

**Statement of Issue:**

On August 19, 2019, the City Council adopted Resolution 2019-54, declaring its intention to levy an assessment for the Huntington Beach Downtown Business Improvement District (DTBID) and authorize the City Clerk to schedule a public hearing for September 16, 2019. The City Council is requested to conduct a public hearing and consider adopting Resolution 2019-69 to approve the annual assessment for 2019-2020. The modifications would increase the assessment for businesses within Zone 1 and some businesses in Zone 2 by up to 17%.

**Financial Impact:**

The 2019-2020 Huntington Beach Downtown Business Improvement District Budget includes revenues and expenses of \$708,000. The City's FY 2019/20 Adopted Budget (Fund 710), revenues and expenditures, total \$91,000. The assessment modification yields an additional \$29,000 that is derived from DTBID Member Assessments for a total amount of \$120,000.

**Recommended Action:**

- A) Conduct the Public Hearing; and,
- B) If protests of 50% are not received, adopt Resolution No. 2019-69, "A Resolution of the City Council of Huntington Beach Approving an Annual Assessment Within the Huntington Beach Downtown Business Improvement District for Fiscal Year 2019-2020" and,
- C) Appropriate an additional \$29,000 for a total of \$120,000 into Fund 710 for FY 2019-20.

**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 adopted 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 adopted Resolution No. 2008-04, which appointed a nonprofit 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 adopted Resolution No. 2010-60, which reaffirmed the designation of the Non-Profit Corporation as the Advisory board. The Non-Profit Corporation has continued to act as the Advisory Board to the District since the adoption of the Resolution.

On August 19, 2019, the City Council adopted Resolution No. 2019-54, affirming its intent to approve the proposed assessments for 2019-2020 and setting the public hearing for September 16, 2019. 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 August 29, 2019.

Prior to the City Council approval of the Annual Report and Proposed Budget, the City sent a letter dated August 28, 2019, to all members of the DTBID concerning the process to levy the assessment this year. Included with the letters was the Annual Report containing the 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 letter informed of the public meeting where the City Council will provide an opportunity for public testimony regarding the annual assessment. The meeting was conducted on September 3, 2019, which was open to the public.

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 2018-2019, the DTBID made significant improvements including changing the position of BID Manager to Executive Director and hiring one in June. The new Executive Director will oversee previous responsibilities of Manager and will also include a stronger focus on financially related tasks including forecasting, budgeting, and overall tracking of fiscal performance.

The BID understands the importance of communication and marketing, and launched a new and improved hbdowntown.com website in March. The website is more visually appealing and has a number of interactive features for visitors including the ability to locate and link directly to members of the BID. Their monthly e-newsletter continues to be a success with over 6,600 subscribers, and allows BID members the opportunity to advertise for free. The Downtown BID social media exposure continues to grow with over 10,500 Facebook fans over 300 followers on Instagram.

Safety continues to be a priority for the DTBID, for its members and visitors alike. In July 2018, the BID launched a trial program that provided daytime security patrolling to address issues such as skateboarding, and homelessness. The program was well-received and in May of 2019, the DTBID board entered into a contract with Allied Universal, which now provides daily private security.

The DTBID also manages the Downtown maintenance operations with funds administered through the City of Huntington Beach Public Works Department and, as the Non-Profit Corporation, the Surf City Nights event with funds generated from event vendor and sponsor feeds.

The BID has amended the boundary map (Exhibit C) and assessment schedule (Exhibit B) from the current year. The northeast corner of Main Street and Orange Avenue (which is under construction) has been added to Zone 1. Fees for businesses within Zone 1 under categories Retail Businesses, Restaurants, Hotels, Services/Office, and Cart/Kiosk have been increased by 17%. For businesses under the category of Services/Office that are located on the second floor, a new category has been created based on square footage. In addition, another new category, Seasonal, has been created for businesses that are open fewer than nine months per year. This category includes the beach concessions businesses. In Zone 2, fees under Retail Businesses of 5,000 SF or more decreased by \$100 and the category of Services/Offices by square footage was created.

The Board of Directors approved a Revised Reserves Operating Policy establishing guidelines for how the board can best use these resources for the benefit of business improvement in downtown. As of June 30, 2019, there is a reserve of \$200,000. These funds can be used for beautification projects, security in Downtown or events. The DTBID's total operations budget now includes the operations and revenues of Surf City Nights and the Malco agreement, which previously operated under its own budget. The budget for 2019-2020 is summarized in the Annual Report with an additional line item attachments (both as Exhibit A). The summary is as follows:

<b>INCOME:</b>	<b>2018-2019</b>	<b>2019-2020 (PROPOSED)</b>	<b>VARIANCE</b>
City of HB Maintenance	\$160,000	\$162,000	\$2,000

BID Assessments	\$121,460	\$120,000	(\$1,460)
Surf City Nights	\$308,000	\$315,000	\$7,000
Chili at the Beach	\$30,000	\$30,000	\$0
Surf City Days	\$15,000	\$15,000	\$0
Air Show	\$0	\$0	\$0
Halloween	\$0	\$0	\$0
Miracle on Main	\$0	\$0	\$0
Transfer From Reserves	\$17,000	\$66,000	\$49,000
<b>TOTAL INCOME:</b>	<b>\$651,460</b>	<b>\$708,000</b>	<b>\$56,540</b>
<b>EXPENSES:</b>			
MALCO Maintenance	\$148,000	\$150,000	\$2,000
Repairs/Maintenance	\$500	\$500	\$0
Rent & Storage	\$13,800	\$14,000	\$200
Telephone	\$1,980	\$2,000	\$20
Contingency	\$42,000	\$0	(\$42,000)
Marketing/Advertising	\$42,000	\$17,000	(\$25,000)
Sponsorships/Donations	\$3,600	\$0	(\$3,600)
Ambassador	\$48,000	\$48,000	\$0
Office Expense	\$3,000	\$3,000	\$0
Bank Charges	\$600	\$600	\$0
Dues & Subscriptions	\$1,000	\$3,000	\$2,000
Insurance	\$7,400	\$7,400	\$0
Accounting	\$6,200	\$7,000	\$800
License & Fees	\$1,800	\$2,000	\$200
Meeting/Training	\$5,000	\$2,000	(\$3,000)
<b>PAYROLL:</b>			
BID Manager	\$64,999.92	\$0	(\$64,999.92)
Events Coordinator	\$51,996	\$62,000	\$10,004
Consulting	\$0	\$102,000	\$102,000
Admin. Asst.	\$18,960	\$20,000	\$1,040
Payroll Taxes	\$6,720	\$7,000	\$280
Workers Comp.	\$1,000	\$1,000	\$0
Payroll Expenses	\$1,200	\$1,500	\$300
Security	\$44,000	\$128,000	\$84,000
<b>BID EVENTS:</b>			
SCN Miscellaneous	\$15,580	0	(\$15,580)
SCN Rental & Set up	\$34,020	\$30,000	(\$4,020)
SCN Street Cleaning	\$2,400	\$3,000	\$600

SCN Closure	\$7,200	\$5,000	(\$2,200)
SCN Parking	\$8,400	\$9,000	\$600
Chili at the Beach	\$15,000	\$15,000	\$0
Surf City Days	\$7,500	\$7,500	\$0
Air Show	\$5,000	\$0	(\$5,000)
Halloween	\$7,500	\$7,500	\$0
Miracle on Main	\$10,000	\$10,000	\$0
Holiday Beautification	\$25,000	\$25,000	\$0
<b>VARIANCE:</b>	\$104.08	\$0	(\$104.08)
<b>TOTAL:</b>	<b>\$651,460</b>	<b>\$690,000</b>	<b>\$38,540</b>

The DTBID's projected 2019-2020 Budget has significantly increased funds for security in the Downtown Area. In addition to continuing with their annual events, Surf City Nights and participation in the Ambassador Program, the DTBID plans to pursue projects and activities that support the priorities as part of the Perception Project. The perceptions include addressing homelessness, increasing public safety, improving the parking structure, adding restrooms, increasing lighting, improving visual appeal, and informational directories. The DTBID also expects to develop a meaningful vision for the future based on the results of the IDA study, while collaborating even more closely with the City and Visit Huntington Beach to make a positive difference in the Downtown destination. 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 September 17, 2019. At this time, the City Council will tally the percentage of assessments protested and will hear additional public comments on the renewal of the DTBID. The City Council also as the option of reducing assessments or modifying the boundary area if public comments prompt adjustments.

As stated, if written protests are received from affected businesses owners totaling 50% or more of assessment value, no further proceedings to continue the Business Improvement District can be considered for a period of one (1) year.

#### **Environmental Status:**

Not Applicable.

#### **Strategic Plan Goal:**

Strengthen long-term financial and economic sustainability

#### **Attachment(s):**

1. Resolution No. 2019-69, "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 2019-2020"  
Exhibit A - HBTBID Annual Report  
Exhibit B - Assessment Schedule

2. HB DTBID Boundary and Benefit Zones 1 & 2 Map