



# City of Huntington Beach

**File #:** 20-1556

**MEETING DATE:** 3/31/2020

## 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:**

**Rent Abatement for certain tenants at City-owned facilities**

**Statement of Issue:**

The City owns real property throughout the City and has leased certain premises to tenants. Many of the City's tenants have been gravely affected by the COVID-19 pandemic. The City Council is asked to authorize and direct the City Manager and/or his designee to implement rent abatement for certain tenants at City-owned facilities to mitigate some of the financial burden imposed due to the COVID-19 pandemic.

**Financial Impact:**

The total estimated impact to the General Fund Revenue for Rent Abatement is \$155,077 for the month of March, \$170,947 for April, and \$174,296 per month for May and every month thereafter. The overall Rent Abatement cost impacts include the following:

- Rent abatement for Ocean View Estates Mobile Home Park account 10000100.43166 is \$53,352 per month.
- Rent abatement for concessionaire lease accounts (10000100.43165; 10000100.43085; 10000100.43095; 10000100.43145; 10000100.43150; 10000100.43155) range from \$101,725 to \$120,944 per month, depending on time of year.

**Recommended Action:**

Authorize and direct the City Manager and/or his designee to implement rent abatement to concessionaire tenants of various City-owned facilities, effective from the date of the issuance of the State of California's Proclamation of State of Emergency (March 4, 2020) until the Proclamation is lifted. A list of included tenants is attached as Attachment No. 1.

**Alternative Action(s):**

Do not approve the rent abatement and direct staff accordingly.

**Analysis:**

Huntington Beach is responding to the spread of the novel coronavirus, COVID-19, a respiratory illness being reported internationally, including in the United States and Orange County, California. On January 31, 2020, the Federal Health and Human Services Secretary declared a public health emergency to aid the nation's healthcare community in responding to the outbreak of COVID-19 in the United States. On March 4, 2020, Governor Newsom issued a statewide Proclamation of State of Emergency as a result of the threat of COVID-19 in the State of California. On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a global pandemic.

On March 12, 2020, Governor Newsom issued Executive Order N-25-20. The Governor stated, among other things, that despite sustained efforts, COVID-19 remains a threat and further efforts are needed to control the spread of the virus; that local officials may issue guidance limiting or recommending limitations upon attendance at public assemblies, conferences, or other mass events; and that individuals exposed to COVID-19 may be unable to work, may experience loss of income, health care, medical coverage, and the ability to pay for housing and basic needs. The Governor ordered among other things, that residents are to heed orders of state and local health officials, including social distancing measures; and that provisions of state law relating to disability insurance, unemployment insurance, emergency medical services, taxes, medical facilities, and public meetings, are modified during this emergency.

On March 16, 2020, the City Council ratified the existence of a local emergency in Huntington Beach as a result of the COVID-19 pandemic. On March 17, 2020, the Orange County Health Officer issued an order which greatly restricted the public's ability to gather for non-essential activities, which order was amended on March 18, 2020, whereby food and beverage establishments are required to follow guidance released from the California Department of Public Health ("CDPH"). CDPH guidelines recommend that restaurants should be closed for in-restaurant seated dining and should be open only to drive-through or other pick-up/ delivery options.

Upon issuance of these orders, local concessionaires operating at City facilities have seen a dramatic reduction in business. While the orders did not preclude these businesses from serving food, the social distancing measures recommended by the Centers for Disease Control (CDC) and CDPH have brought business to a halt. The reduction in revenue for a majority of business is creating a global economic downturn.

Several concessionaire owners have reached out to staff requesting assistance as a result of the economic downturn caused by COVID-19. The majority of these concessionaires are small, family-owned businesses. By implementing a rent abatement for affected tenants, the City will help mitigate the financial burden caused by COVID-19 and, hopefully, prevent the permanent closure of these businesses.

In addition to the concessionaire tenants, the City owns and operates the Ocean View Estates Mobile Home Park (OVE) and leases 44 mobile home spaces individually to tenants (with the tenants owning their respective mobile home). The majority of the tenants are elderly, qualify as low-income, and are also likely enduring financial hardships as a result of COVID-19. By extending the rent abatement to OVE tenants, it will allow them to address the burden of other financial obligations that

have been exasperated from the COVID-19 crisis.

A complete list of the concessionaires and OVE tenants is provided as Attachment No. 1.

**Environmental Status:**

The effected lease agreements are existing agreements and modifying payment terms to abate rent during a limited duration will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment and is therefore not a "project" per Section 15378 of the California Environmental Quality Act (CEQA) Guidelines.

**Strategic Plan Goal:**

Strengthen long-term financial and economic sustainability

**Attachment(s):**

1. List of Concessionaire and Ocean View Estate Tenants