



City of Huntington Beach

File #: 20-1593

MEETING DATE: 5/4/2020

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Oliver Chi, City Manager

PREPARED BY: Dahle Bulosan, Chief Financial Officer

Subject:

Request for approval to establish a Payment Deferral Program for Tourism Business Improvement District (TBID) assessments collected by the City in Response to COVID-19 - Resolution No. 2020-27

Statement of Issue:

In response to the economic effects of the COVID-19 pandemic, staff is requesting approval to establish a payment deferral program for Tourism Business Improvement District (TBID) assessments covering the period of March 1, 2020, through June 30, 2020. Pursuant to the proposed program parameters, given the uncertain nature of the COVID-19 situation, the payment deferral period could be extended through September 30, 2020, unless changes are directed by the City Council.

Financial Impact:

Given the design of the proposed program, TBID revenues due to the City will still need to be paid in full by June 30, 2021. Of note, TBID revenues are passed through the City to Visit Huntington Beach (VisitHB). However, given the current fiscal challenges presented by the COVID-19 situation, the deferral program has been developed to provide support in a manner that does not relieve the obligation of hotels and motels to pay their requisite assessments.

Recommended Action:

Adopt Resolution 2020-27, "A Resolution of the City Council of the City of Huntington Beach Establishing a City Policy Regarding the Deferral of Huntington Beach Tourism Business Improvement District Assessment in Response to COVID-19," related to the establishment of a TBID payment deferral program, which has been approved by the board of VisitHB.

Alternative Action(s):

Do not approve the recommended action and direct staff accordingly.

Analysis:

On March 16, 2020, the Governor ordered the closure of all non-essential businesses in response to

the COVID-19 pandemic. The COVID-19 outbreak has caused tremendous impacts to the global and local economy.

Furthermore, the Governor's "Stay at Home" order and travel restrictions have caused a devastating impact on the travel industry. Consequently, the City has had an unprecedented drop in the occupancies of its 24 hotels and motels. Some hotels have temporarily closed and furloughed their employees. It is estimated that the current occupancy rate of the hotels could be as low as 4% and may decrease even further in the coming months.

In order to give relief to Huntington Beach hotels and motels, staff recommends that City Council approve a policy to defer payment of TBID assessments, in response to COVID-19, until June 30, 2021, for assessments charged and/or collected from the March 1 - June 30, 2020 period. The proposed action does not relieve the obligation of the hotels and motels to pay the assessments.

On April 28, 2020, the full VisiHB board of directors unanimously passed a motion regarding deferment of TBID payments. The board agreed that: (a) HBTBID payments from HB hoteliers to the City of Huntington Beach are deferred for six months beginning with March 2020 through August 2020; (b) A repayment schedule will be worked out between the City of Huntington Beach specific to each hotel; (c) Payment in full will be made no later June 30, 2021; (d) TBID payments can be made at the discretion of each hotelier; and (e) the City of Huntington Beach will proceed to defer TBID payments for this six month period by the TBID action and upon approval by resolution of the City Council.

Resolution No. 2018-84 outlines the current TBID assessment plan. Under the deferral program, the City will provide a no-interest repayment arrangement option for a period not to extend past June 30, 2021. The deferral of TBID assessments was approved by VisiHB at the Special Board of Directors Meeting held on April 28, 2020, as described above.

Hotels and motels will still be required to submit monthly reports to the City of the taxes and assessments collected, as required by the City's Municipal Code 3.28.090 Transient Occupancy Tax. This deferral and option for payment plans will give temporary relief to our valued businesses during these difficult economic times.

Upon additional direction of the City Council, the City Manager may extend this policy, if the COVID-19 pandemic or its effects go past June 30, 2020. However, in no event will the deferral extend beyond assessments related to September 30, 2020. These timelines are also subject to change based on City Council direction.

TBID assessments due to the City after July 31, 2020, or the extended date, will have the option to be paid monthly or as a lump sum.

Environmental Status:

Not applicable.

Strategic Plan Goal:

Enhance and maintain high quality City services
Improve Quality of Life

Attachment(s):

1. Resolution No. 2020-27 related to the establishment of a TBID payment deferral program
2. Letter from Visit Huntington Beach - VisitHB Board Approval of TBID deferral
3. Municipal Code 3.28 Transient Occupancy Tax
4. Resolution No. 2018-84 Huntington Beach Tourism Business Improvement District