



# City of Huntington Beach

**File #:** 20-1727

**MEETING DATE:** 7/6/2020

## 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:**

**Termination of Rent Abatement for Certain Tenants at City-owned Facilities effective August 1, 2020 and authorize City Manager to reinstate if necessary**

**Statement of Issue:**

Authorize and direct the City Manager to terminate Rent Abatement, effective August 1, 2020, for concessionaire tenants leasing City-owned property, which was put in place as a response to the financial impacts from the COVID-19 pandemic. Additionally, Authorize the City Manager to reinstate the Rent Abatement if future actions due to COVID-19 severely impact the tenants ability to operate.

**Financial Impact:**

The rent abatement went into effect in March 2020. The City will have foregone base rent revenue for the months of March through July, totaling approximately \$582,152. Should the City Council direct the City Manager to terminate the rent abatement, the City expects to collect approximately \$120,994, in base rent only, for the month of August 2020, and decreasing amounts for the following months as the peak seasonal season comes to an end. Revenue collected will be deposited into concessionaire lease accounts (10000100.43165; 10000100.43085; 10000100.43095; 10000100.43145; 10000100.43150; 10000100.43155).

**Recommended Action:**

- A) Authorize and direct the City Manager, or his designee, to terminate Rent Abatement to concessionaire tenants of various City-owned facilities, effective August 1, 2020. A list of the tenants is outlined in Attachment No. 1; and,
- B) Authorize the City Manager, or his designee, to reinstate the Rent Abatement if future COVID-19 pandemic actions severely impact the tenants ability to operate.

**Alternative Action(s):**

Do no approve the termination of Rent Abatement, and direct staff accordingly.

**Analysis:**

On March 31, 2020, the City Council authorized and directed the City Manager to implement Rent Abatement effective from the date of issuance of the State of California's Proclamation of State of Emergency on March 4, 2020, as a result of the COVID-19 pandemic. Since that time, stay at home orders and social distancing recommendations were implemented by County's Health Officer, which severely impacted concessionaire tenants' ability to conduct business.

On May 26, 2020, Governor Newsom in conjunction with the County Health Officer transitioned Orange County into Phase 2 of re-opening, which allowed limited restaurant dining and in-store shopping with social distancing and other guidelines. In addition, the City re-opened the Huntington Beach Pier on May 26, and allowed concessionaires to begin limited operations in accordance with the County's guidelines.

As the County is in the final phases of Stage 3 re-opening phase, the financial impacts of social distancing and other recommendations have lessened. Many of the concessionaires have seen an increase in customers and revenue. Therefore, staff is recommending the termination of Rent Abatement effective August 1, 2020. Staff will continue to encourage that concessionaires abide by the County's guidelines.

**Environmental Status:**

The termination of the Rent Abatement impacts lease agreements and modifies payment terms, which will not result in either a direct physical change in the environment, or a reasonable foreseeable indirect physical change in the environment as 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. Concessionaire Tenants on City-Owned Property