



City of Huntington Beach

File #: 20-1798

MEETING DATE: 8/3/2020

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:

Approve the Huntington Beach Downtown Business Improvement District (DTBID) Annual Report for Fiscal Year 2020-2021 and Adopt Resolution No. 2020-49 declaring the City's intention to levy an annual assessment for Fiscal Year 2020-2021 at a public hearing scheduled for September 8, 2020

Statement of Issue:

In September 2004, the City Council approved Ordinance No. 3661, establishing the Huntington Beach Downtown Business Improvement District as a method of marketing the Downtown area. The State of California Parking and Business Improvement Law of 1989 requires the City Council to approve an annual report each fiscal year, and adopt a Resolution of Intention to levy an assessment for the next fiscal year at a scheduled public hearing.

Financial Impact:

There is no fiscal impact to the General Fund. Revenues and expenses are included in the 2020-2021 Huntington Beach Business Improvement District budget (710). The expenditures are only reimbursed based upon revenue collected.

Recommended Action:

A) Approve the Huntington Beach Downtown Business Improvement District (DTBID) Annual Report for Fiscal Year 2020-2021 (attached as Exhibit A to Resolution No. 2020-49); and,

B) Adopt Resolution No. 2020-49, "A Resolution of the City Council of the City of Huntington Beach Declaring the City's Intention to Levy an Annual Assessment for Fiscal Year 2020-2021 Within the Huntington Beach Downtown Business Improvement District," which sets a public hearing for September 8, 2020.

Alternative Action(s):

Do not approve the Annual Report and do not adopt the Resolution.

Analysis:

In September 2004, the City Council approved Ordinance 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, the classifications of businesses, and the method of levying the assessments. The Advisory Board recommendations are then considered by the City Council at a noticed public meeting and approved or modified by the City Council.

In February 2008, the City Council adopted Ordinance No. 3797, amending Ordinance No. 3661, to change how the District's Advisory board was selected. Following the adoption of Ordinance No. 3797, the City Council approved Resolution No. 2008-04 appointing a non-profit corporation known as the Huntington Beach Downtown Business Improvement District (the "Non-Profit Corporation") to act as the Advisory Board for the District.

In April 2017, the City Council recommended that the DTBID retain the services of an outside industry-specific consultant to review and evaluate the DTBID's operations and structure, and provide recommendations to improve the functionality and professionalism of the organization to the benefit of its members. The DTBID subsequently contracted with the International Downtown Association (IDA) to review the DTBID. The panel spent significant time in the Downtown area, interviewed over 55 stakeholders, and, in July 2017, produced a report detailing their observations and recommendations. Changes to the DTBID budget, organizational structure, and employee compensation were recommended.

For Fiscal Year 2018-2019, the DTBID made significant improvements, including changing the position of BID Manager to Executive Director, implementing stronger financial oversight by incorporating tasks such as forecasting and budgeting, launching a daytime patrolling program, and improving overall marketing efforts, including updates to the hbdowntown.com website.

For the Fiscal Year 2019-2020, the DTBID continued to take steps to improve its operations and develop programs relevant to downtown businesses. They partnered with WAYMAKERS OC and the Safe HB Collective on multiple projects focused on bringing safety awareness to alcohol beverage establishments, including Responsible Beverage Service (RBS) training, security guard training, and a citywide rideshare campaign. Another notable highlight includes the successful management and execution of the various high-profile events that drew thousands of visitors to downtown, including the Surf City Nights, Halloweenfest, and the Miracle on Main Street - Tree Lighting Ceremony.

The DTBID continues to manage the Downtown Maintenance operations with funds administered through the City of Huntington Beach Public Works Department. As the non-profit corporation, the Surf City Nights event funds are generated from event vendor and sponsor fees.

The impact of COVID-19 and civil unrest on local businesses and the DTBID has been significant. Various businesses in downtown were required to close down temporarily or alter their business model. The DTBID has been in regular contact with businesses and is helping identify ways to stimulate activity in partnership with the City, Visit Huntington Beach, and the Huntington Beach

Chamber of Commerce. As a result, the DTBID has had to make significant changes to continue operating with fewer revenues and resources. One notable difference is a reduction in overall expenditures, including the elimination of the Security Program for FY 2020-2021, resulting in a savings of \$128,000 from the prior year. The DTBID has also had to reassess the scheduling of its ongoing events, which are primary sources of revenue, including Surf City Nights and Chili at the Beach.

The City Council is asked to approve the 2019-2020 Annual Report and 2020-2021 Fiscal Year Budget for the DTBID, adopt a Resolution declaring the City's intent to levy an annual assessment for Fiscal Year 2020-2021, and schedule a duly noticed public hearing for September 8, 2020. Funding recommendations to the City Council are made by a ten (10) member (nine voting members, one non-voting member) Advisory Board, which is elected annually by assessed members. State law requires that DTBID activities benefit businesses located and operating in the assessment area. Downtown businesses are assessed based on their size, location, and business type. Assessments range from \$40 to \$1,404 per annum.

The BID did not amend the boundary map (Exhibit B) and assessment formula (Exhibit C) for FY 2020-2021.

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 July 23, 2020, there is a reserve of \$130,706.89. These funds have traditionally been used for beautification projects, security in Downtown or events. The DTBID's total operations budget includes the operations and revenues of Surf City Nights and the Malco agreement, which previously operated under its own budget. The budget for 2020-2021 is summarized in the Annual Report with an additional line item attachments (Attachment No. 2). The summary is as follows:

INCOME:	2019-2020	2020-2021 (PROPOSED)	VARIANCE
City of HB Maintenance	\$162,000	\$188,430	\$26,430
BID Assessments	\$120,000	\$124,000	\$4,000
Surf City Nights	\$315,000	\$152,500	(\$162,500)
Surf City Days	\$15,000	\$0	(\$15,000)
Chili at the Beach	\$30,000	\$25,000	(\$5,000)
Families First Program	\$0	\$11,000	\$11,000
Main St. Outdoor Program	\$0	\$3,000	\$3,000
Destination Downtown	\$0	\$0	\$0
Halloween	\$0	\$0	\$0
Miracle on Main	\$0	\$5,000	\$5,000
Transfer from Reserves	\$66,000	\$30,000	(\$36,000)
TOTAL INCOME:	\$708,000	\$538,930	(\$169,070)
EXPENSES:			
MALCO Maintenance	\$150,000	\$176,430	\$26,430
Marketing/Advertising	\$17,000	\$16,500	(\$500)

Sponsorships/Donations	\$0	\$0	\$0
Ambassador	\$48,000	\$36,000	(\$12,000)
Office Expenses	\$3,000	\$3,000	\$0
Bank Charges	\$600	\$1,200	\$600
Dues & Subscriptions	\$3,000	\$3,000	\$0
Insurance	\$7,400	\$1,900	(\$5,500)
Accounting	\$7,000	\$6,950	(\$50)
License & Fees	\$2,000	\$2,000	\$0
Repairs & Maintenance	\$500	\$500	\$0
Rent & Storage	\$14,000	\$14,900	\$900
Telephone/Internet	\$2,000	\$2,200	\$200
Meeting/Training	\$2,000	\$1,650	(\$350)
PAYROLL:			
BID Director	\$102,000	\$100,000	(\$2,000)
Events Coordinator/Mngr.	\$62,000	\$48,000	(\$14,000)
Admin. Asst.	\$20,000	\$15,600	(\$4,400)
Payroll Taxes	\$7,000	\$2,000	(\$5,000)
Workers Comp.	\$1,000	\$1,250	\$250
Payroll Expenses	\$1,500	\$1,700	\$200
Security	\$128,000	\$0	(\$128,000)
BID EVENTS:			
SCN Rental & Set-up	\$30,000	\$22,500	(\$7,500)
SCN Street Cleaning	\$3,000	\$2,400	(\$600)
SCN Closure	\$5,000	\$3,700	(\$1,300)
SCN Parking	\$9,000	\$6,900	(\$2,100)
SCN Miscellaneous	\$18,000	\$4,500	(\$13,500)
SCN Quickbooks	\$0	\$9,000	\$9,000
Chili at the Beach	\$15,000	\$15,000	\$0
Surf City Days	\$7,500	\$0	(\$7,500)
Air Show	\$0	\$0	\$0
Halloween	\$7,500	\$5,150	(\$2,350)
Miracle on Main	\$10,000	\$10,000	\$0
Holiday Beautification	\$25,000	\$25,000	\$0
TOTAL EXPENSES:	\$708,000	\$538,930	(\$169,070)

As mentioned above, the DTBID's projected 2020-2021 budget has been reduced significantly from the prior year in response to COVID-19. A reduction in revenue from ongoing events is expected and is reflected in these projections. To cultivate more activity and business in downtown, the DTBID plans to build on their recent social media efforts and expand its in-house digital marketing program by creating an HB Downtown style guide, distributing monthly newsletters, and bi-monthly blogs. They will also work closely with the City in the administration and management of the Main Street Outdoor Dining Program, which has already been launched. Other projects for the new fiscal year

include the Families First Program, a student-focused program in the absence of on-campus education, and an expansion of the Farmer's Market to reintroduce Surf City Nights.

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 8, 2020. At that 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 has the option of reducing assessments or modifying the boundary area if public comments prompt adjustments. 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:

Pursuant to CEQA Guidelines Section 15378(b)(4), government fiscal activities that do not result in a physical change in the environment and do not commit the lead agency to any specific project, do not constitute a project. Therefore, these activities are exempt in accordance with CEQA Guidelines Section 15060(c)(3).

Strategic Plan Goal:

Strengthen long-term financial and economic sustainability

Attachment(s):

1. Resolution No. 2020-49, "A Resolution of the City Council of the City of Huntington Beach declaring the City's Intention to Levy an Annual Assessment for Fiscal Year 2020-21 Within the Huntington Beach Downtown Business Improvement District"
2. Exhibit A - Huntington Beach Downtown Business Improvement District 2019-2020 Annual Report
3. Exhibit B - Boundary Map, List of Businesses to be assessed for FY 2020-2021, and Assessment Schedule for 2020-2021
4. Exhibit C - Types of improvements and activities proposed to be funded