

**CITY OF HUNTINGTON BEACH  
SUPPLEMENTAL COMMUNICATION**

**Joan L. Flynn, City Clerk  
Office of the City Clerk**

**TO: Honorable Mayor and City Councilmembers**

**FROM: Joan L. Flynn, City Clerk** 

**DATE: 7/7/2014**

**SUBJECT: SUPPLEMENTAL COMMUNICATIONS FOR THE JULY 7, 2014, REGULAR CITY  
COUNCIL/PFA MEETING**

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Attached are the Supplemental Communications to the City Council (received after distribution of the Agenda Packet):

**Study Session**

**#1.** PowerPoint communication submitted by Ken Domer, Assistant City Manager, entitled *Visit Huntington Beach*.

**#2.** PowerPoint communication submitted by Fred Wilson, City Manager, dated July 7, 2014, entitled *Bolsa Chica Lowlands Annexation Update*.

# VISIT HUNTINGTON BEACH



VISIT  
HUNTINGTON  
*beach*  
SurfCityUSA®

# **Visit Huntington Beach (VHB) seeks City Council approval to:**

**Increase the current Huntington Beach Hotel Motel Business Improvement District (HBHMBID) assessment from 2% to 3%. This assessment is not a tax, but an assessment that overnight visitors pay when they patronize our overnight accommodations properties.**



# Visit Huntington Beach seeks City Council approval to:

- Form the District under the 1994 Parking Business & Improvement Area Law. The current District was formed in 2002 under the 1989 Parking & Business Improvement Area Law. Assessment was initially 1% and changed to 2% in 2010.



# Visit Huntington Beach seeks City Council approval to:

- Change the name of the District from HBHMBID to the Huntington Beach Tourism Business Improvement District (HBTBID). Organization name of VHB will remain the same.



# VBH and the City of HB have enjoyed an excellent relationship for many years



- Contractual agreements to market and sell Surf City USA to target markets, media, meeting planners, film makers, domestic leisure travelers, int'l travel trade, advertising, website and social media
- Partnerships on a variety of programs (HB Centennial, Fire Rings, Int'l Surf Museum, Welcome Center Kiosk at the Pier, 100 Years of Surfing)

# Return-On-Investment is working!

Since the creation of the current HBHMBID, and the partnership we have with the City in using one percent of the 10 percent occupancy tax, we have collectively grown the tourism industry to be a major economic development driver in HB. The return-on-investment numbers show that it's working!



# City of HB/VHB Partnership Success (SMG Research: 2011-2013)

- Travel spending increased 20% (\$280 M to \$352 M)
- TOT collections to City increased \$1 M dollars (\$6.4 M to \$7.4 M)
- Number of visitors increased 20%
- Annual occupancy increased from 72.4% to 76.6% (4% increase)
- Average Daily Rate (ADR) increased from \$211/night to \$231 (9% increase). \$231 was the #1 ADR in Orange County for 2013.



# City of HB/VHB Partnership Success

## *(SMG Research: 2011-2013)*

- Total direct, indirect and induced annual spending by visitors now totals nearly one-half a billion dollars: \$532 M (2013)
- Total number of direct, indirect and induced jobs generated by travel spending now totals 4,479 jobs (2013)

# Competitive Reality: Losing Ground

## Total Annual Budgets of HB's Key Beach Competitors

- Visit Long Beach \$8 M (\$4 M TOT, \$4 M TOT)
- Visit Newport Beach \$7 M (\$2.5 M TBID, \$4 M TOT)
- Santa Monica CVB \$6 M (\$3.3 M TOT, \$2.5 M Gen Fund)
- Visit Santa Barbara \$3.5 M (\$1.8 M TBID, \$1.5 M Gen Fund)
- Visit Huntington Beach \$2.4 M (\$1.6 M TBID, \$800 K Gen Fund)



# Why increase the current District assessment?

- Need to maintain/increase HB's competitiveness, occupancy rate and overall visitation
- Increase TOT receipts and other non-lodging revenues back to the City of HB
- Provide long term stable funding for destination marketing under 1994 law



# Why increase the current District assessment?

Changing to the 1994 law and increasing financial resources (\$1 M per year in new revenue) allows VHB to pay an even more collaborative role with the City of Huntington to help grow our local economy

- Increase VHB sales and marketing budget
- Establish a dedicated Destination Product Development fund
- Create a Visitor Services Enhancement program



# **Economic impact of 1% increase over five years is substantial (SMG 2014-2019)**

- New incremental spending by visitors will be \$119 M
- Nearly \$3 M in new TOT revenue generated for the City
- An additional \$700,000 in other local taxes generated
- An additional 1,000 tourism-related jobs



# Leveraging new HBTIBD assessment dollars: *Turning estimates into economic reality in a competitive travel world*

## Sales & Marketing Efforts

- Website and social media
- Advertising
- Public relations
- Meetings and convention sales
- Sports and film
- International brand awareness
- New coop marketing/partnership programs



**Establish a Destination Product Development fund for new or repurposed capital improvement projects. Work collaboratively with City to establish funding criteria and award process.**

- Integrated Citywide Wayfinding program
- Rubber tire trolley service
- Wetlands enhancements
- Gateway and corridor improvements
- Art, culture and heritage projects
- Parks and sports facilities
- Live music venue



# Destination Product Development (DPD) Collaboration

- DPD will be 12.5 percent of the annual HBTBID budget. As the total number of rooms increases over time, the amount of available funds for projects will increase.
- In no case should the funds drop below the 12.5% of the HBTID budget, or not be awarded to DPD projects. These funds could be banked and awarded in the future to a larger DPD project, as agreed to by both parties.
- Working collaboratively with the City Manager, VHB will develop specific DPD funding criteria and an award process. The City, working with VHB, shall have equal input to make recommendations to the VHB Board for final project approval.



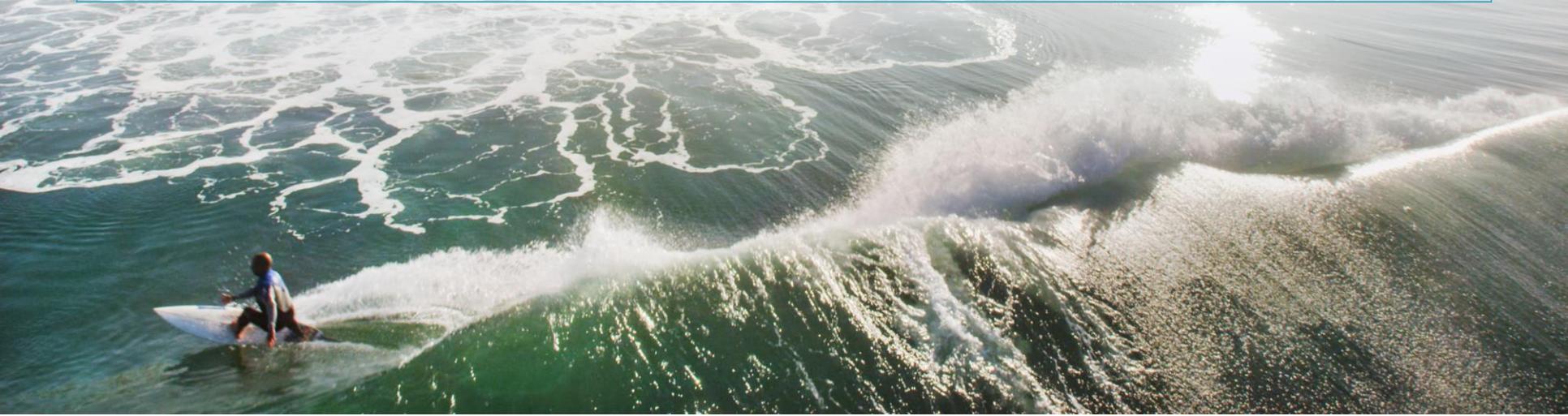
# Create a Visitor Services Enhancement Fund

- Long term funding and expansion of proposed Ambassador program
- Front line visitor services training program for community partners and local businesses
- Pier Kiosk and Welcome Center improvements

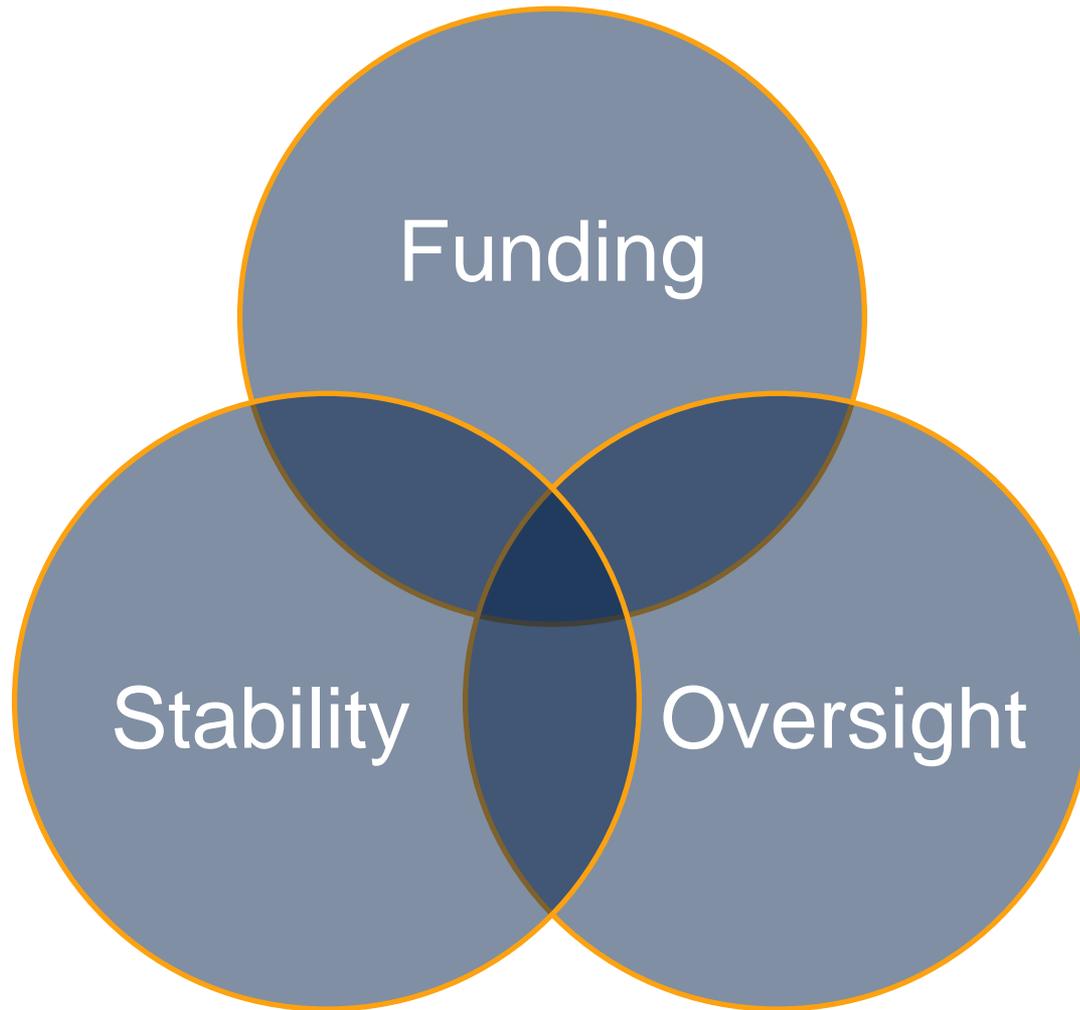


# Competitive TBIDs

| Location         | Amount Raised | Assessment Rate           | TOT Rate | Total Guest Charge |
|------------------|---------------|---------------------------|----------|--------------------|
| Huntington Beach | \$1,589,000   | 2% room revenue           | 10%      | 12%                |
| Newport Beach    | \$2,500,000   | 3% room revenue           | 10%      | 13%                |
| Costa Mesa       | \$1,100,000   | 3% room revenue           | 8%       | 11%                |
| Laguna Beach     | \$950,000     | 2% room revenue           | 10%      | 12%                |
| Irvine           | \$1,600,000   | 2% room revenue           | 8%       | 10%                |
| Anaheim          | \$9,000,000   | 2% room revenue           | 15%      | 17%                |
| Long Beach       | \$4,000,000   | 3% room revenue           | 12%      | 15%                |
| Torrance         | \$630,000     | 1% room revenue           | 11%      | 12%                |
| Santa Monica     | \$3,350,000   | \$2.25 - \$4.25 per night | 14%      | 14% + \$4.00       |
| Oceanside        | \$472,500     | 1.5% room revenue         | 10%      | 11.5%              |
| Santa Barbara    | \$1,800,000   | \$0.50 - \$2.00 per night | 14%      | 14% + \$2.00       |



# TIDs are an answer...



# California has two TID laws...

## 1989 Law

- No petition
- 1 year term
- Annual renewal
- Business only
- Appointed advisory board
- City can disestablish

## 1994 Law

- 50% + 1 petition
- 5 or 10 year term
- Business or property
- Non-profit management
- Annual report
- Payors can disestablish

# The Tourism Business Improvement Districts Modification process

| Date    | Task  | Party        |
|---------|---|--------------|
| 7/7/14  | Council Workshop  | City Council |
| 7/21/14 | Submit signed petitions to city   | VHB          |
| 7/21/14 | Resolution of Intention (1994 creation)   | City Council |
| 7/22/14 | Mail notice (1994 creation)   | City Clerk   |
| 8/18/14 | Public Meeting (1994 creation)  | City Council |
| 9/8/14  | Final Hearing / Resolution of Formation (1994 creation)                                     | City Council |
| 9/22/14 | Resolution of Intention (1989 termination)<br>First reading of Ordinance (1989 termination) | City Council |
| 10/1/14 | New assessment goes into effect (9/30 existing assessment ceases)                           | Hotels       |
| 10/6/14 | Public Hearing / Ordinance Disestablishing (1989 termination)                               | City Council |
| 11/1/14 | Existing district termination date (1989 Act termination)                                   |              |



# THANK YOU!

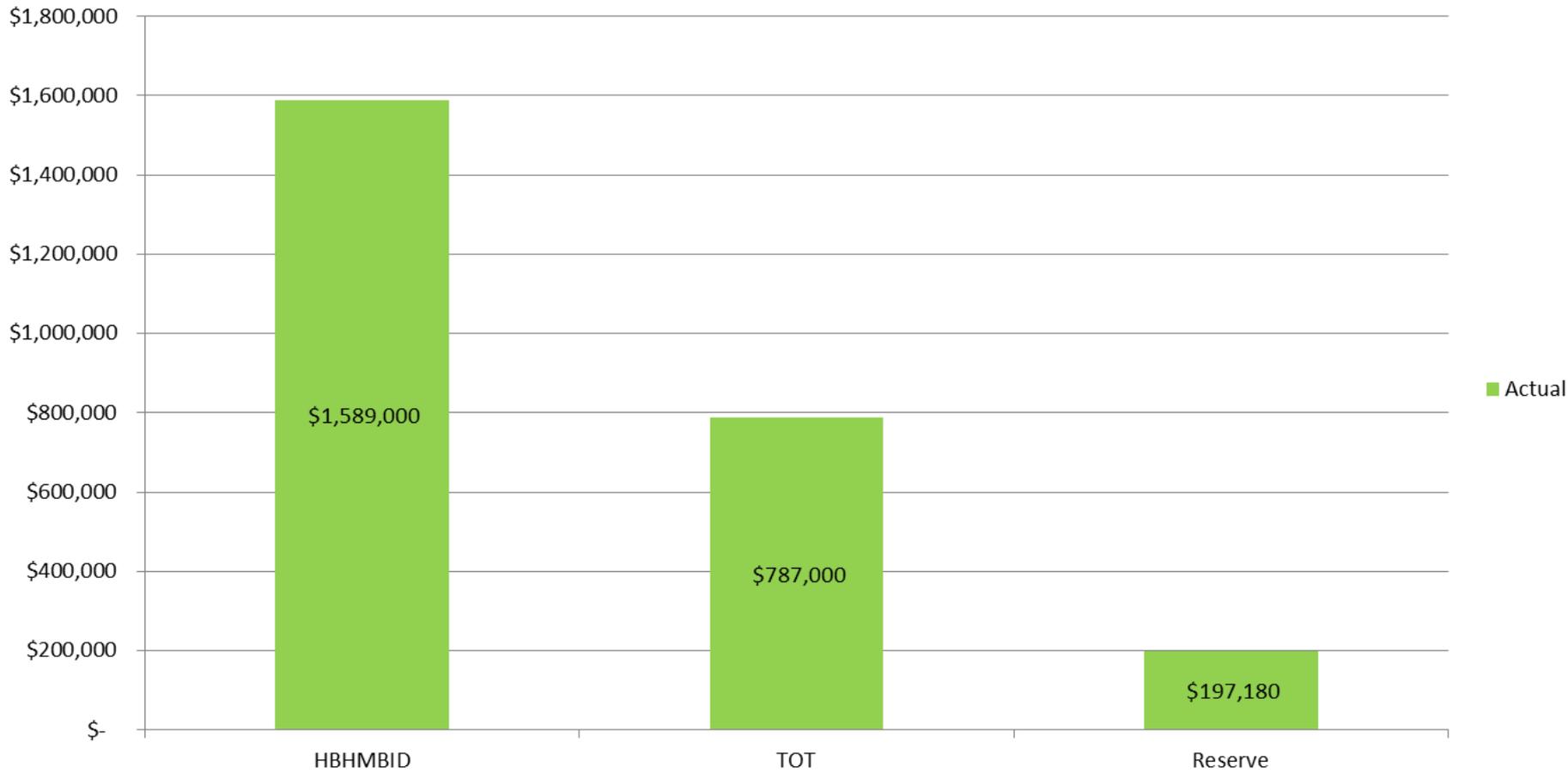


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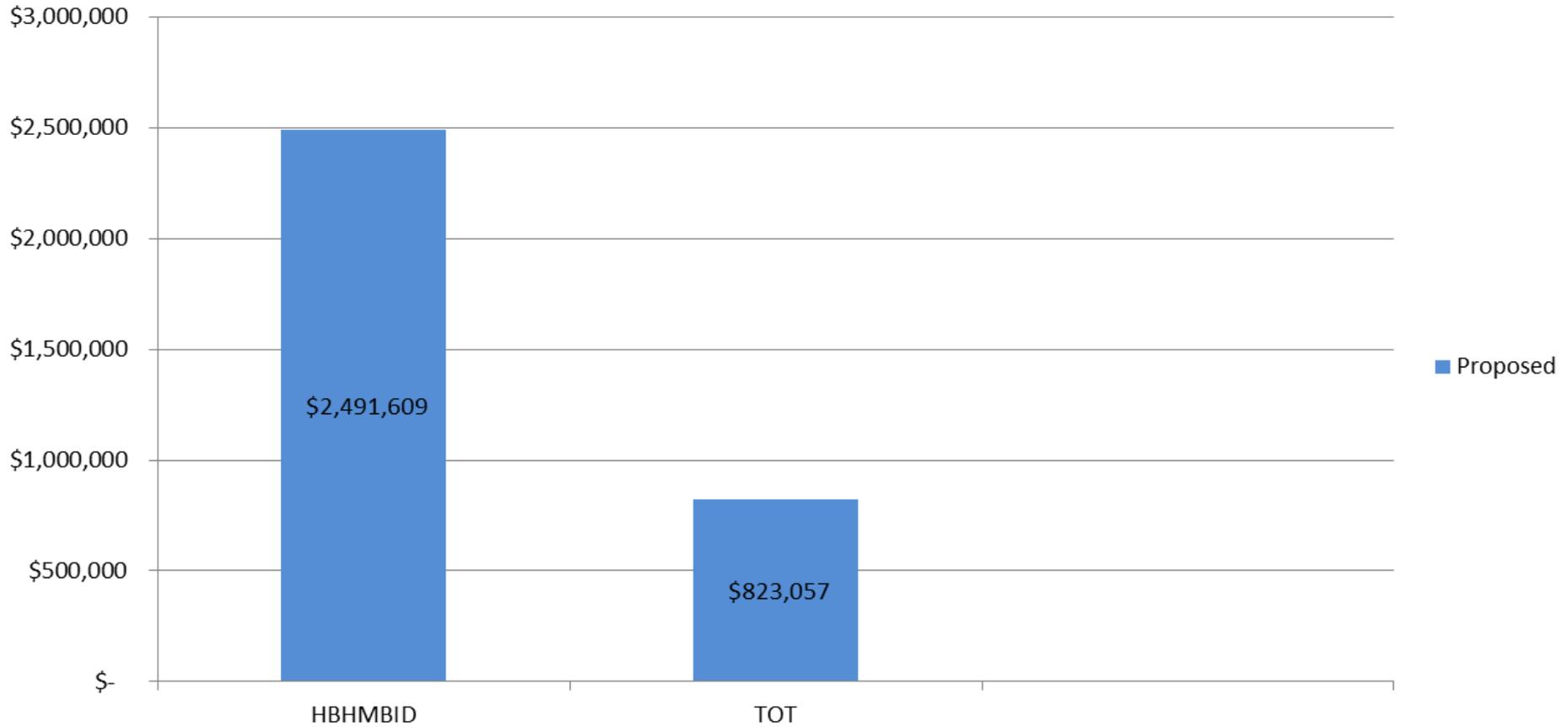
# Back up slides

- TID
- Budget numbers

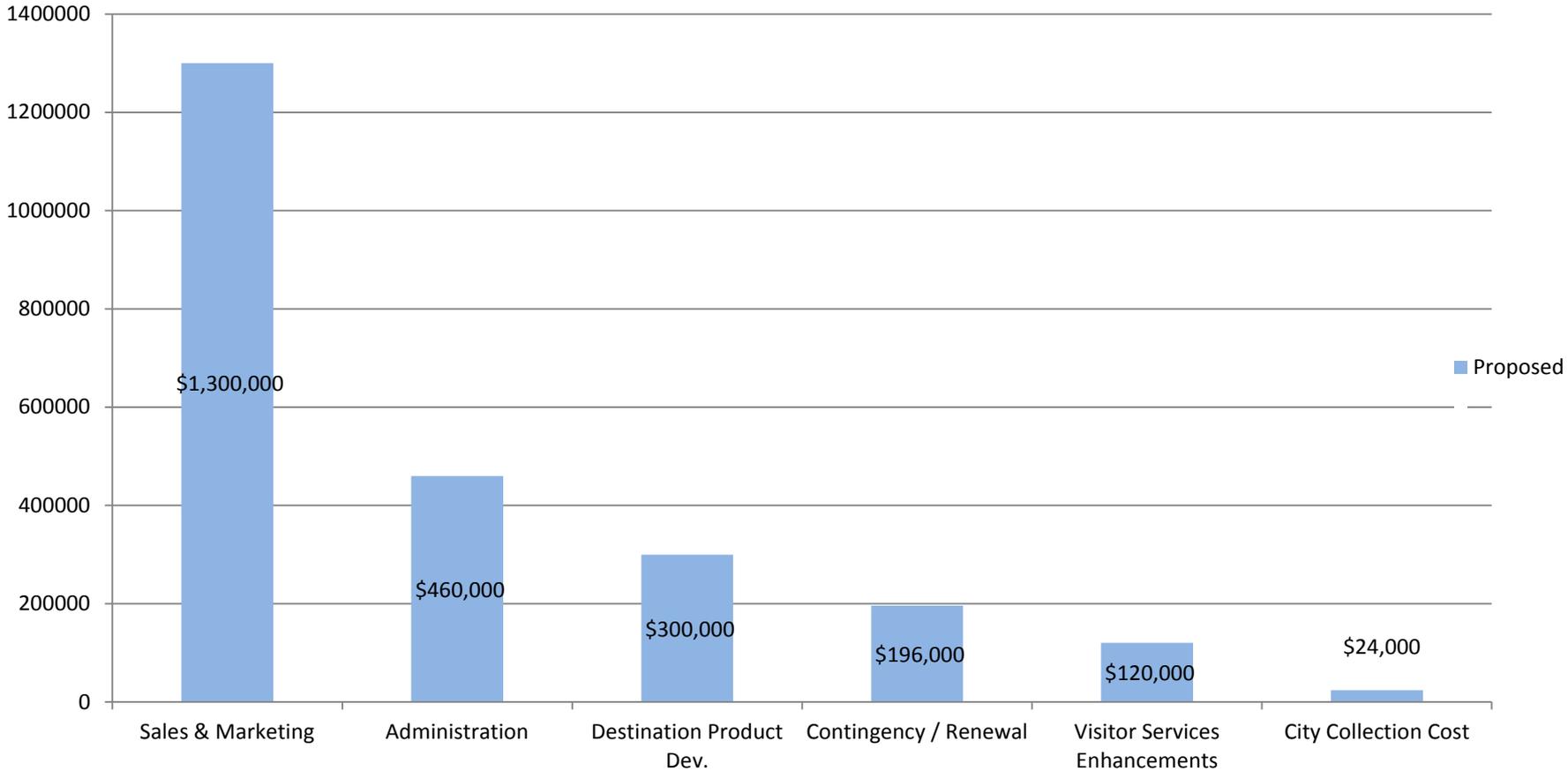
# Current FY 13-14 Budget \$2,574,339



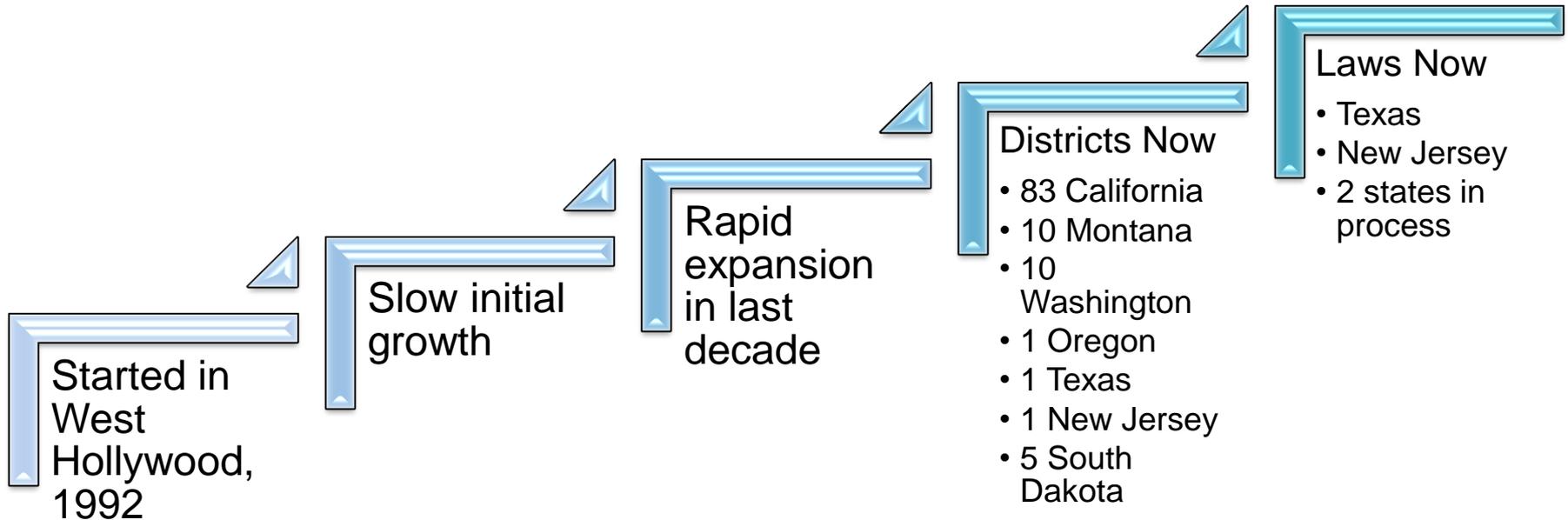
# Budget with proposed 1% increase effective October 1, 2014, \$3,314,666



# Budget Categories based on 3% HBHMBID



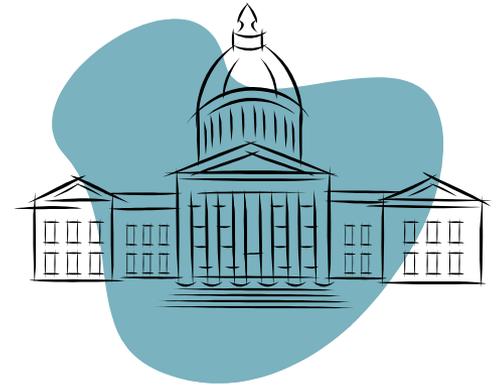
# The TID Revolution



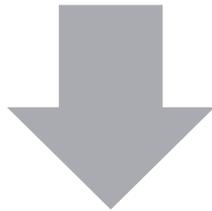


Hotels pay an assessment...

Collected by the local government...



And managed by the DMO.



# Bolsa Chica Lowlands Annexation Update



City Council Study Session  
July 7, 2014

# Summary of Actions to Date

- October 2009 – RSG Prepared a Study to address impacts associated with the annexation of the Bolsa Chica Lowlands.
- March 2013 – Staff directed to have the 2009 RSG Study Updated
- July 2013 – Study Session held to present updated study (minimal changes presented)
- January 21, 2014 – Study Session held to update the Council on the proposed annexation process
- February 18, 2014 – City Council approved the following motions:

# Approved Motions (2-18-2014)

- A. Direct staff to prepare all the necessary documents required for application to the Orange County Local Agency Formation Commission for annexation of the unincorporated County of Orange Bolsa Chica Lowlands.
- B. Direct staff to negotiate Memorandum of Understandings with the County and other entities as needed to ensure continued maintenance of the Bolsa Chica area as described in this report.
- C. Direct staff to negotiate with the County of Orange relative to the City of Huntington Beach taking ownership of property known as the Harriet M. Wieder Park as described in this report.

## **Update on Motion A:**

- A. Direct staff to prepare all the necessary documents required for application to the Orange County Local Agency Formation Commission for annexation of the unincorporated County of Orange Bolsa Chica Lowlands.

### **STATUS:**

Staff is working with the LAFCO on the application and required information. Additionally, LAFCO has indicated that their preference would be for the annexation to include the 6 acre Goodell property.

## **Update on Motion B**

- B. Direct staff to negotiate Memorandum of Understandings with the County and other entities as needed to ensure continued maintenance of the Bolsa Chica area as described in this report.

### **STATUS:**

Staff is working with the County Administrative Office and plan to follow the basic Memorandum of Understanding and Pre-annexation Agreement used in the Sunset Beach annexation.

## **Update on Motion C**

- C. Direct staff to negotiate with the County of Orange relative to the City of Huntington Beach taking ownership of property known as the Harriet M. Wieder Park as described in this report.

### **STATUS:**

Staff has been working with Supervisor Moorlach's Office, County Administrative Office, and County Parks for several months regarding deal points for City ownership of Harriett Wieder Park.

## Harriett Wieder Regional Park Information:

- 114 acres of planned regional park area
- 80 acres of the 114 acre area are currently Irrevocably Offered for Dedication (IODs) from Hearthside Homes to the County - 56 of the acres have current oil leases
- 45 acres are currently within the City limits – and included in current park inventory
- 4 acres of improved area (Tot Lot) with an annual maintenance cost of \$39k
- County has indicated that they have no plans to improve the remaining acreage, but would be willing to incentivize the City to take ownership of the park by providing funding for capital improvements and 5 years maintenance.

## **Proposed County Endowment**

Subject to County Board of Supervisor approval, the County is proposing a \$1.25M endowment – (\$1M in funding for capital improvements and \$250k in funding for five years maintenance costs). Improvements could include the following (as shown on the next slide):

- Bike/Pedestrian asphalt trail (Palm to Garfield)
- Multi-Use DG trail (Garfield to Ellis/Central Park)
- Vista Overlook Improvements (contingent upon amenities)

Note: Final amenities and cost estimates will be determined based upon the trail route linking Ellis to Garfield.



①



②



EXISTING DG TRAIL  
 PROPOSED DG TRAIL  
 0.75M CONC. V-DITCH, PIPE  
 DRAINAGE TO OUTLET

③

HARRIETT M. WILSON

Pacific Ocean

LEGEND

EXISTING PARK BOUNDARY

## REVISED SUMMARY OF REVENUES AND EXPENDITURES (June 2014)

| REVENUE              |                  | ONE TIME COSTS              |   | ONGOING COSTS                |                                       |
|----------------------|------------------|-----------------------------|---|------------------------------|---------------------------------------|
| Property Tax         | \$2,800          | Application to LAFCO        | \$4,600   | Fire Suppression             | ***Unknown – up to \$15k per incident |
| Oil Well Insp. Fees  | \$6,800          | Annexation Fee              | \$10,000  | Fire Oil Well Inspections    | \$25,000                              |
| Utility User Fees    | \$140            | Maps/Legal Descriptions     | <del>\$60,000</del><br>\$19,500 (FY 13/14)          | Police Services              | Minimal                               |
| Franchise Fees       | \$140            | State Board of Equalization | \$3000  | Code Enforcement             | Minimal                               |
| Oil Extraction Tax   | \$125,000*       | County Surveyor             | \$2,500   | Other negotiated maintenance | TBD                                   |
|                      |                  | Local Imp. Plan             | \$30,000  | Regional Park O & M          | ???                                   |
| <b>TOTAL REVENUE</b> | <b>\$135,680</b> | <b>TOTAL ONE TIME COSTS</b> | <del><b>\$110,100**</b></del><br><b>\$ 90,600**</b> | <b>TOTAL ONGOING COSTS</b>   | <b>\$25,000</b>                       |

|    | Project Schedule  |   |
|----|---|---|
|    | Action  | Updated Target Completion Date            |
| 1  | Prepare an RCA requesting authorization to proceed with the preparation of documents required for application to LAFCO  | <del>February 4, 2014</del><br>Complete   |
| 2  | Issue a bid to complete the legal description   | <del>March 2014</del><br>Complete         |
| 3  | Conclude negotiations with County regarding Tax Sharing Agreement   | <del>April 2014</del><br>September 2014   |
| 4  | Negotiate other MOUs as necessary with landowners to ensure maintenance requirements are met  | <del>April 2014</del><br>September 2014   |
| 5  | Complete Legal Descriptions   | <del>July 2014</del><br>Complete          |
| 6  | Prepare Pre-Zoning documentation  | <del>September 2014</del><br>October 2014 |
| 7  | Environmental documentation comment period begins   | <del>November 2014</del><br>December 2014 |
| 8  | Hold Planning Commissions Meeting   | February 2015                             |
| 9  | Hold a public hearing with the City Council approving pre-annexation land use approvals and resolution of intent authorizing submittal of an application to LAFCO | April 2015 (or sooner)                    |
| 10 | LAFCO approval of City application  | August 2015 (or sooner)                   |
| 11 | Amend Local Coastal Program Implementation Plan to reflect approved annexation  | TBD                                       |