



NEWPORT BEACH

City Council Staff Report

June 9, 2020
Agenda Item No. 15

TO: HONORABLE MAYOR AND CITY COUNCIL

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TITLE: Resolution No. 2020-59: Resolution of Intention to Renew the Newport Beach Restaurant Association Business Improvement District, Levy Assessments in FY 2020-21 and Fix Time and Place of Public Hearing

ABSTRACT:

The Newport Beach Restaurant Association Business Improvement District (NBRA BID) Advisory Board of Directors (Board) has submitted the BID's annual report and budget for the City Council's review and approval. The Board also submitted a letter requesting the renewal of the NBRA BID for fiscal year 2020-21 and thanking the City Council for considering \$40,000 in funding support to the BID due to the economic impact of the COVID-19 pandemic on Newport Beach restaurants.

RECOMMENDATIONS:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly;
- b) Approve and/or modify the Newport Beach Restaurant Association Business Improvement District's Fiscal Year 2019-20 Annual Report and its Proposed Fiscal Year 2020-21 Budget;
- c) Direct staff to return to the City Council with the NBRA BID's detailed plan and budget for how \$40,000 in COVID-19 economic relief funds will be utilized before the City of Newport Beach releases the funds; and
- d) Adopt Resolution No. 2020-59, *A Resolution of the City Council of the City of Newport Beach, California, Declaring its Intention to Renew the Newport Beach Restaurant Association Business Improvement District and Levy Assessments for the Fiscal Year of July 1, 2020 to June 30, 2021, and Fix the Time and Place of a Public Hearing for June 23, 2020.*

FUNDING REQUIREMENTS:

The City of Newport Beach (City) contracts with a vendor (the NBRA BID pays for these services) to collect the stakeholder assessments and remit the money directly to the NBRA BID's bank account. The monies are used for funding the BID's activities as described in the annual report (Attachment A).

At the May 26, 2020 City Council meeting, the Ad Hoc Committee on Local Business Advancement recommended, and a straw vote of the Council indicated the majority favored, providing the NBRA BID with \$40,000 for COVID-19 economic relief support. Once the City Council determines the NBRA BID's COVID-19 relief spending plan to be satisfactory, the allocation will be disbursed to the NBRA BID.

DISCUSSION:

The Newport Beach Restaurant Association Business Improvement District (NBRA BID) was formed in 1995 (Ordinance 95-55) pursuant to the Parking and Business Improvement Area Law of 1989 (1989 Law), codified in the Streets and Highway Code Sections 36500 et seq. The NBRA BID was established for the purpose of financing activities and programs to benefit its member businesses. The NBRA BID membership encompasses any food-service business within the city boundaries, including restaurants, markets with dine-in or take-out food service, bars serving food, dessert shops, coffee shops, juice bars, catering companies, and similar food-related business. A boundary map is attached to the Resolution of Intention (Attachment D).

The NBRA BID is nearing the end of its FY 2019-20 operating period and the Board, which serves in an advisory capacity to the City Council, has requested renewal of the BID for FY 2020-21. Pursuant to the 1989 Law, an annual report must be prepared and filed with the City Council and a public hearing must be held prior to the BID's renewal. If the City Council adopts the Resolution of Intention, the public hearing will be held on June 23, 2020.

The NBRA BID Board prepared and submitted the annual report for the City Council's review and approval. The report includes a summary of the NBRA BID's FY 2019-20 accomplishments and revenues as well as its proposed activities and budget for the upcoming fiscal year. In addition, the NBRA BID Board met on May 27 and recommended that its president submit a letter to the City Council requesting the BID's renewal and thanking the City Council for considering allocating \$40,000 in COVID-19 economic relief funding to the BID (Attachment B).

To meet the requirements for the City Council's consideration of COVID-19 economic relief funding, the BID will focus its efforts on creating a comprehensive marketing campaign and promotions to further encourage dining in or ordering take-out. Phase one of their Restaurant Recovery Plan includes a Summer 2020 Restaurant Week promotion in July to help jump-start the financial recovery of the restaurants. The BID also plans to host stakeholder training, education and forums to assist restaurants with re-opening.

Further, the NBRA BID Board voted at its May 27 meeting to reduce the member assessment rates by 25% for Fiscal Year 2020-21 and to postpone billing until October 2020 to help provide financial relief to the stakeholders. The BID Board hopes these efforts will allow the restaurants to take advantage of the busy summer season to pay off other outstanding debts before paying a reduced assessment to the BID.

Staff believes these proposed activities support the Council's desire to have COVID-19 relief funds provided by the City utilized to facilitate the reopening and recovery of BID member businesses and/or used to offset revenue losses resulting from a temporary decrease in assessments. However, it is also staff's understanding that the Council wants to see a detailed plan and budget that explains the specific activities the NBRA BID will accomplish with \$40,000 in COVID-19 relief funds. Therefore, staff is recommending that the City Council direct staff to return with the NBRA BID's detailed plan for Council review and approval before the monies are distributed to the NBRA BID.

Fiscal Year 2019-20 Accomplishments

The NBRA BID Board used this fiscal year to focus on increasing market awareness, enhancing stakeholder benefits, elevating the BID's community profile, and ensuring financial and administrative effectiveness. Highlights of some of the activities from FY 2019-20 are listed below:

1. **Restaurant Week.** The 2020 Newport Beach Restaurant Week had a record number of stakeholder businesses participating (72 restaurants, including eight new restaurants). The event celebrated the 14th anniversary of Restaurant Week and resulted in a 19-percent increase in revenue and an estimated \$3.9 million in consumer spending, a 3-percent increase year over year. The Newport Beach Restaurant Week launched its first year with a charity partner, Second Harvest Food Bank in Orange County, raising \$4,090 in an effort to "Dine to Make a Difference."
2. **Marketing.** The NBRA BID provides strategic and comprehensive marketing programs to promote dining in Newport Beach. This year, marketing efforts included publishing the online Dine NB newsletter; running the 52 Weeks of Dining email campaign; distributing quarterly stakeholder emails; and creating the Weekly Bites and Culinary Journeys video series highlighting stakeholder establishments.

The remainder of the FY 2019-20 activities are listed in the annual report.

Fiscal Year 2019-20 Operating Results

The estimated year-end operating budget for the NBRA BID's FY 2019-20 is reflected in the table below.

Estimated FY 2019-20 Year-End Operating Budget	
Income (City Event Grant Funding, Assessments, Late Fees)	\$184,787
Special Event Income (Restaurant Week)	\$39,299
Total Income and Fund Balance	\$224,086
Total Expenditures	\$216,964
End of Year Balance (Retained Earnings)	\$7,122

In addition, the NBRA BID has set aside year-end balances since 2016 into a reserve. As of June 30, 2019, the NBRA had a reserve fund balance of \$162,312.

Proposed Budget for Fiscal Year 2020-21

The proposed operating budget for FY 2020-21 is attached to the NBRA BID's annual report for the City Council's approval and summarized in the table below.

Proposed FY 2020-21 Operating Budget	
Income	
<i>Proposed City Support Funding (COVID Recovery & Special Event Grant) *</i>	\$49,000
Restaurant Week Income	\$25,000
Member Assessment (Projecting 60% income decrease due to COVID-19)	\$57,500
Retained Earnings from FY 2019-20	\$7,122
Money from Reserve Account (carry-over from prior years)	\$70,000
Total Income	\$208,622
Expenses	
Operational Expenses	\$14,600
Event Expenses	\$54,122
Administration (Board/Admin/Bookkeeping Services)	\$55,000
Vendor/Contractor Services	\$33,000
Outreach	\$51,900
Total Expenses	\$208,622

*This income is proposed as it has not been approved by the City Council, the \$40,000 is the economic grant and the NBRA is asking for a \$9,000 Special Events grant from the City, which will be considered separately. Should this funding not become available, the NBRA would revise its budget accordingly or take the balance from their reserves.

The NBRA BID Board approved taking \$70,000 from the BID's reserve account to use in the FY 2020-21 operating budget. This leaves a reserve fund balance of \$90,000, which the NBRA BID would utilize if economic conditions worse.

BID Stakeholder Benefits

The NBRA BID provides marketing, advertising, public relations and event promotion in support of its stakeholders. Through a City agreement, Newport Beach & Company (NB&Co.) provides these services to, and are paid for by, the NBRA BID. The NBRA BID prepared its FY 2019-20 marketing highlights to show the value of the benefits received by the BID stakeholders (Attachment C).

FY 2019-20 stakeholder highlights include the following:

- Website traffic reached over 270,525 unique visitors.
- Social media channel followers increased by 42 percent.

- Videos achieved 113,447 views on social media platforms.
- Email subscription database increased by 63 percent.
- Email campaigns yielded over 162,000 impressions.

Resolution of Intention

The Resolution of Intention (Attachment D) for the NBRA BID provides for the following:

- Renews the NBRA BID for fiscal year 2020-21 with assessment levies as follows:
 - \$450 for full-serve restaurants
 - \$375 for fast-casual restaurants
 - \$375 for grocery or markets
 - \$112.50 for coffee, tea or specialty shops, dessert, bakery or treat shops, juice bar or smoothie shop, and catering companies.
- Explains the improvements and activities to be funded are:
 - Marketing, advertising, and public relations;
 - Brochure development and distribution;
 - Promotion of public events;
 - General promotion of restaurant trade activities;
 - Educational and training classes for members; and
 - Membership in various organizations.
- Sets the public hearing for June 23 at 7 p.m.

Per the 1989 Law, the City Council may revise, change, reduce or modify the assessment or the type(s) of improvements and activities proposed to be funded by the NBRA BID Board.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENTS:

~~Attachment A – NBRA BID Annual Report and Budget~~
~~Attachment B – Letter from the NBRA BID Board Chair~~
~~Attachment C – NBRA BID Marketing Highlights~~
~~Attachment D – Resolution No. 2020-59~~