

Chapter 8

IMPLEMENTATION & PUBLIC BENEFITS PLAN

DRAFT

HUNTINGTON BEACH DOWNTOWN SPECIFIC PLAN UPDATE
DOWNTOWN SPECIFIC PLAN GUIDELINES AND STRATEGIES

this page intentionally left blank



DRAFT

HUNTINGTON BEACH DOWNTOWN SPECIFIC PLAN UPDATE
DOWNTOWN SPECIFIC PLAN GUIDELINES AND STRATEGIES

Chapter 8 - Implementation

8.1. Introduction

This chapter outlines the implementation program for the Specific Plan. The implementation program includes the following components:

- An overview of the ways a specific plan can bring about economic investment and desired physical improvements;
- A review of the existing economic conditions influencing current and future development potentials in the Specific Plan Area;
- A summary of the types of new development that are likely to be economically viable in the Specific Plan Area;
- A description of various economic development “tools” or implementation approaches available to the City of Huntington Beach to achieve the Plan objectives;
- An Implementation Action Plan and summary of recommendations; and
- A review of potential funding mechanisms for implementation of key Plan initiatives.

8.2. Attracting Private Investment and Providing Public Benefits

An effective specific plan typically involves both the public and private sectors. Whereas development of the land uses envisioned for a Specific Plan Area is often “kick started” by various public sector initiatives, the ultimate goal of this type of planning effort is to attract desired private investment. Broadly speaking, there are two major ways that a municipality can facilitate private development:

1. By creating a “conducive development environment” that is consistent with prevailing market demand for various land uses. This may include the following types of actions or policies:
 - Zoning, design guidelines, etc. that are responsive to market needs at the individual establishment level, while maintaining the overall character of the Specific Plan Area that preserves and enhances its general marketability;
 - Information about the concepts, intent, etc. of the Specific Plan Area to prospective investors/tenants;
 - Streamlined permitting and entitlement processes;

DRAFT

- Area-wide infrastructure investments, including parking facilities and street improvements;
 - Area-wide “amenity” investments, including landscape and streetscape improvements;
 - Marketing programs to enhance the area’s identity and recognition among consumers; and
 - Improvements to neighboring areas.
2. By providing focused development support to area businesses, property owners, and key development projects. This can involve the following types of initiatives:
- Assembling development or redevelopment sites;
 - Financially structuring shared infrastructure improvements that increase the productivity of the area in ways that are advantageous to development, such as shared parking;
 - Investing in general infrastructure improvements in the Specific Plan Area

Each of these potential implementation items is described in greater detail below in Section 8.5. Creating the Conditions for Attracting Private Investment and 8.6. Implementation Action Plan.

8.3. Economic Conditions Influencing Development Potential

An effective Specific Plan needs to be based on a realistic understanding of the market conditions affecting the Specific Plan Area. Simply changing zoning on a map will not attract development unless there is an underlying market demand for a particular land use. On the other hand, if there is immediate demand for a desirable land use that is not permitted under existing zoning, a change in zoning can bring about very significant results. Moreover, appropriate zoning changes can be made more effective if coupled with policies that address other existing barriers to development, such as insufficient infrastructure.

The following is a summary of key existing conditions that will influence the realistic range of future development opportunities in the Specific Plan Area.

- The Specific Plan Area is largely “built out.”
- Prevailing property values in the Specific Plan Area reflect the fact that most parcels are already developed with existing viable uses. This situation will tend to limit the financial feasibility of redeveloping these parcels with lower-density land uses. That is, in most cases, new development would need to be relatively high density in order for the ultimate value of the development to justify the costs associated with buying and clearing land that is currently occupied with other uses. While there may be some (currently underutilized) sites that are exceptions to this observation, it should apply as a good rule of thumb for defining the types of opportunities that are likely to exist for most parcels.

- The relatively limited availability of public parking, at least during peak periods, currently serves as a constraint to development in the Specific Plan Area.
- The above conditions suggest the following major conclusions about the types of opportunities that are likely to apply to existing or future development in the Specific Plan Area:
 - Most new development will likely need to be relatively high density given prevailing land values, as well as the related cost of assembling viable development sites.
 - Developers will seek to leverage the activity generated by major projects currently being developed, especially The Strand and Pacific City, by catering to the special needs of new types of residents and patrons that these projects could bring.
 - Smaller, infill development projects will face the greatest challenges of financial feasibility, and this is particularly the case when residential, even low-density residential, uses already exist; as the residential market, since it is effectively global and not just localized, can, in circumstances where demand is particularly strong, out-bid local-serving businesses for land.
 - Parking solutions for mixed-use need to be as creative as possible, and these concepts are addressed in the Implementation Action Plan below.
 - The area should benefit from additional focus on visitor-oriented marketing and leveraging existing events and the Special Events Plan that IMG/Action Sports will develop; and owners, developers, and tenants should be encouraged to shift their business focus towards the messages embodied in these programs.
 - The preceding points all suggest that the City is well served by a flexible approach that anticipates the above issues and is responsive to the accompanying needs and market demands.

8.4. Summary of Demand Projections

As part of the background research for this Specific Plan, The Natelson Dale Group, Inc. (TNDG) prepared a market study to identify long-range demand for various types of development in the Specific Plan Area. Key findings from TNDG's market analysis are summarized below.

8.4.1. Summary of Potential Land Use Demand

Figure 8-1 provides a summary of conservative and aggressive demand for new development in the Specific Plan Area over the next 20 years.

DRAFT

Summary of Potential Land Use Demand		
Land Use	Market Demand ¹	
	Conservative	Aggressive
Retail	231,258 sq.ft.	388,770 sq.ft.
Restaurant	75,783 sq.ft.	91,830 sq.ft.
Office	108814 sq.ft.	225,897 sq.ft.
Residential	449 units	1,198 units

¹ Capturable Demand Estimates for 2025, TNDG

Figure 8-1 Summary of Potential Land Use Demand

8.4.2. Pro Forma Analysis

The feasibility of new development and redevelopment in the Specific Plan Area was examined in three phases by TNDG. First, demand for different land uses was estimated based on unconstrained supplies of land. Second, practical limits on development/redevelopment activity were examined in cooperation with RRM planners. Third, TNDG prepared analyses of financial feasibility through a series of pro formas that included factors such as existing land values.

In order to assess, at a preliminary level, the financial feasibility of redevelopment of underutilized properties in Downtown Huntington Beach, TNDG prepared a series of analysis models for hypothetical redevelopment scenarios based on prototypes developed by RRM. The models combined data on land costs, floor-area-ratios (FAR), parcel sizes (using actual parcels as project examples), building costs, parking requirements, potential building rents and sale prices (for condominiums), and potential development value based on projected cash flows.

The evaluated prototypes included three mixed-use projects and one hotel project. The mixed-use projects included retail, restaurants, and office (one project) and/or condominiums (two projects), with one project having a bed & breakfast component as an option. Data for the assessments came from a variety of sources, including RRM Design Group (design configurations, parcel data including existing development at specific case-study sites, parking requirements, and cost estimates), construction cost estimating websites, and our internal data on development cost and project operational costs and other information.

Assessments of this type are subject to many cost/profitability factors and results should be viewed as providing preliminary and general indications only. The particular circumstances that pertain to specific sites, owner/developer motivations and efficiencies, shifting market conditions, functionality of projects, and the like, each affect, sometimes significantly, the

DRAFT

“bottom line” of such projects. As such, there are an almost infinite number of combinations of input values and, consequently, analysis results that pertain to assessments of this type.

In the discussion that follows, the pro forma assessments assume that all uses are equally leasable/saleable within the market – an assumption that focuses the analysis on the relative profitability of individual uses but is not necessarily accurate from the standpoint of a development business plan.

The results of the assessments, in general terms, indicate the following:

- Parking requirements, along with the need to place much of the parking underground, are a significant challenge to profitability of these projects. The high parking ratio that applies to restaurants is particularly challenging for that use; consequently, retail tends to be more profitable than restaurants. In this regard, profitability improves considerably with the option for developers to pay in-lieu fees to the City instead of actually building underground parking at roughly twice the cost per space as the in-lieu fees.
- Office is generally more profitable than retail, due to lower operating costs and more favorable capitalization rates. It should be noted, however, that the projected demand for office space (in terms of total square feet absorbable through 2025) is less than half of the projected demand for retail space.
- The pattern of current land prices suggests (preliminarily, as we have not analyzed this issue comprehensively) that residential use is perhaps more valuable than commercial, which creates an additional burden for prospective redevelopers.
- A hotel development should be profitable in a redevelopment scenario, but this use has perhaps the widest range of potential variation to input values, so any generalization should be considered in that regard.
- Development of bed and breakfast facilities is challenging based on typical performance factors for this type of project. While there is virtually no such thing as a “typical” bed and breakfast, they tend to have lower occupancy rates than hotels and are very owner-specific in terms of acceptable rates of return, etc. Owners and operators of such facilities are not necessarily as focused on profitability as on a career lifestyle.
- The residential units tend to be infeasible as apartments, but condominium sales should yield very satisfactory returns – perhaps better than any of the commercial uses. This conclusion regarding the financial attractiveness of condominium development would not likely apply under current housing market conditions, but – consistent with the long range focus of this planning effort – TNDG has assumed that the evaluated redevelopment scenarios would occur in several years once the market has returned to more normal conditions.

DRAFT

8.5. Creating the Conditions for Attracting Private Investment

8.5.1. Zoning

From an economic perspective, two key issues need to be addressed as it relates to zoning within the Specific Plan Area:

- Allowable densities need to be high enough to facilitate market-driven redevelopment of selected parcels given the relatively high land values in the Specific Plan Area.
- Zoning should allow the flexibility to develop desirable land uses for which the future market is uncertain.

8.5.2. Streamlined Permitting and Entitlement

A key advantage to adopting a Specific Plan is that it provides a vehicle for expedited approval of development proposals that are consistent with the community vision established by the Specific Plan. Developers consistently cite this type of provision as a key factor in selecting the communities where they will pursue projects. In this regard, it is essential that the adopted plan remove to the maximum degree possible the need for discretionary approvals for projects that fall within the development “envelope” established by the Plan.

8.5.3. Area-wide Infrastructure and “Amenity” Investments

The specific infrastructure and amenity improvements proposed as part of this Specific Plan are identified in Chapter 5. Circulation and Parking, Chapter 6. Streetscape and Public Amenities, and Chapter 7. Public Services and Facilities.

8.5.4. Marketing Program

Marketing initiatives can improve the Specific Plan Area’s prospects with respect to attracting both investors (i.e., new development and revitalization of existing uses) and customers. A key thrust of the overall Plan implementation should be to make certain the Specific Plan Area is appropriately represented in promotional literature for the region, in ways that elevate the image and market “identity” of the Specific Plan Area. The following types of marketing activities are appropriate for the Specific Plan Area:

- Establish a marketing committee representing a broad spectrum of interested stakeholders (property owners, business owners, developers, area residents, etc.), and existing organizations with a promotional role, such as the Surf City USA, Marketing and Visitors

Bureau and its affiliated organizations – the Huntington Beach Hotel/Motel Association, the Huntington Beach Restaurant Association, the Huntington Beach Downtown Business Improvement District, and the Huntington Beach Chamber of Commerce.

- Assess, through the committee, the existing marketing material that applies to the Specific Plan Area, particularly the official Visitors Guide and other web-based information currently produced and distributed by the Surf City USA, Marketing and Visitors Bureau, in terms of how best to ensure that the Specific Plan Area is reflected in existing materials in ways that correctly interpret its relative importance to the overall region’s tourism appeal.
- Identify any new “messages” for the marketing campaign, including those that apply to the Special Events Plan that will be developed by IMG / Action Sports, and incorporating data from previous visitor surveys done by Surf City USA, Marketing and Visitors Bureau.
- Prepare a marketing Action Plan incorporating the types of programs outlined below and reflecting the specific input and priorities of the marketing committee.
- Develop new graphic materials and color palettes to support the identified marketing messages, if needed.
- Implement streetscape, signs, and other physical improvements that reinforce the “flavor” and desired name recognition of the Specific Plan Area. As a potential supplement to permanent improvements, a pole banner or similar program could be implemented on a seasonal basis to expand consumer recognition of the Specific Plan Area as a “place” and to support specific special events, etc. This type of activity will be especially important for promoting pedestrian-oriented uses.
- Update the annual calendar of special events, including those events identified by IMG/ Action Sports, as appropriate, aimed at attracting additional “foot traffic” to the Specific Plan Area.
- Coordinate with Surf City USA, Marketing and Visitors Bureau and other producers of existing promotional material, to design and implement a print media advertising campaign that reflects the committee’s recommendations. Where appropriate, the print media campaign can be supplemented by radio advertising.
- Implement a direct mail campaign to existing businesses within the Specific Plan Area to encourage their participation in the marketing program and in planned public and private improvements occurring in the Specific Plan Area.

It should be emphasized that marketing programs of this nature are typically most effective when supported by both the public and private sectors. Whereas it is likely that the City would have a continuing role in facilitating the marketing program, it is anticipated that the business community would be responsible for long-term management of the effort. Potential funding mechanisms for the indicated marketing program are described below.

DRAFT

8.5.5. Improvements to Neighboring Areas

As discussed below in Section 8.7. Potential Funding Sources and Financing Mechanisms, Community Development Block Grant (CDBG)-funded Enhancement Areas include the Yorktown neighborhood north of the Specific Plan Area. As such, housing programs for this area can indirectly improve the image of the Specific Plan Area. The Specific Plan Area is partially included in one of the Southern California Association of Governments' (SCAG) "2% Strategy Opportunity Areas", which are target areas in the SCAG region that represent two percent of the total land area, and where SCAG intends to focus investments in planning efforts and resources, in order to "yield the greatest progress toward improving measures of mobility, livability, prosperity and sustainability for local neighborhoods and their residents." In Huntington Beach, the 2% Strategy Opportunity Area is centered on the Beach Boulevard corridor, shown in Figure 8-2, which could therefore be an area of potential planning focus that would indirectly enhance the downtown Specific Plan Area.

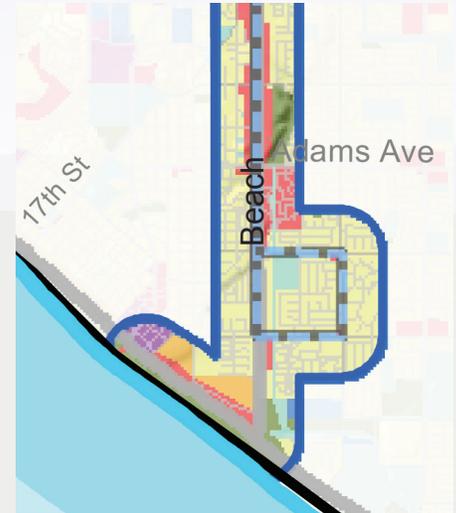


Figure 8-2 SCAG 2% Strategy Opportunity Areas

8.6. Implementation Action Plan

The Implementation Action Plan presented here details all of the actions, programs, studies, initiatives, and improvement projects necessary to make the Specific Plan recommendations a reality.

The Implementation Action Plan details the selected action, program, or project and indicates a short, medium, or long-term priority for each item. A short-range priority indicates the item should be completed in the next year, while a medium-range priority indicates expected completion within the next two to five years. A long-term priority may take five or more years to complete.

The Implementation Action Plan also details which group is responsible for the completion of the item and identifies potential funding sources for each item.

DRAFT

<u>Implementation Action Plan</u>				
<u>Action</u>	<u>Priority</u>	<u>Responsibility</u>		<u>Potential Funding Sources</u>
		<u>Lead</u>	<u>Support</u>	
REGULATORY ACTIONS				
Adopt General Plan/Local Coastal Plan/Zoning Amendments	1	PL	R&ED	N/A
Adopt Specific Plan	1	PL	R&ED	N/A
Create public amenity in-lieu fee	1	R&ED	BID	N/A
Create Restaurant Alcohol Permit	1	PL	BID	N/A
Create Security Fund to provide protection for restaurants with alcohol permits	1	PL	BID	N/A
Designate the Specific Plan Area as an underground utility district	1	PW	PL	N/A
Develop employee parking provisions	1	PL	BID	A,B
Revise existing downtown parking permit program	1	R&ED	BID	A,C
PROGRAMS, STUDIES AND INITIATIVES				
Allow and incentivize private parking structures (conventional/automated)	2	R&ED	PBID	C,D
Create parking opportunities on City-owned lots	1	PW	R&ED	A,B,C
Cultural Arts complex - Create RFP to attract public/private partnership	2	CS	R&ED	D,E
Cultural Arts complex - Design development of Cultural Arts complex	2	CS	R&ED	F
Design development for Streetscape 1	1	PW	R&ED	G,H,I
Design development for Streetscape 2	2	PW	R&ED	G,H,I
Priority: 1 = Short Range (1st year), 2 = Mid-Range (2-5 years), 3 = Long Range (5+ years)				
Responsibility: PL = Planning, R&ED = Redevelopment and Economic Development, BID = Business Improvement District, NG = Neighborhood Groups, PW = Public Works, PBID = Property and Business Improvement District, CS = Community Services (Parks), Pvt = Relevant Private Firms, Con = Consultant				
Potential Funding Sources: A = Vehicle Parking District, B = Parking Lot Revenues, C = Parking In-Lieu Fees, D = General Fund, E = Foundation Resources, F = Foundation Grants, G = CIP, H = Caltrans, I = PBID, J = BID, K = Tax Increment Funds, L = Gas Tax, M = Proceeds from Sale of Assets				

Figure 8-3 Implementation Action Plan (1 of 4)

DRAFT

<u>Implementation Action Plan</u>				
<u>Action</u>	<u>Priority</u>	<u>Responsibility</u>		<u>Potential Funding Sources</u>
		<u>Lead</u>	<u>Support</u>	
PROGRAMS, STUDIES AND INITIATIVES				
Design development for Streetscape 3	2	PW	R&ED	G,H,I
Design development for Streetscape 4	2	PW	R&ED	G,H,I
Design development for Streetscape 5	2	PW	R&ED	G,H,I
Design development for Streetscape 6	3	PW	R&ED	G,H,I
Implement downtown trolley system	2	PW	R&ED	H,J
Implement off-site/remote parking with shuttle for events	1	PW	R&ED	A,B,C,J
Institute valet operations in existing parking lots/structures	1	BID	R&ED	B,C
Relocate existing outdoor dining adjacent to the buildings	1	PL	BID	N/A
Reopen Pecan Avenue to through traffic	2	PW	R&ED	G,L
Review and refine parking in-lieu fee amount and program	1	R&ED	PW	A,B
Shared Parking Agreements – Business to Business	1	R&ED	BID	A,C
Vacate Acacia Avenue between 6th Street and 7th Street	2	PW	R&ED	G,L,M
Vacate portion of Walnut Avenue between 1st Street and 2nd Street	2	PW	R&ED	G,L,M
Vacate portion of 6th Street between north edge of Townsquare Condominiums and Main Street	2	PW	R&ED	G,L,M
Priority: 1 = Short Range (1st year), 2 = Mid-Range (2-5 years), 3 = Long Range (5+ years)				
Responsibility: PL = Planning, R&ED = Redevelopment and Economic Development, BID = Business Improvement District, NG = Neighborhood Groups, PW = Public Works, PBID = Property and Business Improvement District, CS = Community Services (Parks), Pvt = Relevant Private Firms, Con = Consultant				
Potential Funding Sources: A = Vehicle Parking District, B = Parking Lot Revenues, C = Parking In-Lieu Fees, D = General Fund, E = Foundation Resources, F = Foundation Grants, G = CIP, H = Caltrans, I = PBID, J = BID, K = Tax Increment Funds, L = Gas Tax, M = Proceeds from Sale of Assets				

Figure 8-3 Implementation Action Plan (2 of 4)

DRAFT

<u>Implementation Action Plan</u>				
<u>Action</u>	<u>Priority</u>	<u>Responsibility</u>		<u>Potential Funding Sources</u>
		<u>Lead</u>	<u>Support</u>	
IMPROVEMENT PROJECTS				
Acquire potential sites for additional parking (surface lots and structures)	2	R&ED	Pvt	A,C,M
Acquire right-of-way for Walnut Avenue between 1st Street and 2nd Street to align with Pacific View Avenue	2	PW	R&ED	G,L,M
City-private partnering - Augment on-site parking for new development	2	PW	R&ED	A,C
Conduct alley paving improvements at intersections with paseos	3	PW	R&ED	G,L
Construct and install gateway monuments	2	CS	R&ED	I
Create additional tiered parking in existing beach parking areas	3	PW	R&ED	G,L
Create new bike lanes/routes	2	PW	R&ED	G,L,H
Develop City wayfinding system - locate and install signs	1	PW	Con	G,J
Implement electronic monitoring/status notification for parking structures	1	PW	Con	B,C,J
Implement improvements to City-owned paseo off the north side of Main Street between Walnut Avenue and Olive Avenue	2	PW	R&ED	G,L
Introduce exclusive pedestrian phase crossing at Pacific Coast Highway and 1st Street	2	PW	R&ED	G,L
Priority: 1 = Short Range (1st year), 2 = Mid-Range (2-5 years), 3 = Long Range (5+ years)				
Responsibility: PL = Planning, R&ED = Redevelopment and Economic Development, BID = Business Improvement District, NG = Neighborhood Groups, PW = Public Works, PBID = Property and Business Improvement District, CS = Community Services (Parks), Pvt = Relevant Private Firms, Con = Consultant				
Potential Funding Sources: A = Vehicle Parking District, B = Parking Lot Revenues, C = Parking In-Lieu Fees, D = General Fund, E = Foundation Resources, F = Foundation Grants, G = CIP, H = Caltrans, I = PBID, J = BID, K = Tax Increment Funds, L = Gas Tax, M = Proceeds from Sale of Assets				

Figure 8-3 Implementation Action Plan (3 of 4)

DRAFT

<u>Implementation Action Plan</u>				
<u>Action</u>	<u>Priority</u>	<u>Responsibility</u>		<u>Potential Funding Sources</u>
		<u>Lead</u>	<u>Support</u>	
IMPROVEMENT PROJECTS				
Introduce exclusive pedestrian phase crossing at Pacific Coast Highway and 6th Street	2	PW	R&ED	G,L
Introduce new bike parking/racks downtown	1	PW	CS	G,L,H
Realign Acacia Ave/Main Street intersection to 90 degrees	2	PW	R&ED	G,L,M
Priority: 1 = Short Range (1st year), 2 = Mid-Range (2-5 years), 3 = Long Range (5+ years)				
Responsibility: PL = Planning, R&ED = Redevelopment and Economic Development, BID = Business Improvement District, NG = Neighborhood Groups, PW = Public Works, PBID = Property and Business Improvement District, CS = Community Services (Parks), Pvt = Relevant Private Firms, Con = Consultant				
Potential Funding Sources: A = Vehicle Parking District, B = Parking Lot Revenues, C = Parking In-Lieu Fees, D = General Fund, E = Foundation Resources, F = Foundation Grants, G = CIP, H = Caltrans, I = PBID, J = BID, K = Tax Increment Funds, L = Gas Tax, M = Proceeds from Sale of Assets				

Figure 8-3 Implementation Action Plan (4 of 4)

DRAFT

8.7. Potential Funding Sources and Financing Mechanisms

Several major categories of funding mechanisms are potentially applicable to the Specific Plan Area. These potential funding mechanisms are listed and described further below.

- Sale of City assets, such as abandoned streets.
- In addition to the existing Downtown Huntington Beach Business Improvement District, formation of a Property and Business Improvement District (PBID) to fund various specific/location-specific improvements and activities within the Specific Plan Area.
- Establishing a “Public Amenity In-lieu Fee” to fund public open space areas such as the proposed plazas and paseos.
- Formation of a Vehicle Parking District to fund needed parking improvements in the Specific Plan Area.
- Parking in Lieu Fees.
- General Fund allocations for planning efforts and program administration.
- Funding allocations through the City’s annual Capital Improvement Plan (CIP) process (for major infrastructure improvements in the Specific Plan Area).
- Grants to fund various improvements and activities (particularly transportation-related) in the Specific Plan Area, and this might include involving other, non-governmental, entities in applying for and administering grants.
- Development agreements (contributions). These are contractual arrangements between developers and government to either pay fees or to construct infrastructure in the Specific Plan Area.
- Local gasoline tax revenues for improvements to local roads and streets.
- Rule 20A funds to pay for the conversion of overhead power lines and other equipment to underground facilities (“undergrounding”).
- Community Development Block Grant (CDBG) Funds, although these funds are most likely to only indirectly affect the Specific Plan Area, by improving housing conditions in targeted areas such as the nearby Yorktown neighborhood.
- Tax increment funds available through the Redevelopment Agency, which are already programmed to help fund redevelopment projects in the Specific Plan Area.

DRAFT

- Transient Occupancy Tax (TOT), which currently helps fund the Surf City USA, Marketing and Visitors Bureau.
- Parking revenues from the beach and downtown lots and meters, as well as annual beach passes.

8.7.1. Sale of City Assets

The Plan contemplates the abandonment of various streets in the Specific Plan Area, and these sites could potentially be sold for development, and/or perhaps included as part of land-assemblage packages.

8.7.2. Property and Business Improvement District

A Property and Business Improvement District (PBID) – authorized by the Property and Business Improvement District Law of 1994 – could augment the existing merchant-based BID and could be more ideally suited to fund certain planned physical improvements in the Specific Plan Area. Whereas the existing BID assesses merchants in the Specific Plan Area – for purposes of marketing and other programmatic activities that serve to directly benefit area businesses – a PBID assesses the owner of the real property. In this respect, the PBID would be a more appropriate means of funding permanent physical improvements that stand to improve property values in the area. A PBID is limited to a maximum of five years of assessments.

While it is beyond the scope of this Specific Plan effort to conduct a feasibility study for the formation of a PBID, it is recommended that this step be pursued during the initial stages of the Specific Plan implementation. As a first step, the City would propose the new district by adopting a resolution of intention, which would identify the types of improvements and activities to be financed. The City would then be required to send notices to all affected property owners publish public notices in local newspapers and to hold a public hearing. If not protested by a majority of property owners, the PBID is established and an advisory board is appointed.

8.7.3. Public Amenity In-lieu Fee

An “Public Amenity In-lieu Fee” would provide a mechanism for new development projects to contribute to an “public amenity” fund. The funds collected for this fee could be used to finance the development of public open space areas such as the public plazas, paseos, and the like.

8.7.4. Vehicle Parking District

A Vehicle Parking District is a mechanism local government agencies use for financing the acquisition of land, the construction, operation and maintenance of facilities and garages. This is one potential financing approach that could apply to funding the comprehensive parking management and facility recommendations in Chapter 5. Circulation and Parking of this Specific Plan. With this approach to finance the costs of a parking structure project the City would levy assessments and may issue bonds.

Given that a Vehicle Parking District is a form of a benefit assessment and a type of assessment district, only properties that directly benefit from the parking structure are assessed the fees. In this case, the Vehicle Parking District would be formed and would include property only in the Specific Plan Area, given that these are the properties that would benefit from a potential parking structure.

The following outlines the steps to create a parking district (or any other type of benefit assessment).

- The first step would require the City to prepare a detailed engineer's report, which would include a report outlining the proposed area, proposed parking structure costs, the annual cost to each property, and the benefit formula used to determine each property's share of the cost.
- All landowners in the proposed Vehicle Parking District are sent a ballot and notice of public hearing. The City must consider all protests at the public hearing. A majority of the ballots must vote in favor of the Vehicle Parking District to approve its formation. In addition, ballots are weighted according to the proportional financial obligation of each property. Once approved, the assessment is created and is billed on property tax bills each year.
- As opposed to traditional property taxes, benefit assessments, by law (Proposition 13), cannot be based on property value. In this case, each parcel in the Vehicle Parking District is assessed according the specific benefit it receives, as determined by the engineer's report, from the parking structure.

8.7.5. Parking In-Lieu Fees

Parking In-Lieu Fees could be used as an alternative to the Vehicle Parking District. The existing in-lieu fee amount must be re-evaluated and adjusted to reflect the market-rate value of constructing the additional parking space. The intent of the fee is to allow projects who have no ability to park on-site ability to add additional development through the payment of an in-lieu fee. Utilization of the in-lieu fee program will be contingent on the availability of off-site

DRAFT

parking spaces prior to or concurrent with the payment of in-lieu fees. This may require some new development will wait until there is a solution to the off-site parking issues, but will limit the potential for a parking problem downtown.

8.7.6. General Fund

General Fund allocations are used for planning efforts, capital improvement projects and program administration. General Fund revenues are monies collected by the City from property taxes, sales and use tax, transit occupancy tax, and other forms of revenue and are used by the City to fund municipal operations such as fire, police, development services, public works, recreation, and a wide variety of other municipal services.

8.7.7. Funding Allocations through the City's Annual Capital Improvement Plan (CIP) Process

These allocations would generally apply to major infrastructure improvements in the Specific Plan Area, and would be coordinated with other capital-improvement needs throughout the City. Having these projects in the CIP increases the likelihood that the cost-effectiveness of the work will be maximized, due to economies of scale.

8.7.8. Grants

A number of grants from both private and public sources are available to fund many of the recommended Plan improvements. Given the existing downtown BID's status as a nonprofit organization, a number of grant sources of funding would be available. Some of the resources the BID could use to pursue various grant funding sources include the Center for Nonprofit Management, located in Los Angeles, which provides a comprehensive database on current local, state, and federal grant sources for community development projects. In addition, the center provides additional resources for nonprofit organizations, such as workshops on grant seeking, proposal writing, financial management, etc. A valuable online source of grant information is the Catalog of Federal Domestic Assistance (CFDA), which provides access to a database of all Federal programs available to state and local governments and private profit and nonprofit organizations and institutions.

In addition to grant sources available to the nonprofit organizations, the City is also eligible to apply for a number of funding sources itself as a local government agency. For example, Caltrans has the Community-Based Transportation Planning program, a transportation planning program that could support the planning phase of comprehensive concepts in community improvement in which parking, streetscape enhancements, and travel modes are addressed.

Other planning and technical assistance programs could aid in development of a local transit system, namely the Transit Technical Planning Assistance, for planning transit functions, and Transit Professional Development, to build capacity in terms of analyzing transit options, etc.

Transportation programs that could potentially provide funds for construction of projects are described in Caltrans' Transportation Funding Opportunities Guidebook, and these include programs such as the Congestion Mitigation and Air Quality (CMAQ) program and the Transportation Enhancements (TE) program.

In some cases, existing non-governmental institutions could be encouraged to serve as grant channels more suitable to certain types of projects, or new institutions could be created for such purposes. For example, funding for a Cultural Arts complex might best be accomplished through existing foundations such as the Huntington Beach Art Center Foundation, a non-profit private corporation, or the Orange County Community Foundation. Certain private granting organizations, for example the James Irvine Foundation, will favor awarding arts-related grants to such entities.

Given the inherent uncertainty in obtaining grant funding based on the competitive application process, the City may choose to expand its staff capability for grant writing and applications.

8.7.9. Development Agreements (Contributions)

As a form of a contractual arrangement between the local government and the developer, development agreements have the advantage in that they are not subject to AB 1600 requirements, unlike development impact fees which are subject to those requirements (see above). One particular form of a development agreement would require a developer of a project in the Specific Plan Area to pay fees or donate infrastructure related to the physical improvements proposed in the Specific Plan in return from some form of assistance from the City. As an example, a "bonus density" agreement would allow a developer to build a residential or commercial project at higher densities in exchange for the developer donating infrastructure that is part of the recommended physical improvements in the Specific Plan Area. Alternatively, the developer could pay a fee for the needed infrastructure improvements. In the case of the Specific Plan Area, which is largely built out with existing uses, land values tend to be relatively high. As a consequence, increased densities are often necessary to make new development, or redevelopment of existing uses, financially feasible. In addition to increasing allowable densities, zoning should allow the flexibility to develop desired land uses as the future market is uncertain (e.g., live/work space).

DRAFT

8.7.10. Rule 20A Funds

Rule 20A undergrounding projects are financed by SCE ratepayers through the Rule 20 tariff approved by the California Public Utilities Commission (PUC). Undergrounding projects qualifying for funding must meet one or more of the following criteria:

- The location has an unusually heavy concentration of overhead facilities.
- The location is heavily traveled.
- The location qualifies as an arterial or major collector road in a local government’s general plan.
- The overhead equipment must be located within or pass through a civic, recreational or scenic area.

Given that the Specific Plan Area meets at least some of the criteria described above, Rule 20A funds would be a viable source of financing the recommended undergrounding of utilities.

8.7.11. Community Development Block Grants

As a designated Community Development Block Grant (CDBG) entitlement community, CDBG funds are a source of annual entitlement money that accrue to the City on annual basis for the purposes of investing in a variety of community projects from street improvements to façade rehabilitation to housing projects. In Huntington Beach, 70 percent of funds benefit persons of 80 percent median income or less and are generally applied to CDBG Enhancement Areas meeting certain income criteria throughout the City. As such, these funds are most likely to only indirectly affect the Specific Plan Area, by improving housing conditions in targeted areas such as the nearby Yorktown neighborhood.

8.7.12. Tax Increment Funds

These funds are available through the Redevelopment Agency of the City of Huntington Beach. The Specific Plan Area is part of the Agency’s 619-acre “Merged Project Area”, so tax increment revenues from the five sub-areas are available to be spent throughout the merged area. The Agency has funds allocated for the Specific Plan Area in its Five Year Implementation Plan 2005-09.

8.7.13. Transient Occupancy Tax

Receipts from this tax, paid by guests staying in hotels, have grown steadily in Huntington Beach as the city increasingly becomes a destination resort area. Of the 10 percent Transient Occupancy Tax (TOT) levy, 10 percent is currently allocated to the Surf City USA, Marketing and Visitors Bureau. The City could increase funding to the Surf City USA, Marketing and Visitors Bureau by keeping the 10 percent base allocation and supplementing that with a higher share of new increments of tax receipts that accrue in future years.

8.7.14. Parking Revenues

According to the City of Huntington Beach Budget Message, Fiscal Year 2008/09, revenue from all parking sources is expected to be \$9.0 million for FY 2008/09, and some of these funds could be earmarked for parking improvements.