



CITY COUNCIL AGENDA REPORT

MEETING DATE: June 7, 2016

ITEM NUMBER: PH-1

SUBJECT: BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION AND
RESOLUTION TO LEVY ANNUAL ASSESSMENT

DATE: MAY 13, 2016

FROM: OFFICE OF THE CEO

PRESENTATION BY: DANIEL K. BAKER, ASSISTANT TO THE CEO

FOR FURTHER INFORMATION CONTACT: DAN BAKER (714) 754-5156

RECOMMENDATION:

It is recommended that the City Council:

1. Conduct a public hearing regarding the Business Improvement Area (BIA) reauthorization and approve Resolution No. 16-xx: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, LEVYING AN ANNUAL ASSESSMENT FOR FISCAL YEAR 2016-2017 FOR A BUSINESS IMPROVEMENT AREA COVERING CERTAIN COSTA MESA HOTELS AND MOTELS. (Attachment 1)
2. Adopt the Fiscal Year 2016-2017 Community-Wide Marketing and Support Budget. (Attachment 2)

BACKGROUND:

The California Legislature adopted the Parking in Business Improvement Area Law of 1989 (Streets and Highways Code, §36500), which enables cities to impose an assessment fee on businesses within an area designated by the city.

On July 5, 1995, the City Council adopted Ordinance No. 95-9 to establish a Business Improvement Area (BIA) for the purpose of assisting the hotel and motel industry in its promotion of tourism within the city. The BIA imposed a one percent (1%) assessment on the sale of hotel and motel overnight guest room stays. This money was to be used for the establishment and maintenance of a local tourism and promotion council. The Costa Mesa City Council authorized the city manager to enter into an agreement with the Costa Mesa Tourism and Promotion Council to develop and administer the BIA. In 2001, the Costa Mesa Conference & Visitor Bureau (CVB) became the administrator of the BIA.

In January 2000, the participating hotels voluntarily requested an increase in the assessment from one percent (1%) to two percent (2%), which was approved. In October 2010, the participating hotels voluntarily requested an increase to the assessment from two percent (2%) to three percent (3%). The increase was approved by Council resolution and became effective on November 1, 2010. The BIA benefit zone encompasses all areas within the boundaries of Costa Mesa.

At the May 3, 2016 meeting, the City Council approved a Resolution declaring the intention to levy an annual assessment for Fiscal Year 2016-2017, and set the public hearing for June 7, 2016 at 7 p.m. A copy of the resolution was mailed to every hotel and motel owner on file with the City, notifying them of the proposed assessment renewal and their opportunity to protest the annual assessment or other concerns regarding the BIA. This is a voluntary program for the property owners.

ANALYSIS:

Property owners will be provided an opportunity to protest the voluntary annual assessment or address any concerns regarding the BIA at the public hearing. The City Council will vote to adopt or deny the resolution levying an annual assessment for the upcoming fiscal year, and makes the ultimate decision as to the size of and the properties to be included in the BIA. Once the annual assessment is approved, the assessment is collected along with the city's Transient Occupancy Tax (TOT). The hotels and motels included in the BIA are required to itemize the BIA levy as a separate assessment. The CVB staff manages the day-to-day activities and provides all services to administer the BIA.

Per the agreement between the City of Costa Mesa and the CVB and as required by Streets and Highways Code (§36533), the CVB provided an annual review at the May 3, 2016 Council meeting, describing the programs and activities implemented during the previous fiscal year as well as the status of the programs and activities implemented during the current fiscal year.

Highlights of the 2015-2016 Fiscal Year

The Costa Mesa Conference and Visitor Bureau (Bureau) is passionate about the City of the Arts™. Driven to elevate the city as a premier Southern California destination, the Bureau focuses on creating awareness to attract overnight leisure travelers. California is welcoming more visitors than ever, 251.5 million-person trips in 2014. Over 204 million of these travelers were leisure guests and 16.5 million were international visitors. International traffic led growth in passenger loads at airports across the state, and travel spending is at an all-time high. Visitor spending was at \$117.5 billion, an increase of 3.6 percent. Tourism-related jobs grew to over 1 million. The lodging industry in the United States experienced six consecutive years of increased occupancy, the longest period of increase since 1988. Occupancy in California reached 74.7 percent in 2015, up 2.8 percent from 2014, and revenue per available room (RevPAR) grew 10 percent. Orange County occupancy reached 78.7 percent, up 3 percent with RevPAR growing 9.4 percent. Partnering hotels within the Bureau saw an overall RevPAR increase of 5.1 percent in 2015.

Tourism-related jobs in California grew 4.4 percent, emphasizing the importance of the industry as a significant job creator. Over 9 billion dollars in tax revenue at the state and local levels was generated. Our local restaurants, shopping centers, attractions and entertainment venues, as well as residents, benefit tremendously from every guest that visits our city. Tourism drives our economy and keeps California in business.

As we have seen throughout the years, Costa Mesa hotel owners continue to invest in their products. Residence Inn by Marriott will complete their guest room renovation in late spring and Avenue of the Arts became a Tribute Portfolio Hotel after the completion of their chic, contemporary guest room renovation in April. The BLVD Hotel is completing their contemporary accommodations with a sleek transformation of their guest bathrooms and lobby surroundings. The Marriott recently completed renovation of their ballroom space with a welcoming, modern atmosphere for meetings, weddings and events.

Food tourism is now considered the leading hook in travel. The City of the Arts™ is gaining an even greater reputation for the Art of Dining. Gogobot and the Orange County Register named Costa Mesa one of the 10 best mid-sized food cities in America. In fact, according to a critic's poll in the Orange County Register, 17 of the top 75 restaurants in Orange County are located in Costa Mesa. The diversity in culinary options is endless. Vaca, the newest Spanish restaurant owned by Top Chef contestant Amar Santana, opened in late December. Executive Chef Laurent Brazier opened Bistro Papillote inside The OC Mix, offering delicious quiches and crêpes. The Halal Guys, famous in New York for their tasty gyro sandwiches and chicken and rice platters, opened their first Orange County location in Costa Mesa. Holsteins, at South Coast Plaza, crafts critically acclaimed hamburgers and milkshakes, and as rated by USA Today, is among the best in the United States. Taco María continues to receive accolades and was ranked number two on Pulitzer Prize-winning Jonathan Gold's 101 Best Restaurants list in November 2015. Exciting new partnerships took place last year. Anaheim Resort Transportation (ART) allows our guests to conveniently visit the Disneyland® Resort while enjoying the best shopping, dining and arts scene in Costa Mesa. This joint agreement enabled the Bureau to add a family customer segment to our core marketing efforts. Furthering our international efforts, new initiatives such as Ctrip (China's largest online travel agency) and a dedicated group sales effort focused on China will aid in growing awareness of our city as an attractive Southern California destination.

ALTERNATIVES CONSIDERED:

The Council may vote to reject the resolution, which will prevent the city from levying this voluntary annual assessment for the upcoming fiscal year.

FISCAL REVIEW:

The recently completed audit shows the CVB's cash equity as of June 30, 2015, to be \$1,385,046. According to the 2015-2016 annual report, the CVB has a total of \$1,752,769 in BIA actual revenues through February and is estimating to generate an additional \$815,257 for the months of March, April, May and June for an estimated fiscal year total of \$2.57 million.

The city receives one percent (1%) of the BIA revenue/assessment as partial reimbursement for its collection and administrative costs. The one percent (1%) allocated to the city for reimbursement is estimated at \$25,700 for the 2016-2017 Fiscal Year. This fee will sufficiently cover the costs incurred by the City of Costa Mesa in assisting the CVB. Examples of CVB expenditures include an advertising campaign, media relations, brochures/promotional items, video production, administration, special promotions, and hotel niche marketing.

Lastly, the City utilizes CVB funding for community-wide marketing and support. The Fiscal Year 2016-2017 proposed budget totaling \$164,000 is outlined in attachment 2. Staff is seeking final council input regarding the allocation amounts prior to the FY 2016-2017 fiscal budget adoption at the June 21, 2016, City Council meeting.

LEGAL REVIEW:

Legal counsel has prepared the resolution of intention and reviewed the documents and approved as to form.

CONCLUSION:

State law mandates a specific procedure to be followed in the establishment of a BIA area and the levying of a voluntary annual assessment. Adoption of the attached resolution is the final step in the reauthorization of the BIA assessment, and the City Council must approve the proposed resolution before an annual assessment can be levied for the 2016-2017 fiscal year.

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Attachments: 1. [Proposed Resolution](#)
 2. [Proposed Fiscal Year 2016-17 Marketing Budget](#)