



# CITY COUNCIL AGENDA REPORT

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**MEETING DATE:** May 2, 2017

**ITEM NUMBER:** NB-1

**SUBJECT:** BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION AND RESOLUTION OF INTENTION, AND REVIEW OF ANNUAL REPORT

**DATE:** APRIL 21, 2017

**FROM:** CITY MANAGER'S OFFICE/ADMINISTRATION

**PRESENTATION BY:** DANIEL K. BAKER, ASSISTANT TO THE CITY MANAGER  
PAULETTE LOMBARDI-FRIES, PRESIDENT, TRAVEL COSTA MESA

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

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## **RECOMMENDATION:**

It is recommended that the City Council:

1. Receive and file the Business Improvement Area (BIA) annual report for Fiscal Year 2016-17 (Attachment 1).
2. Receive and file audited financial report for Fiscal Year 2015-16 (Attachment 2).
3. Adopt Resolution No. 17-xx, declaring the City's intention to levy an annual assessment for Fiscal Year 2017-2018 for a business improvement area covering certain Costa Mesa hotels and motels and setting the time and place for a public hearing on the proposal (Attachment 3).
4. Give first reading to Ordinance No. 17-xx, to be read by title only, amending Ordinance No. 95-9, relating to the establishment of a business improvement area for Costa Mesa hotels and motels (Attachment 4).

## **BACKGROUND:**

The California Legislature adopted the Parking in Business Improvement Area Law of 1989 (Streets and Highways Code § 36500 *et seq.*), 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 (Attachment 5) 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 initially 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), now known as Travel Costa Mesa (TCM), became the administrator of the BIA.

In accordance with TCM bylaws (Attachment 6), the TCM's Board of Directors is currently comprised of 11 general managers from the 11 participating hotels, one member of the City Council, and the City's City Manager designee.

In January 2000, the participating hotels requested an increase in the assessment from one percent (1%) to two percent (2%), which was approved. In October 2010, the participating hotels 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.

In 2016, TCM requested certain amendments to Ordinance No. 95-9 to clarify the voluntariness of hotel and motel participation in the BIA, and to also clarify the improvements and activities to be funded by the revenue collected from the levy of assessments within the BIA. Staff and TCM jointly drafted the proposed ordinance amending Ordinance 95-9 (Attachment 4).

### **ANALYSIS:**

Currently, the number of properties included in the BIA assessment levy is limited to the 11 hotels that have expressed an interest in participating in the program as detailed in the proposed resolution of intention (Attachment 3). Upon adoption of the resolution of intention, property owners of the participating hotels will be notified in writing within seven days of the assessment renewal, and the resolution will also be published in the Daily Pilot at least seven days prior to the public hearing scheduled for June 6, 2017 at 7 p.m. City staff will also notify all the hotels and motels in the City not currently included in the BIA to allow them the opportunity to be included in the BIA.

Property owners will be provided an opportunity to protest the 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 TCM 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 TCM and as required by Streets and Highways Code (§ 36533), TCM is required to provide an annual review

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 (Attachment 1). The City Council may make recommendations and revisions to the annual report, which will ultimately be approved at the public hearing as part of the resolution to levy an annual assessment.

Also in accordance with the agreement between the City and TCM, the annual audit for the 2015-16 Fiscal Year has been completed by KMJ Corbin & Company, an independent auditor, and paid for by assessment funds. The audit is intended to ensure that the assessment revenue is expended for public purposes as specified within the resolution and that no expenditures are made in a manner contrary to the agreement. The Council is asked to receive and file the audit (Attachment 2).

Finally, adoption of the proposed ordinance (Attachment 4) will clarify the voluntariness of hotel and motel participation in the BIA, and will also clarify the improvements and activities to be funded by the revenue collected from the levy of assessments within the BIA.

### ***Highlights of the 2016-2017 Fiscal Year***

Travel Costa Mesa is passionate about the City of the Arts™. Driven to elevate the city as a premier Southern California destination, TCM focuses on creating awareness to attract overnight leisure travelers. California is once again welcoming more visitors than ever; 258 million-person trips in 2015, with these visitors spending \$122.5 billion in our economy, an increase of 3.7 percent. Tourism-related jobs grew to over 1 million. The lodging industry in the United States experienced seven consecutive years of increased occupancy, the longest period of increase since 1988. Occupancy in California reached 75.4 percent in 2016, up 1 percent from 2014, and the average daily rate (ADR) grew 5.4 percent.

Tourism-related jobs in California grew 1.9 percent, emphasizing the importance of the industry as a significant job creator. Over 4.6 billion dollars in tax revenue at the 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 a destination marketing organization, TCM's focus is to inspire leisure and overnight guests to stay in Costa Mesa when visiting Orange County. The marketing pillars TCM pursues continue to represent Costa Mesa's finest attributes – the art of dining, shopping, stage and family fun. Creating compelling reasons for overnight visits will drive ongoing strategies. Engaging in opportunities that elevate our brand's message will facilitate a preference for the destination. A key component to that strategy is content marketing and the ability to drive interest and engage viewers to TCM's website. In November, Travel Costa Mesa added a public relations manager whose primary focus is to increase awareness and develop an enviable brand image.

Throughout the year, many initiatives were implemented including a magazine-style visitor guide, completion of a responsive website, partnership with the Orange County Visitors Association for the first-ever meetings and incentives sales force in China, a revitalized and updated website for the Chinese market, an online meeting planners guide, additional support for our growing dining pillar, a Brand USA city page and more familiarization tours and media coverage than ever.

In January, construction began for the new Argyros Plaza at Segerstrom Center for the Arts. This project will enhance the city's offerings with year-round programs in a welcoming, redesigned outdoor space. Adding to the excitement of the city was the announcement of the Chargers NFL team moving their headquarters to Costa Mesa. Extending the agreement with the Anaheim Resort Transportation shuttle that enables guests to efficiently get from Costa Mesa to the Disneyland® Resort is yet another win for the city that enables us to attract more tourists to our destination.

### **ALTERNATIVES CONSIDERED:**

The Council may vote to deny the resolution of intention, which will prevent a public hearing from taking place to consider the levying an annual assessment for the upcoming fiscal year.

### **FISCAL REVIEW:**

The recently completed audit shows TCM cash equity as of June 30, 2016, to be \$1,666,907. According to the 2016-2017 annual report, TCM is forecasting a budget of \$2.6M for fiscal year ending June 2017. As of February 2017, BIA funds are at \$1,837,645.

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 \$26,000 for the 2017-2018 Fiscal Year. This fee will sufficiently cover the costs incurred by the City of Costa Mesa in assisting TCM. Examples of TCM expenditures include an advertising campaign, media relations, brochures/promotional items, video production, administration, special promotions, and hotel niche marketing.

Lastly, the City utilizes TCM funding for community-wide marketing and support. The Fiscal Year 2017-2018 proposed budget totaling \$164,000 is outlined in Attachment 7. Beginning in FY 2014-2015, the City budgets and tracks revenues and expenditures of \$164,000 within the City's financial system. This budget will be annually added as an addendum to the existing Professional Services Agreement between the City and the CVB. The proposed addendum will be presented for review and authorization by the City Council at the June 6, 2017, public hearing. All expenditures of these funds will be on a reimbursement basis and will adhere to the City of Costa Mesa purchasing policy guidelines.

**LEGAL REVIEW:**

Legal counsel has reviewed the documents and approved them as to form.

**CONCLUSION:**

Adoption of the resolution of intent is the initial step in the reauthorization of the BIA assessment. State law mandates the specific procedure to be followed in the establishment of such an area. Staff will make a presentation to the City Council on the implementation of the BIA assessment at the public hearing on June 6, 2017, but the City Council must approve the proposed resolution of intention before the hearing can be scheduled to consider the levying of an annual assessment.

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DANIEL K. BAKER  
Assistant to the City Manager

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THOMAS R. HATCH  
City Manager

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THOMAS P. DUARTE  
City Attorney

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STEVE DUNIVENT  
Interim Finance Director

DISTRIBUTION: Travel Costa Mesa

ATTACHMENTS:	<a href="#">1</a>	<a href="#">Fiscal Year 2016-17 Annual Report for TCM</a>
	<a href="#">2</a>	<a href="#">Completed Audit of Fiscal Year 2015-16</a>
	<a href="#">3</a>	<a href="#">Proposed Resolution of Intention</a>
	<a href="#">4</a>	<a href="#">Proposed Ordinance</a>
	<a href="#">5</a>	<a href="#">Ordinance 95-9</a>
	<a href="#">6</a>	<a href="#">Bylaws of Travel Costa Mesa</a>
	<a href="#">7</a>	<a href="#">Annual Community-Wide marketing and support budget</a>