Costa Mesa
The Best Of Southern California

To: Allan Roeder
From: Diane Pritchett
CC: CMCVB Board of Directors
Subject: TOT Memo
Date: June 29, 2004

The Costa Mesa Conference & Visitor Bureau (CMCVB), while dedicated to promoting tourism, is also an economic development generator. The Bureau creates tourism related jobs, generates tax revenue for the General Fund that benefits the city's residents and showcases Costa Mesa's community and quality lifestyle.

The CMCVB hotels work collectively to strengthen the brand and identity of Costa Mesa through comprehensive marketing and advertising campaigns. An important selling tool is the fact that Costa Mesa has a lower TOT as compared to other surrounding cities. This enables the seven hotels to capture a greater share of the tourism and meeting business from Newport Beach, Irvine, Huntington Beach and Anaheim. As the economy improves the hotels are projecting a ten percent increase in revenue from 2004 to 2005 thereby contributing over $600,000 in additional TOT revenue.

In the spirit of cooperation, the hotels suggest increasing the TOT by 1% with the City receiving three-quarters percent and the CVB receiving a quarter percent. Should the City Council decide to increase the TOT by 2%, the hotels suggest that the City receive one and one-half percent and the CVB receive a half percent. This increase could be phased with 1% effective upon voter approval and the additional 1% twelve months later. We also support increasing the business license fee to an amount that is comparable to surrounding cities.

While the economy is improving, surrounding cities including Anaheim remain "soft" due to decreased convention and attraction attendance. Should the TOT increase more than 1%, the hotels anticipate potentially losing business. By keeping the TOT lower than neighboring cities, Costa Mesa hotels can maintain their competitive edge as the Costa Mesa destination is not yet as well known as Newport Beach or Anaheim. Keeping the TOT lower is an insurance policy that keeps the increasing revenues flowing.

The hotels would be happy to meet with City staff and City Council members to discuss this issue further. We look forward to working cooperatively with the City to the benefit of both organizations.

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