



CITY COUNCIL AGENDA REPORT

MEETING DATE: JUNE 17, 2008

ITEM NUMBER:

SUBJECT: BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION

DATE: JUNE 3, 2008

FROM: CITY MANAGER/ADMINISTRATION

**PRESENTATION BY: THOMAS R. HATCH, ASSISTANT CITY MANAGER
ANN C. SHULTZ, LEGISLATIVE AND PUBLIC AFFAIRS MANAGER**

FOR FURTHER INFORMATION CONTACT: ANN C. SHULTZ, 754-5667

RECOMMENDATION:

It is recommended that the City Council:

1. Hold the requisite Public Hearing and adopt the attached Resolution in Attachment 6 to levy an annual assessment for Fiscal Year 2008-2009 for the Business Improvement Area (BIA) for hotels and motels located within the City of Costa Mesa with the addition of Best Western Newport Mesa Inn;
2. Request that within the next month the Costa Mesa Conference and Visitor Bureau (CMCVB) outline the steps they will take to address any comments in the FY 2006-2007 audit to ensure continued compliance with State law; and
3. Request that within two months the CMCVB review and consider the request for an increase in the City Council Account within the FY 2008-2009 CMCVB Budget.

BACKGROUND:

As directed by the City Council, staff has proceeded with the process to re-authorize the annual assessment of the BIA for Fiscal Year 2008-2009. This assessment is imposed as a "bed tax" against overnight stays at the nine hotels that participate as members in the Costa Mesa Conference and Visitor Bureau (CMCVB). The CMCVB Board is comprised of the managers of the member hotels, a City Council Member and the City Manager.

Authorization of the BIA will impose a two percent (2%) assessment on the cost of each night's lodging at the member hotels. The resulting levy will be used for the continuing operation of the CMCVB.

At the meeting of May 6, 2008, the City Council approved and filed the annual report for the BIA for Fiscal Year 2008-2009, and adopted 08-35, a Resolution of Intention that included approval of the BIA budget and the setting of a Public Hearing for June 17, 2008 (see Attachment 1). The adoption of a second resolution is the final step in the re-authorization of the BIA assessment.

ANALYSIS:

The authority to develop a Business Improvement Area is detailed in the Streets and Highways Code, Section 36500. This State law enables Costa Mesa to impose an assessment fee on businesses within an area designated by the City. All of Costa Mesa has been designated as the BIA benefit zone. Currently, the number of properties included in the BIA assessment levy is limited to the nine hotels identified in Resolution 08-35. However, the Best Western Newport Mesa Inn has requested that they be included as of July 1, 2008 (see Attachment 2). If the Council chooses to make this change, ten hotels will participate in the BIA.

As a function of the renewal process all nine affected property owners have been legally noticed of the assessment and of the public hearing that is required to provide an opportunity to "protest" the establishment of the area, the extent of the area, or the types of improvements within the area. Staff has also noticed all the hotels and motels in the City not included in the BIA to allow them the opportunity to be included as well. The City Council makes the ultimate decision as to the size of, and the properties to be included in, the BIA. Once the Resolution is adopted, the boundaries of the BIA cannot be altered during the current fiscal year.

Mayer, Hoffman, McCann P.C. has completed the annual audit of the Bureau for the fiscal year ending on June 30, 2007 as required by the Professional Service Contract in effect between the City and the CMCVB (see Attachment 3). The City received a copy of the CMCVB audit on June 5, 2008 and it included two letters that provided information to the City and CMCVB. It is recommended that the City Council request an outline of the steps that the CMCVB will take to address the audit and ensure continued compliance with State law.

ALTERNATIVES CONSIDERED:

Refrain from adopting the Resolution of Intention.

FISCAL REVIEW:

According to the 2008/09 Annual Report, the CMCVB has estimated that a total of \$1.487 million in BIA revenues will be generated for the entire fiscal year ending on June 30, 2008. The CMCVB has estimated that their expenditures for that same period will amount to approximately \$1.382 million, leaving \$112,580 in unexpended funds. In addition, the recently completed audit shows the Bureau's cash equity to be \$486,296 as of June 30, 2007. Examples of CMCVB expenditures include: an advertising campaign; media relations; industry Fam tours (tours for industry professionals, such as travel writers and conference planners, sponsored by the CMCVB); brochures/promotional items; trade shows; administration; special promotions; and hotel niche marketing. The CMCVB returns \$150 per room to each of the nine participating hotels to offset each member hotels' advertising costs.

The City receives one percent (1%) of the BIA assessment as partial reimbursement for its collection and administrative costs. The one percent (1%) allocated to the City for reimbursement is estimated at \$14,870 for the coming fiscal year. This fee will sufficiently cover the costs incurred by the City in assisting the Bureau.

In addition, the Bureau annually allocates funds for the City Council to spend on promotional activities. \$10,000 was budgeted for this purpose in the 2007-08 budget. These funds have been used to purchase various gift and promotional items. Mayor Bever has sent a letter to the President of the Bureau requesting that the \$10,000 allocation be increased to \$50,000 for Fiscal Year 2008-09. This increased allocation could be used for expanding our inventory of promotional items, enhancing the City's website and better integrating with the CMCVB website, creating new marketing materials and brochures and exploring other promotional items, activities and events (see Attachment 4).

LEGAL REVIEW:

Two Resolutions of Intention have been prepared: one that makes no changes to the properties included in the BIA and one that adds the Best Western Newport Mesa Inn to the properties included in the BIA (see Attachments 5 and 6). The Parking and Business Improvement Area Law of 1989 requires the adoption of a Resolution.

CONCLUSION:

The adoption of one of the attached Resolutions is the final step required to authorize the BIA assessment for the 2008-2009 Fiscal Year. The BIA assessment and CMCVB annual report must be reviewed and approved each fiscal year by the City Council in order to continue operations.

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ATTACHMENTS: [Attachment 1 – Resolution 08- 35](#)
[Attachment 2 – Letter from the Best Western Newport Mesa Inn](#)
[Attachment 3 – Audit](#)
[Attachment 4 – Letter from Mayor Bever to CMCVB](#)
[Attachment 5 - Resolution making no change to the BIA](#)
[Attachment 6 – Resolution adding the Best Western Newport Mesa Inn to the BIA](#)

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