



CITY COUNCIL AGENDA REPORT

MEETING DATE: June 7, 2011

ITEM NUMBER:

SUBJECT: BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION

DATE: JUNE 1, 2011

FROM: OFFICE OF THE CEO

PRESENTATION BY: DAN JOYCE, INTERIM PUBLIC AFFAIRS MANAGER

FOR FURTHER INFORMATION CONTACT: DAN JOYCE (714) 754-5667
djoyce@ci.costamesa.ca.us

RECOMMENDATION:

It is recommended that the City Council:

1. Hold the requisite Public Hearing;
2. Adopt the attached Resolution to levy an annual assessment for Fiscal Year 2011-2012 for the Business Improvement Area (BIA) for hotels and motels located within the City of Costa Mesa; and
3. Authorize staff draft a Professional Service Agreement for the 2011-2012 fiscal year that will implement the conditions that are outlined in Resolution 11-19 and the bylaws between the Costa Mesa Conference and Visitor Bureau (CMCVB) and the City.

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 2011-2012. This assessment is imposed as a "bed tax" against overnight stays at the ten 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 CEO of the City of Costa Mesa or his designee.

Authorization of the BIA will impose a three percent (3%) 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 17, 2011, the City Council approved and filed the Annual Report for the BIA for Fiscal Year 2010-2011, and adopted Resolution 11-19, a Resolution of Intention that included approval of the BIA budget and the setting of a Public Hearing for June 07, 2011 (see Attachment 1). The adoption of a second Resolution levying the assessment 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 ten hotels identified in both Resolution 11-19 and the second Resolution levying the assessment to be adopted at this meeting (see Attachment 2).

As a function of the renewal process all ten 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 second 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 CMCVB for the fiscal year ending on June 30, 2010 as required by the bylaws in effect between the City and the CMCVB. This is included in the Annual Report submitted on May 17, 2011.

ALTERNATIVES CONSIDERED:

Refrain from adopting the Resolution levying the assessment (Attachment 2).

FISCAL REVIEW:

The recently completed audit shows the Bureau’s cash equity to be \$333,373 as of June 30, 2010. The CMCVB has estimated that their expenditures for the 2010-2011 fiscal year will amount to approximately \$878,240.56 leaving \$406,733 in unexpended funds. The unexpended funds are projects to increase the equity to \$740,106 for the 2011-2012 fiscal year. Examples of CMCVB expenditures include: an advertising campaign; media relations, brochures/promotional items; administration; special promotions; and hotel niche marketing. According to the 2010/11 Annual Report, the CMCVB has a total of \$1,161,974.43 in BIA revenues through April and is estimated to generate additional revenue for the months of May and June.

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 \$14,330 for the 2011-2012 fiscal year. This fee will sufficiently cover the costs incurred by the City in assisting the Bureau.

In addition, the City of Costa Mesa and the Bureau have formed a “Strategic Alliance” (Attachment 3) for the upcoming year. The Bureau will increase their financial support to provide funding for activities which are mutually beneficial to both organizations and

to provide marketing support to assist with branding the City in an effort to increase room nights for out-of-town guests seeking hotel accommodations.

Funds include (Attachment 4)

- \$40,000 Website re-design. The Bureau has requested creative approval for the layout and design for their specific web page on the City's newly created website.
- \$40,000 Sponsorship and support for local community events which promote community goodwill and may increase overnight stays for out-of-town guest seeking hotel accommodations.
- \$4,000 To market and promote of the Costa Mesa Tennis Center and the Costa Mesa Country Club.
- \$50,000 Reimbursement for staff time and expenses to attract more special events into the city. The Board will consider and vote on each request made prior to receiving any charges for staff time as it relates to special events that can be marketed to out-of-town guests.
- \$20,000 For promotional items and marketing materials which are mutually beneficial to the City and the CMCVB. This budget item was requested by City Council to be placed back into the budget.
- \$10,000 To financial assist the Sister City Student Exchange program. This budget item was requested by City Council to be placed back into the budget. Staff will work with the CMCVB on a second Sister City for the 2012-2013 fiscal year.
- \$5,000 To fund the training and uniforms for a civilian Special Event Squad. This squad will be used for security and traffic control for future upcoming special events.

LEGAL REVIEW:

The Parking and Business Improvement Area Law of 1989 requires the adoption of the attached second Resolution reviewed and approved by the City Attorney's Office.

CONCLUSION:

The adoption of the attached Resolution is the final step required to authorize the BIA assessment for the 2011-2012 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 the CMCVB's operations.

THOMAS R. HATCH
Chief Executive Officer

DAN JOYCE
Interim Public Affairs Manager

COLLEEN O'DONOGHUE
Assistant Finance Director

TOM DUARTE
City Attorney

- ATTACHMENTS:
- 1 [Resolution of Intention 11-19](#)
 - 2 [Resolution Levying Assessment 11-](#)
 - 3 [Strategic Alliance Report](#)
 - 4 [Strategic Alliance Budget](#)