



CITY COUNCIL AGENDA REPORT

MEETING DATE: JUNE 5, 2012

ITEM NUMBER: PH-1

SUBJECT: BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION

DATE: MAY 30, 2012

FROM: OFFICE OF THE CEO

PRESENTATION BY: DAN JOYCE, PUBLIC AFFAIRS MANAGER

FOR FURTHER INFORMATION CONTACT: DAN JOYCE (714) 754-5667
dan.joyce@costamesaca.gov

RECOMMENDATION:

Staff recommends that the City Council:

1. Hold the requisite Public Hearing;
2. Adopt the attached Resolution to levy an annual assessment for Fiscal Year 2012-2013 for the Business Improvement Area (BIA) for hotels and motels located within the City of Costa Mesa.
3. Authorize staff to draft a Professional Service Agreement for the 2012-2013 fiscal year that will implement the conditions that are outlined in Resolution 12-xx 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 2012-2013. 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 15, 2012, the City Council approved and filed the Annual Report for the BIA for Fiscal Year 2011-2012, and adopted Resolution 12-35, a Resolution of Intention that included approval of the BIA budget and the setting of a Public Hearing for June 05, 2012. The adoption of a second Resolution levying the assessment is the final step in the re-authorization of the BIA assessment. (see Attachment 1).

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 12-35 and the second Resolution levying the assessment to be adopted at this meeting (see Attachment 1).

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.

Geller, Eperthener and McConnell, LLP has completed the annual audit of the CMCVB for the fiscal year ending on June 30, 2011 as required by the bylaws in effect between the City and the CMCVB. This was included in the Annual Report submitted on May 15, 2012.

The existing agreement with the CMCVB provides for the preparation of an annual audit paid for from the BIA assessment. The audit is intended to insure 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 audit is included in the Annual Report.

Highlights of the 2011 – 2012 Fiscal Year

The Tourism Economics California Travel and Tourism Outlook 2012 states visitor growth for California is expected to rebound and surpass pre-recession results. For 2011, revenue per available room (REVPAR) in the state of California was up 11 % in 2011 compared to 2010. Our Costa Mesa hotels (9 of the 10 who report to Smith Travel Research) experienced an increase of +9.2% in REVPAR for the calendar year of 2011. Average room rate grew +3.5% and occupancy grew +5.5%.

The CMCVB accomplished many goals in the 2011-2012 fiscal year including expanding the relationship with the City and developing continued relationships that promote Costa Mesa as a destination location.

Last year's highlights are featured in the annual report and include:

- Launched a new website;
- Increased Social Media;
- Expanded and promoted the brand of Costa Mesa as the arts and premiere leisure destination in Orange County. This branding was completed in print and electronic media;
- Production of a new promotional video capturing the "City of the Arts";
- Creation of the first ever Restaurant Week with over 28 hotels and more than 28,000 consumers;
- Developing weekend packages that increased weekend occupancy and sponsoring grass roots events that increased overnight travelers. The OC Marathon is a great example. Hotel rooms were up 126% in 2012 verses 2011.

Marketing expenses the year ending June 30, 2012 will be \$640,000 up from \$319,848 from 2011. In 2012-2013, the CMCVB will continue their focus to online marketing, social marketing and email marketing campaigns which will be more cost effective. Estimated marketing expense for 2012-2013 fiscal year is estimated at \$1,045,719.

In 2011, the City of Costa Mesa and the CMCVB have formed a "Strategic Alliance" for the upcoming year. The CMCVB increased their financial support to \$164,000 to provide funding for activities which are mutually beneficial to both organizations and to provide marketing support to assist with branding the City. Those funds were used to sponsor 6 community events, the Sister City Program, website redesign and promotional items.

The CMCVB has verbally committed to allocate similar funds for the 2012-2013 budget. City staff is working with the CVB on securing more special events that will increase room nights for out-of-town guests seeking hotel accommodations. This joint effort has already secured the **Costa Mesa Classic Soccer Tournament** for December 2012. The tournament will consist of sixteen high school soccer teams with the majority of teams coming from Northern California and out of state. The tournament is estimated to generate 75 additional room nights.

ALTERNATIVES CONSIDERED:

Refrain from adopting the Resolution levying the assessment.

FISCAL REVIEW:

The recently completed audit shows the CMCVB's cash equity as of June 30, 2011 to be \$985,314. According to the 2011/12 Annual Report, the CMCVB has a total of \$1,596.54 in BIA actual revenues through April and is estimating to generate an additional \$300,000 for the months of May and June for an estimated fiscal year total of \$1.8 million. The CMCVB has also estimated that their expenditures for the 2011-2012 fiscal year will be approximately \$1.5 million, leaving approximately \$300,000 in unexpended funds available for 2012-2013. Total projected revenue and expenditures for 2012-2013 is \$1,964,301.

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 \$19,643 for the 2012-2013 fiscal year. This fee will sufficiently cover the costs incurred by the City in assisting the CMCVB. Examples of CMCVB expenditures include: an advertising campaign; media relations, brochures/promotional items; video production, administration; special promotions; and hotel niche marketing.

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 2012-2013 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

DAN JOYCE
Public Affairs Manager

RICK FRANCIS
Assistant Chief Executive Officer

BOBBY YOUNG
Finance & I.T. Director
(fiscal review only)

THOMAS P. DUARTE
City Attorney
(legal review only)

DISTRIBUTION: CMCVB
Finance

ATTACHMENTS: 1 Resolution Levying Assessment

File Name: 060512BIAReauth	Date: 053012	Time: 3:00pm
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RESOLUTION NO. 12-xx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, LEVYING AN ANNUAL ASSESSMENT FOR FISCAL YEAR 2012-2013 FOR A BUSINESS IMPROVEMENT AREA COVERING CERTAIN COSTA MESA HOTELS AND MOTELS AND APPROVING THE 2011-2012 ANNUAL REPORT OF THE COSTA MESA CONFERENCE & VISITOR BUREAU

THE CITY COUNCIL OF THE CITY OF COSTA MESA DOES HEREBY RESOLVE AS FOLLOWS:

WHEREAS, the California Legislature in adopting the Parking and Business Improvement Area Law of 1989 (Streets & Highways Code § 36500 *et. seq.*) authorized cities to levy assessments on businesses in order to promote economic revitalization and tourism, to create jobs, attract new businesses, and prevent erosion of business districts; and

WHEREAS, on July 5, 1995, by Ordinance No. 95-9, the City Council adopted a business improvement area, commonly known as the Costa Mesa Tourism & Promotion Business Improvement Area, the purpose of which is to promote tourism to the City and to fund programs and activities that benefit the hotel and motel businesses within the City of Costa Mesa; and

WHEREAS, the City Council appointed the general managers of the ten hotels subject to the assessment area, to serve as the advisory board as required by California Streets and Highways Code Section 36530; and

WHEREAS, said advisory board is known as the Costa Mesa Conference and Visitor Bureau (the "CMCVB"); and

WHEREAS, the City Council has voted to continue the special assessment for the BIA each year since its inception, and it has been levied upon the ten hotel and motel businesses listed on Exhibit A, attached hereto and incorporated herein by this reference; and

WHEREAS, in January 2000, the City Council approved an increase in the assessment, raising the assessment from one percent (1%) to two percent (2%). The two percent (2%) assessment is based on the sale of overnight room stays; and

WHEREAS, in November 2010, the City Council approved an increase in the assessment, raising the assessment from two percent (2%) to three percent (3%). The three percent (3%) assessment is based on the sale of overnight room stays; and

WHEREAS, the Resolution of Intention was adopted by the City Council pursuant to the Parking and Business Improvement Area Law of 1989 (Streets & Highways Code § 36500 *et seq.*) at a meeting on May 15, 2012;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Costa Mesa as follows:

Section 1. Assessment. An annual assessment for the Costa Mesa Tourism & Promotion Council Business Improvement Area is adopted and shall be levied pursuant to Streets & Highways Code § 36500 *et seq.* The boundaries of the territory are the ten motels and hotels listed in Exhibit A, attached hereto and incorporated herein by this reference. The amount of the annual assessment shall be three percent (3%). The three percent (3%) assessment is based on the sale of overnight room stays. New hotel and motel businesses commenced after the effective date of the ordinance levying the assessment shall be exempt from the levy of assessment, pursuant to Streets & Highways Code § 36531 and § 36535.

Section 2. Annual Report. An annual report on the Business Improvement Area has been prepared by the Costa Mesa Conference & Visitor Bureau, acting as the advisory board as required by Streets & Highways Code § 36533 and § 36534. Said report is on file in the City Clerk's Office.

Section 3. Types of Activities To Be Funded. The type or types of activities to be funded by and through the annual levy of assessments on businesses within the Costa Mesa Tourism & Promotion Council Business Improvement Area are specified in the referenced annual report.

Section 4. Reporting and Remitting to the City of Costa Mesa Finance Department. Each hotel/motel owner shall separate the Business Improvement Assessment from the Transient Occupancy Tax on guest billing statements. The specific term "Business Improvement Assessment" shall be included on the billing to identify the assessment amount. The hotel/motel owner shall collect and subsequently remit the assessment to the City Finance Department at the same time and manner as

the Transient Occupancy Tax. A ten percent (10%) penalty and half percent (.5%) interest will be assessed on late remittances.

Section 5. Method and Basis of Levy. The method and basis of levying the assessment to allow each business owner to estimate the amount of the assessment to be levied against his or her business is set forth in the Costa Mesa Conference & Visitor Bureau's annual report relative to the Business Improvement Area.

BE IT FURTHER RESOLVED THAT the City Council of the City of Costa Mesa, California, does hereby adopt the annual report by the Costa Mesa Conference & Visitor Bureau acting as the advisory board on the business improvement area (referenced report on file in the City Clerk's Office), and this Resolution as set forth herein, and Exhibit "A" which is attached hereto and incorporated by this reference.

PASSED AND ADOPTED this _____th day of June, 2012.

Eric Bever, Mayor

ATTEST:

APPROVED AS TO FORM:

Christine Cordon, Acting Deputy
City Clerk

Tom Duarte, City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, CHRISTINE CORDON, Acting Deputy City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that the above and foregoing is the original of Resolution No. 12-XX____ and was duly passed and adopted by the City Council of the City of Costa Mesa at a regular meeting held on the 5thth day of June, 2012, by the following roll call vote, to wit:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this ____ day of, 2012.

ACTING DEPUTY CITY CLERK

CHRISTINE CORDON,

(SEAL)

EXHIBIT A

The Business Improvement Area (“BIA”) benefit zone encompasses the entire City of Costa Mesa boundaries. It is anticipated that the entire City, including businesses and residents, will benefit from increased revenues generated by the activities financed by the BIA assessment.

The following businesses will be included in the BIA that is established pursuant to Streets & Highways Code § 36500 *et seq.*, the businesses commonly known as:

Ayres Country Inn & Suites

Property Address: 325 and 345 Bristol Street, Costa Mesa

Business Owner: Newport Country Inn & Suites, Inc.
355 Bristol Street, Suite A
Costa Mesa, CA 92626

Property Owner: Newport Country Inn & Suites, Inc.
355 Bristol Street, Suite A
Costa Mesa, CA 92626

Best Western Newport Mesa Inn

Property Address: 2642 Newport Boulevard, Costa Mesa

Business Owner: James Hsuen
Shang-Pu Lee
2642 Newport Boulevard,
Costa Mesa, CA 92627

Property Owner: James Hsuen
Shang-Pu Lee
2642 Newport Boulevard,
Costa Mesa, CA 92627

Hilton Orange County/Costa Mesa

Property Address: 3050 Bristol Street, Costa Mesa

Business Owner: Ashford Hospitality Trust
14185 Dallas Parkway, Suite 1100
Dallas, TX 75254

Property Owner: Remington Lodging & Hospitality LP
14185 Dallas Parkway
Suite 1100
Dallas, Texas 75254

Hotel Hanford

Property Address: 3131 Bristol Street, Costa Mesa

Business Owner: Hanford Hotels
4 Corporate Drive, Suite 102
Newport Beach, CA 92660

Property Owner: Hanford Hotels
4 Corporate Drive, Suite 102
Newport Beach, CA 92660

Holiday Inn Express Hotel and Suites, Costa Mesa

Property Address: 2070 Newport Blvd., Costa Mesa

Business Owner: Narendra B. Patel
2070 Newport Blvd.
Costa Mesa, CA 92667

Property Owner: Narendra B. Patel
2070 Newport Blvd.
Costa Mesa, CA 92667

Costa Mesa Marriott

Property Address: 500 Anton Boulevard, Costa Mesa

Business Owner: Marriott International
10400 Fernwood Rd.
Bethesda, MD 20817

Property Owner: Host Hotels & Resorts
6903 Rockledge Dr.
Suite 1500
Bethesda, MD 20817

Ramada Inn

Property Address: 1680 Superior Ave., Costa Mesa

Business Owner: B.D. Inns Inc./Ramada Ltd.
1680 Superior Ave.
Costa Mesa, CA 92627

Property Owner: B.D. Inns Inc./Ramada Ltd.
1680 Superior Ave.
Costa Mesa, CA 92627

Residence Inn, Costa Mesa

Property Address: 881 Baker Street, Costa Mesa

Business Owner: Marriott International
10400 Fernwood Rd.
Bethesda, MD 20817

Property Owner: ING Clarion Partners
2650 Cedar Springs Road
Suite 850
Dallas, TX 75201-1491

The Westin South Coast Plaza Hotel

Property Address: 686 Anton Boulevard, Costa Mesa

Business Owner: Host Hotels & Resorts
6903 Rockledge Dr., Suite 1500
Bethesda, MD 20817

Property Owner: CJ Segerstrom & Sons
c/o South Coast Plaza
686 Anton Boulevard
Costa Mesa, CA 92626

Wyndham Hotel

Property Address: 3350 Avenue of the Arts, Costa Mesa

Business Owner: Rosanna Inc.
3350 Avenue of the Arts
Costa Mesa, CA 92627

Property Owner: Rosanna Inc.
3350 Avenue of the Arts
Costa Mesa, CA 92627