



CITY COUNCIL AGENDA REPORT

MEETING DATE: JUNE 3, 2014

ITEM NUMBER:

SUBJECT: BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION AND RESOLUTION TO LEVY ANNUAL ASSESSMENT

DATE: MAY 13, 2014

FROM: CITY CEO'S OFFICE

PRESENTATION BY: DANIEL K. BAKER, MANAGEMENT ANALYST

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

RECOMMENDATION:

It is recommended that the City Council:

1. Conduct a public hearing regarding the Business Improvement Area (BIA) reauthorization and approve Resolution No. 14-xx: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, LEVYING AN ANNUAL ASSESSMENT FOR FISCAL YEAR 2014-2015 FOR A BUSINESS IMPROVEMENT AREA COVERING CERTAIN COSTA MESA HOTELS AND MOTELS. (Attachment 1)
2. Review and authorize the City CEO to sign a reimbursement agreement (Attachment 2) between the City and the Conference and Visitor Bureau authorizing an annual expenditure of \$164,000 for additional community marketing and support.

BACKGROUND:

The California Legislature adopted the Parking in Business Improvement Area Law of 1989 (Streets and Highways Code, §36500), 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 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 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) became the administrator of the BIA.

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.

At the May 6, 2014 meeting, the City Council approved Resolution No. 14-25, declaring the intention to levy an annual assessment for Fiscal Year 2014-2015, and set the public hearing for June 3, 2014 at 7 p.m. A copy of the adopted resolution was mailed to every hotel and motel owner on file with the City, notifying them of the proposed assessment renewal and their opportunity to protest the annual assessment or other concerns regarding the BIA.

For Fiscal Year 2014-15 the owners of the BLVD Hotel, located at 2430 Newport Blvd, have submitted a letter of interest regarding inclusion into the BIA. Once reviewed by CVB board of directors, staff will bring forward a recommendation seeking council direction to include the BLVD Hotel in the Business Improvement Area.

ANALYSIS:

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 CVB 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 the CVB and as required by Streets and Highways Code (§36533), the CVB provided an annual review at the May 6 Council meeting, 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.

Highlights of the 2013-2014 Fiscal Year

The CVB focused on marketing the "City of the Arts" over the past fiscal year with the goal of marketing the city's location and amenities and making Costa Mesa a desirable tourism destination. Through online marketing, print and social media, the CVB focused on the city attributes that would entice overnight guests to stay in Costa Mesa. The CVB's campaign featured three pillars or highlights throughout the year -- "Art of Fashion," "Art of the Stage," and "Art of Dining."

The CVB partnered with the city on local programs, and sponsored Costa Mesa Restaurant Week and the OC Marathon. Focused on need times, the CVB continued the "50 Reasons to Stay," a successful new hotel package that ran during the summer and holiday timeframes.

The hotels within the CVB continued to make enhancements to their properties. The Hilton has completed a renovation of its ballroom space, added a new Executive Lounge Club, and created a sophisticated tech lounge in the lobby of the hotel and a Grab-n-Go pantry. The Holiday Inn Express (HIE) is completing upgrades to its guest rooms, lobby and Sunshine breakfast room. Added amenities to the HIE include the addition of a fitness center, pool and meeting room. The Costa Mesa Marriott remodeled its fitness center, and the Crowne Plaza launched the opening of the Fireside Tavern as well as created a welcoming porte-cochere entrance for guests.

New restaurants found their homes in Costa Mesa, which included Taco Maria and Greenleaf Gourmet Chopshop at the OC Mix, Seabirds Kitchen at The LAB, Fluff Ice and Jerry's Wood-Fired Dogs at Marquee CM, and H2O Sushi, Saddle Ranch Chop House and El Corazon de Costa Mesa at the Triangle.

The travel industry continues to drive growth to the state economy. According to Visit California, travel-related spending within the state was projected to reach \$106 billion in 2013 and total visits to the state of California are forecasted well above 200 million. According to Star Data Research, hotel occupancy in the state grew 2.8% to 70.7%, and the average daily rate (ADR) was \$130.45 – up 5.6% compared to 2012. Closer to home, Orange County occupancy grew 2.5% to 77.5%, and the ADR was \$121.61 – an increase of 8.4% (as reported by PKF Consulting). Participating hotels within the Bureau achieved an increase of 9.9% in occupancy, reaching 79.3% occupancy, and grew ADR to \$122.60, an increase of 2.4%.

Beginning this past fiscal year, the Bureau began marketing the City of the Arts™ to China, Canada and Mexico with the hope of welcoming these guests to our city. The Bureau has invested in translation to website and marketing collateral to reach these international markets. Within the next few years, they will be expanding their reach to additional countries.

ALTERNATIVES CONSIDERED:

The Council may vote to reject the resolution, which will prevent the city from levying an annual assessment for the upcoming fiscal year.

FISCAL REVIEW:

The recently completed audit shows the CVB's cash equity as of June 30, 2013, to be \$1,316,832. According to the 2013-2014 annual report, the CVB has a total of \$1,757,752 in BIA actual revenues through March and is estimating to generate an additional \$493,753 for the months of April, May and June for an estimated fiscal year total of \$2.25 million.

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 \$22,000 for the 2014-2015 Fiscal Year. This fee will sufficiently cover the costs incurred by the City of Costa Mesa in assisting the CVB. Examples of CVB expenditures include an advertising campaign, media relations, brochures/promotional items, video production, administration, special promotions, and hotel niche marketing.

Additionally, the City utilizes CVB funding for community-wide marketing and support. Beginning in FY 2014-2015, the City will budget and track revenues and expenditures of \$164,000 within the City's financial system. These changes are outlined in the proposed Reimbursement Agreement (Attachment 2) and satisfies the recommendations in the audit that the City better track such expenditures. All expenditures of these funds will be on a reimbursement basis and will adhere to the City of Costa Mesa purchasing policy guidelines.

Lastly, the proposed Fiscal Year 2014-15 budget (attachment 3) was presented before Council at the May 6, 2014 council meeting. Each year the City Council will review the proposed budget as part of the annual reauthorization process of the BIA.

LEGAL REVIEW:

Legal counsel has prepared the resolution of intention and reviewed the documents and approved as to form.

CONCLUSION:

State law mandates a specific procedure to be followed in the establishment of a BIA area and the levying of an annual assessment. Adoption of the attached resolution is the final step in the reauthorization of the BIA assessment, and the City Council must approve the proposed resolution before an annual assessment can be levied for the 2014-2015 fiscal year.

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DISTRIBUTION: Costa Mesa Conference & Visitor Bureau

ATTACHMENTS: 1 [Proposed Resolution](#)
2 [Proposed Reimbursement Agreement](#)
3 [Proposed Fiscal Year 2014-15 Budget](#)