



# CITY COUNCIL AGENDA REPORT

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**MEETING DATE:** January 6, 2015

**ITEM NUMBER:** NB-1

**SUBJECT:** MODIFICATION OF BUSINESS IMPROVEMENT AREA (BIA) TO ADD A NEW HOTEL THAT WILL BE SUBJECT TO THE BIA ASSESSMENT

**DATE:** December 4, 2014

**FROM:** CITY CEO'S OFFICE

**PRESENTATION BY:** DANIEL K. BAKER, PUBLIC AFFAIRS MANAGER

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

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## **RECOMMENDATION:**

It is recommended that the City Council:

1. Introduce for first reading Ordinance No. 15-xx, to be read by title only and waive further reading, modifying the BIA to add a new hotel that will be subject to the BIA assessment (Attachment 1).
2. Conduct a public meeting regarding the Business Improvement Area (BIA) modification to include an additional hotel into the business BIA and accept public comments regarding such proposed modification.

## **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 an assessment on the sale of hotel and motel overnight guest room stays. This money is 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 accordance with the CVB's bylaws (Attachment 2), the CVB's Board of Directors is currently comprised of 10 general managers from the 10 participating hotels, one member of the City Council, and the City Chief Executive Officer's designee. The CVB's Board of Directors is also appointed as the Advisory Board to the City Council

concerning certain matters related to the BIA pursuant to Streets & Highways Code section 36530.

In June of 2014, the participating hotels requested and recommended that the BIA be modified such that the BLVD Hotel, located at 2430 Newport Blvd, be included and be subject to the BIA assessment in the manner described above (Attachment 3). The BLVD Hotel has also expressed a desire in being included in the BIA and being subject to the assessment (Attachment 4).

### **ANALYSIS:**

Currently, the number of properties included in the BIA assessment levy is limited to the 10 hotels that have expressed an interest in participating in the program. The proposed ordinance would modify this number by adding one additional hotel (Attachment 1). However, State law requires a very specific procedure in modifying the BIA to include an additional hotel. This is the second step of that procedure with the final step occurring at the public hearing on January 20, 2015.

After this public meeting, affected businesses will also be provided an opportunity to protest the annual assessment or address any concerns regarding the BIA at the public hearing on January 20, 2015. After the public hearing, the City Council will vote to adopt or deny the ordinance concerning the proposed modification, and makes the ultimate decision as to the size of and the businesses to be included in the BIA. Once the proposed modification 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.

### **ALTERNATIVES CONSIDERED:**

The Council may decide to not conduct the first reading of the ordinance, as described above, and direct staff to not continue the process of modifying the BIA, which will result in the BIA not being modified as described above.

### **FISCAL REVIEW:**

The annual fiscal year 2013-14 revenue for the CVB totaled approximately 2.2 million dollars. The addition of an eleventh hotel will increase revenues and allow for additional funding to promote the tourism industry in Costa Mesa.

### **LEGAL REVIEW:**

Legal counsel has prepared the proposed ordinance 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. This is the second step of that

process. The City Council will have to hold a public hearing on January 20, 2014 concerning the proposed modification and ultimately adopt an ordinance concerning the proposed modification after the public hearing.

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DANIEL K. BAKER  
Public Affairs Manager

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THOMAS R. HATCH  
City CEO

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THOMAS DUARTE  
City Attorney

DISTRIBUTION: Costa Mesa Conference & Visitor Bureau

ATTACHMENTS: 1 [Proposed Ordinance](#)  
2 [Bylaws of Costa Mesa Conference & Visitor Bureau](#)  
3 [Letter from CVB concerning proposed modification](#)  
4 [Letter from BLVD Hotel concerning proposed modification](#)