



# CITY COUNCIL AGENDA REPORT

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**MEETING DATE:** May 5, 2015

**ITEM NUMBER: NB-1**

**SUBJECT:** BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION AND RESOLUTION OF INTENTION, AND REVIEW OF ANNUAL REPORT

**DATE:** APRIL 21, 2015

**FROM:** CHIEF EXECUTIVE'S OFFICE

**PRESENTATION BY:** DANIEL K. BAKER, PUBLIC AFFAIRS MANAGER  
PAULETTE LOMBARDI-FRIES, PRESIDENT, COSTA MESA CONFERENCE  
AND VISITOR BUREAU

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

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## **RECOMMENDATION:**

It is recommended that the City Council:

1. Receive and file the Business Improvement Area (BIA) annual report for Fiscal Year 2014-15(Attachment 1).
2. Receive and file audited financial report for Fiscal Year 2013-14 (Attachment 2).
3. Approve Resolution No. 15-xx: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, DECLARING ITS INTENTION TO LEVY AN ANNUAL ASSESSMENT FOR FISCAL YEAR 2015-2016 FOR A BUSINESS IMPROVEMENT AREA COVERING CERTAIN COSTA MESA HOTELS AND MOTELS AND SETTING THE TIME AND PLACE FOR A PUBLIC HEARING ON PROPOSAL. (Attachment 3)

## **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 accordance with the CVB's bylaws (Attachment 4), the CVB's Board of Directors is currently comprised of 11 general managers from the 11 participating hotels, one member of the City Council, and the City Chief Executive Officer's designee.

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.

### **ANALYSIS:**

Currently, the number of properties included in the BIA assessment levy is limited to the 11 hotels that have expressed an interest in participating in the program as detailed in the resolution of intention (Attachment 3), the BLVD Hotel was added in February 2015. Upon adoption of the resolution of intention, property owners of the participating hotels will be notified in writing within seven days of the assessment renewal, and the resolution will also be published in the Daily Pilot at least seven days prior to the public hearing scheduled for June 2, 2015 at 7 p.m. City staff will also notify all the hotels and motels in the city not currently included in the BIA to allow them the opportunity to be included in the BIA.

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 is required to provide an annual review 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 (Attachment 1). The City Council may make recommendations and revisions to the annual report, which will ultimately be approved at the public hearing as part of the resolution to levy an annual assessment.

Also in accordance with the agreement between the city and the CVB, the annual audit for the 2013-14 Fiscal Year has been completed by KMJ Corbin & Company, an independent auditor, and paid for by assessment funds. The audit is intended to ensure 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 Council is asked to receive and file the audit (Attachment 2).

### ***Highlights of the 2014-2015 Fiscal Year***

In 2014/2015, the Bureau worked with Myriad Marketing and developed a new brand for the City of the Arts.™ A refreshed concept was developed with the consistent brand message through The Art of Fashion, The Art of the Stage, and The Art of Dining. The new concept elevates Costa Mesa and communicates its brand essence through creative imagery that shows off Costa Mesa landmarks, its bright colors, elegance, beautiful weather and fashion-forward style. New taglines include "Where Your Style Reaches New Heights" and "Where

Your Style Spreads Its Wings.” New branding was incorporated throughout all advertising channels such as online, print, email marketing, social media and press releases.

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 hotel package that ran during the summer and holiday timeframes.

The hotels within the CVB continued to make enhancements to their properties. Product improvements include the Ayres Hotel & Suites’ inspiring new lobby and business center. The Marriott guest will experience a refreshed, modern feel upon arrival in the lobby. The Westin South Coast Plaza is in the process of a guest room revitalization project due to be completed by May 2015. And lastly, the BLVD Hotel, the newest member of CVB, recently began a multi-stage room makeover program and will soon be remodeling its guest lobby.

New restaurants found their homes in Costa Mesa, which included Pueblo, ST Patisserie and SusieCakes at The OC Mix. The famed Din Tai Fung at South Coast Plaza, Boathouse Collective, and classic Southern dishes at Social add to the superb dining diversity of our city.

The travel industry continues to drive growth to the state economy. According to Smith Travel Research Inc., we live and work in a state where more than 200 million visitors traveled to in 2013. Over \$109.6 billion was spent in travel-related consumer expenses. California had the largest market share of domestic travel among all 50 states with leisure travel outpacing business travel. Over 6.5 million international travelers visited California and spent \$12.8 billion. International travel led to growth in passenger loads at California’s airports. The lodging industry within the state of California is very strong. Statewide occupancy in 2014 reached 72.8%, +3.1% and the average daily rate (ADR) was \$140.16, +7.3% from last year. Orange County experienced an occupancy rate of 76.7% in 2014 and an ADR of \$135.57, +6.5% from last year. Participating hotels within the Bureau saw an increase of 1.7% in occupancy and 6.6% in average daily rate in 2014.

Beginning last fiscal year, in concert with the Orange County Visitors Association, 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 continues to work closely with the Orange County Visitors Association. The CVB’s alignment with OCVA has become very valuable. OCVA offers destination management organizations and related travel industries a strong voice in highlighting the county as a premier overnight destination both internationally and domestically. Over the past two years, the Bureau has worked closely with OCVA to develop a presence in international destinations such as China, Mexico and the Middle East.

Lastly, The Bureau redesigned TravelCostaMesa.com this fiscal year to provide a more modern look and feel to the site. The site has been updated with a wider visual layout design packed with larger imagery, new fonts, and brighter colors to grab and hold the visitor’s attention. The content was reorganized and optimized for simpler navigation and faster loading time to enhance the user’s browsing and reading experience. Both desktop and mobile sites now prominently feature the main categories of “STAY”, “SHOP”, “EAT”, and “PLAY,” resulting in more direct access to hotel content. The TravelCostaMesa.com mobile site represents 47% of the total traffic, driving the need for a mobile-friendly redesign. The mobile version has been optimized for a better browsing experience on mobile devices, and for improved accessibility across multiple platforms. Mobile users may have different needs when accessing information on their mobile devices, and expect to get to the information more quickly and easily.

**ALTERNATIVES CONSIDERED:**

The Council may vote to deny the resolution of intention, which will prevent a public hearing from taking place to consider the 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, 2014, to be \$1,079,582. According to the 2014-2015 annual report, the CVB has a total of \$1,651,070 in BIA actual revenues through February and is estimating to generate an additional \$720,802 for the months of March, April, May and June for an estimated fiscal year total of \$2.37 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 \$23,700 for the 2015-2016 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.

Lastly, the City utilizes CVB funding for community-wide marketing and support. The Fiscal Year 2015-2016 proposed budget totaling \$164,000 is outlined in attachment 5. Beginning in FY 2014-2015, the City budgets and tracks revenues and expenditures of \$164,000 within the City’s financial system. This budget will be annually added as an addendum to the existing Professional Services Agreement between the City and the CVB. The proposed addendum will be presented for review and authorization by the City Council at the June 2, 2015, public hearing. All expenditures of these funds will be on a reimbursement basis and will adhere to the City of Costa Mesa purchasing policy guidelines.

**LEGAL REVIEW:**

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

**CONCLUSION:**

Adoption of the resolution of intent is the initial step in the reauthorization of the BIA assessment. State law mandates the specific procedure to be followed in the establishment of such an area. Staff will make a presentation to the City Council on the implementation of the BIA assessment at the public hearing on June 2, 2015, but the City Council must approve the proposed resolution of intention before the hearing can be scheduled to consider the levying of an annual assessment.

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STEVE DUNIVENT  
Interim Finance Director

DISTRIBUTION: Costa Mesa Conference & Visitor Bureau

- ATTACHMENTS:
- 1 [Fiscal Year 2014-15 Annual Report for the BIA](#)
  - 2 [Completed Audit of Fiscal Year 2013-14](#)
  - 3 [Proposed Resolution of Intention](#)
  - 4 [Bylaws of Costa Mesa Conference & Visitor Bureau](#)
  - 5 [Annual Community-Wide marketing and support budget](#)