



CITY COUNCIL AGENDA REPORT

MEETING DATE: June 2, 2015

ITEM NUMBER: PH-1

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

DATE: MAY 13, 2015

FROM: OFFICE OF THE CEO

PRESENTATION BY: DANIEL K. BAKER, PUBLIC AFFAIRS MANAGER

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. 15-xx: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, LEVYING AN ANNUAL ASSESSMENT FOR FISCAL YEAR 2015-2016 FOR A BUSINESS IMPROVEMENT AREA COVERING CERTAIN COSTA MESA HOTELS AND MOTELS. (Attachment 1)
2. Receive and file audited financial report for Fiscal Year 2013-14 (Attachment 2).
3. Authorize the annual Fiscal Year 2015-16 expenditure of \$164,000 for additional community marketing and support budget (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 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 5, 2015 meeting, the City Council approved a Resolution declaring the intention to levy an annual assessment for Fiscal Year 2015-2016, and set the public hearing for June 2, 2015 at 7 p.m. A copy of the 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.

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 5 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 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 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, 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 3. 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:

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 2015-2016 fiscal year.

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- ATTACHMENTS:
- 1 [Proposed Resolution](#)
 - 2 [Audited financial report for Fiscal Year 2013-14](#)
 - 3 [Proposed Fiscal Year 2015-16 Marketing Budget](#)