



# CITY COUNCIL AGENDA REPORT

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**MEETING DATE:** May 3, 2016

**ITEM NUMBER: NB-2**

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

**DATE:** APRIL 21, 2016

**FROM:** CHIEF EXECUTIVE'S OFFICE

**PRESENTATION BY:** DANIEL K. BAKER, ASSISTANT TO THE CEO  
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 2015-16 (Attachment 1).
2. Receive and file audited financial report for Fiscal Year 2014-15 (Attachment 2).
3. Approve Resolution No. 16-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 2016-2017 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 7, 2016 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 2014-15 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 2015-2016 Fiscal Year***

The Costa Mesa Conference and Visitor Bureau (Bureau) is passionate about the City of the Arts™. Driven to elevate the city as a premier Southern California destination, the Bureau focuses on creating awareness to attract overnight leisure travelers. California is welcoming more visitors than ever, 251.5 million-person trips in 2014. Over 204 million of these travelers were leisure guests and 16.5 million were international visitors. International traffic led growth in passenger loads at airports across the state, and travel spending is at an all-time high.

Visitor spending was at \$117.5 billion, an increase of 3.6 percent. Tourism-related jobs grew to over 1 million. The lodging industry in the United States experienced six consecutive years of increased occupancy, the longest period of increase since 1988. Occupancy in California reached 74.7 percent in 2015, up 2.8 percent from 2014, and revenue per available room (RevPAR) grew 10 percent. Orange County occupancy reached 78.7 percent, up 3 percent with RevPAR growing 9.4 percent. Partnering hotels within the Bureau saw an overall RevPAR increase of 5.1 percent in 2015.

Tourism-related jobs in California grew 4.4 percent, emphasizing the importance of the industry as a significant job creator. Over 9 billion dollars in tax revenue at the state and local levels was generated. Our local restaurants, shopping centers, attractions and entertainment venues, as well as residents, benefit tremendously from every guest that visits our city. Tourism drives our economy and keeps California in business.

As we have seen throughout the years, Costa Mesa hotel owners continue to invest in their products. Residence Inn by Marriott will complete their guest room renovation in late spring and Avenue of the Arts became a Tribute Portfolio Hotel after the completion of their chic, contemporary guest room renovation in April. The BLVD Hotel is completing their contemporary accommodations with a sleek transformation of their guest bathrooms and lobby surroundings. The Marriott recently completed renovation of their ballroom space with a welcoming, modern atmosphere for meetings, weddings and events.

Food tourism is now considered the leading hook in travel. The City of the Arts™ is gaining an even greater reputation for the Art of Dining. Gogobot and the Orange County Register named Costa Mesa one of the 10 best mid-sized food cities in America. In fact, according to a critics poll in the Orange County Register, 17 of the top 75 restaurants in Orange County are located in Costa Mesa. The diversity in culinary options is endless. Vaca, the newest Spanish restaurant owned by Top Chef contestant Amar Santana, opened in late December. Executive Chef Laurent Brazier opened Bistro Papillote inside The OC Mix, offering delicious quiches and crêpes. The Halal Guys, famous in New York for their tasty gyro sandwiches and chicken and rice platters, opened their first Orange County location in Costa Mesa. Holsteins, at South Coast Plaza, crafts critically acclaimed hamburgers and milkshakes, and as rated by USA Today, is among the best in the United States. Taco María continues to receive accolades and was ranked number two on Pulitzer Prize-winning Jonathan Gold's 101 Best Restaurants list in November 2015. Exciting new partnerships took place last year. Anaheim Resort Transportation (ART) allows our guests to conveniently visit the Disneyland® Resort while enjoying the best shopping, dining and arts scene in Costa Mesa. This joint agreement enabled the Bureau to add a family customer segment to our core marketing efforts. Furthering our international efforts, new initiatives such as Ctrip (China's largest online travel agency) and a dedicated group sales effort focused on China will aid in growing awareness of our city as an attractive Southern California destination.

### **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, 2015, to be \$1,385,046. According to the 2015-2016 annual report, the CVB has a total of \$1,752,769 in BIA actual revenues through February and is estimating to generate an

additional \$815,257 for the months of March, April, May and June for an estimated fiscal year total of \$2.57 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 \$25,700 for the 2016-2017 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 2016-2017 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 7, 2016, 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 7, 2016, 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  
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ATTACHMENTS: 1 [Fiscal Year 2015-16 Annual Report for the BIA](#)  
2 [Completed Audit of Fiscal Year 2014-15](#)  
3 [Proposed Resolution of Intention](#)  
4 [Bylaws of Costa Mesa Conference & Visitor Bureau](#)  
5 [Annual Community-Wide marketing and support budget](#)