



CITY OF COSTA MESA

77 Fair Drive
Costa Mesa, CA 92626

Agenda Report

File #: 26-306

Meeting Date: 6/2/2026

TITLE:

BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION TO LEVY ANNUAL ASSESSMENT

DEPARTMENT: CITY MANAGER'S OFFICE

PRESENTED BY: HADASSA JAKHER, ASSISTANT TO THE CITY MANAGER

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RECOMMENDATION:

Staff recommend the City Council:

1. Conduct a public hearing regarding the Business Improvement Area (BIA) reauthorization and levy of the annual assessment for Fiscal Year 2026-2027.
2. Adopt Resolution No. 2026-XX, confirming the annual report filed by Travel Costa Mesa and levying an annual assessment for Fiscal Year 2026-2027 for the Business Improvement Area covering certain Costa Mesa hotels and motels (Attachment 1).

BACKGROUND:

California's Parking and Business Improvement Area Law of 1989 (Streets and Highways Code § 36500, et seq.) enables cities to impose an assessment fee on businesses within an area designated by the City.

On July 5, 1995, the Costa Mesa 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 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), now known as Travel Costa Mesa (TCM), became the administrator of the BIA. In accordance with Travel Costa Mesa bylaws, Travel Costa Mesa's Board of Directors is currently comprised of eleven (11) General Managers from the eleven (11) participating hotels and motels, one member of the City Council, and the City Manager's designee.

Since November 2010, the City has annually levied a three percent (3%) special assessment on eleven (11) participating hotels, based on the sale of overnight guestroom stays (2,375 total available rooms) in the partner hotels. The levy is transmitted by the hotels to the City and ninety-nine percent (99%) of the assessment is remitted to TCM. The remaining one percent is retained by the City to offset administrative costs. The annual levy is separate from the City's Transient Occupancy Tax (TOT).

At the May 5, 2026, City Council meeting, the City Council approved a resolution declaring the intention to levy an annual assessment for Fiscal Year 2026-2027 and set a public hearing for June 2, 2026, at 7 p.m. Staff mailed out notices, including a copy of the resolution, to all hotel and motel owners on file with the City. Hotel and motel owners were notified of the proposed assessment renewal and their opportunity to protest the annual assessment or raise other concerns regarding the BIA.

On May 22, 2026, the Crowne Plaza submitted its notice of withdrawal from the BIA, citing a review of its operational priorities and business strategy under its new management structure and an expected increase of TOT (Attachment 4). The withdrawal of the Crown Plaza will reduce the number of hotels in the BIA from eleven (11) to ten (10).

ANALYSIS:

During the public hearing, property owners are provided an opportunity to speak in support of, protest the annual assessment, and/or to address any concerns regarding the BIA. The City Council will vote to adopt or deny the resolution levying an annual assessment for the upcoming fiscal year and make the ultimate decision as to the size of and the properties to be included in the BIA. Upon the approval of the annual assessment, the three percent (3%) 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 staff at TCM manage the day-to-day activities and provide all services to administer the BIA.

Per the agreement between the City of Costa Mesa and TCM and as required by Streets and Highways Code section 36533, TCM is required to provide an annual report (Attachment 2) 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. The City Council may approve the report as filed or modify the report and approve it as modified. Once the City Council approves the report, it may adopt the resolution of intention to levy the annual assessment for 2026-2027.

Highlights of the 2025-2026 Fiscal Year

Travel Costa Mesa continues its dedication to showcasing the City of Costa Mesa as the City of the Arts and further enhancing the City's brand as a premier destination in Orange County.

In the first half of the fiscal year and at calendar year-end, occupancy rates and average daily rates grew, resulting in an overall increase in RevPAR (revenue per available room). In the calendar year 2025, the occupancy rate in the Costa Mesa hotels was 76.5%, with an average daily rate of \$177.12.

This fiscal year was also marked by elevated branding through authentic storytelling, highlighting Costa Mesa's role as a coastal-adjacent cultural hub. Paid TCM campaigns drove more than 13,000 attributed room nights and generated \$9.1 million in enriched hotel revenue. The average length of stay increased 22% year over year. A TripAdvisor brand lift study also demonstrated meaningful gains in awareness among high-intent travelers ages 18-34, a critical audience for sustained growth.

Upcoming projects and renovations include The Westin South Coast Plaza, due for completion in 2027 and the Residence Inn Costa Mesa Newport Beach, due for completion in late 2026. TCM also plans to launch a new website in June 2026, and a FIFA 2026 partnership with Expedia for the upcoming FIFA World Cup.

ALTERNATIVES:

City Council may choose not to adopt the resolution, which will prevent the City from levying an annual assessment for the upcoming fiscal year.

FISCAL REVIEW:

Based on the audit report (Attachment 3), Travel Costa Mesa's cash equity as of June 30, 2025 totaled \$2,647,036. Furthermore, the projected total revenue for the current fiscal year is forecasted at \$3.3 million, according to the 2025-26 Annual Report. As of February 2026, BIA funds have recorded \$2.3 million in revenues.

The City receives one percent (1%) of the BIA revenue/assessment as partial reimbursement for its collection and administrative costs. The withdrawal of Crown Plaza from the BIA is anticipated to have a minimal impact to the City with an estimated reduction in revenue of between \$1,000 to \$3,000 in the General Fund for FY 2026-27. The one percent (1%) allocated to the City for FY 2025-26 reimbursement is estimated at approximately \$33,000.

The primary expenses for Travel Costa Mesa in FY 2025-26 were:

- 58% on Marketing Expenses
- 26% on Employee Expenses
- 9% on Administrative Expenses
- 7% on Sales-Related Expenses

Beginning in 2014, Travel Costa Mesa had also provided "Community Events Programming" funding to the City, under a Professional Services Agreement (PSA). This \$164,000 from the agreement supported community-wide marketing and community events that attract visitors to Costa Mesa. Due to the COVID-19 pandemic restrictions on large gatherings, the "Community Events Programming" funds were not available to the City during Fiscal Years 2020-21, 2021-22, and 2022-23. Travel Costa Mesa reinstated the funding in Fiscal Year 2023-24.

During Fiscal Year 2025-26, the Travel Costa Mesa Board of Directors voted to discontinue this funding to the City. However, the one percent revenue/assessment is still in effect. The discontinued funds had previously supported various community events, which are now fully funded by the General Fund.

LEGAL REVIEW:

The City Attorney's Office has reviewed the report and resolution and approves them as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the City Council's continuous efforts to promote the City of Costa Mesa for its rich and vibrant community that offers many attractions for residents, visitors, and businesses.

CONCLUSION:

State law mandates the specific procedure to be followed in the establishment of business improvement areas and the levying of a voluntary annual assessment. Adoption of Resolution No. 2026-XX is the final step in the reauthorization of the BIA assessment, and the City Council must adopt the proposed resolution before an annual assessment can be levied for Fiscal Year 2026-27.

Therefore, staff recommends that the City Council:

1. Conduct a public hearing regarding the Business Improvement Area (BIA) reauthorization and levy of the annual assessment for Fiscal Year 2026-2027.
2. Adopt Resolution No. 2026-XX, confirming the annual report filed by Travel Costa Mesa and levying an annual assessment for Fiscal Year 2026-2027 for the Business Improvement Area covering certain Costa Mesa hotels and motels (Attachment 1).