



# City of Costa Mesa

## Agenda Report

77 Fair Drive  
Costa Mesa, CA 92626

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**File #:** 22-762

**Meeting Date:** 6/21/2022

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**TITLE:**

**BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION, RESOLUTION TO LEVY ANNUAL ASSESSMENT**

**DEPARTMENT:** CITY MANAGER'S OFFICE

**PRESENTED BY:** ALMA REYES, ASSISTANT TO THE CITY MANAGER

**CONTACT INFORMATION:** ALMA REYES, ASSISTANT TO THE CITY MANAGER (714) 754-5090

**RECOMMENDATION:**

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 2022-2023.
2. Adopt Resolution No. 2022-XX, confirming the annual report filed by Travel Costa Mesa and levying an annual assessment for Fiscal Year 2022-23 for the Business Improvement Area (BIA) covering certain Costa Mesa hotels and motels (Attachment 1).
3. Approve the use of \$164,000 in Federal American Rescue Plan Funds as revenue recovery for City activities, programs and events, until annual hotel tax and BIA revenues are restored to normal levels.

**BACKGROUND:**

The Parking and Business Improvement Area Law of 1989 (Streets and Highways Code section 36500, *et seq.*) 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. In June 2017, the City Council adopted Ordinance 17-10, which amended Section 3 of Ordinance No. 95-9, clarifying voluntary participation in the BIA and improvements and activities to be funded by the revenue collected from the levy of assessment.

The City entered 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 TCM bylaws, TCM'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 levied a three percent (3%) special assessment on the eleven (11) participating hotels in the BIA based on the sale of overnight guestroom stays in the partner hotels (2,375 total available rooms). 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.

At the May 17, 2022, City Council meeting, the City Council approved a resolution declaring the intention to levy an annual assessment for Fiscal Year 2022-2023 and set a public hearing for June 21, 2022, 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.

**ANALYSIS:**

Property owners will be provided an opportunity to speak in support of, protest the annual assessment, and/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. 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 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. In addition to the annual report, TCM staff has prepared a video presentation that highlights objectives and accomplishments during the previous year and provides a status update of ongoing activities and future promotional and marketing plans that help attract visitors to Costa Mesa.

***Highlights of the 2021-2022 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 city in Orange County. Their efforts included innovative ways to partner with influencers and content creators to amplify messaging across various platforms, summer and holiday co-ops with Visit California, and meetings guide videos.

Despite the varied opportunities for economic activity within the tourism industry, due to the Delta and Omicron COVID-19 variants in the fall and winter of 2021, TCM continued its efforts in marketing, media and communications relations, and group sales.

TCM's website increased new website users by 6.73% and page views by 5.05% over the calendar year. Organic search traffic grew considerably due to search engine optimization efforts, gaining 140.50% year over year.

Media and community relations continued with influencers and traditional publication sites, such as Benzinga, MarketWatch, Yahoo Finance, Voice of OC, Los Angeles Times, Daily Pilot, StreetInsider, Michelin Guide, Visit California, and more. TCM's press releases throughout this time generated over 361.6 million cumulative impressions, a 31.5% increase from the previous fiscal year.

Group sales continued with partner hotels, where TCM generated over 200 leads, representing over 800,000 room nights, and booked 25 meetings and events with 4,799 rooms at partner hotels.

### **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:**

According to the audit report, TCM's cash equity as of June 30, 2021 totaled \$2,219,851. Based on the 2021-22 annual report, TCM is forecasting to come in at \$2.184 million in income for the current fiscal year. As of February 2022, BIA revenues were at \$1.592 million, a 125% increase from the previous fiscal year. However, FY 21-22 forecasting shows a 6% decrease compared to FY 19-20.

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 \$21,840 for the 2021-2022 Fiscal Year.

Since 2014, TCM has also provided funding to the City to support community-wide marketing and community events that attract many visitors to Costa Mesa under a Professional Services Agreement (PSA). The City began budgeting the TCM Community Events Programming for a total of \$164,000 within the City's financial system. This budget typically is added annually as an addendum to the existing Professional Services Agreement between the City and TCM, approved by City Council at a public hearing.

In March 2020, the COVID-19 pandemic triggered suspension of all community events and a majority of City programs. The on-going pandemic had a significant financial impact on TCM's operational budget, resulting in the suspension of TCM's community events budget for Citywide marketing and support of community events, for example, ARTventure, Annual Snoopy House, Summer Concerts in the Park and more.

Although the TCM community event funds were not available during FY 20-21 and FY 21-22, City staff managed to host community events, following all State and Federal COVID-19 guidelines. The expenses for the events, historically funded by TCM, were absorbed in the General Fund from vacancy savings.

As the country emerges from the pandemic and State guidelines loosened, the City intends to resume all special community events and marketing efforts to pre-pandemic levels. However, in order

to provide an additional year of revenue recovery to pre-pandemic levels, staff recommends the use of \$164,000 from American Rescue Plan Funds as revenue backfill to funds these events as annual Hotel Tax and BIA revenue has not fully recovered.

**LEGAL REVIEW:**

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

**CITY COUNCIL GOALS AND PRIORITIES:**

This item supports the City Councils 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 the attached resolution 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 2022-2023.

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 2022-2023.
2. Adopt Resolution 2022-xx, confirming the annual report filed by Travel Costa Mesa and levying an annual assessment for Fiscal Year 2022-23 for the Business Improvement Area covering certain Costa Mesa hotels and motels (Attachment 1).
3. Approve the use of \$164,000 in Federal American Rescue Plan Funds as revenue recovery for City activities, programs and events, until annual hotel tax and BIA revenues are restored to normal levels