



CITY OF COSTA MESA

77 Fair Drive
Costa Mesa, CA 92626

Agenda Report

File #: 25-319

Meeting Date: 6/3/2025

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 2025-2026.
2. Adopt Resolution No. 2025-XX, confirming the annual report filed by Travel Costa Mesa and levying an annual assessment for Fiscal Year 2025-2026 for the Business Improvement Area covering certain Costa Mesa hotels and motels.

BACKGROUND:

The 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 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 levies 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 6, 2025, City Council meeting, the City Council approved a resolution declaring the intention to levy an annual assessment for Fiscal Year 2025-2026 and set a public hearing for Tuesday, June 3, 2025, 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:

During the public hearing, property owners are provided an opportunity to speak in support of, protest the annual assessment, and/or 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.

Highlights of the 2024-25 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. Seasonal messaging included campaigns such as "We've Got Good Taste," "Cation Time," and "Eatcation" campaigns. This translated into increased visitation, with travelers staying longer in Costa Mesa and shopping, dining, and recreating for a longer period within the City. Travel Costa Mesa generated 195 articles with 54 stories, providing robust media coverage with 95% positive sentiments. Travel Costa Mesa's social media and website also saw increases - Instagram follower counts were up 34%, TikTok 67%, and LinkedIn 21%. Total engagement statistics increased by 5,000% across all platforms. Total website users increased by 41% from the prior year. Similarly, hotel partners saw successes in the 2024-25 Fiscal Year. Transient occupancy increased by 1.7%, and room revenue growth rose slightly to 0.3%.

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 (Attachment 3), Travel Costa Mesa's cash equity as of June 30, 2024 totaled \$3,131,781. Based on the 2024-25 annual report, Travel Costa Mesa is forecasting \$3.2 million in revenues for the current fiscal year. As of February 2025, BIA funds have recorded \$2.2

million in revenues. The primary expenses in the 2024-25 fiscal year were:

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

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 \$30,000 for the 2024-25 fiscal year.

Since 2014, Travel Costa Mesa has also provided “Community Events Programming” funding to the City, based on a Professional Services Agreement (PSA). This \$164,000 fund supports 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. However, Travel Costa Mesa reinstated the funding in Fiscal Year 2023-24.

At the April 8th Board Meeting, the Travel Costa Mesa Board of Directors voted to discontinue this funding for the City, beginning on July 1, 2025, for Fiscal Year 2025-26. A letter notifying the City of this decision is attached (Attachment 4).

The one percent revenue/assessment is still in effect. The discontinued funds had previously supported various community events, the following of which will now be absorbed fully by the General Fund:

Previously fully funded by the “Community Events Programming” Fund:

- Snoopy House
- ICSC Trade Show

Previously partially funded by the “Community Events Programming” Fund:

- ArtVenture
- Concerts in the Park
- Various City promotional materials

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. 2025-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 2025-2026.

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 2025-2026.
2. Adopt Resolution No. 2025-XX, confirming the annual report filed by Travel Costa Mesa and levying an annual assessment for Fiscal Year 2025-2026 for the Business Improvement Area covering certain Costa Mesa hotels and motels.