



CITY OF COSTA MESA

77 Fair Drive
Costa Mesa, CA 92626

Agenda Report

File #: 26-234

Meeting Date: 5/5/2026

TITLE:

PROPOSED BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION AND INTENTION TO LEVY AN ANNUAL ASSESSMENT

DEPARTMENT: CITY MANAGER'S OFFICE

PRESENTED BY: HADASSA JAKHER, ASSISTANT TO THE CITY MANAGER

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RECOMMENDATION:

Staff recommends the City Council:

1. Approve the 2025-26 Annual Report for the Business Improvement Area (BIA) (Attachment 1).
2. Receive and file the audited financial report for Fiscal Years Ended June 30, 2024, and June 30, 2025 (Attachment 2).
3. Adopt Resolution 2026-xx, declaring the City's intention to levy an annual assessment for Fiscal Year 2026-27 for the Business Improvement Area, covering certain Costa Mesa hotels and motels and setting the time and place for a Public Hearing on the proposed annual assessment Attachment 3).

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 the 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).

ANALYSIS:

Intention to Levy the BIA Assessment at a Public Hearing

The City must annually express its intent to levy the BIA assessment. Currently, the number of properties included in the BIA assessment levy is limited to the eleven (11) hotels and motels that have expressed an interest in participating in the program in the prior year, as detailed in the proposed Resolution of Intention (Attachment 3). Upon adoption of the Resolution of Intention, property owners of the participating hotels will be notified in writing within seven (7) days of the assessment renewal. Subsequently, the Resolution will be published in the Daily Pilot at least seven (7) days prior to the Public Hearing scheduled for June 2, 2026, 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 participate in the BIA.

At the Public Hearing, property owners will be provided with an opportunity to voice their opinions on the annual assessment, and/or address any concerns regarding the BIA. Additionally, 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 at the Public Hearing, the three percent (3%) assessment is collected along with the City's Transient Occupancy Tax (TOT) throughout the fiscal year. The hotels and motels included in the BIA are required to itemize the BIA levy as a separate assessment. The staff at Travel Costa Mesa manage the day-to-day activities and provide all services to administer the BIA.

Required Reporting Documents

Per the agreement between the City of Costa Mesa and Travel Costa Mesa and as required by Streets and Highways Code section 36533, Travel Costa Mesa 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 (Attachment 1). According to the report, there are no proposed changes to BIA or other sources of contributions other than the annual assessment. TCM has various planned improvements and activities for the upcoming fiscal year, detailed below. 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.

Furthermore, in accordance with the agreement between the City and Travel Costa Mesa, the annual audits for Fiscal Years Ended June 30, 2024, and June 30, 2025, have been completed by Crowe LLP, an independent auditor, and paid for by assessment funds. The audits are intended to ensure that the assessment revenue is expended for public purposes as specified within the resolution and that no expenditure is made in a manner contrary to the agreement. Staff requests the City Council receive and file the independent audit (Attachment 2).

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. 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, a FIFA 2026 partnership with Expedia for the upcoming FIFA World Cup.

ALTERNATIVES:

City Council may choose to deny the resolution of intention, which will prevent the public hearing from taking place to consider levying an annual assessment for the upcoming fiscal year.

FISCAL REVIEW:

Based on the audit report, 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 one percent (1%) allocated to the City for reimbursement is estimated at approximately \$33,000 for fiscal year 2025-26. The primary expenses in fiscal year 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. However, during Fiscal Year 2025-26, the Travel Costa Mesa Board of Directors voted to discontinue this funding to the City.

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:

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 2, 2026; however, the City Council must approve the annual report and the proposed resolution of intention before the hearing can be scheduled to consider the levying of an annual assessment.

Therefore, staff recommends the City Council:

1. Approve the 2025-26 Annual Report for the Business Improvement Area (BIA) (Attachment 1).
2. Receive and file audited financial report for Fiscal Years Ended June 30, 2024, and June 30, 2025 (Attachment 2).
3. Adopt Resolution 2026-xx, declaring the City’s intention to levy an annual assessment for Fiscal Year 2026-27 for Business Improvement Area covering certain Costa Mesa hotels and motels and setting the time and place for a public hearing on the proposal (Attachment 3).