



# CITY OF COSTA MESA

## Agenda Report

77 Fair Drive  
Costa Mesa, CA 92626

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**File #:** 25-281

**Meeting Date:** 5/6/2025

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**TITLE:**

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

**DEPARTMENT:** CITY MANAGER'S OFFICE

**PRESENTED BY:** ALMA REYES, DEPUTY CITY MANAGER

**CONTACT INFORMATION:** HADASSA JAKHER, ASSISTANT TO THE CITY MANAGER, (714) 754-4885

**RECOMMENDATION:**

Staff recommends the City Council:

1. Approve the 2024-2025 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, 2023 (Attachment 2).
3. Adopt the Resolution declaring the City's intention to levy an annual assessment for Fiscal Year 2024-25 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:**

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.

### **ANALYSIS:**

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, 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 3, 2025, 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.

Property owners will be provided an opportunity to voice their opinions on 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 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 Travel Costa Mesa manage the day-to-day activities and provide all services to administer the BIA.

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). 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.

Further, in accordance with the agreement between the City and Travel Costa Mesa, the annual audit for Fiscal Years Ended June 30, 2023 and June 30, 2024 has been completed by Crowe LLP, 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 City Council is requested to receive and file the independent audit (Attachment 2).

### ***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," and "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 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:**

According to the audit report, 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 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. 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

Since 2014, Travel Costa Mesa has also provided "Community Events Programming" funding to the City, based under 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 8<sup>th</sup> Annual 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 change is attached (Attachment 4). The one percent revenue/assessment is still in effect.

The discontinued funds had previously supported various community events, the following which will now be absorbed fully by the General Fund:

***Previously fully funded by the “Community Events Programing” Fund:***

- Snoopy House
- ICSC Trade Show

***Previously partially funded by the “Community Events Programing” 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 it 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 3, 2025; 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 2024-25 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, 2023 (Attachment 2).
3. Adopt Resolution 2025-xx, declaring the City’s intention to levy an annual assessment for Fiscal Year 2024-25 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).