



CITY OF COSTA MESA

REGULAR CITY COUNCIL AND HOUSING AUTHORITY*

Agenda

Wednesday, July 22, 2026

4:00 PM

**City Council Chambers
77 Fair Drive**

ADJOURNED REGULAR MEETING OF THE COSTA MESA CITY COUNCIL

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Title 2: Administration

§ 2-61: Conduct while addressing the council.

<https://ecode360.com/42609578>

Title 2: Administration

§ 2-64: Disorderliness by members of the audience.

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<https://us06web.zoom.us/j/85932574024?pwd=OMZiEfzHStCbhhTKIs5G2PGqFJ9YXI.1>

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- During the Public Comment Period, use the "raise hand" feature located in the participants' window and wait for city staff to announce your name and unmute your line when it is your turn to speak. Comments are limited to 3 minutes, or as otherwise directed.

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Call: 1 669 900 6833 Enter Webinar ID: 859 3257 4024// Password: 053290

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All pictures, PowerPoints, and videos submitted for display at a public meeting must be previously reviewed by staff to verify appropriateness for general audiences. No links to YouTube videos or other streaming services will be accepted, a direct video file will need to be emailed to staff prior to each meeting in order to minimize complications and to play the video without delay. The video must be one of the following formats, .mp4, .mov or .wmv. Only one file may be included per speaker for public comments, for both videos and pictures. Please e-mail to the City Clerk at cityclerk@costamesaca.gov NO LATER THAN 12:00 Noon on the date of the meeting. If you do not receive confirmation from the city prior to the meeting, please call the City Clerks office at 714-754-5225.

Items submitted for the overhead screen should be 1 page and provided to the City Clerk no later than 15 minutes prior to the start of the meeting.

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REGULAR MEETING OF THE CITY COUNCIL AND HOUSING AUTHORITY

JULY 22, 2026 – 4:00 P.M.

JOHN STEPHENS
Mayor

MANUEL CHAVEZ
Mayor Pro Tem - District 4

ANDREA MARR
Council Member - District 3

ARLIS REYNOLDS
Council Member - District 5

LOREN GAMEROS
Council Member - District 2

JEFF PETTIS
Council Member - District 6

MIKE BULEY
Council Member - District 1

KIMBERLY HALL BARLOW
City Attorney

CECILIA GALLARDO-DALY
City Manager

CONTINUED NEW BUSINESS ITEM:

2. [CITY BALLOT INITIATIVES PERTAINING TO BUSINESS LICENSE 26-363 REFORM AND TRANSIENT OCCUPANCY TAX](#)

RECOMMENDATION:

Staff requests that the City Council take action on the placement of the following two ballot measure(s) on the November 3, 2026, ballot.

1. Determine whether to place the Business License Reform measure on the November 3, 2026 ballot by adoption of the following resolutions:
 - a. Adopt Resolution 2026-xx (Attachment 1): Ordering the submission to the qualified electors of the City of Costa Mesa “The Costa Mesa Fair Business License Reform, Small Business Protection Measure” at the General Election to be held on Tuesday, November 3, 2026, as called by Resolution No. 2026-21.
 - b. Adopt Resolution 2026-xx (Attachment 3): Requesting the Orange County Board of Supervisors to consolidate a General Municipal Election to be held on Tuesday, November 3, 2026, with the Statewide General Election to be held on the date pursuant to section 10403 of the Elections Code.
 - c. Adopt Resolution 2026-xx (Attachment 4): Authorizing written arguments for or against the proposed measure “The Costa Mesa Fair Business License Reform, Small Business Protection Measure,” setting priorities for filing written arguments, determining the authors of the written arguments, and directing the City Attorney to prepare an impartial analysis; and
 - d. Adopt Resolution 2026-xx (Attachment 5): Authorizing the filing of rebuttal arguments for “The Costa Mesa Fair Business License Reform, Small Business Protection Measure”; and
2. Receive and file the report pertaining to a potential Transient Occupancy Tax (TOT) measure.

Attachments: [1. Resolution Calling Election for Measure](#)

[2. Draft Code Amendment](#)

[3. Resolution Consolidating Election for Ballot Measure](#)

[4. Resolution Authorizing Arguments and Impartial Analysis for Ballot Measure](#)

[5. Resolution Authorizing Rebuttals for Ballot Measure](#)

[6. Facilities Master Plan Executive Summary with Deferred Costs](#)

[7. Park Assessment and Estimates Summary](#)

**ADDITIONAL COUNCIL/BOARD MEMBER COMMITTEE REPORTS, COMMENTS, AND
SUGGESTIONS**

ADJOURNMENT



CITY OF COSTA MESA

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 26-363

Meeting Date: 7/22/2026

TITLE:

CITY BALLOT INITIATIVES PERTAINING TO BUSINESS LICENSE REFORM AND TRANSIENT OCCUPANCY TAX

DEPARTMENT: FINANCE DEPARTMENT

PRESENTED BY: ANNA ACOSTA-REYES, FINANCE MANAGER

CONTACT INFORMATION: ANNA ACOSTA-REYES, FINANCE MANAGER (714) 754-5219

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2. Receive and file the report pertaining to a potential Transient Occupancy Tax (TOT) measure.

BACKGROUND:

The City of Costa Mesa first adopted a Business License Tax in 1985 through the establishment of

Title 9, Chapter 1 of the Costa Mesa Municipal Code (CMMC). The City's Business License Tax rate structure has remained unchanged since that time and caps the annual tax at \$200. The current business license tax is a fixed amount per gross receipts level, ranging from \$0 for businesses that generate \$1,000 or less in gross receipts to a maximum tax of \$200 for businesses that generate \$500,000 or more in gross receipts. Under the current structure, many of the small, locally owned businesses unfairly pay a higher proportion of their revenue in business license taxes than do large national chain stores and businesses. For example, big box stores like Home Depot, Target, and big luxury retailers pay only \$200 a year in business license taxes to Costa Mesa, which is thousands of dollars less than these stores pay in some other nearby cities.

Per CMMC § 9-25, the business license tax is as follows:

Table 1: Current Business License Structure in Costa Mesa

Gross Receipts	Business Tax
Under \$1,000.00	None
\$1,000.00 to \$25,000.00	\$25.00
\$25,000.01 to \$40,000.00	\$35.00
\$40,000.01 to \$75,000.00	\$45.00
\$75,000.01 to \$200,000.00	\$60.00
\$200,000.01 to \$500,000.00	\$100.00
Over \$500,000.00	\$200.00

At the July 10, 2012, City Council Study Session, staff presented an overview of the existing Business License Tax; however, no formal action was taken. The matter returned to the City Council on June 4, 2013; at which time the Council directed the Financial Advisory Committee to review the City's Business License Tax structure. The Committee began its review on June 25, 2013; however, by July 30, 2013, the Committee's focus shifted to the City's then-recently implemented business license tax software system.

The City has periodically reviewed and updated its user fees and charges to reflect the cost of providing fee-supported services and to maintain appropriate levels of cost recovery. City records document comprehensive fee reviews dating back to the early 1990s, including comprehensive reviews in Fiscal Years 1992-93 and 2006-07. In 2019, the City initiated a comprehensive citywide fee study to evaluate user fees, service charges, and development-related fees based on the reasonable cost of providing services. As the cost of providing municipal services has increased over time, corresponding user fees have also been adjusted. For example, a facility rental fee of approximately \$10/hr. to \$20/hr. in the 1990s is currently \$45/hr. to \$130/hr. The City is currently conducting a comprehensive citywide fee study, which will be presented to Council in August. These adjustments illustrate the City's practice of periodically updating service-based fees to reflect increased operational and service-delivery costs, while the Business License Tax structure has remained unchanged for the last 41 years.

At its December 2, 2025 City Council meeting, the City Council directed staff to explore the potential placement of two measures on the November 3, 2026 Ballot: Business License Reform and a

Transient Occupancy Tax (Hotel Tax) increase.

At the June 9, 2026 Study Session, staff presented to the City Council the two potential ballot measures, discussed options, received feedback and direction for additional analysis. The following addresses those specific areas identified by the City Council for further review and consideration.

ANALYSIS:

The City Council requested an analysis of the existing budgetary needs that would be addressed by the potential ballot measures. The analysis includes new and expanded initiatives undertaken by the City over the last five years and results from the Facilities Needs Assessment, Pavement Management Plan, Parks Assessment and Information Technology Strategic Plan that identify the budgetary needs to maintain and improve the City's infrastructure, and support core service levels, while meeting the City Council goals and objectives going forward.

Expanded City Services

In the past five fiscal years, the City has expanded and added new services to align with various City Council goals, exceeding previously provided levels of service. This has resulted in increased staffing, programming, and levels of service costs.

Examples of services expanded or added in response to City Council Goals include:

Strengthen the Public's Safety and Improve the Quality of Life

- **Police Department:** Purchase and implementation of new technologies such as body cameras, drones, and remodeling the main building to support operations. In addition, support for businesses was increased to combat retail theft by deploying cameras in the city and assigning staff to participate in regional task force efforts. The City has also worked diligently to recruit and retain staff for the Police Department.
- **Ambulance Transport:** Established in 2018 by Costa Mesa Fire & Rescue Department (CMFR), the program has expanded over the past several fiscal years. The Ambulance Transport program provides CMFR the ability to directly facilitate and enhance the emergency transport system for the community, through all three stages of the emergency incident: Response, Treat, and Transport. Since 2020, CMFR has transported over 47,000 patients, with an annual transport of over 7,500 patients.
- **Arts and Culture:** The City Council approved the City of Costa Mesa's first Arts & Culture Master Plan. The Master Plan resulted in important initiatives and organizational enhancements, establishment of the Arts Commission in 2022, expansion of arts programming and grant opportunities, development of a public arts policy, and increased partnerships with regional arts organizations and community stakeholders.

Diversify, Stabilize and Increase Housing to Reflect Community Needs

- **Homelessness Response and Bridge Shelter:** Since 2021, the City has significantly expanded its homelessness response efforts through the opening and expansion of the Bridge Shelter, increasing capacity from 72 to 100 beds, while providing coordinated outreach, shelter, housing navigation, case management and support services. The City also

transitioned case management services in-house, became the second city in Orange County to participate in CalOptima Health's Street Medicine Program, and completed two Homekey projects that converted underutilized motels into 116 units of permanent supportive housing for individuals experiencing chronic homelessness and 46 units of affordable housing for very-low-income Costa Mesa seniors.

- **Tenant Protection/Housing Programs:** The City has strengthened tenant protections and housing stability through adoption of the Just Cause Eviction Ordinance, expanded rental assistance and housing navigation programs, CDBG-funded legal assistance for low-income residents, and partnerships with nonprofit service providers to connect residents with housing resources and educational workshops.
- **Development Services:** The City has advanced long-range planning and development efforts through preparation of the Fairview Developmental Center Specific Plan, rezoning and community outreach to implement Measure K, approval of mixed-use developments, and launch of an interactive development map to improve public access to project information and the implementation of the new land management system, TESSA.

Maintain & Enhance City Facilities, Equipment, and Technology

- **Transportation and Infrastructure:** The City has advanced multimodal transportation and safety improvements citywide, expanded bicycle facilities and wayfinding, bicycle safety education, citywide bike parking, major corridor upgrades, and the addition of an Active Transportation Coordinator. Improvements include new and enhanced bike lanes and trails, upgraded sidewalks, bicycle signals and pedestrian hybrid beacons to improve safety and connectivity for bicyclists and pedestrians. Additionally, the City has invested in critical infrastructure through alley rehabilitation, sidewalk repairs, and street resurfacing to achieve one of the highest Pavement Condition Index (PCI) ratings in Orange County.

Advance Environmental Sustainability and Climate Resilience

- **Sustainability:** The City has advanced sustainability initiatives through development of a Climate Action and Adaptation Plan (which can help streamline environmental review), designation as a Tree City USA, and conversion of 6,150 streetlights to energy-efficient LED technology in partnership with Southern California Edison.

These new and expanded services are expected to continue to increase and have been integrated into City operations as part of its core services delivered to residents.

Future Budgetary Needs

Over the last year, City Council has directed staff to conduct several assessments, in order to determine the needs of our facilities, parks and other infrastructure.

Facilities Needs Assessment

The City recently underwent a needs assessment for the various City facilities. These needs considered both maintenance and upgrades for the facilities, many of which were built in the 1960s-1980s. For the ongoing maintenance of the City's current facilities, the assessment estimated a budget need of approximately \$3 million per year. For major critical facility upgrades, the assessment

estimated an additional \$60 million over a 10-year period. An executive summary of the Facility Needs Assessment is included as Attachment 6.

In order to address the estimated \$60 million for major renovations, as well as ongoing maintenance needs of approximately \$3 million per year, there is a need for approximately \$9 million per year. Based on review of the budget over the past ten (10) years, the City has invested approximately \$4 million per year on various facilities for maintenance and upgrades. Therefore, there is an additional \$5 million per year budgetary need to address facility improvements. The required major upgrades include replacement of Fire Station 2, living quarters at Fire Station 4, and renovations for Fire Stations 3, 5 and 6. The Westside Substation may need a full replacement based on future needs. The Tennis Center will also require an upgrade to the pro-shop and restroom.

Pavement Management Plan

The City undertakes a biennial review of pavement assessment as required by the Orange County Transportation Authority (OCTA) Measure M2 Ordinance. According to the most recent report completed in June 2026, the current Pavement Condition Index (PCI) for the City is 82.6. While this keeps the City in a good category, consistent investment is needed to maintain and improve the PCI. The City would like to improve the PCI to a level of 85 in order to ensure that the street network is maintained at high quality.

Currently, the City budgets about \$9 million per year on various street rehabilitation projects. However, due to increasing construction costs, it is estimated that the investment needed to maintain the City street system with a high PCI is approximately \$12 million per year. Therefore, there is an additional need for \$3.2 million per year to maintain the PCI of the City's street network.

Table 2: Costs per Fiscal Year to Improve Average Network PCI

Improve Average Network PCI

Fiscal Year	Increase PCI Funding	Network PCI	MPAH PCI	Local PCI
Today	~	82.6	81.6	83.1
2026-27	\$9,000,000	83.2	82.0	83.9
2027-28	\$12,155,600	84.2	82.9	84.9
2028-29	\$12,202,400	84.5	83.2	85.1
2029-30	\$12,377,800	84.5	83.3	85.1
2030-31	\$12,164,500	84.1	83.0	84.8
2031-32	\$12,111,800	83.9	82.8	84.3
2032-33	\$12,998,100	83.6	82.7	84.2
Total	\$83,010,200			

Parks Needs Assessment

The City also underwent a needs assessment for each of the 32 public parks in the City. Each park was provided a ranking to evaluate the park's quality, function, and condition. An Executive Summary of the Parks Needs Assessment is included as Attachment 7.

The total cost of all park playground improvements is estimated at \$20 million. The City currently invests approximately \$1 million per year towards park improvements. If the identified improvements are programmed for completion within 10 years, an additional \$1 million in investment is needed for parks. This estimate does not include any new park development or other improvements beyond

current amenities at various parks.

IT Strategic Plan

The needs in the Information Technology (IT) Department are assessed through the IT Strategic Plan (ITSP). The ITSP is funded by a 1.5% allocation of General Fund revenues. For the next five fiscal years, the IT Department has adopted a conservative fiscal stance by allocating \$1.7 million annually to fund 30 projects, safeguarding against funding uncertainties.

However, this fiscal constraint directly impacted the project pipeline, where originally 64 initiatives were identified in the ITSP, requiring a total of \$19.8 million. The 34 unfunded projects that were classified as “To Be Determined” and not within the funded 30 projects would require an additional \$11.3 million over the next five fiscal years.

Budgetary Needs Summary

Table 3, illustrates a summary of budgetary needs for the key areas discussed. A total of approximately \$11.5 million annually would be required to address these areas of focus.

Table 3: Summary of Estimated Annual Budgetary Needs

Decription	Amount (In Millions)
Facilities Needs Assessment	\$5.0
Pavement Management Plan	\$3.2
Parks Assessment	\$1.0
IT Strategic Plan	\$2.3
Total	\$11.5

The table above identifies the additional budgetary needs of approximately \$11.5 million annually to fully fund the Facilities Needs Assessment, Pavement Management Plan, Park Assessment, and IT Strategic Plan. While a portion of the City’s overall budget from various funds is dedicated to the plans listed above, staff will continue to seek alternative funding sources, such as grants and State and Federal earmarks for the unfunded portion of the four plans.

Five-Year Financial Plan

Staff prepared a five-year forecast to project the baseline budgetary needs. The five-year financial plan does not factor in additional revenue from potential ballot reform measures and does not account for the increased funding needs of the City’s infrastructure, listed in Table 3.

Table 4: Projected 5-Year Long-Term Financial Plan

Adopted Budget - FY 2026-27
Five-Year Long-Term Financial Plan Summary Base Case
(in millions)

Revenues

Description	FY 26-27 Adopted	FY 27-28 Projected	FY 28-29 Projected	FY 29-30 Projected	FY 30-31 Projected
Property Tax	64.0	66.6	69.2	72.0	74.9
Sales & Use Tax	82.5	84.2	85.9	87.6	89.3
Transient Occupancy Tax	10.6	10.6	10.8	11.0	11.2
Other Revenues	42.8	45.0	46.3	47.7	49.2
Total Revenues	200.0	206.3	212.2	218.3	224.6

Expenditures

Description	FY 26-27 Adopted	FY 27-28 Projected	FY 28-29 Projected	FY 29-30 Projected	FY 30-31 Projected
Salaries & Benefits	103.3	108.5	112.4	116.6	120.5
Retirement	42.9	45.4	48.0	50.5	53.1
Subtotal Labor	146.2	153.9	160.4	167.2	173.6
Operating	53.8	54.4	55.0	55.1	54.8
Total Expenditures	200.0	208.3	215.4	222.2	228.4
Surplus/(Challenge)	0.0	-1.9	-3.2	-3.9	-3.8

Revenues are projected to increase by 3% year-over-year in the next five years, while expenses are projected to increase by 4% year-over-year over that same period. The projected shortfall of \$1.9 million in FY 2027-28 includes an anticipated increase to general liability insurance premiums in the amount of \$0.5 million, as well as restoration of budget items that received a one-time reduction for 2026-27 in order to balance the budget.

Without expanding the City's revenue base, the budgetary shortfall in the General Fund is projected to grow to \$4.9 million by FY 2030-31. In addition to exploring potential Business License Reform and Transient Occupancy Tax measures, staff is also identifying potential grant opportunities to increase revenue to help offset future budgetary growth. Finally, staff continues to work on cost-saving measures to curtail non-essential spending.

Costa Mesa Business Profile

Costa Mesa enjoys a diverse variety of businesses due to its highly educated and prosperous population (70% of residents have a college degree) with a median age of 36. Consumer research tools such as Experian's Mosaic USA describe the three largest consumer segments in Costa Mesa as:

1. Prosperous, established couples in their peak earning years living in suburban homes

2. Young singles starting out and some starter families living a city lifestyle
3. Diversely aged singles earning mid-scale incomes supporting active city styles of living

Attributes of Costa Mesa that result in this successful business climate include:

Location and Accessibility

- Gateway to premier recreational areas along the Pacific Ocean and Upper Newport Bay
- Access to affluent coastal communities along with providing those residents urban amenities such as major retail shopping, performing arts, and fine dining
- Strategic access to major highways connecting to both Los Angeles and San Diego along with proximity to an international airport for shipping and business travel

Economic Diversity

- Strong retail anchored by South Coast Plaza, a growing technology sector, plus significant arts, manufacturing, and services industries
- Hub for startups and tech-driven companies, supported by a network of incubators, accelerators, and educational institutions
- Major companies with corporate offices range from Anduril, Experian, Vans, and Volcom

Talent and Education

- Proximity to University of California Irvine, California State University Long Beach, Orange Coast College, and Vanguard University
- Trade workers and specialized skills (boat repair/mechanics, high end vehicles, design)

Cultural and Lifestyle Appeal

- Segerstrom Center for the Arts and Samueli Theater attracts hundreds of thousands of patrons annually
- Unique retail and dining experiences offered at “The Lab,” South Coast Collection, and Northgate Mercado
- Golf courses include Costa Mesa Country Club, Mesa Verde Country Club, and Santa Ana Country Club

Businesses locating in Costa Mesa are seeking exposure to the City’s workforce, amenities, and consumer base, which includes shoppers from across the region and international shoppers looking to make substantial expenditures. As such, businesses invest in infrastructure and staff with the knowledge that they will access high-end clientele and exposure beyond the region.

Business License Reform Measure

At the June 9, 2026 Study Session, staff presented a proposed Business License Reform Structure that included a rate of \$0.60 per \$1,000 gross receipts, which would generate approximately \$5 million in additional annual General Fund revenue. Discussion focused on the rate, tier structure and impact to small businesses. City Council directed staff to return with a revised model that did not impact small businesses, while ensuring large businesses pay their fair share for City services.

Revised Business License Reform Structure

At the City Council Study Session on June 9, 2026, Council directed staff to use a single rate of \$0.50 per \$1,000 of gross receipts and to minimize the impact to small businesses by keeping their business license rate the same. Staff is recommending a business license reform rate model of:

- \$0.50 per \$1,000 in gross receipts for businesses that generate more than \$500,000 in gross receipts; and
- Maintaining the current business license rate for businesses that generate \$500,000 or less in gross receipts; and
- A maximum rate that a business would pay is \$15,000.

Table 5: Proposed Ballot Measure Business License Structure

Total Gross Receipts		Number of Businesses	Current Rate	Potential Ballot Measure	
From	To			Recommendation	Equivalent Amount
Under \$1,000.00		1,365	\$0	No Change	\$0
\$1,000.01	\$25,000.00	1,293	\$25		\$25
\$25,000.01	\$40,000.00	337	\$35		\$35
\$40,000.01	\$75,000.00	667	\$45		\$45
\$75,000.01	\$200,000.00	1,221	\$60		\$60
\$200,000.01	\$500,000.00	902	\$100		\$100
\$500,000.01	\$1,000,000.00	690	\$200	Rate of \$0.50 per \$1,000	\$250 to \$500
\$1,000,000.01	\$5,000,000.00	1,023	\$200		\$500 to \$2,500
\$5,000,000.01	\$30,000,000.00	369	\$200		\$2,500 to \$15,000
Over \$30,000,000.00		120	\$200	Maximum Rate	\$15,000

The proposed business license rate structure is designed to avoid impact on smaller businesses. For the purpose of the program, the City of Costa Mesa will define small businesses as those businesses with \$500,000 or less in gross receipts. These small businesses will see no changes to their current business license payments and will continue to follow the current rates as presented in Table 5. Businesses with gross receipts exceeding \$500,000 will be subject to the revised proposed rate structure. To reduce the impact on the City's largest businesses, the proposed business license structure includes a maximum annual business license rate of \$15,000. This cap would apply to businesses with gross receipts over \$30 million, ensuring that the rate remains predictable and does not exceed the established maximum threshold.

Based on the \$0.50 per \$1,000 of gross receipts rate model, the City is estimated to generate approximately \$5.6 million in annual revenue, an increase of \$4.6 million above the current \$1.0 million generated annually under the existing \$200-cap model. The total amount of additional revenue generated from this ballot measure would be contingent upon the extent and structure of the

increases from current levels.

Comparison to Other Cities

Compared to other cities listed, Costa Mesa has the oldest rates for business licenses. While some cities revise their business licenses annually for Consumer Price Index (CPI) adjustments, there are others that have not been updated in some time.

Table 6: Business License Rates and Years Last Updated by City

Type	Per Annual Gross Receipts (PGR)				Per Employee (PE)		
City	Costa Mesa	Santa Ana	Orange	Anaheim	Huntington Beach	Newport Beach	Irvine
Year Updated	1985	2022	1993	2005	2026	Annually (for CPI)	Annually (for CPI)
Business License Rate	- Minimum of \$0 - Varying rate up to \$500,000 GR - Maximum of \$200	- Base of \$60, plus CPI - Plus \$0.65 per each \$1,000 GR	- Varying rate up to \$500,000 GR \$20 per additional \$100,000 GR	- Minimum of \$40 - Greater of: \$0.95 for each \$1,000 GR or \$60 flat	- Base of \$75 for 3 employees - Plus \$2-4 PE, varying rate	- Base of \$229 - Plus \$11 PE	Flat rate

Furthermore, other Orange County Cities vary in how they apply these rates to businesses. As discussed at the June 9 Study Session, cities can apply a gross receipts rate or per employee rate. Additionally, cities can apply a minimum or maximum amount to these rates. Surrounding cities identified in Table 7 provide a comparison and demonstrate how the City of Costa Mesa's rate structure compares for both current and proposed rate structures.

Table 7: Business License Amount for Surrounding Cities with Gross Receipts Rate

Gross Receipts	Costa Mesa (Current)	Costa Mesa (Measure)	Santa Ana	Orange	Anaheim
Under \$1,000	\$0	\$0	\$67	\$35	\$40
\$1,000 - \$25,000	\$25	\$25	\$82	\$35	\$40
\$25,000.01 - \$40,000.00	\$35	\$35	\$92	\$40	\$40
\$40,000.01 - \$75,000.00	\$45	\$45	\$115	\$75	\$40
\$75,000.01 - \$200,000.00	\$60	\$60	\$196	\$135	\$60
\$200,000.01 - \$500,000.00	\$100	\$100	\$391	\$195	\$60
\$500,000.01 - \$1,000,000.00	\$200	\$250 - \$500	\$716	\$295	\$95
\$1,000,000.01 - \$5,000,000.00	\$200	\$500 - \$2,500	\$3,316	\$915	\$475
\$5,000,000.01 - \$30,000,000.00	\$200	\$2,500 - \$15,000	\$19,566	\$6,115	\$2,850
Over \$30,000,000.00	\$200	\$15,000 (max)	\$110,000 (max)	No Max	No Max

Based on feedback received from the City Council, staff conducted additional research on the topic of "gross receipts" versus "gross profits," and only three cities in California utilize a form of "gross profits." Staff does not recommend basing the tax on gross profits because it's less equitable than gross receipts - namely, profits differ and are unique to different businesses. Gross receipts are more matter-of-fact and simpler to audit when necessary. Gross receipts are also the existing basis for the City's business license tax, so no methodology change would be required to reform the rate structure. The proposed Business License Reform measure will generate additional General Fund revenue, which will help fund infrastructure, public safety, homelessness prevention and shelter services, maintain parks and playgrounds, and other key facilities.

Staff recommends the following question be placed on the ballot:

Costa Mesa Fair Business License Reform, Small Business Protection Measure.

Without taxing residents, shall the measure be adopted, updating Costa Mesa's 41-year-old business license tax, ensuring large businesses pay their proportionate share and helping fund general city services including keeping public areas safe/clean; preventing crime/burglaries; addressing homelessness; maintaining Costa Mesa's financial stability; revising the tax rate to 50¢ per \$1,000 gross receipts, with no increase for small businesses; generating approximately \$5,600,000 annually until ended by voters, requiring audits, spending disclosure, funds locally controlled?

The proposed Ordinance is included with the resolution ordering the submission of the measure to the qualified electors of the City of Costa Mesa (Attachment 2).

Transient Occupancy Tax (TOT or Hotel Tax)

At the June 9th Study Session, staff also presented a proposed TOT ballot measure to amend the City's 16-year-old rate of eight (8) percent - among the lowest in Orange County - by up to three percentage points. Each additional percentage point is estimated to generate approximately \$1 million annually. Council provided feedback and direction to address the comparison to the City of Irvine's hotel room rates and amenities, and short-term rentals within the city.

City of Irvine Comparison

The City Council requested a comparison of the hotel offerings in Costa Mesa and Irvine, including average daily rate, occupancy rate, available supply, and other offerings.

Citywide Number of Hotels

Costa Mesa and Irvine have around the same number of hotels which are currently operating: Costa Mesa has 25 and Irvine has 23 hotels. However, only ten (10) hotels in Costa Mesa have been subject to the additional Business Improvement Area (BIA) assessment, while all hotels in Irvine are subject to an additional Tourism Business Improvement District (TBID) assessment.

Table 8: Number of Hotels and Associated Tax Rate by City

City	Hotels	Tax Rate	Number of Hotels	Total Number of Rooms
Costa Mesa	TOT only, non-BIA	8%	15	1,049
	TOT plus BIA	11%	10	2,150
Irvine	TOT plus TBID	10%	23	4,996

Hotel Comparison

Hotel data was gathered from the City's license with CoStar Group. The data in CoStar Group works by aggregating a set of hotels, rather than assessing an individual hotel's performance. This data serves as the main indication of hotels' revenue-generating potential. There are five key data points considered:

- **Supply (Rooms Available):** Supply indicates the number of rooms in the specified set of

hotels multiplied by the number of days in a specified period.

- **Demand:** Demand indicates the number of rooms in the set of hotels sold in a specified period (excluding complimentary rooms).
- **Occupancy Rate:** Occupancy rate shows the percentage of rooms occupied.
- **Average Daily Rate (ADR):** ADR is the measure of the average paid for rooms sold in a given time period. The metric covers only revenue-generating rooms.
- **Revenue Per Available Room (RevPAR):** RevPAR is the total room revenue divided by the total number of available rooms. Whereas ADR is based strictly on rooms sold (demand), RevPAR is based on all available rooms (supply).

In the past twelve months, Costa Mesa's supply and demand of hotel rooms is well below that of Irvine, even for Costa Mesa's BIA hotels. Irvine has more than double the room availability than Costa Mesa's BIA hotels. However, Costa Mesa's BIA hotels performed slightly better than Irvine hotels in their occupancy rate in the past year. Additionally, while Costa Mesa BIA hotels' ADR is around \$10 less than that of Irvine, the RevPAR outperforms Irvine's. A higher RevPAR provides insight into the performance of hotel set, as neither occupancy nor ADR independently provide this insight.

Table 9: Monthly Hospitality Data by City

	Average Monthly Supply of Hotel Rooms	Average Monthly Demand of Hotel Rooms	Average Monthly Occupancy Rate	Average Monthly ADR (Average Daily Rate)	Average RevPAR (Revenue Per Available Room)
Costa Mesa (Total)	93,098	68,695	73.8%	\$160.74	\$119.03
Costa Mesa (BIA)	66,781	52,157	78.1%	\$180.31	\$141.29
Irvine	159,559	114,749	71.9%	\$193.45	\$139.62
Source: CoStar Group, May 2025 – April 2026					

While Costa Mesa BIA hotels generally outperform Irvine's in occupancy rate and RevPAR and remain competitive for ADR, the limiting factor for increased revenues for Costa Mesa BIA hotels (and, therefore, TOT revenues for the City) are the number of rooms available.

Hotel Offerings

When comparing all of the hotels within the city, Costa Mesa has the greatest amount of hotels in the Economy category (12 hotels); however, this only accounts for 18% of the total amount of rooms in the city. In comparison, Irvine has the greatest amount in the Upscale category (13 hotels), which accounts for 46% of the total rooms in the city.

Table 10: Citywide Hotel Offerings by Quality Category

	Costa Mesa		Irvine	
	Number of Hotels	Total Amount of Rooms	Number of Hotels	Total Amount of Rooms
Upper Upscale	5	1,654	5	1,882
Upscale	2	368	13	2,320
Upper Midscale	3	319	3	522
Midscale	3	265	2	272
Economy	12	593	-	-
	25	3,199	23	4,996

When considering solely BIA/TBID hotels, 42% of the rooms fall within the Upper Upscale/Upscale categories for Costa Mesa, compared to 84% of rooms within the same categories in Irvine.

Table 11: Citywide Hotel Offerings by Quality Category

	Costa Mesa		Irvine	
	Number of BIA Hotels	Total Amount of Rooms	Number of TBID Hotels	Total Amount of Rooms
Upper Upscale	5	1,654	5	1,882
Upscale	2	368	13	2,320
Upper Midscale	2	159	3	522
Midscale	2	194	2	272
	11	2,375	23	4,996

Within the BIA/TBID hotels, there are other marked differences between Costa Mesa and Irvine:

- **The current hotel stock in Irvine is newer.** The average year built for Costa Mesa BIA hotels is 1982, while the average in Irvine is 2001. Furthermore, the average renovation year for Costa Mesa BIA hotels is 2011, with the most recent renovation occurring in 2018. The average renovation year in Irvine is 2012, with the most recent renovation in 2023.
- **The room capacity per hotel is comparable.** Both cities have an average of 215 rooms per hotel. Six (6) BIA hotels in Costa Mesa have an occupancy greater than 200 rooms, whereas nine (9) hotels in Irvine have this occupancy. However, Costa Mesa only has one hotel that is near 500 rooms (the Hilton), while Irvine has two hotels that are near or above this capacity (Marriott and Hyatt Regency).
- **The meeting and event space in Irvine is more than double that in Costa Mesa.** Irvine has a combined total of 200,000 square feet in event space, while Costa Mesa BIA hotels have only 130,00 square feet. This is reflected in the offerings of the two largest hotels: Irvine's Marriott and Hyatt Regency can accommodate 2,000 people, while Costa Mesa's Hilton and Westin can only accommodate 900 to 1,200 people.

Short-Term Rentals (STR)

At the June 9 Study Session, the City Council requested a review of the potential revenue that could be collected from STRs. Existing City policy prohibits STRs in Costa Mesa, with the exception of STRs that are homeshares. Although homeshares are allowed in Costa Mesa, there is currently no mechanism to collect revenue from these types of properties or to distinguish active listings that are

allowed homeshares compared to prohibited STRs.

Staff reviewed existing listings across popular STR platforms, such as Airbnb and VRBO, and aggregated data from various sites offering this data on publicly available platforms. There are currently over 100 active listings in Costa Mesa, including allowed homeshares and prohibited STRs. STRs are subject to TOT, including the allowed homeshares, and the City could generate approximately \$500,000 in revenue from this source. In order to achieve this, the City would need to (1) amend the existing STR ordinance to require them to affirmatively register and make TOT remittals, and (2) implement an administrative and compliance process for recovering revenues from properties that are subject to the TOT. The estimated cost to implement a program to collect revenues from STRs is approximately \$100,000.

Proposed Structure for Potential Measure

An increase of 1% to 3% to the TOT is estimated to generate between \$1 million to \$3 million in additional revenue to the General Fund, as indicated below in Table 12.

Table 12: Potential Measure Estimated Revenue

Rate Increase	Total TOT Rate	Estimated Revenue to be Generated
1%	9%	\$1M
2%	10%	\$2M
3%	11%	\$3M

Community Outreach and Information

FM3 Research conducted a second community survey to determine interest in Business License Reform and a TOT increase. Community feedback was ascertained among likely voters in the City. Results of the second community survey will be presented by FM3 Research at the Council Meeting.

The City has held preliminary meetings with key stakeholders to provide information on the ballot measures under consideration and answer any questions.

Business License Tax

- City staff met with representatives of South Coast Plaza, South Coast Metro Alliance, The Lab and The Camp to provide information about the potential business license reform ballot measure and to receive feedback.
- Since the June 9th Study Session, staff met with the Costa Mesa Chamber of Commerce. The Chamber appreciated the staff presentation and expressed willingness to continue the conversation and facilitate communication with the business community.

Transient Occupancy Tax

- On Wednesday, March 18, Travel Costa Mesa presented to FiPAC on its role in tourism promotion, BIA funding structure, performance metrics, and economic impact to tourism, noting recent challenges affecting revenues such as staff changes, hotel conditions, and increased competition.
- On May 28, City staff held a meeting with local hotels and motels around the City, in order to discuss the potential ballot measures. Various owners and general managers attended and expressed concerns about being competitive with surrounding cities, particularly about "all-in pricing" potentially pricing out customers. Others raised concerns about postponing or phasing the measure, in order to be more cautious in the City's approach to generating additional revenue. City staff addressed these concerns and invited the hoteliers to join the June 9 Study Session to provide further input.
- At the May 28 meeting with local hotels and motels, Travel Costa Mesa presented information about the impacts of increasing TOT to the members of their business improvement area.
- At the June 9th Study Session, TCM informed the City Council that a Tourism Economic Impact Study would be conducted.

Next Steps

The final filing date for the City Clerk to file ballot measures for an election in November with the Orange County Registrar of Voters (ROV) is Friday, August 7, 2026. The ROV recommends the City adopt resolutions placing any measures on the November 3, 2026 ballot at the July 21, 2026, City Council meeting. This will allow time for direct and rebuttal arguments and allow the placement of the full text of the measure in the Voter Information Guide.

Public Education

If the City Council takes action to place a measure(s) on the ballot, the City will engage a consultant to assist staff with public education efforts regarding the measure(s). Public education will focus on providing information about the measure(s) and the impacts to the City, with or without the proposed increases.

If the City Council approves placing a measure on the ballot, the City Clerk will submit the Measure and required arguments and impartial analysis to the Registrar of Voters by the deadline of August 7, 2026, with rebuttal arguments submitted to the Registrar of Voters by the deadline of August 7, 2026.

ALTERNATIVES:

The City Council may provide alternative recommendations to the proposed Business License Tax Reform Measure to update our 41-year-old business license rate structure.

Based on feedback from our community as well as conversations specifically with the business community, staff recommends that Council proceed with the process to place the Business License Reform Measure on the November Ballot. However, in light of the current fiscal climate and community feedback, staff recommends that the City Council not move forward with a TOT Measure at this time.

Staff will continue to work with Travel Costa Mesa to ensure Costa Mesa remains competitive with

our neighboring cities and further our partnership to boost tourism to generate additional TOT revenue.

FISCAL REVIEW:

The fiscal impact of placing one ballot measure on the November ballot is estimated at \$15,000 to \$20,000. The funding for submission of ballot measures is included in the FY 2026-27 Adopted Budget in the City Manager's Department in the General Fund (Fund 101). Additional funding for public education and consulting related to the ballot measure is also included in the General Fund budget.

The total amount of additional revenue that could potentially be generated from a ballot measure would be contingent upon the extent and structure of the increases from current levels.

Business License Reform Measure

Under the business license tax rate model of \$0.50 per \$1,000 in gross receipts, the City is estimated to generate an additional \$4.6 million in revenue to the General Fund.

Transient Occupancy Tax

The City is estimated to generate an additional \$1 million in revenue from Transient Occupancy Tax for every additional percentage point above the current 8% rate. However, staff is not recommending moving forward with a TOT Measure at this time.

LEGAL REVIEW:

The City Attorney has reviewed the report and approves it as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goals:

- Achieve Long-Term Fiscal Sustainability
- Strengthen the Public's Safety and Improve the Quality of Life
- Diversify, Stabilize and Increase Housing to Reflect Community Needs
- Maintain and Enhance the City's Facilities, Equipment and Technology
- Advance Environmental Sustainability and Climate Resiliency

CONCLUSION:

Staff recommends that the City Council:

1. Place the Business License Reform measure on the November 3, 2026 ballot by adoption of the following resolutions:
 - a. Adopt Resolution 2026-xx (Attachment 1): Ordering the submission to the qualified electors of the City of Costa Mesa "The Costa Mesa Fair Business License Reform, Small Business Protection Measure" at the General Election to be held on Tuesday,

November 3, 2026, as called by Resolution No. 2026-21.

- b. Adopt Resolution 2026-xx (Attachment 3): Requesting the Orange County Board of Supervisors to consolidate a General Municipal Election to be held on Tuesday, November 3, 2026, with the Statewide General Election to be held on the date pursuant to section 10403 of the Elections Code.
 - c. Adopt Resolution 2026-xx (Attachment 4): Authorizing written arguments for or against the proposed measure “The Costa Mesa Fair Business License Reform, Small Business Protection Measure,” setting priorities for filing written arguments, determining the authors of the written arguments, and directing the City Attorney to prepare an impartial analysis ; and
 - d. Adopt Resolution 2026-xx (Attachment 5): Authorizing the filing of rebuttal arguments for “The Costa Mesa Fair Business License Reform, Small Business Protection Measure”; and
2. Receive and file the report pertaining to a potential Transient Occupancy Tax (TOT) measure.

RESOLUTION NO. 2026-XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, ORDERING THE SUBMISSION TO THE QUALIFIED ELECTORS OF THE CITY OF COSTA MESA “THE COSTA MESA FAIR BUSINESS LICENSE REFORM, SMALL BUSINESS PROTECTION MEASURE” AT THE GENERAL ELECTION TO BE HELD ON TUESDAY, NOVEMBER 3, 2026, AS CALLED BY RESOLUTION NO. 2026-21

WHEREAS, the City of Costa Mesa’s business license tax was first adopted over 41 years ago, in 1985, and requires all businesses to obtain a business license to operate in the City; and

WHEREAS, the purpose of the business license tax is to raise revenue for the City to provide for the public safety services, transportation network such as roads and sidewalks, and other general services provided to the businesses within the City; and

WHEREAS, addressing homelessness, preventing crime and maintaining 911 emergency, fire and police response are top community priorities; and

WHEREAS, the business license tax is based upon the gross receipts of each business; and

WHEREAS, the maximum business license tax imposed by the City since 1985 is \$200, regardless of how much revenue a business earns; and

WHEREAS, over time, the business license tax cap of \$200 has shifted a larger and larger portion of the total business license tax onto smaller businesses, while big box stores and luxury companies earning millions pay no more than \$200, thousands of dollars less than these stores pay in some other nearby cities; and

WHEREAS, reform is needed to fairly set the business license tax to protect small businesses from increases, while requiring larger businesses to pay their fair share of taxes for the services they receive; and

WHEREAS, this measure does not increase taxes on residents, and
WHEREAS, at its December 2, 2025 meeting, the City Council directed staff to explore the potential placement of a Business License Reform Measure of measures on the

November 3, 2026 Ballot; and

WHEREAS, the City's Finance and Pension Advisory Committee considered potential revisions and reform to the business license tax and made a recommendation to the City Council; and

WHEREAS, the City's year-over-year expenses for City operations are increasing at a faster pace than its year-over-year revenues; and

WHEREAS, the City Council has caused to be completed needs assessments of its city facilities, its city parks, its pavement management system and its information technology, resulting in identified needs totaling approximately \$11 million per year to implement, over and above existing operations costs; and

WHEREAS, the City Council has directed staff to streamline systems to improve services to the public and reduce costs, and to seek grants and other funding sources for the City's most critical needs; and

WHEREAS, the property taxes paid by residents and property owners have increased over time as properties have changed hands and been improved, to provide revenue to the City to fund essential city services; and

WHEREAS, user fees for services which primarily benefit the individual receiving the service are able to be increased periodically to help offset the cost of providing those services; and

WHEREAS, a General election on Tuesday, November 3, 2026 has been called by Resolution No. 2026-21, adopted on June 2, 2026, and

WHEREAS, the City Council also desires to submit to the voters at the election a question relating to **"The Costa Mesa Fair Business License Reform, Small Business Protection Measure."**

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, DOES HEREBY RESOLVE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. That the City Council, pursuant to its right and authority, does order submitted to the voters at the General Municipal Election the following question:

Measure __: The Costa Mesa Fair Business License Reform, Small Business Protection Measure	Response	Vote
Without taxing residents, shall the measure be adopted, updating Costa Mesa's 41-year-old business license tax, ensuring large businesses pay their proportionate share and helping fund general city services including keeping public areas safe/clean; preventing crime/burglaries; addressing homelessness; maintaining Costa Mesa's financial stability; revising the tax rate to 50¢ per \$1,000 gross receipts, with no increase for small businesses; generating approximately \$5,600,000 annually until ended by voters, requiring audits, spending disclosure, funds locally controlled?	Yes	
	No	

SECTION 2. That the proposed measure submitted to the voters is attached hereto as Exhibit A.

SECTION 3. That the vote requirement for the measures to pass is a majority (50% +1) of the votes cast.

SECTION 4. That in all particulars not recited in this resolution, the election shall be held and conducted as provided by law for holding municipal elections.

SECTION 5. That notice of the time and place of holding the election is given and the City Clerk is authorized, instructed and directed to give further or additional notice of the election, in time, form and manner as required by law.

SECTION 6. That the City Clerk shall certify to the passage and adoption of this resolution.

PASSED AND ADOPTED this 21st day of July 2026.

John Stephens, Mayor

ATTEST:

APPROVED AS TO FORM:

Brenda Green, City Clerk

Kimberly Hall Barlow, City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, BRENDA GREEN, City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that foregoing Resolution No. 2026-00 was duly passed and adopted by the City Council of the City of Costa Mesa at a regular meeting held on the 21st day of July, 2020, by the following roll call vote, to wit:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this 22nd day of July 2026.

BRENDA GREEN, CITY CLERK

Attachments:

1. Exhibit A – Proposed Ordinance: **The Costa Mesa Fair Business License Reform, Small Business Protection Measure**

CITY-SPONSORED INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

The City Council for the City of Costa Mesa submits the following measure to the voters of the City for approval and enactment:

The People of Costa Mesa find:

- (a) The City of Costa Mesa's business license tax was first adopted in 1985, and requires all business to obtain a business license to operate in the City.
- (b) The purpose of the business license tax is to raise revenue for the City to provide for the public safety services, transportation network such as roads and sidewalks, and other services provided to the businesses within the City.
- (c) The business license tax is based upon the gross receipts of each business.
- (d) The maximum business license tax imposed by the City since 1985 is \$200, regardless of how much revenue a business earns.
- (e) Over time, the business license tax cap of \$200 has shifted a larger and larger portion of the total business license tax onto smaller businesses, while companies earning millions pay no more than \$200.
- (f) Reform is needed to fairly set the business license tax to protect small businesses from increases, while requiring larger businesses to pay their fair share of taxes for the services they receive.

NOW, THEREFORE, THE PEOPLE OF THE CITY OF COSTA MESA DO ORDAIN AS FOLLOWS:

SECTION 1. Code Amendment.

This ordinance amends the Costa Mesa Municipal Code as follows, and supersedes any provisions that are inconsistent with this ordinance, and shall be known as "The Costa Mesa Fair Business License Reform, Small Business Protection Measure," and shall be referred to herein as the "Measure."

SECTION 2. Purpose.

The purpose of the Measure is to revise the Costa Mesa Municipal Code to retain the current business license tax for businesses with annual gross receipts of \$500,000 or less, and update the business license tax to fifty cents per one thousand dollars of gross receipts for businesses with annual gross receipt exceeding \$500,000, subject to a maximum annual tax of fifteen thousand dollars for businesses earning \$30 Million dollars or more annually.

SECTION 3.

Section 9-25 of the Costa Mesa Municipal Code is amended to read:

Every business not otherwise provided for in this article shall pay a business tax based upon the annual gross receipts of the business according to the following schedule:

Total Gross Receipts		
From	To	Rate
\$0	\$1,000	\$0 [no change]
\$1,001	\$25,000	\$25 [no change]
\$25,001	\$40,000	\$35 [no change]
\$40,001	\$75,000	\$45 [no change]
\$75,001	\$200,000	\$60 [no change]
\$200,001	\$500,000	\$100 [no change]
\$500,001	\$1,000,000	Rate of \$0.50 per \$1,000
\$1,000,001	\$5,000,000	
\$5,000,001	\$30,000,000	
Greater than \$30,000,000		Maximum Rate \$15,000

SECTION 4. Inconsistencies.

Any provision of the Costa Mesa Municipal Code or appendices thereto inconsistent with the provisions of this Ordinance, to the extent of such inconsistencies and no further, is hereby repealed or modified to that extent necessary to affect the provisions of this Ordinance.

SECTION 5. Severability.

If any section, subsection, sentence, clause, or phrase of this ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The People of the City of Costa Mesa hereby declare that they would have adopted this ordinance, and each and every section, subsection, sentence, clause, or phrase not

declared invalid or unconstitutional, without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.

SECTION 6. Effective Date.

This ordinance shall take effect according to law ten days after certification of the election at which it is adopted.

**CITY OF COSTA MESA
RESOLUTION NO. 2026-XX**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, REQUESTING THE ORANGE COUNTY BOARD OF SUPERVISORS TO CONSOLIDATE A GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, NOVEMBER 3, 2026, WITH THE STATEWIDE GENERAL ELECTION TO BE HELD ON THE DATE PURSUANT TO SECTION 10403 OF THE ELECTIONS CODE

WHEREAS, the City Council of the City of Costa Mesa called a General Municipal Election to be held on November 3, 2026 for the purpose of submitting a proposed ordinance to the voters of the City of Costa Mesa for their consideration; and

WHEREAS, the City Council of the City of Costa Mesa is submitting to the voters of the City of Costa Mesa a question relating to the adoption of a proposed ordinance; and

WHEREAS, it is desirable that the General Municipal Election be consolidated with the Statewide General Election to be held on the same date and that within the city the precincts, vote centers, and election officers of the two elections be the same, and that the Orange County Registrar of Voters canvass the returns of the General Municipal Election and that the election be held in all respects as if there were only one election.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, DOES HEREBY RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. That pursuant to the requirements of Section 10403 of the Elections Code, the Board of Supervisors of the County of Orange is hereby requested to consent and agree to the consolidation of a General Municipal Election with the Statewide General Election on Tuesday, November 3, 2026, for the purpose of submitting to the voters of the City of Costa Mesa a question relating to the adoption of a proposed ordinance.

SECTION 2. That the following measure is to appear on the ballot as follows:

Measure __: The Costa Mesa Fair Business License Reform, Small Business Protection Measure	Response	Vote
Without taxing residents, shall the measure be adopted, updating Costa Mesa's 41-year-old business license tax, ensuring large businesses pay their proportionate share and helping fund general city services including keeping public areas safe/clean; preventing crime/burglaries; addressing homelessness; maintaining Costa Mesa's financial stability; revising the tax rate to 50¢ per \$1,000 gross receipts, with no increase for small businesses; generating approximately \$5,600,000 annually until ended by voters, requiring audits, spending disclosure, funds locally controlled?	Yes	
	No	

SECTION 3. That the proposed complete text of the ordinance to be submitted to the voters is attached as Exhibit A.

SECTION 4. That the vote requirement for the measures to pass is a majority (50% +1) of the votes cast.

SECTION 5. That the Orange County Registrar of Voters is authorized to canvass the returns of the General Municipal Election. The election shall be held in all respects as if there were only one election, and only one form of ballot shall be used. The election will be held and conducted in accordance with the provisions of law regulating the statewide election.

SECTION 6. That the Board of Supervisors is requested to issue instructions to the county election department to take any and all steps necessary for the holding of the consolidated election.

SECTION 7. That the City of Costa Mesa recognizes that additional costs will be incurred by the County by reason of this consolidation and agrees to reimburse the County for any costs for services upon the presentation of a properly submitted bill.

SECTION 8. That the City Clerk is hereby directed to file a certified copy of this Resolution with the Board of Supervisors and the County election department of the County of Orange.

SECTION 9. That the City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED this 21st day of July, 2020.

John Stephens, Mayor Pro Tem

ATTEST:

APPROVED AS TO FORM:

Brenda Green, City Clerk

Kimberly Hall Barlow, City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, BRENDA GREEN, City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that foregoing Resolution No. 2026-XX was duly passed and adopted by the City Council of the City of Costa Mesa at a regular meeting held on the 21st day of July, 2026, by the following roll call vote, to wit:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this 22nd day of July, 2026.

BRENDA GREEN, CITY CLERK

RESOLUTION NO. 2026-XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA SETTING PRIORITIES FOR FILING A WRITTEN ARGUMENT REGARDING A CITY MEASURE AND DIRECTING THE CITY ATTORNEY TO PREPARE AN IMPARTIAL ANALYSIS

WHEREAS, a General Municipal Election is to be held in the City of Costa Mesa, California, on Tuesday, November 3, 2026, at which there will be submitted to the voters the following measure:

Measure __: The Costa Mesa Fair Business License Reform, Small Business Protection Measure	Response	Vote
Without taxing residents, shall the measure be adopted, updating Costa Mesa's 41-year-old business license tax, ensuring large businesses pay their proportionate share and helping fund general city services including keeping public areas safe/clean; preventing crime/burglaries; addressing homelessness; maintaining Costa Mesa's financial stability; revising the tax rate to 50¢ per \$1,000 gross receipts, with no increase for small businesses; generating approximately \$5,600,000 annually until ended by voters, requiring audits, spending disclosure, funds locally controlled?	Yes	
	No	

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. That the City Council authorizes the following member(s) of its body

_____ (Mayor In Favor)	or	_____ (Mayor Against)
_____ (Mayor Pro Tem In Favor)	or	_____ (Mayor Pro Tem Against)
_____ (Council Member In Favor)	or	_____ (Council Member Against)
_____ (Council Member In Favor)	or	_____ (Council Member Against)
_____ (Council Member In Favor)	or	_____ (Council Member Against)
_____ (Council Member In Favor)	or	_____ (Council Member Against)
_____ (Council Member In Favor)	or	_____ (Council Member Against)

to file (a) written argument not exceeding 300 words regarding the City measure as specified above, accompanied by the printed names(s) and signature(s) of the author(s) submitting it, in accordance with Article 4, Chapter 3, Division 9 of the Elections Code of the State of California. The arguments may be changed or withdrawn until and including the date fixed by the City Clerk after which no arguments for or against the City measure may be submitted to the City Clerk.

Attachment 4

The arguments shall be filed with the City Clerk, signed, with the printed name(s) and signature(s) of the author(s) submitting it, or if submitted on behalf of an organization, the name of the organization, and the printed name and signature of at least one of its principal officers who is the author of the argument. The arguments shall be accompanied by the Form of Statement To Be Filed By Author(s) of Argument.

SECTION 2. That the City Council directs the City Clerk to transmit a copy of the measure to the City Attorney, unless the organization or salaries of the office of the City Attorney are affected.

- a. The City Attorney shall prepare an impartial analysis of the measure not exceeding 500 words showing the effect of the measure on existing law and the operation of the measure. If a measure affects the organization or salaries of the office of the City Attorney, the City Clerk shall prepare the impartial analysis.
- b. The analysis shall include a statement indicating whether the measure was placed on the ballot by a petition signed by the requisite number of voters or by the governing body of the city.
- c. In the event the entire text of the measure is not printed on the ballot, nor in the voter information portion of the sample ballot, there shall be printed immediately below the impartial analysis, in no less than 10-point type, the following: "The above statement is an impartial analysis of Ordinance or Measure _____. If you desire a copy of the ordinance or measure, please call the election official's office at 714-754-5225 and a copy will be mailed at no cost to you.
- d. The impartial analysis shall be filed by the date set by the City Clerk the filing of primary arguments.

SECTION 3. That the City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED, APPROVED AND ADOPTED ON JULY 21, 2026.

John Stephens, Mayor

ATTEST:

APPROVED AS TO FORM:

Brenda Green, City Clerk

Kimberly Hall Barlow City Attorney

Attachment 4

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, BRENDA GREEN, City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that foregoing Resolution No. 2026-xx- was duly passed and adopted by the City Council of the City of Costa Mesa at a regular meeting held on the 21st day of July, 2026, by the following roll call vote, to wit:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this 22nd day of July, 2026.

BRENDA GREEN, CITY CLERK

RESOLUTION NO. 2026-xx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA PROVIDING FOR THE FILING OF REBUTTAL ARGUMENTS FOR CITY MEASURES SUBMITTED AT MUNICIPAL ELECTIONS

WHEREAS, California Elections Code Section 9282 provides for the filing of written arguments in favor or against city measures not to exceed 300 words in length; and

WHEREAS, California Elections Code Section 9285 authorizes the City Council, by majority vote, to adopt provisions to provide for the filing of rebuttal arguments for city measures submitted at municipal elections;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. Pursuant to California Elections Code section 9285, when the elections official has selected arguments for and against the measure which will be printed and distributed to the voters, the elections official shall send a copy of an argument in favor of the proposition to the authors of any argument against the measure and a copy of an argument against the measure to the authors of any argument in favor of the measure immediately upon receiving the arguments.

The author or a majority of the authors of an argument relating to a city measure may prepare and submit a rebuttal argument not exceeding 250 words or may authorize in writing any other person or persons to prepare, submit or sign the rebuttal argument.

No more than five authors may sign a rebuttal argument.

The rebuttal arguments shall be filed with the City Clerk, signed, with the printed names and signatures of the authors submitting it, or if submitted on behalf of an organization, the name of the organization and the printed name and signature of at least one of its principal officers, not more than 10 days after the final date for filing direct arguments. The rebuttal arguments shall be accompanied by the Form of Statement To Be Filed By Authors of Argument.

Rebuttal arguments shall be printed in the same manner as the direct arguments. Each rebuttal argument shall immediately follow the direct argument which it seeks to rebut.

SECTION 2. This resolution repeals previous resolutions providing for the filing of rebuttal arguments for city measures, except for referendum measures.

SECTION 3. The City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED, APPROVED AND ADOPTED ON JULY 21, 2026.

John Stephens, Mayor

ATTEST:

APPROVED AS TO FORM:

Brenda Green, City Clerk

Kimberly Hall Barlow City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, BRENDA GREEN, City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that foregoing Resolution No. 2026-xx was duly passed and adopted by the City Council of the City of Costa Mesa at a regular meeting held on the 21st day of July, 2026, by the following roll call vote, to wit:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this 22nd day of July, 2026.

BRENDA GREEN, CITY CLERK

Facilities Master Plan Executive Summary

EXECUTIVE SUMMARY



BACKGROUND & CONTEXT

Costa Mesa's facilities are fundamental to delivering public services, supporting employees, protecting public safety, and serving the community. Many of these facilities, however, were built decades ago and are beginning to show the effects of age, changing operational needs, and evolving community expectations. As the City continues to grow, it faces an important opportunity: to strategically reinvest in its civic assets in a way that improves service delivery, strengthens operational resilience, and ensures responsible stewardship of public resources.

The Facilities Master Plan provides a comprehensive, long-term roadmap to help the City make those decisions. Rather than focusing solely on building conditions, the plan examines how facilities support City operations, employees, and residents while identifying opportunities to improve efficiency, accessibility, and long-term value. The study evaluated approximately 316,000 square feet across 18 City-owned and leased facilities through facility condition assessments, operational analyses, stakeholder engagement, demographic and staffing projections, and financial modeling. Together, these analyses establish a data-driven framework for prioritizing investments over the next twenty years.

KEY FINDINGS

The assessment found that Costa Mesa's facility portfolio remains a valuable public asset, but one that requires proactive investment. About 80 percent of the City's facility square footage is more than 30 years old, administrative buildings are approaching capacity, emergency operations require modernization, and many work environments no longer support today's methods of service delivery. At the same time, the City has opportunities to improve equitable access to services, particularly in Westside neighborhoods, enhance sustainability, and create more welcoming and efficient public spaces.

RECOMMENDATIONS

The plan prioritizes addressing deferred maintenance across the City's facility portfolio before deficiencies become more costly. It also expands community access and public safety services through targeted investments on the Westside, including redevelopment of the existing Police Substation into a modern multi-service facility. In addition, Fire Department facilities require renovations and improvements to better meet modern operational space needs. Other priority improvements include strengthening emergency preparedness through development of a dedicated Emergency Operations Center and modernizing the Corporation Yard to support future fleet and operational needs. Sustainability is integrated throughout these recommendations by incorporating energy-efficient building systems, electric vehicle infrastructure, and resilient facility design into future capital improvements.

Beyond the most critical facility improvement needs, the plan also explores longer-term space solutions and future planning opportunities. These include modernizing City Hall to improve customer experience and workplace efficiency, introducing consistent workplace standards throughout administrative offices, and renovating facilities to better accommodate future organizational growth.

IMPLEMENTATION

Importantly, the plan is designed to be implementable. Rather than recommending a series of independent projects, it establishes a phased twenty-year investment strategy that coordinates maintenance, renovations, and new construction in a logical sequence aligned with operational priorities and financial capacity. Approximately two-thirds of the City's portfolio remains in service through continued maintenance, while targeted renovations and selective new construction address the most significant service and facility gaps. Financial modeling provides a realistic understanding of both capital and ongoing operating costs, enabling the City to make informed funding decisions over time.

Ultimately, this Facilities Master Plan is about more than buildings. It is a strategy for strengthening how Costa Mesa serves its community. By aligning facility investments with service delivery, operational performance, financial sustainability, and community priorities, the City is positioned to make thoughtful, transparent decisions that preserve public assets, improve the resident experience, and create resilient civic facilities that will continue serving Costa Mesa for decades to come.

Deferred Maintenance and Lifecycle Renewal Cost Estimates (Replacement Reserve)

Facility (year built)	2025	2026-2030	2031-2035	2036-2040	2041-2045	Total
Balearic Community Center (1965)	43,000	228,000	722,000	256,000	112,000	1,362,000
Bridge Shelter (1972)	161,000	546,000	198,000	1,107,000	194,000	2,207,000
City Hall (1965)	92,000	4,480,000	3,995,000	471,600	6,974,000	16,012,600
Communications Center (1981)	189,000	211,000	364,000	603,000	65,000	1,432,000
Corp Yard Buildings (1989)	178,000	1,427,000	1,930,000	2,730,000	264,000	6,529,000
Costa Mesa Tennis Center (1962)	0	72,000	480,000	151,000	367,000	1,070,000
Downtown Recreation Center (2001)	62,000	955,000	1,140,000	341,000	2,227,000	4,725,000
Fire Station #1 (2018)	48,000	250,000	247,000	800,000	256,000	1,601,000
Fire Station #3 (1979)	557,000	739,000	145,000	186,000	375,000	2,002,000
Fire Station #4 (1967)	352,000	1,015,000	166,000	417,000	451,000	2,401,000
Fire Station #5 (1988)	189,000	433,000	1,219,000	354,000	352,000	2,547,000
Fire Station #6 (1992)	185,000	403,000	950,000	527,000	386,000	2,450,000
Historical Society Building (1980)	36,000	570,000	56,000	324,000	122,000	1,108,000
Mesa Verde Library (1965)	69,000	120,000	828,000	428,000	115,000	1,560,000
Police Facility & Helipad (1967)	26,000	1,642,000	2,450,000	4,753,000	1,452,000	10,323,000
Police Substation (1958)	585,000	416,000	183,000	386,000	76,000	1,646,000
Senior Center (1992)	486,000	1,633,000	1,337,000	796,000	1,392,000	5,643,000
Grand Total	3,257,000	15,140,000	16,410,000	14,630,600	15,180,000	64,618,600

New Construction/Renovation Cost Estimates

Facilities	2025 Cost	Escalated Cost (Based on Implementation Timeline)
Communications Buidling		
Renovate Communications Building	4,000,000	4,000,000
Fire Station		
Replace FS#2	16,500,000	16,500,000
Renovate FS#3	2,730,000	3,558,000
Renovate FS#5	2,730,000	4,164,000
Renovate FS#6	3,864,000	5,448,000
Replace FS#4	8,400,000	10,131,000
Westside Substation		
Demolish Existing Substation and Construction New City Facility	10,545,678	14,233,000
Tennis Center		
Replace	1,017,000	1,017,000
Total	49,786,678	59,051,000



PARK ASSESSMENT

2025

Prepared by
DVD Creative

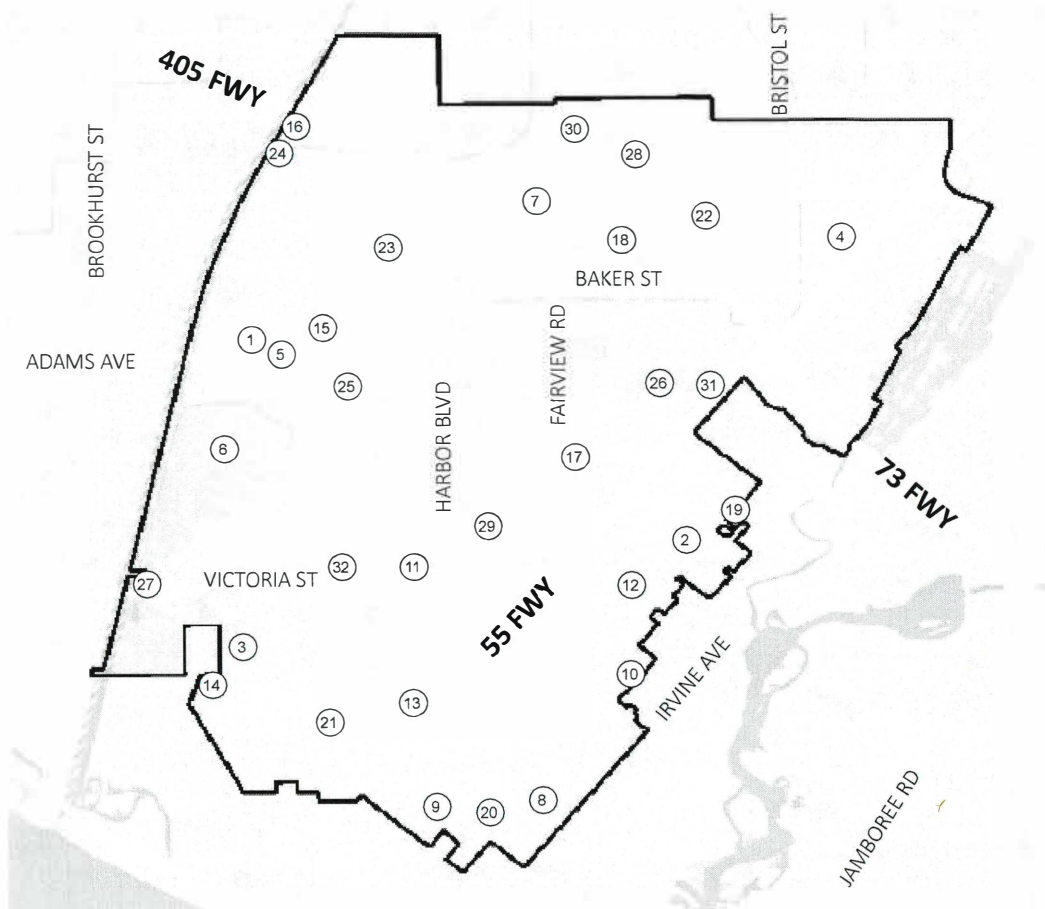


PARK ASSESSMENT INTRODUCTION

Overview of Park Assessment Masterplan

Park Assessments were conducted at all public parks within the City of Costa Mesa and have been documented herein. The report identifies physical condition of amenities, structures, pathways, playgrounds, and existing program elements in each park. This park assessment is essential for the City of Costa Mesa in identifying and prioritizing improvements, allowing for safe, functional and enjoyable spaces for the community to recreate and enjoy.

This Park Assessment is informed by extensive site analysis which documents, quantifies, and considers existing site conditions to provide a thorough account of each park. Only limited accessibility deficiencies are identified where paths are not provided to existing improvements. The primary focus of this assessment is to identify and provide an unbiased report highlighting essential improvements. This assessment does not identify under-programmed parks.



① Balearic Park	⑩ Jordan Park	⑲ Perez Park	⑳ Wakeham Park
② Brentwood Park	⑪ Ketchum-Libolt Park	㉑ Pinkley Park	㉒ Wilson Park
③ Canyon Park	⑫ Lindbergh Park	㉓ Shalimar Park	㉔ Wimbledon Park
④ Del Mesa Park	⑬ Lions Park	㉕ Shiffer Park	㉖ Bark Park
⑤ Estancia Park	⑭ Marina View Park	㉗ Smallwood Park	㉘ Raleigh Park
⑥ Fairview Park	⑮ Mesa Verde Park	㉙ Suburbia Park	
⑦ Gisler Park	⑯ Moon Park	㉚ Tanager Park	
⑧ Harper Park	⑰ Neth Park	㉛ Tewinkle Park	
⑨ Heller Park	⑱ Paularino Park	㉜ Vista Park	

GOALS AND OBJECTIVES

Goal 1: Prioritize parks with the greatest need for improvement

- Visit each park site and compile photographic documentation of park conditions
- Evaluate park conditions
- Assign priority ranking for each park to guide improvements

Goal 2: Identify and assess existing playgrounds

- Assess playground conditions for safety, accessibility, and usability
- Identify outdated or damaged equipment needing repair or replacement
- Provide recommendations for upgrades, renovations, or new installations

Goal 3: Identify facilities/buildings where improvements are needed

- Assess the condition of all park facilities and buildings
- Assess the priority of the improvements
- Provide suggestions on how the facilities can be improved

Goal 4: Improve safety and site access

- Identify and address potential safety hazards
- Ensure all walkways and paths have safe and accessible circulation
- Ensure all playgrounds meet or exceed current safety standards
- Identify site furnishing in need of repair and/or replacement

Goal 5: Evaluate long-term maintenance needs

- Identify areas where maintenance needs to be up-kept
- Provide suggestions on how the park can be maintained

Goal 6: Identify sustainable opportunities

- Identify areas where landscape and irrigation need improvement
- Provide suggestions on how certain areas in the park can be used for sustainable practices

PARK CRITERIA

Overview of Park Criteria

The evaluation of key aspects includes safety, quality, and usability. Each park has been reviewed for seven categories: Playgrounds, Structures, Fields & Courts, Amenities, Hardscape, Landscape/Irrigation and Maintenance. Each category will be scored on a 1 to 5 scale and weighted to aid prioritization. Together, these categories provide a comprehensive snapshot of how well a park serves its community and where improvements are needed.

Category	Score	Description
Playgrounds	1 - 5 (45% of score)	Variety, condition, safety, inclusivity, surfacing, age
Structures	1 - 5 (20% of score)	Restrooms, gazebos, shade structures, walls, bridges
Fields/Courts	1 - 5 (10% of score)	Quality and usability of sports fields, courts, surfacing
Amenities	1 - 5 (10% of score)	Barbecues, benches, lighting, drinking fountains, waste receptacles, monument signs, fitness equipments
Hardscape	1 - 5 (5% of score)	Condition of walkways, accessibility to maintain features
Landscape/Irrigation	1 - 5 (5% of score)	Health and variety of plants, shade, and visible irrigation equipment
Maintenance	1 - 5 (5% of score)	Overall cleanliness, repairs, graffiti control

SCORING SYSTEM

Overview of Scoring System

The park scoring system uses a 1 to 5 scale for each category to evaluate different aspects of a park's quality, function, and condition. It ensures a comprehensive, consistent, and objective approach to assessing and comparing parks.



Very Poor
Major issues, broken, unsafe, unusable, or severely neglected



Poor
Functional, limited use, or in noticeable disrepair



Fair
Usable and safe, but could be improved; some wear and tear



Good
In good condition, functional, accessible, and well-integrated



Excellent
High-quality, clean, inclusive, fully functional

PRIORITY RANKING SYSTEM

Overview of Priority Ranking System

The priority ranking system is used to determine which parks are in immediate need for improvements, repairs, or investment. Each park is assigned a priority level from A to E.

This ranking is based on the total scores from the park criteria categories. Parks that score lower across multiple categories are given higher priority ranking (e.g. D or E), signaling a greater need for improvements. This system will guide the City of Costa Mesa to objectively compare parks and allocate resources more effectively.



Very Low Priority /
minimal or no
intervention
needed



Low Priority



Medium Priority



High Priority



Highest Priority
for improvement /
funding / repair

Overall Park Priority Ranking

Ranking	Park Name	Ranking	Park Name
B	Balearic Park	B	Paularino Park
C	Brentwood Park	A	Perez Park
B	Canyon Park	B	Pinkley Park
B	Del Mesa Park	D	Shalimar Park
C	Estancia Park	C	Shiffer Park
C	Fairview Park	C	Smallwood Park
C	Gisler Park	B	Suburbia Park
C	Harper Park	A	Tanager Park
C	Heller Park	B	Tewinkle Park
B	Jordan Park	C	Vista Park
C	Ketchum-Libolt Park	B	Wakeham Park
C	Lindbergh Park	C	Wilson Park
B	Lions Park	B	Wimbledon Park
C	Marina View Park	C	Bark Park
B	Mesa Verde Park	A	Raleigh Park
C	Moon Park		
B	Neth Park		

Park Assessment - Estimated Costs

Park	Project Title	Priority	Fiscal Year	Total Costs
Harper Park	Playground Replacement	1	26-27	\$ 400,000
Moon Park	Playground Replacement	2	26-27	\$ 700,000
Lindbergh Park	Playground Replacement	3	28-29	\$ 692,350
Heller Park	Playground & Restroom Improvement	4	28-29	\$ 1,535,400
Marina View Park	Playground Replacement	5	30-31	\$ 871,600
Wakeham Park	Playground & Restroom Improvement	6	Future	\$ 2,171,800
Canyon Park	Playground Replacement	7	Future	\$ 1,311,300
Mesa Verde Park	Playground Replacement	8	Future	\$ 580,200
Vista Park	Playground & Restroom Improvement	9	Future	\$ 1,353,420
Smallwood Park	Playground Replacement	10	Future	\$ 1,024,000
Gisler Park	Playground Replacement	11	Future	\$ 783,500
Wilson Park	Playground Replacement	12	Future	\$ 961,000
Del Mesa Park	Playground Replacement	13	Future	\$ 778,220
Wimbledon Park	Playground Replacement	14	Future	\$ 578,000
Shiffer Park	Playground & Restroom Improvement	15	Future	\$ 1,272,160
Balearic Community Center	Playground Replacement	16	Future	\$ 888,000
Balearic Park	Playground Replacement	17	Future	\$ 1,095,200
Estancia Park	Hardscape & Seat Walls	18	Future	\$ 230,500
Fairview Park	Restroom Renovations & Hardscape Repairs	19	Future	\$ 547,900
TeWinkle Park	Restroom Building	20	Future	\$ 389,000
				\$ 18,163,550