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Title: BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION, RESOLUTION OF INTENTION, AND REVIEW OF ANNUAL REPORT

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Attachments: 1. Agenda Report, 2. 1. Travel Costa Mesa Annual Report 2021-22, 3. 2. Audit Fiscal Year Ending June 2021, 4. 3. Resolution of Intent 2022-23 BIA Authorization

Date	Ver.	Action By	Action	Result
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TITLE:

BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION, RESOLUTION OF INTENTION, AND REVIEW OF ANNUAL REPORT

DEPARTMENT: CITY MANAGER'S OFFICE

PRESENTED BY: ALMA REYES, ASSISTANT TO THE CITY MANAGER

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RECOMMENDATION:

Staff recommends the City Council:

1. Approve the 2021-2022 Annual Report for the Business Improvement Area (BIA) (Attachment 1).
2. Receive and file the audited financial report for Fiscal Years 2020 and 2021 (Attachment 2).
3. Adopt the Resolution declaring the City's intention to levy an annual assessment for Fiscal Year 2022-23 for the 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).

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 TCM bylaws, TCM's Board of Directors is currently comprised of eleven (11) General Managers from the eleven (11) participating hotels and motels, one member of the City Council, and the City Manager's designee.

Since November 2010, the City 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 point nine percent (99.9%) 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 7, 2022 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 speak in support of, protest the annual assessment, and/or address any concerns regarding the BIA at the public hearing. The City Council will vote to adopt or deny the resolution levying an annual assessment for the upcoming fiscal year, and makes the ultimate decision as to the size of and the properties to be included in the BIA. Upon the approval of the annual assessment, the three percent (3%) assessment is collected along with the City's Transient Occupancy Tax (TOT). The hotels and motels included in the BIA are required to itemize the BIA levy as a separate assessment. The staff at TCM manage the day-to-day activities and provide all services to administer the BIA.

Per the agreement between the City of Costa Mesa and TCM and as required by Streets and Highways Code section 36533, TCM is required to provide an annual report describing the programs and activities implemented during the previous fiscal year as well as the status of the programs and activities implemented during the current fiscal year (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 TCM, the annual audit for Fiscal Years 2020 and 2021 has been completed by KMJ Corbin & Company, 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 2021-2022 Fiscal Year

Travel Costa Mesa continues its dedication to showcasing the City of Costa Mesa as the City of the Arts™ and further enhancing the City's brand as a premier destination City in Orange County. Their efforts included innovative ways to partner with influencers and content creators to amplify messaging across various platforms, summer and holiday co-ops with Visit California, and meetings guide videos.

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

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

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

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

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

The City receives one percent (1%) of the BIA revenue/assessment as partial reimbursement for its collection and administrative costs. The one percent (1%) allocated to the City for reimbursement is estimated at \$21,840 for the 2021-2022 Fiscal Year.

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

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

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

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

LEGAL REVIEW:

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

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the City 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 1, 2021; 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 that the City Council:

1. Approve the 2021-22 Annual Report for the Business Improvement Area (BIA) (Attachment 1).
2. Receive and file audited financial report for Fiscal Years 2020 and 2021 (Attachment 2).
3. Adopt Resolution 22-xx, declaring the City's intention to levy an annual assessment for Fiscal Year 2022-23 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).