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Title: BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION TO LEVY ANNUAL ASSESSMENT

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Attachments: 1. Agenda Report, 2. 1. Resolution No. 2024-XX Business Improvement Area, 3. 2. TCM Annual Report 2023-24, 4. 3. Financial Audit for FY Ending June 2023, 5. 4. TCM-Citywide Comm Events budget FY24-25.pdf

Date	Ver.	Action By	Action	Result
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TITLE:

BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION TO LEVY ANNUAL ASSESSMENT

DEPARTMENT: CITY MANAGER’S OFFICE

PRESENTED BY: HADASSA JAKHER, ASSISTANT TO THE CITY MANAGER

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RECOMMENDATION:

Staff recommend the City Council:

1. Conduct a public hearing regarding the Business Improvement Area (BIA) reauthorization and levy of the annual assessment for Fiscal Year 2024-2025.
2. Adopt Resolution No. 2024-XX, confirming the annual report filed by Travel Costa Mesa and levying an annual assessment for Fiscal Year 2024-2025 for the Business Improvement Area covering certain Costa Mesa hotels and motels.
3. Adopt the Fiscal Year 2024-25 Community-Wide Marketing and Support Budget.

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 percent (99%) of the assessment is remitted to TCM. The remaining one percent is retained by the City to offset administrative costs.

At the May 7, 2024, City Council meeting, the City Council approved a resolution declaring the intention to levy an annual assessment for Fiscal Year 2023-2024 and set a public hearing for June 4, 2024, at 7 p.m. Staff mailed out notices, including a copy of the resolution, to all hotel and motel owners on file with the City. Hotel and motel owners were notified of the proposed assessment renewal and their opportunity to protest the annual assessment or raise other concerns regarding the BIA.

ANALYSIS:

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

Per the agreement between the City of Costa Mesa and TCM and as required by Streets and Highways Code section 36533, TCM is required to provide an annual report describing the programs and activities implemented during the previous fiscal year as well as the status of the programs and activities implemented during the current fiscal year. The City Council may approve the report as filed or modify the report and approve it as modified. Once the City Council approves the report, it may adopt the resolution of intention to levy the annual assessment.

Highlights of the 2023-2024 Fiscal Year

Travel Costa Mesa continues its dedication to showcasing the City of Costa Mesa as the City of the Arts and further enhancing the City's brand as a premier destination in Orange County. Seasonal messaging included campaigns such as "Capture Your SoCal Spring," "Sun, Fun, Yum,"

“Shopcation”, Lunar New Year, and Valentine’s Day campaigns that allowed for record engagement and impressions numbers. Travel Costa Mesa’s website saw an increase of 76% in total users and 111% increase in page views compared to the prior year.

Similarly, hotel partners saw successes in the 2023-24 Fiscal Year. Overall occupancy increased by 3.7%, and revenue per available room increased by 9% year-by-year. Also, from July to December 2023, Travel Costa Mesa generated more than 216 leads for group sales that resulted in booking 7,559 room nights. Travel Costa Mesa also booked 61 meetings and events in FY 2023-24, compared to 49 in FY 2022- 23.

ALTERNATIVES:

City Council may choose not to adopt the resolution, which will prevent the City from levying an annual assessment for the upcoming fiscal year.

FISCAL REVIEW:

According to the audit report, TCM’s cash equity as of June 30, 2023 totaled \$3,178,747. Based on the 2023-24 annual report, TCM is projecting \$3 million in revenues for the current fiscal year. As of February 2024, BIA revenues were at \$2.2 million.

The City receives one percent (1%) of the BIA revenue/assessment as partial reimbursement for its collection and administrative costs. The one percent (1%) allocated to the City for reimbursement is estimated at \$30,000 for the 2023-24 fiscal year.

Since 2014, TCM has 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 Programing for a total of \$164,000. This budget is added annually as an addendum to the existing Professional Services Agreement between the City and TCM, and is approved by City Council at a public hearing. During FY 2023-24 the City resumed all special community events and marketing efforts to pre-pandemic levels and reinstated the TCM community events funding. For FY 2024-25, funding for community-wide marketing and support will total \$164,000. This budget will be added annually as an addendum to the existing professional services agreement between the City and TCM. The proposed addendum is being presented for review and authorization by the City Council in Attachment 4. All expenditures of these funds will be on a reimbursement basis and will adhere to the City of Costa Mesa’s purchasing policy guidelines.

LEGAL REVIEW:

The City Attorney’s Office has reviewed the report and resolution and approves them as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the City Council’s continuous efforts to promote the City of Costa Mesa for its rich and vibrant community that offers many attractions for residents, visitors, and businesses.

CONCLUSION:

State law mandates the specific procedure to be followed in the establishment of business

improvement areas and the levying of a voluntary annual assessment. Adoption of Resolution No. 2024-XX is the final step in the reauthorization of the BIA assessment, and the City Council must adopt the proposed resolution before an annual assessment can be levied for Fiscal Year 2024-2025.

Therefore, staff recommends that the City Council:

1. Conduct a public hearing regarding the Business Improvement Area (BIA) reauthorization and levy of the annual assessment for Fiscal Year 2024-2025.
2. Adopt Resolution No. 2024-XX, confirming the annual report filed by Travel Costa Mesa and levying an annual assessment for Fiscal Year 2024-2025 for the Business Improvement Area covering certain Costa Mesa hotels and motels.
3. Adopt the Fiscal Year 2024-2025 Community-Wide Marketing and Support Budget.