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Title:	BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION, RESOLUTION OF INTENT, AND REVIEW OF ANNUAL REPORT		
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Attachments:	1. Agenda Report, 2. 1. TCM Annual Report 2023-24, 3. 2. Financial Audit for FY Ending June 2023, 4. 3. Resolution No. 2024-XX Intent Business Improvement Area		

Date	Ver.	Action By	Action	Result

TITLE:

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

DEPARTMENT: **CITY MANAGER'S OFFICE**

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

CONTACT INFORMATION: **ALMA REYES, DEPUTY CITY MANAGER, (714) 754-5090**

RECOMMENDATION:

Staff recommends the City Council:

1. Approve the 2023-2024 Annual Report for the Business Improvement Area (BIA) (Attachment 1).

2. Receive and file the audited financial report for Fiscal Years Ended June 30, 2023 and June 30, 2022 (Attachment 2).

3. Adopt the Resolution declaring the City's intention to levy an annual assessment for Fiscal Year 2024-25 for the Business Improvement Area covering certain Costa Mesa hotels and motels and setting the time and place for a Public Hearing on the 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 percent (99%) of the assessment is remitted to TCM. The remaining one percent is retained by the City to offset administrative costs.

ANALYSIS:

Currently, the number of properties included in the BIA assessment levy is limited to the eleven (11) hotels and motels that have expressed an interest in participating in the program, as detailed in the proposed Resolution of Intention (Attachment 3). Upon adoption of the Resolution of Intention, property owners of the participating hotels will be notified in writing within seven (7) days of the assessment renewal. Subsequently, the Resolution will be published in the Daily Pilot at least seven (7) days prior to the public hearing scheduled for June 4, 2024, 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 Ended June 30, 2023 and June 30, 2022 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 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 2022-23, compared to 49 in FY 2022- 23.

ALTERNATIVES:

City Council may choose not to adopt 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, 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. Although the TCM community event funds were not available during FY 2020-21 and FY 2021-22, the City intends to resume all special community events and marketing efforts to pre-pandemic levels and reinstate the TCM funding in FY 2024-25.

LEGAL REVIEW:

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

CITY COUNCIL GOALS AND PRIORITIES:

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

CONCLUSION:

Adoption of the resolution of intent is the initial step in the reauthorization of the BIA assessment. State law mandates the specific procedure to be followed in the establishment of such an area. Staff will make a presentation to the City Council on the implementation of the BIA assessment at the public hearing on June 4, 2024; 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 2023-24 Annual Report for the Business Improvement Area (BIA) (Attachment 1).

2. Receive and file audited financial report for Fiscal Years Ended June 30, 2023 and June 30, 2022 (Attachment 2).

3. Adopt Resolution 24-xx, declaring the City's intention to levy an annual assessment for Fiscal Year 2024-25 for business improvement area covering certain Costa Mesa hotels and motels and setting the time and place for a public hearing on the proposal (Attachment 3).

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