

TOURISM DEVELOPMENT FUND

April 10, 2017

BACKGROUND - POLICY QUESTIONS

- How does Williamsburg make a generational investment in tourism product and experience in a short period of time?
- Is now the time to invest in the place and infrastructure that drives visitation?

BACKGROUND – ANALYSIS OF OPTIONS

- Redirect Existing Marketing Funds – X
- Property Tax Increases – X
- Borrow (New Debt) – X
- Sales Tax – X
- Meal Tax – Y
- Room Tax – Y
- Admissions Tax - Y

- York County = 4%
- James City County = 4%
- Poquoson = 6%
- Newport News = 6.5%
- Hampton = 7.5%
- Norfolk = 6.5%
- Virginia Beach = 5.5%
- Suffolk = 6.5%
- Richmond = 6%
- Chesapeake = 5%
- Williamsburg = 5%
- Virginia City Average = 6%

MEAL TAX

1% Meal Tax =
\$1,399,000

Current Rate = 5%

FY18 Projection =
\$6,995,000

Counties limited
by Statute to 4%

Williamsburg is
lowest city (with
Chesapeake) in
region that uses
the meal tax

- York County = 5% + \$2
- James City County = 5% + \$2
- Poquoson = 0
- Newport News = 8%
- Hampton = 8%
- Norfolk = 8%
- Virginia Beach = 8% + \$1
- Suffolk = 8%
- Richmond = 8%
- Chesapeake = 8%
- Williamsburg = 5% + \$2
- Virginia City Average = 6.4%

ROOM TAX

1% = \$660,000

Current Rate = 5%

FY18 Projection =
\$3,300,000

\$2 Room Charge =
\$1,130,000

Counties limited by
Statute to 5%

Virginia Beach also
has a \$1/night fee

Williamsburg is
lowest city in region
that uses room tax

- York County = 0
- James City County = 0
- Poquoson = 0
- Newport News = 10%
- Hampton = 10%
- Norfolk = 10%
- Virginia Beach = 10%
- Suffolk = 10%
- Richmond = 7%
- Chesapeake = 10%
- Williamsburg = 0%
- Virginia City Average = 7.9%

ADMISSION TAX

1% = \$200,000

Current Rate = 0%

FY18 Projection = \$0

Counties not allowed
to use without
Statutory authority

18 of 36 cities found
to use admissions tax.
5 counties and 2
towns known

Administration
ordinances vary
greatly

Williamsburg and
Poquoson are the only
cities in HR currently
not charging an
admissions tax

WHAT IS AN ADMISSIONS TAX

- Charge on admissions to certain types of defined places of amusement or entertainment.
- City has the ability to place restrictions on types of activities charged
- State and Federal tax exemption still applies
- Established in accordance with the Virginia Constitution and Virginia Code (58.1-3817)

EQUITY CONCEPT

- Flat local tax of 7% for
 - Meals
 - Room (change \$2 to 2%)
 - Admissions
- All revenue from rate increases would be dedicated to the Tourism Development Fund
- Same collection process for meals and room
- Admission tax is new, but similar collection

POTENTIAL TDF REVENUES GENERATED FOR FY19 AND ANNUAL

Assumptions:

Uses revenue projections from the FY18 Proposed Budget to determine funds generated

1% Room = \$660,000

1% Meals = \$1,399,000

1% Admission = \$200,000

Uses Equity Model with rates set at 7% for all three taxes

Replaces \$2 per room for 2%, but leaves WADMC whole

Starts collections on January 1, 2018

Project funding would start in July 2018 with 1.5 FY of funding available for Year 1

■ FY 19 (available 7/1/2018)

- Meals = \$4,197,000
- Room = \$285,000
- Admissions = \$2,100,000
- Total = \$6,582,000

■ Annual

- Meals = \$2,798,000
- Room = \$190,000
- Admissions = \$1,400,000
- Total = \$4,388,000

FISCAL POLICY

- **Tourism Development to Model the Capital Improvement Plan**
 - City accounts for the fund as a separate fund
 - 5-year Plan – 1st year is appropriated and following 4 years are for planning
 - Unspent or unallocated funds remain in the fund
 - Can be used pay debt service for borrowing associated with TDF projects
 - Follows all city policy and Code for purchasing and project bidding
 - Subject to city audit and CAFR reporting

TOURISM DEVELOPMENT FUND ANNUAL CYCLE

- **Tourism Development Fund Review Committee – Appointed by Council**
- **Project Applications Due - October**
- **Project / Funding Application Review – November**
- **Review Committee Recommendation to City Council and provided to City Manager and Planning Commission - December**
- **Planning Commission Review and Recommendation (like CIP)- January**
- **City Manager Recommendation - March**
- **City Council Approves Funding with Budget – May**
- **Project Funding Available - July**

REVIEW COMMITTEE

- Committee will review applications and make funding recommendations to the City Council for the expenditure of funds.
- Appointed by City Council
- Similar in nature for arts, human services, and economic development
- Consist of 5 appointed members representing short-term lodging, restaurants, venues, finance, and the destination marketing organization
- City staff will serve as ex-officio members to collect, distribute, and report on funding requests

HOW CAN THE MONEY BE USED

- City administrative costs – 5%
- Staffing of TDF project management – 5%
- Infrastructure, facilities, improvements, events, grants programs, and projects that enhance and/or maintain place and product that attracts overnight visitation, high wage growth, and/or tourism-based capital investment in the City of Williamsburg – 90%
- The fund can be committed to the payment of debt service for approved projects

EXAMPLES OF ELIGIBLE TDF PROJECTS

- Streetscape renovations and enhancements
- Transit improvements (bike share, pedestrian access, enhanced bus shelters)
- Outdoor and Indoor recreation facilities and amenities
- Public parks (community or regional)
- Tourism venues
- Business improvement grants
- Public art and place-making
- Special event grants and marketing
- Visitor infrastructure
- Culinary arts incubators
- Regional trails and connectors
- Historic and cultural sites
- Economic Development demolition and redevelopment programs for tourism and high-wage job growth

HOW TO IMPLEMENT

- Increase meal tax – Ordinance with public hearing
- Increase room tax – Ordinance with public hearing
- Establish an admissions tax – Ordinance with public hearing
- Establish the TDF policy and review committee – Resolution
- Appoint the TDF – application, interview, discussion, and decision
- Annual appropriation – Budget Ordinance
- Any Amendment to Budget over 1% - Public Hearing

TAX RATE COMPARISON

	Property	Meals	Room	Cigarette	Admissions
York	.7515	4%	5%+\$2	-	0
JCC	.84	4%	5%+\$2	-	0
Poquoson	1.07	6%	0	.2	0
Newport News	1.22	6.5%	8%	.85	10%
Hampton	1.24	7.5%	8%	.8	10%
Norfolk	1.15	6.5%	8%	.85	10%
Virginia Beach	.99	5.5%	8%+\$1	.1	10%
Suffolk	1.07	6.5%	8%	.5	10%
Richmond	1.2	6%	8%	-	7%
Chesapeake	1.04	5%	8%	.5	10%
Williamsburg	.57	5%	5%+\$2	.25	0
VA City AVG	1.02	6%	6.4%	.47	7.9%