

TOURISM DEVELOPMENT FUND

Background
Funding Options
Draft Policy
Schedule

June 5, 2017

BACKGROUND - POLICY QUESTIONS FROM THE GIO PROCESS FALL 2016 AND BEFORE

- 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?
- With significant private investment occurring to redevelop areas of city, how can the community keep pace in public spaces?
- How can we fund efforts to diversify the tourism economy, add new venues, and expand shoulder season visitation?
- How do we remain competitive with tourism areas that market to our drive market?
- Are there ways to encourage redevelopment of aging commercial properties for uses that support existing businesses and support low property taxes?

BACKGROUND – CITY GIO POLICY INITIATIVES FROM 2015-2016 AND 2017-2018 GIO'S

- Parks, Recreation, & Culture Master Plan starts summer 2017
- Assess additional recreation facilities to support sports tourism
- Design and develop the Country Road as a shared use trail
- Midtown Redevelopment
- P3 Parking Lot Conversion
- Indoor Sports Facility Plan
- 4th Lighted Field at Kiwanis
- Quarterpath Recreation Center Expansion
- Actively pursue underused and blighted commercial
- Redevelopment of City properties
- Downtown Vibrancy Plan
- Tourism Contingency Fund
- Culinary Arts District
- Maintain commercial nature of Richmond Road corridor
- Capitol Landing Streetscape
- Tourism zone in Northeast
- Aesthetic gateway improvements
- Increase place-making product
- Future of Visitor Center property
- Demolition grant and EDA role
- Economic impact of College
- Encourage special event growth
- Capital Trail to Williamsburg
- Bike & Ped Plan and Sharing
- Paper Mill Creek Park
- Aquatics Center
- Queen Mary's Port Tourism Site
- Public Art Program

**BACKGROUND – ANALYSIS OF OPTIONS
COUNCIL BUDGET RETREAT
JANUARY 2017**

- **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**

BACKGROUND - TAX RATE COMPARISON

COUNCIL WORK SESSION

APRIL 2017

	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%

ANALYSIS OF OPTIONS

COUNCIL BUDGET RETREAT

JANUARY 2017

■ Initial Staff Option

- Increase Meal Tax 1% = \$1,399,000
- Increase Room Tax 2% = \$1,320,000
- No Admissions Tax
- Total Revenue = \$2,719,000
- **Less 10% Admin. = \$2,447,100**
- Achieves partial implementation of policy goals within 5 to 10 year window
- Below competitive investments
- Retains \$2 charge to WADMC

ANALYSIS OF OPTIONS

COUNCIL WORK SESSION

APRIL 2017

- Equal Rate Option (7%)
 - Increase Meal Tax 2% = \$2,798,000
 - Increase Room Tax 2% = \$1,320,000
 - Admissions Tax 7% = \$2,200,000
 - Total Revenue = \$6,318,000
 - Less WADMC Funding = \$4,998,000
 - **Less 10% Admin. = \$4,498,200**
 - Achieves implementation of policy goals within 5 to 10 year window
 - Equal or above competitive investments
 - Eliminates \$2 charge

ANALYSIS OF OPTIONS

COUNCIL WORK SESSION

JUNE 2017

■ Equal Rate Option (6.5%)

- Increase Meal Tax 1.5% = \$2,098,500
- Increase Room Tax 1.5% = \$990,000
- Admissions Tax 6.5% = \$2,042,800
- Total Revenue = \$5,131,300
- Less WADMC Funding = \$3,811,300
- **Less 10% Admin. = \$3,430,170**
- Achieves most policy goals within 5 and 10 year windows
- Slightly below competitive investments
- Eliminates \$2 charge

ANALYSIS OF OPTIONS

COUNCIL WORK SESSION

JUNE 2017

■ Equal Rate Option (6%)

- Increase Meal Tax 1% = \$1,399,000
- Increase Room Tax 1% = \$660,000
- Admissions Tax 6% = \$1,885,700
- Total Revenue = \$3,944,700
- Less WADMC Funding = \$2,624,700
- **Less 10% Admin. = \$2,362,230**
- Achieves partial implementation of policy goals within 5 to 10 year window
- Below competitive investments
- Eliminates \$2 charge

ANALYSIS OF OPTIONS

COUNCIL WORK SESSION

JUNE 2017

- **Equal Rate Option (6%) + \$2 Room Charge**
 - Increase Meal Tax 1% = \$1,399,000
 - Increase Room Tax 1% = \$660,000
 - Admissions Tax 6% = \$1,885,700
 - Total Revenue = \$3,944,700
 - **Less 10% Admin. = \$3,550,230**
 - Achieves most policy goals within 5 to 10 year window
 - Slightly below competitive investments
 - Retains \$2 charge to WADMC

ANALYSIS OF OPTIONS

COUNCIL WORK SESSION

JUNE 2017

■ Variable Rate Option

- Increase Meal Tax 1% (6%) = \$1,399,000
- Increase Room Tax 2% (7%) = \$1,320,000
- Admissions Tax 3% = \$942,800
- Total Revenue = \$3,661,800
- Less WADMC Funding = \$2,341,800
- **Less 10% Admin. = \$2,107,620**
- Achieves partial implementation of policy goals within 5 to 10 year window
- Below competitive investments
- Eliminates \$2 charge

TDF OPTIONS REVENUES GENERATED

Options	TDF Revenue	+\$2 Rm Charge	Meet Goals	Comp. Market
Initial M6, RM7 +\$2	\$2,447,100	Yes	Partial	Below
Equal 7%	\$4,498,200	No	Yes	Equal or above
Equal 6.5%	\$3,430,170	No	Most	Slightly Below
Equal 6%	\$2,362,230	No	Partial	Below
Equal 6% + \$2	\$3,550,230	Yes	Most	Slightly Below
Variable M6, RM7, A3	\$2,102,620	No	Partial	Below

COST IMPACT OF MEAL TAX & ADMISSIONS TAX

Cost of Meal	1% Increase	2% Increase	7% Total Tax	Sales Tax State 6%	Total Cost with 5% Meal Tax	Total Cost with 7% Meal Tax
\$10 Meal	10 cents	20 cents	70 cents	60 cents	\$11.11	\$11.30
\$20 Meal	20 cents	40 cents	\$1.40	\$1.20	\$22.20	\$22.60
\$40 Meal	40 cents	80 cents	\$2.80	\$2.40	\$44.40	\$45.20
\$75 Meal	75 cents	\$1.50	\$5.25	\$4.50	\$83.25	\$84.75
\$100 Meal	\$1.00	\$2.00	\$7.00	\$6.00	\$111.00	\$113.00

Admission Tax at 7%:

\$100 Ticket = \$7.00 = \$107 total cost

\$50 Ticket = \$3.50 = \$53.50 total cost

\$25 Ticket = \$1.75 = \$26.75 total cost

\$10 Ticket = \$0.70 = \$10.70 total cost

TDF POLICY

FISCAL OVERSIGHT

- **Tourism Development to Model the Capital Improvement Plan**
 - City accounts for the fund as a separate general revenue 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 budget finance policies and Code
 - Subject to city audit and CAFR reporting
 - Ordinance requires eligible expenditure for TDF

TDF POLICY ANNUAL CYCLE

- Tourism Development Fund Review Committee – Appointed by Council (7 members)
- 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

TDF POLICY REVIEW COMMITTEE

- Committee will review applications and make funding recommendations to the City Council for the expenditure of funds.
- Appointed by City Council
- Resident of City, business in the City, or event in the City
- Serve 2 year appointments (up to 3 terms)
- Consist of 7 appointed members representing one of each of the following categories:
 - Prepared food & beverage industry representative
 - Tourism attractions, venues, and event representative
 - Lodging industry representative
 - Finance & banking industry representative
 - Destination marketing organization representative
 - Strategic partner representative (CWF or College)
 - At-large business or cultural amenity representative
- City staff will serve as ex-officio members to collect, distribute, and report on funding requests

TDF POLICY

APPLICATION PROCESS

- Annual application process
- Phase I Application (due end of August) - Eligibility
 - Organization information
 - Amount of funding requested
 - Expansion or new facility
 - Project description
 - Initial project budget and construction values
- Phase II Application (Due end of October) – Detailed (based on amount)
 - Feasibility study
 - Room night calculation
 - Marketing plan
 - Financial / business plan
 - Drawings / photos / renderings / site plans
 - Key organization & project leadership
 - Detailed project description
 - Description of impact on local tourism
 - Timeliness and project schedule(phasing if multi-year)
 - Uniqueness, innovation, and potential to stimulate other projects
 - Letter of funding commitment
 - Consistency with Williamsburg brand
 - Methodology intended to capture visitation statistics provided
- Costs for Phase II application are eligible for funding reimbursement from TDF if requested and the project is funded
- Required project site visits by staff and TDF Review Committee

TDF POLICY

ELIGIBLE EXPENDITURES

- City administrative costs - up to 10%, unspent funds returned to TDF balance
- Infrastructure, facilities, improvements, events, and projects that enhance and/or maintain place and product that attracts overnight visitation, restaurant patronage, 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
- The fund can support EDA projects and programs for for-profit companies that meet the eligibility criteria and receive recommendations for funding
- The fund will serve as the location in the City budget to receive and convey funding to the Williamsburg Area Destination Marketing Committee (WADMC)

TDF POLICY

EXAMPLES OF ELIGIBLE TDF PROJECTS

- Streetscape renovations and enhancements
- Transit improvements (bike share, pedestrian access, enhanced bus shelters)
- Convention and group meeting facilities
- Outdoor and Indoor recreation facilities and amenities
- Public parks (community or regional)
- Tourism venues
- Business improvement grants (through EDA)
- Public art and place-making
- Special event grants and marketing
- Visitor infrastructure
- Culinary arts incubators
- Regional trails and connectors
- Historic and cultural sites
- Other projects that meet the eligibility criteria, demonstrate feasibility, and receive recommendation

TDF IMPLEMENTATION COUNCIL ACTION

- **Public Hearings**
 - **Tourism Development Fund Policy Resolution**
 - **Ordinance to Amend Section 18-237 of Article II and Section 18-271 and 18-272 of Article VIII of Chapter 18 of the City Code to Increase the Levy for Transient Lodging Tax and Prepared Food and Beverage Tax and Amend the Process for the Collection and Payment of Taxes to the Williamsburg Area Destination Marketing Committee, Proposed Ordinance #17-09**
 - **Ordinance to Add Article XII Admissions Tax to Chapter 18 of the City Code, Proposed Ordinance #17-10**
 - **Supplemental Appropriations and Transfer for General Fund and Tourism Development Fund Budgets for FY 2018, Proposed Resolution #17-09**

TDF IMPLEMENTATION

- TDF Review Committee Application & Appointment (July – October)
- TDF Program Staff (2 needed – Program specialist and finance specialist) – Job descriptions and hiring process (July – August)
- TDF Application Process – Document development, advertise, and applicant education (July – August)
- TDF Finance Process – Establish and update forms as needed (September – December)
- TDF Effective Date January 1, 2018
- TDF Project Expenditures after July 1, 2018