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Alachua
County

Agenda

ALACHUA COUNTY BOARD OF COUNTY COMMISSIONERS

November 10, 2009 Regular BOCC Meeting
Agenda Item #11

Title

Additional 2 percent of Tourist Development Tax (Amended)

Amount

N/A

Description

Request Approval of the project: Visitors and Convention Bureau is seeking to levy and additional 2 percent of Tourist Development Tax for capital projects. The first project on the list is the Nations Baseball/Cooperstown Dreams Park Baseball complex in Newberry.

Recommendation

Authorize the County Attorney to prepare the ordinance and schedule a public hearing to impose the 2 additional percent of Tourist Development Tax and restructure of the Tourist Development Plan.

Alternative(s)

Do not authorize action by the County Attorney regarding Tourist Development Tax.

Requested By

Roland Loog

Originating Department

Tourist Development

Attachment(s) Description

Chart showing timeline for sales and bed tax to reach bond amount, Chart showing accumulation of revenue above debt service, 2 Memos from Public Financial Management detailing funding scenarios

Documents Requiring Action

None.

Executive Summary

The City of Newberry, in conjunction with Cooperstown Dreams Park, is proposing to build a 16 field tournament baseball/softball park. To fund the project, the City of Newberry will enter into a bond that will be secured through the leverage of an

additional 2% to the existing 3% Tourist Development Tax. This project is the first in a series of possible capital projects that will increase Alachua County as an amateur sports destination.

Background

The investigation of raising the Tourist Development Tax began when then Santa Fe Community College approached the Commission about using the Tourist Development Tax to build a minor league baseball stadium on its campus. Below is a recap of the process that has taken place from then to get to the point where we are now with the Newberry/Cooperstown facility. A formal request for proposals was done seeking projects that would promote and enhance tourism using an additional 1% added to the existing 3% Tourist Development Tax on accommodations. The projects were rated by the Tourist Development Council (TDC) based on 1) ROI for tourism, 2) Value to community, 3) Possible negative aspects for Alachua County 4) Does project fit the brand? 5) Does the project fit the intent of State Statute 125.0104? (pass/fail) 6) Is project realistic? 2 projects passed the TDC as being possible good investments: an expansion of the Martin Luther King Center and an Atrium at Kanapaha Botanical Gardens/Expansion of the Santa Fe Teaching Zoo joint proposal. After meeting with Commissioners to discuss the projects, it was apparent that neither project had enough support. Staff went to the Commissioner for direction on this matter and the vote was to end the process prior to coming before the Commission for a vote. The Commission then considered the purchase of Diamond Sports Park which was purchased by the School Board. An arena at the new fairgrounds site was investigated but proved too costly for the additional 1% of Tourist Development Tax to have much impact. The return on investment projection was weak as it was not possible to host anything in relation to meetings or conventions or trade shows. Additionally, the operation and maintenance cost of the arena would be an expense that could fall back to the County causing a further drain on already shrinking available funds. The City of Newberry approached the County about the additional 1% of Tourist Development Tax in conjunction with Cooperstown Dreams Park about a 16 field facility in Newberry. The Commission requested a business plan regarding the project. Newberry presented to the TDC, who wanted more details in the business plan. Staff presented an update to the Commission in May on the status of the project. Newberry has presented to the Community Planning Group (CPG) and again to the TDC. The business plan still did not have cost projections on building complex. Newberry is scheduled to present again to the TDC and the CPG before coming to the Commission with a formal request to levy the additional 1% of Tourist Development Tax. At the July TDC meeting, the Council directed that Staff forward a recommendation to the County Commission for the raising of the Tourist Development Tax by an additional 1% with an executive summary of the project to include detailing how the funding request was reached. After meeting with Public Financial Management (PFM) on October 16th, it became clear that reaching the financial goal of \$7 million is in doubt. The current state of the collections for each percent of the Tourist Development Tax (TDT) is roughly \$625,000. PFM stated that most banks that issue loans for this amount will seek a 1.35 coverage factor. Therefore, the entire amount of revenue must be pledged but the entire revenue amount cannot be used to pay the loan down each year. Several plans to reach the \$7 million goal were discussed. One scenario is to have the Visitors and Convention Bureau (VCB) pledge some of its fund balance to create a reserve fund, along with TDT collections during the construction phase, and have the City of Newberry enter

into a covenant to budget to further lower the coverage factor number. This scenario, using the estimated coverage factor of 1.1, still would not generate the necessary \$7 million. These scenarios are presented in the attached memo from PFM to Newberry City Manager Keith Ashby. An additional scenario that was mentioned by Roland Loog was adding what in the statute is titled the 6th percent. The 5th percent is not an option for Alachua County as it refers to a county of high tourism impact where sales subject to the tax have exceeded \$600 million. The 6th percent does not have this in its definition and does list marketing as an allowable expense similar to the 4th percent. The Tourist Development Plan (TDP) will have to be amended to utilize the 4th percent. Under this new option, the TDP will look as follows: 1st and 2nd percents: Capital funds for the Newberry Baseball Project 3rd and 4th percents: Funding for the Visitors and Convention Bureau 6th percent: Funding for the Tourist Product Development Program and Conference Grant Program Utilizing 2 percent of the levied 5 percent of TDT will shorten the County's obligation down to less than 10 years. The shorter term gives the City of Newberry and Alachua County the ability to have the project paid for while it is in its peak earning potential. The shortened payment schedule will allow the funds to be used for other capital projects throughout the County whereas the one percent option will not.

Issues

Setting the ceiling for the County funding obligation at \$7 million By enacting the tax now, Alachua County will be the first community to participate in the Nations Baseball/Cooperstown Dreams Park expansion. This will increase awareness for Alachua County as a youth baseball/softball destination driving attendance and overnight stays. As set forth in the memo from PFM to Keith Ashby, one percent does not generate the necessary funds for the project to take place. Who will operate and maintain if Cooperstown does not? Alachua County Tourist Development must have first right of refusal for all dates except those agreed upon by contract with Cooperstown. City of Newberry will be entering into the bond with the TDT revenue pledged to pay. City of Newberry will be solely responsible for honoring the bonds. Enacting the tax now allows TDT to build a balance for reserve fund during construction period and could possibly shorten the loan period. Possible resistance to the 2% increase of the TDT from hoteliers and visitors.

Fiscal Recommendation

N/A

Fiscal Alternative(s)

N/A

Funding Sources

N/A

Account Code(s)

N/A

Attachment: [Timeline.pdf](#)

Attachment: [Impact figures.pdf](#)

Attachment: [Memo_4thand6th_cents.pdf](#)

Attachment: projected_growth.pdf

Attachment: Finance_optionmemo.pdf