

City of Petersburg Virginia

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City Council

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David Ray Coleman, Councilor – Ward 6
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Acting City Manager

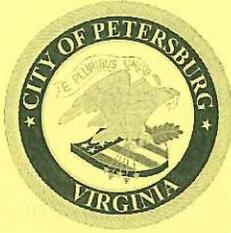
Dironna M. Belton

Agenda

August 17, 2016

Council Chamber in City Hall
135 North Union Street

1. **Special City Council Meeting — 6:30 p.m.**
2. **Roll Call**
3. **Public Hearing: (In accordance with the Rules of Council, public comment will be heard before discussion by Council. Once discussion has started, no further input from the public will be accepted. Each speaker will be limited to three (3) minutes.)**
 - a. A public hearing for consideration of the adoption of the Public Downtown Petersburg Tourism Zone Project Ordinance.
4. **Closed Session (if necessary)**
5. **Adjournment**



City of Petersburg

Ordinance, Resolution, and Agenda Request

DATE: August 11, 2016

TO: The Honorable Mayor and Members of City Council

THROUGH: Dironna M. Belton, Acting City Manager

FROM: Dr. Landis D. Faulcon, Director of Economic Development and Tourism

RE: **A public hearing for the adoption of the Public Downtown Petersburg Tourism Zone Project Ordinance.**

PURPOSE: An ordinance to adopt the Tourism Development Plan developed in conjunction with the Commonwealth of Virginia's Tourism Development Financing Program, to endorse a proposed tourism project, and to authorize other actions consistent with state tourism gap financing.

REASON: This ordinance will formally adopt a Tourism Development Plan and endorse the Cambria Hotel and Suites mixed-use development as a tourism project for the purposes of allowing the hotel portion of the project to qualify for the Commonwealth of Virginia's Tourism Development Financing Program.

RECOMMENDATION: Staff recommends that City Council adopt the ordinance.

BACKGROUND: On February 2, 2016, the Petersburg City Council established the Downtown Petersburg Tourism Zone pursuant to Section 59.1-3851 of the Code of Virginia of 1950, as amended, and Ordinance 16-ORD-6. This ordinance is in furtherance of the goals set forth in the City's Comprehensive Plan, Vision 20/20, and a previously approved ordinance by City Council, authorizing the City Manager to take such steps necessary to create a tourism zone pursuant to 58.1-3851 of the Code of Virginia, 1950, as amended. Compliance with 58.1-3851.1 requires approval and certification by the State Comptroller of the Commonwealth of Virginia, and the execution of a performance agreement between the Developer and the City of Petersburg.

Administered by the Virginia Tourism Corporation, the Tourism Development Financing Program is a two-tiered gap financing program for qualified tourism development projects in Virginia. It is a partnership between a developer, a locality, and the Commonwealth of Virginia. The program provides gap financing to support tourism-related development in designated areas. The program requires a performance agreement between the state, the locality and the developer, as well as a tourism development plan that is project specific.

Once the project is completed and generating income, the locality works with the Virginia Department of Taxation to perform a quarterly review of state sales and use taxes collected on the development project. One percent of the identified, quarterly sales and use tax on the revenue of the project is the amount each partner contributes toward the debt service of the project, until debt service is fully paid.

The Cambria Hotel and Suites is a qualified tourism development project seeking to participate in the Virginia Tourism Development Financing Program. The total cost of the project is approximately \$18.8 million, and it will generate approximately 110 part-time jobs and 58 full-time jobs. As a qualified tourism development project, the developer is eligible to apply for up to 30% of total project costs for gap financing.

COST TO CITY: 1% of the quarterly sales and use tax generated by the project until the gap financing is repaid. The developer and the Commonwealth of Virginia will also pay 1% of the quarterly sales and use tax generated by the project until the gap financing is repaid.

BUDGETED ITEM: N/A

REVENUE TO CITY: New sales and use tax revenue beginning with the opening of the Cambria Hotel and Suites. The estimated average annual tax revenue to the City for the first six years of the project is approximately \$200,000.

CITY COUNCIL HEARING DATE: August 17, 2016

CONSIDERATION BY OTHER GOVERNMENT ENTITIES: Virginia Tourism Corporation, the Virginia Resources Authority and the State Comptroller's Office.

AFFECTED AGENCIES: Department of Economic Development and Tourism

RELATIONSHIP TO EXISTING ORDINANCE OR RESOLUTION: This is the second of two ordinances required for Virginia Tourism Zone designation. The Downtown Petersburg Tourism Zone Ordinance was passed on February 2, 2016. This ordinance is project specific.

REQUIRED CHANGES TO WORK PROGRAMS: N/A

ATTACHMENTS: Ordinance

STAFF: Dr. Landis Faulcon, Director of Economic Development and Tourism

AN ORDINANCE TO ADOPT THE TOURISM DEVELOPMENT PLAN DEVELOPED IN CONJUNCTION WITH THE COMMONWEALTH OF VIRGINIA'S TOURISM DEVELOPMENT FINANCING PROGRAM, TO ENDORSE A PROPOSED TOURISM PROJECT, AND TO AUTHORIZE OTHER ACTIONS CONSISTENT WITH STATE TOURISM GAP FINANCING.

WHEREAS, Section 58.1-3851 of the Code of Virginia, 1950, as amended, authorizes localities to establish one or more tourism zones; and

WHEREAS, by Ordinance Number 16-ORD-06, the City Council established the Downtown Petersburg Tourism Zone pursuant to the authority of Virginia code Section 58.1-3851;

WHEREAS, the City Council has determined that it would be advantageous to expand economic activity that capitalizes on Petersburg's locational advantages and economic assets by promoting downtown as the business, financial, and cultural center of the region and supporting efforts to promote Petersburg as a tourist destination; and

WHEREAS, the City Council authorized the City Manager to take such steps as necessary to create a tourism zone pursuant to Section 58.1-3851 of the Code of Virginia, 1950, as amended; and

WHEREAS, the City has received an application from C.A. Harrison Companies, LLC (the Developer), requesting gap financing assistance pursuant to Section 58.1-3851.1 of the Code of Virginia, 1950, as amended; and

WHEREAS, the application includes the hotel to be developed in the 380, 400, and 325 block of East Washington Street in the City of Petersburg (the Cambria Suites and Hotel Project); and

WHEREAS, the Hotel Project is located within the Tourism Zone; and

WHEREAS, the City has reviewed the application from the Developer and finds the Hotel Project will increase year-round employment, fills a void identified in the Tourism Development Plan, is located within the Tourism Zone, and the Developer has submitted proof of the need for gap financing to the satisfaction of the City; and

WHEREAS, the City has submitted to the Virginia Tourism Corporation a development plan entitled Petersburg Downtown Tourism Development Plan as required by Section 58.1-3851.1 of the Code of Virginia, 1950, as amended, and;

WHEREAS, to meet the requirements of Section 58.1-3851.1 of the Code of Virginia, 1950, as amended, the City, Economic Development Authority and C.A. Harrison Companies, LLC will be required to enter into a performance agreement, now, therefore,

BE IT ORDAINED by the Council of the City of Petersburg:

Section 1: That the Council hereby endorses the Hotel Project as a project for the purposes of Section 58.1-3851.1 of the Code of Virginia, 1950, as amended, and accordingly, the Council finds that the Hotel Project fills a void described in the Downtown Petersburg Tourism Development Plan.

Section 2: That subject to the approval and certification of the State Comptroller of the Commonwealth of Virginia, and conditioned upon the execution of a performance agreement between the Developer, the City, and the Economic Development Authority, the Council hereby designates to the Hotel Project and directs, subject to appropriation of such funds, that an amount equal to the revenues generated by one percent (1%) of local sales and use tax generated by transactions taking place on the premises of the Hotel Project, as allocated between the Hotel Project pursuant the performance agreement to be entered into, be applied to the payment of principal and interest of the qualified gap financing for the Hotel Project for the duration and purposes set forth in Section 58.1-3851.1 of the Code of Virginia, 1950, as amended.

Section 3: The City Manager is authorized and directed to take actions consistent with the intent of this ordinance, including, without limitation, execution of a performance agreement between the City, the Developer, and the local Economic Development Authority as required by Section 58.1-3851.1 of the Code of Virginia.

Section 4: - That this Ordinance shall be in effect immediately.

