



HTRFA

HISTORIC TRIANGLE RECREATIONAL FACILITIES AUTHORITY

July 27, 2022

Ruth Larson
Greater Williamsburg Tourism Council
Chair
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Williamsburg, Virginia 23185

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Greater Williamsburg Tourism Council
Executive Director
421 N Boundary Street
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Ms. Larson and Ms. Cimino:

This letter formally requests that the Greater Williamsburg Tourism Council transfer the current and future balance of the Tourism Product Development Fund to the Historic Triangle Recreational Facilities Authority (HTRFA) to pursue a regional sports center to be constructed at the Colonial Williamsburg Visitor Center.

Background:

Since 2014, the localities of the Historic Triangle have reviewed the concept of a regional field house. The Williamsburg Hotel & Motel Association (WHMA) has long advocated for this effort as a collection of lodging owners who feel such a complex would improve overnight stays. Numerous studies have been completed under the direction of WHMA, demonstrating the potential positive impacts of a sports facility. Despite the potential positive impact on the region, the project has never advanced due to the financial requirements of acquiring land, facility construction, and long-term operations.

The 2018 passage of SB942 provided the Historic Triangle with an additional half percent of sales tax for regional tourism promotion and a half percent for locality use. The City of Williamsburg committed its share of the realized new revenues to an annual grant program to increase tourism products and improve tourism trade inside the City and region. 2019 was the first year of the grant program, and the City received 22 applications, invited 11 of those to proceed with the application, and awarded \$2,239,153 to seven projects. One such project is the WHMA application for designing and constructing a regional sports facility. Through consideration of the WHMA application, the City has committed design/study funding for each of the last three years and the debt service for one-half of the construction costs of the sports facility.

SB942 also provided the region with the funding to reshape our tourism promotion efforts. The Greater Williamsburg Tourism Council is the result of that redesign. While the focus of the additional sales tax funding effort was and should be marketing our existing tourism assets, the importance of developing improved and different tourism assets was not ignored. The mandated locality funding for what was then the Greater Williamsburg Chamber and Tourism Alliance, affectionately known as the Maintenance of Effort funds (MoE), was divided to provide recurring revenues for product development. This portion of the MoE has been housed at the Greater Williamsburg Tourism Council as the Tourism Product Development Fund. At its creation, the fund was expected to serve as an avenue for funding a regional sports center that could attract sports tourism events. The City's acceptance of the WHMA's application and the resultant commitment of funds for one-half of the capital construction costs has catalyzed the project's advancement and now requires the Greater Williamsburg Tourism Council to make the same commitment. I transmitted a request to reserve these funds for this project in a similar letter dated July 28, 2021. Since that letter, much has been achieved.

Action Steps:

The City identified a series of steps that would allow the project to be methodically planned and concurrently evaluated for success before committing to construction. The following steps have been completed:

- (1) The Historic Triangle Sports Advisory Committee (HTSAC), comprised of Chief Administrative Officers, appropriate Parks and Recreation staff, tourism staff members, economic development staff, and a representative from WHMA, met to discuss and define the required local programming elements. Such elements included the number and specifications for hard courts, recreation fields, aquatic features, play areas, training elements, therapy spaces, medical service areas, meeting space requirements, and performance venue needs. This step included consultation with the public-school divisions and William & Mary to review and provide input on other strategic needs that should be considered part of a regional facility.
- (2) The City selected a sports tourism consultant and an economist to evaluate the defined local programming schedule for applicability and success in drawing sports tourism events to the facility annually. This initial analysis included direct and indirect revenues, attendance estimates, market competition reviews, and suggested recruitment strategies.
- (3) HTSAC convened to review contending sites inside the City of Williamsburg for the location of the regional sports facility and rank them in order of preference. This step included consulting with local public-school divisions and W&M. Additional action items consisted of revising earlier projections for revenue and competitiveness to include analysis of the sites selected in order of preference and developing construction and operational costs for the chosen locations. A final component of this step was creating a partnership agreement outlining the roles of each participating entity and the financial commitments required.
- (4) The Historic Triangle Recreational Facilities Authority (HTRFA) was formed and consists of each CAO from the three participating jurisdictions and the respective Parks and Recreation Directors. The Authority has held four meetings establishing bylaws, staff support, executive officers, and accepting PPEA submissions for the construction and operation of a regional sports center. The HTRFA has also established an advisory panel of private sector stakeholders and staff to help evaluate the PPEA proposals.
- (5) Section §58.1-603.2 of the Code of Virginia has been amended, effective July 1, 2022, to redirect maintenance of effort funding to the Historic Triangle Recreational Authority

The remaining steps include:

- (6) The Authority will negotiate control of the selected site with the Colonial Williamsburg Foundation
- (7) Based on the outcome of the RFP or PPEA process, the Authority will seek financial commitment from the local governing bodies in the form of a Memorandum of Agreement (MoA) establishing the financial partnership of all three jurisdictions.
- (8) Permitting and notice to proceed with a selected PPEA respondent

Significant Decisions:*Programming*

The Historic Triangle Sports Advisory Committee met in March 2020 to review programming needs and discuss the potential sites for a shared regional sports facility. The committee's inclusive membership allowed all interests to be represented. The outcome of this work included the recommendation from the parks and recreation departments that the facility should house no fewer than 12 regulation basketball courts that could be converted for volleyball and other court sports. This program plan would meet the community's needs and provide a space for a successful sports tourism venue. The consultant studies of the project support this recommendation.

Location

The HTSAC reviewed numerous potential locations for the regional sports center. This review led to a complete evaluation of four sites. Ultimately one site was the clear best choice. The group selected the Colonial Williamsburg Visitor Center as the desired location because of its central proximity to all three jurisdictions' commercial areas, ease of access from I-64, and available space for supporting uses to make the center more competitive for sports tourism opportunities.

Financial Analysis:

The City contracted with Victus Advisors to update and verify the results of the previous field house study completed by Sports Facility Advisors. Additionally, the City contracted with HVS Convention, Sports & Entertainment Facilities Consulting (HVS) to provide an independent evaluation of the Victus Advisors' assumptions and complete a more robust economic impact assessment. The outcomes of these assessments are positive. The estimated operating deficit expected with such a publicly owned facility has decreased from the 2017 and 2019 analyses of costs completed by SFA. The direct and indirect spending by visitors further offsets losses at the facility to make the project viable.

The annual operating costs remain estimated. The completed studies by Victus Advisors and HVS indicate that the operational model favoring sports tourism with community use will create an annual operating deficit of \$481,700. HVS estimates that the annual tax revenues generated using only local sales and use tax, lodging tax, and the per room night tax will be \$1,362,800. This amount does not include meal tax revenues.

Regional Financial Commitment:

The success of this project is dependent on regional support. It is hoped that the Greater Williamsburg Tourism Council will provide the balance of the regional tourism product development fund for capital costs. The City's commitment to funding for the project is designed to satisfy half of the estimated debt service following the decision to proceed with construction. The recent legislative amendment secures future maintenance of effort funds to meet any remaining capital debt service.

The most significant obstacle to completing the project is the anticipated operating costs. The Authority acknowledges that the facility is unlikely to profit or satisfy its expenses through directly generated revenues. However, the indirect gains generated in each participating locality will offset our financial commitments toward operating the facility and help reduce the burdens of accepting the capital costs.

The annual financial contribution shall include: (1) the City paying half of the annual debt service for construction (\$1,200,000 annually). This commitment stands as a yearly pledge to the project operating or debt service costs, and any excess funds will be available for use by the Authority.

The annual financial contribution may include: (2) the Greater Williamsburg Tourism Council paying the balance of the regional tourism product development fund to the Authority to satisfy a portion of the yearly debt service for construction, (3) the Authority's commitment for maintenance of effort funds to satisfy half of the annual debt service payment for capital construction, (4) York County paying half of the annual operating deficit, and (5) James City County paying half of the annual operating deficit.

The County's financial commitments will not be attained until the Authority has selected a PPEA respondent and received additional plan details for construction and operation. Financing the project will depend on a binding financial commitment from all involved parties before issuing bonds. The elected bodies will be asked to execute an MoA outlining annual financial responsibilities. The MoA will prescribe, subject to approval by the County Boards of Supervisors, the City Council, and the HTRFA, that the City of Williamsburg will annually contribute to the Authority the funds necessary to service half of the debt for the facility's construction while the Authority provides the remaining half. The MoA further details that the Counties will each provide half of the annual operating deficit. The yearly operational deficit consists of four elements. The first is the facility's actual operating costs deficit (if any). The second and third are any necessary contributions for operating and capital reserves, and the final component is the lease payment for the property. Given the initial performance analysis prepared by Victus and verified by HVS, we expect this to be \$500,000 in a stabilized year, but that amount shall not exceed \$750,000 per County per year.

Below is an example of the financing formula applied to the initial project: (subject to approvals)

- i. Capital Construction Costs - \$53 to \$57 million (debt service)
 1. The City of Williamsburg - \$1.2 million annually – committed (excess available to the Authority)
 2. Greater Williamsburg Tourism Council - \$5.1 million one-time transfer (balance of the regional tourism product development fund)
 3. Historic Triangle Recreational Authority - \$1.2 million annually (Maintenance of Effort funds required by §58.1-603.2 Code of Virginia)
- ii. Operating Costs - \$1,978,900 Annually (based on a stabilization year)
 1. Annual contribution to Operating Reserve - \$200,000
 2. Annual contribution to Capital Reserve - \$118,300
 3. Annual Lease Payment - \$200,000
 4. **Total annual operating costs = \$2,497,200**
- iii. Operating Revenues - \$1,497,200 Annually (based on stabilization year)
 1. Annual JCC Supplement – \$500,000 (capped at \$750,000)
 2. Annual York Supplement - \$500,000 (capped at \$750,000)
 3. **Total annual revenues = \$2,497,200**

Schedule:

The earliest start date provides for nine months to complete design (June of 2023) and construction of the facility could begin with design drawings at 60% complete (February 2023). The HTRFA expects to complete its evaluation of the PPEA proposals in August 2022 and select a partner to proceed with the initial design in September 2022. Construction times will depend on the selected PPEA respondent, but the facility could open in June 2025.

Request:

The HRTFA requests that the Greater Williamsburg Tourism Council transfer the current and any future balance of the Tourism Product Development Fund to the Historic Triangle Recreational Facilities Authority to pursue a regional sports center to be constructed at the Colonial Williamsburg Visitor Center site. This funding will serve as a partial match to the City of Williamsburg's annual commitment.

The City remains confident that this project will serve as another primary regional attraction. We look forward to this exciting partnership with our strategic partners, and I look forward to your response.

Sincerely,



Andrew Omer Trivette
Chair, HTRFA
Williamsburg City Manager

Attachments: Victus Advisors 2021 Updated Sports Tourism Facility Study; HVS Economic Impact Analysis of the Proposed Sports Complex

CC: Tourism Council Vice Chair, Cliff Fleet; Tourism Council Treasurer, Douglas Pons; WHMA Executive Director, Ron Kirkland