



FACT SHEET

Vancouver Hilton Hotel & Convention Center Tax Revenue Support

Are City of Vancouver General Fund revenues used to support the ongoing operations of the hotel/convention center project?

No. City general fund revenues are NOT used to support any of the ongoing operations of the hotel/convention center project.

Are tax revenues outside of the City's General Fund used to support the hotel/convention center project?

Yes. These revenues come from two sources: lodging taxes and state sales tax credits.

Can lodging tax revenues and state sales tax credits be used for other purposes, such as hiring police officers and firefighters, or building roads and parks?

No. Lodging tax revenues can be used ONLY for tourism-related activities and facilities and state sales tax credits can be used ONLY to support regional centers such as the hotel/convention center. They CANNOT be used for general governmental purposes, such as public safety, transportation or parks.

Who pays the lodging tax and how are the revenues used?

Anyone who stays in a hotel within the city limits pays a 4 percent lodging tax as part of the hotel bill. Lodging tax revenue the City receives can only be used for tourism and related activities, such as convention centers. One-half of the lodging tax revenue generated within Vancouver is committed to the hotel/convention center. The other half may be utilized to foster local tourism events. However, the top priority is to support the hotel/convention center. The revenue CANNOT be used for general governmental purposes such as public safety, transportation or parks.

What is the state sales tax credit and how is it used?

In 1999, the Washington State Legislature authorized public facilities districts (PFDs) to impose sales and use tax of 0.033 percent to be used for “regional centers” such as convention centers (RCW 82.14.390). The amount of the tax the PFD imposes is deducted from the general sales tax otherwise owing. Thus, the PFD sales tax does NOT increase the sales tax actually paid by purchasers.

Most of the sales tax revenue charged locally on retail sales goes to the state’s general fund for state general governmental purposes. A small portion remains at the local level for City, Clark County, and C-Tran purposes. Under the state sales tax credit program, 0.033 percent of the state’s sales tax revenue is allowed to be used at the local level to support “regional centers,” such as the City’s convention center. The funds CANNOT be used for any other purpose. The revenue CANNOT be used for general governmental programs and services, such as public safety, transportation or parks. Essentially, this is a new revenue source coming from the state to be used on the local level for a very specific purpose – the convention center.

What was the total amount of City lodging taxes and state sales tax credits dedicated by the City and County Public Facility Districts (PFDs) to the hotel/convention center in 2010?

A total of \$2,114,679 was received from the two revenue sources for the hotel/convention center in 2010. Under the terms of the Interlocal Agreement between the City PFD and the County PFD, any amount received in 2010 in excess of \$2,016,000 will be returned to the County PFD. The amount returned to the County PFD in 2010 was \$98,679. The County uses the returned sales tax funds to help finance the Clark County Events Center at the Fairgrounds.

Is the City of Vancouver contributing any other tax revenues to support the hotel/convention center project besides sales tax credits from the state and a portion of the City’s lodging tax revenue?

No.

Does the City have any other obligations to support the hotel/convention center?

Yes. The City provides limited guarantees for the project and the debt used to finance it. There are two obligations. First Obligation: The City has an obligation to supplement the tax revenues described above, but ONLY if they fall below a specified level. Second Obligation: The City has an obligation to assist in paying debt service on the bonds used to build the hotel/convention center, but ONLY in specific circumstances. These obligations limit the City’s financial exposure in the hotel/convention center project.

What are the details of the City's first obligation?

The first obligation of the City is to guarantee that a minimum amount of tax revenue will support the hotel/convention center project. In 2010, the required minimum amount was \$1.9 million. That same year, the actual amount of tax revenue generated for the project was \$2.11 million, so no additional contributions were required of the City. Had the actual revenues been less than the minimum, the City would have been obligated to contribute the difference between those amounts.

Since the hotel/convention center opened in June 2005, NO payments have been made by the City to the hotel/convention center under this first obligation. If, in the future, the City is required to contribute additional funds, the funds would be expected to come from City lodging tax revenues currently being held in reserve for this purpose, not from the City's General Fund that supports public services.

What are the details of the City's second obligation?

The second obligation of the City is to guarantee that a specified maximum annual amount is available, if needed, for the payment of debt service on the bonds used to construct the project. This obligation is required ONLY if tax revenues and net operating revenues of the hotel/convention center are not sufficient to fully pay principal and interest on those bonds.

The hotel/convention center opened in June 2005. From that time through 2009, no payments were made by the City under this second obligation for the bonds. In 2010, due to the Great Recession's impacts on the national economy and local businesses, including the hotel/convention industry, the City's support was required on this second obligation to help with payment of debt service on the bonds.

Under the terms of the bond documents, the City's second obligation to support payment of the bonds was capped at \$650,000 in 2010. The actual amount needed was less than that - \$584,419. Funds to meet this obligation came from the City's Tourism Fund where lodging tax revenues have been built up in reserve over the past several years in preparation for the possibility that such a payment would be needed should an adverse business cycle or economic conditions require. However, NO General Funds were used to meet the requirements of this obligation.

For 2011, the City's obligation to support the payment of the bonds, if needed, would again be capped at \$650,000, and would be funded by reserves in the City's Tourism Fund provided by lodging taxes.

Did the City issue the bonds to finance the construction of the hotel/convention center?

No. The bonds were issued by the Downtown Redevelopment Authority (DRA) in 2003, not by the City of Vancouver. Other than the limited guarantees discussed above, the City has no other financial obligations to support the hotel/convention center or the bonds.

Who is the Downtown Redevelopment Authority (DRA)?

The City Council chartered the DRA as a separate public corporation in 1997 under RCW 35.21.730-757 with a seven-member Board of Directors appointed by Council. The DRA Board approves the annual budget for the hotel/convention center.

Hilton Corporation serves as the local operating manager of the hotel/convention center but has no ownership in the project.

The DRA also employs an asset management firm specializing in lodging and convention facilities to monitor the operations of the hotel/convention center and to advise the DRA Board and local Hilton management on operational, financial and budget issues.

For additional information, contact Lloyd Tyler, Chief Financial Officer and Executive Director of the Downtown Redevelopment Authority at (360) 619-1069 or at Lloyd.Tyler@ci.vancouver.wa.us

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