

W.7.C.1.

Memorandum Date: March 25, 2010

Board Order Date: April 7, 2010

TO: Board of County Commissioners

DEPARTMENT: CAO/Economic Development Standing Committee

PRESENTED BY: Mike McKenzie-Bahr, Community and Economic Development Coordinator

AGENDA ITEM TITLE: ORDER/IN THE MATTER OF TRANSFERRING \$250,000 FROM SPECIAL REVENUE FUND 260 OPERATIONAL CONTINGENCY TO DEBT SERVICES WITHIN GENERAL EXPENSE AND APPROVING \$250,000 TO CREATE AN OVERNIGHT STAY DEVELOPMENT LOAN FUND WITH RESERVES FROM THE RURAL TOURISM MARKETING PROGRAM AND VIDEO LOTTERY FUND AND IDENTIFY THE CITY OF COTTAGE AS THE FIRST LOAN RECIPIENT.

I. MOTION

Move to approve transferring \$250,000 from Special Revenue Fund 260 Operational Contingency to Debt Services within General Expense and approving \$250,000 to create an Overnight Stay Development Loan Fund with reserves from the rural tourism marketing program and video lottery Economic Development Strategic Investment Program fund and approve a \$250,000 loan to the City of Cottage Grove.

II. AGENDA ITEM SUMMARY

Each year, the Lane County Board of Commissioners authorizes distribution of Rural Tourism Marketing Program funds to rural Lane County communities. The funds are generated from motel/hotel overnight stays (Transient Room Tax) and are used for programs that will generate more overnight stays.

Each year, the County allocates slightly fewer funds than are collected. This difference is deposited in a reserve account (Operational Contingency, Dept ID 5770062). Over the years this fund has built up to a current total of \$272,298.

Also each year, the Lane County Board of Commissioners allocates grants from the Economic Development Strategic Investment Program to fund activities which support economic development in Lane County and is meant to encourage partnerships between the County, communities within the county, non-profit

organizations, private parties, and others directly involved in economic development activities. Funding for the program comes from Video Lottery proceeds.

Currently the Economic Development Strategic Investment Program, has a reserve (Operational Contingency) of \$456,426 and \$374,024 in unallocated project funds, totaling \$830,450 available for economic development projects.

Approval of this Board Order would allocate \$100,000 from the Rural Tourism Marketing Program reserve and \$150,000 from the Economic Development Strategic Investment Program reserve to create a loan fund to be used to loan to municipalities for economic development projects that generate additional overnight stays creating local jobs and additional motel/hotel overnight stays creating Transient Room Tax to be used for programs that will generate even more overnight stays.

The adoption of this Board Order would also identify Cottage Grove as the first municipality to receive a loan from the Overnight Stay Development Loan Fund.

When the loan is paid back, it is the intention that the fund would be used in other municipalities for economic development projects that increase overnight stays.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

The Board of Commissioners distributes Rural Tourism Marketing Program (RTMP) funds annually to participating rural cities. The funds are generated from motel/hotel overnight stays (Transient Room Tax Fund) and are specifically designated for programs that will generate more overnight stays.

Enacted in 1973 by the County, this tax ordinance has been modified since then to consistently generate more room tax revenue. In addition each year, the County increases the amount of allocation distributed to the cities. Even with the increased allocations, a reserve of \$272,298 has been built up.

Lane Code 4.175 (6) describes the use of Transient Room Tax Fund as follows: "the funds shall be used for purposes which the Board determines bears a relationship to producing transient room tax revenues through the visitor industry."

RTMP program description is found in Lane Code 4.175 (6) (d) as follows: "Ten percent (10%) shall be used for tourism marketing of the areas outside the urban growth boundaries of the cities of Eugene and Springfield. These funds

shall be used for proposals chosen by the Board according to its own criteria, with the general principle being that the areas which produce the taxes should benefit from their use.”

Discussion among local tourism groups and agencies has identified a loan fund targeted at specific projects that would increase overnight stays as a use for the funds that would meet their use and also have a potentially large impact: develop projects that when marketed immediately increase overnight stays.

Each year, the Lane County Board of Commissioners also allocates grants from the Economic Development Strategic Investment Program to fund activities which support economic development in Lane County and is meant to encourage partnerships between the County, communities within the county, non-profit organizations, private parties, and others directly involved in economic development activities. Funding for the program comes from Video Lottery proceeds. Lane Manual 4.105 states the Program priorities: “Programs that encourage business growth and investment that create new employment opportunities, attract and expand business, increase tourism, and facilitate start-up and emerging businesses.

The Program is capitalized annually with a minimum of 50% of the new video lottery revenue received each year from the Oregon State Lottery Commission’s transfer to counties for economic development activities. In addition, all video lottery funds unspent each year are added to the Program.

Currently the Economic Development Strategic Investment Program, has a reserve (Operational Contingency) of \$456,426 and \$374,024 in unallocated project funds, totaling \$830,450 available for economic development projects.

Unlike the regular RTMP allocation and the Economic Development Strategic Investment Program, the Overnight Stay Development Loan Fund would not be granted out. It would be a loan fund to municipalities for economic development projects that generate additional overnight stays creating local jobs and additional motel/hotel overnight stays creating Transient Room Tax to be used for programs that will generate even more overnight stays.

Cottage Grove has been chosen as the first municipality to use the loan fund as they have identified an economic development project that would increase overnight stays: the Village Green Project. The City has created a private and public partnership to save and improve Cottage Grove’s only conference center/ motel.

The City of Cottage Grove, working with the Village Green and private partners, has put together a funding package that would keep the Village Green from closing and would additionally fund remodeling of all rooms not recently

remodeled. That funding package is currently about \$250,000 short of its goal. The City of Cottage Grove would use the loan from the Overnight Stay Development Loan Fund to close the funding gap.

Travel Lane County has compiled a list of prospective business lost due to the small number of remodeled sleeping rooms completed at the Village Green. These are groups that were viable, meaning they were interested in the property and had good potential to book, but chose not to confirm. These groups eliminated the Village Green from consideration because the renovations were not yet complete and they specifically expressed concerns over both the condition of the non-renovated guest rooms, as well as the problem of some delegates being housed in nice rooms while others were in non-renovated rooms,

Attached is the list of groups lost. Travel Lane did a rough calculation using a total of 1,355 delegates with an average stay of two days would have generated an estimated \$449, 836 in destination spending.

In addition, though other areas of the County are seeing an increase in Room Tax revenues in 2010 over 2009, Cottage Grove is seeing a 50% decline in 2010 revenues compared to 2009. This project would lead to an estimated increase of \$20,000 in annual room tax collected in Cottage Grove.

Also, since 2003, less than 4% of the Development Strategic Investment Program grant awards have directly benefited businesses or non-profits in the City of Cottage Grove.

B. Policy Issues

Should the Lane County Board of Commissioners approve Rural Tourism Marketing Program reserve funds and Economic Development Strategic Investment Program reserve funds to create an Overnight Stay Development Loan Fund to be used as a loan fund for economic development projects that increase overnight stays?

C. Board Goals

This project meets the Board Goal to “Develop Lane County’s economic engine” and its strategies to “Grow local businesses” and “Promote events and tourism with a focus on enhancing high-wage job opportunities.”

D. Financial and/or Resource Considerations

Currently there is \$272,298 in the Rural Tourism Marketing Program reserve account and \$456,426 in the Economic Development Strategic Investment Program reserve.

Each year the RTMP program generates more than is spent in the program. This year, which is one of the worst tourism years in many years, the fund is on track to bring in \$200,000. For the 2010-2011 fiscal year \$195,000 is allocated for RTMP payments. This is the same amount that was allocated in the current fiscal year.

Using the reserve funds for other purpose will not put the annual RTMP allotment at risk.

Traditionally the Economic Development Strategic Investment Program reserve is used for grants for businesses, municipalities and non-profits. This would be the first time these funds have been used as a loan. It is the goal of the loan fund to be able to circulate these funds throughout the County multiple times rather than just once as is done with a grant.

Creating a loan fund with the reserve does have some inherent risk, as loans can be defaulted upon. Prudent loan implementation can greatly mitigate risk.

E. Analysis

The creation of this program would not require the County to secure any new funds, it would use funds that we already have.

Use of the reserve funds would not jeopardize the current RTMP program as those funds are replenished each year with motel tax collections. Nor does it jeopardize the Economic Development Strategic Investment Program as these funds are traditionally used as grants and also replenished each year.

Since the goal of the RTMP funds is generate more room tax it makes sense to develop additional ways to do that, rather than to keep the funds in a reserve.

Currently the RTMP fund is used for traditional marketing, and non-traditional marketing opportunities.

The Overnight Stay Development Fund will focus on projects that when completed can be marketed to immediately increase overnight stays.

The key to success of an Overnight Stay Development Fund will be to 1) pick projects that can have an immediate impact on increasing overnight stays and 2)

pick projects that the risk of loan default is minimized. This can be done by having multiple funders in the project.

IV. TIMING/IMPLEMENTATION

Upon Board approval of funding the Overnight Stay Development Fund will be created. The Community & Economic Development Coordinator will then work the City of Cottage Grove to draft a loan document that meets the goal of that fund.

That loan agreement would then go through a County Counsel and County Administer review process before it is implemented.

V. RECOMMENDATION

The Lane County Community & Economic Development Coordinator recommends approving the attached Board Order.

VI. FOLLOW-UP

Staff will give the Board periodic updates on the status of the loan and the City of Cottage Grove Village Green project.

VII. ATTACHMENTS

A: Letter dated March 15, 2010 from Kari Westlund, Travel Lane



March 15, 2010

To: Richard Meyer, Cottage Grove City Manager
Faye Stewart, Lane County Commissioner

Fr: Kari Westlund, President & CEO, Travel Lane County

Re: Village Green Infrastructure Status

Following our recent discussion on the status of the Village Green's ownership and remodel status, I asked my vice president of convention and sports event marketing, Janis Ross, to compile a list of prospective business lost due to the small number of remodeled sleeping rooms completed at the Village Green. These are groups that were viable, meaning they were interested in the property and had good potential to book, but chose not to confirm. These groups eliminated the Village Green from consideration because the renovations were not yet complete and they specifically expressed concerns over both the condition of the non-renovated guest rooms, as well as the problem of some delegates being housed in nice rooms while others were in non-renovated rooms:

Rocky Mountain Oysters Roundup, 2011 -100 attendees
USS Bon Homme Richard – twice 2009 – 200 attendees; 2011 – 200 attendees
Ladies Leadership Retreat – 2009 – 10 attendees
Navy Seaplane Organizational Meeting – 2009 – 12 attendees
Oregon Civil Air Patrol – 2009 – 100 attendees
USS Ajax – 2008 – 130 attendees
USS Bache – 2010 – 40 attendees
USS Braine – 2011 – 70 attendees
USS Johnston-Hoel – 2011 – 70 attendees
USS Knudson – 2011 – 45 attendees
USS Power – 2012 – 65 attendees
USS Tunny – 2011 – 70 attendees
USS Francis Marion – 2012 – 175 attendees
525th FIS – 2012 – 140 attendees
USS Morton – 2013 – 125 attendees

We did not detail each prospect for length of stay or economic impact, but a rough calculation using a total of 1,355 delegates with an average stay of two days would generate an estimated \$449, 836 in destination spending.

Our experience with groups using the Village Green is that they have high satisfaction levels with customer service and overall experience, but the differential in room quality, and the small number of renovated rooms currently available, is an issue. For the extensive investment that has been made in public gardens and meeting space, the most important revenue generating attribute, the sleeping rooms need upgrading if the property is to operate successfully.

IN THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

**RESOLUTION & ORDER) IN THE MATTER OF TRANSFERRING \$250,000
NO.) FROM SPECIAL REVENUE FUND 260
) OPERATIONAL CONTINGENCY TO DEBT
SERVICES WITHIN GENERAL EXPENSE AND
APPROVING \$250,000 TO CREATE AN
OVERNIGHT STAY DEVELOPMENT LOAN
FUND WITH RESERVES FROM THE RURAL
TOURISM MARKETING PROGRAM AND VIDEO
LOTTERY FUND AND IDENTIFY THE CITY OF
COTTAGE AS THE FIRST LOAN RECIPIENT.**

WHEREAS, the Lane County Board of Commissioners established the Transient Room Tax specifically designated to fund programs that will generate more overnight stays to assist the County's vital tourism industry, and

WHEREAS, the Rural Tourism Marketing Program funds have been allocated in the past for proposals chosen by the Board according to its own criteria, with the general principle being that the geographic areas which produce the taxes should benefit from their use , and

WHEREAS, the Rural Tourism Marketing Program has a reserve (Operational Contingency) of \$272,298, and

WHEREAS, the Lane County Board of Commissioners established the Economic Development Strategic Investment Program to fund activities which support economic development in Lane County and is meant to encourage partnerships between the County, communities within the county, non-profit organizations, private parties, and others directly involved in economic development activities, and

WHEREAS, the Board of Commissioners, as per ORS 294.450(1), has authority to transfer appropriations within a fund if appropriations are moved from one organization unit of appropriation to another; and

WHEREAS, the Economic Development Strategic Investment Program, has a reserve (Operational Contingency) of \$456,426, and

WHEREAS, the Lane County Board of Commissioners has adopted a Board Goal to "Develop Lane County's economic engine" and a strategy to "Promote events and tourism with a focus on enhancing high-wage job opportunities," and

WHEREAS, it would benefit the County's tourism industry to combine portions of these reserve funds in order to create an Overnight Stay Development Loan fund for the purpose of assisting municipalities and private businesses create economic development projects that generate additional overnight stays, and

THEREFORE IT IS HEREBY RESOLVED and ORDERED that \$100,000 of Rural Tourism Marketing Program Operational Contingency funds be transferred from Operational Contingency to Debt Services, and

IT IS ALSO HEREBY RESOLVED and ORDERED that \$150,000 in Economic Development Strategic Investment Program funds be transferred from Operational Contingency to Debt Services, and

IT IS HEREBY ORDERED \$100,000 in Rural Tourism Marketing Program be loaned to the Economic Development Strategic Investment Program in accordance with ORS 294.460 for long-term economic development purposes bearing interest at the County's internal rate of return, payable in full on June 30, 2011. The Economic Development Strategic Investment Program is granted the option to extend the interfund loan in one year increments for four additional years.

IT IS ALSO ORDERED that \$250,000 in the Economic Development Strategic Investment Program be used to establish an Overnight Stay Development Loan Fund that could loan funds to specific projects that would generate additional overnight stays and create economic development in Lane County;

IT IS ALSO ORDERED that the \$250,000 Overnight Stay Development Loan Fund be loaned to the City of Cottage Grove bearing interest at 2% per annum, payable in full on June 30, 2011. The City of Cottage Grove is granted the option to extend the loan in one year increments for four additional years.

IT IS ALSO ORDERED that County Administrator is authorized to prepare and execute a loan agreement with the City of Cottage Grove.

GENERAL EXXPENSE	
Debt Services	\$250,000
Operational Contingency	(\$250,000)

Signed this ___ day of April, 2010.

APPROVED AS TO FORM
Date 4-1-10 Lane

County


OFFICE OF LEGAL COUNSEL

Bill Fleenor, Chair
Lane County Board of Commissioners