MINUTES
BOARD OF SUPERVISORS
COUNTY OF YORK

Adjourned Meeting
January 13, 2004

5:30 p.m.

Meeting Convened. An Adjourned Meeting of the York County Board of Supervisors was called to order at 5:36 p.m., Tuesday, January 13, 2004, in the East Room, York Hall, by Vice Chairman James S. Burgett.

Attendance. The following members of the Board of Supervisors were present: Sheila S. Noll, Kenneth L. Bowman, and James S. Burgett.

Mr. Shepperd and Mr. Zaremba were absent.

Also in attendance were James O. McReynolds, County Administrator; J. Mark Carter, Assistant County Administrator; and James E. Barnett, County Attorney.

WORK SESSION

PROPOSED INCREASE TO THE TRANSIENT OCCUPANCY TAX

Mr. McReynolds noted that representatives from the Williamsburg Area Chamber of Commerce (WACC), the Williamsburg Area Convention and Visitors Bureau (WACVB), and the Williamsburg Area Hotel/Motel Association were present to make a presentation to the Board regarding their request for the Board to support a proposed $2/night increase to the transient occupancy tax to be dedicated to advertising and marketing for the greater Williamsburg area.

Mr. Michael Fox, President of the Williamsburg Area Chamber of Commerce, introduced Kathy Chaplain, President of the WACVB Executive Committee; Dave Schulte, Executive Director of the WACVB; Bob Hershberger, Executive Vice President of the WACC; Kathy Waltrip, Executive Director of the Williamsburg Area Hotel/Motel Association; Ernie Young, President of the Hotel/Motel Association; Shannon Mueller, Director of Operations for several area Days Inns; and Doug Ponds, a member of the Hotel/Motel Association. He indicated they were not present to ask for money but for permission to raise funding for the purpose Mr. McReynolds outlined for marketing and overnight marketing of Williamsburg area hotels and motels. He then asked Dave Schulte to go over why the proposal is so important to the area.

Mr. Schulte distributed an information sheet indicating what the effects of the proposal would be, stating there is concern among the organizations represented this evening that the travel industry continue to grow. Mr. Schulte expanded on the following proposal, stating if it were to be approved, the tax rate would be increased to 11.5 percent, still 1/2 percent below the national average, or an average increase of $5 to a family vacation:

Travel Industry Room Assessment Proposal

Background Information

- Tourism is by far the area's largest industry, producing an estimated $712 million in visitor spending and employing 12,000 workers.
- The local travel industry has experienced flat or declining growth for the past 15 years.
- Colonial Williamsburg's paid attendance has declined from a peak of 1.2 million in 1988 to 840,000 in 2002, and is expected to fall to about 750,000 in 2003.
- Combined paid attendance at Jamestown Settlement and Yorktown Victory Center declined 10.7% in 2002 and is down an additional 4.7% in 2003.

- Lodging occupancy has declined to its lowest level ever and may fall below 50 percent for the first time in 2003.

- Lodging sales in the Williamsburg area trail far behind state and national averages.

National average:	61%
Virginia average:	59%
Williamsburg area average:	51%

- Weakness in the travel industry affects all other local retail and service businesses.

Local Governments and Taxpayers Are Also Being Hurt

- Taxes paid by visitors are a huge source of tax revenue that helps keep local residents' taxes low. Below are the room taxes, meal taxes and sales taxes paid by visitors in FY2002-03.

City of Williamsburg:	$11,124,462
James City County:	$ 7,298,487
York County:	$ 6,129,854
Total:	$24,552,803

- Local governments' collections of room, meal, and sales taxes that are generated by visitor spending are down, flat, or growing anemically.

- The City of Williamsburg's room tax collections declined 4.7% from FY1998-99 to FY2002-2003. Meal tax collections declined .5% from FY2001-02 to FY2002-03.

- James City County's room tax collections declined 10.5% from FY1998-99 to FY2002-03.

- York County's room tax collections declined 4.8% from FY2001-02 to FY2002-03.

State Support For Tourism Has declined

- In years past, the Historic Triangle has benefited from the tourism advertising and marketing efforts of the Virginia Tourism Corporation (VTC). However, VTC's budget has been slashed from $21 million to $10 million.

- The $6.2 million Virginia Cooperative Marketing Fund has been eliminated. As recently as 2000 the Historic Triangle received $1.4 million in grants for cooperative tourism marketing. Grant amounts declined to $510,000 in 2001, $230,000 in 2002, and were eliminated in 2003.

- In FY2003-04, VTC's advertising budget is just $2.7 million. West Virginia has an advertising budget of $23 million.

What Are Possible Solutions?

- Increase spending on marketing in order to re-gain lost market share.

- Improve visitors' experiences through customer service training.

- Improve the area's visual appeal through a corridor enhancement program.

- Explore ways to work with timeshares to develop joint promotional efforts.

Effects of $2 Per Room Night Assessment Proposal

- The $2.00 assessment would increase the effective tax rate on a $100 room from 9.50% to 11.50%. The effective tax rate on a room costing more than $100 would be lower.

National average:	12.50%	Richmond:	12.50%

Virginia Beach: 13.50% Washington, DC: 20.25%

- The $2.00 assessment would add an average of $5.00 to the total cost of a family vacation. A 2000 study by the Wessex Group found that the average family visits the Historic Triangle for 2.5 nights and spends $780. This proposal would increase the average spending to $785.

- The $2.00 assessment is similar to the effort in Virginia Beach that has resulted in increased visitor spending and improvements to hotels and other travel industry businesses.

- The long-term goal is to increase visitation to the Historic Triangle so that lodging occupancies grow to equal the state and national averages. This will result in:

  - Increased attraction attendance.

  - Increased restaurant and retail sales.

  - Increased sales for all local businesses.

  - Increased local government tax collections.

Strong Local Business Community Support

- The $2 per room night assessment proposal has the strong support of the Williamsburg Hotel & Motel Association, the Williamsburg Area Restaurant Association, the Virginia Hospitality & Travel Association, the Convention & Visitors Bureau and the Chamber of Commerce.

Mr. Hershberger stated a great deal of thought has gone into the development of this proposal, and the group looked at a variety of options, and some others have been highlighted in recent articles. The $2 proposal is the one that insured participation throughout the entire community and generated the most dollars ($3.6 million). It has been well thought and well orchestrated. He stated there would be a committee to oversee the disbursement of these funds made up of individuals from the local governments. The local governments would be coming to the table with the travel industry. He suggested that long-term solutions could be developed as well as a better understanding of the travel needs of the area. Mr. Hershberger indicated he believes the support is there from the different entities, noting that 90 percent of hoteliers are in support and want to be a part of the solution.

Mr. Fox noted the briefing had concluded and asked the Board members if they had any questions.

Mrs. Noll stated she feels government should be the last resort, and the Board of Supervisors has been approached at the 11th hour. She indicated she believes the need should be identified first. She stated the state has to agree to this tax. She asked why the hotels/motels don't just raise their room cost by $2.00 and then not have to go to General Assembly.

Mr. Zaremba arrived at 5:50 p.m.

Mr. Fox stated Mrs. Noll had good questions. He admitted it was the 11th hour, and he spoke of Senator Norment's letter to the Board of Supervisors last week asking for its support of such a proposal before he would introduce it in the General Assembly. He stated the group has been attempting to marshal support in the community, but indicated that Busch is opposed to the proposal and always will be opposed to any kind of tax increase. He stated Colonial Williamsburg has not taken a position, and they are being worked with very closely to get them on board with this proposal.

Ms. Waltrip indicated there was a meeting in October at which time a presentation was given for all the hotel/motel members. She noted that 90 percent of the organization's properties have signed up with their support.

Ms. Chaplain indicated they discussed raising the room rates by $2 as an option, but it was found that some of the franchise properties had class action lawsuits on the west coast when they imposed energy surcharges. She noted it has been directed that they cannot impose any kind of surcharge whatsoever.

Ms. Waltrip stated the Marriott chain has indicated that they would be supportive of our efforts if it is a tax, but not if it is a room rate increase. She stated they indicated they would have to leave the membership if a rate increase was proposed.

Further discussion continued concerning the option for the hotels/motels to raise the room rates by $2 instead of raising the occupancy tax.

Mr. Fox stated the vast majority of hoteliers are in support of this proposal and agree that government should be the last resort, and tax assessments are not in their charter. He stated a voluntary assessment shows very little value, and the beauty of this proposal is that it allows the industry to use a pool of dollars for one specific purpose to market this community as an overnight destination.

Mr. Zaremba stated he had a visit by a number of people from Busch, and he asked why they were not joining with the rest of the communities. He stated the response he received was that they perceive this proposal to be a band-aid fix, and they would not be opposed to being a part of the solution if the problem as a whole was addressed. He also noted there have been any number of articles in the Virginia Gazette on this issue, and his understanding of the Colonial Williamsburg essay was that they are not opposed to it, but everyone, even the timeshare industry, must be involved. Mr. Zaremba stated he had made some calls in the last couple of days and looked at the Virginia Tax Administrative Code, and he believes the area is clearly missing a major source of revenue by not receiving the revenues the State Code allows the localities with respect to the timeshare industry's rental of rooms on a weekend basis. Unless the occupant is the deeded owner of the timeshare and the occupant stays 30 days or longer, there should be a transient occupancy tax and retail sales tax on the property. Mr. Zaremba stated he did not believe York County was collecting what it should out of timeshares, noting the County doesn't have the capability at this time to monitor them.

Mr. McReynolds agreed that the County is getting some small amounts of those monies. He stated it is an issue the staff is wrestling with, and staff needs to investigate and be more proactive regarding timeshares.

Mr. Fox stated the Chamber and the hotel/motel owners would like to be a part of the discussion regarding timeshares. He agreed that the proposal was a short-term fix, but stated it was an essential infusion of funds this area needs to get ready for 2007 and its publicity. He stated more tourists must come in order to generate the funds to make sure the tourist-based properties are ready for the celebration.

Mr. Bowman asked if the group had pitched the proposal to James City County and Williamsburg, and what were their responses. He asked what the problem was that was causing the decline in occupancy in Williamsburg, stating he was not convinced it is the lack of advertising. He noted there are other venues that are attracting tourists, and he asked what is drawing them away from the Historic Triangle and why has it lost its appeal to tourists. Mr. Bowman also asked about other options the group might have examined other than the $2 proposal. He noted the proposal calls for the increased tax to end in 2007, and he asked if it was felt that the increased tax until then would solve the problems.

Mr. Fox stated James City County meets tonight, and the same presentation will be made to them. The Williamsburg City Council will take some action on Thursday. He noted he and the others were also caught off guard by Senator Norment's request to the localities.

Mr. Schulte addressed Mr. Bowman's question regarding why the area has lost its appeal to tourists, stating other destinations are spending billions of dollars on advertising, and the $2 proposal is the first step to raise enough funding to make this area competitive. He stated the hoteliers have wrangled with themselves for two years to see how this could be done without government action. It may not be a cure, but it is a major first step to reintroduce this destina-

tion as a whole, the Historic Triangle. Mr. Schulte noted that back in the late 90s TV advertising was done, the response was fantastic, and the hoteliers had the best years.

Mr. Hershberger stated marketing is the lifeblood of the tourism industry, and he spoke of other states and the amount of monies they are putting into their tourism marketing programs.

Mr. Burgett stated this is a tax, but it is a tax on visitors. The Outer Banks taxes 10 percent or more. He noted this is a good tax with respect to what it creates for the economy: jobs, sales, income for the localities. It is a significant amount of money contributed to the local budgets. He indicated he was in favor of the sunset clause in the proposal, as well as the condition that the control of the tax dollars would be with the local governments. He stated he also liked the idea that the marketing will be done as the Historic Triangle.

Mrs. Noll stated she understands the problem, but she has a problem with a tax at this point because she doesn't know that all the options have been investigated. She expressed concern that Colonial Williamsburg and Busch are not on board, and she sees the proposal as a self-help thing to improve the properties so that visitors have a good experience. Mrs. Noll stated she fells like she's being pushed for a decision, and she is not sure that adding a tax is the best way to go. She asked if the proposal could be sent to the General Assembly without the Board's approval.

Mr. Fox indicated Senator Norment was asking for the Board's support prior to his submission of a bill. He noted he did not disagree with anything Mrs. Noll said, and he wished there was time for more one-on-one. He assured the Board that a considerable amount of work has been done by the industry, and this proposal is viewed as a significant investment that the industry and historic triangle community needs. Mr. Fox also assured the Board that Colonial Williamsburg and Busch have been part of the discussions.

Discussion followed on what is normally spent in the area on tourism marketing and the percentage of local funding that actually goes into the marketing. Discussion also took place assuring the Board of Supervisors that 100 percent of the proposed increase would go to marketing efforts, with no amount being used by the hotels/motels to improve their properties.

Mr. Bowman asked about plans for future marketing with the increased funding.

Mr. Schulte stated as soon as the bill is passed, a current agency may be used or a new one will be pursued. He noted that someone from York County will be involved in developing the marketing plan.

Mr. Bowman expressed his concern that a marketing plan was not already available.

Ms. Waltrip stated they are in the process of talking with an advertising agency that Virginia Tourism has also hired. She stated they have given them a tentative budget amount to work with, and they're looking at TV and print campaigns or one or the other based on funding. She stated a program has to be going by early spring.

Discussion ensued concerning how the Board of Directors will govern and work on the marketing plan. Also discussed was plan to piggyback on advertising by the State.

Mr. Zaremba stated there has been a lack of accountability on the part of the hotel/motel association and the WACVB with not getting on this much earlier. He stated he felt there is a larger issue than just advertising, that the area must come to grips with where it wants to be in the future. He suggested that the proposal was a good first step. Mr. Zaremba stated he felt the General Assembly and the Governor have abrogated their responsibilities on this issue, and tourism is the third largest industry in the Commonwealth. This is another unfunded mandate by the state without it providing a vehicle to enact other revenue streams. He stated he would support the resolution, noting he has been asked to be a member of the 11-member board, and he would make sure the collective position and precondition to this agreement will be carried out.

Mr. Bowman expressed his agreement with Mr. Zaremba regarding accountability. He noted his disappointment that the Chamber and hoteliers did not come to the Board prepared with a plan. He stated he would also support the resolution.

Mrs. Noll agreed with Mr. Bowman regarding a plan, stating she doesn't like to be caught at the 11th hour. She noted she understands the problems, but she is uncomfortable with the proposal. She indicated that the group has consensus by the Board, so she wished them luck with the General Assembly.

Mr. Burgett stated he, too, supports the proposal, and the consensus of the Board is to support it. He asked that staff reply to Senator Norment that the consensus is support for him to introduce a bill for this proposal, and the Board will consider adoption of a supporting resolution on January 20.

Meeting Adjourned. At 7:05 p.m. Vice Chairman Burgett declared that the meeting be adjourned sine die.

James O. McReynolds, Clerk
York County Board of Supervisors

Thomas G. Shepperd, Jr., Chairman
York County Board of Supervisors