

COUNTY OF YORK

MEMORANDUM

DATE: November 28, 2023 (BOS Mtg. 12/5/23)

TO: York County Board of Supervisors

FROM: Neil A. Morgan, County Administrator



SUBJECT: Progress Report Regarding Proposed Historic Triangle Sports Facility

At your December 5, 2023 Work Session, you will receive a detailed presentation on the proposed indoor sports facility project that the Historic Triangle Recreational Facilities Authority (HTRFA) has been overseeing. The purpose of the presentation is to provide you with a complete overview of the design concept, the plan of finance and the hoped for target completion date. Similar presentations are being made to the James City County Board of Supervisors and the Williamsburg City Council.

The HRTFA was established by action of our three governing bodies last year with the purpose of overseeing the planning, design and construction of a major indoor sports facility. York County's board members include myself and Assistant County Administrator Brian Fuller. Two of our counterparts serve on the HRTFA from both Williamsburg and James City County including all three Chief Administrative Officers. The decision to move forward with the creation of the authority and to initiate design work followed years of feasibility studies. A decision to move forward with construction requires the approval of all three governing bodies and the time for that approval is nearing.

After a decade of little progress on the idea of this facility, momentum developed last year based on a consensus among the localities that the optimal location would be on a portion of the Colonial Williamsburg Foundation's existing Visitor Center complex. The other major development last year was the City of Williamsburg's commitment of major capital funding with the understanding that the more populous counties would need to fund any operating subsidy. It has always been understood that a facility such as this does not operate with a profit in a narrow sense, but would have direct benefits to residents that will enjoy indoor team sports opportunities and a substantial positive regional economic impact by strengthening the visitor base thereby contributing to our very important tourism sector.

The subsequent HTRFA's work selecting a contractor team and overseeing the design was based on these financing assumptions. Progress to date has also been based on the direction from all of the elected bodies that the facility would serve those two major purposes. First, its mission would be to host family oriented indoor league play focusing on extended weekend visits generating positive tourism outcomes. Second, the facility would create indoor recreational sports league opportunities for the residents of our communities with a focus on weekday usage.

In our periodic updates to the Board of Supervisors we have previously advised that we selected a design-build team lead by MEB Contractors. The Authority has also

successfully negotiated a lease with the Colonial Williamsburg Foundation for the initial project with options for future projects on other portions of the property. The attached letter from HTRFA Chair and Williamsburg City Manager Andrew Trivette provides additional details concerning remaining steps and financial assumptions. The actual funding agreement is still being reviewed by attorneys and I will provide that to the Board prior to any Board action, currently anticipated at the December 19 meeting.

During the work session, myself and other members of the HTRFA, including the James City County Administrator, the Williamsburg City Manager, and representatives of the project team will provide you with the latest update on this very significant undertaking.

Attachment



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HISTORIC TRIANGLE RECREATIONAL FACILITIES AUTHORITY

November 15, 2023

Neil Morgan
York County Administrator
224 Ballard Street
Yorktown, Virginia 23690

Scott Stevens
James City County Administrator
101 Mounts Bay Road, Building D
Williamsburg, Virginia 23185

Mr. Morgan and Mr. Stevens:

This letter formally invites James City County and York County to participate with the City of Williamsburg as part of the Historic Triangle Recreational Authority's funding of a regional sports center.

Background:

Since 2014, the concept of a regional field house has been under review by our localities. 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 at 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 further analysis, and awarded \$2,239,153 to seven of those proposals. 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 until the debt is retired. The City Council is now considering increasing this funding commitment to provide 64 percent of the needed debt service each year.

Action Steps:

The City and the HTRFA identified 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



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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 annually drawing sports tourism events to the facility. 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 HTSAC 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 each participating entity's roles and the required financial commitments.
- (4) At the request of the HTRFA and the localities, the General Assembly revised §58.1-603.2 Code of Virginia to redirect Maintenance of Effort (MoE) funding to the Historic Triangle Recreational Authority, providing a direct and dedicated source of funds for HTRFA operations.
- (5) The HTRFA successfully negotiated an annual lease for the unused/underused property surrounding the Colonial Williamsburg Visitor Center, resulting in several development sites. The first of these sites will be used to develop the regional sports center, allowing for future development opportunities and expansion of the regional recreational offering. Despite the HTRFA having control of the site now, the lease payments of \$225,000 annually do not begin until the construction of the regional sports center is underway.
- (6) The HTRFA received, evaluated, and selected a qualified, unsolicited Private Public Education Facilities and Infrastructure Act (PPEA) proposal from MEB Construction (Chesapeake). Over the last year, working with MEB, the HTRFA, and its design review committee have evaluated example sports centers, selected sports elements, and refined the design to allow confirmed pricing and completion of 35% of drawings needed for construction.
- (7) The HTRFA evaluated operating models for municipal sports facilities and solicited responses from operators consistent with the needs of the Historic Triangle. Four qualified responses were received, and the HTRFA interviewed all four. Using this information, the HTRFA advanced to the more formal Request for Proposal (RFP) phase of selection, and as a result, expected operating costs and revenues for the first five years are now defined.



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The remaining steps include:

- (8) Approval by each of the three locality's elected bodies for the Memorandum of Agreement (MoA) to establish the financial partnership of the jurisdictions.
- (9) HTRFA execution of the comprehensive development agreement with MEB, including the Guaranteed Maximum Price (GMP).

Sports Center Fiscal 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 independently evaluate the Victus Advisors' assumptions and complete a more robust economic impact assessment. The outcomes of these assessments are positive. The expected operating deficit with such a publicly owned facility has decreased from the 2017 and 2019 cost analyses 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 estimates. 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 \$363,400 in a normalized year. 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 estimate does not include meal tax revenues. The HTRFA acknowledges that a typical recreational facility is unlikely to profit or satisfy its expenses through directly generated revenues due to the public use of parks and recreation programming. However, the HTRFA believes, as do the consultants, that the possibility of revenue generation is much more substantial with this regional facility proposal. Despite that analysis, there is always the possibility of an operating shortfall. The indirect gains generated in each of our localities will offset our financial commitments toward operating the facility and help to reduce the burdens of accepting capital costs.

Locality Financial Commitment:

The success of this project is dependent on regional support. The City's commitment to funding for the project is designed to satisfy 64 percent of the estimated debt service following the decision to proceed with construction. After the 2022 statutory amendment, the HTRFA's MoE funding will fulfill the remaining 36 percent of the capital needs.

The most significant obstacle to completing the project remains meeting the anticipated operating costs and funding the required reserve accounts. The HTRFA asks the counties to satisfy any operating shortfall up to a maximum of \$800,000 and meet the needs of two reserve accounts with an annual minimum contribution of \$300,000.



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Financing the project will depend on a binding financial commitment from all parties before authorizing construction. The elected bodies are asked to execute the attached MoA outlining annual financial responsibilities. The MoA prescribes that the City of Williamsburg and HTRFA provide the funds necessary to service the debt for the facility's construction. The MoA further details that the Counties will satisfy any annual operating deficit with an annual maximum and minimum contribution. The proposed yearly financial commitment of the Counties includes meeting any operational deficit and contributions for operating and capital reserves. Given the initial performance analysis, we expect an operating deficit to approximate \$300,000 in a stabilized year (the minimum annual contribution), but that amount shall not exceed \$800,000 per County annually. Funding the purchase of furniture, fixtures, and equipment (FF&E) while establishing adequate reserves is critical to the initial success of the project and will require an initial five years of maximum funding from the counties (\$1.6 million total or \$800,000 each) which is also a component of the MoA.

Below is an example of the financing formula applied to the regional sports center project after the third year:

- i. Capital Construction Costs - \$80 million (debt service)
 1. The City of Williamsburg - \$7.7 million existing project account balance
 2. The City of Williamsburg - \$2.5 million annually
 3. HTRFA - \$5 million existing project account balance
 4. HTRFA - \$1.5 million annually (MoE funds, §58.1-603.2 Code of Virginia)
- ii. Operating Costs - \$3,869,500 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 - \$220,000
 4. Operator Fee - \$222,000
 5. **Total annual operating costs = \$4,629,800**
- iii. Operating Revenues - \$3,506,100 Annually (based on stabilization year)
 1. Annual JCC Supplement – \$561,850 (capped at \$800,000)
 2. Annual York Supplement - \$561,850 (capped at \$800,000)
 3. **Total annual revenues = \$4,629,800**



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Schedule:

The City of Williamsburg publicly announced its intention to pursue a regional sports center through collaboration with James City County and York County with its initial commitment of funds for the WHMA application in 2020. The localities authorized the formation of the HTRFA in November of 2022. The HTRFA was tasked to diligently define the proposed programming of the regional sports center, the anticipated operating costs, and the capital needs. The HTRFA completed this task and now presents a project that, following the commitment of the localities, can proceed to construction in the first quarter of 2024 with an expected substantial completion date in the fourth quarter of 2025.

Request:

I have attached the proposed Memorandum of Agreement (MoA) that, when executed, serves as the financial commitment to participate in the regional sports center project outlined above. This document will allow the project to proceed to the construction phase when approved by the City Council, the James City County Board of Supervisors, and the York County Board of Supervisors. Please let me know when the Board of Supervisors can consider these actions and how you would like the HTRFA to participate.

Following an extensive evaluation of comparable facilities, a complete review of local needs, and a comprehensive design process, the HTRFA believes that the Historic Triangle Regional Sports Center is a desirable asset that will draw additional tourism to our region. The design quality, our region's many attractions, and the desirability of our communities will ensure that the project is another example of a Historic Triangle collaborative success.

I look forward to your response.

Sincerely,

Andrew O. Trivette
HTRFA Chairman
City Manager, City of Williamsburg

AOT/ms

CC: W&M President Katherine Rowe; Colonial Williamsburg President Cliff Fleet; WHMA Executive Director Ron Kirkland