



MEMORANDUM

TO: The Honorable Mayor and Members of City Council

FROM: Steve Groom, Finance Director

DATE: October 29, 2019

RE: Financing Capital Cost Reimbursement

This is to request approval of the attached resolution which enables the city to take a step to ensure that appropriate expenditures of the convention center expansion project can be reimbursed from debt, should any be expended prior to issuance of the debt.

Rules and procedures exist to document reimbursable expenses since it is common for the timing of the debt issuance to not coincide exactly with some of the preliminary expenditures.

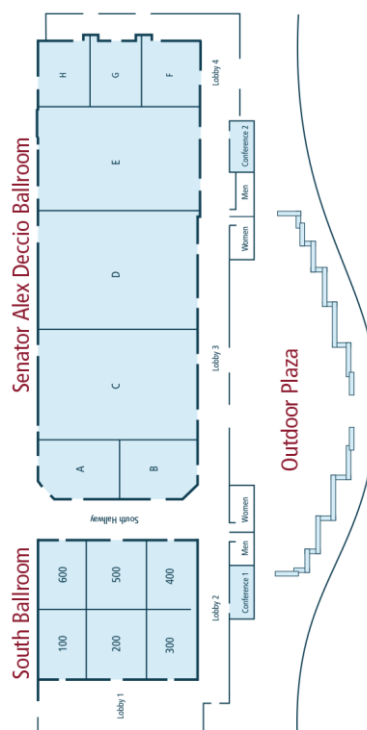
This is to authorize designated city officials to execute a certificate of intent when costs of convention center expansion project are made that should be reimbursed from debt issuance.

Back ground information is attached.

The informational summary from Pacifica Law Group, also attached, provides legal guidance for following the reimbursement process.

Background

- The convention center owned by the City and is funded with Lodging Tax and Public Facilities District (PFD) funds, both restricted funds.
- Lodging tax and PFD revenues are restricted to spending on tourism and are a stable revenue stream to fund expansion that can increase additional demand for hotel overnight stays.
- Building on a base of established recurring events, some conferences are in danger of outgrowing the facility.
- The local hotel industry continues to construct new hotels, private-sector investments in Yakima tourism (Home2 Suites and My Place opened in 2019).
- Lodging tax increased from \$800,000 per year ten years ago to \$1,600,000 per year currently. The industry-standard economic multiplier for estimating effect on Sales Tax is 3.7.
- Lodging Tax rate is 11.2%: 6.2% to State, 5.0% to Yakima; 2% is entirely due to being pledged to Convention Center debt *and would revert to State should debt be fully retired.*
- PFD revenues have increased from \$650,000 to \$950,000 between 2011 to current.
- Construction expenditures were approved in the 2019 budget; debt service payments are in the 2020 budget.
- The 2019 adopted budget included \$12 million for construction of 18,500+ sq. ft. to be financed with a combination of Lodging Tax and PFD funds, including a refunding of existing PFD debt.



Timeline

- 2016-2018: market studies, design
- 2017: City's Economic Development Strategy
- 2018 City Council approved proposed addition
- 2019: architectural firm selection process, finalize renderings, finalize engineering designs, award construction bid
- 2020 Being construction
- 2021 Complete construction



Debt

- 2004 Convention Center expansion debt, paid from Lodging Tax, was paid off in 2019.
- 2007 Convention Center expansion debt, paid from PFD funding, extends to 2026 so will be refinanced as part of the current project.
- The 2020 budget includes debt service split between Lodging Tax and PFD revenues. Debt issuance is anticipated for early 2020.