

Lancaster County Convention Center funding urged

New taxes possible

http://lancasteronline.com/article/local/645064_Lancaster-County-Convention-Center-funding-urged.html

Updated May 09, 2012 21:52

Lancaster



The Lancaster County Convention Center is seen from South ...

By BERNARD HARRIS Staff Writer

A dozen years ago, when proponents of a Lancaster County convention center were proposing building a meeting center, county business leaders would annually drive to Hershey for the Chamber of Commerce dinner.

On Wednesday, the morning after former British Prime Minister Tony Blair addressed about 2,500 Chamber members upstairs, a consultant reminded many of those proponents how far they had come.

"It's not just about the money," J. Mark Tobin, a principal of Colorado-based Hospitality Real Estate Counselors, said of the benefits of the 3-year-old center.

Yet the problems facing the center are financial problems.

Operationally, the center is doing well, said Tobin, who along with John Kaatz, of Minneapolis-based Conventions Sports & Leisure, presented preliminary results of a study on the operations and finances of the center.

The independent study was mandated under the terms of the center's bond refinancing with Wells Fargo bank last fall.

The 280 events held last year at the Penn Square meeting center are well within industry standards for facility use, and the number is growing, Kaatz reported.

And the center, which was always expected to be supported by revenue from the county tax on hotel rooms, has actually needed less of a subsidy for operations, he said.

Center operations required a subsidy of \$1.03 million in 2010, its first full year of operation, but that amount dropped to \$844,000 in 2011.

That's good, because there is less money coming in than expected from the county tax. The 3.9 percent tax on hotel rooms fell \$1.5 million below projections through 2011.

That tax revenue is divided, with 80 percent going to the Lancaster County Convention Center Authority and the remaining 20 percent going to the Pennsylvania Dutch Convention & Visitors Bureau for countywide tourism marketing.

Recently, when center reserves fell below a \$5.25 million threshold, all the tax revenue began going to the authority. That represented about a \$900,000 annual loss for the visitors bureau.

The bureau receives all revenue of a companion 1.1 percent excise also charged on hotel rooms.

Kaatz and Tobin said a proposal to raise the hotel tax by 1.1 percent, to 5 percent, could restore the money to the visitors bureau and help the center gain short-term financial footing.

That would get the center past a scheduled March 2013 debt restructuring.

Unless the center's financial outlook improves significantly by then, interest rates on center debt could be increased significantly next year. If the authority is unable to make the larger debt payments, the facility could shut down, Kaatz said.

"To keep the doors open, you need a certain amount of money in a certain amount of time," he said.

The Lancaster County commissioners would need to approve the tax increase. The commissioners have been cool to the idea in recent months.

Kaatz, Tobin and convention center authority representatives were slated to meet with the commissioners following the morning presentation.

Also cited by Kaatz was the prospect of a local restaurant tax or imposition of an additional 1 percent countywide sales tax. Those would require approval from the state General Assembly.

The revenue that could be generated by a restaurant tax or the area that could be included under such a plan was not part of the study, Tobin said.

State Rep. Mike Sturla, who attended the presentation, said the additional sales tax could generate \$66 million annually and could be done for a short time, such as a year or two.

Philadelphia and Pittsburgh both have such additional sales levies, Sturla said.

"That seems to be the easiest solution," Sturla said.

Addressing an increase in the hotel tax, Peter Chiccarine, an owner of the Eden Resort & Conference Center, Fulton Steamboat Inn and other properties, remarked that the easiest solution is not necessarily the best solution.

Chiccarine maintained the hotel tax has been a burden on himself and other hoteliers for more than a decade. The additional guests that would be brought to the county by the center have never materialized.

Raising the tax jeopardizes the \$110 million in room revenue countywide, he said.

"You can't raise a tax without having some impact on the hospitality industry in the county," Chiccarine said, noting that travel and tourism are engines of the county economy.

If additional revenue must be found for the center, it should come from a source other than hotels, he said.

"All we're asking from a hotel standpoint is let's share the burden," he said.

Kaatz and Tobin said the center and attached Lancaster Marriott at Penn Square hotel have largely expanded the county's tourism market, rather than taken business from existing county facilities.

The corporate meeting and business travel market brought by the center is different than the county's traditional leisure traveler, they said. Kaatz said he expects that new market to gradually grow over the next few years.

Nevin Cooley, president of Penn Square General Corp., which developed the Lancaster Marriott at Penn Square hotel, noted that the facility opened in the worst economic climate "that any one of us will experience."

Had the recession not happened and room rates continued to grow, the center would not be in this situation, Cooley asserted.

Tobin said flatly that the center, built at a cost of \$177.6 million along with the hotel, could not have been financed with the current interest rates.

Another study is being done by the visitors bureau. That study is expected to be completed and publicly released in about three weeks, said Christopher Barrett, the visitors bureau president.

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