

Study: Raise Lancaster hotel tax

By [Tim Stuhldreher](#) Central Penn Business Journal May 9, 2012

By far the most feasible way for the Lancaster County Convention Center to meet its near-term bond obligations is to increase the county hotel tax, according to the authors of a study ordered by Wells Fargo, the bank that holds the debt.

"Given the timeliness of your challenge ... I think that is an obvious solution," said John Kaatz, a partner with consulting firm [Convention Sports & Leisure International](#), which conducted the research.

In the long term, the county should consider other tax hikes, such as a restaurant or sales tax, to fund the debt service, Kaatz recommended. However, those solutions would require state authorization and could not be implemented in time to help with a scheduled debt renegotiation set for March 2013.

If the [convention center's](#) finances aren't stabilized then, it could face much higher interest rates or even a default, Kaatz said.

Kaatz and Mark Tobin this morning gave a presentation based on their study, which will be released by Monday. Tobin is president of [HREC Development Resources](#), a business unit of Hospitality Real Estate Counselors.

Since opening, the convention center has struggled to make payments on its \$64 million in bonds issued to fund construction. Its 80-percent share of the county's hotel tax was supposed to cover those payments as well as subsidize operations, but tax revenue has lagged well behind projections — by as much as \$1.5 million through 2011.

This year, the [authority's](#) bond reserves fell below minimum levels. Because of that, the [Pennsylvania Dutch Convention and Visitors Bureau's](#) 20-percent share of the tax was diverted to the convention center beginning in April.

Convention center authorities have stressed that the facility is operating efficiently and meeting sales and revenue goals. The study confirms the center is indeed meeting or beating industry norms and that operational improvements can't resolve the debt service problem, Kaatz said.

Moreover, the authority got an excellent financing deal at below-market rates, so "there is no smoking gun with respect to [Wells Fargo](#)," Kaatz said. Rather, the shortfall in hotel taxes compared with projections "is the crux of the matter," he said.

The convention center has not brought county hoteliers the widespread benefits that were promised, said Peter Chiccarine, who has ownership interests in the [Eden Resort](#) and [Fulton Steamboat Inn](#). The hotel tax harms their bottom line, and they shouldn't be asked to pay more, he said.

"There are other ways to share this burden," he said.

The hotel tax stands at 3.9 percent, and the county commissioners have the authority to raise it to a maximum of 5 percent. The county also imposes a 1.1 percent excise tax that funds the visitors bureau.

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