

OFFICIAL NOTICE OF MEETING

A Special meeting of the Common Council will be held on Wednesday, March 11, 2020, at 5:30 p.m. in the Common Council Chambers at City Hall, 108 East Green Street, Ithaca, New York. Your attendance is requested.

AGENDA

1. **PLEDGE OF ALLEGIANCE:**
2. **SPECIAL ORDER OF BUSINESS:**
 - 2.1 Conference Center Resolution (resolution to be distributed under separate cover)
 - 2.3 Break in Access – Route 13 – Discussion
3. **ADJOURNMENT:**

If you have a disability that will require special arrangements to be made in order for you to fully participate in the meeting, please contact the City Clerk at 274-6570 at least 48 hours before the meeting.

Out of consideration for the health of other individuals, please refrain from using perfume/cologne and other scented personal care products at City of Ithaca meetings. Thank you for your cooperation and understanding.

“This meeting can viewed via livestream on <https://ithacany.viebit.com/>”

Julie Conley Holcomb, CMC
City Clerk

Date: March 6, 2020

COMMITMENT TO TERMS BETWEEN THE CITY OF ITHACA AND TOMPKINS COUNTY AND THE CITY OF ITHACA AND THE DIA IN SUPPORT OF THE CITY'S FINANCIAL GUARANTEE FOR THE COMMUNITY CONFERENCE CENTER PROJECT

WHEREAS, on February 5, 2020, Common Council adopted a resolution regarding "commitment to pursue a City of Ithaca hotel occupancy tax and commitment to provide a shared financial guarantee with Tompkins County", and

WHEREAS, on February 4, 2020, the Tompkins County Legislature adopted a resolution expressing its "willingness to enter into an agreement with the City of Ithaca to support a portion of the City's financial guarantee for the annual project lease payments throughout the life of the lease", with this support "contingent on the City of Ithaca passing a companion resolution in support of the project and outlining their role as a project guarantor and on the drafting and County approval of a fiscal agreement between the County, City, and DIA where the fiscal allotments are agreed upon by all parties", and

WHEREAS, following adoption of these resolutions, staff representatives from the City, County and DIA engaged in negotiations regarding the terms of the County's and the DIA's commitments to the project in support of the City's financial guarantee, and

WHEREAS, the City of Ithaca recognizes the importance of the tourism and hospitality economy to Tompkins County as a major economic sector, which in 2018 generated \$227 million in economic activity, over \$16.7 million in local taxes, supported \$746 per household in property tax savings, and supported over 2,600 in direct local jobs; and

WHEREAS, two market demand and feasibility studies conducted in 2017 and 2019 demonstrated the market demand for a new conference center in Ithaca and projected the appropriate size and capacity of the center; and

WHEREAS, a successful Community Conference Center project will be an asset for the City of Ithaca and Tompkins County, resulting in significant increased room tax and sales tax revenues; the addition of new direct and indirect jobs; significant economic impact beyond center operations through the purchase of supplies and services; an estimated 22,000 new room nights county-wide as well as annual visitation of over 63,000 after center operations are stabilized in year five; and

WHEREAS, recognizing the economic development value to the City, County and Southern Tier Region, the State of New York has awarded the Tompkins County Chamber of Commerce Foundation, Inc. a \$5.0 million grant through Southern Tier Regional Economic Development Council to establish base equity in support of the Community Conference Center project, and

WHEREAS, the Vecino Group will construct the Green Street Garage Project, including the Community Conference Center; take on private debt for such construction; comply with the Ithaca Green Building Code, including use of heat pumps for space heating and hot water; commit to soliciting local labor; commit to paying prevailing wages during construction and reporting on such wages; commit to paying its employees living wages; and enter into a 30-year lease agreement with an entity to be created to operate the conference center portion of the project, and

WHEREAS, the City of Ithaca will:

1. Execute a lease guarantee with the Vecino Group, and
2. Establish a hotel room occupancy tax to support the Conference Center or, if such a hotel room occupancy tax is unsuccessful in being authorized, establish a City tourism improvement district (TID) to generate the required revenues from the lodging industry for the Conference Center, and
3. Utilize the revenues from either a hotel room occupancy tax or TID as the first source of funding for this project. These revenues will support the debt payments and operations of the Conference Center, as well as capitalize (and replenish as necessary and as possible) several reserve funds that would serve to protect the City in its role as guarantor for the conference center lease, including:
 - a. Primary Operating Reserve, initially capitalized at \$500,000 - to fill the anticipated deficits during years when the annual operating loss is projected to exceed revenues for direct conference center operations
 - b. Capital Replacement Reserve, initially capitalized at \$500,000 - to ensure replacement, repair, and replenishment as needed of all furnishing, fixtures, equipment, and capital needs of the conference center
 - c. Rental Reserve - to mitigate any cash flow concerns and ensure two months of lease payments are available to the operating entity at all times
 - d. Final Operating Reserve, projected to be initially capitalized at \$1,250,000 through pre-opening collections of the City hotel room occupancy tax, and
4. Dedicate net City hotel room occupancy tax revenues to the conference center operating entity to promote, operate, and maintain the conference center, including net annual rent obligations of approximately \$1.5 million per year, and

WHEREAS, the Downtown Ithaca Alliance will:

1. Contribute a minimum of \$50,000 per year, starting in 2024 and continuing for 10 years, into a Secondary Operating Reserve that will be capped at \$500,000, and

WHEREAS, the County will:

1. Contribute 4% of County hotel room occupancy tax revenues annually to the City to support the Community Conference Center beginning in 2021 and lasting through 2050 or until the space is no longer being used as a conference center (with first year payment projected to be \$120,000, the average annual payment estimated to be \$153,000, and the estimated 30 year total contribution to be over \$4.5 million) , and

WHEREAS, four hotels in Downtown Ithaca – Ithaca Downtown Marriot, Hilton Canopy, Hilton Garden Inn, and Hotel Ithaca – have agreed to:

1. Collectively contribute \$50,000 per year during 2021 and 2022 (for a total of \$100,000) towards construction costs of the project, and
2. In 2023 collectively capitalize a Tertiary Operating Reserve fund with another \$100,000 to be held by the Tompkins County Chamber of Commerce Foundation, Inc. and to be in position

behind the Secondary Operating Reserve Fund and ahead of the Final Operating Reserve Fund, and if used to be replenished to maintain a minimum annual balance of \$100,000 each year through year ten.

3. Collectively contribute a minimum of \$50,000 per year for sponsorship in support of conference center operations beginning in 2023 and continuing for the first ten years of the project, to match the amounts in the project pro-forma, and

WHEREAS, the intention is to use and replenish reserves in the following sequence:

- A) Rental Reserve: This will serve as the operational fund balance to assist with cash flow needs of day to day operations. The goal would be to maintain the fund balance at \$300,000, equal to two months of lease payments, to the extent possible. In order to gauge whether the Community Conference Center is experiencing unusual cash-flow issues, the Conference Center Oversight Board will regularly review established performance metrics and budget for the project.
- B) Capital Replacement Reserve: As the facility, equipment and furnishings need to be repaired, replaced or updated beyond what the operating entity has budgeted for improvements, the Capital Replacement Reserve will be utilized. It is anticipated that the City hotel occupancy tax would replenish or enhance this reserve at \$25,000 in year one, growing to an annual contribution of \$50,000 per year starting in year three. If there are additional operating surpluses or excess hotel room occupancy tax revenues, after the Primary and Final Operating Reserves have been fully capitalized/replenished, this fund will receive additional contributions.
- C) Primary Operating Reserve: In the event of an annual deficit for the project, the Primary Operating Reserve would be utilized first. It is anticipated that this reserve will in fact be utilized, especially in the early years as the conference center gets established, and therefore this reserve would be the first one to be replenished with any operating surpluses or excess City lodging stream of income after the Rental Reserve. The goal would be to maintain the fund balance at \$500,000 to the extent possible. In order to gauge whether the conference center is performing as anticipated, an Oversight Board will regularly review established performance metrics and budget for the project.
- D) Secondary Operating Reserve: In the event the Primary Operating Reserve is depleted, the next reserve to be utilized is the Secondary Operating Reserve, which is to be capitalized through \$50,000 annual payments by the DIA beginning in 2024 and capped at \$500,000. The initial pull from this reserve would be \$50,000, at which point the Tertiary Operating Reserve would kick in for up to \$100,000 per year. From there, any remaining balance in the Secondary Operating Reserve would be utilized before turning to the Final Operating Reserve. It is expected that the Secondary Operating Reserve would be next in line for replenishment with any operating surpluses.
- E) Tertiary Operating Reserve: In the event that the Secondary Operating Reserve fund is utilized at the rate of more than \$50,000 in any given year, the next reserve to be utilized is the Tertiary Operating Reserve. This fund is to be capitalized at a minimum of \$100,000 through contributions from the four main downtown hotels. If utilized, this reserve fund will be recapitalized by the four main downtown hotels at a minimum of \$100,000. If this reserve is utilized, it will trigger the engagement of outside experts to advise the Oversight Board on conference center operations and recommendations to the Board for steps to take to improve project performance.

- F) Final Operating Reserve: In the event the Primary, Secondary, and Tertiary Operating Reserves are depleted, the final reserve to be utilized is the Final Operating Reserve. If this reserve is tapped into, it will trigger an extensive evaluation of the operation and revenues and may require discussions with the Oversight Board regarding significant restructuring of the project, or with the developer regarding possible re-purposing of the facility. It is expected that this reserve be last in line for replenishment with any operating surpluses or excess City lodging stream of income. This reserve fund is to be capitalized with pre-opening City hotel room tax revenues (\$1.25 million) and the intention would be to place the County contributions to the City in this Reserve.

WHEREAS, City commitment to the Community Conference Center project is contingent on Tompkins County and the Downtown Ithaca Alliance each passing companion resolutions in support of the project and outlining their roles to at least as significant a degree as described above, now therefore be it:

RESOLVED, that the City of Ithaca will:

1. Execute a lease guarantee with the Vecino Group, and
2. Establish a hotel room occupancy tax to support the Conference Center or, if such a hotel room occupancy tax is unsuccessful in being authorized, establish a City tourism improvement district (TID) to generate the required revenues from the lodging industry for the Conference Center, and
3. Utilize the revenues from either a hotel room occupancy tax or TID as the first source of funding for this project. These revenues will support the debt payments and operations of the Conference Center, as well as capitalize (and replenish as necessary and as possible) several reserve funds that would serve to protect the City in its role as guarantor for the conference center lease, including:
 - a. Primary Operating Reserve initially capitalized at \$500,000 - to provide assurance to operator during years when the annual operating loss exceeds revenues for direct conference center operations
 - b. Capital Replacement Reserve, initially capitalized at \$500,000 - to ensure replacement, repair, and replenishment as needed of all furnishing, fixtures, equipment, and capital needs of the conference center
 - c. Rental Reserve - to mitigate any cash flow concerns and ensure two months of lease payments are available to the operating entity at all times
 - d. Final Operating Reserve, projected to be initially capitalized at \$1,250,000 through pre-opening collections of the city hotel room occupancy tax, and
4. Dedicate net hotel room occupancy tax revenues collected to the operating entity to promote, operate, and maintain the conference center, including net annual rent obligations of approximately \$1.5 million per year, and

RESOLVED, that subject to the commitment of all parties to financial terms as outlined in this resolution, the Mayor is authorized to sign a binding MOU with Vecino committing to execute a lease guarantee for the conference center, and

RESOLVED, that the Mayor is authorized to sign a Memorandum of Agreement with Tompkins County and the DIA that reflects the conditions outlined in this resolution, contingent upon review by the City Attorney and understanding that any material changes in the conditions outlined in this resolution will require review and approval by Common Council.



CITY OF ITHACA
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DEPARTMENT OF PLANNING AND DEVELOPMENT

JoAnn Cornish, Director

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To: City of Ithaca Common Council

From: Tom Knipe, Deputy Director for Economic Development

Date: March 9, 2020

Re: City Risk in the Downtown Community Conference Center Project

The purpose of this memo is to summarize the level of risk to the City in agreeing to the lease guarantee for the Community Conference Center project, in light of potential terms of financial support from the County, DIA, and downtown hotels. Risk to the City as guarantor was first described in a memo to Council dated 2/4/20. This memo accompanies a draft resolution and builds on that analysis with particular attention given to what would happen in relation to the City's guarantee if the conference center performed poorly.

Background

As described at the February 5th meeting of Council, in the assumed/base case the new City hotel room occupancy tax, combined with a major grant from New York State and net operating revenues, is projected to provide all of the funds necessary for the Downtown Community Conference Center project. However, given that there is inherent uncertainty in the net operating projections and in future room tax revenues, and the fact that the City is being asked to execute a lease guarantee with Vecino for 30 years, the City has sought to develop a structure in which the associated risks are shared with other community partners. Over the past several weeks, City staff have negotiated with the County and DIA about potential terms for support of the City's financial guarantee for the Community Conference Center. The four main downtown hotels have also come forward with a commitment of direct financial support. The details of these conceptual commitments are in the attached draft resolution and include:

- County: 4% of County hotel room occupancy tax revenues distributed annually to the City beginning in 2021 and lasting through 2050 (with the estimated 30-year total contribution to be over \$4.5 million)
- DIA: \$50,000 annually for ten years beginning in 2024, or \$500,000
- Four Downtown Hotels: Commitment to pay for sponsorships in the amounts listed in the project pro-forma; plus \$100,000 towards construction; plus additional contributions, if needed, of up to \$1,000,000 total over a ten-year period

Room Tax Growth Assumption

As stated in the previous memo, a number of conservative assumptions are built into the project budget and pro-forma. The most significant of these is an assumption of no growth in the City room tax. Since the major net cost – the lease payment – is fixed for 30 years, any growth in room tax revenues would provide significant buffer to the City as guarantor. It is normal to expect some growth. The County hotel room tax has historically grown at an average annual rate of approximately 4.6%. Even without considering induced demand from the Conference Center,

if the City room tax were to grow at half that rate on average (2.3%), after ten years an additional \$2.1 million would be available. After 20 years that amount would grow to \$9.6 million, and after 30 years it would be \$23.8 million. If actualized, these funds would provide additional buffer to the City as guarantor and/or be added to the project's capital reserve fund.

Stress Test Analysis

The attached spreadsheet titled *Are Conference Center Reserves Sufficient to Protect the City General Fund* shows the results of a financial "stress test" of several pessimistic scenarios. The Final Operating Reserve is the reserve account that will be held at the City as a backstop against needing to turn to the City's general fund for conference center support. Since the goal is to clarify the City's risk, this analysis focuses on what would happen to the Final Operating Reserve given certain negative assumptions.

The analysis by Hunden Strategic Partners gave "best", "middle/likely", and "worst" cases for net operating revenues. The "middle/likely" case was used for the projected pro-forma. For the stress test, the key negative assumption that was tested is what would happen if the net operating revenues were at the level of the "worst" case instead. The results can be summarized as following:

- Under the "worst" case with zero room tax growth and no support beyond Year Ten from the DIA or the hotels, reserves would last for 14 years.
- Under the "worst" case with zero room tax growth but building in support from the DIA and the hotels extending beyond ten years, reserves would last for 17 years (hotels and the DIA have not, as of writing, agreed to this).
- Under the "worst" case where room tax grows by a modest rate of 1% or 2%, reserves are more than sufficient to cover deficits for the full 30 years.

In the Event of Failure or Closure

Given the levels of reserves to be established and additional support from partners, there would have to be a number of years of very poor performance before reserves would be depleted. As such, there would be a significant amount of time to either get things on track or plan for a new use. Further, although not a desirable outcome, in the event that the Conference Center performs so poorly that it would need to be closed to stem further losses, until such time as a new use or uses could be worked out for the facility, hotel room occupancy tax would likely be more than sufficient to cover lease payments and any additional carrying costs, meaning that no general fund dollars would be needed.

ARE CONFERENCE CENTER RESERVES SUFFICIENT TO PROTECT THE CITY GENERAL FUND?

latest revision: 3/9/20

| (IN \$1,000s) | Cumulative 10-Year Funding Commitment | Cumulative 30-Year Funding Commitment | Notes |
|--|--|--|--------------|
| Reserves | | | |
| Primary Reserve (source: development budget) | 500 | 500 | |
| Secondary Reserve (source: DIA) | 450 | 500 | expires 2034 |
| Tertiary Reserve (source: Hotels) | 1,000 | 1,000 | expires 2033 |
| Final Reserve (source: City) | 1,250 | 1,250 | |
| Final Reserve (source: County) | 1,330 | 4,592 | expires 2050 |
| TOTALS | 4,530 | 7,842 | |

| Conference Center Lease Term | |
|------------------------------|-------------|
| 30-years: | 2023 - 2052 |

Stress Test Scenarios

| Conference Center Scenarios | Assumptions | | | | | |
|--|-----------------------|-----------------------|----------------------------------|----------------------------------|-------------------------------------|-------------------------------------|
| | Operating Revenues | Operating Expenses | Annual Change Tax Revenues | Duration of DIA Commitment | Duration of HOTELS Commitment | Duration of COUNTY Commitment |
| Projected Pro Forma | NA | NA | 0% | 10 | 10 | 30 |
| Pessimistic Pro Forma | -20% | +9% | 0% | 10 | 10 | 30 |
| Pessimistic - Extend DIA/HOTEL for 30 Years | -20% | +9% | 0% | 30 | 30 | 30 |
| Pessimistic - 1% annual growth in hotel tax revenues | -20% | +9% | 1% | 10 | 10 | 30 |
| Pessimistic - 2% annual growth in hotel tax revenues | -20% | +9% | 2% | 10 | 10 | 30 |

Highlighted values are those that differ from Projected Pro Forma

Financial Results of Stress Test Scenarios

| Conference Center Scenarios | Average 10-Year Operating Deficit | Average Deficit After Non-Operating Revenues | Reserves Sufficient to Cover Deficits for 30 Years | Year Reserves Depleted | (IN \$1,000s) | | | Notes |
|--|--|---|--|------------------------------|--------------------------------|---------|---------|-------------------------------------|
| | | | | | "Final Reserve" Balance (CITY) | | | |
| | | | | | Year 1 | Year 10 | Year 18 | |
| Projected Pro Forma | -225 | -11 | YES | NA | 1,621 | 2,869 | 4,099 | |
| Pessimistic Pro Forma | -538 | -324 | NO | 14 | 1,621 | 1,475 | -1,196 | Requires City subsidy after Year 14 |
| Pessimistic - Extend DIA/HOTEL for 30 Years | -538 | -324 | NO | 17 | 1,621 | 1,475 | -46 | Requires City subsidy after Year 17 |
| Pessimistic - 1% annual growth in hotel tax revenues | -538 | -236 | YES | NA | 1,621 | 2,333 | 1,852 | |
| Pessimistic - 2% annual growth in hotel tax revenues | -538 | -143 | YES | NA | 1,621 | 2,803 | 4,033 | |

Notes:

- Pessimistic Case is based on Hunden's pessimistic case pro forma plus additional funding for sales/marketing expense
- Historical rate of growth of Tompkins County hotel room occupancy tax revenues is 4.6%/year.
- If the City hotel room occupancy tax is not authorized by NYS, substitute revenues will derive from a tourism improvement district (TID).

Prepared by N. Bohn, IURA



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MEMO

To: Common Council

From: Lisa Nicholas, Deputy Director of Planning

Date: March 6, 2020

RE: Proposed Break-in-Access for Carpenter Circle Development

At the March 11, 2020 Special Meeting of Council, Planning & Engineering staff will be presenting information about the proposed new intersection on Rte 13 at Fifth Street related to the Carpenter Circle project. New intersections and other changes to NYS Department of Transportation (DOT) rights-of-way are described as Breaks-in-Access (BIAs).

Common Council has two main roles in the proposed BIA and the project in general. First, although permission for a BIA is granted by NYSDOT, it must be requested directly by the City rather than the project sponsor. This is because a BIA, though it can help a single project, must also have community-wide benefits that are of value to the greater public. Secondly, Common Council is an Involved Agency under SEQR for the environmental review of the project due to the BIA (as well as the PUD and negotiations regarding the community garden lease and land transfer). The goal of the presentation is to provide you with an understanding of the impacts, benefits and mitigations for this proposal to help you carry out these roles.

The presentation will last 10-15 minutes and will cover the following information:

1. BIA process and Council's role
2. What is being proposed
3. Community Benefits
4. Impacts on vehicular travel in the corridor
5. Mitigations and mitigation factors

After the presentation we'd like a discussion on balancing the impacts to vehicular traffic with the benefits of the project, the implementation of the City's vision for Rte. 13 and the transformation of the waterfront as described in the recently adopted Waterfront Plan and the 2015 Comprehensive Plan.

The following background information is available:

[FEAF-Impact-on-Transportation---Draft](#)

[Carpenter-Park-BIA-Report-Revised-01-08-20](#)

[2018 Route13 Corridor City BUILD Grant Application](#)