



TOURISM DEVELOPMENT FINANCING PROGRAM



2019

TDFP | Tourism Development Financing Program

Found online at » <http://www.vatc.org/TDFP> » *eligibility requirements & application process*

- A gap financing program used to fill a significant, local *Deficiency* in tourism product, visitor experience & spending
- This *Deficiency* is identified in a *Locality/Applicant's* current *Community Comprehensive Development Plan*
- *Tourism Deficiencies* take into account local and regional product similarity, availability and proven visitor need
- For the State of Virginia to invest in TDFP projects, there must be significant benefit to the locality and existing tourism business community, and in net, new jobs, traveler spending and local tax revenue
- Project *Developers* secure and own all project and gap financing debt, prior to applying for TDFP
- The project filling the local *Deficiency* will cease, and not continue, due to lack of funding, but for TDFP certification
- Successful projects must follow and complete the application process
- Eligible projects must be within in *Locality-created Tourism Development Zone* *see website for details

Tier 1 = 70/30 projects ... < \$100 million

- Compensates for a shortfall in project funding, **not to exceed 30%** of a qualified project's total cost
- Once the project is complete and generating income, the *Locality* works with the VA Dept. of Tax to perform a quarterly review of state sales and uses taxes collected on the development project
- **1% of the project quarterly revenue** is the amount each partner will contribute towards debt service on the project, until debt service is fully paid
- The *Developer* owns all debt exclusively, while the *Locality* and state only contribute to debt service

Tier 2 = 80/20 projects ... \$100 million +

- Compensates for a shortfall in project funding, **not to exceed 20%** of a qualified project's total cost
- For larger-scale, **\$100+ million projects of regional significances; excluding major retail**
- Once the project is completed and generating income, the *Locality* works with the VA Dept. of Tax to perform a quarterly review of state sales and uses taxes collected on the development project
- **1.5% of quarterly revenue** is the amount each partner will contribute towards debt service on the project

Section 58.1-3851.1 of the Virginia Code details the requirements:

Web address / link to TDFP legislation » <http://lis.virginia.gov/cgi-bin/legp604.exe?151+ful+CHAP0349+pdf>

For more information, contact:

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< \$100 million

70%

30%

Developer

An amount = to **1%** of the project's quarterly revenue is paid, quarterly, by each partner to the lender until the gap's debt service is complete »

1/3

Developer

1/3

Locality

1/3

State

\$100 million +

80%

20%

Developer

An amount = to **1.5%** of the project's quarterly revenue is paid, quarterly, by each partner to the lender until the gap's debt service is complete »

1/3

Developer

1/3

Locality

1/3

State

Gap Financing



3 Partners Pay
1 Quarterly Payment

Tier 1

	Qtrly Hotel Revenue		1.0%		PAY DEBT
1st Quarter	1,000,000	>	10,000	x3	30,000
2nd Quarter	1,500,000	>	15,000	x3	45,000
3rd Quarter	750,000	>	7,500	x3	22,500
4th Quarter	1,000,000	>	10,000	x3	30,000
Yearly	4,250,000		42,500		127,500
Three partner's yearly combined debt service					

Gap Financing | 3 Partners ... 1 Quarterly Payment:

- TDFP creates a partnership where the *State*, *Locality* and *Developer* each contribute an amount toward quarterly payment of debt service
- If a project generates \$1,000,000 in revenue during its first quarter of operation, \$10,000 (1% of \$1,000,000) is the amount that each partner will contribute for the payment
- The *State* will contribute \$10,000, the *Locality* will contribute \$10,000, and the *Developer* will contribute \$10,000
- Collectively, contributions from all partners equal \$30,000 for this quarter
- This same process is repeated each quarter until the debt service requirement has been satisfied/fully paid
- Tier 2 follows the same process except 1.5% of quarterly revenue is the amount that each partner contributes

Once the project has received certification:

- Once the project is open for business and generating revenue, the Tax Commissioner's office will work with the *Locality* to identify the amount of revenue generated from the project quarterly
- The appropriate percentage of that revenue is identified and the State's portion is remitted to the *Locality*
- This is done quarterly, based on this approximate schedule:
 - Quarterly Sales and Use Tax #1 » Identified in **February**.....Payment made in **March**
 - Quarterly Sales and Use Tax #2 » Identified in **May**.....Payment made in **June**
 - Quarterly Sales and Use Tax #3 » Identified in **August**.....Payment made in **September**
 - Quarterly Sales and Use Tax #4 » Identified in **November**.....Payment made in **December**
- The *Locality* then delivers the *Developer's* contribution (access fee), the State's contribution, and the *Locality's* contribution to the local Economic Development Authority, who then pays the Lender.

To apply for either tier of TDFP | **Gap Financing** certification, the following steps must occur, in order:

Exploration Phase = Active Application Local Government	1	IDENTIFY & PROVE DEFICIENCY	<ul style="list-style-type: none"> The Locality (Applicant) submits local Comprehensive Community Plans, Community Development Plans & Market Studies explicitly identifying & substantiating a tourism Deficiency in their local, tourism economy
	2	IDENTIFY PROJECT + SUBMIT VTC'S TOURISM DEVELOPMENT PLAN DOCUMENT	<ul style="list-style-type: none"> The Locality identifies a Developer partner and Project which fills this Deficiency VTC reviews before Step 3
	3	VERIFY FINANCING + FINALIZE PERFORMANCE AGREEMENT	<ul style="list-style-type: none"> Work with Virginia Resources Authority to verify committed financing, debt structuring & gap reimbursement The Developer is sole owner of all debt with Lenders and secures all financing, including the gap financing, prior to applying for TDFP gap financing VTC reviews before continuing
	4	CREATE & VERIFY TOURISM ZONE ORDINANCE	<ul style="list-style-type: none"> Pass a Local Ordinance creating a "Tourism Zone" in which the project's footprint must be located
	5	ADOPT A PROJECT ORDINANCE	<ul style="list-style-type: none"> This step cannot be completed until Steps 1 through 4 are completed and reviewed by VTC Pass a Local Ordinance adopting Steps 1 through 4 including the specific development project by name & commitment to financing The Final Application is the documentation from the completed, previous steps
	6	PAY APPLICATION FEE	<ul style="list-style-type: none"> Submit \$500 application & processing fee paid by either Developer or Locality
	7	APPLICATION REVIEW BY STATE COMPTROLLER	<ul style="list-style-type: none"> The State Comptroller reviews Final Application Review period, including possible requests for more data Sends Certification Letter if certification is approved
	8	ANNOUNCE TDFP CERTIFICATION	<ul style="list-style-type: none"> VTC coordinates with Locality a Media Release from the Governor's + Announcement Event if requested
	9	DEBT SERVICE > After business opening	<ul style="list-style-type: none"> VTC provides Locality with VA Dept. of Tax Contact to arrange partner payments for duration of financing debt

Tourism Development Plan

* VTC's **Tourism Development Plan** is completed and submitted to Virginia Tourism Corporation for review

TDFP | Step 2 TOURISM DEVELOPMENT PLAN

Localities that are interested in pursuing the financing will need to submit a Tourism Development Plan which will be reviewed and certified by the Virginia Tourism Corporation (VTC). The Tourism Development Plan submitted can be an existing plan already adopted by a locality, or a plan can be created using VTC's Tourism Development Plan website.

The purpose of the plan is to (1) outline the specific void the proposed project will fill; (2) provide accurate representations of a locality's current tourism product and assets, infrastructure, marketing efforts and visitor profiles; and (3) show the return on investment the proposed project will have to the local tourism economy.

» Confidential + Proprietary Information «

If confidentiality of any information is necessary and applicable while exploring the eligibility of your proposed tourism development project with VTC, you must mark the information as "confidential and proprietary records." This includes print, audio and video information shared with Virginia Tourism Corporation via email, email attachments, standard delivery or courier. » § 2.2-3705.6 (3)

Please note that ownership of information and documentation submitted to the Virginia Tourism Corporation (VTC) either during preliminary discussions or as part of a Tourism Development Financing Program application constitute public records under the Virginia Freedom of Information Act (FOIA) and shall be subject to public disclosure in accordance with FOIA. Proprietary information and documentation submitted by an applicant shall not be subject to public disclosure under FOIA. To prevent disclosure, however, the applicant must specifically identify the information or documentation to be protected. Public records that VTC determines are not proprietary will be subject to public disclosure under FOIA, even if marked as confidential by the applicant.

SECTION 1: PROPOSED DEFICIENCY

- 1-A What deficiency exists in your local tourism economy?**
- 1-B Provide the data supporting the deficiency in your Locality's comprehensive community plans and project-related market studies**
- 1-C Provide the data supporting the deficiency in your Developer's specific market study**
 - * For the above, please highlight the specific data proving the deficiency
 - * The data should include an inventory of similar tourism product and visitor demand indicators
 - * If lodging, include number, name, proximity, service level & pricing of existing, local lodging
- 1-D Provide information supporting the Developer's need for State and Local gap financing?**
 - * Include information citing the specific financial need for TDFP and potential project termination without TDFP
- 1-E Briefly describe the overall scope of your project and how it fills your proven deficiency?**
- 1-F What is the total capital investment of the development project?**
- 1-G What is the estimated, total gap financing amount requested for the project?**
- 1-H Will this proposed project fit into an existing Tourism Zone? Yes |or| No**
- 1-I The proposed project will accomplish the following: *jobs, tax revenue, increased visitation**

Number of full-time jobs	
Number of part-time jobs	
Projected, annual, staff hours created from this specific project projected to be * Total, annual number of full (40 hrs./week) and part-time hours combined	
Projected, annual, salary expenditures specific project projected to be * Total, annual, combined salary costs for all full (40 hrs./week) and part-time jobs	\$
Projected, annual, local tax revenue from project expected to be	\$
Projected, annual, state tax revenue from project expected to be	\$
Projected, annual visitors to the new business (total) are expected to be	
Projected, annual out-of-town visitors (50 miles or more) to the new business are expected to be	

Tourism Development Plan

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SECTION 4: MARKETING PLAN

4-A Please submit your current or existing marketing plan.

What is a Marketing Plan?

A marketing plan is an official, adopted plan by which an organization or community can maximize its tourism potential. It answers key questions which provide direction for a community's tourism marketing activities. A marketing plan brings together an organization's research, particular goals, measurable objectives, brand ideals and other important considerations in one concise, executable directive.

Key questions a marketing plan can include are:

- Summary and Introduction
Who are we?
- Marketing Objectives
What are we trying to accomplish?
What measurable outcome do we want?
- Situation Analysis
What are we trying to achieve?
- Target Markets
Who is our audience or customer?
- Strategies and Tactics
What vehicles will we use?
What messages will we use?
- Tracking and Evaluation
How will we measure our success?

A marketing plan:

- Allows an organization to look internally to fully understand the impact and results of past marketing
- Allows the organization to look externally to fully understand the market in which it chooses to compete
- Sets future goals and provides direction that everyone in the organization should understand and support

**** IMPORTANT ****

In your *Marketing Plan*, please include a statement or brief description on how the aspects of your new development project will be included with, but also enhance your current marketing plan. Mention how the new product you are developing {i.e. guest rooms, meeting space, dining, sports venues, etc.} will enhance the visitor experience, amenities for locals, have a positive impact on surrounding tourism businesses and support regional tourism efforts .

Your marketing plan will have the following results:

Annual Marketing Budget	\$
<i>*Not including salaries, benefits or fixed costs</i>	
Visitation increased by	%
Tourist expenditures increased by	%
Visitor Satisfaction increased by	%
Number of partnership participants in your marketing plan	

Performance Agreement

Locality/Applicants interested in applying for TDFP must enter into *Performance Agreement* with the *Developer*

A *Developer* should structure their project debt and equity financing, and enter into a *Performance Agreement* with the appropriate political subdivision in the *Locality* and confirm they will pay an access “fee equal” to one percent of the sales tax revenue generated and returned to the tourism project

- ≡ The performance agreement is between the economic development authority or other appropriate political subdivision in the *Locality* where the tourism project will be located and the project *Developer*
- ≡ It states that the tourism project *Developer* will pay an “access fee” equal to one percent of the sales tax revenue generated and returned to the tourism project.
- ≡ It specifies that the access fee, plus the returned sales taxes will be used to pay annual debt service on the gap funding until such debt is paid in full
- ≡ It provides for the *Locality* in which the project is located to notify the State Comptroller and the Department of Taxation when the taxes are no longer subject to being remitted.
- ≡ Once the developed project is generating revenue, the Tax Commissioner certifies on a quarterly basis the amount of entitled sales tax revenues to the State Comptroller. The State Comptroller remits the tax revenue to the *Locality* and the *Locality* remits them to the economic development authority or other appropriate political subdivision

Verification of at least 70% Funding of Tourism Project through Debt or Equity

- ≡ **Plan of Finance**
 - *a short half-page description of how the project will be financed*
 - *substantiates the sources of funding*
- ≡ **Sources and Uses of Funds**

Minimum of 70% of the financial package is in place

 - Term Sheets
 - Commitments
 - Loan agreement drafts
- ≡ **Term Sheets, Commitment Letters, Other Debt Financing Documentation**

For more information on step ④ Verifying the Financing + Finalizing the *Performance Agreement*, please contact:

Shawn B. Crumlish
 Director of Financial Services
 Virginia Resources Authority
 1111 East Main Street, Suite 1920
 Richmond, VA 23219
 804 616 3445 | scrumlish@VirginiaResources.org

Sources + Uses of Funds

When submitting the final *Performance Agreement*, the following sources and uses of funds will need to be identified and reviewed with VRA {Virginia Resources Authority}

Sources and Uses of Funds

Sources of Funds:	
Equity Source 1	\$ XXX
Equity Source 2	XXX
Debt Financing Source 3	XXX
Debt Financing Source 4	XXX
Gap Financing Source 5	XXX
Total Source of Funds:	\$ XXX
Use of Funds:	
Use of Funds 1	\$ XXX
Use of Funds 2	XXX
Use of Funds 3	XXX
Use of Funds 4	XXX
Use of Funds 5	XXX
Total Use of Funds (Total Project Cost):	\$ XXX

Sources of Funds:	
Equity Source 1	\$ XXX
Equity Source 2	XXX
Debt Financing Source 3	XXX
Debt Financing Source 4	XXX
Total Debt and Equity Sources of Funds:	\$ XXX
Use of Funds (Total Project Cost):	
Total Use of Funds (Total Project Cost):	\$ XXX
Debt and Equity Sources / Project Cost	
	XX%

*Debt (excluding Gap Financing) and Equity Sources

Establishing a Tourism Zone

Found online at » www.VATC.org/tourismzones

Localities interested in pursuing the Commonwealth of Virginia Tourism Development Financing Program will need to have a defined tourism zone(s) within which the proposed project is contained. Virginia cities, counties, or towns can currently establish such tourism zones as allowed for in the Code of Virginia. Interested localities are encouraged to begin development of the required tourism zones.

2006 Virginia Code § 58.1-3851 - Creation of local tourism zones.

§ 58.1-3851. Creation of local tourism zones

- A. Any city, county, or town may establish, by **ordinance**, one or more tourism zones. Each locality may grant tax incentives and provide certain regulatory flexibility in a tourism zone.
- B. The **tax incentives** may be provided for **up to 20 years** and may include, but not be limited to (i) **reduction of permit fees**, (ii) **reduction of user fees**, and (iii) **reduction of any type of gross receipts tax**. The extent and duration of such incentive proposals shall conform to the requirements of the Constitutions of Virginia and of the United States.
- C. The governing body may also provide for regulatory flexibility in such zone that may include, but not be limited to (i) **special zoning for the district**, (ii) **permit process reform**, (iii) **exemption from ordinances**, excluding ordinances or provisions of ordinances adopted pursuant to the requirements of the Chesapeake Bay Preservation Act (§ 10.1-2100 et seq.), the Erosion and Sediment Control Law (§ 10.1-560 et seq.), or the Virginia Stormwater Management Act (§ 10.1-603.1 et seq.), and (iv) **any other incentive adopted by ordinance**, which shall be binding upon the locality for a period of up to 10 years.
- D. The establishment of a tourism zone shall not preclude the area from also being designated as an enterprise zone. (2006, c. 642; 2008, c. 462.)

Tourism Zone Specifics

- ≡ Virginia localities can establish a *Tourism Zone* independent of the TDFP program
- ≡ Tourism Zones are passed by local ordinance and contain both requirements and benefits for existing and new tourism businesses, including lodging, dining, retail, meeting and sports facilities, Outdoor recreation areas, theme parks and event venues.
- ≡ Localities can create a new *Tourism Zone* during the TDFP application process if one does not exist
- ≡ Much like traditional business enterprise zone, a *tourism zone* allows for businesses to take advantage of state and local tax credits and deductions not available to businesses elsewhere. The goal of the incentives is to stimulate business attraction, growth, and increased employment opportunities within economically challenged areas of a *Locality*. This can include, but is not limited: hiring credits, sales & use tax credits, expense and interest deductions, discount utilities hook-up and payment plans, sewer facility hookup payment plans and reduced parking requirements.
- ≡ Any city, county, or town may establish, by ordinance, one or more tourism zones. Each *Locality* may grant tax incentives and provide certain regulatory flexibility in a tourism zone.

Tourism Zone Specifics ... continued

In Virginia, tax incentives may be provided for up to 20 years and may include, but are not be limited to

- ≡ Reduction of permit fees
- ≡ Reduction of user fees
- ≡ Reduction of any type of gross receipts tax
- ≡ The extent and duration of such incentive proposals shall conform to the requirements of the Constitutions of Virginia and of the United States

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- ≡ Reduction of permit fees
- ≡ Reduction of user fees
- ≡ Reduction of any type of gross receipts tax
- ≡ The extent and duration of such incentive proposals shall conform to the requirements of the Constitutions of Virginia and of the United States

A governing body may also provide for regulatory flexibility in such zone that may include, but not be limited to:

- ≡ Special zoning for the district
- ≡ Permit process reform
- ≡ Exemption from some ordinances, excluding ordinances or provisions adopted pursuant to the Chesapeake Bay Preservation Act, Erosion & Sediment Control Law and the VA Storm water Management Act
- ≡ Other incentive adopted by ordinance, which shall be binding upon the *Locality* for a period of up to 10 years

Tourism Zone Considerations

Factors when considering the opportunity and impact of tourism zones

- ≡ Pre-existing enterprise or business development zones
- ≡ The level and nature of adjoining developments
- ≡ Any relevant local planning policy, legislation, state planning policies and development control regulations
- ≡ Preparation, advertising, adoption and implementation tourism zones, in relation to local community and business development plans
- ≡ Any tourism development zone fundamentals including the use of land, including the extent of preservation, further development, land use
- ≡ Density or proximity of any residential developments within a tourism zone
- ≡ Tourist center and *Locality*-wide services and operations
- ≡ Any new types or quantities of merchandise or goods to be stored, processed, produced or sold
- ≡ Personal safety and security in streets and around buildings or new business development
- ≡ Strategic importance for the tourist industry is for local residence and out-of-town tourists
- ≡ Balance with local transportation without restricting access and use of tourist attractions
- ≡ Tourists visit places for a variety of purposes which do not include work or a permanent home
- ≡ Effectiveness of travel, retail and hospitality signage
- ≡ Control the service of alcohol so as not to adversely impact on residents or the community
- ≡ Storm water drainage details including design levels and erosion control at outlets
- ≡ Access to non-emergency and emergency health care needs of visitors
- ≡ Diverse lodging development and needs, in relations to residential nearby

Spotsylvania County, VA

Tourism Zone Program

The Tourism Zone Program serves both new and existing qualified businesses, affording tax rebates on Business, Professional and Occupational License (BPOL) and Machinery & Tools Tax (M/T). The qualified business is also placed in the County's Targeted Industry Program, initiating the Fast Track Development Review Process. There are three designated Tourism Zones in the County to encourage growth in Spotsylvania's Tourism sector.

Zone Maps

Qualifications

A Tourism Business

- Business whose primary purpose is to establish a desirable destination to attract tourists from outside of the community and create an environment for those visitors that will deliver a memorable experience or promote educational opportunities while increasing travel-related revenue.

Existing Tourism Businesses must meet **one** of the following criteria:

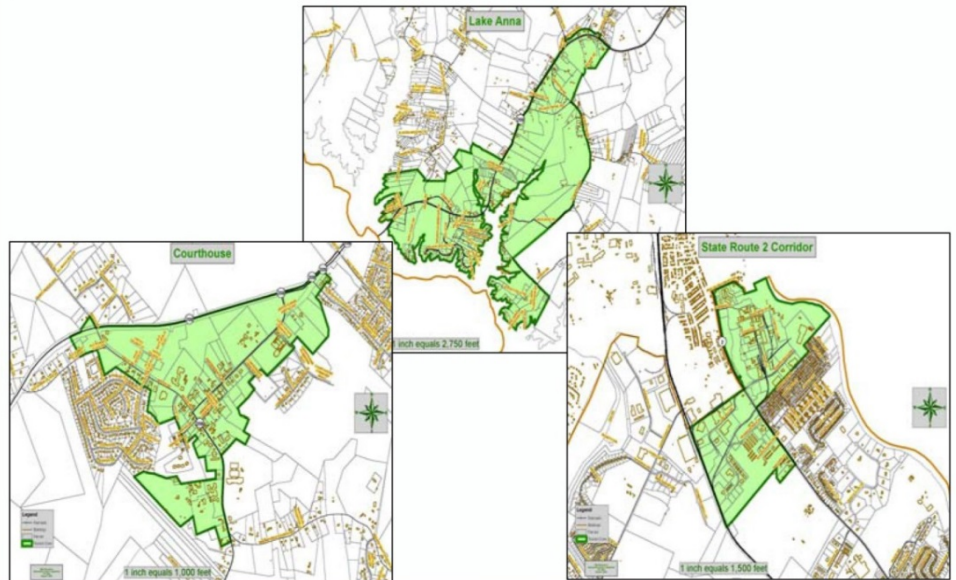
- Capital Investment of at least \$250,000 over the base year

New Tourism Businesses must meet **one** of the following criteria:

- Provide Capital Investment of at least \$500,000 within the boundaries of the Tourism Zones

Conditions that apply to both Existing and New Tourism Businesses

- The Tourism Business must meet and maintain the minimum qualifying employment and investment levels through Year 5 in order to qualify as a Qualified Tourism Business.



Incentives Available

Tax Rebates:

- Rebate on business, professional and occupational license tax imposed by the County
- Rebate on machinery and tools tax imposed by the County
- For those Qualified Tourism Businesses that are Existing Tourism Businesses, rebates shall only be applicable to taxes assessed on the portion of gross receipts or acquired machinery and tools directly attributable to the expansion of the business.

Targeted Industry Status:

- Qualified Tourism Businesses shall be placed in the County's established Fast Track Development Review, Permitting and Inspections program.

For more information and full details on the Spotsylvania County Tourism Zone Program call 1-540-507-7210 or visit www.spotsylvania.org