

June 27, 2013
Regular Agenda Item No. 1

City of College Station and CVB Funding Agreement for Preferred Access to TAMU Facilities; and Assignment and Assumption Agreement with City of College Station, CVB, and TAMU

To: Kathy Merrill, Interim City Manager

From: Jeff Kersten, Executive Director Business Services

Agenda Caption: Presentation, possible action and discussion on a Funding Agreement between the City of College Station and the Brazos Valley Convention and Visitors Bureau for Preferred Access to Texas A&M University facilities; and an Assignment and Assumption agreement between the City of College Station, Texas A&M University, and the Brazos Valley Convention and Visitors Bureau.

Recommendation(s): Staff recommends approval of the agreements.

Summary: As part of the effort to pay for the renovation of Kyle Field, Texas A&M University and the City of College Station, the Convention and Visitors Bureau and Brazos County have been working on securing local funding through the Hotel Occupancy Tax for this project through agreements that will provide access to facilities at Texas A&M University at preferred rates for events that will bring more visitors and tourists to the community.

The following are the agreements that will need to be executed.

1. Preferred Facilities Access Agreement between Texas A&M University and CVB.
2. Funding Agreement for the County 0.75% Hotel Tax between Brazos County and Texas A&M University.
3. Funding Agreement for the payment of City of College Station Hotel Tax for the Preferred Access Agreement between City of College Station and CVB.
4. Assignment and Assumption Agreement between City of College Station, Texas A&M University and CVB.

Budget & Financial Summary:

The public funds for this project will come from Hotel Occupancy Tax **collected from visitors** to the community.

A 0.75% Countywide Hotel Occupancy Tax was approved by the State Legislature and signed by the Governor for this project. All **hotel visitors** in Brazos County will pay this tax. **This source is estimated to generate at least \$22 million over the next 30 years.**

Also, a portion of the current City of College Station Hotel Occupancy tax **from visitors** who stay at College Station hotels will be utilized through a Facilities Access Agreement for access to certain facilities at preferred rates at Texas A&M University. **This source is estimated to generate \$14 million over the next 30 years.**

Between the County Hotel Tax and the City of College Station Hotel Tax provided through the Facilities Access Agreement; a minimum of \$36,000,000 will be provided over a 30 year period to Texas A&M University.

According to Texas A&M University, the budget for the Kyle Field renovation project is \$450,000,000. Of this amount, \$18,150,000 is proposed to be financed from the proceeds generated through the payments made per the Preferred Facilities Access Agreement and associated agreements. The estimated annual debt service on this amount is \$1,199,625. Over a 30 year period this totals just under \$36,000,000.

Hotel Occupancy Tax revenues from visitors is the only source of funding for these agreements.

Legal Review: Yes

Attachments:

1. Funding Agreement for the payment of City of College Station Hotel Tax for the Preferred Access Agreement between City of College Station and CVB. *(Will be available in City Secretary's Office prior to meeting)*
2. Assignment and Assumption Agreement between City of College Station, Texas A&M University and CVB. *(Will be available in City Secretary's Office prior to meeting)*
3. Summary of the Various Agreements

Facilities Access/Kyle Field Agreements

1. Preferred Facilities Access Agreement

- *Parties* - Texas A&M University and the Convention and Visitors Bureau
- *Purpose* – Secure the CVB preferred access to certain Texas A&M University facilities at preferred rates for the purpose of promoting tourism and the convention and hotel industry in Brazos County. Payment received per this agreement will be used by Texas A&M University to fund the renovation of Kyle Field.
- *Key Agreement Points*
 - *Allows the CVB to secure preferred access to certain facilities*
 - *Reed Arena*
 - *Memorial Student Center*
 - *Penberthy Rec Sports Complex*
 - *The Zone Club (and any new entertainment facilities added to Kyle Field)*
 - *Rudder Conference and Events Center*
 - *Rudder Theatre Complex*
 - Scheduling for facilities will fall within periods the facility is designated as being available, and will be scheduled at least one year prior to proposed use of the facility.
 - Facility use cost will be at preferred rates. Preferred rate schedules have been negotiated.
 - CVB will enter into facility use agreements for the use of the facilities.
 - CVB will have use of certain parking facilities in conjunction with the events scheduled under the agreement. There will be a 30% reduction in parking rates through a Memorandum of Understanding that has been negotiated.
 - Funding - Minimum annual payment shall be as follows:
 - Years 1-3 \$1,000,000
 - Years 4-6 \$1,200,000
 - Years 5-30 \$1,225,000
 - Funding for the agreement will come from Brazos County 0.75% Hotel Tax and the difference from City of College Station Hotel Tax revenues.
 - Contingency – This agreement is contingent on passage of legislation increasing County Hotel tax from 2.0% to 2.75%.

2. Funding Agreement for the County 0.75% Hotel Tax

- *Parties* – Brazos County and Texas A&M University
- *Purpose* – Secure funding from the new 0.75% hotel tax for part of the consideration in the Preferred Access Facilities Agreement with Texas A&M and the CVB. Payment received by Texas A&M University will be used for the renovation of Kyle Field.
- *Key Agreement Points*
 - Funding
 - The 0.75% tax is estimated to initially generate \$450,000 per year, and grow over the 30 year period.
 - Current estimates for first 5 years are:
 - Year 1 \$450,000
 - Year 2 \$470,000
 - Year 3 \$490,000
 - Year 4 \$510,000
 - Year 5 \$540,000
 - Per the legislation approved, all of the revenue generated from this source will be used for the renovation of Kyle Field.

3. Funding Agreement for the payment of City of College Station Hotel Tax for the Preferred Access Agreement

- *Parties* – City of College Station and the Convention and Visitors Bureau
- *Purpose* – Provide City of College Station Hotel Tax revenue to the CVB to secure preferred access to certain Texas A&M University facilities at preferred rates for the purpose of enhancing and promoting tourism and the convention and hotel industry in College Station and Brazos County.
- *Key Agreement Points:*
 - *Funding*
 - City will pay the difference between what is collected by the County and the Minimum Annual Consideration for the preferred access to the CVB.
 - Funding will come from existing City of College Station Hotel Tax Funds
 - Current estimates for first 5 years are:
 - Year 1 \$550,000
 - Year 2 \$530,000
 - Year 3 \$510,000
 - Year 4 \$690,000
 - Year 5 \$630,000
 - CVB will remit payment to Texas A&M University.
 - Total payment from the City of College Station under this agreement will not exceed \$36,000,000.
 - This agreement does not obligate General Funds or other funding sources.
 - Funds will be used by the CVB to secure preferred access to the facilities at the preferred rates provided for in the Preferred Facilities Access Agreement
 - *Contingency* – This agreement is contingent on the following:
 - Passage of legislation authorizing an increase in Brazos County's Hotel Occupancy Tax from 2% to 2.75%; and the County's collection of this tax.
 - Execution of the Preferred Facilities Access Agreement
 - Execution of a funding agreement between Texas A&M and Brazos County for the payment of the tax collected by the County to Texas A&M University.
 - If this contingencies are not satisfied or if the Preferred Access Agreement or the funding agreement between Texas A&M and Brazos County are terminated then the agreement is null and void.
 - *Reporting Requirements*
 - Reporting requirements follow those for other agencies who receive Hotel Tax funds.

4. Assignment and Assumption Agreement

- *Parties* – City of College Station, Texas A&M University, and Convention and Visitors Bureau
- *Purpose* – If the Funding agreement between the City and the CVB is terminated or payment is withheld, the City would assume the responsibilities of the preferred access agreement, would continue to receive the preferred access, and would make payments directly to Texas A&M University.
- *Key Agreement Points*
 - If funding agreement with CVB terminates, or if the City withholds a payment to the CVB for more than 30 days, the CVB assigns all rights and responsibilities to the City.
 - City will assume the role of the CVB in regards to the Access Agreement.
 - City will make payment to Texas A&M directly per the provisions of the Facilities Access Agreement.
 - Texas A&M University consents to this assignment.

