



Petersburg Tourism Development Financing Program

Overview

The purpose of the City of Petersburg Tourism Development Financing Program (PTDFP) is to provide a gap financing mechanism for those qualifying tourism development projects identified as critical and which address specific critical tourism deficiencies. Projects receiving Tourism Development Financing must be located within the City of Petersburg Tourism Zone.

The goals of the PTDFP are to facilitate the establishment and growth of businesses that;

- (1) increase capital investment and create jobs.
- (2) increase the inventory of tourism-related businesses.
- (3) enhance public amenities, attractions, and revenue.

Legislative Authority

Pursuant to Virginia Code §58.1-3851, 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.

Description

The City of Petersburg Tourism Development Financing Program (PTDFP) is a gap financing program used to fill a significant, local Deficiency in tourism product, visitor experience & spending. The Deficiency shall be identified in the City's current Tourism Plan or Comprehensive Development Plan. Tourism Deficiencies take into account local and regional product similarity, availability and proven visitor need.

For the City to invest in TDFP projects:

- There must be significant benefit to the City and to the existing tourism business community,
- There must be a significant increase in net new jobs, traveler spending and local tax revenue.
- Project Developers must secure and own all project and gap financing debt, prior to applying for PTDFP gap financing.
- There must be a documented need showing that the project could not move forward without the gap financing.
- The project must be a Qualified Business located within the City's Tourism Zone.
- The Project Developers must complete and submit all application documents, and then receive approval.
- There must be a fully executed Performance Agreement between the Developer, the Economic Development Authority and the City including but not limited to the project scope, budget, schedule and performance requirements.

Definitions

Qualified Tourism Business – a business that meets the following criteria:

- An existing business that makes at least a \$125,000-capital investment and creates five new full-time equivalent jobs; or
- A new business that makes at least a \$250,000 capital investment and creates ten new full-time equivalent jobs.

Tourism Business – a 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. A new or existing Tourism Business may apply through the Department of Economic Development to become a Qualified Tourism Business. Tourism Businesses include: retail trade establishments, eating establishments, museums, bed and breakfasts, hotels, theaters, cultural art centers, health clubs/ fitness centers, conference centers, commercial parking garages, and commercial recreation centers.

Tourism Zone – a designated geographic area of a city or county identified for increased growth in tourism related businesses. There is one Tourism Zone in the City of Petersburg.

Gap Financing

Petersburg Tourism Development Financing Program is a Gap Financing Program used to incentivize development in the City of Petersburg Tourism Zone. The gap financing may total up to twenty percent (20%) of the total project cost, not to exceed \$3 million.

Gap Financing Payments are to be made from City of Petersburg meals tax revenue and lodging tax revenue received from the project and paid through the Economic Development Authority to the gap financing debt service provider.

The term of the Gap financing shall not exceed a period of ten (10) years.

Criteria

To qualify for the Petersburg Tourism Development Financing Program, projects must meet the following criteria:

- Be a certified and Qualified Tourism Business.
- Projects must be unique in concept and/or amenities and contribute to the goals of the City's Tourism Plan, Strategic Plan and Comprehensive Plan which include eliminating blight, attracting a critical mass, recruiting entrepreneurs, adding quality of life amenities, and driving tourism activity within the city of Petersburg.
- The project must comply with all City, State and Federal laws including but not limited to business licensure, historic preservation, zoning, and construction.
- The project development must comply with a performance agreement approved by the City and the Economic Development Authority including investment, job creation, meals tax and lodging tax revenues, or other significant criteria.

Gap Financing Quarterly Payments

Once the project is completed and generating income, the Commissioner of the Revenue will perform a quarterly review of meals taxes and lodging taxes collected from the business's revenue that quarter. A total of 50% of the meals or lodging taxes collected is the amount the City may contribute to the Economic Development Authority as further described in a performance agreement to be used as a grant towards the loan payment for the project. These payments will be made on quarterly basis. Any outstanding balance owed.

Term of Gap Financing

The term of the Gap Financing shall be for a period not to exceed ten (10) years. If at any time the business defaults on any measurement included in the performance agreement, the City and the EDA may exercise the right to end the Gap Financing for that business. Following default, all payments of the meals and lodging taxes will cease, and the business will be responsible for any remaining debt service. Additional terms of the Gap Financing will be defined in the Performance Agreement between the Project Developer, the City of Petersburg, and the EDA. The Gap Financing may total up to twenty percent (20%) of the project total cost, not to exceed \$3 million.



Petersburg Tourism District

Carter Chassey 10/25/2024

