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## SENATE BILL NO. 1401

## AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Finance)

(Patrons Prior to Substitute—Senators Norment and Ruff [SB975])

Senate Amendments in [ ] — February 10, 2015

A *BILL to amend and reenact § 58.1-3851.1 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 30-310.1 and by adding in Article 10 of Chapter 38 of Title 58.1 a section numbered 58.1-3851.2, relating to entitlement to tax revenues; tourism projects of regional significance.*

**Be it enacted by the General Assembly of Virginia:**

**1. That § 58.1-3851.1 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 30-310.1 and by adding in Article 10 of Chapter 38 of Title 58.1 a section numbered 58.1-3851.2 as follows:**

**§ 30-310.1. Endorsement of gap financing.**

*Prior to any proposed tourism project of regional significance being entitled to receive tax revenues for gap financing pursuant to § 58.1-3851.2, the Commission shall review the proposed tourism project of regional significance to determine that it meets the minimum investment criteria set forth in § 58.1-3851.2, will support increased hotel occupancy, job creation, and an increase in the number of out-of-state visitors to the Commonwealth, and will otherwise have a significant fiscal and economic development impact in the Commonwealth. If the Commission finds that the proposed tourism project of regional significance meets these criteria, the project shall be entitled to the enhanced 1.5 percent entitlement set forth in § 58.1-3851.2, subject to such requirements as set forth therein. An affirmative vote of three of the five members from the House of Delegates and two of the three members from the Senate shall be required to endorse a proposed tourism project of regional significance.*

**§ 58.1-3851.1. Entitlement to tax revenues from tourism project.**

A. For purposes of this section, unless the context requires a different meaning:

"Economic development authority" means a local industrial development authority or a local or regional political subdivision, the public purpose of which is to assist in economic development.

"Gap financing" means debt financing to compensate for a shortfall in project funding between the expected development costs of an authorized tourism project and the debt and equity capital provided by the developer of the project.

B. 1. If a locality has established a tourism zone pursuant to § 58.1-3851, has adopted an ordinance establishing a tourism plan as determined by guidelines set forth by the Virginia Tourism Authority, and has adopted an ordinance authorizing a tourism project to meet a deficiency identified in the adopted tourism plan approved by the Virginia Tourism Authority, and the tourism project has been certified by the State Comptroller as qualifying for the entitlement to tax revenues authorized by this section, the authorized tourism project shall be entitled to an amount equal to the revenues generated by a one percent state sales and use tax on transactions taking place on the premises of the authorized tourism project. The entitlement shall be contingent on the locality enacting an ordinance designating certain local tax revenues to the tourism project pursuant to subsection C and shall be subject to the conditions set forth in subsection D. The purpose of such entitlement shall be to assist the developer with obtaining gap financing and making payments of principal and interest thereon. The entitlement shall continue until the gap financing is paid in full. Entitled sales tax revenues shall be applied solely to payments of principal and interest on the qualified gap financing.

2. On a quarterly basis, the Tax Commissioner shall certify the amount of the entitled sales tax revenues to the Comptroller, who shall remit such revenues to the county or city in which the authorized tourism project is located. The county or city shall remit the revenues to the economic development authority. No payments herein shall be made until an agreement exists between the developer of the authorized tourism project and the economic development authority.

3. The state sales tax entitlement established in subdivision 1 shall not include any sales tax revenues dedicated pursuant to § 58.1-638 or 58.1-638.1.

C. If a locality has adopted the ordinances required by subdivision B 1 to entitle an authorized tourism project to an amount equal to the revenues generated by a one percent state sales and use tax on transactions taking place on the premises of the authorized tourism project, the local governing body of the county or city in which the authorized tourism project is located shall also direct by ordinance that an amount equal to the revenues generated by at least a one percent local sales and use tax, or an equivalent amount of other local tax revenues as designated by the ordinance, generated by transactions taking place on the premises of the authorized tourism project shall be applied to the payment of principal and interest on the qualified gap financing. Such revenues shall be remitted in the same

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60 manner, for the same time period, and under the same conditions as the remittances paid in accordance  
61 with subsection B, mutatis mutandis.

62 D. Prior to any entitlement to tax revenues for an authorized tourism project pursuant to subsections  
63 B and C, the owner of such project shall have a minimum of 80 70 percent of funding for the project in  
64 place through debt or equity, enter into a performance agreement with the economic development  
65 authority or political subdivision, and enter into an agreement to pay an access fee. The access fee shall  
66 be equivalent to the state sales tax revenue generated by and returned to the project pursuant to  
67 subdivision B 1 and shall be collected by the locality and remitted to the economic development  
68 authority on a quarterly basis. The access fee and the sales tax entitlement shall be used solely to make  
69 payments of principal and interest on the qualified gap funding.

70 E. In the event that the total amount of sales tax entitlement and the access fee exceeds any annual  
71 debt service on the qualified gap financing, such excess shall be paid to the principal of the loan until  
72 the qualified gap financing is paid in full.

73 F. *A tourism project that is entitled to and receives revenues pursuant to this section shall not be*  
74 *eligible to receive revenues pursuant to § 58.1-608.3 or 58.1-3851.2.*

75 **§ 58.1-3851.2. Entitlement to tax revenues from tourism project of regional significance.**

76 A. *For purposes of this section, unless the context requires a different meaning:*

77 *"Economic development authority" means a local industrial development authority or a local or*  
78 *regional political subdivision, the public purpose of which is to assist in economic development.*

79 *"Gap financing" means debt financing to compensate for a shortfall in project funding between the*  
80 *expected development costs of an authorized tourism project of regional significance and the debt and*  
81 *equity capital provided by the developer of the project.*

82 *"Tourism project of regional significance" means a tourism project that meets the requirements set*  
83 *forth in subdivision B 1 and that additionally represents a new capital investment of at least \$100*  
84 *million in a new tourism facility or in a substantial and significant renovation or expansion of an*  
85 *existing tourism facility by a private entity in the Commonwealth and, as determined by the Virginia*  
86 *Tourism Authority, that supports increased hotel occupancy, new job creation, an increase in the*  
87 *number of out-of-state visitors to the Commonwealth, and other factors of significant fiscal and*  
88 *economic impact. Any property, real, personal, or mixed, that is necessary or complementary, such as*  
89 *arenas, sporting facilities, [ hotels, ] and other tourism venues, developed in connection with any such*  
90 *tourism project of regional significance, including facilities for food preparation and serving, parking*  
91 *facilities, and administrative offices, is encompassed within this definition, as is theme-related retail*  
92 *activity by vendors or the private entity owner of the project that occurs on site and directly supports*  
93 *the tourism mission of the project. A tourism project of regional significance does not include, for*  
94 *purposes of this section, general retail outlets, ancillary retail structures not directly related to the*  
95 *tourism purpose of the project or other retail establishments commonly referred to as shopping centers*  
96 *or malls or residential condominiums, townhomes, or other residential units. [ Hotels that are developed*  
97 *following the designation of the tourism project of regional significance that are attached or adjacent to*  
98 *such project and are an integral part of the tourism plan required pursuant to subdivision B 1 may be*  
99 *considered a part of a tourism project of regional significance. ] No tourism project of regional*  
100 *significance shall be authorized to receive gap financing pursuant to this section unless endorsed by the*  
101 *MEI Project Approval Commission pursuant to Chapter 47 (§ 30-309 et seq.) of Title 30.*

102 B. 1. *If a locality has established a tourism zone pursuant to § 58.1-3851, has adopted an ordinance*  
103 *establishing a tourism plan as determined by guidelines set forth by the Virginia Tourism Authority, and*  
104 *has adopted an ordinance authorizing a tourism project of regional significance to meet a deficiency*  
105 *identified in the adopted tourism plan approved by the Virginia Tourism Authority, and if the tourism*  
106 *project of regional significance has been endorsed by the MEI Project Approval Commission and*  
107 *certified by the State Comptroller as qualifying for the entitlement to tax revenues authorized by this*  
108 *section, the authorized tourism project of regional significance shall be entitled to an amount equal to*  
109 *the revenues generated by a 1.5 percent state sales and use tax on transactions taking place on the*  
110 *premises of the authorized tourism project of regional significance. The entitlement shall be contingent*  
111 *on the locality enacting an ordinance designating certain local revenues to the project pursuant to*  
112 *subsection C and shall be subject to the conditions set forth in subsection D. The purpose of such*  
113 *entitlement shall be to assist the developer with obtaining gap financing and making payments of*  
114 *principal and interest thereon.*

115 2. *On a quarterly basis, the Tax Commissioner shall certify the amount of the entitled sales tax*  
116 *revenues to the Comptroller, who shall remit such revenues to the county or city in which the authorized*  
117 *tourism project of regional significance is located. The county or city shall remit the revenues to the*  
118 *economic development authority. No payments herein shall be made until an agreement exists between*  
119 *the developer of the authorized tourism project of regional significance and the economic development*  
120 *authority. The entitlement shall continue until the gap financing is paid in full or for the length of time*  
121 *specified in the agreement between the developer and the economic development authority, but in no*

event shall the entitlement extend beyond 20 years. Entitled sales tax revenues shall be applied solely to payments of principal and interest on the qualified gap financing.

3. The state sales tax entitlement established in subdivision 1 shall not include any sales tax revenues dedicated pursuant to § 58.1-638 or 58.1-638.1.

C. If a locality has adopted the ordinances required by subdivision B 1 to entitle an authorized tourism project of regional significance to an amount equal to the revenues generated by a 1.5 percent state sales and use tax on transactions taking place on the premises of the authorized tourism project of regional significance, the local governing body of the county or city in which the authorized tourism project of regional significance is located shall also direct by ordinance that an amount of local revenues, from any authorized source of revenues available to the locality, equal to the revenues generated by at least a 1.5 percent state sales and use tax generated by transactions taking place on the premises of the authorized tourism project of regional significance shall be applied to the payment of principal and interest on the qualified gap financing. Such revenues shall be remitted in the same manner, for the same time period, and under the same conditions as the remittances paid in accordance with subsection B, *mutatis mutandis*.

D. Prior to any entitlement to tax revenues for an authorized tourism project of regional significance pursuant to subsections B and C, the owner of such project shall have a minimum of 80 percent of funding for the project in place through debt or equity, enter into a performance agreement with the economic development authority or political subdivision, and enter into an agreement to pay an access fee. The access fee shall be equivalent to the state sales tax revenue generated by and returned to the project pursuant to subdivision B 1 and shall be collected by the locality and remitted to the economic development authority on a quarterly basis. The access fee and the state and local contributions pursuant to this section shall be used solely to make payments of principal and interest on the qualified gap funding.

E. In the event that the total amount of state and local contributions pursuant to this section and the access fee exceeds any annual debt service on the qualified gap financing, such excess shall be paid to the principal of the loan until the qualified gap financing is paid in full.

F. Neither the Commonwealth nor any political subdivision of the Commonwealth shall incur any debt under this section. Nothing in this section shall be construed as authorizing the pledging of the faith and credit of the Commonwealth, or any of its revenues, or the faith and credit of any other political subdivision of the Commonwealth, or any of its revenues, for the payment of any debt or debt financing, or meeting any contractual obligation incurred by the owner or developer of any authorized tourism project of regional significance.

G. A tourism project of regional significance that is entitled to and receives revenues pursuant to this section shall not be eligible to receive revenues pursuant to § 58.1-608.3 or 58.1-3851.1.

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