

ST. JOSEPH COUNTY HOTEL MOTEL TAX BOARD
FRIDAY, NOVEMBER 4, 2022
CENTURY CENTER – RECITAL HALL
8:30 A.M.

Members Present

John Anthony	Jenny McNeil
Greg Downes	Dan Parker
Kurt Janowsky	Paul Phair
Micki Kidder	Gary West
Mark McDonnell	Ron Zeltwanger

Members Absent

Carmen Piasecki

The meeting was called to order at 8:30 a.m. by President Anthony. Mary Ellen Smith conducted roll call of board members.

APPROVAL OF MINUTES

Anthony entertained a motion to approve the minutes of the August 12, 2022, meeting. Greg Downes moved to accept; Kurt Janowsky seconded; and motion carried.

TREASURER'S REPORT

Ron Zeltwanger gave the Q3 Financial Report ending September 30, 2022. The Mishawaka Sports Complex/Fund 9426 had a cash balance of \$2,091,857.11; the Potawatomi Zoo Capital/Fund 4927 - \$804,622.22; Morris PAC Capital Fund 7403 - \$533, 022.38; Tourism Capital Investment/Fund 7404 – \$1,066,044.87. The Hotel-Motel Tax/Fund 7304 started 2022 with the cash balance of \$4,707,375.73 plus receipts of \$3,764,465.61 less disbursements of \$3,287,567.96 left a cash balance of \$5,184,273.38.

The approved 2023 Hotel-Motel Tax Fund Budget is a Total of \$5,999,437.00 which includes Century Center Debt Service - \$221,437.00; CC Lease - \$221,437.00; CC Operations - \$1,275,000.00; CC Building and Structures - \$500,000.00; CVB - \$1,650,000.00; Special Projects - \$1,743,000.00; and CVB Tourism Grants - \$225,000.00.

PRESIDENT'S REPORT

President Anthony reported that the Tourism Capital Investment Committee prioritized two projects:

1. Adding more sheets of ice to the community to host more hockey tournaments; The Committee is not ready to make a recommendation yet as discussions are underway with providers to see where the best return would be.
2. Urban trail connecting Notre Dame to downtown South Bend; based on info from VSBM that 56% of the visitors to our community are because of Notre Dame. Tourism impact has been seen at Carmel with the Monon Trail and others. The City of South Bend and Notre Dame have started discussions. The City has retained the services of a company that designs urban trails. The Committee has not committed to funding yet, but it is very interesting.

The Allocation Committee and the TCIF Committee have discussed investing the reserves rather than having the funds waiting for a rainy day. We have just gone through the most rainy days with the Covid-19 Pandemic that, hopefully, we will ever have in the tourism industry. More funding is needed for both projects. A budget line of \$1.7 million could go towards these projects. Discussion followed on how The Ice Box in South Bend is considering adding another sheet of ice. Hockey tournaments currently take people to Kalamazoo, MI. The Ice Box has never had more than one tournament at a time due to last minute changes. The new ice at Beutter Park in Mishawaka is a ribbon.

AGENCY REPORTS

CENTURY CENTER

Aaron Perri reported that Century Center has a projected 2022 year-end 654 event days, 149,702 attendance, 14,315 hotel room nights, and \$16.52 million economic impact. The room numbers come from pickup reports that the staff receives hotels directly. There were conferences held seven of the past ten weekends. There are four or five state conferences and the International Association of Jugglers scheduled in 2023. Perri thanked Venues Parks & Arts staff, partners at Navarre Hospitality and ASM Global for the work that's been done in a challenging labor market with inflation costs of food and beverage in relationship to customer satisfaction.

MORRIS PERFORMING ARTS CENTER

Perri reported that the Morris Center (theater and Palais Royale ballroom) has a projected year-end 164 events, 3,820 room nights and \$10.95 million economic impact. This is impressive considering the Morris was closed for about 90 days during Summer for renovation.

Perri showed photos of the Morris theater when it was closed for 90 days in the summer for renovations. The chairs, carpeting, and concrete floor were removed and replaced. Channels were added to the floor to run show cables. VIP Loge Box seats were added across the back of the theater, turning some of the worst seats into some of the best seats in the theater. A new energy efficient white roof and HVAC mechanicals were installed. The \$6 million invested into energy savings projects are guaranteed to have a payback through the AMERESCO 20 year program. In any year that these projects do not produce expected savings, AMERESCO will write a check for the difference. Over 30,000 light bulbs were changed to LED lights. A new metal detector security system was added. Detailed painting was done. New sound and lighting systems (including spot lights) were added.

An estimated 12,000+ people attended the Morris 100 Fest held 9/30 – 10/1 outside in front of the Morris. Photos of the event were shown. The CityPossible Network powered by Mastercard produced preliminary reports results showing that total account spending was up in downtown +262% vs. the same dates in 2021.

Phase II of renovations were shown with updated illustrations of the future Raclin-Murphy Encore Center, VIP bar on the second floor, and plaza. Over \$24 million has been raised as of 9-29-22 towards the \$30 million goal. After more than two years, Greg and Mary Downes have are stepping down as Co-Chairs of the Morris 100 Fundraising Committee, they received a Key to the City from Mayor Mueller for their efforts.

Perri announced that an offer has been accepted by a candidate for the position of General Manager – Venues. He will be starting by the end of the month and will be giving the reports at the next meeting.

POTAWATOMI ZOO

Josh Sisk reported that the zoo closed for it's regular season on 10-31-22. The zoo met its attendance goal of 300,800 people for the season which does not include the upcoming Gift of Lights. There were 15,724 people who attended the zoo during the three days of the Zoo Boo which included over 7,000 on Saturday. Ground was broken for the bear concessions and that project is moving forward and will be open in the Summer. New lions will be coming soon, the exhibit is under construction and will be ready when the zoo opens in April. The zoo is in the final stages of finalizing the Association of Zoos and Aquariums Registrar Conference October 1-7, 2023, with about 400 rooms.

VISIT SOUTH BEND MISHAWAKA

Jeff Jarnecke reviewed the 9-30-22 STR data that shows Saint Joseph County Occupancy rate at 66%. This is an 8% increase YOY. Year-to-date room nights were 27,336 for contracted events with a \$17 million economic impact. Room demand has been increasing.

The South Bend Community Survey found that 33% of respondents answered the question “How do you feel about South Bend?” 42% being satisfied or very satisfied; and 57% were neutral or dissatisfied. The ADARA report shows 1.5 million leisure market searches; 15,000 bookings; 28,000 room nights; and 1.7 nights per stay. Indianapolis and Chicago are the top referral markets.

The AIRDNA report shows 800-1,300-1,400 homes each month are available as short term rentals. This does not include Air B&Bs. Most (89%) are 2-bedroom or larger homes. A total of 25,000 room nights are short term rentals vs. hotel rooms. Short-term rentals can be \$500 per night and as of 7-1-19 are required to submit the Innkeeper’s Tax and Sales Tax to the State of Indiana. The 2021 Innkeeper’s Tax included \$1.3 million from State marketplace facilitators and \$4.6 from County local hotels for a total of \$5.9 million.

The STR data of 54 properties and 5,293 rooms reports a 54.2% occupancy rate in 2022 and forecasts 56.4% occupancy rate in 2023. The sales strategy will be shifted from November to March to address “lulls” in occupancy. Another goal is engagement opportunities with college students.

Jarnecke also announced that Lindsay Ference, after almost 7 years with VSBM, was leaving her position as Director of Sales & Convention Services. He thanked her for all her work to attract so many visitors to St. Joseph County.

Jarnecke wanted to make the board aware of potential Indiana legislation this year. Information on Tourism Improvement Districts (TIDs) by the Indiana Tourism Association was distributed. The VSBM is a member of the Association which is working with State legislators to potentially enact new legislation that allows counties, municipalities, or a board the ability to create an assessment zone. They are refraining from calling it a tax as it is different from a Food & Beverage Tax or an Innkeeper’s Tax. It would allow businesses (restaurants, hotels, attractions) within an area to assess a percentage or fixed amount that would go back to the area to create a revenue stream that can be bonded against or reinvested back into the tourism improvement district. The legislation has not been drafted yet. It is being championed by State Legislator Mike Karickhoff of Kokomo with some additional supporters. This would allow legislation in a particular county that is not subject to the County Council approval for how the money is spent. VSBM supports the work of ITA in this effort. Whether or not this makes sense for Saint Joseph County is probably up to the municipalities to decide. Twelve organizations (restaurant and lodging, Indiana Tourism, etc.) authored a letter to Governor Holcomb asking for more significant appropriation (\$35 - \$45 million) for state tourism as compared to the \$5 - \$6 million.

Discussion followed on how the State of Indiana has had a budget surplus for many years, yet continues to underfund tourism compared to the surrounding states. The State administration needs to make a better commitment to tourism in the budget process before more local taxes are created to raise money for tourism that the State should be funding. For years there has been talk locally through Downtown South Bend (DTSB) on Business Improvement Districts (BIDs) about how to raise money locally for tourism.

MISHAWAKA SPORTS COMPLEX

Jeff Jarnecke gave an update on the Mishawaka Sports Complex. The City of Mishawaka has had meeting one of nine for the new \$38 million sports facility. Thanks to the Redevelopment Commission for the first vote of support. The project will be presented to the Mishawaka Common Council at the 11-7-22 meeting. The last meeting is 12-5-22. As long as the requisite approvals are in place, ground-breaking will be February or March 2023 with twelve months of construction, and the complex would open Spring 2024. The facility located at an extended Veterans Parkway (East of Juday Creek) will include 10 basketball courts, 2 full-size indoor football fields, basketball courts that converts to 16 volleyball courts. The project estimates 22,500 room nights and an economic impact of \$35 million.

NEW BUSINESS

MISHAWAKA SPORTS COMPLEX

Attorney Randy Rompola with Barnes & Thornburg presented on the Resolution of the St. Joseph County Hotel-Motel Tax Board of Managers Pledging St. Joseph County Hotel-Motel Tax Revenues for the Payment of Lease Rentals Pursuant to a Lease Between the City of Mishawaka Redevelopment Commission and the City of Mishawaka Building Corporation Pertaining to the Financing of an Indoor Sports Complex in the City of Mishawaka. Barnes & Thornburg is serving as bond counsel for the City of Mishawaka in the financing of the project. The financing involves approximately \$37 million issuance of debt by the City of Mishawaka. The debt would be paid for by a combination of project tax increment, operating revenues from the operator of the facility, and the 1% Hotel-Motel Tax that is designated to the Mishawaka Sports Complex. The financing would also be backed by the City of Mishawaka with a special Benefits Tax so that bonds can be sold at a lower interest rate. That is part of the approval process and multiple meetings need to happen. To avoid the tax levy the City of Mishawaka will also back that with consolidated TIFF revenue. In the later years as the consolidated TIFF falls off, they will make available, if necessary, general City of Mishawaka revenues to avoid the tax levy.

The Resolution is to pledge the 1% Hotel-Motel Tax (allocated by State law) that goes to the facility to payment of the debt service of the facility. The baseline was calculated at \$960,000.00 which is based on the 1% Hotel-Motel Tax revenues received in 2019. In the future if the amount would drop below that amount, the City of Mishawaka has requested that the Hotel-Motel Tax Board consider making up the deficient amount from other available revenue. Paragraph 3 makes it clear that it is up to the discretion of the board whether or not to do that.

The Resolution is to consider the 1% Hotel-Motel Tax would be applied to service of debt service. The estimated amount of \$960,000.00 by Baker Tilly Municipal Advisors, LLC, is 1% of the Hotel-Motel Tax by State law based on the Hotel-Motel Tax revenues collected in 2019. The \$2 million already in the fund would be used to pay construction costs.

Discussion followed that Paragraph 3 referred to the board twice as “the Board.” The other paragraphs refer to the board as “the Board of Managers.” Randy Rompola will have Paragraph 3 edited to refer to the board as “the Board of Managers” in both places.

The next discussion was about the text in Paragraph 1: “The Board of Managers does hereby irrevocably pledge the Sports Complex Hotel-Motel Tax Revenues to the payment of the Lease Rentals for a period not less than the Term.” This could mean the entire amount of the 1% Hotel-Motel Tax revenues received, regardless of whatever the 1% dollar amount totals. Transfer resolutions usually state “up to the amount of the total lease rental payment.” Language should be added

to cap the payment to the amount of the lease payment and the balance would remain in the Hotel-Motel Tax Board Fund 4926 for the Mishawaka Sports Complex. Randy Rompola will have the text in Paragraph 1 edited to state: "The Board of Managers does hereby irrevocably pledge the Sports Complex Hotel-Motel Tax Revenue and to cap the payments to the amount of the lease payment due in any given year and the dollar amount over the lease payment amount will remain in the Hotel-Motel Tax Board Fund 4926 for the Sports Complex."

The third discussion was on the question of what if the lease rental payments terminate before July 1, 2046. Randy Rompola answered that the bond financing will not be shorter than 2046. Because of the amount of financing, it cannot cash flow sooner than 2046. If the bond were paid off early with more operating revenues than expected, then the pledge would be done. The pledge is only effective during the term of the financing.

The fourth discussion was on the question of what happens to the over \$2 million that is already in Fund 4926 for the Sports Complex. Randy Rompola answered that the money already in Fund 4926 is not affected by the Resolution as that is planned for construction costs.

The fifth discussion was on how the Hotel-Motel Tax dollar amount over the lease rental amount in Fund 4926 could potentially be used in the future for exterior ball diamonds or sheets of ice.

Dan Parker made a motion to approve the Resolution with the amendment to add to the second WHEREAS Paragraph and Paragraph 1: "to cap the payments to the amount of the lease payment;" Gary West seconded; and motion carried.

NOMINATING COMMITTEE

John Anthony announced that Carmen Piasecki has agreed to chair the Nominating Committee and officers will be in place by the next meeting.

OLD BUSINESS

MORRIS 100 CAMPAIGN UPDATE

Greg and Mary Downs, Co-Chairs of the Morris 100 Committee, have resigned their positions.

ADJOURNMENT

With no further business President Anthony entertained a motion to adjourn the meeting. Greg Downes moved to adjourn the meeting; Dan Parker seconded; and the meeting adjourned at 9:50 a.m.

JA:mes