

# Preliminary Plan of Finance

Convention  
Center Project

City Council Meeting  
June 27, 2023



# Convention Center Project Scope

## Scope to Include:

- Arena
- Convention Center
- Selena Auditorium
- Entertainment District
- New Headquarters Hotel

# Funding Sources

Project Finance Zone Revenue	City Hotel Occupancy Tax	TIRZ #3	Type B	Type A
<ul style="list-style-type: none"><li>-Granted by approval of HB5012</li><li>-State's portion of the incremental collections of sales tax, HOT, and mixed beverage for 30 years</li><li>-Three-mile radius of project</li></ul>	<ul style="list-style-type: none"><li>-2% Venue Tax</li><li>-7% Hotel Occupancy Tax</li></ul>	<p>Add Convention Center Project as an allowed project to the Project and Financing Plan</p>	<p>Add Convention Center Project as an allowed project to</p>	<p>Possible repurpose of both 1/8 cents sales taxes currently collected for the purpose of the Arena and Seawall</p>

# Funding Categories

## Known & Available

- Have historical collections
- Available to be allocated to the project

## Known & Eligible for Allocation

- Have historical collections
- Currently allocated for other purposes
- Can be allocated in part or completely to the project

## Unknown & Required

- Do not have historical collections
- Collection forecasting subject to assumptions
- Required to be allocated to the project

# Funding Types and Categories

	Known & Available	Known & Eligible for Allocation	Unknown & Required
Project Finance Zone			X
City Hotel Occupancy Tax	2% Venue Tax	7% Occupancy Tax	
TIRZ #3		X	
Type A		X	
Type B		X	

# Actions to Access Funding Sources

- With the exception of the Type A repurpose, all necessary actions controlled by City Council and affiliated boards (Type A, Type B, and TIRZ #3)
- The repurpose of Type A funding requires approval through a citywide election

# Type A Repurposing

## Today

- **1/4 Cent Sales Tax**
  - Arena-1/8 cent
  - Seawall-1/8 cent
- **Expiration**
  - Arena-2025
  - Seawall-2026
  - Can accelerate to an earlier date if cash on hand is used to retire existing debt early
- **Revenue**
  - 1/8 cent produces approximately \$8.0M annually which continues to increase each year

# Type A Repurposing

## Process

- November 2023 election to approve repurpose of 1/4 cent after existing debt is paid in full
- Election prior to expiration ensures no interruption in collection
- Single measure and ballot proposition
- Propose 1/4 cent allocation
  - 75% to Convention Center Complex (Includes Seawall)
  - 25% to defined parks and commercial/industrial streets



# Type A Repurposing

## **Next Steps after Repurpose Approval**

- Create special purpose entity governed by City Council to manage Convention Center Complex redevelopment
- Approve Type A and City Interlocal Agreement to transfer revenues:
  - Parks and Streets funding to City
  - Convention Center Complex funding to special purpose entity

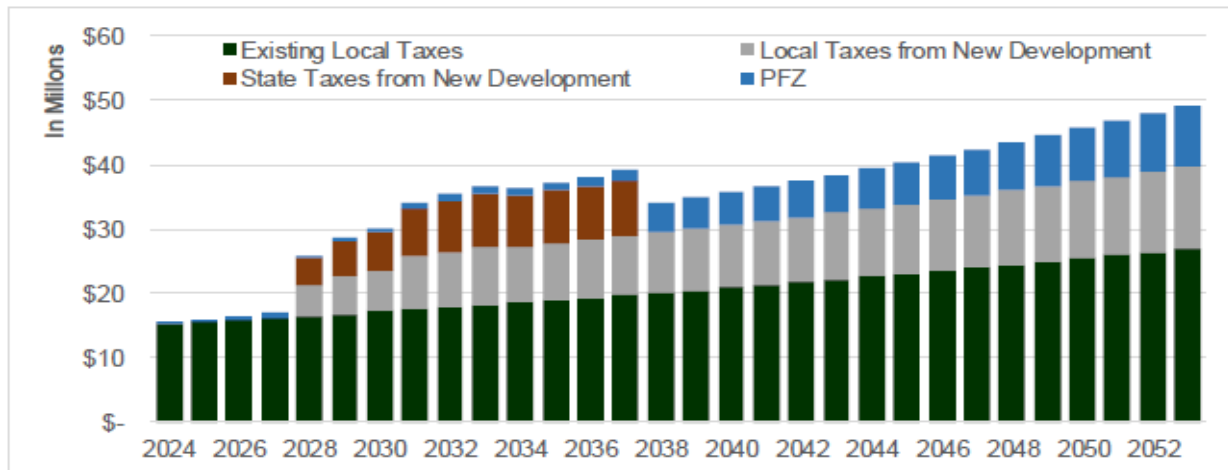
# Convention Center Complex

“Convention Center Complex” will include:

- Arena
- Convention Center
- Selena Auditorium
- Seawall
- New Headquarters Hotel

# Potential Revenues (need updated schedule)

Summary of Potential Gross Revenues (in millions)					
Revenue Source	Description	Years	Projected Total	@ 1.50x DSCR	Est. PV
6.25% Sales Tax	State - Onsite	2028-2037	\$ 52,283	\$ 34,855	\$ 23,106
4.0% Hotel Tax	State - Onsite	2028-2037	19,928	13,285	8,793
3-Mile Project Finance Zone (PFZ)	State	2024-2053	120,357	80,238	29,142
7.0% Hotel / Motel Tax	Local - Onsite	2028-2053	113,064	75,376	33,035
2.0% Venue Occupancy Tax	Local - Onsite	2028-2053	32,304	21,536	9,438
0.125% Arena Sales Tax	Local - Onsite	2028-2053	3,362	2,241	985
0.125% Seawall Sales Tax	Local - Onsite	2028-2053	3,362	2,241	985
TIRZ Tax Revenues	Local - Onsite	2028-2053	101,436	67,624	29,786
2.0% Venue Occupancy Tax	Local - Existing	2024-2053	159,502	106,335	52,446
0.125% Arena Sales Tax	Local - Existing	2024-2053	355,442	236,961	116,873
TIRZ Tax Revenues	Local - Existing	2024-2053	102,445	68,297	33,685
<b>Totals</b>			<b>\$ 1,063,485</b>	<b>\$ 708,990</b>	<b>\$ 338,274</b>



- ▶ Projected revenue sources, annual amounts and applicable years provided by Hunden Partners as of June 9, 2023. Preliminary, subject to change.
- ▶ The annual revenue projections represent gross tax receipts. Operations & maintenance (O&M) and renewal & replacement (R&R) costs would be paid from these revenues, reducing the potential bond capacity.
- ▶ For purposes of illustration, the annual gross tax revenues are adjusted for a minimum debt service coverage requirement (DSCR) of 1.50x and present valued to July 1, 2023 at an illustrative cost of funds.
- ▶ An independent consultant should be retained to provide a detailed forecast of available pledged revenues. This study will be used to structure the debt and obtain bond ratings and insurance.
- ▶ Additionally, the City should consider adding a senior underwriter with considerable convention center/arena experience to the finance team early in the process as the plan of finance is being built.

# Project Timeline

