SMART HOTEL GROWTH PLAN

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In accordance with your request we have completed our research and analysis associated with the consulting assistance we will provide the Downtown Memphis Commission (DMC) relating to the "Smart Hotel Growth" plan currently being considered for downtown Memphis, Tennessee. The "Smart Hotel Growth" plan is identified in the Tourism 2020 strategic narrative of the Memphis Convention & Visitors Bureau. The Smart Hotel Growth plan addresses several aspects that impact the development of hotels and the use of public incentives to provide financial assistance for the development of these hotels.

Our consulting assistance included:

- Assistance in creating guidelines for what type of hotel projects the DMC should be incentivizing, assuming the projects would not be possible without the incentive (a/k/a "but for" test)
- Review incentives or plans from other cities/municipalities
- Evaluate the current pipeline of hotel projects in the Memphis area
- Evaluate the need for a smart growth plan and the need for public assistance for hotel projects in downtown Memphis
- Evaluate the potential to attract hotel development in the downtown market with and without public incentives
- Help establish the criteria or guidelines for providing public assistance for hotel development in downtown Memphis
- Review and comment on the Convention & Visitors Bureau Smart Growth Plan
- Evaluate the impact of a proposed "Smart Growth Policy" on sustaining and growing the tourism and hospitality industry in downtown Memphis
- Review other factors that may impact the tourism and hospitality industry in downtown Memphis as they relate to hotel development

The Downtown Memphis PILOT (Payment In Lieu Of Taxes) Program is a financial incentive that is designed to encourage commercial real estate development in and around the Memphis Central Business Improvement District (CBID) by partially freezing property tax assessments at the predevelopment level for a predetermined period of time. Downtown PILOT's are reserved for projects that "but for" a PILOT could not be financed or built. The Downtown PILOT program increases revenues to the city and county by dramatically increasing property values. The Downtown PILOT program is a need based program. To be eligible for a Downtown PILOT, a property owner must prove that, without the incentive, financing the property improvements would be impossible and the property would remain degraded. In addition, the developer's use of a PILOT to mitigate unfavorable financing terms or other excessive costs and expenses that could be avoided without compromising the nature of the project is not acceptable.

The use of the PILOT Program should be used to assist the DMC in accomplishing its Strategic Plan in its efforts towards advancing Downtown Memphis. These goals emphasize priorities in attracting investments, safety, transportation, vibrancy, anti-blight and cleanliness. The Metrics used by the DMC include:

- Primary Metric: People - the number or workers, residents, students, tourists, local visitors and customers in Downtown Memphis.
- Secondary Metric: Commercial property values in Downtown Memphis, provide services that directly benefit Downtown commercial property owners and increase property values

In order to make Downtown attractive for real estate and business/commercial investments, there are several objectives in place to achieve these goal including:

- Facilitate and accelerate real estate development in Downtown
- Serve as urban planners for Downtown
- Incentivize Downtown development when necessary to increase investment and economic development
- Administer sign regulations and design guidelines
- Fight blight to improve the visual appearance and sustainability of Downtown's building stock

The use of the PILOT Program is a key part of the DMC's efforts to achieve its goals and should be used in accordance with a set of guidelines to streamline the evaluation process for the issuance of PILOTs for hotel development.

In order to properly complete this task, it is first noteworthy to understand the purpose of any incentives and their impact on the potential development of hotels in the market. In the past, Memphis along with any number of municipalities have shown that many forms of public assistance or investments are often required to "enhance" the public/private investment that may be required to develop hotels or other tourism related facilities.

Inducements for the development of hotels or other tourism related facilities via public financial support typically falls into two categories:

- Public/private partnerships
- Public financing

In most cases, these inducements provide considerable returns in the form of job creation, added amenities in the development area, increased tourism, growing tax base, revitalization of an area, stimulation of development in adjacent areas. All of these result in a win/win situation for both the public and private sectors.

RATIONALE FOR PUBLIC ASSISTANCE

It was clear from the research that municipalities determined that there was a need for public assistance for the development of certain hotels in certain market areas and that this assistance was justified. Utilizing these incentives to stimulate the development of hotels and tourism based attractions, these municipalities were able to assist investments that would provide financial returns for these cities/municipalities.

Tourism typically is a major industry in these areas and providing these incentives can generally benefit the local tourism industry. These developments also help with job growth and economic vitality. Incentives are often essential and lead to projects that otherwise would not happen. In the long term, these incentives typically bring in more investment and revenues than the total cost of the incentive.

Incentives are not only to ensure that the development is solvent, but also that these developments have a synergistic effect on surrounding the developments.

Hotels are a major part of the tourism industry and are one of the most highly taxed industries. Transient occupancy tax (TOT) or room tax, as well as sales taxes can be expected to increase with the development of a hotel. These taxes (sales and room) benefit from the influx of visitors as do airport landing fees, and taxes of taxis and rental cars. In addition, visitors spend money in a variety of other areas including restaurants, retail and other tourism attractions. Payroll and other taxes are also collected locally and add to the benefit of added hotel development. Taxes paid at hotels are typically from out of town visitors and are not seen as a direct burden on the local population.

In addition to the impact from added taxes, the hotel industry is somewhat labor intensive and directly or indirectly requires both skilled and unskilled workers. The addition of new hotels in the market will increase employment in downtown as well as bring additional travel related spending to the area.

The economic impact from the use of public assistance to enable development is wide spread and can be dramatic in many municipalities. Incentives should aid in the development of facilities that will directly or indirectly contribute to the growth and expansion of tourism opportunities, encourage the maximum utilization of a specific market area, increase the quality and value of the development area, provide employment opportunities and increase the potential to collect taxes. These incentives may also indirectly encourage other property owners to improve or upgrade adjacent or nearby properties, as well as aid in the revitalization of neighborhoods or development districts.

TYPICAL PUBLIC FINANCING MECHANISMS

There are a variety of financing mechanisms that have been used by public entities throughout the nation to assist in the development of hotel projects. These subsidies or other financial support include:

- Bonds
- Fee Waivers
- Room Tax or Transient Occupancy Tax (TOT) rebates

- Parking Tax Rebate
- Property Tax Rebate or Deferral
- Reduced cost land or acquisition assistance
- TIF – Tax Increment Financing
- PILOT – Payment in Lieu of Taxes

These programs have been used individually or in combination to stimulate the development of projects that meet the required criteria. Some of these programs are statewide or are a result of state tourism development acts while others are the result of city, county or other municipality specific programs or guidelines.

REVIEW OF HOTEL INCENTIVES PROVIDED BY OTHER CITIES

In order to establish the guidelines for the use of PILOTs by the DMC, it is important to examine the type of incentives and methodology used by other cities in regard to the issuance of incentives for hotel development.

We have reviewed information on a number of projects where incentives have been provided for the development of a hotel or the renovation of a hotel. These projects span a period of time going back several years and also included current developments in a number of cities ranging in size. A summary of these projects and incentives are presented as Appendix I to this report.

The incentives reviewed reflect a wide range of incentive products for a variety of development scenarios. Some are specific to a particular project where others would apply to multiple developments.

BASE CRITERIA FOR AWARDING HOTEL PILOTS

Establishing a base criteria for awarding hotel PILOTs is a critical part of the process and should be reevaluated as needed to reflect changes in national and local economic conditions and local market needs. The basic criteria should include factors such as:

- Quality standards
- Minimum number of rooms
- Other facility requirements

- Room block agreements
- Location
- RevPAR penetration
- Community benefit
- Financial need
- Historic preservation or other unique redevelopment opportunities

The dollar amount of the hotel incentive should be limited to a supportable funding gap in the proposed development. PILOTs could be used for both new development and rehabilitation projects. The base criteria can be different for new development vs. rehab projects. Rehab projects could be smaller in size and scope and could help revitalize areas where a new ground up development may not be possible.

When reviewing the financial projections provided by potential developers, it is likely that the applications would contain a variety of financial terms that could make the analysis difficult. Given the consistently changing condition of the financial markets, the wide variety of financing options available at any point in time and differences in the financial conditions of the individual developers, it is not unlikely that some of the basic financing terms will vary from project to project. Whether it is amortization terms, interest rates, or debt/equity ratios, each of these will have an impact on the "but for" test analysis.

In order to make sure that all projects are considered in the same manner, it may be beneficial to establish a standard financing model using a predetermined amortization term and debt/equity ratio to estimate mortgage payments. These may need to be adjusted to reflect changes in the financial markets from time to time but will help make sure that projects are evaluated in the same manner.

<u>CURRENT HOTEL SUPPLY</u>

The current lodging supply in downtown Memphis consists of 15 hotels with a total of 3,044 rooms as of the end of July 2015. The following table lists these hotels along with the number of rooms and year opened:

MEMPHIS, TENNESSEE DOWNTOWN HOTELS		
Hotel	# Rooms	Year Open
Madison Hotel	110	2002
Springhill Suites	147	2002
Hampton Inn & Suites Beale Street	144	2000
River Inn	28	2007
Westin Memphis Beale Street	203	2007
Residence Inn	90	2004
Courtyard	131	2010
The Peabody	464	1982
Sheraton Hotel Memphis	600	1985
Sleep Inn	118	1996
Comfort Inn	71	1966
EconoLodge	116	1959
Benchmark (closed 2014)	120	1958
Doubletree Hotel	280	1986
Holiday Inn Downtown	192	1968
Crowne Plaza	230	1973
Total	3,044	

Source: STR

Based on data available from STR, the current hotel pipeline for downtown Memphis includes a mix of full service and select service facilities. At the present time, there are 12 hotels in various stages of development in the downtown market area. These 12 hotel projects represent an additional 1,529 rooms. The following table summarizes the downtown hotel pipeline along with additional detail regarding these proposed hotels:

MEMPHIS, TENNESSEE
PROPOSED HOTEL PIPELINE

Property	# Rooms	Status	Location
Central Station	121	Proposed	GE Patterson & Main St
La Quinta	80	U/C	Union Ave & Danny Thomas
Pinch Hotel	108	Proposed	Front St & Overton Ave
Tenoke Hotel	130	Proposed	Jefferson Ave & Third St
Autograph Hotel	162	Proposed	Gayoso Ave & Front St
AC Hotel	-	Proposed	Jefferson Ave & Second St
Ascend Hotel	60	Proposed	Madison Ave & Third St
Fairfield Inn	128	In Development	Union Ave & Third St
Cambria	160	In Development	Union Ave & Fourth St
One Beale	255	In Development	Wagner Place & Linden Ave
Hilton Garden Inn	210	In Development	Union Ave & Hernando St
Holiday Inn Express	115	In Development	Union Ave & Fourth St
Total	1,529		

Source: Pinkowski & Company

Many of these hotels are speculative or in the very early stages of the development process and may not come to fruition or be developed as originally planned. Some of these projects have actually already been deemed as undevelopable in their original structure and most likely will be dropped from any future consideration. In like manner, announcements of new developments will continue in the future and will be added to this list.

NEED FOR SMART GROWTH PLAN/PILOTS FOR HOTEL DEVELOPMENT

There is no doubt that there can be substantial economic benefits associated with hotel development. Hotels are an important component of the market supporting commercial development, tourism related activities, convention activities and other social activities in the community. Hotels generate taxes, create employment and typically cater to out of town visitors to the area. Hotels also can help support surrounding projects that provide additional public benefit. In addition, having a sufficient hotel inventory available in the right locations is critical to support the current and future meetings and convention market in a city. The right mix of hotels (size, type and location) is also a critical component of the hotel inventory.

Hotel PILOTs should provide a defined and noteworthy public benefit that would otherwise not be realized without this type of incentive. It is critical that the public benefit component of the incentive program be well defined. The use of a PILOT should be for the public good and provide a benefit to the downtown market, not just to enable a questionable project to be developed. PILOT programs should not be used to advance private sector development that would otherwise be made regardless of incentives, but rather should be used to advance those projects that benefit the public good that are not likely to be developed without any public assistance.

POTENTIAL TO ATTRACT HOTEL DEVELOPMENT WITH AND WITHOUT PILOTS

The use of PILOTs in the development of hotel properties is prevalent and well documented. Developers have been accustom to asking for some type of public assistance for a variety of hotel projects for many years and this trend is likely to continue in the future. Larger projects that require complex funding or include extensive facilities are more likely to seek some type of incentive to help offset the cost of development and make the project more attractive for the potential developer.

When and how to use public incentives for potential hotel development is a complex question and there is no easy answer. While it is possible to attract hotel development without the use of incentives (New La Quinta on Union Avenue for example), many developers have become accustomed to asking for some type of incentive to help offset the cost of developing hotels, just because they are available. Some of these incentives are necessary while others may just increase the potential profit for the developer. A close examination of each development will reveal whether or not the issuance of a PILOT is justified. Close scrutiny of the development costs, financing terms and other development components can reveal areas where improvements could be made to enable the development without the use of a PILOT.

Each potential project seeking incentives will need to be evaluated to determine the specific need of that particular project for PILOT. While the CVB proposes that incentives be reserved for “larger” hotels that help increase “tourism, convention & meeting business”, there may be instances where either the location, size or scope of the development may fit a wider criteria including stimulating other businesses, redeveloping an area or deriving other community benefits that are not directly related to convention and meeting business.

The potential to attract hotel development of any type will be depending on a variety of factors that will be constantly changing. These changes may be the result of changing economic/financial conditions, changes in local market factors, variations in supply and demand factors as well as available sites that could be suitable for hotel development.

FINANCIAL INCENTIVE OPTIONS

Public incentives to provide financial assistance for hotel development in other markets varies widely. In regards to the DMC, the primary source of financial assistance is the issuance of a PILOT. The establishment of a set of criteria or guidelines for the issuance of a PILOT is necessary to help clarify the process and create the necessary transparency for the DMC in dealing with the applicant, constituents and various government entities that are represented in the market.

RECOMMENDATIONS FOR CONSIDERATION FOR PILOTS

In order to help streamline the process for evaluating and issuing PILOTs relating to hotel development, it is necessary to have a comprehensive set of criteria or guidelines to determine which projects qualify for any incentives and how those projects would be evaluated. The criteria for providing any public assistance will help establish when and how projects should be incentivized. We recommend utilizing the base criteria identified previously in this report for awarding PILOTs.
The following factors expand on the base criteria to be used in evaluating the issuance of PILOTs for potential hotel development.

Factors that should be considered in evaluating the need for PILOTs include:

- Pass the "But For" test
- Will grow tourism and/or convention related demand in the downtown market
- Fill a need for a facility not readily available in the downtown market
- Excessive and/or unusual costs to develop

  - Site conditions
  - Unique product
  - Large size and/or facilities
- Minimal standards for development
  - Quality level – minimum of 3 STAR or equivalent
  - Number of rooms – utilize a minimum number of rooms (250 rooms with the possibility of exceptions for unique products)
  - Type of facilities such as full service/convention hotel, contain meeting space, restaurant/lounge
- Job creation
- RevPAR penetration of the competitive set – property should meet or exceed the RevPAR for the competitive market
  - RevPAR, or revenue per available room, is a performance metric in the hotel industry that is calculated by dividing a hotel's total guestroom revenue by the room count and the number of days in the period being measured.
  - A RevPAR (penetration) index measures a hotel's fair market share of their segment's (competitive set, market, submarket, etc.) revenue per available room. If a hotel is capturing its fair market share, the index will be 100; if capturing less than its fair market share, a hotel's index will be less than 100; and if capturing more than its fair market share, a hotel's index will be greater than 100.
- Drive additional community benefits
- Room block commitment with the CVB for certain size projects
  - Depending on the size and location of the property, a minimum number of rooms should be committable in a room block to assist the CVB in capturing group/convention demand in downtown
- Fills a need in the market
  - Need for hotel rooms to support conventions and/or meetings
  - Unique redevelopment opportunity
  - Preservation of historic structures
  - Unique product, service or special location
- Location specific
- Used for new development or renovation/redevelopment

In addition, special consideration could be given that would target specific locations or project types such as:

- Preferred development zone – possibility of giving greater incentives for development within a preferred area, i.e. next to or near the convention center
- Preferred development type – possibility of giving greater incentives for certain types of developments that could spur other development, fill the need for group meeting related rooms, or create a destination.

Criteria appropriate for the particular market and type of development – differences in development costs for projects - could be tied to the length of the PILOT granted. Large, full service hotels have a higher development cost and a greater potential risk and should receive PILOTs that are more in line with this type of development. Smaller, limited service facilities carry less debt and smaller risks and thus should not receive the same type of PILOT, if any incentives at all.

Additional criteria for how the need for a PILOT is calculated may be required. This would include a clear and simplified means of calculating or verifying financial projections contained in the project application for a PILOT. This is necessary because questions may arise about the financing terms or property tax estimates contained in the application since they can be based on a variety of factors and can have a dramatic impact on the application review.

While the developer of each project will submit varying terms for their debt and equity structure, potential variations in amortization, interest rates and debt to equity ratios can have a dramatic impact on the conclusions of the PILOT review process. We recommend the use of a standard method of calculating the debt payment for projects submitted for a PILOT review. By selecting a standardized method, all projects will be reviewed under the same criteria. Selecting a representative amortization period (such as 25 years) and an interest rate based on a set rate over LIBOR may take some of the confusion out of the evaluation process when determining if the information submitted by an applicant is realistic and accurate.

Additional issues may arise from the property tax estimates contained in the PILOT application. Under current guidelines, appraisals are based on the development cost of a project, but actual appraisal values of existing developments rarely are in line with development costs or the most recent sales price of the project. These discrepancies can lead to a misrepresentation of property taxes or property tax estimates for the purposes of the application review.

In order to eliminate the potential for confusion, we recommend establishing guidelines for standardizing the calculation of property taxes for projects under review by the commission (such as using the DMC Worksheet).

Under the current policy, we understand a “needs based” PILOT may be issued if it meets the criteria listed below:

- Reward property owners who dramatically improve their properties to higher and better uses
- Prompt major property redevelopments in cases where the developments would not be financially feasible due to the prospect of higher taxes associated with improving the property
- Owner must prove that without the incentive (pass the “But For” test), financing the property improvements would be impossible and the property would remain degraded
- Proposed improvements must be dramatic and the value of the improvements must greatly exceed the total predevelopment value of the property
- Each project must comply with updated design guidelines
- Projects must comply with Equal Business Opportunity program

The existing guidelines should be combined with the new policy structure to ensure that the program can continue to successfully promote development opportunities in the market area covered by the DMC.

REVIEW OF CONVENTION & VISITORS BUREAU SMART GROWTH PLAN

We reviewed the Memphis Convention and Visitors Bureau’s (MCVB) SMART HOTEL GROWTH PLAN within the region as it relates to the tourism and hospitality industry in downtown Memphis. While the DMC and the MCVB both want to encourage growth in the hospitality industry in the downtown area of Memphis through the use of PILOT assistance, their individual goals differ. The goal of the DMC is to improve the land values of property within the district as well as attract more people to the downtown area, without specific stipulation to the type, size or characteristics of development. On the other hand, the MCVB’s goal is to

promote only hotels that service the convention and/or group demand in downtown Memphis.
The MCVB is not opposed to any development in downtown Memphis but if PILOT incentives are to be awarded to a prospective development they recommend the following criteria be used in evaluating the PILOT application:

1. Full service hotel with a minimum of 200 rooms under the same brand
2. A minimum of 40 to 50 square feet of meeting/banquet space per guest room
3. Property should be encouraged to participate with the CVB in citywide or multiple property bookings by providing a large part of its room inventory
4. Prove how it creates new demand for the city
5. The public incentive structure should be proportionate to the size of the property

While the MCVB plan is focused solely on using PILOT incentives for the development of full service convention oriented hotels, this limits the possibility of other types of hotels that could improve land values in the DMC district but do not meet the criteria of the MCVB. As a result the DMC criteria should differ slightly from the MCVB criteria

Based on our research and analysis of the PILOT program for the DMC and our review of the MCVB SMART HOTEL GROWTH PLAN, we offer the following recommendations for modifications to the MCVB plan:

1. The minimum size of full service hotel should be 250 rooms
2. The plan for any development should be site specific or at least include a description of what the characteristics of the site should be
3. Include a requirement for parking (structured is preferred)
4. Stipulate the minimum quality level of the hotel to be developed; this could be accomplished by star ratings, STR categories, brand identification, relative construction costs, etc. (3 STAR minimum w/exceptions)
5. Consider developing an incentive for projects benefiting demand such as a room tax rebate (not currently available to DMC)
6. Eliminate # 4 in previous list since this would be very difficult to accomplish

The DMC and the MCVB need to work together in the strategic approach to defining the criteria for hotel projects applying for PILOT incentives. The MCVB can make recommendations for the policy but the DMC is the governing body for the decision process.

IMPACT OF SMART GROWTH PLAN ON TOURISM AND HOSPITALITY IN DOWNTOWN MEMPHIS

While the development of hotels will continue in the downtown market area in the future, the type and size of these hotels may be impacted by the ability or inability to receive PILOTS. Market driven developments will continue to proceed without the enhancement of PILOTs while large full service projects will most likely not happen without some form of PILOT.

In the long run, the ability of the Memphis market to compete in the large scale convention segment, public assistance for both a convention center and a convention center hotel will be necessary.

This report has been prepared primarily for your use and guidance in determining the current and future needs for PILOTS as they relate to hotel development in the downtown market area. Neither our name nor the material submitted may be included in any prospectus, or used in offerings or representations in connection with the sale of real estate, securities, or participation interests to the public without our prior consent.

We would be pleased to hear from you if we can be of further assistance in the interpretation and application of our findings and conclusions. We appreciate the opportunity to be of assistance to you in this effort and the cooperation you and your associates extended to us during the course of our assignment.

Very truly yours,

ISHC

C. G. Pinkowski, ISHC
PINKOWSKI & COMPANY

APPENDIX I

The following paragraphs summarize each of the projects and the incentives that were reviewed during our research relating to the use of pubic incentives as they relate to the development of hotels.

- **ARKANSAS TOURISM DEVELOPMENT ACT** – to encourage growth in Arkansas's tourism industry, offering economic incentives to qualified private development projects in the form of sales and income tax credits. This does not include hotels unless the facility constitutes a portion of a tourism attraction project and represents less than 60 percent of the total approved costs of the tourism attraction.

- **GEORGIA TOURISM DEVELOPMENT ACT** – provides a state sales and use tax incentive for tourism development projects to induce the creation or expansion of tourism development attractions within the state. The Act includes convention hotels and conference centers as tourism attractions.

- **KENTUCKY TOURISM DEVELOPMENT ACT** – provides incentives for private developers to create or add to existing tourism attractions that benefit the state's tourism industry. The incentive vehicle for this program is a state sales tax reimbursement.

- **STATE OF UTAH H.B. 356 NEW CONVENTION HOTEL DEVELOPMENT INCENTIVE PROGRAM** – establishes a tax credit for the owner of a new convention hotel, in the amount of state and local sales tax revenue generated from sales related to the construction of a new convention hotel and from sales on hotel property, and other local taxes.

- **PFLUGERVILLE, TEXAS** – incentive packages to support hotel development that includes below market sale of the 6.5 acre site, a $125,000 marketing budget funded by the city's development corporation, fee waivers and up to $625,000 in incentives from the hotel occupancy tax. (site specific)

- **TEMPE, ARIZONA** – offered developer a 20 year incentive package that could give back as much as $800,000 each year in taxes in exchange for building a hotel and conference center in the city's downtown. Tax incentives could amount to as much as $16 million in rebates on city sales taxes and hotel bed tax revenue. (site specific)

- **BOZEMAN, MONTANA** – a Downtown Hotel Incentive Program to encourage the development of a new hotel within Bozeman's Downtown Tax Increment Finance District. The program will provide partial reimbursement towards hotel related impact fees for the development of a new downtown hotel. Requirements include a minimum investment of $5 million, multiple floor building height, fifty or more rooms, conference, meeting and event space, portion of required parking incorporated as structured spaces and façade aesthetics complimentary to existing downtown architecture.
- **PHILADELPHIA, PENNSYLVANIA** – launched a program to add 1,500 new hotel rooms to the city's inventory. Economic incentives include below market financing, incentives to make existing buildings more energy efficient and job creation tax credits.

- **SANTA BARBARA COUNTY, CALIFORNIA** – proposed incentive programs to stimulate hotel development included a rebate of transient occupancy tax. The proposal included a ten year rebate of all bed tax collected, hotel must maintain a luxury hotel status (Four or Five Star rating), and the rebate adjusts as the assessed value of the property decreases.

- **VIRGINIA BEACH, VIRGINIA (CAVALIER HOTEL**) – a series of incentives were given to the hotel developer totaling $18 million including $8.2 million in a performance based economic development incentive grant, $2.37 million for a green space easement, $2.449 million to rebuild a public street and $5 million rebated from taxes collected on the increased value of the hotel properties. (site specific)

- **TUSCALOOSA, ALABAMA** – economic incentives included a series of rebates that would amount to a maximum of $4 million, or ten years' worth of rebates in property and lodging taxes for the development of a $27 million hotel. (site specific)

- **ITHACA, NEW YORK** – tax abatements provided under the city's Community Investment Incentive Tax Abatement Program. Projects meeting certain size and value minimums can get reductions in city, county and Ithaca City School District property taxes from what would be paid on the increase in value of the property from being developed.

- **DES MOINES, IOWA** – tax incentives for the development of a Four Star hotel next to the Hy-Vee Hall and Wells Fargo Arena. The lack of an attached convention center hotel is the driving force behind a proposal to allow the city to use a portion of the hotel/motel and sales tax generated from the district's projects to help pay for the project through the development of a downtown redevelopment district. (site specific)

- **HOUSTON, TEXAS** – city seeking approval of nearly $138 million in economic development incentives and tax rebates to jump start the development of a 1,000 room hotel at the convention center. (site specific)

- **PALM SPRINGS, CALIFORNIA** – Hotel Operations Incentive Program to provide incentives for the operation and maintenance of quality and first class hotel facilities which enhance the tourist and travel experience for visitors to the city of Palm Springs, maximize the use of the city's convention center, provide attractive and desirable visitor servicing facilities and experiences, and assist the city in achieving its tourism goals. The incentive program included a rebate of transient occupancy taxes collected over a fixed period of time, based on quality level of hotel and a specific dollar amount.

- **CATHEDRAL CITY, CALIFORNIA** – proposed ordinance which would act to incentivize the opening, operation and renovation of new and existing hotels in order to expand the city's tourism industry and create new sources of transient occupancy tax revenue for the city's general fund. This ordinance would provide for an incentive program that would allow the city and an existing or proposed hotel to enter into a transient occupancy tax sharing agreement where the city would rebate a portion of the transient occupancy tax increment generated by the new or renovated hotel.

- **ANAHEIM, CALIFORNIA** – the city has approved the use of room tax breaks as incentives to developers of high end resorts. Under the plan, AAA Four Diamond hotels would keep 70 percent of their bed taxes for up to 20 years.