



**SPECIAL MEETING
AGENDA
COMMUNITY DEVELOPMENT COMMITTEE
Tuesday, November 1, 2016**

6:00 PM

**Public Safety Building
285 North Seven Hills Road**

I) Roll Call

II) Discussion

A. Destination O'Fallon – Q & A (Frequently asked questions can be found at <http://destinationofallon.org/>)

III) Items Requiring Council Action – Monday, November 7, 2016

A. Hotel Ordinance (1st Reading)

IV) Other Business – None

NEXT MEETING: November 14, 2016 – 6:00 P.M. – Public Safety Building

General Citizen Comments: The City of O'Fallon welcomes comments from our citizens. The Illinois Open Meetings Act provides an opportunity for citizens to speak at all committee and Board meetings. However, 5 ILCS 120/1 mandates that NO action shall be taken on matters not listed on the agenda. Please submit your name to the chairman and limit your comments so that anyone present has the opportunity to speak.



MEMORANDUM

To: Community Development Committee
From: Walter Denton, City Administrator
Date: October 28, 2016
Subject: Destination O'Fallon

A presentation was made at the October 24 Community Development Committee for an economic initiative called *Destination O'Fallon* that includes a state-of-the-art multi-sports complex in the O'Fallon Family Sports Park and a new multi-purpose community plaza in the heart of historic O'Fallon Downtown. Considering the size and complexity of the presentation, the committee scheduled a special meeting on November 1 to further discuss the proposal.

The presentation emphasized how the opening of St. Elizabeth's Hospital in 2017 will complete the Medical Mile with Memorial Hospital and will begin a new era in O'Fallon's history. The hospital will bring an additional 265,000 people per year to O'Fallon in patient count and an additional 1,300 employees will work in O'Fallon each day. This presents a unique opportunity for O'Fallon to position itself as the premier economic engine in the region.

The City Council anticipated this opportunity and the Strategic Plan includes economic development as a top priority for the future of O'Fallon. In particular, the Plan describes two essential elements of economic development: business recruitment and destination development. Business recruitment includes marketing and incentives for new businesses to locate in O'Fallon along the Green Mount Corridor, Rieder Road Corridor, and Downtown area. Destination development includes capital investment in infrastructure and attractions that will bring additional visitors and businesses to O'Fallon.

The Fource Group's Economic Development Market Research concluded that O'Fallon's potential for attracting new businesses is directly tied to its quality of life and sense of community.

A community is judged by how it takes care of its downtown. The 2015 Downtown Plan and 2016 Citizen Survey both emphasized downtown O'Fallon as the heart of the community and there is demand for more community activities and events in downtown.

A concept plan envisions a Downtown Plaza at the underutilized area on First Street known as the "Santa Hut Lot." The plan includes features such as a multi-seasonal

pavilion, park plaza, water feature, and a landscaped area that can be used for both parking and event space. The estimated cost of the Downtown Plaza is \$850,000-\$1,500,000, which will be refined after input from the City Council and O'Fallon residents.

The second piece of *Destination O'Fallon* is the expansion of the Family Sports Park. An economic impact study recently revealed that visitors spend \$1.6 million each year for tournaments and park events, and parks generate \$5.1 million in economic impact to the O'Fallon economy per year. A feasibility study further confirmed that the construction of all-weather fields will significantly increase O'Fallon's ability to attract large national and regional tournaments. These tournaments could double the number of visitors to O'Fallon and be an economic engine for local businesses. The estimated cost of the Family Sports Park expansion is \$7.5 million-\$8.4 million, depending on how many all-weather fields are built.

The proposal includes a 4% increase in the Hotel/Motel Tax to fund the cost of construction. Currently, O'Fallon has the lowest Hotel/Motel Tax in the region at just 5%. An increase in O'Fallon's Hotel/Motel Tax is being used so that out of town visitors, not O'Fallon residents, will pay for the community investments. O'Fallon families and homeowners will experience the benefits of additional amenities and increased home values without having to pay for it through increased sales or property taxes.

The construction will be funded through a \$9.5 million bond issue. The City can afford the payments on this bond without any additional room nights or hotel rooms. O'Fallon has a AA+ bond rating which was awarded by Standard & Poor's because of the City's "strong management, strong budgetary performance, very strong budget flexibility, and very strong liquidity."

If the City Council chooses to increase the Hotel/Motel Tax, then planning and design will begin on the projects with feedback from the community and City Council. It is anticipated that the projects will be ready when St. Elizabeth's Hospital opens in the fall of 2017. *Destination O'Fallon* will make the O'Fallon community a national destination for families, businesses, and visitors. An increase in the number of visitors and businesses will provide a boost to the O'Fallon economy. O'Fallon will become an even more desirable community in which to live, which in turn will help to increase O'Fallon homeowners' property values.

The proposed Hotel Ordinance includes the 4% increase for a total 9% Hotel/Motel Tax. In addition, there are two clean-up items in the ordinance:

- Online travel companies: When online travel companies (such as HotWire and Hotels.com) purchase blocks of rooms at hotels, they only pay the Hotel/Motel Tax at the reduced wholesale rate, not at the retail rate they resell to customers. A recent class action lawsuit clarified this discrepancy and this ordinance includes language from the lawsuit that allows the City to capture the Hotel/Motel Tax for the entire rate.
- Extended Stay Exemption: State law contains a provision that if someone stays in a hotel for longer than 30 days, then they are not subject to the Hotel/Motel Tax. However, we recently learned that cities can opt out of the exemption and can charge the local Hotel/Motel Tax for extended stay guests. Considering the large number of extended stay hotels in O'Fallon, the ordinance removes the 30-day exemption so that all hotel customers will be subject to the tax.

ORDINANCE _____
AN ORDINANCE REPEALING AND REPLACING
ORDINANCE NUMBER 3446 “AN ORDINANCE
IMPOSING HOTEL/MOTEL TAX” (REENACTING
ORDINANCE 1824)

WHEREAS, the City of O’Fallon (“City”) is a Home Rule Municipal Corporation pursuant to Section 6 of Article VII of the Constitution of the State of Illinois; and

WHEREAS, The City of O’Fallon presently maintains Ordinance 3446 entitled an Ordinance Imposing Hotel/Motel Room Tax (reenacting Ordinance 1824); and

WHEREAS, the Ordinance is in need of amendment in order to provide for taxing of on-line travel companies and internet – based travel facilitation services; and

WHEREAS, the City is also desirous of increasing the current tax rate imposed for the privilege of renting hotel accommodations within the City of O’Fallon; and

WHEREAS, in order to accomplish the aforementioned in the simplest manner, Ordinance number 3446 should be repealed in its entirety and replaced with an appropriate Ordinance.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF O’FALLON, ST. CLAIR COUNTY, ILLINOIS;

Section 1.

The foregoing recitals are incorporated herein as findings of the City Council.

Section 2.

Ordinance number 3446 “An Ordinance Imposing Hotel/Motel Room Tax” (reenacting Ordinance 1824) is hereby repealed in its entirety and replaced with the following.

Section 3.

The replacement Ordinance is hereby entitled Hotel Accommodations Tax.

Section 4.

A. Definitions: For the purpose of this Ordinance, whenever any of the following words, terms or definitions are used herein they shall have the meaning ascribed to them in this section:

“Hotel Accommodations” means a room or rooms in any building or structure located in the City and kept, used or maintained as or advertised or held out to the

public to be an inn, hotel, motel, lodging house, bed and breakfast establishment or where sleeping, rooming, conference or exhibition accommodations are furnished for lease or rent whether with or without meals. The terms “hotel accommodations” shall not include (i) an accommodation which a person occupies or has a right to occupy as his domicile and permanent residence; (ii) any temporary accommodation provided in any building or structure owned or operated directly or indirectly, by or on behalf of a not-for-profit medical institution, hospital, or allied educational institution.

“Operator”, means any person who has the right to rent or lease hotel accommodations to the public for consideration or who, directly or indirectly receives or collects the price, charge or rent paid for the rental or lease of hotel accommodations. This term includes, but is not limited to, persons engaged in the business of selling or reselling to the public the right to occupy hotel accommodations, whether on-line, in person or otherwise. The term also includes persons engaged in the business of facilitating the rental or lease of hotel accommodations for consideration, whether on-line, in person or otherwise.

“Person” means any natural person, trustee, court appointed representative, syndicate, association, partnership, firm, club, company, corporation, business trust, institution, agency, government corporation, municipal corporation, district or other political subdivision, contractor, supplier, vendor, vendee, operator, user or owner, or any officers, agents, employees or other representative, acting either for himself or for any other person in any capacity, or any other entity recognized by law as the subject of rights and duties. The masculine, feminine, singular or plural is included in any circumstance.

Section 5.

Imposition; Rate

Commencing the effective date of this Ordinance a tax for the rental or leasing of any hotel accommodations in the amount of 9% is hereby levied upon all Operators engaged in the business of renting or leasing hotel accommodations for which a room charge is made. Persons subject to the tax imposed in this Section 5, may reimburse themselves for their tax liability or such tax by separately stating such tax as an additional charge in the rental of the hotel room, which charge may be stated in combination with or in a single amount with state tax imposed under the “Hotel Operator’s Occupation Tax Act” (35 ILCS 145/1 et. seq.).

In the event an Operator purchases a hotel accommodation from another Operator for resale and in so doing having paid a tax to the original Operator as prescribed herein, the resale Operator shall, upon the resale of the hotel accommodation, be responsible to pay a tax only on the difference between the price of its purchase of the hotel accommodation and the resale price of the hotel accommodation.

Section 6.

Report; Remittance

The Operator shall file monthly, with the Director of Finance, tax returns on forms prescribed by the City and the Illinois Department of Revenue, showing tax receipts received with respect to hotel accommodations space rented or leased during the calendar month reported. The tax return and remittance of a sum of money equal to the tax imposed on the renting or leasing of the hotel accommodations space for the calendar month, shall be due on or before the last day of each succeeding calendar month and the return shall indicate for what period the return is to be filed; i.e. return and payment for January tax receipts is due on or before the last day of February.

Every operator who is the owner of the hotel accommodations shall file monthly with the Director of Finance on or before the last day of each succeeding calendar month, a list, including name, postal address and email address, of the operators, other than the owner, who have rented or leased any hotel accommodations in the owner's facility for the month reported.

If for any reason any tax is not paid when due, a late payment penalty in a sum equal to 10% of the unpaid tax, shall be assessed to the Operator and added to the tax. In addition if for any reason any tax is not paid when due, interest at the rate of one and one half percent (1.5%) per month on the amount of tax which remains unpaid, shall be added to the tax.

Section 7.

Books and Records

Each operator required by Section 6 to pay the tax imposed by Section 5 to the Director of Finance, shall keep accurate books and records of its business activity, including the original source document and books of entry denoting the transactions that gave rise, or may have given rise, to any tax liability under Section 5 All such books and records shall, at all times during business hours of the day, be subject to and available for inspection and auditing by the Director of Finance or his authorized agent.

Section 8.

Collection

Whenever any Operator shall fail to pay any tax as herein provided, the City Corporate Counsel shall, upon the request of the City Administrator bring or cause to be brought an action against the Operator to enforce the payment of said tax on behalf of the City in any court of competent jurisdiction. Any legal fees and costs incurred by the City, in the collection of any tax, shall be paid by the Operator.

