



City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: City Manager

To: City Council

From: City Manager & Staff

Council Meeting Date: May 2, 2016

Re: Proposed Hotel/Motel Tax Adjustment for August 2016 Ballot

Executive Summary

Approval of this legislation would place a proposition before the voters in August to raise the local hotel/motel tax from 4% to 5%. Revenues generated from this temporary 1% increase will be dedicated to the Airport Terminal Improvement Project and collected for a maximum of 23 years.

Discussion

Revenues generated from the temporary 1% increase in the hotel/motel tax are proposed to be used for the Airport Terminal Improvement Project. With a growing population and an ever-increasing need for air service, Columbia Regional Airport (COU) is in desperate need of an upgrade to its facilities. Furthermore, the current airport does not comply with ADA standards and most of the airport's facilities are undersized for the passenger activity it is currently experiencing. Annual enplanements for COU have increased dramatically year-over-year since 2008. From 2010-2015, COU experienced an 86% increase in enplanements during the five-year period. In 2015, COU had a 21.8% increase in passenger enplanements, totaling 64,341 and served 129,887 passengers. Expectations for 2016 are that COU will exceed 70,000 enplanements making it the highest year of enplanements in the history of the airport.

The current facility is approximately 18,775 sq. ft., and based on a recent master planning process by airport consultant Parsons Brinckerhoff, the existing terminal should be approximately 34,800 sq. ft. to accommodate current passenger activity levels. Additionally, there are 554 parking spots available with current demand exceeding 630 spots on a daily basis. As part of the master planning process, Parsons Brinckerhoff also evaluated future growth projections and provided multiple scenarios based on Passenger Activity Levels (PAL) and the necessary terminal facility requirements. Base forecasting (PAL 1) shows 90,000 enplanements by 2021 and the need for a 43,700 sq. ft. terminal with 1,030 parking spots by 2021; whereas, PAL 3 which is based on guidance from FAA and the Airports Cooperative Research Program forecasts 120,000 enplanements by 2021 and the need for a 61,900 sq. ft. terminal and 1,190 parking spaces. These forecasts take into consideration capacity issues and ensure that the new terminal will meet the needs of the traveling public and necessary space for ticket counters, airline operations, baggage, concessions, rental cars, waiting areas and circulation areas, hold rooms, restrooms, security, and administrative functions such as offices, ARFF, TSA, etc.

Columbia Regional Airport is an economic driver for mid-Missouri and is utilized for both commercial and general aviation. Area residents fly from Columbia to other destinations,



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and COU has proven to be a viable transportation mode for bringing visitors to our community for various leisure activities, corporate travel, conferences/meetings, and the like. A regional airport is also critical to the success of our existing legacy companies and attracting new businesses to our region because of the need for air service. COU's economic impact, as determined by the Missouri Department of Transportation (MoDOT) in 2012, showed 745 total jobs, \$26 million in total annual payroll and \$87 million in total annual output of goods and services. With a larger terminal and increased passenger activity, comes the opportunity for an even greater economic impact and utilization for both inbound and outbound passengers.

The Convention and Visitors Bureau staff continues to evaluate the financial impact of lost business to our local economy, including conferences that do not consider Columbia as a viable destination due to limited air service. More recently, Columbia lost a national convention to Springfield citing limited air service. The potential lost revenue for this three day conference was calculated to be \$35,486.

In 2014, the City of Columbia conducted a citizen survey and specifically asked the following question: How supportive would you be of increasing the tax charged to visitors who stay in hotels in the city to fund the construction of a new terminal for the Columbia Regional Airport? Of the survey respondents, 67% responded affirmatively either as "very supportive", "supportive", or "somewhat supportive".

The current 4% rate has been in effect since January 2000. The proposed temporary 1% increase (raising it to 5%) would continue to place Columbia's tax rate as one of the lowest in the state with competitive communities ranging from Springfield at 5%, Jefferson City at 7%, Lake of the Ozarks at 5%, St. Charles at 6% and Overland Park, KS at 9%.

With City Council's approval to place this issue on the upcoming August ballot and with the necessary voter authorization, collection of the dedicated 1% hotel/motel tax will leverage additional funding options for the Airport Terminal Improvement Project, including federal and state. Parsons Brinckerhoff intends to submit final documentation of the Terminal Area Master Plan study to the FAA in July. The submittal will include the recommended site analysis, implementation plan, financial plan, environmental overview and the updated airport layout plan. In the coming year following that submittal, the City of Columbia will be requesting federal funding for this project in the amount of \$20 million (maximum allowed by statute), and will also pursue funding from the State of Missouri and MoDOT to assist with the match and fulfill the total anticipated cost of a new terminal. Other funding options may include implementation of on-site airport parking fees and/or possible future federal authorization for an increase in Passenger Facility Charges (PFC) which provides additional funds towards airport capital projects.



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Short-Term Impact: Election cost to include proposition on the ballot, approximately \$125,000.

Long-Term Impact: The hotel/motel tax is primarily paid by visitors to our community. Based on current revenue collections, 1% on average generates \$500,000 annually and the city anticipates generating approximately \$8-\$10 million from this temporary tax over a 23 year period.

Vision & Strategic Plan Impact

Vision Impacts:

Primary Impact: Primary, Secondary Impact: Secondary, Tertiary Impact: Tertiary

Strategic Plan Impacts:

Primary Impact: Economy, Secondary Impact: Not Applicable, Tertiary Impact: Tertiary

Comprehensive Plan Impacts:

Primary Impact: Infrastructure, Secondary Impact: Secondary, Tertiary Impact: Tertiary

Legislative History

Date	Action
12/03/1979	Council initially levied the 2% hotel tax for tourism on December 3, 1979, which took effect on January 1, 1980.
08/16/1991	A proposal to increase the tax to 3 1/2 % in August of 1991 was defeated by the public.
11/02/1999	A proposal to increase the tax from 2% to 4% in November of 1999 was passed by the public.

Suggested Council Action

Staff suggests approval of the ordinance to place the proposed temporary 1% increase to the hotel/motel tax on the August 2, 2016, ballot. Ballot language needs to be provided to the Boone County Clerk's Office on or before May 24, 2016.