

5/7/80

AT A REGULAR MEETING OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF JAMES CITY, VIRGINIA IN THE COUNTY GOVERNMENT CENTER BOARD ROOM AT 3:30 P.M. ON THE THIRTIETH DAY OF AUGUST NINETEEN HUNDRED AND SEVENTY-NINE.

1. ROLL CALL

Mr. Paul Dresser, Chairman
Ms. Diane L. Abdelnour, Vice-Chairman
Mr. Kenneth H. Axtell
Mr. John Barnett, Jr.
Mr. C. Hammond Branch
Mr. Harold N. Poulsen
Mr. Thomas Vaughan

OTHERS:

Mr. James B. Oliver, Jr.
Mr. Frank Morton, III
Mr. Henry Stephens, Secretary-Treasurer

2. MINUTES

Upon a motion by Mr. Branch, seconded by Mr. Poulsen, the minutes of the August 23, 1979 meeting were deferred until the next meeting.

3. DISCUSSION OF THE JOLLY APPLICATION

Mr. Dresser suggested the fee be deferred because it was not adopted prior to acceptance of the application.

Upon a motion by Mr. Axtell, seconded by Mr. Vaughan, the Authority unanimously agreed that no fee would be charged for Mr. Jolly's application.

Mr. Dresser introduced Mr. Stephens for the presentation of the staff report. He stated that this was not a debate, but questions could be asked.

Mr. Stephens presented the staff report explaining in depth the Jolly application. (see attached memorandum)

Mr. Axtell asked if the proposed facility fit into the comprehensive plan.

Mr. Stephens said yes.

Mr. Poulsen asked if the sales tax was based on the fact that additional tourists would come.

Mr. Stephens stated "not entirely". The stable average occupancy rate over the past 5 years implies that additional motels in conjunction with a steadily increasing demand have been built.

Mr. Dresser asked if there has been hotel and motel business failures in the past 5 years in James City County.

Mr. Stephens stated that no data was available, but he could recall one failure.

Mr. Barnett asked about the data available on room rate.

Mr. Stephens replied that since this motel is similar to other hotels in the area, he assumed that it would conform.

Mr. Dresser addressed Mr. Jolly allotting him 10 to 15 minutes to explain his application.

Mr. Jolly explained the application on his behalf.

Mr. Jolly stated that the application was clear. He gave a general description of the motel and requested that the chairman ask questions and he would try his best to answer them.

Mr. Dresser complied.

Mr. Axtell addressed Mr. Jolly and asked him that in his reading of the application, you would be taking care of 57,000 tourists and we would be splitting the pot is that correct?

Mr. Jolly stated that they have hired a sales manager for small conventions and it is in his judgement that it would bring additional tourists into Williamsburg.

Mr. Dresser asked Mr. Jolly what the viability of his project without revenue bond financing and if he had initial interests for expanding the project.

Mr. Jolly answered by saying that he was waiting for the Authority's decision on the project.

Mr. Axtell asked Mr. Jolly if he had any other restaurants.

Mr. Jolly replied negatively.

4. PRESENTATION OF THE RESOLUTION

Mr. Shilling presented the Authority with the resolution.

The resolution was reviewed by the Authority members.

Mr. Shilling briefly addressed the Authority citing similar cases and their outcomes.

Mr. Vaughan asked Mr. Shilling that if the Authority should approve the application, why would any future developer ever consider conventional financing when we could issue them a commercial bond?

Mr. Shilling stated that he couldn't answer that question.

5. COMMENTS FROM THE FLOOR

Mr. Dresser opened the floor for comments and allowed a thirty minute time limit.

Mr. A. B. Smith, a local attorney representing the Williamsburg Hotel/Motel Association, stated that the impact of such new financing on existing business could not be accurately assessed but the members firmly believed that the outcome might be unfair competition as a result of the Industrial Development Authority's decision.

Mr. Vaughan asked Mr. Smith that if the application was approved, would any members of the association want assistance in their building.

Mr. Smith stated that if the avenue was open, why not?

Mr. Donald Pons, president of the Williamsburg Hotel/Motel Association stated that the body as a whole would not oppose the introduction of another business, therefore, they did not speak out in opposition.

Mr. Butler, a owner in the Quarterpath Inn said that if the Authority approved the application they would be serving as a "conduit of a federal subsidy." We do not feel that Mr. Jolly needs a subsidy.

Mr. Jolly addressed the Authority one again. He stated that in his estimation, bonds could be sold at an interest rate between 9.25% and 9.75% rather than with 12% conventional financing. He told the Authority that his project would not be feasible with a 12% interest rate.

Mr. Poulsen moved that the Industrial Revenue Bond Authority as a method of financing be denied the James City Inn, Inc.

COMMENTS

Paul A. Dresser, Jr.
Chairman J.C.C. Industrial Development Authority

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The subject of providing tax exempt financing for retail and service facilities is, without doubt, most controversial.

Ironically, however, it is an issue that has not been widely recognized within the Commonwealth until the last 6 - 12 months. It really has not aroused much attention of the citizens, and I do not think we have collectively come to grips with the potential impact of providing wholesale tax exempt financing for retail and service facilities.

The attorney general's office has historically taken a hands off attitude, passing the buck to the General Assembly.

The General Assembly almost came to grips with the situation in 1979, but failed to change the Virginia Industrial Development and Revenue Bond Act (the Act), or clarify the retail and service facilities question.

Short term, while controversy exists and we have no clarification, I (speaking only for my own position as member of JCC IDA) will assume a very conservative posture with regard to so-called non-industrial or retail and service facilities. In any such applications which may be presented to our authority here, I will look hard for any unique characteristics of the project which will not only provide tax base and employment opportunities, but which also will provide a general positive impact on our county's economic situation.

I expect to maintain this posture until our elected state officials clarify the situation once and for all, for all IDA's of Virginia. In that any IDA in the Commonwealth can theoretically provide tax exempt financing anywhere in Virginia, I feel that we should look first for guidance from all the elected officials of Virginia, - i.e. the General Assembly. Those IDA's in Virginia that advocate "leave it alone" or are seeking further liberalization of interpretation of the Act, in my judgement, are not conducting themselves in a responsible manner. The impact could be grave, including (but not limited to):

- 1) more expensive financing for small industrial companies as well as for local governmental units of desired projects.
- 2) A general lack of funds available to finance industrial projects for which we are competing with other states.
- 3) Federal controls to further curtail, or eliminate, tax benefits now available for this form of financing.

Should the General Assembly choose not to clarify the Act one way or the other during the coming session, I will, as a member of JCC's IDA, suggest that this authority seek, as an alternative, direct guidance from our Board of Supervisors, who are the elected officials of our community. I would stress again, however, that this is certainly less acceptable in that any IDA can operate outside the jurisdiction of the local governmental unit.

I feel that we have a capable group of citizens appointed to our James City County IDA, and that we certainly have the collective ability to examine applications on a case by case basis - however, philosophical guidelines and judgement on this retail and service issue, in my opinion, are the primary responsibility of our elected officials of Virginia. The Burden and Responsibility should not rest on the shoulders of appointed members of individual Industrial Development Authorities.

Paul D. Hesserly

The motion was seconded by Mr. Branch.

Mr. Dresser asked if there was a discussion of the motion.

Mr. Vaughan stated that he would vote against the application because he did not think it was the original intent of the law to finance commercial projects, but to encourage industry to come into the area or diversify.

Mr. Barnett stated that even though tourism is an industry, the Authority should try to do something to expand and diversify to offset the layoffs that occur every year in the tourist trade.

Mr. Dresser called for a roll call vote on the Jolly application.

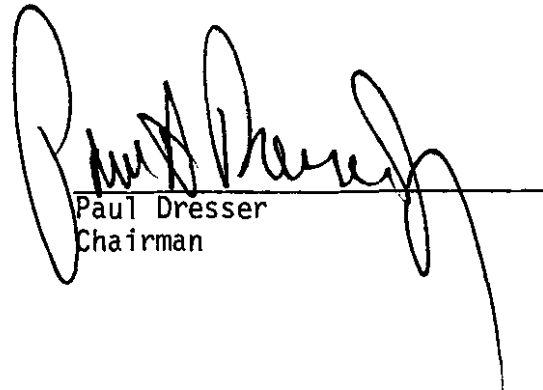
Mr. Poulsen - Aye
Mr. Branch - Aye
Mr. Barnett - Aye
Mr. Axtell - Nay
Mr. Vaughan - Aye
Ms. Abdelnour - Aye
Mr. Dresser - Aye

The motion to deny the application was adopted by the Authority 6 to 1.

Mr. Dresser then addressed the audience. His comments are appended hereto.

Upon a motion by Mr. Axtell, seconded by Mr. Vaughan, the Industrial Development Authority's meeting was adjourned at 6:00 P.M.


Henry H. Stephens
Secretary-Treasurer


Paul Dresser
Chairman