



## Legislation Text

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### City of Alexandria, Virginia

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#### MEMORANDUM

**DATE:** JANUARY 4, 2022

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Public Hearing, Second Reading and Final Passage of an Ordinance to Create the 699 Prince Street Tourism Zone in Order to Incent Hotel Redevelopment. [ROLL-CALL VOTE]

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**ISSUE:** Creation of the 699 Prince Street Tourism Zone to enable the City and a qualified tourism sector catalyst business the opportunity to apply for State and City financial assistance.

**RECOMMENDATION:** That City Council approve the proposed ordinance to create a 699 Prince Street Tourism Zone on first reading and schedule it for second reading, public hearing and passage on January 22, 2022.

**BACKGROUND:** The Virginia General Assembly approved [legislation <https://lis.virginia.gov/cgi-bin/legp604.exe?081+ful+CHAP0462&081+ful+CHAP0462>](https://lis.virginia.gov/cgi-bin/legp604.exe?081+ful+CHAP0462&081+ful+CHAP0462) in 2006, then amended it in 2008, authorizing Virginia localities to create Tourism Zones where qualified businesses can take advantage of certain state and local tax credits and deductions and certain regulatory flexibility offered within a Tourism Zone. Tourism Zones can be created by adoption of a local ordinance and may contain both requirements and benefits for existing and new or expanded tourism businesses, including lodging, dining, retail, meeting and sports facilities, outdoor recreation areas, theme parks and event venues. Currently, there are approximately 75 Tourism Zones, statewide, across Virginia in 47 different localities.

The ongoing COVID-19 pandemic has disproportionately and negatively impacted businesses throughout the tourism industry and has created a major gap in available financing for new businesses and projects looking to make investments nationwide as well as in the City of Alexandria. Some of the City's various adopted Small Area Plans envision tourism catalysts, to include lodging and event venues, as an important part of new development in a variety of neighborhoods. Tourism-driving projects in some parts of the City are not likely to proceed until these financing gaps are closed.

**DISCUSSION:** As part of the City's economic recovery efforts, staff explored tools not yet utilized or enabled at the federal, state and local level that support new investment in and growth of the tourism industry. To date, City economic recovery efforts have been limited to existing businesses, established in the City prior to the start of the pandemic. That support has come in the form of direct grants, fee waivers, marketing and promotion and regulatory flexibility.

With the City's goal to jumpstart attraction of new businesses as the pandemic hopefully ends, staff determined that the adoption of a Tourism Zone could open up opportunities to facilitate and make feasible certain catalyst projects envisioned broadly in Visit Alexandria's "Tourism Recovery Plan" and more specifically in the City's Small Area Plans. The adoption of a project-specific zone will allow the City to consider the 699 Prince Street project, and apply for gap financing assistance from the State through the

Tourism Development Financing Program (TDFP), run by the Virginia Tourism Corporation.

The TDFP is reserved for projects that fill an identifiable deficiency, taking into account local and regional product similarity, availability and proven visitor need and requiring that the projects must provide a significant benefit to the locality and existing tourism business community, and in net, encourage new jobs, traveler spending and local tax revenue.

The addition of this tool will help to diversify and build on existing strategies to encourage Economic Recovery, and can be used in the future throughout all parts of the City. If and when other projects are identified by staff, City Council can consider an amendment to this proposed ordinance to add other parcels. Any future projects would be considered on a case-by-case basis.

The adoption of the 699 Prince Street Tourism Zone is a preliminary step in a multi-step process that must be followed for the State and City to consider the subsequent project proposal. The zone is required to be in place in order for the State to consider a potential TDFP project, but the adoption of the zone does not in any way require or obligate the City to consider TDFP projects.

**FISCAL IMPACT:** The creation of the 699 Prince Street Tourism Zone allows for the proposed hotel catalyst project, which by definition must generate Virginia and City of Alexandria sales and use tax, to include lodging, dining, meeting space rental and catering, and limited, project-specific retail, to invest in the City. A detailed return on investment analysis is required as part of the separate application for TDFP consideration.

**ATTACHMENT:** Tourism Zone Cover and Ordinance

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