Legislative Solution Proposal Memo

To The Honorable:

- County Council President Dan Brady
- County Council Vice President Pernel Jones
- Councilman Dale Miller, Chairman, Finance Committee and Committee on the Whole
- CC: Members of County Council, Joe Nanni and Trevor McAleer

From: William Tarter, Jr., Citizen of Broadview Heights

Legislation for the Rocket Mortgage Fieldhouse

Problem: The County must be able to reimburse Cavs $40 million *without issuing new bonds.*

Cause: The Cavaliers have spent $40 million and expect that their capital expenses will be reimbursed in a "reasonable" timeframe. As the Cavaliers have stated, they do not care if the money comes from sin tax revenue.

Consequences: If the County passes this $40 million legislation, the County could pay $21 million IN INTEREST. Coupled with the $23 million (plus interest) that was spent on Quicken Loans Arena in 2015, the county will have exhausted the allocated sin tax money available for the Arena. **The county will not have any sin tax money for any Fieldhouse request until the end of the lease in 2034.** Additionally, the county will not have much sin tax revenue left for Progressive Field maintenance needs. The county would pay sin tax bonds until 2035, even though the funds have long since been allocated:

Challenge:

- ✓ Get the Cavaliers the $40 million for requested reimbursement, according to the lease
- ✓ Preserve the sin tax dollar allocation, and avoid spending ¼ of the money on interest

The Solution

Increase the Hotel Bed Tax: Cuyahoga County currently has 1% increase remaining according to the Ohio Revised Code. 1% would bring in approximately **$4.7 million** annually.

Reimburse the hotel bed tax to Gateway/Cavaliers at $4.7 million a year for the next 4 and a half years ($21 million). Add the normal Rocket Mortgage Fieldhouse sin tax allocation ($4.3 million annually) for the next 4 and a half years ($19 million). This totals $40 million.

Meanwhile, at the conclusion of the 4.5 years (the end of 2024), transfer the 1% to Destination Cleveland and/or other entities. The money could be used to offset the money that was taken out by the Q Transformation Deal, escalating sport facilities costs due to aging, among others.

Currently, $1 million of the hotel bed tax is slated to be transferred from Destination Cleveland to the Q Transformation Deal, which began in 2017. The hotel bed tax amount rises to $3.7 million by 2034. The amount of hotel bed tax allocated after reimbursing the Cavs, will more than adequately cover the Q Transformation Deal proceeds. Additionally, as the hotels do well, the stadiums do well. As the stadiums success, the hotels succeed. Monies come from outside-the-county visitors, thus limiting exposure to the tax burden on county residents.