

Hotel tax may need room for longer stay

If funding for convention center plan dies, Albany County could be on hook for \$2M in debt

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ALBANY — With the fate of the downtown convention center mired in uncertainty, county lawmakers must decide this year whether to renew a hotel tax that has been funding the state authority charged with building it with more than \$1 million a year.

But Albany County's stake in the tax is greater than just whether the controversial project ever gets built.

Since the tax on hotel stays was doubled in the middle of the last decade as the convention center plan gained steam, the law creating it has allowed the county to use most of the revenue from it to pay the debt on another large public building project: the 22-year-old downtown arena now known as the [Times Union Center](#).

Without action by the state and county legislatures — a step required every two years — the 6 percent tax will be cut in half at year's end, potentially forcing property-tax payers to pick up a greater share of the arena's debt payments.

That gap could total more than \$2 million, according to county officials.

Of the total tax, one-sixth — or \$1.17 million last year — funds the [Albany Convention Center Authority](#), which has been working since 2006 to assemble the land and financing for the large exposition center off Broadway and Hudson Avenue.

Another one-sixth goes to the [Albany County Convention & Visitors Bureau](#) to help boost tourism. The rest — nearly \$4.7 million last year — was put into an account to pay the debt on the arena and associated garage.

Those debt payments totaled nearly \$3.6 million last year, with the rest going back to the county's general fund to repay it for previous debt payments, Deputy County Executive Michael Perrin said.

The hotel tax was increased to 6 percent in 2006 in connection with the \$220 million convention center. But with Gov. [Andrew Cuomo](#) sending mixed messages this month about the state's willingness to foot the bill for the six-acre downtown complex, the county's next move isn't clear.

"I think it's toast. And I think he was pretty clear it's toast," [Shawn Morse](#), a Cohoes Democrat and chairman of the County Legislature, said of the project. "Now the question is, what happens to all of those things that have been part of that process that are now going to be left behind."

Morse, however, would not speculate on what might become of the tax until he has an opportunity to discuss it with other leaders of the legislature. Democratic Majority Leader [Frank Commisso](#) struck a similar tone.

But [County Executive Daniel McCoy](#) said he will back the extension of the tax largely because it allows the county to pay the arena's debt by taxing visitors rather than turning again to county homeowners, who already are paying 8 percent more in property taxes this year.

Without it, McCoy said, "the county will have \$2 million more added to its budget shortfalls next year."

Conners agreed.

"My position on the bed tax is that it should continue until (the) debt is retired and investment of the taxpayers is returned," Conners said in an email.

The occupancy tax is 4 percent in Schenectady County, 3 percent in Rensselaer County and 1 percent Saratoga County outside the city of Saratoga Springs, which levies a total of 6 percent on [Spa City hotel](#) stays.

Albany County's tax dates to 1980 when it began at 1 percent. And while the division of its proceeds is complicated, it speaks to the arcane ways the convention center deal is tied to the finances of local government.

Another example: In the city of Albany, one of the factors in dramatically increasing the amount of money the state promised the city in lieu of taxes on Empire State Plaza in 2006 to more than \$500 million over 30 years was that the additional payments would also serve as insurance against losses at a hotel that at the time was supposed to be built by the convention center authority.

That hotel plan has since been spun off to a private developer to reduce the total public cost of the project, but the city still receives the additional money, relying on it annually to pay its bills.

If the convention center is completed, the distribution of the 6 percent hotel tax would change yet again — with half of the tax revenue being diverted to the convention center authority to pay for financing construction and operation of the facility.

In that way, the scenario in which county coffers benefit the most from the tax is one in which the convention center project drags on for years without completion.

Jan Marie Chesterton, president of the New York State Hospitality & Tourism Association, said the industry group takes the position that if there are going to be occupancy taxes on hotel stays, they should be earmarked for the promotion of tourism.

"If it circles back to benefit (hotel operators), that's what we encourage," Chesterton said. "Otherwise it's counter-productive."

Even if Albany County's tax reverts to 3 percent next, the [Albany County Convention](#) and Visitors Bureau would still receive a share.

Gavin Donohue, chairman of the convention center authority and a former county legislator, said the decision rests with state and local lawmakers.

"It's obviously critical to the success of the authority moving forward," Donohue said, "and it's an important piece of the county's budget."

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Added tax burden

If legislative inaction allows the 6 percent hotel tax to be cut in half at year's end, the tax gap could total more than \$2 million, according to county officials.