Article published Feb 2, 2006

Condo trend may cost counties

Sarasota County seeks data on lost sales, tourist taxes.

By Kathleen McLaughlin

SARASOTA COUNTY -- As a hotel, the Hyatt Sarasota is worth less to the county tax collector than it would be as luxury condos.

That is a no-brainer.

What Sarasota County government and others seeing pro-perties converted to condos at lightning speed don't know is how much they're losing from other revenue sources, the sales tax and the tourist tax.

County managers want to find out, and it's not just a wonkish exercise.

Sarasota County uses its 3 percent tax on stays in hotels and vacation rentals to make a multitude of arts grants, promote tourism and take care of beaches.

The so-called "bed tax," which generated $7.3 million in the fiscal year ended Sept. 30, is the only source of revenue for those items.

With hotel rooms disappearing, it's not clear whether Sarasota can count on the levy to keep producing $6 million to $7 million a year, said Jeff Seward, manager of fiscal planning and budget.

"What are the numbers?" Seward said. "Is there really a problem?"

Seward decided to do the analysis before talks of selling the Hyatt came to light last week.

Luxury condo builder WCI Communities is reportedly offering $65 million for the city's largest hotel, which has 294 rooms. At that price, WCI would pay $221,000 per room. The building would likely be razed for a mix of residences and condo-hotel rooms.

"I can tell you without even doing the numbers, the additional ad valorem is going to be completely higher ... even if it was booked 100 percent, 365 days a year," Seward said.

As it stands, the county estimates that the Hyatt generates $386,000 to $515,000 per year in tourist taxes.

A number of groups are vying for bed tax money. Last year it was the Greater Sarasota Chamber of Commerce pushing for conference center to be built downtown, while the Sarasota County fair organizers proposed one for their land on Fruitville Road.

Now the Sarasota Convention and Visitors Bureau is pushing to raise the tax to 4 percent. The proposal assumes the increase would generate another $2.3 million a year, mainly for more tourism marketing.

Seward hopes to have a report in 30 days, but it looks like Sarasota is the only county doing such a project. A Department of Revenue official said he hasn't heard any requests for data from other counties.

"It's much more problematic than we thought," Seward said. "People just don't keep track of it."

Sarasota and most other counties administer their own tourist taxes. Until properties like the Holiday Inn on Longboat Key in Manatee County and the Half Moon Beach Club on Lido Key went condo, no one looked much beyond the dollars collected.

The local visitor bureaus are trying to keep track of the number and type of properties that generate their lifeblood.

It's a vague phenomenon, too, Seward said. "Hotels aren't in the phone book anymore."

Two hotels no longer listed, the Half Moon Beach Club on Lido Key, and the Holiday Inn on Longboat Key, are well into their new lives as luxury condos.

Half Moon's 54 hotel rooms made way for The Orchid Beach Club residences, condos that sold for about $900,000 to $2.3 million.

Positano on the Gulf, the resort complex that replaced the Holiday Inn's 146 rooms, will bring Manatee County 27 condos selling for $1.8 million to $2.3 million.

Although condos are replacing hotels along every coast, the trend hasn't yet made a dent in tourist-related spending, the Department of Revenue said.

The state expects sales tax from tourism-related spending to grow by 6 percent to 7 percent. Sales tax revenue from hotels, restaurants and rental cars closely tracks bed tax revenue.