

Wake County Hospitality Taxes

History, Background, and Review of Upcoming Board Decisions

Michael James, Assistant County Manager

April 14, 2025



@wakegov    

wake.gov

Today's Agenda

- **History & Background**
 - Enabling legislation
 - Governance
 - Staff and stakeholder involvement
- **Budget Overview**
- **Recap Major 23rd Amendment Provisions**
- **Review Upcoming Board Decisions**
 - Indoor Sports Facility Funding
 - 2025 Competitive Funding Process
 - 2026 Stakeholder Review

Enabling Legislation

- The NC General Assembly passed enabling acts in the 1990s authorizing the Board of Commissioners to levy two hospitality taxes including:
 - Up to **6%** Occupancy Tax
 - Up to **1%** Prepared Food and Beverage Tax
 - **1991:** Authorized the taxes, required the Raleigh/Wake Interlocal Agreement, and established funding distributions for Wake County, Raleigh, Cary, and the Greater Raleigh Convention and Visitor's Bureau.
 - **1995:** Created the Centennial Authority, directed initial funds for construction of a regional facility (now Lenovo Center), and set the Authority's funding distribution.
- Revenues must be used for projects supporting arts, cultural, sports, or convention facilities.



Fuquay Varina
Fleming Loop Park



Wake Forest
Renaissance Center



Morrisville
Cricket Pitch
Lights



Marbles Kids
Museum



Knightdale
Wake Stone
Athletic Park



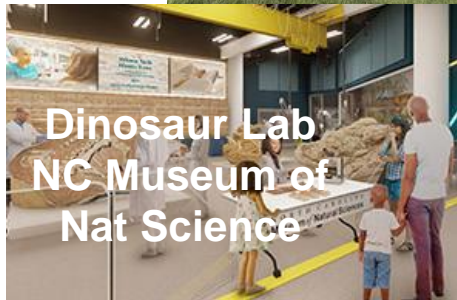
Raleigh Convention Center



Lenovo Center



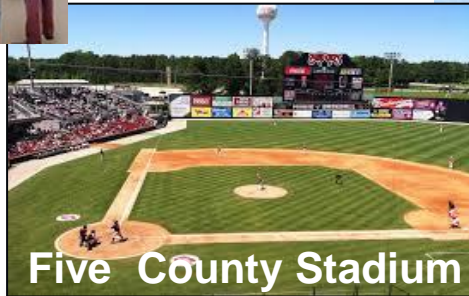
Apex
Pleasant Park



Dinosaur Lab
NC Museum of
Nat Science



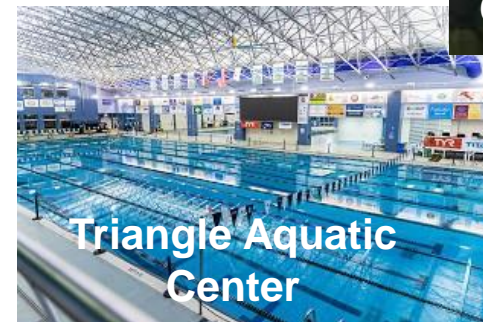
Cary Tennis Park



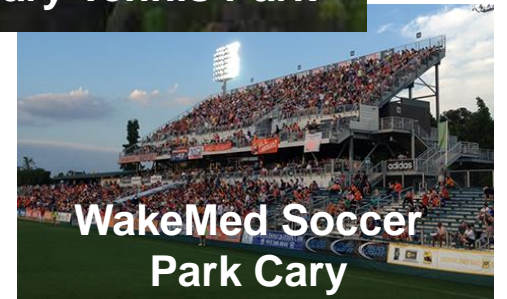
Five County Stadium



NC
Museum
of Art



Triangle Aquatic
Center



WakeMed Soccer
Park Cary

Governance

- The 1991 law made levy of the taxes contingent upon adoption of the Interlocal Agreement (ILA) between the City of Raleigh and Wake County.
- The ILA was adopted in November 1991. The ILA, along with 23 amendments, articulate oversight and use of the revenues.
- City Council and the Board of Commissioners approve all ILA amendments.

Stakeholder Reviews

- A process is created to include stakeholders in the review of revenues, planned expenditures and future opportunities every few years
- Stakeholders include:
 - Municipalities, Centennial Authority, Greater Raleigh Convention and Visitor's Bureau (GRCVB), Wake County Hospitality Alliance, and others
- Stakeholders established principles in 2017 to articulate values of values of community stakeholders related to use of the revenues

Staff Review Team

- Operating Principles and Practices established a staff review team to assist City and County managers to help plan, review model scenarios and advise on the distribution of tax revenues. Staff review team includes reps from:
 - Centennial Authority
 - Greater Raleigh Convention & Visitors Bureau
 - City of Raleigh
 - Wake County Hospitality Alliance
 - Wake County
 - Town of Cary
 - Town of Morrisville
 - Town of Wendell (Rotating Municipal Rep)
- Staff reviews held at least annually

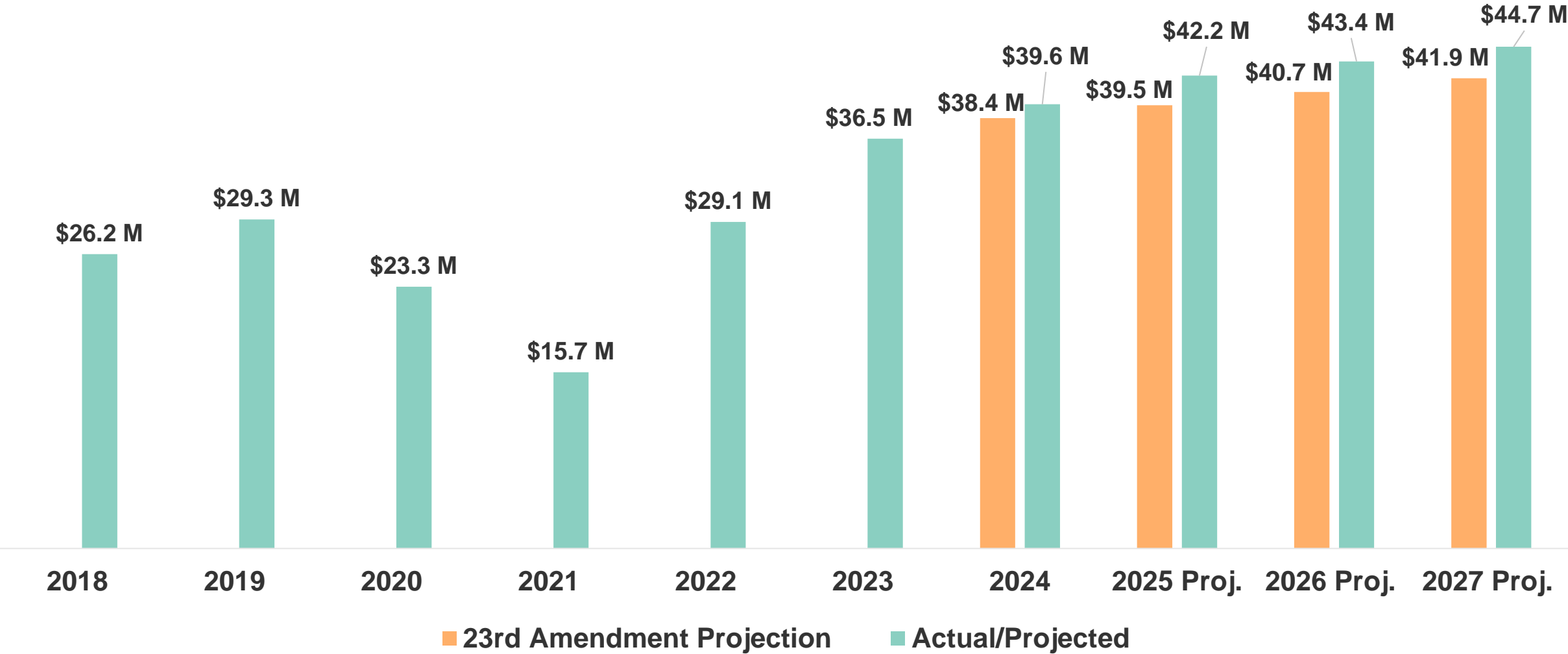
Financial Planning and Modeling

- County serves as fiscal agent
- Financial models jointly maintained by City and County
 - Major Facilities Cash Flow Model: Wake County
 - Convention Center Complex Financing Plan: Raleigh
- Consider long-term expenditure commitments within a model sensitivity analysis to minimize project and financing risk with debt repayment the highest priority
- Maintain fund balance targets that provide adequate margin of error to minimize financing risk should revenue estimates fall short of projections

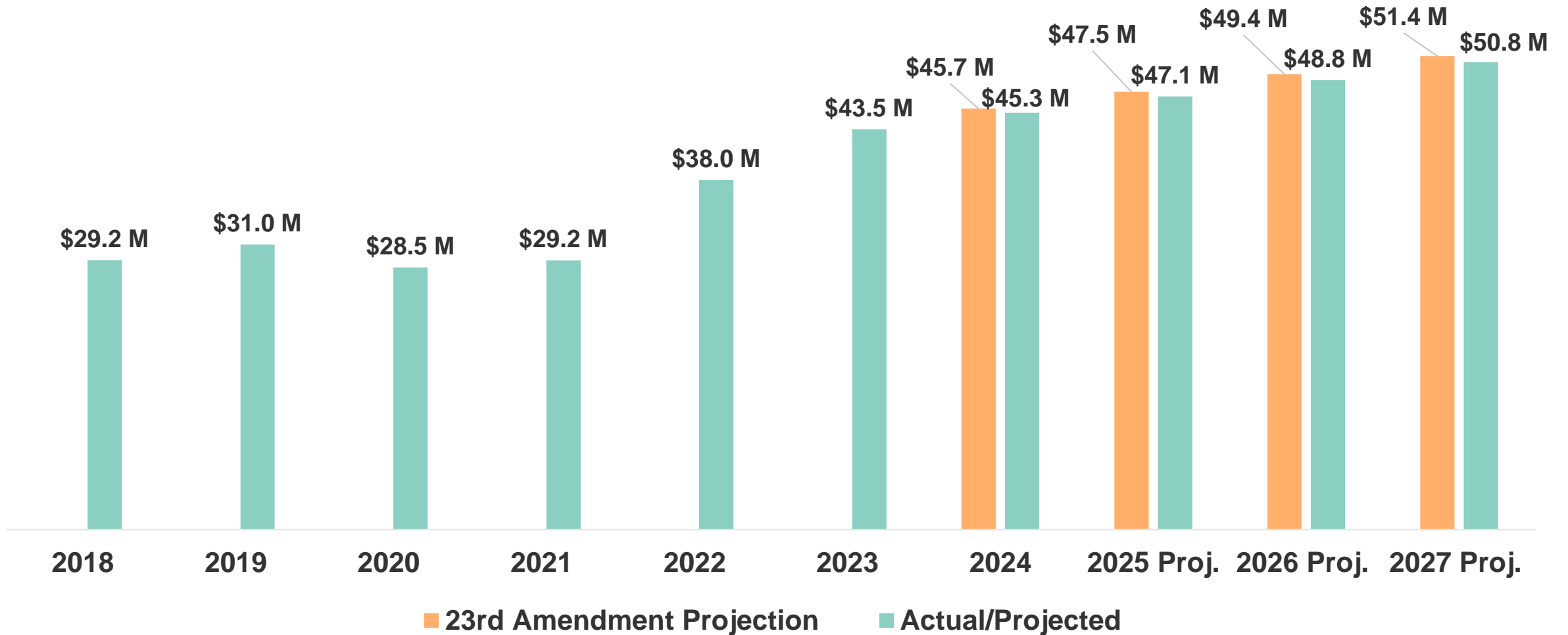
A stylized, light blue map of Wake County is centered in the background of the slide.

Budget Overview

Occupancy revenues are outpacing 23rd Amendment projections



Food & beverage revenues are tracking below 23rd Amendment Projections



FY 2025 Adopted Budget: Wake Hospitality Taxes

Occupancy Tax Revenues

Prepared Food and Beverage Tax Revenues

\$88,030,000

Section 1 Expenditures: \$31,127,000

Statutory Distributions and Debt Service Commitments

**\$56,903,000 Remaining is split
on 85/15 Basis**

Section 2 (85% Funds): \$47,653,000

Raleigh Convention Center Complex Projects

Section 3 (15% Funds): \$9,250,000

*Cary Sports Facilities Maintenance
Competitive Project Funding*

Funding Distribution Details

Section 1: Administration, Holdbacks, Debt Service, & Statutory Distributions	Section 2: 85% Raleigh Convention Center Complex	Section 3: 15% Other Joint Projects & Agreements
Statutory Distributions/Administration <ul style="list-style-type: none">• Tax Collection Administration• Cary, Raleigh Hold Harmless Allocations• Centennial Authority Distributions• GRCVB/Visit Raleigh Distributions Debt Service/Commitments <ul style="list-style-type: none">• Lenovo Center Renovations• Indoor Sports Facility Funding• Annual \$1M Allocations to Raleigh, Wake	Debt service: <ul style="list-style-type: none">• Existing Convention Center (CC)• CC Expansion• Amphitheater Relocation• Omni Hotel Parking/Infrastructure Maintenance Funding: CC & Performing Arts Center CC Operating Subsidy	Cary Sports Facilities Maintenance Agreement: <ul style="list-style-type: none">• USA Baseball Complex• WakeMed Soccer Park• Cary Tennis Center Competitive Project Funding

23rd Amendment: Major Provisions

Project	Amendment Provisions
Lenovo Center Renovation/Enhancement Project	To leverage ~ \$300M financing, \$21.3M/yr., assumes 25-year financing
Convention Center Complex Expansion, Amphitheater Relocation, & Hotel Parking/Infrastructure	CC Expansion: To leverage ~ \$355M financing, up to \$23.1M/yr. starting in FY26, assumes 30-year financing
	Hotel Parking/Infrastructure: To leverage ~ \$75M financing, \$6.02M/yr. for 20 years starting in FY 25
	Amphitheater Relocation: To leverage ~ \$32.5M financing, \$2.6M/yr. for 20 years
Indoor Sports Facility	To leverage ~ \$75M financing, \$5.35M/yr. starting in FY 26, plus \$4.7M cash accrued in prior years
Competitive Projects	<ul style="list-style-type: none">• Small project funds continue @\$2M/yr.• Adds \$15.5M over four years• Sets late 2025 as timeline for the next funding process



Indoor Sports Facility Funding

Indoor Sports Facility Funding Process

- In 2018, Visit Raleigh worked with a consultant to develop a 10-Year Tourism Plan for Wake County (***Destination 2028 Strategic Plan***)
- The plan recommended a new indoor multisport facility to elevate Wake County's profile as a competitive sport tourism destination
- The 21st Amendment to the ILA established funding for a facility, and required City and County to select, through competitive process, an entity to construct, operate and maintain the facility

Indoor Sports Facility Funding Process

- In 2019, a Request for Proposals (RFP) was initiated to identify a partner for the facility
 - Town of Cary was selected for the project
- The 23rd Amendment added planned funding to allow Cary to leverage **\$75 million** in financing over a 25-year term
 - \$4.7 million in previous appropriations (plus \$630,000 in FY 26)
 - \$5.35 million/annually in starting in FY27

Indoor Sports Facility: Status

- Cary's planned source of funds for their share of the project funding was General Obligation Bonds placed on the 2024 ballot
 - The Bond referendum failed in November 2024
 - Cary has indicated the project is no longer viable to move forward
- Cary has requested these funds be reallocated to support updates and enhancements to WakeMed Soccer Park

Indoor Sports Funding Considerations

- Any change to the planned use of funds requires an ILA amendment with approval from Commissioners and City Council
- Funds appropriated and available to date total just **\$4.7M**
 - Most of the funding was based on future capacity starting in FY27
 - No funds have been transferred to the Town of Cary for the project
- Award of funds for the Indoor Sports Facility was the result of a thorough process to identify and address a specific unmet need in the market



2025 Funding Process

Competitive Process History

- First process held in 2013, with subsequent processes in 2016, 2017, 2019*, and 2022
- Funding started as part of a “2-for-1” agreement with City of Raleigh, and dedicated small project funding was later added in the 20th Amendment
- Award decisions for competitive processes have been at the sole discretion of the commissioners
 - 2019 process would have been a city/county process, but it was canceled

Since 2013

\$20.1 Million Awarded for
18 Projects located in
10 Municipalities

Supporting a variety of sports, arts, and cultural facilities projects led by municipalities, nonprofits, and educational institutions

2025 Funding Process Considerations

- The 23rd Amendment says the next funding process will be held by “late 2025”
- Staff will develop the process for presentation to the BOC in late summer/early fall
- Language allows for a joint City/County process awarding a total of **\$23.5 million, OR** a split process including:
 - County only process to award **\$8 million**
 - Joint City/County process to award **\$15.5 million**
 - Amendment says City and County manager will jointly decide whether to hold a joint process



2026 Stakeholder Review

2026 Stakeholder Review

- The last review was held in 2023 to inform development of the 23rd Amendment and major projects funded
- The 23rd Amendment calls for the next major review process to occur *no later than* **June 30, 2026**, and include:
 - Public process led by Raleigh City Manager and Wake County Manager
 - Evaluation of operating/capital maintenance requirements for new/expanded facilities
 - In-depth review of the financial model, projections, and future capacity

Next Steps

- **Spring/Summer 2025:** City/County staff begin planning 2025 Competitive Funding Process
- **Late Summer 2025:** Staff presents process to elected boards
- **Later Summer 2025:** Request for Proposals Released
- **Fall 2025:** Applicants development and submit proposals
- **Late 2025:** Review/evaluation of proposals
- **Late 2025:** Staff recommendations to elected boards
- **Late 2025/Early 2026:** Award decisions made by elected boards
- **Early 2026:** Initiate stakeholder review process