

Item Title: Approval of Funding Commitments between Wake County and the City of Raleigh Regarding Implementation of Countywide Room Occupancy and Prepared Food and Beverage Tax

Specific Action Requested:

That the Board of Commissioners approves the recommended funding commitments of the Wake County Room Occupancy and Prepared Food and Beverage Taxes as outlined below to be further codified in the 23rd Amendment to the Interlocal Agreement governing the use of these taxes.

Item Summary:

Purpose: Wake County and the City of Raleigh conducted a review of the Major Facilities Model and Convention Center Financing Plan consistent with expectations in the 22nd Amendment to the Interlocal Agreement. Recommended changes to the uses of Room Occupancy and Prepared Food and Beverage Taxes require approval of the Wake County Commissioners and the Raleigh City Council. The Raleigh City Council approved the funding commitments on August 15, 2023.

Background: In 1992, Wake County enacted an occupancy tax on hotel and motel rooms and prepared food and beverages. Revenues generated by a hotel/motel occupancy tax (6.0%) and the sale of prepared food and beverages (1.0%) are designated for projects that generate tourism and draw visitors to Wake County. Over the years, there have been twenty-two amendments to the Interlocal Agreement, which distributes tax revenues to various projects in Wake County. These funding commitments reflect the strong return of hospitality tax funding post-pandemic and will provide funding to enhance PNC Arena, enhance and expand the Raleigh Convention Center complex, support facility investments by the Town of Cary and provide funding for a future competitive process to support additional eligible projects.

Given the size and scale of the funding commitments, the Board of Commissioners is requested to approve these funding commitments to indicate support for the recommendations before final details are captured in a 23rd Amendment that will need to be approved by the Raleigh City County and Wake County Commission at an upcoming meeting.

Board Goal: This action supports Economic Strength Goal 3: Support economic development efforts to bring diverse jobs, talent, businesses, and visitors to Wake County.

Fiscal Impact: Recommended changes will result in amendments to the FY24 budget. The FY24 budget will be amended to reflect these commitments when the 23rd Amendment is executed. Recommended changes impacting future year budgets will be included in future recommended budgets.

Additional Information:

The 22nd Amendment to the interlocal agreement identified that the County and the City should conduct a review through a public process including all appropriate parties by June 30, 2023. This review is called the “2023 Interlocal Review.”

The Raleigh City Manager and Wake County Manager jointly hosted a review with stakeholders beginning in February 2023. During the review, stakeholders received information on the performance of revenues as well as presentations on PNC Arena enhancement planning, the Cary indoor sports complex projects and the Raleigh Convention Center expansion and downtown hotel project.

The review also included a evaluation of the Operating Principles that articulate the values of the community and stakeholders as it relates to the uses and governance of hospitality taxes in Wake County. The stakeholders affirmed the existing principles and updated them to reflect City, County and community goals related to supporting diversity, equity and inclusion.

As a result of this review, the City and County Managers developed recommendations regarding the future use of hospitality taxes to support the identified needs. The Managers’ Recommendations were shared with stakeholders on August 11, with the Raleigh City Council on August 15, 2023, and with the Board of Commissioners on August 14, 2023. The Wake Board of Commissioners discussed the recommendations at the August 14, 2023 Work Session. Recommendations for consideration include:

	Recommendation
Revenue	<ul style="list-style-type: none"> • Occupancy Tax – 4% 2024; 3% 2025 – 2033; 2.5% 2034 – 2038; 2% thereafter • Prepared Food and Beverage Tax – 5% 2024; 4% 2025 – 2033; 3.5% 2034 – 2038; 3% thereafter
PNC Arena Enhancement	<ul style="list-style-type: none"> • \$21.3M annually (leverages ~ \$300M debt); begin with construction draw program; assumes 25-year financing • Assumes Hurricanes 20-year lease, development around arena and affordable housing
Cary Indoor Sports Facility	<ul style="list-style-type: none"> • \$5.35M annually (leverages ~ \$75M debt); assumes 25-year financing
Raleigh Downtown Hotel/ Parking Infrastructure	<ul style="list-style-type: none"> • \$6.02M annually (leverages up to \$75M debt); assumes 20-year financing
Raleigh Music Venue Relocation and Convention Center Expansion	<ul style="list-style-type: none"> • \$25.6M annually (leverages ~ \$387.5M debt); begin with construction draw program; assumes 20 and 30 year financing

GRCVB Business Development Fund	<ul style="list-style-type: none"> • Transition funding to GRCVB Operating Budget; \$.6M FY24 – FY25; \$.3M FY26; \$.2M FY27 • GRCVB will continue to operate BDF program under current framework and guidelines
Cary Sports Facilities Capital Ex	<ul style="list-style-type: none"> • \$1M additional allocation FY24 (Restores \$1M reduction from FY21 due to COVID)
Competitive Process Funding	<ul style="list-style-type: none"> • Allocates additional \$15.5M over four years • Process to be held late 2025
Transfer to Meet Fund Balance Guidelines	<ul style="list-style-type: none"> • Transfer \$3.5M from Section 3 to Section 2 to adhere to fund balance guidelines • Future reimbursement would occur; revenue growth sufficient to cover fund balance guidelines would automatically cancel the transfer

The Board of Commissioners is requested to approve these funding commitments to indicate support for the recommendations before final details are captured in a 23rd Amendment that will need to be approved by the Raleigh City County and Wake County Commission at an upcoming meeting.

Attachments:

1. Presentation
2. Summary of Recommended Funding Commitments
3. Operating Principles – Updated August 2023
4. August 14, 2023 Work Session Presentation
5. Financial Models