



Raleigh



2023 Hospitality Tax Review
Managers' Recommendations
Wake County Board of Commissioners
August 14, 2023

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Today's Agenda

- Recap of process to date
- Recommendations
 - Operating Principles
 - Revenue
 - Section 1
 - Section 2
 - Section 3
 - Next Review
- Next steps

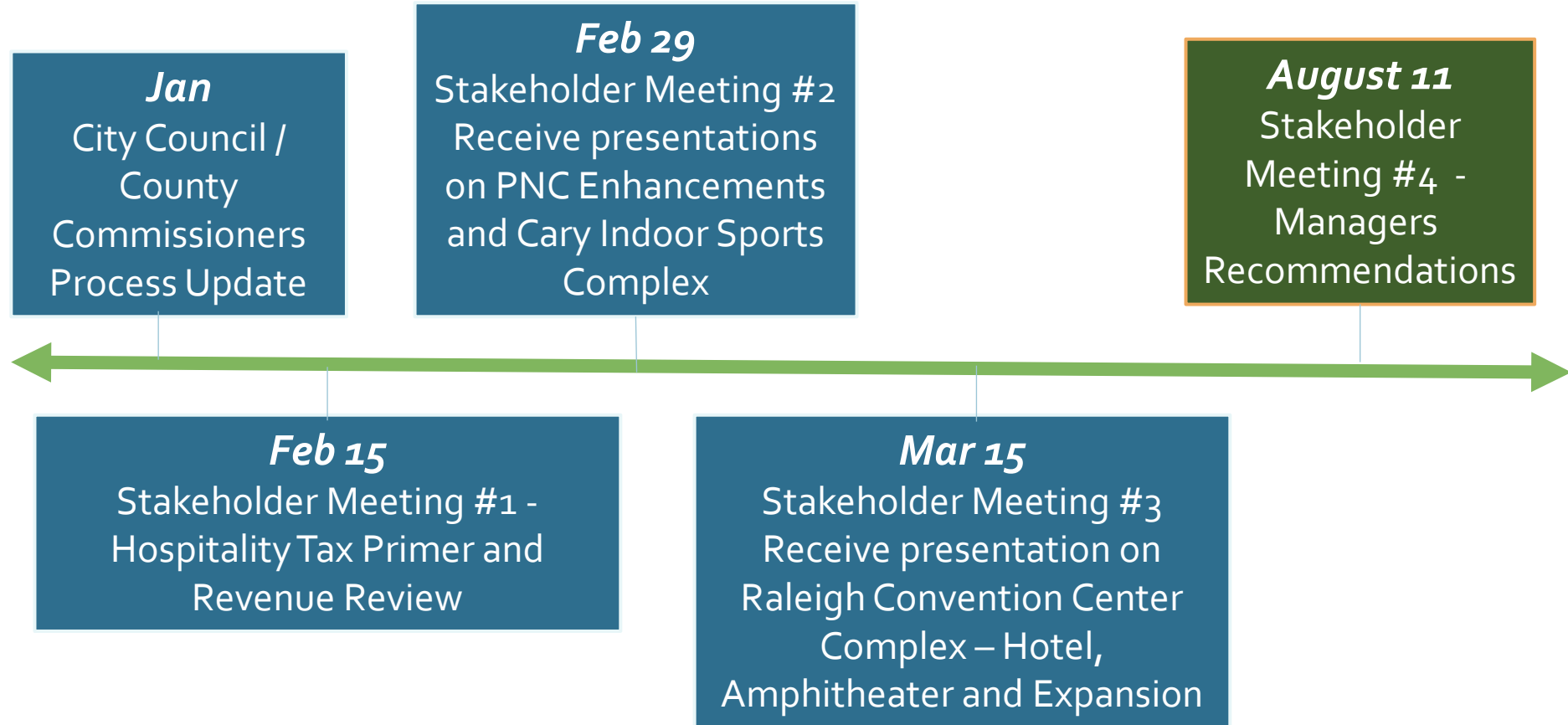
Wake County Hospitality Taxes

- State legislation approved in 1991 and amended in 1995 levies 6% on occupancy stays and 1% on prepared food and beverage countywide
- Revenues may only be used for projects supporting arts, cultural, sports or convention
- Wake County and City of Raleigh are responsible for oversight and approval for uses of revenues
 - Managers make recommendations on uses
 - Raleigh City Council and Wake County Commissioners vote on uses

Goals for 2023 Review

- Review operating principles for alignment with community goals and values
- Maintain fiscally responsible planning
 - Consider new long term financial commitments
 - Maximize cash position
 - Address cost increases associated with capital projects
- Support existing large, regional facilities
 - Enhance PNC Arena
 - Advance downtown hotel to support Convention Center complex
 - Expand convention center and relocate amphitheater
- Seek opportunities for smaller scale investment with impact
 - Advance indoor sports facility in Cary
 - Support smaller projects

Recap of the Process to date





Recommendations

Operating Principles

- Operating Principles articulate the values of the community and stakeholders as it relates to the uses and governance of hospitality taxes in Wake County.
- Updated Operating Principles to reflect City, County and community goals related to supporting diversity, equity and inclusion

Operating Principles

- A. Prioritize use of funds for projects that drive measurable, regular overnight visitation or positive return on investment (ROI)
- B. Support and promote the on-going capital expenditure program and expansion of existing investments in major facilities to keep them current, relevant and competitive in market
- C. Comply with all requirements of the existing enabling legislation
- D. Ensure project investments are secured by solid long-term plans, both operational and financial, that demonstrate viability and sustainability

Operating Principles

- E. Utilize high standards of fiscal accountability in planning and managing the use of tax revenues:
 - A. Fulfill existing obligations before entering into significant new financial commitments
 - B. Maintain long-term, conservative financial forecasting
- F. Support investments that complement *equitable* economic development efforts and enhance quality of life experiences for visitors, newcomers and long-time residents
- G. Create sports, arts and cultural opportunities, through leveraging community investments and partnerships, that benefit residents and enhance tourism offerings
- H. Support a project investment mix that considers location, *contribution to quality of place, and equitable, sustainable* types of uses (sports, cultural, arts, convention, etc.)

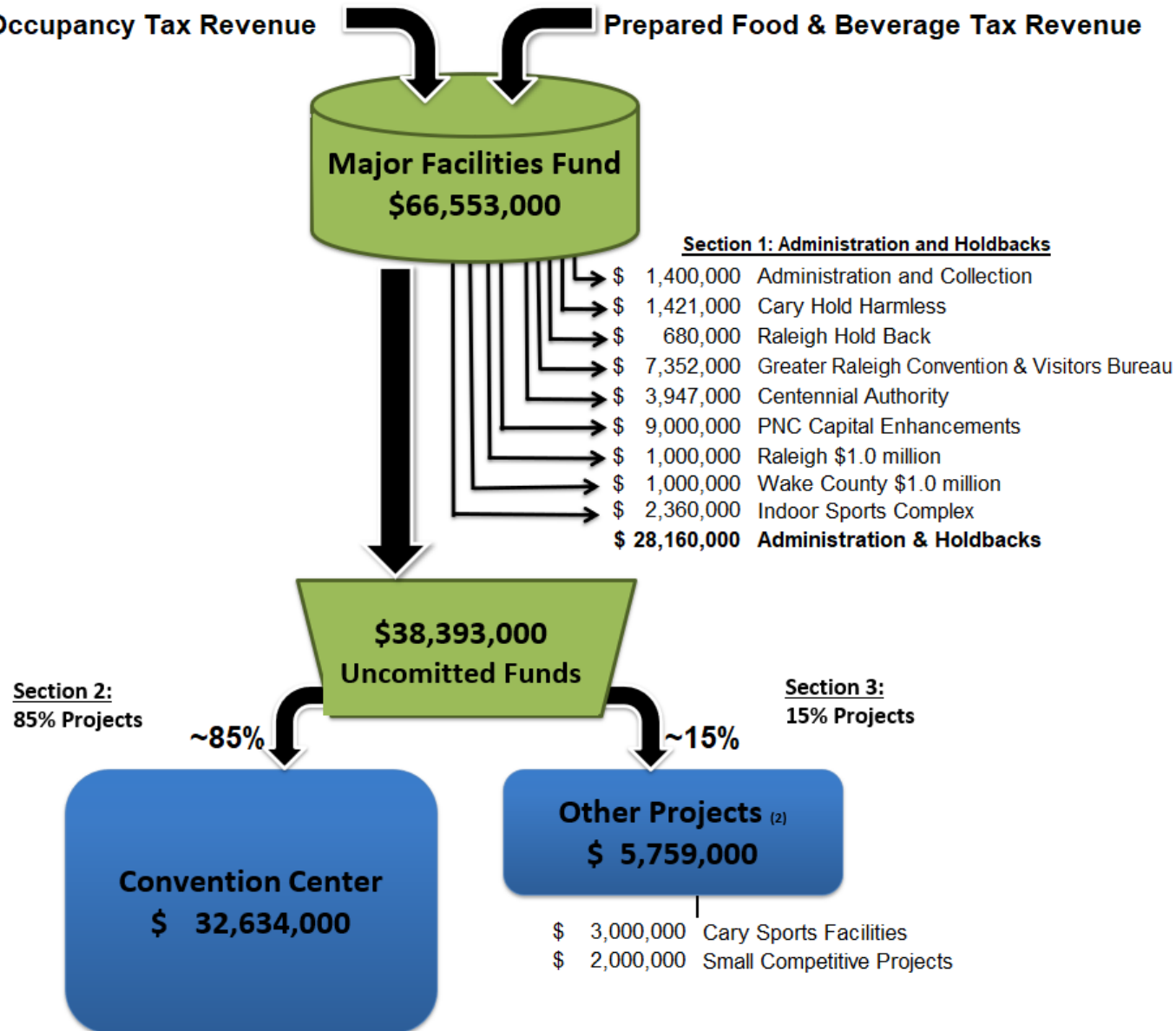
Operating Principles

- I. Engage stakeholders representing varying entities, jurisdictions and uses
- J. Ensure that investments support *a welcoming and inclusive* long-term vision of Wake County and its cities and towns as a tourism destination
- K. Provide a regular funding source for eligible projects that require a smaller scale investment
- L. Support investments that consider emerging arts, sports and cultural experiences and unmet needs

FY 2023 ADOPTED MAJOR FACILITIES FUND

Occupancy Tax Revenue

Prepared Food & Beverage Tax Revenue



Revenue Assumptions

- Revenue projections shall be set at realistic and attainable levels, sufficiently conservative to avoid shortfalls and support new long-term debt plans, yet accurate enough to avoid a pattern of understating capacity.
- Short-term assumptions to be revisited annually to account for current market and economic conditions.

Growth Assumption	Recommendation
Occupancy Tax	<ul style="list-style-type: none">• 4% FY24• 3% FY25 – FY33• 2.5% FY34 – FY38• 2% thereafter
Prepared Food & Beverage Tax	<ul style="list-style-type: none">• 5% FY24• 4% FY25 – FY33• 3.5% FY34 – FY38• 3% thereafter

Section 1 – Arena Enhancements

Financial Capacity	Timing of Funding	Important Assumptions
<ul style="list-style-type: none">• Provides \$21.3M annually• Leverages ~ \$300M debt capacity• 25-Year financing term	<ul style="list-style-type: none">• Assumes debt funded projects to begin FY25	<ul style="list-style-type: none">• Centennial Authority to retain current \$9M commitment through FY29• Funding authorization to support construction draw program• Assumes Hurricanes long-term lease extension; development around arena; and affordable housing

Section 1 – Indoor Sports Facility

Financial Capacity	Timing of Funding	Important Assumptions
<ul style="list-style-type: none">• Provides \$5.35M annually• Leverages ~ \$75M debt capacity• 25-year financing	<ul style="list-style-type: none">• Assumes project funding to begin FY26	<ul style="list-style-type: none">• Project to use cash accrued from FY22 - FY23 commitment to support project in FY26

Section 2 – Raleigh Downtown Hotel/Parking Infrastructure

Financial Capacity	Timing of Funding	Important Assumptions
<ul style="list-style-type: none">• Provides \$6.02M annually• Leverages up to \$75M capacity• 20-year financing	<ul style="list-style-type: none">• Assumes projects to begin FY25	<ul style="list-style-type: none">• Project funding not to exceed \$75M

Section 2 – Raleigh Music Venue Relocation and Convention Center Expansion

Financial Capacity	Timing of Funding	Important Assumptions
<ul style="list-style-type: none">• Provides \$25.6M annually• Leverages ~ \$387.5M debt capacity (\$32.5M amp and \$355 RCC expansion)• 20-year financing and 30-year financing structures considered	<ul style="list-style-type: none">• Projects to begin FY25	<ul style="list-style-type: none">• Leverages debt financing and uses of fund balance• Funding authorization to support construction draw program

Section 2 – Business Development Fund

Financial Capacity	Timing of Funding	Important Assumptions
<ul style="list-style-type: none">Transition funding to GRCVB Operating Budget	<ul style="list-style-type: none">FY24 – FY25: Continue full funding \$600,000FY26: Reduce to \$300,000FY27: Reduce to \$200,000	<ul style="list-style-type: none">Supports accelerating Convention Center ExpansionGRCVB will continue to operate BDF program under current framework and guidelines

Section 2 – Receive Funds from Section 3

Financial Capacity	Timing of Funding	Important Assumptions
<ul style="list-style-type: none">• Add column to allocate \$3.5M transfer from Section 3 to adhere to fund balance guidelines	<ul style="list-style-type: none">• Occur FY28-FY29	<ul style="list-style-type: none">• Future reimbursement would occur; revenue growth sufficient to cover fund balance guidelines would automatically cancel transfer

Section 3 – Town of Cary Sports Facilities Capital Maintenance

Financial Capacity	Timing of Funding	Important Assumptions
<ul style="list-style-type: none">• \$1M additional allocation	<ul style="list-style-type: none">• FY24	<ul style="list-style-type: none">• Restore \$1M reduction from FY21 due to COVID

Section 3 –Competitive Process Funding

Financial Capacity	Timing of Funding	Important Assumptions
<ul style="list-style-type: none">Allocation to \$15.5M over four years	<ul style="list-style-type: none">FY24 – FY27	<ul style="list-style-type: none">If combined with Small Project Funding, totals \$23.5MProcess to be held late 2025

Section 3 – Transfer Funds to Section 2

Financial Capacity	Timing of Funding	Important Assumptions
<ul style="list-style-type: none">Transfer \$3.5M to Section 2 to adhere to fund balance guidelines	<ul style="list-style-type: none">Occur FY28-FY29	<ul style="list-style-type: none">Future reimbursement would occur; revenue growth sufficient to cover fund balance guidelines would automatically cancel transfer

Next Review

Review Team

- Annual review of revenue trends
- Update short term growth for each budget year

Full Review

- Complete no later than June 30, 2026
- Include evaluation of operating and capital maintenance requirements for new/expanded facilities

Funding Recommendations in Summary

- ✓ Adjust revenue to acknowledge long-term financing goals
- ✓ Continue current commitments
- ✓ Support significant enhancement of PNC Arena
- ✓ Support increased costs associated with new Indoor Sports Facility
- ✓ Support downtown Raleigh hotel and provide for expansion of Convention Center
- ✓ Support larger investment for competitive projects countywide

Next Steps

August 14

Present recommendations to Wake County Board of Commissioners

August 15

Present recommendations and vote by Raleigh City Council

August 21

Vote by Board of Commissioners

September

City and County vote on 23rd Amendment at regularly scheduled meetings