

2023 Hospitality Tax Review

Recommendations

Wake County Board of Commissioners

August 21, 2023



Raleigh



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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



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

Recommendations

	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

Recommendations

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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

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

- September Commissioners to vote on 23rd Amendment to the Interlocal Agreement with City of Raleigh
- Fall Commissioners to vote on 7th Amendment to the Tri-Party Agreement with Centennial Authority and City of Raleigh