

Item Title: Approval of 21st Amendment to the Revised Interlocal Agreement 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:

- 1. Approves the 21st Amendment to the Revised Interlocal Agreement between Wake County and the City of Raleigh Relating to Countywide Room Occupancy and Prepared Food and Beverage Tax Revenues, subject to the Terms and Conditions acceptable to the County Attorney; and,**
- 2. Authorizes the County Manager to work with the City Manager to conduct a joint feasibility study on the proposed soccer and entertainment stadium in the Downtown South project.**

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 20th Amendment to the Revised Interlocal Agreement. Recommended changes to the uses of Room Occupancy and Prepared Food and Beverage Taxes requires approval of the Wake County Commissioners and the Raleigh City Council. The Raleigh City Council is scheduled to vote on the 21st Amendment on August 20, 2019.

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 support convention, sports, arts and cultural amenities in Wake County. Over the years, there have been twenty amendments to the Interlocal Agreement which distribute tax revenues to various projects in Wake County. Significant projects include the Raleigh Convention Center, PNC Arena, Duke Energy Performing Arts Center, Five County Stadium, Cary Sports Facilities, North Carolina Museum of Art, and the North Carolina Museum of Natural Science.

Board Goal: The process yielding these recommendations complements the Board's Great Government Goal #5 to "develop strategies to engage community members in envisioning the County's future."

Fiscal Impact: The FY20 budget will be amended through a separate board action. Recommended changes impacting future year budgets will be included in future recommended budgets.

Additional Information:

The 20th Amendment to the Revised Interlocal Agreement identified that the County and the City should conduct a review through a public process including all appropriate parties by January 1, 2020. This review is called the “2019 Interlocal Review.”

As shared with Raleigh City Council and the Wake County Commissioners in September 2018, Wake County conducted a Request for Information (RFI) process to collect information on planned or potential projects that may request use of interlocal funds, should funding be available. In addition to the RFI process, a total of six (6) stakeholder meetings were held throughout the county over the last several months. These meetings provided history, review of the financial models, and provided an opportunity for parties to present the RFI submissions to the stakeholders. This work effort resulted in recommendations from both the Raleigh City Manager and Wake County Manager for the future uses of hospitality taxes, a process specified by the Revised Interlocal Agreement.

The Managers’ Recommendations were shared with stakeholders on June 19, 2019, with the Raleigh City Council on July 2, 2019 and with the Wake Board of Commissioners on July 8, 2019. The Wake Board of Commissioners discussed the recommendations at the August 12, 2019 Work Session and indicated support for an alternative proposal that would increase the Managers’ recommended funding for PNC Arena Enhancements and Medium Projects. Based on feedback from the Commissioners’ Work Session, the 21st Amendment has been prepared to include the following:

- Adjusts revenue assumptions to more aggressive in short term and conservative in long-term.
- Provides annual funding for maintenance needs of Raleigh Convention Center (\$3M/\$3.2M), Duke Energy Center for Performing Arts (\$1M) and Cary Sports Facilities (\$3M).
- Provides funding to Centennial Authority for PNC Arena Enhancements at \$9M annually for 25 years (increased from original recommendation of \$8M annually for 25 years). A Tri-party agreement between Centennial Authority, Wake County and the City of Raleigh will be required and will be brought to Council at a later date but no later than June 30, 2020.
- Provides funding to the City of Raleigh for purchase of land to support Convention Center Complex expansion plans (\$14M) (decreased from \$15M), supports optimization of the Convention Center (\$5M), and a commitment for Convention Center Complex parking/infrastructure needs (\$2.2M annually for 25-years).
- Preserves funding capacity for future commitments associated with Convention Center Expansion (\$15M annually for 25 years) and relocation of the music venue (\$2.575M annually for 20 years).
- Establishes funding for an Indoor Sports Facility (\$2.36M annually for 25 years) to be awarded through at competitive process.
- Establishes funding for Medium Projects (\$46.6M) to be awarded through a competitive process (increased from \$42.1M).
- Extends Greater Raleigh Convention and Visitors Bureau Business Development Fund from FY28 through FY34.
- Establishes deadline of June 30, 2022 for next full review.

In addition to the commitments within the 21st Amendment, the Commissioners' indicated support for a joint City/County feasibility study to be conducted on the proposed soccer and entertainment stadium included in the Downtown South project. Upon direction by the Wake Board of Commissioners and the Raleigh City Council, staff will work to develop a scope for the feasibility study to include market demand, impact to existing facilities, economic impact including jobs created and salary levels, building programming, facility operating model and sustainability plan and impact on Southeast Raleigh area. The feasibility study process is to include public engagement and is to be completed by December 2019.

Attachments:

1. Presentation
2. 21st Amendment to Interlocal Agreement
3. Summary of Funding Recommendation and Alternative Proposal
4. August 12, 2019 Work Session Presentation