

TWENTY-FIRST 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

This Amendment (this “Amendment”) is entered into this the ____ day of ____, 2019 by and between the County of Wake, North Carolina, hereinafter referred to as County, and the City of Raleigh, North Carolina, hereinafter referred to as City, pursuant to the provisions of Article 20 of Chapter 160A of the North Carolina General Statutes, and in accordance with the requirements of Chapter 594 of the Session Laws of North Carolina and Chapter 458 of the 1995 Session Laws of North Carolina (the “Enabling Acts”).

WITNESSETH:

WHEREAS, the County has levied room occupancy and prepared food and beverage taxes as allowed by law; and

WHEREAS, the County and the City entered into an agreement entitled “Revised Interlocal Agreement Between Wake County and the City of Raleigh Regarding use of Countywide Room Occupancy and Prepared Food and Beverage Taxes” dated September 5, 1995 (the “Revised Agreement”) setting out the projects to receive funding from these taxes; and

WHEREAS, the County and the City have amended the Revised Agreement from time to time for the purposes, among others, of authorizing funding for construction of the Raleigh Convention Center, to create the Greater Raleigh Convention and Visitor’s Bureau Business Development Fund, to provide the Centennial Authority a continuing revenue source for capital improvements to the PNC Arena (formerly the RBC Center), and to establish a process for the monitoring, review and update of all projects funded in whole or in part through the Revised Agreement as amended from time to time; and

WHEREAS, the 20th Amendment required an update and review of the underlying assumptions of the Revised Agreement by January 1, 2020, and such review occurred during the period of October 2018 to August 2019 with principle objectives being 1) to update revenue assumptions for the short-term while remaining fiscally conservative for the future; 2) to address capital improvement plans for PNC Arena; 3) to address capital maintenance needs of Cary Sports Facilities, the Raleigh Convention Center and Duke Energy Center for Performing Arts; 4) to prepare and plan for future expansion of the Raleigh Convention Center; 5) to support funding opportunities for additional hospitality investments, including but not limited to projects in the Greater Raleigh and Convention Center Visitors Bureau Wake County Destination Strategic Plan (“Destination Strategic Plan”); 6) to update the Wake County Major Facilities Cash Flow model and the Raleigh Convention Center Financing Plan model for current practices and operations; and 7) to create an open and transparent process inclusive of stakeholders; and

WHEREAS, the Wake County Board of County Commissioners approved on _____ and the Raleigh City Council approved on _____ this Twenty-First Amendment to the Revised Agreement.

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, the County and the City agree to this Twenty-First Amendment to the Revised Agreement as stated in the body of this Amendment.

1. ATTACHMENTS. Integral to understanding this Amendment and incorporated by reference are financial models that reflect the impact of assumptions and projections. These financial models are intended to demonstrate that distributions and appropriations authorized by the Revised Agreement, as amended, based upon assumptions at the time of the review. Both exhibits will be updated at least twice a year by the City and County for actual results upon completion of fiscal year audits and for annual operating budgets.

1.1 Attachment A titled Wake County Major Facilities Cash Flow Model (“Attachment A”) as of July 2019 projects total revenues for food and beverage and occupancy tax revenues and estimated distributions categorized into the following sections:

1.1.1 Section 1 – Administration, Holdbacks, and Debt Service, and

1.1.2 Section 2 – 85% Distribution to City of Raleigh and

1.1.3 Section 3 -- 15% Distribution for Specific Projects

1.2 Attachment B titled City of Raleigh Convention Center Complex Financing Plan (“Attachment B”) as of July 2019 projects anticipated expenditures from the 85% Distribution from Attachment A,

2. Revenue Projections, which utilize FY19 actuals, in Attachment A establish:

2.1 Occupancy Tax (Row R1) revenue growth assumptions at 4.0% in FY20 through FY22. Revenue assumptions for Occupancy Tax for FY23 to FY34 are established at 3.0%:

2.2 Prepared Food and Beverage Tax (Row R2) revenue growth assumptions at 5.0% in FY20 through FY22. Revenue assumptions for Prepared Food and Beverage Tax for FY23 to FY34 are established at 4.0%; and

2.3 All revenue assumptions will be revised annually through agreement by the County Manager and City Manager for consideration in the next fiscal year budget based on current fiscal and economic conditions.

3. The Administration and Collections, Attachment A (Rows 1a and 1b) provided to Wake County is fixed at \$1,400,000, or an amount not to exceed 3.0% of total collections, whichever is less. The amount for Administration and Collection is to be re-evaluated at the next review date specified in Section 18 of this Agreement.

4. No changes are proposed to the following expenditure calculations in Section 1 of Attachment A: City of Raleigh Holdback (Row 1c), Greater Raleigh Convention and Visitors Bureau Operating Funds (Row 1d), Town of Cary Hold Harmless (Row 1e), Centennial Authority Operations (Row 1f), PNC Debt Service - Original (Row 1g), PNC Maintenance (Row 1h) and

Wake County and City of Raleigh Discretionary Funding (Rows 1i and 1j); and, Section 3 of Attachment A: Competitive Projects – small (Row 3b)

5. Beginning in FY21, a maximum of \$9,000,000 shall be allocated annually to support capital enhancements, and / or debt service, and / or operations at PNC Arena (Row 1k) for a period not to exceed 25 years. The conditions of receiving and utilizing this funding shall be included in a tri-party agreement, negotiated to be mutually acceptable to the governing boards of each party, which shall include an amendment to the existing tri-party agreement between the Centennial Authority, the City of Raleigh and Wake County (the “Tri-Party Agreement”). No distributions shall be authorized or made until entrance to the Tri-Party Agreement has been authorized by the respective governing authorities of the parties and the agreement has been properly executed. Before a Tri Party Agreement is executed, the Centennial Authority will present 1) a proposed funding plan 2) all lease agreements for the Arena, such terms to be included in the Tri Party Agreement if approved by the governing authorities of the City and the County, taking into account the return on the intended financial commitment. If the parties do not agree to the terms of the Tri Party Agreement, the governing authorities of the City and County will reassess the terms of the allocation.

6. Beginning in FY21, a maximum of \$2,360,000 shall be committed annually for a period of up to 25 years to support capital investment and / or debt service for an Indoor Sports Facility (Row 1l) in Wake County. Wake County and the City of Raleigh shall jointly conduct a competitive process to select a qualified entity to construct, operate and maintain this facility. A competitive process shall be conducted in FY20 and information shall be presented by respective City and County staffs to the Raleigh City Council and Wake County Board of Commissioners to allow consideration of the funding request by each governing board no later than June 30, 2020 on a financial commitment, to include the actual funding amount, payment terms, preliminary schedule for completion and any other relevant considerations and conditions of the agreement.

7. A Medium Competitive Capital Projects funding allocation will be established to support a competitive process to provide capital funding for eligible projects with total project costs that exceed \$20,000,000 and meet established criteria to be determined and communicated via a request for proposal (RFP) process. A competitive process shall be conducted in FY20 and information shall be presented by respective City and County staffs to the Raleigh City Council and Wake County Board of Commissioners to allow consideration of the funding request by each governing board no later than June 30, 2020 on a financial commitment to include the actual funding amounts, payment terms, preliminary schedule for completion, and any other relevant considerations or conditions for each selected project,

7.1.1 A total of \$46,600,000 of funding is available for the Medium Competitive Capital Projects for the period FY20 through FY26 from all three sections of the financial model.

7.1.2 Section 1 provides funding support in Medium Competitive Projects Cash Funding (Row 1m) of \$3,140,000 annually from FY21 through FY25.

7.1.3 Section 2 provides funding support of \$5,400,000 in FY20 and \$4,400,000 annually in FY21 to FY24 (Attachment B Column M).

7.1.4 Section 3 provides funding support of \$4,400,000 in FY25 and \$3,500,000 in FY26 (Row 3c).

8. Attachment B reflects the 85% distribution from Attachment A, Section 2 to provide funding for financing and other elements of the Raleigh Convention Center Complex Financing Plan model.

9. The Business Development Fund, Attachment B (Column I) for the Raleigh Convention Center, administered by the Greater Raleigh Convention and Visitor's Bureau, is hereby extended through FY34 at a funding level of \$600,000 per year.

10. The Raleigh Convention Center Capital Maintenance Plan shown in Attachment B, (Column J) continues at the percentage established in the 18th Amendment and funds approximately 95% of the Updated CBRE/Heery Facilities Assessment. The amount is \$3,000,000 in FY20 and FY21, increasing to \$3,200,000 from FY22 to FY34.

11. The Performing Arts Center Capital Maintenance Plan shown in Attachment B, (Column K) is funded at \$1,000,000 annually beginning in FY20 to FY34 to fund approximately 50% of the Updated Duke Energy Center for the Performing Arts CBRE/Heery Facilities Assessment.

12. In FY20, City of Raleigh may utilize up to \$14,000,000 from the Convention Center Model as shown in Attachment B (Column L), for the purpose of acquiring land (including but not limited to the land price and directly related closing costs) to support the future expansion of the Convention Center to include land that may be used for the Convention Center Expansion, parking deck, convention hotel and/or music venue. Authorization to acquire the land shall be approved by the Raleigh City Council.

13. Beginning in FY21, the City of Raleigh may utilize up to \$5,000,000 from the Convention Center Model as shown in Attachment B (Column L) to optimize the existing Raleigh Convention Center using the Destination Strategic Plan as a planning guide for capital improvements needed to complete the optimization. All capital investments associated with optimization of the existing Raleigh Convention Center shall be approved by the Raleigh City Council per the capital budget process and associated procurement policies.

14. Beginning in FY23, a maximum of \$2,200,000 which will be available annually for a period of 25-years to support parking and / or related infrastructure necessary to attract a headquarters hotel, as outlined in the Destination Strategic Plan, Attachment B (Column F). The final recommendation will be the responsibility of the Raleigh City Manager in conjunction with the Wake County Manager and final approval by the Raleigh City Council ~~and Wake County Board of Commissioners~~. The City agrees that any net parking revenues that it receives from parking facilities constructed through this section shall not be directed to the City's general fund or parking fund.

15. For financial planning purposes, the Convention Center Financing Model will include planned funding to support the Raleigh Convention Center expansion. These funding amounts are for planning purposes and shall not be construed as binding funding commitments. Future funding commitments will not be considered until a Convention Center Expansion Plan has been completed

by the City of Raleigh and is approved by the Raleigh City Council and Wake County Board of Commissioners.

15.1 A potential relocation of the Music Venue (Attachment B Column D) with a contribution of up to \$2,575,000 annually for a 20-year financing period that could begin as early as FY25; and

15.2 An expansion of the existing Raleigh Convention Center (Attachment B Column E) with a contribution of up to \$15,000,000 annually for a 30-year financing period that could begin as early as FY28.

16. The Town of Cary shall receive \$3,000,000 annually for the period FY20-FY34 to support the maintenance needs of the existing Cary Tennis Center, USA Baseball and the WakeMed Soccer Park to fund approximately 75% of the needs identified in the 2018 Venue Solutions Capital Maintenance Plan for the Cary Sports Facilities (Attachment A Row 3a). Wake County shall enter a funding agreement with the Town of Cary establishing payment terms and reporting requirements.

17. For financial planning purposes, beginning in FY26 through FY34, \$3,140,000 shall be identified for “Planned Future Capacity” (Row 1n) to support funding for uses to be determined in the future by the Raleigh City Council and Wake County Board of Commissioners.

18. The next review of the Major Facilities Model, and Convention Center Financing Plan, will occur no later than July 1, 2022, and will be a public process involving all appropriate parties led by the Raleigh City Manager and the Wake County Manager.

19. All other terms of the September 5, 1995 Revised Agreement, as amended from time to time, shall remain in the same force and effect.

[Signature pages follow this page]

IN WITNESS WHEREOF, this Amendment is executed the day and year first above written pursuant to resolutions adopted by the governing boards of the County and the City.

CITY OF RALEIGH

COUNTY OF WAKE

Nancy McFarlane
Mayor

Jessica Holmes
Chairman

Attest:

Attest:

Clerk

Clerk

Approved as to Form:

Approved as to Form:

City Attorney

County Attorney