

Item Title: Approval of 22nd Amendment to the 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 22nd Amendment to the Interlocal Agreement between Wake County and the City of Raleigh Regarding Implementation of Countywide Room Occupancy and Prepared Food and Beverage Tax, subject to the terms and conditions acceptable to the County Attorney; and**
- 2. Decreases appropriations in the Major Facilities Operating Fund and Major Facilities Capital Projects Fund by \$7,400,000 to reflect the elimination of Small and Medium Competitive Projects in FY 2020.**

Item Summary:

Purpose: Due to the financial impacts associated with the COVID-19 virus, Wake County and the City of Raleigh are requested to approve changes to the revenue forecast for hospitality tax revenues and the associated expenditure commitments as identified through the Interlocal Agreement between Wake County and the City of Raleigh Regarding Implementation of Countywide room Occupancy and Prepared Food and Beverage Tax. Recommended changes are included in the 22nd Amendment to the Revised ILA. The Raleigh City Council is scheduled to vote on the 22nd Amendment on June 16, 2020.

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-one 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: This action supports routine County business.

Fiscal Impact: Appropriations included in the FY20 budget will be amended with this action. The FY21 budget reflects changes in the 22nd Amendment.

Additional Information:

In August 2019, Wake County and the City of Raleigh approved the 21st Amendment to the Revised Interlocal Agreement governing the use of Room Occupancy and Prepared Food and Beverage Taxes. This agreement included revenue and expenditure assumptions based on historical revenue growth and a strong economic outlook. In March 2020, COVID-19 was deemed a global pandemic and resulted in public health orders that have significantly impacted the tourism industry. As such, restaurants and hotels have temporarily or permanently closed, and others have curtailed services to comply with public health needs thus reducing their overall sales and tax collections.

Since the impacts of COVID-19 began to be felt in Wake County, City of Raleigh and Wake County staff have worked with hospitality stakeholders to monitor the revenues and plan for budget impacts. As a result of these impacts, the Wake County Board of Commissioners and Raleigh City Council is requested to approve a 22nd Amendment to the Revised Interlocal Agreement to reflect adjusted revenue projections and associated expenditure reduction plans. Staff have worked closely with partners that would typically receive distributions of funds to bring forward these recommendations. The stakeholders were briefed on the recommendations at a meeting on June 5, 2020. The Board of Commissioners were briefed at a Work Session on June 8, 2020 and the Raleigh City Council was briefed at a Council meeting on June 9, 2020.

Recommendations for consideration include:

- Adjusts revenue assumptions to show year over year reductions in FY20 and FY21 with a recovery period of 5 years to return to FY19 actuals.
- Recalculates projected funding to partners that receive percentage distributions including Greater Raleigh Convention and Visitors Bureau, Centennial Authority, Town of Cary and City of Raleigh.
- Reduces annual funding for maintenance needs of Raleigh Convention Center, Duke Energy Center for Performing Arts and Cary Sports Facilities.
- Adjusts funding to the City of Raleigh's completed purchase of land to support Convention Center Complex expansion to actual transaction costs and reduces funding for optimization of the Convention Center.
- Delays the commitment for Convention Center Complex parking/infrastructure needs for two years and delays the future commitments associated with Convention Center Expansion by two years and eliminated planned funding for the relocation of the music venue.
- Shifts annual funding commitment for PNC Arena to Planned Future Capacity for Sports/Entertainment Facility beginning in FY30; no changes to funding commitment for the arena from FY21 through FY29. (Further details regarding PNC arena funding will be discussed and negotiated as part of a Tri-Party Agreement with the City of Raleigh and the Centennial Authority later this year.)
- Delays funding for the Town of Cary Indoor Sports Facility by one year.
- Eliminates all funding for Medium Projects and ends the competitive process.
- Eliminates FY20 funding of Small Projects; funding resumes in FY21.
- Establishes deadline of July 1, 2023 for next full review.

- All provisions of the 21st Amendment not changed with the 22nd Amendment remain in effect.

Attachments:

1. 22nd Amendment to Interlocal Agreement
2. June 8 Work Session Presentation
3. Budget Memo – Major Facilities Operating Fund
4. Budget Memo – Major Facilities Capital Projects Fund