

# Hospitality Tax Updates and 22<sup>nd</sup> Amendment Recommendations



Raleigh



# Presentation Objectives

- Provide overview of COVID crisis impact on hospitality community in Wake County
- Share revised revenue picture for hospitality taxes given projected impacts of COVID crisis
- Discuss 22<sup>nd</sup> Amendment Recommendations for Board and City Council consideration on June 15/16

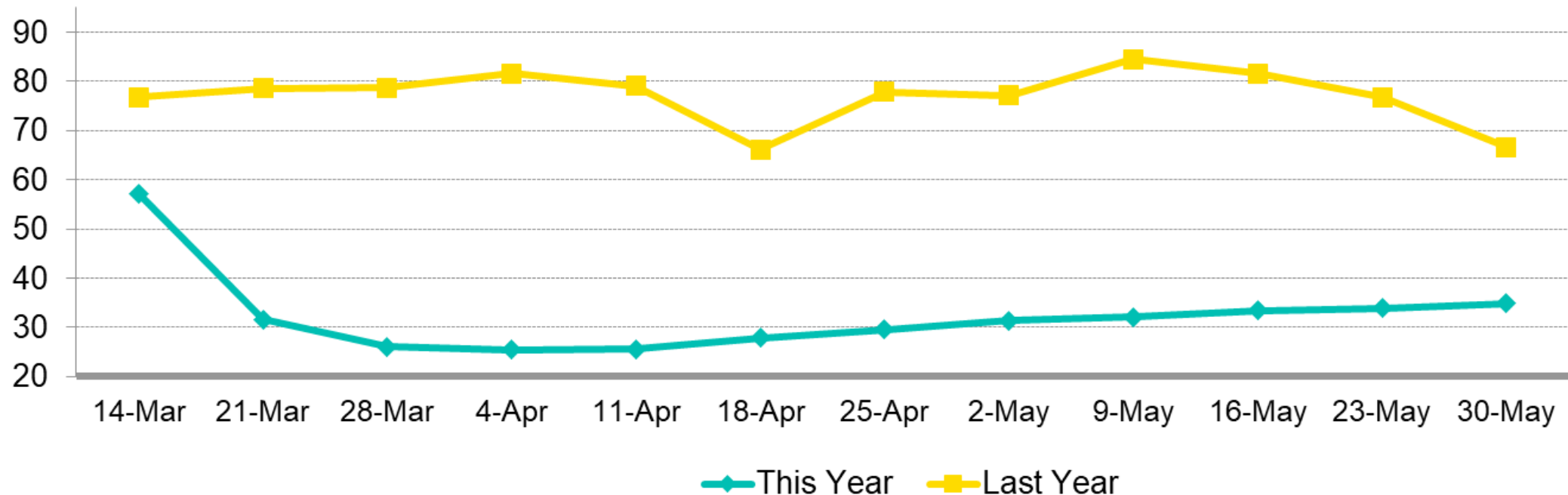
# COVID-19 Impact on Tourism in Wake County

- 164 conventions, meetings and group sporting events cancelled
  - 189,750 attendees
  - 129,240 room nights
  - \$80.8M lost in direct economic impact
- Hotel occupancy down 64.2% from prior year; average daily rate down 40.2% from prior year; 20 hotels temporarily closed
- RDU Airport down 97%; non-stop service down from 62 cities to 25

*Source: Greater Raleigh Convention and Visitors Bureau*

# Room occupancy rates are improving from April; down 48% from same week last year

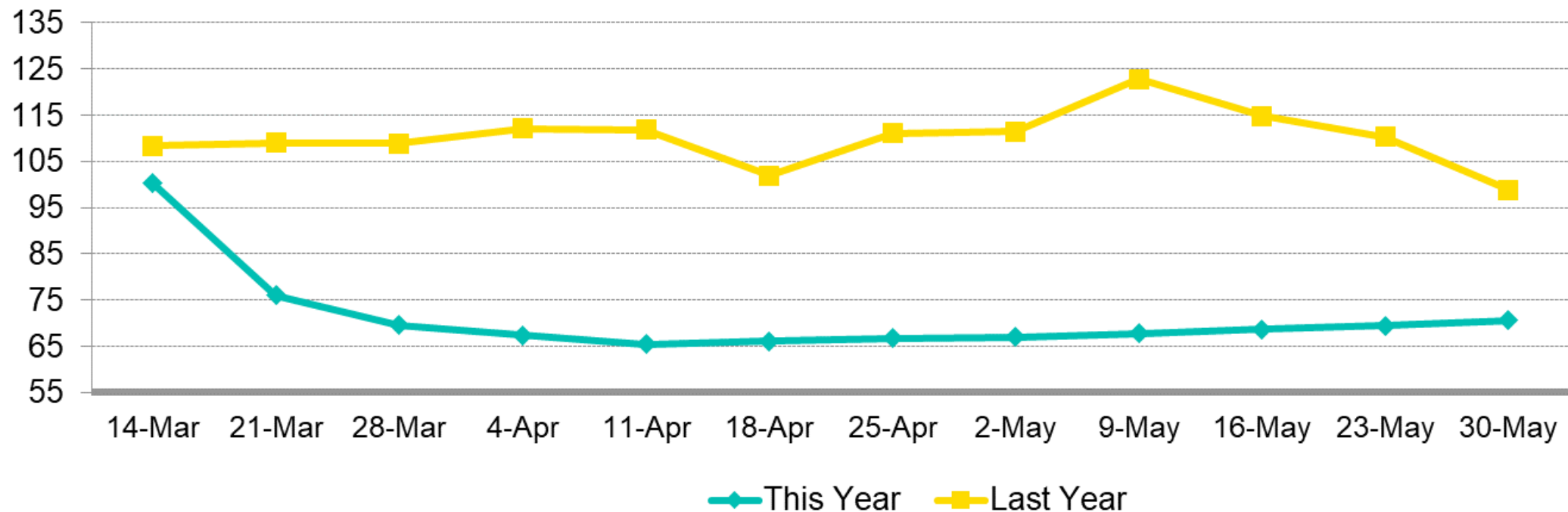
Weekly Occ (%) - Mar 14, 2020 to May 30, 2020



Source: Smith Travel Research

# Hotel average daily rates are down 28% from the same week last year

Weekly ADR - Mar 14, 2020 to May 30, 2020



Source: Smith Travel Research

# Countywide Hospitality Taxes Updated Revenue Estimates

# Quick Primer on 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 must be used for projects supporting arts, cultural, sports or convention
- Revenues in FY1995 = ~ \$12 million; FY2019 = ~ \$60 million
- Wake County and City of Raleigh are responsible for oversight and approval for uses of revenues
  - 21 Amendments to the Revised Interlocal Agreement
- For more information, visit [www.wakegov.com/roomfoodtax](http://www.wakegov.com/roomfoodtax)

# Hospitality Tax Review Team assisted with development of updated revenue projections

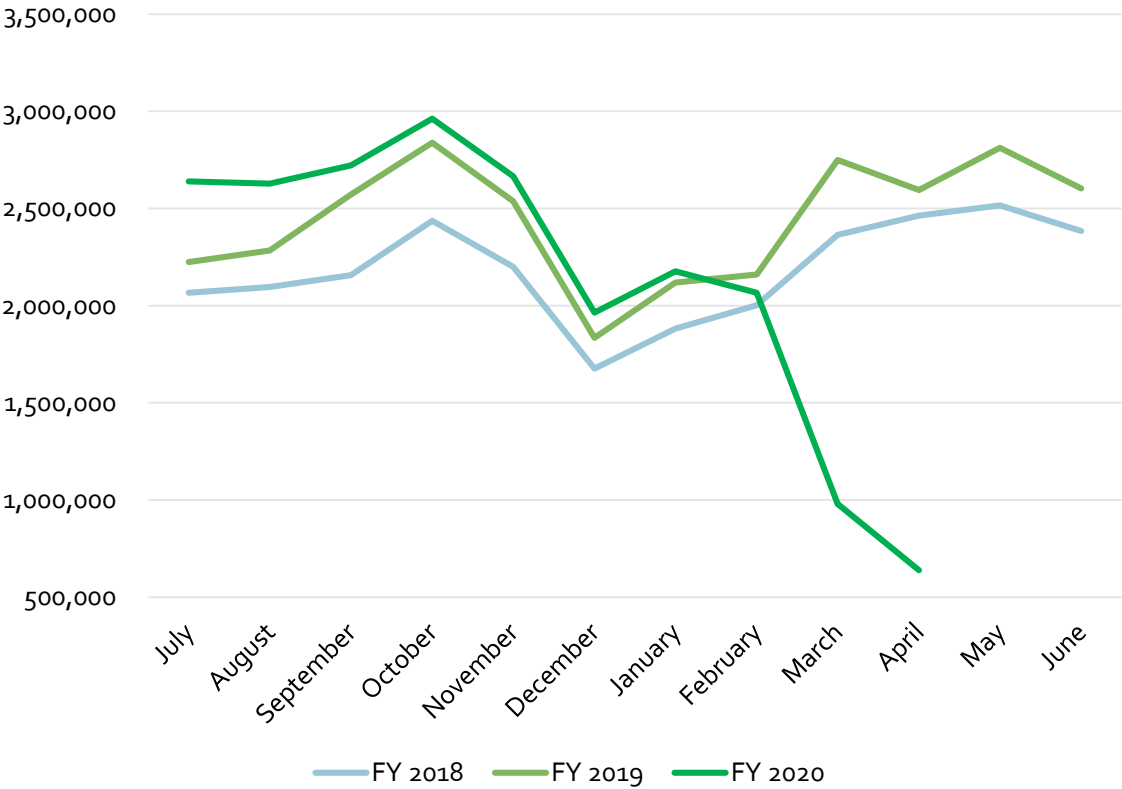
- Review Team members include:

City of Raleigh	GRCVB
Town of Cary	Centennial Authority
Town of Knightdale	Wake County Hospitality Alliance
Town of Morrisville	Wake County
- To develop the revised revenue estimates, the team reviewed data including recent trends, historical trends, prior economic recessions and recoveries and industry data from economists and professional hospitality organizations

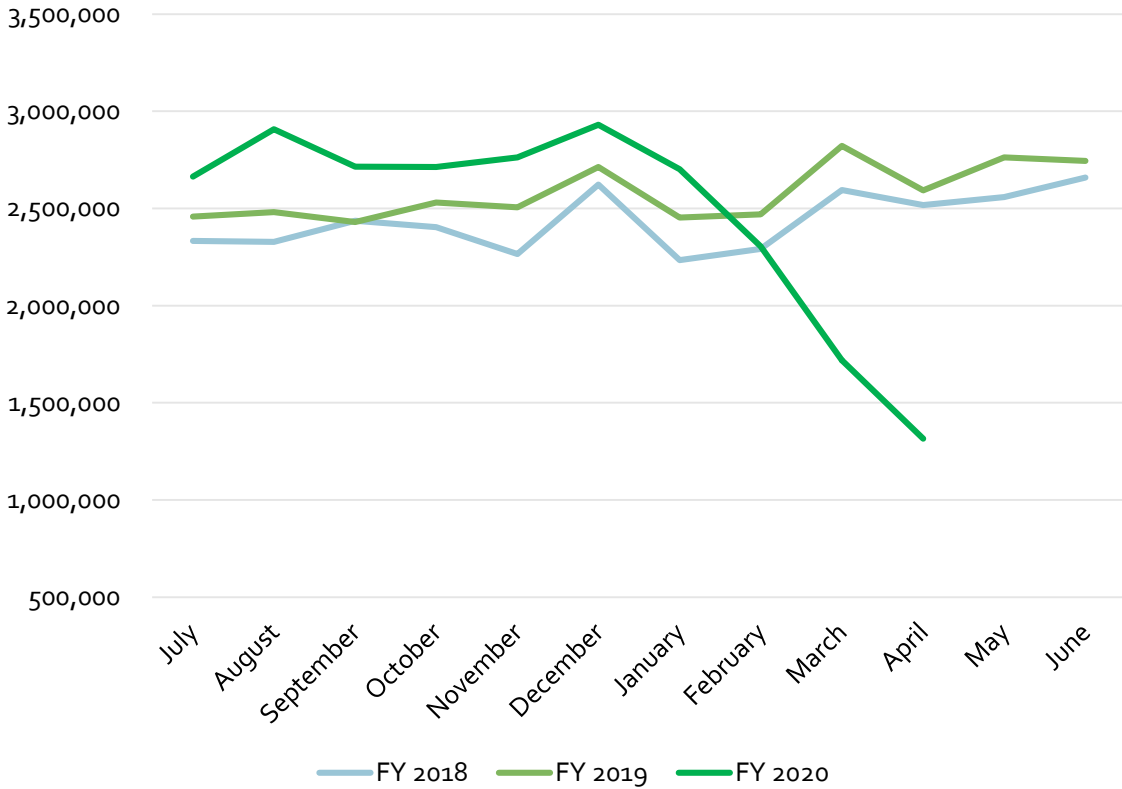


# Revenues by month compared with prior year performance show COVID impact in March/April

Occupancy Tax Monthly Distributions



Prepared Food and Beverage Monthly Distributions



# FY 20/21 Revenues Projected \$32M less than 21<sup>st</sup> Amendment Projections

<b>FY 2020</b>	<b>FY20 Adopted</b>	<b>FY20 21<sup>st</sup> Amendment</b>	<b>May 2020 Projections</b>	<b>Projected - Amended</b>
Occupancy	30,019,000	30,501,000	22,924,000	(7,577,000)
Prepared Food and Beverage	32,241,000	32,509,000	25,587,000	(6,922,000)
<b>Total Revenues</b>	<b>62,260,000</b>	<b>63,010,000</b>	<b>48,511,000</b>	<b>(14,499,000)</b>

<b>FY 2021</b>		<b>FY21 21<sup>st</sup> Amendment</b>	<b>May 2020 Projections</b>	<b>Projected - Amended</b>
Occupancy		31,721,000	23,558,000	(8,163,000)
Prepared Food and Beverage		34,135,000	24,500,000	(9,635,000)
<b>Total Revenues</b>		<b>65,856,000</b>	<b>48,058,000</b>	<b>(17,798,000)</b>

# Recovery projected to take six years to return to FY19 actual; cumulative \$97M revenue loss over six years

	FY19	FY20	FY21	FY22	FY23	FY24	FY25
	Actuals	Proj	Proj	Proj	Proj	Proj	Proj
Occupancy	11.77%	-21.84%	2.77%	5.00%	6.00%	5.00%	3.00%
Food and Beverage	5.87%	-17.36%	-4.25%	10.00%	8.00%	5.00%	4.00%
Occupancy	29,328,000	22,924,000	23,558,000	24,736,000	26,220,000	27,531,000	28,357,000
Food and Beverage	30,961,000	25,587,000	24,500,000	26,950,000	29,106,000	30,561,000	31,783,000
Total	60,566,000	48,511,000	48,058,000	51,686,000	55,326,000	58,092,000	60,140,000

# Partners receiving percentage distributions significantly impacted by revenue losses

- Greater Raleigh Convention and Visitors Bureau primarily funded through percentage of occupancy collections
  - FY20 – down 25% (\$1.9M)
  - FY21 – down 26% (\$2M)
- Centennial Authority operating funds are percentage of collections
  - FY20 – down 23% (\$850k)
  - FY21 – down 28% (\$1M)
- Raleigh Convention Center Complex debt, maintenance and operating are percentage of collections
  - FY20 – down 28% (\$9.6M)
  - FY21 – down 28% (\$7.5M)
- Town of Cary receives hold harmless percentage
  - FY20 – down 25% (\$379k)
  - FY21 – down 26% (\$400k)

# 22<sup>nd</sup> Amendment Recommendations

# Recommendations

Projects	Remove	Update	Delay
Medium Projects	Remove \$46.6M funding; End formal process		
Small Projects	Remove \$2M funding for FY20		
Town of Cary Indoor Sports Complex			1 year to FY22 for 25 years
Town of Cary Maintenance			Reduce payment by \$1M in FY21
PNC Arena		Beginning in FY30 shift \$9M to Planned Future Sports/ Entertainment Facility Capacity	
Future Capacity	Remove \$3.14M annually beginning FY26		

# Recommendations

Projects	Remove / Eliminate	Update	Delay
<b>Convention Center Complex</b>			
Maintenance FY21-FY23			Reduce RCC \$2.4M and PAC \$0.750M
Land Acquisition		Reflect FY20 Actual Cost - \$11.3M	
Optimization	Remove \$4.5M	Retain \$500K for Design Contract	
Music Venue	Remove capacity beginning in FY25		
Hotel Parking/ Infrastructure			By 2 years begin FY25
Convention Center Expansion			By 2 years begin FY30

# Recommendations

- Model Review - Conduct review with all relevant parties no later than July 1, 2023



# Next Steps

- June 5 – Stakeholders Presentation
- June 8 – County Commissioner Presentation
- June 9 – Raleigh City Council Presentation
- June 15 – County Commission consideration of 22<sup>nd</sup> Amendment
- June 16 – Raleigh City Council consideration of 22<sup>nd</sup> Amendment
- Hospitality Tax Review Team continue regular revenue oversight