

BOARD OF ALDERMEN

ITEM NO. D(3)

AGENDA ITEM ABSTRACT

MEETING DATE: November 20, 2012

SUBJECT: A RESOLUTION ESTABLISHING A HOTEL ROOM OCCUPANY TAX AND THE CARRBORO TOURISM DEVELOPMENT AUTHORITY

DEPARTMENT: TOWN MANAGER	PUBLIC HEARING: NO
ATTACHMENTS: A – Resolution	FOR INFORMATION CONTACT: David Andrews (918-7315) Mike Brough

PURPOSE

The purpose of this agenda item is for the Board to consider a resolution establishing a hotel room occupancy tax and Carrboro Tourism Development Authority.

INFORMATION

The North Carolina General Assembly has given the Town of Carrboro authority to adopt a resolution levying a tax of up to 3% on the gross receipts derived from the rental of hotel or motel rooms. In addition to establishing this tax, the Town must create a Carrboro Tourism and Development Authority (CTDA). With Construction of the Hampton Inn & Suites in the 300 East Main Street project expected to be completed in the spring of 2013, adoption of this resolution at this point is necessary to provide staff time to establish and implement procedures for the collection and enforcement of this tax.

The Town is required to distribute the net proceeds of the occupancy tax on a quarterly basis to the CTDA. At least two-thirds of the funds must be used by the CTDA to promote travel and tourism in Carrboro and the remainder is to be used for tourism-related expenditures.

The CTDA is an independent authority subject to the NC Open Meetings Law and the Local Government Budget & Fiscal Control Act. Members of the CTDA are to be appointed by the Board of Aldermen for one year terms. The composition of the CTDA members are to be: “at least one-third of the members must be individuals affiliated with businesses that collect the tax in the town, and at least three-fourths must be individuals who are currently active in the promotion of travel and tourism in the town.” The attached resolution has set the number of CTDA members at three; however, the Board may wish to consider increasing this number. The Town Clerk will begin recruitment for the CTDA upon adoption of the resolution.

FISCAL AND STAFF IMPACT

Based on a 144-room hotel with an average nightly room rate of \$110 and 67% occupancy rate, revenues from the 3% hotel occupancy tax are estimated at \$9,552 per month or \$114,618 annually. The Town may keep up to 3% of the first \$500,000 of gross proceeds for administrative costs and 1% of the remaining gross receipts collected each year. As an independent public authority, the CTDA will require separate bank account, budget, report

requirements and annual audit. These costs will be covered out of the net proceeds of the tax distributions.

RECOMMENDATION

Staff recommends that the Board consider the adoption of the attached resolution establishing a hotel room occupancy tax and Carrboro Tourism Development Authority.