

# BOARD OF ALDERMEN

ITEM NO. F(1)

## AGENDA ITEM ABSTRACT

MEETING DATE: January 15, 2012

**TITLE: Update to the Committee/Board Application and an Update on the Occupancy Tax Fiscal Impact**

<b>DEPARTMENT: Town Clerk, Management Services, Community and Economic Development</b>	<b>PUBLIC HEARING: NO</b>
<b>ATTACHMENTS: A. Resolution Adopting an Update to the Committee/Board Application B. Updated Advisory Board Application</b>	<b>FOR INFORMATION CONTACT: Cathy Wilson, Town Clerk 918-7309 Arche McAdoo, Finance Director 918-7439 Annette Stone, Community &amp; Economic Development</b>

### **PURPOSE:**

The purpose of this item is to allow the Board to discuss the addition of the Tourism Development Authority to the committee application and to receive an update on the Occupancy Tax Fiscal Impact.

### **INFORMATION:**

The application has been updated to include the Tourism Development Authority. One third of the members must be “affiliated with businesses that collect the tax in the town.” Three fourths of the members must be “active in the promotion of travel and tourism in the town.” There may be an overlap since the hotel representatives will qualify both under the first and the second criteria.

### **FISCAL 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.

The completion of the East Main Street project will generate additional property tax revenues for the Town. Currently the property has a tax valuation of \$1.1 million and generates \$6,633 annually in property taxes. Upon project completion, the estimated value of the property is \$21.0 million that will generate approximately \$124,055 annually in tax revenues.

The town shall, on a quarterly basis, remit the net proceeds of the occupancy tax to the Carrboro Tourism Development Authority (CTDA). The CTDA shall use at least two-thirds of the funds remitted to it under this section to promote travel and tourism in Carrboro and shall use the remainder for tourism-related expenditures. The following definitions apply in this section:

- (1) **Net Proceeds.** Gross proceeds less the cost to the town of administering and collecting the tax, as determined by the finance officer, not to exceed three percent (3%) of the first five hundred thousand dollars (\$500,000) of gross proceeds collected each year and one percent (1%) of the remaining gross receipts collected each year.

- (2) Promote travel and tourism. To advertise or market an area or activity, publish and distribute pamphlets and other materials, conduct market research, or engage in similar promotional activities that attract tourists or business travelers to the area. The term includes administrative expenses incurred in engaging in these activities.
- (3) Tourism-related expenditures. Expenditures that, in the judgment of the CTDA, are designed to increase the use of lodging facilities, meeting facilities, and convention facilities in the town by attracting tourists or business travelers to the town. The term includes tourism-related capital expenditures.

**RECOMMENDATION:**

It is recommended that the Board of Aldermen approve the attached resolution.