



# Hospitality Taxes Capital Investment Policy

# HOSPITALITY TAXES CAPITAL INVESTMENT POLICY

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**OBJECTIVE: TO DEVELOP A POLICY FOR CITY COUNCIL CONSIDERATION TO EVALUATE CAPITAL INVESTMENTS FUNDED BY HOSPITALITY TAXES TO ENSURE TRANSPARENCY AND FUNDING RESOURCES ARE MAXIMIZED.**

# OBJECTIVES

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- PERMISSIBLE USES OF HOSPITALITY REVENUES
- SOURCES AND USES OF FY 2021 PROJECTED TOURISM REVENUES
- CHARLOTTE REGIONAL VISITORS AUTHORITY
- HOSPITALITY CAPITAL INVESTMENTS – CURRENT
- CAPITAL FUNDING POLICY – NEXT STEPS

# PERMISSIBLE USES OF TOURISM REVENUES

| Fund               | Permissible Uses  | Current Uses   |
|--------------------|---|--|
| Convention Center  | <ul style="list-style-type: none"> <li>• Convention Center facilities, including parking: acquiring, constructing, operating, marketing and promoting</li> <li>• Convention and visitor promotion</li> <li>• Stadium &gt; 60,000 seats and ancillary, associated facilities: acquiring, constructing, financing, renovating, maintaing &amp; traffic control</li> <li>• Amateur sports facilities and ancillary facilities: acquiring, constructing, financing, renovating and maintaining</li> </ul> | <ul style="list-style-type: none"> <li>• Debt service on bonds for Convention Center, Bank of America Stadium and Bojangles Arena</li> <li>• Annual Convention Center and Bank of America Stadium maintenance and visitor promotions</li> </ul> <p>NOTE: Convention Center expansion (\$11.9M) has been approved but not yet funded</p>  |
| Tourism            | <ul style="list-style-type: none"> <li>• Activities and programs aiding and encouraging convention and visitor promotion</li> <li>• Construction, financing, maintaing and operating convention centers, civic centers, coliseums, auditoriums, museums</li> <li>• Visitor-related programs and activities including museums, art or cultural programs, events or festivals</li> </ul>  | <ul style="list-style-type: none"> <li>• Debt service on bonds for Spectrum Center</li> <li>• Spectrum Center capital reserve and maintenance</li> <li>• BB&amp;T Ballpark capital subsidy</li> <li>• Annual Ovens Auditorium and Bojangles Arena maintenance</li> </ul> <p>NOTE: Projects for the Carolina Theatre (\$4.5M) and Memorial Stadium (\$3.0M) have been approved but not yet funded</p> <ul style="list-style-type: none"> <li>• Debt service on bonds for Levine Center for the Arts, Discovery Place and other cultural arts facilities</li> <li>• Spectrum Center capital improvements and capital reserve</li> <li>• Annual arts and cultural facilities maintenance</li> </ul> |
| Hall of Fame (HOF) | <ul style="list-style-type: none"> <li>• Acquisition, construction, repair, maintenance and financing of Hall of Fame</li> <li>• Some portion can be dedicated to Convention Center building in support of ballroom access</li> </ul>   | <ul style="list-style-type: none"> <li>• Debt service on bonds for Hall of Fame</li> <li>• Annual Hall of Fame capital reserve and maintenance</li> </ul>  |

# SOURCES & USES OF PROJECTED FY21 HOSPITALITY REVENUES (IN MILLIONS)

| Main Sources                   |                                       | Convention Center Fund | Tourism Funds                   | NASCAR HOF Fund |
|--------------------------------|---------------------------------------|------------------------|---------------------------------|-----------------|
| <b>Total Fund Revenues</b>     |                                       | \$56.6                 | \$32.3                          | \$15.6          |
| Main Uses                      |                                       |                        |                                 |                 |
|                                | CRVA Business Development             | \$2.3                  | Ovens Maintenance               | \$0.4           |
|                                | CRVA Promotion and Marketing          | \$10.2                 | Ovens Special Projects          | \$1.8           |
|                                | Operating Allocation for Conv. Center | \$9.2                  | Spectrum Arena Maintenance      | \$2.2           |
|                                | Debt Service                          | \$27.0                 | Cultural Facilities Maintenance | \$3.8           |
|                                | Transfers                             | \$3.4                  | Cultural Debt Service           | \$7.7           |
|                                | Other                                 | \$4.5                  | Arena Debt Service              | \$15.6          |
|                                |                                       |                        | Other                           | \$0.8           |
|                                |                                       |                        |                                 |                 |
| <b>Total Fund Expenditures</b> |                                       | \$56.6                 | \$32.3                          | \$15.6          |

# CHARLOTTE REGIONAL VISITORS AUTHORITY (CRVA)

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- CRVA leads efforts to maximize the region's economic potential through visitor spending, creating jobs and opportunities for the community.
  - Annual economic impact of almost \$1B
- Guided by a 13-member board of directors comprised of industry and civic leaders appointed by the Mayor and City Council.
- Major functions include sales and marketing and venue operations.
- CRVA develops their budget and fiscal controls in concert with the City prior to adoption.
  - Annual budget of over \$70 million
    - Comprised of operating revenues (i.e., generated from operations of CRVA-managed venues) and external support (i.e., hospitality tax revenues received from the city).
    - Budget is approved by CRVA Board of Directors.
  - Maintains 16% operating reserve.
  - Component unit of City in annual audit.

# HOSPITALITY CAPITAL INVESTMENTS - CURRENT

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## TYPES OF INVESTMENTS

- City-owned assets and facilities
- Partnerships (P3s and Intergovernmental)
- Events

## CRITERIA OF INVESTMENTS

- Legal compliance
- Return on investment
- Maximize inclusion/diversity/MWSBE goals
- Job creation
- Support tourism and economic development

## PRIORITY OF INVESTMENTS

- Current contractual obligations
- City-owned assets
- Discretionary investments

## FINANCIAL POLICIES

- Affordability
- 100% of next year's debt service
- Robust fund balance

# CAPITAL FUNDING INVESTMENTS – NEXT STEPS

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