



1.7.19 - Strategy Session Action Items

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BOND RATING

Requester:	Council member Winston
Staff Resource:	Robert Campbell
Statement of Issue:	What is the cost of a bond rating downgrade on the City's general credit? AAA vs AA?
Deliverable:	<ul style="list-style-type: none"> An explanation of the impact of a bond rating downgrade on the City.
Latest Development:	<p>The City of Charlotte currently has the highest credit ratings achievable for its General Obligation (G.O.) Bonds (triple A) and Certificates of Participation (COPs) (double A). These ratings have been held by the City for decades. Highest credit ratings provide several benefits:</p> <ul style="list-style-type: none"> Lower interest cost. The highest rating has resulted in approximately one-quarter of one percent lower interest rates than the next credit category, double A for G.O. bonds. It is estimated that the City would have paid approximately \$100 million more over the past 10 years for all city debt had the rating been double A. The highest rating means the City can fund capital projects with lower interest rates so that taxpayers pay less for the same projects. Greatest access to buyers of debt. Highest ratings attract the most buyers in the market. Market access is critically important, especially in rising interest rate environments and economic downturns. Ability to structure debt to meet the City's needs. Highest credit ratings provide comfort to buyers of debt and gives the City the ability to structure debt in ways that facilitates financing for the City's complex capital projects. Due to Investor confidence, Investors are willing to give the City greater flexibility when ratings are at their highest. <p>The following are considerations regarding the lowering of the City's highest credit ratings for general government debt:</p> <ul style="list-style-type: none"> Credit rating factors. There are four major factors considered by rating agencies as follows: Economy/Tax Base (30%), Finances (30%), Management (20%), and Debt (20%). Currently, the amount of outstanding and planned future general government debt is considered high but not at a level that creates concerns for the rating agencies given the strength in the other factors. For the City, the amount of debt that can be issued is constrained by the level of revenues dedicated for debt repayment. As a result, considerable latitude exists to issue new debt without impacting the City's highest ratings. Debt affordability. Debt affordability is a measure of how much debt service can be paid from revenues/resources that have been dedicated to debt service. This would include debt service on outstanding debt as well as future debt. The City maintains a debt affordability model that estimates new debt for the future and when it can be issued. The FY 2019-2023 Community Investment Plan reflects this planned issuance based on affordability

BOND RATING

Factors that could lead to rating downgrade. The following considers how changes in the factors might impact the City’s rating:

- **Economy/Tax Base.** The City has limited control over the area economy. Economic activity has been strong in recent years but changes, outside of the City’s control, could impact the ratings.
- **Finances.** Maintaining the City’s financial policies including fund balance levels are key elements of the City’s high credit rating. Policy changes could have substantial and unintended impacts to the City’s credit ratings. (It is difficult to quantify the specific amount the City could spend relative to the fund balance that would result in a downgrade in rating.)
- **Management.** The City’s historically sound management practices are anticipated to continue. Changes to management practices could impact the rating.
- **Debt.** Rating agencies have indicated a current high debt levels but significant capacity for new debt remains.

With numerous elements considered for each factor, the rating agencies methodology to determine an issuers rating is both quantitative and subjective.

Impact of a rating downgrade. If ratings were to fall the city could expect the following impacts:

- **Increase Cost to Borrow.** A lower credit rating will result in higher interest cost which will reduce the City’s ability to finance additional projects. Funding for planned capital projects would have to fall from currently anticipated levels or new revenues would have to be added to cover the higher interest cost.
- **Negative Effect on Other Credit Entities.** The City’s high general credit rating also supports enterprise fund credit ratings. A reduction in the general credit could lead to a reduction to enterprise credit ratings, increasing the cost of capital and leading to the need for higher rates and charges to maintain their current capital programs.
- **Reputational Risk.** Confidence in the City and its reputation might be negatively impacted. The City’s AAA credit rating indicates to taxpayers that the City is a good steward of public funds and gives investors the confidence to buy the city’s bonds. In addition, from an economic development perspective, the triple A rating demonstrates to new and existing business that the city is a stable and reliable partner.

In summary, highest credit ratings bring lowest interest costs, greatest access to capital markets and considerable structure flexibility. The City has historically operated at levels that has consistently retained these highest ratings and is a testament to strong actions by City Council and management of the City consistent with Council goals and objectives.

E-SCOOTERS

Requester:	Council member Winston, Council member Mayfield, Council member Egleston, Mayor Lyles
Staff Resource:	Liz Babson
Statement of Issue:	At the January Strategy Session City Council provided feedback on the proposed e-scooter ordinance and asked a series of questions.
Deliverable:	<p>An explanation of:</p> <ul style="list-style-type: none"> • Dynamic pricing and benefits to City • How various companies define evening. • Options and recommendation related to mph • Other pricing models cities have used • Why cities that have banned scooters made that decision • Research regarding e-scooter deployment to support first and last mile trips
Latest Development:	<p>See the responses to the below questions from January 7 Strategy Session, including several additional follow up questions answered the week of January 7- 11:</p> <p>What is dynamic pricing?</p> <ul style="list-style-type: none"> • Dynamic pricing, as currently envisioned, allows the City to collect revenue from e-scooter companies based on number of trips, parking location and parking duration. • GPS data is used to generate this information and then billed to the e-scooter vendors and paid to the City on a monthly or quarterly basis. • In addition, the City will further explore a dynamic pricing model that gives incentives (in the form of reduced trip costs) for e-scooter riders that park correctly and for wearing a helmet. • Staff has initiated conversations with the three e-scooter vendors and a third-party company to assess if this is a viable option in Charlotte. This assessment will take 90 days. In the event that this approach is not viable, the City will pursue a more conventional per unit fee similar to other cities in North Carolina and across the nation. • Fees collected would be comparable to per unit fees being collected in other cities. • This model may allow the ability to incentivize and reward good parking and riding behavior, which per unit fees do not. <p>Do all companies go by same definition of evening (9pm?) What happens at 9pm to people riding scooters?</p> <ul style="list-style-type: none"> • Scooter companies are required to pick up their scooters each evening (by 9PM) and redeploy them each morning. If a rider tries to initiate a trip after the “shut-down” time, the scooter will not unlock for that rider and the rider cannot ride the scooter. • Staff will build additional clarification into the permit guidelines that makes it clear the shut down time is 9PM and no new trips can be initiated after 9PM. • If a rider initiates a trip before the shut-down time, the system will allow them to complete their trip. <p>Do we need to allow people to use their judgement when riding on 35mph streets given that we don’t have complete streets?</p> <ul style="list-style-type: none"> • Based on feedback from City Council and the bicycling community at the January 7 Strategy Session, staff removed this requirement from the draft ordinance. <p>Is there a model that has a per unit cost in Durham and why aren’t we considering it?</p>

E-SCOOTERS

- Many cities across the nation, including Raleigh, Durham and Greensboro, charge a per unit fee per year. That is a common model and is relatively easy to implement.
- At this time, staff would like to assess a “dynamic pricing” model (as described above) that better utilizes data and appears to have a better opportunity of incentivizing good scooter riding and parking behavior.

What are other pricing models?

- Some cities combine additional permit fees with a per unit fee on e-scooters.

Why did places ban scooters? (e.g. Winston Salem)

- As was the case in Charlotte initially, e-scooters were dropped on city streets by the vendors without permission from cities.
- Charlotte, like other cities, imposed temporary bans on the e-scooters until permit requirements could be developed.
- Staff developed permit requirements and e-scooters were permitted in Charlotte under the pilot program in May 2018.
- Cities like Raleigh, Durham, Greensboro and others across the nation like (San Francisco, Nashville, Atlanta) had similar experiences when e-scooters were deployed on their streets. Those cities are all now allowing scooters.
- E-scooters have not been permitted by all cities and some continue to ban scooters. A number of cities have banned e-scooters temporarily until they develop appropriate permits and regulations. Several North Carolina cities including Wilmington and Winston-Salem are developing regulations before permitting e-scooters. Asheville is conducting a feasibility study to determine if e-scooters are a good fit for their community.

Can we receive more information regarding underserved communities?

- Staff is researching this concept and reviewing methodologies being used in other communities.
- There is a strong connection between e-scooters and first and last mile trips to/from transit as was discussed at the Strategy Session.
- Over the next 90-days, CDOT will work with CATS and the vendors to explore this relationship to determine if a percentage of scooters should be required to be deployed near high-ridership bus/rail transit routes (such as Blue Line, Central Avenue, Beatties Ford Road, South Tryon Street, Monroe Road, North Tryon Street, The Plaza, West Boulevard and Wilkinson Boulevard).
- This concept was not included in the ordinance City Council passed on January 14th. After conducting additional research, staff will update City Council within 90 days to discuss whether this concept or an alternate approach should be considered as part of the City’s permit requirements.

How do we address ADA concerns?

- Parking requirements specified in the current permit that address ADA compliance are as follows:
 - Leave a 6’ clear zone on sidewalks;
 - Cannot be parked near exits, accessible parking areas, bus shelters, curb ramps or near pedestrian push buttons at intersections;
 - Vendors are required to move e-scooters or bicycles within 2-hours of it being reported as blocking a sidewalk.

E-SCOOTERS

- Establish no parking zones in designated areas, if needed. For example, we established a no parking zone around Metrolina Association for the Blind so e-scooters and bikes cannot be left in front of their building due to the frequency of visually impaired pedestrians in that area.
- E-scooters are picked up every evening and parked appropriately each morning.
- New permit requirements specify an afternoon sweep each day to reposition e-scooters and bicycles that might have fallen down or been parked incorrectly.
- City staff have been asked to move e-scooters and bicycles when they see them blocking the sidewalks and ramps.

Latest Update

City Council considered Chapter 14 and Chapter 19 ordinance amendments at their January 14th City Council meeting. After discussion, the amendments passed.



HOUSING TRUST FUND

Requester:	Council Members Winston, and Council Member Mayfield																																								
Staff Resource:	Pamela Wideman																																								
Statement of Issue:	<ul style="list-style-type: none"> Can Council see a full audit of the housing trust fund spending? What are the City's metrics and financing methodologies? Can Council get clarity on the difference between 4% and 9% requests as well as the timing of the City's calendar vs. the states timing/calendar? 																																								
Deliverable:	<ul style="list-style-type: none"> Housing Trust Fund expenditures Metrics and financing methodologies Clarification of 4% and 9% Information on timing and calendars for the State and the City 																																								
Latest Development:	<p>Housing Trust Fund Expenditures (Since FY2002) As of January 2019, \$97,623,500.97 in Housing Trust Fund (HTF) financing has been committed to the development of over 7,278 affordable housing units and shelter beds. (See the chart below)</p> <p style="text-align: center;">Housing Trust Fund Expenditures</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>Year</th> <th>Expenditure</th> <th>Year</th> <th>Expenditure</th> </tr> </thead> <tbody> <tr> <td>FY2002</td> <td>\$946,349</td> <td>FY2011</td> <td>\$5,022,493.39</td> </tr> <tr> <td>FY2003</td> <td>\$3,963,335</td> <td>FY2012</td> <td>\$8,586,181.82</td> </tr> <tr> <td>FY2004</td> <td>\$3,119,374.17</td> <td>FY2013</td> <td>\$4,726,429.37</td> </tr> <tr> <td>FY2005</td> <td>\$3,073,159.30</td> <td>FY2014</td> <td>\$2,974,967.89</td> </tr> <tr> <td>FY2006</td> <td>\$7,828,419.29</td> <td>FY2015</td> <td>\$4,218,313.39</td> </tr> <tr> <td>FY2007</td> <td>\$9,267,440.94</td> <td>FY2016</td> <td>\$5,310,944.24</td> </tr> <tr> <td>FY2008</td> <td>\$8,477,852.25</td> <td>FY2017</td> <td>\$5,461,229.31</td> </tr> <tr> <td>FY2009</td> <td>\$3,264,994.11</td> <td>FY2018</td> <td>\$10,989,836.29</td> </tr> <tr> <td>FY2010</td> <td>\$7,954,384.20</td> <td>FY2019</td> <td>\$2,446,797.01</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Approximately 44% of the affordable housing units and shelter beds serve households/individuals earning 30% or below the area median income. While the majority of HTF activity has been for multi-family rental housing, a small portion (162 units) were for single family units. <p>Metrics and Financing Methodologies</p> <ul style="list-style-type: none"> HTF financing is used to provide gap financing with financing terms such as: <ul style="list-style-type: none"> A low-interest loan 20-year term, deferred Debt payments are cashflow contingent. Criteria used in assessing HTF proposals include: <ul style="list-style-type: none"> Adherence to City policy Development strength Developer experience and capacity Financial and leveraging strength Proposal's financial viability Compliance with zoning and land use 	Year	Expenditure	Year	Expenditure	FY2002	\$946,349	FY2011	\$5,022,493.39	FY2003	\$3,963,335	FY2012	\$8,586,181.82	FY2004	\$3,119,374.17	FY2013	\$4,726,429.37	FY2005	\$3,073,159.30	FY2014	\$2,974,967.89	FY2006	\$7,828,419.29	FY2015	\$4,218,313.39	FY2007	\$9,267,440.94	FY2016	\$5,310,944.24	FY2008	\$8,477,852.25	FY2017	\$5,461,229.31	FY2009	\$3,264,994.11	FY2018	\$10,989,836.29	FY2010	\$7,954,384.20	FY2019	\$2,446,797.01
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HOUSING TRUST FUND

Clarification of 9% developments compared to 4% developments

The North Carolina Housing Finance Agency’s Low-Income Housing Tax Credit (LIHTC) program has two funding options (9% Tax Credits and 4% tax Credits):

- 9% tax credits:
 - Very competitive
 - Involve stringent scoring and threshold requirements
 - Result in a greater leverage of tax credit equity
 - Limited resource based on the limited supply from the federal government
 - Developers can only apply once a year

- 4% tax credits:
 - Are non-competitive. However, developers must meet a threshold requirement as prescribed by the North Carolina Housing Finance Agency
 - Require a larger local gap subsidy because they come with less equity than the 9% tax credit.
 - Available to developers twice per year

Timing and Calendar for 4% and 9% Projects

- The City’s timing for accepting HTF proposals is aligned with the North Carolina Housing Finance Agency’s schedule and application process. Typically, HTF proposals are accepted soon after preliminary LIHTC applications are due, and HTF commitments are made prior to when LIHTC final applications are due.

Activity	Jan	Mar	April	May	Aug
Preliminary Applications due					
Market Study due					
Notification of final site scores					
Market-related project revisions due					
Revised Market Study due (if applicable)					
Full Application due					
Notification of Tax Credit Awards					



LAKE ARBOR

Item/Topic:	Lake Arbor Apartments
Staff Resource:	Pamela Wideman
Statement of Issue:	Summary of City activities related to Lake Arbor Apartments
Summary of Code Enforcement Activities:	<p>Code Enforcement Activities: Since the City’s involvement with Lake Arbor, Code Enforcement has inspected all 296 units in three phases:</p> <ul style="list-style-type: none"> • Phase 1 Inspections – 8/29/2018 & 8/30/2018 • Phase 2 Inspections – 9/5/2018 • Phase 3 Inspections – 9/12/2018 • 127 cases have been brought into compliance with the Minimum Housing Code. • All units cited for infestation have been treated by a licensed professional as of November 5, 2018. • 9 households have been referred to the Voluntary Emergency Relocation Housing Program. • 4 cases are scheduled on the March 5, 2019 Environmental Court docket. • The property owner has appealed all Findings of Fact and Orders to the Housing Appeals Board (HAB). The right to appeal is guaranteed pursuant to the code. The appeal is currently scheduled to be heard by HAB at their next scheduled meeting on February 12, 2019.
Summary of Community Engagement Activities	<ul style="list-style-type: none"> • August 25, 2018 – City staff (HNS, CRC) together with Legal Aid meet with residents. • September 21, 2018 - City staff (HNS, CRC, CMPD, SWS) participate in a community resource fair at apartments. • October 22, 2018 – HNS staff meet with property management to secure permission to conduct door-to-door tenant outreach. • November 5, 2018: City staff (HNS, CRC) conduct door-to-door survey to identify needs and services deemed most valuable to residents. • November 30, 2018 – City staff host resource fair to provide enforcement updates and to connect tenants to requested services based on the outcome of the resident survey.
Appeals Process	<ul style="list-style-type: none"> • As required by state law, upon receipt of an appeal, Code Enforcement must cease all enforcement action. This means that until the appeal action is resolved, Code Enforcement cannot issue civil penalties or cite the property owner to environmental court. • Also under the appeals process, the property owner is not required to continue repairs; however, work at Lake Arbor has continued on the property with Code Enforcement continuing to monitor the open cases, conduct reinspections as requested, and close cases when units are brought into compliance. Code Enforcement has also continued to inspect new complaints. • Once the Housing Appeals Board makes a determination regarding the case, the property owner will have the option to appeal the board’s decision to Superior Court. Decisions are made on the day of the hearing, currently scheduled for February 12, 2019.
Statutory Authority	<p>Council asked about the City’s statutory authority, and what additional authority the City may wish to seek:</p> <p>Current Authority:</p> <ul style="list-style-type: none"> • The City’s Minimum Housing Code is based on enabling legislation from the State of North Carolina, as set forth in the North Carolina General Statutes Sec. 160A-441 et. seq. • The statutes set forth a specific process that must be followed, including timing considerations that must be adhered to throughout the enforcement process, the amount and timing of civil

LAKE ARBOR

	<p>penalties, and the right for owners to appeal to the Housing Appeals Board. State statutes also dictate that once a property owner appeals a case to the Housing Appeals Board, all enforcement activities including citing civil penalties must cease until the appeal is resolved.</p> <ul style="list-style-type: none"> • Because state statutes establish the minimum housing code process, the City’s current code ordinance aligns with those in most of the State’s municipalities. • Civil penalties, referrals to Environmental Court for judicial hearings and sentencing, and Council action such as In Rems, are the primary tools to hold property owners accountable. <p>Additional statutory authority the City may wish to seek:</p> <ul style="list-style-type: none"> • Included in the City’s draft 2019 N.C. Legislative Agenda is support for legislation strengthening NC minimum housing standards including extending authority to local governments to conduct testing for and enforcement of remediation of mold. • Additionally, strengthening the judicial process for Environmental Court could be helpful. For example, reclassifying violations as more serious offenses than the current misdemeanor classification, advocating for stronger judicial remedies, and having one judge dedicated to environmental court could all be helpful.
<p>Status of Court Proceedings & City Representation</p>	<p>Council asked about the status of court proceedings and City representation:</p> <ul style="list-style-type: none"> • The City is pursuing compliance from the property owner through the Minimum Housing Code. With the exception of the four Environmental Court cases, no court proceedings are applicable at this time. • The Minimum Housing Code sets forth a process and timelines which, per the code, must be followed precisely. If, after following the required process set forth in the ordinance including the appeals process, the property owner fails to correct the violations, cases can be referred to Environmental Court for judicial process. • Cases referred to Environmental Court are heard by a judge, who makes a sentencing decision based on their judicial purview, such as ordering property owners to bring the property into compliance with minimum housing codes. • During Environmental Court, the District Attorney’s Office is typically present and represents the City’s / public’s interests. The City Attorney’s Office will represent both Code Enforcement and the Housing Appeals Board in further judicial proceedings related to Lake Arbor.



USE OF TOURISM REVENUES FOR CROSS CHARLOTTE TRAIL

Requester:	Council member Winston						
Staff Resource:	Sabrina Joy-Hogg, Robert Campbell						
Statement of Issue:	Can we use tourism revenues to fund the Cross Charlotte Trail?						
Deliverable:	There is a need for additional funding for the Cross-Charlotte Trail project. It has been suggested that tourism taxes may be a potential funding source for the project. This update provides the statutorily approved uses for these revenues.						
Latest Development:	<p>Background: An 8% Occupancy Tax (1983, 1990 and 2006) and a 1% Prepared Food and Beverage Tax (1990) were enacted by the North Carolina General Assembly (NCGA) to provide funding for specific tourism-related purposes. The table below details the breakdown of the taxes and specific uses:</p>						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Purposes</th> <th style="width: 33%;">Revenue</th> <th style="width: 33%;">Dedicated Usage</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">Convention Center/Pro Sports Stadiums/Amateur Sports</td> <td style="vertical-align: top;">3% Occupancy Tax 1% Prepared Food and Beverage Tax</td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> Debt service for convention center facilities or for the expansion of existing convention center facilities, which may include off street parking for use in conjunction with the facilities. Marketing and promoting new or expanded convention center facilities and for activities and programs aiding and encouraging convention and visitor promotion. Acquiring, constructing, maintaining, operating, marketing, and promoting new or expanded convention center facilities and of activities and programs aiding and encouraging convention and visitor promotion. Acquiring, constructing, financing, renovating, maintaining, and controlling traffic for a professional sports facility located in the City of Charlotte. Acquiring, constructing, financing, renovating, and maintaining amateur sports facilities, including ancillary, associated facilities located in the City of Charlotte. </td> </tr> </tbody> </table>	Purposes	Revenue	Dedicated Usage	Convention Center/Pro Sports Stadiums/Amateur Sports	3% Occupancy Tax 1% Prepared Food and Beverage Tax	<ul style="list-style-type: none"> Debt service for convention center facilities or for the expansion of existing convention center facilities, which may include off street parking for use in conjunction with the facilities. Marketing and promoting new or expanded convention center facilities and for activities and programs aiding and encouraging convention and visitor promotion. Acquiring, constructing, maintaining, operating, marketing, and promoting new or expanded convention center facilities and of activities and programs aiding and encouraging convention and visitor promotion. Acquiring, constructing, financing, renovating, maintaining, and controlling traffic for a professional sports facility located in the City of Charlotte. Acquiring, constructing, financing, renovating, and maintaining amateur sports facilities, including ancillary, associated facilities located in the City of Charlotte.
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USE OF TOURISM REVENUES FOR CROSS CHARLOTTE TRAIL

	NASCAR Hall of Fame	2% Occupancy Tax	<ul style="list-style-type: none"> Acquiring, constructing, repairing, maintaining and financing of a NASCAR Hall of Fame Museum facility and an ancillary and adjacent NASCAR/ convention center ballroom facility.
	General Tourism	3% Occupancy Tax – shared with Mecklenburg County and other municipalities in Mecklenburg County	<ul style="list-style-type: none"> Acquiring, constructing maintaining, operating, marketing, and promoting convention centers, civic centers, performing arts centers, coliseums, auditoriums, museums, off-street parking for use in conjunction with these facilities, and for tourism and tourism-related programs and activities including art and cultural programs, events, and festivals. Activities and programs aiding and encouraging convention and visitor promotion.

In 2000, a 1.5% Rental Car Tax was authorized by the NCGA as a substitute for property tax on rental cars. City Council committed this revenue to pay debt service on The Spectrum Arena and other tourism related uses.

In 2006, a 5% Rental Car Tax was authorized by the NCGA for financing, constructing, operating and maintaining a public transit system. The NCGA further allowed this Rental Car Tax revenue to supplant general revenues being used for those purposes. City Council committed the general revenues which were freed up to pay debt service and operating costs for Cultural Facilities and transportation projects.

Recommendations:

- The City Attorney’s Office has reviewed the statutory authorization for these taxes and has concluded:
 - As currently written, the Occupancy Tax and Food and Beverage Tax statutes do not allow for the use of such revenue for a project like the Cross-Charlotte Trail.
 - The 1.5% Rental Car Tax may not be restricted.
 - As currently written, the 5% Rental Car Tax is restricted for Transit use.

Future Considerations:

- Available project funding from non-restricted revenue is limited. The majority of funding comes from the restricted sources.
- Legislative action would be required to authorize changes in use restrictions for the Occupancy and Prepared Food and Beverage taxes.
- Legislative action would be required to increase tax rates in order to generate additional revenue.