



**HAYWOOD COUNTY
BOARD OF COMMISSIONERS**

AGENDA REQUEST

*Must be presented to the County Manager's Office
NO LATER THAN 5 P.M. FRIDAY 10 DAYS BEFORE THE MEETING*

DATE OF REQUEST: January 27, 2017

FROM: Lynn Collins

MEETING DATE REQUESTED: February 6, 2017

SUBJECT: Proposed Additional 2% Occupancy Tax

REQUEST: Request Board approval of the Haywood County Tourism Development Authority (HCTDA) Product Development Fund Policy and Process Guidelines and support the introduction of legislation in support of an additional two percent (2%) Occupancy Tax for the purpose of establishing a Tourism Product Development Fund.

BACKGROUND: Haywood County TDA currently collects a 4% occupancy tax on short term rentals in Haywood County. 3% of the funds go directly to the TDA for the purpose of marketing the county as a destination. The remaining 1% is distributed back to the zip code area where it is collected for the purpose of the zip code area being able to utilize the funds for marketing and tourism related expenses.

The Tourism Product Development Fund (TPDF) would provide financial assistance for major tourism capital projects that would drive tourism to Haywood County generating overnight stays in accommodations and creating economic impact. The funds for the capital projects would be generated through occupancy taxes paid by visitors to Haywood County. Tourism in Haywood County represents a \$259.43 tax savings to each county household.

IMPLEMENTATION PLAN: TDA Staff will meet with each Haywood County municipality as well as officials of Lake Junaluska Assembly to gain support for this effort. Legislation will be submitted to Raleigh for consideration.

FINANCIAL IMPACT STATEMENT: Based on current estimates, the additional 2% would generate approximately \$625,000 annually.

SUPPORTING ATTACHMENTS: YES X NO _____ HOW MANY? 10

LIST:

PowerPoint Presentation: YES _____ NO X

PERSON MAKING PRESENTATION AT MEETING: Lynn Collins

TITLE: Executive Director
PHONE NUMBER: 452-0152
E-MAIL: lynn@visitncsmokies.com

THIS SECTION FOR OFFICE USE ONLY

Received (Date/Time): _____

County Manager / Clerk to the Board Comments: _____

RESOLUTION
OF
HAYWOOD COUNTY TOURISM DEVELOPMENT AUTHORITY

APPROVING THE PROPOSED PRODUCT DEVELOPMENT FUND POLICY GUIDELINES

AND

REQUESTING ACTION BY THE MUNICIPALITIES WITHIN AND THE GOVERNMENT FOR HAYWOOD COUNTY, AS WELL AS THE LAKE JUNALUSKA ASSEMBLY, SUPPORTING AN ADDITIONAL TWO PERCENT (2%) OCCUPANCY TAX TO BE APPLIED AND EXPENDED ACCORDING TO THE PROPOSED GUIDELINES

AND

REQUESTING INTRODUCTION AND PASSAGE BY THE NORTH CAROLNA GENERAL ASSEEMBLY OF LEGISLATION AUTHORIZING THE ADDITIONAL TWO PERCENT (2%) OCCUPANCY TAX

WHEREAS, attached hereto as Exhibit A is a Haywood County Tourism Development Authority Proposed Product Development Fund Policy Guidelines which is designed to establish parameters for the application and expenditure of a proposed additional two percent (2%) occupancy tax; and

WHEREAS, the Haywood County Tourism Development Authority, composed of fifteen (15) appointed members, 12 of which are voting members, was established pursuant to Part V, Chapter 908 of the 1984 Session Laws of the North Carolina General Assembly, as amended; and

WHEREAS, the Haywood County Tourism Development Authority promotes economic development in Haywood County through advertising and promotion of Haywood County's recreational and tourism-related facilities, services, and amenities; and

WHEREAS, all funding for this effort is generated through transient occupancy taxes paid by users of accommodations; and

WHEREAS, the additional two percent (2%) occupancy tax designated for Tourism Product Development projects as set forth in the Haywood County Tourism Development Authority Proposed Product Development Fund Policy and Process Guidelines, would fund projects demonstrated to increase economic value and significantly increase patronage of lodging facilities in Haywood County; and

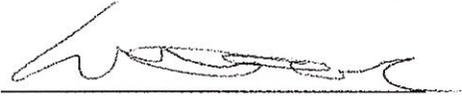
WHEREAS, the Haywood County Tourism Development Authority Proposed Product Development Fund Policy and Process Guidelines is designed to apply to the application and expenditure of the additional two percent (2%) occupancy tax; and

WHEREAS, residents of Haywood County would also receive benefits through additional facilities and amenities with no additional local tax burden.

NOW, THEREFORE, BE IT RESOLVED by the Haywood County Tourism Development Authority by voting as set forth on the tally sheet attached hereto as Exhibit B, that:

1. Approval is hereby given to the Haywood County Tourism Development Authority Proposed Product Development Fund Policy and Process Guidelines, including amendments applicable to a proposed additional two percent (2%) occupancy tax.
2. Governing Boards for all Municipalities within Haywood County, the Haywood County Board of Commissioners and the Governing Body of the Lake Junaluska Assembly are requested and urged to pass resolutions approving the introduction, support and approval by the North Carolina General Assembly of legislation authorizing the levy of an additional two percent (2%) Occupancy Tax designated for Tourism Product Development through the Haywood County Tourism Development Authority in addition to the existing four percent (4%) Occupancy Tax currently in effect.
3. The local delegation and all members of the North Carolina General Assembly are respectfully urged to introduce the local legislation referred to above and to give favorable consideration and expeditious passage of same.

DULY ADOPTED BY A VOTE OF ____ FOR AND ____ AGAINST, this the 25th day of January, 2017.



Lyndon Lowe, Chairman

HCTDA Resolution for Proposed 2% Occupancy Tax Signature Page

HCTDA Board Member	Vote Yes	Vote No
<i>cc: cc</i>	✓	
<i>J Wright</i>	✓	
<i>Ben Brad</i>	✓	
<i>W</i>	✓	
<i>Hail Mull</i>	✓	
<i>M. Decker</i>	✓	
<i>Chick</i>	✓	
<i>Kth</i>	✓	
<i>Walter</i>	✓	
<i>Ben Bran</i>	✓	
<i>Luzanne</i>	✓	

HCTDA Ex Officio Members	Vote Yes	Vote No
<i>Julia</i>	N/A	N/A
<i>Michelle</i>	N/A	
<i>Mark Clasky</i>	N/A	

Proposed Haywood County Tourism Development Authority (HCTDA) Product Development Fund Policy and Process Guidelines

1. The proposed 2% occupancy tax in support of tourism-related product development funding in Haywood County will be allocated by the HCTDA for capital projects. Eligible capital projects would be land acquisition, improvements to real estate and “bricks and mortar” expenditures. Funding will not be provided to support an applicant’s ongoing operational expenses, marketing and sales, or other similar kinds of spending that does not represent “bricks and mortar” expenditures. HCTDA product development funding may be used for design work and other approved “soft” costs related to the development of a project, but will not be used to pay for speculative feasibility studies for projects.
2. 50% of the net proceeds collected by the proposed 2% occupancy tax shall be credited to the HCTDA. These funds may be allocated to any eligible capital project as defined by these guidelines. The remaining 50% of the net proceeds collected shall be segregated into five separate accounts based on the collection area from which the proceeds were collected. Net proceeds collected in the 28716 zip code will be credited to Canton; net proceeds collected in the 28721 zip code will be credited to Clyde; net proceeds collected in the 28745 zip code will be credited to Lake Junaluska; net proceeds collected in the 28751 zip code will be credited to Maggie Valley and the net proceeds collected in the 28785/28786 zip codes will be credited to Waynesville. Based on recommendations from and in consultation with each of the five collection areas, the funds may be allocated to any eligible capital project as defined by these guidelines.
3. A 5% administrative fee will be retained by the HCTDA to cover management of the fund, including the application process and its implementation.
4. Projects to be funded must be tourism-related and act as drivers of overnight visitation to Haywood County, generating a provable return on investment in the

form of new room nights sold and a resulting positive economic impact for the community. These projects can and should also improve the quality of life for county residents.

5. The 2% occupancy tax collected in support of tourism-related product development funding will be in addition to the 4% currently collected to support promotion of Haywood County as a destination. HCTDA will continue to make grants to support Haywood County events (the 1% fund), but these grants must be for marketing expenditures intended to promote these events and draw visitors to the destination, in order to remain within North Carolina legislative guidelines for the use of occupancy taxes.
6. Funding will only be provided to those organizations which have an established not-for-profit tax status, including governmental entities.
7. The project must be physically located within Haywood County or located in such a way that there is a direct benefit to Haywood County. There will be no restrictions on how much project funding can be granted to a particular community or location within the county.
8. Projects which are located on the property of a for-profit occupancy tax-collecting entity (such as a hotel) will not be eligible for HCTDA 2% funding.
9. Organizations requesting funding from the HCTDA must have commitments in hand for a minimum 50% match of the dollars requested for the project at the time of application. This match could include both cash in hand as well as funding commitments made in writing by donors or financial institutions.
10. As it pertains to the 50% net proceeds credited to the HCTDA and as a tax collecting entity, the HCTDA can only commit to tourism-related project funding support which does not exceed the amount in its current fund balance. It cannot commit

any funding anticipated in future years. The HCTDA may decide that a project is deserving of funding support beyond what is available in the current year and may express its desire to see it supported in future years, but cannot specifically and formally commit to any further funding support.

Upon approval of a major capital project, an applicant could be granted a multi-year allocation from the appropriately designated 2% zip code fund.

11. Product development funding may be made by the HCTDA in the form of a grant, a loan, or in support of debt service.
12. The HCTDA is not obligated to expend all of the money in the product development fund and may decide to carry a balance into the following fiscal year.
13. Funding requests will be made by formal application to the HCTDA. Applicants may be required to demonstrate a proven need for their project by providing a feasibility study and evidence of the potential benefit to the Haywood County tourism sector and the community. Other requirements may include an operational plan for the project (including how the project will be supported financially in future years) and current financial statements in order to demonstrate fiscal viability. Applicants may be asked to make a formal presentation of the project to the HCTDA board.
14. The application process will be open to any entity that meets the above guidelines and will be publicized in local media and on the HCTDA website. HCTDA will notify in advance any organization that has expressed interest in participating in the next application cycle.
15. Funding recommendations will be made by the HCTDA board, which may approve the application; deny funding; or request additional information from the applicant. The HCTDA may also recommend that an applicant be awarded less funding than what has been requested in the application.

16. Even after approval by the HCTDA board, the applicant may still be required to achieve specific project objectives or thresholds before receiving any or all HCTDA funding in hand. Funds will be held in escrow by the HCTDA until their release to the applicant.

17. The Haywood County Board of Commissioners will review the final recommendations made by the HCTDA board and retain final authority to approve project applications. Only those applications recommended for approval by the HCTDA board will be considered by the Board of Commissioners.

**Frequently Asked Questions about the Proposed 2% Occupancy Tax for Tourism
Product Development in Haywood County**

Q: As a resident of Haywood County, will this increase the taxes I pay?

A: No. The occupancy tax is collected by overnight accommodations located in Haywood County from their guests. It goes directly to supporting the marketing of the entire county as a destination, overseen by the board and staff of the Haywood County Tourism Development Authority. This does not impact the taxes paid by Haywood County residents.

Q: I'm the owner of a for-profit business that is tourism-related. Can I apply for money from the proposed fund for an expansion of my business?

A: No. The fund is only available to not-for-profit organizations which have received that formal designation from the Internal Revenue Service, or to government entities.

Q: Can an organization apply for funds to assist with their operations or staffing of their expansion?

A: Tourism product development funds are limited to capital expenditures only and can't be used for operations, staffing, marketing, or any other expenditure that isn't considered as a capital expense.

Q: Is there a limit as to how much money organizations may apply for from the proposed fund?

A: No, there is no limit other than what is available in the fund in a given year. But the HCTDA can expend only what it has available in the fund and cannot commit funding anticipated in future fiscal years. There is also no minimum amount for which an organization must apply.

Q: Why does an applicant have to match the requested funding at least 1-to-1?

A: The Tourism Product Development Fund isn't intended to provide a project's sole funding, no matter how worthy it may be. The HCTDA's intention is to support eligible applicants by providing a source of funding to facilitate the development of projects which increase overnight visitation to the county. Applicants must demonstrate their own commitment to the project by providing at least half of the funding or showing commitments from other funders for half of a project's cost.

Q: If an applicant is approved for funding by the HCTDA, and then later decides not to follow through with the project, what happens to the approved funding?

A: The approved funding is held in escrow by the HCTDA until certain milestones are met by the applicant. If the funding is never used, it is returned to the fund for distribution in future years.

Q: Would the HCTDA be required to distribute every dollar of the fund each year?

A: In some years, there may not be sufficient applications representing projects which the HCTDA believes will increase overnight visitation. Any unused money will remain in the fund for distribution to projects in future years.

Q: Can the HCTDA make a multi-year grant commitment to a large project?

A: No. As a tax collecting legislatively-created entity, the HCTDA can only commit to the grant funding available to it in its current fiscal year.

Q: Will the product development fund be distributed according to the amount of money collected within each zip code in the county?

A: No. In order to maximize the effectiveness of the fund and the objective of supporting capital tourism projects across the entire county, funding will not be limited by zip code.

Q: How will this affect the so-called "1% fund" granted to support organizations which hold events which draw visitors to Haywood County?

A: The 1% fund used to support the marketing of events which draw visitors will continue. However, these dollars would be limited to marketing only and would not be available to offset operational expenses or to pay for capital items. Guidelines adopted by the North Carolina House of Representatives governing occupancy tax legislation specifically state that two-thirds of all occupancy taxes collected within a jurisdiction must go to marketing the destination. With the addition of the 2% to support tourism product development (to increase the total occupancy tax to 6%), the 1% fund in support of events must only be used for marketing.

Q: Does this affect the sales tax that lodging guests in Haywood County pay in addition to the occupancy tax?

A: No. Guests in overnight accommodations will continue to pay sales tax as they always have, and the use of that revenue is not affected by the additional 2% for tourism product development.

Q: Will the additional 2% tax apply to all types of accommodations in Haywood County?

A: The 2% for tourism product development applies to any lodging property that is required by law to collect the 4% occupancy tax. This includes hotels, motels, bed and breakfasts, rental homes and cabins, and short-term rental units.

Q: If a potential project benefits Haywood County residents as well as visitors, is it eligible for support from the tourism product development fund?

A: Absolutely. The fund is intended to make the county a better place to live and work as well as visit.