



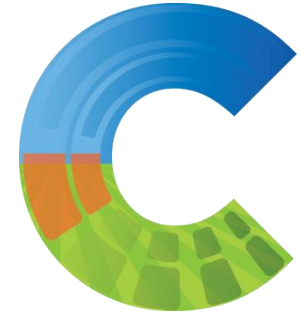
# Proposed Hotel Incentive

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AUGUST 15, 2016

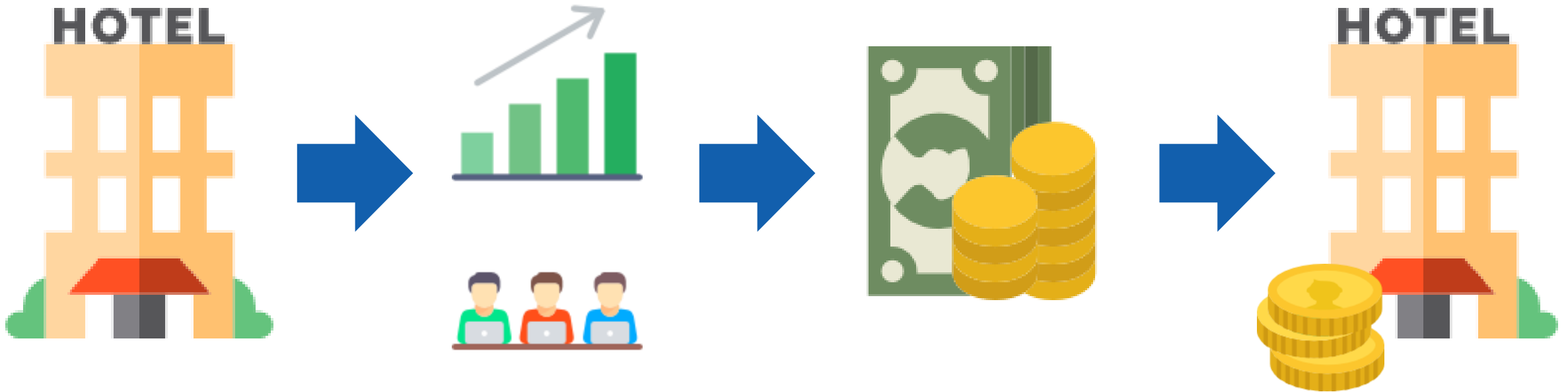
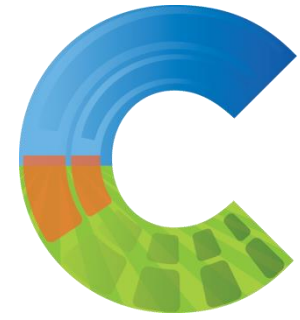


# How do incentives work?

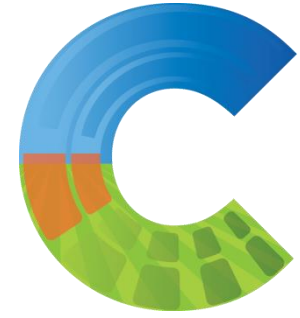


- First, company must make agreed upon investment and meet other requirements imposed by the county
- Second, the company must pay full county taxes on time and not have an active appeal
- Third, if all other requirements met, the county gives a grant to the company equivalent to a **PORTION** of the **TAXES ALREADY PAID**

# How do incentives work?

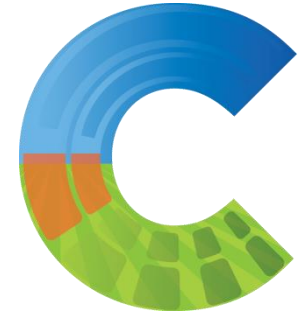


# Request from CPI



- Because of current market, developer has said that they have a risk as the first hotel in East Chatham County.
- The incentive would help alleviate this risk.
- The developer is asking for higher-than-normal incentives to help with the risk
- The county has a long-standing incentives policy that is a model in the state.

# Proposed incentive



Year 1—90% of taxes paid

Year 2—80% of taxes paid

Year 3—75% of taxes paid

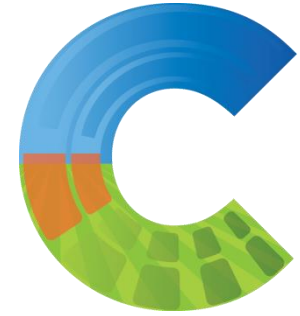
Year 4—75% of taxes paid

Year 5—60% of taxes paid

Year 6—incentives end

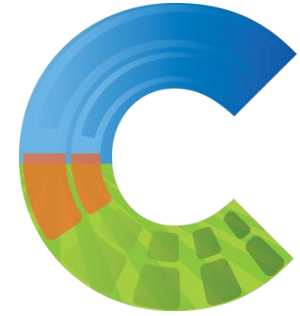
The county is considering this as a one-time exception to the incentives policy because of the impact a hotel would have on economic development and the county's new Agriculture & Conference Center.

# Impact of hotel



- The hotel will be designated as the Agriculture Conference Center hotel until a hotel locates onsite.
- Existing hotels are 17+ miles away.
- Would help attract a multiple day conference to the Agriculture Conference Center.
- Hotels provide a wider impact. Impact is multiplied by partnership with Agricultural Conference Center.
- Attracting a hotel is a goal of the County Commissioners.

# Estimated impact of hotel



<b>Hotel Investment</b>	<b>\$14,000,000</b>		
<b>Annual Tax Paid</b>	<b>\$88,732</b>		
	<b>Incentive %</b>	<b>Incentive Amount</b>	<b>Net Tax Revenue to County</b>
<b>Year 1</b>	<b>90%</b>	<b>\$79,859</b>	<b>\$8,873</b>
<b>Year 2</b>	<b>80%</b>	<b>\$70,986</b>	<b>\$17,746</b>
<b>Year 3</b>	<b>75%</b>	<b>\$66,549</b>	<b>\$22,183</b>
<b>Year 4</b>	<b>75%</b>	<b>\$66,549</b>	<b>\$22,183</b>
<b>Year 5</b>	<b>60%</b>	<b>\$53,239</b>	<b>\$35,492</b>
<b>Years 6 and up</b>	<b>0%</b>	<b>\$0</b>	<b>\$88,732</b>



# Economic Impact Study: Proposed Hotel at Chatham Park

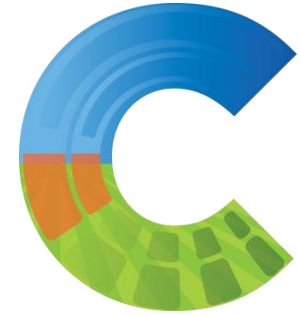
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Prepared by:



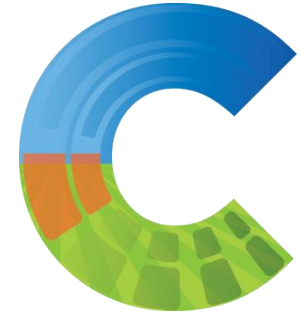


# Methodology & Assumptions



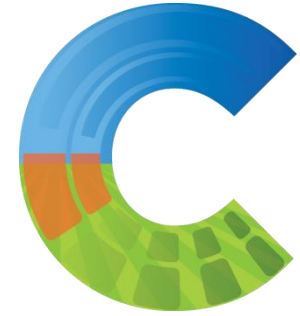
- Input/Output Modeling Software:
  - Economic Modeling Specialists International (EMSI) -- Region: Chatham County, NC
- For our “Most Likely” Scenario we used data provided by the proposed hotel on expected sales, employees, and salaries to determine the initial economic impacts.
- For our sensitivity analysis we used ratios of earnings per worker and sales per worker to estimate the initial impacts of our low occupancy and high occupancy scenarios.
- We also modeled the expected economic impact of the initial hotel construction. We keep these findings separate from the economic impact of the hotel operations as construction impacts are a one-time stimulus and the hotel operations are estimated annually.

# Multipliers explained



- Multipliers estimate the ripple effects of investment in a regional economy.
- Four Types of multiplying effects:
  1. Initial – this represents the jobs, sales, and earnings directly related to the hotel's construction or initial operations.
  2. Direct – these impacts are the first round of impacts to the industry's supply chain due to new input purchases required by the hotel.
  3. Indirect – these impacts reflect the second round of activity when the supply chains stimulate sales within their supply chains.
  4. Induced – these impacts are the result of increased earnings and therefore further spending throughout the economy.

# Multipliers for hotel sector



In Chatham County, creating 1 job in the hotel industry creates another 0.22 jobs elsewhere in the county's economy.

Type of Investment	Initial	Direct	Indirect	Induced	Total Effect
<b>Sales</b>	1.00	0.07	0.01	0.10	1.18
<b>Earnings</b>	1.00	0.08	0.01	0.14	1.23
<b>Jobs</b>	1.00	0.11	0.00	0.11	1.22



# Initial economic impacts

- Jobs Impact: 25 employees
  - Earnings Impact: \$675,960 annual salaries
    - Average Wage: \$27,038
  - Sales Impact:
    - \$120 nightly rate
    - 365 days a year
    - 110 rooms
    - 70% occupancy rate
- = \$3,372,600 estimated annual sales

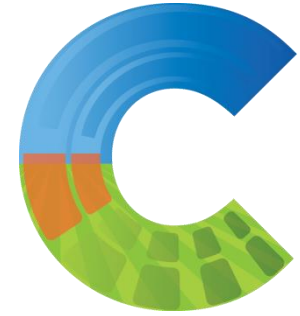


# Total economic impacts of hotel

Annual sales of \$3.4 million at the hotel would generate almost \$600k in additional economic activity in Chatham County.

Impact	Employees	Earnings	Sales
Initial Impact	25	\$675,960	\$3,372,600
Multiplier	1.22	1.23	1.18
Direct, Indirect, & Induced Impacts	6	\$155,471	\$592,625
<b>Total Impact</b>	<b>31</b>	<b>\$831,431</b>	<b>\$3,965,225</b>

# Economic impact on sales tax revenue



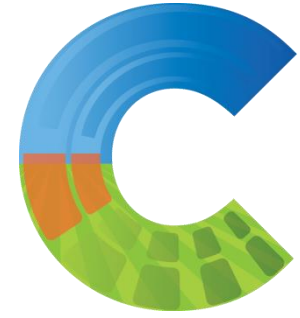
- At a 6.75% sales tax rate with \$3.4 million in sales, the hotel will pay approximately \$229,500 in sales tax annually - \$51,000 Chatham County portion.
- The 3% occupancy tax will generate \$102,000 in revenue
- The multiplied economic activity generated by the hotel's sales, employees, and salaries will bring in an additional \$190,110 in estimated local tax revenue annually.
- The total sales tax revenue generated by the hotel directly and indirectly is over **\$521,000 annually**.

# Sensitivity analysis



Impact	Most Likely Scenario	Low Occupancy	High Occupancy
Occupancy Rate	70%	50%	90%
Initial Sales	\$3,372,600	\$2,409,000	\$4,336,200
Initial Jobs	25	18	32
Direct Tax Revenue	\$202,356	\$144,540	\$260,172
Indirect Tax Revenue	\$190,114	\$135,796	\$244,432
<b>Total Tax Revenue</b>	<b>\$392,470</b>	<b>\$280,336</b>	<b>\$504,604</b>

# Construction Economic Impact



- Economic impacts from the hotel's construction will be one-time impacts and are presented separately from the hotel's operation impacts.
- The hotel estimates \$14 million to be spent in construction.
- This investment could generate an additional local tax revenue of over \$96,400 in one year.
- The construction of the hotel could support over 120 jobs, 100 in the construction industry and 20 throughout the economy.