

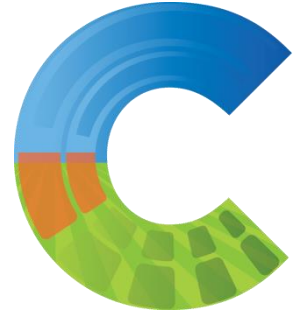


Proposed Hotel Incentive

AUGUST 15, 2016



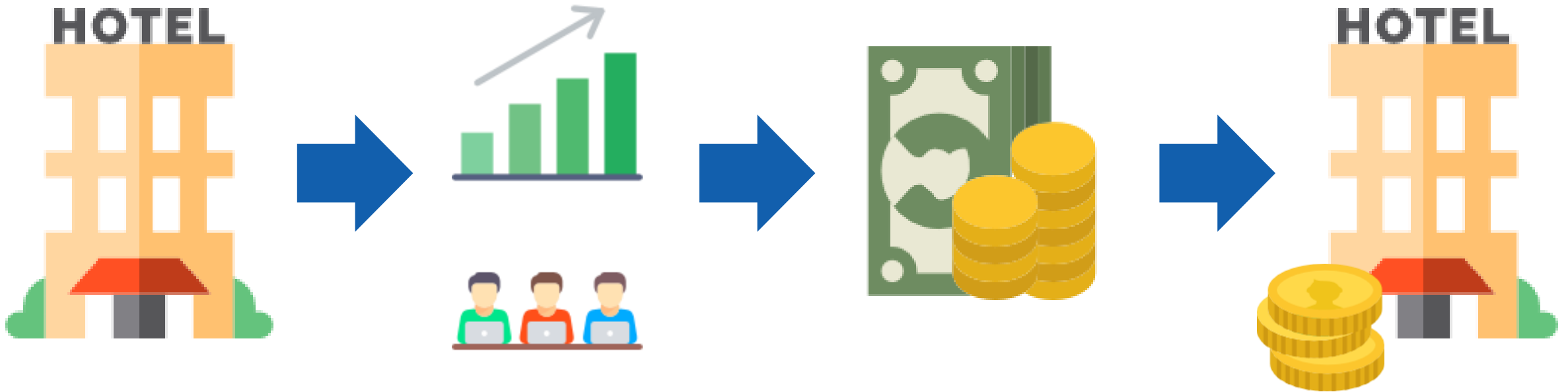
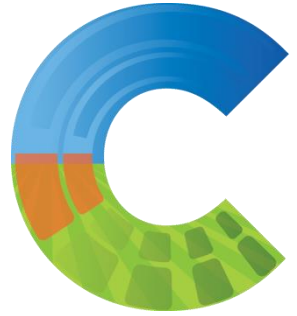
How do incentives work?



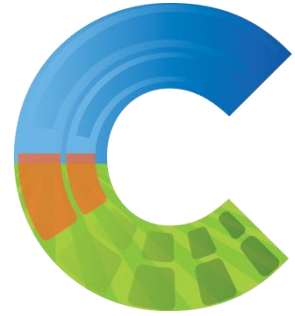
- First, company must make agreed upon investment and meet other requirements imposed by the county
- Second, the company must pay full county taxes on time and not have an active appeal
- Third, if all other requirements met, the county gives a grant to the company equivalent to a **PORTION** of the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



How do incentives work?

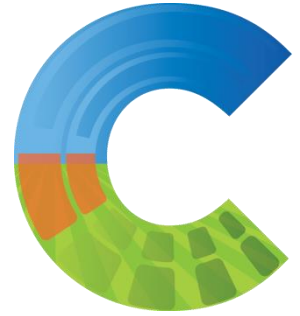


Request from CPI



- 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

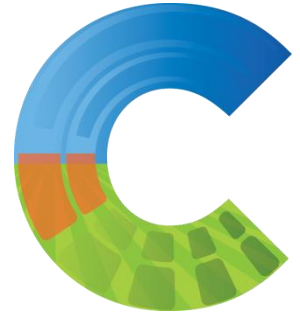
Year 5—60% of taxes paid

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.



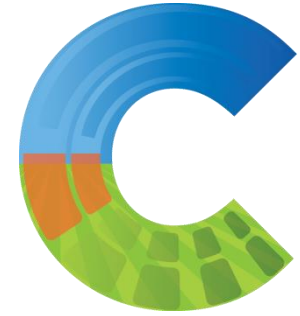
Impact of hotel



- 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



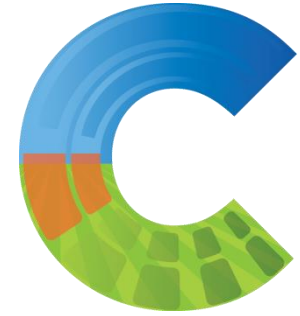
Hotel Investment	\$14,000,000		
Annual Tax Paid	\$88,732		
	Incentive %	Incentive Amount	Net Tax Revenue to County
Year 1	90%	\$79,859	\$8,873
Year 2	80%	\$70,986	\$17,746
Year 3	75%	\$66,549	\$22,183
Year 4	75%	\$66,549	\$22,183
Year 5	60%	\$53,239	\$35,492
Years 6 and up	0%	\$0	\$88,732

Economic Impact Study: Proposed Hotel at Chatham Park

Prepared by:

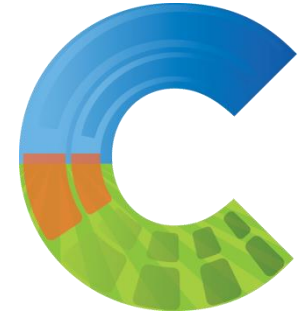


Methodology & Assumptions



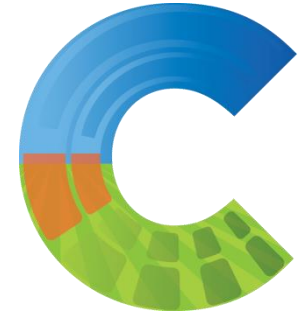
- Input/Output Modeling Software:
 - Economic Modeling Specialists International (EMSI) -- Region: Chatham County, NC
- For our “Most Likely” Scenario we used data provided by the proposed hotel on expected sales, employees, and salaries to determine the initial economic impacts.
- For our sensitivity 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
Sales	1.00	0.07	0.01	0.10	1.18
Earnings	1.00	0.08	0.01	0.14	1.23
Jobs	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

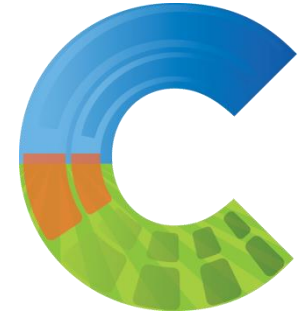


Total economic impacts of hotel

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

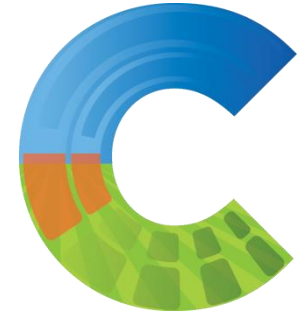
Impact	Employees	Earnings	Sales
Initial Impact	25	\$675,960	\$3,372,600
Multiplier	1.22	1.23	1.18
Direct, Indirect, & Induced Impacts	6	\$155,471	\$592,625
Total Impact	31	\$831,431	\$3,965,225

Economic impact on sales tax revenue



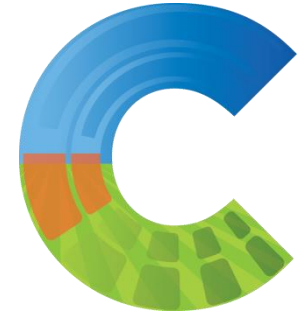
- At a 6.75% sales tax rate with \$3.4 million in sales, the hotel will pay approximately \$229,500 in sales tax annually - \$51,000 Chatham County portion.
- The 3% occupancy tax will generate \$102,000 in revenue
- The multiplied economic activity generated by the hotel's sales, employees, and salaries 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
Total Tax Revenue	\$392,470	\$280,336	\$504,604

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.

