



September 25, 2024

Jackson County Board of Commissioners,

As we approach the upcoming work session, I am writing on behalf of the Jackson County Tourism Development Authority (JCTDA) to present our board's request for an increase in the county's occupancy tax rate from 4% to 6%. This letter aims to provide a thorough explanation of the background, rationale, and anticipated benefits of this adjustment, which we believe will further support our county's tourism-driven economy while addressing the needs of both visitors and residents.

Along with the request to increase the occupancy tax, we are also proposing a change to our board structure that would enable us to fill seats that have remained vacant for nearly two years, following the consolidation of hotel ownership groups.

Occupancy Tax Background and Current Context

Jackson County's tourism sector has seen significant growth over the past decade. Visitors from all over the Southeast and beyond continue to choose Jackson County as a premier destination for outdoor recreation, culture, and relaxation, benefiting from the diverse attractions across Sylva, Dillsboro, Cashiers, and beyond. The "Play On" brand and campaign has contributed to this surge, underscoring the region's commitment to providing endless opportunities for both relaxation and adventure.

Currently, the county levies a 4% occupancy tax on overnight accommodations. This revenue is vital for funding tourism promotion, local grants, and development projects. However, as we strive to enhance visitor experiences and support sustainable tourism, it has become clear that our current tax rate does not fully meet the increasing needs of the industry.

Why the Increase is Needed:

- 1. Increased Visitor Expectations:** Visitors expect high-quality experiences, from lodging to recreational amenities. A portion of the increased tax revenue could be allocated towards improving facilities and offerings like recent projects funded at Sylva's Bridge Park and the Tuckasegee River Greenway.
- 2. Marketing and Promotion:** While we have made strides in promoting Jackson County, especially with the success of the "Play On" campaign, maintaining our

competitive edge requires continuous and enhanced efforts. With competition from other mountain regions, we need to ensure our marketing efforts keep pace with regional trends. Raising the occupancy tax to 6% would provide additional funds to strengthen our marketing reach, ensuring Jackson County remains a top destination in Western North Carolina.

3. **Environmental Preservation and Sustainability:** Our natural resources are at the heart of Jackson County's appeal. From our renowned waterfalls to trout streams and hiking trails, it is imperative to invest in sustainable tourism practices that protect these resources. Increased funding from the occupancy tax will allow us to expand efforts in environmental conservation and trail maintenance, ensuring that future generations can enjoy the same natural beauty that attracts visitors today.
4. **Regional Comparisons and Economic Impact:** Several neighboring counties already levy a 6% occupancy tax, and those that don't are moving towards the increase. By adjusting our rate to 6%, Jackson County will remain competitive while also benefiting from additional resources to meet the growing demand for tourism-related services.

The current 4% occupancy tax generates approximately \$2.5 million annually. Increasing the rate to 6% could raise that to \$3.75 million. Currently, the TDA relies on surplus COVID-era reserves to fund capital projects. With a 6% tax, the TDA could sustainably finance these projects without needing to draw from reserves, once those COVID-era funds are depleted.

Furthermore, an increase in the occupancy tax does not impose any financial burden on residents, as it is a visitor-driven revenue source.

The additional revenue generated by this increase will allow us to invest directly in projects that benefit the local economy and community, ensuring that the growth of tourism continues to bring positive outcomes for all.

Local Authority to raise occupancy tax:

In 2012, following the approval of HB96, Jackson County Commissioners were granted legislative authority to raise the tax rate from 3% to 4%. Additionally, they were provided with the ability to increase the rate to 6% at the local level without the need to seek further legislative approval from Raleigh.

Timeline for implementation:

In consultation with our County Finance Director, who serves as the JCTDA Finance Director, we recommend a July 1, 2025 implementation date so we have ample time to inform all lodging partners and third parties such as Airbnb, VRBO, and others who collect and remit taxes.

Request for Board Structure Changes

Rationale for the Proposed Changes:

The Jackson County Tourism Development Authority (JCTDA) has faced challenges in maintaining a diverse and representative board due to changes in ownership of local lodging properties. The consolidation of several hotel properties under the same ownership has limited the available pool of independent property owners who can serve on the board, making it difficult to fulfill the previous board membership requirements. This has led to concerns about achieving quorum, which affects the board's ability to conduct business effectively.

The proposed new structure aims to resolve these challenges by streamlining board categories and expanding eligibility criteria, while maintaining a board composed of knowledgeable, experienced members from the hospitality and tourism sectors. This approach will better ensure a consistent quorum and create a more flexible and efficient board.

The intention is to maintain representation from the hospitality and tourism sectors, while allowing for wider participation from the local business community. The new structure also enhances flexibility by allowing secondary and tertiary preference categories, ensuring that board positions are filled even if primary candidates are unavailable.

Summary of Proposed Changes to Board:

Board Size:

The board size will remain the same under the proposed changes with 9 board members.

Simplified Membership Groups:

The previous structure grouped board members into five groups with various lodging-specific subcategories. The new structure consolidates this into:

- Group One: (3) North Jackson County Hospitality and Tourism sector representatives.
- Group Two: (3) South Jackson County Hospitality and Tourism sector representatives.
- Group Three: (1) County-wide Hospitality and Tourism sector representative.
- Group Four: (1) Non-lodging representative from the Cashiers Chamber of Commerce.
- Group Five: (1) Non-lodging representative from the Jackson County Chamber of Commerce.

Expanded Hospitality and Tourism Category:

A new "Hospitality and Tourism Sector" category allows for broader participation from key industry professionals beyond just property owners, including those in event management, destination marketing, and restaurant ownership.

Flexibility Clause:

In cases where preferred candidates (such as those from the lodging industry) are unavailable, the board can recommend candidates from secondary or tertiary preference categories. This ensures that seats are filled, preventing business disruptions due to vacancies.

Benefits of the Proposed Structure:

- 1. Improved Board Functionality:** The reduced size of the board and streamlined categories ensure that a quorum can be achieved more easily, allowing the board to meet regularly and conduct business efficiently.
- 2. Broader Representation:** The expanded hospitality and tourism sector category allows for the inclusion of professionals from a wider range of businesses, ensuring the board better reflects the diverse landscape of Jackson County's tourism industry. While the primary focus remains on lodging properties, this structure provides the flexibility to fill a seat when a lodging manager or owner is unavailable. This broader representation strengthens decision-making by incorporating diverse perspectives from various segments of the local economy.
- 3. Flexibility and Continuity:** The flexibility clause allows for tertiary candidates if needed, ensuring that board seats are filled and preventing governance issues related to vacancies.
- 4. Stronger Community and Business Ties:** By including non-lodging tourism businesses and professionals as potential board members, the new structure strengthens ties with the broader business community, promoting collaboration and shared goals in promoting tourism across the region.

These changes aim to create a more adaptable and representative board that can operate effectively while maintaining strong ties to Jackson County's hospitality and tourism sectors.

Proposed timeline for board structural changes/implementation: November 1, 2024.

Attorney Review:

We collaborated with our attorney, who also serves as the County Attorney, to draft a comprehensive version of R12-34 that incorporates both the proposed tax rate changes and revisions to board member eligibility into a single document.

Conclusion

We understand that decisions of this nature require careful consideration. However, given the clear benefits of streamlining board recruitment alongside the continued growth of Jackson County as a premier tourist destination, we believe these proposed changes will ensure more effective governance while maintaining a broad representation of our tourism sector. This, combined with the proposed increase in the occupancy tax, is a necessary step to meet both current and future needs.

We respectfully request your support in approving this increase from 4% to 6%, allowing us to continue delivering exceptional visitor experiences while safeguarding the quality of life for our residents and ensuring the board is well-positioned to guide future development. We look forward to discussing these matters further during the upcoming work session and are happy to provide any additional information or clarification you may need.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink that reads "Nick Breedlove". The signature is written in a cursive, flowing style.

Nick Breedlove, Executive Director on behalf of the
Jackson County Tourism Development Authority