

MINUTES OF THE SPECIAL MEETING OF THE  
CITY COUNCIL OF THE CITY OF SANFORD  
SANFORD, NORTH CAROLINA

A special meeting of the City Council was held at the Sanford Municipal Center, 225 E. Weatherspoon Street, on Wednesday, May 26, 2010, at 1:00 P.M., to consider a request to the legislature for a local bill to authorize an occupancy tax. The following people were present:

Mayor Cornelia P. Olive	Council Member L. I. (Poly) Cohen
Council Member James G. Williams	Council Member Charles Taylor
Council Member Sam Gaskins	Council Member Walter H. McNeil, Jr.
City Clerk Bonnie D. White	City Attorney Susan C. Patterson
City Manager Hal Hegwer	

Absent:

Council Member Linwood Mann  
Mayor Pro Tem Mike Stone

Mayor Cornelia Olive called the meeting to order and gave the invocation.

**ITEM FOR CONSIDERATION**

Consider a Request to the Legislature for a Local Bill to Authorize an Occupancy Tax – (Exhibit A)

Mayor Olive said that the purpose of today's special meeting is to consider legislation – a local bill to authorize the levy of an occupancy tax. Mayor Olive said that she has been meeting with various representatives of larger groups over Sanford and Lee County for about two months trying to decide on the best way that we can find to market Sanford. Among those representatives were Chairman of the Lee County Commissioners Richard Hayes, Mayor Don Andrews from Broadway, all the managers of those three governments, Second Century, Chamber of Commerce, the hotel managers, food service representatives, realtors, and representatives of the arts. She added that we want to market Sanford in a way that we can improve on our visitation to Sanford, as well as, bring in sales tax money. She stated we know we will not have the degree of industrial entities' jobs that we have had in the past; so, we have to look for other ways. This is a three-prong approach. The first is to try and establish a tourism bureau. The second is to begin immediately to market Sanford with materials that we have, hopefully, with a slight contribution from the City of Sanford, the County of Lee, Second Century, and the Chamber of Commerce. They have pulled together brochures and materials that have been made available by Carolina Trace, the library, and by everybody we can find that can promote Sanford and Downtown Sanford as well.

Mayor Olive said that the centerpiece of what they are doing is a tourism bureau. They thought the best way to fund it is by establishing a 3 percent occupancy tax on motels and hotels within the City of Sanford. Within the county, there are twelve hotels/motels and nine of those are located within the City. She has spoken with the managers of three of the hotels that are located within the City and they have all been supportive; the response she has gotten most often is no problem, do what you need to do. While they are filling up their hotels during the week,

they are not doing very well on the weekends; so, they are anxious for us to do what we can to market the different events we have here - held largely on the weekend. Right now, the County has a 3 percent tax and the proceeds go exclusively to the Civic Center. By offering this as an option for being within the City, then it will not touch the proceeds that are going to the Civic Center and that is something that has been a barrier in the past to having a greater occupancy tax imposed. Right now, the proceeds are about \$151,000 each year and it is going to take some time to start building up a reserve so we can plan to hire a director of a tourism bureau. They felt they have the ammunition now because of having met with the different people and it has been an across-the-board approval and agreement that this is something that is overdue and something that Sanford is in the minority of communities our size that lacks a tourism bureau.

City Attorney Susan Patterson advised that this is an authorization for the legislation to allow us to enact the tax; so it would take another action by this board for it to come to fruition. Representative Jimmy Love has agreed to introduce this to the legislature, provided that this council takes a vote; that is the purpose of the special meeting today. It is a 3 percent tax. The distribution of the proceeds would go to promote travel and tourism, to market, advertise, and to tourism-related expenses including starting the Sanford Area Tourism Development Authority. This would give the authority to have this tax imposed, after this council acts, and it would be collected the first day of the calendar month, which is two months following the enactment. It would be reported by the entities who rent rooms for accommodations and it would not apply to any non-profit, charitable, education, or religious organizations when they furnish occupancy in furtherance of their nonprofit purpose.

Mayor Olive asked Attorney Patterson to address the reason of the urgency. Attorney Patterson advised that today is the deadline for the introduction of local bills. It is today or never in this legislative cycle and there have been several occupancy tax bills introduced this session. As a local bill, it needs to be non-controversial. Mayor Olive asked Attorney Patterson to explain that the window for getting local bills was considerably narrow this session. Attorney Patterson replied that is correct. Normally, it is always a shortened period of time within which legislation can be introduced for local bills. Those are bills that apply to a certain geographical area that are requested by counties or cities to give them authority to undertake some action. She said that normally it is several weeks that you have before they set the deadline; sometimes as much as a month out. The legislature went into session May 12, and with a drafting deadline one week later and its introduction two weeks later. There is expediency here that is necessary if council chooses to take this action.

Council Member Taylor asked Attorney Patterson to clarify a statement that she just made regarding non-confrontational on the bill. Attorney Patterson replied that non-controversial local bills are introduced in short session if they have the support of the local delegation. Mr. Taylor said that the reason he asked this is because when this was first brought up, he was under the impression that he was told that our representative wanted a unanimous vote on this. He said that he deeply resents that our representative is asking for this because there are things that are brought before the legislature on a daily basis that there is no unanimous votes on. Mr. Taylor stated that it is taking away our rights to vote and to hold it over council's head, he deeply resents the fact that they are being held hostage to a unanimous vote. Mr. Taylor said that he is under the impression we are not collecting complete taxes from all twelve

of these entities; what mechanisms do we have in place to prove that we are collecting taxes from all these hotels? Attorney Patterson stated that the City is not currently collecting any occupancy tax. The County levied a tax and the County's tax is in place. The County finance officer has reported to her what the receipts were for 2009. The way the tax works is the entities that rent the rooms are responsible for filing forms and for full collection of the tax. There are penalties if they do not do it correctly. An operator of a business who collects a room occupancy tax can deduct an amount remitted to the taxing entity - a discount equal to the discounts of sale allowed the operator for state sales and use tax; so, there are some things they are allowed to deduct. It is payable to the tax collector in monthly installments and the County relies on its tax department to receive in that information and they get back the amount that is paid.

Mr. Taylor asked how does the County do the collections on on-line reservations or reservations that are not made through traditional channels? Attorney Patterson replied that she did not know exactly how they administer the tax at the County and she could not explain their process. She would not know how they do their internal work. However, she believes that it is set up similar to how we would have set up the privilege tax. She said it is like filing a tax return; people are obligated to file their tax returns properly; there are probably instances where people do not.

Mr. Taylor said if that is the case and they already have the mechanism in place to collect the 3 percent, why is it coming before the City Council today, as opposed to the County, because the County is involved in the tourism bureau as well or the set up of these meetings. Mayor Olive replied that she is the one who has conducted all the meetings and invited them to come because she wanted to have a consensus and support from everybody involved. She understood Representative's Love prerogative to ask for unanimity, but she polled the people within the hotel industry to be sure they supported it before she proceeded. She did not want to put them in a difficult situation if they could not support it, but it was a unanimous support from them. With support from the Lee County Economic Development Corporation, Second Century, Town of Broadway, County of Lee, Chamber of Commerce, and two industries most involved, which would be food service and hotel accommodations, she hoped that this would suffice.

Mr. Taylor asked how about the companies that are doing 300 to 400 nights a year in these hotels. We have four companies that total over 1,000 nights during the week and that money is being paid locally by these companies. When Wyeth or Static brings someone in, they are paying for these rooms. Mayor Olive replied that she sympathizes with that but she also knows that it does not matter what city they spend the night in, they are paying the same thing. It is the cost of doing business.

Council Member Williams clarified that the hotels in the County will be paying a 3 percent occupancy tax and the hotels within the City limits will be paying 6 percent. Mr. Williams said that Mayor Olive asked for a consensus which she got from them before she started down this road. He requested to hear from Community Development Director Bob Bridwell and Downtown Development Manager II David Montgomery regarding this issue. Mr. Bridwell replied that he is for anything that promotes the City of Sanford.

Council Member Cohen said that we have been talking about this travel and tourism authority for ten to fifteen years and it is needed if we are going to grow Sanford like we want it to grow. There are two ways to fund it. You can fund it with taxes from the City and the County and raise taxes to do it, or put a hotel tax on it; every other city has a hotel tax. He felt it was a logical way to do raise the funds.

Downtown Development Manager II David Montgomery said that DSI Board Member Joni Martin and he have attended several of the tourism meetings. He stated that he felt it was a good idea to have a tourism authority and they would support it from a Downtown Sanford perspective. A lot of issues need to be addressed and worked out; however, they would support the tourism authority.

Mr. Taylor stated that in the budget, we have a \$300,000 contingency that has been put on the table this year. He is for tourism but he is not for putting a tax on the taxpayers' backs. He said that in the last few years, he has had questions regarding money going to the Civic Center. He has been asked how can we stop that and put that towards a tourism entity. He would support it being moved to a tourism entity, but as legislature would have it, it would take a legislative fix to do so. He wants to question why we cannot put a portion in the budget for seed money to start tourism and get the ball rolling; he would support this from the budget. We have put \$1 million in fund balance for eight out of the last nine years. He asked if we could put \$50,000 to \$100,000 into creation of a tourism bureau. If we can, he would make a motion right now to do that.

Mr. Hegwer replied that contingency is \$100,000. It is at the discretion of council if it wants to do this. Mayor Olive added that in conversations with the Mayor of Broadway, and the Chairman of the Lee County Commissioners, EDC, and Second Century, they have discussed the possibility of a small amount that would be less than \$50,000 to proceed with materials that we could begin giving out now. We already have permission from the Railroad House Board of Directors to establish that site as a welcome center and to get it underway because people are going everywhere looking for information about Sanford when they come to town. She added that this group she is working with had hoped to train volunteers to work in the welcome center so that we would not have a serious outlay of "tax" money to operate an office during the interim, until a tourism bureau can be established. Money that we can pool is to go towards publications that will promote Sanford and we would not have to wait until we have a tourism bureau established. We have waited so long to get something on the ground that would be workable. When it comes to putting a tax burden on the backs of Sanford citizens, it would be less of a burden to them if people who come and stay in our hotels are paying, and not all coming to Sanford are consultants to local industries; they are coming because they are passing through Sanford, etc.

Mr. Taylor asked if a study has been done on the impact on businesses versus people that are coming here as a tourist designation. Mayor Olive replied that she did not think that Sanford is normally considered a normal tourist designation. She said that they have worked on this and thought we had more time to develop the materials we needed to promote it, but they got under a tight schedule when the legislature has begun its work as quickly as it has and moved to close the door to local legislation.

Mr. Gaskins stated that he thought Council Member Taylor's idea of helping the local taxpayers is good and especially with over \$1 million we are looking to put into our fund balance. He would prefer having a 1 to 2 cent reduction in property tax which would help the local citizens and businesses as well, and to go ahead with this endeavor to be more like a user fee to help support tourism.

Mr. Williams said that Mr. Taylor was talking about not putting more strain on the back of the local citizens whereby most of the visitors to the hotels are out-of-town people. These people are already used to paying an occupancy tax in every other city and we are well below everybody else. If you are afraid you are going to hurt the local people, he did not know a lot of local people that spend too many nights in the hotel. Mr. Taylor said that you have owners of local companies that are paying for those nights in the hotels. Their guests coming into town are not paying for these rooms. Mr. Taylor said that he knew of one company alone that did 350 nights in one hotel. Mr. Williams replied that they pay for them in other towns as well. Mr. Taylor stated that they have an option. Mayor Olive stated that if it is that crucial, they can stay in a motel outside the city limits, and not have to pay the added three cents. Council Member Cohen commented that when a company pays for somebody to visit them, they are deducting it as an expense from their business. Mayor Olive advised that one of the things she felt was admirable within the city limits of the hoteliers is that they said it would give a slight edge to the motels that are located outside the City, but they thought it was too important to haggle over.

Attorney Patterson clarified and made council aware that this bill does not enact the tax. It gives council the authority to do so if they choose to enact it later. Some of the questions arising here as to whether to enact a tax or not could be answered at a later date. It is whether we want to seek the authority to have it, to wield it whenever we might be of the mind to do so.

Council Member McNeil said that in thinking about what Mr. Taylor was saying about why Mr. Love wanted a unanimous decision from council, is because when Mr. Love carries it to the committee, they want to know whether the city he brings it from is in complete agreement with it and they won't take it if they don't.

Mr. Taylor responded to Mr. McNeil's remarks. He said that he could show example after example of local bills that were not supported. There are local bills that are filed every day in the North Carolina Legislature that do not have to go through a governing body, a city council, or county commissioners. Mr. Taylor told Mr. McNeil that he was incorrect in the fact that it does not take a unanimous vote. There are many bills that have been heard that do not have unanimous consent. Mr. Taylor advised that we have never gone to him for a unanimous vote in the legislature. It is unfair to put council in that situation where we are told we have to vote for this or he is not going to take it. Mr. Taylor said that the bills like Jessica's Law and other bills that have been filed in the legislature have gone through organizations and non-profits. There are many ways to get a bill filed in the North Carolina Legislature and it does not always have to go through city council or county commissioners.

Mayor Olive said that she has been in touch with Representative Love and wrote him a letter telling him that our developers and different contractors support it. She did a poll before

she ever started this to be sure that it was something that would be acceptable and supported by a cross-section of our community that deals with this regularly.

Council Member Sam Gaskins made the motion to request the Legislature for a local bill to authorize an occupancy tax. Seconded by Council Member James Williams, the motion carried in favor by a four to one vote with Council Member Charles Taylor casting the dissenting vote (not unanimous as requested by Representative Love).

**ADJOURNMENT**

Having no further business to come before the council, the meeting was adjourned upon the motion of Council Member Sam Gaskins. Seconded by Council Member Charles Taylor, the motion carried unanimously.

Respectfully submitted,

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CORNELIA P. OLIVE, MAYOR

ATTEST:

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BONNIE D. WHITE, CITY CLERK