

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001

H

2

HOUSE BILL 1751  
Committee Substitute Favorable 9/17/02

Short Title: NC Tourism Development Act.

(Public)

Sponsors:

Referred to:

June 17, 2002

1 A BILL TO BE ENTITLED  
2 AN ACT TO CREATE A TRAVEL AND TOURISM CAPITAL INCENTIVE  
3 GRANT PROGRAM.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. Part 2 of Article 10 of Chapter 143B of the General Statutes is  
6 amended by adding a new section to read:

7 "**§ 143B-434.4. Travel and Tourism Capital Incentive Grant Program.**

8 (a) Program Established. – There is established the Travel and Tourism Capital  
9 Incentive Grant Program. Under the program, the Travel and Tourism Grant Committee  
10 established in subsection (d) of this section may award grants to the owners of qualified  
11 projects for the purpose of inducing the creation of new or the expansion or renovation  
12 of existing travel and tourism projects. Grant proceeds may not be distributed to any  
13 private individual or entity. The Committee shall develop guidelines to be used in  
14 determining whether the conditions in this section are satisfied and whether the project  
15 described in the application is consistent with the grant program.

16 (b) Owner Defined. – For the purpose of the Travel and Tourism Capital  
17 Incentive Grant Program, the owner of a qualified project is the unit of local  
18 government that will own the qualified project in whole or in at least fifty percent (50%)  
19 partnership with a private individual or entity.

20 (c) Unit of Local Government Defined. – For the purpose of the Travel and  
21 Tourism Capital Incentive Grant Program, a unit of local government means a county or  
22 municipality in the State.

23 (d) Committee. – The Travel and Tourism Grant Committee shall consist of the  
24 Secretary of Commerce, the Secretary of Revenue, the Director of the Office of State  
25 Budget and Management, and three elected local government officials. One elected  
26 local government official shall represent the Mountains and shall be appointed by the  
27 General Assembly upon the recommendation of the Speaker of the House of  
28 Representatives. One elected local government official shall represent the Piedmont and  
29 shall be appointed by the Governor. One elected local government official shall

1 represent the Coastal Plain and shall be appointed by the General Assembly upon the  
2 recommendation of the President Pro Tempore of the Senate. The elected local  
3 government officials may not be associated with or employed by the travel and tourism  
4 industry or an entertainment enterprise, or be in any contractual relationship regarding  
5 the qualified project. The General Assembly and Governor appointees shall serve two-  
6 year terms. The Committee may act only upon a unanimous decision of its members.

7 It is unlawful for a member of the Committee to, within two years after the end of  
8 service on the Committee, provide services for compensation, as an employee,  
9 consultant, or otherwise, to any project that was awarded a grant under this section  
10 while the former member was serving on the Committee, or to provide services for  
11 compensation to any person or entity that contracts with the project. Violation of this  
12 subsection is a Class 1 misdemeanor.

13 Meetings of the Committee are subject to the open meetings requirements of Article  
14 33C of Chapter 143 of the General Statutes. All documents of the Committee, including  
15 applications for grants, are public records governed by Chapter 132 of the General  
16 Statutes, including applicable provisions of that Chapter protecting confidential  
17 information.

18 (e) Application and Fee. – The owner of a qualified project may apply for a grant  
19 no later than one year after the qualified project is opened to the public. When filing an  
20 application under this section, the applicant must pay the Committee a fee of five  
21 thousand dollars (\$5,000). The fee is due at the time the application is filed. The  
22 Committee shall determine the allocation of the fee imposed by this subsection among  
23 the agencies whose heads make up the Committee. The proceeds of the fee are receipts  
24 of the agency to which they are credited.

25 The application must contain all information required by the Committee, including a  
26 certification of the nature and cost of the tourism project, the estimated revenues to be  
27 generated by the project, the estimated economic benefit to the community, and the  
28 purposes for which the applicant will use the grant funds. If the tourism project is the  
29 result of a public-private partnership, the grant application must set forth in detail the  
30 respective rights and obligations of the parties and the specific terms of the agreement.  
31 The application must be signed by the finance officer and the chair of the governing  
32 body of the owner.

33 (f) Qualification. – A qualified project is a newly created travel and tourism  
34 project or expansion or renovation of a travel and tourism project that the Committee  
35 determines, pursuant to a feasibility study under this section, meets all of the following  
36 conditions:

- 37 (1) At least half of the project will be financed and owned by a unit of  
38 local government in which it is located.
- 39 (2) The project will target at least thirty-five percent (35%) of its visitors  
40 from among persons who reside outside the State or more than 50  
41 miles from the project.
- 42 (3) The project has a business plan that demonstrates a positive economic  
43 impact on the community in which the project is located.

- 1           (4)    The applicant has provided impact projections regarding estimated  
2           State and local tax revenues with respect to the project.
- 3           (5)    The project will have a significant and positive economic impact on  
4           the community in which the project is located, considering among  
5           other factors, the extent to which the tourism project will compete  
6           directly with existing tourism attractions in the area and the amount by  
7           which tax revenues from the tourism project will exceed the amount of  
8           the grant provided.
- 9           (6)    The applicant has provided a cost-benefit analysis of the project.
- 10          (7)    The applicant has provided an economic impact analysis, certified by a  
11          certified public accountant, which demonstrates the employment, gross  
12          State product, and personal income effects of the project over a 10-  
13          year period.
- 14          (8)    The project will be available to the public for a minimum of 100 days  
15          per year.
- 16          (9)    The project will generate at least 10 new jobs in the community in  
17          which the project is located.
- 18          (10) The project will have the following minimum cost based on the  
19          enterprise tier in which it is located:
- |    |                               |                            |
|----|-------------------------------|----------------------------|
| 20 | <b><u>Enterprise Tier</u></b> | <b><u>Minimum Cost</u></b> |
| 21 | <u>1 and 2</u>                | <u>\$ 1,000,000</u>        |
| 22 | <u>3 and 4</u>                | <u>\$ 5,000,000</u>        |
| 23 | <u>5</u>                      | <u>\$10,000,000</u>        |
- 24          (11) The governing body of the unit of local government has passed a  
25          resolution stating the need for and positive economic impact and  
26          enhancement of travel and tourism revenues from the project.
- 27          (12) The applicant has demonstrated by clear and convincing evidence all  
28          of the following:
- 29                a.    The project will not result in unnecessary duplication of  
30                existing services.
- 31                b.    The project will generate new visitors to the area rather than  
32                drawing visitors away from other existing tourism attractions.
- 33          (13) The applicant has certified that the project will not be created,  
34          expanded, or renovated unless the applicant is awarded a grant.
- 35          (g)    Feasibility Study. – The applicant must fund a feasibility study, certified by a  
36          certified public accountant, and coordinated solely by the Committee. The Committee  
37          shall develop a list of qualified firms to conduct the study. The Committee shall  
38          prescribe the scope of the study to cover all of the qualifications established in this  
39          section.
- 40          (h)    Amount. – Subject to the maximums provided in this section, the amount of a  
41          grant with respect to a qualified project is calculated as a percentage of the total amount  
42          of the following taxes collected and retained by the State each year:
- 43                (1)   The net State sales tax collected on sales by or within the qualified  
44                project, as determined by the Department of Revenue.

(2) The net privilege tax paid by the qualified project under G.S. 105-37.1, as determined by the Department of Revenue.

(i) Maximums. – The maximum term of a grant is 10 years. No project may receive any grant proceeds for a year that is more than 10 years beyond the date of the initial grant award.

The Committee shall set the grant percentage at the time it awards the grant. The percentage used to calculate a grant may not exceed the applicable percentage provided in the table below based on the enterprise tier, as defined in G.S. 105-129.3, in which the qualified project is located. In addition, the cumulative maximum amount of a grant may not exceed the applicable percentage of the total project cost provided in the table below based on the enterprise tier in which the qualified project is located.

<u>Enterprise Tier</u>	<u>Percentage</u>
<u>1 and 2</u>	<u>35</u>
<u>3 and 4</u>	<u>30</u>
<u>5</u>	<u>25</u>

(j) Use. – The proceeds of a grant may be used only for capital costs, including debt service, with respect to the qualified project for which the grant was awarded.

(k) Disbursement. – In order to receive grant disbursements under this section, the owner of the qualified project must provide the Department of Revenue with periodic, verified accountings of the tax collections provided in subsection (h) of this section. These reports must be made at the times and in the form prescribed by the Department of Revenue. Each report must include the name, address, and tax identification number of every taxpayer whose collections are included in the report and any other information required by the Department of Revenue.

The Department of Revenue must disburse grants awarded under this section in accordance with G.S. 105-269.16. Upon awarding a grant under this section, the Committee must provide the following information to the Department of Revenue:

- (1) The name, address, and other identifying information of the owner to whom the grant was awarded.
- (2) The name and address of any lessee or individual or entity who has entered into a contract with the owner of the qualified project.
- (3) The address and other identifying information of each facility that is part of the qualified project for which the grant was awarded.
- (4) The applicable percentage and the maximum cumulative amount of the grant as determined in accordance with this section.
- (5) Any other information included in the application, if required by the Department of Revenue.

(l) Reports. – The Committee must report annually to the Revenue Laws Study Committee concerning the applications made for grants and the grants awarded under this section.

(m) Cap. – The maximum number of projects that may be awarded grants each fiscal year is 10. No more than twenty million dollars (\$20,000,000) in grants shall be awarded each fiscal year. For the purpose of this maximum, the amount awarded is

1 calculated as the cumulative maximum amount of the grant divided by the number of  
2 years in its term."

3 **SECTION 2.** Article 9 of Chapter 105 of the General Statutes is amended by  
4 adding a new section to read:

5 **"§ 105-269.16. Travel and tourism grants.**

6 The Department must annually disburse the travel and tourism grants awarded under  
7 G.S. 143B-434.4. Each annual disbursement must be made by October 1 for the  
8 preceding fiscal year. The amount of each grant must be calculated in accordance with  
9 G.S. 143B-434.4 based on information provided to the Department by the owner of the  
10 qualified project. If information necessary to calculate a portion of a grant is not  
11 available, the Department must disburse only that portion for which information is  
12 available. To pay for this program, the Department must draw from State sales and use  
13 tax collections under Article 5 of this Chapter an amount equal to the grant funds  
14 disbursed and the Department's costs of administering the grants. The Department must  
15 provide the Committee an annual accounting of grant funds disbursed under this  
16 section."

17 **SECTION 3.** G.S. 150B-1(d) is amended by adding a new subdivision to  
18 read:

19 "(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to  
20 the following:

21 ...

22 (10) The Travel and Tourism Grant Committee in developing guidelines for  
23 the Travel and Tourism Capital Incentive Grant Program under G.S.  
24 143B-434.4 of the General Statutes."

25 **SECTION 4.** This act becomes effective January 1, 2003, and expires for  
26 grant applications filed on or after July 1, 2005.