

Approved March 18, 2015

MINUTES

Chapel Hill/Orange County Visitors Bureau Board of Directors Meeting January 21, 2015

The Chapel Hill/Orange County Visitors Bureau met at
The Friday Center, 100 Friday Center Dr., UNC

Board Members Present: Anthony Carey, Libbie Hough, Lee Storrow, Debbie Hepp, Rosemary Waldorf, Mark Sherburne, Karen DeHart, Aaron Bachenheimer, Lee Pavao, Michelle Johnson, Nitin Khanna, Mike Gering, Penny Rich, Annette Stone and Meg McGurk.

Not Present: Jill McCullough

Staff attendance: Steve Brantley, Laurie Paolicelli, Marlene Barbera, Martha Shannon and Tina Fuller

Also present: Guest Speaker, Jeff Strickler, Associate Vice President, UNC Health Hillsborough

Call to Order

Chairman Anthony Carey called the meeting to order at 8:11 a.m.

Mr. Carey recognized Gloria Farrar, Assistant Director for Conference and Event Planning for The Friday Center. Ms. Farrar gave a brief overview of the Friday Center's various programs noting that the Center serves over 200,000 people per year, of which 60,000 (700 events) are hosted through the conference center. Ms. Farrar also discussed the Center's initiatives and goals.

Chairman Carey then acknowledged guest speaker, Jeffery Stickler, Associate Vice President for UNC's Hospital in Hillsborough and asked Mike Gering for an intro/history of Waterstone. Mr. Stickler followed with a presentation of the hospitals progression citing the projected opening date for the initial phase as July 2015 with other phases opening in August and September which at that time should be fully operational. Mr. Stickler also discussed the full range of services that would be provided by the Hospital. Q&A followed.

Approval of Minutes

Mr. Carey requested a motion to approve the November 19, 2014 minutes. Lee Pavao so moved and Penny Rich seconded. With all members in favor, the minutes were approved as submitted.

Chairman Carey announced a slight deviation in the agenda to accommodate a new business topic of discussion brought forth by Mark Sherburne who informed that he needed to leave early.

Mr. Sherburne inquired about the Town of Carrboro's interest in an additional hotel proposal, one that would help fund the proposed ArtsCenter/Kidzu complex through its occupancy tax revenue. Sherburne asked if Carrboro representatives could help the visitor's bureau board understand this "precedent setting" initiative.

In response, Michelle Johnson informed board members that this topic has been discussed primarily in private sessions for several months; and for the first time, it was **brought forth for public comments, the preceding evening. Ms. Johnson** explained that, in its existing form, the proposed new hotel (by Atma Hotel Developers, current operators of the Hampton Carrboro) would occupy the current location of the ArtsCenter if the proposal were approved by the Carrboro Town Board. The newly proposed ArtsCenter, would become the Arts and Innovation Center, located on the current Roberson parking lot across from Armadillo's Grill in Carrboro and would also encompass Kidzu Children's Museum. The estimated cost is \$7.5 million. The Town is being asked to fund \$4.5 million and it has been discussed that a portion of the funding would come from the future collection of (Carrboro's portion) of the hotel occupancy taxes. Ms. Johnson stated that nothing has been decided yet and the next **public hearing is scheduled for February 3rd.**

In response, Mark Sherburne inquired as to **how occupancy tax revenues could be used for a project of this nature** and if this precedent were set, what would stop another Orange County hotelier from dictating how his occupancy taxes be used? Further, Sherburne inquired as to whether existing legislation would allow this.

Annette Stone replied that **according to state legislation**, one-third of occupancy revenue can be used for infrastructure and that is the provisions that would allow this project to be considered. However, there would need to be a change in the legislation in order for this formula to be allowed. Ms. Stone noted that a tax increase was discussed as well. Ms. Stone commented that the issue has been opened to the community for their input and another hearing would be held February 3.

Mike Gering commented that Carrboro's legislation reads the same as Hillsborough's and reminded that it is the Tourism Development Authority (**TDA**) that controls allocation of funds; not the local governing town board.

Annette Stone replied that **the TDA would make a recommendation** to the Carrboro Board of Alderman; and if any request was made to the legislature, it would be from the town board.

Mark Sherburne inquired on how one-third of the occupancy revenue could be used for the ArtsCenter venture when it is already slated for the parking garage. Ms. Stone replied that an additional one-third would come directly from the new hotel and help fund the Arts and Innovation Center.

Rosemary Waldorf commented that she sees it as a **problem to use occupancy tax for any capital venture**; that occupancy taxes should be used for their intention: tourism promotion.

Mr. Carey expressed concern that the Carrboro Tourism Development Authority (TDA) would be making the recommendation to use occupancy tax funds to fund the hotel since an employee of the hotel sat on the Tourism Development Authority's board.

Laurie Paolicelli commented that she felt the important thing for the Visitors Bureau to do is to make sure that the information being repeated is **factually accurate**. Carrboro's net share from the new hotel, 3%, would be about \$78,000 based on rooms and past and future trends. The statement that the hotel remains 95% full is not accurate. Current legislation mandates 67% or 2/3 go directly to tourism marketing. The facts are important reminded Paolicelli. Mr. Szostak, Architect for DPAC, was working with a different legislative model in Durham. Occupancy tax legislation is not uniform and Durham's legislation allowed for funding of the DPAC. Carrboro's bill is different. Ms. Paolicelli also encouraged Carrboro to look at the total supply of new hotels that will be open at the same time, in Orange County . The playing field will be different then. All facts must be accurate when making an important decision like this.

Mr. Carey agreed, stating that developers should be made aware of how many projects are in the pipeline in Orange and surrounding counties; or it could create over supply.

Ms. Paolicelli stated that she was researching Charlotte's NASCAR Museum situation, which was originally funded partly with occupancy tax revenues. Mecklenburg County introduced a separate, new 2% tax to its existing 6% occupancy tax, in order to help fund the NASCAR Museum which is now was struggling financially.

Steve Brantley inquired on **who would own the proposed** new building occupied by the ArtsCenter.

Annette Stone replied that the Town of Carrboro would own, therefore no property tax would be collected.

Mr. Brantley asked if there would be the need for an **additional parking deck**.

Ms. Stone stated that parking has not been discussed yet and the financing has not been figured out, she noted that the ArtsCenter cannot do this without Kidzu.

Some discussion on Kidzu and their Wallace Deck location ensued.

Michelle **Johnson commented that the Carrboro Town board has not talked about the issues that are concerning to the Visitor Bureau's board and suggested** that this board present those concerns to the Carrboro Alderman.

Anthony Carey proposed to talk with Laurie outside of this meeting to discuss if this is something the Bureau should be involved with.

Lee Storrow suggested an opinion statement from the Visitors Bureau.

Paolicelli offered to provide background and meet with Steve Brantley and the County Manager but would prefer that the Board Chair, Carey, discuss this opinion with Carrboro. Paolicelli said that in light of the comments expressed at the public hearing about Carrboro talking with the County about finances, she did not feel it was her place to speak publicly at this point.

Penny Rich stated that **the commissioners have not talked about this at all**; the manager has not passed on any information. Ms. Rich noted that the Southern Branch Library would be located just behind the proposed new hotel. Ms. Rich explained that funding for the library and ArtsCenter has not been talked about and it needs to be put on the table. Ms. Rich stated that she was concerned that the BOCC's 3-month rolling calendar leaves no room for this discussion.

Annette Stone informed members that as she understands it, if Atma Group cannot build in Carrboro, then they will look at Chapel Hill.

Lee Storrow commented that he was unaware of this; and that it would be valuable for Town Council (Chapel Hill) to get feedback about all Orange County hotels, including those in the pipeline.

Libbie Hough commented that they would like a hotel in Hillsborough as part of their long term tourism vision.

Nitin Khanna commented that the 2014 recording breaking spike of tourism to this area was driven largely by UNC and Duke Hospital's new patient portal system, EPIC, and those events have ended and we are now in a challenging time as tourism is leveling off at the same time new supply is coming in to Durham and Orange County. Excess supply drives prices down.

Ms. Paolicelli reminded that visitors come here for the destination, not to stay in a hotel, and it's this board's role to market the destination.

Ending the discussion, Mr. Carey stated he would get with Laurie on strategy before the next board meeting.

Budget Update

Penny Rich reported that the operating budget is still on target and revenues are trending slightly higher than what is budgeted. Laurie Paolicelli added that the fund balance is being spent down at the board's request, currently going towards advertising, looking at adding a new position for a website coordinator.

Ms. Rich informed the board that Orange County now has a policy to collect occupancy tax from online travel companies. She stated that the Town of Chapel Hill has signed a resolution as well, but that she was not sure about Hillsborough or Carrboro.

Special Sales Report

Anthony Carey announced that there have been talks **between the hotel community and UNC** in regard to their recent contract with a third party travel booking agency, **Campus Travel Management**. UNC's goal is to collect commissions from future bookings to Chapel Hill and Orange County hotels from travelers already visiting the area for reasons related to UNC. This new revenue stream, levied on hotels, would help pay for new school scholarships. Mr. Carey stated that Marlene Barbera had a meeting with UNC's Vice Chancellor and gave the floor to her for details on the outcome of the meeting. Ms. Barbera informed the board that in her meeting with Vice Chancellor Meredith Weiss, it was communicated by UNC that by introducing their own 'on-line travel agency' component, the fees they gained could be re-directed to scholarships. Laurie Paolicelli elaborated on the issue stating that, in essence, under this proposal, **if the hotels want UNC business they will have to go through a third party broker and pay a pass through fee and possible 10% commission, to continue to receive UNC related business. She felt it was an unfair fee to pass on to the hotels, just for keeping their existing business.** Ms. Barbera stated that the Vice Chancellor said they still have a lot of things to work out and they are taking the issues to their legal department. Barbera said the University has no intentions to force the hotels to do anything. **Ms. Barbera stated that UNC has signed the contract but that it is not binding.**

With that, Ms. Barbara went on to report that she sent 10 leads in December and 5 bookings were turned into definite conference bookings, including an MPI Carolina Chapters meeting which booked 3 days at the Sheraton. She went on further to say she will attend a trade show in South Carolina and she is exploring military reunion groups business in which Hillsborough and UNC would be a perfect fit for itineraries. She also reported that the VB is extending its contract with SDR (a lead referral group) and working with Shannon Media for advertorials in the Chapel Hill and Durham Magazines that will focus on the benefits of tourism and the services offered by the Bureau.

Other Business:

Chairman Carey reminded the board that Jim Parker was nominated to serve as Vice Chair for the board however his term expired leaving the position open again. Mr. Carey proposed Lee Storrow for the position inquiring if Mr. Storrow would be interested. Mr. Storrow replied if there were any other candidates interested. It would be a two year term. Carey inquired of the board stating it would be a two year term. Penny Rich then motioned to have Mr. Storrow serve as Vice Chair, Rosemary Waldorf seconded. With all members in favor the motioned passed and Mr. Storrow accepted.

Chairman Carey requested updates from members.

Debbie Hepp reported the OCAC gave \$27,000 in arts grants for the fall 2014 cycle which would be presented by the BOCC at their February 3rd meeting which also marks their 30th year as a county department. She reported that a new Piedmont Laureate was nominated, James Maxey from Hillsborough.

Karen DeHart reported that they are back from a two week break. Construction is near its end and they plan to move back into their offices in March. She said **they would like to host the Bureau for an upcoming board meeting.**

Meg McGurk reported 7 or 8 businesses have **emerged from the LaUNCH Chapel Hill** campaign (which was made possible by the collaboration of the Town of Chapel Hill, Orange County, UNC-Chapel Hill and the Chapel Hill Downtown Partnership). The Varsity Theater has met its goal; raising over \$40,000 through Kickstarter. Park on the Hill has an

accompanying app for mobile phones called park mobile which allows the user to add extra hours via their phone, since its launch, number of users is increasing.

Laurie Paolicelli asked the board to do a little researching on their own to **discover how prevalent Airbnb already is in our communities. Mike Gering reported that his last check found there were 347 rentals with the zip code 27278 (Hillsborough).**

Libbie Hough reported that the Hillsborough Tourism Board is working on a strategic plan for funding and process procedures. She stated they hope to contract with Clean Design to help them devise a marketing plan. She also reported that the Downtown Merchants have reorganized and reinvigorating some old ideas for downtown events. **Ms. Hough reported that the Town has opted to save Colonial Inn and working with the School of Government** on ways to move forward. And concluding her updates, she reported that she is now a County employee with the Library and has closed her company Comma, LLC.

With no other discussion or business, Chairman Carey adjourned the meeting at 9:37 am.

Minutes reviewed by:
Laurie Paolicelli, Executive Director

Date

Minutes accepted by:
Anthony Carey, Chairman

Date