

Mayor Patrick McCrory

Rod Autrey
Patrick D. Cannon
Nancy G. Carter
Mike Castano
Malcolm Graham

Mayor Pro Tem Susan Burgess

Don Lochman
James Mitchell, Jr.
Sara Spencer
Lynn Wheeler
Joe White

CITY COUNCIL WORKSHOP

Monday, March 5, 2001

Room 267

- 5:00 p.m. Dinner**
- 5:15 p.m. Restructuring Government: Water Conservation Rate Methodology**
- 5:45 p.m. Economic Development: Hal Marshall Redevelopment Project**
- 6:00 p.m. Economic Development: Midtown Square Mixed Use Project**
- 6:30 p.m. Economic Development: Sports and Cultural Facilities Capital Investment Strategy**
- 7:15 p.m. Workshop Concludes**
- 7:30 p.m. Citizens Forum
Meeting Chamber**

Request for Council Action: Consideration of the Sports and Cultural Facilities Capital Investment Strategy. This item will be sent to Council in the Friday, March 2nd Council-Manager Memo.

For your convenience, the Request for Council Action (on the Arena and funding of sports & cultural facilities) has been merged to this document and follows as the second page.

1. Sports and Cultural Facilities Investment Strategy



Action: Approve the following Economic Development and Planning Committee recommendations:

- 1) New Arena Financing Model
- 2) Sports and Cultural Projects
- 3) Revenue Sources to Support the Investment
- 4) The Following Referendum-related Issues:
 - a) Recommendation to Hold a Referendum
 - b) Recommendation to Place a Single Question on the Ballot
 - c) Recommendation to Hold the Referendum in June 2001
- 5) The Following Legislative Issues:
 - a) Advisory Referendum
 - b) Clarification of Occupancy Tax Usage
 - c) Exemption from State Bid Laws
 - d) Authorization for the Coliseum Authority to Enter into Leases of Up to 30 Years
 - e) Rental Vehicle Tax
 - f) Ticket Tax
 - g) A Resolution Requesting State of North Carolina Financial Support
- 6) The Following Arena Planning and Design Issues:
 - a) A Resolution Exempting the Arena Project from North Carolina General Statute 143-64.31
 - b) Authorization for the City Manager to Select Consultants and Negotiate Contracts Subject to City Council Approval

Committee Chair: Lynn Wheeler

Staff Resource: Pam Syfert, City Manager
Mac McCarley, City Attorney
Curt Walton, Budget & Evaluation
Jim Schumacher, Engineering & Property Management

Explanation:

The Economic Development and Planning Committee met on February 7,

February 14, February 21, February 26 and February 28 to review and consider information relative to the Sports and Cultural Facilities investment strategy. On February 28 the Committee voted to recommend the following:

1) New Arena Financing Model

The Committee recommends approval of the New Arena Financing Model by a vote of 4 to 1 (Council Members Wheeler, Graham, Cannon and Carter voting in the affirmative, Council Member Lochman dissenting).

The Financing Model is shown in Attachment 1. Highlights of the model include:

- Meets all of Council's negotiating parameters, including no property taxes and no impact on other capital priorities
- Publicly owned, constructed and managed uptown arena
- City pays estimated \$10 million annual operating costs and reserves from revenues received from the Hornets and other events
- Hornets pay a minimum of \$7 million annually in rent and naming rights
- Hornets retain all Hornet event revenue
- City retains all non-Hornet event revenue

2) Sports and Cultural Facilities Projects to be Included

The Committee recommends approval of 7 sports and cultural facilities projects for a total of \$352 million. The Committee voted unanimously (Council Members Wheeler, Graham, Cannon, Carter and Lochman) to approve the Manager's recommendation with the following amendment as shown in *italics*:

The Committee accepts a public contribution of \$352 million to the following projects as shown in the below

priority order, *assuming realization of suggested revenue sources.*

| Priority | Facility | City's Capital Cost |
|------------------|-------------------------------|----------------------------|
| 1 | Uptown Arena | \$215.0 million |
| 2 | Mint Museum of Art | \$41.0 million |
| 3 | Discovery Place | \$30.0 million |
| 4 | Afro-American Cultural Center | \$10.0 million |
| 5 | Minor League Baseball Stadium | \$25.0 million |
| 6 | Theatre Charlotte | \$0.2 million |
| 7 | Carolina Theatre | \$13.8 million |
| Sub-Total | | \$335.0 million |
| | 5% Contingency | \$17.0 million |
| Total | | \$352.0 million |

3) Revenue Sources to Support the Investment

The Committee recommends approval of the following 5 revenue sources to fund the \$352 million investment in sports and cultural facilities:

- Hotel/Motel Tax
- Rental Vehicle Tax
- Ticket Tax
- Hornets' Rent
- State Participation

The vote was 4 to 1 with Council Members Wheeler, Graham, Cannon and Carter voting in the affirmative and Council Member Lochman dissenting. The affirmative vote includes an amendment to the City Manager's recommendation relative to a financial contribution from the State of North Carolina. The Committee amended "Payroll Tax Rebate" to "State Participation".

4) Referendum-Related Issues

The Committee considered this issue in 3 parts:

- a) Should there be a referendum?
- b) If yes, should there be a single ballot question?
- c) If yes, when should the referendum be held?

a) Should there be a referendum?

The Committee voted unanimously (Council Members Wheeler, Graham, Cannon, Carter and Lochman) that there should be a referendum on the Sports and Cultural Facilities package.

b) If yes, should there be a single ballot question?

The Committee voted 3 to 2 (Council Members Wheeler, Graham and Cannon voting in the affirmative and Council Members Carter and Lochman dissenting) that there should be a single question placed on the referendum which would include all 7 projects totaling \$352 million.

The Committee then voted to reconsider that action, at which time Council Member Lochman, seconded by Council Member Carter, made a substitute motion to place all seven projects on the ballot but in the form of 2 questions: one containing the arena, the other containing the remaining 6 projects. That motion failed 2 to 3 (Council Members Carter and Lochman voting in the affirmative and Council Members Wheeler, Graham and Cannon dissenting).

The original motion to approve a single ballot question was made once again and was approved 3 to 2 with Council Members Wheeler, Graham and Cannon voting in the affirmative and Council Members Carter and Lochman dissenting.

Committee points of discussion during the debate on this item included:

- The Manager's recommendation was creative due to the potential savings from tax-exempt bond financing.
- Savings from tax-exempt bond financing are misleading and incomplete and there may be other avenues through which the City could achieve the same results.
- Public support for a single question on an arena is significant and would justify putting any potential tax-exempt status at risk.
- Tax-exempt savings are not an absolute surety, but nothing is absolute.

c) When should the referendum be held?

The Committee voted 3 to 2 (Council Members Wheeler, Graham and Cannon voting in the affirmative and Council Members Carter and Lochman dissenting) for a June referendum contingent on the Charlotte Hornets reimbursing the City for the cost of the referendum.

Committee points of discussion during the debate on this item included:

- The City should target June 5, 2001 as the referendum date.
- The City should encourage the highest likely mix and broadest

spectrum of voters to participate in the referendum and that may be a general election in November.

- o There is a compelling argument for a decision to be made by June of this year.
- o City Council needs to make its own business decision based on the compelling argument that a decision be made by June.

5) Legislative Issues

The Committee voted to recommend 7 items for inclusion in the City's 2001 legislative package (Attachment 2).

The following 4 bills were approved unanimously (Council Members Wheeler, Graham, Cannon, Carter and Lochman) by the Committee without modification:

- a) A bill that would authorize an advisory referendum on capital investment in sports and cultural facilities.
- b) A bill to clarify that occupancy taxes can be spent on arenas and stadiums.
- c) A bill that would exempt from the State bid laws the award of contracts for a new uptown arena.
- d) A bill that would authorize the Coliseum Authority to enter into leases of up to thirty years.

The following 3 items were either amended by the Committee or there was not a unanimous vote:

- e) A bill that would authorize a 5% vehicle rental tax was approved 4 to 1 with Council Members Wheeler, Graham, Cannon and Carter voting in the affirmative and Council Member Lochman dissenting. Mr. Lochman felt that a rental vehicle tax on vehicles other than at the airport was a tax on local citizens. The City Attorney advised the Committee that to separate airport rentals from off-airport rentals was suspect to constitutional challenge in his opinion.
- f) A bill to authorize a 3% ticket tax at specified City-owned facilities was approved 4 to 1 with Council Members Wheeler, Graham, Carter and Lochman voting in the affirmative and Council Member Cannon dissenting. Mr. Cannon felt that a ticket tax was an affordability issue and that it hurt the overall community's ability to attend events at the new arena and Independence Arena.
- g) A Resolution requesting State financial participation in the sports and cultural facilities package was amended in Section 2 to delete any reference to the income tax revenue to be derived from player's salaries. The Committee felt that the taxes the State would derive

from players salaries was a good business case for the request, but that the request should be generalized to \$3.2 million annually plus 5% growth in order to allow the State the flexibility to determine the funding source. The Committee approved the amended Resolution unanimously (Council Members Wheeler, Graham, Cannon, Carter and Lochman.)

6) Arena Planning and Design Issues

The Committee voted unanimously (Council Members Wheeler, Graham, Cannon, Carter and Lochman) to approve the following two actions relative to planning and design of the new uptown arena:

- a) A Resolution exempting the arena project from North Carolina General Statute 143-64.31 (Attachment 3).

This Statute requires local government units to select firms to provide engineering and architectural services through a formal selection process. The general statute also provides for the unit of local government to exempt particular projects in their sole discretion through resolution. There are professional service firms who have already collected data and performed testing, planning and design services relating to this project either for the City or for the Charlotte Hornets. A formal selection process would take approximately two months and could only reselect the same firms due to the cost and time required for any other firm to reach the same level of expertise.

- b) Authorization for the City Manager to select consultants and negotiate contracts subject to City Council approval.

Because of the schedule constraints, Council is also asked to approve authorizing the City Manager to select consultants in the City's best interest and negotiate contracts for architectural and engineering services for the Uptown Arena Project. Contracts and funding sources are subject to approval by City Council.

Attachments:

New Arena Financing Model

Legislative Package

Resolution Exempting the Arena Project from NCGS 143-64.31