AGENDA

Meeting Type	S
Date	12-28-1990
SUBJECT	Construction Manager Convention Center

City of Charlotte, City Clerk's Office

CHARLOTTE

Meetings in December '90

THE WEEK OF DECEMBER 1 - DECEMBER 8

1-5	Saturday-Wednesday	**NATIONAL LEAGUE OF CITIES ANNUAL CONVENTION** - Houston
3	Monday, 11 30 a m	**PLANNING COMMISSION/Planning Committee** - CMGC, 8th Floor Conference Room
	Monday, 12 Noon	**PLANNING COMMISSION/Work Session** CMGC, 8th Floor Conference Room
4	Tuesday, 2 00 p m	**TAXICAB REVIEW BOARD** - CMGC, Conference Center
5	Wednesday, 4 30 p m	**CITIZENS CABLE OVERSIGHT COMMITTEE** CMGC, 7th Floor Conference Room
	Wednesday, 6 00 p m	**YOUTH INVOLVEMENT COUNCIL** CMGC, Conference Center
	Wednesday, 6 30 p m	**CHARLOTTE ADVISORY PARKS COMMITTEE** - CMGC, Room 118

THE WEEK OF OF DECEMBER 9 - DECEMBER 15

10	Monday 3 30 p m	**PLANNING COMMISSION/Executive Committee** CMGC, 8th Floor Conference Room
	Monday, 5 00 p m	**COUNCIL/MANAGER DINNER** - CMGC, Conference Center
	Monday, 6 30 p m	**CITIZENS HEARING** - CMGC, Meeting Chamber (Televised on Cable Channel 32)
	Monday, 7 00 p m	**CITY COUNCIL MEETING** - CMGC, Meeting Chamber (Televised on Cable Channel 32)
	Monday, 7 30 p m	**HISTORIC LANDMARKS COMMISSION** - 1221 S Caldwell Street
11	Tuesday, 7 30 a m	**POLITICAL CONSOLIDATION STUDY COMMISSION** CMGC, Conference Center
	Tuesday, 8 00 a m	**CLEAN CITY COMMITTEE** - CMGC, Room 270
	Tuesday, 4 00 p m	**AIRPORT ADVISORY COMMITTEE** - Charlotte/Douglas International Airport, Conference Room A
12	Wednesday, 7 45 a m	**PRIVATE INDUSTRY COUNCIL** - CMGC, Meeting Chamber
	Wednesday , 8 30 a m	**CIVIL SERVICE BOARD** CMGC, 7th Floor Conference Room
	Wednesday, 2 30 p m	**CHARLOTTE-MECKLENBURG ART COMMISSION/Executive Committee** CMGC, 8th Floor Conference Room
	Wednesday, 4 00 p m	**HISTORIC DISTRICT COMMISSION** CMGC, 8th Floor Conference Room

(CONTINUED ON BACK)

Public Service And Information Department

600 East Fourth Street

Charlotte NC 28202 2861

704/336-2395

THE WEEK OF DECEMBER 16 - DECEMBER 22

17	Monday, 10 30 a m	**AUDITORIUM-COLISEUM-CONVENTION CENTER AUTHORITY**- Charlotte Coliseum, Conference Room, 100 Paul Buck Blvd
	Monday, 5 00 p m	**COUNCIL/MANAGER DINNER** - CMGC, Meeting Chamber Conference Room
	Monday, 6 00 p m	**CITY COUNCIL/Zoning Hearing** - CMGC, Meeting Chamber
18	Tuesday, 4 30 p m	**PLANNING COMMISSION/Zoning Work Session** - CMGC, 8th Floor Conference Room
	Tuesday, 6 00 p m	**CHARLOTTE ADVISORY PARKS COMMITTEE** - CMGC, Rooms 270 & 271
19	Wednesday, 6 00 p m	**YOUTH INVOLVEMENT COUNCIL** - CMGC, Conference Center
21	Friday, 11 00 a m	**HOUSING AUTHORITY** 1301 South Boulevard

THE WEEK OF DECEMBER 23 - DECEMBER 30

24	Monday	**CHRISTMAS EVE** - All City Offices Closed
25	Tuesday	**CHRISTMAS DAY** All City Offices Closed

These organizations will <u>not</u> meet in December·

Charlotte Tree Advisory Commission
Community Facilities Committee
Housing Appeals Board
Specialized Transportation Advisory Committee

M E M O R A N D U M

December 26, 1990

TO: Mayor and City Council members

FROM: O. Wendell White
City Manager

In preparation for the City Council meeting on Janaury 14, I asked Budget and Evaluation to prepare an outline of the two major options for proceeding with construction of a new Convention Center.

Those options are:

1) To wait for a decision on the Wayne County case and evaluate a financing package under N.C. Statue 160A-20
-or-
2) Hold a General Obligation Bond Referendum

I have also asked that background information on the project be included as part of this package as well as information prepared in response to questions from Council members. This package includes:

1) Options for construction of a new Convention Center.
2) Responses to Requests for Information.
3) Convention Center briefing outline, March 21, 1990.
4) Convention Center Project History.
5) Brochure prepared by the Convention Center Advisory Committee.
6) Executive Summary of the Evensen Dodge Financial Report presented in April 1990.

Between now and January 14, please let me or Pam Syfert know if there is additional information you need to evaluate the financing options, or if there is other background information you would like to receive.

bs

Attachment

OPTIONS FOR CONSTRUCTION OF NEW CONVENTION CENTER (PRELIMINARY)

DECISION POINT: HOW DO WE FINANCE THE CONSTRUCTION OF A NEW CONVENTION CENTER?

There are two remaining options which could be used to provide financing for a new convention center. Each option has advantages and disadvantages over the other option.

In order to assist Council's discussions of the two options and the decision-making process, each option is described below with the advantages and disadvantages clearly identified. Council may want to add other criteria to the list as part of their discussion.

Following the option descriptions is a summary of the factors to be considered in comparing one option to the other. This summary should provide a framework for Council's discussions. Since both options have advantages and disadvantages, Council needs to focus on the relative importance of the factors in order to select one financing method over the other.

The identified factors to be considered in selecting one financing option over the other are:

- Timing
- Financial Flexibility
- Economic Loss
- Legal Questions
- Land Availability

OPTION 1:

Take two months to evaluate whether the installment purchase contract financing method is preferable to General Obligation bond financing. If the verdict in the Wayne County case upholds installment purchase contract under N.C. Statute §160A-20, the financing packages could be compared and, if favorable, take the financing to market immediately. The earliest date expected for the decision on the Wayne County case is January 7, 1991.

Advantages:

1. An installment purchase contract has definite benefits for this type of facility.

   a. It is more flexible for repayment of the principal; the debt payments can be lower in the earlier years as compared to a G.O. bond financing.

   b. If the Wayne County court case is favorably announced the financing can be taken to market earlier than G.O. bond financing. This has the advantage of keeping the momentum going on the Convention Center project.

2. The tax exempt financing market is at a favorable point now for selling Certificates of Participation (COPs). If the market remains stable through January and February, the financing proposal allows the City an opportunity to capture current favorable rates.

3. Interest rates for installment purchase contracts are lower than lease purchase financing, therefore closer to General Obligation rates.

Disadvantages:

1. There can be no absolute guarantee as to what will happen in the market, which affects interest rates and, therefore, the size of the project.

2. On any given market day G.O. bonds can be sold for a lower interest rate than COPs.

3. Depending on the content of the court decision, the §160A-20 financing may not eliminate additional legal challenges by citizen groups over financing the Convention Center.

OPTION 2:

Proceed with scheduling a G.O. bond referendum ($150 million) the earliest time for which would be April 16. Bond sale and/or sales could then be scheduled in accordance with a drawdown of funds necessary for land and/or construction.

Advantages:

1. A bond referendum addresses the question about public support for the Convention Center.

2. The bond referendum reduces public uncertainty and criticism of the financing arrangement for the Convention Center.

3. General Obligation Bonds have a lower interest rate.

Disadvantages:

1. There is a possibility of property tax implications in earlier years of the project to pay the debt.

2. A referendum delays the project for at least four to six months, longer if the referendum is unsuccessful.

3. The cost of a referendum is $200,000.

SUMMARY OF FACTORS

1. TIMING

Installment Purchase Contract

If N.C. Statute (160A-20) is upheld in January, the package could go back to market as early as February.

The Architect and Construction Manager teams could be retained, although additional funding would be necessary.

General Obligation

The earliest referendum date is April 16, 1991, with a bond sale in June/July. Calendar is attached.

Even with a delay, the City might retain the architect, but not necessarily the same team.

The City probably cannot retain the Construction Manager.

May lose favorable price on asbestos removal and demolition contract if the project is delayed beyond July.

2. FINANCIAL FLEXIBILITY

Installment Purchase Contract

Greater flexibility.

General Obligation Bonds have a lower interest rate than COPs on any given market day. However the favorable spread can change if sales of G.O. Bonds and COPs are compared at different times.

General Obligation

Selling bonds at project milestones reduces risk of need for property tax supplement; however, issuance costs and rate uncertainties increase.

Less flexibility for use of funds.

Financial Projection Comparison
(Projections used for lease financing under N.C. Statue §160A-19)

Lease Arrangement (COP)

	Estimated Revenue Stream	Estimated Lease Requirement	Excess Revenue
Year 1	$ 7,597,167	$ 6,696,288	$ 900,879
Year 2	$12,995,290	$11,479,350	$1,515,940
Year 3	$13,060,604	$11,479,350	$1,581,254
Year 4	$13,050,758	$11,479,350	$1,571,408
Year 5	$13,517,555	$11,479,350	$2,038,205

General Obligation Bonds

	Estimated Revenue Stream	Estimated Debt Service Requirement	Excess Revenue
Year 1	$ 6,504,652	$ 5,938,294	$ 566,358*
Year 2	$11,115,950	$10,179,933	$ 936,017*
Year 3	$14,237,285	$12,734,933	$1,502,352
Year 4	$14,178,010	$12,583,748	$1,594,262
Year 5	$13,236,045	$12,386,223	$ 849,822*

*The $1.5 million needed annually for marketing would not be available in these years

3. ECONOMIC LOSS

Installment Purchase Contract

Success under 160A-20 meets Convention Center commitments.

General Obligation

Slower schedule jeopardizes initial bookings, September 1994 and March 1995 and delays economic impact of construction-related jobs, etc.

4. LEGAL QUESTIONS

Installment Purchase Contract

Uncertainty of Wayne County suit.

Possible local challenge to any financing other than G.O. bond

General Obligation

No legal questions.

Separate referendum may be held every 30 days, but not within 30 days before or after a primary general election or any other previously scheduled referendum.

5. LAND AVAILABILITY

Installment Purchase Contract

Land available through June, 1991 at a cost of approximately $175,000 per month.

Must have land as asset for lease or installment purchase financing.

General Obligation

Cost of carrying land option until April is approximately $525,000; $875,000 until June.

Site can be condemned for public purpose, if necessary.

Prepared By:
Budget and Evaluation
December 20, 1990

TENTATIVE CALENDAR - G O BOND REFERENDUM *

Monday, January 14, 1991	City Council authorization to proceed
Friday, January 18, 1991	Publication of Notice of Intent to issue bonds
Monday, February 11, 1991	City Council approves bond order on first reading and sets public hearing date
Friday, February 15, 1991	Publication on bond order and notice of public hearing
Monday, February 25, 1991	Holding of public hearing; adoption of bond order, passage of resolution calling bond referendum
Friday, March 1, 1991	Publication of bond order and notice of referendum
Friday, March 8, 1991	Second publication of notice of referendum
Tuesday, March 19, 1991	Closing of voter registration books
Tuesday, April 16, 1991	Bond Referendum
Thursday, April 18, 1991	Canvassing of returns by Board of Elections

* This calendar has not been reviewed by bond counsel or Elections Board

Responses to Requests for Information
December, 1990

General Obligation Bonds/
Balance Outstanding
June 30, 1990

Description	Amount
Airport	$ 40,800,000
Coliseum	43,325,900
Discovery Place	7,560,000
Land Acquisition	8,825,606
• Landfill	
• Fire Stations	
• Transportation Projects	
• Government Plaza	
Mint Museum	2,939,716
Nature Museum	2,342,848
Police Headquarters	50,000
Public Building (Civic Center)	3,500,000
Charlotte-Meck. Gov't. Center	30,405,117
Recreation Facilities	18,724,261
• Park Land Acquisition	
• Reedy Creek Park	
• York Rd. Renaissance Park	
Redevelopment	1,575,000
• First Ward	
• Greenville	
• Dilworth	
• Brooklyn	
Sanitary Land Fill Bonds	4,295,610
Sidewalks	867,000
Spirit Square	1,457,152
Street Improvement	81,824,512
• Park Rd/Johnson Rd. Widening	
• Beatties Ford Rd. Widening	
• Westinghouse Blvd. Extension	
• NC 51 Widening	
• Shamrock Dr. Widening	
• Idlewild Rd. Widening	
• Rama Rd. Widening	
• Monroe Rd. Widening	
Street Land	1,050,500
• Eastway Drive Loop	
• Independence Blvd. Row	
Storm Drainage	3,377,837
Transit Facility	4,784,152
Sub-total	257,705,211
Water & Sewer	157,406,257
Total Amount Outstanding	$415,111,468

Convention Center Project
Expenditure Analysis
December 14, 1990

Land	Actual
Earnest Money & Carrying Cost	$1,266,755.40
Ralph Whitehead	17,450.00
Harry G. Brown	7,500.00
J. C. Morgan Co.	7,500.00
Stout-Beck Associates	7,500.00
Law Engineering	4,979.81
Power Engineering	4,702.50
Aerodynamics	4,410.00
Sub-Total	$1,320,797.71
Design & Construction	
FWA Group	121,102.53
Fluor Daniel (Construction Manager	24,539.00
Sub-Total	145,641.53
Legal and Financial	
Legal Fees	99,714.44
Feasibility Consultant - KPMG	50,000.00
Financial Advisor	49,900.00
City Share of Original Laventhol & Horwath Study	38,264.71
N. C. Department of State Treasurer	2,500.00
Sub-Total	240,379.15
Administration	
City Staff - Salaries & Wages	51,281.43
Travel and Meetings	13,624.13
Other	7,593.39
Stromberger-Roiziss & Associates	6,119.30
Departmental Supplies	4,543.48
Waters Associates	3,930.85
Advertising	2,997.71
Dobson, D. E.	2,921.00
Printing & Publishing	1,790.83
Postage	756.50
Parking for Meetings	150.00
Office Supplies	48.82
Sub-Total	95,757.44
Total	$1,802,575.83

Source of Funding:	Municipal Debt Service Loan	$3,850,000
	Pay-As-You-Go	355,000
	Total Appropriation	$4,205,000

Convention Center Project
Expenditure Analysis

	Incurred (Estimated)
Land	
Land-Legal Fees	$ 25,000
Sub-Total	$ 25,000
Design & Construction	
Architect	1,100,000
Construction Manager	95,000
Sub-Total	1,195,000
Legal and Financial	
Special Counsel	275,000
Financial Advisor	125,000
Preliminary Official Statement	100,000
Rating Agencies	50,000
Legal Fees/Non-profit Corp.	25,000
Feasibility Consultant	14,500
Local Government Commission	5,000
Sub-Total	594,500
Administration	
Other/Miscellaneous	25,000
Sub-Total	25,000
Grand Total	$1,839,500*

*These expenses have not been paid.

CONVENTION CENTER
BRIEFING OUTLINE
MARCH 21, 1990

BACKGROUND/MAJOR EVENTS TO DATE

1985

- February 1985 - Coliseum-Convention Center-Auditorium Authority completes report on lost business and proposed expansion of the existing Convention Center.

- May 1985 - Authority hires Hammer Siler George to conduct expansion study.

1986

- January 1986 - Study submitted to Council which considered tearing down the Convention Center and building a larger facility elsewhere or on the current site.

- February 1986 to November 1987 - Convention Center put on hold because of Coliseum and Performing Arts Center projects.

1987

- December 9, 1987 - CUDC initiates the "Ben Craig Study" for new Convention Center.

- December, 1987 - CUDC holds joint meeting with City Council to consider expanding the existing Convention Center.

1988

- January, 1988 - CUDC Expansion Study completed.

1989

- January 11, 1989 - Council is presented a planning staff proposed process for conducting a feasibility study, a site evaluation analysis and a process for determining cost estimates for a new convention center. Council authorizes Planning and Public Works Committee to take the lead on this project.

- February 3, 1989 - Process for Convention Center Study presented to Planning and Public Works Committee. A March 1989 deadline is proposed for site evaluation and an April deadline for a financing study by the "Hugh McColl Committee."

- February 23, 1989- CUDC hires Laventhol and Horwath to conduct an "Economic Impact and Market Evaluation Study for an Expanded Convention Center."

- April 25, 1989 - Planning staff briefs the Planning and Public Works Committee on the current process and reviews a revised process which concentrates on an individual site (Schottenstein proposal).

- April, 1989 - McColll Committee submits report to Council.

- May 23, 1989 - Council meets in executive session and advises the Manager to evaluate the Schotttenstein proposal and negotiate with Schotttenstein over cost to be incurred by the City and the developer.

- May 23, 1989 - City Manager appoints a Technical Coordinating Committtee (TCC) to work with Schottenstein in evaluating his proposal and presenting alternatives to Council.

- June 26, 1989 - The unegotiated Schottenstein proposal is presented in executive session to Council as follows: the developer would assemble land; build a Convention Center; pay the City a minimum fair market value for the old Convention Center; construct an adjacent 750 room Convention Hotel with parking; and complete the facility one-and-a-half to two years faster than the City could do otherwise. Council instructs the manager to refine the proposal with the intent of minimizing the $1.8 million Council would be required to pay prior to the legislature's approval of our financing plan.

- July 1989 - City staff begins negotiating a development agreement with Schottenstein; a Citizens Advisory Committee is appointed (Dagenhart Committtee); and members of the Citizens Advisory Committee and the TCC visit the Schottenstein headquarters in Columbus, Ohio. City staff visits Schottenstein's architect in Atlanta and reviews in detail their construction schedule and cost estimates.

- August 11, 1989 - A press conference is held with Schottenstein publicly outlining the Schottenstein/City proposal.

- August 17, 1989 - A Council Workshop concentrates on major points of contention in the development agreement, including: public risk vs. benefits of private construction; unknown city costs; potential conflicts of interest in constructing a hotel in conjunction with the Convention Center; developer's experience; etc.

- September 11, 1989- Council votes to request a recommendation regarding how to proceed from the Citizens Advisory Committee

- October 17, 1989 - County Commission approves the concept of paying for the new Convention Center with an increase in the hotel/motel tax and a 1% restaurant tax.

- October 20, 1989 - Citizens Advisory Committee recommends modified fast-track approach without the private developer. Schottenstein is to merely assemble land and hold the options until the legislature approves the financing program. The Citizens Committee advises Council to spend $825,000 in preliminary design and cost estimating in order to advance the schedule of completion.

- October 25, 1989 - Council approves the Citizens Advisory Committee recommendation and asks the Coliseum Authority to advance the $825,000. The Authority declines, but appropriates $200,000 to begin the program development phase for the "Ideal Convention Center."

- October 27, 1989 - Schottenstein's realtor notifies the City that Schottenstein would not continue to carry the options on the proposed site.

- November 14, 1989- Council appropriates $255,000 to address essential elements in the process--a financing plan, additional site evaluations, and a public information campaign. Design and construction documents estimated to cost $570,000 are postponed.

- November 21, 1989- Convention Center Workshop is conducted for the hospitality industry at the Convention Center.

- December 18, 1989- The Mayor and Mayor Pro Tem meet with the small towns regarding the proposed hotel and restaurant taxes. The small towns suggest that they receive 60 percent of the existing 3 percent hotel occupancy tax.

1990

- January 8, 1990 - A briefing paper outlining the Convention Center process is sent to City Council.

- January 19, 1990 - The second meeting with the small towns is held at which time the Mayor, the Mayor Pro Tem, and County representatives agree to give the towns what they had originally requested.

- January - March - Chamber of Commerce takes lead in lobbying effort for funding. John Harris and Mac Everett coordinate with the Dagenhart Citizens Advisory Committee.

CURRENT ISSUES

- Issue #1: Legislative Funding Approval

Summary. The "McColl Finance Committee" recommended a user fee finance strategy involving hotels; restaurants; other primary beneficiaries of the convention business; and a sizable donation from the State due to the large amount of State sales tax to be generated. Because of tight State budget constraints, the City Council and Mecklenburg County Board of Commissioners have approved funding the facility with local revenue from the two primary beneficiaries of the facility--hotels and restaurants. The proposed financing includes a doubling of the current 3 percent hotel/motel tax to 6 percent and a 1 percent restaurant tax.

Status. During last year's session of the General Assembly, the Senate approved a doubling of the hotel tax in order to allow Mecklenburg County to present an amended bill in the short session of 1990. We need unanimous local delegation approval so the bill will be considered "noncontroversial." At the request of the small towns, the City and County have proposed to redistribute the original first 3 percent hotel/motel occupancy tax in order to "guarantee" those towns with

hotels within their jurisdiction at least 60 percent of the first 3 percent tax. The towns are now demanding 40 percent of the entire 6 percent occupancy tax and restaurant tax. Furthermore, the towns do not want the funds restricted for travel and tourism. The tax bill will be presented to the local delegation on March 27, 1990.

- Issue #2: Project Costs

Summary. One of the most difficult tasks is to provide a project estimate for the facility.. Prior estimates have been based upon square footage costs of facilities in other cities. These costs, in most cases, did not include soft costs,, such as architectural fees, construction manager fees, and general administration. Furthermore, the estimates did not include land costs and costs associated with specific site constraints; e.g., maintaining the railroad spur, replacing a bridge, excavating large amounts of rock, building on a tight site, etc.

Status. The FWA Group will provide us with a most recent project cost estimate in April. Ultimately, we will build the best facility we can afford with the revenues to be generated by the proposed taxes. The City's Finance Director has hired a financial advisor to evaluate the maximum project costs that could be funded with the identified sources of revenue: three percent occupancy tax and one percent restaurant tax. The financing is to be addressed in conjunction with the facility program being prepared by the Coliseum Authority.

- Issue #3: Marketing Costs and Operating Deficit

Summary. Preliminary costs associated with operating the proposed facility in the early years are being reevaluated and fine tuned by the Convention Center staff. The Charlotte Convention and Visitors Bureau (CCVB) has prepared a marketing plan for the facility and has shared the plan with City staff. The operating deficit could be as large as $500,000/year, and the marketing budget prepared by the CCVB totals $2.5 million/year.

Status. The City's finance study will recommend approximately approximately $1.5 million annually for marketing in addition to retiring a debt of approximately $150 million. We are discussing with the Coliseum Authority the possibility of the Authority's assuming the operating deficit as part of the Authority's overall budget. This issue will be discussed at a Council briefing in April.

- **Issue #4:** Local Consensus

  Summary. The City Manager appointed a Citizens Advisory Committee with representatives from the hotels, the restaurants, and various other businesses in order to build consensus. The tax package for funding the facility resulted from this groups dialogue and work.

  Status. We are continuing to address the desires of local interest groups without negating the impact of the tax benefits for the proposed Convention Center.

- **Issue #5:** Site Assemblage

  Summary. In early 1989, the Planning Commission staff evaluated numerous potential sites for the Convention Center and recommended three sites as top-priority sites to receive detailed evaluation. Shortly thereafter, Council voted to concentrate on the Schottenstein site as the Number 1 priority. After Council decided to build the Convention Center through the public process, the City began negotiations with Schottenstein, Charles Young, and the Norfolk Southern Railroad (the three individual land owners for the Schottenstein site). Negotiations were slow because of a post business dispute between two of the participants.

  Status. The City is negotiating with all three property owners and is optimistic that options will be executed for all three sites by mid-April. There have been no appropriations by Council to purchase. We are negotiating for free options and feel we are close.

- **Issue #6:** Public Information Program

  Summary. On November 14, 1989, Council authorized the Public Information Group to begin a public information program designed to build local consensus and inform the State and local interest groups of the potential benefits from the convention business.

  Status. The public information group has produced an information pamphlet and a monthly newsletter which is mailed to over 1,000 local restaurants, hotels, and interested individuals. The public information group is supporting the Citizens Advisory Committee in their lobbying efforts to get the financing program approved by the legislature. In addition to providing documentation, the Public Information Group is researching comparable data regarding convention centers in other cities and is helping disseminate recent developments to all interested parties.

- **Issue #7:** **Program Development**

Summary. In order to save approximately five months' time, the Coliseum Authority has funded a $200,000 program development phase which will provide the eventual design architect with a document specifying the general requirements for the new facility. The program development phase includes: visiting eight convention centers nationwide; bringing in meeting planners and facility managers to suggest ways to design the "perfect facility"; and evaluating the existing site in light of program requirements.

Status. The program development phase is on schedule, and the finished product is due in early April. In addition to providing the program documents, the Authority's consultant (the FWA Group) will also provide the Authority and City with a preliminary project budget. This will be the first budget based upon the Charlotte project and specific local conditions. Council will be briefed on the facility program in April, 1990.

- **Issue #8:** **Architect Selection**

Summary. In order to be prepared to begin the project design upon favorable legislature approvals, we have begun the architect and construction manager selection process.

Status. Request for Qualifications (RFQs) have been mailed to numerous firms locally and nationally. We have currently "short listed" eight architectural firms and fifteen construction manager groups. The selection committee consists of Larry Dagenhart, Johnny Harris, Virginia Bush, Steve Camp, Richard Martin, Martin Cramton, and Ken Gillis. The selection committee is evaluating the qualifications of all firms with the assistance of a facilitator, Mr. Allen Waters, formerly in charge of professional service contracts for the North Carolina University System. The final selection of an architect and construction manager will occur prior to legislative approval of our funding sources.

- **Issue #9:** **Staging Area and Parking**

Summary. Parking for the new Convention Center will be limited to the Young Ford Used Car lot adjacent to the County ABC warehouse. The Program Development Phase will identify the essential number of parking spaces necessary to support the Convention Center. We are

also including the parking analysis for the Convention Center in the NFL Parking Study, which is currently underway. A staging area for holding large trucks has been identified as doubling for potential surface parking for the NFL Stadium project. The entire parking issue associated with the Convention Center is being jointly examined with the NFL project.

Status. The parking and staging issues will be fully examined in late April after the NFL Parking Study and the Program Development Phase of the Convention Center Analysis has been completed.

- Issue #10: Old Convention Center

Summary. The Schottenstein proposal provided for Schottenstein to guarrantee the City a fair market purchase price for the old Convention Center. The old Convention Center sale would help offset the cost for the new Center. Unfortunately, Schottenstein's buy-out offer would have required the City pay the cost of a letter of credit ($200,000/year ±) until such time as he exercised his option to purchase. Additionally, the Centrall Area Plan suggests that the old Convention Center and/or the vacant lot across the railroad track from the Center be used for a future transit facility.

Status. We have not resolved the question of what to do with the old Convention Center once the new facility is built. This issue will require a Council policy decision during the Capital Budget process.

Issue #11: Lobbying Efforts

Summary. The 1990 Short Session requires that issues considered be non-controversial in nature. A local bill requesting any new source of revenue not previously granted will be very difficult to achieve. The primary benefit to the State for authorizing our funding request is the anticipated local economic benefits from the project's direct state revenues--an estimated $14 million in new sales tax.

Status: Information describing and supporting the project has been assembled and we are presenting the merits of the project to our local delegation whose unanimous endorsement is almost essential. The Chamber of Commerce is coordinating our Raleigh lobbying efforts. Councilmembers, Commissioners, local business people and others will be called upon to personally contact members of the legislature at the most appropriate time.

Where Do We Go From Here

1. Introduce an amended funding bill to the 1990 Legislature (May 20, 1990).

    - Address Small Towns' concerns (March, 1990)
    - Get Local Delegation endorsement (March, 1990)
    - Work with Chamber, Local Delegation, Citizens Advisory Committee and others to present case for Convention Center to the Legislature.

2. Obtain "free" options for the Trade Mart/Young Ford/Norfolk Southern Site (April, 1990)

3. Continue to keep all local groups informed about the process by using monthly newsletters.

4. Conclude development of the program for the new building and present an updated project budget and cost estimate (early April)

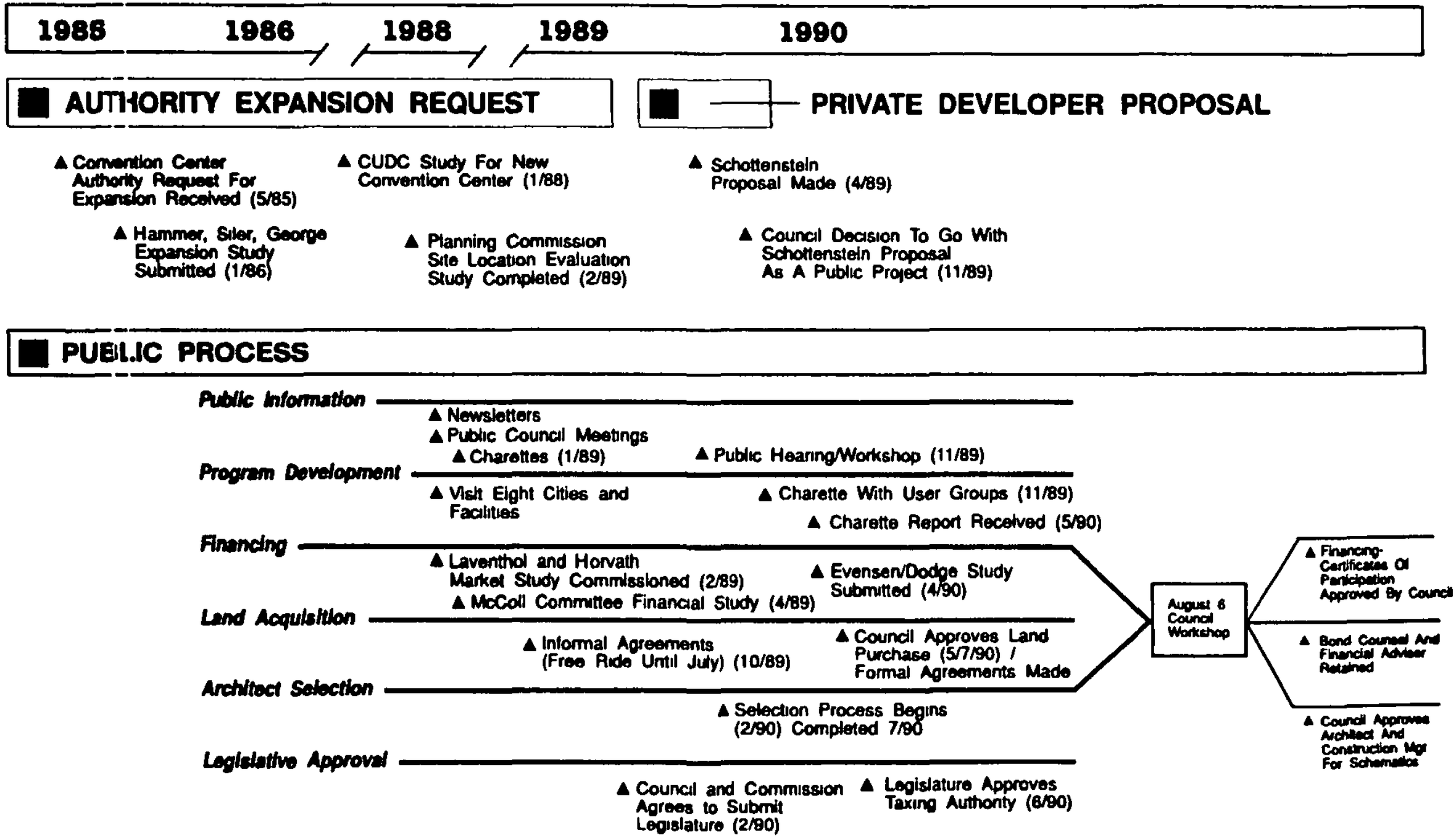
5. Select an Architect and Construction Manager (May 1, 1990)

6. Complete project budget with annual operation/maintenance and marketing amounts (April, 1990)

7. Identify parking needs and proposed solutions (April, 1990)

8. Set policy for "Old Convention Center" (May, 1990)

CONVENTION CENTER: PROJECT HISTORY



Our Current Convention Center

Built in 1973, the Convention Center has served the community well As a result, new hotels, retail, shopping, restaurants, entertainment, attractions, and cultural facilities have been created bringing many new jobs to the region

It's A Fact: We've Outgrown Our Current Center.

Charlotte-Mecklenburg is now in danger of losing large tradeshows and conventions which have outgrown the existing Convention Center Charlotte-Mecklenburg must remain competitive with other cities whose convention facilities have grown to meet the demanding needs of the convention industry

It is a fact that the Convention Center is obsolete and outdated with inadequate space, break-out rooms, loading/unloading facilities, kitchen and food concession stands, poor traffic flow and lack of flexibility

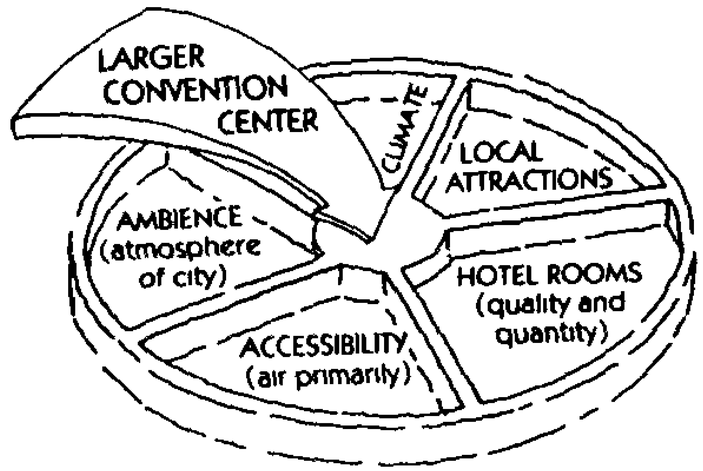
Charlotte's Competition

How Charlotte compares with other centers in the Southeast

Location	Center	Prime Exhibit Space
Atlanta	*Georgia World Congress Center*	*650 000*
Miami	*Stephen Muss Convention Center*	*50 500*
Houston	*George R Brown Convention Center*	*4 0 500*
Washington DC	*Washington Convention Center*	*178 000*
New Orleans	*New Orleans Convention Center*	*318 000*
Dallas	*Dallas Convention Center*	*[illegible]*
Orlando	*Orange Co Convention Civic Center*	*[illegible]*
St Louis	*Alfonso J Cervantes Conv Center*	*240 000*
Nashville	*Nashville Convention Center*	*[illegible]*
Charlotte	**Charlotte Convention Center**	**82 000**

The Missing Hub:

Convention planners look for six characteristics (see below) when selecting a host city The situation is like a wheel Our region has all the spokes in place What's missing is the hub—a larger, state of the art convention center



Who Endorses a New, Larger Convention Center?

The following groups endorse a new Convention Center

- Charlotte Mayor and City Council
- Mecklenburg Board of County Commissioners
- Charlotte Chamber
- Auditorium Coliseum-Convention Center Authority
- Charlotte Uptown Development Corporation
- Charlotte Convention and Visitors Bureau
- Central Charlotte Association
- Charlotte Hotel Motel Association
- Convention Center Citizens Advisory Committee

Convention Center Advisory Committee
600 East Trade Street Charlotte NC 28[illegible]

THE FACTS:

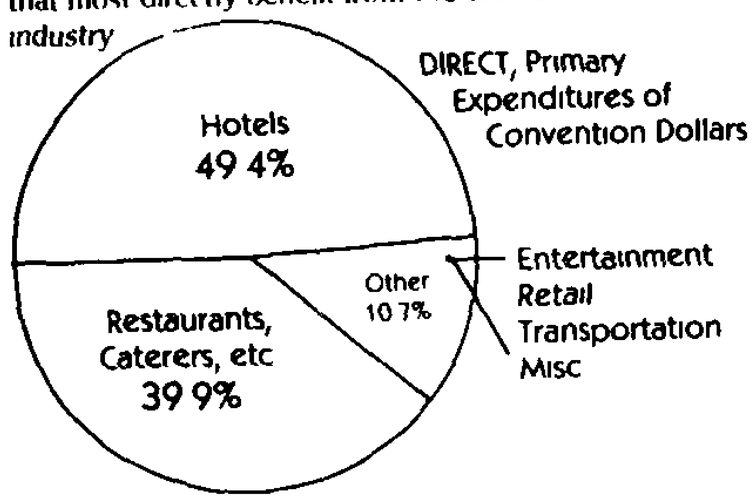
Why Charlotte-Mecklenburg Needs a Larger Convention Center

How Important Is the Convention Industry to Charlotte?

The convention industry is extremely important to Charlotte Mecklenburg because of the revenue it generates for local businesses and the employment it provides for Charlotte Mecklenburg citizens Currently over 2 450 jobs are directly related to the Convention Center in Charlotte Mecklenburg With a larger facility over 6 250 additional jobs will be created bringing the total number of jobs related to the Convention Center to 8 700 Convention delegates spend money when they come to our city increasing revenue for local restaurants hotels and retail businesses Read on and you will see how the dollars spent benefit not only these businesses but the entire community as well

Where Are the Convention Industry Dollars Spent?

The visitor coming to Charlotte Mecklenburg for a convention will spend his or her dollars at hotels and restaurants and also for entertainment shopping and transportation These are the services that most directly benefit from the convention industry



However the indirect benefits to the community are far reaching Revenue generated by conventions and trade shows are felt by all sectors of the community and beyond in the form of increased employment and economic gain for individuals and businesses

1989 Economic Impact Study*

Annual Economic Impact and Revenue Statistics	CURRENT CONVENTION CENTER	LARGER NEW CONVENTION CENTER	AMOUNT OF INCREASE
SIZE OF EXHIBITION SPACE	82 000 sq ft	300 000 sq ft	218,000 sq ft
STATEWIDE ECONOMIC IMPACT	$289 300 000	$1 046 200,000	$756 900,000
CHARLOTTE MECKLENBURG ECONOMIC IMPACT	$241,800 000	$ 874,000 000.	$ 632,200,000.
JOBS directly attributed to the Convention Industry in Charlotte	2,450	8,700	6,250 New Jobs
REVENUE NC State Taxes generated by the Convention Industry	$ 5,684 000	$ 20 338,000	$ 14,654,000
LOCAL REVENUE Charlotte Mecklenburg taxes generated by the Convention Industry	$ 4 298,000	$ 15,459,000	$ 11,161,000

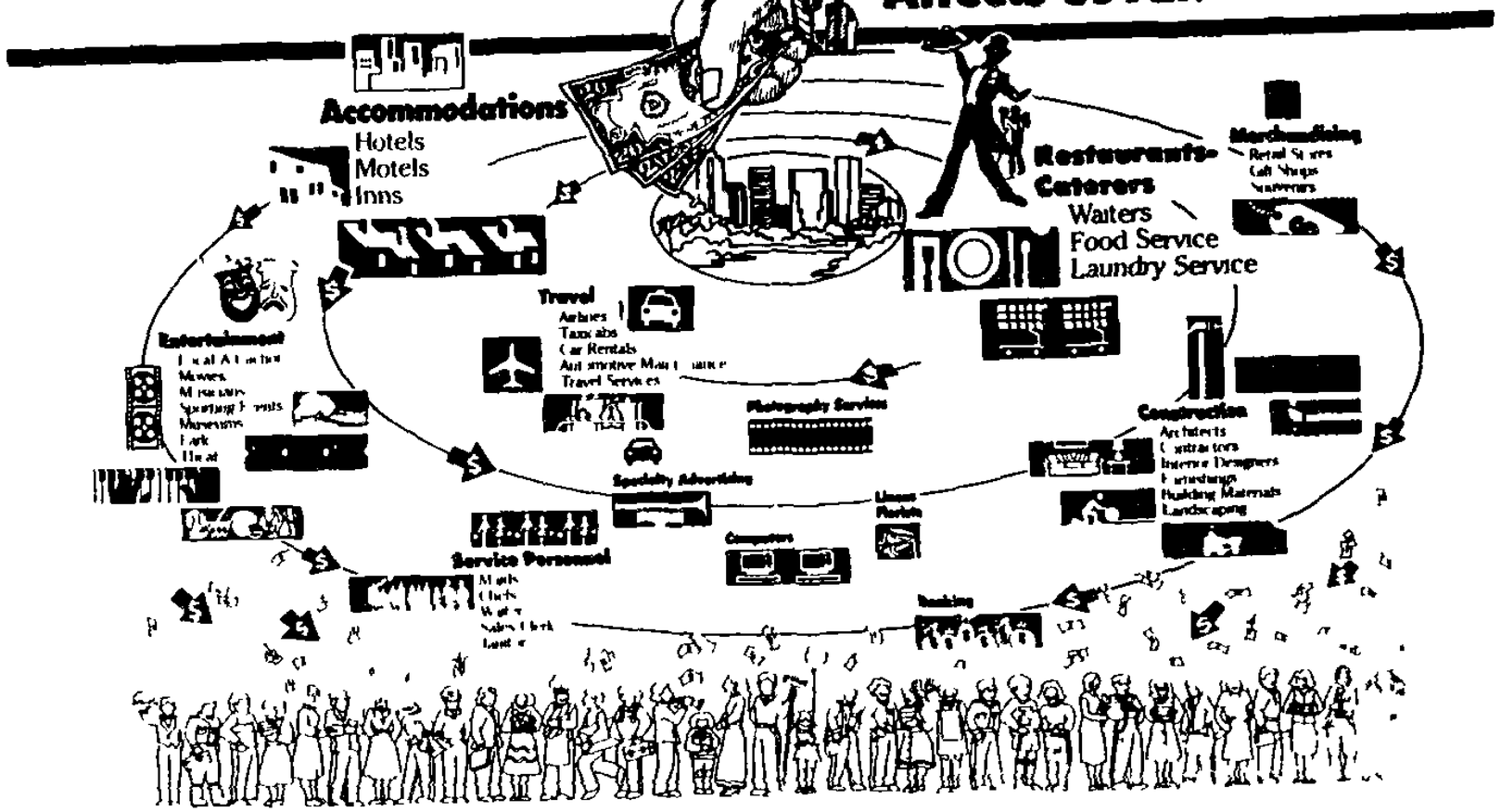
Based on Charlotte Mecklenburg "Economic Impact Analysis for a Larger Convention Center" Laventhol and Horwath

How Will the New Convention Center Be Financed?

The new facility will not be financed by property taxes The revenues to build a larger convention center will come from those businesses which benefit the most

- ***3% Increase in the Hotel/Motel Occupancy Tax.*** *This tax is paid by visitors on occupied hotel rooms*
- ***1% Prepared Food and Beverage Tax.*** *This is 1% of the gross sales receipts of prepared foods and beverages by restaurants, caterers, and prepared food establishments*

The Convention Industry Affects Us All:



SECTION 1

EXECUTIVE SUMMARY

The City of Charlotte desires to build a new convention center with an estimated project cost of at least $150,000,000. Although updated cost estimates are currently not available, the City anticipates spending approximately $30,000,000 to fund the cost of land acquisition in the fall of 1990. An additional $8,000,000 will be spent on the cost of architectural design and engineering fees in the period from the fall of 1990 to the fall of 1991. The balance will be spent over the course of 30 months to finance the cost of construction.

Evensen Dodge has been retained by the City to provide a preliminary financing plan to fund the acquisition of property and the construction of a new convention center facility.

The City has considered a variety of revenue sources to fund the project including general revenues, an increase in the existing transient occupancy tax and a new prepared food and beverage tax. In light of competing demands on the City's general revenues, this revenue source has not been considered for funding of the project. The City is currently attempting to secure authorization through state legislation to implement an additional 3% local option transient occupancy tax and a 1% local option prepared food and beverage tax (restaurant). Combined, these two revenue sources would be used to support the issuance of any debt.

Several debt instruments are available to the City to fund the proposed convention center, including general obligation bonds, revenue bonds, certificates of participation, and installment contract revenue bonds. As was mentioned above, the City does not anticipate using general obligation bonds to fund this project. Also, revenue bonds have been eliminated from consideration due to the comparatively high debt service coverage ratios required to issue revenue bonds. The impact of these high coverage ratios would substantially reduce the par amount of bonds which can be issued.

Either certificates of participation in an installment contract or installment contract revenue bonds were determined to be the preferred methods of generating capital to finance the convention facility. The choice as to which instrument to use depends in part upon the City's preference of the set of requirements to observe to maintain federal tax exempt status of interest on the debt instruments. The City will enjoy substantial interest rate savings as a result of issuing tax exempt obligations as opposed to taxable obligations.

In order to issue tax exempt obligations to finance the convention center, the City must demonstrate that the facility meets requirements under the Internal Revenue Code for a governmental bond. There are currently two approaches to obtain tax exemption for a convention center financing. One approach would require the City to monitor all contracts of the convention center, including

concessions, catering and event bookings. Therefore, certain changes in current operating procedures may be necessary. An alternative approach would not have the same requirement for contract monitoring. In this approach, debtholders would not receive a security interest in the facility, and the City would have to limit the amount of revenues derived from private use of the facility.

Section 7 of this report addresses the issue of revenue sufficiency for the proposed debt issues. Assuming a one times coverage factor and that both new taxes were currently in place, the 1990 net tax receipts would be capable of supporting an issue size of only $104,000,000. To fund a project cost approaching $150,000,000 it is necessary to assume some level of tax receipt growth. The analysis presented herein (in Table 8) depends upon an increase in both tax sources being considered from a base of $7,180,000 from net tax receipts in fiscal year 1991 to net tax receipts in excess of $15,470,000 by fiscal year 1996.

The anticipated revenue stream from the two proposed taxes has a narrower tax base than either a general sales tax or a general ad valorem property tax pledged to secure general obligation bonds. Transient occupancy and food and beverage taxes do not pertain to the many other items subject to a general sales tax. Nor are their receipts expected to be as large or their source as broad as the unlimited pledge of ad valorem taxes associated with the City's general obligation bonds. Therefore, this revenue stream is more vulnerable to economic downturns (local, regional and national) and unexpected changes of the business cycle.

Assumptions with respect to growth in the revenue stream must reflect reasonable growth over the short term, but at the same time be conservative enough to minimize risks that would require the City to appropriate monies over and above occupancy tax and prepared food and beverage tax receipts to pay debt service. Growth assumptions take into account inflation, population growth, expected real growth, and incremental growth due to the new convention center.

Evensen Dodge has calculated estimated revenue, debt and financial information for two scenarios (low risk and moderate risk) with different growth characteristics. The low risk scenario represents conservative assumptions about growth. Revenue escalators for effective growth through 1996 were 7.77% for transient occupancy tax receipts and 5% for prepared food and beverage tax receipts.

In the case of the transient occupancy tax low risk scenario, growth in rooms represented 50% of the Charlotte Convention and Visitor Bureau (CCVB)'s expectation for the period plus 3% annual inflation in room rates plus a portion of the incremental growth Laventhol and Horwath's draft report attributed to the new facility. That portion was assumed to be 25% in 1995 and 50% in 1996, with an inflation adjustment of 3% annually to Laventhol's base year 1989 dollars. For the moderate risk scenario, annual inflation in room rates equaled 3%; growth in rooms equaled CCVB's estimate, and incremental growth equaled the escalated Laventhol and Horwath estimate.

In the case of the prepared food and beverage tax low risk scenario, the 5% annual escalation in the prepared food and beverage tax represents 3% annual inflation and 2% annual population growth estimated by the Bureau of Labor Statistics for the metropolitan statistical area that includes Mecklenburg County. No real growth is assumed, except for a portion of the incremental growth Laventhol and Horwath's draft report attributed to the new facility, of which 25% was expected to occur in 1995 and 50% in 1996. Under the moderate risk scenario, real growth of 2% above inflation and population growth was assumed and incremental growth equaled the projection based on Laventhol and Horwath's estimate.

In the moderate risk scenario effective growth rates for revenues through 1996 were 11.70% for transient occupancy tax receipts and 7.22% in prepared food and beverage tax receipts.

At the City's request, we looked at a hypothetical growth rate reflecting the average historical growth since 1984 in existing transient occupancy tax receipts and the average historical growth in restaurant sales in the same period, with projections of 100% of Laventhol and Horwath estimates of incremental growth attributed to the new facility. Annual revenue growth was 19.15% for transient occupancy tax receipts and 8.5% for prepared food and beverage tax receipts using these assumptions. Such aggressive assumptions could not be utilized for debt issue sizing.

The moderate risk scenario represents growth assumptions City staff and Evensen Dodge believe are more likely than those of the low risk scenario, but are considered to have moderate risk, somewhat more susceptible to problems in realization in the event of an economic downturn than the low risk scenario.

The City will need to issue obligations to finance the convention center in two phases. Phase One obligations would fund the cost of acquiring the land and paying architectural and engineering fees. We assumed obligations in the amount of $42,265,000 would be issued in August of 1990. A Phase Two issue would be brought to market in August of 1991 to fund the balance of the project cost. On a combined basis, these two issues would fund project costs totaling $153,310,000 from total obligations issued of $161,130,000.

Debt has been sized and structured in such a manner that approximately $1,500,000 annually will be available from anticipated revenue sources starting in fiscal year 1992 to use for convention center marketing or other purposes relating to the convention center program.

The City will need to consider a variety of risk factors in choosing to proceed with the proposed financings. First, if growth of tax receipts should proceed at a slower rate than what is estimated in the gross order projections herein, the City

will need to appropriate funds from another source in order to make annual debt payments and thereby avoid default. Second, a fifty basis point (.5 of 1%) movement in interest rates in either direction will result in a change of between $7 to $8 million in the principal amount of obligations the City can issue.

It is estimated that the City's exposure in the event of a slowing in revenue growth is approximately $2,000,000 in fiscal year 1993. Using the more conservative of the two approaches to revenue projections developed for our financial models, it is possible that the City would need to subsidize the debt service payments through fiscal year 2000.

The information in this report is based on assumptions believed to be reasonable by City staff and Evensen Dodge. Some of these assumptions are significant to the projections and are key factors upon which the financial results of the project depend. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this report. Therefore, the actual results achieved during the projection periods will vary from the projections, and the variation may be material. Evensen Dodge makes no warranty as to the likelihood that future events reflect the past or that any of the forecasted results will be realized.

CHARLOTTE

Mayor Sue Myrick | *Mayor Pro Tem Cyndee Patterson*

Stanley M Campbell
Daniel G Clodfelter
Ann Hammond
Pat McCrory
Tom Mangum
Hoyle H Martin
Roy Matthews
Ella Butler Scarborough
Richard Vinroot
Lynn M Wheeler

Council Agenda

Friday, December 28, 1990

12:00 PM - Special Council Meeting

ITEM NO.

1. Invocation.

2. Consider Options for Carrying Costs on Land Parcels for Proposed Convention Center.

   Option 1: Continue to pay carrying costs on a month to month basis per agreements. Pay $10,000 earnest money for Southern Railway Company option.

   Option 2: Direct staff to negotiate with property owners for a new agreement to reduce or eliminate carrying costs.
   a. Pay January costs.
   b. Do not pay January costs.

   Option 3: Allow options to expire by not making January payments and not paying $10,000 earnest money.

   Attachment No. 1

3. Consider Options for Architect and Construction Manager Contracts.

   Architect

   Option 1: Stop architectural services; do not proceed with design development.

   Option 2: Continue architectural services through design development. Additional funding of $1.6 million would have to be advanced from debt service fund balance to be repaid from occupancy and prepared food tax revenues.

Construction Manager

Option 1: Stop Construction Manager services.

Option 2: Continue Construction Manager services with Architect services through design development. Additional funding of $200,000 would have to be advanced from debt service fund balance.

Option 3: Retain Construction Manager through June 1991 using funds appropriated.

Attachment No. 2

Attachment No. 1

Convention Center Site

Background

The City of Charlotte was conducting a detailed evaluation of Convention Center locations when in June 1989, Mr. Jeff Schottenstein, owner of the Trade Mart, proposed to build the Convention Center for the City by financing the project through a "lease purchase agreement." Mr. Schottenstein and Young Ford committed their property to the project while the City evaluated the Schottenstein proposal.

In October 1989, the City decided to pursue the Schottenstein proposal with the City taking the lead instead of the developer. Schottenstein and Young Ford dedicated their property to the project, without option payments, until funding for the Convention Center was approved by the Legislature. The City continued to negotiate with the Norfolk Southern Railroad for the railroad property.

The Legislature approved our funding scenario on June 26, 1990 and we began to finalize the land deal with Young, Schottenstein, and Norfolk Southern. The option agreement called for "carry costs" equivalent to the prime rate of interest applied to the purchase price of the property. The carry costs began in September and were extended to June 1991 if the City needed the additional time to finance and close the sale.

Parcel Description

Schottenstein Property: This tract of land consists of 197,965 square feet or 4.545 acres. Our present contract sets the purchase price at $9,460,562.50. At the present time, we are paying as "carry" a monthly amount equal to the purchase price multiplied by the prime rate of interest established by First Union National Bank on the 15th day of each month. Non payment of this amount by the City allows the seller at its option to declare the City in default and terminate the purchase contract. The purchase contract expires on June 30, 1991. The December payment to Schottenstein was $78,838 based upon a prime rate of 10%. The January payment will be the same.

Current Status

Mr. Schottenstein and Mr. Young both stress the extended amount of time during which they have worked with the City by keeping their property off the market. Mr. Schottenstein is not willing to continue to pay interest on his property and not market it unless the City is totally committed to the project and willing to pay per our option agreement. Although he fully supports our project, he is concerned about the project continuing indefinitely to limit his ability to market his land. He has agreed to contact his lender about reducing his carry costs which he is willing to pass along to the City. However, he is not willing to continue the option with no payments or deferred payments from the City.

Parcel Description

The Young Realty Company and Young Ford Properties: The Young Realty Company property is the former used car lot for Young Ford and consists of 119,000 square feet. The Young Ford property is the former new car sales facility for Young Ford and consists of 164,125 square feet. The purchase price for the Young Realty property is $4,849,920. The purchase price for the Young Ford property is $6,567,880. Both of these contracts have identical provisions to the Schottenstein contract with regard to monthly carrying charges. (See above information.) Both of these contracts also expire on June 30, 1991. The December payment for Young Ford was $54,732. The Young Realty payment was $40,416. The January payments will remain the same as December payments.

Current Status

Charlie Young also has a practical problem preventing him from giving the City a free option on his property. He has counted on the sale of his Uptown location to pay for his new dealership. Until a sale is made, he has programmed the City's option payments to cover the interest costs of his new location. Mr. Young gambled on the Convention Center funding being approved and did not require option money until the Legislature's favorable actions. He stresses the importance of being able to sell his land - which he is unable to do if the City has an option to buy.

Mr. Young did offer a concession which is related directly to his dealership financing. He is willing to defer collection of the option payments on his used car lot until the Convention Center financing is complete. He can do this because the option payments on the new car lot are adequate to pay the interest on his new dealership. This equates to an immediate payment of $54,732±/month instead of the current $95,148±/month. The $42,416±/month difference would be paid upon closing of the sale. The difference would not be paid if the sale does not close.

Parcel Description

The Southern Railway Company Property: This property consists of three tracts totalling 119,834 square feet or 3.369 acres. The purchase price is $54 a square foot or $6,795,738. The contract requires a binder of $10,000 which is to be applied to the purchase price. In the event we do not close the $10,000 is forfeited as liquidated damages. As in the case of the other purchase contracts, this contract also expires on June 30, 1991.

Current Status

The Railroad agreement does not require payments beyond the initial $10,000 earnest money. The $10,000 amount will carry this parcel until July 1, 1991.

Attachment No 2

CONVENTION CENTER OPTIONS

The current team for the New Convention Center is comprised of the Architect, the Construction Manager, and Staff. Concerning the question of suspending work, the following are possible options which are available:

Architectural Options

The Architect has just completed the schematic design phase for this project, and is wrapping up a few minor items.

OPTION 1: Stop the project, do not proceed with the next design phase.

Advantages:

- no additional funding will be required

Disadvantages:

- Project schedule will be delayed. The Architect has advised that in addition to the actual time of suspension, it could take up to an additional six to eight weeks for the project designers to be reassigned and become refamiliarized with the completed work.

- If project is delayed more than 2 months, Architect cannot guarantee the same team when it is restarted, which would result in a lack of continuity in the design process.
- Inflation costs in the estimated range of $265,000 - $350,000 per month could be incurred based on an annual rate of 4% - 5%.

Architectural Options (Cont'd.)

OPTION 2: Continue the architectural services through the next phase, Design Development, which is scheduled for completion April 15, 1991.

Advantages:

- The Architect has strongly recommended that the design phase continue through Design Development. This will allow the Architectural Team currently in place to work out the majority of the design problems, and commit them to paper. There will be less likelihood of issues being dropped with this continuation of design.
- Impact on design and construction schedule and related inflation costs will be minimized if project is able to continue.
- Architect will be available for assistance in public information about the project.

Disadvantages:

- Additional funding of $1.6 million will be required for these architectural services.

Construction Manager Options

OPTION 1: Terminate Construction Manager Services now.

Advantages:

- Expenditures of funds currently available will be minimized.

Construction Manager Options (Cont'd.)

Disadvantages:

- The Construction Manager has advised that his severance costs, which would include two months of staff costs, real estate costs, and relocation costs, would amount to approximately $83,500.
- Project schedule will be delayed, with a potential inflation cost of between $265,000 - $350,000 per month, based on an annual rate of 4% - 5%.
- Construction Manager would not be available to assist in providing financial information associated with the project.
- If suspension is longer than four months, the original team will be lost.
- If the project starts up with a new team, the Construction Manager has advised that a two-month relearning period for staff would be required, as well as relocation costs. The total cost for these items will be approximately $85,000.

OPTION 2: Continue Construction Manager Services with Architect services through Design Development.

Advantages:

- The Architect has recommended the project continue through the Design Development Phase.
- The schedule impact and potential inflation cost will minimized.
- Project team will remain intact through next phase.
- Construction Manager will be available for assistance in providing financial information associated with the project.

Construction Manager Options (Cont'd.)

Disadvantages:

- Approximately $200,000 in additional funding would be required for services through the Design Development Phase.

OPTION 3: Keep Construction Manager on board without continuing architectural design services. Funds are currently available for services through June 21, 1991.

Advantages:

- Current C. M. team could be maintained.
- Construction Manager could assist in providing financial information associated with the project.

Disadvantages:

- Construction Manager may run out of productive work to do, depending on how long the project is suspended.
- Would require further expenditures of existing funds.

OPTIONS/DLG