

Funding for Arts and Culture

JOBS AND ECONOMIC DEVELOPMENT COMMITTEE
DECEMBER 2, 2024

1

Referral

◀ **Policy Question:**

- What long-term funding options are available for ensuring continued support of a vibrant and thriving arts ecosystem in Charlotte?
- What policy considerations may be feasible in the use of hospitality funding for support of the arts community?

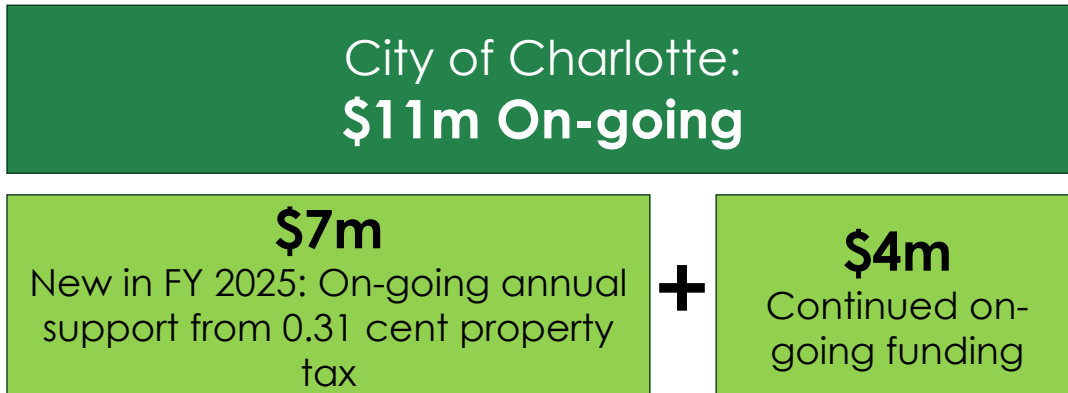
◀ **Committee Charge:**

- Work directly with the City Manager to review the city's current strategy of funding for arts and culture.
- Explore opportunities for the use of hospitality funds as a means for creating a sustainable funding source for arts and culture.

2

On-going Arts and Culture Funding:

Supports a sustainable arts ecosystem with \$11 million for Arts and Culture



Note: Does not include additional debt and maintenance on city-owned facilities.

3

Tourism and Hospitality Sources and Uses

	Convention Center	Tourism (T1)	Tourism (T2)	NASCAR HOF
Revenue Source	Prepared Food and Beverage 1% (FY25 \$48.3) Occupancy 3% (FY25 \$31.2m)	Occupancy 3% (FY25 \$25.5m) Rental Car 1.5% (FY25 \$5.4m)	PAYGO Transfer (FY25 \$13.4m) City and County TIG (FY25 \$4.2m)	Occupancy 2%* (FY25 \$21.3m)
Uses	Convention Center Facility, convention and visitor promotion, hospitality/tourism marketing, amateur sports facilities and stadiums over 60,000 seats. Uses permitted by State.	Marketing/visitor promotion, programs/events that will generate visitors, and the construction/maintenance of facilities such as convention centers, civic centers, auditoriums and museums. Uses permitted by State.	Cultural Arts Facilities, including maintenance of facilities, and activities and events furthering the cultural arts Uses guided by Interlocal and city council policy	Constructing and maintenance of the NASCAR Hall of Fame, the NASCAR Hall of Fame/Convention Center Crown Ballroom, and parking facilities Uses permitted by State.
Legal for Arts & Culture uses				*

*Tax sunsets July 2038. Additional action needed to extend the tax or adjust uses.

4

Funding Priority for Hospitality Funds

1. Statutory requirements
2. Existing debt and agreements
3. Maintenance and capital repairs
4. New Commitments & Special events

5

Tourism 2- Current and Future Needs

	Current	Future
Debt Service	<ul style="list-style-type: none"> • Cultural Arts Campus 	<ul style="list-style-type: none"> • Cultural Arts Campus Improvements • Ovens/Bojangles Improvements* • Discovery Place*
Agreements	<ul style="list-style-type: none"> • Carolina Theater 	
Maintenance	<ul style="list-style-type: none"> • Cultural Arts Campus • Bojangles/Ovens 	<ul style="list-style-type: none"> • Cultural Arts Campus • Bojangles/Ovens
Events		

* Depending on amount needed and facility features it could be eligible for and require funding from both Tourism 1 & 2

6

Tourism 2-Support for Arts & Culture

- ◀ **Tourism 2 does have affordability for long-term ongoing commitments**
- ◀ **Considerations:**
 - Limits future cultural arts capital investment for major renovations or new capital projects
 - For each \$1M of annual operating expense reduces current affordability by approximately \$12-\$32M over the next five years.
 - Operating support is more difficult to reduce during economic slowdowns compared to delaying capital projects/new commitments
 - Rating agencies and investors have expressed appreciation for the current approach for utilization of hospitality & tourism funds

7

City Cultural Facilities

	Operate in City Owned Facilities
Bechtler Museum	X
Blumenthal Performing Arts	X
Knight Theater	X
Discovery Place	X
Gantt Center	X
Mint Museum (Uptown)	X
Mint Museum (Randolph)	X

- The seven facilities above are leased from the city for \$1/year, city shares responsibility of maintenance and capital improvements.
- City-owned Spectrum, Bojangles and Ovens also receive maintenance and capital support

8

Tourism 2 – Long Term Needs for Cultural Facilities

Seven Cultural Facilities

Oldest Facility:

88 Years

Newest Facility:

14 Years

Average Facility

Age:

33 Years

General Services uses NASA methodology for rating building condition

Cultural Facilities ratings currently range from Poor to Fair

Major replacements are typically needed as buildings reach their late-teen years:

- HVAC replacement
- Roof replacement
- Exterior improvement

In most cultural facilities, work is moving from repairs to replacement

Tourism 2 – Short Term Needs for Cultural Facilities

	FY 2025	FY 2026
Programmed Budget	\$4.8m	TBD
Select Items	<ul style="list-style-type: none"> • Stage Replacement- Belk/Blumenthal • Roof Repair Design – Discovery Place and Mint Museum Randolph • Roof Construction, Phase 1 of 5 – Discovery Place • General Maintenance – All Facilities 	<ul style="list-style-type: none"> • Auditorium Renovation – Mint Museum Randolph • Roof Construction, Phase 2 of 5 – Discovery Place • Roof Construction, Phase 1 of 5 – Mint Museum Randolph • General Maintenance – All Facilities

*\$2.4M provided to CRVA for Bojangles and Ovens

Best practice from General Services Administration: Annual maintenance and repair funding should be 2-4% of a building's Current Replacement Value (CRV).

- Repairs and maintenance costs are outpacing current funding allocated
- Charlotte currently provides ~1% of CRV for maintenance and repairs
- National average is 2.1% of CRV for maintenance and repairs
- FY 2019 Cultural Facilities program budget was \$2.4M

Tourism 1- Current and Future Needs

	Current	Future
Statutory	<ul style="list-style-type: none"> Tourism Marketing and Promotion 	<ul style="list-style-type: none"> Tourism Marketing and Promotion
Debt Service	<ul style="list-style-type: none"> Spectrum Center Hornets Practice Facility 	<ul style="list-style-type: none"> Ovens/Bojangles Improvements* Discovery Place* Spectrum Center
Agreements	<ul style="list-style-type: none"> Truist Stadium ACC 	<ul style="list-style-type: none"> Truist Stadium ACC
Maintenance	<ul style="list-style-type: none"> Spectrum Center 	<ul style="list-style-type: none"> Spectrum Center
Events	<ul style="list-style-type: none"> Charlotte Shout, Boom, Charlotte Black Film Festival 	<ul style="list-style-type: none"> Charlotte Shout PGA Championship Truist Championship

* Depending on amount needed and facility features it could be eligible for and require funding from both Tourism 1 & 2

Tourism 1-Support for Arts & Culture

- ◀ **Tourism 1 funds can be used to support Arts and Culture**
 - Recommend that if utilize Tourism 1, the funds be targeted to support organizations promote, market, or develop and programs performances/exhibits create that result in visitor activity
- ◀ **Tourism 1 currently does not have affordability for long-term ongoing commitments**

NASCAR Hall of Fame Fund

- ◀ Tax sunsets in July 2038
- ◀ Any extensions will require state approval and the City to work with hospitality partners


13

Summary

- Currently the city has \$11m in programmed on-going support for Arts and Culture within the General Fund.
- In reviewing Tourism Funds, T1 and T2 can both legally be used towards Arts and Cultural.
- Based on current programmed uses of the tourism funds, no available capacity exists for on-going funding.

14

Discussion

 CITY of CHARLOTTE

15