

# SPECTRUM CENTER

## RENNOVATIONS & HORNETS EXTENSION

WIN  
WIN

### THIS IS A WIN-WIN SITUATION FOR CHARLOTTE AND THE CHARLOTTE HORNETS

The renovations/upgrades will help keep the arena competitive and help attract additional events to bring more visitors to the center city and support local businesses – particularly businesses that have been negatively impacted by the pandemic.



## ANNUAL IMPACT

**\$376M+**

**Annual Economic Impact**

(Hornets and Spectrum Center to the MSA)

**\$15.5M+**

**Annual Fiscal Impact**

(Taxes generated in the MSA)

**3,200+** JOBS

**Annual Employment Impact**

Source: J.T. Enterprises / Dr. Thomas Regan, Associate Professor, Dept. of Sport and Entertainment Management, University of South Carolina

 CITY of CHARLOTTE





# THE DEAL

The City of Charlotte owns the Spectrum Center and per the operating agreement is contractually obligated to maintain and make improvements to the building.

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## CURRENT OPERATING AGREEMENT

■ **\$173M**

The estimated costs for the needed repairs/improvements to meet the city's contractual obligations

■ **2030**

The Charlotte Hornets' lease for the Spectrum Center expires in 2030

Per the operating agreement, the city is required to make capital repairs, make any upgrades required to meet NBA requirements (ex: building separate locker rooms for female referees) and ensuring the building is comparable to 50-percent of other NBA facilities.

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**NEGOTIATED  
AGREEMENT**

# 2045 15-YEAR LEASE EXTENSION

The city has been negotiating with the Hornets to extend its lease to 2045 and as a part of the negotiations, the city is agreeing to additional renovations and upgrades and the Charlotte Hornets are extending their lease with the city for an additional 15 years.



**NEGOTIATED  
AGREEMENT**

**\$2M**

Per Year in Rent  
Starting in 2031

**\$1.1M**

Capital Improvements

**NEW FUNDS  
FROM HSE**



## NEGOTIATED AGREEMENT

# PERFORMANCE CENTER

Will be funded by new revenues generated by naming rights  
– not from tourism taxes.

Locate the Performance Center at CTC and catalyze new district  
opportunities.

**Plan B:** locate Performance Center at the current gravel lot.



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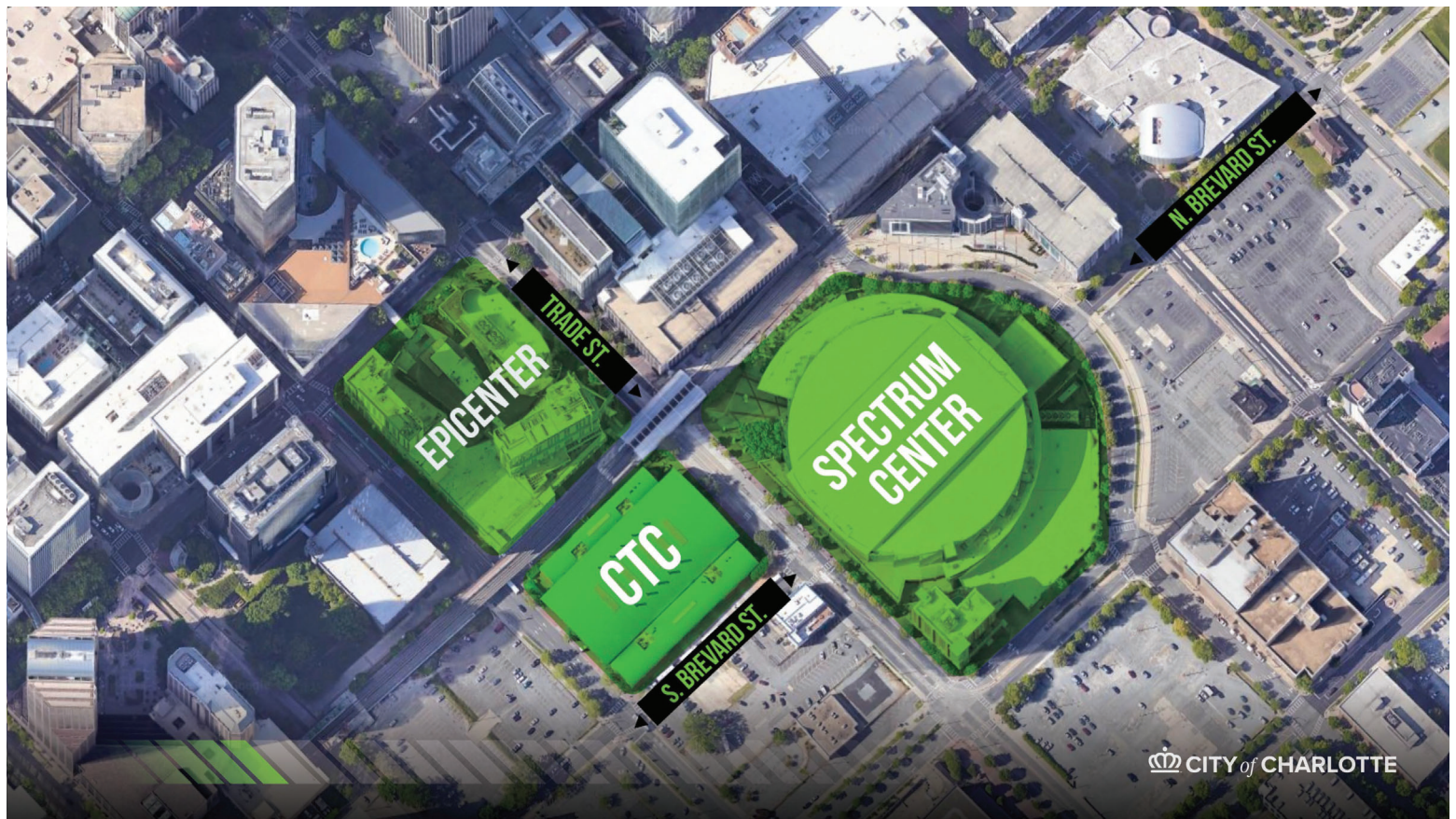
## UPTOWN OPPORTUNITY

Lagging behind in  
investment, development,  
activity and opportunity



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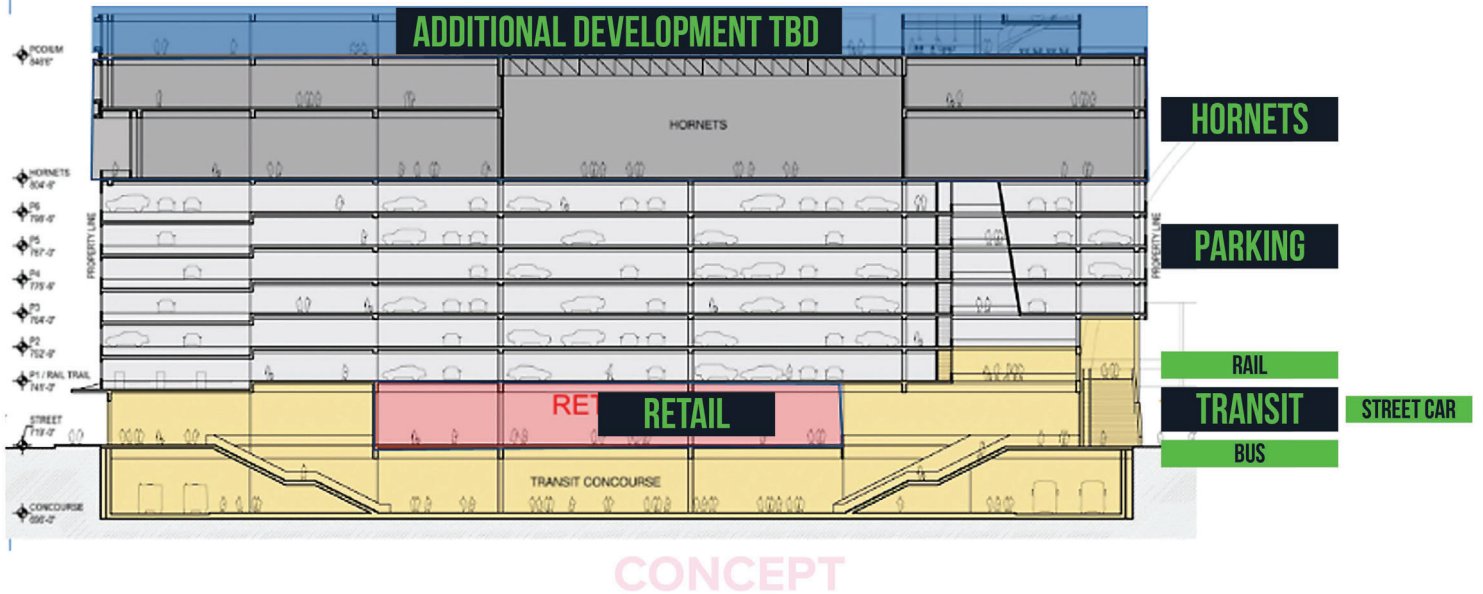




# BEYOND THE WALLS








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# THE WHY

## THIS IS A BALANCED AGREEMENT THAT WORKS FOR CHARLOTTE AND THE HORNETS

Lease extension for 15 years to 2045 gives the team and the city certainty of the team's continued presence in the market and the arena economic and operational viability until mid-century.

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## ECONOMIC FORECAST

# THE ARENA RENOVATION PROJECT WILL TOTAL \$215M

The arena renovation project will total \$215 million of which **\$173 million is largely contractually obligated repairs** and the balance are upgrades for the team and patrons.

Project contributions from the city are **funded over four years to help align with the recovery of tourist taxes previously impacted by the pandemic.**

**Cost overruns would be the responsibility of the Hornets.** The city's contributions are fixed to upfront capital contribution.

## ECONOMIC FORECAST

# THE ARENA PROJECT IS ADDRESSING PREVIOUSLY UNFUNDED AND LONG NEEDED CAPITAL REPAIRS, SOME OF WHICH HAVE BEEN PRESENT SINCE THE ARENA OPENED

This structure/process reduces the City's exposure for Capital Improvements with a limited opportunity for additional requests.

Energy efficiency upgrades will make the operations of the arena more environmentally friendly and support the city's SEAP strategy.

Upgrades will make for a better fan experience and help attract additional events with increased and better seating options, reduced wait times for entry, enhanced food/retail options, enhanced security measures, etc.

# THE WAY

## NO FUNDS FROM THE GENERAL FUND

The funding source (Tourism Fund) is derived from rental car and hotel sales taxes and is legally required to be spent on projects to support the city's tourism economy, which includes sports facilities funding and maintenance.

# THE FUNDS

## CONVENTION CENTER FUND

Permissible uses include Convention Center facilities, including parking; convention and visitor promotion; stadiums greater than 60,000 seats and ancillary, associated facilities; amateur sports facilities and ancillary facilities

## TOURISM FUND

Permissible uses include activities and programs aiding and encouraging convention and visitor promotion; convention centers, civic centers, coliseums, auditoriums, museums; visitor-related programs and activities including museums, art or cultural programs, events or festivals

## HALL OF FAME FUND

Permissible uses include Hall of Fame; Convention Center building in support of Ballroom access



## NEGOTIATED AGREEMENT

TOURISM FUND (City Cost Capped)

**\$173M + \$42M**

Est. costs of repairs  
& improvements

Other capital  
repairs/upgrades

NEW NAMING RIGHTS REVENUE

**\$60M = 2045**

Performance center

Hornets lease  
extended

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## HOSPITALITY CAPITAL INVESTMENT **POLICY CHECKLIST**

GUIDING PRINCIPLES	FINANCIAL PARAMETERS
 Catalyzes surrounding area providing economic growth	 Fund balance maintained at 100% of following years debt service
 Self Sustaining Operations	 Recession mitigation reserve maintained
 Part of a comprehensive hospitality investment portfolio	 Debt Aligned with estimated life of facility, no longer than 20 year term
 Leverages private sector investment and partners	 Ongoing maintenance provided throughout estimated useful life

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# LEASE EXTENSION LEADS TO AFFORDABILITY

## TOURISM FUND BALANCE & AFFORDABILITY WITH EXTENSION AGREEMENT



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# LEASE EXTENSION LEADS TO AFFORDABILITY

## TOURISM FUND BALANCE & AFFORDABILITY WITH EXTENSION AGREEMENT




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# THE TIMELINE

FY 2023	\$27M	Minimal work & architectural planning begins FY 2023
FY 2024	\$81M	Construction
FY 2025	\$53.5M	Construction
FY 2026	\$53.5M	Construction
FY 2027	-	New Performance Center

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# NEXT STEPS

PRESENTATION TO COUNCIL: **TODAY**

INFO AND PUBLIC INPUT WEBSITE LAUNCHED: **JUNE 1**

URL: **[WWW.CLTGOV.ME/SPECTRUM](http://WWW.CLTGOV.ME/SPECTRUM)**

FOLLOW-UP PRESENTATION TO COUNCIL: **JUNE 6 STRATEGY SESSION**

COUNCIL VOTE: **JUNE 13**

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