



Spectrum Center & Hornets

LEASE EXTENSION & PRACTICE FACILITY UPDATE

WORKFORCE & BUSINESS DEVELOPMENT COMMITTEE
MARCH 4, 2024

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Update Outline

1. Overview
2. City Team
3. Council Questions
4. Next Steps & Timeline
5. Committee Discussion



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New Ownership /New Approach

◀ New ownership presented new proposal *December '23*

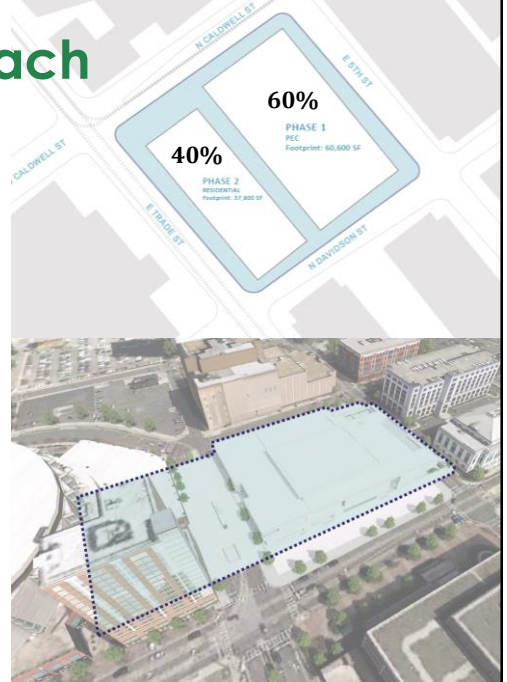
- Larger vision
- Larger private investment
- Desire to control development for earlier delivery
- Deal trade offs between 2022 and 2024 proposals

◀ Arena

- Request to shift city money from PEC to NEW work in the arena

◀ PEC

- Request to pivot to 60% of the gravel lot
- Build larger facility
- Deliver PEC earlier
- Expedite new additional development on remainder of the lot

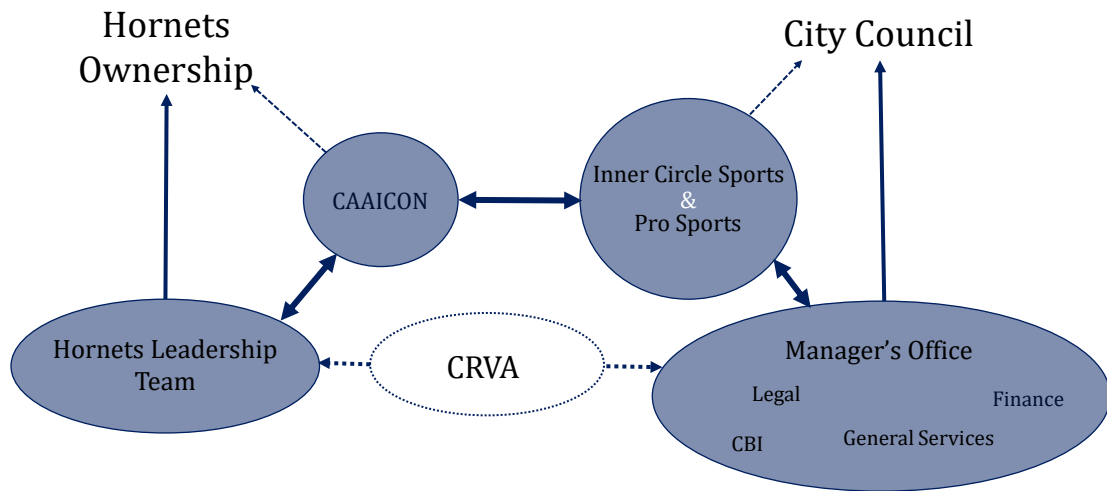


New Ownership /New Approach



Conceptual Massing Only

Partnership Structure



Council Questions / Comments

1. Corporate Sponsorship & Naming Rights
 - a) PEC revenue sharing
 - b) Future of district naming rights
2. City Use of the Arena
3. MWSBE participation
4. Workforce Training
5. 2022 vs. 2024 Comparison



Council Questions / Comments

2. City Use of the Arena

City's Use of the Arena – *From Arena Use and Operating Agreement*

1. Section 6.6.1 City Dates During each operating year, the Authority shall have the right to use the Facility (excluding suites and restricted Team Areas) for up to twelve (12) days
2. 6.6.2 Scheduling of City Events Operator shall have absolute priority to reserve on the Event Schedule to following dates: all dates on which NBA Home Games have been scheduled or that the Team is required to reserve for the scheduling of NBA Home Games under NBA Rules and Regulations
3. 6.6.5 Special Events Operator shall cooperate with the Public Entities in their efforts to bring to Charlotte (a) events of significant regional, national or international importance or significance, including NCAA post-season tournament basketball games, the Atlantic Coast Conference basketball tournament, the CIAA basketball tournament and other high-profile sports and entertainment event that occur no more than once per year

Council Questions / Comments

3 & 4 – MWSBE & Workforce Training

Spectrum Arena – Current work

1. MWSBE Participation – Steve Coker

Project models best practices and is actively achieving city priorities
 MBE – 16%
 SBE – 14%

2. Workforce and MWSBE Training – Danielle Frazier & Steve Coker

Turner Construction and D.A. Everette partnership

- Workforce development and MWSBE capacity-building a priority
- Turner School of Construction
 - Curriculum was tailored to the SCR project and city/public procurement processes
 - Assisted firms with preparing for SCR project, prequalification, and bidding
- Support of Contractor Developer Program
- Workforce development community partnerships
 - She Built This City, Goodwill, CMS CTE Pathways



Turner celebrating WOMEN IN CONSTRUCTION WEEK 2023



5. Compare 2022 vs. 2024

	2022	2024	
City Investment Arena (\$173 Obligated)	\$215M	\$245M	\$173 Obligated, \$42M for 15-year extension
City Investment in PEC – City Owned	\$60M		
City Investment in PEC – Hornets Owned		\$30M	
Total City Investment	\$275M	\$275M	
Funding from naming rights	\$60M	-	Naming rights revenue still possible / timing unknown
Net hospitality funding	\$215	\$275	
Parking			
100 for players	3.50		City owned facility – City responsible to provide parking
250 for shared events (50% cost)	4.38		City owned facility – City responsible to provide parking
Gained 250 spaces for City employees		(8.8)	Team to fund replacement parking for current City employees on gravel lot
Other requirements			
PEC maintenance/repairs to owner	5.00		
Shared PEC naming rights		5.00	
Risk of Penalty (50% of \$9M)	4.5		
Gravel Lot			
Additional 10% from 50% to 60%		3.29	
Remaining 40%		13.16	Hornets only have 5-year option to develop
Total additional obligations	17.38	12.65	
Future property tax revenue		(12-18)	From all or portion of PEC and other ½ lot development (revenues to City only)
Net additional cost	17.38	0.65 to (6)	
Net Cost Savings		16.73-22.73	

Staff Recommendation

◀ Pursue new proposal

- Decrease city investment in PEC and increase city money in city owned asset
- 2022 proposal created risk for penalties and increased risk of exposure to inflation costs
- Value of Hornets “give” exceeds value of the gravel lot
- Expedites development potential and tax revenue for gravel lot
- More development that can contribute to district vitality

Proposed Next Steps & Timeline

- ◀ Committee Discussion & Recommendation – March 4th
- ◀ Council Consideration & Vote – March 25th

