



Legislation Details (With Text)

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File created:	3/12/2024	In control:		City Council Business Meeting	
On agenda:	3/25/2024	Final action:			
Title:	Spectrum Center Agreement Revision				
Attachments:	1. Feb 26 2024 Spectrum Center Agreement Update, 2. 03.04.2024 J&ED Committee Hornets Sports and Entertainment, 3. 2024 Spectrum Budget Ordinance Arena Improvements, 4. 2024 Spectrum Budget Ordinance Arena Practice Facility Development				

Date	Ver.	Action By	Action	Result
3/25/2024	1	City Council Business Meeting	Approve	Pass

Spectrum Center Agreement Revision

Action:

- A. Authorize the City Manager, or his designee, to negotiate and execute an agreement between Charlotte Arena Operations, LLC and the City of Charlotte in an amount not to exceed \$30,000,000 for additional Spectrum Center improvements and \$30,000,000 for the City’s investment in a new practice facility development,**
- B. Adopt a budget ordinance appropriating \$30,000,000 in proceeds from Certificates of Participation in the Tourism Capital Projects Fund for additional arena improvements and repairs,**
- C. Adopt a budget ordinance appropriating \$30,000,000 in proceeds from Certificates of Participation in the Tourism Capital Projects fund for the City’s contribution to a new practice facility development, and**
- D. Authorize the City Manager to negotiate and execute contracts necessary to amend agreements for the Spectrum Center renovations and advance construction of the new practice facility related to the City’s agreement with Charlotte Arena Operations, LLC.**

Staff Resource(s):

Tracy Dodson, City Manager’s Office
Teresa Smith, Finance

Explanation

- Current Hornets ownership, Charlotte Arena Operations, LLC, requested a change in city investment and the location of a proposed practice facility.
- The revised proposal has two primary changes from the agreements approved by Council in June 2022:
 - The practice facility is proposed to be built on 60% of the 501 East Trade Street gravel lot adjacent to the Spectrum Center and will be an expanded facility including medical office.
 - The city would provide development rights on the remaining 40% of the gravel lot that can be used for district vision supported uses such as a hotel or expansion of the practice facility development. If this portion of the site is not developed within 5-years, the development rights expire.
 - The city will divert \$30,000,000 initially planned for practice facility development

construction to the Spectrum Center (\$245,000,000 is the new total investment into Spectrum Center). The Spectrum Center is currently and will continue to be owned by the city.

- \$30,000,000 of city investment will remain with the practice facility development.
- Summary of all terms for the 2024 proposal includes:
 - The City of Charlotte will contribute an additional \$30,000,000 to Spectrum Arena improvements, increasing the city's total investment to \$245,000,000 towards the arena and \$30,000,000 towards the practice facility development.
 - The City of Charlotte will have ownership in the practice facility development equal to its \$30,000,000 investment. It is expected no taxes will be assessed on the city's ownership.
 - MSWBE goals for the city's financial commitment will mirror those used for Spectrum Arena but within new city policy that includes WBE. The goals will be MBE of 16% and WBE/SBE of 14%.
 - The use of the city-owned 501 East Trade Street gravel lot located adjacent to Spectrum arena is included in this project as follows:
 - 60% of the gravel lot will be used by Hornets ownership to construct the practice facility development (including medical office).
 - Hornets' ownership will have a 5-year option on the remaining 40% of the gravel lot to develop the property for district vision supported uses such as a hotel or expansion of the practice facility development.
 - Two separate land transactions will occur for the 60% and 40% developments listed above, and the structure of these transactions pursuant to policy and state statutes will come back to council for consideration.
 - The change in the structure alleviates the city's financial obligations associated with potential cost of penalties on construction delays, required 350 parking spaces, cost overruns and practice facility maintenance.
 - City staff believe the contribution of the entire gravel lot is appropriate due to the original 2022 obligation of 50% of the gravel lot for the practice facility (option 2) and the release of previous city requirements such as 350 parking spaces, potential construction delay penalties, cost overruns, and maintenance, as well as the Hornet's ownership commitment to replacing city employee parking on future development of the gravel lot.
 - Hornets' ownership will provide, at no cost to the city, construction and access to 125 spaces for city employee daytime parking that will be immediately available upon completion of the practice facility development. Up to 125 spaces for additional city employee parking will be provided on the remaining 40% of the gravel lot with commercially responsible efforts.
 - Naming rights revenues will be retained by Hornets' ownership.
- Expected future City Council engagements include the structure of the land transactions in accordance with policy and state statutes, city financing terms, and update on final agreement prior to execution.
- Local Government Commission approval is required for both the \$30,000,000 for the Spectrum Center Arena improvements and \$30,000,000 for the practice facility complex.

Background

- In June 2022, City Council approved the following three actions:
 - Authorize the City Manager, or his designee, to negotiate and execute an agreement between Hornets Sports Entertainment and the City of Charlotte in an amount not to exceed \$215,000,000 for Spectrum Center improvements and \$60,000,000 for a new Performance Enhancement Center,
 - Adopt a budget ordinance appropriating \$215,000,000 in proceeds from Certificates of Participation in the Tourism Capital Projects Fund for arena improvements and repairs, and
 - Authorize the City Manager to negotiate and execute contracts necessary to complete arena

improvements and repairs to the Spectrum Center and Performance Enhancement Center related to the City's agreement with Hornets Sports and Entertainment.

- The approval of these three actions in June 2022 resulted in a 15-year lease extension.
- Two options at the time were available for the Performance Enhancement Center (practice facility).
 - Option 1: The practice facility would be included in the larger Charlotte Transit Center (CTC) redevelopment project.
 - Option 2: The practice facility would be built on one-half of the Brevard Street gravel lot directly adjacent to the Spectrum Center.
- The ownership team of the Hornets Sports and Entertainment has changed since the June 2022 agreements.

Council Discussions

- On February 26, 2024, City Council received a presentation on the new proposal and directed additional discussion take place at the March 4, 2024, Jobs and Economic Development Committee meeting.
- On March 4, 2024, the Jobs and Economic Development Committee received an update on the new proposal and voted unanimously to send the proposal back to City Council for their decision of approval.
- On March 4, 2024, the Mayor and City Council received a report from the Jobs and Economic Development Committee and discussed the project.

Charlotte Business INclusion

The city has established a 16% MBE and a 14% WSBE goal for this project. Because this is a Construction Manager at Risk project, the Construction Manager has the opportunity to add Minority-owned Business Enterprises (MBE), Women-owned Business Enterprises (WBE) or Small Business Enterprise (SBE) firms throughout the life of the Project.

Fiscal Note

Funding: Tourism Debt Service Fund

Attachment(s)

February 26, 2024, City Council Action Review Presentation
March 4, 2024, Jobs and Economic Development Committee Presentation
Budget Ordinance (Arena improvements)
Budget Ordinance (Practice Facility Development)