

Legislation Text

File #: 15-18160, Version: 1

Spectrum Center Agreement

Action:

- A. 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 arena improvements and repairs and \$60,000,000 for a new Performance Enhancement Center,**
- B. 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**
- C. 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 Hornet Sports Entertainment.**

Staff Resource(s):

Tracy Dodson, City Manager's Office
Phil Reiger, General Services
Teresa Smith, Finance

Explanation

- The original operating agreement was signed in January 2003, and the arena opened on October 23, 2005. The operating agreement was amended on September 8, 2014.
- The City of Charlotte owns the Spectrum Center, and per the operating agreement, is contractually obligated to maintain and make improvements to the building.
- The estimated costs for the needed repairs and improvements to meet the City's contractual obligations is \$173 million. Per the agreement, the City is required to make capital repairs, make any upgrades required to meet National Basketball Association (NBA) requirements (e.g., building separate locker rooms for female referees), and ensure the building is comparable to 50 percent of other NBA facilities.
- Renovations and 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.
- Energy efficiency upgrades will make the operations of the arena more environmentally friendly and support the City's Strategic Energy Action Plan goals.
- Currently, the Charlotte Hornets' lease for the Spectrum Center expires in 2030.
- 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. In turn the Charlotte Hornets would extend its lease with the City for an additional 15 years.
- As part of this agreement, a Performance Enhancement Center would be funded by new revenues generated by sponsorship/naming rights. Revenue from any naming rights agreement would be appropriated in a separate action by City Council.
- The arena renovation project will total \$215 million of which approximately \$173 million is contractually obligated repairs and the balance is upgrades for the team and patrons.
- The debt service for the Certificates of Participation issued for this project will be funded by

contributions from the Tourism Operating Fund. Revenue in this 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 funding for maintenance of sports facilities, such as coliseums and arenas.

- Contributions from the City are funded over four years to help align with the recovery of tourism taxes previously impacted by the pandemic.
- The City's contributions are fixed to an upfront capital contribution of \$215 million; any cost overruns would be the responsibility of the Hornets.
- The Hornets would also contribute \$2 million per year for rent beginning in 2031. From arena construction completion (est. 2027) until 2031, the Hornets would pay \$500,000 in rent per year.
- Hornets Sports Entertainment will continue the annual contribution of \$1.1 million to the Arena Maintenance Reserve through 2045.

Charlotte Business INclusion

CBI has established the following minority and small business enterprise (MSBE) project goals: MBE of 16.00% and SBE of 14.00%. These goals are based on historical data from similar projects, as well as availability. After contracts are entered, and the scopes of work are revealed, CBI sets goals based on the actual scopes of work and availability of MSBE firms in those scopes. Therefore, individual contract goals may be higher or lower than the overall project goal of MBE 16.00% and SBE percent. However, all goals set over the four-year period of work for multiple contracts should be equal to or higher than the overall established project goal.

Fiscal Note

Funding: Tourism Debt Service Fund

Attachment(s)

May 31, 2022, City Council Presentation
Budget Ordinance