

Financial Model

Q1. Share elements of financial model that demonstrate amount of funding and planned commitments.

A1. For the period FY20 through FY34, the financial models based on the Managers' recommendations project approximately \$1.24 billion. Planned commitments for the same period total approximately \$1.19 billion.

Projected Revenues and Expenditures 2020 - 2034

Based on Managers Recommendations

Projected Revenues	FY20	FY28	FY34
Food and Beverage Tax		662.6 million	
Occupancy Tax		577.5 million	
Total Tax Revenue		1.24 billion	

Expenditures - Commitments			
Admin and Holdbacks		89.6 million	
Convention and Visitors Bureau		145.6 million	
PNC Arena		81 million	
Raleigh Convention Center Complex		420.1 million	
Small Projects		30.0 million	
Subtotal Expenditures		766.3 million	

Expenditures - Recommended	FY20	FY28	FY34
City of Raleigh Convention Center Complex			
Land and Optimization	20 m		
Parking Debt & Capital		26.4 million	
Music Venue Debt & Capital		25.75 million	
RCC Expansion Debt & Capital		105 million	
Business Development Fund		3.6 million	
RCC Capital Maintenance		3.86 million	
PAC Capital Maintenance		7.5 million	
PNC Arena		112 million	
Indoor Sports Facility		33.04 million	
Cary Sports Facilities Maint.		45.0 million	
Medium Projects	42.1 million		
Planned Capacity		28.3 million	
Sub-Total Expenditures - Recommended		426.8 million	

Total Expenditures		1.19 billion	
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All projects

Q2. How much did each entity ask for? What did they say that amount would buy?

A2. The process was structured to provide an overall view of the potential projects as known in January 2019. The process was not designed for entities to make a specific ask of Hospitality Taxes. The City/County used the overall figures provided through the RFI responses to determine how recommendations would be allocated. Below is a list of the RFI responses as received in January 2019. Many of the project plans have been refined since that time.

**2019 Hospitality Tax RFI Responses
January 2019**

	Organization	Project Name	Description	Total Project Estimated Cost
1	Centennial Authority	PNC Arena Enhancements	Renovate/expand existing arena with additional hospitality space, additional club and concession space and additional meeting space	\$200 million to \$300 million (further clarified \$167 million to \$202 million + operating need)
2	City of Raleigh	Raleigh Convention Center Complex	In short term, consider need to optimize Raleigh Convention Center, prepare for future facility expansion through land acquisition and hotel recruitment; in long term, expand facility and relocate music venue	\$309.5 million to \$388.5 million in potential commitments within next 10 years
3	Friends of Raleigh/Wake County Stadium	Raleigh/Wake County Stadium	Develop new multipurpose athletic venue for football, track, soccer and lacrosse in Southeast Raleigh.	Not included. Response suggests that a feasibility study needs to be initiated at cost of \$249,000
4	Marbles Kids Museum	Museum Expansion	60,000 square foot expansion/renovation at existing campus; new multi-story expansion of 27,000 square feet; renovation to existing museum and theater of 33,000 square feet; new consolidated central plant	\$45 million
5	North Carolina Football Club	Downtown Entertainment and Sports Center	Develop new 22,000 seat sports and entertainment center in Downtown Raleigh to accommodate soccer and other events	\$150 million (revised to \$180 million) to support public authority ownership & operation

Wake County Hospitality Taxes –
Board of Commissioners Question and Answers

6	North Carolina Museum of Art	NCMA East Building Renovation	Renovate original East Building, replace Art Conservation lab, windows, and lighting systems; renovate east lawn and amphitheater	\$25 million to \$30 million
7	Town of Cary	Indoor Multiuse Sports Facility	Develop an indoor multiuse sport facility geared toward tournament/visitor-facing events - roughly 250,000 square feet; up to 12 basketball courts; dedicated e-sport; 4,000 -5,000 seat arena	\$123 million to \$131 million
8	William Peace University	Performing Arts Venue	Construct 35,000 to 40,000 square foot performing arts venue with seating for 600 on WPU campus	\$30 million to \$32 million

PNC Arena *(Responses provided by Centennial Authority)*

Q3. What will the proposed funding get at PNC Arena? What would we get for \$9M? \$10M? / What upgrades will be provided at \$8M? \$9M \$10M?

A3. PNC Arena enhancement is driven by the need to keep the building competitive to secure more annual events. The design team led by Raleigh-based RATIO Architects teamed with HOK (leaders in design for some of the world's most iconic venues) envisioned taking existing space and repurposing it to maximize efficient use of resources. Current office space at the arena's South End (what most consider the arena's front door) would create a new entrance to PNC Arena, but more importantly add much needed hospitality and event space. Staff would move to new space in the North End (loading dock area). This works because the North End is already engineered to support an addition. Lower funding means we could not create enough space at our North End (the loading dock area) to accommodate more than 165 full staff.

That said, design scope can be incrementally reduced to fit a given funding model.

North Enhancements	\$34 million
South Enhancements	\$53 million
East/West Enhancements	\$11 million
General Concourse Upgrades	\$7.6 million
Backstage Renovations	\$1.2 million
Main Concourse Quad Concessions	\$2 million
Club Concourse Suite Renovations	\$3 million
East/West Lobby and Priority Lounge	\$5 million
East/West Club Concourse Concessions	\$1 million
Club Concourse Overlooks	\$1.2 million
<u>Upper Concourse Quad Concessions</u>	<u>\$1 million</u>
Total	\$120 million

These figures are for estimated construction costs only. Furniture, fixtures and other equipment in addition to design and engineering fees would add upwards of 25% to the construction total.

Q4. What is debt amount associated with \$8M? \$9M? \$10M?

A4.

- \$8M \$131,852,000
- \$9M \$148,333,000
- \$10M \$164,815,000

These numbers assume bonding capacity solely devoted to construction. However, some funds are necessary for operating expenses.

Debt Assumptions:

- *3.50% taxable (current taxable rate June 27, 2019 3.49%, per J.P. Morgan)
- 25-year term
- Level principal and interest

*(*County Note – for other debt assumptions made throughout the Managers’ Recommendations – an interest rate of 4.5% was used)*

Q5. What is anticipated impact of PNC investments - ROI? How will it impact attendance? (prefer broken down by investment area)

A5. The Centennial Authority’s focus for PNC Arena enhancements is driven by two guiding principles:

- To create opportunities for more events to come to Wake County
- Remain a world-class economic engine the region can remain proud of

To that end, the vision for an enhanced PNC Arena creates reasons fans, touring shows, and special events to want to be here. The enhancement does not add seats to the arena, but instead adds to its capabilities.

The proposed enhancement was created not only by experienced designers, but also by comments and critique from tour and special event promoters as well as what fans have demonstrated they want. This combination undoubtedly would increase individual event attendance as well as recruit more events to the area.

Q6. What other funding sources are being considered to assist with capital, operating and maintenance expenses at PNC?

A6. The Authority is limited in funding sources outside of the ILA. Naming rights is clearly a potential source as are rent payments from tenants and some small revenue from cell tower leases. The Authority’s charter allows for development opportunities on the property. However, development which would have to be balanced with NC State University’s needs for adjacent Carter-Finley Stadium.

Q7. Are funds contingent on Hurricanes lease extension? If so, how long would lease extension be? If team leaves before debt paid, what happens to the debt?

A7. The Authority feels that the enhancement funding is necessary with or without a Hurricanes lease extension. The building is now twenty years old and needs a major renovation in order to

meet the needs of the next twenty years. Many other activities occur at the PNC Arena and enhancements are critical to remain a competitive venue. Keeping the Carolina Hurricanes and the NC State men's basketball as primary tenants runs alongside adding events to the calendar.

The Hurricanes current lease runs through October 2024. The Authority is currently engaged with the Hurricanes in lease extension discussions. Several general concept ideas have been discussed, but no formal proposals have yet been made by either party. Certainly, the Authority's goal is to extend the Hurricanes lease to encompass most, if not all, of the enhancement financing term. Conditions for debt service relief will be included, should the Hurricanes leave prior to the debt service term.

Q8. What contingencies will be placed on PNC funds before they are released to Centennial Authority?

A8. This is a question we cannot answer.

(County response – contingencies will be included in the 21st amendment and in the Tri-Party Agreement. Contingencies will likely include terms of lease with Hurricanes, funding commitment by NC State University and reporting requirements.)

Q9. What is timeline for steps at PNC? Hurricanes lease? NCSU lease? Naming rights? NCSU funding? Construction start?

A9. Need 12 months to take design to construction drawing stage. Construction would begin soon thereafter. A phased approach to construction will occur to minimize event disruption.

Naming rights deal with PNC Bank ends in 2022. It is the Authority's desire that once funding is secured for arena enhancement efforts can begin to seek a lucrative naming rights deal well beyond 2022.

The Carolina Hurricanes lease expires in 2024. Negotiations are underway now to extend the lease.

NC State has a lease through 2096.

Medium Projects/New Projects

Q10. Given the overall scope of projects that responded to the RFI and new projects that are in development – could increased funding be provided to support the Medium Projects process?

A10. Yes – with an extension into FY26 and a minor modification to the model, the Medium Projects fund could be increased from \$42.1 M to \$46.6 M. Additional increases to Medium Projects funds would require reductions to other recommendations.

Q11. How can the Dorothea Dix Project be accommodated in the funding plan?

A11. The Dorothea Dix Project or any other project not directly funded through the recommendations, may compete in any of the upcoming processes for the Indoor Sports Facility, Medium Projects or Small Projects.

Downtown South Project

Q12. What would it take to accommodate the Downtown South project?

A12. As submitted for funding consideration, the Downtown South project contemplates an annual funding need of \$13 million to be directed to a new public authority which would own and operate the newly proposed stadium within the Downtown South project. Funding for this concept is not recommended through this process. However, further exploration could be given to conducting a joint City/County feasibility study that would evaluate the public benefits of a stadium at Downtown South and further explore public/private funding opportunities for a project of this nature. Additionally, both the City and County have policies and programs in place that may be able to support the project. Below is a matrix that highlights some of the County's possible partnership areas based on the project scope as submitted to the City and County in July 2019.

**Wake County Programs with Potential Alignment
with Elements of Downtown South Project**

Project Element	Alignment with Board Goals & Policies	County Programs/ Approved Plans/ Policies	Alignment Areas	Likely Alignment
Soccer Stadium	Hospitality Tax Operating Principles	Hospitality Taxes Funding Processes	Aligns with legislatively allowed uses – sports, culture, arts, meetings	↔
Tax Base Growth/ Job Growth	Economic Strength (ES1, ES2, ES3)	Wake County Business Development Grant Policy; Wake County Project Development Financing Policy	New job creation, new private investment; increased tax value due to private investment	↔
Parks and Greenways	Growth & Sustainability (GS1)	Wake County Greenway System Plan; Park Facility Master Plan	Modify existing greenways within development area; create park within development	↓
Affordable Housing	Social & Economic Vitality (SEV1, SEV2)	Wake County Affordable Housing Plan	Leverage private investment to support affordable housing	↑
Transit	Growth & Sustainability (GS5)	Wake Transit Plan	Within Bus Rapid Transit Corridor	↑

Q13. What is potential opportunity for Shaw and St. Augustine's to use stadium for football games and/or other events?

A13. This question has had limited discussion and could be further explored through a feasibility study.

Q14. What is potential for land development along walnut creek corridor (from Centennial Campus to Neuse River Greenway)? What are opportunities for affordable housing, recreation and job creation within the corridor? What are potential greenway connections that could be created or improved through the Downtown south project (Walnut Creek and Rocky Branch)?

A14. Both the City and County have policies and programs in place that may be able to support these elements of the project or potential areas impacted by the project. These ideas can be further explored between the developers and City and County staff.

Q15. Stadium is listed at \$180M...is that a good number? Could it be less? Could they work with fewer seats to reduce the cost? What type of public/private structure could be created to increase private funding?

A15. These questions have not been evaluated by staff but could be further explored through a feasibility study.