

DATE: July 16, 2019

TO: Wake County Board of Commissioners and Raleigh City Council

FROM: Dan Freeland, Chair, Greater Raleigh Convention & Visitors Bureau

CC: David Ellis and Ruffin Hall

The Greater Raleigh Convention & Visitors Bureau would like to thank the City of Raleigh and Wake County Managers, along with their staff, for the countless hours they have spent to determine the best use of future funding of the hotel occupancy and prepared food & beverage taxes, otherwise known as the interlocal funds.

They incorporated a process which was approved by the Raleigh City Council and the Wake County Board of Commissioners, which included following the hospitality tax operating principles and practices and were created with input from stakeholders throughout the county. We also appreciate the fact that they conducted a number of stakeholder meetings for community discussion and to learn of projects and potential requests for the use of the funds.

Given the limited amount of funds available, the GRCVB Board of Directors is in agreement with and supportive of the managers' recommendations. We believe their conclusions are consistent with the priorities of the Wake County Destination Strategic Plan, which was completed just last year. These projects will best drive significant overnight visitation and generate even more hotel and prepared food & beverage taxes, which will ultimately allow us to fund even more projects in the future.





OFFICE OF THE MAYOR

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July 16, 2019

The Honorable Jessica Holmes, Chair
Wake County Board of Commissioners
PO Box 555
Raleigh, NC 27602

The Honorable Nancy McFarlane, Mayor
City of Raleigh
222 West Hargett Street
Raleigh, NC 27601

Dear Chair Holmes and Mayor McFarlane:

On behalf of the entire Cary Town Council and the nearly 170,000 people who call Cary home, I want to open by thanking you for creating a thoughtful and fair process for distributing our county's Occupancy and Prepared Foods and Beverage Tax proceeds, and I want to encourage you to follow the process to its conclusion.

Like most in our area, we are aware of the very exciting vision for a downtown Raleigh soccer stadium and mixed used development recently announced by the NCFC/Kane Realty partnership. Cary enjoys a long relationship with the NCFC, and growth in their program could be of great benefit to our area. Therefore, we fully support your comprehensive evaluation of their complete proposal once in hand and following your decision-making on the currently recommended allocation.

In my 2016 letter to you, Mayor McFarlane, and then Chair West, I said that the Town believed a new distribution model needed to be investigated for the future as revenues continued to increase faster than inflation. Our hope was to establish a fair, balanced, and holistic plan that would help all communities develop new projects as well as maintain existing facilities that contribute to the region's success.

This is exactly what you have accomplished with the current process, and, in doing so, have also facilitated even stronger, more collaborative relationships among us all.

In closing, the Town of Cary supports the recommended plan that resulted from this year's process – including but not limited to the proposed maintenance funding for Cary venues as well as the possible creation of a new recreation venue in Wake County. We are excited about the future and the opportunity to continue enhancing the region's overall economic success.

Sincerely,

Harold Weinbrecht, Jr.
Mayor

Cc: Wake County Manager David Ellis
City of Raleigh Manager Ruffin L Hall
GRVCB President Denny Edwards

CENTENNIAL AUTHORITY



August 7, 2019

David Ellis, County Manager
P.O. Box 550
Raleigh, NC 27602

Dear David,

As you get closer to making decisions regarding future use of Wake County Hospitality Tax funds, I want to clearly define the Centennial Authority's intentions for enhancements to PNC Arena.

PNC Arena renovation plans are designed with two goals in mind:

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

PNC Arena renovation does not increase seating, but instead adds to the venue's capabilities. It will increase the number of annual events – both public and private – that can be held here. True to our original mandate, enhancement will add to the more than \$250 million annual economic impact estimated for Wake County alone.

The Centennial Authority believes, and the recent JLL Study/Wake County Destination Strategic Plan confirms, there is an opportunity to create further synergies with the Raleigh Convention Center and the Greater Raleigh Convention and Visitors Bureau to pursue conventions with 5,000+ attendees that have a need for an arena. Many of the upgrades envisioned have that goal in mind.

Competition for events such as the NCAA Basketball Men's and Women's Tournaments (which combined have been hosted here five times in 20 years) is stronger than ever given the number of venues able to host these large, multi-day programs. The same holds true for major touring concerts and family shows. Live performances have replaced recording sales as the main source of income for artists. Raleigh competes with arenas not only in Greensboro and Charlotte, but also Charlottesville, VA, Columbia, Greenville and North Charleston, SC. New arenas are being discussed for nearby Richmond and Virginia Beach as well as renovations or replacement for the Smith Center in Chapel Hill – once the dominate arena for major concerts in the Triangle before PNC Arena.

This is an expansion where the majority of the funds will be used for upgrades to enhance revenue and employment opportunities as well as meet the demands of touring shows and special events. Thanks to Interlocal funding, the Centennial Authority has made the necessary investments in mechanical, electrical, plumbing, and finishes which are essential to keeping a facility like PNC Arena running. The Authority does this with the aid of a Capital Expense plan created by third party experts. This CapEx plan

– updated every five years since 2006 – is a 25-year look at critical needs allowing thoughtful, prudent infrastructure and fan experience investments in PNC Arena on an annual basis.

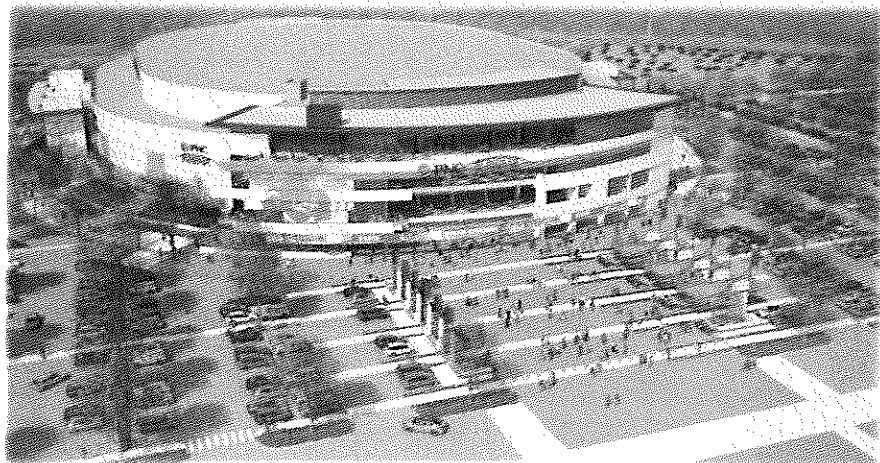
The enhancement plan for PNC Arena encompasses several key components with estimated construction costs listed below.

South Enhancements	\$53 million
North Enhancements	\$34 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.

The two most visible areas of improvement will be to the South and North Ends of PNC Arena. It is important to note that RATIO/HOK thoughtfully considered limited resources in their visioning plans. Their vision leans heavily on renovating existing space over significant square footage additions. As

such, the arena's South End (considered the arena's front door facing Carter-Finley Stadium) will see dramatic improvement. To make this possible, staff currently working on two floors will be relocated to new space in the North End (the loading dock area). The North End enhancement will be created on top an existing patio area which was



engineered to hold such space when originally designed in the late 1990s. The new North End area is designed to solve a nagging storage issue as well as provide much needed check-in and locker room space for the up to 850 event night part-time staff.

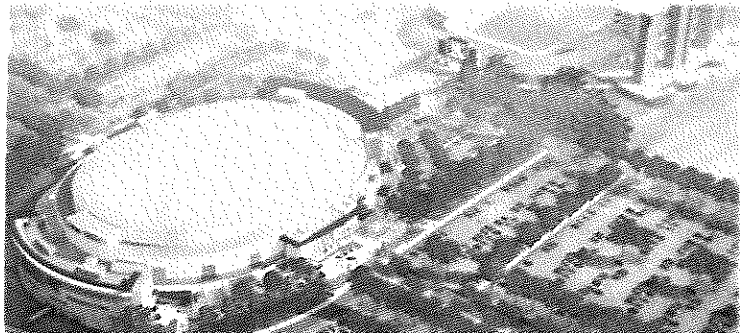
SOUTH END ENHANCEMENTS

\$53,000,000



- *Roof-top restaurant and meeting space*
- *Increased Arena Club capacity with seating for more 500 – up from current maximum seated capacity of 344.*
- *Creation of reception/stand-up/flex space for up to 500 (receptions for touring shows / NCAA / other special events)*
- *Creation of an open lobby with views from entry doors to the arena bowl*
- *Expanded retail space*
- *Relocation and improvement to ticketing and guest services*
- *Enhanced non-event/off-hours arena entrance*

With these improvements, PNC Arena can create additional revenue and fan experience opportunities and attract more outdoor events. The demand for concert and family show pre-functions will be met. Running and cycling events such as the Rock and Roll Marathon and Ironman competition could return to the area utilizing new spaces combined with our landscaped parking area. Further, with new space, PNC Arena will be able to coordinate with NC State University for football and special events at Carter-Finley Stadium. Currently, the arena's interior is used only for restrooms and weather refuge when events take place at the stadium.



Keep in mind most concerts and family shows are staged in the arena bowl's North End. The enhancement vision takes this into account as well as the South End being essentially PNC Arena's front door.

NORTH END OFFICE AND PART-TIME STAFF ADDITION AND RENOVATION

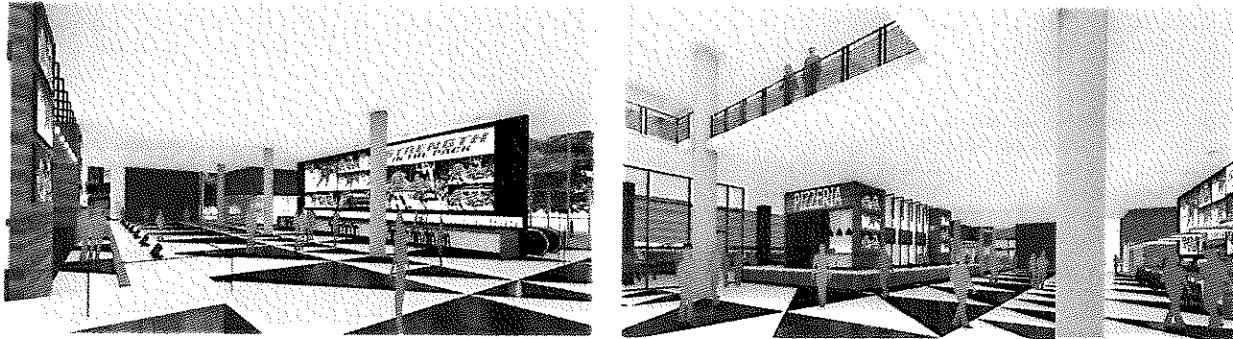
\$34,000,000



- *Two-story addition with offices for arena and Hurricanes staff*
- *Expansion of part-time/event day staff check-in and locker room*
- *Creation of climate-controlled storage space (currently off-site)*
- *Security upgrades*

EAST & WEST ENTRANCES AND PRIORITY LOUNGE RENOVATIONS

\$16,000,000



- *Renovation to the Priority Lounge areas and adjacent concourses and lobby spaces*
- *Creates new food & beverage stations*
- *Updates entrances and plazas to conform with other structural changes*
- *Creates rentable space for receptions and trade shows*

MAIN CONCOURSE QUAD CONCESSIONS

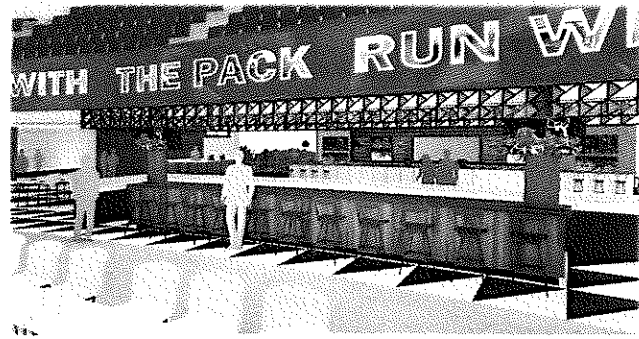
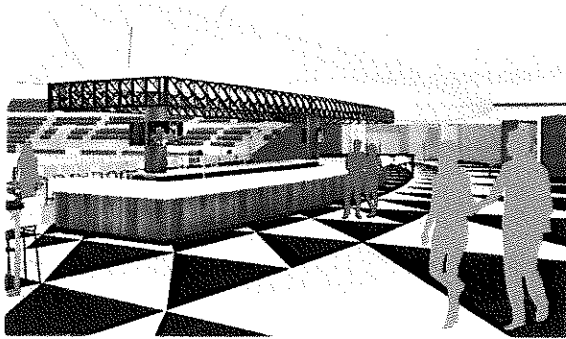
\$2,000,000



- *Creation of two open concession spaces by removing redundant staircases on the South End*
- *Reconfigure curtain wall to allow for "garage doors" to open for hosting indoor/outdoor events*

UPPER LEVEL QUAD CONCESSIONS

\$1,000,000



- *Creation of two concessions/standing room spaces opening bowl views from concourse on the South End*

EAST & WEST CLUB CONCOURSE CONCESSIONS

\$1,000,000

- *Refresh of concession areas on the arena's second level to conform with changes in both the first and third levels*

EAST & WEST CLUB CONCOURSE OVERLOOKS

\$1,200,000

- *Refreshes current spaces to conform with changes happening around them*
- *Creates spaces which could be used for small meetings on non-event days*

GENERAL CONCOURSE UPGRADES

\$7,600,000

- *Refresh design of all areas not affected by other renovation efforts*
- *Includes refresh of signage/wayfinding*

SUITE RENOVATIONS

\$3,000,000

- *Complete renovation to 40 club level suites*
- *Includes select conversions to high demand Loge boxes*

BACKSTAGE RENOVATIONS

\$1,200,000

- *Upgrades to artist dressing rooms, green room, and visiting hockey locker room*
- *Larger security area*

The vision presented to you has been five years in the making. Input has come from a diverse array of stakeholders, the experience of other venues, and lessons learned from 20 years of operation. The PNC Arena enhancement will take the facility well into the next 20 years and continue to be a place the area can be proud of.

I am happy to answer any questions you may have.

Sincerely,

Thomas A. McCormick, Chairman

CC: Raleigh City Council
Wake County Commissioners
Ruffin L. Hall, City Manager
David Ellis, Wake County Manager

From: Joe Durham and Associates LLC <jdurham@joedurhamassociates.com>
Date: July 17, 2019 at 9:54:59 AM EDT
Subject: Interlocal Process Support
To: McFarlane, Nancy <Nancy.McFarlane@raleighnc.gov>, Stephenson, Russ <Russell.Stephenson@raleighnc.gov>, Stewart, Nicole <Nicole.Stewart@raleighnc.gov>, Thompson, Dickie <Richard.Thompson@raleighnc.gov>, Cox, David <David.Cox@raleighnc.gov>, Branch, Corey <Corey.Branch@raleighnc.gov>, Crowder, Kay <Kay.Crowder@raleighnc.gov>, Mendell, Stef <stef.mendell@raleighnc.gov>
Cc: Hall, Ruffin <Ruffin.Hall@raleighnc.gov>, Greene, Jim <jim.greene@raleighnc.gov>, Painter, Kerry <Kerry.Painter@raleighnc.gov>

Raleigh Mayor and City Council

The City of Raleigh has experienced tremendous success at its Convention and Performing Arts Center. The Raleigh Convention Center, Performing Arts Center and Red Hat Amphitheater have a collective economic impact of over \$530 million and \$53 million in local and state government taxes over the last 10 years. In addition, since 2008 when the new Convention Center opened these venues have contributed to a 71% increase in hospitality tax collections building a solid base for future investment in our community .

We are aware that the City of Raleigh and Wake County are at end of the Interlocal (Room /Food Tax) review process. While we would prefer an accelerated allocation of funds, on behalf of the Raleigh Convention and Performing Arts Centers Authority we fully support and endorse the recommendations from the Managers for continued investment in the Convention Center and Performing Arts venues. The recommendations offered represent a continued investment in this verified economic generator for Raleigh and Wake County. We encourage your support for the Manager's recommendation as you continue your deliberations.

We appreciate your support and your great service to this community.

Joe Durham, Chairman
Raleigh Convention and Performing Arts Centers Authority

Joe Durham

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Wake County Hospitality Alliance



June 28, 2019

From: Wake County Hospitality Alliance (WCHA)
Cyndi Tomblin, Director
On behalf of WCHA Members

Re: Response to Hospitality Tax City/County Managers Recommendations presented
June 19, 2019

Denise & Jim,

The Wake County Hospitality Alliance appreciates the efforts of the City and County staff to communicate with the stakeholder group during this Interlocal Review. You requested for stakeholders to review the Managers' recommendations and provide feedback prior to the presentations to the elected boards next month.

Attached are comments from WCHA regarding the Manager recommended revisions to the Major Facilities Cash Flow Model and the Convention Center Complex Financing Plan presented on June 19, 2019. In general we support the proposal and feel that it accomplishes the goals of the Hospitality taxes and helps achieve the objectives outlined in the Destination Strategic Plan. We support continuing the 85/15 split for the Section 2 & 3 expenses and reserving capacity for the expansion of the Convention Center, although we would like to see a more aggressive timeline for its optimization and expansion. We see taking care of existing facilities as a priority so we support the inclusion of CapEx funding for the Convention Center, Performing Arts Center and Cary Sports Facilities. We also support the proposed funding of the PNC enhancement, conditional upon a concurrent lease with a major tenant. We see the Indoor Sports Facility as an important piece of the DSP and are pleased to see that matching funding to develop such facility is a part of this recommendation. We also know there are Medium Projects which will fulfill the goals of these taxes and we support this new allocation of funds and a competitive process to award those funds. This should be through a process similar to the current Small Projects fund, which we also support continuing at the current level.

We feel that these recommendations fulfill our overall objective of investing hospitality tax dollars in assets that generate additional, measurable overnight visitation in order to continue the growth of this source of funding. I hope that you will review the attached comments and contact us if you have any questions as well as forward to Managers Ellis & Hall.

Wake County Hospitality Alliance
Comments on Hospitality Tax City/County Manager Recommendations

Revenue Recommendations			
	2020-2022	2023 & after	WCHA Comments
Occupancy Tax	4% annual increase	3% annual increase	
Prepared F&B Tax	5% annual increase	4% annual increase	

Section 1 Recommendations			
	Funding Level	Timing	WCHA Comments
PNC Arena Enhancement	\$8M annually (leverages \$115 debt)	Start FY21 (assumes 25-year debt)	This should be contingent on a lease with a major tenant throughout term of the funding and the 21st amendment should clearly express not extending the PILOT beyond its current expiration date.
Indoor Sports Facility	\$2.36M annually (leverage \$35M debt)	Start FY21 (assumes 25 year debt)	We agree with the JLL recommendation that this facility is an important part of our DSP and we support contributing these matching funds to help develop this facility.
Medium Projects	\$3.14M annually (\$15.7M cash)	FY20 – FY25	See note on Medium Projects

Section 2 Recommendations			
	Funding Level	Timing	WCHA Comments
Business Development Fund	\$.6M annually (continue current amount)	FY20 – FY34	This amount is sufficient for the short term but we support increasing the amount over time & with the expansion of the Convention Center. We also support the addition of a funding mechanism to secure/create signature events as recommended in the DSP.
Raleigh Performing Arts Center Maintenance	\$1M annually (increase of \$500k)	FY20 – FY34	We support use of these funds to continue to assist Raleigh in maintaining these facilities
Raleigh Convention Center Maintenance	\$3M/\$3.2M annually (increase of ~\$300k)	FY20 – FY34	We continue to support funding the Convention Center CapEx program at 95% of the plan amount.
Medium Projects Transfer	\$4.4M annually (total transfer = \$22M)	FY20 – FY24	See note on Medium Projects
Raleigh Convention Center (RCC) Optimization	\$5M	FY21	We would like to see a more aggressive timeline in implementing optimization of the Convention Center
Raleigh Land Acquisition for RCC Complex	\$15M	FY20	We support this acquisition of land so the planning process can move forward
Raleigh Parking/Infrastructure for RCC Complex	Est. \$2.2M annually (leverages \$30M debt)	Est. start FY23 (assumes 25-year debt)	We would like to see a more aggressive timeline on having the infrastructure in place for the RCC complex expansion
Raleigh Music Venue Relocation	Est. \$2.575M annually (leverages \$33.5M debt)	Est. start FY25 (assumes 20-year debt)	This facility is an important part of the Downtown Raleigh visitor & tourism ecosystem and we support keeping this venue in operations in downtown, to include Dix Park, during and after the convention center expansion.
RCC Expansion	Est. \$15M annually (leverages \$230M debt)	Est. start FY28 (assumes 30-year debt)	We would like to see a more aggressive timeline on the expansion of the Convention Center

Section 3 Recommendations			
	Funding Level	Timing	WCHA Comments
Town of Cary Sports Facilities Capital Maintenance	\$3M annually	FY20 – FY34	We support maintaining the Cary Sports Facilities with these funds
Medium Projects	\$4.4M annually (All sections total \$42.1M)	FY20 – FY25	See note on Medium Projects
Small Projects	\$2M annually (no change)	FY20 – FY34	We support maintaining this fund at the current amount

Medium Projects Fund: We support the creation of this fund to allow for other projects to be considered for approval by both the City and County. The competitive process should follow a similar process to the small projects fund for the County. Approved projects need to conform to the Principles and the funding agreement should be tied to performance measures including visitation & ROI of Hospitality Taxes contributed to the project.

We support continuing the 85/15 percent split between Section 2 and Section 3 expenses