

Request for Information for Hospitality Projects in Wake County



Centennial Authority PNC Arena Response



January 10, 2019

General Introduction to the Enhancement Request

Since 2013 the Centennial Authority has worked with our partners, the Carolina Hurricanes and North Carolina State University, along with the internationally recognized design team of RATIO and HOK to develop a plan to enhance PNC Arena. The goal is to not only keep it competitive in the ever-changing sports and entertainment industry, but more importantly to create an opportunity for more events to come to Wake County.

The various events conducted in the arena create significant economic benefits to the surrounding local governments and Central/Eastern North Carolina. In fact, over the years PNC Arena has become one of the top economic generators in the area.

The following sections will provide details concerning the facility needs of the arena, the promises we have kept to the community, our successes in Wake County, and the enhancement investment needs. Based upon studies and knowledge obtained from observations of arena operations across the country, we believe the enhancement request will provide significant benefits to local patrons, citizens, and the regional economy. These factors, plus providing greater world class facilities to one of the fastest growing metropolitan areas in the United States, contribute to the importance of fulfilling the enhancement needs of the PNC Arena.

Facility Needs

Currently, PNC Arena lacks the hospitality space necessary to meet the demands of touring shows as well as local community groups. Further, we need to enhance opportunities for programming both inside the building and on the plaza area between our front door and NC State University's Carter-Finley Stadium. Our unique location, 1400 Edwards Mill Road, adjacent to Carter-Finley and close to the State Fairgrounds, the North Carolina Museum of Art and the Town of Cary can be leveraged to allow for opportunities not currently available. These could include major running and cycling events such as the return of the Rock and Roll Marathon and Ironman competitions which have been lost in recent years. We believe other signature events (noted as a primary objective in the JLL Wake County Destination Strategic Plan) which require large indoor/outdoor spaces could be attracted to this area through the arena enhancement project.

The enhancement plan envisions:

- Addition of hospitality spaces on three levels on the south side of PNC Arena (facing Carter-Finley) with a rooftop bar/restaurant as the centerpiece. These additions allow for programming events both inside the arena and outside on the plaza.
- Creation of multiple club and concession spaces throughout the arena to allow us to showcase the region's food and beverage culture and permit additional revenue and fan engagement opportunities which currently do not exist.
- Office and meeting spaces on the arena's north end to accommodate current arena staff and anticipated growth of Carolina Hurricanes operations and management.

A Promise Kept

PNC Arena has served the region as a premier sports and entertainment destination since opening in October 1999. More than 28 million fans have gone through the turnstiles in the almost 20-year history of the building. Countless others come to PNC Arena for community events plus charitable, private and corporate functions, industry training events as well as North Carolina State University's annual commencements.

The building hosted Raleigh's first major league event on October 29, 1999. In addition to being the home of the NHL's Carolina Hurricanes and North Carolina State University Men's Basketball, PNC Arena has hosted premier events such as the Stanley Cup Finals in 2002 and 2006, the 2011 NHL All-Star game, the 2004 NHL Entry Draft, NCAA Men's and Women's Basketball Tournament games, the CIAA and MEAC Tournaments, and a wide variety of concerts and other family events. Some of the world's most recognized performers such as Bruce Springsteen, Beyoncé, Cher, Eric Clapton, Taylor Swift, Stevie Wonder, Billy Joel, Paul McCartney, Justin Timberlake, Elton John, Lady Gaga, Jay Z, Garth Brooks, Prince, Celine Dion, Kenny Chesney, Bon Jovi, and Keith Urban have all thrilled audiences here. Family shows have included Ringling Brothers and Barnum & Bailey Circus, Sesame Street Live, Disney On Ice, Cirque du Soleil, and the Harlem Globetrotters.

These events combined with hundreds of others more than fulfilled the promises made by the Centennial Authority during the original arena funding process. Those promises were simple: To create a world-class venue that would improve the overall quality of life and become an economic engine for Wake County and Central/Eastern North Carolina.

Thanks to the visionary Interlocal Agreement (ILA), the Centennial Authority has invested in PNC Arena's infrastructure over the past two decades; allowing for repair and replacement of critical systems with an eye toward long-term efficiency and sustainability. However, the time has come to make PNC Arena more versatile and competitive so we can continue building on the success of its first 20 years. The recent Wake County Destination Strategic Plan (DSP) called for upgrades and enhancements to improve the spectator experience. The DSP and our own site visits to new and renovated arenas across the country clearly demonstrate investments are necessary for PNC Arena to remain competitive as a host for major touring shows as well as events such as the NCAA Men's and Women's Basketball Tournaments.

Our Success is Wake County's

According to an economic impact study conducted by Dr. John Connaughton, by the time PNC Arena turns 20 years old later this year, an estimated \$4 Billion economic impact will have been realized in Wake County alone. In 2018, for example, PNC Arena contributed approximately \$262 million to the Wake County economy.

The hospitality industry which funds the ILA benefits directly from PNC Arena. The aforementioned 2018 study estimated that 46 percent of PNC Arena visitors come from outside Wake County. This represents a new injection of revenue into Wake County that would not occur without PNC Arena. Further, the arena generates close to 142,000 hotel room nights annually. Clearly, these visitors are also spending money in area restaurants and brewpubs while they are here.

The direct economic impact of both on-site and off-site economic activity includes;

- On site impact of \$138 million
- \$44 million in revenue is generated by supplier chain (indirect) industries within Wake County
- Induced impact (nonrelated economic activity) generates another \$69 million

The total annual output impact of on-site and off-site operations of PNC Arena on the Wake County economy is \$251 million.

On-site and off-site direct full and part-time jobs supported by operations at PNC Arena include;

- 2,407 direct jobs created
- 513 jobs generated by supplier chain (indirect) industries within Wake County
- Induced impact (nonrelated economic activity) generates another 923 jobs.

The total annual employment impact of on-site and off-site operations of PNC Arena is 3,843 full and part-time jobs.

Attendees of PNC Arena events accounted for the following impacts;

- Annual average of 141,981 hotel nights in Wake County
- Total hotel expenditures of over \$14 million per year
- Additional items include \$6 million spent at restaurants, \$3.5 million in retail spending, \$5.5 million in gasoline and \$3.6 million in food store spending
- Officials and scouts accounted for over \$1.5 million in off-site expenditures

Total off-site adjusted spending for attendees of PNC Arena events was almost \$27 million per year.ⁱ

The economic impact of PNC Arena extends well outside Wake County given the nature of the Triangle region. A 2012 economic impact study suggests the arena adds \$84 million and 1472 jobs to the regional (Raleigh-Durham Metropolitan Area) economy.ⁱⁱ

Enhancement of the PNC Arena will undoubtedly make economic impacts higher and more sustainable for the local and regional economy.

Requested Future Enhancement Investments

Based on the professional work of RATIO and HOK, current enhancement project costs are estimated from \$200 million to \$300 million. Final cost determinations will require further refinement of the construction elements as well as ongoing discussions with the Carolina Hurricanes (Gale Force Sports & Entertainment) on lease term options. Assuming a debt issue that would provide the Centennial Authority maximum flexibility in setting its business terms with lessees, a 25-year, level payment financing at 4.5% would require an annual debt service in the range of \$13.5 million to \$20.2 million. The 18th amendment to the Interlocal Agreement reserves excess funds in the Convention Center model for the sole usage of the Raleigh Convention Center and the PNC Arena. The debt service on the original arena financing ends in 2020. Current debt service requirements of the Raleigh Convention Center go through 2034.

We believe that, based on current estimates of when expansion of the Convention Center may be pursued, the Convention Center model would have adequate funding to support a PNC Arena enhancement project somewhere within the cost range described above, particularly if favorable revenue trends continue. Operating costs would be borne by Gale Force Sports & Entertainment under its extended lease agreement with the Centennial Authority.

Should enhancement funds be approved in the spring of 2019, we believe it is possible to complete the entire project by the summer of 2022. This critical path necessitates final design and construction drawings to be complete during 2020, and construction contracts awarded and completed in 2021 and 2022. We completed the schematic design phase in 2016, but in late 2018 asked RATIO/HOK to refresh the plans to reflect best practices learned in the past two and a half years as well as look at additional opportunities for both revenue growth and fan engagement.

The lead organization will be The Centennial Authority; a unit of local government created by the North Carolina General Assembly in 1995 to oversee design, construction and operation of PNC Arena. Our partners are our primary tenants; the Carolina Hurricanes and NC State University. Gale Force Sports and Entertainment, by lease agreement with the Centennial Authority, programs the arena for family shows, concerts and other events.

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Centennial Authority/PNC Arena Response Summary

Project Summary

A comprehensive enhancement of PNC Arena including the addition of hospitality, concession, and meeting spaces vital to remaining competitive as a host for major touring shows and events.

Anticipated Users

The Carolina Hurricanes and NC State University continue as the primary tenants, with Gale Force Sports & Entertainment promoting and marketing other ticketed events such as concerts and family shows. In addition, the enhancement will help us grow from more than 250 community meetings and other non-ticketed events held annually at PNC Arena. Currently, an estimated 54% of annual PNC Arena users are Wake County residents. The remaining 46% represent a new injection of revenue into the County that would not occur without the arena.

Lead Organization

The Centennial Authority in partnership with NC State University and the Carolina Hurricanes/Gale Force Sports & Entertainment.

Regional Benefit and Return on Investment

The main goal of the enhancement plan is to keep PNC Arena competitive in attracting touring and special events to the area. Further, the focus on additional hospitality spaces will net additional local expenditures and employment as demonstrated by the arena's 19-year \$4 billion economic impact.

Anticipated Capital and Operating Costs

Preliminary estimates range from \$200 million to \$300 million with final cost determinations requiring further refinement of the construction elements as well as ongoing discussions with the Carolina Hurricanes (Gale Force Sports & Entertainment) on lease term options. Operating costs would be borne by Gale Force Sports & Entertainment by lease agreement with the Centennial Authority.

Anticipated Timeline

Should enhancement funds be approved in the spring of 2019, the entire project could be complete by the summer of 2022 with final design and construction drawings completed during 2020, and construction contracts awarded and completed in 2021 and 2022.

ⁱ The Economic Impact of PNC Arena on the Wake County Economy by Dr. John Connaughton 2018

ⁱⁱ The Economic Impact of PNC Arena by Dr. Mike Walden 2012