



January 10, 2019

Tom Wester
Wake County Finance/Procurement Department
Wake County Justice Center, Room 2900
301 South McDowell Street
Raleigh, North Carolina 27602

Re: City of Raleigh Response to Request for Information/Hospitality Projects for Wake County

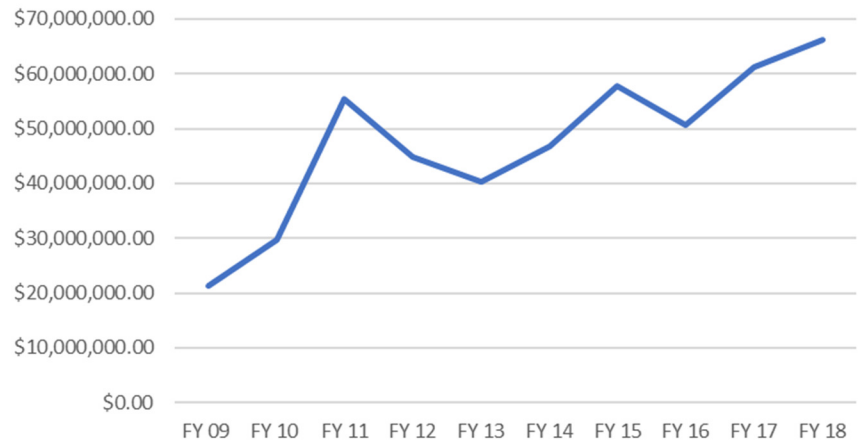
The City of Raleigh is aware of the Request for Information (RFI) for Hospitality Projects in Wake County proposing to use occupancy and food and beverage taxes (interlocal funds). The project timing and amounts in the RFI do not align with the City's project schedule, so no official response is being submitted. While this letter does not represent a direct response to this solicitation, it does provide information on future options and opportunities for use of the interlocal funding by the City of Raleigh. The City of Raleigh appreciates the work done by Wake County and the Interlocal Advisory Committee and we appreciate the opportunity to participate and be transparent in our desire to grow and expand the City's Convention and Performing Arts Campus.

The City of Raleigh has experienced tremendous success in its Convention and Performing Arts Campus. The campus includes not only the Convention Center, but also the Duke Energy Center for the Performing Arts and Red Hat Amphitheater. The proximity of these venues to each other in downtown Raleigh has created the basis for Raleigh's entertainment and performing arts campus. The venues continue to be a catalyst for additional economic growth in downtown Raleigh and have driven spending and economic impact into the County beyond the City borders. It has spurred the growth of the Raleigh Marriott City Center headquarters hotel as well as the recent construction of the Residence Inn Raleigh Downtown adjacent to the convention center. The City of Raleigh is excited to discuss possible future plans for continued investment of interlocal (occupancy and food and beverage taxes) funds in our downtown entertainment and performing arts campus. The success and growth of these tourism venues benefits all of Wake County by hosting events and conferences that generate tourism dollars that support the interlocal funds.

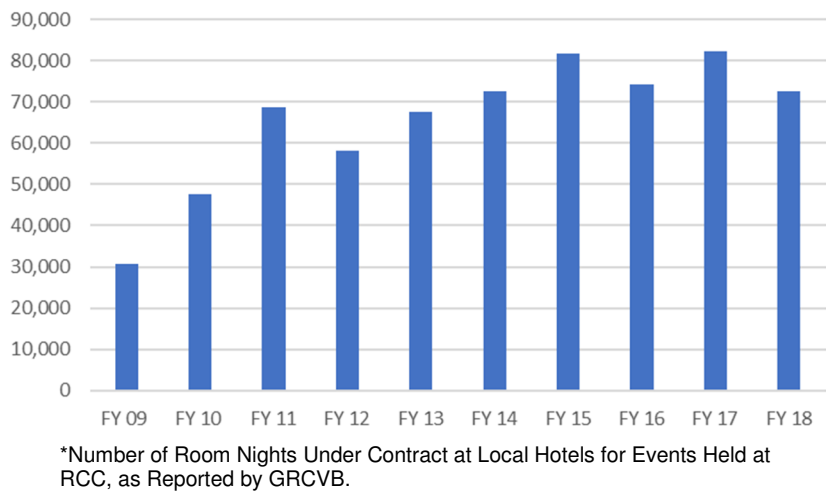
Raleigh Convention Center (RCC)

The Raleigh Convention Center recently celebrated its 10-year anniversary. The 500,000-square-foot facility was constructed at a cost of \$225 million. Since 2008, the venue has hosted 2,752 events and averages 275 events annually. Total attendance to date is 4,048,608 and a total direct economic impact over the 10 years is \$468,966,050. The total direct economic impact for all contracted events is \$627,445.433.

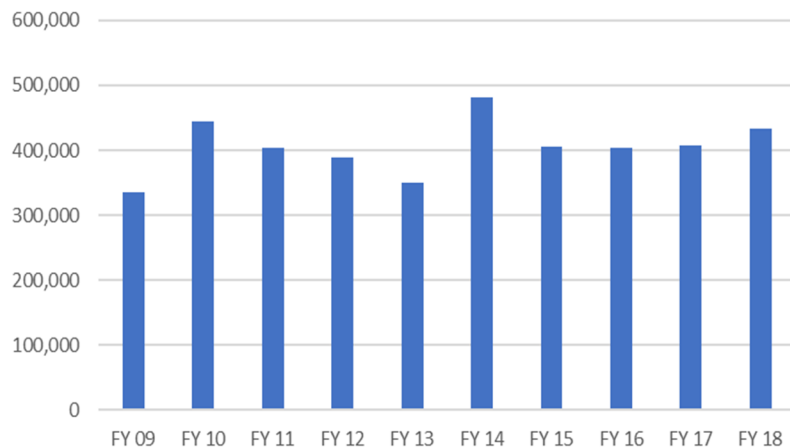
RCC DIRECT ECONOMIC IMPACT



RCC CONTRACTED ROOM



RCC ATTENDANCE



Before the City of Raleigh considers a possible expansion of the RCC, it is important to evaluate opportunities to maximize current usage of existing facilities.

The professional services firm Jones Lang LaSalle, Inc. (JLL) recently completed a Wake County Destination Strategic Plan. The Greater Raleigh Convention and Visitors Bureau (GRCVB) funded and coordinated this study. JLL worked collaboratively with the GRCVB and RCC staff and received user/customer input to develop the proposed approach for “optimizing” the impact and performance of the RCC. There were several relevant recommendations directly related to the convention center. JLL created an optimization plan that includes three primary scenarios as follows:

1. Step One - Optimization of the RCC with Today’s Available Hotel Package (2-3 years) Capital Cost - \$0

In this scenario, JLL built an optimal calendar given the hotel package and current RCC space that is available today. What is different in this scenario from the RCC today is the business mix focus. This scenario relies on the recommended redefined booking policy to focus on citywide business which produces the highest level of overall economic impact for the City and County. This is the scenario that JLL recommends until additional hotel inventory is committed in the downtown Raleigh market.

The RCC and GRCVB sales teams are currently reviewing data, testing and refining optimization scenarios. The goal is to implement optimization and the updated RCC booking policy by July 1, 2019. The effort is projected to deliver incremental room nights into downtown Raleigh and beyond.

2. Step Two - Optimization of a Renovated RCC with an Increased Hotel Package (3-7 years) Capital Cost of \$4-\$6 million

In this scenario, more flexible space is created by converting an exhibit hall into a second ballroom (flexible space), since the ballroom is the most in-demand space and creates the most flexibility in types of use in the building. JLL’s space analysis indicated an opportunity to materially impact the efficiency of the RCC with the proposed renovation. This enables the RCC to host multiple overnight room-generating groups at once. The scenario also requires additional proximity hotel rooms be added within three blocks of the RCC. This scenario will generate additional room nights beyond those contemplated in Scenario 1.

3. Step Three - Expansion of the RCC with a Headquarters Hotel (7-10 years) Capital Cost of \$225-\$275 million

In this scenario, JLL has contemplated the minimum amount of new flexible space that could be added to the RCC’s footprint to increase its capacity and generate hotel room nights in the market. As stated above, the ballroom is the most in-demand space in the RCC, and at a minimum, that equivalent should be added in an expansion to meet such demands. This would add a full, standalone, second ballroom-sized space and would enable the usage of all three exhibit halls and two ballrooms; this space should be designed to be as fully flexible as possible. This scenario does not specifically contemplate what is needed in terms of additional meeting rooms or pre-function spaces; this should be determined in greater detail through an architectural study. It is important to note that this scenario also requires, at the very least, a 400-room headquarters hotel

directly connected to or adjacent to the convention center. An expansion of the RCC will not be contemplated without a suitable addition of full-service hotel rooms added to the downtown Raleigh market.

Raleigh Convention Center Expansion

As mentioned above and per the JLL Destination Study, it is anticipated that the expansion of the convention center (in 7-10 years) will require the construction of up to an additional 500,000 square feet with a cost of \$225-\$275 million. The expanded convention center will utilize space currently occupied by the Red Hat Amphitheater and potentially other property adjacent to the Raleigh Convention Center. The City of Raleigh spent \$2.5 million in the construction and supporting infrastructure for the amphitheater that will support the Raleigh Convention Center expansion. It was envisioned from the beginning that this land would be used for anticipated expansion plans. This discussed expansion would be a part of Scenario #3 in the Destination Strategic Plan mentioned above. There will be an additional feasibility study conducted to validate the demand and final space needs with extensive input and participation from all stakeholders prior to development. It is anticipated that the economic impact of this expansion will be comparable to that of the existing convention center.

Headquarters Hotel and Parking Structure

The JLL Destination Study recommended the simultaneous construction of a new convention hotel to occur along with the expansion of the convention center. It is envisioned that this hotel will be at least 400 rooms in close proximity (adjacent or connected) to the convention center with the opportunity for in-house convention and meeting space. In addition, a Hotel Demand Assessment of the downtown Raleigh lodging market was conducted in 2015 by HVS Convention, Sports and Entertainment Facilities Consulting. The assessment concluded that a 400-room, full-service hotel in a location that is adjacent to or connected to the RCC was needed to allow the facility to compete for larger events. The location of the hotel is to be determined as there are very limited land sites available that meet the proximity standard. The cost of the hotel is expected to be \$130-\$150 million. If constructed, it is anticipated that this cost will be borne by the developer. In order for a hotel to locate on the site there is a possibility and opportunity that the City of Raleigh could provide land and/or a parking structure for this facility as support, but this has not been approved. It is anticipated that the cost of land will be \$10-\$12 million.

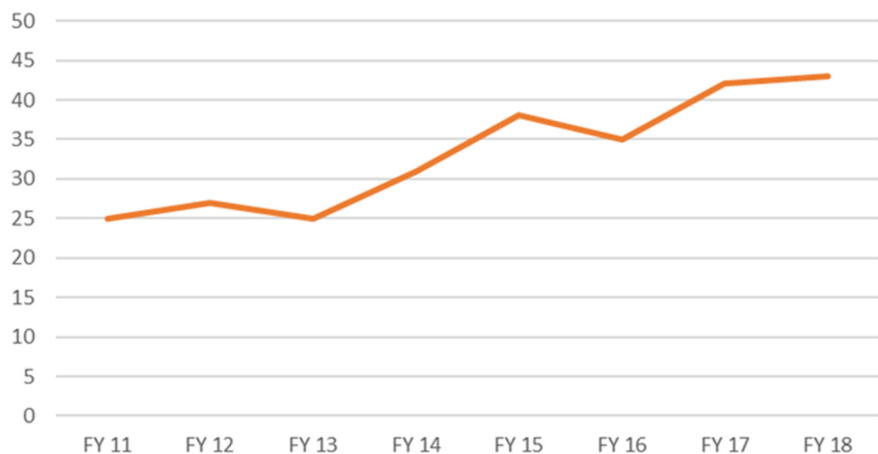
There has also been discussion about the need for additional parking to support the convention center expansion and headquarters hotel. There is the opportunity for this parking structure to be incorporated into the design for a potential headquarters hotel. If a hotel chooses not to locate on this site there is still a need for additional parking to support the current and expanded convention center. Estimated costs for the parking structure range from \$20-\$30 million which will add approximately 1,000 parking spaces.

New Amphitheater

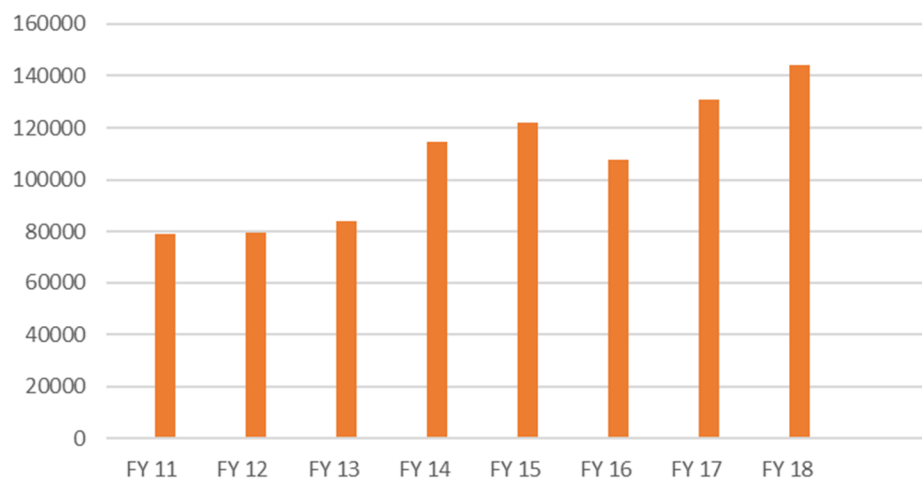
The possible construction of the expanded convention center, if approved, could occur on the site adjacent to the convention center, currently occupied by the Red Hat Amphitheater (RHA). As stated previously, the original intent was to construct an expanded convention center on land occupied by Red Hat Amphitheater. An option that is being explored and evaluated is to essentially relocate this amphitheater to a new location at Dix Park. This is subject to ongoing discussions and feedback from stakeholders and approval from City Council.

The Red Hat Amphitheater is a valuable community and tourism asset. The number of shows has steadily increased, and these shows significantly contribute to the success of the Convention and Performing Arts Campus. It is important to consider the retention of a similar structure in close proximity to the campus. It is envisioned that the total cost of the new Amphitheater in Dix Park and the accompanying infrastructure (including parking) will be \$25-\$40 million. It is projected that the total annual economic impact is more than \$10 million according to a recent estimate.

NUMBER OF RHA EVENTS



RHA ATTENDANCE



Convention Center / Duke Energy Center for the Performing Arts (DECPA) Capital Needs

A guiding principle for the use of the interlocal dollars is to support and promote the on-going capital expenditure programs of key facilities, like the Raleigh Convention Center and the Performing Arts Center. It is of critical importance to protect and maintain the significant investments made in the Convention Center and Performing Arts Venues. The overall condition of the RCC is also a key factor in its overall competitiveness. These facilities are key economic generators to downtown, the City of Raleigh, and the County as a whole.

As such, interlocal funding is currently allocated annually to support the Raleigh Convention Center, \$2.9 million, and the Performing Arts Center at \$0.5 million. The current support for the Raleigh Convention Center is derived using 95% the CBRE/Heery Report. To supplement the needs of the Performing Arts Center, the City of Raleigh has provided \$23 million in general funding (FY13-FY18) for required capital improvements at the Performing Arts Center.

The most recent CBRE/Heery Reports projects the total needs of \$85 million for the Raleigh Convention Center and \$50.3 million for the Performing Arts Center to maintain the facilities through 2043. Based on the report, the incremental needs to support these premier facilities on top of the existing allocation is \$0.3 million annually for the Raleigh Convention Center and \$1.4 million annually for the Performing Arts Center, again, assuming an allocation of 95% of the total needs for each facility. The increase in annual funding out into year 2034 (final year of the financial models) totals \$4.5 million for the Raleigh Convention Center and \$21 million for the Performing Arts Center.

Duke Energy Center for the Performing Arts (DECPA)

Over the past 10 years the Performing Arts Center has hosted an average of 596 events per year and over 4,000,000 patrons - producing over \$95 million in ticket sales. The DECPA showcases the area's premier talent and is home to multiple prestigious arts organizations, including the following resident companies:

North Carolina Theatre

Carolina Ballet

North Carolina Symphony

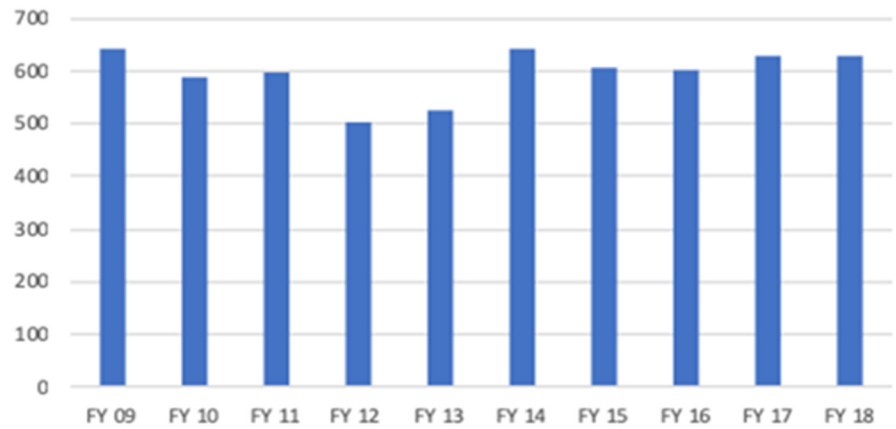
North Carolina Opera

Pinecone (Piedmont Council of Traditional Music)

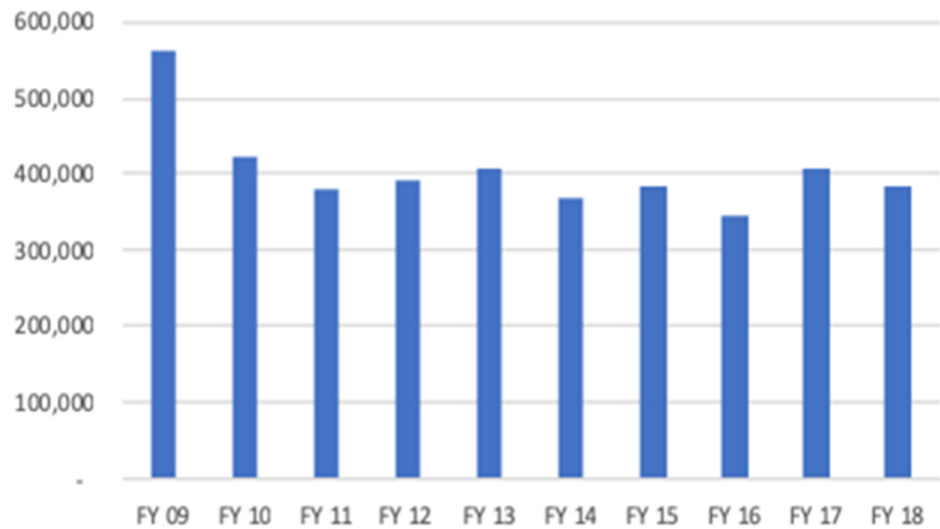
Theatre Raleigh

Duke Energy Presents

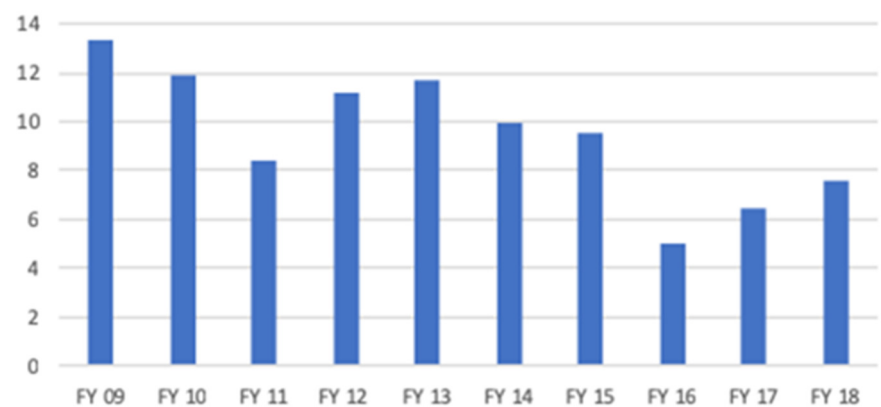
NUMBER OF DECPA PERFORMANCES



DECPA ATTENDANCE



DECPA TICKETS SALES (IN MILLIONS)



Project Summary

As stated earlier these projects described do not meet the timing and/or funding thresholds established by the RFI. However, they do provide a future view of potential projects to be funded using interlocal funds.

Potential Projects	(Cost Over next 30 years)
Optimized Raleigh Convention Center	\$4-\$6 Million
Expanded Raleigh Convention Center	\$225-\$275 million
Parking Infrastructure	\$20-\$30 million
Hotel/Site Land Acquisition	\$10-\$12 million
Replacement Amphitheater	\$25-\$40 million
Incremental RCC Capital Maintenance	\$4.5 million
Incremental DECPA Capital Maintenance	\$21 million
Total	\$309.5 - \$388.5 Million

The Raleigh Convention Center is recognized by the Wake County Hospitality industry as the area's primary hotel room night generator, demonstrating the most significant return on investment among other visitor/hospitality entities. Since the RCC opened its doors in 2008, The City of Raleigh has invested millions of dollars in infrastructure and has realized substantial economic growth. The investment that has been proposed will position RCC as a future growing demand generator that will support the success of business in Raleigh and throughout the County.

The nonprofit arts and culture industry also plays a major role in contributing to the vitality of our region, generating over \$530 million in annual economic activity in the City of Raleigh and \$53 million in local and state government revenues, according to an economic impact study conducted by Americans for the Arts.

Over eight million people have attended events at the Convention and Performing Arts Campus within the last decade. These historic numbers, along with the economic impact generated, reflect the importance of maintaining and enhancing the investment in these facilities.

We appreciate the partnerships and support by all stakeholders. We look forward to continued engagement and continued success in our Convention and Performing Arts Campus.

Joe Durham

Raleigh Convention and Performing Arts Complex