

North Carolina Football Club Interlocal Funds RFI Questions and Responses



Submitted by North Carolina Football Club
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1. **Provide a brief narrative summarizing the project's purpose and design concept including a description of unmet need, inadequate facilities or future needs that are prompting the project's development. Available images may be included but are included within the five (5) page limit.**

- A. The Project:** A 22,000-seat, state-of-the-art Entertainment and Sports Center in Downtown Raleigh.
- B. The Purpose:** The Raleigh-Durham Market is one of 9 remaining metro markets in the country being considered for a Major League Soccer (MLS) expansion franchise, based on an application submitted in 2017 by North Carolina Football Club. An MLS stadium is a critical component to landing a new franchise. The Downtown Entertainment and Sports Center (DESC) would fill the need for an MLS stadium and provide a third major destination in Wake County (together with the Raleigh Convention Center and PNC Arena) for a wide variety of sports, entertainment, and assembly events.
- C. Design Concept:** In order to maximize the tourism and economic impacts of the DESC, the DESC is planned as a centerpiece of a significant multi-use development comprised of office, hotel, retail, service, and multi-family residential space. The multi-use development is currently planned to include up to 750,000 sf of office space; 100,000 sf of retail and service space; two 150-room hotels; 1,200 multi-family housing units; and 1,300 parking spaces; a total of over \$735 million in new construction; all to be privately financed.
- D. Unmet Need:** There is currently no open-air, outdoor destination venue in Wake County with the spectator and multi-use capacity planned for the DESC. Including top-tier professional soccer competition, it is projected that the DESC will host 75 or more events annually that will further grow Wake County's tourism economy. In addition, the DESC will serve as a major driver in adding new development, new investment, new jobs, a stronger economy, and new energy to the Raleigh downtown area.

2. **Describe the anticipated users of the project, including primary tenant (if anticipated) and projected use by local residents and out of town visitors.**

The primary tenants will be the MLS team of North Carolina Football Club (NCFC) and the NC Courage of the National Women's Soccer League (NWSL). The DESC will host numerous other sports, entertainment, public, and civic events above and beyond pro soccer regular- and post-season play.

Towards that end, the Destination Strategic Plan (DSP) commissioned by the Greater Raleigh Convention & Visitors Bureau and developed by Jones Lang LaSalle (JLL) indicates the [DESC] “could be a catalytic development for downtown.” JLL goes on to say, “The DSP can support this initiative, especially the emphasis on flexibility and multiple uses.” Uses could include:

- Championship-level sporting events such as international pro soccer exhibition games and tournaments, U.S. Men’s and Women’s National Teams soccer games, football, lacrosse, rugby, field hockey, esports, etc.
- Entertainment events including concerts, theater, graduations, and special events
- Small conferences or offsite meetings, general sessions and catered events
- Consumer or public shows, trade shows, job fairs, and exhibitions
- Large-scale religious events

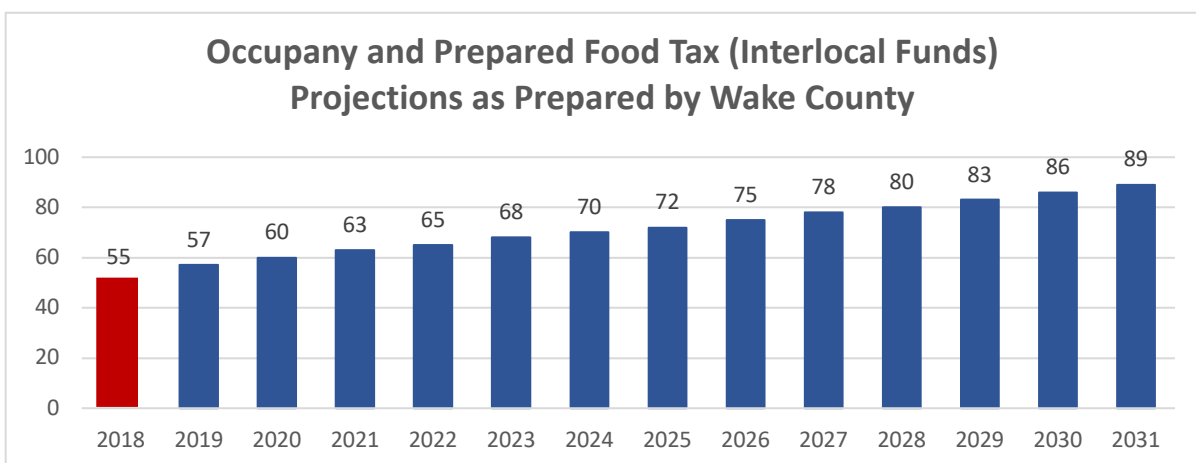
In addition, through its affiliated youth soccer club (NCFC Youth), the North Carolina Football Club has over 14,000 youth soccer players and hosts numerous prominent national youth soccer tournament series events that have a significant positive impact on interlocal fund revenues. The DESC would be an important additional attractive location for tournament series events that would help solidify, enhance, and grow these events going forward.

3. Please describe the regional benefit and the projected return on investment or how the return on investment will be determined.

Funding Request/Uses of Funds:

Development of the DESC is currently estimated to cost \$150 million. In order to appropriately finance and maintain the DESC, North Carolina Football Club recommends interlocal funds in the amount of \$11 million per year (\$10 million for debt service, \$1 million for annual maintenance) for 30 years beginning in fiscal year 2022. Alternative funding options, a shorter financing term, and revenues from NCFC’s long-term lease would significantly lower the overall funding costs.

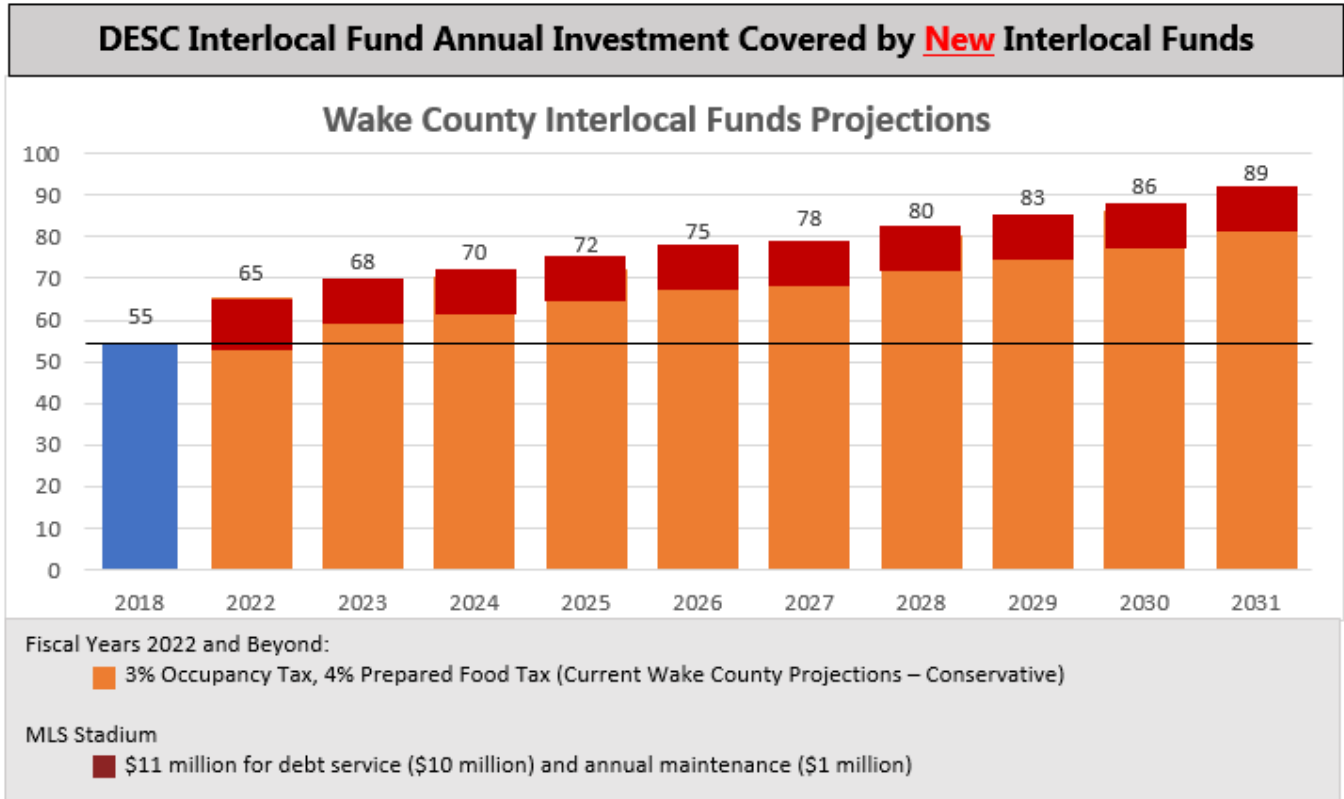
City of Raleigh and Wake County Operating Practices with regards to Interlocal Funds call for Major Projects receiving Interlocal Funds to “promote a high level of tourism activity and overnight lodging needs within the county or...provide a high return on investment.” In other words, Interlocal Funds were specifically established to support projects such as the DESC.



Notes:

- Fiscal Years 2018 – 2021: Projected Growth Rates: 4% Occupancy Tax, 5% Prepared Food Tax
- Fiscal Years 2022 and Beyond: Projected Growth Rates: 3% Occupancy Tax, 4% Prepared Food Tax
- Figures are in millions of dollars (\$mm)
- Source: Wake County Interlocal Funds Website: www.wakegov.com/roomfoodtax

Revenues for Interlocal Funds set a new record in Fiscal 2018, topping \$55 million. The significant continuing future growth of Interlocal Funds will readily cover the debt service and maintenance of the DESC. This ensures that interlocal funding remains available for the Raleigh Convention Center and PNC Arena. Indeed, given today’s actual growth percentages, the likelihood is that there will also still be a substantial surplus of Interlocal Funds for other major projects.



This is illustrated in the graph above. Note that the initial interlocal funding is not projected to begin until Fiscal Year 2022, which starts July 1, 2021 and ends June 30, 2022.

Return on Investment (ROI)

As evidenced in the cost/benefit summary below, the Interlocal Funds investment recommended for the DESC will pay for itself many times over.

Raleigh and Wake County Annual ROI	
<u>Benefits to Raleigh and Wake County</u>	
	\$12,866,666
Raleigh/Wake Local Taxes	10,500,000
Annual Rental Income	1,000,000
New Interlocal Funds	1,366,666
<u>Investment from Raleigh and Wake County</u>	
	\$11,000,000
DESC Debt Service	10,000,000
DESC Maintenance Fund	1,000,000
Net Positive Benefits to Raleigh and Wake County	\$1,866,666

As the chart below makes clear, the DESC is not just an Interlocal Fund user, it is also a powerful Interlocal Fund revenue generator. Over a 30-year financing period, the DESC will add over \$40 million to Raleigh and Wake County Interlocal Funds.

MLS Stadium-Generated Interlocal Fund Revenues												
		2021-2023	2024-2026	2027-2029	2030-2032	2033-2035	2036-2038	2039-2041	2042-2044	2045-2047	2048-2050	Total
Occupancy Taxes												
Stadium Visitors	Stadium Attendance	1,272,000	1,646,500	1,903,500	1,903,500	1,903,500	1,903,500	1,903,500	1,903,500	1,903,500	1,903,500	18,146,500
	Overnight Stays	89,040	115,255	133,245	133,245	133,245	133,245	133,245	133,245	133,245	133,245	1,270,255
	Room Nights	35,616	46,102	53,298	53,298	53,298	53,298	53,298	53,298	53,298	53,298	508,102
	Hotel Room Income	3,591,872	4,649,385	5,375,103	5,375,103	5,375,103	5,375,103	5,375,103	5,375,103	5,375,103	5,375,103	51,242,081
	Occupancy Tax	215,510	278,962	322,506	322,506	322,506	322,506	322,506	322,506	322,506	322,506	3,074,520
New Hotels	Room Income	37,649,573	41,140,704	44,955,559	49,124,153	53,679,288	58,656,802	64,095,870	70,039,287	76,533,820	83,630,572	579,505,628
	Occupancy Tax	2,258,973	2,468,441	2,697,332	2,946,848	3,220,756	3,519,407	3,845,750	4,202,355	4,592,027	5,017,832	34,769,721
Total Occupancy Tax		2,474,483	2,747,403	3,019,838	3,269,354	3,543,262	3,841,913	4,168,256	4,524,861	4,914,533	5,340,338	37,844,241
Prepared Food Taxes												
Restaurants	Sales	29,254,941	30,707,550	31,130,172	31,248,190	31,280,706	31,280,706	31,271,469	31,280,706	31,280,706	31,280,706	310,015,852
	Prepared Food Tax	292,548	307,073	311,301	312,481	312,807	312,807	312,714	312,807	312,807	312,807	3,100,152
Interlocal Funds												
Total Occupancy and Prepared Food Tax		2,767,031	3,054,476	3,331,139	3,581,835	3,856,069	4,154,720	4,480,970	4,837,668	5,227,340	5,653,145	40,944,393
Notes:												
-Attendance figures are based on annual totals from the 2017 report "Economic Impacts of Proposed MLS Stadium and Real Estate Development" ("Economic Impact Report") by Economic Leadership LLC of Raleigh												
-Overnight Stays, Roomnights, and Hotel Room Income are based on the Economic Impact Report.												
-Restaurant sales figures were provided by Economic Leadership LLC												
-Wake County occupancy tax is 6% and Wake County prepared food tax is 1%												
-For purposes of the DESC Interlocal Funds-generated figure of \$1.3 million on page 1, this was an average annual revenue over the 30-year period												

This chart also evidences that new Interlocal Funds are just a portion of the DESC’s substantial return on investment (ROI).

Specifically, the DESC is projected to deliver the following to Wake County during its first 30 years of operations:

- **\$735 million in new construction**
- **1,470 jobs**
- **\$180 million in new tax revenues**
- **\$2 billion in economic impact**
- **18 million spectators**
- **1.2 million overnight stays**
- **500,000 hotel room nights**
- **\$630 million in hotel room income**
- **\$310 million in restaurant sales, and**
- **Over \$40 million in new Interlocal Funds revenues**

Source: “Economic Impacts of Proposed MLS Stadium and Real Estate Development” study by Economic Leadership LLC, Raleigh (2017)

The enabling legislation that created the Interlocal Funds specifies that projects “provide a high return on investment,” and the DESC far exceeds that requirement.

4. Describe the lead organization for the project and any known partners.

North Carolina Football Club (owned by Steve Malik) and Kane Realty Corporation (real estate development partner) are the organizations leading the project. For the development and construction, as well as

ownership and operations, of the DESC, North Carolina Football Club and Kane Realty recommend that a duly-constituted authority, the Entertainment & Sports Center Authority, be established. There is well-established precedent in Raleigh and Wake County for this approach as it follows the concept of the Centennial Authority, which was created in 1995 to plan, design, construct, own, and operate the well-regarded PNC Arena. Similar to the Gale Force Holdings agreement with the Centennial Authority, North Carolina Football Club would be the contracted operator of the DESC and would pay the Entertainment & Sports Center Authority an annual rental fee.

5. Describe the location for the project (can be specific or a region of the county).

The DESC is currently proposed for Downtown Raleigh, including the north end of downtown and several alternative locations in the greater downtown area. Whichever of the prospective DESC locations is chosen in downtown, it will also include the larger office, retail, services, and multi-family housing mixed use development as well. North Carolina Football Club is dedicated to a site close to a large urban population, with walkable access, and positioned to allow for easy expansion of mass transit facilitating appropriate traffic flows.

6. Describe the anticipated project capital/development cost and how the operating costs are anticipated to be met. (Cost estimates and ranges are acceptable.)

Development Funds: For the necessary funds to build the stadium, a traditional bank construction loan would be used to cover the \$150 million construction costs and provide a bridge to permanent financing supported by an interlocal funds commitment. Similar to the PNC Arena model, long-term financing of the Downtown Entertainment & Sports Center would consist of a fixed-rate bond issue by Wake County and/or Raleigh. This financing method was used by the City of Raleigh and Wake County in financing the development of PNC Arena.

Operating Funds: With regards to operating costs, similar to Gale Force Holdings' current agreement with the Centennial Authority, North Carolina Football Club's operating and rental agreement with the new Entertainment and Sports Center Authority would guarantee no operating losses would be incurred by the City and County, but instead would be covered by North Carolina Football Club.

7. Describe the anticipated timeline for the project (include any specific details of steps completed, i.e. land acquired, % capital raised, master plan complete, etc.)

Preliminary designs for the DESC and surrounding development have been completed. The application for an MLS team by North Carolina Football Club has been received by Major League Soccer and is currently under active consideration for an expansion team by the league. Conversations with the league on the MLS Application process by North Carolina Football Club are regular and ongoing.

Steve Malik, owner of the North Carolina Football Club, has an ownership group committed to equity funding of the project. Once funding and financing for the DESC are confirmed, as well as needed permits and approvals, approximately two years will be required to construct and open the DESC.

The timing could not be better for development of a state-of-the-art Entertainment & Sports Center in Downtown Raleigh. Interlocal Funds are intended to be used to drive tourism and positive economic impacts in Wake County, and the new DESC, with its extremely favorable ROI, more than delivers in this regard.