Charlotte - Hoops & Ballers

Economic Development Contracts

Conventional Approach to ED Contracts

(Council Approves Finalized Contracts)

- Expectation that most City contracts will be fully (or almost fully) negotiated prior to receiving Council approval
- Specific vendors are named in the Council Action
- Historically, large ED projects for arenas and other civic buildings were handled like this:
  - Contracts fully or mostly finalized prior to Council approval

Conventional Approach to ED Contracts

(Council Approves Finalized Contracts)

- General **two-step** process:

1. ED staff enters discussions with developer, team and civic partners. City Attorney's Office included in initial discussions.
    - If deal likely, Council briefed and may be asked to approve MOU
        - If Council approves MOU, City Manager and staff authorized to negotiate definitive agreements with development partner
    - City staff, including the City Attorney's Office, negotiate definitive agreements
        - City Attorney's Office handles most contract drafting and negotiation tasks

Conventional Approach to ED Contracts

(Council Approves Finalized Contracts)

2. Council asked to approve definitive agreement, together with a budget ordinance. Council receives all agreements in advance of the vote and is provided with an opportunity to ask questions.

- Application for Local Government Commission approval sought after definitive agreements approved
- Examples of major projects where "two-step" process followed:
  - Original Charlotte Hornets/Spectrum Center construction - 2003
    - (see 2003 Spectrum Center RCA)
  - Cultural facilities agreements - 2006
    - (see 2006 Cultural Center RCA).
    - Council Action identified specific agreements ready for approval based on substantive negotiations after initial MOU approval (two cultural facilities requests are a good models of two-step)

Conventional Approach to ED Contracts

(Council Approves Finalized Contracts)

- Advantages to the **two-step** approach:
  - City maintains negotiating leverage throughout process
    - City negotiators can warn the other party the deal may fall apart
  - Vendor or other contract awardee could claim "early" Council approval created a contract, even if the City later cannot negotiate a mutually-acceptable contract (although NC law unsettled on this point)
  - City staff, particularly the City Attorney's Office, has in-house institutional experience with these deals and is uniquely aware of North Carolina law


CHARLOTTE
MINTED
·2022·
FOOTBALL CLUB


MJ CONSIDERING SALE OF HORNETS


CHARLOTTE
CHECKERS






MICHAEL JORDAN'S FUTURE
STEPHEN A. REACTS
FIRST TAKE
ESPN


CHARLOTTE
HORNETS

Blanket Approach for ED Contracts

(Council Authorizes City Administration to negotiate ALL business deal points and terms)

- Historically, uncommon for Council to authorize City Manager and ED staff alone to negotiate where contracts are not finalized (or nearly final).
  - Extremely uncommon for vendors not to be named in Council approvals.
  - Only two exceptions were Council approvals for hosting DNC (2012) and RNC (2020); Authorized City Administration to negotiate contracts with to-be-determined vendors to implement $50 million federal security grant for host city
    - For DNC and RNC contracts, operational security was a significant reason not to name the vendors in advance

Blanket Approach for ED Contracts

(Council Authorizes City Administration to negotiate ALL business deal points and terms)

- Recent ED projects have favored a "**one-step"** approach, where City staff enters into years or months long discussion with developer, team, civic partner

1. If deal becomes likely, Council is briefed and asked for Council approval authorizing City Administration to negotiate and sign definitive agreements and to approve a budget ordinance

- "Authorizing" Council approval sets out broad and generalized business deal points with specifics to be later negotiated by staff, <u>BUT</u>
- Council not provided with or asked to approve definitive agreements at any future time

Blanket Approach for ED Contracts

(Council Authorizes City Administration to negotiate ALL business deal points and terms)

- Example of the **one-step** process:
  - 2023 Hornets/Spectrum Center agreements (see attached June 2022 RCA)
    - Deal terms negotiated for 18-24 months prior to consultation with City Attorney's Office
    - When MOU presented to City Attorney's Office and we identified a number of legal issues, ED's outside consultant told us that no changes would be made to MOU because of amount of time already spent negotiating deal terms
    - ED retained a consultant and brought on an outside law firm prior to City Attorney's Office being consulted. Outside firm not NC-based (attorneys in TX, NY, NJ and unfamiliar with NC municipal law)
    - City Attorney's Office repeatedly offered to draft all substantive documents in keeping with previous ED arena deals. **However, outside firm handled all document drafting and City Attorney's office was given a review function only.**

Blanket Approach for ED Contracts

(Council Authorizes City Administration to negotiate ALL business deal points and terms)

- **Claimed advantage** of this approach:
  - Faster because City Attorney's Office moves too slowly.
  - However, even with outside firm and ED's consultant running process, took 11 months to reach definitive agreement after initial Council approval. Overall process took about 3 years.

- **Disadvantage of one-step** process:
  - Lost leverage with the outside party
  - Loss of visibility for Council
  - High costs incurred on outside consultants and law firms. A single outside consultant/one person firm billed City approximately $600,000 in consulting fees on 2021-23 Spectrum Center project. Second individual consultant paid about $700,000. Outside law firm cost at least $150,000 and likely more (All $ figures from City database)


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TONIGHT


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WOJ TALKS
HORNETS
LATEST
SALE + CHARLOTTE CORE
NBA
TODAY
ESPN


CHARLOTTE
HORNETS



Who Wins: A Seattle View of Big Time Sports

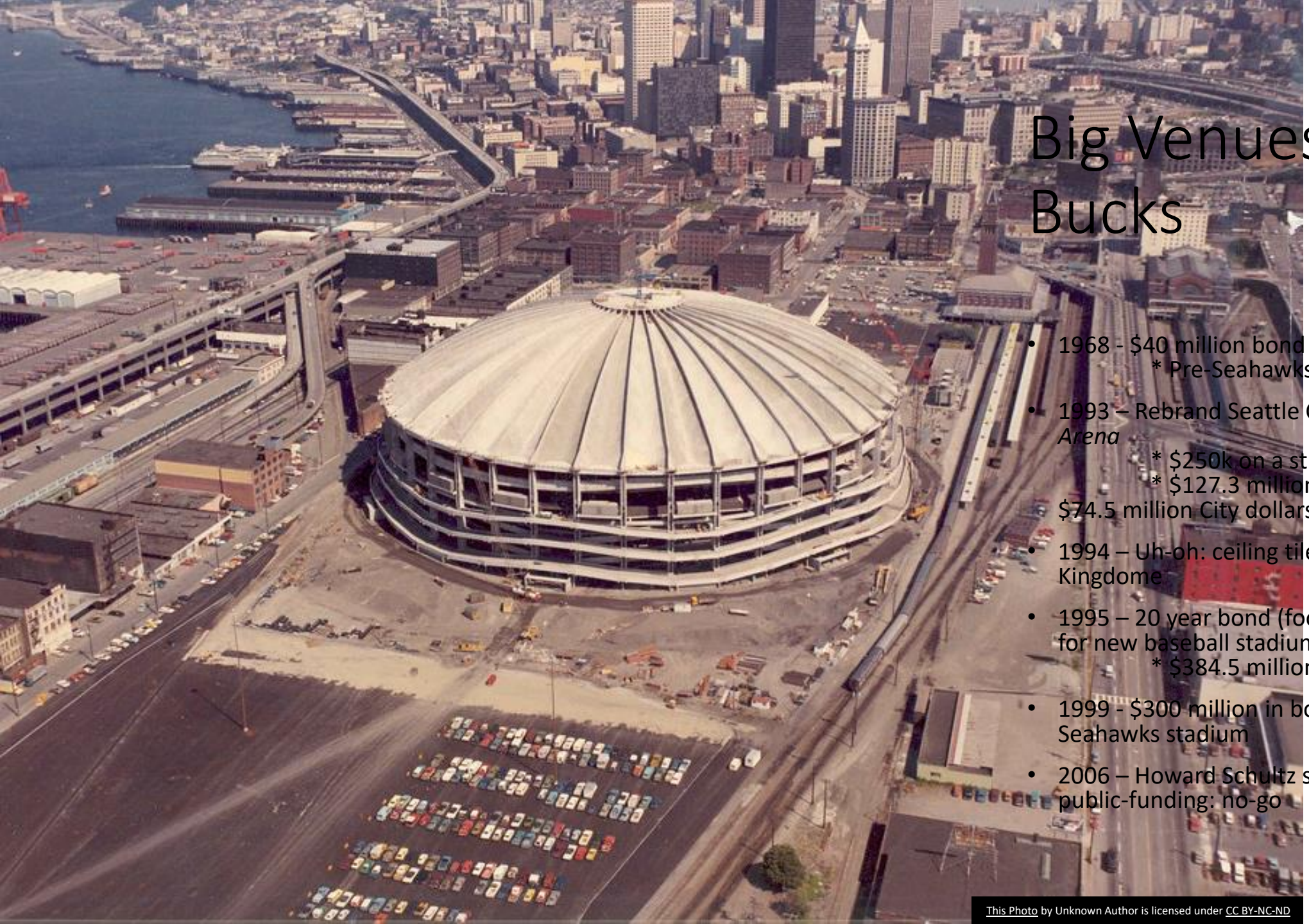
Heavy Competition for Finite Resources

Seattle's Long Sports History

- 1917 – Seattle Rosebuds, first U.S. team to win Stanley Cup!
- 1950s – Civic discussions about stadiums
- 1968 – First bond passes – funding for the Kingdome
- 1967 – Seattle SuperSonics join NBA
- 1976 – Seattle Seahawks join NFL
- 1977 – Seattle Mariners join MLB
- 2000 – Seattle Storm join WNBA
- 2008 – SuperSonics move to OKC ☹
- 2021 – Seattle Kracken join NHL



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Big Venues, Big Bucks

- 1968 - $40 million bond for Kingdome
  * Pre-Seahawks, pre-Mariners
- 1993 – Rebrand Seattle Coliseum as *Key Arena*
  * $250k on a study
  * $127.3 million for renovations -- $74.5 million City dollars
- 1994 – Uh-oh: ceiling tiles fall from Kingdome
- 1995 – 20 year bond (food/beverage tax) for new baseball stadium
  * $384.5 million project
- 1999 - $300 million in bonds for new Seahawks stadium
- 2006 – Howard Schultz seeks $220 million public-funding: no-go

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The Changing Sports Scene

- 2000 – Kingdome demolished
- 2008 – Sonics leave town
- 2009 – Sounders start play in Qwest Field
- 2015 – Kingdome bond: paid off
- 2018 - $700 million Key Arena renovation approved by City Council
- 2021 – Seahawks stadium bond: paid off
- 2021 – Climate Pledge Arena: puck drops, Kraken start play



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One Venue Story

- When a venue is on city property, naming rights, ticket prices, parking revenue and more are often arranged for mutual benefit.
- For KeyArena – where the Seattle Sonics played for years, under this cooperative arrangement – the transformation to Climate Pledge Arena included very favorable terms for the **investment group**.

* Group **kept all the cash** for naming rights.
* Leased city property didn't reflect market rates but was **capped at 3%**.
* Group **kept all garage revenue**.
* Group **kept 75% of other revenues**.
* Group **is keeping the 5% admissions tax** – ordinarily would go to the arts – approx. $100 million.
* Many other taxes were set as deferrals, rebates and deductions.



A Sonics Return?

- Fan base remains as big, loyal as ever
- NBA Commissioner said Seattle is the likely next city for expansion



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TALE OF TWO DEALS

ANGEL STADIUM | HONDA CENTER

ANGEL STADIUM

Lessons from the deal that never happened





BASEBALL IN ANAHEIM

1966: Angels move to newly built Anaheim Stadium

1967: Angels host All-Star Game

1973-75: Nolan Ryan throws four Angel no-hitters

1989: Angels host All-Star Game

1996-98: Disney buys team, updates stadium

1996: Team renamed Anaheim Angels

2002: Angels win World Series

2003: Arte Moreno buys team

2005: Name changed to Los Angeles Angels of Anaheim

2005-07: City sues, jury finds name change meets lease, upheld on 2007 appeal

2010: Angels host All-Star Game

2011: Mike Trout debuts as an Angel

2018: Shohei Ohtani debuts as an Angel

TIMELINE

1996
Current lease through 2029 with options for extensions through 2038

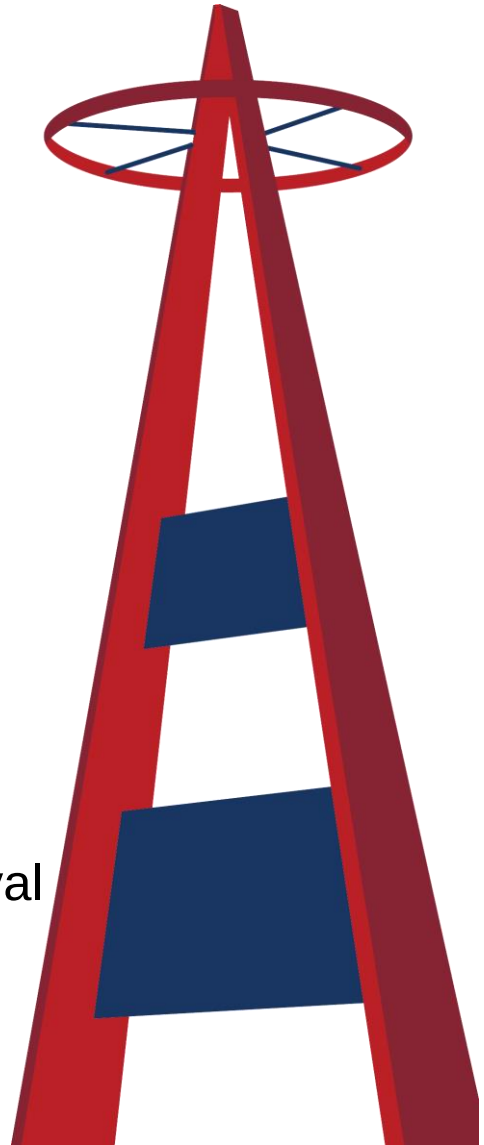
2013-14, 2016
Prior lease discussions

2018
Angels issue lease opt-out notice

Early 2019
Anaheim, team rescind opt-out notice

Late 2019
City, team talks; initial stadium sale approval

2020
Final agreements completed, approved



KEY POINTS

Stadium Site Sale
$320M for 151-acre site

Payment
$150M cash, $124M for affordable housing, $46M for parks

Development
2.7M square feet of office; 500,000 square feet of retail, entertainment; 5,175 homes; two hotels; 23 acres of parks, open space

Stadium
New owner renovates existing or builds new

Angels Commitment
Team plays in Anaheim through 2050, potentially 2075 with extensions

INEVITABLE LEGAL CHALLENGES

State SLA Dispute

Surplus Land Act Guidelines

Gavin Newsom, Governor
State of California

Lourdes M. Castro Ramírez, Secretary
Business, Consumer Services and Housing Agency

Gustavo Velasquez, Director
California Department of Housing and Community Development

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November 2020

Brown Act Litigation

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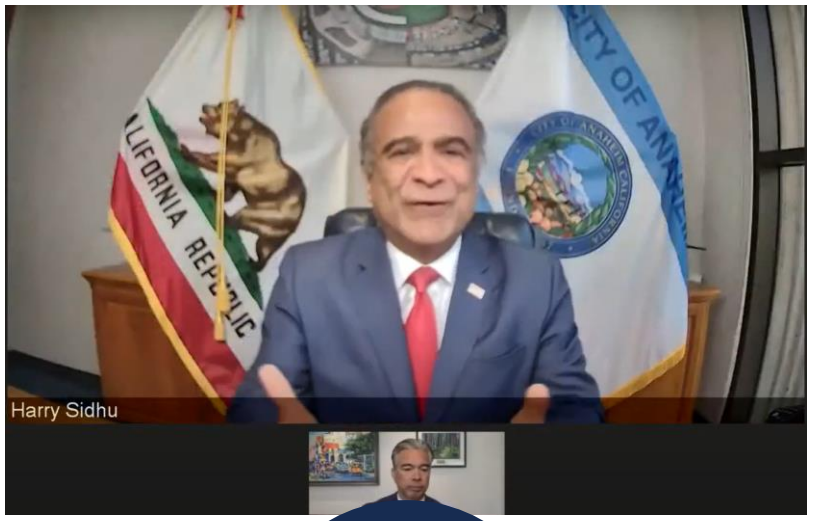
Attorneys for Petitioner
PEOPLES HOMELESS TASK FORCE ORANGE COUNTY

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF ORANGE

PEOPLES HOMELESS TASK FORCE ORANGE COUNTY, Petitioner/Plaintiff, v. CITY OF ANAHEIM and DOES 1 through 10, Respondent/Defendant, SRB MANAGEMENT COMPANY, LLC Real Party In Interest.	Case No.: 30-2020-01135406-CU-WM-CJC **VERIFIED PETITION FOR WRIT OF MANDATE, INJUNCTIVE AND DECLARATORY RELIEF FOR VIOLATIONS OF THE RALPH M. BROWN ACT, CALIFORNIA PUBLIC RECORDS ACT, AND CALIFORNIA CONSTITUTION, ART. I SEC. 3(B), WITH EXHIBITS A THROUGH S.** Judge Derek W. Hunt

PROGRESS … THEN REVERSAL



MARCH 2022

Judge denies all claims in lawsuit contesting city's approval of stadium site sale

APRIL 2022

California AG, Anaheim announce resolution to Surplus Land Act dispute

MAY 2022

FBI releases affidavit; Anaheim voids 2020 Angel Stadium agreements

STILL OUTSTANDING

- $5M claim against city for voided deal
- City plan to build fire station on stadium site



ARENA EXPERIENCE



HONDA CENTER

- 2018 city land sale, management agreements
- Anaheim Ducks leadership purposefully worked with city staff
- More traditional negotiation
- Paid for city-incurred outside attorneys' fees
- Successful deal led to OCVibe development



OCVIBE

- $4 billion transformational investment
- Entertainment, hotels, dining, offices, homes, affordable housing, parks, open spaces
- Early work underway, major groundbreaking fall 2023
- Major completion expected by 2028 Olympics