COMMITTEE AGENDA TOPICS

I. Subject: Carolina Theatre
Action: As requested at the November 1st Committee meeting, staff will share details of a proposal from the ARK Group for the purchase and redevelopment of the Carolina Theatre site. Representatives from the ARK Group, CMP Carolina Theatre LLC, and Foundation for the Carolinas will be on hand to answer Committee questions, if necessary. Staff will also respond to Committee questions regarding a method for establishing guidelines for a renovation of the theater.

II. Subject: Business Investment Program Revisions
Action: Staff will share the final recommendations for revisions to the Business Investment Program. The Committee may take action for a recommendation to City Council for consideration at its December 10th business meeting.

COMMITTEE INFORMATION

Present:	James Mitchell, Patrick Cannon, David Howard, LaWana Mayfield and Warren Cooksey
Others:	John Autry, Andy Dulin, Patsy Kinsey and Beth Pickering
Time:	11:30am – 2:35 p.m.

ATTACHMENTS

1. Carolina Theatre Update Presentation
2. ARK Group Carolina Theatre Proposal
3. CMP Carolina Theatre, LLC Letter Dated November 12th
4. Foundation for the Carolinas Memo Dated November 16th
5. Business Investment Program Update on Q&A from September 27th Meeting
6. Recommended Updates to Business Investment Program

DISCUSSION HIGHLIGHTS

Chairman Mitchell opened the meeting and asked everyone to introduce themselves. We have two items on our agenda today and I will turn it over to Mr. Kimble and let him introduce those items.

Kimble: Thank you for the opportunity for staff to come back to you today at the direction of the Committee on two issues, Carolina Theatre will be first and probably a majority of your time will be spent here because you asked us to come back with an additional proposal that has been made to us and also to discuss from staff's perspective where we believe we are after getting more information on three proposals. In addition, the Business Investment Grant Program, and you've probably had three different meetings on this to tweak the Business Investment Grants. We would hope that you would be in a position to make a recommendation on that one today, if we do indeed get to it. You have a large number of items in the cue in the Economic Development Committee and if we are going to

make progress on a lot of those, we need to work expeditiously to get some of these items that are backed up and the Business Investment Grant Program. I think this is the fourth look at the tweaks on the Business Investment Grant Program. Brad Richardson is going to make most of the presentations. We've received the ARK proposal that you talked about at your November 1st meeting and then he will update you on some of the other proposals that are out there and then maybe a discussion and questions from you and then you deciding what the path forward is on the Carolina Theatre.

Richardson: Just for the sake of consistency with the previous proposers, I would like to take about five minutes, spend some time with you on the ARK Group proposal. If you recall, we did this back on August 16th with both the Foundation's proposal and CMP Carolina's proposal. I will talk a few minutes about Mr. Lazes' proposal and he is available for questions and answers if you would like. I would also like to tell you what is at your place in front of you. I'm not going to show Mr. Lazes' proposal consistent with the way we handled it before, but it is in front of you. We've also included at your place a letter received by Jim Donnelly, CMP Carolina, among other things adds $250,000 to the purchase price, so their offer is $250,000. I have also included what was sent to me this morning by the Foundation of the Carolinas. It is not a material change to their offer necessarily, but I read it through briefly and wanted you to look at it. It shows some renderings of the interior of the theatre they propose as well as the site development. I wanted you to have that as well. We have representatives here from each group if you have questions, we can certainly take those as well.

Let me first spend a few minutes on the ARK Group proposal and then if you would like Mr. Lazes can answer some questions. I'm going to talk about three things, one is the stated goals, the offer and then what is the site plan that you'd be interested to know. The stated goals are generally summarized and I have tried to use the proposer's words if at all possible, but they list these key goals. Reclaim an important corner; activate a space that has been vacant for years; preserve it for public benefit; capitalize on the air space to maximize tax revenue; place all the property tax back on the tax roll and activate the entire block with partnerships with neighboring hotels and restaurants. So the stated goals are not dissimilar to what you have heard before.

With regards to the proposal, as you saw in the initial e-mail from Mr. Lazes' business partner Noah, $500,000 purchase offer. They would be responsible for transfer of title for all the property taxes and all the insurance and all the maintenance of the currently born by the City insurance and maintenance. Return the theatre to public use. They also envision office, residential and retail facility on the site and similar to the other proposals, they request no additional funds from the City after the site has been conveyed. The next two slides, the first one talks about the theatre, the second one talks about the full site development. The Carolina Theatre's envision, and these are Mr. Lazes' words, I'll read this verbatim. "Certain elements such as balconies, opera boxes and other important aesthetic elements will be identified and preserved in keeping with the character of the original theatre". There is a statement regarding the use. It may include an Art/Independent film movie house; lectures, town hall meetings, civic dialogues, small performances, etc. musical theatrical and dance performances, office, retail, food and beverage. The last slide I will share with you and then you can certainly ask questions about the full proposal. What would the full site development look like? The space in front of it, currently the pocket park would be used similar to the other proposals, as an office, residential, retail facility. Key retail on the street frontage and could be occupied by a combination of for profit and not for profit tenants. Obviously, privately developed and privately funded and goes back to the

statement of no more public funds requested. You have Mr. Lazes' proposal before you. It speaks a lot more than I did about the qualifications, about past performance, the types of business that the ARK Group is in. To be fair, I didn't try to qualify those as I didn't with the other two as well and you can certainly refer to those in your questions as well. I will take questions on what you have heard, and we can open it up for questions between you and the ARK Group, recognizing we've got some more information in front of you from the other proposals as well.

Mitchell: Committee and Councilmembers that are here, you have the presentation in front of you. Are there any questions?

Pickering: Just interested in the key retail component, wondering what you've got in mind for retail.

Lazes: This is exactly the third phase of the development which would involve the activation and development of an office tower on the vacant land. The idea is that this office building would have several components to it. The upper floor would be a combination of for profit and non-profit uses where some of the non-profit uses would be subsidized by a specified grant and they would include groups that we think in all cases have involvement and participation support of the Charlotte tourism and Charlotte community activities so we would reach out to Center City Partners, the Chamber of Commerce, Arts & Science Council, other civic groups and public groups that would have office space as well as for profit companies, but again ones that are related to communications and media. It might be public relations firms, Internet companies and that would populate the upper floors of the office tower. The ground floor, in order to create some vibrancy and contribute to the street level activity, would have some kind of retail component whether it would be a coffee shop or a small restaurant. It would certainly have something that could create traffic because even if the Chamber of Commerce or a Charlotte tourism group was involved in some of the other activities on some of the other floors, we would want to create some vibrancy off the street.

Pickering: How many floors are you talking about?

Lazes: Initially we are thinking it would be somewhere between 12 and 15 floors.

Howard: First of all, I want to acknowledge that you guys have absolutely done a fantastic job at the Music Factory. I had a chance to attend a meeting that actually utilized the whole facility. I had been in one of those, but never been in all of them at one time, which was extremely impressive. That is why this introduction of you guys into the process is kind of confusing to me because I kind of already knew where I was going and now this makes me go backwards and want to ask some questions. Knowing that you guys have done a really good job with the entertainment industry here in the community, tell me how this would be different from what I saw at the Music Factory? Are we talking about a mini Music Factory or are we talking about a restaurant or club? What is that atmosphere? Whether eventually it is the Foundation of the Carolinas that gets this building or not, they are your neighbor and I think they would care a lot about what is happening beside them. You are right across the street from the Public Library. How do you fit into what is going on with that civic feel in that area already?

Lazes: That is a good question and in terms of the Foundation of the Carolinas, I will disclose with permission of Michael that we have had some discussions with them very recently about collaborating

with them on this project. We think they are obviously a real important part of that community. I just want to point out that in the development of the Music Factory, which was a terrific example of a successful public/private partnership that Mr. Kimble was so important to in all stages of it, and yet one that has not cost the City or County one penny. We did it all from private funds. Our experience in terms of taking buildings that are run down and dilapidated, the Music Factory was actually on a hazardous waste dump site when we purchase it. It is now on the National Historic Registry and has been awarded awards for excellence in historic renovation. We have an extremely strong track record in taking old buildings and restoring them, a terrific relationship with the City, State and the Federal government on these projects. We have a track record not only in Charlotte but in Miami Beach where we renovated a historic theatre and also in Philadelphia. Our roots are pretty deep there. We also have strong management experience in terms of multi venues and entertainment projects. This project is quite different. It is so important that this project be civic and community-based. We envision this project, for instance, in the very first stages of this project, we are reactivating the park and creating performance areas in the existing park, whether it is music or dance or poetry readings that we create excitement going on in the existing park. After we renovate the theatre, the plan is to have a combination of for profit and not for profit events. We would allocate up to 50% of the events to non-profit use whether it is Foundation of the Carolinas or Arts & Science Council or other community-based groups that have events, lectures or workshops or performances. We would share the use of that space at no cost to those groups and that is something we have discussed with the Foundation of the Carolinas because they have been so successful and have hundreds of events that they have in their building successfully, but they don't have a meeting space where they can have a combination of those events that is big enough for that so we would make that space available to them. We would compliment that in both on the existing, after renovating the theatre and making it available to both public and private events. We would do the same thing on the office tower where the office tower would be populated by a combination of for profit and non-profit groups. We would reach out to groups that particularly have a charter to promote and create visibility for Charlotte, Center City Partners, Charlotte Regional Partnership, Chamber, Foundation for the Carolinas and other groups that are motivated and involved in creating the destination that Charlotte is rapidly becoming. It is a completely different type of use than the Music Factory, which is primarily a commercially-based entertainment theme program.

Howard: That is 50% of the events so 50% of the events are kind of exactly what everybody else has said they would do with civic use. The other 50% of the time that it would be rented out for other things, again you are saying it is different from what you have, but in the write-up you mentioned Live Nation. I think that is the name of the group that books concerts. If they were to take this over and book events there, what type of concerts would be different from what you do at your amphitheater or what would be done different actually in all the facilities? Now you are kind of adding another entertainment venue that now is on part with Spirit Square, Blumenthal and the Arena. What is that niche that it fits that is different from what we don't have already with the Knight Theatre and everybody else?

Lazes: That is an excellent question and it is a niche and our relation with Live Nation is certainly an important one and it goes deep. My personal relationship with them is over 30 years now, even before they were a public company. We rely on them because they are the biggest talent promoter in the world. There is a niche in terms of the type of performance. People like James Taylor, Bonnie Rae, BB King, they play what is called historic be the tours and they don't play at clubs. They don't

play at performance theatres such as Blumenthal, but they play at historic theatres and most cities have historic theatres that provide that. It is a little more informal venue. It is more of a flex space. We would design a space so that the seats could be removed so if you wanted to have a dinner with BB King and have dinner there, we would put round tops out on the floor and we would be able to promote that as a different type of event. The demographics are slightly different. They are a little older than what you would see at some of the other events. There is a specific group of entertaining performers that want that in the theatre setting but also want an informal setting that bypass Charlotte. We are not robbing Peter to pay Paul; these are performances that just don't play in Charlotte. Then of course there is dance and musical theatre and performance theatre as well; it wouldn't just be music. It would be a well-rounded smorgasbord of all kinds of different kind of entertainment, both locally based and national groups.

Mayfield: The comment you just made regarding flex space and removable chairs threw up a little flag for me because if what we are considering from all the proposals is restoration to what level of restoration, I'm going to have some questions from staff to see how feasible it is to get back. I'm concerned with the idea of restoring the theatre to its former glory, having chairs that can be removed and what other flexibility is going to be utilized in this redevelopment in order to identify those events that is going to help produce a profit.

Lazes: We are fastidious in terms of the detail that we go to in terms of historic renovation and welcome you to come by the Music Factory. We will show you some of the behind the scene things down to the trim on the windows. Every single detail in order for that to be on the national historic registry and to conform with the park service that controls that and the Historic Preservation Society, both locally and in the state, every single one of those details is carefully analyzed and then orchestrated. For instance, the seats will be the same seats that you would see in a historic-renovated theatre and you won't be able to tell the difference except they will be designed in a way that they can removed. In fact, if you look at the seats at the amphitheater that we have, those are conventional amphitheater seats but they also can be removed. We are not talking about folding chairs, we are talking about the right proper theatrical seating. I think two of the things that distinguish our proposal from the other alternative is that we are completely self-funded. We are not depending on raising money. We have no debt; we are internally funded and if we are awarded this project, we are going to start immediately. Our experience in terms of being able to do the renovation in a proper manner in keeping the historical guidelines and then to operate it officially and in a manner that is in keeping with the goals of the community and civic based groups, but also be profitable so that it can stand and doesn't need any funding from either the City or the County.

Cannon: Knowing and understanding your proven track record in preservation, I almost wish we had you in NoDa doing some things there.

Lazes: We tried and were not successful.

Cannon: I'm glad that what you are talking about is going to be self-funded and that there is no plan, and I hope we would have it in writing somewhere that there would not be an opportunity to ask for additional participation and/or handouts from the taxpayers, and that is directed to staff more than anybody. I don't want to get into your profits. You understand your bottom line better than I would because you know your business, but I do want to ask you a question with regards to the skin of the

building on the exterior and what that might look like in the way of your design. I know that we had seen a design from another interested party that laid out one thing and I have gotten with them and we've talked through some other issues, and you've made some suggestions that I think have been well received to help blend with the fabric of what we have in and around that area. Can you explain to us how the exterior might present itself?

Lazes: I think in general that would be our goal to make it blend with the other buildings that are in that neighborhood and we would use building materials that would be complimentary to that in terms of the specific material we would use. I have to leave that up to our engineers and architects, but certainly they would be charged to make sure that what they use was complimentary to the existing neighbors and also in keeping with the historic renovation.

Cannon: In the meeting, you said you had been engaged with the Foundation of the Carolinas. Have you seen their renderings at all?

Lazes: No I have not.

Cannon: I would ask at some point that your attention might be drawn to that a little bit by them with you as you all continue to have levels of discussion. Where are you all in the wake of your discussions now?

Lazes: I will make it very clear. We have not reached an agreement. We had a meeting with Michael and Laura and we asked their permission to disclose the fact that we've had that meeting. They agreed to let us do that? We have proposed that we establish a joint agreement where they would take ownership of the theatre and the theatre would then not be on the tax records and that we would propose that we would oversee the historic renovation on a fee basis at market rate so it would be a competitive agreement. That we would fund the construction of the office tower and work jointly with them to populate the office tower again with for profit and not for profit tenants and whether or not for profit tenants would be subsidized. Then where a portion of the profits from the operations of the office tower were then used to subsidize the operating deficits of the theatre. Their response was that they would like to continue a dialogue with us, but at this point, they were interested in maintaining complete control of the property, both the theatre and the office component. In that scenario, the project would be subdivided so the office component would then go on the tax records and be deeded to the ARK Group, with the understanding that a portion of those profits would be allocated to the operations of the theatre. At this point, they respectfully declined to form collaboration with us but we both agreed to continue the dialogue.

Cannon: That makes sense. It is early on right now and everyone is just trying to get a feel for what makes the best sense going forward. Did I understand you to say that the theatre would not be on the tax rolls?

Lazes: Only in the event that the proposal we made to the Foundation of the Carolinas and at this point that proposal has been declined. Our proposal is that all of the property would immediately go on the tax rolls and immediately we would fund the payment of $500,000 to the City and we would immediately start the process of designing and doing the renovation of the theatre.

Cannon: That is why I wanted that clarity.

Cooksey: In the presentation you stated you would start immediately, what is the estimated timeline for being finished with what you are proposing? One of the things I'm trying to bring to measure this is from the time the Council makes a decision to when things are done and the building is wherever it is going to be based on the proposal. How long do you estimate that to be?

Lazes: I would estimate the entire project three to five years.

Howard: In an arrangement that you proposed, how important is the theatre to you? Is it the site or the theatre that really interest you the most? I noticed in the proposal with the Foundation you said that you would be willing – I kind of thought it was dates and in that scenario would you still have 50% and nonprofit and you would still be programming the historic concerts that you talked about. In that situation, would they run it and it would be up to them whether or not they did some of that? Your proposal with the Foundation sounds like the theatre is not as important as the site is to you.

Lazes: The theatre is critical to the site. I think the synergy of the civic and community-based events that take place in the theatre is what generates excitement for the whole project. I think the whole project is designed to be a community, civic and media communications hub, something Charlotte needs something that is really important to great cities. That is why the mix of for profit and non-profit groups, young entrepreneurial companies, communication-based, media-based companies and the performance area in the theatre are critical to cataloging that whole corner.

Howard: Actually that is where your proposals sound a lot alike because I don't think they were thinking that the office building wouldn't be a for profit. I'm trying to hone in on what is different between the two so in that scenario, for instance, would that still be the same program for the theatre, it would be half civic, half concert series that you mentioned and the historic thing? That would still be kind of the same thought process?

Lazes: There is really not any competition here. The beautiful part about this project is that the more people that come to the table the better it is and the more support it gets from the community. In an effort to find that constituency, we reached out to the Foundation for the Carolinas and suggested that might be a way that we could team up together. The only difference would be that they would steer the civic portion of it for us and we would still be involved in managing the theatre, operating it, maintaining it, all the things that we do on a daily basis.

Howard: They would do that at a per fee for you?

Lazes: Yes, again based on the normal market base fee, but the Foundation would spearhead the civic part of it.

Howard: Because they already have a major asset right beside this building, they are either going to be involved with steering us or what happens with it if it is somebody else or if they will be talking the lead in doing the same thing. They are kind of a major player in this one way or the other. We talked about what standard we were going to use and joked about using a "Patsy" standard last time, which

I'm still okay with. Have we gotten anywhere Brad or Ron on what that standard of historic preservation would be?

Kimble: Brad has been doing some work on that and we wanted to share that process with you.

Richardson: We reserved some time at the conclusion of the Q & A for this, but we can certainly do it now. Peter Zeiler who works in our office, we both have been working the phones a little bit over the last couple of weeks to answer that question. It is a hard question, what level of restoration or renovation would be appropriate so you could guide the future owner of the theatre. You've made it clear, at least at the Committee level that you want to preserve the theatre and see it back in use. We've talked to the National Historic Register, we've talked to the State Historic Preservation Office, and Patsy gave me the contact of the Greensboro theatres which have been renovated. We've got five companies that we think could do this. We don't have the expertise in-house to advance your question. We think we could go off and do some work and be back to you in the middle of January if we don't do an RFP, but if we sole select a company to do this, if you are interested in moving that quickly to try to answer that question, and the question is simply this, when you sell the theatre to a third party, what level of restoration might you require as part of that sale? We couldn't answer it today, but we've got a process in place to do it.

Kimble: You would need this information no matter who you did business with that there has to be some agreement in advance on what level of renovation and restoration so that there could be very few questions. You may still have some questions, but you will have most of tagged what your expectations as a City Council because the Committee will make a recommendation ultimately to the Council, but it is the Council who will have to agree to the standards to which it would be renovated or restored. We believe we need to go forward as a staff and work on that because that is an important critical question.

Autry: You mentioned bringing in historic theatre tour and my question is around bringing shows into the theatre, traditional shows that you are very familiar with in your current operation. Hasn't the load in possibilities to a back state area been compromised by the development behind the theatre property? How would you deal with that with the trucks having to pull up on 6th Street and load in and load out along those lines?

Lazes: Yes, that is exactly what we would do. We would load in off 6th Street and it does involve a higher labor component because it doesn't have a conventional load in platforms, but a lot of the historic theatres are cumbersome that way and there are always tradeoffs. A lot of times the performers that want to play historic theatres are performers that play much bigger venues so they might play at a coliseum or arena with 15,000 to 20,000 people and they are doing an acoustic tour or a small tour or solo tour and they tolerate those kinds of deficiencies in terms of process in order to get close to their audience. It is an economic factor and it ends up in a higher labor costs because it is harder to get equipment in and out and it takes longer for set-up, but that is one of the things you have to put up with if you want to play these types of buildings.

Kinsey: Are we coming back to the consultant afterwards or are we going to discuss that now?

Mitchell: After the presentation if you don't mind.

Kinsey: No, I don't mind at all.

Cannon: Could you give us some clarity on the seating for this historic mid-size theatre? Previously, was that around 1,000 or 1,100 seats and is the idea to remain at that same level?

Lazes: We were hoping maybe to get up to 1,200 seats.

Cannon: Up to 1,200 seats, which that fits in the existing mix of the venues; 2,100 which would be some of the flexible space that could potentially occur per one of the documents that Ms. Kinsey has provided us.

Kinsey: It came from the Carolina Theatre.

Howard: We could vote today Mr. Chair; we've got nine people here.

Cooksey: On behalf of Councilmember Barnes who is not here, I think I can say this would have been a great workshop opportunity.

Mitchell: If there are no other questions, I think we have questions on one of the other entities.

Howard: Let me start with staff. This doesn't look like a proposal anymore. It looks like a legal document; I just want to know where we are. Is this just a summary?

Donnelly: It is a summary. I certainly wouldn't classify it as a legal document.

Howard: When I start seeing documents like this it starts to concern me because I've seen a few of these since I've been on Council and this looks more like a legal document. This is still just in proposal stage right now?

Donnelly: Certainly, literally I could have said the exact same words in a lot of ways. Like we've reached out to the Foundation, we've reached out to Rick; everyone is trying to work together. Everyone is trying to come up with a proposal and everyone has sort of gone in a different direction based on their group's own interest and we recognize that. There was a process that was originally set up and I think that process has gone a bit sideways to be quite honest with you. We articulated that in a letter. We also agreed to add some additional money to our offer. We view our offer as a $500,000 offer as well. We don't view it as a $250,000 offer because we have in fact already contributed $250,000 to the City.

Howard: That was not a contribution Mr. Donnelly that was a right to tie up the land which you did for six years.

Donnelly: I understand.

Mitchell: In fairness to Mr. Donnelly, if you look on page eight, he is making an additional $250,000 as part of his new proposal. I want to be fair to everyone so everyone clearly knows the proposal we have and if there has been any changes.

Mayfield: Ron, this is actually a question for you, staying on the same topic of this $250,000. How does that work if they had the initial amount out there, $250,000 and they had sole access to the property for seven years? Now we are in a new process, would this current $250,000 go toward the other to make $500,000 or would it be starting over?

Kimble: The $250,000 was money assigned to the option. The option I think was renewed, I don't remember how many times, but eight, nine or ten times and the money then goes hard and that money came back and is in the City's General Fund as the money that was allocated because the property was tied up for the six or seven years. The money has been in essence deposited in the City's General Fund. They are making an additional offer of $250,000 on top of that $250,000 which has already been deposited into the City's General Fund.

Mayfield: So is it technically just $250,000 or are we saying $500,000?

Kimble: The City staff would agree with Councilmember Howard's perspective that this was a fee for tying up the property for that many years and for that number of extensions of the option period.

Howard: I asked this question last time and I'm asking it again. How dangerous are we getting to the point where the process is changing to something else? Are we still kind of in that direct negotiated bid or are we starting to enter what should be an official upset bid process?

Schleunes: I'll give you the same answer I gave you last time. You have the legal authority to engage in this process however you choose. There is no contractual relationship that was established as part of the discussion with CMP. That agreement had expired and that meant that you were open to any available option that you have statutorily and as you know one of those is a private negotiated sale.

Howard: Even if it is with three people at one time? What should we be doing so that we don't wind up in a legal mess? I know what we can do but what should we do so that this is clearer than it is right now? There is nothing to stop this from all the way up to the date we vote for somebody to keep saying I'm going to give you $10 more, this could keep going.

Kimble: Staff would say the following; you now have three legitimate proposals on the table. They've come to you. We believe that we need with you and the Council to clarify to what level of renovation or restoration would we all want the theatre to be done. Secondly, we need probably a little bit more indication on we are having a discussion about money and how much money somebody would pay and then see the ability and experience and the expertise and the commitment to restore the theatre to the level that you established through a process that says these area the standards that you are going to use. It may be that you have different answers based on money versus restoration and how you feel so this is still an open process available through the private sale, but we probably need more conversation with where you place the emphasis and priority.

Howard: But what you've got right now is 12 people deciding on their own exactly what the process is to us individuals. I'll do that if that is what we are getting ready to do, but what is to stop four more people from sending us proposals between now and the end and do we start over every time. As long as there is no process, there is no deadline, we are not taking anymore, it is just these three. As long as there is no process in place, we could really go all the way to the day of the vote and still be getting proposals that could delay this. As far as I'm concerned, I could have come today and voted between the two, but now we are put off by another month or two and that could keep going and going.

Cannon: I would suggest to Mr. Howard's point, in order to stop the tidal wave, I think we should ask staff that we have an RFP process to bring back a process that will provide the proper terms of when proposals should be submitted, when that door should be closed and allow those proposals to be the final whatever they are going to be. To this point, which is a point I was going to make prior is that yes, the Chair and I were speaking about when does it end. When does it stop because even though there has been an offer of $250,000 in an additional payment to come to the taxpayer, I can see that being the case potentially with other interested parties. At some point, we have to draw the line in the sand so I would suggest that is one thing we do. Ms. Schleunes, did I understand you to say that there is an expiration date that CMP Carolina Theatre has with the City?

Schleunes: I'm not going to know the exact date but you will recall that about a year ago the last amendment to the agreement was about to expire and that did in fact expire. Therefore, there is no contractual arrangement or agreement between the City and CMP.

Cannon: The Chair pointed out that would have been around November 28, 2011. The reason I'm asking that is because I want to make sure and I think everyone's concern here, that we are operating in the proper purview legally and not get ourselves in any hot water and it sounds like that we are, that is operating in the proper place. I will just go back to where I started and that is we should establish a process of some sort or going ahead and asking staff to bring something like that back. Mr. Deputy Manager, is that doable?

Kimble: Yes it is. Staff feels that we need to move forward with talking about what restoration standards or renovation standards we need to use with anybody that we are eventually going to do business with. That is step one. According to staff, that is going to take until the middle of January to have that information back. As far as the proposals that are on the table, you could close it out now and say you've got these three. You could say we are going to give another week or ten days for anybody else, you could put something out there that says we are going to keep it open until January 15th. I think it is wide open when we are in the private sale process with historically preserving the theatre as one of the goals of the process.

Cannon: I would propose for consideration that we close out with the current parties that are at the table. I think we have some very capable individuals that have experienced background and the right ideas from my perspective about where I think we are trying to go with this, but it is going to be up to them to continue to formulate that holistically for us so that we can have something to choose in terms of selecting the right entity.

Vote: Motion by Cannon and seconded by Howard to close out the proposal for the Carolina Theatre with the current parties at the table, ARK Group, CMP Carolina Theatre, LLC and the Foundation for the Carolinas. The vote was unanimous.

Mayfield: My question was around the first part, but actually since Mr. Cannon changed the motion to close it out, I'm fine.

Mitchell: There is a motion to close out the proposals for the Carolina Theatre.

Cannon: Between CMP Carolina Theatre LLC, ARK Group along with the Foundation of the Carolinas, those said three.

Howard: My question is around close out. So Ma'am Attorney, from your legal opinion, would you suggest that we give any more time for other proposals or are you comfortable with the fact that we would vote on to leave it to these three? Is there anything that gives you any consternation at all that we shouldn't do this?

Schleunes: No.

Kimble: I believe you have three good ones. I can't tell you whether there would be another, but you have three good ones that have come forward for you to select from and we feel comfortable that there has been ample opportunity for others to have proposed during this past year.

Schleunes: You have no legal obligation to even seek proposals.

Howard: Alright, the next thing would be are we saying as the proposals are up to us today, or are we leaving the door open for them to say, I hate to say this, sweeten the deals because that happened today. Today, I'm not sure the Foundation knew that they were going to offer $250,000 more. Do we keep that going or do we say the proposals as of today or give them another couple days to say this is my final offer? The final offer stuff could really go on until we vote on this. If we are comfortable with that we can leave it open with that.

Cannon: Councilmember Howard, I would suggest that we poll the calendar and establish a deadline that would be of course longer than a couple days, but one that is doable, largely in part because apparently we do have entities that are still in dialogue with one another and may want to continue to have dialogue or not. At least it gives them an appropriate time to be able to act and determine where they want to land. I will yield to Mr. Kimble to help us with that.

Kimble: I would contend that you – this is such a big decision, that the full Council needs to make this decision and this is a recommendation from the Committee and I think we could load this early as next Monday night's agenda, November 26th, which is supposed to go out tomorrow night for delivery to you. If you are going to take this recommendation action, we need to get it to Council.

Howard: Council needs to set a deadline is my point. We've got to take it to Council to set?

Kimble: You can make a recommendation on the deadline and have Council set it.

Howard: But it is not an official action until Council votes on it in a majority of some sort, so it needs to be a date after the 26th is the point.

Cannon: We get to the 26th, but I think the Committee needs to be prepared to suggest a recommendation.

Howard: But it has to be a date after the 26th is what I'm saying.

Mitchell: Let's go to the motion and then I want to talk about what date. I want to make sure we are clear accepting the three entities that have made proposals.

Howard: I would like to ask for a recommendation in the motion. If for some reason that fails, I wouldn't vote to close it if we didn't put a date on it.

Mitchell: Let's tie both of them together and talk about another key party mentioned earlier was the restoration feedback. If you tie that in then if we give staff the ability to do the restoration feedback, they probably would need, with the Thanksgiving holidays and Christmas holidays, our first meeting is January 3rd, I will make a recommendation January 17th. We will allow staff to get the feedback for restoration coming back to us, therefore if you want to tie everything together Mr. Cannon, I would sake anything close to January 17, 2013 to be fair.

Howard: Because they would have gotten a full report on what the expectations are.

Kimble: Here is the dilemma that faces you and us. Technically, the three parties that have put proposals on the table are going to need to have benefit of know what the restoration and renovation standards are that they have to meet. You and the Council have to be assured that the group you select has that acknowledgement and understanding that is the expectation and the commitment they are making if you indeed select that proposal.

Mitchell: Staff with that feedback if the information comes back on January 17th, then that allows the three proposals to receive that input. We are talking about after our City Council Retreat, about the second week in February.

Kimble: A suggestion would be if we could have those standards back to you by your January 17th, does the Committee have the ability to set those or does the Council need to set those. Probably the Council has to set those things. Then you have to give a week or two afterwards to the firms to be sure that they acknowledge and they can meet those restoration and renovation standards.

Cannon: Mr. Cooksey and I have been looking at the calendar and it looks like the next Council Business Meeting is going to be January 28th so if you go with the 17th for Committee action and then you come back on the 28th for confirmation Council Workshop type stuff or a presentation to the body, at that point it will still be a few weeks later but will come back for the next Business Meeting to make some sort of decision.

Howard: It has to come back to the Committee too and we want to make a recommendation.

Mitchell: I think that is what Mr. Cannon was saying. We get the information on the 17th at our Committee meeting; we'll make the recommendation to the Council on the 25th for the full Council to agree.

Howard: On a particular buyer?

Mayfield: Are we going to recommend which Committee?

Mitchell: I think we need to make the recommendation.

Howard: So it needs to come back in February at the earliest?

Mitchell: I think he is talking about a decision for us to select. Mr. Cannon is talking about a date when we can stop accepting proposals so I think we are talking about two different things.

Cannon: We want that information to coincide with the information that staff is bringing back with regards to the information that the entities need to know about and be able to make their type of difficult problems as solid as they need to be.

Howard: Somebody help us because this is spinning out of control.

Mayfield: Are we going to set a dollar limit if we are going to say that we are going to see how much this restoration is going to cost. I'm at that place where whoever it is, as is with this condition of what we determine as restoration but I don't want us going out spending $500,000 to identify how much the restoration is going to cost. I know we need an idea, but do we have at least an estimate about how much this is going to cost?

Mumford: We think somewhere around $25,000 is an appropriate amount for that activity.

Mayfield: Which that will be the City paying that cost?

Mumford: Correct.

Kinsey: My comments a long time ago, except I really don't like us dragging it out like this, I honestly don't think it is necessary and I just have reservations about hiring someone to come in and tell us something that none of us may like. Then we are back to square one and if it goes to City Council, it is going to take forever because then there are 11 of us with an opinion. I don't know where the Mayor is on it, but there are 11 of us that vote. I just think the quicker we can move this thing, there has got to be a little bit of trust involved and you could ask five consultants and they might tell you five different things. I just think, in my personal opinion, it is time to move on. I know I don't have a vote, but I wanted to say that. I do think we need to have some trust that whoever is selected is going to restore that theatre to a certain historical level so that it can be used and appreciated and make a real contribution to that end of North Tryon Street. I just hate for it to keep going because it almost feels like we are going into sort of an upset bid.

Cooksey: This my gut check if I understand where we are motion wise and time wise. It sounds to me as though the motion for a recommendation from this Committee is for November 26th for the Council to take up basically A and B on a Request for Council Action. Item A would be basically limit consideration of proposals for the Carolina Theatre to the three parties that we have before us today, CMP, ARK and Foundations for the Carolinas, and item B would be charge the Economic Development Committee to make a future recommendation about the level of restoration that the City should expect in the Carolina Theatre. That would be the motion and the practical effect of that would be that on January 17th, the Committee would take up the question of what restoration standards on which Council could take action on the 28th of January, which then leaves open the question of what is the deadline for getting proposals from the three entities once Council on the 28th of January, if it does so, set the restoration standards for them to meet. Have I phrased that timeline?

Mitchell: I think Warren summarized it very well.

Howard: I wish Ms. Mayfield had finished her line of questioning because what she is actually suggesting is something different and makes some sense. When she asked who is going to pay for the study, she is saying why don't we pick somebody and require them to pay for the study. Pick one of the three and wait through that process and then we agree on who is going to do it and then we negotiate on what that is going to be.

Mayfield: Really the question that I was asking falls into the line of all three of these companies has already done a lot of this work. Two of them already have joined that help and render. I don't think that the City needs to spend money and delay the process any more by having this study. I don't see why staff doesn't just speak with the Foundation and CMP to see where they are. We need to identify to what standards, but they have already done the work and paid the money to see what it would cost with the idea of restoration. If they have already done it, it doesn't make a lot of sense for the City to spend money to go out and duplicate when we could just look at the combination of what they have and from there that would help determine what level of restoration we are saying. I don't think from talking with any of my colleagues that we are saying complete restoration where it has to be the 1927 molding, but what have they already discussed and determined in order to get the look and feel that we love in the preservation of the Carolina Theatre. If we are really trying to be physically responsible, if they have already done it, I have a concern of us spending money to do something that is already out there opposed to us just working with them.

Kimble: That is certainly your prerogative, but we were responding to the Committee asking us last time, you go off and you develop some way to determine to what standards, so we are responding to what the Committee has asked us to do, but you have the prerogative to do exactly what you said. You have two choices out there and we are just trying to respond.

Mitchell: Ms. Mayfield, I thought you brought up an interesting opportunity and I would like to get the Committee's feedback as well as some of the Councilmembers who are here. I think the difficult would be out of the three, telling one you have to pay the $20,000, but I think if you pick one the impression it would give, you are in the lead or you are the one that staffs wants. I think none of us want to do that. Just to be transparent, to me if you still want to save taxpayer dollars and there are three entities, you divide three into $20,000 and everyone pays $10,000 toward the cost of the restoration finding.

Mayfield: I hear that but what I'm saying is we look at the book that Ms. Kinsey has shared. We look at this proposal that ARK has done. We look at the proposal that the Foundation has done and we look at the proposal that CMP has done. They have already had some level of conversation where they've had people come in and look at the potential restoration along with the other stuff. The biggest piece that I hear us talking about is the theatre. The development and the other piece, that is a tag along but there is already conversation out there as far as what the theatre can be. What I'm saying is why not have staff talk to each of the three to see what joins and how much you are already anticipating this is going to cost collectively and either come up with an average or an estimate of the three, but knowing to what level of restoration is the CMP proposal, Foundation for the Carolinas proposal and ARK proposal and we make our decision based on identifying what level of restoration are we talking about.

Mitchell: I misunderstood. What you are saying is don't outsource spending $20,000 based on their three proposals.

Mayfield: Yes, let's utilize what they have and come to a conclusive agreement between the three.

Cooksey: I am inclined to be going in that direction given the amount of work, rather than and to Ms. Kinsey's point as well, continuing to drag this out. I think there is some merit to modifying the recommendation of the Committee to say we want restoration to be part of the proposal, but the level and detail of it we leave to the three contenders and that will be one of the factors that we take into account when we make a decision. The more I thought about the way this timeline works, the more we have to first create that level of standard for the three of them to adhere to. The longer this is going to take and I'm quite alright making it one of the variables that our three contestants have to deal with rather than trying to impose that from the get go.

Cannon: I think it has been said. We are going to make a decision on these things at the end of the day in terms of what we are looking to get out of this, but I wanted to make sure we heard what Mr. Cooksey was saying. He said this area; this element of preservation would be one of the variables to be considered as a factor. We have to send them a message about what we are looking for. Are the factors preservation highest and best use, along with what is in best interest of the taxpayers in terms of this bottom line or what. I think that is what you need to begin to ask yourself as we move this process forward. I just wanted to highlight that because as easy as it might seem, it is not that easy.

Mumford: Regarding the level of restoration, there is one standard out there and that is the Certificate of Appropriateness that can be received. You all could say whoever proposes must receive the Certificate of Appropriateness. Now there is a little bit of negotiation that goes on back and forth with the State Historic Preservation Office for developers to be able to receive. Beyond that, it really gets into what people might like, I'd rather have this. That is the one definitive thing that you could ask for, receiving that certificate.

Kinsey: Just based on what I saw at the last meeting, I would hope that the preservation level or restoration level is much higher than that. I think if we set that as a base that is one thing, but based on the pictures that we saw last time, I did not feel that was the level of restoration that we would want for the theatre. I think that the entities have done some work and I think they have heard what

we've said. I don't mind using that as a base, but it bothers me a little bit, just based on what I saw at the last meeting.

Howard: I think we are on to it. If we set that as a base then Mr. Cooksey is right, the one who gives us the most for the least then we can get it a bit quicker. I wasn't going to do this today, but since we are that point, I can tell you when you lay out those things that are important, the theatre and the land uses that go on with the rest of the site are the two biggest things for me. It is not the money. Just so everybody knows, you won't impress me by upping it that is not the part that I'm in it for. It is preserving the theatre as well as what the land use is and the rest of property and it fitted into that quadrant, which is what I was talking about earlier.

Mitchell: We've got a motion on the floor and we've heard a lot of discussion so let me try to bring all of this back together if I can. The motion on the floor was by Mr. Cannon to go back on November 26th to make a recommendation to Council on the three proposals we have received. It was seconded by Councilmember Howard and to close out any more proposals for this particular site. Are we ready to vote?

Howard: If we vote to recommend Certificate of Appropriateness being the base, if we add that to your motion we can set a date that these proposals cannot change now to day two, which could be two or three days after the Council votes on it.

Mitchell: Right.

Howard: So we could be finished with the whole thing right now so we said the 26th we report it out to Council. So that Wednesday or Friday, let's just pick one and be done with this.

Mitchell: I would say because of the December schedule and some of us won't be present, I would like to have the full Committee present. Let me suggest to move it up because I'm very sensitive to Ms. Kinsey, how is January 3rd, our first meeting in January where proposals cannot change. We could pick a deadline, someone pick a date in December to give them a deadline.

Kimble: There is going to be a conversation at the end about changing the meeting date of December 6th up to December 3rd.

Howard: Make it the 28th and we could make a recommendation on the 3rd.

Kimble: That you could do. You have the ability to recommend to Council what you are comfortable with today.

Mitchell: Councilmember Howard threw out that we say all proposals need to be in by November 28th. We are going to have a discussion to meet again on December 3rd as opposed to December 6th and we can make a decision on December 3rd. What is your pleasure?

Cannon: I'll amend my motion to accept.

Kimble: That would go to Council on December 10th. Is that correct?

Mitchell: That is right. Patsy, are you okay with that schedule?

Kinsey: Sure.

Cannon: Just by way of a head nod from whoever is representing all of the entities here, will that timeline work for you?

Mitchell: Mr. Cannon is exactly right.

Cannon: Essentially, you need to be able to get into a "hurry up" offense in overtime and win, but I think you need to prime yourself to have any other discussions that are going to be had with any of the other entities that are represented here today, determine where you all want to land, to be able to have that ready for this Committee and Council to be able to consider for future approval. Those dates are the 28th, the 3rd and the 10th.

Howard: Do we have another meeting in December?

Mitchell: Yes, the 17th.

Howard: Could we push it to the 17th?

Kimble: But some people won't be here.

Mitchell: Staff that is a Zoning meeting and this is a business meeting so will it be okay to add that at the back of the Zoning Agenda for December 17th?

Kimble: I think that is the recommendation you make to Council and Council has to say yes at the Zoning.

Mitchell: But you all are okay with that?

Kimble: If that is the way it goes, yes.

Mitchell: The motion on the floor on November 26th we will have a recommendation to City Council to agree to our timeline to accept our three proposals from the three entities for the Carolina Theatre with an end date of the best proposal December 3rd.

Kimble: Is that what it is December 3rd? I thought I heard November 28th for best and final.

Mitchell: November 28th close, December 3rd back to this Committee and back to the Council recommendation on December 17th.

Kinsey: I just want to make sure I understand. It is closed on the 28th, it comes back to the Committee on the 3rd, it is not going to Council until the 17th. There is really nothing between those two weeks that they could do.

Kimble: But one of your Councilmembers will not be here, and that was the sensitivity.

Kinsey: Will you be able to talk on the 17th?

Howard: I will be by then. I can raise my hand.

Mumford: The 28th is Wednesday, the 30th is a Friday. This is just going to be received internally. You all will get it back the 3rd. The Friday before the Monday you need it.

Mitchell: Are you okay with that staff?

Mumford: Well, we are just trying to give some more time to the folks here so they can digest what happens.

Howard: The only thing I was thinking, getting us something in our package on Friday so we can know what we are talking about on Monday. We need time but you've got to get it to us.

Kimble: You could say noon on the 30th.

Howard: Whatever the time is. My point is time to put in copy and send it to us. You'll have to e-mail it to us because we are in Boston.

Mumford: Did part of the motion include the Certificate of Appropriateness?

Mitchell: It did.

Mayfield: But it does not include the staff doing the study.

Cannon: So the motion is to include November 30th, December 3rd and December 17th. Also coupled with the Certificate of Appropriateness.

Kimble: As a minimum.

The vote was recorded as unanimous.

Kinsey: Just one quick thing. I collect cookbooks and I was going through my cookbooks looking for a receipt that I have lost and I found these three little cookbooks. They are called "Better Meals Cooking School" presented by the Charlotte News at the Carolina Theatre November 11-14, 1941. I was only eight years old.

Lazes: Just a clarification – In relation to the material, will we be asked to make a presentation as well?

Mitchell: Yes, on December 3rd.

Kimble: You want a presentation from each group?

Mitchell: Yes.

Howard: While we have all three of them, I've actually said to all three that I wouldn't engage until we decided a process. I'm ready now.

Mitchell: Let me say this, thank you for having a tremendous interest in something that is dear to the City and thank you for the Councilmembers being here because this is important work. I know there has been a lot of tension and a lot of frustration, but we try to do the best for the citizens and we appreciate your interest, and Committee, thank you for your attention.

II. Business Investment Program

Kimble: We are going to share short information about where you are in the Business Investment Grant tweaks and amendments and if you have questions, please ask them. If you are ready to take a vote today, that will be fine. If you are not, you are not, but moving this forward would be our desire.

Cannon: To your point earlier, we need to flush some things out in Committee because there are so many things in the pipeline right now.

Richardson: There is no presentation so let me direct your attention to some documents in your attachments. The first thing I would like to do is answer the question that Mr. Howard asked at the last meeting on this, then we will talk about five areas of improvement for the Business Investment Program. You've seen all of them so nothing is new. There is one little addition I will talk about when I get there. The first thing I will point to is answers to Committee questions from September 27th. Mr. Howard and the Committee asked are we missing an opportunity to help businesses that aren't able to meet the current $3 million investment threshold for the program eligibility. To help answer it Mr. Howard requested a chart showing the range of financial programs in the community, including incentives available from various state, local and federal sources for businesses starting, expanding or relocating to Charlotte. We've worked hard to try to answer that question because it is material to program improvement. We want to make sure you answer that question.

Howard: Given that part, I was looking for gaps, so whatever that spot is, is where a gap is?

Richardson: That is the question – is there a gap. I have taken the green from the State Department of Commerce. It is a chart I didn't develop entirely. I've overlaid on this chart the federal, state and local incentives which include grants and loans to show you and help you answer the question, is there a gap. Currently, when you do a Business Investment Grant at a $3 million threshold, this is where we currently are today, it will yield today's tax rate, about a $66,000 grant. That is why the Business Investment Grant bar starts around $66,000. That is this bar right here, so the question you ask yourself is, in order to lower the investment threshold less than $3 million, either one or two, you would be in this space right down here, making lower value grants than the current program approves today. The question is if a company comes into town with 60 jobs, 40 jobs, but their capital investment doesn't meet $3 million, do you want to have a tool in your toolbox that provides a

Business Investment Grant? For instance, $2 million investment or $1 million investment. This chart shows you what those grants would be. We've also contended, and the Council back in 2007 set $3 million for the threshold for the express purpose of at what level does the grant become non-consequential to the decision. For instance, a $1 million investment yields a $22,000 grant, but remember it is paid over three years and often it is a year delay because they have to move in, pay taxes and hire the people. We'd be paying in that scenario $2,600 per year to a company, the County would be paying $4,700 a year and after three it would be $22,000. So are we missing a gap? Perhaps, but is that the kind of incentive you want to have in your policy and the value of it on paper.

Cannon: Let's talk about that gap a little bit further. Can you tell the Committee how many entities might be knocking down our door right now to get in at these levels for consideration?

Richardson: Our policy is, we work with the Chamber of Commerce and the Chamber's opinion is this, often these office projects that have a very low investment, the only thing they are eligible for, if they have a moderate level of jobs, moderate being 40 to 80, is a One North Carolina Grant. It is typically a $1,000 per job so a 60 person headquarters could get $60,000 in One North Carolina Grant dollars; however, that $60,000 has to be matched locally. The tool that we use to do that is the Business Investment Program with a $1 million investment and 60 new jobs, we'd only be paying $22,000 essentially and we wouldn't meet their match so they would lower their grant to $22,000 and it is a smaller grant. Is that helpful? Kati could answer better the frequency of these types of projects.

Kati Hynes, Charlotte Chamber:
I would say the frequency of it happening is quite often. We do feel like these projects do fall through the gaps. Where it is especially disappointing is when it is corporate headquarters. The medium size corporate headquarters that are good strong companies but they are 40 to 80 people in their corporate headquarters and maybe $2 million in capital investment. What happens with projects like that is that these companies, if we were able to offer the incentives for them, like the situation that Brad gave, that company would get $44,000. They could go back to their board and say we are getting participation on the local level; we are getting participation on the state level and anything else that might be available like training or anything else that is out there for them. In our eyes that is much better than the company going back and saying we are getting nothing from Charlotte and maybe we should look somewhere else.

Cannon: What I want to make sure of is we are able to compete and not lose in the market place to other cities, particularly next door and more importantly over the border as we have experienced on another scale, the current scale we are operating off of.

Hynes: And make you offer that south of the border.

Cannon: They do offer it south of the border, so case in point. We want to put ourselves in a position where we are continuing to grow as much as we can relative to the tax base, job creation and an ability to some level of bragging rights to say to this country that we are open for business across the board and we are willing and able to compete to bring about those opportunities.

Howard: I think I heard two different things. Brad, you were kind of saying that maybe it didn't make sense because it was so small, so I'm glad we've asked you to come because I was getting

ready to back off of it. I think what we hear all the time is that small businesses are the most important piece to our economy. Then that doesn't coincide with Charlotte's policy of really recruiting a big business, which that is what the whole gap thing is and something was missing in there. Even if it is not the business incentive program, we should figure out something with that and I'm glad to know that you guys are saying that is legitimate because even if it is not through this program, we should do something. That is all I was really saying. Let's stop the reputation that Charlotte only wants the big corporate headquarters because that is what I hear in the community.

Richardson: I heard Kati say one thing and this is important for corporate headquarters so you have to be careful and follow this out. Having done this for a while, I certainly have an opinion about what is inducing a company to move and I don't discount at all what Kati is saying that they often like to see participation at any level, but the Council policy is that you asked staff to make an argument or a determination of whether the grant is inducing, it is meeting the "but for" the grant clause this project would not locate. We always hear that is an impossible question to answer entirely. We often base this is inducing the move by really the only thing you can use is the value of the grant. We don't dispute what Kati is saying, and in fact, that agree that many companies like participation. We would argue though that it doesn't meet your "but for" test, these small grants, based upon small investment, but we don't disagree with what Kati hears.

Howard: I'm not sure I'm talking about grants. It could be low interest loans. All I am saying is what we are doing in that territory of recruitment. If it is not investment that is significant fine, and I don't want us to get into being a bank either, but there just seems to be something lacking that we are not doing to recruit that level. Come up with an idea, I don't care what it is. Let's just stop giving those away I guess is what I'm saying. Those seem to be, come to Charlotte if you want to and figure it out. Whatever we need to meet so that Kati can say there is some local participation. I'm sure that doesn't have to be grants, it could be low interest loans, it could be technical assistance, but let's stop giving that part away is what I'm saying. If it doesn't fit in this framework, I'm not trying to force it. You said headquarter, but it is kind of making our rhetoric fit what everybody else is saying and we are also saying manufacturing is important to Charlotte and we want to make things again. We've got to make all those messages line up and right now they don't.

Richardson: The gap as the Chamber would define it, and we would probably agree with this is that there are not local incentives for office projects. They may bring jobs but they don't bring capital investment.

Hynes: They might not necessarily be small because we have companies come in with 125 jobs and $2.5 million in capital investment, not significant on the job size, but it doesn't meet the threshold of any incentives, the $3 million threshold.

Richardson: That is a good point and the distinction to manufacturers is they are always, if they are moving in, they are bringing with them a lot of equipment so we rarely see manufacturers who fall below the $3 million. It is the office company and it could be a significant amount of jobs, or small but there is no tax base increase from which to pay the grants. We could come up with some ideas in that space, in the context of updating the Business Investment Program which the whole point of this is new tax revenue, a portion of it back over a three to five-year term. It doesn't seem to be producing the mood in the past because of the low value.

Howard: You know this started when we were talking about … and already they have added branches and I don't know how we give credit for up-sizing. If we see something that is going to be a growing industry and have those indications, those are the ones that started this conversation for me. How do we stop giving those away?

Cooksey: Kati, what I heard from you was looking for participation from a grant perspective, looking for the check to be written. Councilmember Howard, I heard low interest loan or technical assistance. Is a check for a grant what they are looking for or are they looking for anything?

Hynes: In general, they are looking for the grant.

Cooksey: I wanted to test your hypothesis there and what I'm hearing is that an offer of low interest loans doesn't matter. An offer of technical training doesn't matter.

Hynes: Because they are comparing the package to other grants from competing cities.

Cooksey: Understood, I just wanted to make sure we were clear on that. I think if $44,000 makes a difference, I'm torn between whether they are saying well that is a joke, go ahead and write it and saying if a company can't make it to Charlotte without an initial $44,000, then frankly I don't have any confidence in their ability to succeed when they get here so let's not write them that check. I realize that it varies between the others. I'm not that enthusiastic about trying to find ways to expand the plan that don't have something tied to how it is paid for. I know I can't legally call it a rebate of property taxes, but it is a self-funding program and I can look people in the eye and say we are not giving your tax dollars to this relocating company, we are using their tax dollars to get them here. If we go beyond that, I don't know what I would say to people to try to defend the program so I'm not that enthused about this kind of change. Another factor in terms of lining up the holistic view of all we've got to deal with, there is a very real rat race concern here that we should face. I'll channel the Mayor and reference the capital investment plan in a way that he probably wouldn't reference. We keep having the capital investment plan discussion, it is based on the growth of the City and how we have not kept up with our growth and the infrastructure needs that we need to address to keep up with our growth so to talk about a program that expands bringing more growth to Charlotte when we can't pay for the growth we have, I think is a difficult thing to talk about.

Howard: That is a stretch.

Cooksey: I think it is also a stretch to say if a company needs $44,000 to succeed here then maybe we don't need that company here.

Cannon: The amount that a company might need can all be relative because different companies operate on different levels. I have a corporation, but it is not the same kind of corporation as Bank of America and yet guess what, we are probably percentage wise doing more hiring than the bank would be doing. We are smaller, but we are providing people opportunities to meet their physiological needs that must be met between housing and water and shoes to wear on their feet and cloths on their backs. So from where I sit, and it is probably different for a lot of us on the Council, but I pay close attention to the number of jobs. I'd rather have more jobs for people than being worried about the

level of extent of how much of a tax base I'm creating, even though I want to enjoy that as well. There are a lot of clerical jobs that will be laid off on the federal level when it is time to cut people 8% across the board, when it is time to cut 8% on the state level. Those people will be cashing out somewhere and it would seem to me that if we have an opportunity to be in a position to compete with where we know we are losing, we ought to be paying some attention to it. With that said, I would ask staff to go back and find a way to be creative beyond where we are to be considered of what we could do.

VOTE: Motion by Mr. Cannon and seconded by Howard to direct staff to go back and be more creative so we could be more competitive with the tools we have for the Business Investment Program.

Mayfield: The question I was going to ask falls in line with what Mr. Cannon just mentioned. Brad and I had a conversation that I wanted to share with the larger body, but I personally don't have a problem with that $3 million threshold for bringing a new company in, but I do think we need to look at that $1 million and $2 million threshold for current companies to give them an opportunity to expand their work force and be able to have an opportunity because that is one of the other reasons that we are losing some of these companies. It is because that carrot is being dangled for them to be able to cross the state line whereas we don't have anything really in place to help support them for the growth. I think that $1 million and $2 million threshold that we have some way outside of the loan programs that we have where we can help support those businesses and utilize those programs. I do agree with the motion that was made to look at how we can be more supportive, but I do want to throw out there for the Committee to consider that $1 million and $2 million that can go toward these companies that are in the position or are looking to grow right here and would bring more jobs for them to still be in that competitive market.

Howard: What I saying is where do we really fill in these gaps that would be nice. They rent office space and they employ people. These places that have 2,000 or 3,000 square feet, what are we doing? This is really more about me asking for analysis of where the gaps seem to be and what we are offering. I don't think the City should write a bunch of small checks, that is not what I'm asking. But what do we do to compete as a community in those spaces is really what I want to know. If it is not grants and it is something else, tell us, but today we are just kind of saying we only care about the Chiquita and we've got to stop that.

Cannon: I would like to reinstate the motion to direct staff to go and look to establish creative ways to help us look at how we might be able to incorporate within the Business Investment Program a way to incent companies on a different scale than where we are today.

Richardson: I could make a suggestion. Our practice for a couple years now is to say no only when it is clearly violating a policy in a significant way. Our practice has been often in a Closed Session environment to bring you one that may not conform if it is close. I would suggest that going forward that is a position we could take, with some small capital investment, but where the Chamber says this is an important project for us, we could evaluate in the context of your policy, which is still revenue neutral, we are only granting back a portion of the new taxes, all be it small to make a North Carolina match. We could continue that practice and it wouldn't require a policy change is what I'm saying. To Ms. Mayfield's point, which is a good one, we have when I talk about the five areas of improvement; one of them is trying to do better with retention. We know that South Carolina does a lot of different

things so we are recommending adding a couple of years to the term, but if you desire, we cannot only bring you those that are close, but don't quite meet the investment threshold if the Chamber thinks there is a significant reason to do so and it requires a local match. We could also examine for existing businesses that meet a $2 million threshold for instance or a $1 million. I like the first better, if it were me. If it is close and if it is Chamber supported and needs a local match, bring that to you in Closed Session and let you decide.

Howard: How many would Brad not even see just because it didn't even get close? They may say this one would have been a nice one, but this doesn't even get close.

Hynes: If it gets close, I try to make Peter and Brad aware, but it has got to be like $2.8 million or something like that.

Howard: I think it is worth conversation is what I'm saying. Just to go back and see what you have not even brought forward. I think what you have been doing is find and I don't want to change that but I'm talking about that space Mr. Cannon is talking about, the one we never even hear about.

Cooksey: One of the things we are lacking is some context; we've got anecdotal discussions being made. I'd be interesting in seeing where Charlotte has been ranking in terms of job growth, in terms of numbers compared with other cities and growth rate compared with other cities and where the forecasts are for Charlotte's job growth compared with other cities statewide, nationwide, however you want to slide and dice that. I think one of the things that should be a factor in our decision about what to do with our incentive policy is do we need to bring in more jobs based on how we are performing with other cities or are we already performing pretty well in job creation. Some data on that would be very helpful.

Howard: In addition to what he is asking, I would like to see it by the size of companies. Given what you just said, it would be great to know what the big number is but if we are hearing the small business is the backbone and we are not growing in that area, than that doesn't help me.

Mitchell: Staff we gave you a lot are we okay?

Kimble: You are. I would also make another observation. The Business Investment Grant Program is designed to offer a monetary incentive to compete against other areas of the country and other areas close in that we are competing against. You also have to have a nexus. You've got to have a revenue flow in order to give back a portion of it to the business as an incentive. If there is not a revenue flow, then it is hard to come up with something to give back to them when the issue is cash to be competitive. It may be the question you are asking needs to be more carefully thought out outside the confines of the Business Investment Grant Program and more in a small business growth and development program.

Cannon: Let's try the notion of business in the context of Business Investment Grant structure and look at it from a totally different scope.

Mitchell: Is everybody okay with that?

Cooksey: I'm always open to information.

Kimble: We will continue to bring the ones that are close that might not meet the policy, but there might be an overriding reason to make sure that we are competing for those just like we've done in the past inside the Business Investment Grant but that work in a different way on the other companies.

Howard: If we are going on this one, I'm going to recommend that we move forward. We need to finish Mr. Cannon's motion.

Mitchell: Mr. Cannon made a motion, Mr. Howard second it, all in favor say yea.

VOTE: Cannon made the motion to direct staff to go and look to establish creative ways to help us look at how we might be able to incorporate within the Business Investment Program a way to incent companies on a different scale than where we are today. Howard seconded. The vote was unanimous.

Mayfield: We just moved to move forward, are we not going to go through the rest of the conversation? There is a specific piece where Brad and I had a conversation. When you look at this breakdown and you go over here between that one and $25,000, you are looking at personal savings friends and family, microloans and home equity. I attended an event last week at the Sheriff's Department and I don't know if anyone around the table has been to the Children & Family Services Center. When you go into that little coffee/movie kiosk, you have women who were formerly incarcerated, they buy the cart, legitimate small business. It is about $7,000 to purchase the cart. We don't have a program to help with that type of small business even though that is a viable small business that we are starting to see more of, but we don't have a category for that $7,000. They might not necessarily qualify for a microloan, but through the City, we don't have anything. This is time for me to ask the Committee to see, while Brad is already researching ways for us to expand, but we are talking about small business and we are looking at what we recently approved with our start-up and making sure that they have a real place for discussion. Can we also charge staff to look at possibilities within our City programming where we can help with small businesses that fall in that category? Because it is helping people get back to work and there is a community component to that.

Kimble: Similarly that is the kind of thing that I think is more appropriately handled in an analysis of your Small Business Program instead of in the Business Investment larger scale.

Mayfield: That is what I wanted clarification on while we were around this table.

Mitchell: Ron, as you come back to this, talking about SBE, Mr. Cannon and I were talking about this and Ms. Mayfield touched on it, but let me give you my small vision. People always ask the question, we give money to outside companies and we don't expand with them. Prime example, I think coming back to us, look how do we expand our local SBE so Brad I've got one that makes Patton over in Third Ward. I would love to build out my warehouse and I could add 19 additional people paying them $57,000 per year. I had no tool to give to him so he could expand and add 19 people. When you come back to us staff, kind of think that way, how can we really help our SBEs expand their capabilities in the City of Charlotte with additional jobs.

Cooksey: In response to that, I would like to reiterate the Deputy City Manager's part about revenue stream. If anyone came to me about you can give so many millions to Chiquita, I would say yes, we are giving them money that they are going to pay to us when they get here. So if that is what this small business is looking for from the City, then my question would be what is the future revenue stream that we can get it back from. That is the key question for all sizes from the single individual buying a cart of something up to a company of 600 to 800 jobs, what is the revenue stream from which we will get the money that we are going to write a check for. I appreciate Ron you reminding us much more succinctly than I could have otherwise put it, but that is the core issue here.

Mitchell: I think it is a fair discussion, but where I would differ from Warren, I don't mind having that, but bring it back to us because it might be a whole different model. We have heard loud and clear and we know SBEs are going to drive this economy and yet we need to have a tool to say we can assist you in doing that.

Cooksey: At the risk of going off on too much of a tangent, mindful of the time, I don't know if it made it through Friday's process or not, but this Committee might find it interesting. One of the proposals that might work its way through the North Carolina League of Municipalities is legislation that would extend the flexible bidding provisions applicable to downtown development projects to development projects within economically challenged neighborhoods within municipalities. That is something that if it made it through and we will keep up on that, that might be something of interest because it was statutes that essentially exempts projects in a central business district from bidding statutes related to public contracts for municipalities contributing no more than 50% of the cost of the project. The proposal was to extend that exemption to economically distressed areas outside of the central business district and given our focus on business corridors, that might be another tool that comes along that isn't directly addressing the small business growth process, but in terms of what we as a City are doing in distressed growth corridors might be helpful in another way.

III. Next Meeting Date

Mitchell: Our next meeting is scheduled for December 6th. We need to change that if we can. Mr. Howard has his surgery and Mr. Cooksey wants me to go to Seattle. How is December 3rd, which is a Monday at 1:30p.m.?

Mayfield: I have a meeting at 1:00p.m.

Mitchell: You will be through by 1:30p.m., it is only 20 minutes.

Kimble: There is a Transportation ahead of this and a Governmental Affairs immediately after at 3:00p.m. Lastly, I don't know if you ever took a vote on the Business Program revisions, you made a motion but did you vote?

Mitchell: All those in favor of the Business Investment Grants say Yea. Any opposed?

Adjourned: 2:35p.m.

Economic Development Council Committee
November 19, 2012 at 11:30am
Room CH-14

Committee Members: James Mitchell, Chair
Patrick Cannon, Vice Chair
Warren Cooksey
David Howard
LaWana Mayfield

Staff Resource: Ron Kimble, Deputy City Manager

AGENDA

I. CAROLINA THEATRE – 45 minutes

Staff: Brad Richardson, Neighborhood & Business Services

Action: As requested at the November 1st Committee meeting, staff will share details of a proposal from the ARK Group for the purchase and redevelopment of the Carolina Theatre site. Representatives from the ARK Group, CMP Carolina Theatre LLC, and Foundation for the Carolinas will be on hand to answer Committee questions, if necessary. Staff will also respond to Committee questions regarding a method for establishing guidelines for a renovation of the theater. **Attachment**

II. BUSINESS INVESTMENT PROGRAM REVISIONS – 45 minutes

Staff: Peter Zeiler, Neighborhood & Business Services

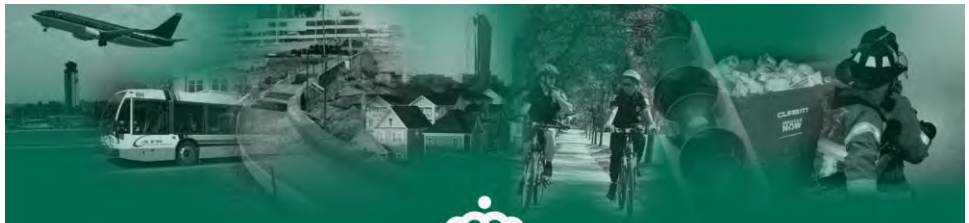
Action: Staff will share the final recommendations for revisions to the Business Investment Program. The Committee may take action for a recommendation to City Council for consideration at its December 10th business meeting.

III. NEXT MEETING DATE: December 6, 2012 at Noon, Room CH-14

Tentative Schedule:

- MWSBE Program Update
- Possible ReVenture Update

Distribution: Mayor/City Council Curt Walton, City Manager Leadership Team Executive Team



CHARLOTTE.
NEIGHBORHOOD & BUSINESS SERVICES

Carolina Theatre Update

Economic Development Committee
November 19, 2012

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CITY OF CHARLOTTE

Proposal from

ARK Group

CHARMECK.ORG

CHARLOTTE.

CITY OF CHARLOTTE

Stated Goals

- Reclaim important corner for uptown landscape.
- Activate a space that once had vibrancy and life and has been vacant for many years.
- Preserve the theater for the benefit of the public.
- Capitalize on air space above theater to maximize utilization.
- Place all of the property back on the tax roll.
- Help to activate this block by creating strategic relationships with neighboring hotels and restaurants.

CHARMECK.ORG

CITY OF CHARLOTTE

Proposal

- $500,000 purchase offer.
- ARK Group would be responsible for all ownership expenses (e.g., property taxes, insurance and maintenance).
- ARK Group will return the theater to public use.
- ARK Group will develop an office, residential or retail facility on the site.
- ARK requests no additional City or County funds.

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CHARLOTTE.

CITY OF CHARLOTTE

Carolina Theatre

- Certain elements such as balconies, opera boxes and other important aesthetic elements will be identified and preserved in keeping with the character of the original theater.
- Theater uses may include:
  - Art/Independent film movie house
  - Lectures, town hall meetings, civic dialogues, small performance, etc.
  - Musical, theatrical and dance performances
  - Office, Retail, Food and Beverage

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CITY OF CHARLOTTE

Site Development

- Future Office/Retail/Residential Facility
  - Utilize space in front of/above theater to develop office/retail/residential facility.
  - Add key retail component to activate the street and theater entrance.
  - Could be occupied by a combination of non-profit and for profit tenants.
  - Privately developed and privately funded.

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ARKgroup

Carolina Theater Proposal November 19, 2012

What The ARK Group will do:

- Reclaim important corner (Tryon & 6th) for uptown landscape
- Activate a space that once had vibrancy and life and has been vacant for many years
- Preserve the Carolina Theater for the benefit of the public
- Capitalize on air space above theater to maximize utilization
- Place **ALL** of the property back on the tax roll
- Help to activate this block by creating strategic relationships with neighboring hotels and restaurants; Fill hotel rooms and fill restaurants

ARKgroup

As an experienced developer that specializes in the preservation of historic venues the ARK Group has a proven track record for successful historic renovation projects. The ARK Group has more experience than any other development company in Charlotte at preserving historic landmarks.

ARKgroup

The ARK Group has extensive experience both with the Charlotte-Mecklenburg Historic Landmark Commission, the state historic preservation office as well as the US Parks Service that oversees the restoration of historic landmarks. The ARK Group has transformed the NC Music Factory from when it was listed on the national priorities list of hazardous waste sites into beautiful buildings that are now listed on the National Historic Register. For this work the ARK Group was awarded the Preservation Excellence Award in 2009 by Historic Charlotte, Inc.

The ARK Group has successfully taken an uninhabited textile mill and converted it into a vibrant mixed use development that is visited by over a million visitors each year and employs over 1,200 residents of Charlotte. During this conversion ARK has increased the tax value on these properties by more than 1000 per cent.

NC MUSIC FACTORY

ARK Group Proposal – Two Phase Plan

- Phase One: Animate the park and renovate the Carolina Theater to current building standards so that it can be used again
- Phase Two: Develop Office/Retail/Residential building that compliments the Carolina Theater

ARKgroup

Phase One: Animate Park and Renovate Theater

Park Component:

- Partner with Arts and Science Council, Foundation for the Carolinas, Charlotte Center City Partners, Hospitality & Tourism, Live Nation and Visit Charlotte
- Produce events to activate the space
  - Examples: Art Shows, poetry readings, musical dance and theatrical performances
- The ARK Group will immediately begin this process by meeting with interested individuals and groups that can populate this space and create interactive events for the general public

ARKgroup

Carolina Theater Component:

- Certain elements such as balconies, opera boxes and other important aesthetic elements will be identified and preserved in keeping with the character of the original theater
- We will operate the theater in a manner which will generate property and sales taxes
- Theater uses may include:
  - Art/Independent film movie house
  - Lectures, town hall meetings, civic dialogues, small performance, etc.
  - Musical, theatrical and dance performances
  - Office, Retail and Food and Beverage

ARKgroup

Phase Two: New Development

Larger Project Development

Office/Retail/Residential Facility

- 3,040.000 – 3,200.000 square feet
- Utilize space in front of/above theater to develop office/retail/residential facility
- Add key retail component to activate the street and theater entrance
- Could be occupied by a combination of non-profit and for profit tenants; The NC Music Factory currently houses both non-profit and for profit organizations
- Privately developed and privately funded
- Create synergies with surrounding area
- Help to activate pedestrian traffic on North Tryon Street in turn helping to promote other civic facilities

ARKgroup

ARK Group is uniquely positioned for this project

- Strength of ARK Position
  - Part of Uptown development community since 1993
  - No debt with substantial local assets
  - Reputation within the community as leader in food and beverage as well as historic restoration
  - Capability to convene appropriate stakeholders
  - Expertise in navigating complicated projects
  - Existing partnership with Live Nation, the largest diversified entertainment promoter in the world

- Long term support from Carolina Theater Preservation Society
  - The preferred operator of the Carolina Theater Preservation Society
  - More than 10 years involvement in energizing the Carolina Theater
  - Prior contract with the City of Charlotte to operate the theater
  - Proven track record for taking unused old buildings and making them exciting again

ARKgroup

- Privately Supported Theater
  - ARK Group has extensive experience and will help restore and enliven this block of Tryon Street
  - ARK can potentially partner with non-profits including the Arts and Science Council and the Foundation of the Carolinas for meeting space
  - Natural partners on the block include: many non-profits, restaurants, hotels, etc.
  - ARK Group is the right developer to create a successful public/private partnership

- ARK Group will bring new financing scenario to make this dream a reality
  - Traditional financing deals have failed for the property
  - ARK Group will pay for the project and rejuvenate the theater in the earliest time frame
  - ARK Group can bring corporate dollars and is well capitalized to develop this project

ARKgroup

- ARK Group has a track record of successful historic renovation and operation
  - NC Music Factory: 270,000 SF historic renovation that includes more than 40 retail, food & beverage and office tenants
  - Level Miami: Adaptive re-use of 44,000 SF historic theater in Miami
  - Raceworld USA (Michael Waltrip Racing): 120,000 SF adaptive re-use of closed movie theater in Cornelius, NC; NASCAR and Toyota's first show shop

- New construction office/retail/residential plan has the potential to move quickly
  - ARK Group has extensive experience in recruiting office and retail tenants and will move quickly to breathe new life into the Carolina Theater
  - This new construction and the renovated Carolina Theater will immediately start generating income to the city and the county

ARKgroup

The old will become new

ARK Group's proposal to the city:

- City sells Carolina Theater property to ARK Group for $500,000.
- To continue planning, ARK Group needs commitment of site from the city
- ARK Group will pay property taxes on the Carolina Theater and new development
- ARK Group and its' tenants will generate sales tax revenue
- ARK Group will return the theater to public use
- ARK Group will develop an office/retail component adjacent to the theater generating increased real estate taxes to the city and county
- No TIFF or other financial contribution will be required by the city

ARKgroup

Thank you for the opportunity
to present to the
City Economic Development Committee

For more information contact:
Rick Lazes
rlazes@gmail.com
704-987-0612

ARKgroup

ARKgroup

Business Investment Program Update

Answers to Committee Questions from September 27, 2012

Question:
The Committee asked whether we were missing an opportunity to help businesses that are not able to meet the current $3 million investment threshold for eligibility in the Business Investment Program. To help answer this question, Councilmember Howard requested a chart showing the range of financial programs in our community, including incentives available from various local, state and federal sources for business starting, expanding and/or relocating to Charlotte.

Answer:
Staff has provided two attachments in response:

1) Capital for Business Start-up and Expansion showing traditional forms of financing a business including standard local, state and federal programs.
2) Charts illustrating the effects of lowering the required capital investment for program eligibility.

Business Investment Program – Lowering the Required Capital Investment

The charts below illustrate the estimated grant payout for the current $3 million investment threshold, as well as two lower investment thresholds:

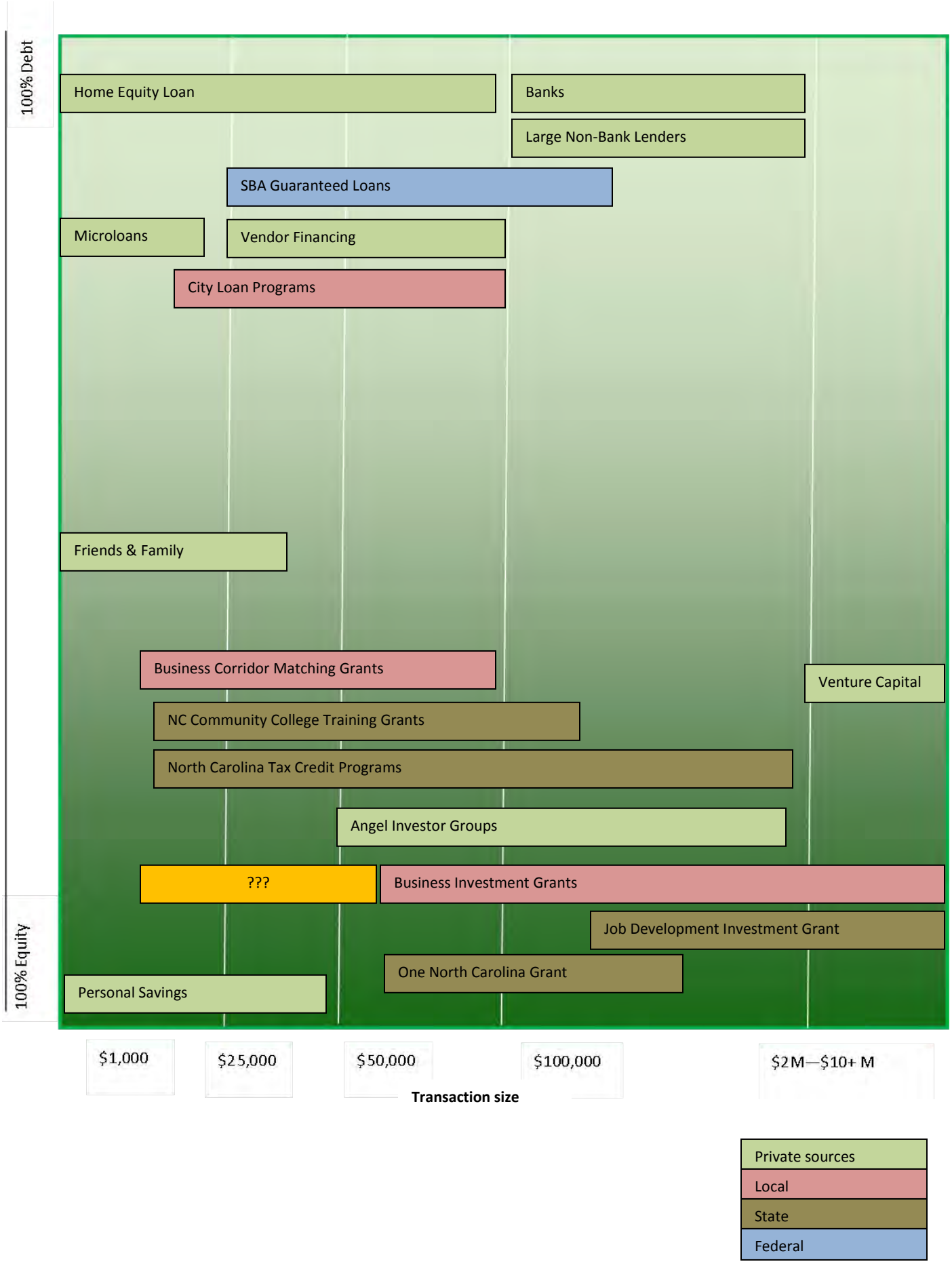
Current Threshold - $3 million minimum investment

Investment	Year 1	Year 2	Year 3	Total Grant
$3 million				
City	$7,925	$7,925	$7,925	$23,775
County	$14,367	$14,367	$14,367	$43,101
Total	$22,292	$22,292	$22,292	$66,876

Alternative Thresholds - $1 million and $2 million minimum investments

Investment	Year 1	Year 2	Year 3	Total Grant
$1 million				
City	$2,642	$2,642	$2,642	$7,926
County	$ 4,789	$ 4,789	$ 4,789	$14,367
Total	$7,431	$7,431	$7,431	$22,293
$2 million				
City	$5,283	$5,283	$5,283	$15,849
County	$9,578	$9,578	$9,578	$28,734
Total	$14,861	$14,861	$14,861	$44,583

Capital for Business Start-up and Expansion – At a glance



Recommended Updates to the Charlotte-Mecklenburg Business Investment Program

CHARLOTTE.
NEIGHBORHOOD & BUSINESS SERVICES

November 19, 2012

1. **Update program eligible geography to reflect current areas of priority.**
   - Include current Business Corridor Revitalization Area.
   - Include two employment centers in high vacancy office submarkets:
     - University Research Park
     - Coliseum/Tyvola Road
   - Include one additional industrial area on Statesville Road (suggested by the Chamber).
   - See attached map.

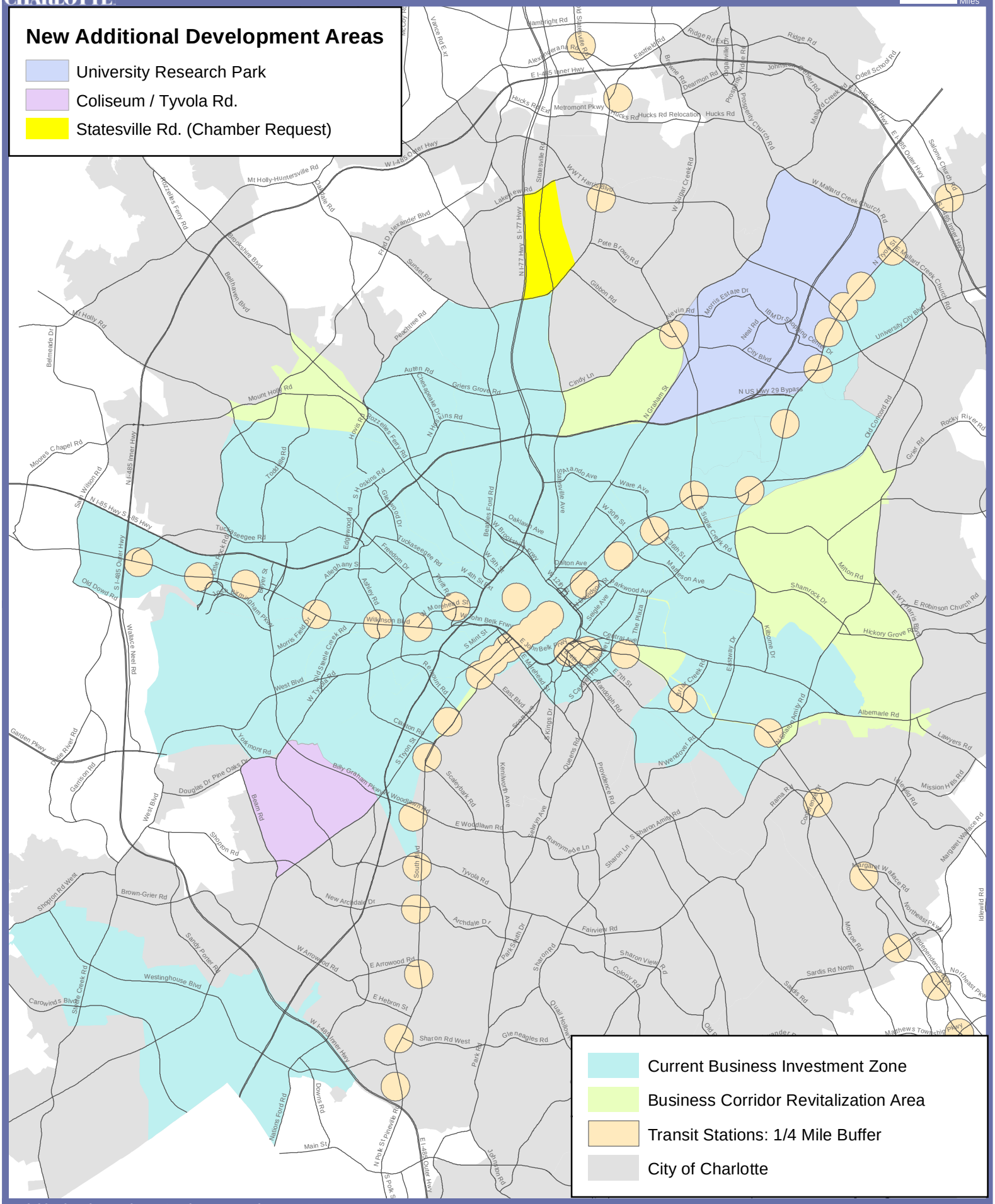
2. **Increase supplier relationships with local businesses and encourage local hiring.**
   - Add provisions that encourage grant recipients to:
     - Use local small, minority and women owned businesses when such goods and services can be obtained at competitive costs.
     - Hire residents of Mecklenburg County.
     - Monitor progress for one year to determine if additional measures are desired.

3. **Increase flexibility in wage requirements.**
   - Consider the industry-specific average wage for companies with a projected average wage lower than the regional average (currently $44,600).
   - This provision will add greater flexibility for attracting manufacturers ($33,290) and logistics firms ($32,880).
   - All wages will be indexed to the Bureau of Labor Statistics Area Occupational Employment and Wage Estimates.

4. **Strengthen program to be more competitive for retention efforts.**
   - Allow an extension of the grant term by two years for existing businesses to better address the incentive value gaps with competing jurisdictions.

5. **Evaluate a new provision for large headquarter projects.**
   - Define "Major Headquarters Project" as a "corporate, divisional or regional headquarters of a Fortune 1000 company with an annual average wage exceeding 200% of regional average wage."
   - Consider such projects on a case by case basis.

Proposed Business Investment Zone



Neighborhood & Business Services, November 16, 2012

MEMORANDUM

To: Charlotte City Council,
Economic Development Committee

From: Michael Marsicano, President
Laura Smith, SVP
Foundation For The Carolinas

Regarding: 230 North Tryon Street/Carolina Theatre Property

Date: November 16, 2012

Foundation For The Carolinas (Foundation) remains interested and enthusiastic about the opportunity to lead the re-development of the 230 North Tryon Street property and the renovation of the Carolina Theatre within the overall project. In this spirit, we thought it would be helpful to reiterate the basic tenants of our proposal and share some recent architectural renderings illustrating our vision.

The Project

- Redevelop the 230 North Tryon Street property – project would include a boutique office building and a renovated Carolina Theatre. This site would serve as a catalyst in the development of a larger 6th Street and Tryon Street Civic/Thought Leadership Campus.

- Our concept for the renovation for the Carolina Theatre portion of the project is best characterized as a historic renovation of the property as opposed to an attempt at an "historic preservation" of the facility. Our goal is to modernize the theatre, so it is comfortable for today's audiences, but saves and replaces the elements that gave the Carolina Theatre the character and grandeur of its day. As depicted in our interior rendering, using modern materials, moldings, fretwork, coffers and murals would be recreated, so you feel like you are in the 1920s version of the Carolina Theater. We would operate the Theatre as a nonprofit to ensure that it is remains a viable and well cared for asset of the community

- The boutique office building would likely be a 10 to 12 story project and our target tenants for the facility would be other major civic nonprofits and interested for-profit entities. We believe this tenant mix would be synergistic with other major players on the block and would benefit greatly from access to FFTC conference space and the Theatre's hall. This portion of the project would be executed by a private sector developer and placed on the City's tax rolls. The attached rendering provides an idea for the scale of the project, its integration within the block and depicts how the Theatre's original façade could be incorporated.

- We believe Charlotte has a shot to creatively re-envision the 6th and Tryon Street into a truly unique Civic/Thought Leadership campus. The Foundation has been in conversations with leadership from Discovery Place, the Library and Spirit Square. All three of these entities are interested and enthusiastic about exploring this campus concept. We believe the Foundation is experienced and positioned to lead this dialogue in the community. Charlotte has the opportunity to strategically transform and activate three incredibly important city block's in Charlotte's uptown. It is extremely rare that you have the chance to work with assemblage of land this large and we think it is an opportunity not to be missed.

- The concept of creating a civic campus with the Carolina Theatre as its centerpiece does not preclude usage of the theatre as an entertainment venue. To the contrary, we see it being used for a variety of artistic offerings on prime week nights and weekends. Artistic options include film, jazz, country, blue grass, chamber music etc. We believe it is important, however, that these programming offerings are scheduled without creating unnecessary competition with other center city venues.

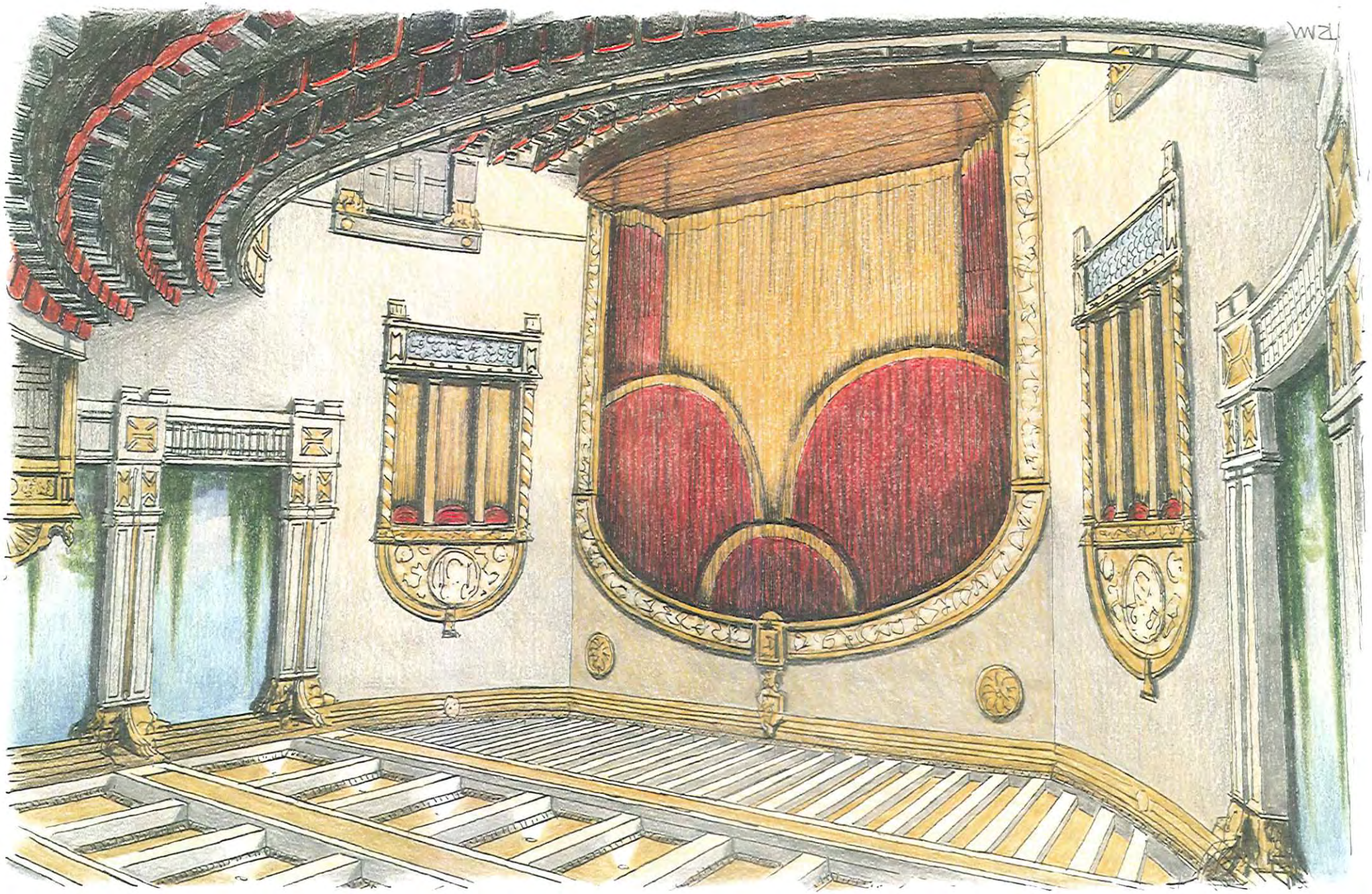
- The final image we have included for your review is a picture of the completed Carolina Theatre Park. The Park was the vision of the Foundation and we believe serves as evidence of our commitment to the citizens of Charlotte and our ability to partner with the City to make extraordinary things happen for this site. The park was completed in 45 days by a dedicated team from the City and the parks most inviting elements (sculptures, pavers, benches, stage and lighting) were made possible through the Foundation's financial investment in the project.

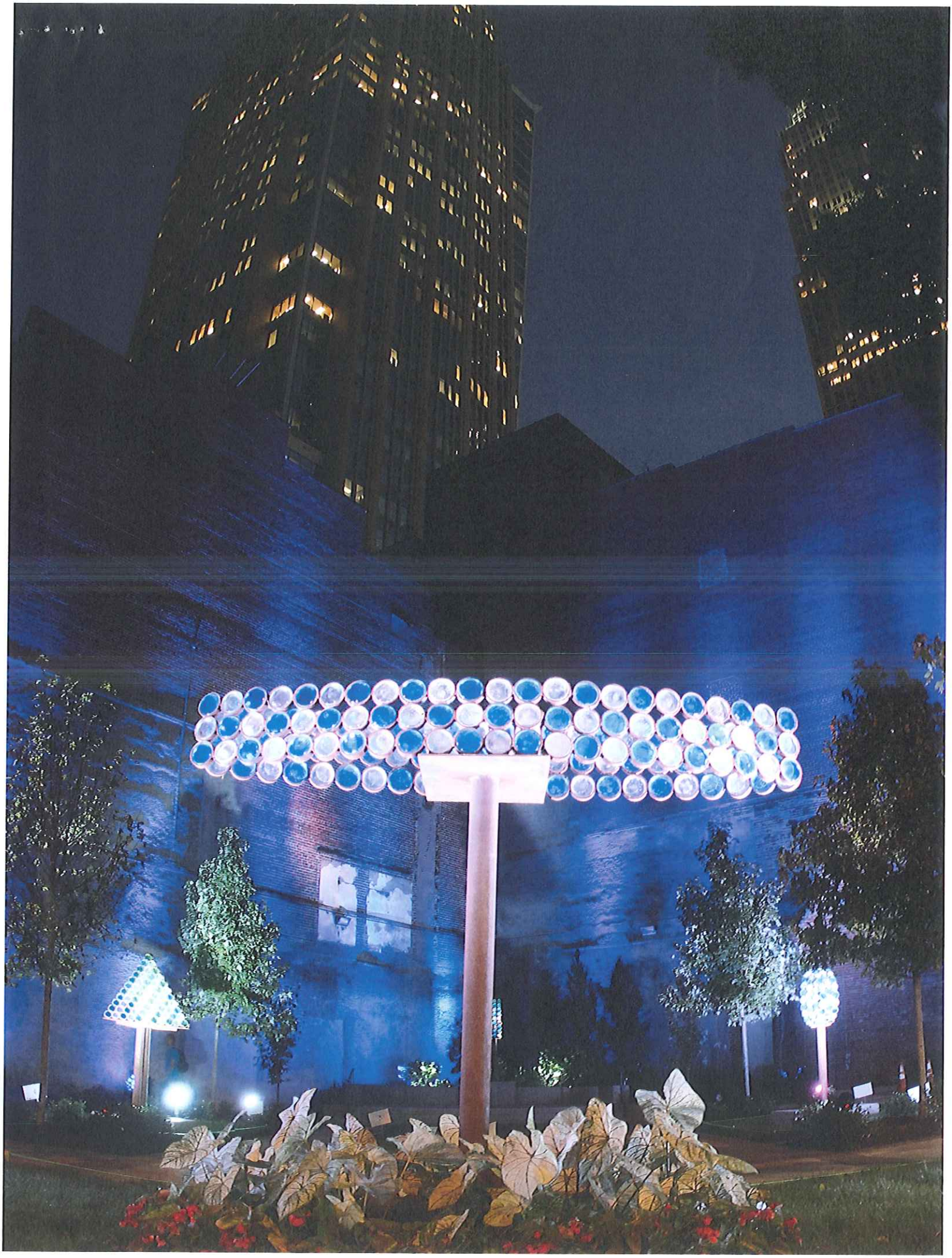
The Request

- The City of Charlotte partner with the Foundation to create a unique public/private sector project on the corner of 6th and Tryon Streets. The City' commitment to the project would be the donation of the land, the Foundation would commit to raising philanthropic dollars for the renovation of the Carolina Theater and seek a development partner to execute the office complex that completes the site.

- The Foundation asks the Economic Development Committee/City Council to give sole ownership of the 230 North Tryon Street property and the Carolina Theatre structure to the Foundation for the Carolinas, so the Foundation can guide the visioning and execution of the project to the benefit of the City and its citizens.

The Foundation is grateful to the Economic Development Committee for your consideration of our request and we are available to answer any questions that you have regarding our proposal.





CMP Carolina Theatre, LLC

November 12, 2012

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Dear Curt, Pat and Brad:

As you know, our group has been working for several years now to restore and develop the property (the "Property") that includes the Carolina Theatre (the "Theatre") and the parcel in front of the Theatre (the "Parcel"). We have spent considerable amounts of time and effort to comply with all aspects of our agreements with the City and County and to maintain a positive relationship with the City and County as partners in this endeavor. We have been honest and forthcoming in all aspects of our planning for this project and have treated the City as a true partner in the project. Throughout the process we have been diligent in our efforts to work with City, the County, the owners of neighboring parcels, community groups, and any other third parties we felt might help to make this a project that would be worthy of its location and be a source of pride for our Charlotte. We were also the first group since the Theatre closed in 1978 to get to the brink of restoring the Theatre and beginning construction of a real project on the site. As we all know, but for the unfortunate downturn in the economy, this project would be complete now. However, where numerous other developers have abandoned projects in Charlotte and, in some cases, have left "scars" on the City's landscape, we have never wavered in our efforts to complete this project.

This brings us to where we are today. We have known that Staff (i) had discussions with FFTC during the exclusive negotiation period approved by Council on November 28, 2011, (the "Exclusive Negotiation Period") and (ii) pulled the approval of the CMP proposal from the agenda of the March 26th Council meeting based on a mere verbal expression of general "interest in the property", and (iii) While we have been working to create a partnership with FFTC at Staff's and Council's request, Staff has accepted yet another proposal from a third party. Not only is this yet another deviation from our original agreement and the November 28th, 2011 Council Action, to have the opportunity to negotiate and present our proposal to Council alone, but it also further derails any chance for CMP to work with FFTC or to secure the Property on our own. At this point, even if we create the partnership that we were asked by Staff and Council to explore, that partnership will be competing with yet another third party. Further, these other groups are being considered despite fact that (i) CMP walked away from $5.5 million in grants from the City and the County for the Theatre restoration pursuant to the then existing agreement with the City, (ii) CMP has continued to work to complete the project since Council approved the last extension of the Purchase Agreement, (iii) CMP worked in the Fall of 2011, to find an alternate structure, given feasibility in the current climate, (iv) CMP is years ahead of any other group in the due diligence, planning, design and execution of the restoration of the Theatre and development of a commercial building on the site, and finally, (v) an CMP and the City discussed and agreed upon Exclusive Negotiation Period.

CMP is now facing the possibility of being in a "bidding war" (or at lease "political war") with two other groups that have only expressed an interest in the project within the last nine (9) months and are years behind CMP in the development of a workable and beneficial solution for the Property. The most important aspect of our current situation is that we had no indication or reason to believe that the Exclusive Negotiation Period was anything but an exclusive negotiation period. We had every reason to believe that this agreement would protect us from being in the situation in which we currently find ourselves. As further described below, when we met with staff in the October of 2011 we would never have agreed to give up all other alternatives (extension, amendment, etc…) if we had any indication that the City could accept, or even entertain, other inquiries or proposals regarding the property from other parties. Staff directed us to do so and we complied in good faith. For this reason, and in reliance on the promises from Staff, we agreed to a ninety (90) day exclusive period to merely "work out the details" of a direct purchase from the City without the fear of competing with other interested parties. As part of this agreement, we agreed to not pursue an extension or amendment to the Purchase Agreement, which meant stepping back from the guaranteed $5.5 million in grants from the City and County. Again, we did so in good faith, per the direction of Staff. As Peter Zeiler stated in the November 28, 2011 Council Meeting when responding to Councilmember Barnes question as why the City couldn't open a private sale with a restriction stipulation:

> *"…(W)hat we are looking for with this 90-day negotiation period is to recognize the fact that the development team has spent a significant amount of money and a significant amount of effort on the building already, has a lot of knowledge about the building and there may be something that we can get to in a development deal that makes sense for the changed economy. This is a very different world and a very different market than what we were in when we first executed the agreement."*

It is clear that we should have expected to have a 90-day <u>Exclusive</u> Negotiation Period.

CMP was not given this ninety (90) day exclusive period.

<u>Our Request</u>

While, given our history and demonstrated commitment to the project, we are frustrated in the developments regarding the Theatre since March of this year; we remain as committed as ever to complete our vision of restoring the Carolina Theatre and creating an attractive development for this prominent corner in Charlotte. In addition, we remain interested and eager to continue our been well documented partnerships with the City and to create new partnerships with the surrounding property owners and other third parties create a project that becomes source of pride for everyone in the City. We are confident that we have proven ourselves to be not only the most qualified to complete the restoration and development, but also, given the past several years, the best to navigate the complexities of the partnerships with property owners and other third parties. For this reason, and regardless of the fact that we (i) agreed not pursue the possibility of an extension of the existing Agreement, (ii) walked away from the previously negotiated and guaranteed $5.5 million grant towards the restoration of the Theatre, and (iii) and will begin paying full property taxes immediately upon purchase of the Property, we request the city to accept the following:

> CMP Carolina Theatre, LLC will pay $500,000 for the property in a "fee simple" sale/purchase. The city will retain the $250,000 currently in escrow and CMP will pay an additional $250,000.

Basis for Our Request

Discussion on Prior Amendments to the Purchase Agreement

We are all aware that there have been several amendments to the original Purchase Agreement with the City and that some of these have extended the closing date for the purchase of the Property. Each of these amendments, however, was discussed at length with City staff and the Council. In each instance CMP and the City collectively determined that the extensions were justified. These extensions also allowed us to improve the project by (i) reducing the impact to the Theatre through improved design, (ii) addressing easement issues with neighboring properties, (iii) and substantially increasing the value of the proposed development and, thereby, substantially increasing the tax revenues to the City and the County, and (iv) creating a more attractive building for this corner. CMP, in good faith also paid substantial amounts for each of these amendments. As we all know, the total amount escrowed with the City is $250,000.

Discussion of CMP's Partnership with the City

It is important to restate that CMP has always seen the City, County, and other third parties as true partners in this process. As the developers of the Property, we have obviously taken lead. Given the agreements with the City and County, and the funds that each has committed to the Project, we truly saw each a partner and communicated regularly regarding the status of our efforts. To this point, the original agreement with CMP was, at the City's request, restricted with fairly cumbersome requirements and stipulations regarding the timeframe for completion and other important aspects of the Project. At the time of the Original Agreement, CMP accepted these restrictions when it became clear that the City would not allow the Project to move forward without the restrictions.

The most restrictive requirement was the inability for CMP to purchase the Property until certain milestones had been met. In the early and mid-2000's (when the original agreement structure was developed with the City and County), it was difficult, but possible, to obtain financing for a project if there was a condition to the eventually transfer the Property. In our current economic climate, this type of restriction is nearly impossible to overcome. These conditions effectively required that, prior to having the right to purchase the Property, CMP would have to spend millions of dollars for due diligence, development of architectural plans, and numerous other activities. CMP has spent these millions. CMP did so, however, because of a belief in the Project and, most importantly, believed in its partnership with the City. When we approached Staff to discuss the 2009 amendment to the Agreement, we specifically expressed the desire to purchase the Property outright, but we were told that this was not possible.

CMP truly believed in the partnership with the City and County and continued to expend time, effort, and money to develop a project that the City and the County were eager to see completed. As a result, we trusted the City to work with us to complete this project. We are the only group in the history of the Theatre after its closing in 1978 to get to the brink of completing a Project. No other group had completed 5% of the work CMP has completed. It is likely that no other group has spent even 1% of the amount CMP spent to get to this point.

CMP would not have moved forward in this manner if we didn't have faith in our partnership with the City. Most importantly, we relied on Staff regarding the promises and agreements made last October and after the November 28, 2011 Council meeting. As has been very clear in all of our dealings with the City over the last several years, we pursued this project not as a developer, but also as a custodian of the Theatre and the faith that had been placed in us. The decisions made in March of this year and more recently are

completely contrary to the mindset with which we have pursued this Project. We do not believe the partnership is beyond repair. We merely feel that the City should approach this partnership in the same way in which we have in the past.

We have also acknowledged that the development world has changed and have adjusted our approach accordingly. Although our original vision for the Property as a condominium tower was the best use for the space, we acknowledged 2-3 years ago that this would likely not be possible. Since the last extension, CMP has spent considerable amounts to investigate the current best use for the Parcel in front of the Theatre. We have, however, done so with the same vision as always: Create a use that would be complementary to the Theatre and that would be a source of pride for Charlotte. We have explored these possibilities much more than either of the other two groups now interested in the Property. We also have years of studies and plans that can be used for any project built on the Property. We are years ahead of any other group on making the restoration of the Theatre a reality. We are simply in the best position to do so.

Discussion of October 24, 2011 Meeting with Staff

As has happened with so many other groups in real estate, the last extensions of the Purchase Agreement were a result of the current economic climate and previous stipulations and not a lack of desire or effort on our part. Nonetheless, we entered into the discussions ready to work with the City to come to a mutually beneficial solution given (i) the current economic realities facing the City and our group, and (ii) the desire to move the Project forward as soon as possible. With this in mind we approached staff to discuss possible paths at that point. At our meeting on October 24, 2012, we discussed the issues mentioned above and how to, after six years of effort, continue to develop the project and ensure the restoration of the Theatre. The two primary paths discussed at the meeting were (i) seeking another extension of the required closing date in the existing Purchase Agreement, and (ii) purchasing the Property subject to deed restrictions to ensure the preservation of the City. As mentioned above, we had explored the second option with staff previously, but it was rejected. In the October meeting, staff suggested the second option approach without us even bringing that up as an option. Staff's preference was to develop a solution that would get the Property off the City's books and avoid political negotiations.

With staff's encouragement, the option to purchase with restrictions became the focus of the October meeting. In addition, this plan meant that we would pay, and the City and County would receive, property taxes from the Property immediately after the sale.

Prior to this meeting, we had determined that the best approach would have been to pursue an extension of the existing Agreement. Our inquiry about a purchase had been flatly turned down previously; therefore we did not pursue this as an option. We felt that an extension would be considered given the continuing economic downturn. We also believed that our continued work on the project (rather than abandoning the project as many other developers had) would support our position. Prior to the October meeting with staff, we spoke with some Councilmembers about an extension. None of the Councilmembers we spoke with rejected this approach.

The most important element of the purchase plan discussed in the October meeting was the creation of an "exclusive negotiation period" to hammer out the details with City staff without the threat of another party having the opportunity to propose an alternative to our plan. Agreeing to follow this plan meant that we would (i) not pursue the possibility of an extension of the existing Agreement, (ii) walk away from the previously negotiated and guaranteed $5.5 million grant towards the restoration of the Theatre, and (iii) begin

paying full property taxes immediately upon purchase of the Property. As should be evident, we would never have given up any chance of extending the original Agreement if we hadn't been told that we would have a period to finalize the details without the threat of competing proposals being reviewed, or even accepted, by the City. Given our $2.5 million investment in due diligence and plans for the Property, we are $2.5 million behind any other competing offer.

For these reasons, staff suggested a ninety (90) day "exclusive" period in which other offers would not be considered. Staff even indicated that they would have to consult with the City Attorney, prior to the November 28, 2011 Council action, to be sure that the City could agree to this type of "exclusive period" (presumably due to the "Public Sale" provisions of the City Charter). Further, staff indicated (as in the Council meeting on November 28) that (i) our efforts, and (ii) our substantial expenditures, and (iii) our willingness to give up the $5.5 million in grants, would be taken into account in determining what, if any, amount would be paid for the transfer of the Property. The original $1 million purchase price (all of which would be returned to us at part of the $5.5 million) was only mentioned as a reference to the original price. Staff clearly indicated that, due to the factors above, that this amount would not be required.

It is also important to note that there was no agreement on the purchase price in the October 24th meeting with Staff, nor were there any discussion of expected purchase price. There was, however, a discussion about the fact that the millions of dollars that CMP had invested into the project as well as the $250,000 in escrow would be taken into account in determining the final Purchase Price. There was also discussion, and agreement, that given these amounts, CMP could never compete financially with a third party that had not spent any money on the project. This was also discussed as a further reason for the Exclusive Negotiation Period. Further, in the November 28th Council Meeting, when asked about how the sale price would be determined, Peter Zeiler stated that, *"the sales price I think will be probably be based upon what the original deal was focused around and in recognition of the fact that there would likely be some additional costs incurred to get to a public restoration of the building."*

The Exclusive Negotiation Period and FFTC's Involvement

In January of this year (the middle of the exclusive period), the Foundation for the Carolinas ("FFTC") approached the City to discuss a possible purchase of the Property. At that point, FFTC should have been told that the City was in the middle of an exclusive period with CMP and that there couldn't be any discussion with other groups until after CMP and Staff had developed a proposal and after it had been presented to Council at the first available Council Meeting (later determined to be March 26, 2012) at the end of or after the expiration of the 90-day period. As Mr. Zeiler said to Council at the November 28 Council Meeting: *"If we are unable to negotiate that new agreement for your approval in the next 90 days we will bring back a new work plan on how to dispose of the parcel."*

As we have since learned, FFTC was not told about this 90-day exclusive period. Although we do not know how many conversations took place between FFTC and Staff after the initial expression of interest in January of 2012, we do know that on there were discussions before March 17th when (as we were told), FFTC contacted Staff and indicated that they were going to "formally express interest" in acquiring the Property. Based on this indication of interest, Staff told CMP on March 20th that the March 26th vote on the agreement with CMP was going to be removed from the Agenda. At this point, Staff had not even received a written "letter of interest" from FFTC, much less a written proposal or offer. Nonetheless, the action was removed from the March 26th Agenda. FFTC did not provide an actual "Letter of Interest" to Staff until March 23th, after the FFTC action item had been removed from the Agenda. At that point, FFTC could have

chosen not to provide a letter of interest and CMP would have still been denied their opportunity to present to Council on March 26th. Further, in the March 23rd Letter of Interest, FFTC stated only that they had an "interest" in the property. FFTC did not mention what they might do with the Property or when they wanted to purchase or develop the Property. The letter actually expressly stated that the, *"Foundation has no formal proposal to offer at this moment, but we ask that you give us time to explore possibilities more fully with our leadership and in cooperation with the City."* FFTC did not present a formal proposal until May 31st. CMP, a group that (i) had proven its dedication in working in partnership with the City, the County, and many non-profit and for-profit third parties for several years, (iii) had spent millions to explore and prepare for the development of the Property, and (iii) had tried to work with Staff for months to develop a suitable agreement, was now dismissed because FFTC merely asked to "explore possibilities" for the Property. Needless to say, we are extremely perplexed by this decision.

Another point of note regarding Staff's pulling the CMP action item from the Agenda is that, for three weeks prior, CMP had reached out to Staff numerous times to discuss how the proposal was going to be presented to the Council. We requested meetings to discuss the Agreement. At one point we were told that staff's position on the CMP proposal would be "no recommendation". Our initial reaction (which turned out to be essentially correct) was that this would be viewed as "negative" to the Council. We were obviously concerned about this and worked to contact Staff to meet and determine what we needed to do for Staff to recommend the proposal. Unfortunately, we were not able to reach staff to set discuss this matter. Finally, on March 19, the day before we learned that the CMP action would be pulled (three days after FFTCs verbal expression of interest to Staff), Staff assured us (i) that the vote was moving forward as expected, and (ii) that, given the type of action that was being presented, that the Staff would not normally give a recommendation and therefore their "no recommendation" position would not be viewed as negative.

We have since heard from several Councilmembers that they always expect some form of recommendation from staff and that they would normally see "no recommendation" from Staff as very negative. In retrospect, given the lack of information provided to us regarding the discussions with FFTC, it is difficult to not consider the possibility that Staff's "no recommendation" position (despite repeated calls and emails to discuss) was motivated not by a lack of faith in our proposal, but by the interest expressed by FFTC. Had we been given any reason for the "no recommendation" position we would have worked diligently with Staff to resolve any concerns. Unfortunately, given that Staff did not respond to our requests, we were not given this opportunity. Of note, although Staff had heard from FFTC the previous Friday, we were not told about it during conversations with Staff on Monday and were actually told that everything was moving forward as planned. Staff did not tell CMP about the delay until we contacted them on Tuesday the 20th. The decision had apparently been made that morning. When Staff returned our call after 3:00 on Tuesday the 21st, it was after the Meeting Agendas had been sent for processing and it would be impossible reverse the decision. Again, given the timing, it is hard to not consider the possibility that CMP was intentionally left out of the loop regarding FFTC's interest.

Based on this information regarding the communications, letters and proposal from the Foundation, it is clear that, not only was the CMP action item pulled from the Agenda based on nothing more than a verbal statement of interest from FFTC, but, more importantly, that Staff discussed, reviewed, and accepted Letters of Interest from FFTC during the Exclusive Negotiation Period and prior to CMP being given the opportunity to present their agreement with Staff to the Council at the first available Council Meeting on March 26th. To restate for clarity: This is exactly the situation that CMP wanted to avoid and the reason CMP agreed with Staff's suggestion of the Exclusive Negotiation Period. CMP made the importance of this very

clear in the initial meeting with Staff on October 24 and thereafter. Had Staff indicated in any way that it would entertain any discussions with third parties, we would not have agreed to the Exclusive Negotiation Period and would have, at a minimum, had further conversations with Staff and Councilmembers about alternative path (including, but not limited to, an extension of the Purchase Agreement). Based on the commitment from Staff regarding the Exclusive Negotiation Period and Staff's stated desire to specifically avoid turning it into a "political" process (opting instead to just negotiate and sell the property outright), CMP agreed not to pursue other alternatives.

CMP's Efforts to work with FFTC

While we were shocked and disappointed that Staff chose to consider the inquiries from FFTC, and knew that Staff doing so was contrary to all of our discussions with Staff, we agreed to work with FFTC to see if there was a possibility for FFTC to join us in our project as a partner. After all, we had approached FFTC years before to see if they had any interest in working with us on the project. They did not. At our first meeting with FFTC, it became clear that they were not enthused by the prospect of partnering with CMP on the Property. It was clear that Staff had explained to them that our previous Purchase Agreement had expired in December of 2011. It was obvious, unfortunately (and this was later confirmed), that FFTC had been given little or no information about the Exclusive Negotiation Period. We also learned that even in the weeks between learning of FFTC's interest and our first meeting with FFTC, Staff had not explained the nature of the Exclusive Negotiation Period and may not have mentioned it at all. It also became clear to us that there had been no mention of the Exclusive Negotiation Period to FFTC in their discussions with Staff in January or prior to their expression of interest on March 23. FFTC seemed to assume that our contract had expired and that we were just another group trying to enter into a new contract for the purchase of the Property.

Despite FFTC's expression of apprehension with a partnership and despite FFTC's statement that, even if they discussed a partnership, they still wanted to present their individual plan at the August ED Committee Meeting, we continued to reach out to them to work on a partnership as requested by Staff. At the ED Committee meeting the Committee expressed an interest in our working together to try to form a partnership and noted the potential benefits. After the meeting, we continued to reach out to FFTC to discuss partnership possibilities. Although we had a few conversations, it has seemed fairly clear that their interest remained slight. Most recently, prior to ARK's submission, FFTC indicated that while they would still consider a partnership, they wanted to go to the next ED Committee meeting individually and not as a partnership. Although we have tried to work towards a positive solution, we do not have strong faith in FFTC forming a partnership with CMP.

Restatement of our Request

While, given our history and demonstrated commitment to the project, we are frustrated in the developments regarding the Theatre since March of this year, we remain as committed as ever to complete our vision of restoring the Carolina Theatre and creating an attractive development for this prominent corner in Charlotte. In addition, we remain interested and eager to continue our well documented partnerships with the City and to create new partnerships with the surrounding property owners and other third parties create a project that becomes source of pride for everyone in the City. We are confident that we have proven ourselves to be not only the most qualified to complete the restoration and development, but also, given the past several years, the best to navigate the complexities of the partnerships with property owners and other third parties. . For this reason, and regardless of the fact that we (i) agreed not pursue the possibility of an extension of the

existing Agreement, (ii) walked away from the previously negotiated and guaranteed $5.5 million grant towards the restoration of the Theatre, and (iii) and will begin paying full property taxes immediately upon purchase of the Property, we request the city to accept the following:

> CMP Carolina Theatre, LLC will pay $500,000 for the property in a "fee simple" sale/purchase. The city will retain the $250,000 currently in escrow and CMP will pay an additional $250,000.

We firmly believe that we are the best suited to complete the restoration of the Carolina Theatre and the development on the Parcel. We have demonstrated our commitment through both our financial expenditures and our unrelenting efforts to complete the Project. We feel that our offer of another $250,000 (after the $2.5 million put in the project to date) is a clear statement of our belief in our ability to complete the Project. While we obviously would have liked to avoid the delay of the past several months and been able to move forward with the project, our resolve has only been strengthened and we look forward to getting the Project underway and re-energizing our Partnership with the City.

Sincerely,

CMP Carolina Theatre, LLC

cc: Mayor Anthony Foxx
Mayor Pro Tem Patrick D. Cannon
Councilmember John Autry
Councilmember Michael D. Barnes
Councilmember Warren Cooksey
Councilmember Andy Dulin
Councilmember Claire Green Gallon
Councilmember David Howard
Councilmember Patsy Kinsey
Councilmember LaWana Mayfield
Councilmember James E. Mitchell, Jr.
Councilmember Beth Pickering
Baldeep Mac
John Gumpert
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Jim Donnelly
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