

MAYOR'S TASK FORCE ON CULTURAL FACILITIES EXECUTIVE SUMMARY

Charlotte has been the beneficiary of a unique public-private partnership which has funded the construction and operation of outstanding cultural facilities. Those cultural facilities are now in need of renovation and in some cases replacement and there are requests (or opportunities) for new venues. While there is general agreement on what needs to be done as a result of the Blue Ribbon Committee's Cultural Facilities Master Plan (CFMP) prioritization of capital projects, the funding for those projects presents a challenge.

There is a demonstrated positive link between cultural facilities and economic development as well as a documented positive economic impact from the construction of cultural facilities. Unfortunately, budgetary constraints and competing priorities, as well as past commitments, have resulted in there being very limited capacity for the City of Charlotte to issue debt to fund further capital projects. It is against this background of compelling need and economic reality that the Task Force began its work.

We quickly discovered that there are no simple solutions or easy answers to the current financing issue. What is needed is a new model which is both attainable and sustainable over the long term. Any new model will need to deal successfully with both capital and operating costs because public and private contributions must be based upon the knowledge that facilities can be built and successfully operated.

The Task Force strongly endorses the comprehensive, coordinated approach to construction and renovation of cultural facilities which is the trademark of the CFMP. As opposed to having multiple, competing campaigns, a single prioritized well-conceived plan is much more likely to generate maximum public and private support.

The Task Force quickly identified one key factor with respect to financing capital projects, the City's ability to leverage uncommitted or new revenue streams at approximately a 12 to 1 ratio to fund capital costs. The second key component of a new model is the transition, over time, by which the cultural affiliates

assume responsibility for payment of ongoing operating costs. The cultural affiliates are in a better position to manage those costs and assuming responsibility for their payment frees up a substantial amount yearly which can then be leveraged by the City to pay capital costs.

While the initial request for priority-one projects from the CFMP Blue Ribbon Committee was for the City to fund \$88,000,000 in capital costs, a careful analysis (which needs to be further validated and verified) has resulted in the realization that what needs to be funded is approximately \$130,000,000 in capital costs. The phasing of these projects is a given because the projects are at various stages of development and because the construction program needs to be aligned with the availability of capital to pay construction costs, as well as the development of transition plans which demonstrate the ability of the affiliates to pay the operating costs now being paid by the City.

Beyond this first plank in a new platform came the consensus that the Task Force would not recommend raising general property or sales taxes. Therefore, other sources of income or revenue which could be leveraged by the City to fund capital projects became our focus. The Task Force recommends that the following additional items of revenue be considered as primary sources to be leveraged to pay the capital costs of the priority-one projects:

1. An increase in the rental car tax;
2. A center City parking surcharge;
3. A ticket surcharge for events in Ovens Auditorium and Cricket Arena (other affiliate ticket surcharges will be available to meet operating costs);
4. Self-financing bonds from the development of culturally anchored mixed-use projects developed and financed by the private sector;
5. Consider a change in the Center City municipal service district tax rate, depending on what happens on item 2.

We believe that these sources, together with the money freed up by transferring responsibility for payment of operating costs to the affiliates, will support the capital program we envision.

The CFMP request addressed not only capital costs but endowment needs. Endowments support programming and other costs but do not currently address the operating expenses which would be transferred to cultural affiliates pursuant to the Task Force recommendations. Accordingly, the Task Force recommends a longer and larger private sector fundraising campaign with a specified part of the early campaign designed to create funds to guarantee that operating costs can be paid by cultural affiliates. This would create a guaranty fund which would be established with the hope and expectation that the funds will ultimately be released to endowment or other uses as the actual experience of cultural affiliates proves that they can assume responsibility for payment of all operating costs, except for capital maintenance which would continue to be the City's responsibility. The historical private-sector support for cultural facilities in our City creates substantial confidence that this fundraising approach will be successful.

Ultimately, there needs to be a vehicle for the continued support of cultural facilities, including future new construction and renovation projects. Accordingly, the Task Force recommends that a specific percentage of the City's general budget (General Fund, Pay-As-You-Go, and Debt Service Fund) be set aside each year, as a matter of public policy, for those purposes upon the completion of the funding of the priority-one projects and the implementation of the new model for payment of operating costs.

The Task Force believes that it has reserved sufficient funding capacity for other worthy non-cultural facility projects such as a Motorsports Museum, Convention Center expansion, Minor League baseball and other projects which will increase the attractiveness of Charlotte as a hospitality and tourism destination. Funding vehicles for non-cultural projects include proceeds from enactment of House Bill #1316 (the NC Travel and Tourism Investment Act), pay down of debt on existing facilities, to the extent that this debt capacity is not already committed to other City projects, proceeds from disposal of current City-owned assets, increases in center City property tax bases and growth of the Convention Center expansion fund above the levels needed to fund an appropriate level of expansion of that key facility.

Finally, the Task Force also strongly supports a more regional approach to the funding of cultural facilities, with greater involvement from Mecklenburg County and the towns which surround the City of Charlotte.

Respectfully submitted,

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