The Virginian-Pilot

Report: Arena Would Yield Surplus

Municipalities Might Split $777,000 Annual Profit

January 16, 1997

By Harry Minium, Staff Writer

A $ 143 million, 20,000-seat arena in downtown Norfolk for a proposed National Hockey League team would generate an annual profit of $ 777,000, according to a report presented Wednesday to the region's city managers. Hampton City Manager Bob O'Neill and Arthur L. Collins, executive director of the Hampton Roads Planning District Commission, representing the Hampton Roads Partnership arena negotiating team, presented the four-page report at the managers' monthly meeting. O'Neill and Collins told the managers that some of the profit might be shared with the 15 cities and counties that have been asked to help pay for the arena.

The report used projections provided by Chris Dunlavey of Brailsford and Dunlavey, a Washington-based accounting firm that specializes in sports financing. Dunlavey was unavailable for comment. But David Delpierre, an attorney for the partnership who helped negotiate the deal with Charlotte businessman George Shinn, said Dunlavey's projections ''are realistic.'' Shinn, who owns the NBA's Charlotte Hornets, is trying to bring an NHL team to Hampton Roads.

The projections ''are based on 119 event days,'' Delpierre said. ''When you compare that number to other arenas in comparable markets, it's very conservative.'' Here are some highlights from the report: More than 70 percent of the arena's cost would be paid by revenues generated at the facility – from income and sales taxes rebated by the state and city, naming rights and other arena income. Corporations will pay $ 10.3 million in advance for the rights to name the building and control concessions. Thereafter, naming rights are expected to generate $ 1 million per year.

''The market price for arenas in similar markets is about $ 1.7 (million) or $ 1.8 million per year,'' Delpierre said. The Hampton Roads Rhinos, as the team would be called, would receive $ 9 million of the naming rights income. Taxes generated on site - including the Norfolk admissions tax, and state income and sales taxes - would generate $ 4.9 million per year, which would be applied to the arena debt. Another $ 1.2 million per year would be generated from a $ 1 per ticket surcharge. The 15 localities will be asked to pay $ 2.3 million per year based on a formula of $ 1.50 per resident. The payments would begin in July.

The Rhinos would collect about $ 250,000 per year if the arena makes a profit. It will take $ 5.8 million per year for the Hampton Roads Sports Facility Authority to run the arena. Also, the arena will generate nearly $ 3.2 million in rental, parking and concessions revenues for non-hockey events. The $ 143 million figure could rise or fall, though it's more likely to rise. Norfolk would pay up to $ 10 million to acquire a site for the arena, and officials hope the cost will be lower. But the city and state governments would spend millions more - no firm estimate is yet available - for infrastructure improvements. That cost is not included in the $ 143 million.

Here's a breakdown of the arena's anticipated $ 143 million cost:

Arena construction, $ 92.8 million.
Furniture and other arena fixtures, $ 6.0 million.
Financing costs for 30-year bonds, $ 16.2 million.
Design, engineering and management of the construction process, $ 18.3 million.
Land acquisition, $ 10.0 million.