

# The Virginian-Pilot

## Group Sends Shinn Arena Plan

**Next: Owner, Partnership Must Forge Deal for Cities' OK**

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By Harry Minium, Staff Writer

The puck has been passed back to George Shinn. The Hampton Roads Partnership has given Shinn's negotiating team a counterproposal on how to finance a 20,000-seat arena that would house the National Hockey League franchise he hopes to bring to town.

Shinn, owner of the NBA's Charlotte Hornets, submitted a proposal on his role in the financing of an arena back on Nov. 5. An arena financing plan is essential if Hampton Roads expects the NHL to take its bid seriously. Details of Shinn's original plan were never released, and while area officials are not commenting publicly on the counterproposal, some details are known: The 20-year bonds used to build an arena would be funded primarily from three sources: Shinn, taxes from arena events and contributions from area cities.

In all, about \$ 12 million per year would be needed to pay for the arena, expected to cost from \$ 120 million to \$ 140 million. Shinn's portion would come by paying rent and sharing other revenues generated by the facility. Shinn's share: anywhere from \$ 1 million to \$ 3 million a year. Taxes generated on-site - such as state income taxes, sales taxes and amusement taxes - would be rebated to pay off the debt. Estimated annual taxes: from \$ 2 million to \$ 5 million. Area cities would pay about \$ 1.50 per year per resident, a figure suggested by Virginia Beach officials early in the negotiations. Annual contribution: \$ 2 million to \$ 3 million.

Officials had hoped the \$ 1.50 per resident would be enough to make up any shortfall, but now have determined it won't. Norfolk, as the host city, will be required to pay more than its neighbors. Officials won't say how much or what formula will be used. But a Partnership member who asked not to be identified said: "Norfolk will pay a lot for the arena."

Shinn would run the arena, booking all events and collecting all admission fees from those events, as well as luxury-suite revenues.

Now comes the hard part: getting approval from Shinn, the cities and the state. First, the Partnership must reach an agreement with Shinn. Then the participating cities must approve the agreement. Finally, the General Assembly must approve allowing all taxes generated by the arena to be put toward repaying the debt. To have a chance at winning an NHL franchise, Shinn and Hampton Roads need to have their act together by Jan. 13, the tentative date for expansion applicants to make their presentations before the league's Board of Governors.

Shinn caught the region's elected officials with their collective pants down when he blew into town 23 days ago and announced he wanted to bring a NHL team to Hampton Roads.

"A year from now, we might have been ready," said William Harrison Jr., a Virginia Beach city councilman. "But when Mr. Shinn showed up at our doorstep, we weren't."

Shinn was ready. Within a week, he submitted a proposal for his role in building the arena. Area

officials then hitched up their pants and went to work. Only recently had the Partnership, an organization of public and private officials, been designated by the region's mayors to negotiate with potential sports team owners. At the time, Partnership officials said securing a sports franchise was not among their top priorities. Yet three weeks after Shinn's announcement that he had applied for an expansion franchise, the region had a unified front and a complex arena proposal engineered by the Partnership.

"Under the circumstances, what has been accomplished so far is nothing short of a miracle," said Brad Face, chairman of the Hampton Roads Sports Facility Authority, which would issue bonds for the arena. "The average citizen would be impressed and, unfortunately, probably surprised, at how quickly and professionally the area's jurisdictions have come together and reacted to this unforeseen opportunity. It's been handled regionally, without any hint of parochialism."

Art Collins, who administers the Hampton Roads Planning District Commission and is a part of the region's negotiating team, called the meeting with Shinn's representatives "constructive. We got a lot done."

Officials say they expect to reach an agreement with Shinn by early next month. They are less certain about approval from the region's city councils, which will be asked to help pay for an arena that will be located likely in downtown Norfolk. It is not known when the city councils will take up the issue or even how many cities will be asked to participate. Seven cities will be asked to help fund the arena: Virginia Beach, Norfolk, Chesapeake, Portsmouth, Suffolk, Newport News and Hampton. Other cities, such as Smithfield, Franklin, Williamsburg and Poquoson, may be asked as well. But it's doubtful the region's counties will help because it is more difficult for counties to appropriate funds for regional projects outside their borders.

Norfolk Mayor Paul D. Fraim says his city council "will hit the ground running" and will have an arena vote quickly. Virginia Beach officials say they aren't sure when they will take up the issue, or whether public hearings will be held.

"It is up to each locality to decide whether this project is in its best interest," said Barry DuVal, president of the Partnership.

Some council members are balking, including Virginia Beach's John A. Baum, who wants to link cooperation on the arena with a deal on water with Norfolk. "The businessmen (in Norfolk) are acting like a bunch of kids jumping on the bandwagon," he said. "They certainly haven't been too helpful with water."

Most council members said they want to see the proposal before commenting. "It needs to be a good deal for the region," Harrison said. "I want to see the proposal before I make up my mind, and I think most of my colleagues agree." Harrison said water should not be linked to the arena, but cooperation on the arena should be "a model for what we should do in other areas, such as water and light rail."

The cooperation exhibited in the last three weeks to cut an arena deal is unusual in a region where, before Shinn's arrival, cities fought for nearly a year over how to hire a consultant just to study the arena issue. But the Partnership quickly moved to form a negotiating team: Hampton City Manager Bob O'Neill, Collins and Norfolk economic development director Rod Woolard. Sources say Virginia Beach City Manager Jim Spore, though not part of the team, has been a key figure behind the scenes. Face also has assisted the team. The region's city and council managers met several times to prepare guidelines for the negotiations. The Planning District Commission allocated \$ 100,000 to the Partnership, which hired lawyers, accountants and sports consultants to advise the negotiating team. The Hampton Roads Chamber of Commerce began promoting Rhinos tickets. The city of Norfolk hired several consultants, including former economic development director Bob Smithwick, who is charged with selling luxury suites and large blocks of season tickets to major corporations.

"People kept telling me that there was no way this community would pull together, that there was no way the people in this region would cooperate," Shinn said. "All I've seen is cooperation."

DuVal brought in some high-powered names, including Chris Dunlavey, of Brailsford & Dunlavey, a Washington accounting firm responsible for the financial analysis of each new funding proposal considered by the Partnership. Kenneth L. Shropshire, a prominent Philadelphia attorney and an expert on arena deals, was retained briefly, though the primary legal duties have fallen to attorneys from the Norfolk law firm of Kaufman and Canoles, including Vincent J. Mastracco, who has donated his time to the Partnership.

The negotiating team worked every day since shortly after Shinn's arrival up until this weekend, sometimes 10 hours a day on weekends. "Not one of us has seen a Redskins game in three weeks," said one of the team members.

Dunlavey provided the Partnership with copies of the lease arrangements for every NHL and NBA team, which the team pored over while trying to work out an arrangement that both Shinn and the region could live with.

Face said he has not been intimately involved in the team's work, but said the proposal will include "real-world numbers" and a "cushion" to protect taxpayers in case revenues are not as large as estimated. "Everyone sitting around the table from the very beginning has said these numbers have to be numbers that everyone in the public sector can stand behind with confidence," Face said. "It has to be a solid deal for the taxpayers of Hampton Roads as well as Mr. Shinn's group. We won't settle for anything less."

Shinn said the arena deal, and the votes by city councils, could decide whether the NHL grants him an expansion franchise. "The NHL's position is clear," he said. "They only want members who are going to be successful, and that means members who are going to make money. The arena deal has to be structured so that we can prove to the NHL we will be successful. "We need the support of the entire community. If one community decides, 'Nah, we don't want you,' it's going to hurt us. It could very well kill the effort."