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Early Projection Cuts Arena Costs

Preliminary Figures for Hampton Roads Are Based Partly on Lower Interest Rates

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An 18,000-seat arena for a National Hockey League team would cost the region about \$ 3 million per year over 20 years, about half the amount anticipated by political leaders a month ago, according to a preliminary estimate from an accounting firm hired by the Hampton Roads Partnership. Officials had calculated that eight area localities collectively would have to provide \$ 6 million to \$ 8 million per year.

The accounting firm, Washington-based Brailsford & Dunlavey, also said an arena would generate about \$ 5 million per year in taxes on arena events, say sources who asked not to be identified. The original estimate had been \$ 2 million to \$ 4 million. The state government and the city that would host the arena would rebate those on-site levies - income taxes, sales taxes and amusement taxes - to the Hampton Roads Sports Facility Authority to pay the arena debt.

Moreover, officials now estimate it would cost a total of about \$ 10 million per year over 20 years to fund the arena, not \$ 12 million per year as previously estimated. The new estimate is based in part on current interest rates for tax-free bonds - about 6 percent, not 8 percent as originally estimated.

Here's how the \$ 10 million total would be broken down: \$ 3 million from area governments - Virginia Beach, Norfolk, Chesapeake, Portsmouth, Suffolk, Newport News, Hampton and Isle of Wight. \$ 5 million from on-site taxes. \$ 2 million to \$ 3 million from George Shinn, who owns the NBA's Charlotte Hornets and has applied to bring an NHL expansion franchise to Hampton Roads.

Barry DuVal, president of the Partnership, declined to speculate on potential tax revenues from the arena, but said preliminary numbers from Chris Dunlavey of Brailsford & Dunlavey look promising. "We don't know what the final numbers will be," said DuVal, former mayor of Newport News. "The people we've hired are still running numbers based on various models. "But the \$ 6 million figure is too high, higher than any projection I've seen. It probably will be about half that amount."

The Partnership is a group of more than 50 government, civic, educational and business leaders, including all area mayors. It was formed this year to help improve the area's economic competitiveness and foster regional cooperation. A formula for funding the arena based on population is being negotiated. The host city, believed to be Norfolk, probably would pay more per capita than the other cities. However, that could change if Norfolk is asked to build additional parking for the facility.

It had been anticipated that the arena would use parking available at MacArthur Center, a downtown shopping mall under construction. But officials believe more parking might be needed. Without the additional parking, officials figure the arena would cost about \$ 120 million. HOK Sports, the Kansas City-based sports-facility design firm, had estimated in a report for the Sports

Authority of Hampton Roads two years ago that an arena would cost \$ 140 million. The \$ 120 million estimate is more in line with arena costs in other regions. Nashville constructed a 19,000-seat, \$ 115 million arena that will open in December. Raleigh plans to build a \$ 99 million, 20,000-seat arena. DuVal said progress has been made in lease negotiations with Shinn, but that a lease agreement probably wouldn't occur for another week or two.

Sources close to negotiations with Shinn say these are some questions that must be answered before a deal is struck with Shinn: If the arena is built in downtown Norfolk, who would own it? Officials aren't sure, but the most likely option is that the land would be leased by the city of Norfolk to the Sports Facility Authority of Hampton Roads, which would be listed as the arena owner. The authority would then lease the arena for 20 years to Shinn, who would run the building, booking all events and retaining all revenue, including luxury suite fees and naming rights. Shinn likely would pay \$ 2 million to \$ 3 million per year in rent.

How many seats, and what other amenities, would the arena have? Much would depend on the ongoing season-ticket sale for the NHL team, to be called the Rhinos. The team's goal is 10,000 season tickets by the end of December. The likely capacity is 18,000 for hockey and 20,000 for basketball with 40 to 50 luxury suites. If ticket sales are larger than expected, the capacity could be increased. Norfolk Mayor Paul D. Fraim flew to Pittsburgh Monday morning to discuss design questions with officials from HOK, which probably would design the arena. He was unavailable for comment.

Shinn pledged in a recent interview to bring as many events to the arena as possible, including the CIAA basketball tournament, arena football, indoor soccer, and NCAA basketball tournament games. He said he would attempt to bring the ACC basketball tournament to Hampton Roads, even though the ACC generally requires a minimum of 24,000 seats. "I'm an entrepreneur," he said. "If we move into the building, we're going to bring in every event we can, and we're going to be sensitive to make sure they are good events. "The CIAA tournament used to be in Norfolk. We'll bring it back. It should be in Hampton Roads."

Shinn said if he's successful in leasing a proposed downtown arena in Charlotte, he would simultaneously market that facility and a Hampton Roads arena. "When we have a group that wants to bring an event to Charlotte, we're going to grab their arms, twist them and say 'We'll sell you two. We want you to come to Hampton Roads, too,' " he said. "We're not just going to look after the Rhinos. Every night the building is black, I lose money. You'd better bet your sweet bippie that I'm going to be out there trying to keep the lights on every night I can."