



IMPLEMENTATION STRATEGY & ECONOMIC IMPACT ANALYSIS CAIN CENTER FOR THE ARTS – CORNELIUS, NORTH CAROLINA



SUBMITTED TO
Town of Cornelius
Lake Norman Economic Development
Cain Center for the Arts

SUBMITTED BY
Johnson Consulting
Rose Associates

DATE
June 2021

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SECTION 1
TRANSMITTAL LETTER



June 2021

Re: Cain Center for the Arts Market Analysis & Economic Impact Study

Dear Mr. Justin Dionne, Mr. Andrew Grant, and Mr. Ryan McDaniels,

C.H. Johnson Consulting, Inc. (Johnson Consulting) and **Rose Associates** are pleased to submit this report to you regarding the market analysis and economic impact study for the proposed Cain Center for the Arts in Cornelius, North Carolina. Pursuant to our engagement, this report provides an analysis of the economic, demographic, and market characteristics of Cornelius and the Lake Norman Region, as well as the broader region; outlines current trends within the arts, cultural, and entertainment industries; identifies and analyzes key characteristics of regional and comparable venues; summarizes key observations from stakeholder engagement; provides strategic implementation recommendations; opines on the operating pro formas that have been developed to date; and quantifies the economic and fiscal impacts that can be expected to be generated by the Cain Center for the Arts.

Johnson Consulting has no responsibility to update this report for events and circumstances occurring after the date of this report. As the scale of the global COVID-19 pandemic impact is still uncertain, our report outlines our assumptions based on experience from previous economic disruptions, but the actual impact will not be known for the foreseeable future. The findings presented herein reflect analyses of primary and secondary sources of information. Johnson Consulting used sources deemed to be reliable but cannot guarantee their accuracy. Moreover, some of the estimates and analyses presented in this study are based on trends and assumptions, which can result in differences between projected results and actual results. Because events and circumstances frequently do not occur as expected, those differences may be material. This report is intended for the Clients' internal use and cannot be used for project underwriting purposes without Johnson Consulting's written consent.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely,

C.H. Johnson Consulting, Inc.

C.H. Johnson Consulting, Inc



**JOHNSON
CONSULTING**



SECTION 2
INTRODUCTION & EXECUTIVE SUMMARY

INTRODUCTION & EXECUTIVE SUMMARY

INTRODUCTION

Johnson Consulting was retained by the Town of Cornelius, Lake Norman Economic Development, and the Cain Center for the Arts to conduct a market analysis and economic impact study for the development of an arts and community center and broader Town Center district in Cornelius, North Carolina. Rose Associates was retained by Johnson Consulting as subconsultants to bolster the study's local expertise. This study aims to foster the ability of the project partners to make informed decisions about the impact and sustainability of both the development and continuing operation of the Cain Center for the Arts. The Consulting Team developed a set of objectives as well as a methodology for addressing these objectives within the scope of the study.

OBJECTIVES

The objective of this study is to provide observations, analysis, and conclusions that answer the following questions:

- **Market & Industry:**
 - What is the market potential for the Lake Norman Region to support a new arts center from an economic and demographic perspective?
 - How does the Lake Norman Region compare to other communities that have developed and supported similar facilities successfully?
 - What relevant facilities already exist within the Lake Norman Region and the greater Charlotte metropolitan area that could potentially compete with or complement a new facility in Cornelius?
 - Which individuals and organizations in the Lake Norman Region have unmet needs that could be accommodated by a new facility, and what are their desires and expectations for a new facility?
 - What are the recent trends in the arts, cultural, and entertainment industries, as well as the facilities that these activities occur within, and how does this impact the Cain Center project?
- **Development, Operations, & Impact:**
 - What funding mechanisms are available to support the development of the proposed Town Center district and Cain Center facility, and how has the development of other similar facilities been funded?
 - How will the facility operate from a demand perspective? What policies and procedures will be needed in order to regulate and balance the facilities utilization by different users?
 - How will the facility operate from a financial perspective? What will the facility's rental rate structure look like? What types of ancillary revenue generating opportunities are there for these types of facilities?

- What funding mechanisms are available to support the ongoing operation of the facility and the district once they have been developed, and how have the operations of other similar facilities been funded?
- What is the magnitude of the economic and fiscal impact that the Cain Center for the Arts can be expected to generate for the Lake Norman Region?

METHODOLOGY

In order to answer the questions presented in the study’s objectives, the Consulting Team developed and executed a methodology for the study, which will be presented throughout the remaining sections of this report. The observations, analysis, and conclusions for each section of this report are summarized in the forthcoming Executive Summary.

- Market Analysis & Stakeholder Engagement
- Industry Trends, Facility Inventory, & Case Studies
- Implementation, Projections, & Impacts

The existing Cornelius Arts Center (CAC) and planned Cain Center for the Arts have been subject to several reports over the past few years, as the Town of Cornelius has undergone extensive planning and organizing around the new Town Center district. The Consulting Team reviewed four reports in detail: the Cornelius Arts & Community Center report by the Town of Cornelius (2017); the Cornelius Arts Center Market Study & Research Assessment by NextStage Consulting, LLC (2017); the Cain Center for the Arts 2019 to 2023 Strategic Plan by Cain Center for the Arts (2019); and the Cain Center for Arts Integration Plan by Deloitte (2020). These reports provide valuable background on the community and project, as well as insight into the programming and operational viability of the Cain Center for the Arts.

THE CORNELIUS ARTS & COMMUNITY CENTER REPORT – JANUARY 2017

In January 2017, the Town of Cornelius produced a report highlighting key data points about its programming and providing background on the then-proposed new town arts center. The report intended to give the “big picture” on the new facility’s vision, mission, governance, and its spaces and programming. At the time this report was released, many details about the Cain Center for the Arts had not yet been decided, so the report is primarily a document that provides background on the project’s initial vision and planning process.

The report gave valuable background on the current CAC, the impetus for the new arts center, and how the strategic planning process was progressing. According to the report, the CAC hosted 196 programs and 5,300 participants in FY 2015. The current facility was 6,700 square feet with 3 art studios, 1 ceramics studio, 1 flex theater, and 1 gallery. The center had a host of youth and adult art education classes, as well as art exhibitions, and performances and films presented in its art house theater.

The new arts center in Cornelius will absorb programming from the CAC, and expand on it to make Cornelius an even better arts destination. After \$4 million in bond financing was secured, the following steps were taken: a strategic working group was set up in November 2015; a survey was released to understand when and for what purpose town residents would choose to engage with a new arts center; planners visited existing arts centers across the state; and a board was set up to envision the “big picture” programming and governance for the new town arts center. The facility’s spaces would include large and small galleries, a ceramics studio, classroom and studio spaces, a theater with flexible-use space, and a special events room available for rent, with available food service.

CORNELIUS ARTS CENTER MARKET STUDY – NOVEMBER 2017

In November 2017, Next Stage Consulting produced a market study and research assessment for the Cain Center in service to the in-progress capital campaign, and in order to determine the “right-sized” plan for capturing the primary, secondary, and tertiary communities. The study included primary and secondary research, tested out various facilities scenarios, and created a pro forma for the first four years of operating the facility. The report provides detailed analyses of its findings across all research methods. Like the Cornelius Arts & Community Center from January 2017, many details about the Cain Center for the Arts had not yet been decided. The Consulting Team placed greater weight on the primary research method (the survey) since the Team conducted its own secondary research.

The Executive Summary presented the following high-level takeaways from Next Stage’s research:

- Next Stage could not find a comparable town, of similar geographic and demographic identity, that has built a facility with the scale of the Cain Center. Comparable facilities that have been successful have either forged a partnership with a higher education institution or capitalized on a sizable secondary market. Given these factors, Next Stage suggested pursuing a smaller initial footprint for the Cain Center, with the goal of phasing in more facility components as awareness and secondary market demand grow.
- Marketing efforts should be focused on the roughly 183,000 individuals living within the primary and secondary markets, who are in “achievable distance” for regular engagement (weekly to every 1-2 months). Since this market is smaller than that of comparable institutions, the Cain Center should focus as much or more on engagement in the towns within the secondary market, such as Mooresville, western Concord, and northern Charlotte.
- In the first 2-3 years of operations for the Cain Center, contributed revenue will be crucial, and allow earned revenue to “catch up” as participants are onboarded to programs. As more demand is generated and groups are onboarded, earned revenue will increase and contributed revenue will decrease. However, suburban centers are less likely to move to revenue compositions found in urban markets, which can be as high as 80/20 or 90/10.
- To minimize the risk of an “empty venue”, the Cain Center should seek to achieve a walkable, retail-friendly environment, which will lead to more robust community engagement.

- In scenario planning, it was reinforced that larger venues carry greater staffing needs from the outset. The Cain Center should keep in mind the staffing and contractor team that will be needed on Day 1 to meet physical, programmatic, and engagement needs.

Next Stage created and administered an online survey in October 2017, which aimed to capture the region's attitudes toward and preferences for performing, visual, and participatory arts. The survey had 942 respondents, with 62% of respondents living in the Cain Center's primary market (Cornelius), 31% in the secondary market (Huntersville, Concord, Kannapolis, Mooresville, Davidson, and Denver), 6% in the tertiary market (Charlotte and surrounding towns), and 1% in other markets (Naples, Cleveland, Los Angeles, and others).

The study presented the following highlights from Next Stage's survey:

- Performing arts are likely to have a stronger draw from the population than visual arts. The survey shows a greater interest in painting and photography as opposed to ceramics.
- Pricing and distance to travel are crucial for potential customers for shows, and particularly for classes. The Cain Center can expect consistent participation from those in the primary market.
- Most participants want collaboration and partnership with local organizations. Since the Lake Norman Region has not historically been prioritized by local arts leaders, the Cain Center needs to cultivate a strong balance between contract/rental partners and its own programming.
- The Cain Center will be hard-pressed to draw significant participation from its tertiary (10-25 miles) market. To Charlotte arts leaders, the Lake Norman Region has not "been on their radar" before. The tertiary market will likely rarely engage with the Cain Center, and when they do, performing arts will be the primary draw.
- Venues with a capacity of under 400 are unlikely to attract big-name performers. Intimate settings are often preferable for local theater producers.
- Charlotte area focus groups have acknowledged that large uptown performance venues and museums are often empty. To address concerns over the "empty venue", the Cain Center should continue to prioritize its goal of being a center that is "alive with activity", and that is valuable to the community in many ways.

CAIN CENTER FOR THE ARTS 2019-2023 STRATEGIC PLAN – AUGUST 2019

In August 2019, the Cain Center for the Arts created a strategic plan for the years 2019-2023. The report included background on the project, the nonprofit organization's values, the objectives of the plan, financial projections for FY 2019-2023, information on the staff and board of directors, and next steps for the project.

The report first outlined its vision, objectives, and designs for the Cain Center. Per this report, the Cain Center for the Arts will address a critical need for the fast-growing Lake Norman Region to have spaces for the community to create, experience, and enjoy the arts. The Cain Center will include the following spaces:

a 400-seat theater, gallery space, event spaces, classrooms, community green space, warming kitchen, and parking and pedestrian access. In addition to providing background on the project's planning and initial bond financing, the report also stated that, as of the time of the report's release, the Cain Center had successfully fundraised \$14 million. The Cain Center is well on its way to reaching its \$25 million goal.

The plan outlined objectives for each year between 2019 and 2023, as well as more specific, individual actions to be taken each year. The objectives are as follows: 2019-2020: "Preparing" – completing the capital campaign and breaking ground on the facility; 2020-2021: "Building" – managing the construction process, building awareness, and preparing for program delivery; 2021-2022: "Opening" – as doors open to the public, deploy initial programming; 2022-2023: "Maturing" – delivering first year of programming and scaling/enhancing operations. For each year, the plan also provides financial projections for this timespan.

CAIN CENTER FOR THE ARTS INTEGRATION PLAN – FEBRUARY 2020

In February 2020, Deloitte produced an integration plan for FY 2021-2025, with opportunities for impact, sequencing actions, considerations for success, and a path forward for the Cain Center for the Arts. The plan outlines some high-level recommendations regarding opportunities for impact:

- Market Pricing Alignment: non-summer camps at 37% below not-for-profit market midpoints, while summer camps are at not-for-profit market midpoints
- Program Rationalization: most offerings do not cover overhead. Camps are the most popular and profitable program option.
- Schedule Optimization: 90% of available space is underutilized. Weekends are the biggest opportunity.
- Expense Optimization: expenses will go up, not down, with time. There is a need for marketing, additional talent, and capital investments.

Deloitte also outlines sequencing actions each year, projects revenue for FY 2021-2025, and poses considerations and recommendations for success. According to Deloitte's projections, earned revenue will steadily increase over the years and contributed revenue will decrease. In 2019, 57% of revenue was earned and 43% was contributed. By 2025, 71% of revenue is projected to be earned and 29% will be contributed. Going forward, the report offered several recommendations: deploy stakeholder engagement strategies; formalize ClayWorks (a Charlotte area pottery studio and school) partnership and capital investment needs; implement pre-planned price increases; plan for a refreshed market study; define operating budget changes and pro formas; and address and discuss staffing and marketing spend increases.

EXECUTIVE SUMMARY

MARKET ANALYSIS & STAKEHOLDER ENGAGEMENT

To analyze the market opportunity for performing arts facilities, Johnson Consulting undertook a detailed analysis of market conditions in Cornelius and its surrounding area, relative to state and national averages. While characteristics such as population, employment, and income are not strict predictors of performance for arts & cultural facilities, these variables provide insight into the capacity and ability of a market to provide ongoing support for such facilities and activities. In addition, the size and role of the marketplace, its civic leadership, educational institutions, corporate presence, proximity to other metropolitan areas, transportation concentrations, and the location of competing or complementary attractions directly influence the scale and quality of new facilities that can be supported within a market.

Cornelius, Davidson, and Huntersville are located in the Lake Norman Region of North Carolina, about 20 miles outside of Charlotte. Like Charlotte and other cities of the Sun Belt, the Lake Norman Region has experienced dramatic population growth over the last twenty years, particularly among millennials. Given changes in population and consumer preferences, there has been a concerted effort from business and government leaders of the Lake Norman Region to invest in downtown amenities, including those related to arts and recreation. In 2013, the Town of Cornelius approved a \$4 million bond for Town Center redevelopment. A four-year strategic planning process began thereafter, which culminated in the creation of the Cain Center for the Arts, a nonprofit organization to partner with the Town in developing a community arts center, and to manage the programming and operations of the space. Figure 2-1 presents a map of Cornelius in relation to its neighboring towns Davidson and Huntersville, and in relation to Charlotte. **Error! Reference source not found.** shows 30, 60, and 90-minute drive time radii from the subject site, representing the typical catchment areas for a facility of this type.

Figure 2-1

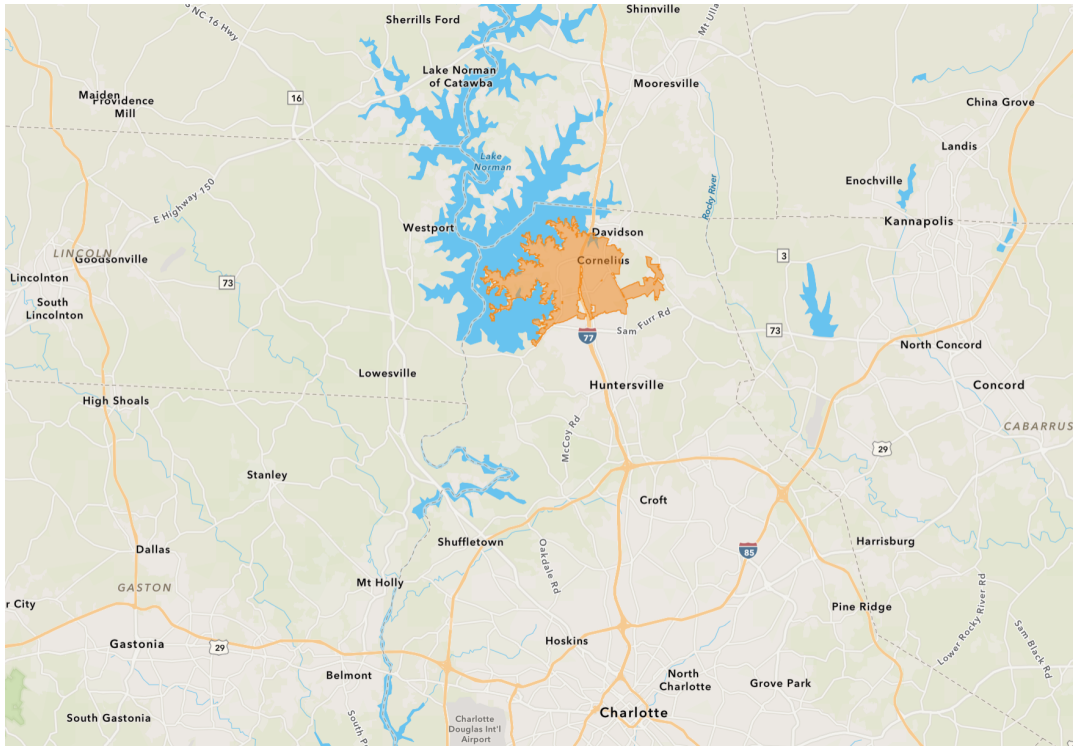
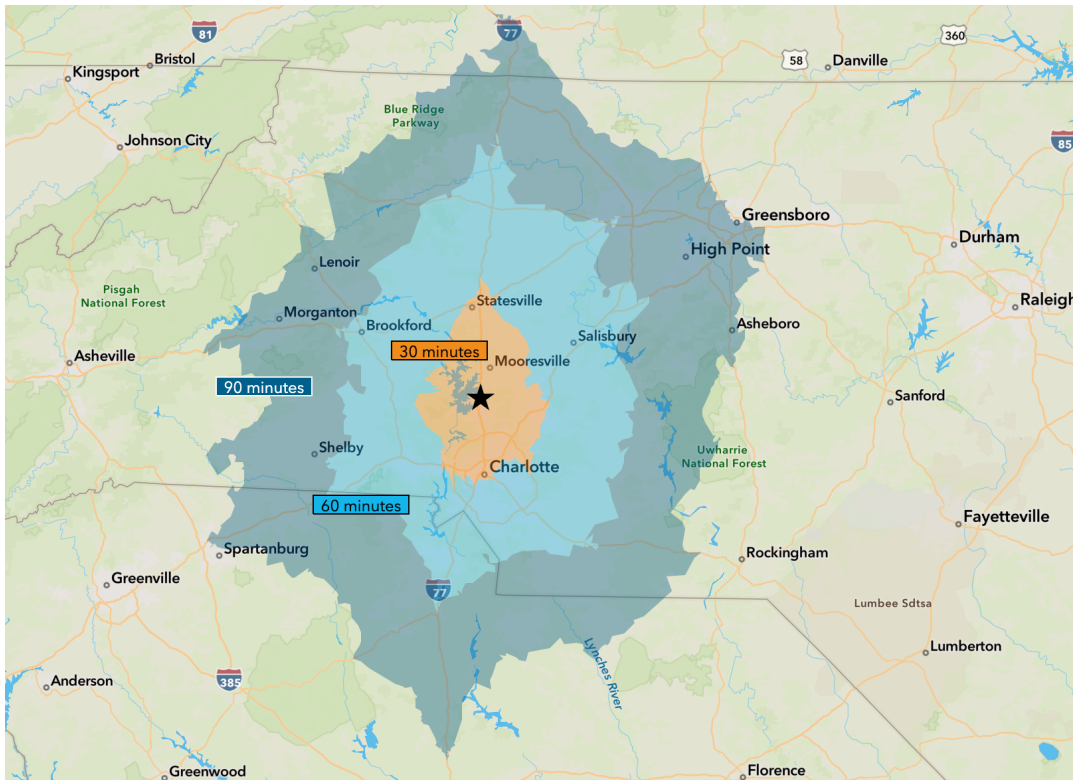
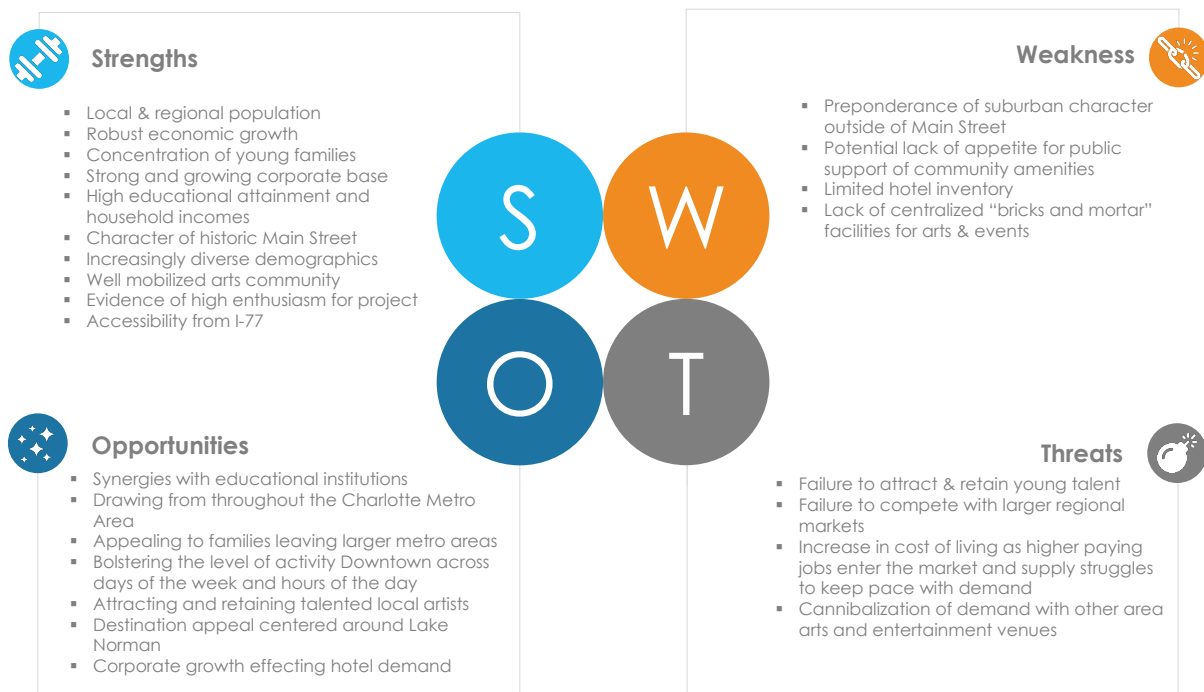


Figure 2-2



The Lake Norman Region exhibits favorable economic, demographic, and market indicators across the board in terms of evaluating the potential for a community’s ability to support the Cain Center for the Arts, as well as to attract business to such a facility. The rationale that supports the feasibility of the Cain Center can be summarized by Figure 2-3, which pulls from the most salient observations and conclusions from Section 3 of this report. The graphic sorts these points into a “SWOT” analysis, which outlines the market’s strengths, weaknesses, opportunities, and threats in the context of the proposed development of the Cain Center in Cornelius. As shown, there are a number of existing strengths that support the project’s market viability, as well as several opportunities which could come to fruition if the project is executed properly. There are also a few threats to market viability if the project is not properly executed, as well as some existing weaknesses in the market. Some of these considerations, like hotel supply and demand, facility supply and demand, and community interest, are heavily intertwined with the development of the project, while others rely more on other independent, overarching economic factors. Overall, the project’s feasibility from a market-driven perspective is favorable in the opinion of the Consulting Team.

Figure 2-3



Beginning at the Kickoff Meeting in Cornelius on October 20 and 21, 2020 and continuing throughout the duration of the project’s completion, the Consulting Team conducted a variety of interviews and focus groups with a variety of potential users of the proposed facility, key stakeholders in the Cornelius and Lake Norman community, and arts and entertainment industry experts. These engagements helped us to understand the demand that exists in the Lake Norman Region, the facilities currently serving that demand, and the market opportunities that exist for the Cain Center for the Arts.

The general sentiment in virtually all of the Consulting Team’s interactions with individuals and organizations throughout the Lake Norman Region supported the merits of the concept of the Cain Center for the Arts. Many believed that the Lake Norman Region lacks facilities that are attractive or sufficiently sized for hosting certain types of arts events. Interviewees believed that the development of a new facility to host these events would be an asset to the community.

INDUSTRY TRENDS, FACILITY INVENTORY, & CASE STUDIES

As the proposed arts and event center is further considered, it is important to understand the dynamics that exist between the demand for arts and event activity and the supply of facilities to host these events in the Lake Norman Region and at the national and global scale. Section 4 of this report sets the stage by presenting an overview of arts center industry trends, detail and map the inventory of arts and entertainment venues in the local market, and will present comparative profiles of selected case studies.

Arts centers have long been at the forefront of the arts and entertainment scene in their respective communities. While larger shows may take place in stadiums and arenas, there are myriad events that thrive in much smaller venues. Some of these events may include: comedy shows, TED Talks, concerts, musical plays, dance productions and visual arts productions. Many people consider some combination of these performing arts to be valuable to their community, and more importantly their overall quality of life. As an industry that supports millions of jobs and generates over billions of dollars in economic activity on an annual basis, it is easy to see why so many people support funding for the arts.

The Cain Center facility should aim to fill gaps that exist within the Lake Norman Region’s inventory of facilities and to meet the needs of the community without replicating offerings that already exist, which could result in the cannibalization of demand and facility redundancy. Considering the geographic size of the Cornelius area and greater Lake Norman, its population base, and strong economic profile, there are a number of arts and event facilities in the region. Each facility serves a subset of the marketplace. All facilities serve the areas proximate to them most directly, while only a few facilities serve the entire Lake Norman Region for the largest, most prominent events. Section 4 of this report establishes the entire supply of facilities that serve residents in the Lake Norman area and opines on the degree to which some of these facilities could compete with the proposed arts and event center in Cornelius.

The facility inventories for arts facilities, event facilities, and hotels in the northern Lake Norman Region reveals that, in line with the anecdotal evidence that was gathered in the community engagement process, there is a market opportunity for both an arts center facility and an event center facility in Cornelius. Although there are a significant number of arts and event facilities across the region, the size and growth trajectory of the northern Lake Norman is sufficient to support these facilities. In addition, there is a notable shortage of arts and event facilities within the Cornelius community itself. The magnitude of this shortage will impact the recommendation for the new facilities, which will be addressed in the later sections of this report.

In order to understand the potential operating characteristics for the Cain Center for the Arts in Cornelius, this section presents case study profiles of a set of regional and national comparable facilities, as well as

the markets within which they operate. The key characteristics of these case studies are provided in the following profiles, and include:

- Location, size, character, and attributes of the market and the areas adjacent to the facility
- Location, size, character, and attributes of the facility
- Ownership, operations, and management structure of the facility
- A demand profile, including the number of events, type of events, and total attendance, as available
- A financial profile, including operating revenues and expenses as well as supplementary non-operating revenues such as public grants and private contributions, as available

This information provides insight into the scale of facility that could be realistically feasible in Cornelius, as well as some general parameters within which the proposed facility could reasonably expect to operate in terms of demand and financial performance. These venues were selected for a variety of reasons such as the program of spaces, operation and management structure, market similarities, geographic proximity, and key lessons to be learned about how to optimize demand potential and financial sustainability. Section 4 contains a table that summarizes the key attributes of the facilities identified as part of this analysis:

- Buckhead Theater – Atlanta, GA
- Sandy Springs Performing Arts Center & Conference Center – Sandy Springs, GA
- Arvada Center for the Arts & Humanities – Arvada, CO
- Parker Arts Culture & Events Center – Parker, CO
- Lawrence Arts Center – Lawrence, KS

The case studies demonstrate the various models that can be pursued among arts and event center facilities. In terms of the program of these facilities, some are more presentation-focused, some are more production-focused, others are more education-focused, and many offer a hybrid of these three missions. Each facility was conceptualized in order to serve the needs of the community and market area within which they operate, providing arts and entertainment facilities and programming without replicating or cannibalizing demand from the other existing entities in the market. These facilities host hundreds of events that draw tens or even hundreds of thousands of attendees each year and have a wide array of financial models that are employed to fund capital and operational expenses. These facilities do not typically generate operating profits – in fact, many require contributed revenue to balance their operating budgets, which can come in the form of public grants or private contributions.

With a well-thought-out rental rate structure, a robust sales and marketing operation, and additional ancillary revenue streams, the need for operating support can be minimized. Overall, the case study facilities provide examples of where these types of facilities have been successfully developed in other similar markets and provide a window within which Cornelius's proposed arts and event center could expect to operate.

FUNDING, PROJECTIONS, & IMPACTS

In Section 5, the Consulting Team presents recommendations for the funding of the proposed Cain Center for the Arts and Town Center district projects. One of the most important outstanding questions surrounding these projects is how to fund 1) the remaining gap that exists between the funds that have been assembled for the construction and development of the facility itself, 2) the facility’s annual operating expenses, and 3) the Town Center district’s expenses. Each of these expenses will need to be covered (at least partially) by government grant funding. Johnson Consulting contemplated 4 unique approaches to addressing this issue:

- Municipal Service Districts
- Project Development Financing
- Synthetic Project Development Financing
- Interlocal Agreement

The various considerations for each funding mechanism are summarized in Figure 2-4.

Figure 2-4

| | Implementation Strategies | | | |
|--------------------------------------|--|--|---|--|
| | District-Based Strategies | | Townwide & Regional Strategies | |
| | Municipal Service District (MSD) | Project Development Financing (PDF) | Synthetic Project Development Financing | Interlocal Agreement |
| Common Name | Business Improvement District (BID) | Tax Increment Financing (TIF) | N/A | Intergovernmental Agreement (IGA) |
| Enabling Legislation | Municipal Service District Act (G.S. 160 A, Article 23) | Project Development Financing Act (G.S. 159, Article 6) | G.S. 160A-20 and G.S. 159, Article 4 | Interlocal Cooperation Act (G.S. 160A, Article 20) |
| Source of Funds | Special Assessment Property Tax Revenue from within MSD | Incremental Property Tax Revenue from within PDF District | - Townwide Ad Valorem Property Tax Revenue - Townwide Tourism-Related Tax Revenue (Hotel Occupancy Tax, U Drive It Tax, Prepared Food & Beverage Tax) | - Townwide Ad Valorem Property Tax Revenue - Townwide Tourism-Related Tax Revenue (Hotel Occupancy Tax, U Drive It Tax, Prepared Food & Beverage Tax) |
| Tax Burden by Land Use | Primarily Commercial | Primarily Commercial | Commercial & Residential | Commercial & Residential |
| Tax Burden by Geographic Area | District | District | Townwide | Townwide |
| Debt Financing Mechanisms | Special Assessment Bonds | Project Development Financing | General Obligation Bonds or Installment Purchase Financing | General Obligation Bonds or Installment Purchase Financing |
| Project Types* | Urban/Downtown Revitalization Off-Street Parking Infrastructure | Auditoriums Arts Centers Facilities for cultural events, shows, & public gatherings | All | Facility Authorities Revenue & Expenses for Joint Undertakings |
| Funding Types | Capital and/or Operational | Capital | Capital and/or Operational | Capital and/or Operational |
| Rules & Regulations | - MSD's incremental tax rate cannot exceed 0.6611% in Cornelius - MSD's incremental tax rate can be adjusted annually - Town of Cornelius can choose not to levy MSD's incremental tax rate for certain fiscal years without abolishing the MSD itself | - Size of project development district cannot exceed 5% of the total land area of the Town of Cornelius, or approximately 0.7535 square miles | - General Obligation Bonds: Secured by Full Faith & Credit of Town of Cornelius (G.S. Ch. 159, Article 4) - Installment Purchase Financing: Secured by Cain Center Asset Itself (G.S. Ch. 160A-20) | - Revenue & Expenditures for Joint Undertakings: relatively flexible - Facility Authorities: relatively strict |
| Process for Creation | - Town of Cornelius would need to develop an MSD plan that is subject to public hearing process | - Town of Cornelius would need to develop a project development financing plan that requires public hearing process and approval from Mecklenburg County and Local Government Commission | - General Obligation Bonds: Requires Voter Referendum - Installment Purchase Financing: Does Not Require Referendum | - Revenue & Expenditures for Joint Undertakings: relatively flexible - Facility Authorities: relatively strict |

*Implementation strategies can be used for a variety of project types, but this table lists only those that are relevant for the Cain Center and Town Center district projects
Source: State of North Carolina, University of North Carolina School of Government, Johnson Consulting

Section 5 lays out the pros and cons of employing a district-based approach, like an MSD or PDF, compared to a townwide or regional approach such as the Synthetic PDF or Interlocal Agreement. District-based targeted approaches would rely on property tax revenue, either in the form of an additional assessment rate (MSD) or an incremental amount above the current baseline (PDF). District-based approaches would require the expansion of the arts district that has previously been envisioned by the Town of Cornelius, as the property tax base within that zone is not large enough to generate enough funding for the Cain Center or Town Center district projects. Townwide or regional approaches could involve a property tax rate increase or could pull from tourism-related tax revenue such as the Hotel Occupancy Tax, U Drive It Tax, or Prepared Food & Beverage Tax. Existing Cornelius tourism-related revenue does not support existing

tourism-related expenses, and Cornelius' tourism fund balance is in the red due to prior expenses. Much more detail about these potential funding mechanisms is provided in Section 5.

Section 5 goes on to justify the feasibility of the Cain Center from a demand perspective, including a detailed profile of 3 main categories of demand sources:

- Community and Non-Profit Arts Events
- Commercial and Touring Arts Events
- Multipurpose Corporate, Social, Community, and Non-Profit Events

A new arts and community facility will need to weave together a mix of these demand sources in a way that meets the needs of the community while also maintaining a responsible operation in terms of revenue generation. The classic debate regarding these types of facilities is who pays for them and who has priority for using them. As a rule, community organizations and local arts groups feel they have a social mandate to use facilities – they are local taxpayers after all. They will also leverage political organization in order to advocate for a fair balance between their socially beneficial programming and revenue-generating commercial demand. Meanwhile, city leadership wishes to see a facility with a responsible bottom line that serves as both an amenity to residents and an attraction for visitors. Ultimately, new facilities often employ a hybrid model that seeks to serve both demand segments. This can be standardized and regulated by a deal-making process that involves input from all stakeholders and results in the crafting of letters of intent, memoranda of understanding, and booking policies that reflect the current needs of all involved.

Section 5 provides demand and financial projections for the proposed Cain Center for the Arts, based on the previously developed facility program. Figure 2-5 below summarizes the proposed facility program.

Figure 2-5

| Cain Center for the Arts Facility Program | |
|--|---------------------------|
| | Size |
| Theater (400 seats) | 6,678 Square Feet |
| Lobby | 2,648 Square Feet |
| Classrooms / Meeting Rooms | 6,241 Square Feet |
| Gallery Space | 641 Square Feet |
| Shop | 158 Square Feet |
| Support Spaces | 13,956 Square Feet |
| Total | 30,322 Square Feet |

Source: Cain Center for the Arts Construction Documents

Section 5 goes on to present estimates of demand and visitation (including both participants and attendees) for the proposed Cain Center. The Cain Center, as described earlier in this section, is expected to host community / non-profit events including performances, rehearsals, and other types of events, as well as

commercial / touring events including promoted performances, rental performances, and other types of events.

To summarize these demand and visitation projections, Johnson Consulting projects that, by Fiscal Year 2028, the Cain Center will host 142 theater events and 598 other events, for a total of 740 events. It should be noted that the vast majority of these “other” events are the classes and programs currently under the CAC umbrella that will be moved into the Cain Center building upon completion, and that each individual class-day is counted as 1 event in Johnson Consulting’s model. These demand projections, in tandem with assumptions regarding the average number of visitors per event that are outlined in Section 5, result in a projected 45,404 total visitors to the Cain Center by Year 5 of operation (Fiscal Year 2028).

Section 5 concludes with an economic and fiscal impact analysis that quantifies the incremental spending, hotel room nights, jobs, and sales and hotel tax revenues that the operations of the Cain Center could be expected to generate on an annual basis. It also contains an introduction to these types of analyses, including some basic terminology and definitions as well as the specific assumptions that were used in Johnson Consulting’s model for the Cain Center project.

By the fifth full year of operation (Fiscal Year 2028) the Cain Center’s impact is expected to include the following economic and fiscal impacts on an annual basis:

- \$889,000 in total on-site direct spending (according to the Cain Center’s financial pro forma)
- \$780,000 in off-site direct spending (for a combined total of nearly \$1.7 million in direct spending)
- \$584,000 in indirect and induced spending (for a total of nearly \$2.3 million in total spending)
- 15 full-time equivalent (FTE) jobs accounting for \$534,000 in increased salaries/wages
- \$179,000 in sales tax & tourism-related tax revenues, combined, to state & local governments

Over the entirety of the Cain Center’s first 5 years of operation, the cumulative annual economic and fiscal impacts from the facility’s operation sum to:

- Over \$4.6 million in total on-site direct spending (according to the Cain Center’s financial pro forma)
- Over \$3.3 million in off-site direct spending (for a total of over \$7.9 million in direct spending)
- Nearly \$2.8 million in indirect and induced spending (for a total of \$10.7 million in total spending)
- 75 full-time equivalent (FTE) job-years accounting for over \$2.5 million in increased salaries/wages
- \$841,000 in sales tax & tourism-related tax revenues, combined, to state & local governments

It should be noted that sales and tourism-related tax revenues presented as fiscal impacts in the above analysis are subject to a complex process during which they flow through multiple local government jurisdictions and are first allocated to dedicated funding recipients and administrative fees before the remaining funds are distributed to jurisdictions like the Town of Cornelius. The fiscal impact projections are

intended to demonstrate the total incremental tax revenues that will be generated by the Cain Center's operation and flow to the collective relevant jurisdictions rather than to one specific jurisdiction like the Town of Cornelius.

Additionally, these sales tax and tourism-related tax revenues represent only a fraction of the overall fiscal impact to the economy, as they are only 1) increased spending by Cain Center visitors in the local economy and 2) the public sector's increase in tax revenue resulting from the increased spending in the economy. This economic and fiscal impact analysis does not factor in the one-time impact that would be generated by the construction of the Cain Center facility, which would provide millions of additional spending dollars resulting in thousands of additional tax dollars to local and state governments and would support dozens of jobs in the local economy, primarily in the construction industry. The presence of the proposed Cain Center would also increase values of commercial establishments in areas surrounding the new facility and beyond, which result in increased property tax supported by the project.

There are also a number of non-financial benefits that are provided by these types of facilities, which have been described throughout the course of this report. Arts centers build relationships between businesses, governments, and other institutions, foster thought-sharing and innovation, help to attract new residents and employers to the community, and provide a boost to quality of life. These factors are difficult to measure but are crucial components of decision making for these types of projects. Ultimately, a balance will need to be established that includes many of these benefits without placing an excessive financial burden on the community.

SECTION 3
MARKET ANALYSIS & STAKEHOLDER ENGAGEMENT

MARKET ANALYSIS & STAKEHOLDER ENGAGEMENT

To analyze the market opportunity for performing arts facilities, Johnson Consulting undertook a detailed analysis of market conditions in Cornelius and its surrounding area, relative to state and national averages. While characteristics such as population, employment, and income are not strict predictors of performance for arts & cultural facilities, these variables provide insight into the capacity and ability of a market to provide ongoing support for such facilities and activities. In addition, the size and role of the marketplace, its civic leadership, educational institutions, corporate presence, proximity to other metropolitan areas, transportation concentrations, and the location of competing or complementary attractions directly influence the scale and quality of new facilities that can be supported within a market.

MARKET ANALYSIS

Cornelius, Davidson, and Huntersville are located in the Lake Norman Region of North Carolina, about 20 miles outside of Charlotte. Like Charlotte and other cities of the Sun Belt, the Lake Norman Region has experienced dramatic population growth over the last twenty years, particularly among millennials. Given changes in population and consumer preferences, there has been a concerted effort from business and government leaders of the Lake Norman Region to invest in downtown amenities, including those related to arts and recreation. In 2013, the Town of Cornelius approved a \$4 million bond to create an arts district in the historic downtown. A four-year strategic planning process began thereafter, which culminated in the creation of the Cain Center for the Arts, a nonprofit organization to partner with the Town in developing a community arts center, and to manage the programming and operations of the space.

Figure 3-1 presents a map of Cornelius in relation to its neighboring towns Davidson and Huntersville, and in relation to Charlotte.

Figure 3-1

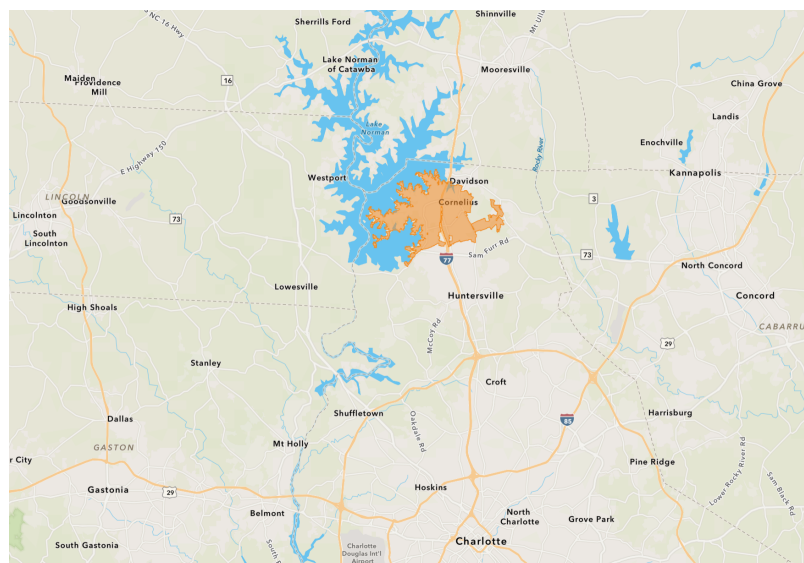
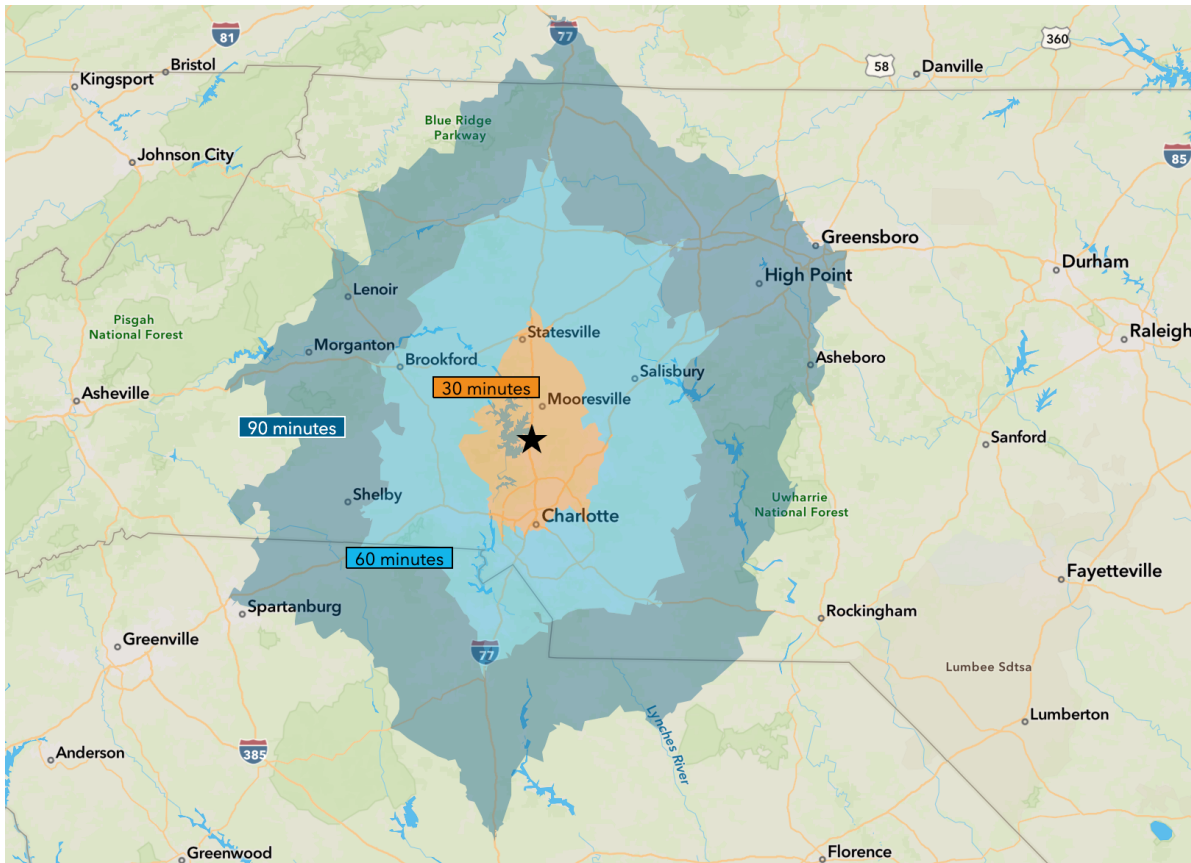


Figure 3-2 shows 30, 60, and 90-minute drive time radii from the subject site, representing the typical catchment areas for a facility of this type.

Figure 3-2



Cornelius' location in the Lake Norman Region, just twenty miles from Charlotte, is advantageous from an accessibility standpoint. This applies to various transportation modes:

- **Road:** The primary thoroughfare that connects the Lake Norman towns to Charlotte and the rest of the southeastern United States is Interstate 77. This highway, along with Interstate 85, connects regional economic center Charlotte to bedroom communities like Cornelius, Davidson, and Huntersville. In Cornelius, historic Catawba Avenue runs east-west through the town and connects residents to key commercial districts.
- **Bus:** The Lake Norman Region is served by express bus service along Interstate 77 express lanes. The Charlotte Area Transit System (CATS) intends to expand service to include bus rapid transit (BRT) in coming years, as outlined in CATS' 2030 Transit Corridor System Plan.
- **Air:** Cornelius is about a twenty-minute drive from Concord-Padgett Regional Airport and a half-hour drive from Charlotte Douglas International Airport (CLT). CLT is ranked among the ten busiest airports in the world, serving about 178 nonstop destinations worldwide and 50 million passengers annually.

- **Rail:** Cornelius, Davidson, and Huntersville are expected to be served by the North Corridor Commuter Rail Line (“Red Line”), a 25-mile rail system which would connect Lake Norman commuters to Charlotte. However, this project has run into logistical and feasibility issues, and is currently stalled.

The Lake Norman Region is well-connected to neighboring major city Charlotte, and is benefiting from recent population growth, rising median incomes of residents, and planned transportation improvements in coming years that will draw visitors seeking cultural experiences. A new performing arts center would serve a key role in contributing to the cultural identity of Cornelius, Davidson, and Huntersville, while also capitalizing on the favorable demographics of its surrounding area.

POPULATION

In 2020, the population of the Town of Cornelius is 31,282. The 30, 60, and 90-minute drive time catchment areas, typical for a performing arts facility of this scale, have populations ranging from over 830,000 to over 4.5 million. This provides a significant potential for a performing arts facility to draw from these population centers for larger events, given that the acts are sufficiently enticing and well-advertised.

The Lake Norman Region has experienced dramatic population growth since 2000 and is expected to keep growing. Population forecasts indicate continued population growth across all subject areas. The Towns of Cornelius, Davidson, and Huntersville are predicted to grow to populations of 33,529, 14,865, and 66,293 by 2025. Between 2000 and 2025, these towns have experienced annual growth rates of 3.5%, 2.7%, and 3.8%, respectively. Growth rates in these three towns and the relevant catchment areas are all significantly higher than growth rates in the rest of the State and the U.S. Figure 3-3 presents the population trends for these areas between 2000 and 2025.

Figure 3-3

| Population | | | | | |
|------------------------|-------------|-------------|-------------|-------------|--------------------|
| | 2000 | 2010 | 2020 | 2025 | CAGR* 2010-2025 |
| Cornelius | 14,132 | 24,802 | 31,282 | 33,529 | 3.5% |
| 30-minute drive | 462,841 | 690,335 | 864,730 | 955,483 | 2.9% |
| 60-minute drive | 1,903,321 | 2,436,417 | 2,887,923 | 3,120,845 | 2.0% |
| 90-minute drive | 3,455,162 | 4,131,655 | 4,692,249 | 4,986,533 | 1.5% |
| Davidson | 7,670 | 10,878 | 13,987 | 15,652 | 2.9% |
| Huntersville | 25,988 | 46,794 | 60,198 | 66,293 | 3.8% |
| North Carolina | 8,049,313 | 9,535,483 | 10,736,879 | 11,357,303 | 1.4% |
| U.S. | 281,421,906 | 308,745,538 | 333,793,107 | 346,021,282 | 0.8% |

* Compounded Annual Growth Rate
Source: Esri, Johnson Consulting

AGE

Age is an important indicator to consider for performing arts facilities. Higher proportions of older residents can present opportunities to capture large audiences that tend to have more free time to enjoy the arts and more disposable income to spend on them. Higher proportions of children and families could be indicative of a successful market for children’s shows or educational programs. It should also be strongly considered in the facility’s marketing efforts.

The Town of Cornelius has the oldest median age out of the three Lake Norman towns, and also has an older median age than the State of North Carolina and the U.S. In 2020, Cornelius’ median age is 39.9, while that of Davidson, Huntersville, North Carolina, and the U.S. are 37.4, 37.1, 38.9, and 38.5, respectively. Between 2010 and 2025, Cornelius aged at the most rapid rate of any of the comparative areas except Davidson. Figure 3-4 shows the median ages over time for the Town of Cornelius and its surrounding areas.

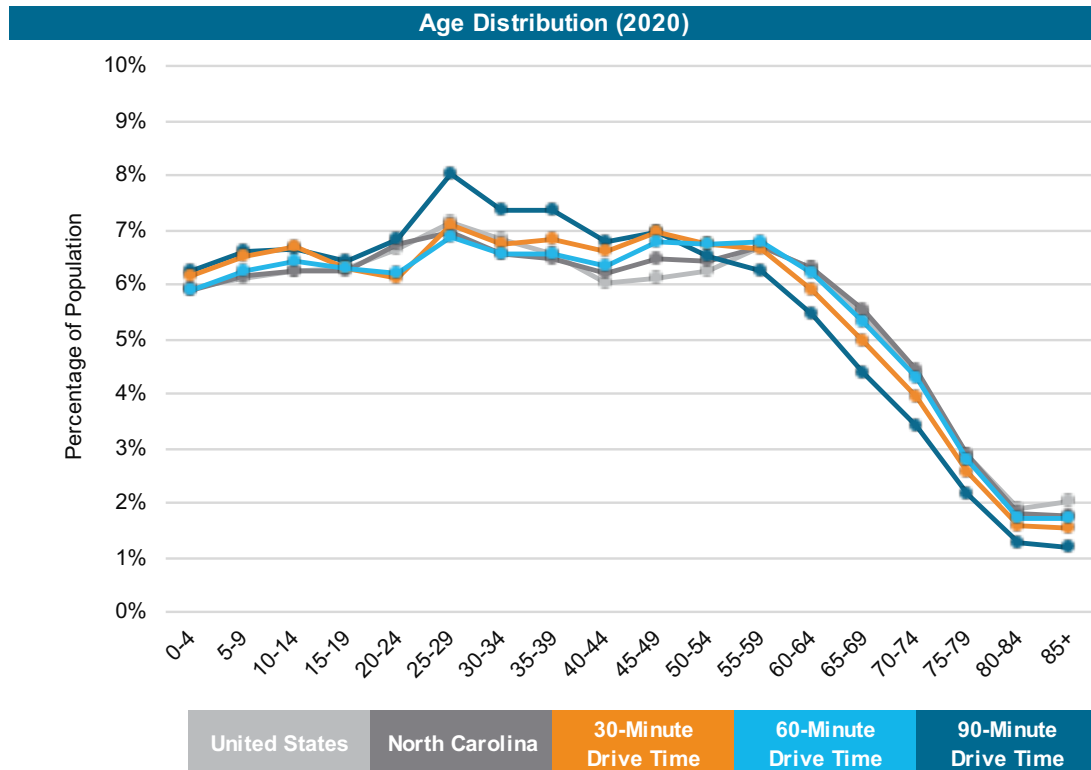
Figure 3-4

| Median Age | | | | |
|------------------------|-------------|-------------|-------------|-----------------------|
| | 2010 | 2020 | 2025 | % Growth 2010-2025 |
| Cornelius | 37.6 | 39.9 | 40.6 | 8.0% |
| 30-minute drive | 34.6 | 36.2 | 36.4 | 5.2% |
| 60-minute drive | 36.6 | 38.2 | 38.5 | 5.2% |
| 90-minute drive | 37.4 | 39.1 | 39.6 | 5.9% |
| Davidson | 35.5 | 37.4 | 38.6 | 8.7% |
| Huntersville | 35.2 | 37.1 | 36.7 | 4.3% |
| North Carolina | 37.3 | 38.9 | 39.6 | 6.2% |
| U.S. | 37.1 | 38.5 | 39.3 | 5.9% |

Source: Esri, Johnson Consulting

Figure 3-5 expands upon the insights on the age of Cornelius residents, as well as residents in defined catchments, by analyzing its age distribution in five-year increments, relative to state and national averages. As shown, Cornelius and its surrounding towns have a high concentration of young adults, aged 25-29, and middle-aged adults. Adults in these age groups are more likely to have with young and school-aged children who could take advantage of the events and programming at the Cain Center for the Arts.

Figure 3-5



Sources: Johnson Consulting, Esri

EDUCATION

According to the National Endowment for the Arts, educational attainment is another indicator that tends to be correlated with higher engagement with the arts. These trends are most pronounced in the higher educational attainment range. Bachelor’s degree or higher attainment was highest in Davidson, followed by Cornelius and Huntersville. The 30-minute drive time radius had the next highest educational attainment, followed by the 60-minute radius, the national average, the State average, and the 90-minute radius. Figure 3-6 presents a detailed breakdown of educational attainment in the Lake Norman Region and relevant drive time catchments, relative to state and national average.

Figure 3-6

| | Educational Attainment 25+ Years (2020) | | | | | | | | | | | | | | | |
|---------------------------|---|-------|-----------------|-------|------------------|-------|------------------|-------|--------------|-------|---------------|-------|------------------|-------|--------------------|-------|
| | Cornelius | | 30-minute drive | | 60-minute drive | | 90-minute drive | | Davidson | | Huntersville | | North Carolina | | U.S. | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Less than High School | 135 | 0.6% | 19,760 | 3.4% | 74,797 | 3.8% | 135,618 | 4.2% | 111 | 1.3% | 475 | 1.2% | 302,312 | 4.1% | 11,000,901 | 4.8% |
| High School or Equivalent | 2,686 | 11.9% | 116,818 | 20.1% | 460,591 | 23.4% | 836,308 | 25.9% | 684 | 8.0% | 4,906 | 12.4% | 1,850,741 | 25.1% | 61,192,514 | 26.7% |
| Some College, No Degree | 3,589 | 15.9% | 122,630 | 21.1% | 405,477 | 20.6% | 671,630 | 20.8% | 1,094 | 12.8% | 7,201 | 18.2% | 1,541,055 | 20.9% | 46,066,275 | 20.1% |
| Associate's Degree | 2,821 | 12.5% | 58,119 | 10.0% | 192,897 | 9.8% | 322,899 | 10.0% | 504 | 5.9% | 3,521 | 8.9% | 744,720 | 10.1% | 19,939,134 | 8.7% |
| Bachelor's or Higher | 13,023 | 57.7% | 232,474 | 40.0% | 706,633 | 35.9% | 1,020,361 | 31.6% | 6,049 | 70.8% | 22,591 | 57.1% | 2,403,751 | 32.6% | 75,860,383 | 33.1% |
| TOTAL | 22,570 | | 581,185 | | 1,968,336 | | 3,228,990 | | 8,544 | | 39,564 | | 7,373,470 | | 229,185,446 | |

Source: Esri, Johnson Consulting

INCOME

Income is another important indicator to consider for evaluating potential for performing arts facilities. Higher incomes are often correlated with higher participation in the arts and can present opportunities for philanthropic initiatives that can be beneficial in boosting revenues. In 2020, the Towns of Cornelius, Davidson, and Huntersville all had median household incomes above state and national averages -- \$93,454, \$129,827, and \$100,645, respectively.

All three towns are expected to see rising median incomes in the next five years. On average, incomes will rise in these three towns by 1.1% - 1.4% by 2025. Annual income growth rates over the next five years are higher in the Lake Norman Region than in the rest of the State, but slightly lower than the U.S. averages. Rising incomes in the Lake Norman Region, coupled with rising population within the towns and catchment areas, are positive indicators of increasing engagement with the performing arts. Figure 3-7 outlines the median household incomes for Cornelius, Davidson, Huntersville, and the comparative geographic areas.

Figure 3-7

| Median Household Income | | | |
|-------------------------|-----------------|------------------|--------------------|
| | 2020 | 2025 | CAGR* 2020-2025 |
| Cornelius | \$93,454 | \$100,296 | 1.4% |
| 30-minute drive | \$65,071 | \$70,785 | 1.7% |
| 60-minute drive | \$62,228 | \$67,382 | 1.6% |
| 90-minute drive | \$56,054 | \$60,223 | 1.4% |
| Davidson | \$129,827 | \$139,478 | 1.4% |
| Huntersville | \$100,645 | \$106,510 | 1.1% |
| North Carolina | \$54,889 | \$58,884 | 1.4% |
| U.S. | \$62,203 | \$67,325 | 1.6% |

* Compounded Annual Growth Rate
Source: Esri, Johnson Consulting

WEALTH

Despite being a rather affluent area overall, the Lake Norman Region does have pockets of concentrated socioeconomic distress. The most effective way to visualize this is by mapping median household wealth (measured by net worth) in the areas most proximate to the Cain Center site. The map uses index values for simplicity, in which the national average is equal to 100 and local values are expressed in relative terms. For example, an index value of 50 indicates that that area has a median household net worth that is half of the national average.

2020 Median Net Worth (Index)






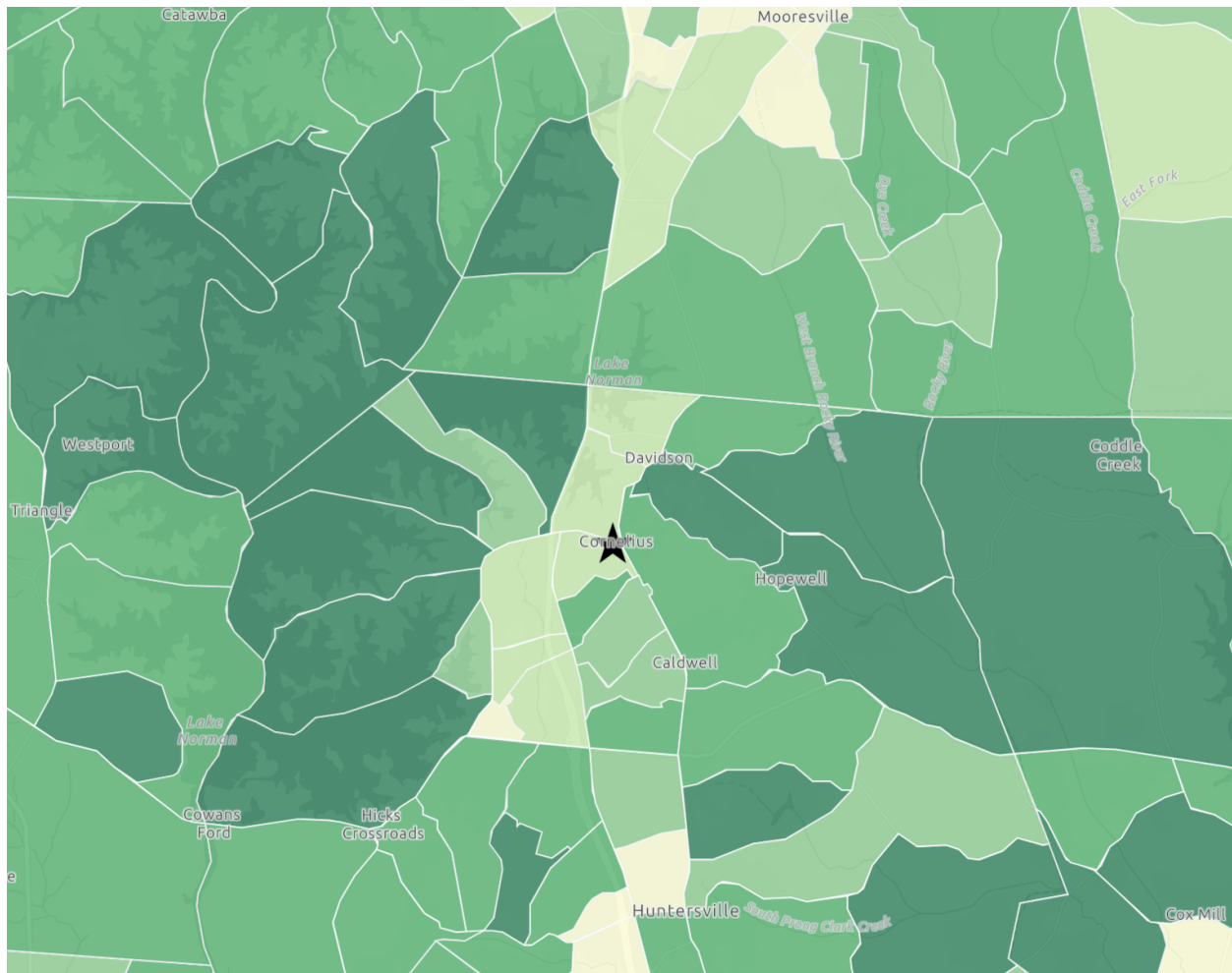
| | |
|---|--------------|
|  | 500 to 1,515 |
|  | 200 to 499 |
|  | 100 to 199 |
|  | 50 to 99 |
|  | 31 to 49 |

Figure 3-8

As shown, the lower net worth areas are concentrated along and just east of Interstate 77, in the older neighborhoods surrounding Cornelius's historic downtown, as well as in Huntersville and Mooresville. As will be discussed in the forthcoming Stakeholder Engagement subsection, the Consulting Team heard many anecdotes of the east-west divide in the area. Affluent residents from west of the Interstate don't frequently cross into the eastern parts of the Lake Norman Region, which has stunted the viability of commercial development in those areas. The Cain Center project has the potential to help remedy this issue by providing additional incentive for wealthier residents in the western areas to patronize the Arts Center as well as the restaurants, retail stores, and other local businesses in the eastern areas of the Town. The Cain Center project, both directly and indirectly, could also present job opportunities for socioeconomically disadvantaged individuals in the area.

RACE & ETHNICITY

In 2020, 84.3% of Cornelius residents identify as White, 6.8% as Hispanic, 3.7% as Asian, 7.1% as Black / African American, 1.0% as American Indian / Alaska Native, 0.0% as Pacific Islander, 2.3% as Other Race, and 2.2% as Two or More Races. Compared to North Carolina and the United States as a whole, Cornelius

has a higher percentage of residents that identify as White or Asian, and a lower percentage of residents that identify as Black / African American and Hispanic. These identities are an important consideration for the types of programming that could be in demand in the Lake Norman Region, as well as for marketing strategies at a proposed performing arts or conference center. Figure 3-9 presents race and ethnicity data for Cornelius and its comparative geographies.

Figure 3-9

| Race and Ethnicity (2020) | | | | | | | | |
|---------------------------|-------|-------------------------|----------|--------------------------------|-------|------------------|------------|-------------------|
| | White | Black/ African American | Hispanic | American Indian/ Alaska Native | Asian | Pacific Islander | Other Race | Two or More Races |
| Cornelius | 84.3% | 7.1% | 6.8% | 0.3% | 3.7% | 0.0% | 2.3% | 2.2% |
| 30-minute drive | 57.0% | 30.2% | 10.0% | 0.4% | 4.6% | 0.1% | 4.9% | 2.8% |
| 60-minute drive | 66.2% | 20.9% | 11.0% | 0.4% | 4.2% | 0.1% | 5.6% | 2.7% |
| 90-minute drive | 67.3% | 20.7% | 10.0% | 0.5% | 3.6% | 0.1% | 5.3% | 2.6% |
| Davidson | 84.3% | 7.4% | 6.0% | 0.2% | 3.6% | 0.0% | 2.1% | 2.3% |
| Huntersville | 76.9% | 11.8% | 10.0% | 0.4% | 4.2% | 0.0% | 4.0% | 2.7% |
| North Carolina | 65.8% | 21.7% | 10.0% | 1.3% | 3.3% | 0.1% | 5.1% | 2.8% |
| U.S. | 69.4% | 13.0% | 18.8% | 1.0% | 5.9% | 0.2% | 7.1% | 3.6% |

Source: Esri, Johnson Consulting

ECONOMY

In 2020, 561,512 people are employed by employers in Mecklenburg County, the county in which the Lake Norman Region is located. The top 5 industries with the highest number of employees in Mecklenburg County include health care/social assistance, finance/insurance, professional/scientific/technical, retail, and manufacturing. Relative to the distribution of industries in the U.S. as a whole, Mecklenburg County has higher concentrations of the following industries: finance/insurance, management of companies, information, professional/scientific/technical, utilities, wholesale trade, admin/support/waste management, accommodation/food services, arts/entertainment/recreation, transportation/warehousing, and other services. These findings are presented in Figure 3-10. Location quotients of 1 indicate similar relative concentration of that industry in Mecklenburg County, while values higher than 1 indicate higher concentrations, and values lower than 1 indicate lower concentrations.

Figure 3-10

| Industry Location Quotient by Employment (2020) | | | |
|---|-------------------------------|--------------------------|-------------------|
| Sector | Mecklenburg County Employment | United States Employment | Location Quotient |
| Health Care/Social Assistance | 69,342 | 22,313,586 | 0.82 |
| Finance/Insurance | 63,463 | 7,169,665 | 2.32 |
| Professional/Scientific/Tech | 58,450 | 12,049,828 | 1.27 |
| Retail Trade | 52,943 | 14,356,334 | 0.97 |
| Manufacturing | 44,401 | 15,550,554 | 0.75 |
| Educational Services | 42,547 | 14,320,448 | 0.78 |
| Construction | 38,782 | 10,829,187 | 0.94 |
| Accommodation/Food Services | 36,764 | 8,202,612 | 1.18 |
| Transportation/Warehousing | 28,232 | 6,959,787 | 1.06 |
| Other Services (Excluding Public) | 26,103 | 6,772,309 | 1.01 |
| Admin/Support/Waste Management | 26,013 | 5,786,624 | 1.18 |
| Wholesale Trade | 16,819 | 3,744,789 | 1.18 |
| Real Estate/Rental/Leasing | 13,883 | 3,082,197 | 1.18 |
| Information | 13,633 | 2,723,217 | 1.31 |
| Public Administration | 11,868 | 7,071,492 | 0.44 |
| Arts/Entertainment/Recreation | 9,666 | 2,329,497 | 1.09 |
| Utilities | 5,892 | 1,274,383 | 1.21 |
| Management of Companies | 1,357 | 210,175 | 1.69 |
| Agriculture/Forestry/Fishing | 1,137 | 1,852,333 | 0.16 |
| Mining/Quarrying/Oil & Gas | 217 | 729,605 | 0.08 |
| Total | 561,512 | 147,328,622 | |

Source: Johnson Consulting, Esri

Figure 3-11 identifies the largest employers within the Lake Norman Region, according to the Lake Norman Economic Development Corporation. As shown, the largest employer is Charlotte Mecklenburg Schools (covering the entire county), followed by Ingersoll Rand, McGuire Nuclear Station, Davidson College, and Novant Health, with a host of corporations coming in after those top 5. This information can be useful to target potential users of the Cain Center for the Arts, as well as for prospecting corporate partnerships and sponsorships.

Figure 3-11

| Largest Employers - Lake Norman Region | | |
|---|-----------------|-------------|
| Employer | Industry | # Employees |
| Charlotte Mecklenburg Schools (Entire County) | Education | 19,000 |
| Ingersoll Rand - Davidson | Manufacturing | 1,600 |
| McGuire Nuclear Station - Huntersville | Utilities | 1,200 |
| Davidson College - Davidson | Education | 750 |
| Novant Health - Huntersville | Healthcare | 690 |
| Metrolina Greenhouses – Huntersville | Retail | 650 |
| Joe Gibbs Racing – Huntersville | Recreation | 650 |
| Rubbermaid - Huntersville | Retail | 400 |
| MSC - Davidson | Wholesale Trade | 350 |
| Pactiv Corporation - Huntersville | Manufacturing | 315 |
| GM Financial - Huntersville | Finance | 300 |
| Walmart - Huntersville | Retail | 300 |
| Forbo Siegling, LLC - Huntersville | Manufacturing | 280 |
| SAERTEX USA - Huntersville | Manufacturing | 200 |
| Irwin Tools - Huntersville | Retail | 200 |

Source: Lake Norman Economic Development Corporation, Johnson Consulting

These industries and employers represent a diverse, well-balanced, and stable economic base in the Lake Norman Region. This stability is evidenced in Figure 3-12, which shows the average annual unemployment rate in Mecklenburg County, relative to state and national averages. The unemployment rate is a standard indicator used to evaluate the economic strength of an area and can be insightful for considering the ability of an area to support a facility like the Cain Center for the Arts. As shown, Mecklenburg County's unemployment rate tracked below that of the State and the U.S. as a whole every year for the past 5 years. High unemployment rates are indicative of economic and social distress, while communities with extremely low unemployment rates can have trouble filling jobs due to undersized or underqualified labor pools. Mecklenburg County does not appear to be at risk for either of these issues.

Figure 3-12

| Unemployment Rate | | | |
|-------------------|---------------|----------------|--------------------|
| Year | United States | North Carolina | Mecklenburg County |
| 2015 | 5.3% | 5.7% | 5.3% |
| 2016 | 4.9% | 5.1% | 4.7% |
| 2017 | 4.4% | 4.5% | 4.3% |
| 2018 | 3.9% | 4.0% | 3.8% |
| 2019 | 3.7% | 3.9% | 3.6% |

Average Annual Rate (seasonally unadjusted)
Sources: US Bureau of Labor Statistics, Johnson Consulting

CONSUMER SPENDING & BEHAVIOR

Consumer spending and behavior metrics related to performing arts type activities can be used to gauge the market's capacity to support a performing arts facility. In 2020, Cornelius residents spent around 1.5 times more across arts and recreation spending categories than U.S. consumers as a whole. Davidson consumers, in particular, spend the most on arts and recreation relative to their neighbors in Cornelius and Huntersville. In 2020, Davidson residents spent between 1.9 and 2.2 times more on arts and recreation than U.S. consumers as a whole. In total, Cornelius residents spent \$485.11 on arts and recreation in 2020, while Davidson residents spent nearly \$672.26 and Huntersville residents spent \$465.01. As these metrics indicate, residents of Cornelius, Huntersville, Davidson, and the relevant catchments spend significantly more than the average U.S. consumer on arts and recreation. These spending metrics are presented in Figure 3-13.

Figure 3-13

| Average Spending on Entertainment & Recreation (2020) | | | | | | | | | | | | |
|---|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|
| Spending Category | Cornelius | | 30-minute drive | | 60-minute drive | | 90-minute drive | | Davidson | | Huntersville | |
| | Average Spend * | Index** | Average Spend * | Index** | Average Spend * | Index** | Average Spend * | Index** | Average Spend * | Index** | Average Spend * | Index** |
| Tickets to Theater/ Operas/ Concerts | \$121.86 | 151 | \$79.76 | 99 | \$75.57 | 94 | \$66.15 | 82 | \$170.21 | 211 | \$107.91 | 134 |
| Tickets to Movies | \$88.85 | 155 | \$63.14 | 110 | \$57.96 | 101 | \$50.21 | 88 | \$113.73 | 198 | \$89.21 | 156 |
| Tickets to Museums/ Parks | \$47.66 | 145 | \$34.04 | 104 | \$32.40 | 99 | \$29.16 | 89 | \$63.29 | 193 | \$47.12 | 143 |
| Fees for Recreational Lessons | \$226.74 | 156 | \$147.27 | 102 | \$137.06 | 95 | \$116.82 | 81 | \$325.03 | 224 | \$220.77 | 152 |
| TOTAL | \$485.11 | - | \$324.21 | - | \$302.99 | - | \$262.34 | - | \$672.26 | - | \$465.01 | - |

* Average spend per person, per annum
 ** National Average = 100
 Source: Esri, Johnson Consulting

STAKEHOLDER ENGAGEMENT

Lake Norman community stakeholders and the community as a whole have been engaged at various stages of the Cain Center project's development. The Town of Cornelius has had multiple public meetings in which the Cain Center project has been a primary focus. In November of 2017, the previous Market Study & Research Assessment for the Cain Center for the Arts by NextStage Consulting conducted an online survey of 942 individuals, as well as 4 targeted focus groups and 16 individual meetings with various stakeholders. The Cain Center, despite not yet having a building to call home, has been putting on community events and fundraisers for the past couple of years. Because of this, the Consulting Team for this study was charged with a very streamlined and focused engagement effort. Beginning at the Kickoff Meeting in Cornelius on October 20 and 21, 2020 and continuing throughout the duration of the project's completion, the Consulting Team conducted a variety of interviews and focus groups with a variety of potential users of the proposed facility, key stakeholders in the Cornelius and Lake Norman community, and arts and entertainment industry experts. These engagements helped us to understand the demand that exists in the Lake Norman area, the facilities that currently serving that demand, and the market opportunities that exist for the Cain Center for the Arts. These entities represent a focused spectrum of community leaders and representatives of the educational, corporate, civic, performing arts, and meetings and events sectors that are familiar with the Lake Norman Region and its demand, infrastructure, and local culture. The complete list of these entities is below.

- Bouk Management
- Cain Family
- Cain Center for the Arts & Board
- Cornelius Arts Center
- Davidson Community Players
- Electricities
- Lake Norman Economic Development
- MaxxMusic
- Town of Cornelius Commission
- Town of Cornelius Department of Parks, Art, Recreation, and Culture
- Town of Cornelius Department of Finance
- Town of Cornelius Department of Planning
- Visit Lake Norman

Through these engagements, the Consulting Team was able to contextualize the Cain Center project within the greater planning and development efforts in the Lake Norman area and draw a number of notable observations and conclusions for this study, which are summarized below.

THE LAKE NORMAN REGION...

- Is well-versed in collaboration amongst the 3 major towns that comprise the area – Cornelius, Davidson, and Huntersville. The towns have consolidated their convention and visitor’s bureau, chamber of commerce, and economic development efforts into 3 organizations, respectively: Visit Lake Norman, the Lake Norman Chamber, and Lake Norman Economic Development. →
- Has a couple of specialized funding mechanisms in its toolbelt, in addition to municipal general funds and bond issuance. These include Tax Increment Financing (TIF) and Business Improvement Districts (BID) known as “Project Development Financing” and “Municipal Service Districts,” respectively, in the state of North Carolina. →
- Is home to the Carolina Renaissance Festival, a medieval amusement park with 13 stages, a 25-acre village marketplace, an interactive circus, an arts and crafts fair, and more. Beyond that, the area doesn’t have many other large arts and cultural attractions or →

THIS PROJECT COULD...

- Benefit from this spirit of cooperation, serving as the hub for arts and cultural programming and activities for the Lake Norman Region as a whole. It will likely be necessary for surrounding towns and other governmental entities to join the Town of Cornelius in participating financially in the project to cover upfront capital costs and ongoing operational funds.
- Potentially leverage these tools in order to offset the significant construction cost and operating deficits that the Cain Center will incur. Depending on which approach is taken, establishing the special funding district will need to involve collaboration between the Town of Cornelius, the Cain Center, and other local partners.
- Catalyze the creation of additional arts and cultural festivals and larger special events that have potential to serve the local community as well as draw attendees from throughout the Charlotte metro area, the Carolinas, and beyond. These events bring

tourism activity. Much of the area's tourism strategy has historically been focused on sports and outdoor recreation.

- Despite a true hub facility for arts, culture, and entertainment, has a healthy supply of non-profit entities and businesses that provide classes, lessons, and other activities. →

▪ Supplement the programming and activities that is already being provided by these other entities, rather than directly competing with them.
- Is still attempting to become more than just a bedroom community for Charlotte proper. A UNC study on housing and demographics was recently completed that revealed that salaries for Lake Norman residents because most commute to jobs in Charlotte, but salaries for the jobs actually located in the area are service-based and lower wage. They have shown success in recent years with the recruitment of advanced manufacturers from places like Europe and Mexico, but there is progress still to be made in this effort. →

▪ Entice employers to locate offices, branches, plants, or even headquarters in the area that could foster growth in the area's number of higher skilled jobs with higher wages. Employers are looking to locate in places with a large qualified workforce, a high-growth trajectory, and ample metropolitan conveniences and amenities to help with recruitment and retention. Lake Norman checks the first two boxes without a doubt, and the Cain Center could help it check the third.
- Has higher land and labor prices than some of the other outer ring exurban markets in the region. This typically isn't too much of an obstacle as long as a case can be made as to why the costs are higher to locate there and why it's worth it to pay that price. →

▪ Add to the Lake Norman Region's justification for why it's worth it for potential new residents and employers to pay a premium to move into the area. The Cain Center could bolster the area's competitive advantage over other markets and submarkets that it competes with for economic growth.
- Has benefitted immensely from overarching economic and demographic trends toward sunbelt markets that offer more affordable costs of living, better weather, lower taxes, and room to spread out while still having access to metropolitan amenities and conveniences. →

▪ Help Lake Norman maximize its ability to tap into these favorable macro-level trends and secure an even higher capacity for future growth, development, and prosperity.

- Suffers from an underdeveloped and dated supply of hotel properties for a market of its size and character. The hotel market grew up as a “stop on the way to somewhere else” that really survived on compression from the Charlotte market and has struggled to get over that hurdle. In addition, the inventory of meeting and event spaces available to businesses looking to have off-site events is small and limited. →
 - Generate additional demand for hotel rooms in the Lake Norman market. The market is currently heavily dependent on corporate demand due to the lack of tourism, but the Cain Center could bolster both segments of demand by attracting visitors to the area and providing a venue for corporate meetings and events. This could play a key role in stimulating the hotel development pipeline.
- Is both limited and blessed by its proximity to Charlotte in terms of its market potential for commercial talent and touring acts in the arts and entertainment industry. Most well-known acts will have performances at the established venues in Downtown Charlotte, and will have 40 to 60-mile radius clauses that prohibit them from having additional shows within that geographic area and time frame. →
 - Benefit from its proximity to other venues in Charlotte proper while also having to navigate the difficulties that it may present. Although radius clauses are an obstacle for the Cain Center, it can still feature meet and greets, sufficiently differentiated non-competing performances, and other programming with better-known artists. It can also focus on lesser-known artists or better-known artists that can command higher ticket prices in a more intimate venue.
- Is notorious for the east/west division that occurs, especially in Cornelius. The higher-income residential areas along the lake on the west side of the interstate are disconnected from the town’s historic downtown on the east side of the interstate. →
 - Foster the propensity of residents living on the west side of the interstate to come over to downtown Cornelius more frequently, boosting the commercial potential of the area and creating a feeling of connectedness in the community.
- Like many communities nationwide, has taken a big fiscal hit as a result of the COVID-19 pandemic. Property and sales tax revenue are the primary revenue streams for the municipalities. Sales tax revenues took a big initial hit but have rebounded since. Hotel tax revenue is also down. →
 - Have to proceed with caution in the face of depleted municipal funding streams, although the Town of Cornelius remains committed to the level of funding it has already agreed to. The Cain Center has potential to accelerate Lake Norman’s recovery curve post-COVID, which should be a key point of consideration.
- Is home to the Cornelius Art Center, which is owned and operated by the Town of Cornelius. →
 - Enhance the quality and frequency of the Cornelius Arts Center programming, which

Many of the programming and classes that fall under the CAC umbrella will be transferred to the Cain Center upon completion.

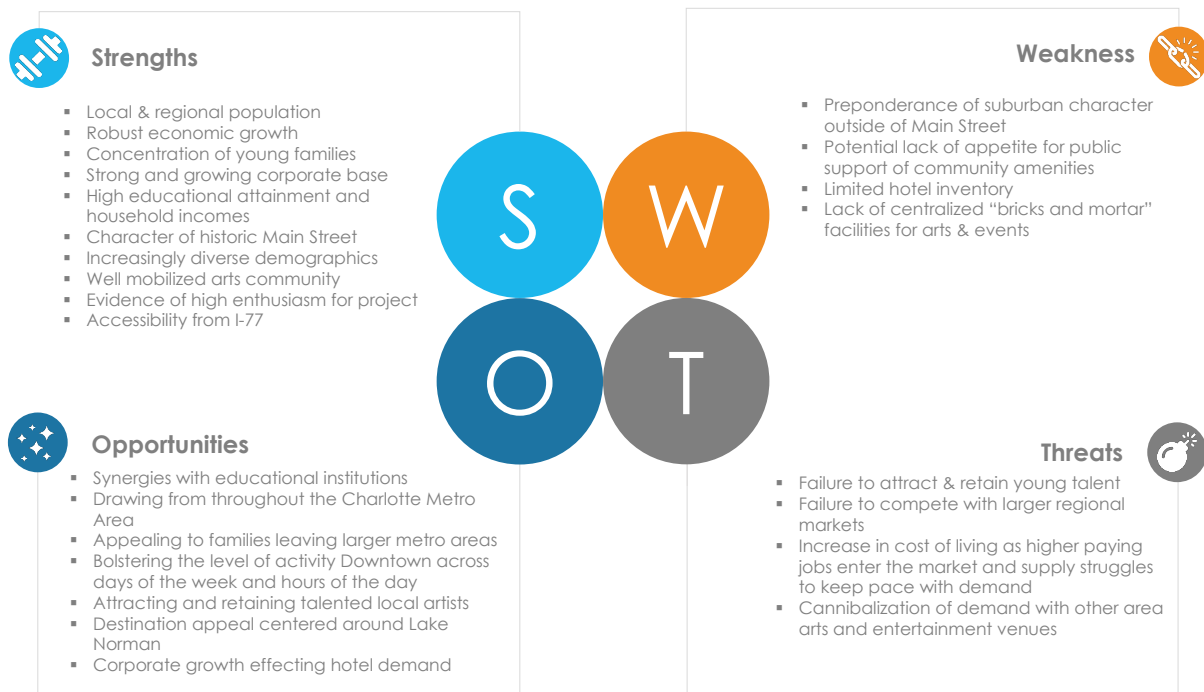
currently generates about \$165,000 in annual revenue, \$300,000 in annual expenses, and draws 45% of its attendees from towns other than Cornelius.

- Has experienced success with Town-sponsored arts and cultural events such as Laketober Fest, Symphony events, CatawbaWalk, and Earth Jam, among others. →
- Further develop this arts and cultural programming in the community, as well as provide both indoor and outdoor venues for these events to occur.
- Is fortunate to be located with a major, growing metropolitan like Charlotte that has a thriving scene of arts and cultural organizations. Although many of the organizations are Charlotte-based, they're always looking for ways to extend their geographic reach. →
- Partner with arts and cultural organizations in need of new venues to host events and programming in order to fill calendar dates and generate rental revenue, such as the Davidson Community Players, Charlotte Symphony Orchestra, Charlotte Children's Theater, and Charlotte Ballet, among others.
- Is a very affluent area that is home to many wealthy residents that are willing and able to give large sums of philanthropic money to projects like the Cain Center. →
- Continue to be successful in its philanthropy efforts, which have raised over \$13.5 million toward the project so far and will be a key ingredient in the project's ongoing operational success.

IMPLICATIONS

The Lake Norman Region exhibits favorable economic, demographic, and market indicators across the board in terms of evaluating the potential for a community's ability to support the Cain Center for the Arts, as well as to attract business to such a facility. The rationale that supports the feasibility of the Cain Center can be summarized by Figure 3-14, which pulls from the most salient observations and conclusions in the preceding sections of this report. The graphic sorts these points into a "SWOT" analysis, which outlines the market's strengths, weaknesses, opportunities, and threats in the context of the proposed development of the Cain Center in Cornelius. As shown, there are a number of existing strengths that support the project's market viability, as well as several opportunities which could come to fruition if the project is executed properly. There are also a few threats to market viability if the project is not properly executed, as well as some existing weaknesses in the market. Some of these considerations, like hotel supply and demand, facility supply and demand, and community interest, are heavily intertwined with the development of the project, while others rely more on other independent, overarching economic factors. Overall, the project's feasibility from a market-driven perspective is favorable in the opinion of the Consulting Team.

Figure 3-14



The general sentiment in virtually all of the Consulting Team's interactions with individuals and organizations throughout the Lake Norman Region supported the merits of the concept of the Cain Center for the Arts. Many believed that the Lake Norman Region lacks facilities that are attractive or sufficiently sized for hosting certain types of arts events. Interviewees believed that the development of a new facility to host these events would be an asset to the community, and that it could provide jobs and economic opportunity for the more vulnerable members of the Lake Norman community.

SECTION 4
INDUSTRY TRENDS, FACILITY INVENTORY, & CASE STUDIES

INDUSTRY TRENDS, FACILITY INVENTORY, & CASE STUDIES

As the proposed arts and event center is further considered, it is important to understand the dynamics that exist between the demand for arts and event activity and the supply of facilities to host these events in the Lake Norman Region and at the national and global scale. The following sections will present an overview of arts center industry trends, detail the inventory of arts and entertainment venues in the market, and present comparative profiles of selected case studies.

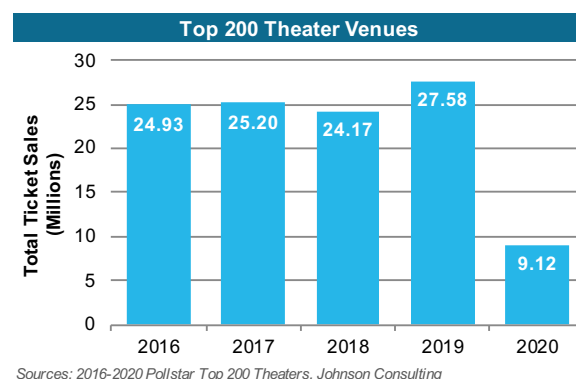
INDUSTRY TRENDS

Arts centers have long been at the forefront of the arts and entertainment scene in their respective communities. While larger shows may take place in stadiums and arenas, there are myriad events that thrive in much smaller venues. Many people consider these activities to be valuable to their community, and more importantly their overall quality of life. As an industry that supports millions of jobs and generates billions of dollars in economic activity on an annual basis, funding for the arts enjoys broad support.

COMMERCIAL TALENT & TOURING ACTS

Pollstar is a well-respected researcher and aggregator of information in the live entertainment industry. It obtains data from agents, managers, promoters, and producers of artists and concerts, and provides insights including ticket sales, ticket prices, and gross revenue, which can be analyzed to evaluate the strength of the industry as a whole. Pollstar gathers data from arts venues throughout the United States and across the world. Pollstar publishes a list of the top 200 theater venues on a quarterly basis. Figure 4-1 illustrates the trend for these top 200 venues over the course of the past few years. As shown, total ticket sales at these venues increased from 24.93 million in 2016 to 27.58 million in 2019, before falling to just 9.12 million in 2020 due to the COVID-19 pandemic. Many venues have been virtual-only or closed entirely since March of 2020 and are only beginning to think about the possibility of partially reopening by the end of 2021. Although this has been devastating for the industry, the pandemic is more of a temporary interruption rather than a permanent trend in terms of the size and strength of the industry. A variety of industry sources are projecting that the industry will rebound to pre-pandemic levels around 2024.

Figure 4-1



To provide more of a regional perspective, Figure 4-2 shows venues in North and South Carolina that made Pollstar’s top performance lists in 2019, including theaters, amphitheaters, and arenas. 2019 data was used as the most recent year under “normal” market conditions, avoiding temporary discrepancies caused by the COVID-19 pandemic. As shown, there are a variety of venues with larger capacities throughout the states that draw large audiences and generate millions of dollars in economic and fiscal impacts. Among these Carolina venues, the number of tickets sold ranges from nearly 523,000 at the Durham Performing Arts Center (accounting for over \$33.8 million in gross sales) to just over 36,000 at Charlotte Metro Credit Union Amphitheatre (accounting for nearly \$1.6 million in gross sales). Average sales per attendee for these venues ranged from just under \$43 per ticket at Raleigh’s Red Hat Amphitheater to over \$93 per ticket at the PNC Arena in Raleigh. It should be noted that the Cain Center is smaller than any of the Carolina venues that made Pollstar’s lists, although venue size does not necessarily equate to higher ticket sales or revenue generation.

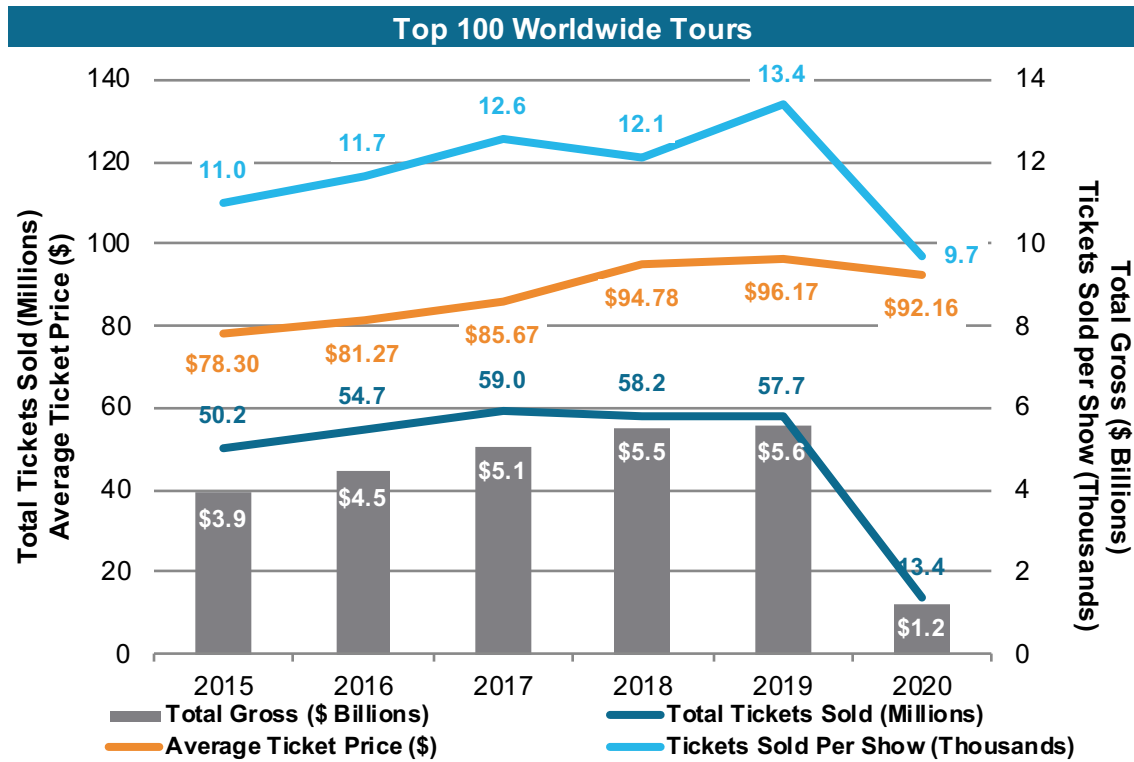
Figure 4-2

| Top Venues in the Carolinas (2019) | | | | | | | |
|------------------------------------|---|----------------------|--------------|--------------|--------------|----------------------------|----------|
| Rank | Venue | Location | Type | Tickets Sold | Gross Sales | Average Sales per Attendee | Capacity |
| 1 | Durham Performing Arts Center | Durham, NC | Theater | 522,678 | \$33,841,840 | \$64.75 | 2,700 |
| 2 | Spectrum Center | Charlotte, NC | Arena | 438,289 | \$34,672,797 | \$79.11 | 20,200 |
| 3 | PNC Music Pavilion | Charlotte, NC | Amphitheater | 278,328 | \$16,004,550 | \$57.50 | 19,500 |
| 4 | PNC Arena | Raleigh, NC | Arena | 269,586 | \$25,198,199 | \$93.47 | 19,772 |
| 5 | Colonial Life Arena | Columbia, SC | Arena | 226,073 | \$16,200,544 | \$71.66 | 18,000 |
| 6 | Greensboro Coliseum | Greensboro, NC | Arena | 192,288 | \$13,327,402 | \$69.31 | 23,500 |
| 7 | Coastal Credit Union Music Park | Raleigh, NC | Amphitheater | 179,446 | \$9,227,122 | \$51.42 | 20,601 |
| 8 | Peace Center Concert Hall | Greenville, SC | Theater | 171,132 | \$13,021,539 | \$76.09 | 2,100 |
| 9 | Belk Theater | Charlotte, NC | Theater | 154,033 | \$11,537,636 | \$74.90 | 2,100 |
| 10 | North Charleston Coliseum | North Charleston, SC | Arena | 72,429 | \$5,738,667 | \$79.23 | 13,295 |
| 11 | North Charleston Performing Arts Center | North Charleston, SC | Theater | 65,047 | \$3,988,617 | \$61.32 | 2,341 |
| 12 | Knight Theater | Charlotte, NC | Theater | 64,888 | \$3,566,072 | \$54.96 | 1,191 |
| 13 | Red Hat Amphitheater | Raleigh, NC | Amphitheater | 55,822 | \$2,398,693 | \$42.97 | 5,990 |
| 14 | Ovens Auditorium | Charlotte, NC | Theater | 52,825 | \$3,171,367 | \$60.04 | 2,460 |
| 15 | Harrah’s Cherokee Casino | Cherokee, NC | Theater | 45,622 | \$2,487,923 | \$54.53 | 3,000 |
| 16 | Charleston Music Hall | Charleston, SC | Theater | 36,756 | \$1,730,836 | \$47.09 | 965 |
| 17 | Charlotte Metro Credit Union Amphitheater | Charlotte, NC | Amphitheater | 36,216 | \$1,575,246 | \$43.50 | 5,000 |

Source: Pollstar, Johnson Consulting

In addition to venue data, Pollstar also provides a wealth of data on specific artists and tours. The 2019 year-end business analysis shows steady growth in the top 100 worldwide tours over the course of the last several years, across various measures. In 2019, these tours accounted for \$5.6 billion in total gross ticket revenue and 57.7 million tickets sold, equating to an average ticket price of over \$96 per ticket and an average of over 13,400 tickets per show. In 2020, the COVID-19 pandemic caused these figures to fall to just \$1.2 billion in total gross ticket revenue and 13.4 million tickets sold, equating to an average ticket price of just over \$92 per ticket and an average of 9,700 tickets sold per show. Again, COVID-19 has been a devastating but relatively short-term disruption from which the industry will rebound over the next few years. Figure 4-3 shows these statistics for 2015 – 2020.

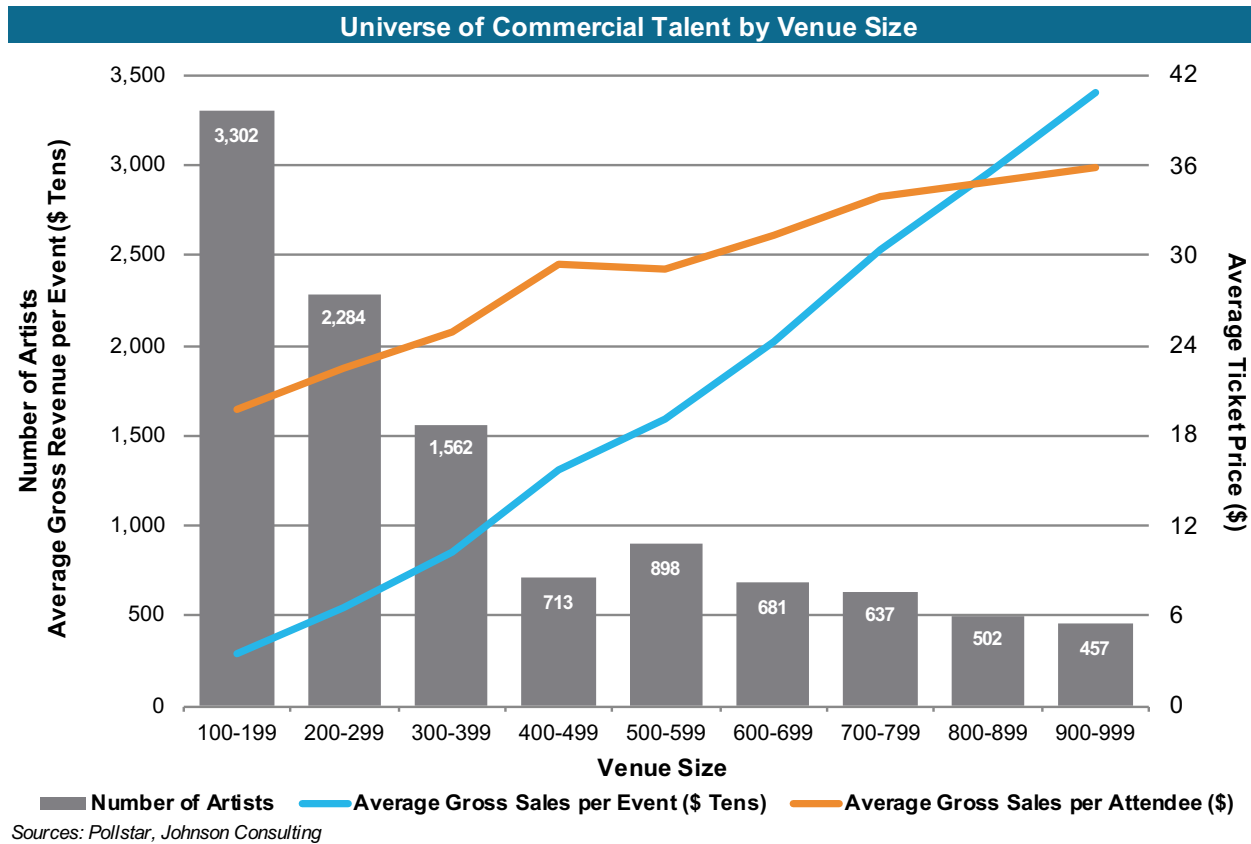
Figure 4-3



Sources: 2015-2020 Pollstar Business Analysis, Johnson Consulting

While this data is useful for evaluating the strength of the industry overall, it’s unlikely that these “Top 100” caliber tours would be performing at a venue like what is envisioned at the Cain Center. In order to quantify the universe of demand that could be accommodated by smaller venues, the Consulting Team has pulled Pollstar’s directory of artists and aggregated them by the average number of tickets they sell per show, essentially representing the typical size of the venue at which they perform. Of course, artists may perform at smaller or larger venues on occasion, but for the purpose of this analysis, they have been categorized according to this typical venue size. Figure 4-4 presents this data for the universe of artists by venue size, including the number of artists, average gross sales per event (in tens of dollars), and the average gross sales per attendee (in dollars) for each venue size category between capacities of 500 and 2,000, representing the ballpark venue size envisioned at the Cain Center.

Figure 4-4



In total, the database contains 11,036 artists that perform in venues for 100 – 999 attendees. In other words, the universe of potential commercial demand is vast even for a venue of this size and, given that the Cain Center can recruit an effective talent buyer and sales team, tapping into this market can prove to be a significant revenue generator.

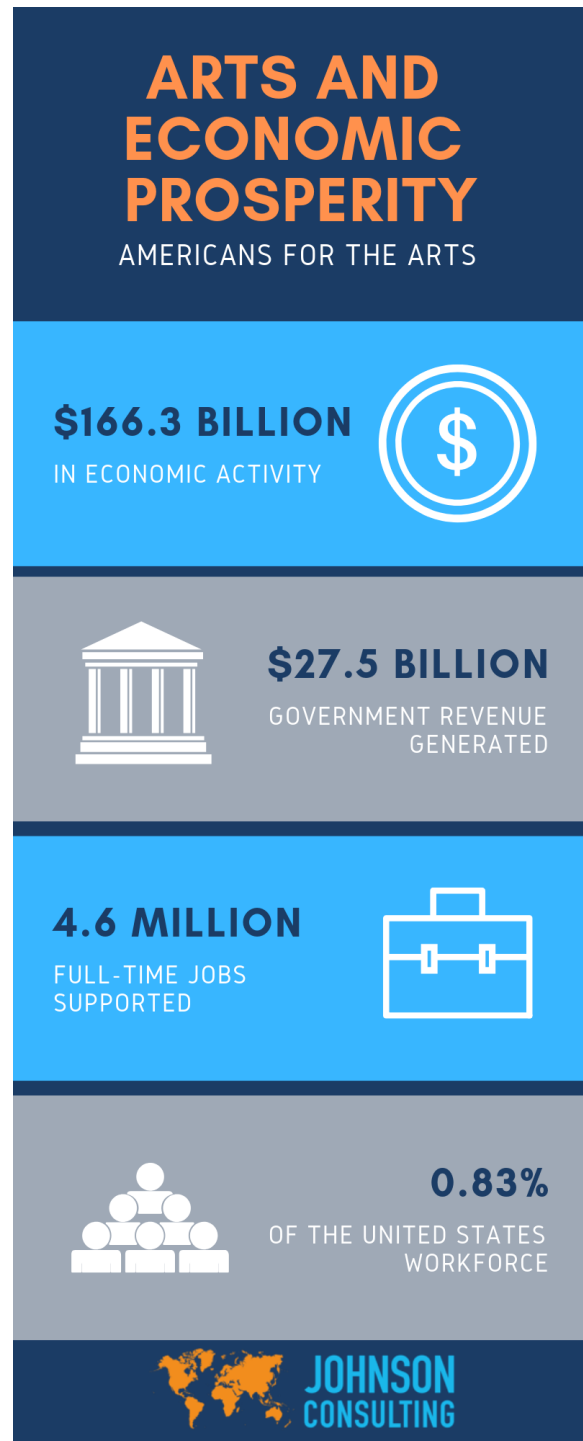
NONPROFIT ARTS & CULTURAL ORGANIZATIONS

Another major component of the performing arts industry is nonprofit arts and cultural organizations. Every five years, Americans for the Arts releases a research study named Arts and Economic Prosperity, which details the economic impact of these organizations and their audiences. Currently, the publication is on its fifth edition and highlights data primarily from 2015, the most recent year of the survey. The study includes data about spending, jobs, revenue, and household income among others – the highlights are summarized in Figure 4-5.

In 2015, nonprofit arts & cultural organizations and their audiences accounted for a total of \$166.3 billion in economic activity. This figure can be broken down into two parts – spending by organizations, \$63.8 billion, and spending by audiences, \$102.5 billion. As a multibillion-dollar industry, one can imagine the financial impact this spending has on government revenue as well. In total, these organizations generated \$27.5 billion in government revenue, including \$15.7 billion from audiences and \$11.9 billion from the organizations themselves. Compared to the budgets most municipalities provide for nonprofit arts & cultural groups, this is a substantial return on investment.

In addition to spending and government revenue, the arts are essential in generating the resources that help a community thrive – jobs & income. 4.6 million total full-time equivalent jobs were supported through this industry, creating \$96.1 billion in resident household income was created from these jobs. Ultimately, nonprofit arts & cultural organizations are a major economic force.

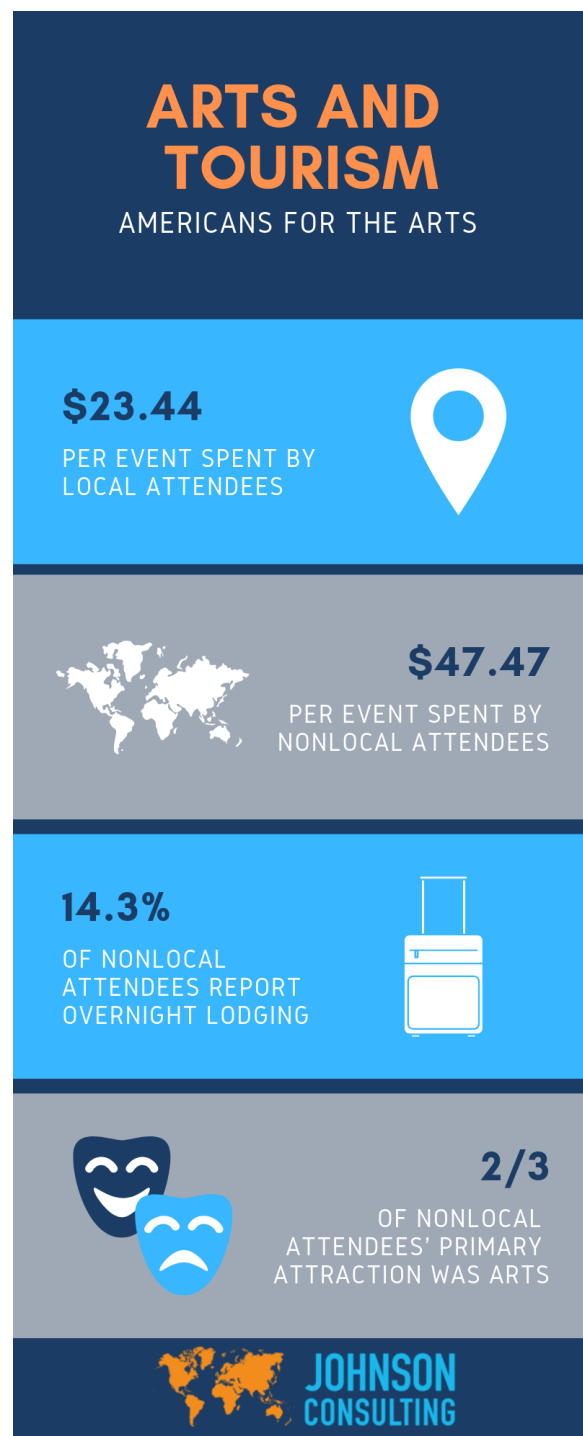
Figure 4-5



These arts and cultural activities are also a major driver of the tourism industry for the markets in which they operate, as they have the ability to draw attendees locally and from other counties. The reason it is so important to attract visitors from out of town is their propensity to spend more money – and thus generate more revenue for local economy. While the average attendee spends \$31.47 per person per event, this number is weighted because on average only 34% of attendees are non-local, meaning they reside outside the county in which the event is taking place. Local attendees only spend \$23.44 per person per event, compared to \$47.57 for non-local attendees. This means that on average, individuals attending from out of town spend more than twice as much as those attending their local event. This creates an enormous increase in revenue and economic activity. Of the non-local attendees, 14.3 percent reported overnight lodging – another big economic generator for a community. 2/3 of all nonlocal attendees' primary attraction was the destination's arts and cultural scene, while the remaining 1/3 were attracted primarily for another reason but chose to engage in the arts and cultural scene as well. Figure 4-6 highlights these statistics.

As previously mentioned, the COVID-19 pandemic has been devastating for the arts, cultural, and live entertainment industries. Many of these events and activities have gone virtual or ceased entirely since March of 2020, and are only beginning to think about potentially resuming by the end of 2021. Many market trends that were occurring pre-pandemic have accelerated while others have shifted radically, whether it be the way we live, work, move, or socialize. A variety of sources expect the arts and entertainment industry (along with other similar industries, such as the MICE industry, airline industry, travel and tourism industry, and hotel industry) to bounce back to pre-pandemic levels by 2024, although the situation will continue to be fluid.

Figure 4-6



FACILITY INVENTORY

The Cain Center facility should aim to fill gaps that exist within the Lake Norman Region’s inventory of facilities and to meet the needs of the community without replicating offerings that already exist, which could result in the cannibalization of demand and facility redundancy. Considering the geographic size of the Cornelius area and the greater Lake Norman, its population base, and strong economic profile, there are a number of arts and event facilities in the region. Each facility serves a subset of the marketplace. All facilities serve the areas proximate to them most directly, while only a few facilities serve the entire Lake Norman region for the largest, most prominent events. The subsections below establish the entire supply of facilities that serve residents in the Lake Norman Region and opines on the degree to which some of these facilities could compete with the proposed arts and event center in Cornelius.

ARTS FACILITY INVENTORY

Figure 4-7 and Figure 4-8 present a comprehensive inventory of facilities that serve demand for arts and entertainment-related events and activities throughout the Lake Norman region. This inventory constitutes a selection of 21 facilities – it includes relevant facilities within a 30-minute drive of Cornelius. These facilities represent a wide array of sizes, types, and configurations, including, theaters, colleges and universities, clubs, stadiums, arenas, and amphitheaters. With the exception of the Davidson College venues, which are frequently occupied by college-related use, there is a lack of small and mid-size facilities in the areas most proximate to Cornelius.

Outside of downtown Charlotte, arts and entertainment spaces become limited. Several venues in downtown Charlotte – including Belk Theater, Booth Playhouse, Stage Door Theater, Duke Energy Theater, Ovens Auditorium, Knight Theater, and McGlohon Theater – are owned and/or managed by Blumenthal Performing Arts. In addition to the Belk Theater and Ovens Auditorium – both 2,000+ seat state-of-the-art theaters that regularly hosts Broadway shows and big-name concerts – Blumenthal’s venues include smaller, mid-size theaters, as well as spaces with classrooms, studios, and galleries for local artists to display their work. The Neighborhood Theatre and Fillmore Charlotte are two large concert spaces in downtown Charlotte that frequently attract big acts. A few of the other arts facilities around the Lake Norman region are schools and churches, which are limited by availability, size, and technical abilities.

Outside of downtown Charlotte, there are very few facilities that can accommodate the high quality, more intimate arts and entertainment programming that the proposed Cain Center would target. A new arts facility in Cornelius which accommodates smaller and mid-size audiences would serve as a viable alternative to venues in downtown Charlotte and could capture a segment of the Greater Charlotte arts and entertainment market. There is an appetite among Lake Norman residents for high-quality arts and entertainment, and a relative lack of state-of-the-art venues outside of downtown Charlotte.

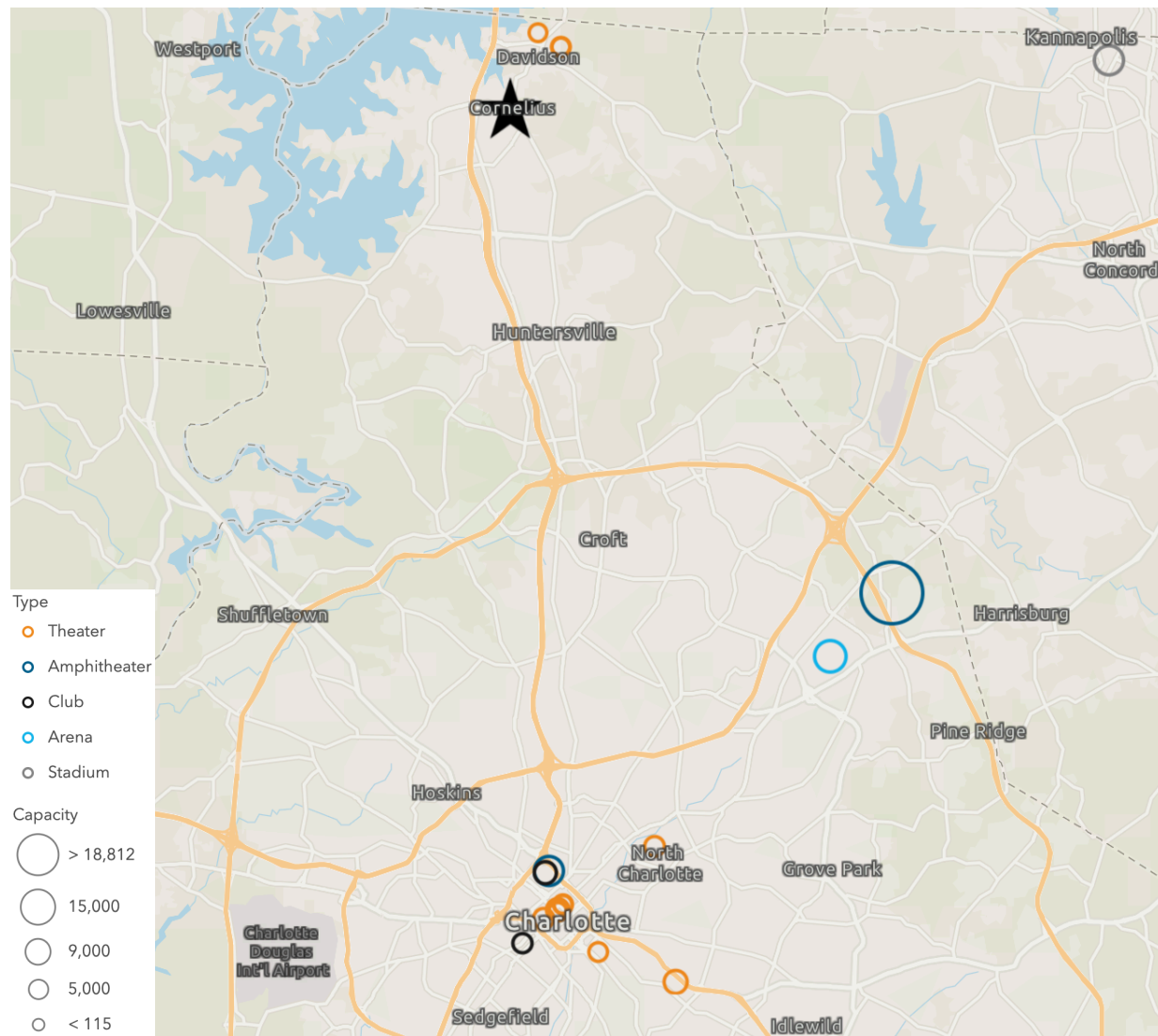
Figure 4-7

| Arts & Entertainment Facility Inventory | | | |
|--|--------------|---|---------------|
| Facility | Type | Drive Time from Cain Center (minutes) | Capacity |
| PNC Music Pavillion | Amphitheater | 24 | 18,812 |
| Carowinds Paladium | Amphitheater | 35 | 13,000 |
| Halton Arena | Arena | 29 | 6,000 |
| Intimidators Stadium | Stadium | 32 | 5,000 |
| Charlotte Metro Credit Union Amphitheater | Amphitheater | 25 | 4,983 |
| Blumenthal Performing Arts - Ovens Auditorium | Theater | 26 | 2,403 |
| Blumenthal Performing Arts - Belk Theater | Theater | 25 | 2,118 |
| Fillmore Charlotte | Club | 25 | 2,000 |
| Blumenthal Performing Arts - Knight Theater | Theater | 24 | 1,192 |
| Neighborhood Theater | Theater | 27 | 956 |
| Amos' Southend | Club | 26 | 750 |
| Blumenthal Performing Arts - McGlohon Theater | Theater | 23 | 730 |
| Davidson College - Duke Family Performance Hall | Theater | 7 | 600 |
| The Visulite Theatre | Theater | 29 | 540 |
| Blumenthal Performing Arts - Booth Playhouse | Theater | 25 | 444 |
| Matthews Playhouse | Theater | 40 | 380 |
| Charles Mack Citizen Center - Auditorium | Theater | 16 | 235 |
| Blumenthal Performing Arts - Stage Door Theater | Theater | 24 | 204 |
| Davidson College - Tyler-Tallman Hall | Theater | 7 | 200 |
| Davidson College - Barber Theatre | Theater | 7 | 175 |
| Blumenthal Performing Arts - Duke Energy Theater | Theater | 23 | 168 |
| Armour Street Theater | Theater | 7 | 115 |
| TOTAL | | | 61,005 |

Includes venues located within a 30-minute drive time radius of the Cain Center site; does not include religious venues.

Source: Johnson Consulting

Figure 4-8



EVENT FACILITY INVENTORY

Figure 4-9 and Figure 4-10 present a comprehensive inventory of facilities that serve demand for multipurpose events and activities in the Lake Norman region. This inventory is comprised of 27 facilities in total – it includes relevant facilities within a 35-minute drive of the Cain Center for the Arts and outside of downtown Charlotte. These facilities represent a wide array of sizes, types, and configurations, including room rentals, event centers, exhibition halls, hotels, colleges / universities, and arenas. The Charles Mack Citizen Center in Mooresville is the largest and most multi-functional of the facilities, offering both the traditional indoor ballroom as the largest event space, as well as a smaller junior ballroom and a couple of attractive outdoor spaces. As this list shows, there are many mid-size event spaces, but very few that cater to the arts. Many of these event spaces, such as the Sweet Magnolia Estate and the Historic Latta Plantation, cater to weddings, and are outdoor, historic venues. Other venues, such as Out of Time Escape

and Frankie's, are amusement and recreation spaces, and would cater to a different audience than the Cain Center for the Arts. The event spaces proximate to the Cain Center for the Arts – within a 10 minute drive – are primarily outdoor and/or recreational event spaces, and would not directly compete with the Cain Center in terms of the kinds of events they attract.

It should be noted that the event facility inventory in this report does not extend to downtown Charlotte. It goes without saying that there are several large event facilities in downtown Charlotte, including the Charlotte Convention Center and the Spectrum Center. The Consulting Team perceives these facilities to be less competitive with a new arts facility in Cornelius. Event planners that book at these facilities likely have a very different hierarchy of priorities in terms of decision-making factors when selecting a facility to host their events, such as proximity to a major airport or metropolitan area. A new facility in Cornelius would be likely to attract smaller scale, arts-centered events outside of downtown Charlotte.

Figure 4-9

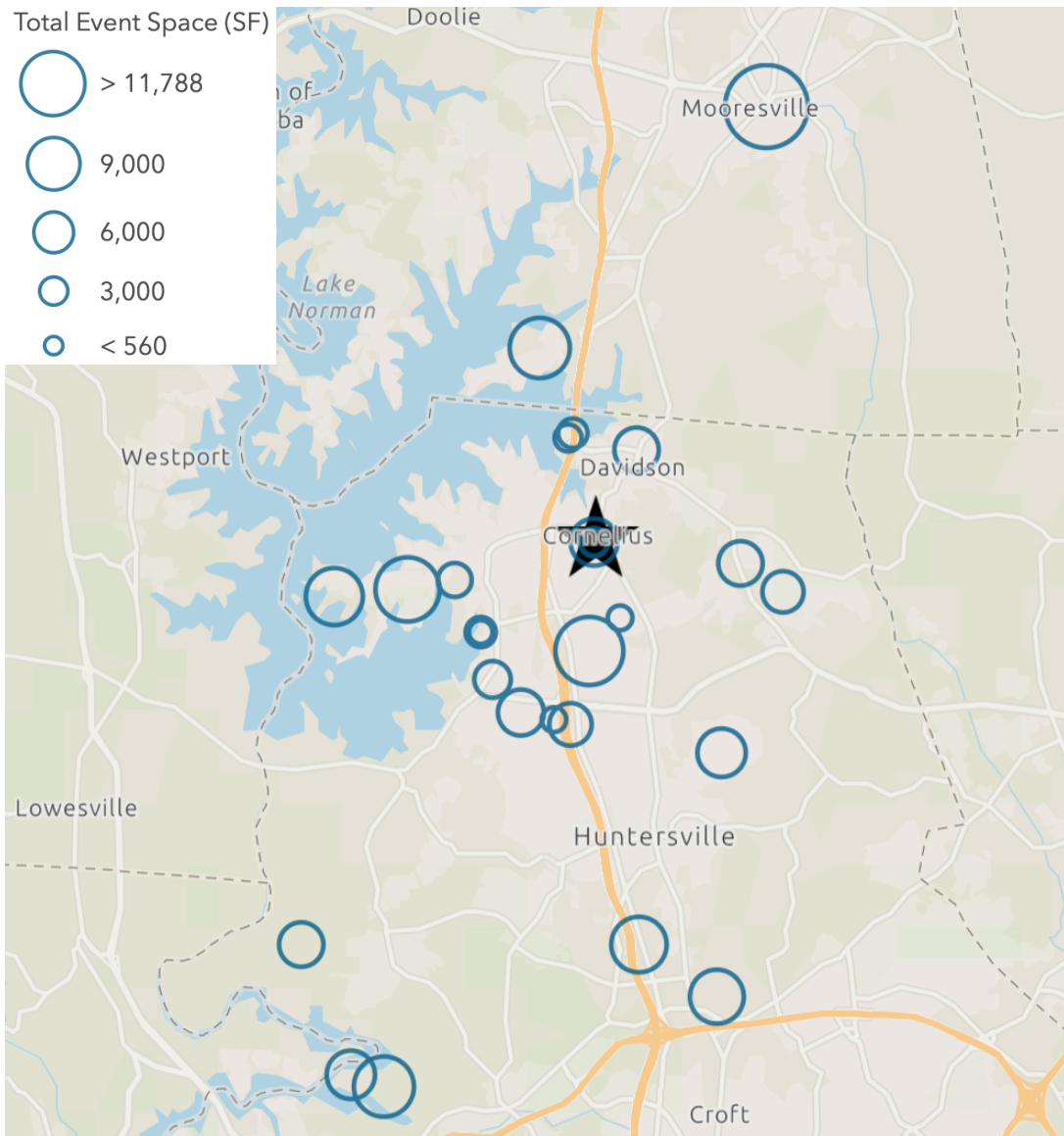
| Event Facility Inventory | | | |
|-------------------------------------|---------------------------------------|--------------|------------------------|
| Facility | Drive Time from Cain Center (minutes) | Capacity | Total Event Space (SF) |
| Charles Mack Citizen Center | 16 | 300 | 11,788 |
| Sweet Magnolia Estate | 7 | 250 | 9,000 |
| The Peninsula Club | 11 | 550 | 8,250 |
| Langtree Plantation | 8 | 400 | 7,500 |
| Carolina Raptor Center | 25 | 500 | 7,500 |
| Peninsula Yacht Club | 14 | 460 | 6,900 |
| Magnolia Woods | 17 | 440 | 6,600 |
| Frankie's | 18 | 200 | 6,300 |
| Historic Latta Plantation | 27 | 350 | 5,250 |
| NorthStone Country Club | 13 | 350 | 5,250 |
| Kadi Events | 1 | 325 | 5,000 |
| Birkdale Golf Club | 13 | 320 | 4,800 |
| Beaver Dam Historic House | 10 | 300 | 4,500 |
| Historic Rural Hill Cultural Center | 24 | 300 | 4,500 |
| Davidson College | 5 | 300 | 4,500 |
| Spare Time Lake Norman | 10 | 275 | 4,125 |
| River Run Country Club | 14 | 260 | 3,900 |
| Waterford Hall | 11 | 200 | 3,000 |
| Jetton Park | 11 | 120 | 2,500 |
| Carolina Grace Yacht | 9 | 120 | 1,800 |
| North Harbor Club | 8 | 110 | 1,650 |
| Brick Row | 1 | 100 | 1,500 |
| Aloha Studio | 8 | 80 | 1,200 |
| Studio 13 | 1 | 75 | 1,125 |
| Out of Time Escape | 12 | 50 | 750 |
| The Range of Lake Norman | 6 | 50 | 750 |
| Kings Point | 9 | 100 | 560 |
| TOTAL | | 6,885 | 120,498 |

** If exact square footages were not available, assumed at 15 square feet per person at maximum capacity*

Includes relevant multipurpose event facilities within a 30-minute drive time radius of the Cain Center site

Source: Johnson Consulting

Figure 4-10



HOTEL INVENTORY

Another crucial consideration for the proposed arts and event center in Cornelius is the supply and performance of the hotel market. Hotels are necessary in order to attract touring and commercial performances and events, both arts-related and non-arts-related. Touring arts events and performances will often need accommodations for performers, crew members, and other personnel. Events like conventions, conferences, meetings, and exhibitions will often require hotel rooms for non-local attendees and may even require a room block if sufficiently sized. These factors make a strong case for locating the proposed arts and events center near existing hotel supply or considering stimulating the development of a hotel adjacent to the facility in the future.

Figure 4-11 presents an inventory of the hotel market in the Cornelius area. As shown, there are 27 hotels in the Lake Norman region, in the towns of Cornelius, Davidson, Huntersville, and Mooresville, accounting for 2,351 hotel rooms. Of these hotels featured in the inventory table below, 26% are classified as Upscale Class, 48% are classified as Upper Midscale Class, 15% as Midscale Class, and 11% as Economy Class. Upscale hotel rooms either adjacent to or within walking distance to a facility like the arts and event center make the facility more attractive to event planners and promoters and Upper Midscale and Midscale hotel rooms can be attractive as well albeit to a lesser degree. Hotels tend to increase in both size and quality farther away from Cornelius – a result of capturing the more developed hotel markets in Charlotte. Although these more distant room supplies could accommodate overflow in the rare event of a very large event coming to Cornelius, they are too distant to be of benefit on a regular basis.

The Lake Norman region will also be expanding its hotel inventory in the next few years. The SpringHill Suites by Marriott (about 120 rooms) is currently under construction and slated to open in 2021, and two hotels have been proposed and are under review by city government – the Hilton Garden Inn in Huntersville (about 130 rooms), and the Sefton Hotel & Conference Center in Cornelius (about 110 rooms). The additions of these hotels in the Lake Norman region will be beneficial for the Cain Center for the Arts and are an exciting opportunity to attract out-of-town visitors to the region.

Figure 4-11

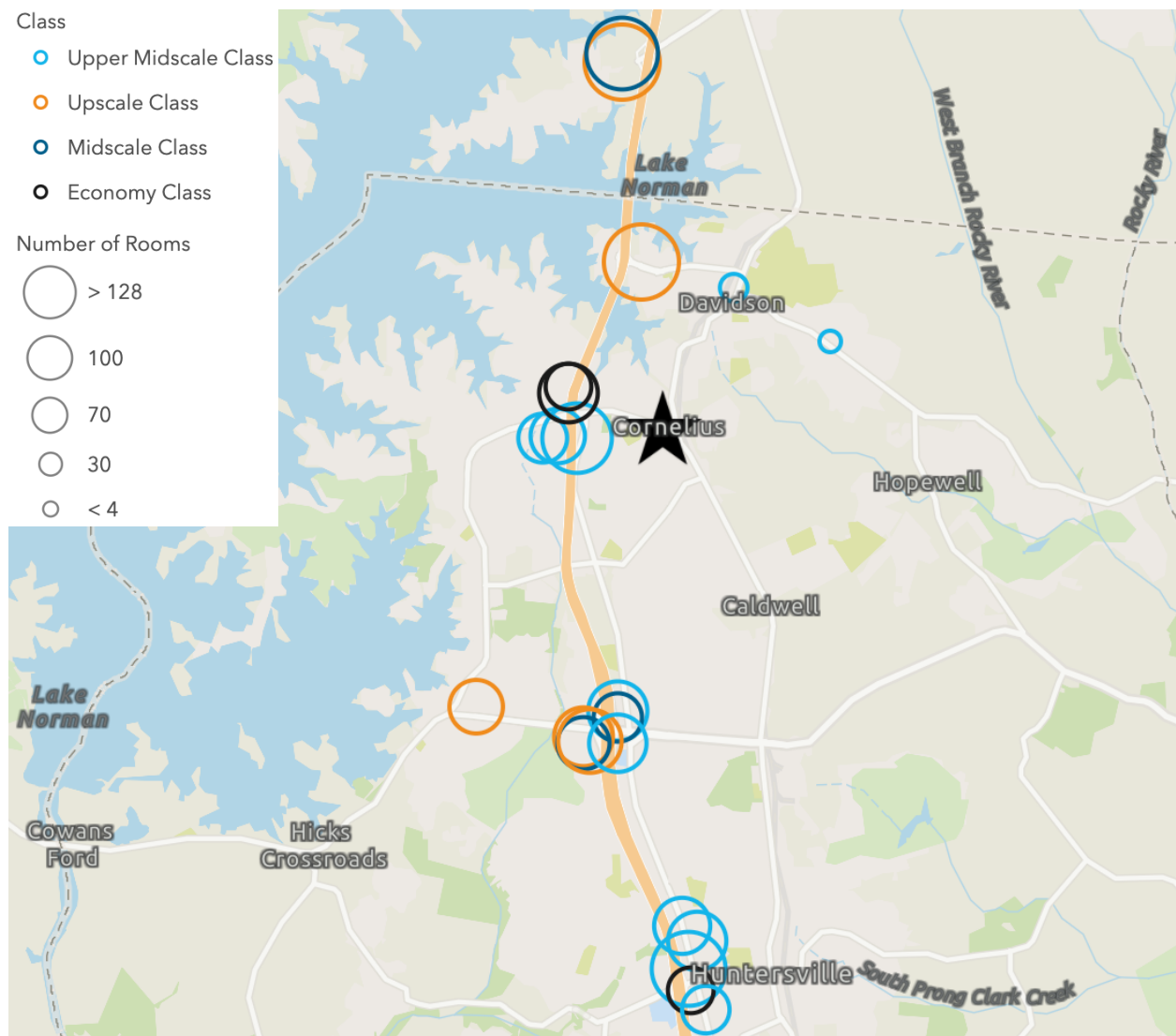
| Hotel Inventory | | | | | |
|--|------------------|-------------------------------------|----------------------|-------------|-----------------|
| Hotel | Location | Drive Time to Cain Center (minutes) | Class | Year Opened | Number of Rooms |
| Hampton by Hilton Inn Charlotte-North/Lake Norman | Cornelius, NC | 5 | Upper Midscale Class | 1990 | 115 |
| Clarion Inn & Suites Cornelius | Cornelius, NC | 6 | Upper Midscale Class | 1992 | 80 |
| Comfort Inn & Suites Lake Norman Cornelius | Cornelius, NC | 7 | Upper Midscale Class | 1999 | 67 |
| Econo Lodge Inn & Suites Lake Norman Cornelius | Cornelius, NC | 7 | Economy Class | 1988 | 90 |
| Microtel Inn & Suites by Wyndham Cornelius Lake Norman | Cornelius, NC | 7 | Economy Class | 1996 | 60 |
| Homewood Suites by Hilton Davidson | Davidson, NC | 8 | Upscale Class | 2008 | 128 |
| Holiday Inn Express & Suites Huntersville Birkdale | Huntersville, NC | 8 | Upper Midscale Class | 1999 | 91 |
| Quality Inn Huntersville Near Lake Norman | Huntersville, NC | 9 | Midscale Class | 1999 | 66 |
| Residence Inn Charlotte Lake Norman | Huntersville, NC | 10 | Upscale Class | 2002 | 78 |
| Courtyard Charlotte Lake Norman | Huntersville, NC | 11 | Upscale Class | 1998 | 90 |
| Candlewood Suites Huntersville Lake Norman | Huntersville, NC | 11 | Midscale Class | 2001 | 75 |
| Four Points by Sheraton Charlotte Lake Norman | Huntersville, NC | 12 | Upscale Class | 2001 | 101 |
| Country Inn & Suites Lake Norman Huntersville | Huntersville, NC | 11 | Upper Midscale Class | 1999 | 87 |
| aloft Hotel Mooresville | Mooresville, NC | 8 | Upscale Class | U/C | 128 |
| Tru by Hilton Mooresville | Mooresville, NC | 8 | Midscale Class | 2020 | 120 |
| My Place Huntersville | Huntersville, NC | 12 | Upper Midscale Class | 2020 | 84 |
| Comfort Suites Lake Norman Huntersville | Huntersville, NC | 13 | Upper Midscale Class | 2010 | 89 |
| Hampton by Hilton Inn & Suites Huntersville | Huntersville, NC | 12 | Upper Midscale Class | 2011 | 125 |
| Super 8 Huntersville/Charlotte Area | Huntersville, NC | 13 | Economy Class | 1994 | 60 |
| Home2 Suites by Hilton Charlotte Mooresville | Mooresville, NC | 11 | Upper Midscale Class | 2019 | 96 |
| SpringHill Suites Charlotte Lake Norman/Mooresville | Mooresville, NC | 11 | Upscale Class | 2006 | 107 |
| Best Western Plus Huntersville Inn & Suites Near Lake Norman | Huntersville, NC | 13 | Upper Midscale Class | 2000 | 64 |
| TownePlace Suites Charlotte Mooresville | Mooresville, NC | 12 | Upper Midscale Class | 2009 | 116 |
| Candlewood Suites Mooresville Lake Norman | Mooresville, NC | 11 | Midscale Class | 2012 | 90 |
| Hilton Garden Inn Charlotte Mooresville | Mooresville, NC | 12 | Upscale Class | 2008 | 122 |
| TOTAL | | | | | 2,329 |

Source: Johnson Consulting

Figure 4-11 maps the hotels within Cornelius proper. As shown, the hotel inventory is mostly concentrated along Interstate 77 and heavily clustered around the busiest exists.

Ideally, a new arts and event center in Cornelius would be located near higher quality hotels and could anticipate a hotel / mixed-use development to be built to serve the complex, either now or soon after the complex opens. If sufficient parking infrastructure is in place at the new facility, driving would be an acceptable option for some patrons. However, a facility that is adjacent to or within walking distance from hotel(s) is always preferable.

Figure 4-12



CASE STUDIES

In order to understand the potential operating characteristics for the Cain Center for the Arts in Cornelius, this section presents case study profiles of a set of regional and national comparable facilities, as well as the markets within which they operate. The key characteristics of these case studies are provided in the following profiles, and include:







- Location, size, character, and attributes of the market and the areas adjacent to the facility
- Location, size, character, and attributes of the facility
- Ownership, operations, and management structure of the facility
- A demand profile, including the number of events, type of events, and total attendance, as available
- A financial profile, including operating revenues and expenses as well as supplementary non-operating revenues such as public grants and private contributions, as available

This information provides insight into the scale of facility that could be realistically feasible in Cornelius, as well as some general parameters within which the proposed facility could reasonably expect to operate in terms of demand and financial performance. These venues were selected for a variety of reasons such as the program of spaces, operation and management structure, market similarities, geographic proximity, and key lessons to be learned about how to optimize demand potential and financial sustainability. The following table summarizes the key attributes of the facilities identified as part of this analysis:

- Buckhead Theater – Atlanta, GA
- Sandy Springs Performing Arts Center & Conference Center – Sandy Springs, GA
- Arvada Center for the Arts & Humanities – Arvada, CO
- Parker Arts Culture & Events Center – Parker, CO
- Lawrence Arts Center – Lawrence, KS

Figure 4-13 summarizes the key insights from each of the case studies, which will be expanded upon in the following subsections.

Figure 4-13

| Case Studies | | | | | | |
|---|---|---|--|---|---|---|
| | Cain Center for the Arts | Buckhead Theater | Sandy Springs Performing Arts & Conference Center | Arvada Center for the Arts & Humanities | Parker Arts Culture & Event Center | Lawrence Arts Center |
| |  |  |  |  |  |  |
| Market | | | | | | |
| Location | Cornelius, NC | Atlanta, GA | Sandy Springs, GA | Arvada, CO | Parker, CO | Lawrence, KS |
| 30-Minute Drive Time Statistics | | | | | | |
| Population | 864,730 | 1,663,471 | 1,678,513 | 1,847,730 | 1,330,886 | 216,226 |
| Median Household Income | \$65,071 | \$71,385 | \$81,985 | \$75,207 | \$85,600 | \$60,021 |
| Median Age | 36.2 | 35.1 | 35.8 | 36 | 37 | 33.8 |
| Arts & Entertainment as % of Total Employment | 2.7% | 1.8% | 1.7% | 2.9% | 2.4% | 3.5% |
| Arts & Entertainment as % of Total Sales | 1.3% | 0.8% | 0.6% | 0.7% | 0.5% | 2.2% |
| Facility | | | | | | |
| Owner | Cain Center for the Arts | Charles Loudermilk | City of Sandy Springs | Arvada Center | Town of Parker | City of Lawrence |
| Manager / Operator | Cain Center for the Arts | LiveNation | City of Sandy Springs | Arvada Center | PACE Center | Lawrence Arts Center |
| Year Built (Renovated) | TBD | 1930 (2011) | 2018 | 1976 (2006) | 2011 | 2002 |
| Primary Venue Capacity | 400 | 1,600 | 1,070 | 526 | 542 | 300 |
| Primary Venue Rental Package | - | \$4,000 - \$8,500 / Day | \$4,480 - \$8,000 / Day (with labor) | Very limited rental availability | \$1,500 - \$2,500 / Day | \$1,350 / Day |
| Secondary Venue Capacity | - | - | 350 | 226 | 200 | 100 |
| Secondary Venue Rental Package | - | - | \$3,600 - \$5,000 / Day (with labor) | Very limited rental availability | \$1,000 / Day | \$900 / Day |
| Footprint (SF) | 30,000 | 8,000 | 57,400 | 90,835 | 52,000 | 40,000 |
| Supporting Facilities | Galleries, Classrooms, Outdoor Plaza | Movie Theater, Private Event Space | Studio, Administrative Offices | History Museum, Galleries, Rehearsal Rooms, Classrooms, Conference Center, Amphitheater | Art Gallery, Classrooms, Chapel | Art Galleries, Studios, Classrooms |
| Demand | - | - | - | - | - | - |
| Total # of Events per Year | - | - | 500 | 462 | 239 | 160 |
| Total # of Visitors per Year | - | - | - | 150,275 | 64,500 | 13,587 (Ticketed) |
| Financials | - | - | - | - | - | - |
| Operating Revenue | - | - | \$918,800 | \$5,917,506 | \$2,924,377 | \$1,625,608 |
| Operating Expenses | - | - | \$3,619,800 | \$11,373,419 | \$6,248,689 | \$2,992,056 |
| Net Operating Income (Deficit) | - | - | (\$2,701,000) | (\$5,455,913) | (\$3,324,312) | (\$1,366,448) |
| Public Support | - | - | \$2,701,000 | \$3,776,546 | \$2,110,255 | \$1,411,947 |
| Grants | - | - | \$0 | \$1,125,429 | \$473,858 | \$0 |
| Private Contributions | - | - | \$0 | \$790,529 | \$160,560 | \$0 |
| Net Income | - | - | \$0 | \$236,591 | (\$579,639) | \$45,499 |

Source: Relevant Facilities, Esri, Johnson Consulting

MARKET

The Cain Arts Center is located within a solid market that is competitive with that of the case study facilities. The population within a 30-minute drive of the Cain Center is nearly 865,000, which is nearly 4 times that of the Lawrence Arts Center, albeit smaller than that of the other 4 case studies. The Lake Norman market has a median household income of over \$65,000 per year, which is higher than that of the Lawrence Arts Center but again below the other case study markets. The case study markets have similar age profiles, although Lawrence, a college town, is slightly younger on average. The Lake Norman market also falls in the middle of the group in terms of the percentage of total employment and sales that are accounted for by the arts and entertainment industry sectors, showing both a healthy existing industry as well as room for growth. While these indicators are not a strict predictor of a community's ability to support a facility like the Cain Center for the Arts, they provide context to each of the case studies and deeper insight into the markets within which they operate.

FACILITY

The case studies represent a variety of ownership and management structures. The facilities in Sandy Springs, Parker, and Lawrence are owned by the local government, while the Arvada Center is owned and operated by a non-profit and the Buckhead Theater is privately owned and operated. The Buckhead Theater and Sandy Springs Performing Arts Center have larger primary venues at 1,600 and 1,070 seats, respectively, while the Arvada Center, PACE Center, and Lawrence Arts Center are more comparable to the 400-seat Cain Center at 526, 542, and 300 seats, respectively. All of the case studies have an additional secondary venue ranging in size from 100 to 350 seats, with the exception of the Buckhead Theater which, like the Cain Center, has no secondary venue. Primary venue rental rates range from \$1,350 per day at the Lawrence Arts Center to \$8,500 per day at the Buckhead Theater, with rates varying depending on the day of the week, type of event, type of organization renting the facility, and inclusion of labor packages. The building footprint of the case studies ranges from the Buckhead Theater's compact 8,000 square feet to the Arvada Center's 90,835 square feet, with the Cain Center facility encompassing approximately 30,000 square feet. In terms of supporting facilities, many of the case studies have art galleries, studio spaces, classrooms and meeting rooms, administrative offices, and outdoor function spaces. The Arvada Center has an outdoor amphitheater venue as well that hosts a robust summertime concert series.

DEMAND & FINANCIALS

Demand data is often difficult to compare for these types of facilities, as there is wide variance in data recording and reporting methods. The case study facilities reported hosting between 160 (Lawrence Arts Center) and 500 (Sandy Springs) unique events in the most recent year available, and reported total visitation numbers between 64,500 (PACE Center) and 150,275 (Arvada Center). The Lawrence Arts Center only tracks paid, ticketed event attendees, which accounted for 13,587 attendees in 2019.

Financial data is also difficult to compare for these types of facilities, especially given their differing ownership and management structures. Johnson Consulting was able to obtain financial statements for all of the case studies except the Buckhead Theater, whose private ownership and management would not disclose proprietary information. The most effective comparisons in this analysis involve separating operating revenue (revenue from rentals, programming, education, food and beverage sales, advertising, and other forms of earned revenue) from contributed revenue (public grants and private contributions), and comparing that to the expenses generated by each facility. As shown, operating revenue ranges from just under \$919,000 per year at the Sandy Springs Performing Arts Center (which is still ramping up its business after having opened in 2018) to over \$5.9 million per year at the Arvada Center. Operating expenses ranged from just under \$3 million per year at the Lawrence Arts Center to nearly \$11.4 million per year at the Arvada Center. These operating revenues and expenses equate to net operating deficits ranging from nearly \$1.4 million per year at the Lawrence Arts Center to nearly \$5.5 million per year at the Arvada Center, indicating that all of the case study facilities require contributed revenues on an annual basis in order to balance their budgets, which is typical for performing arts center-type facilities. Public support accounts for the largest share of contributed revenue sources for the case studies, followed by grants and private contributions. It should be noted that each facility has its own unique operating model that is supported by a combination of earned and contributed revenues, and that new facilities like the Cain Center are more than capable of forging their own path and creating a model that works for themselves. These case study financial statements can be used to contextualize the forthcoming financial projections for the Cain Center in Section 5 of this report, but should not be seen as factors that strictly limit the Cain Center's potential financial performance.

IMPLICATIONS

The facility inventories for arts facilities, event facilities, and hotels in the northern Lake Norman Region reveals that, in line with the anecdotal evidence that was gathered in the community engagement process, there is a market opportunity for both an arts center facility and an event center facility in Cornelius. Although there are a significant number of arts and event facilities across the region, the size and growth trajectory of the northern Lake Norman is sufficient to support these facilities. In addition, there is a notable shortage of arts and event facilities within the Cornelius community itself. The magnitude of this shortage will impact the recommendation for the new facilities, which will be addressed in the later sections of this report.

The case studies demonstrate the various models that can be pursued among arts and event center facilities. In terms of the program of these facilities, some are more presentation-focused, some are more production-focused, others are more education-focused, and many offer a hybrid of these three missions. Each facility was conceptualized in order to serve the needs of the community and market area within which they operate, providing arts and entertainment facilities and programming without replicating or cannibalizing demand from the other existing entities in the market. These facilities host hundreds of events that draw tens or even hundreds of thousands of attendees each year and have a wide array of financial models that are employed to fund capital and operational expenses. These facilities do not typically

generate operating profits – in fact, many require contributed revenue to balance their operating budgets, which can come in the form of public support, grants, or private contributions. With a well-thought-out rental rate structure, a robust sales and marketing operation, and additional ancillary revenue streams, the need for operating support can be minimized. Overall, the case study facilities provide examples of where these types of facilities have been successfully developed in other similar markets and provide a window within which Cornelius’s proposed arts and event center could expect to operate.

SECTION 5
IMPLEMENTATION, PROJECTIONS, & IMPACTS

IMPLEMENTATION, PROJECTIONS, & IMPACTS

IMPLEMENTATION

In this section, the Consulting Team presents recommendations for the funding and implementation of the proposed Cain Center for the Arts and Town Center district projects. One of the most important outstanding questions surrounding these projects is how to fund 1) the remaining gap that exists between the funds that have been assembled for the construction and development of the facility itself, 2) the facility's annual operating expenses, and 3) the Town Center district's expenses. Each of these expenses will need to be covered (at least partially) by government grant funding. Johnson Consulting contemplated 4 unique approaches to addressing this issue:

- **Municipal Service Districts (MSD):** This mechanism, commonly referred to as “Business Improvement Districts,” is known as Municipal Service Districts in the State of North Carolina and is governed by the Municipal Service Districts Act (G.S. Ch. 160 A, Art. 23). An MSD is a defined geographic area within which the municipality levies an additional property tax in order to generate funding for designated projects or services within the district. The State of North Carolina allows MSDs to be created for a number of purposes, the most relevant for the Cain Center project being downtown and urban revitalization projects and off-street parking facilities. MSD revenue could be used for both capital and/or operating costs incurred by the Cain Center, as well as Town Center district-related expenses. Any debt that would be taken on to cover capital costs would be financed by Special Assessment Bonds, which are governed by G.S. 160A, Article 10A and secured by the additional property tax revenue generated by the MSD. In order to establish an MSD, the Town of Cornelius would need to prepare an MSD plan that would be publicly available and subject to a public hearing process. A service district tax rate, when combined with the Town's and County's ad valorem property tax rate of 0.8389%, cannot exceed 1.5% without approval from a majority of the qualified voters within the MSD. Essentially, this means that the maximum additional property tax rate that can be levied within an MSD in Cornelius would be 0.6611%. Once the MSD is established, the Town of Cornelius could adjust the rate each year and could choose not to levy the tax during certain fiscal years without abolishing the MSD itself.
- **Project Development Financing:** This mechanism, commonly referred to as “Tax Increment Financing,” is known as Project Development Financing in the State of North Carolina and is governed by the Project Development Financing Act (G.S. Ch. 159, Article 6). PDF is a debt financing instrument that allows local governments to borrow money in the form of project development bonds for the purpose of funding public improvements and attracting investment within a designated geographic area. The debt is secured and repaid by the incremental property tax revenue that is generated over and above the original baseline amount that was collected upon the project development district's creation. PDF can be employed to fund the capital costs (not operational costs) of a variety of project types, most relevantly including auditoriums, civic centers, arts centers, and facilities for exhibitions, athletic and cultural events, shows, and public gatherings,

as well as parking infrastructure. The size of a project development district cannot exceed 5% of the municipality's total land area. The Town of Cornelius occupies approximately 15.07 square miles, meaning that the project development district could be as large as 0.7535 square miles. In order to establish a project development district, the Town of Cornelius would need to develop a project development financing plan that would require a public hearing process as well as approval from Mecklenburg County as well as the Local Government Commission.

- **Synthetic Project Development Financing:** Unlike the two district-based strategies, this approach would employ townwide ad valorem property tax revenue and/or tourism-related tax revenues such as Hotel Occupancy Tax, U Drive It Tax, or Prepared Food & Beverage Tax in order to boost tax revenues received by the Town of Cornelius and cover the capital and/or operational costs of the Cain Center. The Town of Cornelius's tourism-related tax revenues flow into the Tourism Fund, which is currently operating at a deficit, and therefore makes these funds unlikely to be a feasible source of income for this type of funding strategy. Debt financing mechanisms that could be employed under this approach include both general obligation bonds or installment purchase financing, which are governed by G.S. Ch. 159, Article 4 and G.S. Ch. 160A-20, respectively. The former option would need to be approved by voter referendum, while the latter option would not require a referendum. This approach would otherwise be subject to the regulations imposed by the respective debt financing mechanisms.
- **Interlocal Agreement:** Similarly to the Synthetic Project Development Financing approach, and Interlocal Agreement would involve the use of townwide ad valorem property tax revenue and/or tourism-related tax revenues to generate funds needed to supplement capital and/or operational costs of the Cain Center. Interlocal agreements in North Carolina are governed by G.S. 160A, Article 20, which lays out the various types of joint undertakings that can be pursued by local government entities – most relevantly for the Cain Center project are facility authorities and generalized revenue and expenditures for joint undertakings. Facility authorities have far more specific guidelines in the code, which are laid out in Part 4 of the legislation, while generalized revenue and expenditure agreements are far more flexible. Debt financing mechanisms within this approach could include general obligation bonds or installment purchase financing. Interlocal Agreements have already been used successfully in the Lake Norman region for the funding for organizations like Visit Lake Norman and Lake Norman Economic Development, as well as for projects like the Commerce Station industrial park.

The various considerations for each implementation strategy are summarized in Figure 5-1.

Figure 5-1

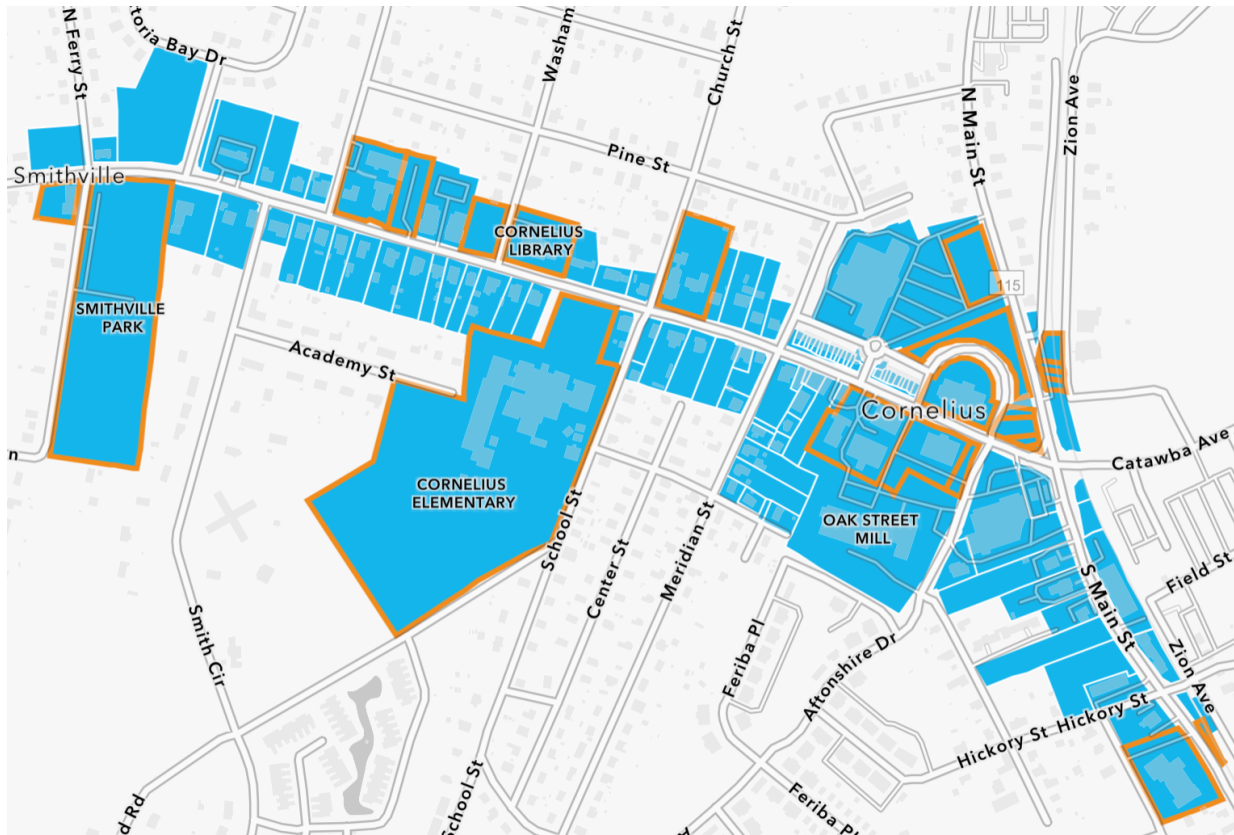
| Implementation Strategies | | | | |
|--------------------------------------|--|--|---|--|
| District-Based Strategies | | | Townwide & Regional Strategies | |
| | Municipal Service District (MSD) | Project Development Financing (PDF) | Synthetic Project Development Financing | Interlocal Agreement |
| Common Name | Business Improvement District (BID) | Tax Increment Financing (TIF) | NA | Intergovernmental Agreement (IGA) |
| Enabling Legislation | Municipal Service District Act (G.S. 160 A, Article 23) | Project Development Financing Act (G.S. 159, Article 6) | G.S. 160A-20 and G.S. 159, Article 4 | Interlocal Cooperation Act (G.S. 160A, Article 20) |
| Source of Funds | Special Assessment Property Tax Revenue from within MSD | Incremental Property Tax Revenue from within PDF District | - Townwide Ad Valorem Property Tax Revenue - Townwide Tourism-Related Tax Revenue (Hotel Occupancy Tax, U Drive It Tax, Prepared Food & Beverage Tax) | - Townwide Ad Valorem Property Tax Revenue - Townwide Tourism-Related Tax Revenue (Hotel Occupancy Tax, U Drive It Tax, Prepared Food & Beverage Tax) |
| Tax Burden by Land Use | Primarily Commercial District | Primarily Commercial District | Commercial & Residential Townwide | Commercial & Residential Townwide |
| Tax Burden by Geographic Area | | | | |
| Debt Financing Mechanisms | Special Assessment Bonds | Project Development Financing | General Obligation Bonds or Installment Purchase Financing | General Obligation Bonds or Installment Purchase Financing |
| Project Types* | Urban/Downtown Revitalization Off-Street Parking Infrastructure | Auditoriums Arts Centers Facilities for cultural events, shows, & public gatherings | All | Facility Authorities Revenue & Expenses for Joint Undertakings |
| Funding Types | Capital and/or Operational | Capital | Capital and/or Operational | Capital and/or Operational |
| Rules & Regulations | - MSD's incremental tax rate cannot exceed 0.6611% in Cornelius - MSD's incremental tax rate can be adjusted annually - Town of Cornelius can choose not to levy MSD's incremental tax rate for certain fiscal years without abolishing the MSD itself | - Size of project development district cannot exceed 5% of the total land area of the Town of Cornelius, or approximately 0.7535 square miles | - General Obligation Bonds: Secured by Full Faith & Credit of Town of Cornelius (G.S. Ch. 159, Article 4) - Installment Purchase Financing: Secured by Cain Center Asset Itself (G.S. Ch. 160A-20) | - Revenue & Expenditures for Joint Undertakings: relatively flexible - Facility Authorities: relatively strict |
| Process for Creation | - Town of Cornelius would need to develop an MSD plan that is subject to public hearing process | - Town of Cornelius would need to develop a project development financing plan that requires public hearing process and approval from Mecklenburg County and Local Government Commission | - General Obligation Bonds: Requires Voter Referendum - Installment Purchase Financing: Does Not Require Referendum | - Subject to Process of Project Type: - Revenue & Expenditures for Joint Undertakings: relatively flexible - Facility Authorities: relatively strict |

*Implementation strategies can be used for a variety of project types, but this table lists only those that are relevant for the Cain Center and Town Center district projects
Sources: State of North Carolina, University of North Carolina School of Government, Johnson Consulting

DISTRICT-BASED STRATEGIES

If the Town chooses to pursue a district-based approach, such as the MSD or the PDF, determining the geographic area included in the district will be an important consideration. Typically, targeted property tax levies are rationalized based on the benefit that the project (in this case, the Cain Center and the Town Center district) provides to the surrounding district, such as increased foot traffic, activity levels, spending at local businesses, entertainment opportunities for residents, tourism, and commercial property values. In order to justify the materialization of these benefits, the taxing district should be primarily concentrated in the areas around the Cain Center facility and Town Center district. The Town of Cornelius has previously contemplated an arts district within the boundaries shown in Figure 5-2. This district was devised purely on a land-use basis, without regard for potential funding opportunities. Nevertheless, it serves as a place to start in terms of determining an MSD or PFD-related taxing district to help fund the Cain Center facility and Town Center district projects. The parcels in blue are within the previously envisioned arts district, and the parcels outlined in orange are religious buildings, parks, or other town-owned parcels that are exempt from property taxes.

Figure 5-2



As shown, a large portion of the previously envisioned arts district is comprised of property tax exempt parcels, which is detrimental to the district’s potential to generate a large enough volume of property tax revenue to provide funding for the Cain Center and Town Center district. Figure 5-3 estimates the total amount collected in property taxes from the parcels within the arts district in 2020. As shown, the district generated just over \$87,000 in property tax revenue for the Town of Cornelius in 2020.

Figure 5-3

| Property Tax Collections within Proposed Cain Center for the Arts District (2020) | | | | | | | |
|---|----------------|-------------------|--------------------------|--------------------|--------------------------|-------------------|--------------------------|
| | Assessed Value | Town of Cornelius | | Mecklenburg County | | Total | |
| | | Property Tax Rate | Property Tax Collections | Property Tax Rate | Property Tax Collections | Property Tax Rate | Property Tax Collections |
| Property Tax Exempt Parcels | \$33,029,700 | 0.0000% | \$0 | 0.0000% | \$0 | 0.0000% | \$0 |
| Non-Property Tax Exempt Parcels | \$39,364,000 | 0.2220% | \$87,388 | 0.6169% | \$242,837 | 0.8389% | \$330,225 |

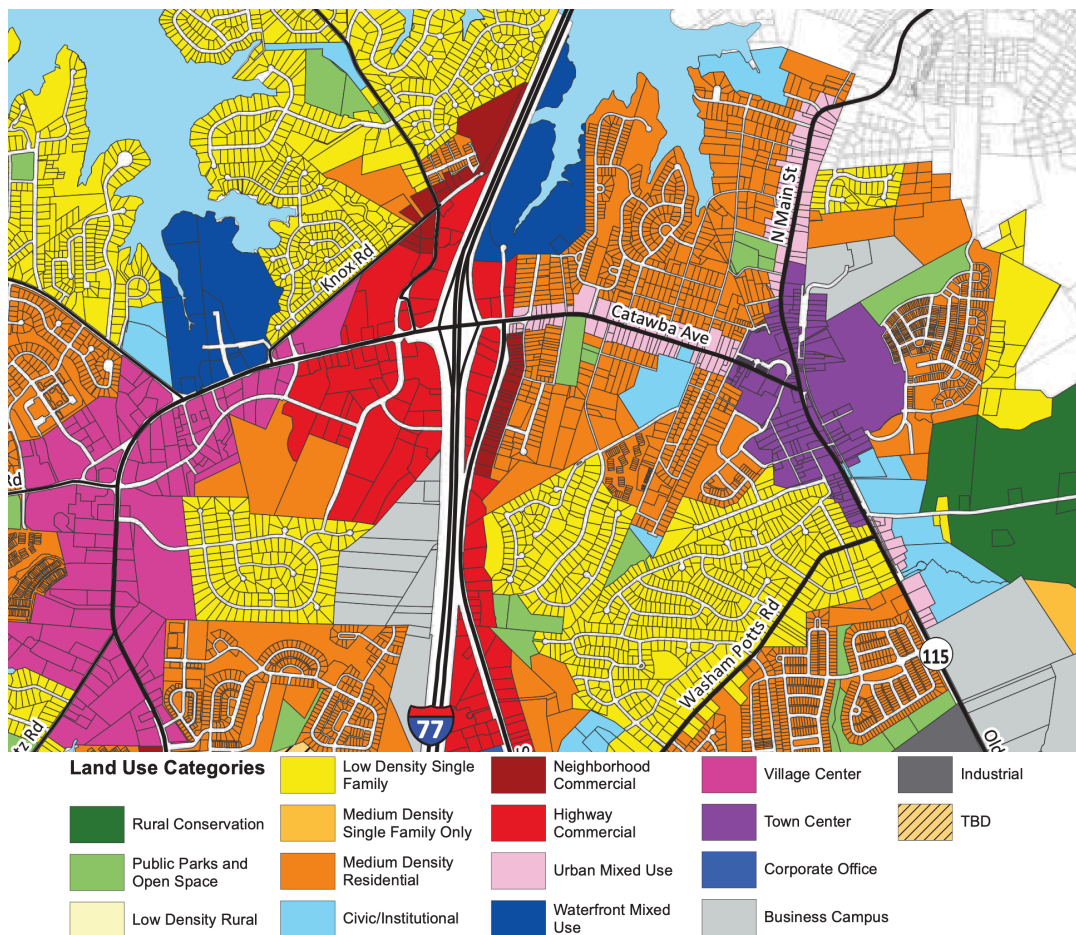
Source: Mecklenburg County, Johnson Consulting

In the case of an MSD, the maximum additional property tax assessment that could be made within the district according to the State of North Carolina is 0.6611%, although this represents a 78% increase in the 0.8389% property tax rate that is currently levied in the district. Even at that astronomical additional assessment rate, the district would still only generate approximately \$260,000 in annual property tax revenue at current valuation levels.

In the case of a PFD, the “baseline” would be set at this approximate \$87,000 figure, and any incremental property tax revenue generated over and above that baseline in future years would go toward the Cain Center. Given the strong development momentum in the Lake Norman Region, it could be anticipated that property tax revenue growth would be strong in general, whether that be a result of increasing property valuations, redevelopment of parcels within the district, or new developments within the district. However, the arts district footprint is limited and includes parcels that are almost exclusively already developed or exempt from property taxes, so this growth is not as likely to occur within the proposed boundaries of the district. Cornelius’ townwide development growth and growth in assessed value has slowed substantially over the past several years due to the growth management policies implemented in the 2014 update to the Town’s Land Use Plan which is intended to be more restrictive on residential density.

Because of this, in order for a PFD or MSD approach to be plausible, the arts district boundary would need to be expanded. For context, a land use map for the Town of Cornelius is presented in Figure 5-4. The most logical expansions would be to include more of the parcels along North and South Main Street (shown in light pink and purple in the map below), along Interstate 77 (shown in red in the map below), and/or further west along Catawba Avenue (shown in red and dark pink below).

Figure 5-4



Theoretically, expanding the arts district boundary is within the realm of possibility. As previously mentioned, the only size restriction imposed by the MSD/PDF legislation is that the size of the PDF district must not exceed 5% of the total area of the Town of Cornelius. The proposed arts district is approximately 0.15 square miles, which leaves plenty of room for expansion before reaching the 5% maximum of 0.7535 square miles. However, the process of drawing and redrawing district boundaries could be a controversial process as landowners organize in support of or opposition to increased tax rates for their properties, and the additional taxes become harder to justify as the district extends farther from the proposed Cain Center and Town Center district projects.

TOWNWIDE & REGIONAL STRATEGIES

If the Town chooses to pursue a townwide or regional approach, such as Synthetic Project Development Financing or an Interlocal Agreement, it (along with other participating jurisdictions) will need to determine where the extra funds will come from that will go towards debt service and/or operational subsidies for the Cain Center and Town Center district-related expenses. Johnson Consulting believes there are two possible sources to be considered in this scenario: 1) citywide ad valorem property taxes and 2) tourism-related taxes such as Hotel Occupancy Tax, U Drive It Tax, and Prepared Food & Beverage Tax.

Property tax increases would be justified on the basis of the Cain Center and Town Center district's added value to the community – amenities to be enjoyed by residents that could spur additional growth in the area and catalyze increased activity levels and patronage for local businesses in the Lake Norman Region. Figure 5-5 presents the total amount of property tax revenue collected within the Town of Cornelius for fiscal years 2017 – 2021. As shown, the town has experienced a 20.8% increase in property tax collections since 2017, even with the FY 2021 estimate being more conservative due to the COVID-19 pandemic. Most of this jump is a result of the 0.020% increase in the property tax rate above the revenue neutral rate that occurred in FY 2020. As the community's tax base grows, so too do its expenses, although some of this increased revenue could potentially go toward the Cain Center and Town Center district projects.

Figure 5-5

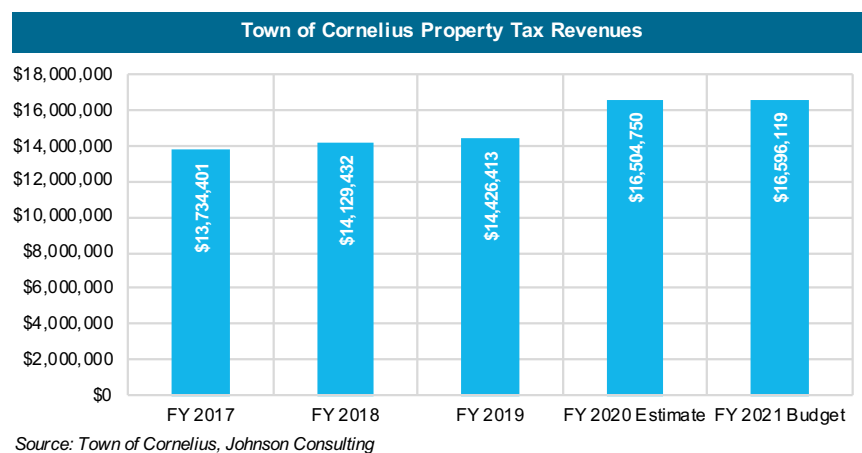


Figure 5-6 shows where this property tax revenue comes from in terms of the parcel-level assessed values throughout the town. As shown, a large share of Cornelius's property tax revenue comes from:

- Commercial properties located along Interstate 77, Catawba Avenue, and Main Street
- Larger residential properties in western Cornelius, especially along the shoreline of Lake Norman

Figure 5-6

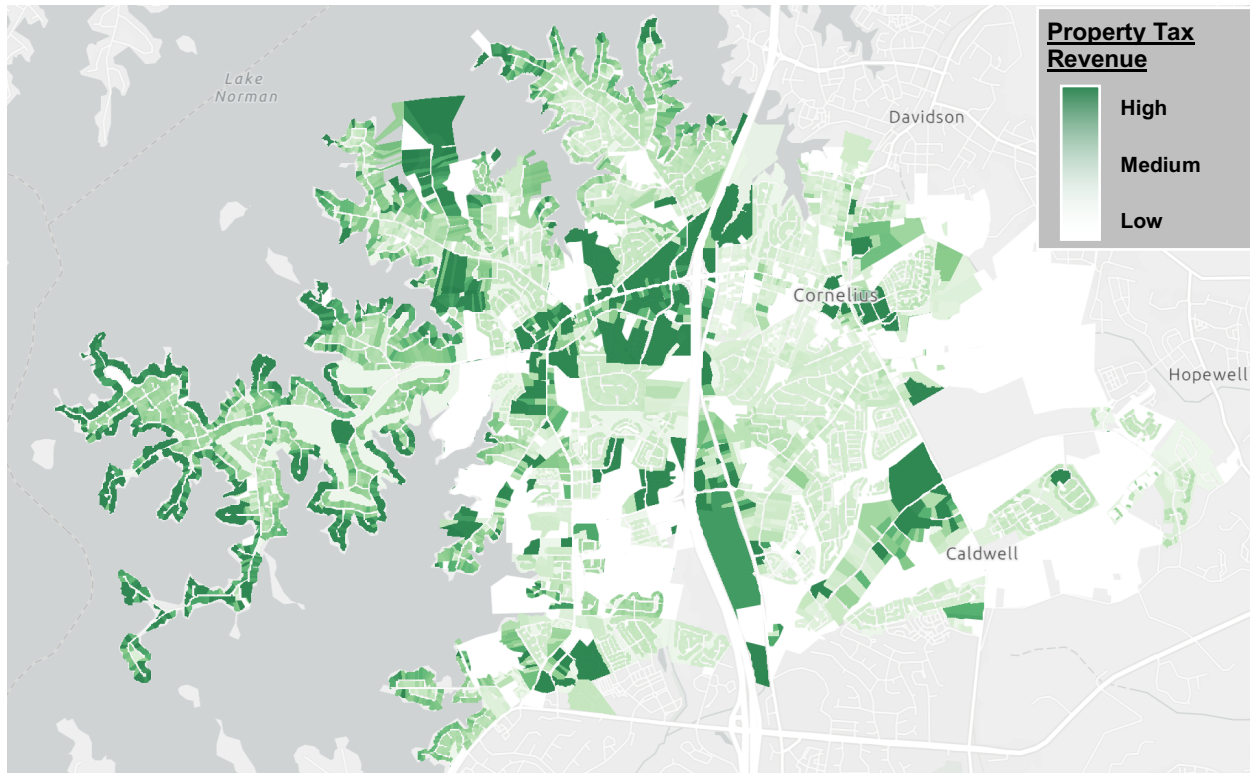


Figure 5-7 depicts the historical property tax rates for the Town of Cornelius since fiscal year 2012, showing that the property tax rate for fiscal years 2020 and 2021 is the lowest it has been during this period. The Town of Cornelius is able to have low tax rates because it has one of the highest townwide assessed valuations in the County. Although the rate itself is relatively low for fiscal years 2020 and 2021, the 0.222% rate is actually 0.020% above the revenue neutral rate of 0.202%.

Figure 5-7

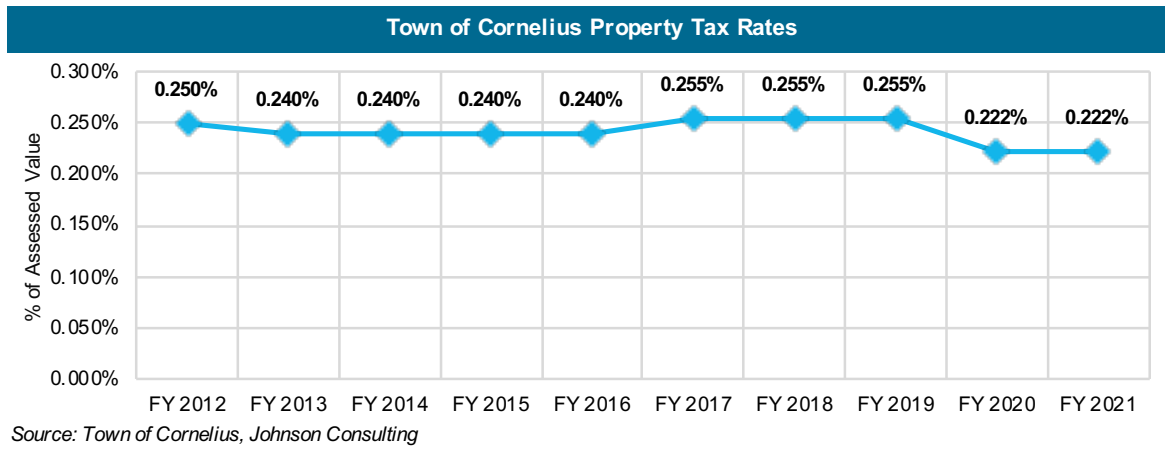


Figure 5-8 shows municipal property tax rate for Town of Cornelius compared to the other cities and towns within Mecklenburg County for fiscal year 2021. As shown, Cornelius has the lowest property tax rate of any of the other municipalities, a rate that is approximately 21% below the average. In other words, Cornelius has a strong argument to justify a modest increase in its property tax rate in order to provide funds for the Cain Center and other important community projects and services. Other towns that could participate in an Interlocal Agreement may not have as much room to increase property tax rates, however.

Figure 5-8

| Mecklenburg County Property Tax Rates by Jurisdiction | | | |
|--|-----------------------|--------------------|-------------------|
| Municipality | Municipal Rate | County Rate | Total Rate |
| City of Charlotte | 0.3481% | 0.6169% | 0.9650% |
| Town of Pineville | 0.3300% | 0.6169% | 0.9469% |
| Town of Davidson | 0.2900% | 0.6169% | 0.9069% |
| Town of Matthews | 0.2800% | 0.6169% | 0.8969% |
| Town of Mint Hill | 0.2550% | 0.6169% | 0.8719% |
| Town of Huntersville | 0.2400% | 0.6169% | 0.8569% |
| Town of Cornelius | 0.2220% | 0.6169% | 0.8389% |
| Average | 0.2807% | 0.6169% | 0.8976% |

Source: Mecklenburg County, Johnson Consulting

Figure 5-9 presents the hypothetical increased revenues that could be generated if the Town of Cornelius were to increase its property tax rates to 1) the previous high of 0.2550% as it was in fiscal years 2017 – 2019 and 2) the average rate among other Mecklenburg County municipalities, 0.2807%. As shown, the Town of Cornelius could expect to generate an additional \$2.5 million annually in the former scenario, and could expect an additional \$4.4 million annually in the latter scenario, according to the Town's total assessed value as of fiscal year 2021. This magnitude of funds would significantly bolster the Town's resources to fund the Cain Center and Town Center district projects.

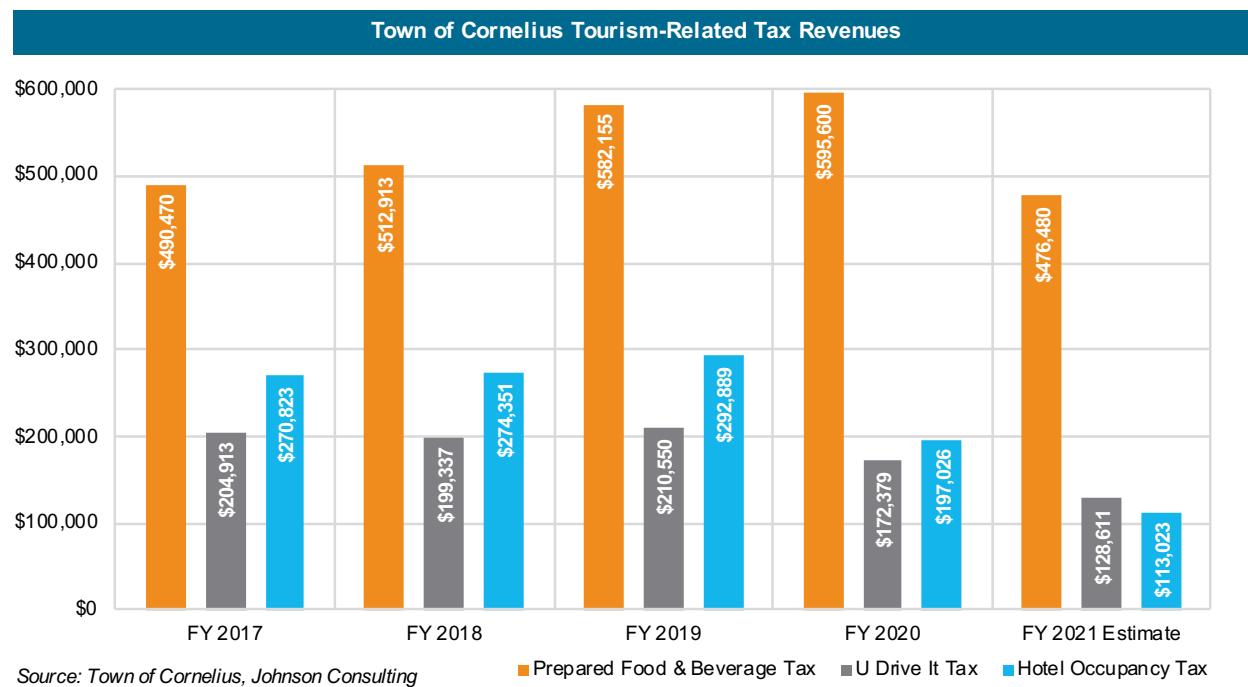
Figure 5-9

| Town of Cornelius Property Tax Rates vs. Collections | | | | |
|--|-----------------------------|----------------------|-----------------------------|----------------------------|
| Scenario | Assessed Value (FY 2021) | Property Tax Rate | Property Tax Collections | Increase in Collections |
| Current Rate | \$7,475,729,279 | 0.2220% | \$16,596,119 | N/A |
| Increase to FY 2017-2019 Rate | \$7,475,729,279 | 0.2550% | \$19,063,110 | \$2,466,991 |
| Increase to County Average Rate | \$7,475,729,279 | 0.2807% | \$20,984,372 | \$4,388,253 |

Source: Town of Cornelius, Johnson Consulting

Tourism-related taxes are another common source of funding for public assembly facilities, including convention centers, performing arts venues, and sports facilities. The rationale for this approach is that these types of facilities boost tourism visitation in the area, and in turn, spending at area hotels, restaurants and bars, and rental vehicles. Figure 5-10 presents the total amount of tourism-related taxes that have collected by the Town of Cornelius since fiscal year 2017. As shown, between fiscal years 2017 and 2019, collections for Prepared Food and Beverage Taxes, U Drive It Taxes, and Hotel Occupancy Taxes increased by 18.7%, 2.8%, and 8.1%, respectively, before dipping as a result of the COVID-19 pandemic. Again, this analysis focuses on the Town of Cornelius, but these trends are likely similar across all towns in the Lake Norman Region.

Figure 5-10



It should be noted that these taxes are collected by Mecklenburg County and then remitted to the municipalities monthly, and that 28% of Hotel Occupancy Tax collections and 25% of Prepared Food & Beverage Tax are statutorily required to go to Visit Lake Norman. The current tax rates for the Prepared

Food and Beverage Taxes, U Drive It Taxes, and Hotel Occupancy Taxes in Mecklenburg County are 1%, 5%, and 6%, respectively, and there does not appear to be a likely political means for increasing these rates in order to generate additional funding for the Cain Center and Town Center district projects at this time.

The preceding subsections offer a variety of implementation strategies that could be used to fund both the capital and operational costs of the Cain Center, as well as the expenses related to the operation of the Town Center district. These mechanisms were presented within the context of the Town of Cornelius, as the projects are located within the town, and therefore the Cornelius community will be the primary beneficiary of benefits and impacts. However, the Cain Center in particular will be utilized by individuals and organizations throughout the Lake Norman Region and beyond. In fact, there is evidence of this from the programs currently under the umbrella of the Cornelius Arts Center (CAC) – many of which will be shifted into the Cain Center building upon its completion. Figure 5-11 shows the CAC programs' proportion of participants by town. As shown, 49% of participants resided in towns other than Cornelius as of 2020. Although the total number of participants dipped significantly in 2020 due to the COVID-19 pandemic, participation had remained steady between 1,600 and 1,800 participants per year between 2017 and 2019. This number could be expected to grow in future years as a result of both continuing population growth in the area as well as the increased publicity and interest that will be generated by the development of a state-of-the-art facility like the Cain Center.

Figure 5-11

| Cornelius Arts Center Programs | | | | | |
|---------------------------------------|--------------|--------------|--------------|-------------|----------------|
| Participants by Town | 2017 | 2018 | 2019 | 2020 | Average |
| Cornelius | 44% | 49% | 55% | 51% | 50% |
| Huntersville | 27% | 26% | 21% | 25% | 25% |
| Davidson | 15% | 11% | 12% | 13% | 13% |
| Mooresville | 4% | 7% | 5% | 7% | 6% |
| Other | 3% | 3% | 2% | 2% | 3% |
| Charlotte | 3% | 2% | 2% | 1% | 2% |
| Concord | 1% | 2% | 1% | 1% | 1% |
| Denver | 1% | 1% | 1% | 0% | 1% |
| TOTAL | 1,653 | 1,727 | 1,610 | 896 | 1,472 |

Source: Town of Cornelius, Johnson Consulting

Just as the Cain Center will be patronized by residents throughout all of the Lake Norman towns, the Cain Center will produce benefits for the greater Lake Norman Region as well – not just the Town of Cornelius. These benefits will come in the form of economic and fiscal impacts, which will be analyzed later on in this section. Regardless of which funding mechanism(s) are pursued, the Town of Cornelius should not be expected to be responsible for 100% of the funding that is necessary for the Cain Center project. The Towns of the Lake Norman Region – primarily Cornelius, Davidson, and Huntersville – have a strong history of collaboration on similar initiatives, such as the Lake Norman Economic Development and Visit Lake Norman organizations, as well as the Lake Norman Chamber of Commerce. The Cain Center project would

benefit significantly if other Lake Norman towns are able and willing to commit capital and/or annual operational funding for the project, which could be facilitated via an Interlocal Agreement. The amount committed by each town could be determined by population, use and benefit of the Cain Center, or another method derived from a negotiation process.

PROJECTIONS

This section provides demand projections for the proposed Cain Center for the Arts that have been developed by the facility's management and reviewed by the Consulting Team. The Consulting Team provided feedback on the initial projections that were provided by the Cain Center, and the projections presented herein reflect the latest and greatest projections, which the Cain Center and Consulting Team agree upon. Figure 5-12 below summarizes the proposed facility program for the Cain Center facility.

Figure 5-12

| Cain Center for the Arts Facility Program | |
|--|---------------------------|
| | Size |
| Theater (400 seats) | 6,678 Square Feet |
| Lobby | 2,648 Square Feet |
| Classrooms / Meeting Rooms | 6,241 Square Feet |
| Gallery Space | 641 Square Feet |
| Shop | 158 Square Feet |
| Support Spaces | 13,956 Square Feet |
| Total | 30,322 Square Feet |

Source: Cain Center for the Arts Construction Documents

As shown in the table, the proposed Cain Center is planned to have a 400-seat theater, a 2,648 square foot lobby, 641 square feet of gallery space, and 6,241 square feet of classroom/meeting room space, which will be the primary spaces where event activity will be occurring. In addition, the Cain Center will include a 158 square foot shop and 13,956 square feet of other support spaces, such as corridors, restrooms, storage, and other back-of-house areas.

The Cain Center would accommodate demand from a variety of sources:

- **Community and Non-Profit Arts Events:** The Consulting Team's interviews, surveys, and outreach indicate the presence of existing demand for arts and entertainment-related events from community-based and non-profit entities in the area. These users would provide a foundation of utilization for the Cain Center. Examples of these users include entities like the Davidson Community Players, Charlotte Symphony Orchestra, Charlotte Ballet, and Charlotte Children's Theater, among many others. A booking policy should be developed to ensure that enough prime dates are available for commercial and touring events, which will help to maximize revenue generation.

- Commercial and Touring Arts Events: In order to attract these events and performances, formulating a sophisticated talent buyer operation is key. As demonstrated in Section 4, the performing arts and entertainment industry as a whole is mature and has exhibited steady growth in recent years, and is expected to rebound in the wake of the COVID-19 pandemic. The Consulting Team summarized the universe of potential business for a venue of this size, showing that even with other performing arts venues throughout the Charlotte Metro Area, there are still a very large number of bookings that could be made at the proposed Cain Center, including vocal concerts, instrumental concerts, family shows, comedy acts, meet and greets, speaker series, and theatrical acts, among others. Interviews with talent buyers, show promoters, and venue operators in the area conveyed agreement that there is a need for a new arts venue in the Lake Norman Region. The Cain Center will book acts on its own and also attract acts on their way to or from places like Charlotte, Raleigh-Durham, Greensboro, Chattanooga, Atlanta, and beyond. Except for Charlotte, all of these markets are outside the standard radius clause distance of 60 miles. There is also a trend in the commercial touring industry for special events that can occur during mid-week windows where a member of an act does a storytelling and limited performance session that is distinct from the act's main production, which may be occurring in the larger venues in Downtown Charlotte.
- Multipurpose Corporate, Social, Community, and Non-Profit Events: The Consulting Team's interviews, surveys, and outreach with these local and regional organizations demonstrated an interest in an auditorium-style venue, meeting rooms, or flexible lobby space for certain components of multipurpose (or otherwise non-arts-related) events. Examples of these events would include weddings, fundraisers, family reunions, graduations, product launches, annual meetings, conferences, and many other types of events. Educational institutions, including K-12 schools and colleges/universities, as well as healthcare institutions, are additional demand generators that fall under this category. Many of these events tend to occur during the work week and during the daytime, which complement the arts-related usage which would typically occur during evenings and weekends.

A new performing arts facility will need to weave together a mix of these demand sources in a way that meets the needs of the community while also maintaining a responsible operation in terms of revenue generation. The classic debate regarding these types of facilities is who pays for them and who has priority for using them. As a rule, community organizations and local arts groups feel they have a social mandate to use facilities – they are local taxpayers after all. They will also leverage political organization in order to advocate for a fair balance between their socially beneficial programming and revenue-generating commercial demand. Meanwhile, city leadership wishes to see a facility with a responsible bottom line that serves as both an amenity to residents and an attraction for visitors. Ultimately, new facilities often employ a hybrid model that seeks to serve both demand segments. This can be standardized and regulated by a deal-making process that involves input from all stakeholders and results in the crafting of letters of intent, memoranda of understanding, and booking policies that reflect the current needs of all involved.

PROJECTED EVENT DEMAND

Figure 5-13 shows an estimate of demand for the proposed Cain Center. The Cain Center, as described earlier in this section, is expected to host community / non-profit events including performances, rehearsals, and other types of events, as well as commercial / touring events including promoted performances, rental performances, and other types of events. As shown, in Fiscal Year 2024, the proposed Cain Center could be projected to accommodate 649 Total Events, including 110 Theater Events and 539 events between the Classroom/Meeting Rooms and Lobby. Community / Non-Profit events include 24 performances and 24 rehearsals (at an average of 1 on-site rehearsal per performance) – an average of 2 performances and 2 rehearsals in the Theater per month in Fiscal Year 2024 and growing in number in the years thereafter. Commercial / Touring events include 24 performances – an average of 2 performances in Fiscal Year 2024, becoming more frequent in the years thereafter. By Fiscal Year 2028, projected event demand is expected to increase to 740 Total Events, including 142 Theater Events and 598 events between the Classroom/Meeting Rooms and Lobby. It is noted that a large portion of these events are Classroom/Meeting Room Events, which are primarily comprised of the robust schedule of classes (each individual class is counted as 1 event) that are currently occurring at the CAC, but that will be transferred into the Cain Center building upon the facility’s completion. It is likely that these types of events would not necessarily be reported in the data for the case study facilities, which typically only report ticketed or more formalized events.

Figure 5-13

| Projected Event Demand | | | | | |
|---------------------------------|------------|------------|------------|------------|------------|
| Event Type | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
| Theater Events | | | | | |
| Community / Non-Profit | | | | | |
| Performances | 24 | 26 | 28 | 29 | 30 |
| Rehearsals | 24 | 26 | 28 | 29 | 30 |
| Other Events | 20 | 22 | 24 | 25 | 26 |
| Subtotal | 68 | 74 | 80 | 83 | 86 |
| Commercial / Touring | | | | | |
| Performances | 24 | 26 | 28 | 30 | 32 |
| Other Events | 18 | 20 | 22 | 23 | 24 |
| Subtotal | 42 | 46 | 50 | 53 | 56 |
| Total Theater Events | 110 | 120 | 130 | 136 | 142 |
| Other Events | | | | | |
| Classroom/Meeting Room Events | 515 | 530 | 546 | 557 | 568 |
| Lobby/Other Events | 24 | 26 | 28 | 29 | 30 |
| Total Other Events | 539 | 556 | 574 | 586 | 598 |
| Total Arts Center Events | 649 | 676 | 704 | 722 | 740 |

Note: There can be multiple classroom/meeting room events in a day.
Source: Johnson Consulting

PROJECTED NUMBER OF VISITORS PER EVENT

Figure 5-14 shows the estimated average number of visitors per event for the proposed Cain Center by event type. The number of visitors includes both participants and attendees – in other words, including the artist(s), crew members, and the attendees. As shown, in Fiscal Year 2024, Cain Center Events are projected to draw an average of 295 visitors per event for performances, 285 visitors per event for other types of events in the theater, 15 visitors per event for rehearsals and classroom/meeting room events, and 130 visitors per event in the lobby. These numbers are projected to hold steady year-over-year, as three trends combine to produce a net zero impact:

- As Cain Center and Lake Norman market as a whole develop a reputation as a destination for these types of events and activities, the facility could become more successful at attracting larger events more frequently, therefore increasing the average number of visitors per event over time.
- As the Lake Norman market continues to experience rapid population growth there will be more people living within the primary, secondary, and tertiary market areas served by the Cain Center, therefore increasing the average number of visitors per event over time.
- There tends to be higher attendance at events that take place in the first couple of years after a facility’s grand opening due to publicity, anticipation, and curiosity to check out the “shiny new building” in town, therefore decreasing the average number of visitors per event over time.

Figure 5-14

| Estimated Average Number of Visitors per Event | | | | | |
|--|---------|---------|---------|---------|---------|
| Event Type | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
| Theater Events | | | | | |
| Community / Non-Profit | | | | | |
| Performances | 295 | 295 | 295 | 295 | 295 |
| Rehearsals | 15 | 15 | 15 | 15 | 15 |
| Other Events | 285 | 285 | 285 | 285 | 285 |
| Commercial / Touring | | | | | |
| Performances | 295 | 295 | 295 | 295 | 295 |
| Other Events | 285 | 285 | 285 | 285 | 285 |
| Other Events | | | | | |
| Classroom/Meeting Room Events | 15 | 15 | 15 | 15 | 15 |
| Lobby/Other Events | 130 | 130 | 130 | 130 | 130 |

Includes both participants and attendees
Source: Johnson Consulting

PROJECTED NUMBER OF VISITORS

As a product of the projected event demand and average number of visitors per event, including both participants and attendees. Figure 5-15 shows the total number of visitors projected for the proposed Cain Center. As shown, the projected total number of visitors is 36,185 in Fiscal Year 2024, which can be expected to grow to 45,404 by Fiscal Year 2028.

Figure 5-15

| Projected Total Visitors | | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Event Type | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
| Theater Events | | | | | |
| Community / Non-Profit | | | | | |
| Performances | 7,080 | 7,670 | 8,260 | 8,555 | 8,850 |
| Rehearsals | 360 | 390 | 420 | 435 | 450 |
| Other Events | 5,700 | 6,270 | 6,840 | 7,125 | 7,410 |
| Subtotal | 13,140 | 14,330 | 15,520 | 16,115 | 16,710 |
| Commercial / Touring | | | | | |
| Performances | 7,080 | 7,670 | 8,260 | 8,850 | 9,440 |
| Other Events | 5,130 | 5,700 | 6,270 | 6,555 | 6,840 |
| Subtotal | 12,210 | 13,370 | 14,530 | 15,405 | 16,280 |
| Total Theater Events | 25,350 | 27,700 | 30,050 | 31,520 | 32,990 |
| Other Events | | | | | |
| Classroom/Meeting Room Events | 7,725 | 7,957 | 8,195 | 8,359 | 8,527 |
| Lobby/Other Events | 3,110 | 3,369 | 3,628 | 3,758 | 3,887 |
| Total Other Events | 10,835 | 11,326 | 11,823 | 12,117 | 12,414 |
| Total Arts Center Events | 36,185 | 39,026 | 41,873 | 43,637 | 45,404 |

Includes participants and attendees
Source: Johnson Consulting

IMPACTS

This section analyzes total economic and fiscal benefit that is being generated by the proposed Cain Center. There are all kinds of economic, social, economic development, image, and social benefits that happen as the result of the presence and operation of the facility. This analysis quantifies the effect of the spending of visitors to this facility, which also represent lost benefits if the facility is not built. Additionally, Johnson Consulting's prior development of economic analyses for other performing arts facilities and specific knowledge of the marketplace of the Lake Norman Region and State of North Carolina contributed to the analysis.

While these are mathematical calculations, which are based on experience seen in numerous other settings, perhaps the most important thing to visualize is what will happen to the Lake Norman Region as a community. The development of Cain Center will allow the area to offer arts and entertainment activity as well as spur economic growth via ancillary private sector development. By developing the facility, investments are made that will continue to attract people from outside the region to the Lake Norman Region, increase the identity of the market by promoting to those visitors, and develop an ever-expanding portfolio of repeating and one-time events.

DEFINITIONS

Economic Impact is defined as incremental new spending in an economy that is the direct result of certain activities, facilities, or events. For the purpose of this analysis, impact totals are discussed in terms of the Cornelius and Lake Norman economy. The levels of impacts are described as follows:

- **Direct Spending** – is an expression of the spending that occurs as a direct result of the events that occur in the facility. For example, an event attendee’s expenditures on hotel rooms, shopping, and meals are direct spending.
- **Indirect Spending** – consists of re-spending of the initial or direct expenditures, or the supply of goods and services resulting from the initial direct spending in the performing arts center. For example, an event attendee’s direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that are within the local, regional, or state economies is counted as an indirect spending.
- **Induced Spending** – represent changes in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at the restaurant may have more personal income as a result of the attendee’s visit. The amount of the increased income the waiter spends in the local economy is called an induced spending.
- **Increased Earnings** – measures increased employee and worker compensation related to the project being analyzed. This figure represents increased payroll expenditures, including benefits paid to workers locally. It also expressed how the employees of local businesses share in the increased outputs.
- **Employment** – measures the number of jobs supported in the study area related to the spending generated as a result of the events occurring in the event center. Employment impact is stated in a number of full-time equivalent jobs.

Fiscal Impact reflects tax revenues that result from the spending and income related to the activities at the Cain Center. This analysis estimates fiscal impacts for the governmental units that levy taxes in the jurisdiction. The fiscal impact is the public sector’s return on investment and an incentive to develop and operate the Cain Center. The overall impacts, including the fiscal impacts, provide a rationale for public participation in a project like the Cain Center.

ECONOMIC AND FISCAL IMPACTS

This subsection provides estimated economic and fiscal impacts for the proposed Cain Center for the Arts. This analysis is based upon 1) the Consulting Teams demand projections outlined in the preceding subsections, and 2) financial projections that were developed by the Cain Center and reviewed by the Consulting Team. The Consulting Team provided feedback on the initial financial projections that were provided by the Cain Center, and the projections presented herein reflect the latest and greatest projections, which the Cain Center and Consulting Team agree upon. This analysis excludes classroom and gallery events, visitors, and spending that is generated by the CAC programs, as these activities are already occurring in the community and this analysis is intended to represent the incremental impacts of the Cain Center facility.

Figure 5-16 summarizes the projected economic and fiscal impact generated by the operations of the proposed Cain Center in Year 1 through Year 10.

Figure 5-16

| Projected Economic & Fiscal Impacts (Inflated \$000) | | | | | | |
|--|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Activity Volume | Rate/ Assumption | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
| 1 Total # of Visitors (Excluding CAC) | | 28,460 | 31,069 | 33,678 | 35,278 | 36,877 |
| 2 Room Nights (Excluding CAC) | 2.5% of Visitors | 712 | 777 | 842 | 882 | 922 |
| 3 On Site Spending (Excluding CAC) | Provided by CCA | \$961 | \$961 | \$916 | \$889 | \$889 |
| 4 Spending Off Site | Average Spending | | | | | |
| 5 On Lodging | \$129 (a) | \$92 | \$103 | \$115 | \$124 | \$134 |
| 6 On Food and Incidentals | \$15 (b) | \$427 | \$480 | \$536 | \$578 | \$623 |
| 7 On Car Rental | \$45 (c) | \$16 | \$18 | \$20 | \$22 | \$23 |
| 8 Subtotal Spending Off Site | | \$535 | \$601 | \$671 | \$724 | \$780 |
| 9 Total Direct Spending | | \$1,496 | \$1,562 | \$1,587 | \$1,613 | \$1,668 |
| 10 Economic Impact (\$000) | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
| 11 Direct Spending | <i>Multipliers</i> | \$1,496 | \$1,562 | \$1,587 | \$1,613 | \$1,668 |
| 12 Indirect and Induced Spending | 0.350 of Line 9 | \$523 | \$547 | \$556 | \$564 | \$584 |
| 13 Total Spending | | \$2,019 | \$2,109 | \$2,143 | \$2,177 | \$2,252 |
| 14 Increased Earnings | 0.320 of Line 9 | \$479 | \$500 | \$508 | \$516 | \$534 |
| 15 Increased Employment | 0.01 of Line 9 | 15 | 15 | 15 | 15 | 15 |
| 16 Fiscal Impact (\$000) | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
| 17 Gross Tax Revenues | <i>Tax Rate</i> | | | | | |
| 18 Sales and Use Tax | | | | | | |
| 19 State of North Carolina | 4.75% of Line 13 | \$96 | \$100 | \$102 | \$103 | \$107 |
| 20 Mecklenburg County (and other jurisdictions) | 2.00% of Line 13 | \$40 | \$42 | \$43 | \$44 | \$45 |
| 21 City of Charlotte (transit tax) | 0.50% of Line 13 | \$10 | \$11 | \$11 | \$11 | \$11 |
| 22 Total Sales and Use Tax | 7.25% of Line 13 | \$146 | \$153 | \$155 | \$158 | \$163 |
| 23 Lodging Tax (d) | 6.00% of Line 5 | \$6 | \$6 | \$7 | \$7 | \$8 |
| 24 Prepared Food & Beverage Tax (d) | 1.00% of Line 6 | \$4 | \$5 | \$5 | \$6 | \$6 |
| 25 U-Drive-It Tax (d) | 5.00% of Line 7 | \$1 | \$1 | \$1 | \$1 | \$1 |
| 26 Total Gross Tax Revenues | | \$157 | \$165 | \$169 | \$172 | \$179 |

Notes:

a) From Per Diem for Mecklenburg County, applied on a per room night bases (Line 2)

b) Assuming an average spend of \$15 per visitor (Line 1) on meals and incidentals ON TOP OF what they may have spent already at the CCA

c) Based on Corporate Travel Index, per Business Travel News, for Charlotte metro area, applied to 50% of total room nights (Line 2)

d) Tourism-related taxes are charged on applicable sales in addition to Sales and Use Tax, these funds are distributed among multiple jurisdictions

Source: Johnson Consulting

As shown in the table, by the fifth full year of operation (Fiscal Year 2028) the Cain Center's impact is expected to include the following economic and fiscal impacts on an annual basis:

- \$889,000 in total on-site direct spending (according to the Cain Center's financial pro forma)
- \$780,000 in off-site direct spending (for a combined total of nearly \$1.7 million in direct spending)
- \$584,000 in indirect and induced spending (for a total of nearly \$2.3 million in total spending)
- 15 full-time equivalent (FTE) jobs accounting for \$534,000 in increased salaries/wages
- \$179,000 in sales tax & tourism-related tax revenues, combined, to state & local governments

Over the entirety of the Cain Center's first 5 years of operation, the cumulative annual economic and fiscal impacts from the facility's operation sum to:

- Over \$4.6 million in total on-site direct spending (according to the Cain Center's financial pro forma)
- Over \$3.3 million in off-site direct spending (for a total of over \$7.9 million in direct spending)

- Nearly \$2.8 million in indirect and induced spending (for a total of \$10.7 million in total spending)
- 75 full-time equivalent (FTE) job-years accounting for over \$2.5 million in increased salaries/wages
- \$841,000 in sales tax & tourism-related tax revenues, combined, to state & local governments

It should be noted that sales and tourism-related tax revenues presented as fiscal impacts in the above analysis are subject to a complex process during which they flow through multiple local government jurisdictions and are first allocated to dedicated funding recipients and administrative fees before the remaining funds are distributed to jurisdictions like the Town of Cornelius. The fiscal impact projections are intended to demonstrate the total incremental tax revenues that will be generated by the Cain Center's operation and flow to the collective relevant jurisdictions rather than to one specific jurisdiction like the Town of Cornelius.

Additionally, these sales tax and tourism-related tax revenues represent only a fraction of the overall fiscal impact to the economy, as they are only 1) increased spending by Cain Center visitors in the local economy and 2) the public sector's increase in tax revenue resulting from the increased spending in the economy. This economic and fiscal impact analysis does not factor in the one-time impact that would be generated by the construction of the Cain Center facility, which would provide millions of additional spending dollars resulting in thousands of additional tax dollars to local and state governments and would support dozens of jobs in the local economy, primarily in the construction industry. The presence of the proposed Cain Center would also increase values of commercial establishments in areas surrounding the new facility and beyond, which result in increased property tax supported by the project.

There are also a number of non-financial benefits that are provided by these types of facilities, which have been described throughout the course of this report. Arts centers build relationships between businesses, governments, and other institutions, foster thought-sharing and innovation, help to attract new residents and employers to the community, and provide a boost to quality of life. These factors are difficult to measure but are crucial components of decision making for these types of projects. Ultimately, a balance will need to be established that includes many of these benefits without placing an excessive financial burden on the community.