

THE CRITICAL PATH

RELEASED BY

THE SACRAMENTO FIRST TASK FORCE

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THE CRITICAL PATH

RECOMMENDATIONS

FOR THE DEVELOPMENT OF A NEW ENTERTAINMENT AND SPORTS COMPLEX

INTRODUCTION

This Critical Path Report is intended to help inform the public, Sacramento City Council and Sacramento Mayor Kevin Johnson as they consider the City's critical path to the development of a world-class arts, entertainment and sports complex.

The members of the Sacramento First Citizens' Task Force ("Task Force") are honored to have been asked by Mayor Kevin Johnson to participate in the process to solicit and evaluate visions for a new arts, entertainment, and sports complex at this critical juncture for the City of Sacramento and its citizens. Under the Mayor's charge, the Task Force engaged the public in extensive dialogue, identified taxpayer priorities, and solicited and reviewed development proposals from individuals and professional teams. Throughout the four-month-long process, the Task Force has been overwhelmed by the public interest, appreciative of the extensive media coverage, thankful for the tremendous support it has received throughout the community, and grateful for the significant pro bono support provided by preeminent regional, national, and global experts in a wide range of fields and professions.

The Task Force understands that its members were selected on the basis of experience, expertise and background. As a citizen volunteer group, the Task Force respects the fact that it does not represent the City in an official capacity, but is rather a vehicle to provide expert information and analysis that may be of assistance to guide the City and its elected officials and to seek a critical path forward. In this spirit, The Critical Path Report identifies three core recommendations:

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- **Three Proposals Demonstrate A Promise of Feasibility:** The Task Force recommends three proposals as demonstrating a promise of feasibility when it comes to a public-private partnership vision that will put taxpayers first and produce a transformative economic impact on the City (in alphabetical order): Ali Mackani & C.O.R.E., The Kamilos Group and Thomas Enterprises.
- **Combining The Kamilos Group's Proposal And The Thomas Enterprises' Intermodal Site:** The Task Force recommends that the events facility be integrated with the intermodal transportation facility on the City-owned land at the downtown railyards site and, to that end, believes that a combination of The Kamilos Group's proposal with the Thomas Enterprises' identified intermodal site approach would represent the strongest option present for the City to move forward successfully. The Kamilos Proposal, with its many financing strengths, would be that much stronger if it located the event facility at the City owned intermodal site. The development of an events facility at the intermodal site would leverage critical assets unique to the intermodal site, including already funded infrastructure, site control (given it is City land), transportation suitability and the economic development synergies related to the connecting of the two facilities. The railyards, as the original terminus of the First Transcontinental Railroad, pointed the way for Sacramento to be a 20th Century center of political power. Now, with the intermodal facility, the railyards can point the way for Sacramento to be a 21st Century center of economic power, as well. If this approach falters, the Kamilos Group should consider possible alternatives that could incorporate the C.O.R.E. proposal and its downtown location.
- **Next Steps:** The Task Force recommends that the City moves forward with a potential exclusive negotiating agreement and seeks to negotiate from a position of strength by: (a) identifying specific milestones and timelines for each of the proposals in order to create bargaining power and flexibility as the economic conditions evolve; and (b) retaining outside expertise to support an excellent City professional staff's commitment to negotiating on an even playing field. If milestones are not reached, the City would have the flexibility to move forward with one of, both or some combination of the other two projects that have been identified as potentially feasible.

The Task Force approached this process with an acknowledgement of purpose and understanding that Sacramento is at a time and place in its history where its “big city with small town values” can provide the opportunity for historic and far-reaching actions that will impact and shape the futures of the residents and the city for years to come. Sacramento is the capital of the State of California, the largest and most important state in our country. Sacramento is a City that puts community first. And finally, Sacramento is a place whose residents want and deserve the best.

Based on public input, research and findings, rigorous analysis, and wide-ranging professional consultation, the Task Force now provides this substantive report to the citizens and elected officials of the City and region of Sacramento.

THE EXECUTIVE SUMMARY

OVERVIEW

The Executive Summary addresses the processes and findings of the Sacramento First Citizens' Task Force, including:

- I. *The Sacramento First Task Force Background And Process:* The process undertaken by the Sacramento First Task Force.
- II. *A Review Of The Proposals:* Review of the seven proposals received by the Sacramento First Task Force.
- III. *Promise Of Feasibility:* Identification of proposals demonstrating promise as feasible projects, including analysis of specific strengths and weaknesses.
- IV. *Next Steps:* Milestones, timelines and processes deemed necessary for feasibility relevant to the most promising proposals.

I. **THE SACRAMENTO FIRST CITIZENS' TASK FORCE**

BACKGROUND AND PROCESS

Background on the Task Force

The Sacramento First Citizens' Task Force was constituted in mid-November 2009 by Sacramento Mayor Kevin Johnson and charged with organizing a process to engage the public in a city-wide and regional conversation to determine the feasibility of developing a world-class arts, entertainment and sports complex in Sacramento.

In announcing the Task Force, Mayor Johnson outlined that the Task Force should be guided by the "Rules of the Game," which were the principles established by the Mayor for guiding the Task Force in its mission. The Rules of the Game are:

- The Taxpayers Come First
- The City Will Not Be Used as Leverage
- The City Will Negotiate on Even Terms
- We Must Think In and Out of the Box

In addition to adhering to the Rules of the Game, the Mayor stated that the complex **must** create jobs and provide economic development, and **must** be seen as a community events center, and not merely a shiny new basketball arena.

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The Mayor stressed that Sacramento First's core mission was to determine whether there exists a critical path forward that would represent a fair deal for Sacramento, defined as: (a) being in the best interests of the taxpayers, and; (b) leading to immediate jobs creation and long-term sustained economic activity.

The Task Force operated under the premise that the successful development of a world-class arts, entertainment and sports complex would constitute a public-private partnership, where the public contribution could manifest in multiple ways, such as direct financial investment, the use of public land, the benefits of publicly funded infrastructure, and the support of City services such as fire, police and roads.

The Task Force members are comprised of the following twelve individuals:

- Lina Fat, Owner, Fats Restaurants, Task Force Co-Chair
- Christopher Lehane, Partner, Fabiani & Lehane, Task Force Co-Chair
- Dea Spanos Berberian, Executive Vice President, A.G. Spanos Company
- Dorene Dominguez, President, Vanir Group of Companies
- Tom Friery, Former City Treasurer, City of Sacramento
- Mark Harris, President & Managing Principal, The Pineapple Group LLC
- Larry Kelley, President, McClellan Business Park
- Matt Kelly, Executive Secretary, Sacramento-Sierra's Building & Construction Trades Council
- Mike Kvarme, Managing Shareholder, Weintraub, Genshlea Chediak
- Dan Meis, Managing Partner, Aedas Sport
- Adam Mendelsohn, Partner, Mercury Public Affairs
- Ron Tom, Lobbyist, Governmental Advocates.

Additionally, the Task Force benefited significantly from its ability to assemble a pro bono team of "best-in-the-field" professional advisors with an expertise in the financing and development of event facilities, including Goldman Sachs, Cathleen Dominico (Capital Public Finance Group), Fehr & Peers, PBS&J, and Irwin P. Rajj (Foley & Lardner LLP). Background details of these professional advisors are provided in the Addendum.

The Task Force also assembled a list of advisors from the community, all of whom volunteered and a number of whom were recommended by individual members of the City Council. The Sacramento First Advisors list is included in the Addendum to this report.

The Task Force's Process

In November 2009, a Request for Offering ("RFO") was released to the public and intended to solicit development proposals for a world-class arts, entertainment and sports

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complex. The RFO requested that proposals focus on developing a plan that would protect taxpayers and create immediate jobs and sustained economic development. As the RFO established a December 24, 2009, deadline, the Task Force appreciated that the RFO was likely to produce “concepts” and not necessarily fully-developed proposals.

The Task Force process was bi-furcated into two phases.

- o Phase I – Public Discussion: Phase I consisted of a series of public hearings, beginning with a Town Hall meeting to engage the public in discussion of issues and identify public priorities and concerns. At the conclusion of the Public Discussion Phase, the Task Force released “The Core Principles Report” that reflected the findings from public hearings.

The Core Principle Report identified a series of findings based on public priorities. The findings served as guiding principles for the Task Force in its review of the seven proposals. Those principles are as follows:

- I. No Direct Taxes
 - II. Short-Term Stimulus and Long-Term Catalytic Economic Impact
 - III. Full Repayment of the Outstanding Kings Loan to the City Must Be Addressed
 - IV. Regional Contribution
 - V. Community Benefits Package
 - VI. Public Transportation; Environmental Benefits
 - VII. Fair Share for Use of City Land
 - VIII. Protecting the City’s General Fund
- o Phase II – Review of Proposals: Based on the priorities and concerns identified through the Public Discussion Phase, the Task Force analyzed the seven development proposals submitted through the RFO process. During the Phase II Review, the Task Force rigorously reviewed proposals, asked hard questions and focused on determining which, if any, proposals constituted feasible projects or concepts.

The Task Force’s process spanned four months, commencing in mid-November 2009 with its creation. Over the course of four months, the Task Force:

- Conducted eight public events in venues throughout the City to engage the residents of Sacramento in a conversation, including a Town Hall, a review of successful event facilities around the country, a discussion of the Sacramento economy with focus on the construction industry, an analysis of transportation issues and community benefits packages.
- Recruited experts from around the country for public input.
- Designed and launched a website for public to have access to material being submitted to and developed by the Task Force.

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- Established a space at the Sacramento Public Library to make documents available in “hard copy” form.
- Held a public meeting to introduce seven proposals submitted under the RFO.
- Released a Threshold Economic Report.
- Met with representatives of the Federal Government, specifically HUD, DOT and EPA.
- Released a Core Principles Report, reflecting what the Task Force learned from public discussions.
- Held two public sessions where development teams presented proposals to Task Force members.
- Established four subcommittees on Finance, Transportation, Site Suitability and Arts, Business and Community to engage in intensive analysis of proposals, meet individually with the proposers, and issue reports of their findings.
- Developed and applied a comprehensive scoring system for review of the seven proposals.
- Between the Task Force, the pro bono professional advisors and a Board of Advisors, it is estimated that over 900 volunteer hours have been invested in the analysis and review.
- Issued a final report, **The Critical Path Report**.

A REVIEW OF THE PROPOSALS

General

The Task Force recognized and acknowledged that given the brief deadline for responding to the RFO, it should anticipate conceptual proposals, rather than fully-developed project proposals. Moreover, the Task Force understood a number of issues would be difficult for developers to wholly develop, including the financing component.

Thus, the Task Force was pleased to receive seven proposals by the December 24, 2009 deadline. Each of the seven proposals reflected hard work, thought and vision. Each proposal is defined by its creativity and willingness to think outside of the box. The Task Force was impressed that the proposals ultimately were the creation of a diverse group of Sacramento residents and reflected a great passion for the city and its future. Each proposal embraced the call to put taxpayers first and create jobs and sustained economic development. Additionally, the Task Force considered two options that did not involve submissions under the December 24 deadline: the Cal Expo arena proposal and the potential renovation of Arco Arena. The Cal Expo arena proposal, which had previously been made public under agreement between Cal Expo and a representative of the National Basketball Association and Sacramento Kings, was determined to be not feasible under present market conditions. Similarly, the renovation of Arco Arena, which has been evaluated in previous years by operators of the privately owned facility, was determined to be not consistent with the goals of producing a world-class entertainment and

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sports complex that would create sustained economic development in Sacramento. An additional concern of the Task Force relevant to the potential renovation of Arco Arena was the placement of the Kings during a lengthy construction process.

Notable to the Task Force were three aspects created by its process:

- First, once the proposals were publicly introduced, they began to compete against one another and improve in quality and commitment. Between the time of public release on January 7, 2010, and the public hearings in mid-February, 2010, the proposals grew smarter, sharper and more sophisticated – to the benefit of the City.
- Second, every proposal had ideas worth considering as the City moves forward. While the Task Force does not believe every proposal is feasible, it firmly believes each has ideas of significant merit worthy of consideration as the process moves forward. Sacramento is a city with a can-do attitude that demands playing to win.
- Third, the level of public interest in the process was exceedingly high, reflective of the pride, interest and civic engagement that are hallmarks of Sacramento.

The Seven Proposals

1. Ali Mackani & C.O.R.E.

The C.O.R.E. proposal contemplates purchasing the Westfield Downtown Plaza shopping mall, and building an entertainment and sports complex at the east end of the mall site in the core of downtown Sacramento. The plan is to reuse a significant portion of the parking structure underneath the mall, and build an entertainment and sports complex that is annexed to the retail mall. The proposal envisions a translucent shell to the complex that would allow people outside, especially in the downtown high-rise buildings, to see the lights shining through the glass on event nights. The proposal envisions the City taking an active part in the operation of the facility and has pro formas indicating return on investment

2. Doug Tataro

The New Cal Expo proposal seeks an integrated arena and theme park at the Cal Expo state fairgrounds. This theme park would feature independently operated attractions that showcase California's past, present, and future, rather than traditional theme park rides. The project would be funded by pre-selling an estimated \$500 million worth of advertising to 25 companies that spend at least \$500 million per year on advertising. Mr. Tataro's proposes the building of a monorail connecting the Cal Expo site with downtown.

3. The Kamilos Group

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The Kamilos Group proposes redevelopment of three separate regions within the City of Sacramento. By entitling the Cal Expo property for private development, allowing a new and improved state fairground to be developed in Natomas, and building an entertainment and sports complex on city property in the downtown railyards, this proposal potentially could have a major impact on the Sacramento region. The Kamilos Group has assembled a well-recognized team, and has brought on potential financing partners, though the details of the complex and level of involvement of these financing partners remains unclear. The job creation and Economic Development in both the long and short run exceeds by a significant margin the next ranked project.

4. M&M Group

The M&M Group proposes an "Arena on the River" at the Docks location, to connect Sacramento to one of its greatest natural resources. The plan would provide luxury suite visitors spectacular views of the river outside the complex while watching a game or concert. The project would be funded in whole or in part through the sale of Equity Seat Rights, a concept that has proved successful at the collegiate level but has not been tested in professional basketball or other professional sports.

5. Natomas ESC Partners

The Natomas ESC Partners propose a new entertainment and sports complex in Natomas, on City-owned property directly north of the current Arco Arena site. They have assembled an impressive team. The group would a new facility, while rehabilitating Arco Arena as part of a "health and wellness" facility that would include outdoor areas and wetlands.

6. Thomas Enterprises

The Thomas Enterprises proposal seeks to integrate the entertainment and sports complex with the intermodal transportation facility on City-owned land at the downtown railyards site. The proposal includes plans for a pedestrian bridge connecting other areas in the downtown railyards with the intermodal/entertainment and sports complex, as well as plans for an on-site art events center and outdoor plaza.

7. Tripp Development

Tripp Development suggests building an entertainment and sports complex on the Third and L Streets location in downtown. The facility would be funded by creating a coalition of real estate

brokers willing to donate their real estate commissions into an account that would eventually allow them to build the entire facility with cash from Real Estate related income.

THE PROMISE OF FEASIBILITY

General

Following public hearings and application of public priorities as listed in the Core Principles Report, extensive review of the submitted material, and the subcommittee's scoring process, the Task Force concluded three proposals distinguish themselves as being potentially feasible (in alphabetical order): Ali Mackani & C.O.R.E; Kamilos Group; and Thomas Enterprises.

In reaching these findings, the Task Force would stress that none of these three proposals are presently feasible. However, each has demonstrated the capacity to be feasible, consistent with the standards applied by the Task Force. The Task Force has identified specific strengths and weaknesses of the three proposals.

Before discussing the three proposals, the Task Force endeavored to identify merits of the remaining four proposals.

- **Doug Tatara:** The idea of leveraging in a sustainable fashion the City's natural resources is forceful reminder to all of Sacramento as we consider future planning. We were also impressed by the fact that Mr. Tatara demonstrated personal initiative, courage and a commitment to Sacramento by his participation in the process in his capacity as a "citizen-developer."
- **Matt Haines (The Docks):** The suggestion of generating financial support for a facility through the sale of seat licenses is an idea worthy of continued discussion. As outlined to the Task Force, seat licenses have worked at the collegiate level. Given that Sacramento has historically been one of the highest performing NBA cities, the City may have the potential to support such a seat license approach. The location of the project also helps to leverage an asset that is currently underutilized in access to the riverfront but there are impediments to linking this concept with the rest of downtown and the parking needs of the project pose difficulties.
- **Natomas ESC Partners:** Natomas presented a formidable challenge for the Task Force. Natomas has significant strengths, a quality team, a proven site, demonstrated transportation capacity, the ability to move forward quickly and community support. ESC has made significant progress on financing. However, given that the Task Force was specifically charged with considering a development that would create jobs and sustained economic development, we did not believe Natomas represented a proposal that would serve as a larger economic catalyst for the entire City. The Task Force was presented

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with compelling examples and information about facilities based in downtown areas, such as Washington, D.C. and Phoenix, that helped transform the economies of those cities. Similarly, the Task Force received examples and information demonstrating that projects not based in an urban core were far less likely to have a significant transformative economic impact. In reaching its conclusions regarding Natomas, the Task Force would note that should the City ultimately assign minimal priority to a transformative facility providing maximum opportunities for economic development, the Natomas proposal may offer a suitable basketball arena and a significant upgrade from the current Arco Arena.

- **Tripp Development:** Mr. Rick Tripp took the charge to “think outside of the box” seriously while designing a concept that would generate financing with real estate broker commission fees helping subsidize a events facility. While the Task Force has a degree of skepticism about whether real estate brokers would agree to such a proposition (and it’s far from certain the concept would provide adequate funding even with full endorsement from brokers), it is certainly a highly creative idea worthy of further study. It is possible that such a program might have application for a component of the cost of one of the projects. To the extent Mr. Tripp would present the details to the city and MSE to assure no policy impacts, the proposal may have benefit.

The Strengths and Weaknesses

In concluding that three projects have the greatest potential feasibility under the Task Force’s criteria and guidelines, the Task Force would stress how exciting an opportunity this moment represents for Sacramento. The City has three projects with the potential to create a world-class entertainment and sports complex that would put the taxpayers first and create jobs and sustained economic development. Each of the three projects has the potential to transform in a transcendent way the core downtown of Sacramento, leading to significant benefits for residents and shaping Sacramento’s future.

The Task Force realized that in comparing and contrasting the three most viable proposals, each has unique strengths and weaknesses. As noted, none of the three concepts are immediately feasible in present form. However, each has the potential to produce a viable project consistent with the standards assigned by the Task Force.

In considering the proposals, the Task Force believes the public would best be served through the unified benefits of blending the Kamilos Group's financing concept with development of the event facility at the intermodal location, as proposed by Thomas Enterprises. Such an approach would allow The Kamilos Group to engage the strength of the Thomas proposal in the critical categories of site control, transportation and potential funding relevant to the intermodal facility. To that end, the Task Force recommends that the Kamilos proposal for the events facility be developed at and fully integrated with the intermodal transportation facility on the City-owned land at the downtown railyards site, as proposed by Thomas Enterprises.

The Kamilos Group

As a starting point, the Task Force concludes that The Kamilos Group should merge its concept with the intermodal facility. The intermodal site occupies City-owned property; it is a major transportation hub; the speed of development likely will be increased; and significant federal funds are already being invested in infrastructure. The Task Force believes that such a facility would become the West Coast homage to Madison Square Garden and Boston Garden – two successful events centers on sites with major intermodal facilities. As such, the complex would represent a significant transformative economic development project for Sacramento. The current intermodal is being developed at the historic terminus of the First Transcontinental Railroad, which linked our nation and helped establish Sacramento and pointed the City into the 21st Century. This site could constitute a new generation of growth for Sacramento as both the capital of California and as a major center of economic development.

From a financing perspective, the Kamilos proposal has the greatest potential for putting the taxpayer first. The proposal also holds promise of generating short and long term economic impact. It is our belief that the City would not have increased financial exposure, yet would benefit from an increase in economic activity and jobs within the city and broader region. However, the project hinges on The Kamilos Group's ability to secure and privately develop the Cal Expo site. It must be noted there is presently no framework, economically or legislatively, to establish when and whether Cal Expo can be privately developed. Reaching an agreement with all Cal Expo stakeholders will be a complex and potentially lengthy task. If successfully executed, however, a Cal Expo privatization and development could carry far-reaching benefits for the city.

The entertainment and sports complex location in the downtown railyards would create a cultural events destination with the greatest level of accessibility. For freeway and roadway access, pedestrian access, public transportation, and parking, the downtown railyards emerge as the ideal location for an entertainment and sports complex. Additionally, there is significant developable land adjacent to the intermodal facility, allowing the successful project team(s) to supplement the entertainment and sports complex with additional development.

Given the City's ownership of land at the downtown railyards, development can be simplified from the standpoint of site control. The site would enable the City to reuse existing parking structures throughout downtown, as well as disperse visitors via multiple routes. The Kamilos Group has not displayed plans for the structure or to integrate the complex with the intermodal facility, which is a major strength of the Thomas Enterprises proposal. Without the

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integration of facilities, the Kamilos proposal may not have a large enough site for ancillary development beyond the complex. Additionally, The Kamilos Group does not control the surrounding downtown railyards property, and thus could not develop the area. The addition of arts or cultural venues would strengthen this proposal.

Thomas Enterprises

The Thomas Enterprises proposal would generate significant economic impact in the short and long term, though far less than the Kamilos proposal. Through the merging of the intermodal and sports complex, their proposal creates opportunities for additional federal and state grant funding to reduce overall financial burden. Revenue opportunities will reasonably increase through combining the facilities. For example, marketing revenue would likely be significantly increased in shared concourses given the high number of visitors, both event guests and intermodal travelers.

As with The Kamilos Group proposal, the downtown railyards site offers the highest level of accessibility and reuses downtown parking lots, while distributing visitors throughout the downtown core. Thomas brings the additional benefit of owning the land surrounding the City-owned site proposed for the entertainment and sports complex. Site control would allow Thomas to lead additional developments. The Thomas proposal includes a performing arts theater to serve the art communities and could be a catalyst for an arts and entertainment district.

The major disadvantage to the Thomas Enterprises project is that it significantly increases the City's role in funding the project, as Thomas has not identified funding sources other than federal, state and municipal dollars. Additionally, the economic impact would primarily occur at the downtown railyards site. There is likely to be additional improvements to areas of downtown, but the community-wide impact is likely to be much smaller than under The Kamilos Group proposal.

Ali Mackani & C.O.R.E.

The C.O.R.E. project would have a major economic impact on the downtown core. It would reinvigorate the downtown mall and businesses throughout the J-K-L Street corridor. While both projects proposed at the downtown railyards would impact the City's central core, the C.O.R.E. concept is focused on one of the city's most challenging areas. The project would employ existing downtown parking structures, though the Task Force is skeptical about the ability to reuse parking beneath the Westfield Downtown Plaza, given public safety and

terrorism concerns on the part of the NBA and other tenants. The site offers good access by bus, light rail, freeway, and pedestrian routes.

The C.O.R.E. project faces key challenges. Based on its site, the Task Force anticipates C.O.R.E. being the most difficult development of all submitted projects, and the most expensive. Time frames for development could be long, given the challenges of such a major re-development in the center of the downtown core. The financial exposure to the City is much greater than with the two downtown railyard projects. Under the C.O.R.E. financing plan, the City is asked to invest \$100 million. The 700 and 800 blocks of K Street and other City land could potentially provide equity. Additionally, the Downtown Plaza site is privately owned and the Task Force has no evidence of interest in selling to the C.O.R.E. group.

NEXT STEPS

Negotiating From A Position Of Strength

The Task Force recognizes its charge to review, analyze and inform. The duties of policy decision and how to proceed fall to City authorities. In light of professional expertise, time invested in the process and information developed by the Task Force, it is the desire of Sacramento First to share with the City information and data the Task Force received through comprehensive analysis and review.

The Task Force believes that it makes sense for the City to exclusively pursue one proposal or, as recommended, a combination of one proposal at a specific site, in an effort to determine whether it can meet the promise of being feasible. In this context, the Task Force has identified thresholds the City could consider establishing to create bargaining power and flexibility as economic conditions evolve. The Task Force strongly suggests establishing specific milestones with timelines to determine whether the project is on a critical path to success. Such a process would allow the City to determine whether an individual project is feasible while not forgoing the other project proposals. Timelines and milestones should be memorialized and enforced regardless of whether the City pursues one project exclusively, a combination of two, or all three concepts identified as feasible.

The rigorous application of milestones and timelines will allow the City to negotiate from a position of strength. Moreover, milestones and timelines will allow the City to quickly and efficiently maneuver toward another project in the event that one developer is unable to meet performance goals.

Milestones And Timelines For Each Project

The Kamilos Group

- I. *Commit to Intermodal Integration.* Given the potential of federal and state transportation funds, the potential cost of an integrated facility as compared to two individual facilities, and the possibility of increased marketing revenues in the shared concourses, the best opportunity for the success of The Kamilos Group project requires the integration of the entertainment and sports complex within the intermodal facility at the downtown railyards. The Kamilos Group should provide plans to integrate its proposal with the intermodal facility within ninety(90) days.
- II. *Establish agreements with all key stakeholders.* If granted an exclusive negotiating agreement for a limited period of time, The Kamilos Group must explicitly identify all key stakeholders and engage each at the earliest possible stages. As stakeholders are identified, written agreements must be established with each. The Task Force has recognized stakeholders thus far identified, but the list is not complete. All stakeholders must be recognized and engaged in the process. At minimum, the stakeholders include:
 - a. NBA. The Kamilos Group shall enter a formal binding agreement with the National Basketball Association by May 31st, 2010.
 - b. MSE. The Kamilos Group shall enter formal binding agreement with Maloof Sports and Entertainment by May 31st, 2010. Additionally, an agreement to provide Control of ARCO Land in compliance with the Kamilos proposal and to accept their preliminary Entertainment Complex design shall be entered within ninety(90) days of entering into an exclusive negotiating agreement.
 - c. Cal Expo. The Kamilos Group shall enter formal binding agreements with Cal Expo trustees and any relevant State of California governmental entities regarding the sale and private development of Cal Expo by July 31st, 2010.
 - d. Natomas Neighborhood Groups. The Kamilos Group will commit to gathering and incorporating feedback from key Natomas groups into their project plan. Natomas plays a key role in their project; local buy-in is paramount.
 - e. City. The Kamilos Group shall enter agreement to control City Land at Arco and Railyard sites, develop the business points of the Kamilos proposal, and to resolve City Loan with MSE. The Kamilos Group shall agree to share costs of the exclusive negotiating agreement, such as legal costs and administrative costs.
 - f. The above will be made public when completed.
- III. *Entitlements.* Given that the project relies upon the development team's ability to entitle land at Cal Expo, The Kamilos Group will need to demonstrate its viability by achieving entitlement in a timely manner. Entitlement shall be completed by December 5th, 2011.

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- IV. *Legislation.* The project calls for state legislation to be in place to acquire site control and to create a TIF district for the Cal Expo and entertainment facility site. Relevant legislation shall be introduced into pending legislation by July 15th, 2010, approved by the Cal-Expo Board, City Council and the Governor's Office.
- V. *Funding Commitment.* The Project needs to have preliminary commitments for funding in place by July 31, 2010 subject to normal due diligence and approval of the Project by relevant governmental agencies. There should be firm commitment milestones put in place once the legislation milestone is achieved that show a reasonable prospect for beginning construction of the entertainment and sports complex by November 30, 2011. The City should not agree to a "breakup fee" with the proposed financial group where the City is being asked to contribute land as equity in the Project.
- VI. *Project Development Milestones to be identified once the aforementioned are completed.* The Project needs to have milestones leading to commencement of construction by no later than November 30th, 2011 and completion of an arena by no later than April 21st, 2014. If these milestones are not achieved, the City should be able to move forward with another project. It is important to have significant milestones in the first six(6) months of any of these projects to ensure that completion of an alternative project moves forward while other alternatives still exist.

Thomas Enterprises

- I. *Outline Feasible Financing Plan.* Thomas Enterprises indicates many potential sources of federal and state funding, but the plan at present lacks detail. For this project to move forward, Thomas must secure these sources of funding, and identify methods to fill funding gaps. Funding may be possible through Mello-Roos instruments available at the property, in addition to tax increment financing, and engaging an equity partner. The financing plan should include contingencies if federal or state funding is not available. Any further negotiations with respect to this proposal should be conditioned upon presentation of a financing plan with at least preliminary commitments from all sources.
- II. *Establish agreements with all key stakeholders.* Thomas Enterprises must explicitly identify all key stakeholders and engage each at the earliest possible stages. As stakeholders are identified, agreements must be established with each. The Task Force has recognized stakeholders thus far identified, but the list is not complete. All stakeholders must be recognized and engaged in the process. At minimum, the stakeholders include:
 - a. NBA. Thomas Enterprises shall enter a formal binding written agreement with the National Basketball Association.
 - b. MSE. Thomas Enterprises shall enter formal binding agreement with Maloof Sports and Entertainment.
 - c. City. The City will likely commit to the project, if the team can achieve the timelines for the other agreements, and set forth the specific benefits to the City.
 - d. The above will be made public when completed.

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- III. *Project Development Milestones to be identified once the aforementioned are completed.* If these milestones are not achieved, the City should be able to move forward with another project. It is important to have significant milestones in the first six(6) months of any of these projects to ensure that completion of an alternative project moves forward while other alternatives still exist.

Ali Mackani & C.O.R.E.

- I. *Gain Site Control of the Westfield Mall.* The project requires the ability to develop property that is privately owned and controlled by neither the City nor the C.O.R.E. development team. Gaining site control is paramount and would signal to the City that the development team has the ability to move forward.
- II. *Refine Financing Plan.* The C.O.R.E. proposal calls for a \$100 million investment by the City and identifies private debt and equity as funding sources. The sources of the private debt and equity must be identified and formally committed as partners. Additionally, the team shall consider other methods of filling the gap without commitment by the City.
- III. *Establish agreements with all key stakeholders.* The C.O.R.E. group must explicitly identify all key stakeholders and engage each at the earliest possible stages. As stakeholders are identified, agreements must be established with each. The Task Force has recognized stakeholders thus far identified, but the list is not complete. All stakeholders must be recognized and engaged in the process. At minimum, the stakeholders include:
 - a. NBA. The C.O.R.E. group shall enter a formal binding written agreement with the National Basketball Association.
 - b. MSE. The C.O.R.E. group shall enter formal binding agreement with Maloof Sports and Entertainment.
 - c. City. The City will likely commit to the project, if the team can achieve the timelines for the other agreements, and set forth the specific benefits to the City.
 - d. The above will be made public when completed.
- IV. *Project Development Milestones to be identified once the aforementioned are completed.* If these milestones are not achieved, the City should be able to move forward with another project. It is important to have significant milestones in the first six(6) months of any of these projects to ensure that completion of an alternative project moves forward while other alternatives still exist.

Process

The Task Force benefited from the experience of its members who have been involved in major development projects (including event facility developments) involving public financing, construction, land use and entitlement, legal, etc. However, despite the considerable breadth of expertise and depth of experience of Task Force members, the Task Force felt compelled to seek

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out the support of outside expert advisors. The Task Force was well-served by having available some of the nation's leading experts in finance, development, law, transportation, environmental review, economic analysis, urban development and architecture. The information and counsel provided by these experts was critical to the Task Force being able to understand the issues and make informed decisions.

During the public hearing process, the Task Force heard from a number of cities that pursued similar projects and benefited from access to outside professional expertise and counsel. Similarly, other communities sustained negative outcomes after entering into agreements where adverse financing agreements were established.

In this context, informed by our experience and given the transitions presently underway in the office of the City Manager, the Task Force respectfully recommends that the City consider retaining expert counsel or advice, especially in the area of finance, to support the excellent existing City professional staff and resources. The Task Force has had the pleasure of interacting with City staff during this process, and commends the high caliber and unwavering dedication of City staff. The recommendation of seeking outside expert counsel is to augment the City's professional staff with resources it may need as it embarks on a highly complex and challenging project that by definition will require multiple levels of public support. Consistent with the objective of negotiating from a position of strength, the retention of experts in the field, especially when coupled with holding the proposals to specific milestones and timelines, will put the City in a position where it is negotiating on a level playing field.

As final words, the Task Force believes the City must adhere not only to the Rules of the Game, but must likewise follow guiding principles of transparency and purpose.

During the past four months, the Task Force embraced transparency and built not only credibility within the community but reinforced the principle that the taxpayers must come first. The Task Force strongly recommends the City create and nurture an atmosphere of transparency and public discussion. Without transparency, credibility will suffer and public faith will diminish. No project can succeed without credibility and public faith.

As for purpose, the ultimate expression of success for a world-class entertainment and sports complex is the facility's position as a regional hub for cultural activities. Accordingly, the Task Force urges the City to remain steadfast in its insistence that the events center be designed and operated as a true entertainment venue, and not merely an arena for professional basketball. While the National Basketball Association and Sacramento Kings will ideally be major tenants, the complex must be recognized as a facility for the entire Sacramento region, with the goal of

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playing host to events upwards of 250 dates per year. The Task Force believes a true world-class entertainment and sports complex will transcend any singular sports franchise, league or event. Indeed, the successful project will create an enduring cultural legacy to unite the Sacramento region for generations to come.

COMMITTEE REPORTS

SACRAMENTO FIRST CITIZENS' TASK FORCE

COMMITTEE EVALUATIONS

FOR A NEW

ENTERTAINMENT & SPORTS COMPLEX

I. FINANCE COMMITTEE

Task Force/Finance Committee

Tom Friery (Friery)

Larry Kelley (Kelley)

Mark Harris (Harris)

Michael Kvarme (Kvarme) *

EVALUATION OR RANKING

	<u>Friery</u>	<u>Kelley</u>	<u>Harris</u>	<u>Dravis</u>	<u>Brenner</u>	
<u>Goldman</u>						
Kamilos	92	67	97	56	1&2	
1						
Thomas	78	70	85	61	1&2	
2						
Mackani	66	55	80	53	n/r	3
Natomas ESC	61	54	50	52	n/r	4
M&M	48	27	60	17	n/r	
n/r						
Tatara	37	25	50	17	n/r	n/r
Tripp	40	28	45	12	n/r	
n/r						

INTRODUCTION

- *Task Force member Kvarme assisted on the Finance Committee and the Arts, Business and Community Committee. Mr. Kvarme elected not to evaluate the proposals for the Finance Committee as he spent more time on the other Committee.
- Mr. Kelley served as Chair of the Transportation Committee and was equally involved with the Finance Committee.
- Mr. Benner spent 15 years of his career as President of the Kansas City Kings and the Sacramento Kings. He believes that both railyard projects appear most beneficial for the

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City with a caveat for transportation needs to integrate such a project away from the confines of the current Arco Arena site.

- Goldman Sachs believes the four proposals they identified have a higher likelihood of success for the City. They identified the other proposals as thoughtful and creative, but potentially not feasible from a financing perspective. Further, Goldman advised that it is very early in the process, and all of the proposals could have issues from a financing perspective. In addition they pointed out that their review did not consider policy considerations of the City Council and further other Task Force Committees may have flaws with the projects from another perspective. Goldman suggested the top 4 firms be provided the opportunity to further participate in the City process through a request for further qualifications. The Finance committee members acknowledge the input, but believe the same outcome can be achieved through the issuance of an Exclusive Right to Negotiate (ERN) for a limited time period. The ERN can be developed by City Staff to include milestone dates for accomplishment to continue the process.
- As Chair of the Finance Committee I point out that different members have different grading standards that can identify a variance between evaluators. However, when viewing the entire rating process of each of the evaluators there is a strong correlation between the ranking position of each of the proposals. Virtually all evaluators see the railyard site as the best location with 70 % scoring the Kamilos proposal first and the Thomas Enterprises proposal second. We believe and point out that from a Financing perspective the Railyards is the unanimous choice. The use of an ERN and the fact that a portion of the land is owned by the City now and the remainder will become the City's within a time frame less than the development cycle we believe an ERN with specific milestones would be the best choice to get this project going.

BACKGROUND

We contacted all seven proposal teams and in addition conducted a meeting with the architect of both ARCO Arena(s). Six of the seven proposers met with us and focused their presentations on questions raised by the Committee and their assessment of the benefits of their proposals. M&M Group specifically declined to meet with us after two separate requests.

a) Refurbishing Arco Arena

Although we did not write an evaluation for the refurbishing of the existing Arco Arena, the architect of the arena advised us that it would be possible to refurbish the existing Arco Arena. He mentioned he visited the building and believes the existing base and structure are sound. He believes it would be possible to replace aesthetically the exterior, and that the building around the Suite level could be raised an additional level. He believed the restroom areas could be expanded, and the concession areas retrofitted to accommodate Kiosks, etc. Additionally, Club Sections could be included and remodeling and upgrading the concourse could be accomplished. The concerns he expressed were potentially altering existing "sight lines", citing it could affect fan experience and team advertising revenues. Also, it is uncertain where arena events would be located during refurbishment.

He had no estimate of the cost of the refurbishing or how Kings games could be conducted during the time period. We pointed out that the lost entertainment revenues during such a rehab

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period would be significant. Understandably, this was not his charge to do and he gave of his personal time and expense to meet with us in Sacramento at our request.

The Committee's sense was that a refurbishing may be able to be accomplished, but there are material unknowns such as time and cost, new potential revenue resulting, and the potential for any economic impact for the City. The Committee is aware of prior studies conducted by the City and the Sacramento Metro Chamber that estimated that the cost of refurbishment would be nearly equal to or greater than the cost to build a new arena. Additionally, we do not know whether this approach would be supported by Maloof Sports & Entertainment or the NBA as a viable alternative. Nevertheless, the Task Force was requested during the public hearing process to explore this option, and has done so at the public's request.

b) Proposals

We have completed 7 synopsis reports of all the proposers based on their original proposal and our Committee meetings with each group but one. In the case of M&M Group, we based our synopsis solely from their original financing proposal. Further, we prepared a final Synopsis Report reviewed by each Committee member and also provided it to each Developer to review. Further, we found 2 proposals that identify financing mechanisms that may have application for other proposals.

CRITERIA

We used several criteria in our evaluation process of the proposals. First we confirmed whether the proposals adhered to the criteria submitted by the Mayor, 1) Taxpayer first; 2) Job creation; 3) Economic impact in both the short term and sustained over the long term.

Next, we considered the current status of the proposals and the obstacles each would need to overcome in order to proceed. We considered land use issues, maximization of site, revenue potential, and defining the actual components to be in the final plan, as well as identified any difficulties that could preclude the plan from implementation.

In addition, we considered the importance of an experienced development team related to the financing structures proposed. We considered it highly important that these teams have the ability to deal with known and unknown obstacles in order to deliver such a complex project for the City of Sacramento.

Finally, we recognized that a number of policy and business decisions need to be made by the Sacramento City Council, Maloof Sports & Entertainment, as well as the NBA to actually determine the best proposal from each party's perspective. We were not engaged with these entities, but identified and acknowledged the policy or business decisions that might override a specific proposal and our evaluations.

EVALUATION

As discussed in the Introduction, 3 proposals received the consensus of Committee members as best meeting the Criteria we followed. These proposals are:

- 1) The Kamilos Group
- 2) Thomas Enterprises
- 3) The C.O.R.E.

The remaining proposals were responsive and creative, but were deemed to be not of the same caliber of the 3 proposals identified above. Additionally, while the remaining proposals were deemed less than the caliber of the 3 above proposals, two of them described financing concepts that may have application for any of the proposals, or the City of Sacramento. The concept of the sale of Equity Seat Rights contained in the M&M Group and Natomas ESC proposals may have application. However, we believe that is a decision of Kings' ownership and the NBA, as ticket revenue streams are highly protected by the foregoing entities.

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The second creative proposal was submitted by Tripp Development and describes a concept where real estate brokers and buyers and sellers of residential homes interested in keeping the Kings might contribute cash earned from Real Estate transactions to pay for the arena. While very creative, the Committee is not aware of any similar program that has ever been used for a project such as this.

STRENGTHS & WEAKNESSES

- 1) The Kamilos Group's proposal has the greatest potential of meeting the Committees' criteria and would generate the greatest economic growth in both the short and long run due to the convergence and redevelopment of multiple sites. The plan also appears to limit City exposure to no more than present (outside of land contributions) and seems to provide more financial flexibility to the Sacramento Kings.

The weakness of the proposal is the complexity involved in securing and developing the Cal Expo site. It remains to be seen whether the Kamilos Group can actually execute the plan on all levels and within a critical time period that would allow for construction to begin in the short term.

- 2) The Thomas Enterprises proposal generates the next best economic growth both in the short and long run and creates through a merging of the Intermodal Facility and the Sports Complex a chance for additional grant funding to reduce needed funding. Further, it is possible additional revenue opportunities could be realized by Maloof Sports & Entertainment through a combined facility.

The weakness of the proposal is that it relies heavily on the ability to secure federal and state grants, and appears to increase the City's role in funding the project.

- 3) The C.O.R.E. proposal describes redeveloping the Westfield Mall and business in the J, K and L streets corridor. This proposal would reinvigorate the core of Sacramento's downtown through the refurbishment of existing infrastructure, and provides a vision for an area that is in desperate need of redevelopment, and for which the City has already invested in substantially over many years.

The weakness of this proposal may be that the City's role and financial exposure would be greater under this concept than that of the previous two proposals. The City is requested to invest \$100 million into the concept and was offered to use the 700 and 800 blocks of K street and other City land to use as an equity component of the financing plan.

RECOMMENDATION

The Finance Committee recommends that an Exclusive Right to Negotiate be awarded to the Sacramento Convergence Proposal for a limited time period that protects and assures the City that the project will be able to proceed as planned. It is highly advisable that City Staff identify and develop critical milestones to be met by the development team. If such milestones are not met, it is critical that the City have the ability to immediately end negotiations and proceed to negotiate with other development teams. To that end, it is recommended that the City inform

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Thomas Enterprises and The C.O.R.E. that their proposals are considered high quality proposals that may become a back-up project in the event that "The Sacramento Convergence" project does not meet the milestones set forth by the City.

The Committee thanks all the proposers for their creativity, vision and interest in helping the City of Sacramento in its quest to realize a new Entertainment and Sports Complex that will create significant economic impact and help make Sacramento a destination city.

II. TRANSPORTATION COMMITTEE

CHAIR – LARRY KELLEY; MIKE KVARME, TOM FRIERY; RON TOM

SUMMARY

The Transportation Committee evaluated each of the entertainment and sports complex proposals based on four broad areas of accessibility. We evaluated the access to both freeway and local roadways, the access to public transportation, the pedestrian walkability of the area, and the parking available within the walkable area. According to these categories, some of the sites stood out as ideal locations for an entertainment and sports complex, while two sites clearly posed significant difficulties. The top locations based on our transportation criteria are as follows:

1. The Railyards Site (both Kamilos Group and Thomas Enterprises)
2. The Downtown Westfield Site (Ali Mackani and the C.O.R.E.)
3. 3rd & L St. Location (Tripp Development)
4. Natomas Location (Natomas ESC Partners)

EVALUATIONS

Below are the evaluations of each of sites according to the transportation criteria, in order of the respective scores. Also included in this report are the site maps created pro bono by Fehr & Peers, outlining each site, the various transportation options, and the 15 minute walking area surrounding the proposed facilities.

1. The Railyards (both Kamilos Group and Thomas Enterprises)

The Railyards site is a very promising location from a transportation perspective. There is access to I-5 freeway, and its exit to J Street provides the most direct access to the site. Additionally, the Tower Bridge entrance from the South, the Highway 50 entrance, and the Highway 160 entrance all provide automobile access to the downtown area, placing drivers within a 15 minute walk of the anticipated facility location. Located adjacent to downtown, there are an estimated 23,897 existing parking spaces available in both public and privately owned parking lots within this 15 minute walking area. This site offers the best access to bus lines and light rail, and has the additional possibility of being a major regional draw due to its access to the Capitol Corridor route on Amtrak. This would lead to easier access to the facility for event-goers throughout the

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greater Sacramento region. Given the high level of density (32 miles of city street per square mile), the site has the added benefit of easy pedestrian access, and has an estimated population and employment of 66,874 by the year 2035.

Both the Kamilos Group and Thomas Enterprises plan to locate the complex in the Railyards site. This evaluation is specifically focused on evaluating the nature of transportation surrounding the entertainment and sports complex. However, it should be noted that the Kamilos Group plans to entitle and develop the Cal-Expo region. We do foresee there being significant transportation challenges to a major development at the Cal-Expo site. We discuss those challenges as related to the development of an entertainment and sports complex at the Cal-Expo site when we evaluate the New Cal-Expo proposal, however, many of these challenges may also apply to other types of development at that location.

2. The Downtown/Westfield Site (Ali Mackani and C.O.R.E)

The Westfield location provides many of the same benefits as the Railyards site. The site has access to the I-5, Highway 50, Highway 160, and the Tower Bridge. The site is also with a walkable distance of the Amtrak station, and has similar access to bus and light rail. There are approximately 29,618 parking spaces within a 15 minute walk of the proposed site. Generally complexes of this nature target around 1,200 on-site parking spaces. This proposal intends to reuse underground parking currently used for the Westfield mall, however, many experts we have spoken with have alluded to the fact that this is a major safety issue, and that parking garages underneath the facility are discouraged by the NBA due to safety concerns. This is an issue that would need to be investigated further, but at first glance it would appear that the entire parking structure would need to be destroyed before building a sports complex at this site. The area has similar density and walkability as the Railyards site, and has the highest estimated population and employment by the year 2035 (88,874).

3. 3rd and L Street Site (Tripp Development)

This proposed site is similar to the other downtown site. Located on 3rd and L Street, this location has access to the aforementioned freeways and highways, and has good access to bus, light rail, and the intermodal facility. The site does not have as much parking within the 15 minute walking area as the other downtown sites, with an estimated 22,336 existing parking spaces. The estimated population and employment of the area by the year 2035 is 64,086.

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There is also a possibility that the parking in West Sacramento near Raley's Field could be used, and pedestrians could walk to the proposed site.

4. Natomas Site (Natomas ESC Partners)

The Natomas site has very effective freeway access. To the west is the I-5, and directly south is Highway 80. Between these two major highways are numerous off-ramps, allowing easy vehicle access. While the area surrounding the site has far less parking than the downtown sites (~11,000), there is an abundance of on-site parking at the current Arco arena facility that could be used for a parking at the new complex. The site has very limited access to bus routes, with just one route currently servicing the area. The site is not currently served by light rail, though there are plans to extend the light rail service to Natomas. Given the low density (11 street miles per square mile), this is not considered a pedestrian friendly site. Finally, the estimated population and employment of the area is 5,302 by the year 2035.

5. The New Cal-Expo (Doug Tatara)

The proposed Cal-Expo site faces some serious transportation challenges. It has more density in the area than the Natomas site, but is much less dense than the downtown locations with an estimated 21 miles of street per square mile. There is a relative lack of access to public transportation, especially light rail. There is a bus route that serves the area. Freeway access is probably the biggest challenge. Highway 160 provides access to the site, however, this is already a problem area for traffic congestion. Major infrastructure improvements would likely be necessary to make this site a suitable location for increased vehicle traffic.

6. The Docks Site (M&M Group)

The Docks site is the most challenging from a transportation perspective. Despite being relatively close to downtown, there are many difficulties in accessing the site. No light rail lines currently come within the 15 minute walking area of the site, and there is only one bus stop with this area. Street density is only seven street miles per square mile. While there is some freeway access to the site, there are only an estimated 2,678 parking spots within the area, far less than all of the other sites examined. The estimated population and employment of the area is 11,253 by the year 2035.

Score Card:

GENERAL CATEGORY	Thomas Enterprises (Railyard Site)	The Kamilos Group (Railyard Site)	Natomas ESC Partners (Arco Site)	M & M Group (Docks Site)	Ali Mackani (Downtown Plaza Site)	Tripp Development (3rd & L Site)	Doug Tatara (Cal Expo Site)
ACCESS – HIGHWAY/ROADWAY	4.125	4.125	5	1.25	4.125	3.75	1.625
ACCESS - TRANSIT	4.75	4.75	2	1.75	5	4.75	1.5
ACCESS – WALK/BIKE	5	5	1.925	2.75	5	4.675	2.675
PARKING	4.5	4.5	4.75	2.325	4.075	4.075	4.175
DEVELOPMENT PROXIMITY	5	5	5	2.33	4	3.833	4.833
OVERALL TRANSPORTATION SCORE	23.375	23.375	18.675	10.405	22.2	21.08	14.08

CONCEPTUAL SCORING SCALE	
5	Excellent
4	Very Good
3	Good
2	Fair
1	Poor

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III. ART, BUSINESS, COMMUNITY COMMITTEE

CHAIR - LINA FAT, MIKE KVARME, DEA SPANOS BERBERIAN, DORENE DOMINGUEZ,
ART, BUSINESS/ECONOMIC & COMMUNITY IMPACT

1. Kamilos Group: The Sacramento Convergence

Advantage

This proposal has the highest potential for beneficial widespread business/economic impact on the City and Sacramento region. The development would ultimately benefit three sites: Cal Expo; Natomas; and the Railyard. If the plan succeeds, it could act as a stimulus for the revitalization of Downtown Plaza, K Street corridor and the Railyard development. This plan will also create the most jobs during construction as well as sustainable jobs after the three developments are completed and operational.

Disadvantage

The development requires negotiation and agreement from a variety of stakeholders: the downtown Brownfield Railyard site; the Cal Expo site in the Point West area; and the Arco Arena site in North Natomas. If agreement with any of the stakeholders can't be reached, the entire development plan will be in jeopardy.

The time frame for this project to break ground could be protracted by this very complicated negotiation process.

The entertainment and sports complex location in the Railyard site is impressive with its self-contained hotel, restaurants and efficient transportation system. However, the economic benefit could be confined to that specific area rather than being equally distributed throughout the downtown urban core.

2. Ali Mackani and C.O.R.E. Proposal for Westfield Mall

Advantage

This proposal has the most positive impact on local businesses in the downtown urban core. It will serve as the catalyst for the revitalization of the Downtown Plaza and K Street corridor. This urban development of integrating retail into the entertainment complex will provide retail opportunities for locals, as well as the entertainment and sports event attendees. The unique design would enhance the image of downtown Sacramento and it would be a major attraction for regional and out-of-town visitors.

With light rail already in place and rail/bus transportation only a few blocks away, the economic impact of events would be spread throughout the entire downtown urban core.

Disadvantage

The business/economic impact is not as far reaching as the Sacramento Convergence plan. The negotiation with the Westfield group could be difficult.

3. Thomas Enterprises Proposal for The Railyards

Advantage

Thomas Enterprises owns a portion of the land where they've proposed to build the entertainment and sports complex. The remaining parcel is owned by the City which should make the negotiations a little easier.

They've also proposed the addition of a Performing Arts Center with 1,200 - 1,600 seats which would be beneficial to the performing arts groups such as the symphony and ballet. The Performing Arts Center could also act as a home for rehearsal halls and classrooms which

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Sacramento desperately needs. This could also serve as a catalyst to develop an art and entertainment district similar to L.A. Live or a theater district.

Intermodal transportation is adjacent to the facility for broader draw and access.

Disadvantage

As with the Kamilos proposal, the business/economic impact would remain mostly in the Railyard development and may not stimulate revitalization in the near term for the main downtown urban core that Sacramento desperately needs.

The efficiency of the intermodal transportation may not encourage people to stay in the downtown urban core area to shop and dine.

4. Natomas ESC Partners

Advantage

Groundbreaking for the plan could happen relatively quickly. Open land is ready to be developed once negotiations with the City of Sacramento are completed. The total project cost is estimated to be less than the other plans because of the existing infrastructure. The business impact, economic impact and stimulus to the existing businesses in Natomas would be considerable.

Disadvantage

The business/economic impact and stimulus to the local businesses would be confined to Natomas and the impact on the downtown urban core would be immaterial.

Building a new arena at the Natomas site will not stimulate new business. The attendees will drive to the events and after the events are over, attendees will drive home with little impact on local businesses.

5. M & M GROUP: Sacramento Docks Riverfront

Advantage

The plan utilizes attractive riverfront property, an asset that is severely underutilized.

Disadvantage

The area is isolated and part of the right-of-way belongs to the State of California which would need to be negotiated. There is not much opportunity for immediate business/economic impact to the area and there isn't a need for a large development plan. This plan would need large infrastructure and transportation improvements to offer sufficient access to that area. This plan offers minimal stimulus and revitalization to the downtown urban core.

6. Tripp Development Proposal for Downtown

Advantage

The plan offers economic impact for the area businesses and could act as a catalyst for the revitalization of the downtown urban core.

Disadvantage

The plan is proposed directly over L Street or Lot X which may create ingress and egress issues on L Street and the Capital business/financial district.

7. Doug Tatara Proposal for Cal-Expo

Advantage

There is adequate land to build a state-of-the-art entertainment and sports complex and a Performing Arts Center.

Disadvantage

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Land issues must be negotiated with the State of California. The project does not offer significant business/economic impacts or significant revitalization to the surrounding area, especially the downtown urban core. It only benefits the property owned by the State of California.

This plan could create more traffic congestion in an area that is already impacted by heavy traffic.

SUMMARY

This committee evaluated the merits of each of the proposals based on the benefits each would bring to local business and the community. However, any numbers or statistics or assumptions claimed in the proposals must ultimately be verified by the other committees or professional advisors. The three groups that did the best job of addressing the Art, Business and Community Committee goals and objectives are:

1. Kamilos Group: The Sacramento Convergence

This plan has the highest potential for widespread business/economic impact in Sacramento, given the plan to redevelop three separate locations.

2. Ali Mackani and C.O.R.E. Proposal for Westfield Mall

This plan has the most direct business/economic impact and revitalization opportunity for the downtown urban core. This proposal has the most comprehensive and unique design which includes shopping, art, sports and entertainment.

3. Thomas Enterprises Proposal for The Railyards

This plan has the element of a mid-size Performing Arts Center which is needed in Sacramento.

RECOMMENDATION

1. Retain the Kamilos Group to be the lead group to continue negotiation with the State of California on the Convergence Plan but a timeline and milestones need to be established for completion of the negotiations. Investigate the possibility of the Kamilos Group working with Thomas Enterprises or the Westfield Mall owners/operators to integrate a Performing Arts Center at the Railyard site with connectivity to retail spaces.
2. There could be various other possibilities as well. If negotiation fails with the State of California and the Cal Expo site, the Kamilos Group could potentially partner with Ali Mackani and the C.O.R.E. Group to build the entertainment and sports complex in the Westfield Mall. If feasible, we also find Thomas Enterprises' proposal intriguing, and believe it could lead to an Entertainment or Theater district in the Railyards featuring a Performing Arts Center, movie theaters, and bowling alleys, similar to L.A. Live.

Finally, if the arena is to be privately operated, the private owner should strive to produce a certain number of events and a certain amount of revenue each year. Staples Center, for example, is open 320 days a year and also has a national hockey team and a second NBA team. None of the proposals dealt with this subject very well.

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Business & Community Impact Scoring System

Scoring: 1-5

Community Impact

	Kamilos Group	Ali Mackani	Thomas Enterprises	Natomas ESC	M & M Group	Tripp	Doug Tatara
Willingness to enter Project Labor Agreement	5	5	5	5	5	5	5
Evaluation of Community Benefits package	5	4	3	2	1	2	1
Other Community Benefits?	5	5	4	3	1	2	1
Will the project include Arts in Public Places (APP) component?	4	5	4	3	1	2	1
Will the project be a destination unto itself besides a sport venue?	4	5	4	5	2	2	4
What makes it unique? Will it be LEED certified?	4	5	4	4	3	2	2
What is the potential for non-basketball events?	5	5	5	5	2	2	5
Subtotal: Community Impact	32	34	29	27	15	17	19

Business/Economic Impact

Estimated Impact on local business	5	5	4	5	2	3	1
Evaluation of Job Creation	5	4	4	5	2	2	3
Evaluation of Economic Impact	5	4	3	3	2	2	1
The degree or extent of stimulus to the surrounding businesses	5	5	4	3	2	2	1
What is the time frame to have this project break ground?	4	4	3	5	2	2	1
Subtotal: Business/Economic Impact	24	22	18	23	10	11	7

TOTALS:	56	56	47	50	25	28	26
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IV. SITE EVALUATION COMMITTEE

CHAIR – DAN MEIS, RON TOM, MATT KELLY, ADAM MENDELSON

SITE ANALYSIS

Fellow Task Force members, in being tasked with the responsibility of evaluating the proposed sites for each of the seven proposals, we felt as if we were presented with a slightly unique and different opportunity as it has become clear since our efforts began in November 2009 that no one site or location is going to determine our recommendation. At the end of the day, this is really a “deal-driven” process in which the site will play a significant role but should not be looked at in a vacuum. Knowing this, the Site Evaluation Subcommittee has analyzed the proposals and met with the potential developers to arrive at a recommendation that orders the sites from most promising to least promising based on the original goals and ideals of the Task Force. Comments listed in blue can be considered positive or advantageous while comments in red are issues that would need to be addressed going forward. Our belief is the following:

1A. The Railyards (Thomas Enterprises)

- Would create a new “entertainment” destination in the city with greatest level of accessibility
- Incorporates both event center & intermodal facility allowing for cost savings and multiple uses
- Utilizes existing parking and would assist in dispersing event attendees throughout downtown
- Developer owns more than the amount of land required and already working with the City on related development making for a simplified relationship
- Allows for additional development that further the arts/entertainment in Sacramento beyond just the event center/arena
- May not help contribute as much to the revitalization of existing downtown (specifically J,K,L-Street Corridors)

1B. The Railyards (Kamilos)

- Would create a new “entertainment” destination in the city with greatest level of accessibility
- Utilizes existing parking and would assist in dispersing event attendees throughout downtown
- City-owned land that is already involved in related development
- Vagueness of site plan, size, and related development on site leaves questions
- May not be a large enough site for ancillary development beyond the arena/event center-component
- May not incorporate both event center and intermodal facility in one building which would allow for cost savings and multiple uses
- May not help contribute as much to the revitalization of existing downtown (specifically J,K,L-Street Corridors)
- Larger idea of “land-swap” still seems undefined
- Public sentiment opposed to moving Cal-Expo to the Natomas site exists
- Selling Cal-Expo to private developers could be extremely problematic to achieve

2. New West Downtown Entrance at existing parking garage (Tripp)

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- Would really create a new “entrance” to the city
 - Would contribute heavily to assisting in the revitalization of the rest of Downtown (specifically J,K,L-Street Corridors)
 - Utilizes existing parking and would assist in dispersing event attendees throughout downtown
 - In order to accommodate required acreage need city-owned land and land from private hotel operators
 - Requires the relocation of existing businesses currently still operating
 - Much longer time frame for development given the existing ancillary uses and multiple stakeholders involved
3. Westfield Mall Downtown (CORE)
- Would create a new “entertainment” destination in the city
 - Would contribute heavily to assisting in the revitalization of the rest of Downtown (specifically J,K,L-Street Corridors)
 - Utilizes existing parking and would assist in dispersing event attendees throughout downtown
 - Does not own the land yet and would need to purchase from private, 3rd-party owner
 - Conceptual development as it currently stands removes people from street level and creates complications with second level as primary gathering area
 - Much longer time frame for development given the existing ancillary uses and multiple stakeholders involved
 - *Note: If this proposal was planned for between 7th St. and 9th St. instead of between 5th St. and 7th St. then the developer would not have to find a buyer for the Westfield Downtown Plaza because the city owns most of the property between 7th and 9th St. and you would not have to tear down half of the Downtown Plaza.*
 - *However, this seems to be a slightly different “site” than the proposal submitted so we are not sure this last point is relevant. If this could happen though, then we would flip the order of the Tripp and CORE projects so that CORE moves ahead of Tripp.*
4. Natomas (Natomas ESC)
- Would create a new “mixed use” destination for the city’s outlying area complete with sports, health, education and tech offerings
 - Would revitalization the existing ARCO Arena and Natomas site
 - Utilizes existing parking and infrastructure already available
 - From a cost perspective, probably would be the most inexpensive option
 - Strong draw regionally as opposed to just “downtown”
 - Land and building is owned by Maloof’s and would need their approval/involvement
 - Does not contribute to assisting in the revitalization of the rest of Downtown (specifically J,K,L-Street Corridors)
 - Removes individuals and visitors from the Downtown-area of Sacramento
 - Would need improvements in public transit that could better connect the area to downtown

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- In 25 years, has not seen the type of ancillary development hoped for when ARCO originally opened
5. The Docks/Waterfront (M&M Group)
- Would really create a new “entrance” to the city along the Waterfront/Old Town Sacramento-area
 - Utilizes existing parking and would assist in dispersing event attendees throughout downtown
 - Would create a new “entertainment” destination in the city with high level of access to currently less utilized areas (e.g. Old Town)
 - Vagueness of site plan, size, and related development on site leaves questions
 - May not be a large enough site for ancillary development beyond the arena/event center-component
 - May not help contribute as much to the revitalization of existing downtown (specifically J,K,L-Street Corridors)
 - Land issues related to easements, power plants, etc.
 - Lack of on-site parking for VIP could be a concern
6. Cal-Expo Site (Doug Tatara)
- Would revitalize an existing “entertainment” offering
 - Utilizes existing parking and infrastructure already available
 - Land is owned by the State and would need their approval/involvement (to date which they have not engaged)
 - Does not contribute to assisting in the revitalization of the rest of Downtown (specifically J,K,L-Street Corridors)
 - Removes individuals and visitors from the Downtown-area of Sacramento
 - Would need improvements in public transit that could better connect the area to downtown
 - We question whether the site’s location would allow for it to draw 5M annual visitors as proposed
 - Already seen failure of similar offerings at this site

The Task Force benefited significantly from its ability to assemble a pro bono team of “best-in-the-field” professional advisors with an expertise in the financing and development of event facilities, including:

- a. Goldman Sachs

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ADDENDUM

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The Goldman Sachs firm has vast experience with public-private partnerships including the development of event centers around the world. The firm provides a high level of expertise related to large projects that involve complex public and private financing components.

b. Cathleen Dominico - Capital Public Finance Group

Ms. Dominico has served as a financial consultant to city and county governments as well as education agencies and special districts. She works with public agency clients on financial analysis, facilities planning, public communication and public entity marketing strategies. Her expertise includes bond measure preparation, tax base analysis, the formation of financing districts such as Mello-Roos community facilities districts and assessment districts.

c. Fehr & Peers

Fehr & Peers specializes in providing transportation planning and traffic engineering services to public and private sector clients. They emphasize the development of creative, cost-effective, and results-oriented solutions to planning and design problems associated with all modes of transportation.

d. PBS&J

PBS&J offers comprehensive consulting services to public and private clients facing the challenges of new and aging infrastructure, environmental protection and restoration, sustainability and “smart” growth, program funding, and limited staff. The company’s integrated approach to project solutions builds value for clients and helps advance the best practices of the industries it serves.

e. Irwin P. Raij, Esq.

Irwin P. Raij is a partner with Foley & Lardner LLP and vice chair of the Sports Industry Team. Mr. Raij is a member of the Government & Public Policy and Real Estate Practices. He has negotiated complex public-private partnerships, including stadium developments. Mr. Raij has experience with agreements related to sports team operations and has represented clients on the acquisition of professional sports franchises. He has experience in matters involving economic development, campaign finance and government ethics.

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The Sacramento First Advisory Committee included the following people, who were called upon to supplement the Task Force on an “ad-hoc” basis, and who generously offered their time and energy to this project:

- Aaron Zeff
- Andrea Lepore
- Bruce Dravis
- Daniel Woo
- David Deluz
- Don Roth
- Drisha Leggitt
- Eugene Spencer
- Howard Posner
- Ivan Gennis
- Jay Gould
- Joe Livaich
- John Adair
- John Hodgson
- John McCCasey
- John Shirey
- Judith Davidson
- Kipp Blewett
- Marc Feldman
- Matt Mahood
- Michael Ault
- Mike Duffy
- Panama Bartholomy
- Pat Fong-Kushida
- Rhyena Halpern
- Richard Markuson
- Rick Benner
- Steve Cohen
- Steve Hammond
- Tom Kandris

Task Force Member Biographies

Christopher Lehane, *Co-Chair*



Christopher Lehane is a partner in the California-based company Fabiani & Lehane. Since 2001, Lehane has provided strategic advice and tactical execution to corporate, entertainment, political and professional sports clients facing complex financial, communications, government affairs, electoral, and legal challenges. In the 1990's, Lehane served in various positions in the Clinton-Gore Administration. From 1998-2000, he was the Press Secretary for former Vice President Al Gore both at the White House and on the 2000 presidential campaign. From 1995 through 1997, Lehane was Special Assistant Counsel to President Bill Clinton, providing legal, communications and political counsel to the President and First Lady of the United States. In 1997, Lehane was Counselor to Housing and Urban Development Secretary Andrew Cuomo where he was involved with various economic and community development projects. Lehane graduated from Harvard Law School in 1994 and from Amherst College in 1990. He lives in San Francisco with his wife, Andrea, and two sons, Dominic and Quincy.

Lina Fat, *Co-Chair*



Lina Fat is involved in Sacramento art and culture, and is the corporate chef and marketing director for Fat City Inc. restaurants. She was named Sacramento Restaurateur of the Year by the Sacramento Chapter of the California Restaurant Association in 1987, and Businesswoman of the Year in 2007 by the Sacramento Metropolitan Chamber of Commerce. She is the immediate past chairperson and board member of the Sacramento Convention & Visitors Bureau. Mrs. Fat is also a board member and past president of the Old Sacramento Management Board and the California Restaurant Association, Sacramento chapter. She is married to Ken Fat. She received her Doctor of Pharmacy from the UC San Francisco Medical Center.

Dea Spanos Berberian



Dea Spanos Berberian is executive vice president at A. G. Spanos Companies, a construction, land development, and apartment management enterprise headquartered in Stockton, California. Her responsibilities include the supervision of the public relations and communications department as well as community outreach projects the company develops and participates in with regional and local civic and charitable organizations.

Among the many community projects Dea has supported throughout her professional career is the annual Super Bowl Raffle she co-chairs with the United Way to benefit local and regional participating agencies. The annual fundraiser she has directed for the YMCA of San Joaquin County has raised more than one million dollars in the last decade for needed projects. From 2002-2007, she co-chaired the Alex G. Spanos Annual Golf Tournament which raised more than \$1.2 million for local and regional non-profit groups. Since 2002, she has co-sponsored annual performances of the Kennedy Center Imagination Celebration Tour for her hometown of Stockton, attended by over 15,000 local students free of charge due to the generosity of donors she recruited.

In 1994, Dea was appointed by Governor Pete Wilson to the Board of the California Arts Council where she served for four years. She has also served on the boards of the California State Summer School for the Arts and the Children's Hospital in San Francisco and has been a Board Regent at the University of the Pacific for twelve years.

Dea Berberian attended the University of California at Davis, Chapman College World Campus Afloat, and the University of Southern California where she earned a bachelor's degree in Spanish. Dea's family owns the San Diego Chargers NFL football team.

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Dorene Dominguez



Dorene Dominguez, a graduate of Notre Dame University is the President of the Vanir Group of Companies. The Vanir Companies, including Vanir Development Company, Inc. and Vanir Construction Management, Inc. have successfully completed over \$10 billion in real estate developments, design-build lease, and construction services. Vanir Construction Management has been consistently ranked by Engineering News Record Magazine as one of the top construction management firms in the nation. Ms. Dominguez recently launched Vanir Energy, LLC, a green initiative specializing in solar thermal energy. Currently an active member of various community improvement projects, boards and commissions; she is a member of the

Young Presidents Organization and serves on the Board of Directors of American River Bank, New America Alliance, National Council of La Raza, Vanir Foundation and the University of Notre Dame Institute for Latino Studies.

Tom Friery



The professional career of Mr. Friery spans forty-six years in the Banking, Municipal Finance and Investment Management fields. Mr. Friery retired in October 2007, completing 29 years of service to the City of Sacramento as Sacramento City Treasurer. In the 17 previous years he worked as a Banking Analyst at the Federal Reserve Bank of Cleveland, Assistant Investment Officer Treasurer of the State of California, Investment Officer Regents of the University of California, Investment Management Consultant- Auditor General of the State of California and Assistant Treasurer- Washington Public Power Supply System. These positions resulted in an in-depth knowledge of financing structures, instruments and accomplishing large public service projects.

Tom continues his interest and research in Finance and Investment Management and, in addition to playing golf in retirement, spends time working on Projects in Sacramento such as the "B" Street Theatre and California Fairs Financing Authority. Tom obtained his Bachelor of Science degree in Business Administration from Cleveland State University and attended Business School at Wharton School. He lives in Roseville with his wife of 45 years Linda. They have 3 married children, 6 grand children and one great-grand child.

Mark Harris



Professor Mark T. Harris' expertise is in infrastructure finance. Professor Harris currently serves as President and Managing Principal of the Pineapple Group, LLC ("The Pineapple Group") and is a member of the Board of Directors of the Bay Area World Trade Center, as well as the California State Assistance Fund for Enterprise, Business and Industrial Development Corporation.

Professor Harris served two terms as a member of the Sacramento Sports Commission and the Sacramento County Project Planning Committee. Mr. Harris also served in the Administration of the Honorable William Jefferson Clinton in Washington, D.C., and was the Deputy Chief of Staff to the Secretary of the United States Department of Commerce, the late Ronald H. Brown. Professor Harris has taught on the faculties of several prestigious California universities including, the University of California, Merced; the University of Southern California; the University of the Pacific and Mills College.

Mr. Harris received his law degree from the University of California's Boalt Hall School of Law, and has been a member of the State Bar of California for over twenty-five years. Mr. Harris is a licensed securities professional having served as a managing director and officer of Bear Stearns and Company and PaineWebber, Inc. (now "UBS/PaineWebber").

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Larry Kelley



With more than 30 years in the real estate industry, McClellan Business Park President Larry Kelley helped transform 16 million square feet of a shuttered air force base into a job-generating high-tech and public safety center. Kelley is also the founder and managing member of Stanford Ranch I, LLC, a 3,500 acre master planned community in Placer County, California. Kelley received his Bachelor of Science in Industrial Engineering from Texas A&M in 1968 and his Masters of Business Administration from Harvard Business School in 1971. He is an active member of the National Association of Industrial and Office Parks, the Association of Commercial Real Estate Executives, the Sacramento Area Commerce and

Trade Organization, a current Board Member of the Aerospace Museum of California and past Chairman of the Sacramento Council of the Urban Land Institute.

Matt Kelly



Matt Kelly is the Executive Secretary of the Sacramento-Sierra's Building & Construction Trades Council. The Trades Council is an umbrella organization that represents building and construction trade unions. He manages governmental affairs and advocates the use of Union Labor in the building and construction industry. Prior to his position with the Building Trades, Matt worked in project management for a large general contractor. Matt began his career in the construction industry as an apprentice carpenter. He has worked in the industry as apprentice, journeyman, foreman, superintendent, project engineer and project manager. As the head of the Building Trades Council Matt provides leadership and works to build relationships that benefit the Building Trades. Matt also is a board member on the Contractors State License

Board where he enjoys being part of a board that provides oversight and regulation for one of the largest industries in California.

Mike Kvarme



Mike is a senior shareholder in the law firm of Weintraub Genshlea Chediak's Real Estate and Corporate practice groups. He has over twenty-five years experience advising and counseling business interests throughout California and nationally. Mike's real estate practice spans a broad array of real estate finance, acquisition, disposition and development, lending and project finance, partnership and joint venture arrangements and real estate taxation. His corporate practice encompasses corporate, partnership, limited liability company, joint venture and entity formation, syndication and operation and general business contracts and counseling. Mike's experience includes representing the County of Sacramento in negotiating and structuring the redevelopment and privatization of the 3,065 acre former McClellan Air

Force Base with McClellan Business Park, LLC and a Morgan-Stanley lead investor group including two major ground leases, financing and airfield operations agreement. Mike currently serves as general counsel to the California Travel and Tourism Commission which recently spearheaded the IMAX film "Wild California."

Dan Meis



Widely regarded as one of the U.S.' most influential designers of sports and entertainment facilities, Dan Meis is the Managing Director of Aedas Los Angeles with over 25 years of experience. As the co-founder of NBBJ Sports and Entertainment, Dan designed a number of critically acclaimed sports, entertainment, and convention facilities, including Miller Park in Milwaukee, Safeco Field in Seattle, Lincoln Financial Field in Philadelphia, and Paul Brown Stadium in Cincinnati.

Dan's design for Los Angeles' Staples Center has been heralded as the "greatest arena ever built," and in 2001 he was featured in Time Magazine as one of the "100 Top Innovators in the World of Sports." His work has twice been awarded the prestigious Business Week/Architectural Record Award, recognizing the value of design to a client's business, and he is the only architect twice recognized as one of Sports Business Journal's "40 under 40 Most Influential Sports Executives".

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Adam Mendelsohn



Adam Mendelsohn is a Partner of Mercury Public Affairs ("MPA") in Sacramento with 14 years of experience in strategic communications and public affairs. Prior to joining MPA, Mr. Mendelsohn served as the Deputy Chief of Staff for California Governor Arnold Schwarzenegger.

In 2008, Mr. Mendelsohn led communications and messaging for the Republican National Convention in Minneapolis. Governor Schwarzenegger's chief of staff, Susan Kennedy, called Mr. Mendelsohn "one of the best communications strategists I've ever worked with."

Before joining the Schwarzenegger administration, Mr. Mendelsohn worked in Washington, DC as Vice President and Director of Media Relations for the DCI Group where he advised Fortune 500 clients on media and public affairs campaigns. He previously served as Communications Director to Bruce McPherson's campaign for California Lieutenant Governor; Communications Director to the Texas Controller; District Director and Communications Director for Congressman Steve Kuykendall; and Deputy Communications Director for Lamar Alexander's presidential campaign.

Mr. Mendelsohn began his political career while attending the University of California, Los Angeles, when he worked for the polling firm, Moore Information. He is a veteran of numerous California State Assembly and Senate campaigns, and he also served on Matthew Fong's campaign for United States Senate.

Mr. Mendelsohn resides in Sacramento with his wife Leann, and their daughters Sarah and Catherine.

Ron Tom



Ron Tom joined Governmental Advocates in February 1998, having spent nearly two decades working in the political arena in a variety of positions. Prior to joining Governmental Advocates, Dr. Tom served as Director of Governmental Relations at the law firm of Damrell, Nelson, Schrimp, Pallios & Ladine for seven years. In this capacity, Mr. Tom represented the law firm's wide array of clients before the California Legislature, administrative agencies and departments, and various state boards and commissions.

Dr. Tom's areas of expertise include health care; waste management and recycling; air pollution, automotive emissions, alternative energy, higher education, Pacific Rim trade and business acquisitions. Dr. Tom is an advisor to the CAPITOL Foundation and their Prism Project; Board member of the Asian Legislative Caucus Institute; and advisor to the Asian Legal Center.

Dr. Tom graduated with honors from the University of the Pacific where he received both a Doctor of Pharmacy and a B.S. in Pharmacy. Mr. Tom is married with two grown children.

JANUARY 2010

**THE THRESHOLD REPORT:
AN INITIAL ECONOMIC ANALYSIS
OF A NEW ENTERTAINMENT & SPORTS
COMPLEX**

Prepared By:

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KEY THRESHOLD QUESTIONS

This initial economic analysis is intended to address three key threshold questions regarding the potential economic impact that the construction and operations of an entertainment and sports complex can have in Sacramento, California:

- (1) How many jobs can be created?
- (2) How much immediate economic activity can be generated?
- (3) Have other cities, with similarities to Sacramento, seen such a facility serve as a larger, long-term economic catalyst?

This analysis considers the current economic climate in the Sacramento region and identifies the areas where a stimulus can help boost the economy using conservative assumptions.

EXECUTIVE SUMMARY

As described in this report, an entertainment and sports complex creates jobs, generates economic benefits, and can serve as a catalyst for long-term economic growth in community in which such a facility is located. ***The key finding of this Threshold Report is that an entertainment and sports complex has the potential to be a significant job producer and economic catalyst for Sacramento, which is especially important given the region's current job crisis and need for economic stimulus. Economic activity of this magnitude is always important, but with 12.7% unemployment, the ability to generate over 4,000 jobs represents the type of development activity needed to help stimulate the economy immediately and create a platform for sustained economic growth.*** Specifically, this study estimates that an entertainment and sports complex will:

- Create 4,095 total jobs
 - ⇒ 3,720 jobs during the construction phase (2,130 direct and 1,590 indirect and induced), with 1,302 in the City of Sacramento.
 - ⇒ 375 additional jobs during ongoing operations (217 direct and 158 indirect and induced), above jobs already in existence at ARCO Arena, with 229 in the City of Sacramento.
- Generate \$556 million in total spending and \$11.3 million in fiscal benefits to government agencies during the construction period.
 - ⇒ \$300 million in direct spending, with \$105 million in the City of Sacramento.
 - ⇒ \$231 million in indirect and induced spending, with \$81 million in the City of Sacramento.
 - ⇒ \$2.3 million in fiscal benefits to local government agencies.
- Generate \$25 million in total annual spending and \$775,000 in annual fiscal benefits to government agencies during ongoing operations, above the jobs already in existence at ARCO Arena.
 - ⇒ \$13.6 million in annual direct spending, with \$8.3 million in the City of Sacramento.
 - ⇒ \$11.5 million in annual indirect and induced spending, with \$7 million in the City of Sacramento.
 - ⇒ \$161,000 in annual fiscal benefits to local government agencies.

Furthermore, other cities, with similarities to Sacramento, have benefitted from the existence of entertainment and sports facilities, and when strategically located, such facilities have spurred economic growth beyond the facility itself.



BACKGROUND INFORMATION

Information provided in this study is based on both independent research and data and analysis completed for other recent studies pertaining to such a facility. The results of this analysis should be considered preliminary in nature and used simply as a guide to understanding the magnitude of the economic benefits that the development of this type of facility can generate. A comprehensive analysis should be completed once an actual site is identified, as well as when additional information is available related to the type of facility that will be designed. The main purpose of this study is to consider the current economic challenges being faced in the Sacramento region and to determine whether the construction of an entertainment and sports complex can create jobs in the short-term and provide economic stimulus to help support the region's economy.

The analysis portion of this study has been broken down into two main parts. Part 1 will address the economic benefits and jobs created as a result of the construction of a new entertainment and sports complex. This part will essentially address the short-term job gains and potential for economic stimulus. Part 2 will address the benefits of the operations of an entertainment and sports complex, using case studies of arena operations and impacts in other locations. Furthermore, this report will provide a description of other economic benefits that can be realized through the construction of an entertainment and sports complex.

Direct Versus Indirect Impacts

The economic analysis utilizes some specific and defined economic terms and principles in order to determine the true effect of the construction and operations of an entertainment and sports complex. One of those economic principals is related to the direct versus indirect impacts and how they are quantified.

The total direct spending associated with the construction and operations of a new entertainment and sports complex and direct support businesses, on an incremental basis, are referred to as "direct economic impacts".

As this spending takes place in the local and regional economy it represents revenue to the new entertainment and sports complex and to area restaurants, shops and other retail establishments. These entities, in turn, spend this revenue for various goods and services both inside and outside the local and state economies. Further, the employees who work for these businesses spend a portion of their income in the local and state economies. As this additional spending occurs, referred to as "second-round spending," it becomes income to other entities which in turn re-spend that money. In each round of

spending, some money stays in the local economies and some "leaks" to outside economies. The sum of these secondary rounds of spending is collectively referred to as "indirect economic impact" and the process is referred to as the "multiplier effect".

Gross Versus Net Impacts

Additionally, there is the issue of whether these impacts, or this spending, is all net new spending in the respective economies or whether some of it is a transfer of spending from one part of the local economy to another. This is sometimes referred to as the "substitution effect". It is measured by estimating the percentage of local versus non-local sources of spending for all spectator expenditures (tickets, food and beverage, lodging, etc.) and for other corporate spending (e.g., advertising, sponsorships, premium seating, media rights). The "local percentage" is then applied to estimate the amount of the substitution or transfer with the balance being the net economic impact.

Also, the analytical approach to this analysis will focus on the incremental impacts resulting from the operations of a new arena, net of the current annual impacts of ARCO Arena. The existing arena already garners economic benefits which should be accounted for.

Economic Multipliers

There are a variety of multiplier modeling techniques available that can be used to estimate the economic benefit and jobs created based on the total construction cost and ongoing operational revenue generated from a particular facility. These models produce only estimates and are subject to the accuracy of the underlying assumptions.

The economic impacts resulting from the calculations that utilize the economic multipliers only capture a portion of the economic benefits of various projects. It is also important to consider how the construction project and future operations of the facility support ongoing economic activity once the project is complete.

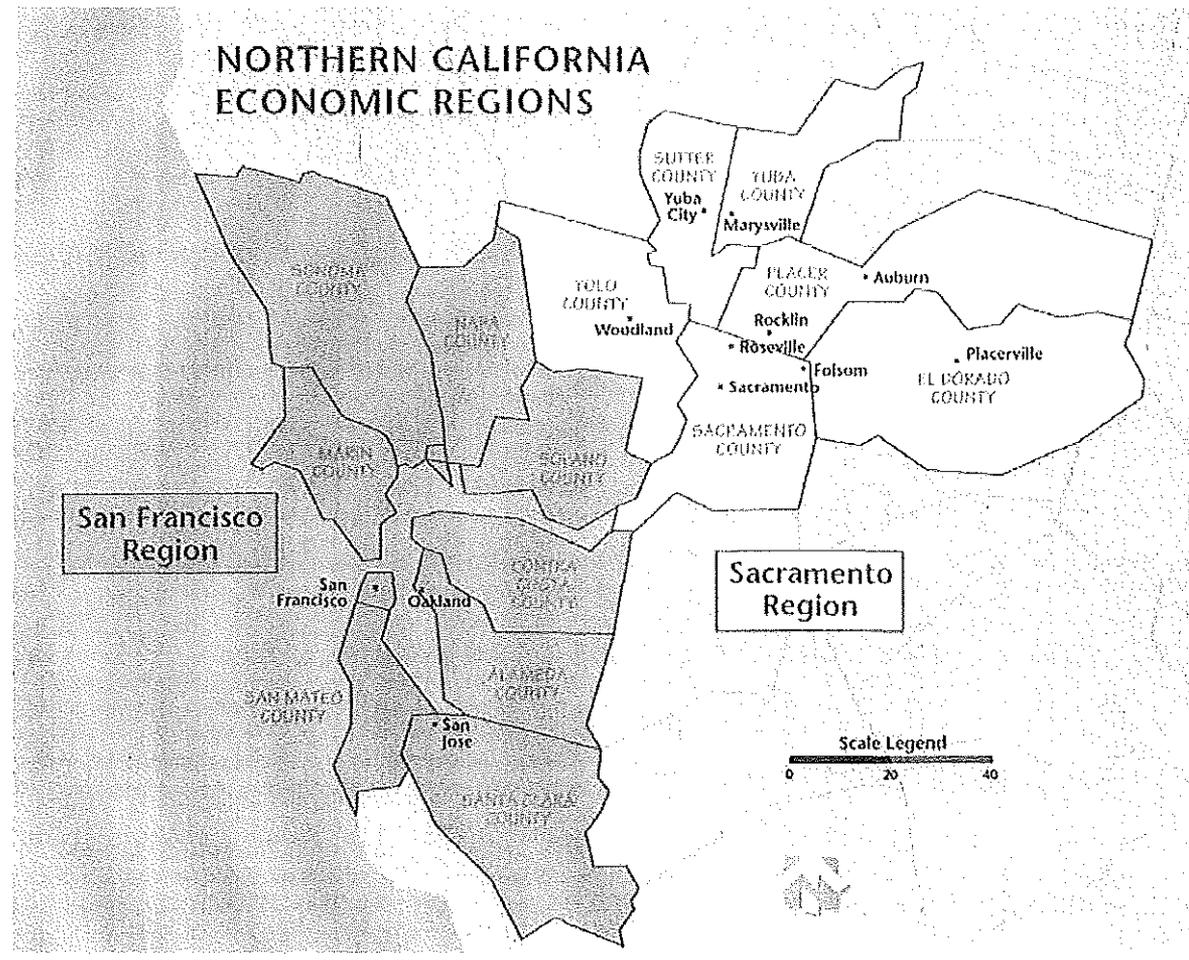
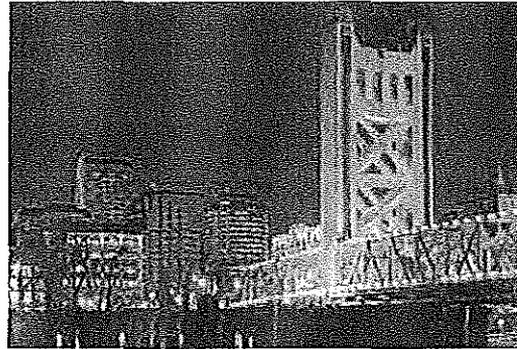
Facility Location

When estimating economic benefits of a facility, the actual location of such a facility and the nearby development, or potential for nearby development, can drastically affect the true economic impacts and fiscal benefits of a facility. As this study is not site-specific, many of these economic benefits have not been quantified, however, case studies are provided to provide examples of how such facilities can stimulate real estate development and lead to further economic benefits to a community

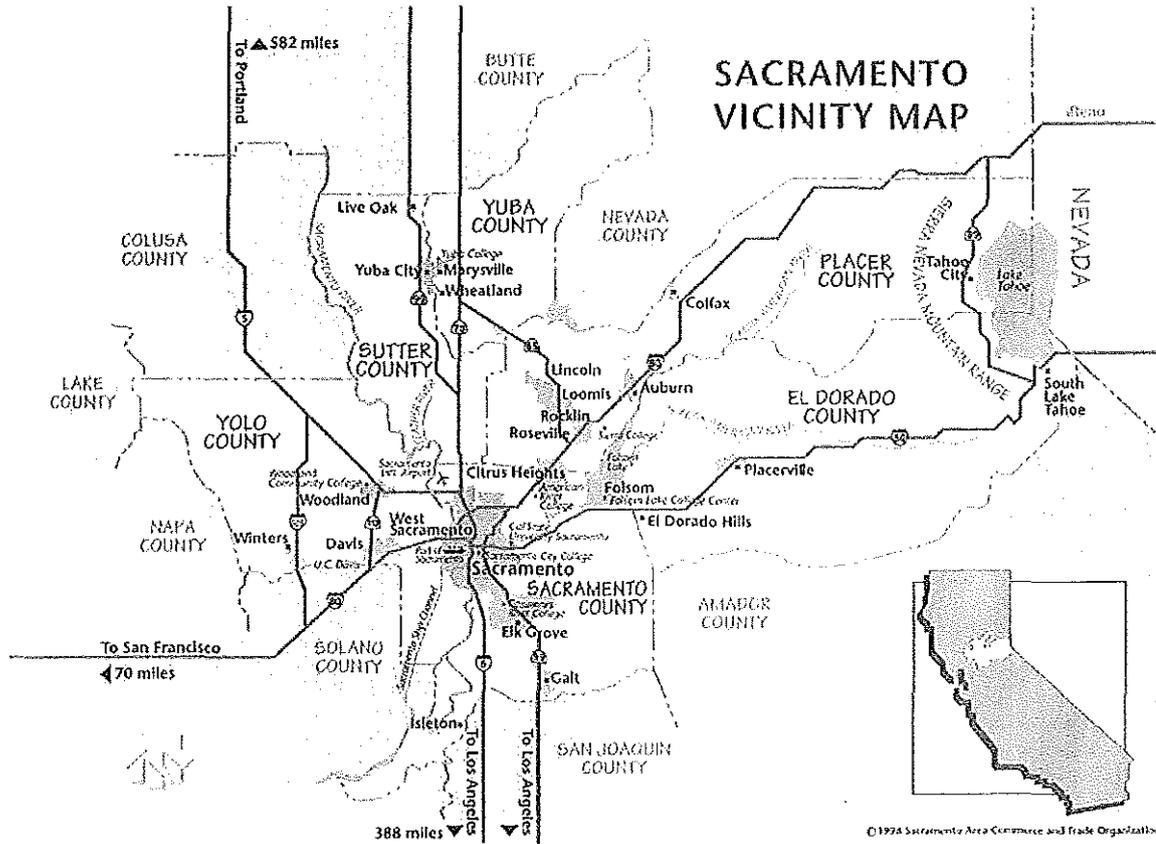
THE SACRAMENTO REGION

Location

The Sacramento region is made up of six counties – El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba. It is home to California’s capital city, Sacramento, which is situated at the confluence of the American and Sacramento Rivers, located in the north-central portion of the state. This central location provides convenient access through major highways and freeways to other large metropolitan areas including San Francisco (87 miles west); Reno, Nevada (135 miles northeast); and Los Angeles (385 miles southwest).



The Sacramento Region cont.



Planning and development is underway to enhance the potential of the Sacramento River, located just west of downtown Sacramento, through a revitalization process. Furthermore, improvements are planned for a transportation hub in an area just north of downtown Sacramento.

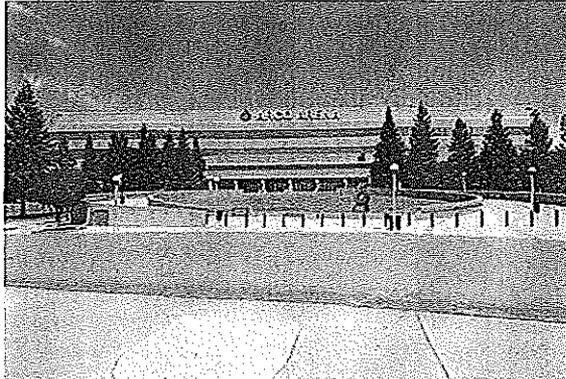


The location of Sacramento, as the state capitol of the fifth largest economy in the world, and at the intersection of major thoroughfares makes it a prime location for businesses.

ARCO Arena serves the Sacramento region as the major entertainment destination, hosting nearly 200 events and accommodating approximately 2 million visitors annually. The arena is home to the Sacramento Kings of the National Basketball Association ("NBA"), and a wide variety of additional sports and entertainment. The Kings came to Sacramento in 1985 and were initially housed in the original ARCO Arena. After three seasons in that arena, the Kings moved to the current ARCO Arena in 1988. ARCO Arena adds to the local

economy by employing as many as 1,200 full- and part-time workers during the basketball season alone.

The Sacramento community has developed an identity and source of pride through the existence of the Sacramento Kings since 1985. The Kings have two of the highest consecutive sellout streaks in NBA history. The Kings sold out 497 games beginning with the first game in Sacramento until the 1996-97 season. Then, ARCO Arena hosted 354 consecutive sellouts from the 1999-00 season until the final regular season game of the 2006-07 season. With this high level of support, it is clear that the Sacramento community considers the Kings a source of community pride.

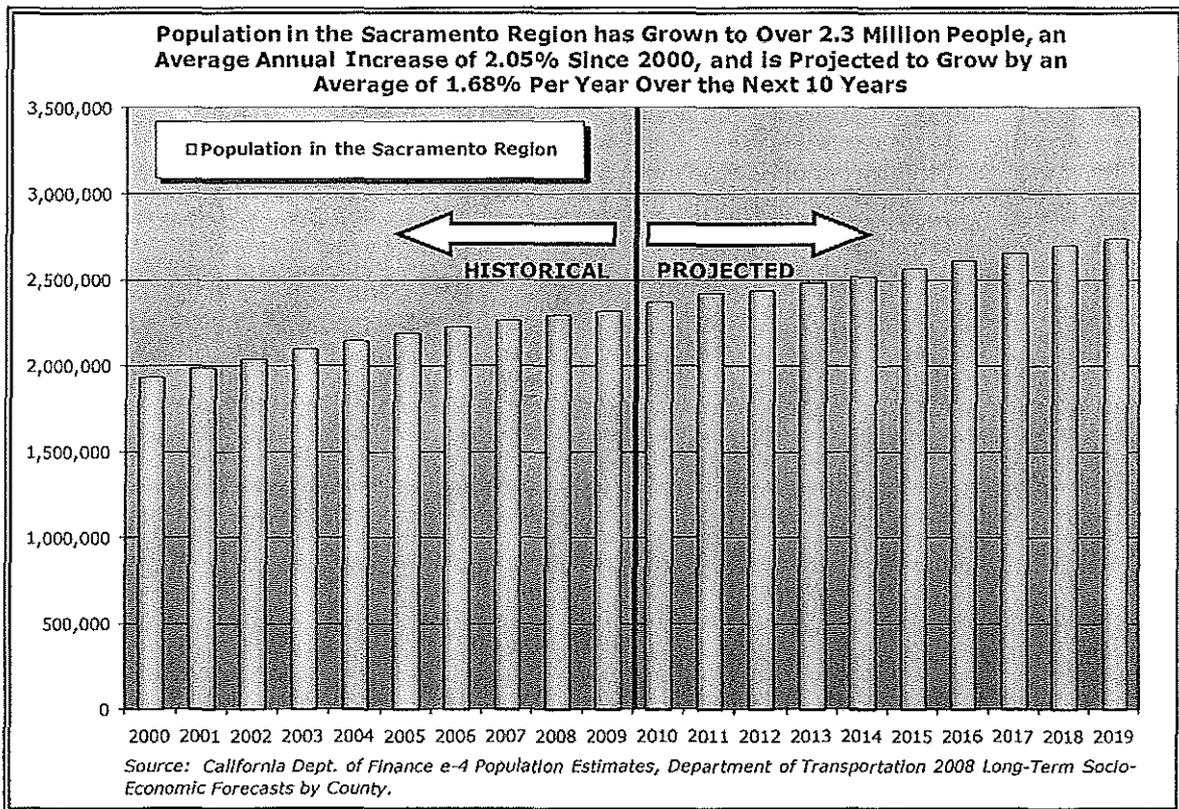


In addition to the Kings, other nationally televised events have been held at ARCO arena. Such events include National Collegiate Athletic Association ("NCAA"), Professional Bull Riders Ultimate Fighting Championship ("UFC"), and World Extreme Cagefighting ("WEC"), among others. Such nationally televised events create media exposure for the City of Sacramento and promotes tourism which benefits the economy.

The Sacramento Region cont.

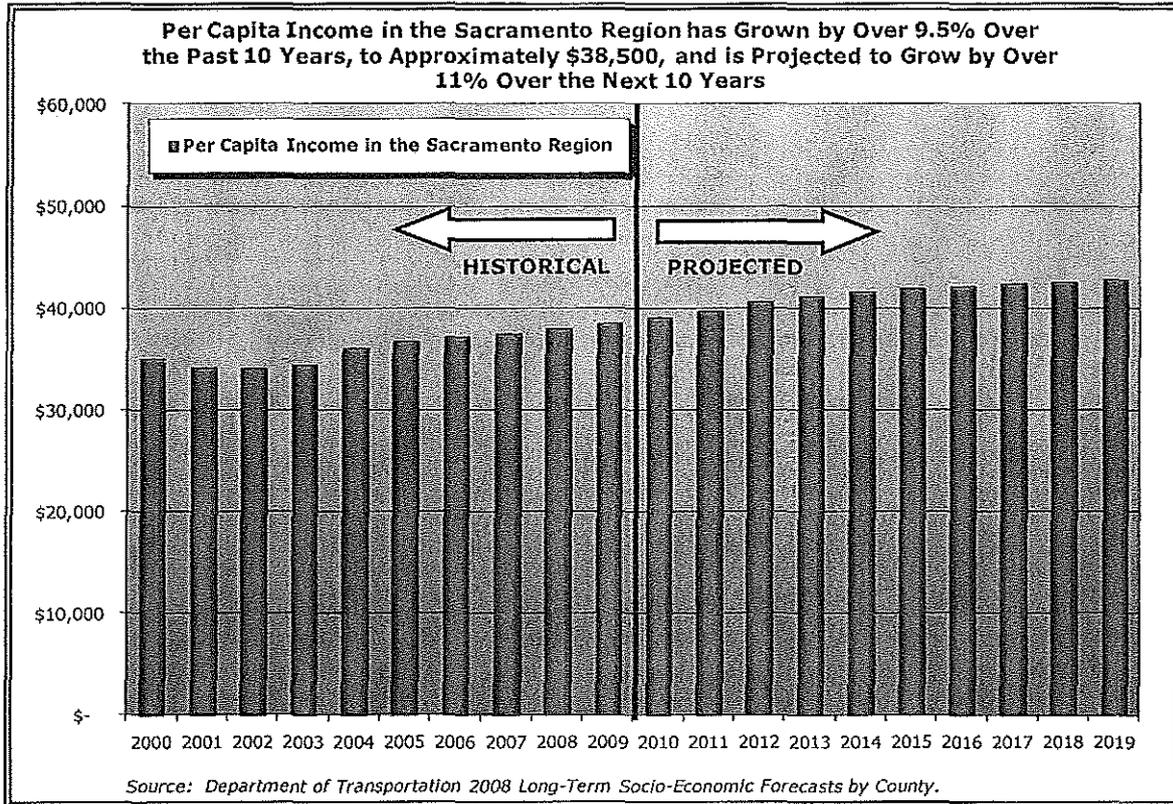
Demographics

This six county Sacramento region is the main population that will use and enjoy an entertainment and sports complex. Over the past 10 years, the total population in the Sacramento region has increased to more than 2.3 million people and is projected to grow to over 2.7 million within the next 10 years.



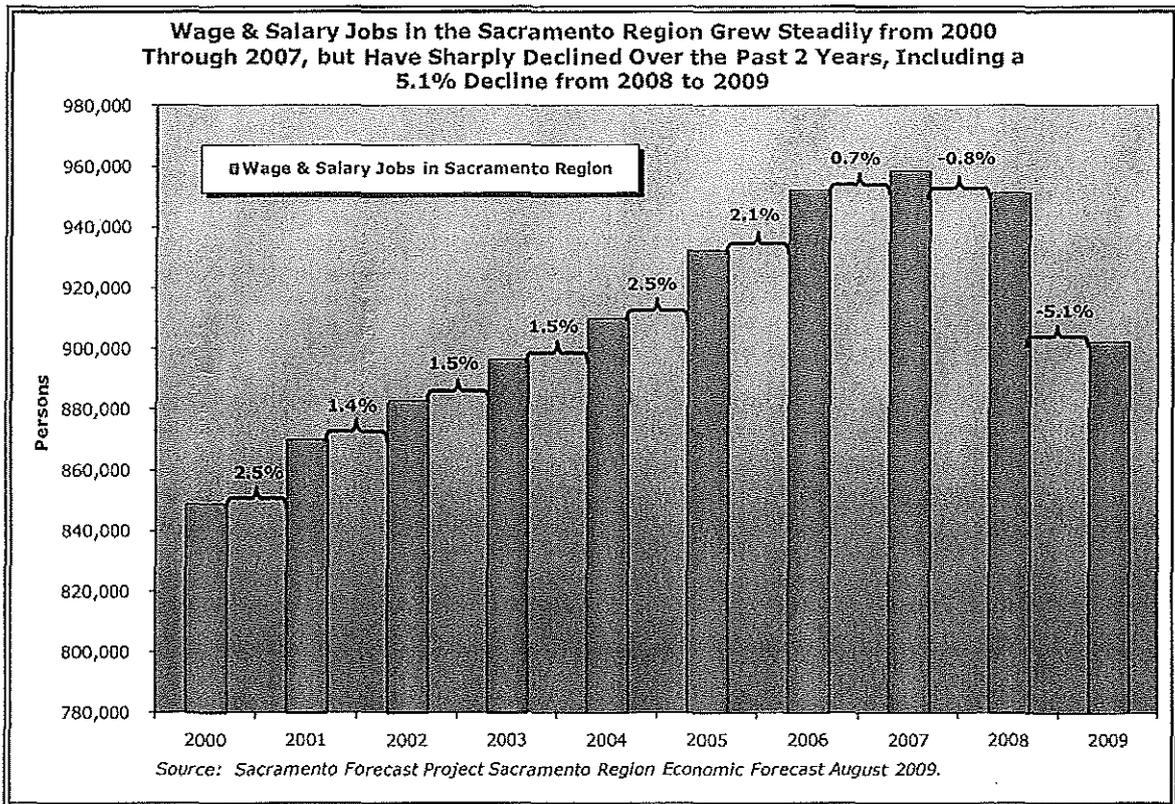
The population of the City of Sacramento alone is approximately 460,000 people and ranks 37th in the country. When considering the Sacramento region compared to other regions in the United States, the Sacramento region's population would rank at about 25th overall.

Per capita Income In the Region is at \$38,500, and has grown over 9.5% over the past 10 years. Furthermore, the per capita income is projected to increase to almost \$43,000 over the next ten years.



Business Climate and Workforce

Job growth in the Sacramento region has been slow since the turn of the century, but had not had a decline in the number of jobs since 1992. However, in 2008, the Sacramento region experienced a *decrease* of approximately 0.8%, a *loss* of approximately 7,300 jobs. For 2009, the Sacramento Regional Research Institute ("SRRI") has indicated that as of October 2009, the Region has lost more than 49,000 jobs over the past year, equating to a 5.1% *decline*. A forecast by SRRI shows general improvement in the Region's economy during the next 12 months, but the recovery back to positive job growth on a consistent basis will likely be lengthy.



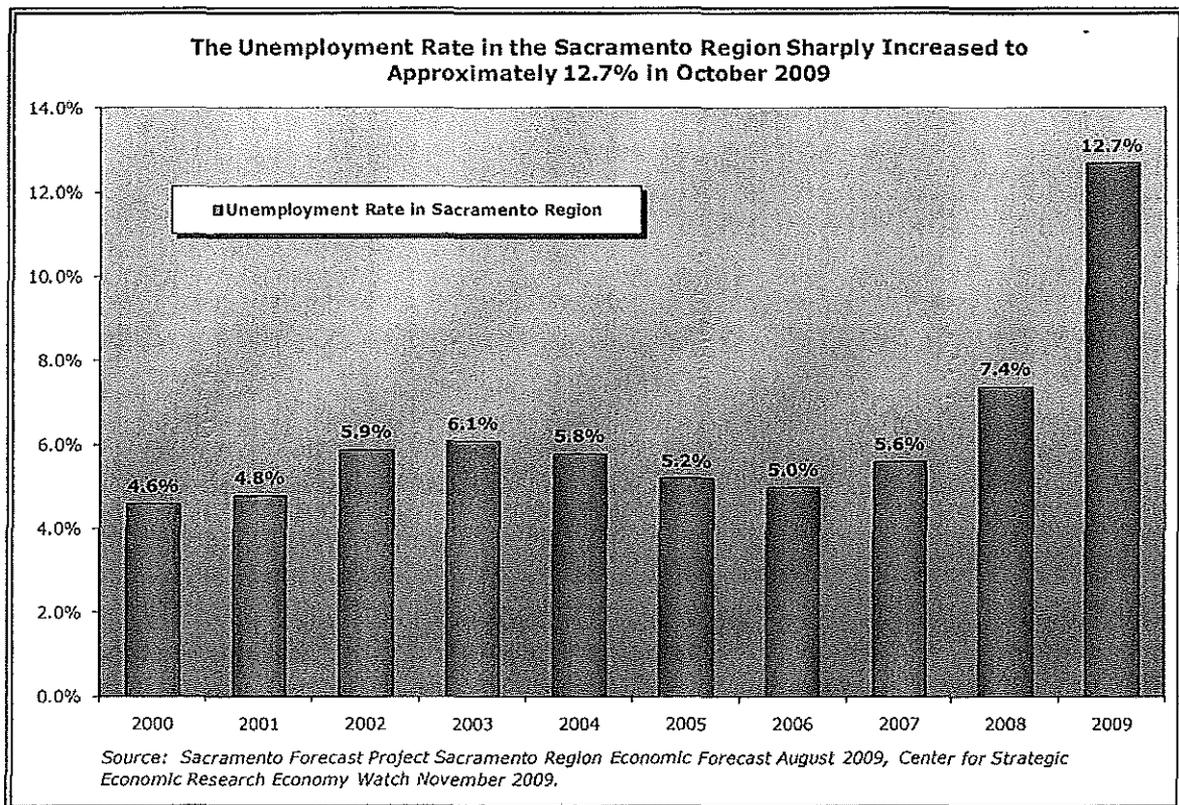
Only one of the Region's major employment sectors added jobs in the past year, that is the Education and Health Services Sector. The weakest sector was the Construction Sector, which posted annual losses of almost 13,000 jobs, a loss of approximately 19.5%. The Construction Sector is projected to have further job losses between October 2009 and October 2010 which is projected to amount to an additional 24% decline. Plus, overall, the Sacramento region is expected to have a further decline in jobs of about 4.5% in 2010.

Major Sector Annual Job Gains & Losses - Sacramento Region	
	Job Gain/ (Loss)
Education & Health Services	2,300
Mining & Logging	(100)
Other Services	(500)
Information	(1,700)
Manufacturing	(3,600)
Financial Activities	(3,600)
Government	(4,300)
Leisure & Hospitality	(4,400)
Trade, Transportation & Utilities	(9,800)
Professional & Business Services	(10,700)
Construction	(12,900)
Total Nonfarm	(49,300)
<i>Source: CA Employment Development Department</i>	

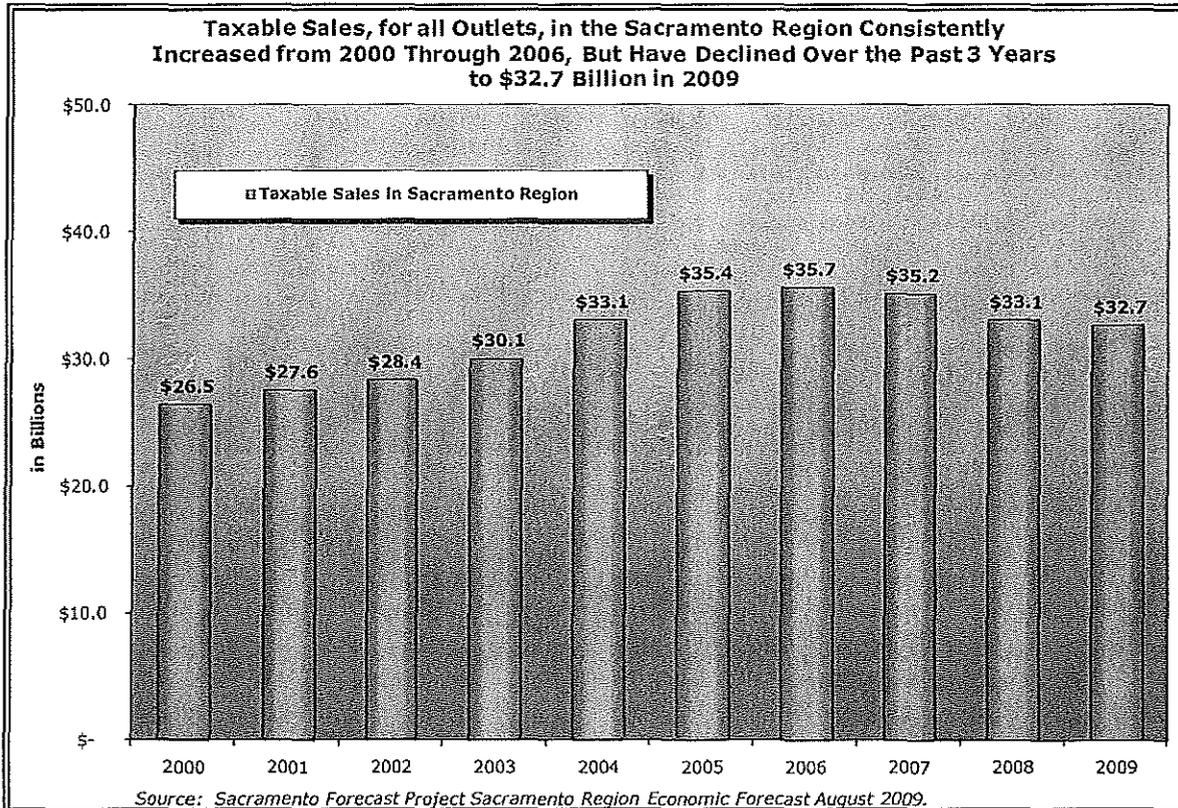
One key to improving the Sacramento regional economy will be the creation of new construction jobs. The Construction Sector was clearly the hardest hit during the recent economic downturn, and new jobs created in this sector will provide a short-term stimulus to the Sacramento region and could potentially lay the foundation for sustained economic recovery. Furthermore, the job losses in the Leisure and Hospitality Sector can be addressed for the long-run through the construction of a new entertainment and sports complex.

The Sacramento Region cont.

The Region's unemployment rate saw a large jump in the last year. The average annual unemployment rate for the Sacramento region in 2008 was 7.4%, up from 5.6% in 2007. As of October 2009, the Region's unemployment rate has increased to 12.7%.



Taxable sales for all outlets in the Sacramento region amounted to over \$35.2 billion in 2007, a decline of 1.6% from 2006. For 2008, taxable sales declined by approximately 6%, a \$2.1 billion loss. The forecast for 2009 is for a smaller 1.2% decrease to \$32.7 billion, followed by an increase in taxable sales for 2010.



The Sacramento Region cont.

Major employers in the Sacramento region include Kaiser Permanente, Sutter Health, Raley's/Bel Air, Intel Corporation, and UC Davis Medical Center. A listing of the major employers in the Region are shown in the following table.

Private Sector Major Employers - Sacramento Region		
Company	Industry	# of Local Employees
Sutter Health Sacramento Sierra Region	Healthcare	10,405
Kaiser Permanente	Healthcare	9,319
Raley's	Grocery Retailer	7,565
Intel Corp.	Semiconductors and Related Devices	7,000
UC Davis Health Systems	Healthcare	6,404
Mercy/Catholic Healthcare West	Healthcare	5,119
AT&T California	Telecommunications	4,828
Hewlett-Packard Co.	Computer Hardware Manufacturer	3,800
Target	Retail	3,482
Wells Fargo & Co.	Financial Services	3,167
PRIDE Industries Inc.	Mail and Fulfillment Services; Manufacturing and Logistics	2,776
Health Net Of California, Health Net Federal Services	Healthcare	2,472
Cache Creek Casino Resort	Casino	2,500
Safeway Inc.	Grocery Retailer	2,289
Pacific Gas and Electric Co.	Utility	2,206
Vision Service Plan Inc.	Insurance Agents, Brokers and Servic	1,720
Blue Shield of California	Healthcare	1,696
Aerojet	Aerospace and Defence Manufacturin	1,650
Electronic Data Systems	Computer and Data Processing	1,511
Union Pacific Railroad Co. Inc.	Freight Railroad	1,370

Source: Sacramento Business Journal Top 25 Book of Lists 2007.

Summary and Conclusions

A study completed by ULI Sacramento District Council shows the value that museums, arts venues, sports, and recreation opportunities bring to creating and stimulating a regional economy. According to their research, civic amenities are proven to contribute to economic vitality by making a city or region an attractive business center, sparking urban redevelopment, increasing property values, improving public safety, raising the visibility of a city or region and generating money through tourism. Such civic amenities play an important role in the desire to live in a given area.

The Sacramento region has grown to a population of over 2.3 million people. The people that are already in the Region have expressed an interest in expanding the amenities available. Attracting additional people to the region will create a need to further expand the amenities available. Furthermore, per capita income has continued to rise and is projected to continue increases into the future. As income rises, the community is better able to support recreation and entertainment options provided in the Region.

Although population growth and per capita income growth has continued to rise, the Sacramento region has experienced a significant economic hit over the past two to three years. The number of wage and salary jobs in the region has sharply declined over the past two years, with the largest loss of jobs occurring in the Construction Industry Sector. Furthermore, the unemployment rate has drastically increased to over 12%. The creation of new jobs in the Region and specifically the Construction Industry, which has experienced significant losses, is needed to boost the economic revitalization of the Region.



ANALYSIS PART 1 – ECONOMIC BENEFITS & JOBS CREATED THROUGH CONSTRUCTION

Construction Cost Estimate

The first step to be completed in to estimate the economic benefits and jobs created through the construction of a new arena is to estimate the magnitude and cost of construction. The best way to estimate the type of facility to be constructed and the cost of such construction is to consider the actual cost of facilities recently constructed for the same or a similar purpose.

The primary tenant of an arena to be constructed in Sacramento would be an NBA team - namely the Kings. Therefore, arenas constructed in other cities with an NBA franchise can be used to estimate the scope and costs of an arena. The three most recent arenas constructed which house an NBA franchise are: Memphis, Charlotte, and Orlando (under construction). Furthermore, these three facilities are built in cities with similarities to Sacramento.

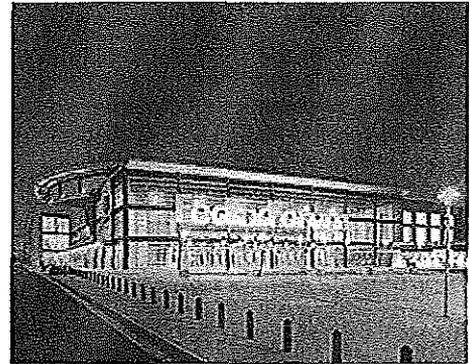


Photo: Memphis FedEx Forum.



Photo: Charlotte Time Warner Cable Arena.

In Memphis, the FedEx Forum was constructed with 2 main concourses and over 100 points of sale for concessions and retail items. The facility opened in 2004. In Charlotte, the Time Warner Cable Arena was constructed with seven levels and four concourses. The facility opened in 2005. In Orlando, the Amway Center is currently under construction. The facility is being constructed with multiple concourses and a 15,000 square foot plaza at the main entrance. These modern arena facilities can be used as a guide to estimate the size and cost of a new arena in Sacramento.

The following chart provides a summary of the arena specifications for the three most recently constructed arenas identified above:

Specifications of Recently Constructed Arenas			
	Memphis FedEx Forum	Charlotte Time Warner Cable Arena	Orlando Amway Center (Under Construction)
Year Completed	2004	2005	2010
Square Footage	805,850	780,000	800,000
Basketball Capacity	21,165	19,026	18,500
Total Suites	75	51	60
Total Club Seats	2,500	2,300	1,755
Facility Construction Cost	\$ 230,140,000	\$ 265,000,000	\$ 380,000,000
Cost Per Square Foot	\$ 285.59	\$ 339.74	\$ 475.00

The average square footage of each of the three most recently constructed areas is approximately 795,000 square feet. This average square footage can be used to estimate the square footage of a new arena in Sacramento.

In order to use the actual construction costs from these three facilities to estimate the cost for a Sacramento facility, construction costs should be adjusted for inflation. The following table shows the adjusted construction cost for each of the three facilities, applying the Building Cost Index since each of the facilities was completed.

Adjusted Construction Costs			
	Memphis FedEx Forum	Charlotte Time Warner Cable Arena	Orlando Amway Center (Under Construction)
Inflation Adjusted Facility Construction Cost	\$ 241,417,370	\$ 275,040,670	\$ 380,000,000
Inflation Adjusted Cost Per Square Foot	\$ 299.58	\$ 352.62	\$ 475.00

Based on the adjusted construction costs, the average cost per square foot of these three most recently constructed arenas is approximately \$375. Applying this cost to the average square footage of the three most recent arenas results in an estimated construction cost of approximately \$300 million.

Economic Benefit Analysis

If a similarly constructed arena were to be built in Sacramento, based on the specifications described above, the total cost of construction can be estimated at \$300 million, including on-site infrastructure. This cost does not include land acquisition, environmental, design, off-site infrastructure, financings or legal costs that would be associated with the construction of a new arena. This construction would occur over a 2½ - 3 year period. These construction cost figures are simply an estimate and will be used to provide an idea of the magnitude of the economic benefits generated from the construction of an entertainment and sports complex. Such costs will be adjusted when an actual site has been identified and project design has been completed.

At least two studies have previously been completed that evaluate the economic benefits of a new arena in Sacramento. The first study was commissioned by the City of Sacramento, Union Pacific Railroad and Maloof Sports & Entertainment and completed by the Goal Group, Keyser Marston Associates and SportsEconomics. Their study was completed in March 2002 and evaluated the economic benefits and jobs created by an arena to be constructed in both the Downtown Sacramento area and next to the current ARCO Arena. A second study was commissioned by the National Basketball Association and completed by Economics Research Associates in February 2009 for an arena to be constructed in the Cal Expo area. Both of these studies used economic multipliers to estimate the economic benefits of new arena construction.

Using the estimated construction costs previously identified and considering the estimates calculated in the previous two studies, the economic benefits and jobs created from the construction of a new arena can be estimated using commonly accepted economic multipliers.

As shown in the following table, the total direct construction expenditures of \$300 million will create approximately \$84 million in employee compensation and approximately 2,130 jobs. When considering indirect and induced economic expenditures, a new arena will generate approximately \$531 million in total spending, \$149 million in employee compensation and approximately 3,720 new jobs, based on the IMPLAN multiplier model. IMPLAN is an economic multiplier model that quantifies the interactions between industries within an economy. The IMPLAN model was selected for this analysis because it is relatively conservative when compared to other models available. The acronym stands for "Impact Analysis and Planning".



Gross Construction Economic Impact			
	Estimated Spending	Estimated Employee Compensation	Estimated Jobs
Direct Economic Impact	\$ 300,000,000	\$ 84,000,000	2,130
Indirect/Induced Economic Impact	\$ 231,090,300	\$ 64,705,284	1,590
Total Gross Economic Impact	\$531,090,300	\$ 148,705,284	3,720

Source: Employee compensation estimates are based on other similar large construction projects. Indirect and induced impacts are based on multipliers contained on the IMPLAN input-output model.

The gross construction impacts identified above, are estimated for the project as a whole, however, only a portion of the spending is new to the Sacramento region and specifically the City of Sacramento itself. For the purposes of this analysis, the City of Sacramento is considered to be the lead agency. Although the entire six county Sacramento region will benefit, use and enjoy an entertainment and sports complex, in order to determine economic benefit, it is important to isolate the specific locality that will make financial decision and serve the facility. In this case, we have assumed that the City of Sacramento will be the lead agency and will be responsible for serving a new entertainment and sports complex in Sacramento. As such, the new economic impact specifically on the City of Sacramento and its residents has been quantified and identified as "net" impacts. Again, as this analysis is only preliminary in nature, as more details are confirmed regarding location and financing arrangements, this can be changed or updated.

Of the total direct expenditures, approximately \$105 million is net spending, resulting in approximately \$29.4 million in employee compensation and 746 jobs for Sacramento residents. When considering indirect and induced economic expenditures, approximately \$186 million is net spending, resulting in approximately \$52 million in employee compensation and 1,302 jobs for Sacramento residents.

Net Construction Economic Impact			
	Estimated Spending	Estimated Employee Compensation	Estimated Jobs
Direct Economic Impact	\$ 105,000,000	\$ 29,400,000	746
Indirect/Induced Economic Impact	\$ 80,881,605	\$ 22,646,849	557
Total Net Economic Impact	\$185,881,605	\$ 52,046,849	1,302

Source: Employee compensation estimates are based on other similar large construction projects. Indirect and induced impacts are based on multipliers contained on the IMPLAN input-output model.

Fiscal Benefits of Project Construction

The direct economic impacts of a new arena will create tax revenue for the State of California and various local government agencies, including the City and County of Sacramento. Construction spending is estimated to generate over \$11 million in tax revenue, approximately \$2.3 million of which will benefit local government in the Sacramento area.

Fiscal Benefits from Project Construction				
	Sales and Occupancy Tax		Income Tax	Total
Local Tax Receipts	\$	2,342,108	\$ -	\$ 2,342,108
State Tax Receipts	\$	8,030,085	\$ 951,714	\$ 8,981,799
		\$ 10,372,194	\$ 951,714	\$ 11,323,907

Summary of Construction Economic Benefits

The Construction industry in the Sacramento region has experienced a sharp decline in availability of jobs over the past 2 years, losing approximately 13,000 jobs over the last year alone. The outlook for the Region is that job growth for most major sectors will be slow to recover, but will be headed in a positive direction over the next year. However, the Construction Sector is forecast to have a further decline in the number of jobs, losing an additional 24.5%. With the 12.7% unemployment rate, an influx in the number of jobs available is essential to the recovery in the region. The construction of a new arena would create approximately 3,720 jobs, approximately 1,302 of which would be for City of Sacramento residents. One of the main benefits of such a construction project is the jobs created through such an endeavor.

Furthermore, the economic spending and fiscal benefits to the local government can provide a stimulus effect to the region and aid in the development or redevelopment of the location selected for an entertainment and sports complex.

ANALYSIS PART 2 – ECONOMIC BENEFITS & JOBS CREATED THROUGH OPERATIONS

Operations Revenue Estimates

For an analysis of a facility that would, in theory, be constructed to replace a facility that is already in operation, the economic benefits of operational revenue should only consider revenue generated in addition to revenue generated from the current facility. Based on information from Maloof Sports and Entertainment, a new entertainment and sports complex will generate approximately \$13.7 million more in annual revenue than the existing ARCO Arena due to the addition of lower-level seating, premium club seating, and additional suites. Plus, new facilities are designed with greater opportunities for additional points of sale for concessions and merchandise which generate additional operational revenue.

Economic Benefit Analysis

The \$13.7 million in estimated additional annual operational spending that can be generated from a new entertainment and sports complex, will directly create approximately \$5.4 million in employee compensation and create approximately 217 new jobs. When considering indirect and induced economic expenditures, a new arena will generate approximately \$25 million in additional annual spending, \$10 million in employee compensation and approximately 375 new jobs.

Gross Operations Economic Impact			
	Estimated Additional Spending	Estimated Additional Employee Compensation	Estimated Additional Jobs
Direct Economic Impact	\$ 13,655,000	\$ 5,462,000	217
Indirect/Induced Economic Impact	\$ 11,519,904	\$ 4,607,962	158
Total Gross Economic Impact	\$ 25,174,904	\$ 10,069,962	375

Source: Estimates for additional operational spending provided by Maloof Sports & Entertainment and included in a study by Economics Research Associates in February 2009. Indirect and induced impacts are based on multipliers contained on the IMPLAN input-output model.

Of the total additional direct operational expenditures, approximately \$8.3 million will be gross expenditures, generating approximately \$3.3 million in employee compensation and 133 jobs for Sacramento residents. When considering indirect and induced economic expenditures, a new arena will generate approximately \$15 million in additional annual spending, \$6 million in additional employee compensation and approximately 229 new jobs for Sacramento residents.

Operations Economic Benefit Analysis cont.

Net Operations Economic Impact			
	Estimated Additional Spending	Estimated Additional Employee Compensation	Estimated Additional Jobs
Direct Economic Impact	\$ 8,329,550	\$ 3,331,820	133
Indirect/Induced Economic Impact	\$ 7,027,142	\$ 2,810,857	96
Total Net Economic Impact	\$ 15,356,692	\$ 6,142,677	229

Source: Estimates for additional operational spending provided by Maloof Sports & Entertainment and included in a study by Economics Research Associates in February 2009. Indirect and induced impacts are based on multipliers contained on the IMPLAN input-output model.

Fiscal Benefits of Project Operations

The direct economic impacts of the operations of an arena will create tax revenue for the State of California and various local government agencies, including the City and County of Sacramento. Tax revenue is estimated to increase by approximately \$775,000 per year.

Fiscal Benefits from Project Operations			
	Sales and Occupancy Tax	Income Tax	Total
Local Tax Receipts*	\$ 161,245	\$ -	\$ 161,245
State Tax Receipts	\$ 552,841	\$ 64,448	\$ 617,289
	\$ 714,086	\$ 64,448	\$ 778,534

** Property taxes are not included as often property for this type of facility is owned by a public agency and property taxes are not collected.*

Summary of Operational Economic Benefits

On an ongoing basis, the \$13.7 million in additional spending at a new entertainment and sports complex (above the operational spending at the current ARCO Arena) will generate approximately 375 new jobs, 229 of which will be for City of Sacramento residents. From a financial perspective, a new arena will generate \$25 million in total spending, \$15 million of which will be within the City of Sacramento.

The economic benefits of a new arena will only marginally increase the total spending in the region. However, this analysis does not fully quantify all the economic benefits of such a facility. Subsequent sections of this report will summarize some of the non-quantifiable, but equally important economic benefits of such a facility.

CASE STUDIES

Memphis FedExForum

The City of Memphis has a population of approximately 675,000 people, which is approximately 200,000 more than the City of Sacramento. Memphis has an estimated per capita income of \$37,792, compared to \$38,500 for Sacramento. Memphis can be considered a reasonable comparison to the Sacramento market.

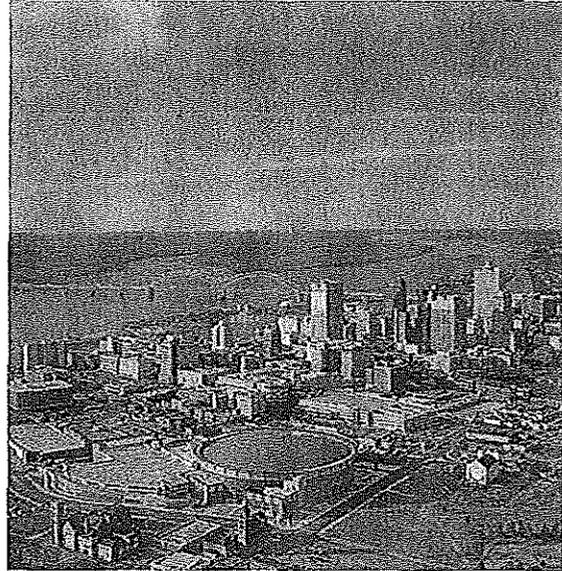


Photo: Downtown Memphis including FedEx Forum.

The FedExForum was a \$250 million project completed in July 2004, after an approximate 2 year construction period. The facility is over 800,000 square feet, with a capacity of 21,165. There are 75 suites, 2,500 club seats and approximately 1,800 attached parking spaces. There are 2 main concourses, with more than 100 points of sale for concessions and retail items. The facility contains a casual sports bar along with premium restaurants and lounges.

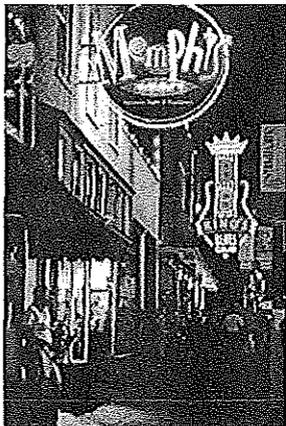


Photo: Beale Street in Memphis, part of Sports & Entertainment District.

The arena is located in downtown Memphis in a Sports & Entertainment District. The area the arena is located in was largely neglected for decades and is adjacent to the Peabody Place Entertainment and Retail Center. This has become a multifaceted entertainment center that is essentially a city within a city and attracts more than 8 million visitors per year. The Sports & Entertainment District encompasses 3 blocks and encompasses various attractions including the FedExForum, Autozone Park (home of the AAA Memphis Red-Birds baseball team), the Peabody Hotel, the Orpheum Center, plus about 80 restaurants.

This facility can be used as an example of a recently constructed arena that was built as part of a Sports & Entertainment District and aided in the revitalization of a portion of the downtown area of Memphis. The construction of AutoZone Park for a AAA baseball team (just as the Sacramento Rivercats) in conjunction with FedExForum have acted as a catalyst to economic growth in Memphis.

San Jose HP Pavilion

HP Pavilion opened 15 years ago and was constructed on a site specifically selected to help boost the downtown area. Since its construction, the HP Pavilion has built "momentum for nearby restaurants, entertainment and transportation options," according to San Jose's Mayor, Tom McEnery. The San Jose downtown has been revitalized with new high-rise housing, restaurants and retail.



Photo: San Jose HP Pavilion.

In its 15 years of operations, HP Pavilion has welcomed more than 20 million visitors and held more than 2,600 sports and entertainment events resulting in \$1.7 billion in cumulative economic activity. The arena hosts more than 170 events annually, 40 of which are San Jose Sharks Hockey Team regular season home games.

According to a study completed by SportsEconomics in April 2008, HP Pavilion has annually provided the City of San Jose with direct fiscal benefits of \$5.4 million and with an ongoing economic impact of \$254 million and the creation of approximately 5,000 full time equivalent jobs.

This facility can be used as an example to show the ongoing benefits of an entertainment and sports facility that provided a economic boost and revitalization of a California City. Furthermore, the ongoing operational benefits are based on actual figures from over 15 years of operations of the facility.

San Antonio AT&T Center

The greater San Antonio area is estimated to have a population of just over 2 million, which is slightly less than the 2.3 million people estimated in the Sacramento region. San Antonio has a similar industry structure as Sacramento, with a large number of jobs in the health care field. Additionally, per capita income in the San Antonio region is estimated at just under \$33,000, slightly less than the per capita income in Sacramento estimated at \$38,500. San Antonio can be considered a similar region, in terms of size, and economic market to Sacramento.

The AT&T Center was a \$186 million project completed in 2002. The facility has a capacity of 18,797. The AT&T Center was constructed amidst vacant land and a hodge podge of mixed use zoning. The building is surrounded by parking lots, the old Freeman





Photo: San Antonio AT&T Center

Coliseum and rows and rows of corrals and storage buildings that house the San Antonio Livestock Exposition.

The arena construction was planned in conjunction with facilities needs of the San Antonio Livestock Exposition. Per economist Jon Hockenyos, the San Antonio Spurs contribute approximately \$95 million per year of economic benefit plus another \$12.5 million of new tourist-related activities is estimated to come from non-Spurs-related activities and events held at the arena.

Although the location of the arena was not selected to revitalize a particular area, the arena was designed in such a way where economic benefits and revenues are still generated from the facility itself. This arena complex can be viewed as an example of the potential revenue generation and economic benefits of a stand-alone arena, outside of a downtown revitalization area.

SUMMARY OF NON-QUANTIFIABLE BENEFITS OF AN ENTERTAINMENT & SPORTS COMPLEX

In addition to the quantifiable economic benefits, there are other types of impacts that are beneficial to the community from the existence of an entertainment and sports complex that has a major league sports team as its primary tenant. Some of these are more tangible than others.

Entertainment Value & Quality of Life

First and foremost, the existence of an entertainment and sports venue adds to the quality of life in a region. There is entertainment value for residents in having additional things to do in their home community, especially for those who highly value spectator sports and live entertainment. In technical economic terms, there is a consumer surplus which is realized by each fan attending a live sporting or entertainment event, to the extent that the person would have been willing to pay more than the price of parking and admission to see the event. When multiplied conceptually by the total number of patrons at all events year-round, the aggregate values are large for the community.

Although Sacramento already has the benefit of housing a National Basketball Association Team, presumably, a new facility is needed to house the team in order for them to remain in Sacramento for the long-run. Other sports and entertainment events utilize the existing facility, but the use of the facility is somewhat limited due to its size and age. This can be exemplified when the NCAA chose an alternative city to host the NCAA Basketball Tournament as ARCO Arena was not a sufficient venue for the tournament. The construction of a new facility will enable Sacramento to maintain a quality of life that has been in existence.

Business Location Decisions

Given the enhanced quality of life and community pride provided by major league sports and modern facilities to house the teams, the community becomes, presumably, a better place to live, and more people want to live there. As a result, the owners of businesses will find the community more attractive, and on the margin some location decisions will be influenced by the presence of major league sports facilities, creating a stimulus for the in-migration of businesses to the host community.



Stimulus to Real Estate Development

Entertainment and sports facilities are significant financial investments in the infrastructure and vertical development within urban areas. This investment, and the foot traffic generated by events in the facilities, can provide a stimulus to the development of real estate in the surrounding neighborhoods. There are a number of other factors, however, which affect the likelihood of spin-off development being created.

The stimulus to real estate development has been experienced in a number of other cities throughout the country after the construction of a sports and entertainment venue. The Memphis FedEx Forum and the San Jose HP Pavilion, as described earlier in this report, can be viewed as examples of sports and entertainment facilities that have helped to revitalize an area and stimulate real estate development.

Community Pride

Although impossible to quantify with any economic basis, it is commonly accepted that there is a high value to the community pride that is created by being the host of a sports franchise. Many people find it very important to feel they live in a "major league city". Major league sports franchises "put a town on the map". When traveling, people can speak with pride of their home town, knowing full well that those in other areas are familiar with the location (and team reputation) of their city. This pride is augmented by such community development functions as having new state-of-the-art facilities. The franchises themselves also tend to be good corporate citizens within their communities, giving generously to worthy causes and providing youth sports programs and other social services.

Value of Media Exposure

There is also a tremendous advertising value to the exposure the community enjoys in the media as a result of hosting a major league team. On the national nightly news, there is a value gained every time the city's name is listed in the sports report. During games, the weather and other cultural attributes of the community are showcased for national consumption. The value of media exposure affects businesses, whose location becomes obvious to their clients, and the attraction of tourists to the area.

Summary of Non-Quantifiable Benefits

Some of the most important reasons to construct a new entertainment and sports complex are the difficult to quantify reasons identified above. The construction of an entertainment and sports complex is essentially a quality of life issue that creates community pride and has some tangible but unquantifiable effect on business activity in the host community, including media exposure and the effect on business location decisions.

Unfortunately, the political process tends to focus on those reasons which can be quantified. Consequently, the primary focus in most community debates has been on economic and fiscal impacts.



CONCLUSION

The development of an entertainment and sports complex can act as an economic catalyst for the Sacramento region. With a high unemployment rate and significant job losses in the region, specifically in the Construction Sector, a large project can create jobs and such a facility can create a platform for sustained economic development. Additionally, if such a facility is constructed in a strategic location, it can spur economic growth beyond the facility itself.

As explained in this study, an entertainment and sports complex is estimated to:

- Create 4,095 total jobs
 - ⇒ 3,720 jobs during the construction phase (2,130 direct and 1,590 indirect and induced), with 1,302 in the City of Sacramento.
 - ⇒ 375 additional jobs during ongoing operations (217 direct and 158 Indirect and induced), above jobs already in existence at ARCO Arena, with 229 in the City of Sacramento.
- Generate \$556 million in total spending and \$11.3 million in fiscal benefits to government agencies during the construction period.
 - ⇒ \$300 million in direct spending, with \$105 million in the City of Sacramento.
 - ⇒ \$231 million in indirect and induced spending, with \$81 million in the City of Sacramento.
 - ⇒ \$2.3 million in fiscal benefits to local government agencies.
- Generate \$25 million in total annual spending and \$775,000 in annual fiscal benefits to government agencies during ongoing operations, above the jobs already in existence at ARCO Arena.
 - ⇒ \$13.6 million in annual direct spending, with \$8.3 million in the City of Sacramento.
 - ⇒ \$11.5 million in annual indirect and induced spending, with \$7 million in the City of Sacramento.
 - ⇒ \$161,000 in annual fiscal benefits to local government agencies.

A new entertainment and sports complex can serve the immediate purpose of creating jobs and generating economic activity while creating a structure that will help provide long-term economic growth.

SacramentoFIRST

A New Entertainment and Sports Complex

**THE CORE PRINCIPLES REPORT
OF THE
SACRAMENTO FIRST CITIZENS TASK FORCE**

Released February 4, 2010

SacramentoFIRST

A New Entertainment and Sports Complex

The Sacramento First Citizens Task Force ("Task Force") is a community volunteer group organized by Mayor Kevin Johnson for the purpose of identifying and reviewing proposals for a new entertainment and sports complex.

The process consists of three phases:

Phase I, which just concluded, constituted a series of public hearings to engage and illicit from the community principles to guide the Task Force's review of entertainment and sports complex proposals submitted in response to a "Request for Offering" issued by the Mayor.

Phase II, which commences the week of February 1, will involve a rigorous review of the proposals submitted, with a focus on applying the principles derived from the community-based public hearings.

Phase III, which will commence in March, will involve the Task Force providing the Mayor and community with formal recommendations that could take the form of identifying one proposal, a number of proposals, a hybrid proposal or a unique model endorsed by the Task Force.

From the outset, Mayor Johnson charged the Task Force with (1) putting the taxpayers first in regards to stewardship of public tax dollars and public resources; and (2) determining whether project proposals would generate jobs and sustained economic activities to benefit the public.

With the Mayor's charge in mind, Phase I was designed to help the Task Force engage in a conversation with the people of Sacramento as to priorities and concerns relevant to a world-class entertainment and sports complex.

Over the past two months, the Task Force listened, identified issues, asked questions, and established methods to develop an entertainment and sports complex that would create jobs, provide economic stimulus and ensure a "fair shake" for Sacramento.

The Task Force next embarks on Phase II of its public hearing process by rigorously reviewing the seven proposals submitted and considering the merits of an Arco Arena renovation and the pre-existing Cal Expo proposal.

To guide Phase II, the Task Force is releasing this Phase I report, entitled "The Core Principles Report". The core principles outlined here are intended to help guarantee the people of Sacramento receive a "fair shake" when it comes to the use of public resources, including relying upon public financial support, development of public lands or use of basic public services such as Fire and Police and that are paid for through the City's General Fund.

The private interests pursuing the development of an event facility are seeking a project that will generate a profit for them and their partners, which is entirely appropriate. The Task Force's objective is to ensure that the public-private partnership works for both the private and the public sectors.

At the end of the Task Force hearings, this process will be handed over to the people of Sacramento to take the next steps, including potentially engaging in negotiations with the private

SacramentoFIRST

A New Entertainment and Sports Complex

sector. The Task Force believes that the public will best be served if negotiating from a position of strength – a key point stressed by Mayor Johnson when he initiated this process.

To that end, the core principles outlined herein are intended to provide the Task Force with the key project priorities – to put it another way, deal points -- identified through the public hearing process. These project priorities will ensure Sacramento is put first and is in the strongest possible negotiating position.

I. **No Direct Taxes:** A successful proposal will not include a direct, community-wide tax. Anti-tax sentiments were made clear when voters rejected Measures Q and R in 2006. In testimony during the last two months, public resistance to new direct taxes has been consistent. The Task Force acknowledges that the principle against direct taxation does not preclude the public from considering other potential revenue sources, such as tax increment financing or fees on tourists.

II. **Short-Term Stimulus and Long-Term Catalytic Economic Impact:** Given the current economic climate where unemployment is over 12%, a successful proposal involving a public contribution will place a premium on speed to generate short-term stimulus for construction jobs and the construction industry. The construction industry in the Sacramento region has experienced a sharp decline in the availability of jobs over the last two years, losing approximately 13,000 jobs over the last year alone. Moreover, the Task Force heard from construction firms and tradesmen that the Sacramento region is at risk of losing a generation of skilled workers. The Threshold Economic Report prepared for the Task Force noted 4,000-plus direct and indirect jobs would be created, along with \$186 million in net spending, through the development of a new facility. The Task Force believes that the velocity and multiplier effect of construction dollars will have a significant economic impact. Given the distressed condition of the construction industry and the challenges facing the building and trades workers in the Sacramento region, it is imperative that any public contributions introduce construction and development dollars to the local economy as quickly as possible. The Task Force was especially struck by testimony at the Jobs and Economic Development hearing about the magnitude of the crisis in the construction space - both for businesses and workers. Consistent with the Threshold Economic Report's analysis of event centers in other cities, any facility with public support, including land, should demonstrate the ability to trigger short-term and long-term economic benefits.

III. **Full Repayment of the Outstanding Loan to the City Must Be Addressed:** The public must be "made whole" regarding outstanding debt and interest owed by the Sacramento Kings related to the loan facilitated by the City of Sacramento. Given the amount of public concern expressed about the loan and the fact that the public will be considering making additional resources available in ways that could benefit the Kings, it is imperative that any private sector entity pursuing an approach that will involve public support identify a specific plan to address repayment of the loan. Repayment of outstanding debt may manifest itself in multiple ways, including, but not limited to, lump sum pay-off, payment plan, equity in a new facility or other plans to be agreed upon that will result in the actual identification of revenue coming back to the public.

IV. **Regional Contribution:** Accounts provided to the Task Force indicated that a significant percentage of patrons attending Arco Arena events reside outside the City of

SacramentoFIRST

A New Entertainment and Sports Complex

Sacramento. Accordingly, and given that the greater Sacramento region will benefit from jobs and economic development as the result of any public contribution (the Threshold Report made clear that the development of a facility will generate thousands of jobs outside of the City), a mechanism should be in place to generate financial support from the surrounding region. Given the difficult economy, the public is unlikely to receive direct support from surrounding jurisdictions. Therefore, a successful proposal should follow methods adopted in other cities that the Task Force learned about such as San Francisco, which include a ticket fee (adjusted for inflation) on each ticket, with fees returned to the public to offset the facility's development cost and thus constitute a regional contribution to the facility -- and reduce the public contribution. If the facility is used 210 dates per year and draws an average of 14,000 patrons, a ticket fee of \$1, would generate \$2.9 million per year for the public. Over 30 years, the numbers represent over \$88 million.

V. **Community Benefits Package:** A successful proposal that involves public support will include a Community Benefits Package. The Task Force identified Community Development Packages in other California cities, including Los Angeles. A Community Benefits Package includes written agreements between the private sector developer and/or the private sector entity controlling the facility, and the public, to provide a coordinated effort to maximize benefits to the community. The developer and/or private sector entity controlling the facility will agree that the project will include quality jobs for building and trades workers through a Project Labor Agreement, if applicable affordable housing for working families, environmentally sensitive construction and design, enhanced employment opportunities and job training targeted to community residents, contributions toward youth, arts and cultural services in the surrounding communities, and will provide for the study of economic impacts of development on surrounding neighborhoods.

VI. **Public Transportation; Environmental Benefits:** The Task Force affirmed with testimony from environmental representatives and land-use experts that a successful proposal should place a premium on minimizing negative environmental impacts in design, construction and ongoing operations of a facility, including energy use at the facility, materials used in construction, and transportation plans to mitigate against the level of harmful carbons. Public transportation supporting the venue must be a focal point as it has a significant impact on the environment.

VII. **Fair Share for Use of City Land:** Given that the NBA and/or Kings will likely seek a controlling interest in the facility, any facility developed as a true public-private partnership, including land grants, must ensure that the Team/League pays its fair share. The fair share must be directly related to the level of public support and, if in the form of annual rental fees for land, shall be adjusted for inflation.

VIII. **Protecting the City's General Fund:** In order to put the people of Sacramento first with regards to the stewardship of tax dollars and public resources, the City's General Fund must be protected. The General Fund provides basic services to the taxpayers such as Police, Fire and other basic priorities. These critical services cannot be put at risk through any funding mechanism for an events facility that involves the form of direct payments or guarantees of existing General Fund monies (net new General Fund revenue would be distinguished as such monies would represent new revenues above the costs needed to cover the existing services).

LEGEND

-  Railyard Site
-  Parking Lot Locations
- 15 Minute Walk Area

Light Rail Route

-  Existing
-  Planned
-  Light Rail Stops

Capital Corridor

-  Existing
-  Planned

RT Bus Routes

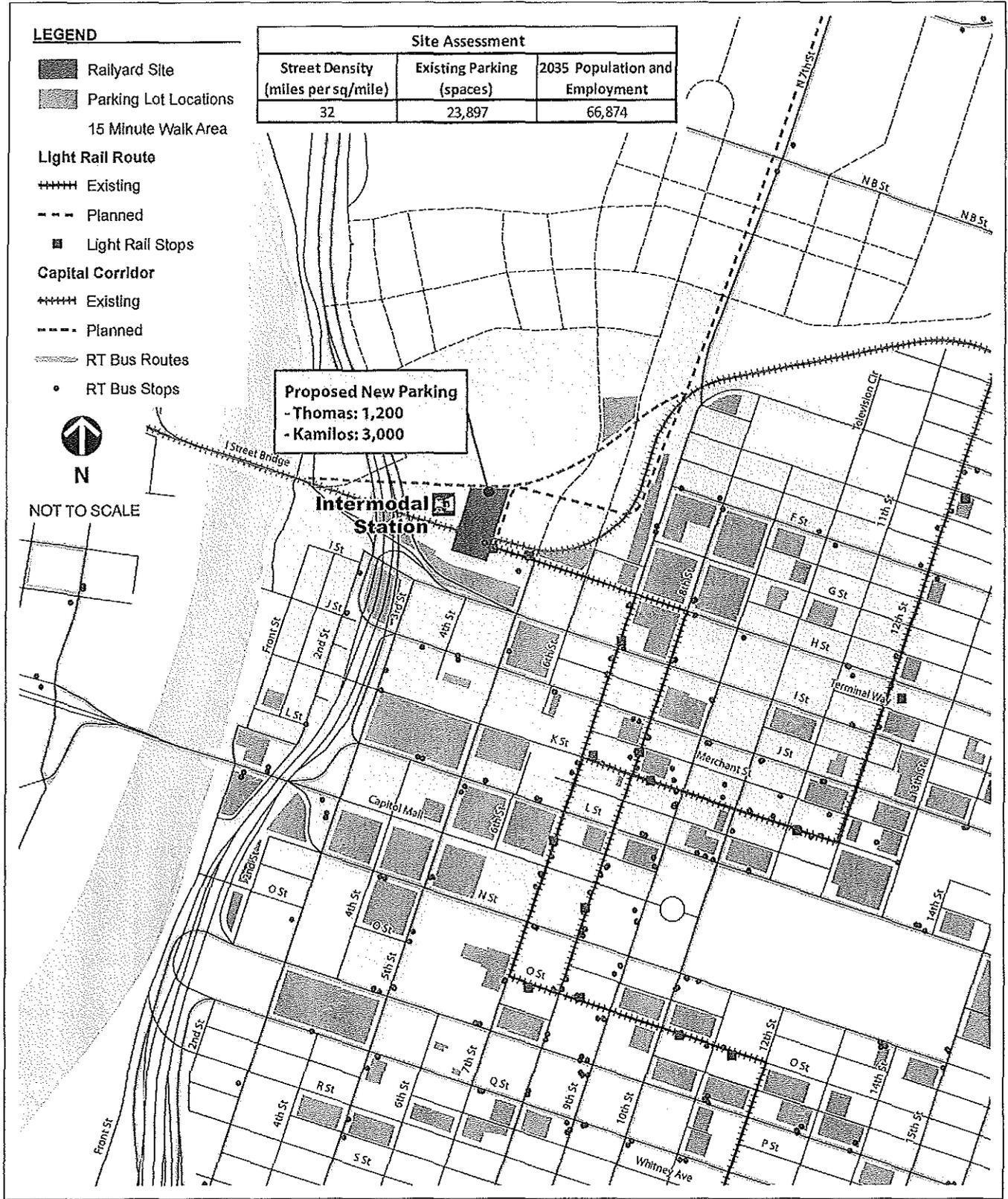
-  RT Bus Routes
-  RT Bus Stops



NOT TO SCALE

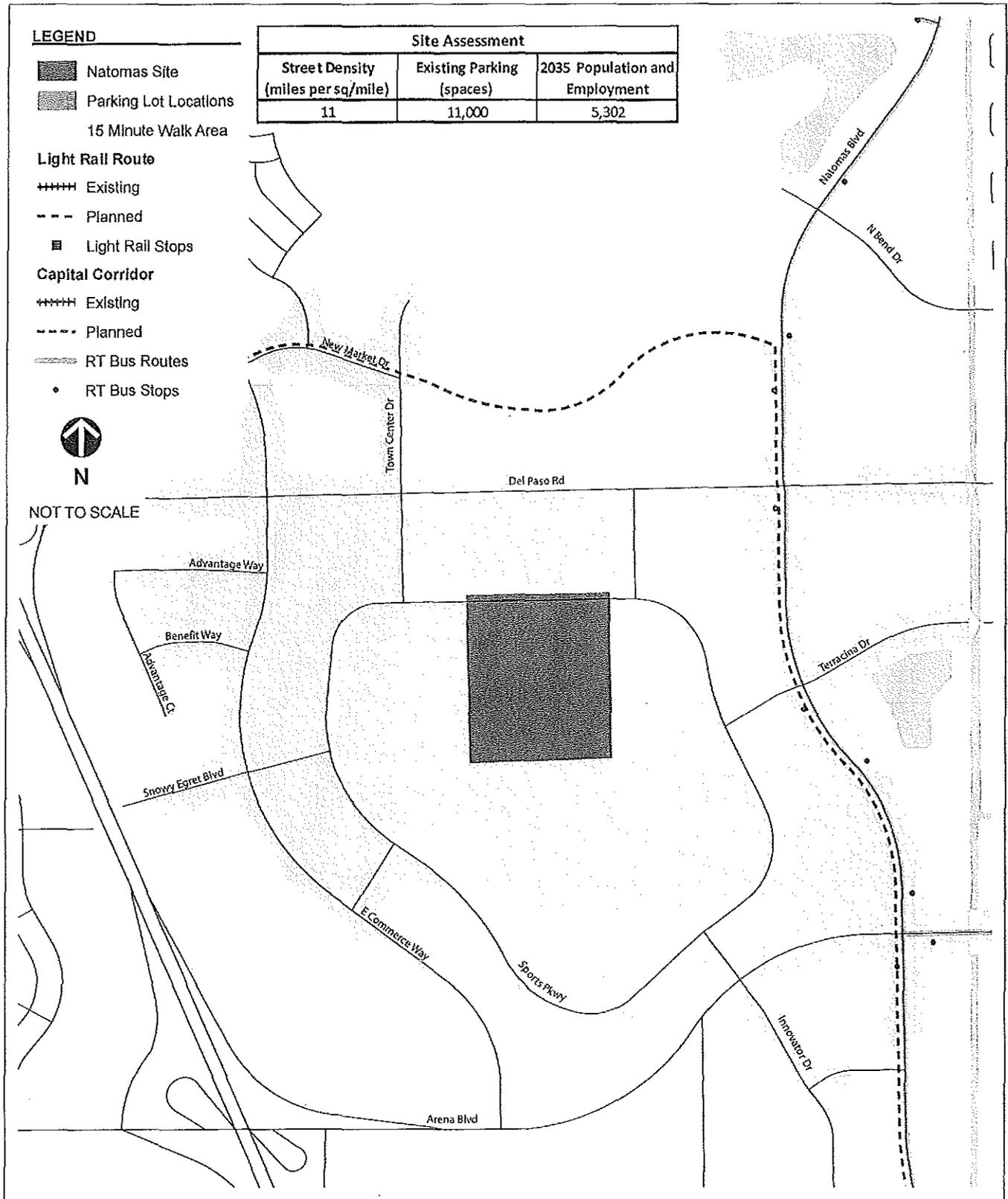
Site Assessment		
Street Density (miles per sq/mile)	Existing Parking (spaces)	2035 Population and Employment
32	23,897	66,874

Proposed New Parking
 - Thomas: 1,200
 - Kamilos: 3,000



RAILYARD SITE
 - THOMAS ENTERPRISES
 - THE KAMILOS GROUP

FIGURE 1



**ARCO SITE
- NATOMAS ESC PARTNERS
FIGURE 2**

LEGEND

-  Riverfront
-  Parking Lot Locations
- 15 Minute Walk Area

Light Rail Route

-  Existing
-  Planned
-  Light Rail Stops

Capital Corridor

-  Existing
-  Planned
-  RT Bus Routes
-  RT Bus Stops

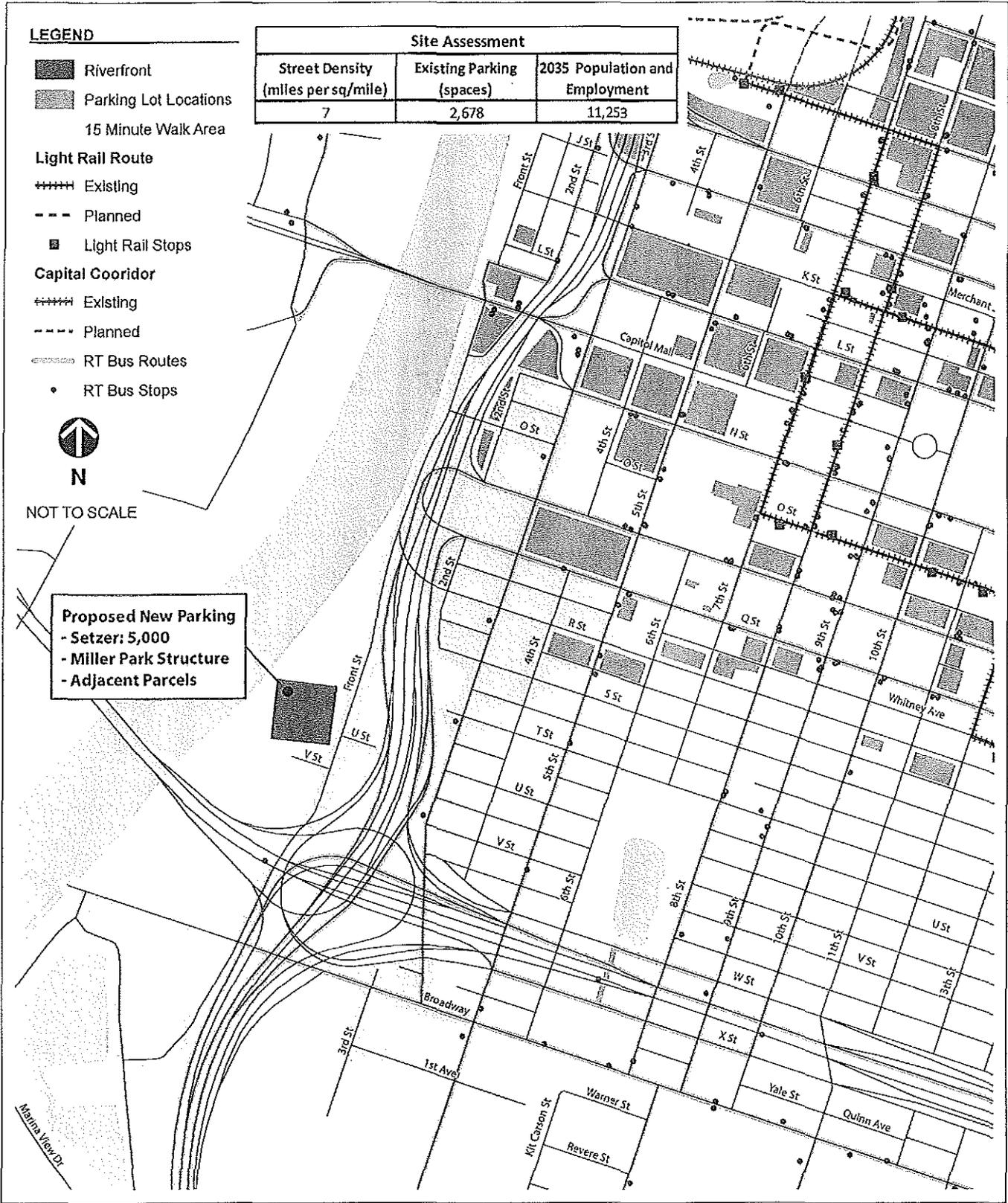


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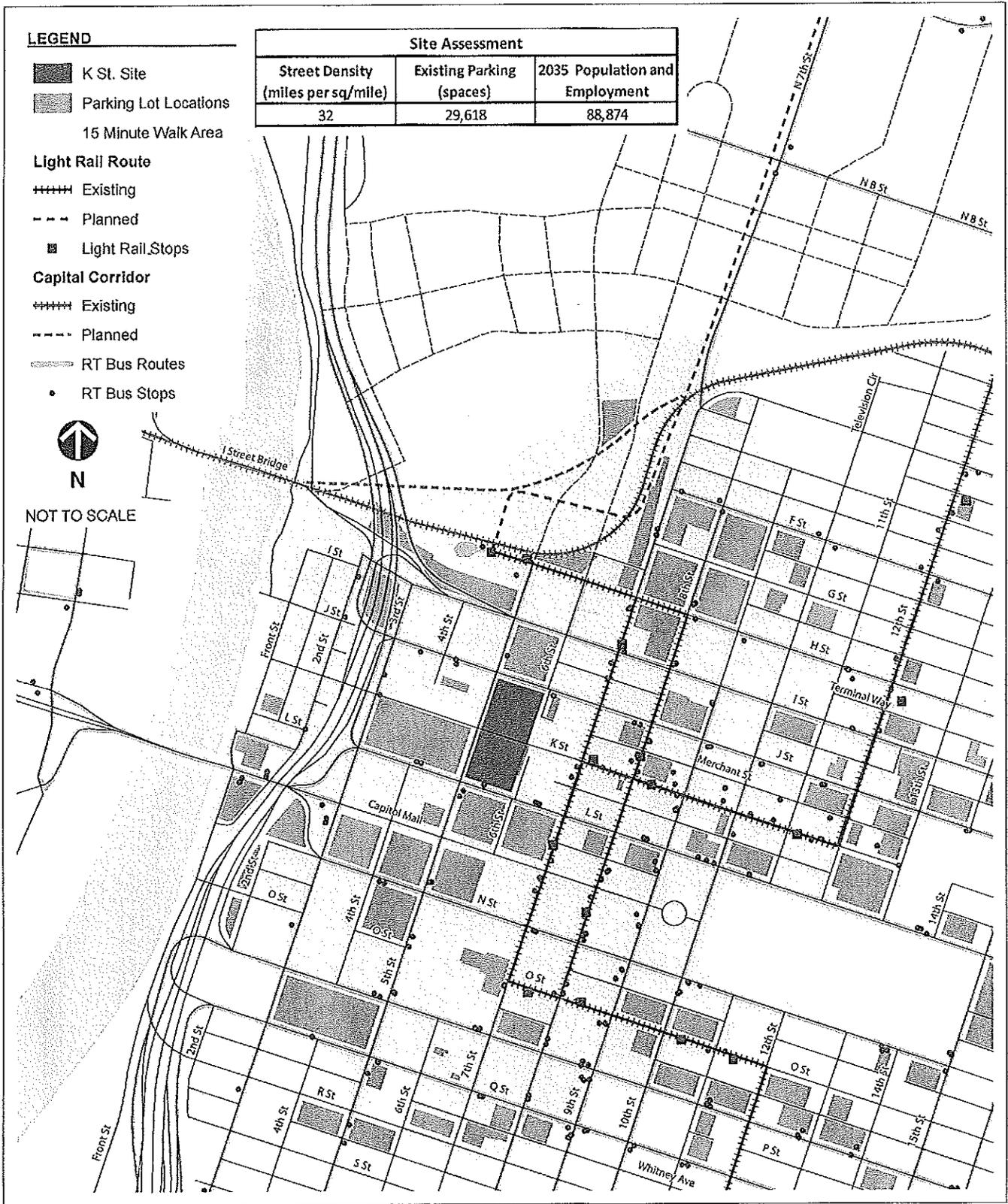
NOT TO SCALE

Proposed New Parking
 - Setzer: 5,000
 - Miller Park Structure
 - Adjacent Parcels

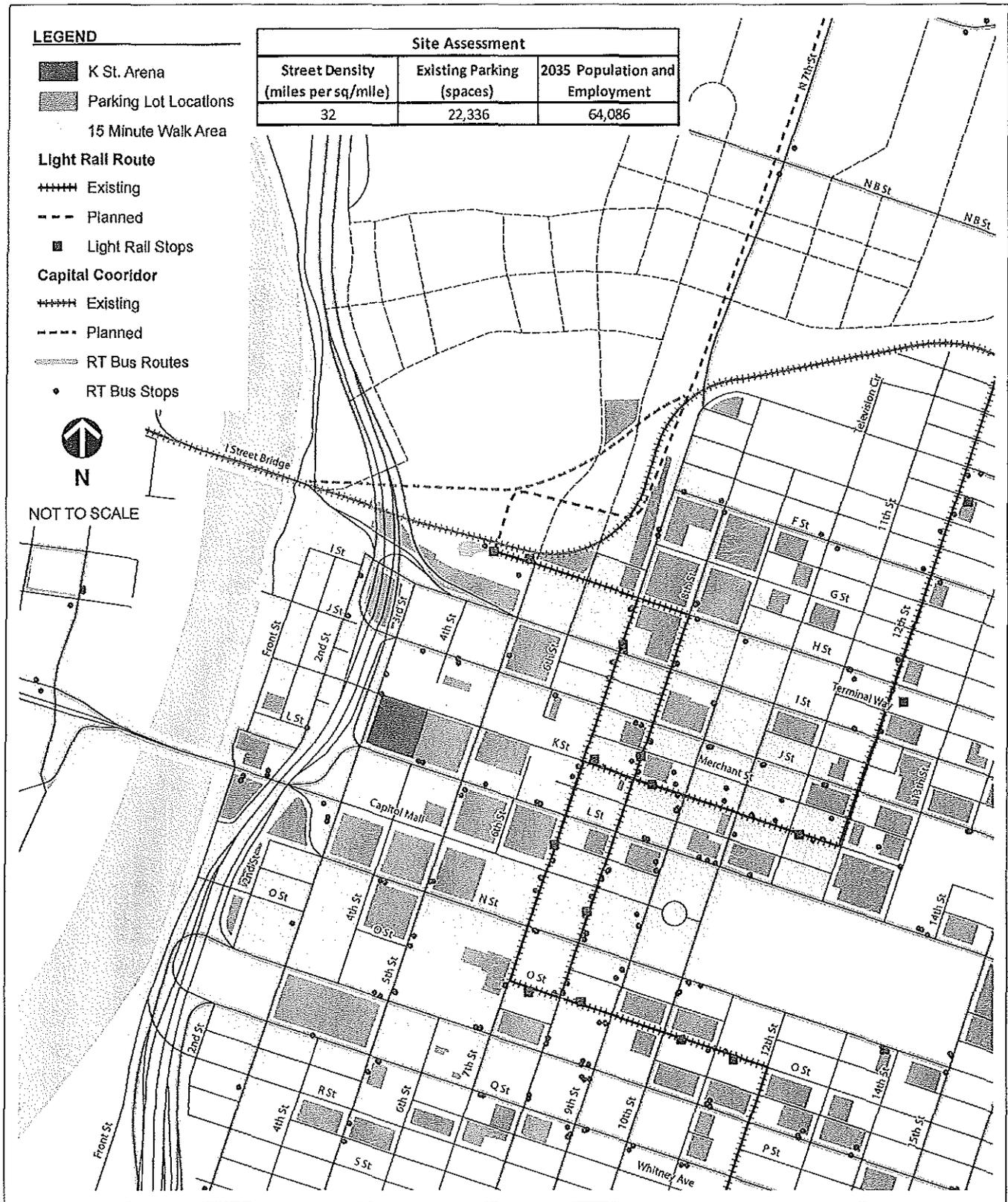
Site Assessment		
Street Density (miles per sq/mile)	Existing Parking (spaces)	2035 Population and Employment
7	2,678	11,253



DOCKS SITE
- M&M GROUP
 FIGURE 3

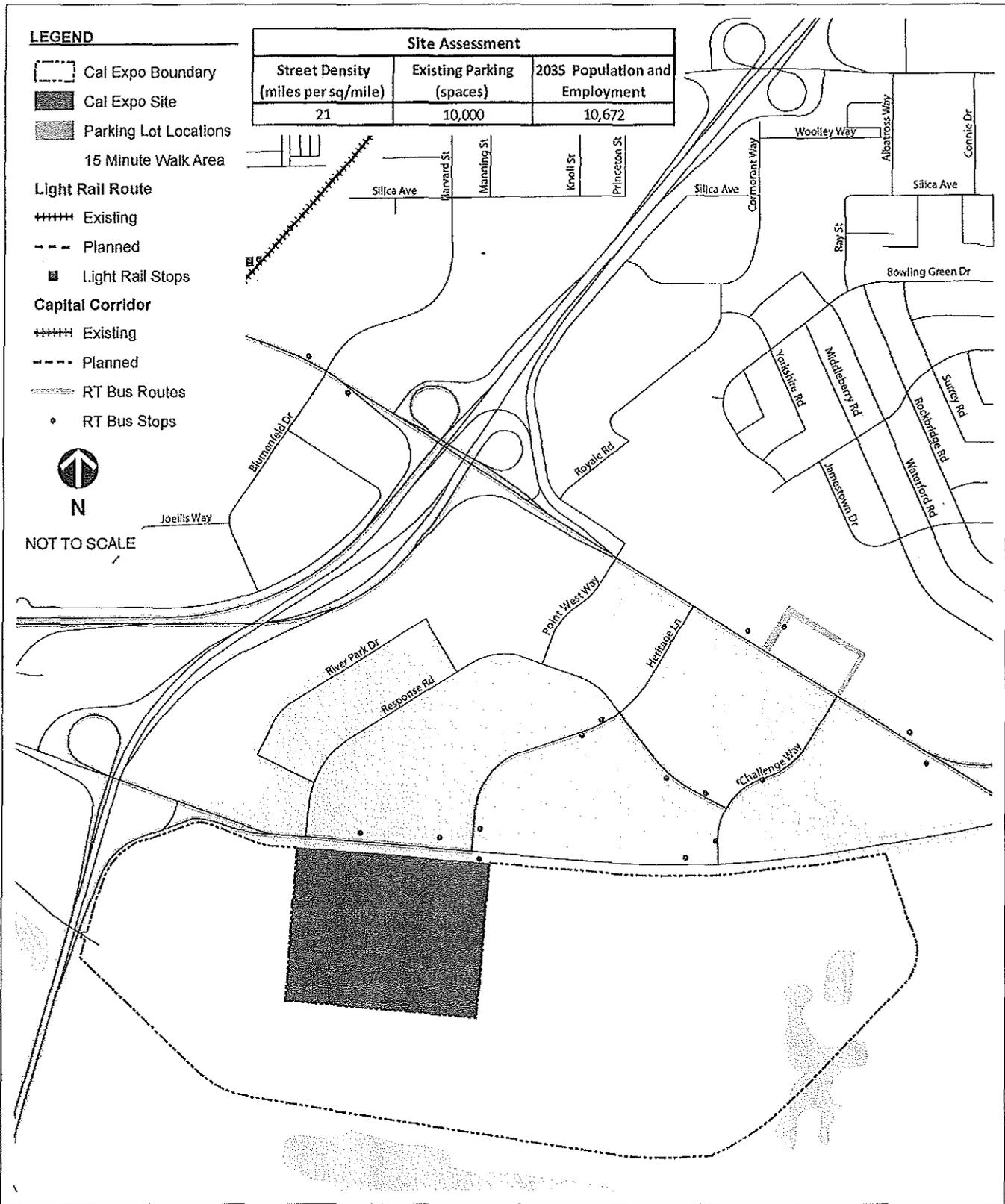


**DOWNTOWN PLAZA SITE
- ALI MACKANI
FIGURE 4**



Note: Parking supply does not include parking adjacent to Raley Field in West Sacramento.

**3RD AND L SITE
- TRIPP DEVELOPMENT
FIGURE 5**



Note: Parking supply only includes on-site spaces within Cal Expo. It does not include parking in the Point West Area.

SITE SPECIFIC ECONOMIC BENEFIT ANALYSIS FOR AN ENTERTAINMENT & SPORTS COMPLEX IN SACRAMENTO

INTRODUCTION

A new entertainment and sports complex can act as a catalyst to spur further economic development in a community depending on the location of the site selected for such a facility. People using and enjoying the facility support the local economy with spending on hotel rooms, meals, transportation and retail purchases both before and after events. The economic benefits and impacts of such spending based on arena construction and operations alone were calculated in The Threshold Report. However, that report did not evaluate any additional site specific economic benefits or possibilities that would be unique to an individual site or facility design.

Since The Threshold Report was completed, the Sacramento First Task Force received seven proposals for the development of a new entertainment and sports complex. Each proposal was unique in its development concept, design and location. Further economic benefits can be estimated based on the sites identified. This report will briefly summarize and quantify some of the benefits.

Five of the seven proposals contemplated construction of an entertainment and sports complex in the Downtown Sacramento area, one proposal contemplated construction in Natomas and one proposal contemplated construction in the Arden area at CalExpo. Although the exact location of the facility varies in each of the Downtown area proposals, a general analysis of the downtown region will provide economic data that can be applied to each site. However, there are some specific design considerations and complimentary use facilities that should be considered when evaluating the overall economic value of a particular site.

AN ENTERTAINMENT & SPORTS COMPLEX AS PART OF A LARGER DEVELOPMENT PLAN

The economic impacts on the neighborhood surrounding a new sports and entertainment facility greatly vary from one city to the next and can greatly depend on the type of neighborhood the facility is located and the potential for revitalization or future development. A common element in successful entertainment and sports facilities throughout the country is that if the facility was to be an asset for the community's economic and community development, the facility had to be part of an integrated strategic plan. If used as an anchor for an overall strategy, these facilities could change the location of economic activity, support development, and change the image of an underdeveloped part of a city. The concept of a stand-alone arena surrounded by acres of open parking lots is now commonly seen as a lost opportunity for development and the building of a city's image.

Many cities have capitalized on the understanding that entertainment and sports play a crucial role in establishing the identity of an area, changing the location of economic activity and contributing to the building of unique experiences in areas that have numerous facilities that attract people from an entire region. This concept can be exemplified in Columbus, Ohio's Arena District after the completion of the Nationwide Arena and with the

Conseco Fieldhouse in Indianapolis, Indiana's Downtown and on a larger scale in Los Angeles, California after the construction of the Staples Center or in San Diego, California after the construction of Petco Park. In all of these cities, the entertainment and sports facility is an anchor piece in a larger economic revitalization plan. The entertainment and sports facilities are one of many venues that draw people to the specific area.

Many of the proposals submitted to the Task Force take this concept into consideration to some extent as the proposals identify additional commercial, residential or mixed use development projects that can be pursued concurrent to the development of an arena. However, the existing assets of a particular site and nearby cultural, entertainment and recreation facilities should also be considered in the evaluation of the potential economic benefits of a facility. Furthermore, the timing for the realization of economic benefits is greatly dependent on the focus of the governing land use agency and the future development or redevelopment plans of an area. For example, if the City of Sacramento, as the governing land use agency, has already taken steps to focus their community development or revitalization efforts in a particular part of the City, the construction of an entertainment and sports facility in a complimentary location can accelerate the economic benefits in that area.

The recent trend in arena construction favors downtown settings. The theory is that downtown sites enable event attendees to participate in many other convenient activities, stay at nearby hotels, enjoy a variety of restaurants and other entertainment venues. With other destination venues located nearby, such as a convention center, an entertainment and sports complex can draw from people in the area for other purposes. Plus, there is the ability to take advantage of a wide range of shared parking and transportation options, including public transit. Experts in the sports economics field indicate that suburban projects are less likely to stimulate further economic development than downtown urban locations.

An important factor affecting the amount of the economic benefit that could result from a new facility is the manner in which parking is addressed. To some, the lack of parking at a facility is perceived as a negative. However, in other cities, the availability of parking around a facility tends to isolate it from its neighborhood and decreases the likelihood that event attendees will remain in the area after an event. In contrast, with parking located offsite, in a properly designed neighborhood with sufficient restaurants, bars and retail establishments, patrons would be forced to walk through a commercial area creating potential customers for local businesses. The more events that take place at such a facility, the more foot traffic in the surrounding neighborhood, which leads to spending at local establishments.

EVALUATING THE ECONOMIC BENEFITS OF THE SITES PROPOSED

The Threshold Report generally addressed the economic benefits that an arena can bring to a city. However, there are various factors that can increase or decrease the actual benefits derived from such a facility. One of those factors is site location and the number of complimentary facilities that are located nearby along with the plans for future development in the area.

To aid the Task Force in evaluating each possible site, there should be careful consideration of the nearby facilities that can improve the economic benefits of an entertainment and sports complex. The existence of such facilities will enhance the

economic benefits of a facility. Further, considerations should be given to the focus and plans of the governing land use agency as it relates to the current plan for development or revitalization of a particular area. The successful execution of such development plans can further enhance the economic benefits of a particular site.

ECONOMIC BENEFIT ANALYSIS

Economic benefits are realized during the construction of a project as well as during the ongoing operations of a project. The actual cost of construction, based on the design of the facility will determine the overall economic impacts, both direct and induced, for a project. It is possible that the cost of construction in the downtown area will differ from the costs in a suburban area, such as in Natomas or the Arden area. The Threshold Report estimated economic benefits derived from construction. At this time, without facility design and an evaluation of the site development costs of a facility it will be difficult to quantify a further benefits from the construction period based on site selection.

However, from an operational perspective, team spending, arena spending and visitor spending outside of the facility at local restaurants, retail stores and other establishments provide direct economic impacts. Based on studies of arena operations in other cities, it is expected that spending outside the facility that occurs within the City of Sacramento will be higher for a downtown facility than for a suburban facility in Natomas or the Arden area at CalExpo.

Part of the reason that downtown facilities provide a greater amount of economic stimulus is that such areas already draw people from throughout a region and an entertainment and sports facility simply adds to the draw. Specifically, Downtown Sacramento has a regional draw because of its high density of entertainment, arts, history, retail and cultural attractions. Within two miles of the five proposals that identified sites in the Downtown Sacramento area, are some of the region's most popular destinations including the State Capitol, Old Sacramento, as well as dozens of theaters, museums and shopping options. Concerts, museums, performances and other events attracted nearly 4 million people in 2008.

The Threshold Report estimated direct spending as it related to *additional* operational revenue from within a new facility due to the modern design of entertainment and sports facilities compared to the current design of ARCO Arena. This is mostly due to the existence of additional points of sale and merchandising opportunities. Those estimates apply regardless of the location of a new entertainment and sports facility. The economic benefits and jobs produced outside of the facility can be evaluated to determine further economic benefits. These benefits will vary based on the actual location of the facility.

An important goal for the development of a successful entertainment and sports complex would be to provide complementary establishments for visitors to frequent such as restaurants, bars and retail stores. For purposes of this analysis, per capita spending by visitors outside of the facility can be estimated using information obtained in studies from cities with existing facilities. Based on information gathered, it is expected that outside of the facility spending that occurs within the City of Sacramento will be higher for a downtown facility than for a facility in a suburban area, such as Natomas or the Arden area.

As shown in the following table, a downtown area facility could generate almost two times as much direct outside the facility spending within the City of Sacramento when compared to a suburban facility.

Direct Outside the Facility Spending		
	Estimated Outside the Facility Spending	Outside the Facility Spending within the City of Sacramento
Downtown Area Facility	\$ 30,000,000	\$ 22,500,000
Suburban Facility	\$ 30,000,000	\$ 12,000,000
<i>Source: Estimates for additional operational spending obtained from studies in Cleveland, Columbus, Nashville, Denver and Dallas.</i>		
Assumptions		
% Spending in City-Downtown		75%
% Spending in City-Suburbs		40%

Furthermore, the direct spending leads to indirect and induced spending. Such indirect and induced spending can be calculated as well as employee earnings and jobs created, using readily accepted economic multipliers. The following tables show that when considering indirect and induced spending, the City of Sacramento can see an economic benefit of over \$40 million per year from outside the facility spending downtown, and a benefit of over \$20 million per year from a suburban facility. Over 600 jobs can be created outside the facility in the downtown area or over 300 in a suburban area.

Indirect Outside the Facility Spending			
	Direct Spending Within the City of Sacramento	Indirect and Induced Spending Within the City of Sacramento	Total Spending Within the City of Sacramento
Downtown Area Facility	\$ 22,500,000	\$ 18,981,900	\$ 41,481,900
Suburban Facility	\$ 12,000,000	\$ 10,123,680	\$ 22,123,680

Earnings and Employment from Outside Arena Spending			
	Total Spending Within the City of Sacramento	Employee Earnings	Employment
Downtown Area Facility	\$ 41,481,900	\$ 16,592,760	618
Suburban Facility	\$ 22,123,680	\$ 8,849,472	329

SUMMARY

The site selected for the location of an entertainment and sports facility can affect the direct, indirect and induced economic benefits of a project to the City of Sacramento, due to spending that occurs in the surrounding neighborhoods at restaurants, bars and other retail establishments. A larger portion of the spending typically remains local in an integrated downtown facility when compared with a suburban facility, even as part of a sports and entertainment district. Regardless of the location of the facility, in order to achieve any measurable spending outside of the facility itself, it is important that the entertainment and sports complex is part of a larger strategic development plan.

Arena Proposals Site-Specific Issues

1.0 Introduction

PBS&J is pleased to assist the Sacramento First Arena Task Force by participating in the "Site Subcommittee." PBS&J has been actively involved in preparing environmental and planning documents on a variety of projects in the City of Sacramento for the past twenty five years.

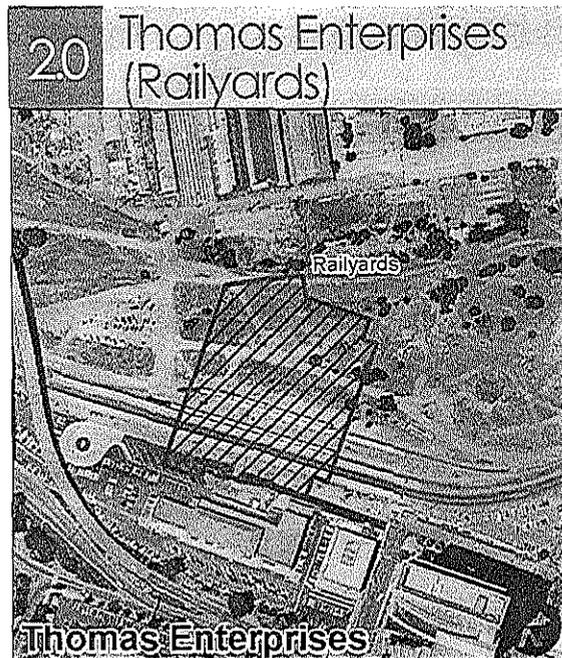
As part of the effort to evaluate the various locations for a new entertainment and sports complex and to assist the Site Subcommittee, PBS&J has done a preliminary review of the site-specific criteria listed on the Site Evaluation Scoring System prepared by the Task Force. PBS&J used these criteria to guide our research into the sites identified in the seven developer proposals. Not all of the proposals contain specific information about the precise location of proposed development on the sites (i.e., the Kamilos Group proposal). Therefore, for the purposes of this preliminary review, it was assumed that the location of the entertainment/sports complex for the Kamilos Group proposal

would be in a similar area within the Railyards as the Thomas Enterprises proposal and the issues associated with these proposals would be similar.

The information presented is designed to assist the Site Subcommittee as they review the proposals and develop scoring criteria to evaluate the various issues identified. It is important to bear in mind that any site selected would be required to go through the CEQA process and, depending upon any required permits and/or funding, may also be required to go through the federal NEPA process. Some of the sites have limited environmental clearance (i.e., Railyards and Docks), which would facilitate a more streamlined environmental review process, but additional site-specific environmental analysis would likely be required for any of the proposed sites. Any additional environmental review and/or permitting would need to be factored into the overall project schedule.

PBS&J hopes the subcommittee finds this information helpful in evaluating the merits of the proposed sites. If additional

information is needed or any assistance is required in developing the scoring criteria, PBS&J is available to further assist the Site Subcommittee.



*Approximate location based upon available information.

Perceived safety/attractiveness of area

- ❑ Nearby Richards Boulevard area/ River District known for transients.
- ❑ Although the larger project area is planned for a mix of residential, commercial, and transit uses, the site is currently undeveloped and located in an isolated area on the edge of Downtown.
- ❑ There is currently no vehicular or pedestrian activity in the immediate

area with the exception of the nearby Amtrak train station.

- ❑ High visibility from Interstate 5.
- ❑ There were 29 crimes reported in the Railyards/ Richards/ River District area between October 1 and December 31, 2009.¹

Hazardous materials abatement potential

- ❑ Remediation of contaminated soils and groundwater resulting from historic uses is within the jurisdiction of the California Department of Toxic Substances Control (DTSC) and is ongoing pursuant to Remedial Action Plans reviewed and approved by DTSC in accordance with federal CERCLA laws and regulations. Extensive groundwater remediation and monitoring system in place. Some locations have land use restrictions (covenants).

Soils capacity/excavation requirements (depth to groundwater)

- ❑ Varies from approximately 15 to 30 feet below ground surface.

1. Sacramento Police Department, Crime Mapping Report, Neighborhood – Southern Pacific/ Richards, www.sacpd.org, accessed February 11, 2010.

Grade changes

- ❑ Generally flat, overlying alluvial sediments and areas of fill to unknown depth. Site-specific geotechnical investigation recommended.

Utilities feasibility

- ❑ Existing water, sewer, and storm drain infrastructure is available at or near the site. Some upgrades would be required to accommodate a project of this size.

Other Considerations

Flooding

- ❑ Area protected by levee against 100-year flood (Zone X).

General Plan Consistency

- ❑ Sacramento 2030 General Plan Designation: Urban Center High.
- ❑ Site designated as a high priority area for intensification and to serve as a center for the region.
- ❑ Allowable General Plan uses: employment-intensive uses, high-density housing, and a wide variety of retail uses including large format retail, local shops, restaurants, and services.
- ❑ Surrounding land uses: Amtrak train station, light rail, commercial, federal courthouse, I-5, and single family neighborhood to the east.

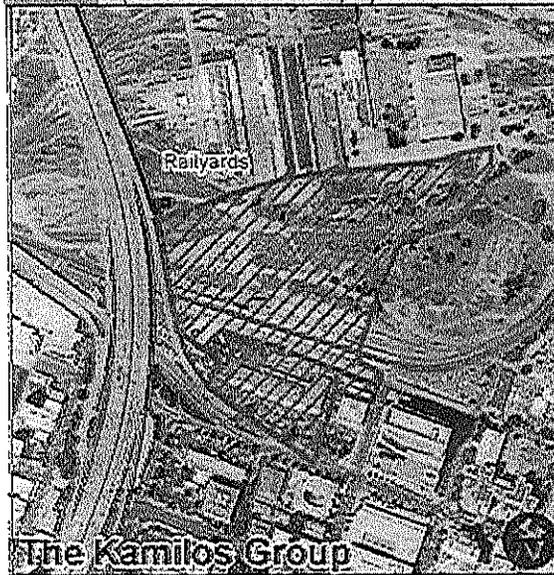
- There is a specific plan in place for the site (Sacramento Railyards Specific Plan, approved December 11, 2007). An EIR for the Railyards Specific Plan was certified in 2007.

Agency coordination/permitting

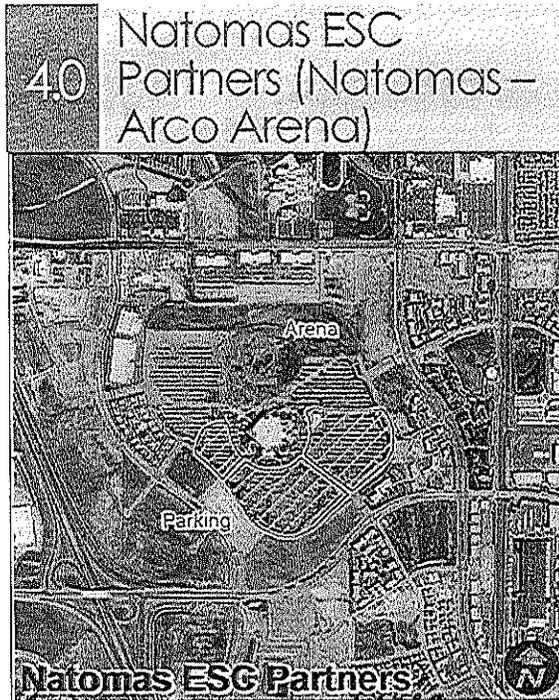
- The location of the arena is different than assumed in the previous CEQA document. The current intermodal federal environmental document, a Finding of No Significant Impact (FONSI), does not cover an arena complex. Additional NEPA and CEQA documentation would be required.

30

The Kamilos Group (Land Swap)



While the Kamilos Group proposal and Thomas Enterprises proposal include development of slightly different portions of the Railyards site, the site conditions described in this preliminary review are based on the conditions on the Railyards site as a whole. As this review is intended to present a broad overview of potential issues associated with development on the site, the information provided for the Railyards site under the Thomas Enterprises proposal also adequately describes site conditions and potential constraints for the Kamilos Group proposal.



Perceived safety/attractiveness of area

- Project site is currently undeveloped and surrounded on three sides by surface parking lots and the existing Arco Arena.
- With the exception of Arco Arena there is no vehicular or pedestrian activity in the area.
- The Arena structure would be visible from Interstate 5.
- There were 81 crimes reported in the immediate vicinity of Arco Arena

between October 1 and December 31, 2009.²

Hazardous materials abatement potential

- No known hazardous conditions present on site. Site not identified on State database for environmental contamination. Extent to which off-site properties in project area may have impacted underlying groundwater unknown. Phase 1 Environmental Site Assessment recommended.

Soils capacity/excavation requirements (depth to groundwater)

- Average 20 feet or more below ground surface.

Grade changes

- Flat, not constrained by natural or artificial slopes or engineered features. Extent of fill relative to native alluvial soils unknown in project vicinity.

Utilities feasibility

- Existing water, sewer, and storm drain infrastructure is available at or near the

2. Sacramento Police Department, Crime Mapping Report, Neighborhood – RP-Sports Complex, www.sacpd.org, accessed February 11, 2010.

site. Some upgrades would be required to accommodate a project of this size.

Other Considerations

Flooding

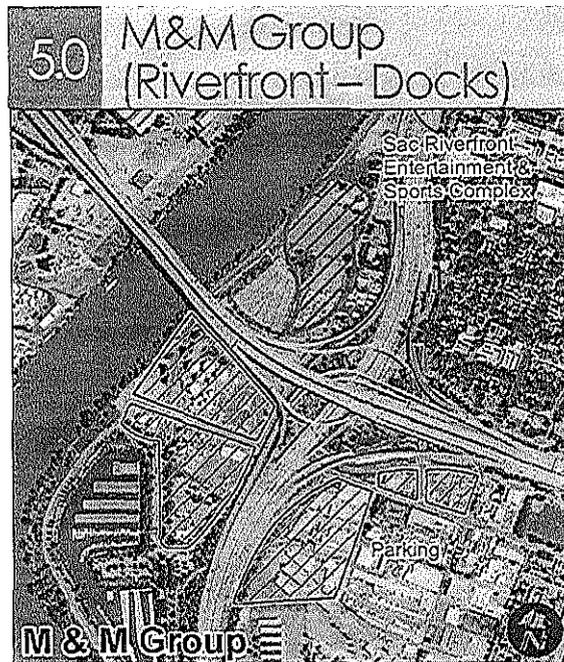
- Protected by levee, but levees determined by FEMA to not provide 100-year flood protection (Zone AE); currently, building moratorium.

General Plan Consistency

- Sacramento 2030 General Plan Designation: Urban Center High.
- Allowable General Plan uses: employment-intensive uses, high-density housing, and a wide variety of retail uses including large format retail, local shops, restaurants, and services.
- Surrounding land uses include commercial, retail, multi-family housing, and educational (high school and community college satellite campus).
- Site is within the North Natomas Community Plan.

Agency coordination/permitting

- Development in the undeveloped areas of this site could result in impacts on protected species, which could require federal permitting or participation in the Natomas Basin Habitat Conservation Plan. No recent environmental documentation has been prepared in this area.



Perceived safety/attractiveness of area

- ❑ Site is located adjacent to Front Street and the Sacramento River in an industrial and underdeveloped area of the city.
- ❑ There is minimal pedestrian activity and vehicular access along Front Street.
- ❑ Site is visible from Interstate 5 and US Highway 50.
- ❑ There were 48 crimes reported in Old Sacramento, including the Docks area,

between October 1 and December 31, 2009.³

Hazardous materials abatement potential

- ❑ Soil and groundwater contamination (organic compounds, petroleum products, metals) from industrial uses. Some parcels have land use restrictions (covenants). Approved cleanup for some locations consists of engineered "caps" to prevent human contact with residual contaminants and to prevent further environmental degradation.

Soils capacity/excavation requirements (depth to groundwater)

- ❑ Varies with river flow, can range from less than 10 feet below ground surface to more than 20 feet.

Grade changes

- ❑ Adjoins levee under State jurisdiction. Engineering properties of underlying material unknown. Constrained on west by river/levee and major freeway interchange. Site-specific geotechnical investigation recommended.

3. Sacramento Police Department, Crime Mapping Report, Neighborhood – Old Sacramento, www.sacpd.org, accessed February 11, 2010.

Utilities feasibility

- ❑ Existing water, sewer, and storm drain infrastructure is available at or near the site. Some upgrades would be required to accommodate a project of this size.
- ❑ Pioneer Reservoir, a 3.5-acre, 23-million gallon structure to prevent sewer overflows in the Combined Sewer System is located on this site. This facility would need to be relocated to accommodate this project.

Other Considerations

Flooding

- ❑ Portions of the area are protected by levee against 100-year flood (Zone X). However, the site is split for Federal Emergency Management Agency hazard designation – area north in Zone X, small portion of area south in Zone AE (special flood hazard zone).

General Plan Consistency

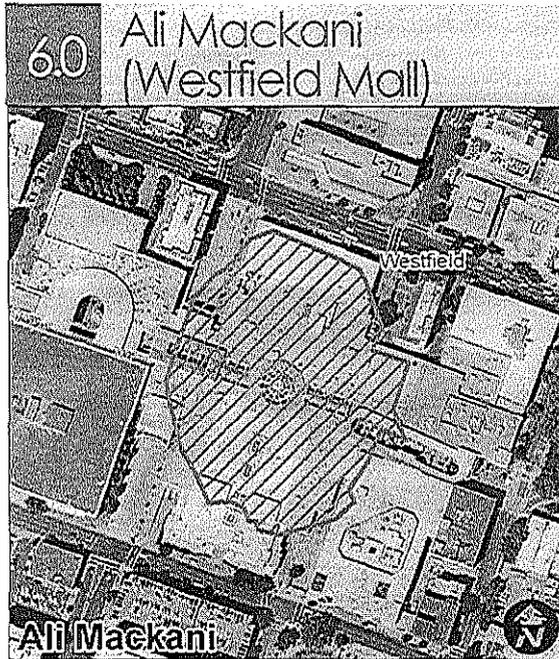
- ❑ Sacramento 2030 General Plan Designation: Urban Center High, Parks and Recreation, Urban Neighborhood Medium, Urban Corridor Low.
- ❑ Allowable General Plan uses: employment-intensive uses, high-density housing, and a wide variety of retail uses including large format retail, local shops, restaurants, and services.
- ❑ Surrounding uses include Crocker Art Museum east side of I-5, City's Animal

Shelter, City's wastewater facilities, surface parking lot under the freeway, and a recent extension of a pedestrian promenade along the river.

- ❑ Parking facilities identified on properties currently proposed for a mixed use development project under City review (along Broadway).
- ❑ Approved Docks Area Specific Plan and EIR include residential and retail uses.
- ❑ Within the Merged Downtown redevelopment project area.

Agency coordination/permitting

- ❑ If modifications to the adjacent levee are proposed, federal permitting through the US Army Corps of Engineers and/or Central Valley Flood Protection Board (CVFPB) could be required. Species present could trigger review by U.S. Fish and Wildlife Service and/or California Department of Fish and Game.



Perceived safety/attractiveness of area

- ❑ Site is located in downtown within an existing shopping mall (Westfield Mall) and pedestrian office/retail street (K Street Mall).
- ❑ Pedestrian and vehicular activity is high in this area during the day, but is relatively low traffic at night. A light rail line runs by the site.
- ❑ Site is in a redevelopment area and has issues with urban crime and blight.
- ❑ Limited visibility from Interstate 5 due to intervening structures.

- ❑ There were 435 crimes reported in Downtown between October 1 and December 31, 2009;⁴ although not all of these reported crimes occurred on this site.

Hazardous materials abatement potential

- ❑ No known hazardous conditions present on site. Site not identified on State database for environmental contamination. Extent to which off-site properties in project area may have impacted underlying groundwater unknown. Phase 1 Environmental Site Assessment recommended.

Soils capacity/excavation requirements (depth to groundwater)

- ❑ Varies with river flow, can range from less than 10 feet below ground surface to more than 20 feet.

Grade changes

- ❑ Flat, extensive development on engineered fill to unknown depth. Site-specific geotechnical investigation recommended.

4. Sacramento Police Department, Crime Mapping Report, Neighborhood – Downtown, www.sacpd.org, accessed February 11, 2010.

Utilities feasibility

- ❑ Existing water, sewer, and storm drain infrastructure is available at or near the site. Some upgrades would be required to accommodate a project of this size.
- ❑ This area is served by the Combined Sewer System (CSS) and Sump 52 for wastewater and stormwater, respectively. Since the site is already developed with impervious surfaces, there should be no increase in runoff or constraint due to stormwater capacity in Sump 52. However, substantial sewer flows would require improvements to the CSS to reduce potential for overflows during storm events.

Other Considerations

Flooding

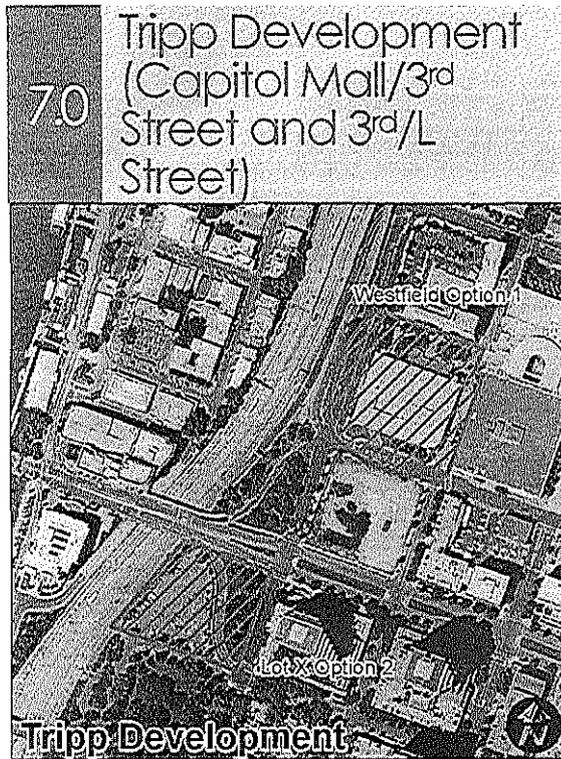
- ❑ Area protected by levee against 100-year flood (Zone X).

General Plan Consistency

- ❑ Sacramento 2030 General Plan designation: Central Business District.
- ❑ Allowable General Plan uses: intended to serve as the business, governmental, retail, and entertainment center for the city and the region.
- ❑ Surrounding uses include shopping center, office, and retail uses, small, urban park, and light rail transit.
- ❑ Within the Merged Downtown redevelopment project area.

Agency coordination/permitting

- The downtown area of Sacramento has many areas where substantial subsurface historic resources are present. Excavation on this site could encounter subsurface historic resources that may need to be recovered or documented prior to construction.



Capitol Mall/3rd Street

Perceived safety/attractiveness of area

- ❑ Sites are located in an area dominated by government and office buildings within the gateway to the State Capitol. State Capitol anchors the east end of Capitol Mall; Tower Bridge anchors the west end of Capitol Mall.
- ❑ Pedestrian and vehicular activity is high in this area during the day; activity

limited at night. A light rail line is located nearby.

- ❑ Option 1 (3rd /L) is adjacent to Westfield Mall and visible from Interstate 5 and Old Sacramento.
- ❑ Option 2 (Capitol and 3rd) is visible from Interstate 5, State Capitol, Old Sacramento, and Tower Bridge.
- ❑ There were 435 crimes reported in Downtown between October 1 and December 31, 2009.⁵

Hazardous materials abatement potential

- ❑ 3rd and L (Option 1) is included on agency database for leaking underground storage tank investigation.
- ❑ No known hazardous conditions present on Capitol and 3rd (Option 2). Site not identified on State database for environmental contamination.
- ❑ Extent to which off-site properties may have impacted underlying groundwater unknown. Phase 1 Environmental Site Assessment recommended for either site.

5. Sacramento Police Department, Crime Mapping Report, Neighborhood – Downtown, www.sacpd.org, accessed February 11, 2010.

Soils capacity/excavation requirements (depth to groundwater)

- ❑ Option 1: Contains engineered fill to unknown depth. Site-specific geotechnical investigation recommended.
- ❑ Option 2: Varies with river flow, can range from less than 10 feet below ground surface to more than 20 feet.

Grade changes

- ❑ Constrained on the west by "boat section" of I-5, which has extensive retaining wall and dewatering facilities. Site-specific geotechnical investigation recommended.

Utilities feasibility

- ❑ Existing water, sewer, and storm drain infrastructure is available at or near the site. Some upgrades would be required to accommodate a project of this size.
- ❑ This area is served by the Combined Sewer System (CSS) and Sump 52 for wastewater and stormwater, respectively. Since site is already developed with impervious surfaces, there should be no increase in runoff or constraint due to stormwater capacity in Sump 52. Substantial sewer flows would require improvements to CSS to reduce potential for overflows during storm events.

Other Considerations

Flooding

- Area protected by levee against 100-year flood (Zone X).

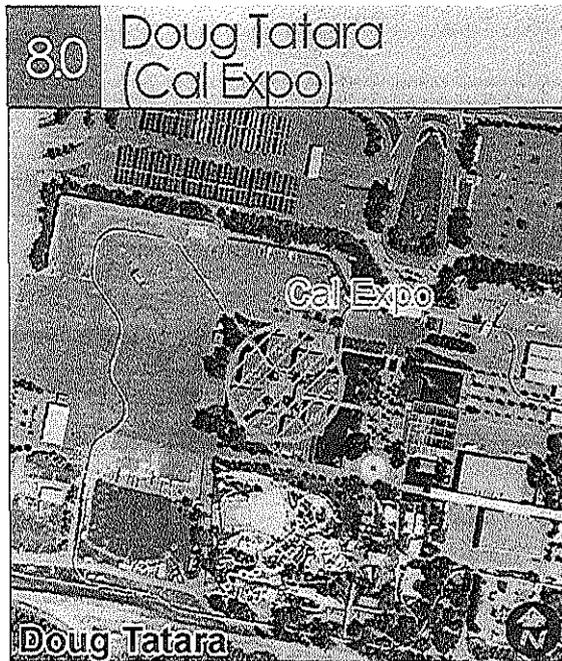
General Plan Consistency

- Both sites: Sacramento 2030 General Plan designation: Central Business District.
- Both sites: Allowable General Plan uses: serve as the business, governmental, retail, and entertainment center for the city and the region.
- Both sites within the Merged Downtown redevelopment project area.
- Option 1: Surrounding uses include shopping center, hotel, and office uses. An undeveloped parcel is located to the south.
- Option 2: Surrounding uses include parks and recreation, Crocker Art museum, office uses, and multi-family housing.

Agency coordination/permitting

- The downtown area of Sacramento has many areas where substantial subsurface historic resources are present. Excavation on this site could encounter subsurface historic resources that may need to be recovered or documented prior to construction.





Perceived safety/attractiveness of area

- Site is located within the existing state fairgrounds (Cal Expo). Existing waterpark operates on site. Other daytime and nighttime activity nearby or on the site is limited, except during scheduled events.
- Site is physically isolated and located internal to the fairgrounds.
- Site is visible from Business 80/Capitol City Freeway.

- There were no crimes reported in the Cal Expo area between October 1 and December 31, 2009.⁶

Hazardous materials abatement potential

- No known hazardous conditions present on site. Site not identified on State database for environmental contamination. Extent to which off-site properties in project vicinity may have impacted underlying groundwater unknown. Phase 1 Environmental Site Assessment recommended.

Soils capacity/excavation requirements (depth to groundwater)

- Approximately 20 feet below ground surface.

Grade changes

- Flat, extensively developed on fill to unknown depth. Site-specific geotechnical investigation recommended.

Utilities feasibility

- Existing water, sewer, and storm drain infrastructure is available at or near the

site. Some upgrades would be required to accommodate a project of this size.

Other Considerations

Flooding

- Area protected by levee to protect against 100-year flood (Zone X).

General Plan Consistency

- Sacramento 2030 General Plan Designation: Urban Center High.
- Allowable General Plan uses: employment-intensive uses, high-density housing, and a wide variety of retail uses including large format retail, local shops, restaurants, and services.
- Surrounding uses include multi-family housing, commercial, entertainment (Raging Waters), and parks and recreation (American River Parkway).

Agency coordination/permitting

- There are structures on the Cal Expo site that could meet the age requirements for historic review. If structures proposed for demolition meet the criteria for historic significance, the project would be required to comply with the federal Section 106 process.
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6. Sacramento Police Department, Crime Mapping Report, Neighborhood – Cal Expo, www.sacpd.org, accessed February 11, 2010.