



REPORT TO COUNCIL

City of Sacramento

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915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Workshop
September 28, 2010

Honorable Mayor and
Members of the City Council

Title: Informational Report from Sacramento Convergence LLC on its Approach
for a New Cal Expo in Natomas

Location/Council District: Council Districts 1 and 2: Railyards, Natomas and Point
West

Recommendation: Receive and file. This is an informational presentation/workshop
that does not require the City Council to take formal action at this time. The Sacramento
Convergence team, including representatives from VisionMakers Worldwide, will
present their vision and approach to developing a new Cal Expo and State Fair in
Natomas. Representatives from Cal Expo and consultant to Cal Expo, Andy Plescia,
have also been invited to the workshop.

Contact: Betty Masuoka, Executive Project Manager, 808-7942; Rachel Hazlewood,
Senior Project Manager, 808-8645

Presenters: Betty Masuoka, Convergence Team

Department: City Manager's Office, Economic Development

Division: Citywide

Organization No: 18000

Description/Analysis

Issue: On September 24, 2010, the Cal Expo Board of Directors considered the report,
"Cal Expo Development Plan Alternatives Analysis Report," by consultant A. Plescia &
Company.¹ The Board also considered a presentation from Sacramento Convergence
LLC of a Modified Proposal and Plan. The purpose of this workshop is to provide the
City Council with a briefing on these reports and the opportunity to review and discuss
the project with Sacramento Convergence and representatives from Cal Expo.

¹ The full report may be found at
www.caexpo.com/PDFs/Meeting%20Notices/BOD_Leasing_Authority_Board_Joint_Hearing_Meeting_Agenda.pdf.

The Cal Expo Board of Directors commissioned A. Plescia & Co. and Gruen Gruen + Associates to, in part, conduct a market, planning and economic analysis of the June 2010 proposal submitted to the Board by Sacramento Convergence for development of a relocated /new Cal Expo facility in Natomas. This was the same proposal presented to the City as required by the Exclusive Right to Negotiate (ERN) agreement that Convergence has with the City. The Plescia report concludes that the Sacramento Convergence Program, as initially proposed, would not be in the best long-term interests of Cal Expo. However, on September 6, 2010 Sacramento Convergence modified its proposal terms and submitted additional new information to Cal Expo related to the proposed relocation and development of a new Cal Expo facility to address concerns identified in the Plescia report. That information will be presented to the City Council at this workshop.

Policy Considerations: None at this time.

Environmental Considerations: The actions contemplated and described in this report are consistent with City goals of economic development and with the direction provided to staff at the Council sessions on April 27, 2010 and July 20, 2010.

California Environmental Quality Act (CEQA):

This is an information report which is not subject to the California Environmental Quality Act (CEQA). After the analysis of the feasibility of the Convergence Plan is completed and the scope of the Natomas and Point West redevelopment projects are defined, an analysis of environmental impacts of each aspect of the Convergence Proposal under CEQA could commence.

Sustainability Considerations: None at this time.

Other: None at this time.

Commission/Committee Action: N/A.

Rationale for Recommendation: N/A.

Financial Considerations: None at this time.

Emerging Small Business Development (ESBD): None at this time.

Respectfully Submitted by: Rachel Angewood for
Betty Masuoka
Executive Project Manager

Approved by: James R. Rinehart for
James R. Rinehart
Economic Development Director

Recommendation Approved:

Gus Vina for
Gus Vina
Interim City Manager

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Attachment 1**BACKGROUND**

Actions to Date

On March 11, 2010, the Mayor's SacramentoFIRST Task Force presented its findings for a Sports and Entertainment Complex (S&E Complex) to the City Council at a special meeting. The Task Force recommended that the City proceed with an evaluation of the Convergence Offering submitted by Kamilos Companies and David S. Taylor Interests and including various consultants and financing partners (the "Convergence Team") for development of the S&E Complex. The Convergence Plan includes developing the S&E Complex on the City's Intermodal property and transferring the City's Natomas property to the State to allow for relocation of the State Fair and Exposition facilities, so that the State may sell the 350 acre portion of the existing Cal Expo property at Point West to Sacramento Convergence, LLC to allow for its redevelopment. A portion of the proceeds from redevelopment of the Point West property from the subsequent sale of parcels after entitlements have been secured would be pledged to assist in financing the S&E Complex and the new State facilities.

On March 16, 2010, the City Council accepted the Task Force recommendation to proceed with the Convergence Plan and directed staff to prepare an Exclusive Right to Negotiate (ERN) Agreement with the Kamilos/Taylor group to allow for an evaluation of the Convergence Plan. In addition, Council provided direction that the S&E Complex be designed to be integrated with the City's Intermodal development plan, as suggested by the Task Force.

At the following Council meeting on March 23, 2010, the Mayor, with the Council's concurrence, appointed an Ad Hoc Committee comprised of himself and Council Members Cohn, Fong and Tretheway to provide oversight of the negotiations during the ERN term and to review any proposals for legislation which may be drafted to facilitate implementation of the Convergence Plan. The Ad Hoc Committee has met twice on the Convergence Proposal focusing primarily on the proposed legislation, and the individual members have received periodic updates from staff.

On April 27, 2010, the City Council approved the execution of an Exclusive Right to Negotiate with the Sacramento Convergence, LLC for the Convergence Plan. The initial term of the ERN was for 120 days and it was extended on July 20, 2010 to expire on October 25, 2010. The ERN required Sacramento Convergence, LLC to submit a proposal outlining the financing structure and assumptions, as well as a concept plan for the S&E Complex so the City could conduct an evaluation of the feasibility of the Convergence Plan. The ERN provides both parties with the opportunity to conduct necessary due diligence. It also grants to Sacramento Convergence, LLC the exclusive right to negotiate with the City regarding the terms of a pre-development agreement, which would outline the roles and responsibilities of each party if the Convergence Plan is ultimately approved by the Council.

On June 30, 2010, Sacramento Convergence, LLC submitted its formal Proposal which set out the Convergence Plan and included the S&E Complex Plan deliverables as required in the ERN (available on the City's web site at <http://www.cityofsacramento.org/esc/>).

An Evaluation Agreement between Cal Expo and Convergence was approved by the Cal Expo Board on June 25, 2010. The evaluation period ends September 25, 2010. During this time, Cal Expo consultant A. Plescia & Co. evaluated the Convergence proposal of relocating to Natomas as well as the feasibility of staying at Pt. West.

On July 20, 2010, the City Council approved the extension of the ERN with Sacramento Convergence for an additional 60 day term. Prior to the expiration date of October 25, 2010, the staff will seek Council direction on whether to continue the negotiations with Sacramento Convergence, LLC.