



REPORT TO COUNCIL

City of Sacramento

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www.CityofSacramento.org

Staff Report
October 26, 2010

Honorable Mayor and
Members of the City Council

Title: Status Report on Sacramento Convergence

Location/Council District: Council District 1: Railyards and Natomas

Recommendation: Receive and File – Oral report on status of Sacramento Convergence regarding the Sports and Entertainment Complex

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

Presenters: Betty Masuoka

Department: City Manager's Office, Economic Development

Division: Citywide

Organization No: 18000

Description/Analysis

Issue: The Exclusive Right to Negotiate (ERN) Agreement with Sacramento Convergence, LLC for the Sports and Entertainment Complex expired October 25, 2010. The purpose of this report is to provide the City Council with an oral report on the status of the Sacramento Convergence team's efforts and outline the strategy for future action.

Policy 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 previous Council sessions.

Environmental Considerations:

California Environmental Quality Act (CEQA): This is an information report which is not subject to the California Environmental Quality Act (CEQA).

Sustainability Considerations: None at this time.

Commission/Committee Action: N/A

Rationale for Recommendation: Not applicable.

Financial Considerations: None at this time.

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

Respectfully Submitted by: Rachel Harlowood for
Betty Masubka
Executive Project Manager

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

Recommendation Approved:

Gus Vina
Gus Vina
Interim City Manager

APPROVED AS TO FORM:
Daryl Patton
CITY ATTORNEY

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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 (ERN) 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.

An Evaluation Agreement between Cal Expo and Convergence was approved by the Cal Expo Board on June 25, 2010. The evaluation period ended 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.

On September 24, 2010, the Cal Expo Board of Directors voted not to continue to study the proposed Natomas location for a future Cal Expo as proposed by the Sacramento Convergence team.

At a City Council Workshop on September 28, 2010, the City Council directed staff to return to City Council on October 26, 2010 with a report on the feasibility of any alternate proposal submitted to the City by the Sacramento Convergence that does not include Cal Expo's participation.



Late Council Report Approval
Attach to HARD COPY of Your Report for Assistant City Manager's Signature

Council Meeting Date: 10/26/10

Report Title: Status Report on Sacramento Convergence

- Report submitted to Document Review System LATE**
- Final Report submitted LATE**

Explanation:

Awaiting information from Sacramento Convergence for Council report.

This Report cannot be placed on a future agenda because:

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Department Authorization


James R. Rinehart, Economic Development Director

Office of the City Manager Authorization

This report is approved for inclusion for the above referenced Agenda material.

Must be signed by one of the following.

- John Dangberg, Assistant City Manager** _____
- Cassandra Jennings, Assistant City Manager** _____
- Patti Bisharat, Interim Assistant City Manager** _____