



**City of Sacramento
City Council**

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

Meeting Date: 1/25/2011

Report Type: Staff/Discussion

Title: SacramentoFIRST Task Force Report on the Sports & Entertainment Complex Proposals

Report ID: 2011-00118

Location: District 1

Recommendation: Discuss the oral report provided by the SacramentoFIRST Task Force on the Sports & Entertainment Complex Proposals and give direction to staff on the proposed next step as outlined in the Description/Analysis.

Contact: John Dangberg, Assistant City Manager (916) 808-1222 Office of the City Manager; Rachel Hazelwood, (916) 808-8645, Department of Economic Development

Presenter: Chris Lehane, SacramentoFIRST Task Force Co-Chair

Department: Economic Development Division / City Manager's Office

Division: Downtown Development

Dept ID: 18001021

Attachments:

- 1-Description/Analysis
 - 2 Background
-

City Attorney Review

Approved as to Form
Sheryl N. Patterson
1/20/2011 11:30:41 AM

Approvals/Acknowledgements

Department Director or Designee: Jim Rinehart - 1/20/2011 9:35:54 AM

Assistant City Manager: Patti Bisharat - 1/20/2011 11:27:14 AM

Description/Analysis



Issue: In late 2009, Mayor Kevin Johnson formed a 12-member citizen’s task force, SacramentoFIRST, charged with examining options for bringing a new sports and entertainment complex to Sacramento. The Task Force recommended the Convergence Team be selected for an Exclusive Right to Negotiate (ERN) to enable additional analysis. After the ERN with the Convergence Team expired, Mayor Johnson requested the SacramentoFIRST Task Force reconvene in late 2010. The Task Force was asked to revisit the proposals submitted earlier that year. That review has occurred (summaries of the four proposals may be found at: <http://www.sacramentofirst.org/meeting-agendas/>). The proposals have been ranked by the Task Force and its findings will be presented to the City Council at the January 25, 2011 meeting.

Recommended Next Steps: While the proposals submitted to the Task Force all included statements of qualifications, they were inconsistent in their assessment of financial feasibility. Some did not include any financial feasibility analysis and others very little. Since the key challenge in this effort has been financial feasibility and the ability to put together a viable and executable plan for financing, staff recommends that the Council select the most qualified proponent(s) and direct the proponent(s) and staff to complete a thorough financial feasibility analysis. Specifically, staff recommends the proponent(s) complete the Submission Requirements outlined below and submit them to the City within 90 days. Staff will evaluate the submittals and return to the City Council within 60 days thereafter to report back with the results of its analysis and recommend next steps based on the outcome of the review.

Although location is ultimately an important factor, the primary objective during this 90 day period is to review financial feasibility of the selected proposal(s). Staff from the City Manager’s Office, the Treasurer’s Office, the Departments of Economic Development and Budget and Finance will be available to assist the proponent(s) with their questions and provide complete information about existing City agreements with the Kings, the City budget, assets and revenue streams.

Proposed Submission Requirements: The following is the proposed list of submission requirements.

1. **Cover Letter:** A cover letter highlighting the development team’s key qualifications and experience. The letter should clearly identify all of the team members and their roles.
2. **Narrative Description:** A narrative description demonstrating the team’s understanding of the project, general vision and how to translate that vision into a successful development. Include the use and programming of the proposed center.
3. **Relevant Projects:** At least five projects, with contact names and numbers for references, that highlight the team’s experience in: 1) arenas, convention centers, hotels and/or event centers. Additional relevant projects may include urban infill, mixed-use, retail development and other redevelopment projects.

4. Team Resumes: A resume of each proposed team member highlighting his or her experience and role in the development projects addressed in #3 above.
5. Preliminary Project Schedule: A project schedule that includes the proposed project start date, milestones, critical path items and proposed project completion date.
6. Preliminary Financial Plan: Information to demonstrate the feasibility of potential project financing and the feasibility of the proposed project upon completion. The Financing Plan should include:
 - a. Preliminary design and construction cost estimates including parking, on-site and off-site improvements;
 - b. Preliminary development pro forma budgets;
 - c. Preliminary operating pro forma budgets;
 - d. Sources of funds and financing mechanisms including the financial participation of the development team and the Kings;
 - e. Identity, capacity and interest of financing partners;
 - f. Description of the expected level of public financial participation, public asset contribution (land, parking, etc.), and infrastructure improvements both on-site and off-site;
 - g. Process and timing for securing each type of financial participation/contribution, both public and private;
 - h. Description of expectations regarding City staff involvement in the assessment of site configuration and project review;
 - i. Description of the expected level of concessions, deferrals or waivers being sought for public processing fees, entitlement fees, impact fees, permit or other fees, including the dollar amount being requested;
 - j. Description of how the existing \$65 million City loan for the Power Balance Pavilion will be paid off and description of any changes in the City's security interests;
 - k. Description of the ownership structure of the Sports & Entertainment Complex.
7. Potential facility operators: Provide a description of potential operators including a statement of current relationship with the proposed operators.
8. Signed concurrence agreement with the Kings.
9. If the proposal is for a site other than the existing Natomas site, please describe reuse concepts and plans for the Natomas site.

Time Line:

January 25, 2011	Council Presentation by SacramentoFIRST on Sports & Entertainment Complex Proposals
January 26, 2011	Commencement of 90 Day Financial Feasibility Proposal Preparation Period
April 28, 2011	Financial Feasibility Proposal Submittals Due to City
April 29, 2011	City Evaluation of Financial Feasibility Proposal(s) Commences
Early July 2011	City Staff Completes Review of Financial Feasibility
Mid July 2011	City Council Consideration of Staff Recommendations

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):

Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability: None at this time.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Not applicable.

Financial Considerations: None at this time. However, outside technical expertise may be needed to assist in the evaluation of the proposal(s). If such is the case, funding and contracts will be brought to City Council for its consideration.

Emerging Small Business Development (ESBD): Not applicable.



BACKGROUND

In late 2009, Mayor Kevin Johnson formed a 12-member citizen's task force, Sacramento First, charged with examining options for bringing a new sports and entertainment complex to Sacramento. In March 2010, the SacramentoFIRST Task Force presented its findings for a Sports & Entertainment Complex (the Event Center) to the City Council at a special meeting. The Task Force recommended that the City proceed with an evaluation of the Convergence proposal submitted by Kamilos Companies and David S. Taylor Interests and including various consultants and financing partners (the "Convergence Team") for development of the Event Center.

The Convergence plan called for a three way property swap involving the development of the Sport & Entertainment Complex on the City-owned Intermodal property at the Railyards, 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 could sell the 350 acre portion of the existing Cal Expo property at Point West to Sacramento Convergence to allow for its redevelopment.

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. The initial term of the ERN was for 120 days and it was extended on July 20, 2010 to expire on October 25, 2010.

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. This action invalidated the Convergence proposal as submitted to the Sacramento First Task Force and as accepted by the City Council. Additionally, Convergence was unable to demonstrate the financial feasibility of the three-way swap concept.

In November after the ERN with Convergence expired, the Mayor requested the SacramentoFIRST Task Force reconvene to revisit the proposals submitted to the Task Force earlier that year. In January 2011, four teams presented their concepts to the SacramentoFIRST:

- CORE Team, focused on the Downtown Plaza site;
- Convergence Team, focused on a Downtown Railyards site, coordinated with new development at the current Arco Arena site and Cal Expo fairgrounds;
- Natomas ESC Team, focused on the current Arco Arena site; and
- ICON-Taylor Team, focused on the Downtown Railyards site

Summaries of the four proposals may be found at the SacramentoFirst web site: <http://www.sacramentofirst.org/meeting-agendas/>.

The SacramentoFIRST Task force has conducted its evaluation of the proposals and the teams and has ranked the proposals. The Task Force will present its findings to the City Council on January 25, 2011.