



# City of Sacramento City Council

915 I Street, Sacramento, CA, 95814  
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**Meeting Date:** 5/26/2011

**Report Type:** Staff/Discussion

**Title:** ICON-Taylor Report: Financial Feasibility Study of Sports & Entertainment Complex

**Report ID:** 2011-00490

**Location:** District 1

**Recommendation:** Receive and file the ICON-Taylor Entertainment and Sports Complex ("ESC") Feasibility Analysis. Direct staff to review the ICON-Taylor analysis and report back to Council in 100 days with comments, recommendations, policy issues and next steps.

**Contact:** John Dangberg, Assistant City Manager, (916) 808-1222, Office of the City Manager

**Presenter:** John Dangberg, Assistant City Manager, (916) 808-1212, Office of the City Manager

**Department:** City Manager / Economic Development

**Division:** Executive Office

**Dept ID:**

**Attachments:**

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1-Description/Analysis  
2-Background 5-26-11

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### **City Attorney Review**

Approved as to Form  
Michael Sparks  
5/25/2011 11:45 A.M.

### **City Treasurer Review**

Prior Council Financial Policy Approval or  
Outside City Treasurer Scope  
Russell Fehr  
5/23/2011 9:22:50 AM

### **Approvals/Acknowledgements**

Department Director or Designee: Rachel Hazlewood - 5/25/2011 9:39:47 AM

Assistant City Manager: Rachel Hazlewood - 5/25/2011 9:46:04 AM



## Description/Analysis

**Issue:** On February 8, 2011, the City Council selected the ICON-Taylor team to conduct a feasibility study for an Entertainment and Sports Complex (ESC) in Sacramento. The ICON-Taylor team agreed to complete the analysis at no cost to the City, encompassing an analysis of the three core requirements for the development of an ESC: (1) Feasibility of the site from a design and location perspective relating to job creation and economic development; (2) Feasibility of the cost; and (3) Feasibility of a financing model relevant to the particulars of the Sacramento region's market. The ICON-Taylor ESC Feasibility Analysis was conceived to be able to provide needed information to inform the City of Sacramento regarding the potential development of a critical path public-private partnership financing plan to develop an ESC.

**Policy Considerations:** The actions contemplated and described in this report are consistent with City goals of job creation and economic development and with the direction provided to staff at the previous Council sessions.

**Environmental Considerations:** This report concerns activities that are exempt from the California Environmental Quality Act (CEQA) under the CEQA Guidelines (14 Cal. Code Reg. § 15000 et seq.) because they concern only feasibility or planning studies for possible future actions which the City Council has not approved, adopted, or funded, and because they are administrative activities that will not have any significant effect on the environment and do not constitute a "project." (CEQA Guidelines, §15061(b)(3), §15262, and §15378(b)(2).)

**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 selected proposal. This cost is expected to be nominal and within limits of the City Manager's authority.

**Emerging Small Business Development (ESBD):** Not applicable.

## BACKGROUND

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On February 8, 2011, the City Council selected the ICON-Taylor team to perform an analysis on the feasibility of developing an entertainment and sports complex ("ESC") in Sacramento and report their findings to the City Council. In light of the city's budgetary challenges, the ICON-Taylor team agreed to waive all fees and complete the analysis at no cost to the city.

The ICON-Taylor team is led by David Taylor Interests, a Sacramento development firm with extensive Sacramento City-based development experience completing complex projects. The ICON Venue Group has had considerable success developing ESCs around the country, including directly overseeing the development of 11 arenas and 9 stadiums in the last 10 years, including the O2 arena in London, Sprint Center in Kansas City, and Staples Center in Los Angeles. The ICON-Taylor team also includes Populous, a well-regarded sports architectural firm that has completed more than 1,000 projects with construction value exceeding \$20 billion, and Turner Construction, a leading builder of arena and stadium projects in North America.

In evaluating the feasibility of an ESC for Sacramento, the ICON-Taylor team considered the three core feasibility requirements for a viable project:

- (1) Location Feasibility -- The viability of whether a world class facility could be designed and located at the downtown Railyards to potentially amplify the project's potential to spur job creation and economic development;
- (2) Cost Feasibility -- The ability to build a world class ESC with a project budget consistent with the Sacramento market's size and needs; and
- (3) Financing Model Feasibility -- The ability to devise a financing model appropriate in concept for the development of such a project as informed by the design and cost.

With regards to the financing model, the ICON-Taylor Team, by comparing Sacramento to comparable markets that have successfully developed and operated ESCs, identified a public-private partnership model as the appropriate financing vehicle for Sacramento. The analysis concluded that such a public-private partnership would be required to build a facility and that neither a fully publicly financed nor a completely privately financed facility by itself would be feasible.

Given that the proprietary financial data of the Sacramento Kings was not made available to the ICON-Taylor team until 80 days into the analysis, coupled with the City's focus on addressing its fiscal year budget and the need to integrate regional components beyond the scope of the work plan, the feasibility study is confined to identifying an appropriate financing model and not providing a specific financing plan.

Now that the City has a comprehensive report with regard to the design and the cost and informed by the financial data provided by the Sacramento Kings, the City working with other entities within the metropolitan area is now in the position to move forward in developing a "critical path" financing plan, including identifying specific financing options for consideration.

### **100 Day Review Process**

The City Manager intends to convene a Technical Review Team to review the ICON-Taylor report; coordinate with relevant potential private sector partners (including the Sacramento Kings and National Basketball Association), community, regional and state entities; and present findings and recommendations related to policy, technical and legal issues in a variety of areas (e.g. site/facility, economic considerations, revenue sources, legal and other policy issues) within 100 days.

The City Manager will invite the following individuals to participate in the Technical Review:

- John Dangberg, Assistant City Manager
- Eileen Teichert, City Attorney
- Russ Fehr, City Treasurer
- Jerry Way, Transportation Director
- Max Fernandez, Community Development Director
- Jim Rinehart, Economic Development Director
- Mike McKeever, Sacramento Area Council of Governments
- Mike Wiley, Sacramento Regional Transit
- Steve Szalay or designee, Sacramento County Executive's Office
- Sports Facility Consultant(s)
- Others as needed