



City of Sacramento City Council

915 I Street, Sacramento, CA, 95814

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Meeting Date: 5/8/2012

Report Type: Staff/Discussion

Title: Status of Entertainment and Sports Complex Activities

Report ID: 2012-00419

Location: Railyards, District 3

Recommendation: Pass a Resolution amending Resolution 2012-088 to rescind the budget transfers and funding for predevelopment work for the Entertainment and Sports Complex (ESC) project.

Contact: John Dangberg, Assistant City Manager, (916) 808-5704, Office of the City Manager

Presenter: John Dangberg, Assistant City Manager, (916) 808-5704, Office of the City Manager

Department: City Manager

Division: Executive Office

Dept ID: 02001011

Attachments:

- 1-Description/Analysis
 - 2-Background.
 - 3-Attachment-Resoltuion 2012-088
 - 4-Resolution
-

City Attorney Review

Approved as to Form
Matthew Ruyak
5/3/2012 10:46:32 AM

Approvals/Acknowledgements

Department Director or Designee: Fran Halbakken - 5/2/2012 3:30:02 PM

Description/Analysis

Issue: Given the end of the current agreement for development of the Entertainment and Sports Complex project, this report provides: 1) an update on the work completed for the ESC as well as a final accounting for that work; 2) a wrap-up of the parking monetization effort; and 3) an update on next steps for a future entertainment and sports facility in the Railyards.

Accounting of ESC Planning and Development Activities: Since September 2011, City staff and its consultant team conducted extensive work and research for the development of an Entertainment and Sports Complex in the Railyards. The City spent approximately \$680,000 from the City's parking and capital improvement project (CIP) closeout funds for consultant services. In addition, approximately \$141,000 in consultant services for predevelopment work was paid for by the National Basketball Association (NBA) based on their commitment to the City to keep the process moving forward after the Sacramento Kings raised concerns about the "term sheet" agreement. Based on the Sacramento Kings withdrawal from the ESC agreement on April 13, City staff halted all consultant work for the project on that date.

Staff travel expenses for the meetings in Los Angeles, Dallas, Orlando and New York in the amount of \$7,982.03 were paid by the City. The Mayor paid for his own travel expenses. While considerable staff time was spent on the ESC project, no additional funding for staff was required. On-going City operations were not affected by the project.

During the last several months, there was a considerable amount of information gathered that will be beneficial to the City in the near future. Examples include research on parking monetization and the infrastructure analysis for the ESC. Another valuable aspect of this project is the work that the City and its consultant team, AECOM and Fehr & Peers, did to prepare conceptual site plans for the location of Intermodal Transportation Facilities and the ESC. The City's site planning team included our design, preservation and transportation staff as well as several members of the Urban Land Institute's panel from the Daniel Rose Center for Public Leadership in Land Use who provided critical assistance to City staff during their second visit in July 2011. In early April 2012, the site planning team conducted interviews and met with a diverse group of key stakeholders for the site including transportation agencies, land owners, businesses, preservation groups and a variety of advocacy groups. In addition, the City hosted a public workshop that was attended by over 150 community members. The public was able to evaluate the three concepts for the site and share their thoughts about each. That presentation, including the three concept maps, is available on the City's website at:

www.cityofsacramento.org/arena/documents/ESC_ITF_Public_Workshop_final.pdf

This work is not yet complete and City staff is currently seeking funding to continue this valuable work. Staff plans to report to Council on this and additional City efforts to support redevelopment of the Railyards this summer.

Parking Monetization:

While the City has suspended its parking monetization effort, the process and our experience with our bidder teams was quite positive. The City garnered significant interest from 13 qualified bidder teams that validated the City's minimum valuation estimate of between \$185 and \$245 million, assuming an ESC were built.

Throughout the process, staff focused on the following priorities that were developed based on the City's needs as well as best practices from other public-private parking partnership (P4) agreements:

- Protect the General Fund and provide backfill of the annual \$9 million contribution from parking revenues;
- Use monetization proceeds to fund capital projects that create a return on investment;
- Identify opportunities for the retention of City parking staff;
- Ensure customers benefit from parking improvements; and
- Create a partnership focused on a long-term commitment to the City's parking assets and customers.

There has been discussion that the parking monetization could be used for other projects apart from the ESC. This is correct; however, based on staff's discussion with financial and parking experts as well as other jurisdictions that have considered this process, the proceeds from parking monetization should be invested in a City-owned capital asset that yields a return on investment for the City. In particular, any investment needs to generate sufficient revenue to backfill the loss of approximately \$9 million that is contributed annually from parking revenues to the City's General Fund.

As an example, the City of Indianapolis used the proceeds from its privatization to build a new parking garage in downtown Indianapolis that was needed to support continued development. In contrast, the City of Chicago used much of the proceeds to address a structural budget deficit which meant that the proceeds from a 75-year lease were used for a one-time fix that did not generate any new revenue. Given that the City of Sacramento has few other assets that could produce this kind of large upfront payment through monetization, such funds should be used for a key project that will stimulate economic development and yield future returns for the City.

Prior to the start of the parking monetization effort, City parking staff had already begun a modernization program. This included the installation of the latest generation of parking meters and updating the existing license plate recognition systems. Much of the modernization effort was put on hold during the City's parking monetization effort. During that effort, the analysis of the City's Downtown parking assets conducted by Walker Parking Consultants revealed a number of additional improvements and adjustments that could be made to improve the value and performance of those assets. City parking staff

expects to provide City Council an update soon on Central City Parking Master Plan implementation that includes the modernization efforts.

Exploration of Future Options:

The City is currently evaluating the feasibility of alternative pathways to the development of a new Entertainment and Sports Complex at the downtown Railyards and will return to Council with a progress report at the appropriate time.

Policy Considerations: This report provides a final accounting of the activities and expenses of the Entertainment and Sports Complex or other facilities/attractions and is consistent with the City's commitment to an open and transparent process for this and all other City projects.

Environmental Considerations: This is not a project as defined in Section 1578(b)(4) of the guidelines for California Environmental Quality Act (CEQA) and is therefore exempt as this reports involves administrative activities.

Sustainability: None at this time.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: The recommendation reflects the need to update the budgetary actions given the end of the current agreement for the development of an Entertainment and Sports Complex in the Railyards.

Financial Considerations: On September 27, 2011, Council allocated \$555,000 from the Parking Fund (Fund 6004) and remaining funds from the closeout of City Capital Improvement Projects (CIP) for work on the ESC project. Those funds have been expended on consultant work for the project. An additional \$850,000 from the Parking Fund (Fund 6004) was approved by Council on March 6th for the project of which approximately \$116,600 is expected to be spent with remaining funds returned to the Parking Fund. The City also incurred approximately \$141,000 in consultant expenses for predevelopment work through April 13 which is funded from \$200,000 from the NBA with the remaining funds returned to the NBA.

Emerging Small Business Development (ESBD): Not applicable.

Background

This section provides a detailed accounting of the activities undertaken as part of the Entertainment and Sports Complex project and the amount of funds expended on that effort.

Final Accounting of ESC Activities

On September 27, 2011, Council authorized \$555,000 for planning and development work for the ESC. All of these funds have been expended and were used as follows:

Task	ESC Consultant	Final Expenditures
ESC Negotiations and Agreements		
Financial/NBA Advisor	Barrett Sports Group	252,347.33
Transaction Counsel #1 (General Fund)	Husch Blackwell, LLP	42,437.00
Transaction Counsel #2 (General Fund)	Orrick , Herrington & Sutcliffe	19,141.30
Revenue and Financing Options Analysis	Economic & Planning Systems	53,201.25
Parking Asset Value Analysis		
Financial Advisor/Valuation Analysis	Bank of America/Merrill Lynch	80,000.00
Parking Consultant	Walker Parking	79,764.64
Bond Counsel (Parking Fund)	Orrick , Herrington & Sutcliffe	16,213.82
Request for Qualifications		
Financial advisor - Parking RFQ Process	Siebert Brandford Shank & Co.	5,000.00
Parking consultant - Additional Analysis and Advisory Services	Walker Parking	6,864.29
Contingency	Contingency	30.37
Total:		\$555,000.00

On March 6, 2012, Council authorized an additional amount of up to \$850,000 from the Parking Fund (Fund 6004) for ESC-related work including the start of the Request for Proposals (RFP) process for the parking monetization effort. Of that amount, up to \$116,563 is expected to be used. That amount covers the remaining work by the City's negotiations advisor, Barrett Sports Group, and the City's outside transaction attorney, Husch Blackwell, LLP. The remaining amount will return to the City's parking fund. In addition, the City also spent \$7,892.03 for staff travel expenses associated with meetings between the City, Sacramento Kings, NBA and AEG.

On April 3, 2012, Council authorized the start of predevelopment work by the City. This included the use of up to \$1.51 million from the City's parking fund and \$5 million from the Sheraton Master Owner Participation Agreement (MOPA) proceeds. Given the

concerns expressed by the Sacramento Kings owners regarding the payment of their share (\$3.25 million) of predevelopment expenses, the National Basketball Association (NBA) agreed to pay for all City predevelopment costs up to \$200,000 during the period from April 3 until April 16 so as not to delay the process. None of the City's money was used during this two-week period and none of the MOPA funds or the additional parking funds were transferred into the project fund (I02000000). The following is a breakdown of the tasks and costs incurred which were covered by the NBA.

Task	Expended Amount (Estimated)
Site Planning	\$40,000.00
Site Planning (Circulation)	\$18,742.00
EIR Preparation	\$30,000.00
EIR Transportation Analysis (incl. traffic counts)	\$2,392.50
Predevelopment (Planning, Design, etc.)	\$50,000.00
Total	\$141,134.50

The total amount of City funds expended on the project is expected to be approximately \$680,000. All of these funds were one-time funds that could not have been used to pay for staffing or other on-going City operations.



RESOLUTION NO. 2012-088

Adopted by the Sacramento City Council

**APPROVING PREDEVELOPMENT AGREEMENTS AND CONTRACTS
FOR THE ENTERTAINMENT AND SPORTS COMPLEX
AS WELL AS NECESSARY BUDGET TRANSFERS**

BACKGROUND

- A. On September 13, 2011, the City Council authorized the City Manager to proceed with negotiations with ICON Venue Group and David S. Taylor Interests (collectively, "ICON-Taylor") for the development of an entertainment and sports complex (ESC) on City-owned property adjacent to the Union Pacific Depot.
- B. On December 13, 2011, City Council authorized the City Manager to release a request for qualifications (RFQ) in order to begin the parking monetization process to provide the majority of the City's contribution for development of the ESC.
- C. On February 14, 2012, the Council approved a list of 11 qualified bidder teams if Council later decided to initiate the parking monetization request for proposals (RFP) process.
- D. On March 6, 2012, the City Council approved the Term Sheet between the City, the Sacramento Kings, and AEG for the development, operation, and use of the ESC and directed staff to begin the first phase of the parking monetization RFP process.
- E. Predevelopment work has an estimated budget of approximately \$13 million, to be split as follows: City --50%; Sacramento Kings -- 25%; and AEG -- 25%.
- F. Additionally, on March 6, 2012, Council authorized \$850,000 for the necessary legal and consultant services for predevelopment work.
- G. A critical part of the predevelopment work is development of a site plan for the ESC and the surrounding area as well as the preparation of the environmental impact report for the project as required under the California Environmental Quality Act (CEQA).
- H. The National Basketball Association (NBA) has agreed, on behalf of the Sacramento Kings, to advance \$200,000 of the Kings' proposed obligation under the draft predevelopment funding agreement.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager or his designee is authorized to execute a predevelopment funding agreement with the Sacramento Kings LP and AEG Facilities, LLC (AEG) with the material terms of, and in substantial conformity with, the attached Exhibit A, subject to approval as to form by the City Attorney, and contingent upon the signatures of the Sacramento Kings LP and AEG.
- Section 2. The City Manager or his designee is authorized to execute the amendment to the Sheraton Master Owner Participation Agreement (MOPA) with Taylor/CIM Redevelopment Company, LLC, attached hereto as Exhibit B, in order to authorize the use of \$5 million for ESC predevelopment expenses.
- ~~Section 3. The City Manager or his designee is authorized to transfer \$5 million of Sheraton proceeds from the Sheraton OPA (U18001040) to the ESC Project Fund (102000000).~~
- ~~Section 4. The City Manager or his designee is authorized to transfer \$1,518,116 from the Parking Fund (Fund 6004) to the ESC Project Fund (102000000).~~
- Section 5. The City Manager or his designee is authorized to transfer \$850,000 from the Parking Fund (Fund 6004) to the ESC Project Fund (102000000) as approved by the City Council on March 6, 2012.
- ~~Section 6. A revenue and expenditure budget in the ESC Project (102000000, Fund 2703) for \$3,259,058 from the Sacramento Kings LP is hereby established.~~
- ~~Section 7. A revenue and expenditure budget in the ESC Project (102000000, Fund 2703) for \$3,259,058 from the AEG Facilities LLC is hereby established.~~
- Section 8. The City Manager or his designee is authorized to execute an agreement for environmental consultant services with AECOM for \$555,745, attached hereto as Exhibit C.
- Section 9. The City Manager or his designee is authorized to execute an agreement for site planning consultant services with AECOM for \$99,880, attached hereto as Exhibit D.
- Section 10. The City accepts and approves the NBA's advance of \$200,000 on behalf of the Sacramento Kings, on the terms and conditions stated in the NBA's March 30, 2012, letter attached hereto as Exhibit E.

Exhibits:

- A – Predevelopment Funding Agreement
- B – MOPA Amendment
- C – Professional Services Agreement (environmental services)
- D – Professional Services Agreement (site planning)
- E – NBA Letter of March 30, 2012



RESOLUTION NO. 2012-

Adopted by the Sacramento City Council

AMENDING RESOLUTION 2012-088 REGARDING PREDEVELOPMENT AGREEMENTS, CONTRACTS AND BUDGET TRANSFERS FOR THE ENTERTAINMENT AND SPORTS COMPLEX

BACKGROUND

- A. On April 3, 2012, City Council approved Resolution 2012-088 authorizing the City Manager to proceed with predevelopment funding and work for the Entertainment and Sports Complex project.
- B. On April 13, 2012, the Sacramento Kings withdrew from the agreement to develop a new Entertainment and Sports Complex in the Railyards and as a result some of the actions authorized by the prior resolution are no longer necessary.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. Section 3 of Resolution 2012-088 is repealed.
- Section 2. Section 4 of Resolution 2012-088 is repealed.
- Section 3. Section 6 of Resolution 2012-088 is repealed.
- Section 4. Section 7 of Resolution 2012-088 is repealed.