

Meeting Date: 12/17/2013

Report Type: Staff/Discussion

Report ID: 2013-00931

Title: Entertainment and Sports Center Term Sheet Modification

Location: Downtown Plaza, District 4 and Haggin Oaks, District 2

Issue: City staff and Sacramento Basketball Holdings, LLC (SBH) have agreed to two substantive changes to the original Entertainment and Sports Center (ESC) preliminary non-binding Term Sheet that was approved by Council on March 26, 2013. The first change involves City ownership of the ESC, which removes the need for a ground lease from SBH. This would allow the City to own both the ESC (arena) and the land. The second major change involves the removal of the Haggin Oaks site at Business 80 from the property transfer list and the replacement of that property with three parcels in the Central City. These include 1401 H Street, 324 K Street, and 921 10th Street.

Recommendation: Pass a Motion agreeing to the modification of the non-binding Term Sheet whereby the City would own the ESC land and replace the Haggin Oaks property on the transfer list with three other City-owned properties at 1401 H Street, 324 K Street, and 921 10th Street.

Contact: John Dangberg, Assistant City Manager, (916) 808-5704; Desmond Parrington, ESC Project 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

City Attorney Review

Approved as to Form

Jeffrey L. Massey

12/12/2013 11:14:00 AM

Approvals/Acknowledgements

Department Director or Designee: John Dangberg - 12/11/2013 9:20:55 PM

Description/Analysis

Issue Detail: On March 26, 2013, the City Council approved a preliminary non-binding term sheet between the City and the Kings’ investor group, which subsequently became Sacramento Basketball Holdings, LLC (SBH). The terms provided for the City’s ownership of the ESC with the land under the ESC owned by SBH and leased to the City. Additionally, certain City-owned properties, including a portion of Haggin Oaks Golf Course near Business 80, were to be transferred to SBH in return for SBH’s cash contribution to the ESC in an amount equivalent to the value of the land.

This report identifies two substantive revisions to the non-binding Term Sheet. The first change would provide for the City’s ownership of the land under the ESC (arena). This consolidated ownership of the building and land eliminates the need for a ground lease between the City and SBH and greatly simplifies the legal agreements and financing. The City’s ownership of the land does not increase the City’s financial participation in the ESC project costs.

The second change involves the substitution of approximately 60 acres at Haggin Oaks/Business 80 with three smaller City-owned properties totaling less than one acre. The three substitute properties are:

- 1401 H Street (0.3 acre vacant parcel)
- 921 10th Street (0.12 acre parcel and vacant building)
- 312/324 K Street (0.46 parcel and partially vacant, existing building)

As noted below in Table 1, the City would substitute the proposed 60-acre Haggin Oaks parcel with an estimated value of \$3.9 million with three parcels, which total less than one acre, that have an estimated value of approximately \$3 million. Additional information about each of these properties is included in Table 2 as well as in the Background section of this report.

**Table 1
Overall Comparison of Transfer Parcel Changes**

Description	Existing Site: Haggin Oaks	Proposed Sites	Difference
Land Acreage	60	0.88	(59.12)
Broker's Opinion of Value	\$3,920,000	\$3,033,095	(\$886,905.00)

Despite the difference in value, SBH’s cash contribution to the ESC in return for the property would remain Term Sheet the full \$38 million and be credited as part of the City’s financial contribution toward the ESC. The benefit to this change is that it would result in the re-tenanting and/or the new development of these City-

owned vacant and underutilized properties in the downtown and would allow the City to retain the 60 acres at Haggin Oaks. Economic Development staff will continue to pursue development opportunities at Haggin Oaks independently and separately from the ESC project.

**Table 2
Details of the Transfer Parcel Changes**

Description	Existing Site	Proposed Alternative Sites			
	Haggin Oaks	312/324 K Street	1401 H Street	921 - 10th Street	Total
Land Acreage	60	0.46	0.30	0.12	0.88
Existing Use	Bare Land/ Golf	Retail/ Vacant	Bare Land	Vacant Office	--
Broker's Opinion of Value	\$3,920,000	\$1,921,095	\$512,000	\$600,000	\$3,033,095

While the Term Sheet is preliminary and non-binding and modifications do not require Council action, staff wants to ensure that the City Council is in agreement with these modifications. Council action to demonstrate its support of this non-binding term sheet modification does not commit the City to ultimately approve the ESC project or the definitive legal documents. As modified, the term sheet remains preliminary and non-binding.

Policy Considerations: On October 29, 2013, Council adopted goals for the ESC project including goals to help spark new development of underutilized downtown properties throughout the Central Business District and to establish a framework for successful development surrounding Downtown Plaza.

Economic Impact: While this change has the potential to create a positive economic impact as a result of new development or reuse of these properties, there is no specific economic impact information at this time other than what is noted above in Tables 1 and 2.

Environmental Considerations: This report involves two changes to the preliminary non-binding Term Sheet that was originally approved by City Council on March 26, 2013 for the ESC project. The action in this report does not have any potential for significant effect on the environment and is exempt under CEQA Guidelines section 15061(b)(3). The actual development of the ESC, the transfer properties and/or Haggin Oaks are subject to review pursuant to the California Environmental Quality Act (CEQA).

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: These two changes to the non-binding Term Sheet have advantages to the City. First, ownership of the land under the ESC removes the need for a ground lease with SBH and simplifies the definitive legal agreements between the City and SBH. The replacement of Haggin Oaks/Business 80 property with the three new underutilized downtown sites increases the likelihood that they will be developed in the near term and fulfills two of the ESC project goals related to economic development that the Council adopted on October 29, 2013. This also reduces the amount of land to be transferred and removes any potential for disruption of the golf course as a result of the ESC project. The City's retention of the 60 acres at Haggin Oaks provides for future and perhaps expedited economic reuse of the site to fulfill other objectives.

Financial Considerations: This does not change the City's financial contribution as set forth in the original non-binding term sheet approved by City Council on March 26, 2013 nor does it change the cash equivalent value the City is to receive from SBH from the transferred properties.

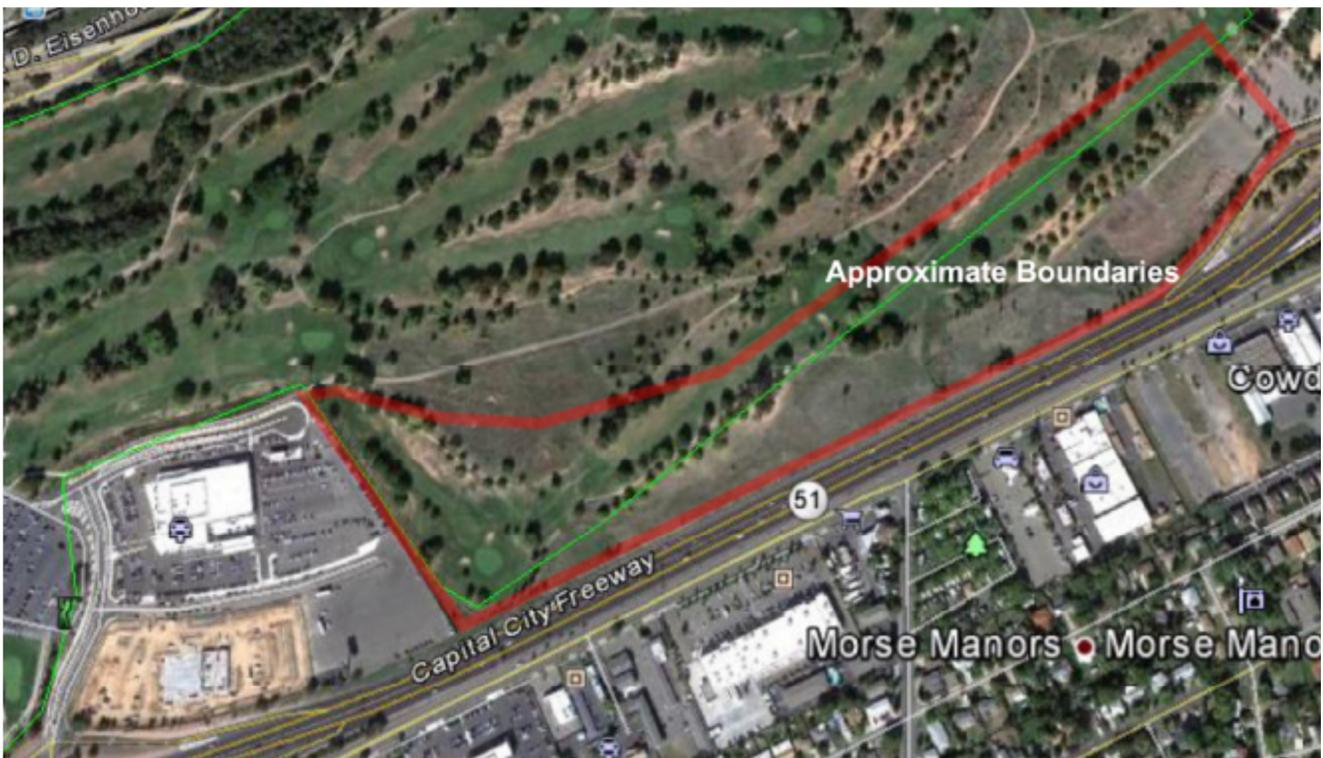
Emerging Small Business Development (ESBD): Not applicable.

Background

Site in Existing Term Sheet:

A Portion of Haggin Oaks

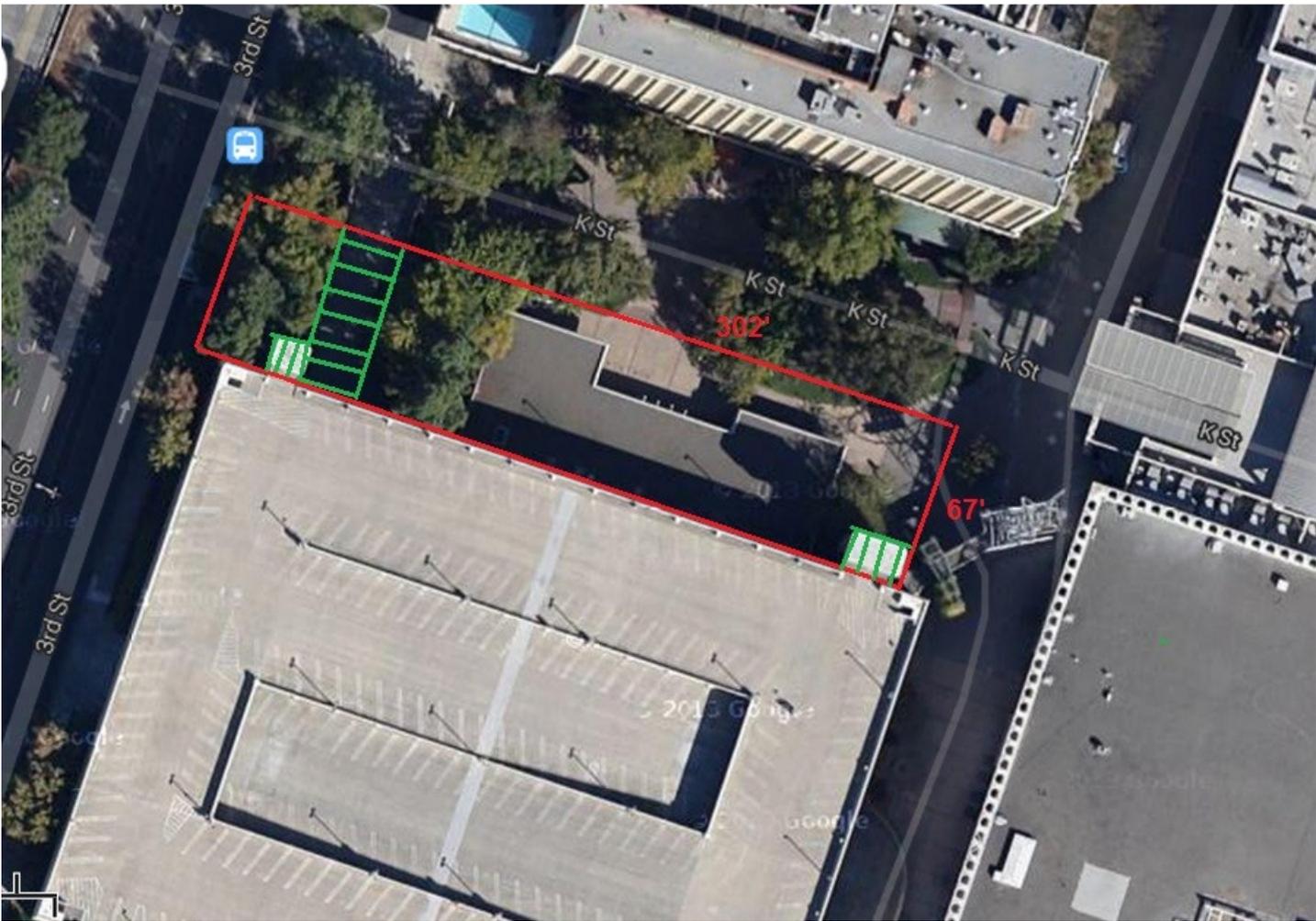
Located adjacent to Business 80, the area considered for transfer includes the area east of the Mel Rapton Honda dealership and the new Chrysler dealership, west of the parking lots for the Sacramento Softball Complex, north of Business 80 and south of the golf cart path in the Arcade Creek Golf Course. The area, as shown in the map below, is part of the larger Del Paso Regional Park, which includes the Alister MacKenzie and Arcade Creek Golf Courses, Arcade Creek and the Sacramento Softball Complex. The site is located on a 435-acre parcel (Parcel # 254-0011-028-0000) that makes up the majority of Del Paso Regional Park. This approximately 60-acre proposed parcel includes portions of golf course holes 2, 3 and 4 and is characterized primarily by the golf course greens, grassland, shrubs and many trees including mature oaks. The creation of the parcel would result in the relocation and reconstruction of those golf course holes as required under the City's current contract with Morton Golf.



Alternate Sites as Replacements to Haggin:

Downtown Plaza Parking Lot G Retail Building

Located at 312 and 324 K Street, this site is immediately adjacent to Parking Lot G, which is a City-owned above-ground parking structure between 3rd Street and 4th Street and between L Street and the K Street right-of-way at the west end of Downtown Plaza. As shown in the photo on the following page, the building is currently part of a larger four acre parcel (Parcel # 006-0087-051-0000) that includes the parking structure as well as portions of the former K Street and 4th Street rights of way. However, a new 0.46 acre parcel would be created, which would include the retail building and outside grass and concrete patio area extending to the edge of the K Street right-of-way at the north. There are larger conifer trees located at the far west side of the parcel and there is a driveway that serves both Parking Lot G and the retail building itself as denoted by the green lines in the aerial photo. The dimensions of the proposed parcel would be 67 feet deep by 302 feet wide. The site is zoned C-3-SPD (Central Business District Zone) and has a General Plan land use designation of Central Business District (CBD). The existing building is approximately 7,500 square feet with 6,137 square feet of leasable interior space. Currently, 1,352 square feet is occupied with a men's clothing retailer (Navin's Custom Clothiers), which has an existing lease, but the remaining space is currently vacant. The transfer of the property would be subject to the existing lease.





1401 H Street Property

Located at the northeast corner of 14th and H Streets, this vacant site is located adjacent to the California Musical Theatre and the Wells Fargo Pavilion building, which is home to the Sacramento Theatre Company. The parcel (Parcel # 002-0166-013-0000) is approximately 0.3 acres and is zoned C-2 (General Commercial) and has a General Plan land use designation of Traditional Center. As shown in the following photographs, the site is across from the City's Memorial Parking Garage, which is a 10-story above-ground parking structure with ground floor retail including a restaurant (Coyote Tap House) located across H Street to the south. To the north is a small multi-family apartment complex, to the east is the Wells Fargo Pavilion and to the west across 14th Street are two to three-story single family homes that have been converted for commercial use and are occupied with offices. The site is barren land with existing sidewalks and mature trees located within the street right-of-way around the site.







921 10th Street

The site is occupied by the former Plaza Building and is located on a mid-block parcel along the active J Street corridor. The site is highly visible and accessible. As shown on the following page, the site is surrounded by an alley and a City parking structure to the north, three-story office buildings to the south, César Chavez Park to the west, and a small surface parking lot to the east. The existing seven-story building was constructed in 1906 and is 29,975 square feet. The building has deteriorated and hazardous materials and mold are present. The parcel (Parcel # 006-0044-012) is approximately 5,400 square feet (0.12 acres) and is zoned C-3-SPD (Central Business District Zone), which allows for a broad range of commercial and retail uses with no height limit. The parcel's General Plan land use designation is Central Business District (CBD). As shown below on the right (south) side, the building is situated adjacent to four other parcels that have been planned for future development though the timing of that is not known at this time.

