

**Meeting Date:** 1/20/2015

**Report Type:** Consent

**Report ID:** 2015-00044

**Title: Parking Fund Reimbursement: Entertainment and Sports Center Project (I02000500)**

**Location:** Downtown Plaza, District 4

**Recommendation:** Pass a Resolution authorizing the City Manager or his designee to transfer the remaining \$560,000 of Parking Fund (Fund 6004) expenditure budget within the Downtown ESC Project (I02000500), back to the Parking Fund (Fund 6004) fund balance.

**Contact:** Desmond Parrington, ESC Project Manager, (916) 808-5044, Office of the City Manager

**Presenter:** None

**Department:** City Manager

**Division:** Executive Office

**Dept ID:** 02001011

**Attachments:**

1-Description/Analysis

2-Background

3-Resolution

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**City Attorney Review**

Approved as to Form

Matthew Ruyak

1/15/2015 8:27:13 AM

**Approvals/Acknowledgements**

Department Director or Designee: John Dangberg - 1/14/2015 5:00:21 PM

## Description/Analysis

**Issue Detail:** Staff is seeking Council authorization to return up to \$560,000 in unspent parking funds from the ESC Project (I02000500) to the Parking Fund (Fund 6004) fund balance. These funds were part of the \$1.5 million that Council authorized on June 25, 2013 to cover initial predevelopment expenses so staff had the resources to prepare the definitive agreements and conduct the due diligence needed in preparation for Council action on the ESC Project on May 20, 2014. As originally anticipated costs are now reimbursable, these funds are no longer needed in the project.

**Policy Considerations:** Council authorization is needed to transfer this amount of money back to fund balance.

**Economic Impact:** None.

**Environmental Considerations:** These are administrative actions and do not have any potential for significant effect on the environment and are exempt under CEQA Guidelines section 15061(b)(3).

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** Since the City eminent domain, pre-development, and certain development expenses are reimbursable under the Arena Design and Construction Agreement (ADACA) and Property Acquisition Cost, Defense, and Indemnity Agreement, these parking funds are not needed for the ESC project and can be returned to the Parking Fund.

**Financial Considerations:** The return of this money will add up to \$560,000 back into the Parking Fund (Fund 6004).

**Local Business Enterprise (LBE):** Not applicable.

## Background

Council authorized on June 25, 2013 in Resolution 2013-0326 the allocation of \$1.5 million from the Parking Fund to pay for predevelopment expenses for the ESC Project. Following this action, the City entered into several agreements that provided for reimbursement from Sacramento Basketball Holdings LLC (SBH) or its affiliate, Sacramento Downtown Arena LLC (ArenaCo), for City expenses associated with predevelopment, eminent domain, and other ESC development-related expenses.

These agreements included: 1) the Property Acquisition Cost, Defense, and Indemnity Agreement (Resolution 2013-0215 approved on August 13, 2013), which provides for the reimbursement of City expenses associated with the effort to acquire 600 K Street for the ESC; 2) the Predevelopment Expenses Agreement (Resolution 2013-0231 approved on September 24, 2013), which provided for the reimbursement of City predevelopment expenses associated with the ESC project; and 3) the Arena Design and Construction Agreement (ADACA) (Resolution 2014-0132 approved on May 20, 2014), which incorporated the reimbursement provisions of the Predevelopment Expenses Agreement and provides for the continued reimbursement of certain City ESC-related predevelopment and development expenses.

Since these agreements provide for reimbursement of City expenses, most of the allocated Parking Fund monies authorized by Council were not spent. On June 5, 2014, Council approved Resolution 2014-0155, which authorized the transfer of \$435,000 from the ESC Project (I02000500) to the Parking Fund (Fund 6004) fund balance. The resolution in this staff report will return an additional \$560,000 to the Parking Fund fund balance from the ESC Project Budget. As a result, out of the \$1.5 million allocated to the ESC Project, up to \$995,000 will return back to the Parking Fund.

The funds spent were used for consultant services or studies that were determined by the City Manager or City Treasurer as not eligible for reimbursement under the terms of the definitive agreements. These services or studies included: 1) the Walker parking study needed for the City's parking modernization effort; 2) the transient occupancy tax (TOT) study for Convention and Cultural Services; and 3) the legal and real estate services for the City Treasurer's Office for City land to be transferred to the affiliates of Sacramento Basketball Holdings LLC (SBH). Those services involved an appraisal for the Natomas Community Facilities District (CFD), which encompasses the site of Sleep Train Arena and the City's 100 acres there. It

also included legal work associated with ensuring clear title to two City-owned transfer properties: the 100-acre site adjacent to Sleep Train Arena in Natomas and the property located at 312 K Street, which is adjacent to Downtown Plaza.

## **RESOLUTION NO. 2015-**

Adopted by the Sacramento City Council

### **AUTHORIZING THE RETURN OF UNSPENT FUNDS FROM THE DOWNTOWN ENTERTAINMENT AND SPORTS CENTER PROJECT TO THE PARKING FUND**

- A. On June 25, 2013, the City Council approved in Resolution 2013-0236 the transfer of \$1.5 million from the Parking Fund (Fund 6004) to the Entertainment and Sports Center (ESC) Project to pay for initial predevelopment expenses.
- B. On August 13, 2013, Council approved in Resolution 2013-0215 the Property Acquisition Cost, Defense, and Indemnity Agreement with Sacramento Basketball Holdings LLC (SBH), which provided for the reimbursement of City expenses associated with the effort to acquire 600 K Street for the ESC.
- C. On September 24, 2013, the City approved in Resolution 2013-0231 the Predevelopment Expenses Agreement with SBH, which provides for the reimbursement of City predevelopment expenses associated with the ESC project.
- D. On May 20, 2014, Council approved in Resolution 2014-0132 the Arena Design and Construction Agreement (ADACA), which provides for the continued reimbursement of certain City ESC-related predevelopment and development expenses.
- E. On June 5, 2014, Resolution 2014-0155 authorized the transfer of \$435,000 from the ESC Project Budget (I02000500) to the Parking Fund (Fund 6004) fund balance.
- F. Since most of the funds set aside by Council were for reimbursable expenses as defined under the agreements with SBH, an additional amount of up to \$560,000 is available to return from I02000500 to Fund 6004 fund balance.

**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 transfer the remaining \$560,000 of Parking Fund (Fund 6004) expenditure budget within the Downtown ESC Project (I02000500), back to the Parking Fund (Fund 6004) fund balance.