

**Meeting Date:** 4/26/2016

**Report Type:** Consent

**Report ID:** 2016-00472

**Title:** B Street Theatre Project Financing Implementation Agreements

**Location:** 27th Street and Capitol Avenue, District 4

**Recommendation:** Pass a Motion authorizing the City Manager or his designee to execute documents implementing the City's loan transaction for the B Street Theatre project.

**Contact:** Leslie Fritzsche, Senior Project Manager, (916) 808-5450, Economic Development Department

**Presenter:** None

**Department:** Economic Development Dept

**Division:**

**Dept ID:**

**Attachments:**

1-Description/Analysis

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**City Attorney Review**

Approved as to Form

Michael Sparks

4/20/2016 5:18:23 PM

**Approvals/Acknowledgements**

Department Director or Designee: Larry Burkhardt - 4/18/2016 1:05:00 PM

## Description/Analysis

**Issue Detail:** On December 15, 2015, the Council approved \$3 million in funding and a loan agreement with the Theatre for Children, Inc. (commonly known as “B Street”) for the development of a new 45,000 sq. ft. theatre complex. The facility is to be located at 27<sup>th</sup> Street and Capitol Avenue.

Since Council approval, B Street has been diligently working with the other funders of the project, Sutter Health, Five Star Bank, and the California Infrastructure Bank (IBank) in the preparation of various agreements required to implement the financing structure. These include agreements such as a loan agreement, construction disbursement agreement, assignment agreement, and a security agreement. The City may need to execute additional agreements, such as a subordination agreement or an inter-creditor agreement, to facilitate the closing of the financing for the project.

This report requests authorization for the City Manager or his designee to enter into agreements related to the implementation of the B Street Theatre project financing including agreements related to the disbursement process for the City’s funds, the securing of the City’s position in the property and clarifying the relationship between the various lenders on the project. The City Manager’s authority to enter into agreements would be limited to agreements that do not change the total amount of the City’s loan, term of the loan, loan repayment terms, or conditions for loan forgiveness, and that are approved as to form by the City Attorney or his designee.

B Street and the lenders on the project currently envision a closing near the end of April 2016 for an initiation of construction within the following month.

**Policy Considerations:** The B Street Project is consistent with the 2030 General Plan as it will add to Sacramento’s cultural amenities and contribute to the quality of life for residents and visitors.

**Economic Impacts:** The economic impact estimates are calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). The total estimated cost of construction for the B Street Theatre Project is \$12.3 million, which is projected to create 42 direct jobs and 30.8 indirect jobs. Additionally, according to the CSER calculation over \$7.7 million in direct output and over \$4.2 million in indirect or induced activities will be generated by the construction of the B Street Project. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

A study completed in 2010 by Economic Planning Systems for the project estimated that, in addition to the impacts outlined above, total off-site visitor spending will increase by \$625,000 annually.

**Environmental Considerations:** The project was reviewed under the California Environmental Quality Act (“CEQA”) as part of the Environmental Impact Report that was completed for the entire Sutter General Expansion project.

**Sustainability:** The B Street Theatre project will intensify the use of land near the Sutter Medical Center complex and comport with sustainable infill goals.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** The actions recommended in this report will provide for the finalization of the financing structure for this long-awaited project. B Street has been a mainstay of the arts and cultural offerings in Sacramento and is known as one of the best professional regional theatres in the nation. It has steady levels of ticket sales averaging over 90,000 tickets annually and has introduced thousands of school children to high quality, educational theatre. B Street has demonstrated experience and has operated self-sufficiently for almost 30 years. The project represents a true public-private partnership with the funds from B Street being complemented by funding from Sutter Health, Five Star Bank, the California Infrastructure Bank and the City.

B Street has received all of the required entitlements, environmental clearances, and design review need to begin the project. They have completed their construction drawings and submitted for permits. It is anticipated that they will be able to receive their building permits within the next 45 days.

**Financial Considerations:** The total project cost is \$28.85 million. B Street has secured \$4.2 million in cash and pledges in addition to approximately \$4.1 already invested in the project. Sutter Health is donating the land valued at \$6 million. Five Star Bank is utilizing an IBank tax-exempt bond conduit program to bring an additional \$11.55 million in financing to the project.

**Local Business Enterprise (LBE):** None at this time.