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**CITY OF SACRAMENTO
CALIFORNIA**

OFFICE OF THE CITY MANAGER
OFFICE OF ECONOMIC DEVELOPMENT

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*Working group
to meet for
seven days*

January 16, 1997

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Proposal from Jim Thomas on a Public-Private Partnership between the City of Sacramento and the NBA Kings

LOCATION AND COUNCIL DISTRICT: All.

RECOMMENDATION

Allow for public input and provide direction to staff; possible action on proposal.

CONTACT PERSON: Bill Farley, Economic Development Manager, 264-7730

FOR COUNCIL MEETING: January 21, 1997

SUMMARY

- Sacramento Kings owner Jim Thomas is proposing a \$235 million public partnership with the City of Sacramento to develop a sports-plex and entertainment center and provide a 20 year commitment from the NBA Kings to Sacramento.
- Mr. Thomas has termed this proposal "Partnership for Playing."
- The sports-plex would combine professional sports with amateur athletic facilities open to the public and all high school and college athletics.
- The sports-plex would include an Olympic quality training facility for swimming, track and soccer, and an indoor soccer arena and tennis center. It would include a sports health center, a professional

quality ice hockey arena, and a basketball training facility.

- The City's gross commitment of \$150 million under this proposal includes a \$90 million contribution towards ARCO Arena, a \$50 million investment to develop the sports-plex and entertainment center, and a \$10 million commitment for infrastructure at the Arena and Stadium sites as described under the North Natomas Financing Plan
- Revenue commitments to the City from ARCO Arena and the Sports-plex would offset the investment by \$90 to \$150 million resulting in a NET public subsidy of the proposal of \$0 to \$60 million (under optimistic revenue projections the project income could completely offset the investment).
- The proposed public investment and subsidy must be placed before the voters as soon as possible in 1997 under the proposal.
- The voters would be asked if the City should invest up to \$150 million of existing resources to:
 - Secure a 20 year commitment from the Kings to Sacramento
 - Help finance the development of a \$140 million sports entertainment complex
 - Provide the General Fund with reasonable protection from the investment risk in the project (plan for the projected operating deficit of up to \$5.0 million under conservative projections).
- Due to extreme fiscal pressure on the small-market NBA Kings, and in a fashion consistent with financial pressures on other professional sports, Mr. Thomas is asking for a firm commitment from the City Council to promote this plan with the voters.
- In addition, Mr. Thomas is looking for an interim financial commitment from the City prior to the vote. This immediate commitment involves a \$60 million refinancing of the existing ARCO Arena debt and payment of \$5 million in infrastructure costs for ARCO Arena.
- The proposal is generally consistent with the City's Sports Policy (with the exception of the interim refinancing) and merits serious consideration by the City Council.
- Without intervention by the public sector, market conditions will force the Kings, the Sacramento Knights, and the Women's National Basketball Association team to relocate to a larger market area, or to another small market where public sector support is available.

COMMITTEE/COMMISSION ACTION: None.

BACKGROUND

- In September 1996 real estate developer and Sacramento Kings owner Jim Thomas proposed to combine the development of:
 - A sports entertainment center in North Natomas
 - A movie theater district on "K" Street
 - The downtown ballpark and
 - The waterfront theme park in the Railyards area
- Exhibit A is the letter written to Council members regarding this proposal.
- An integral part of his proposal was to create a situation where a small market community like Sacramento could support a major league sports team (NBA). Specifically, Mr. Thomas was looking to secure public investment in ARCO Arena as part of the overall development proposal.
- Since Mr. Thomas announced his proposal he has assembled a team of experts in the area of urban entertainment development. This team has developed several dramatic concepts for Natomas and the Downtown.
- Mr. Thomas will present these development concepts to the community and express a strong interest in working the community and the Council to pursue a public-private partnership to implement the proposals.
- Exhibit B is a letter written to Council that provides additional detail.
- There are two separate time tables for exploring these opportunities:
 - The Downtown development concepts can be discussed in a one to three year time frame - consistent with the efforts of the Ballpark Authority.
 - The development opportunities in North Natomas, and public investment in ARCO Arena require immediate consideration of the Council.
- The focus of this report will be on this immediate decision for the Council.

Proposal Summary for North Natomas (ARCO Arena and Sports Entertainment Center)

- The proposed public and private investment in ARCO Arena, and development of an Entertainment Center in Natomas is estimated at \$235 million.

- This partnership, among other things, would:
 - Secure a 20 year commitment from the Kings to play in Sacramento (the franchise value is estimated at \$125 to \$150 Million)
 - Attract \$85 million in private investment towards the \$140 million sports-plex for the Sports Entertainment Center.

Project Investment

- The proposal by Mr. Thomas includes the following elements:

- Contribution to ARCO Arena	\$90 million
- Construction of an Amphitheater	\$17 million
- Construction of a Minor League Ballpark	\$12 million
- Entertainment Center (Theaters, Retail, and Restaurants)	\$63 million
- Sports-plex/Community Sports Facilities	\$36 million
- Outdoor Recreation Park	\$ 7 million
- North Natomas Infrastructure	\$10 million
TOTAL COSTS	
	\$235 million

- The proposed gross public investment in this partnership is \$150 million.
 - \$90 million in ARCO Arena
 - \$50 million in the Sports Entertainment Center
 - \$10 million in infrastructure costs associated with ARCO Arena and Stadium site
- Net proceeds to offset could be \$90 to \$140 million. NET subsidy of \$0 to \$60 million.
- Exhibit C outlines the general structure of the Partnership.

Project Financing

- The annual financing cost, or debt payment, for this investment is projected at \$11.9 million to \$15.2 million depending on interest rates and whether the loan amortization period is 20 or 30 years.
- The wide range of revenue estimates for the project income are based on two factors:
 - The 20 to 30 year time-frame of the project, and
 - Retail and entertainment activities are very sensitive to changes in economic conditions and continually evolving competition.
- The table below provides estimated values of the project income for 20 and 30 year time-frames (discounted for inflation at 3.5%), and cashflow estimates every five years. There are four scenarios

in the table:

1. Optimistic Revenue Estimates LESS debt payments amortized over 20 years
2. Optimistic Revenue Estimates LESS debt payments amortized over 30 years
3. Conservative Revenue Estimates LESS debt payments amortized over 20 years
4. Conservative Revenue Estimates LESS debt payments amortized over 30 years

Partnership for Playing
 Four Alternative Scenarios
 All dollars in Millions - Negative Numbers in ()

	Optimistic Revenue Estimates		Conservative Revenue Estimates	
	20 Years	30 Years	20 Years	30 Years
Debt Amortization Period				
Present Value of Net Project Income (City Income less Debt)				
At Year 20	\$3.0	\$28.0	(\$52.0)	(\$35.0)
At Year 30	104.0	80.0	(20.0)	(36.0)
Cashflow position (1997 dollars) at Year:				
Year 1	(2.6)	(1.3)	(5.0)	(3.8)
Year 5	(.8)	.3	(3.5)	(2.5)
Year 10	(.3)	1.1	(2.5)	(1.6)
Year 15	1.3	2.6	(1.7)	(1.0)
Year 20	2.9	3.9	(1.1)	(.5)
Year 25	10.1	5.0	3.2	(0.1)
Year 30	\$10.4	\$6.2	\$3.0	\$.2

- Detailed revenue and expenditure projections are included in Exhibit D.

Public Vote and Possible Tax Increase

- Mr. Thomas proposes that a measure be placed on the ballot in 1997 to advise the Council on this project. He is seeking a majority vote of the electorate - or an advisory measure.
- The City Council may be inclined to ask the voters to raise new revenues to ensure that the

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financial performance of the proposed project does not impact the General Fund. Staff anticipates that the amount of new revenue, or tax increase, that would be on the same ballot would be as high as \$5.0 million per year to limit the amount of existing General Fund Resources that are placed at risk.

- Mr. Thomas would not object to having the City place a general tax increase on the same ballot as his proposal. This would probably require a 2/3 vote.
- A tax increase of \$5.0 million per year is equivalent to an increase of 1% Utility User Tax. This would raise the rate in the City from 7.5% to 8.5%.
- The tax increase would probably be required for a period of 5 to 15 years.
- The per capita expenditure for taxpayers under this scenarios is likely to be about \$1.00 per month or \$12.50 per year. The average household would pay approximately \$3.00 per month.

Interim Financial Commitment Requested from the City

- Due to the extreme financial pressures of operating a professional sports franchise in a small market like Sacramento, Mr. Thomas needs a very strong commitment from the City to move forward with the ballot measure.
- Specifically, Mr. Thomas is requesting that the City provide the Kings with a \$60 million interest-only-loan to refinance ARCO Arena in the next 90 days and to provide for City capital improvement funds to meet \$5.0 million of infrastructure obligations for Arco Arena in the North Natomas Financing Plan.
- The \$60 million loan would be secured by all of the revenue from the Arena. It is estimated that Mr. Thomas' loan payment would be in the \$6.0 to \$8.0 million range. The Arena currently generates about \$8.0 million per year in revenues. If Mr. Thomas did not make his loan payments, the City would have the right to foreclose on the loan and take possession of ARCO Arena.
- The City should prepare to allocate \$3.0 million to \$4.0 million in annual revenue from the General Fund to cover the potential risk of this loan. Further due diligence review by staff may significantly reduce this estimate.
- If the ballot measure described above passes, the loan would be paid off with the proceeds from the \$140 million public financing.
- If the ballot measure failed, Mr. Thomas would continue to own the Arena, but there would be no requirement that the Kings play in Sacramento. Based on the fiscal pressures facing small market teams in all major league sports, it is likely that the Kings ownership would be forced to move to a larger market or to a community where there is public financial support.

Assessment of Proposal

Comparison with other Public-Private Partnerships involving Sports Franchises

- The proposal compares very favorably with other public-private partnerships involving sports franchises in both small and large markets
 - In Anaheim, the City financed \$127 million to develop the Arrowhead Arena - home of the NHL Mighty Ducks. In 1997 the City will make annual payments of \$1.5 million to the owners of the NHL Ducks if an NBA team does not occupy the Arena.
 - In the City of Los Angeles, the second largest sports market in the Country, City officials are committing \$70 million of public investment towards a \$230 million project in the lower downtown area.
 - In San Jose the City invested \$132 million in a \$162 million Arena for use by the NHL Sharks.

Comparison with other recent City Public Private Partnerships

- The proposed partnership also compares favorably with other recent public-private partnerships entered into by the City in terms of attracting private investment (all dollars in millions):

	Public Investment	Private Investment	Total	Subsidy
Hyatt Hotel	\$30	\$30	\$60	\$30
Downtown Plaza	\$30	\$115	\$30	\$145
Convention Center	\$80	\$0	\$80	\$80
Packard Bell	\$26	\$24	\$50	\$0
Partnership for Playing	\$150	\$85	\$235	\$0-50

- Please note the volume of recent transactions. This volume, combined with cashflow problems in the General Fund creates some challenges in financing this proposal (see discussion below on Budget Capacity and Debt Capacity).

Consistency with City Sports Policy

- The proposal outline provided by Mr. Thomas is generally consistent with the City's Sports Policy (Exhibit E). The City's Sports Policy:
 - Identifies the retention of existing professional franchises as a priority. Mr. Thomas owns the Kings, the Sacramento Knights (Indoor Soccer) and the controls the WNBA team that will start play in the summer.

- Indicates that the City will contribute land (the 100 acre parcel) and infrastructure (the North Natomas Financing Plan) to retain and attract teams.
 - Provides for ownership groups to access municipal markets to take advantage of City financing capacity. These financing would not involve the City's balance sheet.
 - Requires a public vote for any public subsidy of professional sports.
- The only aspect of Mr. Thomas' proposal that deviates from this policy is the interim refinancing of \$60 million prior to the election. This financing would involve the City's balance sheet.

Consistency with City's Objective for Stadium Parcel

- The City has a Letter of Intent with Jim Thomas that outlines a general financial structure for developing the 100 acre Parcel. Under these general terms Mr. Thomas would:
 - Pay the City \$1.00 a year while the property was vacant.
 - Cover the maintenance costs of the site.
 - Have five years to develop a proposal for the site that produced a minor league ballpark at no cost to the City.
- This Letter of Intent has not been developed into a formal lease document.
- The Partnership for Playing proposal has a cost to the City to develop the 100 acres and is therefore inconsistent with the Letter of Intent approved by Council.

Capacity of City to Support Financing

- Budget Capacity:
 - The General Fund provides \$200 million a year to City operations. The \$5.0 million in potential expenditures would require 2.5% of existing resources.
 - The City General Fund has a projected cashflow shortfall in the upcoming years of \$11.0 million or approximately 10% of the annual General Fund revenue.
 - The City has spent a tremendous amount of staff time and financial resources to poll the residents of Sacramento on approaches to deal with this cash flow problem.
 - If the City were to use existing resources to finance the Partnership for Playing proposal, the short fall would potentially be increased by 50% (from \$11 million to \$16 million).
- Credit Capacity
 - The City's current debt load is above average for similar size communities in California.
 - A bond issue of \$140 million would likely place the City near our capacity for debt.
 - It is not anticipated that this would impact the City in the next five years based on the approved Capital Improvement Program.

Worst Case Scenario

- The worst case scenario under this proposal is where the:
 - Council approves the business terms of the Partnership and refinancing of ARCO Arena
 - The Ballot measure fails
 - Kings, Knights (Indoor Soccer) and WNBA leave Sacramento
 - Ownership groups misses a payment on the ARCO Arena mortgage
 - City forecloses on ARCO Arena and takes over its operations
- Under this scenario, there is some possibility (10% to 20%) that the City would have to assume some annual operating costs for the Arena. The financial exposure to the City is probably in the \$1.0 to \$4.0 million range on an annual basis - or 1% to 2% of the General Fund.

Summary Assessment

- Positive Aspects
 - The Partnership for Playing proposal is a very good investment relative to other public-private partnerships involving sports franchises and local governments.
 - The proposal is consistent with most elements of the City's Sports Policy
 - The proposal is structured to allow the public to have the final say on whether the community wants to retain an NBA franchise
 - Under the worst case scenario, only 1% to 2% of the City General Fund is placed at risk.
 - If approved by the voters, the project has the potential to increase tourism in Sacramento
 - If the project meets targets set by Mr. Thomas the City could receive \$3.0 million to \$28 million in profits from the venture.
 - The sports-plex would combine professional sports with amateur athletic facilities open to public and all high school and college athletics.
- Negative Aspects:
 - The timing of this request (which is out of the control of Mr. Thomas or the City) is difficult given the City's intense focus on solving a cashflow problem in the General Fund.
 - The projected negative cashflow of the project, may in short-run, make it even more difficult for the City Council to provide City services.
 - The use of the City's credit capacity could make it more difficult to finance projects in the future.
 - Refinancing of the ARCO Arena debt (\$60 million interest-only-loan) is inconsistent with the City Sports Policy - which would require 100% private security (non-recourse) for use of any public financing.
 - The short time frame associated with the proposal makes it difficult to gather public input.

Options

- The options for the City Council and the community are very limited.
- The economics of owning an NBA franchise, and number of communities willing to support an NBA franchise, limit the City's options for securing a long-term commitment for the Sacramento Kings. These dynamics also limit our ability to make these choices on our own terms.
- The specific options for the City Council are as follows:

1. Direct Staff to take the Mr. Thomas' Proposed Term Sheet and begin drawing up documents to implement the project (Exhibit F)

Issues to be clarified in the documentation phase would include, but not be limited to:

- Commitment of Kings after the twenty year period
- Allocation of interest rate and development risk
- Structure of tenant leases in the Sports-plex
- Access to Sports-plex by City youth - specifically children from disadvantaged areas
- City control or approval right over sale of Kings to new ownership group.
- Specific City approval rights as part of the partnership
- Definition of Net Income from ARCO Arena
- Commitment of ARCO Arena to paying for naming rights
- Ability of City to impose Ticket tax on Kings and Sports-plex activities
- Definition of maintenance versus capital repairs
- Timing of sports-plex development

2. Take No Action on the Proposal

- Under this option, the City and the community can expect movement of the Kings in the next one to two years to one of the following communities; New Orleans, Nashville, Memphis, Cincinnati, San Diego, Raleigh, or Anaheim.
 - It is very unlikely that the NBA would interfere with the movement of the team since Mr. Thomas presented a very competitive proposal (by NBA standards) to the Community.
- Without action on the proposal, staff will work to identify alternative uses for the Stadium parcel in North Natomas, assuming the Ballpark authority selects a downtown site for a proposed development.

FINANCIAL CONSIDERATIONS

Approval of the Business Terms presented by Mr. Thomas will require the City to:

- Immediately refinance \$60 million ARCO Arena loan

- Identify funding for up to \$10 million in infrastructure fees for the Arena and Stadium
- Appropriate \$150,000 from the General Fund Contingency to pay for legal and real estate service to document the partnership
- Appropriate \$500,000 to hold an election in 1997.

ENVIRONMENTAL CONSIDERATIONS

None at this time. Future actions by Council on this proposal could involve environmental issues.

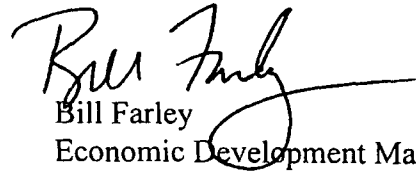
POLICY CONSIDERATIONS


The section of this report entitled "Assessment of Proposal" provides a thorough discussion of this policy considerations.

M/WBE CONSIDERATIONS

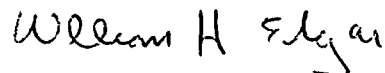
None at this time.

Respectfully submitted


Bill Farley
Economic Development Manager


Tom Friery
City Treasurer

Recommendation Approved:


William H. Edgar
City Manager

EXHIBITS

September 16, 1996

Thomas
Development
Partners

Ms. Heather Fargo
Councilmember District 1
City of Sacramento
915 I Street, Room 205
Sacramento, California 95814

Re: **City of Sacramento
Public/Private Partnership - Sports and Entertainment**

Dear Ms. Fargo:

Approximately seven months ago, we shared with you our vision for a sports and entertainment center on the City's 100 acres adjacent to Arco Arena. Your positive reception and encouragement to our plan, allowed us to immediately pursue marketing efforts to secure the necessary tenant/operators.

We are actively discussing lease or operating agreements with major companies who would operate the amphitheater, multiplex cinemas, outdoor recreational park, live entertainment venues, and several of the more significant restaurant concepts. We have also had ongoing discussions with several groups who are interested in locating a minor league baseball team and minor league hockey team to the complex. We are encouraged with our progress on these leasing efforts.

The City as a part of its review and reaction of our North Natomas plan, strongly indicated that we needed to link our efforts at Arco Arena with Downtown Redevelopment. Specifically, we were requested to utilize our contacts and development expertise to implement movie theaters and other retail uses on K Street. We agreed with the City's request for "linkage" to the downtown and thus we participated and supported the City's movie theater policy to accomplish this downtown objective. We currently have pending with two theater operators, detailed letters of intent that would result in 10-12 screens (2,400 - 3,000 seats) on K Street. There are many issues associated with new movie theaters in downtown Sacramento, the most important of which is the lack of any mass of existing quality entertainment uses. Movie theater operators are reluctant to be the "pioneers" of the desired entertainment element on K Street. We are continuing our efforts.

More recently the City embarked on efforts to implement a major league baseball stadium in the downtown area on a site generally located adjacent to the riverfront near Old Town. We feel it is very timely for the City to formulate a comprehensive long-term plan for major league sports for the City of Sacramento, as well as the development of additional visitor and tourist serving entertainment uses.

The City's plan needs to include the following elements:

- A major league baseball stadium located as close to downtown as possible.
- A major tourist/visitor serving attraction and entertainment center along the riverfront. This would bring new entertainment facilities into the area to link downtown and the sports stadium complex, as well as make it an entertainment hub for the region.

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- 20-30 movie screens (4,000-5,000 seats) in at least two different locations on K Street between 8th and 13th Streets.
- The planned sports and entertainment center proposed to be located on the City's 100 acres next to Arco Arena.
- Investment by the City in the existing Arco Arena.
- As a long term goal, which is intended to complement the major league baseball stadium and riverfront entertainment complex, a new state-of-the-art multi-purpose sports and cultural arena adjacent to the baseball stadium for the eventual relocation of the Sacramento Kings NBA franchise once the Arco Arena's useful life has expired.
- A series of community recreational centers which would serve both as health/fitness/wellness centers, youth sports facilities including outdoor rollerblade rinks, basketball facilities, and possibly soccer and baseball facilities. These centers are intended to be closely linked with the NBA Kings, our indoor soccer team, possibly our baseball and minor league hockey operations as well.

We feel there is a tremendous opportunity for the City to position itself as a major contender in the world of professional sports and regional entertainment uses. Additionally, the City can solidify the long term future of its existing NBA Kings by integrating the above described plan. We feel the elements mutually complement and support each other in the objective of strengthening the City as a sports/arts/entertainment/visitor hub of the Greater Sacramento Metropolitan area.

These goals and objectives are clearly within the City's grasp if it acts strategically and comprehensively. There are a number of successful examples of various cities implementing a sports and entertainment plan through a public/private partnership. Denver, Cleveland, and Baltimore, all have successfully implemented such strategies. Detroit, Cincinnati, and Anaheim, California, are currently pursuing similar goals and objectives.

Thomas Development Partners is proposing a public/private partnership with the City to develop the above referenced plan. The feasibility of these projects are enhanced by linking the sports and entertainment center to the existing team and arena. Together we could aggressively pursue these developments simultaneously. Placing them under one management helps with the reasonable financeability of the projects, increases their likelihood of timely implementation, will attract the various tenant/operators including the major entertainment companies, and will result in their complementing one another rather than competing with each other.

We are very excited about the scope and diversity of this proposed sports and entertainment public/private partnership with the City of Sacramento. We look forward to your reaction to our proposal and commencing the effort.

Sincerely,

James A. Thomas
Managing Partner

JAT:as

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January 14, 1997

Thomas
Development
Partners

Mayor Joseph Serna, Jr.
City of Sacramento
915 "I" Street, Room 205
Sacramento, CA 95814

Re: Partnership for Playing

Dear The Honorable Joseph Serna, Jr.,

We updated you in September of 1996, on our visions and thoughts for sports and entertainment facilities in both downtown Sacramento as well as north Natomas. These opportunities included development potential in Old Town Sacramento on the riverfront, K Street between 7th Street and the Convention Center, the Union Pacific railroad yards at the riverfront, and the City's 100 acres adjacent to ARCO Arena. We suggested that a public/private partnership would greatly enhance the possibility of these projects being developed.

We agreed at that time that we should continue our research and planning efforts on these development potentials. As a part of that process we retained our third marketing and feasibility consultant, (Economic Research Associates), as well as the prominent land planning and design firm, Gensler Associates. As a team they reviewed the opportunities we have previously discussed and concluded the following:

Overview of Market: Sacramento's strong population growth will continue at a fast pace during the next decade, with more than half of the Sacramento metropolitan statistical area households meeting or exceeding the medium household income. The visitor market will remain strong and is currently estimated at 14 million visitors annually. Approximately, 45% of these visitors are tourists and persons visiting friends and relatives in the region. The Sacramento market is presently undeserved in terms of entertainment attractions and options. There are good opportunities for niche attractions for the regional resident market and tourist visitors to the area.

K Street: K Street is currently anchored by the Convention Center, the State Capital complex, and the downtown regional mall. The development opportunities for K Street we feel are derived from linking these anchors, via "infill" development



programs and major retenanting efforts of the retail spaces on the first and second levels of the prominent existing buildings.

Sacramento metro area residents and visitors (including both recreation - oriented and business persons) represent key market targets for K Street. As such, a program consisting of approximately 375,000 square feet of entertainment uses as contained on Exhibit 2, should be targeted for implementation. Based on meetings and conversations with the Downtown Partnership, it is our understanding that the key retenanting uses consisting of a multiplex cinema and large screen specialty theater, are actively being negotiated at this time.

We and our consulting team have met with representatives of the Downtown Partnership and shared our conclusions. We stand ready to assist them in anyway that they deem appropriate in implementing the entertainment use program for K Street.

Old Town Riverfront: The Old Town historic area is anchored by the railroad museum and the draw of the riverfront. We feel the riverfront represents a very strong amenity for this area. Based upon our consultants review of the existing uses and developments within Old Town, they are preliminary recommending additional development and marketing approaches as follows:

1. A strong marketing program that effectively markets the entire area as an entertainment destination to the region. New development should be concentrated along the riverfront, possibly creating a promenade or "riverwalk". This promenade or riverwalk would further take advantage of the views of the river.
2. Additional food and beverage uses should be strongly attracted to the riverfront edge.
3. A "Gold Rush" heritage theme should continue to be enforced within Old Town and all future development should be orientated towards this theme.
4. There are two large undeveloped sites within Old Town. The northern site adjacent to the railroad museum, should be kept in an open state and utilized as a programmatic space for recurring entertainment activity generators. These entertainment activities could be both seasonally based as well as specific themes dealing with the historic heritage of the

area. The southern site should be developed with a use that furthers the areas destination appeal. One possibility is a new generation dinner theater orientated to resident families and tourists. Additional specifics on the Old Town - Riverfront development opportunities appear on Exhibit 3. Also enclosed is a preliminary land plan that demonstrates the areas of development opportunities.

North Natomas: North Natomas should build on the sports and entertainment opportunities currently provided by ARCO Arena. Our consultants agree that this can be accomplished by a bundling of a number of additional sports and entertainment venues on the cities 100 acre site. Combining professional, amateur, and youth sports league venues in concert with entertainment components should have a strong appeal in the regional market and draw from considerable geographic distances.

The current program components for North Natomas are contained on Exhibit 1. They are the result of our ongoing land planning as well as our marketing efforts to date. The enclosed site plan is the result of approximately a dozen land planning efforts, and demonstrate how the various venues can fit together, and how in combination they can create an exciting and energetic regional destination and gathering place.

The plan provides for potentially new sports facilities for ice hockey, roller hockey, track and field, soccer, baseball, basketball, aquatics including diving, field hockey, racquetball, squash, etc.

Our planning team also reviewed the development opportunities associated with the Union Pacific rail yards. They reinforced the fact that the site is strategically located in downtown Sacramento and presents multiple development opportunities because of its size and location. We and our team concluded, that if the city is successful in implementing major league baseball, a portion of this site would be an excellent location for the stadium and its presence would have a significant impact on the economic development of downtown.

The site has many challenges stemming from its current operation as a railroad station, as well as its known hazardous waste material problems. Furthermore, our consultant team felt that with the existing freeway "fly-overs", it is significantly more challenging to create an open air entertainment destination along the Union Pacific's riverfront. Our conclusion, is that the extensive riverfront and Old Town provides a more

immediate opportunity and thus we have chosen to concentrate our efforts in that area.

The on-going planning process continues to demonstrate great potential for Sacramento to be a regional Sports and Entertainment destination. We look forward to further discussing this opportunity.

Sincerely,

James A. Thomas
President

Enclosures

Exhibit 1

NORTH NATOMAS DEVELOPMENT PROGRAM

CONCEPT: Sports and Entertainment Complex

SITE SIZE: 100+ Acres

Components	Sizing Factors	Elements
<i>Arco Arena--existing</i>		
<i>Sportsplex</i>	265,000 sq.ft.	<i>Major Elements:</i> <ul style="list-style-type: none"> • Fitness Center • Wellness Center • Ice Rink(s)
<i>New Arena</i>	6,000-7,000 seats	
<i>Aquatic Center</i>		Olympic quality training facility
<i>Amphitheater</i>	23,000 seats Fixed 8,000 Lawn 15,000	
<i>Recreation Component</i>	25 acres	<i>Alternative Concepts:</i> Amusement Park which combines: <ul style="list-style-type: none"> <li style="width: 50%;">• Waterpark <li style="width: 50%;">• Amusement Rides <li style="width: 50%;">• Family Recreation Area <li style="width: 50%;">• Family Restaurants
		Participatory Sports Park — Large-Scale Family Entertainment Center with State-of-the-Art Participatory Sports Components, includes: <ul style="list-style-type: none"> <li style="width: 50%;">• Batting Stadium <li style="width: 50%;">• Golf Target Range <li style="width: 50%;">• Go-Kart Track <li style="width: 50%;">• Other Components
		Outdoor Recreational Park — Miniature Golf, Kid's Rides, Batting Cages, Water Rides, 8- to 10-Acre Area for Touring Events
<i>Minor League Baseball Stadium</i>	10,000 seats Fixed 6,000 Lawn 4,000	Includes Sports-Themed Restaurant and Team Retail Store
<i>Retail Area</i>		
<i>Food and Beverage</i>	60,000 sq.ft.	Restaurants, Dinner Theater/Clubs, Kiosks, Carts
<i>Retail</i>	80,000 sq.ft.	Entertainment Retail: Big Music; Books; Sports; Other: Small to Medium Tenants
<i>Electronic Game Gallery</i>	60,000 sq.ft.	Electronic Games, Ride Simulators
<i>Multiplex Cinema</i>	20-24 screens 6,000-7,000 seats	State of the Art theaters

Exhibit 2

K STREET DEVELOPMENT PROGRAM

CONCEPT: Entertainment-Driven Retail

SITE SIZE: 6 City Blocks

Physical Description	
<ul style="list-style-type: none">• 6 blocks long• Anchors Convention Center, Mall and Capitol• 5-year timeframe	
Targeted Development	
<ul style="list-style-type: none">• Entertainment-driven retail targeting local and regional residents• Focus in-fill program on 1st and 2nd levels	
New Components	Sizing Factors (sq.ft.)
Multiplex Cinemas (30 screens)	125,000
IMAX Theater (500 seats)	20,000
Other Entertainment	30,000
Restaurants	100,000
Retail	<u>100,000</u>
Total	375,000
Possible Additional Anchor	
Performing Arts Center (Greyhound Station site)	

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Exhibit 3

OLD TOWN/RIVERFRONT DEVELOPMENT PROGRAM

CONCEPT: Tourist and Regional Resident Destination
SIZE: New Development on Riverfront--Approximately 50,000 Sq.Ft.
Old Town--Two 30,000 Sq.Ft. Sites

<i>Physical Description</i>
<ul style="list-style-type: none">• Regional residents and tourist-market orientation• Single story structure• Historic district anchored by Railroad Museum and riverfront
<i>Targeted Development Program</i>
<ul style="list-style-type: none">• Build on regional and tourist appeal• Focus on river appeal• Limited development program based on improving tenant mix, destination marketing and limited new development
<i>Development Approach</i>
<ul style="list-style-type: none">• Re-tenanting effort<ul style="list-style-type: none">√ Tourist-oriented retail√ Craftsmen, artisans√ Improved quality and mix• Marketing/positioning<ul style="list-style-type: none">√ Marketing as destination√ Key aspect--programmatic events• New development<ul style="list-style-type: none">√ Focus on Riverwalk--promenade along river, approximately 50,000 sq.ft.√ Key components--new restaurants with destination appeal√ Two large open sites (30,000 sq.ft. each)<ul style="list-style-type: none">--Possibility for new style dinner theater at southern developable site--North site use as programmatic space--live entertainment, festival/event area

Table 1
RESIDENT MARKET GROWTH TRENDS
NORTH NATOMAS SITE

	1990	1996	1999	2001	Average Annual Growth Rate	
					1990-1996	1996-2001
Primary Market ¹	501,000	518,000	524,000	529,000	0.6%	0.4%
Secondary Market ²	544,000	586,000	605,000	618,000	1.2%	1.1%
Tertiary Market ³	241,000	284,000	303,000	316,000	2.8%	2.2%
Regional Market ⁴	1,088,000	1,218,000	1,277,000	1,317,000	1.9%	1.6%
Total	2,374,000	2,606,000	2,709,000	2,780,000	1.6%	1.3%

1 10 mile radius

2 10-15 mile band

3 15 to 25 mile band

4 25 to 50 mile band

Source: Urban Decision Systems and Economics Research Associates

Table 2
RESIDENT MARKET AGE DISTRIBUTION
NORTH NATOMAS SITE
1996

Age Category	Primary Market	Secondary Market	Tertiary Market	Regional Market	State of California
0-5	7.9%	8.1%	7.3%	8.1%	8.8%
6-13	12.8%	14.2%	14.1%	14.4%	13.2%
14-17	4.8%	5.5%	5.6%	5.5%	5.4%
18-24	9.7%	9.5%	9.5%	8.2%	10.7%
25-34	17.4%	16.3%	15.8%	15.0%	17.4%
35-44	16.5%	17.2%	19.4%	17.2%	16.2%
45-54	10.9%	12.0%	12.9%	12.0%	10.9%
55-64	7.5%	7.4%	6.9%	7.6%	6.9%
65+	12.5%	9.8%	8.5%	12.0%	10.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Median Age	33.5	32.9	33.7	34.2	32.0

Source: Urban Decision Systems and Economics Research Associates

Table 3

**RESIDENT MARKET HOUSEHOLD INCOME DISTRIBUTION
NORTH NATOMAS SITE
1996**

Income Category	Primary Market	Secondary Market	Tertiary Market	Regional Market	State of California
Under \$20,000	29.1%	21.8%	17.5%	23.6%	22.4%
\$20,000-\$29,999	16.2%	13.9%	11.1%	13.6%	13.0%
\$30,000-\$39,999	13.6%	13.3%	11.6%	13.1%	12.5%
\$40,000-\$49,999	11.5%	12.4%	11.2%	11.9%	11.2%
\$50,000-\$74,999	17.5%	21.5%	23.2%	21.2%	19.9%
\$75,000 and Over	12.1%	17.1%	25.4%	16.6%	21.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Median Household Income	\$33,670	\$40,829	\$48,743	\$39,788	\$41,915

Source: Urban Decision Systems and Economics Research Associates

Table 4
RESIDENT MARKET GROWTH TRENDS
DOWNTOWN SACRAMENTO

						Average Annual Growth Rate	
	1990	1996	1999	2001	1990-1996	1996-2001	
Primary Market ¹	187,000	193,000	194,000	196,000	0.5%	0.3%	
Secondary Market ²	328,000	333,000	335,000	336,000	0.3%	0.2%	
Tertiary Market ³	491,000	533,000	552,000	565,000	1.4%	1.2%	
Regional Market ⁴	417,000	498,000	534,000	560,000	3.0%	2.4%	
Total	1,423,000	1,557,000	1,615,000	1,657,000	1.5%	1.3%	

1 4.0 mile radius

2 4.0 to 8.0 mile band

3 8.0 to 15.0 mile band

4 Balance of PMSA population outside 15 mile radius

Source: Urban Decision Systems and Economics Research Associates

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Table 5
RESIDENT MARKET AGE DISTRIBUTION
DOWNTOWN SACRAMENTO
1996

Age Category	Primary Market	Secondary Market	Tertiary Market	Regional Market	State of California
0-5	7.8%	8.0%	8.1%	7.0%	8.8%
6-13	12.3%	13.7%	13.8%	13.8%	13.2%
14-17	4.4%	5.3%	5.3%	5.4%	5.4%
18-24	9.1%	9.9%	10.5%	6.6%	10.7%
25-34	17.9%	15.8%	17.4%	14.6%	17.4%
35-44	17.4%	15.8%	17.1%	20.0%	16.2%
45-54	10.5%	11.3%	11.7%	13.4%	10.9%
55-64	6.9%	7.9%	7.2%	7.9%	6.9%
65+	13.7%	12.3%	8.9%	11.3%	10.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Median Age	34.2	33.3	32.2	36.2	32.0

Source: Urban Decision Systems and Economics Research Associates

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Table 6
RESIDENT MARKET HOUSEHOLD INCOME DISTRIBUTION
DOWNTOWN SACRAMENTO
1996

Income Category	Primary Market	Secondary Market	Tertiary Market	Regional Market	State of California
Under \$20,000	33.2%	27.4%	21.5%	19.2%	22.4%
\$20,000-\$29,999	16.1%	15.7%	14.3%	12.2%	13.0%
\$30,000-\$39,999	12.9%	13.9%	13.4%	12.6%	12.5%
\$40,000-\$49,999	10.9%	11.4%	12.6%	11.7%	11.2%
\$50,000-\$74,999	15.7%	18.1%	21.8%	22.5%	19.9%
\$75,000 and Over	11.2%	13.5%	16.4%	21.8%	21.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
 Median Household Income	 \$30,523	 \$35,238	 \$40,665	 \$45,028	 \$41,915

Source: Urban Decision Systems and Economics Research Associates

Table 7

SACRAMENTO OVERNIGHT VISITOR MARKET

Type	1992	1996 (estimated)
Recreation-Oriented	2,454,000	2,800,000
Visiting Friends/Relatives	3,048,000	3,450,000
Business	4,816,000	5,450,000
Convention	1,174,000	1,250,000
Other	937,000	1,050,000
Total	12,429,000	14,000,000

Source: Sacramento Convention and Visitors Bureau, and Economics Research Associates.

Table 8

SACRAMENTO VISITOR MARKET TRIP PURPOSE

Recreation-Oriented	20.0%
Visiting Friends/Relatives	24.5
Business	39.0
Convention	9.0
Other	<u>7.5</u>
Total	100.0%

Source: Sacramento Convention and Visitors Bureau.

Table 9

SACRAMENTO OVERNIGHT VISITOR ORIGIN

Adjacent Counties	4.9%
Northern California	10.5
Southern California	32.4
Out-of-State	41.5
International	<u>10.8</u>
Total	100.0%

Source: Sacramento Convention and Visitors Bureau and Economics Research Associates..

Partnership for Playing

Kings

Investment:

Kings Franchise (asset) - \$125 - \$150 million
Arco Arena (asset) - \$ 90 million
\$215 - \$240 million

City

Investment:

\$90 million cash subsidy
\$ 5 million cash (infrastructure)
\$95 million



PHASE 1
20-year Kings commitment
Cash flow to City

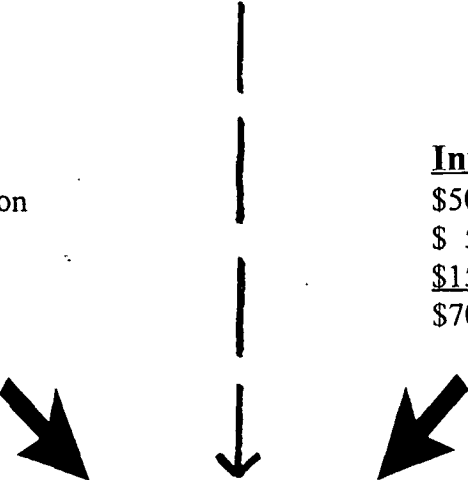
\$40 - 95 million
(\$0 - 55 million subsidy)

Investment:

Tenant Leases (cash) - \$85 million

Investment:

\$50 million cash subsidy
\$ 5 cash (infrastructure)
\$15 million (asset- 100 acres)
\$70 million



PHASE 2
Sportsplex
\$135 million

Cashflow ←

Cashflow to \$55 million
(no subsidy)
\$0.5 million tax revenues

PARTNERSHIP FOR PLAYING

Optimistic Estimates

PHASE I - ARCO ARENA

Principle		
Construction	90,000,000	
Points	1,575,000	1.75
Loan Amount	<u>91,575,000</u>	
Interest	7.00%	
Term	20	
Payment	8,644,032	

PHASE II - SPORTSPLEX

Principle		
Construction	55,000,000	
Points	550,000	1.00
Loan Amount	<u>55,550,000</u>	
Interest	7.00%	
Term	20	
Payment	5,243,527	

Amortization: 20

Years	PHASE I				PHASE II			TOTAL				
	Annual Payment	ARCO ARENA Net Income	ARCO Signage Inflation	Subtotal Income	Profit/(Subsidy)	Annual Payment	Income	Inflation	Profit/(Subsidy)	Profit/(Subsidy)		
1	\$8,644,032	\$3,500,000		\$1,000,000	\$4,500,000	(\$4,144,032)	\$5,243,527	\$5,243,000	0.0%	\$1,587,000	(\$2,557,032)	1
2	8,644,032	3,780,000	8.0%	1,050,000	4,830,000	(3,814,032)	5,243,527	5,243,000	0.0%	1,619,000	(2,195,032)	2
3	8,644,032	4,082,400	8.0%	1,102,500	5,184,900	(3,459,132)	5,243,527	5,243,000	0.0%	1,651,000	(1,808,132)	3
4	8,644,032	4,408,992	8.0%	1,157,625	5,566,617	(3,077,415)	5,243,527	5,243,000	0.0%	1,684,000	(1,393,415)	4
5	8,644,032	4,761,711	8.0%	1,215,506	5,977,218	(2,666,815)	5,243,527	5,243,000	0.0%	1,718,000	(948,815)	5
6	8,644,032	5,142,648	8.0%	1,276,282	6,418,930	(2,225,102)	5,243,527	5,243,000	0.0%	1,741,000	(484,102)	6
7	8,644,032	5,399,781	5.0%	1,340,096	6,739,876	(1,904,156)	5,243,527	5,347,860	2.0%	104,333	(1,799,823)	7
8	8,644,032	5,669,770	5.0%	1,407,100	7,076,870	(1,567,162)	5,243,527	5,454,817	2.0%	211,290	(1,355,872)	8
9	8,644,032	5,953,258	5.0%	1,477,455	7,430,714	(1,213,319)	5,243,527	5,563,914	2.0%	320,387	(892,932)	9
10	8,644,032	6,250,921	5.0%	1,551,328	7,802,249	(841,783)	5,243,527	5,675,192	2.0%	431,665	(410,118)	10
11	8,644,032	6,563,467	5.0%	1,628,895	8,192,362	(451,670)	5,243,527	5,788,696	2.0%	545,169	93,498	11
12	8,644,032	6,891,641	5.0%	1,710,339	8,601,980	(42,052)	5,243,527	5,904,470	2.0%	660,943	618,890	12
13	8,644,032	7,236,223	5.0%	1,795,856	9,032,079	388,047	5,243,527	6,022,559	2.0%	779,032	1,167,079	13
14	8,644,032	7,598,034	5.0%	1,885,649	9,483,683	839,651	5,243,527	6,143,010	2.0%	899,483	1,739,134	14
15	8,644,032	7,977,935	5.0%	1,979,932	9,957,867	1,313,835	5,243,527	6,265,870	2.0%	1,022,343	2,336,178	15
16	8,644,032	8,376,832	5.0%	2,078,928	10,455,760	1,811,728	5,243,527	6,391,188	2.0%	1,147,661	2,959,389	16
17	8,644,032	8,795,674	5.0%	2,182,875	10,978,548	2,334,516	5,243,527	6,519,011	2.0%	1,275,484	3,610,001	17
18	8,644,032	9,235,457	5.0%	2,292,018	11,527,476	2,883,444	5,243,527	6,649,392	2.0%	1,405,865	4,289,308	18
19	8,644,032	9,697,230	5.0%	2,406,619	12,103,850	3,459,817	5,243,527	6,782,380	2.0%	1,538,853	4,998,670	19
20	8,644,032	10,182,092	5.0%	2,526,950	12,709,042	4,065,010	5,243,527	6,918,027	2.0%	1,674,500	5,739,510	20
21	0	10,691,196	5.0%	2,653,298	13,344,494	4,718,494	0	7,056,388	2.0%	7,056,388	20,400,882	21
22	0	11,225,756	5.0%	2,785,963	14,011,719	5,403,719	0	7,197,515	2.0%	7,197,515	21,209,234	22
23	0	11,787,044	5.0%	2,925,261	14,712,305	6,118,305	0	7,341,466	2.0%	7,341,466	22,053,771	23
24	0	12,376,396	5.0%	3,071,524	15,447,920	6,853,920	0	7,488,295	2.0%	7,488,295	22,936,215	24
25	0	12,995,216	5.0%	3,225,100	16,220,316	7,629,316	0	7,638,061	2.0%	7,638,061	23,858,377	25
26	0	13,644,977	5.0%	3,386,355	17,031,332	8,455,332	0	7,790,822	2.0%	7,790,822	24,822,154	26
27	0	14,327,226	5.0%	3,555,673	17,882,898	9,331,898	0	7,946,639	2.0%	7,946,639	25,829,537	27
28	0	15,043,587	5.0%	3,733,456	18,777,043	10,263,043	0	8,105,571	2.0%	8,105,571	26,882,615	28
29	0	15,795,766	5.0%	3,920,129	19,715,895	11,243,895	0	8,267,683	2.0%	8,267,683	27,983,578	29
30	0	\$16,585,555	5.0%	\$4,116,136	\$20,701,690	\$20,701,690	0	8,433,036	2.0%	\$8,433,036	\$29,134,727	30

Present Value of Profit or (Subsidy)

Twenty Year Period

Thirty Year Period

Discount Rate

3.50%

(\$12,640,944)

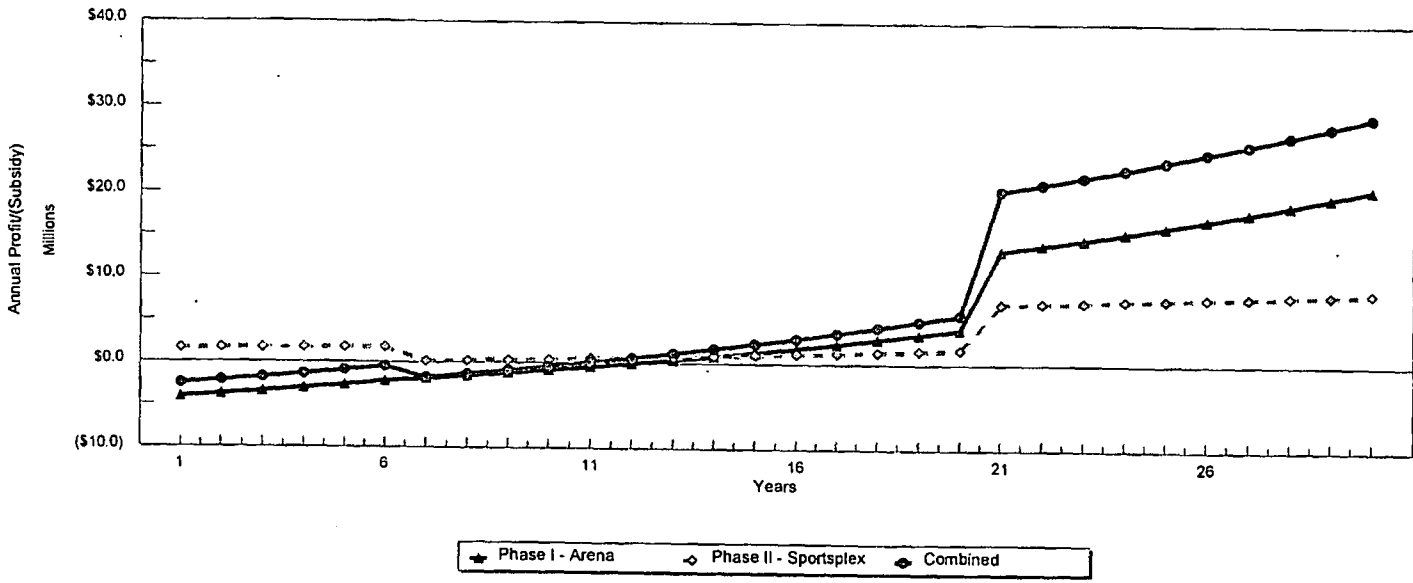
\$56,549,461

\$15,893,931 \$3,252,987

\$48,007,311 \$104,556,773

A

Partnership for Playing Cash-flow Projections



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PARTNERSHIP FOR PLAYING

Optimistic Estimates

PHASE I - ARCO ARENA

Principle		
Construction	90,000,000	
Points	1,575,000	1.75
Loan Amount	91,575,000	
Interest	7.00%	
Term	30	
Payment	7,379,700	

PHASE II - SPORTSPLEX

Principle		
Construction	55,000,000	
Points	550,000	1.00
Loan Amount	55,550,000	
Interest	7.00%	
Term	30	
Payment	4,476,575	

Amortization: 30

Years	PHASE I						PHASE II			TOTAL			
	Annual Payment	ARCO ARENA Net Income	ARCO Inflation	Signage	Inflation	Subtotal Income	Profit/(Subsidy)	Annual Payment	Income	Inflation		Profit/(Subsidy)	Profit/(Subsidy)
1	\$7,379,700	\$3,500,000		\$1,000,000		\$4,500,000	(\$2,879,700)	\$4,476,575	\$5,243,000	0.0%	\$1,587,000	(\$1,292,700)	1
2	7,379,700	3,780,000	8.0%	1,050,000	5.0%	4,830,000	(2,549,700)	4,476,575	5,243,000	0.0%	1,619,000	(930,700)	2
3	7,379,700	4,082,400	8.0%	1,102,500	5.0%	5,184,900	(2,194,800)	4,476,575	5,243,000	0.0%	1,651,000	(543,800)	3
4	7,379,700	4,408,992	8.0%	1,157,625	5.0%	5,566,617	(1,813,083)	4,476,575	5,243,000	0.0%	1,684,000	(129,083)	4
5	7,379,700	4,761,711	8.0%	1,215,506	5.0%	5,977,218	(1,402,482)	4,476,575	5,243,000	0.0%	1,718,000	315,518	5
6	7,379,700	5,142,648	8.0%	1,276,282	5.0%	6,418,930	(960,770)	4,476,575	5,243,000	0.0%	1,741,000	780,230	6
7	7,379,700	5,399,781	5.0%	1,340,096	5.0%	6,739,876	(639,824)	4,476,575	5,347,860	2.0%	871,285	231,462	7
8	7,379,700	5,669,770	5.0%	1,407,100	5.0%	7,076,870	(302,830)	4,476,575	5,454,817	2.0%	978,242	675,413	8
9	7,379,700	5,953,258	5.0%	1,477,455	5.0%	7,430,714	51,014	4,476,575	5,563,914	2.0%	1,087,339	1,138,353	9
10	7,379,700	6,250,921	5.0%	1,551,328	5.0%	7,802,249	422,549	4,476,575	5,675,192	2.0%	1,198,617	1,621,167	10
11	7,379,700	6,563,467	5.0%	1,628,895	5.0%	8,192,362	812,662	4,476,575	5,788,696	2.0%	1,312,121	2,124,783	11
12	7,379,700	6,891,641	5.0%	1,710,339	5.0%	8,601,980	1,222,280	4,476,575	5,904,470	2.0%	1,427,895	2,650,175	12
13	7,379,700	7,236,223	5.0%	1,795,856	5.0%	9,032,079	1,652,379	4,476,575	6,022,559	2.0%	1,545,984	3,198,363	13
14	7,379,700	7,598,034	5.0%	1,885,649	5.0%	9,483,683	2,103,983	4,476,575	6,143,010	2.0%	1,666,435	3,770,418	14
15	7,379,700	7,977,935	5.0%	1,979,932	5.0%	9,957,867	2,578,167	4,476,575	6,265,870	2.0%	1,789,296	4,367,463	15
16	7,379,700	8,376,832	5.0%	2,078,928	5.0%	10,455,760	3,076,060	4,476,575	6,391,188	2.0%	1,914,613	4,990,673	16
17	7,379,700	8,795,674	5.0%	2,182,875	5.0%	10,978,548	3,598,848	4,476,575	6,519,011	2.0%	2,042,437	5,641,285	17
18	7,379,700	9,235,457	5.0%	2,292,018	5.0%	11,527,476	4,147,776	4,476,575	6,649,392	2.0%	2,172,817	6,320,593	18
19	7,379,700	9,697,230	5.0%	2,406,619	5.0%	12,103,850	4,724,150	4,476,575	6,782,380	2.0%	2,305,805	7,029,954	19
20	7,379,700	10,182,092	5.0%	2,526,950	5.0%	12,709,042	5,329,342	4,476,575	6,918,027	2.0%	2,441,452	7,770,795	20
21	7,379,700	10,691,196	5.0%	2,653,298	5.0%	13,344,494	5,964,794	4,476,575	7,056,388	2.0%	2,579,813	8,544,607	21
22	7,379,700	11,225,756	5.0%	2,785,963	5.0%	14,011,719	6,632,019	4,476,575	7,197,515	2.0%	2,720,941	9,352,960	22
23	7,379,700	11,787,044	5.0%	2,925,261	5.0%	14,712,305	7,332,605	4,476,575	7,341,466	2.0%	2,864,891	10,197,496	23
24	7,379,700	12,376,396	5.0%	3,071,524	5.0%	15,447,920	8,068,220	4,476,575	7,488,295	2.0%	3,011,720	11,079,940	24
25	7,379,700	12,995,216	5.0%	3,225,100	5.0%	16,220,316	8,840,616	4,476,575	7,638,061	2.0%	3,161,486	12,002,102	25
26	7,379,700	13,644,977	5.0%	3,386,355	5.0%	17,031,332	9,651,632	4,476,575	7,790,822	2.0%	3,314,247	12,965,879	26
27	7,379,700	14,327,226	5.0%	3,555,673	5.0%	17,882,898	10,503,198	4,476,575	7,946,639	2.0%	3,470,064	13,973,262	27
28	7,379,700	15,043,587	5.0%	3,733,456	5.0%	18,777,043	11,397,343	4,476,575	8,105,571	2.0%	3,628,997	15,026,340	28
29	7,379,700	15,795,766	5.0%	3,920,129	5.0%	19,715,895	12,336,196	4,476,575	8,267,683	2.0%	3,791,108	16,127,304	29
30	7,379,700	\$16,585,555	5.0%	\$4,116,136	5.0%	\$20,701,690	\$13,321,990	4,476,575	8,433,036	2.0%	\$3,956,462	\$17,278,452	30

Present Value of Profit or (Subsidy)

Twenty Year Period

Thirty Year Period

Discount Rate

3.50%

\$5,328,257

\$43,674,157

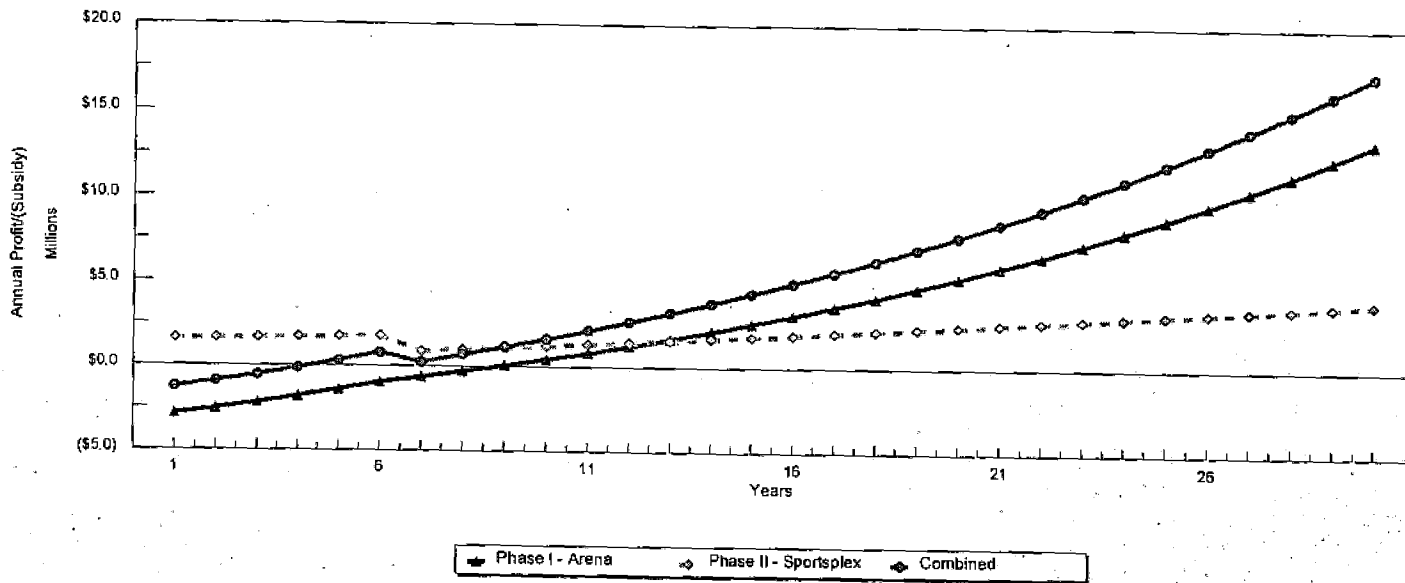
\$22,707,420 \$28,035,677

\$36,110,321 \$79,784,478

B

34

Partnership for Playing
Cash-flow Projections



PARTNERSHIP FOR PLAYING

Conservative Projections

PHASE I - ARCO ARENA

Principle	
Construction	90,000,000
Points (2.5)	2,250,000
Loan Amount	92,250,000
Interest	7.50%
Term	20
Payment	9,049,005

PHASE II - SPORTSPLEX

Principle	
Construction	0
Points (2.5)	0
Loan Amount	0
Interest	9.00%
Term	20
Payment	0

Amortization: 20

Years	Annual		ARCO ARENA		ARCO		Subtotal		PHASE I	Annual			PHASE II	TOTAL	
	Payment	Net Income	Inflatio	Signage	Inflatio	Income	(Subsidy)	Payment	Income	Inflatio	(Subsidy)	(Subsidy)			
1	\$9,049,005	\$3,500,000		\$500,000		\$4,000,000	(\$5,049,005)	\$0	\$0			\$0	(\$5,049,005)	1	
2	9,049,005	3,675,000	5.0%	512,500	2.5%	4,187,500	(4,861,505)	0	0	1.0%	0	0	(4,861,505)	2	
3	9,049,005	3,858,750	5.0%	525,313	2.5%	4,384,063	(4,664,942)	0	0	1.0%	0	0	(4,664,942)	3	
4	9,049,005	4,051,687	5.0%	538,445	2.5%	4,590,133	(4,458,872)	0	0	1.0%	0	0	(4,458,872)	4	
5	9,049,005	4,254,272	5.0%	551,906	2.5%	4,806,178	(4,242,826)	0	0	1.0%	0	0	(4,242,826)	5	
6	9,049,005	4,381,900	3.0%	565,704	2.5%	4,947,604	(4,101,401)	0	0	1.0%	0	0	(4,101,401)	6	
7	9,049,005	4,513,357	3.0%	579,847	2.5%	5,093,204	(3,955,801)	0	0	1.0%	0	0	(3,955,801)	7	
8	9,049,005	4,648,758	3.0%	594,343	2.5%	5,243,101	(3,805,904)	0	0	1.0%	0	0	(3,805,904)	8	
9	9,049,005	4,788,220	3.0%	609,201	2.5%	5,397,422	(3,651,583)	0	0	1.0%	0	0	(3,651,583)	9	
10	9,049,005	4,931,867	3.0%	624,431	2.5%	5,556,299	(3,492,706)	0	0	1.0%	0	0	(3,492,706)	10	
11	9,049,005	5,030,504	2.0%	640,042	2.5%	5,670,547	(3,378,458)	0	0	1.0%	0	0	(3,378,458)	11	
12	9,049,005	5,131,115	2.0%	656,043	2.5%	5,787,158	(3,261,847)	0	0	1.0%	0	0	(3,261,847)	12	
13	9,049,005	5,233,737	2.0%	672,444	2.5%	5,906,181	(3,142,823)	0	0	1.0%	0	0	(3,142,823)	13	
14	9,049,005	5,338,412	2.0%	689,256	2.5%	6,027,667	(3,021,338)	0	0	1.0%	0	0	(3,021,338)	14	
15	9,049,005	5,445,180	2.0%	706,487	2.5%	6,151,667	(2,897,338)	0	0	1.0%	0	0	(2,897,338)	15	
16	9,049,005	5,554,083	2.0%	724,149	2.5%	6,278,232	(2,770,772)	0	0	1.0%	0	0	(2,770,772)	16	
17	9,049,005	5,665,165	2.0%	742,253	2.5%	6,407,418	(2,641,587)	0	0	1.0%	0	0	(2,641,587)	17	
18	9,049,005	5,778,468	2.0%	760,809	2.5%	6,539,277	(2,509,727)	0	0	1.0%	0	0	(2,509,727)	18	
19	9,049,005	5,894,038	2.0%	779,829	2.5%	6,673,867	(2,375,138)	0	0	1.0%	0	0	(2,375,138)	19	
20	9,049,005	6,011,918	2.0%	799,325	2.5%	6,811,244	(2,237,761)	0	0	1.0%	0	0	(2,237,761)	20	
21	0	6,132,157	2.0%	819,308	2.5%	6,951,465	6,951,465	0	0	1.0%	0	0	6,951,465	21	
22	0	6,254,800	2.0%	839,791	2.5%	7,094,591	7,094,591	0	0	1.0%	0	0	7,094,591	22	
23	0	6,379,896	2.0%	860,786	2.5%	7,240,682	7,240,682	0	0	1.0%	0	0	7,240,682	23	
24	0	6,507,494	2.0%	882,305	2.5%	7,389,799	7,389,799	0	0	1.0%	0	0	7,389,799	24	
25	0	6,637,644	2.0%	904,363	2.5%	7,542,007	7,542,007	0	0	1.0%	0	0	7,542,007	25	
26	0	6,770,397	2.0%	926,972	2.5%	7,697,369	7,697,369	0	0	1.0%	0	0	7,697,369	26	
27	0	6,905,805	2.0%	950,146	2.5%	7,855,951	7,855,951	0	0	1.0%	0	0	7,855,951	27	
28	0	7,043,921	2.0%	973,900	2.5%	8,017,821	8,017,821	0	0	1.0%	0	0	8,017,821	28	
29	0	7,184,799	2.0%	998,248	2.5%	8,183,047	8,183,047	0	0	1.0%	0	0	8,183,047	29	
30	0	\$7,328,495	2.0%	\$1,023,204	2.5%	\$8,351,699	\$8,351,699	0	\$0	1.0%	\$0	\$0	\$8,351,699	30	

Present Value of Profit or (Subsidy)

Twenty Year Period

(\$52,432,503)

\$0 (\$52,432,503)

Thirty Year Period

(\$20,715,532)

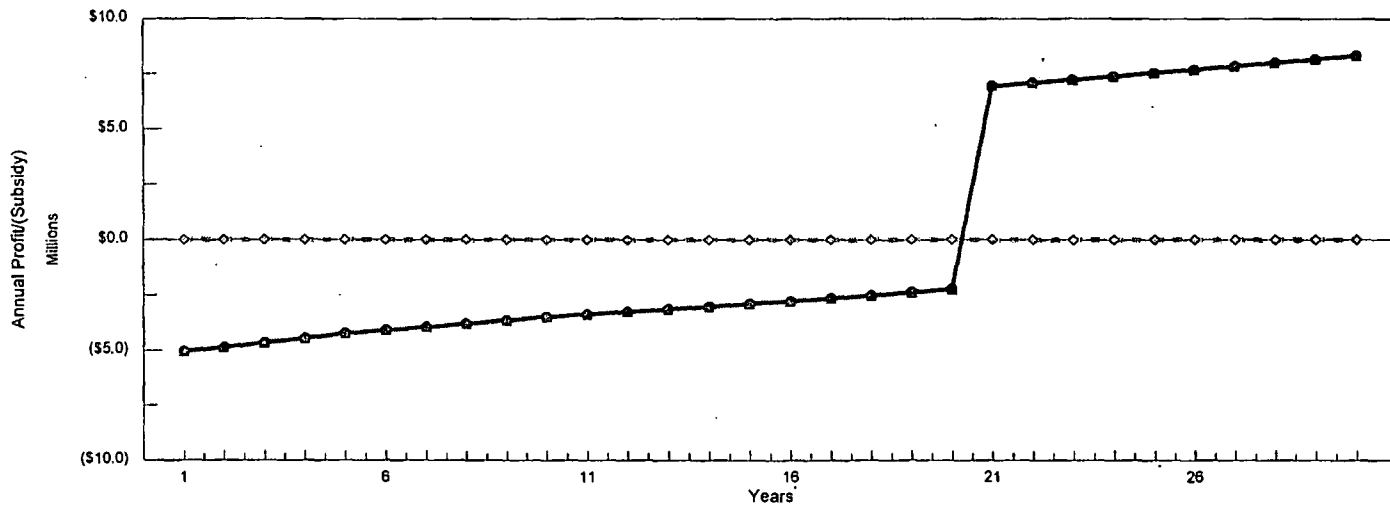
\$0 (\$20,715,532)

Discount Rate

3.50%

Partnership for Playing

Cash-flow Projections



◆ Phase I - Arena ◇ Phase II - Sportsplex ● Combined

PARTNERSHIP FOR PLAYING

Conservative Projections

PHASE I - ARCO ARENA

Principle	
Construction	90,000,000
Points (2.5)	2,250,000
Loan Amount	<u>92,250,000</u>
Interest	7.50%
Term	30
Payment	7,810,921

PHASE II - SPORTSPLEX

Principle	
Construction	0
Points (2.5)	0
Loan Amount	<u>0</u>
Interest	9.00%
Term	30
Payment	0

Amortization: 30

Years	Annual		ARCO ARENA		ARCO		Subtotal		PHASE I		Annual		PHASE II		TOTAL	
	Payment		Net Income	Inflatio	Signage	Inflatio	Income		Profit/		Payment	Income	Inflatio	Profit/		Profit/
									(Subsidy)					(Subsidy)		(Subsidy)
1	\$7,810,921		\$3,500,000		\$500,000		\$4,000,000		(\$3,810,921)	\$0	\$0		\$0		(\$3,810,921)	1
2	7,810,921		3,675,000	5.0%	512,500	2.5%	4,187,500		(3,623,421)	0	0	1.0%	0		(3,623,421)	2
3	7,810,921		3,858,750	5.0%	525,313	2.5%	4,384,063		(3,426,859)	0	0	1.0%	0		(3,426,859)	3
4	7,810,921		4,051,687	5.0%	538,445	2.5%	4,590,133		(3,220,789)	0	0	1.0%	0		(3,220,789)	4
5	7,810,921		4,254,272	5.0%	551,906	2.5%	4,806,178		(3,004,743)	0	0	1.0%	0		(3,004,743)	5
6	7,810,921		4,381,900	3.0%	565,704	2.5%	4,947,604		(2,863,317)	0	0	1.0%	0		(2,863,317)	6
7	7,810,921		4,513,357	3.0%	579,847	2.5%	5,093,204		(2,717,718)	0	0	1.0%	0		(2,717,718)	7
8	7,810,921		4,648,758	3.0%	594,343	2.5%	5,243,101		(2,567,821)	0	0	1.0%	0		(2,567,821)	8
9	7,810,921		4,788,220	3.0%	609,201	2.5%	5,397,422		(2,413,500)	0	0	1.0%	0		(2,413,500)	9
10	7,810,921		4,931,867	3.0%	624,431	2.5%	5,556,299		(2,254,623)	0	0	1.0%	0		(2,254,623)	10
11	7,810,921		5,030,504	2.0%	640,042	2.5%	5,670,547		(2,140,375)	0	0	1.0%	0		(2,140,375)	11
12	7,810,921		5,131,115	2.0%	656,043	2.5%	5,787,158		(2,023,764)	0	0	1.0%	0		(2,023,764)	12
13	7,810,921		5,233,737	2.0%	672,444	2.5%	5,906,181		(1,904,740)	0	0	1.0%	0		(1,904,740)	13
14	7,810,921		5,338,412	2.0%	689,256	2.5%	6,027,667		(1,783,254)	0	0	1.0%	0		(1,783,254)	14
15	7,810,921		5,445,180	2.0%	706,487	2.5%	6,151,667		(1,659,255)	0	0	1.0%	0		(1,659,255)	15
16	7,810,921		5,554,083	2.0%	724,149	2.5%	6,278,232		(1,532,689)	0	0	1.0%	0		(1,532,689)	16
17	7,810,921		5,665,165	2.0%	742,253	2.5%	6,407,418		(1,403,504)	0	0	1.0%	0		(1,403,504)	17
18	7,810,921		5,778,468	2.0%	760,809	2.5%	6,539,277		(1,271,644)	0	0	1.0%	0		(1,271,644)	18
19	7,810,921		5,894,038	2.0%	779,829	2.5%	6,673,867		(1,137,054)	0	0	1.0%	0		(1,137,054)	19
20	7,810,921		6,011,918	2.0%	799,325	2.5%	6,811,244		(999,678)	0	0	1.0%	0		(999,678)	20
21	7,810,921		6,132,157	2.0%	819,308	2.5%	6,951,465		(859,456)	0	0	1.0%	0		(859,456)	21
22	7,810,921		6,254,800	2.0%	839,791	2.5%	7,094,591		(716,331)	0	0	1.0%	0		(716,331)	22
23	7,810,921		6,379,896	2.0%	860,786	2.5%	7,240,682		(570,240)	0	0	1.0%	0		(570,240)	23
24	7,810,921		6,507,494	2.0%	882,305	2.5%	7,389,799		(421,122)	0	0	1.0%	0		(421,122)	24
25	7,810,921		6,637,644	2.0%	904,363	2.5%	7,542,007		(268,915)	0	0	1.0%	0		(268,915)	25
26	7,810,921		6,770,397	2.0%	926,972	2.5%	7,697,369		(113,553)	0	0	1.0%	0		(113,553)	26
27	7,810,921		6,905,805	2.0%	950,146	2.5%	7,855,951		45,029	0	0	1.0%	0		45,029	27
28	7,810,921		7,043,921	2.0%	973,900	2.5%	8,017,821		206,899	0	0	1.0%	0		206,899	28
29	7,810,921		7,184,799	2.0%	998,248	2.5%	8,183,047		372,125	0	0	1.0%	0		372,125	29
30	7,810,921		\$7,328,495	2.0%	\$1,023,204	2.5%	\$8,351,699		\$540,777	0	\$0	1.0%	\$0		\$540,777	30

Present Value of Profit or (Subsidy)

Twenty Year Period

Thirty Year Period

Discount Rate

3.50%

(\$34,836,366)

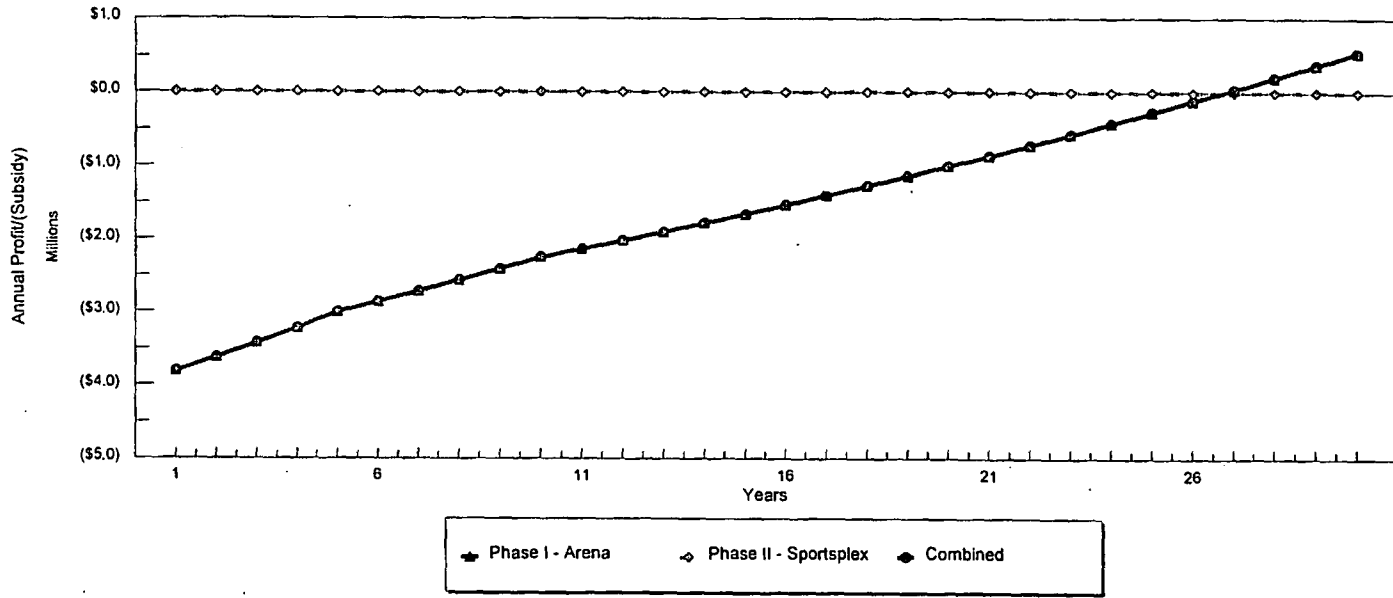
(\$35,766,251)

\$0 (\$34,836,366)

\$0 (\$35,766,251)

Partnership for Playing

Cash-flow Projections



SPORTS POLICY

This policy establishes the roles of the City and County of Sacramento in the retention and attraction of sports teams and sporting events and outlines guidelines for the appropriate level of support which may be offered as incentive for the location of teams or events in Sacramento County.

A major assumption of this policy is that major sports franchises and events, whether located in the city or county have positive economic and quality of life impacts on all the citizens of Sacramento.

The short-term goal of the City and County is to position Sacramento to be competitive for major professional sports and events attraction. The long-term goal of this policy is to attract major professional franchises to Sacramento.

Roles

The Sacramento City Council is the decision-making body for any land use, environmental impact, or fiscal issues that may be associated with the location of sports teams and/or sports events within the city limits;

The Sacramento Board of Supervisors is the decision-making body for any land use, environmental impact or fiscal issue that may be associated with the location of sports teams and/or sports events within the county limits;

The Sacramento Sports Commission has been established by the City and County of Sacramento to act as the coordinating and facilitating body to augment the efforts of the private and public sectors to attract professional sports teams and major professional and amateur sporting events to the Sacramento region.

Guidelines for Public Involvement

To facilitate the retention and attraction of sports and sporting events in the Sacramento area, the City and County shall offer appropriate incentives under the following scenarios:

1. A sports franchise owner desires to locate his/her franchise within Sacramento and is on the priority list of sports teams identified below:
2. A local group of investors desires to purchase and locate in Sacramento an existing or expansion sports franchise, identified on the priority list of sports teams below;

3. A non-local group of investors desires to purchase and locate in Sacramento an existing or expansion sports franchise identified on the priority list of sports teams below;
4. A sports franchise owner or group of investors desires to build a sports facility on city/county-owned property.
5. A national or international sports event is offered for which Sacramento meets the eligibility criteria to become host city.
6. A sports events is offered which generates a significant number of overnight visitors.

Priority Sports Teams for Attraction/ Retention

The operation of professional sports teams have a significant economic impact on the local economy by generating direct spending inside the stadium (i.e., admissions, concessions, parking) and outside of the stadium (i.e., restaurants, retail, transportation). Additional spending generated by teams come from visiting teams, coaches and umpires, as well as player/management salaries and advertising. Given these economic impacts, the following sports teams will be targeted for retention/attraction:

- **NBA Basketball**

The Sacramento Kings franchise provides national media exposure for Sacramento and, as evidenced by a high level of community support, is a popular local attraction. Efforts should be on-going to retain the franchise in Sacramento.

- **NHL/IHL Hockey**

The growth of hockey in the last decade (five NHL expansion teams have been awarded since 1990) demonstrates its increasing popularity to a large segment of the population. Neutral site NHL games in Sacramento were successful and demonstrated the ability to jointly use the Arco facility. The City should support private efforts to attract hockey to Sacramento.

- **Major League Baseball**

The growth in the population and effective buying income of the Sacramento region is evidence that a team could be supported in Sacramento. Popularity of baseball in Sacramento is demonstrated by an estimated 5-10% of San Francisco Giants/Oakland A's season ticket holders being from the Sacramento area. Given the adopted zoning for a stadium of the size to support Major League Baseball, the city should support private efforts to attract a Major League Baseball team to Sacramento.

- **Minor League Baseball**

Sacramento successfully supported the minor league Solons for a number of years with attendance reaching an estimated 200,000 in a year. As an interim step in the acquisition of a Major League Baseball franchise, a successful Minor League Baseball in Sacramento

may present a convincing argument for an Major League expansion team. In addition, an interim facility could accommodate potential weeknight games of other major league teams which suffer from low attendance in their own host cities. The City should support private efforts to attract a minor league team to Sacramento.

- **NFL Football**

The growth in the population and effective buying income of the Sacramento region is evidence that an NFL team could be supported in Sacramento -Jacksonville and Charlotte, the last two NFL expansion teams awarded, both have population and effective buying incomes less than Sacramento. Given the adopted zoning for a stadium of the size to support an NFL team, the city should support private efforts to attract a NFL team to Sacramento.

Type of Public Investment or Participation

The type and amount of public investment will be evaluated on a case by case basis. Any investment or public participation will reflect the value to the Sacramento community, as well as the potential for success.

- **Expedited permits**

City or County assistance in gathering all permitting bodies together and working through related issues in a timeframe which meets the needs of the private sector.

- **Early review of land use decisions**

City Council consideration of land use applications prior to full staff review in order to address outstanding issues or areas of concern and to reach tentative agreement on the development approach.

- **Processing of deposits for season ticket reservation program**

Use of City's existing Convention Center reservations system to assist in processing ticket deposits and pre-sold tickets.

- **Target public infrastructure spending**

City may consider redirecting a portion of budgeted infrastructure improvements for roadways, drainage, or utilities to an area that would facilitate private development, providing that such development is consistent with economic development goals.

- **Contribution of land as public equity to facility**

City may contribute city-owned land for private development of sports facility provided that usage of the facility is used for the benefit of the public.

- **Public financing supported by stadium revenues**

Private development of a stadium which projects a guaranteed annual net cash flow may be granted public financing.

- **Public financing supported by ownership interest in franchise**
City may consider constructing stadium should an ownership interest in a franchise be offered, depending on the financial history and projections for the franchise.
- **Construction of facility with public resources, with voter approval (City only)**
Any amount of direct public subsidy for facility development will be considered only with approval by Sacramento voters through a referendum process. Regional funding would be a priority.
- **Public participation in management of facility to generate cash flow year round**
City may enter into agreements with various facility operators and promoters to market stadium and ensure profit making uses year round.
- **Commitment to profitability of facility**
City may enter into agreements/MOUs with existing facility operators to avoid competition and/or duplication of effort.

Staff Responsibilities

The following entities shall be the points of contact on issues related to this policy.

Sacramento Sports Commission (SSC) - Director of Sports Development is responsible for actively promoting Sacramento at professional sports league and association meetings, researching available sports franchise opportunities and recruiting major sporting events to Sacramento.

- ▶ SSC briefs professional leagues, team owners and potential investors of sports policy.
- ▶ SSC continues pursuit of major events, utilizing the staff above to assess appropriate incentives and developing proposals that have a maximum return to the City or County.
- ▶ SSC prepares prospectus consisting of sports policy and facility assessment (to be prepared).

City Manager's Office - Office of Economic Development is responsible for providing information on the economic impacts of sports franchises, sporting events, land use decisions and facility development within the Sacramento city limits and defining what, if any, assistance is appropriate.

County Executives Office - Responsible for providing information on the economic impacts of sports franchises, sporting events, land use decisions, and facility development within Sacramento County and defining what, if any, assistance is appropriate. Also responsible for providing fiscal analysis of public participation or support in facility development through the Office of Debt Management.

City Treasurer - Responsible for providing fiscal analysis of public participation or support in facility development within the City of Sacramento.

MEMORANDUM OF BUSINESS TERMS

This Memorandum sets forth the basic business terms to be presented by City staff to the Sacramento City Council for action at its meeting on Tuesday, January 21, 1997.

The City council will be asked to approve, and authorize staff to undertake, the following actions:

1.) The City will immediately refinance the existing FUJI Bank loan to the Arena to net \$60 million in loan proceeds. The loan would be nonrecourse, interest only for 10 years, with a term for the longest feasible time but not less than 20 years in any event, and would be secured by a first deed of trust on the Arena. There would be no operation controls on the Arena and no restrictions on the application or use of cash flow so long as the loan was kept current. The Sacramento Kings would retain the option to continue its existing lease of the Arena and to renew the lease on its current terms and conditions from time to time as determined by the Kings.

2.) The City will use its best efforts, in cooperation and consultation with the Arena and Kings ownership interests, to gain voter approval by a majority vote of the City voters (or with the approval of the Kings of the City and County voters) at the earliest possible time in 1997 for the "Partnership for Playing", the terms of which are outlined in Exhibit 1 attached hereto and made a part hereof. As part of the "Partnership for Playing" the Kings would make a 20 year commitment to play in Sacramento.

3.) Concurrent with Action Item 1.) above, the City will remove any obligation of the Arena and Kings to pay any North Natomas financing and regional or local drainage fees and assessments.

This memorandum is entered into as of _____ by the parties whose signatures appear below.

EXHIBIT 1

PARTNERSHIP FOR PLAYING AS DISCUSSED WITH THE CITY OF SACRAMENTO

- 1.) The Kings will contribute the ARCO Arena, with an agreed value of \$90 million, to the Partnership for Playing ("PFP").
- 2.) PFP will contract with Thomas Development Partners ("TDP") to build a \$160 million "Sportsplex" on the 100 acre site next to ARCO Arena. The Sportsplex would include facilities for ice hockey, roller hockey, gymnastics, soccer, track and field, an Olympic quality training and competition aquatics center and tennis courts as well as an amphitheater.
- 3.) Kings will agree to operate the Arena and Sportsplex on behalf of the partnership.
- 4.) City will invest \$140 million in PFP.
- 5.) City will earn revenue from PFP, projected at \$10.5 to \$11 million in the first stabilized year. Depending upon the City's cost of borrowing, the City might have a small deficit in the early years which would turn into a profit in later years.
- 6.) PFP will proceed in two phases. Phase I is the Arena and Phase 2 is the Sportsplex.
- 7.) In Phase 1 the Kings will contribute the Arena and the City will contribute \$90 million (equal to the value of the Kings contribution). In this Phase, the City will receive \$4.5 million (\$3.5 million from the Arena and \$1.0 from ARCO Petroleum Products for the Title Sponsorship) in year 1 and this City share is projected to grow at various annual rates thereafter which are very conservative based on the Arena's historical performance. Depending upon the City's cost of borrowing, the City could have a deficit in the early years eventually turning into a profit. For example, if the City borrowed \$90 million at 6.5% interest to be repaid over 30 years with the first 5 years interest only, the City would have a first year deficit of \$1.35 million which is projected to gradually decrease until year 11, at which point the City would start making an annual profit. If under the same terms the rate was 7.5%, the City would have a first year deficit of \$2.25 million which is projected to gradually decrease until year 13, at which point the City would start making an annual profit. In either case the City is projected to make an overall profit from Phase 1.
- 8.) In Phase 2, the City will contribute \$50 Million toward the total project of \$160 Million. The remaining \$110 Million will be financed by TDP and the tenants of the project. TDP will not commence construction until leases have been secured which assure the project will be a financial success. The City share of the revenue is projected initially at \$4.5 Million and growing, resulting in an annual profit of \$150,000 to \$1,250,000, depending upon whether the City's cost of borrowing is 6.5% or 7.5%.

9.) An entity controlled by Jim Thomas will be the general partner on both Phases and the City will be given the same status as a limited partner would have with the right to approve major decisions.

10.) The Kings would enter into a 20 year lease with PFP to assure the franchise would remain in Sacramento for at least that period.

11.3

PARTNERSHIP FOR PLAYING

CITY OF SACRAMENTO & NBA KINGS

PROPOSED BY JIM THOMAS

CITY STAFF PRESENTATION

PARTNERSHIP FOR PLAYING

PRESENTATION OUTLINE

- BACKGROUND**
- PROPOSAL**
- STAFF ASSESSMENT**
- OPTIONS & STAFF RECOMMENDATION**
- COUNCIL QUESTIONS**
- PUBLIC TESTIMONY**

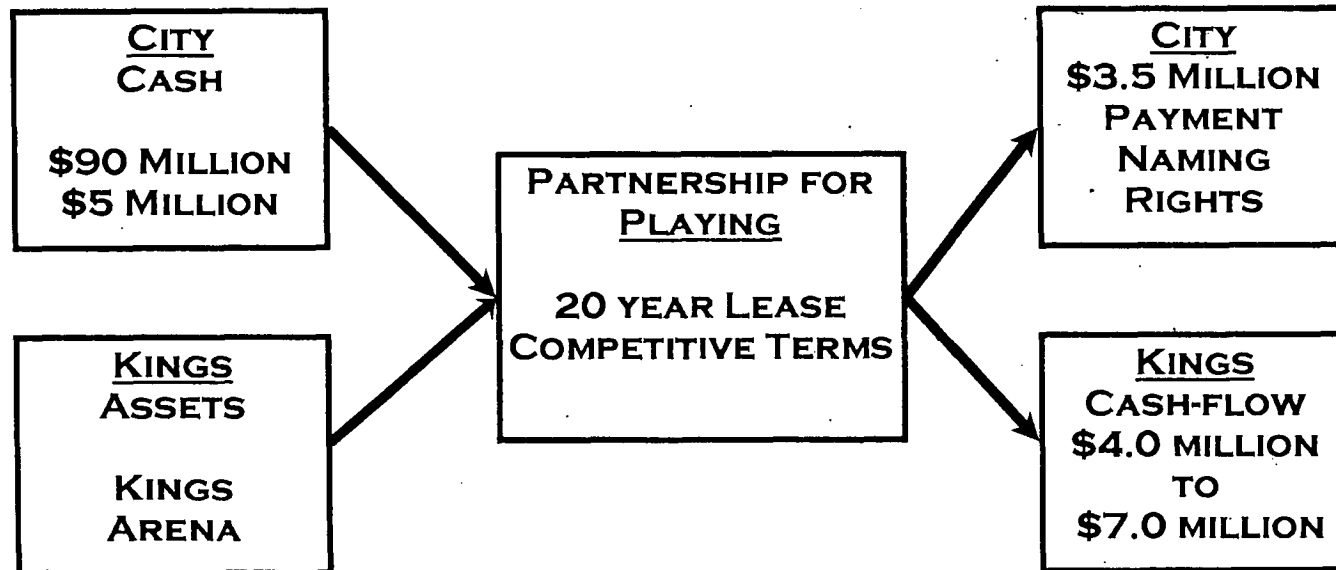
PARTNERSHIP FOR PLAYING

BACKGROUND

- LUKENBILL'S SUCCESS**
- THOMAS STEPS IN**
- NBA PLAYER'S CONTRACT**
- NBA REVENUE SHARING**
- PUBLIC SECTOR COMPETITION**

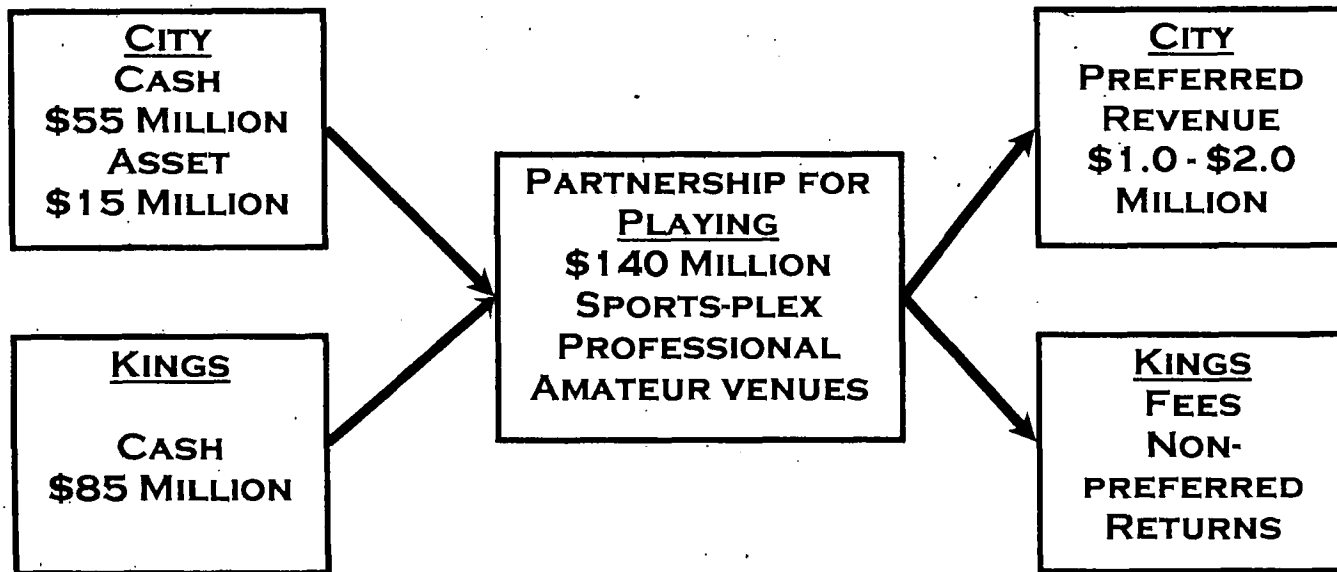
PARTNERSHIP FOR PLAYING

PHASE I - INVESTMENT



PARTNERSHIP FOR PLAYING

PHASE II - INVESTMENT



PARTNERSHIP FOR PLAYING

CITY CASH-FLOW PROJECTIONS 20 YEAR AMORTIZATION - DOLLARS IN MILLIONS

	YEAR 1	YEAR 5	YEAR 10	YEAR 15	YEAR 20	TOTAL
CONSERVATIVE (STAFF)	(\$5.0)	(\$3.5)	(\$2.5)	(\$1.7)	(\$1.1)	(\$52.0)
OPTIMISTIC PHASE I & II (THOMAS)	(\$2.6)	(\$0.8)	(\$0.3)	\$1.3	\$2.9	\$3.0
OPTIMISTIC PHASE I (THOMAS)	(\$4.1)	(\$2.4)	(\$0.6)	\$1.0	\$2.0	(\$12.6)

PARTNERSHIP FOR PLAYING

PUBLIC INVESTMENT

- INVEST \$90 MILLION IN ARCO ARENA**
- INVEST \$50 MILLION IN SPORTS-PLEX**
- \$10 MILLION FOR INFRASTRUCTURE**
- CONTRIBUTE 100 ACRES**
- CASH INVESTMENT - \$150 MILLION**
- ASSET CONTRIBUTION - \$15 MILLION**

PARTNERSHIP FOR PLAYING

PRIVATE INVESTMENT

- KINGS TEAM (\$150 MILLION)**
- ARCO ARENA (\$90 MILLION)**
- PRIVATE FINANCING - \$85 MILLION**

PARTNERSHIP FOR PLAYING

RESULTS

- 20 YEAR COMMITMENT FROM TEAM**
- LEVEL PLAYING FIELD FOR KINGS**
- DEVELOPMENT OF SPORTS-PLEX**
- CITY RISK OF \$5.0 MILLION PER YEAR**
- 20 YEAR SUBSIDY UP TO \$52 MILLION**
- OR - \$3 MILLION IN PROFIT**

PARTNERSHIP FOR PLAYING

CONDITIONS

- INTERIM REFINANCING OF ARCO
ARENA FOR \$60 MILLION TODAY**
- VOTERS MUST APPROVE THE TOTAL
PACKAGE IN 1997 (JUNE - NOVEMBER)**
- VOTE WOULD BE ADVISORY, OR 50%
MAJORITY, TO USE EXISTING BUDGET**

PARTNERSHIP FOR PLAYING

STAFF ASSESSMENT

- DEVELOPMENT AGREEMENT**
- BUDGET CAPACITY**
- SPORTS POLICY**
- OTHER CITY DEALS**
- OTHER NBA/NHL DEALS**
- DEBT CAPACITY**

PARTNERSHIP FOR PLAYING

SPORTS POLICY

- PRIORITY TO RETAIN KINGS**
- CONSIDER LAND CONTRIBUTION**
- CONSIDER INFRASTRUCTURE**
- CONSIDER NON-RECOURSE**
- PUBLIC FINANCING**
- PUBLIC SUBSIDY WITH A VOTE**

PARTNERSHIP FOR PLAYING

OTHER CITY DEALS (ALL DOLLARS IN MILLIONS)

	PUBLIC INVESTMENT	PRIVATE INVESTMENT	TOTAL	SUBSIDY
HYATT HOTEL	\$30	\$30	\$60	(\$30)
DOWNTOWN PLAZA	\$30	\$115	\$145	(\$30)
CONVENTION CENTER	\$80	\$0	\$80	(\$80)
PACKARD BELL	\$26	\$24	\$50	\$0
THOMAS PROPOSAL	\$90-\$150	\$0-\$85	\$90-\$235	(\$50)

PARTNERSHIP FOR PLAYING

SPORTS IN SACRAMENTO

- PROMOTION VALUE FOR COMMUNITY**
- ANAHEIM PAID \$20 MILLION FOR NAME AFFILIATING WITH ANGELS**
- COMMUNITY SPIRIT - AFFILIATION WITH OTHER MAJOR LEAGUE CITIES**
- PROPOSAL LIKELY TO BE BEST PUBLIC INVESTMENT IN PROFESSIONAL SPORTS**

PARTNERSHIP FOR PLAYING

NBA IN SACRAMENTO

- ONLY 29 TEAMS IN LEAGUE**
- SIX TEAMS IN NBA ARE ONLY MAJOR LEAGUE TEAM IN COMMUNITY**
- NBA AND NHL ARE MOST "AFFORDABLE" DUE TO ARENA REVENUE**
- SACRAMENTO MARKET IS VERY WEAK IN TELEVISION AND CORPORATE TICKET SALES**

PARTNERSHIP FOR PLAYING

COMPARISONS WITH OTHER DEALS

CITY LEAGUE/YEAR	TOTAL INVESTMENT	PUBLIC INVESTMENT
ANAHEIM - NHL '93	\$127 MILLION	\$127 MILLION
MINNESOTA - NBA '90	\$104 MILLION	\$72 MILLION
PHOENIX - NBA '92	\$101 MILLION	\$45 MILLION
CLEVELAND - NBA '94	\$152 MILLION	\$152 MILLION
SAN ANTONIO - NBA '93	\$180 MILLION	\$180 MILLION

PARTNERSHIP FOR PLAYING

FINANCING CHALLENGES
IN BRIEF

- **\$60 MILLION INTEREST-ONLY-LOAN**
- **\$90 MILLION ARENA INVESTMENT**
- **\$50 MILLION SPORTS-PLEX**
- **\$10 MILLION INFRASTRUCTURE**

PARTNERSHIP FOR PLAYING

WORST-CASE SCENARIO

- \$60 MILLION INTERIM LOAN**
- VOTE FOR PARTNERSHIP FAILS**
- KINGS LEAVE COMMUNITY**
- OWNER DEFAULTS ON ARENA**
- COULD REQUIRE \$3.0 MILLION TO
\$4.0 MILLION ANNUAL SUBSIDY**

PARTNERSHIP FOR PLAYING

COUNCIL OPTIONS

- ACCEPT PROPOSAL**
- DECLINE PROPOSAL**
- REQUEST ALTERNATIVES PROPOSAL
AND PROVIDE NEGOTIATING
PARAMETERS TO STAFF**

PARTNERSHIP FOR PLAYING

COSTS OF ALTERNATIVE PROPOSALS

PUBLIC INVESTMENT	VOTE	ONE TIME COST	ANNUAL BUDGET
\$150 MILLION	ADVISORY VOTE 50%	\$650,000	\$2.0 TO \$5.0 MILLION
\$95 MILLION ARENA ONLY	ADVISORY VOTE 50%	\$650,000	\$2.0 TO \$5.0 MILLION
\$150 MILLION	SPECIAL TAX 2/3 VOTE	\$650,000	\$0
\$95 MILLION ARENA ONLY	SPECIAL TAX 2/3 VOTE	\$650,000	\$0

PARTNERSHIP FOR PLAYING

STAFF RECOMMENDATION

- DECLINE OFFER**
- PROVIDE DIRECTION TO STAFF
PENDING EXPRESSION OF INTEREST
BY MR. THOMAS TO WORK WITHIN THE
CITY SPORTS POLICY**

APPENDIX

**NATIONAL BASKETBALL ASSOCIATION
CITY BY CITY SUMMARY**

<u>City</u>	<u>Arena</u>	<u>Major League Franchises in City</u>
WESTERN CONFERENCE		
PACIFIC DIVISION		
Seattle	Remodeled 1995	3
LA Lakers	New arena in progress	6
Portland	Built in 1995	1
Sacramento	Built in 1988	1
Golden State	Remodel in progress	3
LA Clippers	Built in 1959	6
Phoenix	Built in 1992	4
MIDWEST DIVISION		
Houston	New arena negotiations	3
Utah	Built in 1991	1
Minnesota	Built in 1990	3
Dallas	New arena negotiations	4
San Antonio	Built in 1993	1
Denver	New arena negotiations	4
Vancouver	Built in 1995	2
EASTERN CONFERENCE		
CENTRAL DIVISION		
Chicago	Built in 1994	5
Detroit	Built in 1988	4
Atlanta	New arena negotiations	3
Charlotte	New arena negotiations	1
Cleveland	Built in 1994	2
Indiana	Built in 1974	2
Milwaukee	Built in 1988	2
Toronto	New arena negotiations	3
ATLANTIC DIVISION		
Miami	New arena negotiations	4
New York	Remodeled 1991	9
Washington	New arena in progress	3
Orlando	Built in 1989	1
New Jersey	Built in 1981	9
Boston	Built in 1995	4
Philadelphia	Built in 1995	4

Public Private Partnerships for New or Remodeled Arenas

TEAM	LEAGUE	ARENA	OPENED	TOTAL COST	PUBLIC PARTICIPATION	SOURCES
Anaheim - Mighty Ducks	NHL	Arrowhead Pond	1993	\$127 M	\$127 M	1% hotel tax increase
Minnesota Timberwolves	NBA	Target Center	1990	\$104 M	\$72 M (City buyout)	\$2.8 million rent from Timberwolves covers bond debt
Phoenix Suns	NBA	America West Arena	1992	\$101 M	\$45 M	1% lodging tax increase 2% car rental tax
Cleveland Cavaliers	NBA	Gund Arena	1994	\$152 M	\$152 M	sin tax, seat license, naming rights
San Antonio Spurs	NBA	Alamodome	1993	\$180 M	\$180 M	1/2 cent sales tax increase
San Jose Sharks	NHL	San Jose Arena	1993	\$162 M	\$132 M	Tax increment
Portland Trailblazers	NBA	Rose Garden	1995	\$145 M	\$35 M parking & infrastructure	Parking revenues, 6% ticket tax
Oakland Warriors	NBA	Oakland-Alameda Coliseum	1997 Rebuilt	\$128 M	\$128 M	5% facility fee on arena events, naming rights, seat licenses



11.3

Mayor Joe Serna Jr.
City of Sacramento
915 I Street
Sacramento, CA 95814

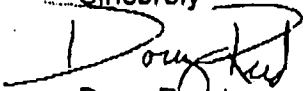
Dear Mr. Serna:

Tonight, when the City Council considers whether or not to loan Jim Thomas and the Sacramento Kings millions of dollars I urge you to say no.

The City of Sacramento is already experiencing extreme budget shortfalls and keeping the Kings should not be a priority. As soon as the city's budget is sufficient to repair all of our public schools, expand the hours at libraries, increase patrols on the American River Bike trail, and satisfy the many other needs that currently are not being met, then we can consider financing professional sports.

Please do not gamble the limited funding that is available for other needs within the city by giving in to the demands of Jim Thomas and the Kings.

Sincerely



Doug Reed
2870 Castro Way
Sacramento, CA 95818