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OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

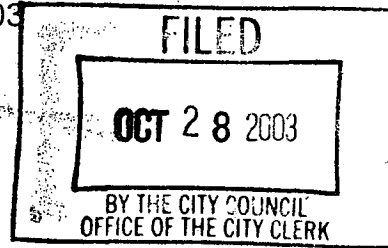
CITY HALL
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SACRAMENTO, CA
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October 23, 2003

City Council
Sacramento, CA

Honorable Member in Session:



**SUBJECT: REPORT BACK ON PHASE II DOWNTOWN SPORTS AND
ENTERTAINMENT DISTRICT FEASIBILITY ANALYSIS**

LOCATION AND COUNCIL DISTRICT: City Council District 1

RECOMMENDATION:

Staff recommends that the City Council adopt the attached resolution, which accepts the draft Phase II Feasibility Analysis, as prepared by Turnkey Sports LLC, dated October 16, 2003 and provide direction to staff.

CONTACT PERSONS: Thomas V. Lee, Deputy City Manager, 808-5704
Tom Friery, City Treasurer, 264-5168

FOR COUNCIL MEETING OF: October 28, 2003

SUMMARY:

This report amends the previous staff report dated October 16, 2003 to reflect the Phase II Analysis of a SED by adjusting the Estimated Development Costs; and the Potential Funding Services. These two modifications bring the proposal development cost, and the potential funding services into alignment with the Phase II Report of a total \$538 million.

Additionally, based on the City Council workshop, the questions raised by the Mayor and the City Councilmembers that need to be addressed by the Financial Consultant, and other members of the team are provided in Attachment A.

BACKGROUND:

Estimated Development Costs

According to the Phase II Report, the estimated cost for installation of public improvements and parking for the initial redevelopment of the Railyards, and estimated cost of the proposed arena building totals approximately, \$538 million and are presented below:

Items	Est. Costs (in \$ millions) (10/16/03)	Est. Costs (in \$ millions) (Updated)
Arena	293	293
Public Plaza	13	13
Infrastructure	64.5	64.5
(Utilities/Streets)		
Parking		
Structures	53	53
Surface	8.5	8.5
Land	26	26
Takeout of ARCO Debt. (1)	0	80
	\$458.00	\$538.00

(1) The Phase II Report proposed that the existing ARCO debt be taken out by the new Arena Financing.



Potential Funding Sources

The combination of the following services could support an amount of debt financing that is sufficient to cover the estimated costs identified above for infrastructure, parks, arena, plaza and land as proposed in the Phase II Report:

Funding Services	Amt. (in 000's) (10/16/03)	Amt. (in 000's) (Updated)
Property Tax SED	36.4	60
Sales Tax Arena Complex & SED	36.9	0
TOT (increase) rate by 1%	33.4	0
Car Rental Surcharge	39	0
Parking Surcharge SED	46.8	18
Downtown		23
North Natomas Land Proceeds Sale - 195 Acres	15.2	15
Team Lease Payment	73	0
Food and Beverage Surcharge SED	182.3	65
Downtown		228
UP	0	50
MSE Investment	0	59
TOT Increment	0	11
Construction Taxes & % Earnings	0	9
Less: (positive contingency)	0	(1)
	<u>\$458.00</u>	<u>\$538.00</u>

The proposed Transient Occupancy Tax increase rate, and the car rental surcharge countrywide were removed in order to be consistent with the Phase II SED Report. These two alternatives were discussed earlier, however, they were removed because it was subject to voter approval.

POLICY CONSIDERATIONS:

The investments as proposed in the Phase II Feasibility Analysis is consistent with previously approved City of Sacramento policies and strategies including:

- City of Sacramento Economic Development Strategy
- Richards Boulevard Redevelopment Plan and Five-Year Implementation Strategy (2005)
- Sports Policy for the City of Sacramento

The recommended action is also consistent with the City Council specific policy direction regarding the overall effort of preparation a feasibility analysis of a potential new downtown sports/entertainment district per City Council Resolution No. 2001-539.

Consideration of a sports/entertainment district in Sacramento's downtown is consistent with the following goals outlined in the City's 2001-2004 Strategic Plan:

1. Promote and support economic vitality.
2. Preserve and expand the arts and culture, open space, urban forest, parks, and recreation opportunities.

FINANCIAL CONSIDERATIONS:

The cost to complete preparation of the Phase II Feasibility Analysis was \$654,000. The City, UPRR and MSE shared equally in the cost of the analysis and services related to further characterization and assessment of public infrastructure requirements. In addition the City has, at its sole expense paid for the cost of the contract with A. Plescia & Co. in the amount of \$28,500.

The City's share of the draft Phase II Feasibility Analysis costs was funded with an advancement of tax increment funding from the Richards Boulevards Redevelopment Project Area in the amount of \$253,000.

ENVIRONMENTAL CONSIDERATIONS:

The recommended action does not require environmental review in accordance with Section 15301 of the California Environmental Quality Action (CEQA).

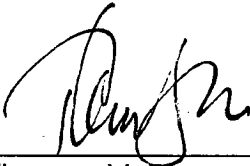
ESBD CONSIDERATIONS:

This section is not applicable to the recommended action.

Respectfully submitted:



Thomas P. Friery
City Treasurer



Thomas V. Lee
Deputy City Manager

RECOMMENDATION APPROVED:


an  ROBERT P. THOMAS
CITY MANAGER

Table of Contents

Attachment A
Resolution

ATTACHMENT A

These are general questions received by the Mayor and City Councilmembers regarding the general/specific financing schemes, and other related items.

FOOD AND BEVERAGE SURCHARGE

How do you measure the economy impact of the Food/Beverage Surcharge on businesses immediately adjacent to the SED and surrounding businesses outside the SED?

Provide examples of other jurisdictions where food/beverage surcharges were implemented, the amount generated, impact in other businesses, the term of the debt, and the percentage to total financing package.

Why isn't there no food/beverage surcharge within the arena facility?

FINANCIAL CONCERNS

Is the City's general fund a backstop to any of these debt proposals – directly and/or indirectly?

How does Series A bonds get structured without development activities to support the debt?

Please confirm Series B bonds would require City backing.

Sales taxes are a source of revenues used for Public Safety and other essential city services. If all the sales taxes from SED are used to support the project, how would public safety and other essential city services be provided to the SED?

Please explain the statement #3 on page 127 tables 6.2.2 regarding mortgage on the existing ARCO Arena complex.

On the latest arenas built around the United States, how much did public finance, and was it one jurisdiction or multiple jurisdictions?

Please explain why there is such a wide range on debt service. i.e. Page 131 section 6.2.6.

Have you analyzed what the net economic benefits would be if we took that same amount of money and invested in a intermodal center, or theatre complex, or a university, or other capitol facilities?

If the benefit of doing this is to accomplish our goal of redevelopment of the UP rail yards, why don't we just fund the infrastructure that's necessary to do that?

GENERAL COMMENTS

What counties were used for the MSA economic impact analysis?

Please explain how the SED/Arena would accelerate development within the Rail yards.

Did you compare Millennia developing UP without SED to the scenario of SED being located out at ARCO?

Of the cities that have an arena located downtown near an intermodal facility, what is the split between people using the intermodal or public transportation vs. people driving their personal vehicle?

Based on these cost estimates, are you confident the financing program is sufficient and appropriate to proceed into the next phase of plan design and development?

DID NOT
ADOPT.

RESOLUTION NO. _____

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**RESOLUTION ACCEPTING
PHASE II OF THE DOWNTOWN SPORTS AND ENTERTAINMENT
DISTRICT FEASIBILITY ANALYSIS**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

Section 1. The City Council hereby accepts the draft Phase II Feasibility Analysis dated October 16, 2003 as prepared by Turnkey Sports, LLC.

APPROVED:

Mayor

ATTEST:

City Clerk

FOR CITY CLERK USE ONLY

DATE ADOPTED: _____

RESOLUTION NO.: _____

DID NOT ADOPT

10/28/03

12.1
0300

RESOLUTION NO. _____

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