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DEVELOPMENT SERVICES
DEPARTMENT

CITY OF SACRAMENTO
CALIFORNIA

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SACRAMENTO, CA
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DOWNTOWN ECONOMIC
DEVELOPMENT DIVISION

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July 30, 2004

City Council of the City of Sacramento
Sacramento, CA

Honorable Members in Session:

SUBJECT: REPORT BACK REGARDING THE SACRAMENTO SPORTS ARENA

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION:

The staff recommends that the Council take the following actions:

- (1) Consider and take action on the resolution proposed at the July 22, 2004, as revised, that:
 - a. Sets a cost benchmark for the Sacramento Sports Arena, and
 - b. Establishes parameters for negotiations on the a new arena;
- (2) Direct the City Manager to retain special consultant assistance on the arena matter;
- (3) Direct staff to report back on September 21, 2004 regarding
 - a. All alternative arena sites considered, and recommending preferred site(s) for further analysis; and
 - b. A recommended financing approach.

CONTACT PERSONS: Wendy Saunders, Downtown Development Manager, 808-8196
Richard Ramirez, Deputy City Manager, 808-5704

FOR COUNCIL MEETING OF: August 5, 2004

SUMMARY:

This report recommends adoption of the attached resolution that (1) establishes negotiating parameters for a new Sacramento Sports Arena, (2) establishes the Council's intent to call a Special Election for March 8, 2005 to seek public advice on the arena

matter, and (3) establishes a work plan that requires staff to report back to the Council on September 21 and by October 26 regarding analysis of sites, establishing a preferred site, and regarding a financing strategy and plan.

This report presents and analyzes the resolution proposed by Councilmember Cohn on July 22 and recommends certain modification, identifies tasks to be completed by September 21, and outlines the work plan and milestones between September 21 and October 26, the date that language must be approved for the March 8, 2005 ballot.

BACKGROUND:

On July 22, a draft resolution was presented by Council Member Cohn regarding (1) negotiating parameters for a new Sacramento Sports Arena, (2) establishing the Council's intent to call a Special Election for March 8, 2005 to seek public advice on the arena matter, and (3) directing staff to report back to the Council on September 21 with a site specific analysis and financing plan. Please see **Exhibit A**. Section 6 of the resolution established financial parameters for both the overall project cost and the relative share of costs to be borne by the public and private sectors. The resolution also required that staff report back to Council on September 21 with a definitive site selection and financing plan.

The suggested financial parameters included in the resolution are described and analyzed below. Further, a work plan leading to the September 21 report to the Council, and the required actions thereafter, are also described.

Funding Cap and Public Contribution

Section 6.a. of the resolution states that the total cost of the arena shall not exceed \$350 million. The suggested number is based upon the cost of an arena at the North Natomas location, excluding the costs associated with a public plaza, structured parking, and site resurfacing as presented in the July 22 staff report. Please see Natomas Financing Proposal, **Exhibit B**. The total arena cost under this scenario is \$315 million. The resolution allows for an approximate 10% premium above the Natomas cost if a downtown location can be identified, thereby establishing the cap at \$350 million.

The revenue analysis on Exhibit A also describes the potential funding sources that have been identified to date. Unless additional and/or alternate funding sources can be identified, the maximum public resources available for contribution, under this scenario, would be \$180 million, assuming voter approval of TOT and rental car tax increases. This amount is slightly more than half the suggested cap amount of \$350 million. If one assumes that the only potential sources of public funds are those described in Exhibit A, the suggested negotiating parameters – a cap of \$350 million, and public contribution of up to half of total costs – is reasonable given the total public financial capacity, as highlighted in the summary below.

Basis for Financing Proposal (in millions)

	Low	High
Facility Cost (Low = Natomas, High = 10% premium for DT location, rounded up)	\$315	\$350
City Share @ 50%	\$157.5	\$175
Public Revenues		
Natomas Land Sale	\$41.6	\$70.2
Car rental surcharge	\$12.9	\$32.4
TOT Tax	\$30.8	\$77
Total Public Capacity	\$85.3	\$179.6

If, however, other funding sources become available due to the potential for regional contribution, additional public or private partners, or because the proposed location of the facility provides other funding opportunities, the cap and proportionate share of funding responsibility may not need to be as restrictive. For example, the July 22 staff report showed that other public revenues – such as parking or food and beverage surcharges – might be viable in the downtown area, where a nexus can be drawn between increased business and the location of the sports arena.

The staff recommends that the negotiating parameters set forth in the resolution apply unless additional sources of funding can be identified that help bridge the project feasibility gap. The staff further recommends that, in order to preserve the opportunity for meaningful CEQA review of alternatives, and for ample opportunity for input, the Council request staff to report on all sites considered, and select a preferred site or sites for further analysis. The resolution, as revised, provides for additional flexibility in these matters.

Project Work Plan and Milestones through October 26

The proposed resolution (Exhibit A) requires a progress report to Council on September 21. The City Clerk has determined that October 26 is the final date that the Council should place review of ballot language on the agenda for first consideration. Final Council approval of language would occur November 4, and the City Clerk would call the election on November 9.

The staff proposes the following work be accomplished during this timeframe:

Work Plan to September 21

1. Analyze the viability of various public funding alternatives. This would include review of the potential for success of various funding measures that require a public vote, including, but not limited to, County- or region-wide transient occupancy tax (TOT) and rental car tax

increases; local or regional parcel tax; business improvement district(s); and food and beverage surcharges. Recommend to Council a strategy for pursuing arena funding.

2. Complete an alternative sites analysis and cost analysis, including comparison of the economic revitalization benefits of alternative locations and the funding opportunities associated with alternative sites. Recommend to Council preferred sites for further pursuit.
3. Negotiate and recommend to Council the broad terms of a public-private partnership between the City and MSE for a new Sacramento Sports Arena.

Work Plan to October 26

1. Complete an arena financing plan based upon further of analysis of revenue streams, bonding capability and private contributions.
2. Refine cost estimates, site evaluation, and economic benefits analysis of preferred site(s). Recommend final site and alternatives, as provided for under CEQA; secure property commitments.
3. Negotiate refined business terms between City and Maloof Sports Entertainment (MSE).
4. Recommend ballot language.

The revised resolution reflects the work plan outlined above. **Exhibit C** compares the original resolution proposed by Council Member Cohn on July 22 with the resolution now presented by staff for Council consideration. Only the recommended modifications are shown in the Exhibit.

The work of the staff will be premised on the following assumptions:

1. Retaining the Kings NBA team in Sacramento is of community benefit for the City and is worth a certain amount of City investment. The value of the Kings' presence in Sacramento has yet to be defined, but the City's contribution can in no case be greater than the City's ability to contribute in a fiscally responsible manner.
2. If the City is to invest in a new sports arena, it should strive to locate the facility such that the City can derive maximum benefit from the spending power of the population that attends facility events.
3. If the City is to invest in a new sports arena, it should locate the facility such that it has positive revitalizing effects on areas in proximity to it.

Sites Analysis

A number of potential arena sites have been identified. Those discussed to date in addition to the 7th and K site include the waterfront property along Front Street north of I-5

and south of R Street; and a vacant block at 3rd and R Streets. Staff believes that additional opportunity sites may arise during the next several weeks.

The proposed location of the arena at 7th and K would have had a dramatic and positive affect on the blight, vacancy, crime incidence and property abandonment that is pervasive in the general vicinity and is of specific concern at the corners of 7th and L and 7th and K Streets. The location of the arena at 7th and K, with its approximately two million annual visitors, would have provided an enhanced market for many existing businesses and would have encouraged new complementary investment. At this point, however, the staff believes that the costs associated with the 7th and K site, as estimated by staff and as perceived by Westfield, make it infeasible. Westfield has expressed that it would prefer to pursue the 7th and K theater project and other Downtown Plaza renovation opportunities rather than further analyze the arena potential at that location. If the arena proposal is at the 7th and K location is no longer pursued, the staff believes that alternative redevelopment endeavors to eliminate existing blight and bring new investment into the vicinity should be pursued as soon as possible.

FINANCIAL CONSIDERATIONS:

The staff will require considerable professional assistance to complete the work anticipated over the next three months. The staff expects to engage a sports facility development consultant; an architect and land-use planner; a civil engineer; a transportation consultant; a marketing and public information advisor; a real estate economist; and others, as deemed appropriate. Information regarding consultants under consideration is included in **Exhibit D**. All individual contracts for professional services are anticipated to be within the City Manager's contract authority. Sufficient funding is currently available in the Downtown Development Predevelopment Assistance CIP (KC67). However, since these expenses were not anticipated when the budget was established, it is likely that this fund will need to be replenished with additional tax increment funds prior to the end of the fiscal year.

ENVIRONMENTAL CONSIDERATIONS:

The proposed action is not a project for purposes of CEQA (15 California Code of Regulations 15378).

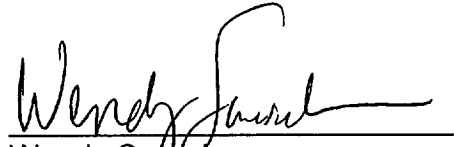
POLICY CONSIDERATIONS:

On July 31, 2001, Council adopted a resolution regarding "Principles Established for Council Consideration of a Downtown Sports and Entertainment District." In the staff report for the meeting of July 22, staff outlined the modifications to those principles required under various arena scenarios. At a later date, staff will report back on recommended modifications to this prior policy.

ESBD CONSIDERATIONS:

No goods or services are being purchased under this report

Respectfully Submitted:



Wendy Saunders
Downtown Development Manager

RECOMMENDATION APPROVED:



ROBERT P. THOMAS
City Manager

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Attachments:

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- Exhibit B – Natomas Financing Proposal, pg. 11
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- Exhibit D – Brief Biographies of Consultants, pg. 14
- Resolution, pg. 17

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**RESOLUTION DIRECTING THE CITY MANAGER TO
NEGOTIATE THE TERMS OF A PUBLIC-PRIVATE
PARTNERSHIP AGREEMENT TO CONSTRUCT AND
OPERATE A NEW ARENA EITHER NEXT TO ARCO ARENA
IN NORTH NATOMAS OR IN DOWNTOWN SACRAMENTO**

WHEREAS, according to a City-authorized study, confirmed by the Sacramento Chamber of Commerce, Arco Arena, which was constructed in 1988, will be at the end of its useful life within five years and any new facility will take approximately five years to construct; and

WHEREAS, the cost of remodeling Arco Arena to meet today's codes and design standards could exceed the cost of demolishing the old arena and building a new one next to it, and it would be difficult to stage basketball games and other events during remodeling; and

WHEREAS, the City currently owns 100 acres and the Sacramento Kings NBA Basketball Team owners (Kings) own 85 acres at the site, including the existing arena, and reciprocal ownership rights prevent either party from developing its own portion of the 185-acre site ("185-Acre Site") without the consent of the other party; and

WHEREAS, 185-acre Arco Arena site could be jointly developed by the City and the Kings to:

- a. Demolish the current arena; build a new, more compact arena closer to the planned light rail station at the site; and develop the remaining site with a mix of retail, entertainment, office and housing uses, that would share parking with the arena, and generate

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revenue to help pay the cost of the new arena; or

- b. Be developed with a mix of retail, entertainment, office and housing uses that would generate revenue to help pay the cost of the new arena;

WHEREAS, the experience of many cities is that locating arenas in urban core areas supports existing businesses, attracts new businesses, increases hotel and convention bookings, promotes use of transit infrastructure, and promotes residential development;

WHEREAS, it may be of greater community benefit to locate an arena in downtown Sacramento; however, it may not be financially feasible;

WHEREAS, the City Council has previously adopted a policy regarding public financing of a new arena, the most important elements of which are: the financing must not adversely affect the City's General Fund, which pays for City police, fire, library, streets, parks, recreation, code enforcement, and other essential municipal services; public funding should focus on public infrastructure; there should be no new taxes without a vote; and the financing must not adversely affect the payoff of the existing \$83 million loan to the Kings; and

WHEREAS, it would be consistent with the City's policy to pay for the cost of constructing a new multipurpose arena with private sources, as well as user fees, surcharges, assessments, and other revenues generated exclusively at the 185-acre Arco Arena site; and to require repayment by the private sector of the existing loan for the Arco Arena.

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO that:

The City Manager shall negotiate with the Kings and other stakeholders the terms and conditions of a partnership agreement to construct a new arena, provided that:

1. Private financial support would be, at a minimum, at a level consistent with the private financial support provided in similar situations in other municipalities, and would likely include lease payments to the city for a period not less than the period necessary to pay the total cost of the arena, and could include revenues from naming rights, parking charges, surcharges on ticket and concession sales,

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media revenues and other identifiable sources of income.

2. Public funding would be limited to user fees, surcharges, assessments , and other revenues generated exclusively at the 185-acre site.

3. Public funding measures would involve no taxes unless such taxes are approved by voters.

4. The City may also seek regional financial support from those cities and counties that would benefit from a multi-purpose arena.

5. In addition to the private and public funding measures outlined above, the City would partner with the private sector to jointly develop the 185-acre Arco Arena site, or portion thereof, and use the taxes and revenues generated from the joint development to help fund the new arena. The development may not involve a shopping center that would compete with Downtown Plaza.

6. The following guidelines shall govern the City Manager's negotiations:

a. The total cost of the arena shall not exceed \$350,000,000.

b. The City shall commit funds generated by the sale and reuse of the 185-Acre Site to the project, not to exceed \$50,000,000.

c. The City and other public partners, and MSE and other private partners, shall evenly split the balance of the cost of the arena;

d. City contributions beyond those generated by reuse of the 185-Acre Site shall be subject to voter approval.

e. The existing City loan to the Kings shall be repaid from private sources.

7. The staff shall report back to the Council on September 21, 2004, with a site-specific project and financing plan, and with a plan to schedule a Special Election in March 2005 for voter approval, that includes a financing plan acceptable to Council.

The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

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MAYOR

ATTEST:

CITY CLERK

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Natomas Financing Proposal

Project Cost

Arena		293,000,000
Demolish Arco		10,000,000
Subtotal Construction		303,000,000
Cost Escalation 2 years (2% and 3%)		12,241,200
Total: Natomas Sports Facility		315,241,200 *

* not included: Plaza \$23 million, structured parking \$33 million, site clear and re-surface \$14.4 million

City Contributed Revenues

				Low	High
Natomas Land Sale - 97 Acres				24,250,000	48,500,000
Natomas Property Re-use (residential)					
	Property Tax	419,000	/yr	3,352,000	4,190,000
	Utility Tax	209,520	/yr	1,676,160	2,095,200
	In lieu fees	41,904	/yr	335,232	419,040
TOT Exemption				12,000,000	15,000,000
Total City Revenues (leveraged)**				41,613,392	70,204,240

**City contribution from property sale suggested in reso: \$50 million

Potential Sources for MSE Contributed Revenues

				Low	High
Ticket tax: Kings (43 x 15,000) (\$1 or \$3)	645,000			5,160,000	19,350,000
Ticket Tax: Monarchs (17 x 9,000)(\$1 or \$3)	153,000			1,224,000	4,590,000
Ticket Tax: Other (SED Report)(\$1 or \$3)	775,450			6,203,600	23,263,500
F&B Surcharge - Arco	22,000,000	/yr		3,520,000	8,800,000
Naming Rights (\$1 mil or \$3 mil/yr)				8,000,000	30,000,000
MSE Lease Payment				24,000,000	60,000,000
Parking Surcharge - arena events (10% or 12%)				4,400,000	6,600,000
Total MSE Revenues (leveraged)				52,507,600	152,603,500

Total All Revenues	94,120,992	222,807,740
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Potential Sources to Fill Gap

Funding Gap: Best Case (Highest Revenues - Cost)		(92,433,460)
Funding Gap: Worst Case (Lowest Revenues - Cost)		(221,120,208)
Potential Sources to Close Gap		
TOT Increase (1% and 2%)		12,959,000
Rental Car Surcharge		30,800,000

EXHIBIT C

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO that:

The City Manager shall negotiate with the Kings and other stakeholders the terms and conditions of a partnership agreement to construct a new arena, provided that:

1. Private financial support would be, at a minimum, at a level consistent with the private financial support provided in similar situations in other municipalities, and would likely include lease payments to the city for a period not less than the period necessary to pay the total cost of the arena, and could include revenues from naming rights, parking charges, surcharges on ticket and concession sales, media revenues and other identifiable sources of income.

2. Public funding would be limited to user fees, surcharges, assessments, and other revenues generated exclusively at the 185-acre site.

Deleted:

3. Public funding measures would involve no taxes unless such taxes are approved by voters.

4. The City may also seek regional financial support from those cities and counties that would benefit from a multi-purpose arena.

5. In addition to the private and public funding measures outlined above, the City would partner with the private sector to jointly develop the 185-acre Arco Arena site, or portion thereof, and use the taxes and revenues generated from the joint development to help fund the new arena. The development may not involve a shopping center that would compete with Downtown Plaza.

6. The following guidelines shall govern the City Manager's negotiations. These guidelines are intended to be flexible and allow for negotiations to occur with stakeholders regarding alternative sites, project costs, and funding sources and amounts:

a. The total cost of the arena shall not exceed \$350,000,000.

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b. The City shall commit funds generated by the sale and reuse of the 185-Acre Site to the project, not to exceed \$50,000,000.

c. The City and other public partners, and MSE and other private partners, shall evenly split the balance of the cost of the arena;

d. City contributions beyond those generated by reuse of the 185-Acre Site shall be subject to voter approval.

e. The existing City loan to the Kings shall be repaid from private sources.

7. The staff shall report back to the Council on September 21, 2004, with a recommendation regarding a preferred site or sites for further consideration as well as a recommended financing strategy including the broad terms of an agreement regarding the arena.

8. The staff shall report back no later than October 26 with a recommendation regarding the preferred site and CEQA alternatives, an arena financing plan, refined terms of an agreement regarding the arena and recommended language for the March 08, 2005 ballot.

The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

Deleted: site-specific project and financing plan, and with a plan to schedule a Special Election in March 2005 for voter approval, that includes a financing plan acceptable to Council.

MAYOR

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Consultant Biographies

Steinmann Facility Development, Paul Jacobs, International Facility Group

The Negotiating and Owners' Representative Team includes three members. Each will play a significant role in evaluating development options, negotiating MOUs and deal points, and representing the City of Sacramento in any Owner Representation and project monitoring services that may be required should the development of a new arena proceed.

Initially the effort will be coordinated by Jim Steinmann, a resident of Lake Tahoe with an office in Fair Oaks. Jim has 32 years experience in public facility development throughout the United States and has represented local governments on more than 40 projects totaling over \$3 billion in development cost. Jim has represented the City of Oakland in the renovation of the Oakland Arena for the Golden State Warriors, the City of San Diego for a new ballpark for the Padres, and the renovation and expansion of Qualcomm Stadium for the 1998 Super Bowl. Jim's local office, The SGS Group, has completed a number of strategic planning and facility master planning projects for the City of Sacramento, Sacramento County, and the State of California. Jim will lead the facility development, cost analysis, and implementation efforts for the Team.

Paul Jacobs, Esquire, of the law firm Jacobs, Chase, Frick, Kleinkopf, & Kelley will be the lead negotiator. Mr. Jacobs lead the Denver City team for the development of the McNichols Arena for the Denver Nuggets, represented the ownership for the development of Coors Field, and has led the negotiation team for the City of San Diego for the development of Petco Park for the San Diego Padres. He is currently negotiating development and lease agreements between the City and the San Diego Chargers for a new stadium at Qualcomm Park.

Our Team also includes International Facilities Group (IFG) represented by Kevin Greene. IFG has provided project management and lender or owner representation services for the development of 23 arenas, ballparks, and stadiums including nine NBA arenas for the Lakers, Bulls, Rockets, Nuggets, Trailblazers, Mavericks, Heat, Pacers, and the Spurs. IFG will provide valuable insights on ownership perspective, operating costs, and operating agreements and provide a wealth of information on NBA arena program and cost comparisons. IFG would also assist in on-site project management services to represent the City's interest if the project proceeds with construction.

Margaret Mullen

President & Chief Executive Officer, Downtown Raleigh Alliance

Margaret Mullen will serve as an advisor to the City of Sacramento regarding the proposed new sports arena.

Margaret Mullen is President and CEO, Downtown Raleigh Alliance. The Alliance is the non-profit organization charged with overseeing the revitalization of Downtown Raleigh, and is funding in part by an assessment on property owners in the 110-block area of Downtown. The Alliance oversees the "clean and safe" program, as well as marketing, advocacy, planning and economic development for Downtown.

Prior to her move to Raleigh, Mullen was President and COO of Urban Realty Partners, a real estate development company in Phoenix, AZ, from November 1998-December 2002. Mullen's responsibilities included overseeing planning and zoning negotiations with municipalities, development and contract negotiations and operations management for the company's real estate interests. She oversaw construction of major office parks in Roseville and Fairfield,

California, and handled lease negotiations and construction management for the firms Phoenix projects.

As the founding CEO of the Downtown Phoenix Partnership in 1990, a public/private partnership between Phoenix and downtown property owners and tenants, Mullen was instrumental in the rebirth of Phoenix's downtown. Projects developed during her tenure include the downtown street beautification project, Bank One Ballpark, the artists' studios on Jackson, America West Arena, the Orpheum Theatre, Arizona Science Center, Phoenix Museum of History, and continued expansion of Arizona Center. Negotiations on Collier Center, the hotel at Arizona Center and two housing projects were completed before she left her post.

Her accomplishments have earned her recognition from the International Downtown Association, the Distinguished Achievement Award from Arizona State University College of Extended Education, the prestigious Athena Award for businesswomen of the year in 1997, and many others.

Mullen serves on the Boards of ArtSpace and Exploris in Raleigh. She is past chairman of the International Downtown Association. She served on the founding board of Home Base Youth Services, currently serves as Chairman of its Advisory Committee and was recipient of the Leadership with Integrity 2000 Award. She is also on the Boards of Homeward Bound and Mission of Mercy. She served on numerous other boards and commissions, as was a member of AZ Governor Janet Napolitano's transition team. She has consulted with cities such as Los Angeles, San Diego, Davenport and Washington, DC on downtown revitalization projects and plans. A lawyer by education, she has more than 30 years marketing and development experience with non-profit organizations.

360 Architects

360 Architecture offers a full range of comprehensive services from initial site studies, urban design and programming, to graphics and interior design. Currently the firm employs approximately ninety-five professionals and has offices in Kansas City, Missouri, and Columbus, Ohio.

Founders George Heinlein and Brad Schrock started in 1995 after a combined twenty years experience devoted solely to the design of sports, public assembly, and civic facilities worldwide. Prior to forming Heinlein Schrock, both Brad and George were Vice Presidents in Charge of Design at HOK Sport. Prior to that, Brad served as project designer with Ellerbe Becket, Inc. Their extensive design portfolio includes such noteworthy facilities as Chicago's United Center for the NBA Bulls and NHL Blackhawks; the America West Arena for the NBA Suns; the American Airlines Arena for the NBA Heat, Nationwide Arena for the NHL Columbus Blue Jackets; Nashville Arena for the NHL Predators; Coors Field for the Colorado Rockies; and the New Pacific Northwest Baseball Park for the Seattle Mariners. Both Nashville Arena and Coors Field have been recognized with Design Excellence Awards from the American Institute of Architects.

360 Architects is selective in the quantity and types of projects that we pursue each year, searching for unique opportunities and collaborations on projects that enable us to contribute to the creation of distinctive buildings. 360 Architecture's business philosophy is built upon dedicated personal attention from our principals and key staff members on each and every project, compelling us to accept only those projects that can receive the appropriate attention. It is this dedication and personal commitment to projects, combined with experience and approach to the design process that distinguishes 360 Architects in the marketplace.

Projects:

New York Jets Stadium, NFL Jets, New York, NY
Washington DC MLB Site Selection Study, Washington DC
Stockton Events Center, Stockton, CA
Nationwide Arena, NHL Blue Jackets, Columbus, OH
American Airlines Arena, NBA Heat, Miami, FL
Sacramento Arena Study, NBA Kings, Sacramento CA
Seattle Center Feasibility Study, NBA Sonics, Seattle, WA
Safeco Field, MLB Mariners, Seattle, WA
Kohl Center, NCAA Badgers, University of Wisconsin - Madison
CommunityAmerica Ballpark, Northern League T-bones, Kansas City, KS
Veterans Memorial Stadium, Single A Kernels, Cedar Rapids, IA
University of Miami Ice Facility, Oxford, OH
Ripken Youth Baseball Academy, Aberdeen, MD

360 Architects prepared all prior planning and architectural analysis related to the proposed Kings arena under the name Heinlein, Schrock & Sterns, Inc.

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ON DATE OF _____

RESOLUTION DIRECTING THE CITY MANAGER TO NEGOTIATE THE TERMS OF A PUBLIC-PRIVATE PARTNERSHIP AGREEMENT TO CONSTRUCT AND OPERATE A NEW ARENA EITHER NEXT TO ARCO ARENA IN NORTH NATOMAS OR IN DOWNTOWN SACRAMENTO

WHEREAS, according to a City-authorized study, confirmed by the Sacramento Chamber of Commerce, Arco Arena, which was constructed in 1988, will be at the end of its useful life within five years and any new facility will take approximately five years to construct; and

WHEREAS, the cost of remodeling Arco Arena to meet today's codes and design standards could exceed the cost of demolishing the old arena and building a new one next to it, and it would be difficult to stage basketball games and other events during remodeling; and

WHEREAS, the City currently owns 100 acres and the Sacramento Kings NBA Basketball Team owners (Kings) own 85 acres at the site, including the existing arena, and reciprocal ownership rights prevent either party from developing its own portion of the 185-acre site ("185-Acre Site") without the consent of the other party; and

WHEREAS, 185-acre Arco Arena site could be jointly developed by the City and the Kings to:

- a. Demolish the current arena; build a new, more compact arena closer to the planned light rail station at the site; and develop the remaining site with a mix of retail, entertainment, office and housing uses, that would share parking with the arena, and generate revenue to help pay the cost of the new arena; or

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- b. Be developed with a mix of retail, entertainment, office and housing uses that would generate revenue to help pay the cost of the new arena;

WHEREAS, the experience of many cities is that locating arenas in urban core areas supports existing businesses, attracts new businesses, increases hotel and convention bookings, promotes use of transit infrastructure, and promotes residential development;

WHEREAS, it may be of greater community benefit to locate an arena in downtown Sacramento; however, it may not be financially feasible;

WHEREAS, the City Council has previously adopted a policy regarding public financing of a new arena, the most important elements of which are: the financing must not adversely affect the City's General Fund, which pays for City police, fire, library, streets, parks, recreation, code enforcement, and other essential municipal services; public funding should focus on public infrastructure; there should be no new taxes without a vote; and the financing must not adversely affect the payoff of the existing \$83 million loan to the Kings; and

WHEREAS, it would be consistent with the City's policy to pay for the cost of constructing a new multipurpose arena with private sources, as well as user fees, surcharges, assessments, and other revenues generated exclusively at the 185-acre Arco Arena site; and to require repayment by the private sector of the existing loan for the Arco Arena.

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2. Public funding would be limited to user fees, surcharges, assessments, and other revenues generated exclusively at the 185-acre site.

3. Public funding measures would involve no taxes unless such taxes are approved by voters.

4. The City may also seek regional financial support from those cities and counties that would benefit from a multi-purpose arena.

5. In addition to the private and public funding measures outlined above, the City would partner with the private sector to jointly develop the 185-acre Arco Arena site, or portion thereof, and use the taxes and revenues generated from the joint development to help fund the new arena. The development may not involve a shopping center that would compete with Downtown Plaza.

6. The following guidelines shall govern the City Manager's negotiations. These guidelines are intended to be flexible and allow for negotiations to occur with stakeholders regarding alternative sites, project costs, and funding sources and amounts:

a. The total cost of the arena shall not exceed \$350,000,000.

b. The City shall commit funds generated by the sale and reuse of the 185-Acre Site to the project, not to exceed \$50,000,000.

c. The City and other public partners, and MSE and other private partners, shall evenly split the balance of the cost of the arena;

d. City contributions beyond those generated by reuse of the 185-Acre Site shall be subject to voter approval.

e. The existing City loan to the Kings shall be repaid from private sources.

7. The staff shall report back to the Council on September 21, 2004, with a recommendation regarding a preferred site or sites for further consideration as well as a recommended financing strategy including the broad terms of an agreement regarding the arena.

8. The staff shall report back no later than October 26 with a recommendation regarding the preferred site and CEQA alternatives, an arena financing plan, refined

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terms of an agreement regarding the arena and recommended language for the March 08, 2005 ballot.

The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

MAYOR

ATTEST:

CITY CLERK

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DATE ADOPTED: _____

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