

RESOLUTION NO. 2014-0133

Adopted by the Sacramento City Council

May 20, 2014

AUTHORIZING A SHORT-TERM LOAN TO SACRAMENTO DOWNTOWN ARENA LLC OF UP TO \$12 MILLION TO COVER APPLICATION AND DEVELOPMENT IMPACT FEES

BACKGROUND

- A. Demolition of the portion of Downtown Plaza where the Entertainment and Sports Center (ESC) project is to be located is scheduled to begin in late July 2014.
- B. Construction of the ESC will begin in the fall of 2014.
- C. The City is not expected to be able to sell its bonds to provide its contribution to the ESC project until 2015.
- D. Until the bonds are sold and its funding is in place, Sacramento Basketball Holdings LLC (SBH) and its affiliate Sacramento Downtown Arena LLC (ArenaCo) will have invested a significant amount of at-risk capital to cover not only predevelopment expenses, but also demolition and initial construction.
- E. ArenaCo cannot receive its own financing for construction until a Guaranteed Maximum Price (GMP) contract is in place with its contractor and that GMP has been reviewed and approved by ArenaCo's lender.
- F. During this period – before the City's funding is in place and before SBH has secured its own financing – ArenaCo faces significant financial risk.
- G. A \$12 million loan is a demonstration of the City's commitment and is consistent with the public-private partnership. Furthermore, it is an acknowledgement not only of ArenaCo's financial risks but also that upon completion the ESC will be a City-owned facility on City-owned land.
- H. The risk to the City of the loan is mitigated by the fact that the loan is short-term in nature: it will be paid back upon the first draw of ArenaCo's own financing in late 2014 in accordance with the terms of the Arena Finance and Funding Agreement.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager or his designee is authorized to loan on a short-term basis up to a maximum of \$12,000,000 from the City's Risk Management Fund to Sacramento Downtown Arena LLC ("ArenaCo"), an affiliate of Sacramento Basketball Holdings LLC, to pay for application fees, permit fees, and development-impact fees that must be paid to the City or to other governmental entities when obtaining building permits for the ESC project, subject to repayment as set forth in the Arena Finance and Funding Agreement.
- Section 2. The City Manager or his designee is authorized to implement necessary budget adjustments associated with this short-term loan transaction.

Adopted by the City of Sacramento City Council on May 20, 2014, by the following vote:

Ayes: Members Ashby, Cohn, Hansen, Pannell, Schenirer, Warren and Mayor Johnson

Noes: Members Fong and McCarty

Abstain: None

Absent: None

Attest:

Shirley A. Concolino

Digitally signed by Shirley A. Concolino
DN: cn=Shirley A. Concolino, o=City of Sacramento, ou=City Clerk,
email=sconcolino@cityofsacramento.org, c=US
Date: 2014.05.22 14:53:40 -07'00'

Shirley Concolino, City Clerk