

RESOLUTION NO. 2013-0236

Adopted by the Sacramento City Council

June 25, 2013

APPROVING THE FIRST AMENDMENT TO THE MOPA AGREEMENT AND AUTHORIZING BUDGET APPROPRIATIONS AND PROFESSIONAL SERVICES AGREEMENTS IN PREPARATION FOR THE DOWNTOWN ENTERTAINMENT AND SPORTS CENTER PROJECT

- A. On March 26, 2013 the City Council approved a preliminary term sheet between the City and the investor group led by Vivek Ranadivé for the financing and development of an entertainment and sports center (ESC) in Downtown Plaza.
- B. In that term sheet, the City agreed to contribute \$258 million for the development of the ESC. The sources of the City's contribution include funds from parking monetization (\$212.5 million), property transfers (\$38 million), the City's Parking Fund (\$1.5 million), construction sales tax receipts (\$1 million), and funds (\$5 million) from Master Owner Participation Agreement (MOPA) that came from the City's sale of the Sheraton Grand Hotel.
- C. The deadline for the completion of the ESC as identified by the National Basketball Association (NBA) and the new owners of the Sacramento Kings known as Sacramento Basketball Holdings, LLC is October 2016.
- D. In order to prepare the definitive agreements resulting from the term sheet, the City requires professional expertise in the technical, financial, and legal aspects of arena development. Such expertise is necessary to represent the City's interests in negotiations and assist in developing the definitive agreements and the financial structure for the City's contribution to the ESC.
- E. These professional services as set forth in Exhibit A are needed immediately not only for preparation of the definitive agreements but also to ensure that staff is prepared with the necessary resources when and if the Council directs staff to proceed with the financing and development of the ESC in partnership with the ownership group. It is in the City's best interests to authorize the City Manager, City Attorney, and City Treasurer to contract for the services as provided in this resolution.

- F. The MOPA for the use of the proceeds from the sale of the Sheraton Grand Hotel was executed between the City and David S. Taylor Interests/CIM. The purpose of the funds is for development and revitalization efforts in the downtown.
- G. The Parking Fund and MOPA funds have been identified as potential sources of funding for the Downtown ESC Project. To the extent that those funds are used as part of the City's contribution toward the ESC, the use of these funds may be counted toward the City's \$258 million contribution subject to the outcome of the definitive agreements. However, if the Downtown ESC Project does not move forward, then those funds would not be credited nor would they be reimbursed.

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 execute the first amendment to the Master Owner Participation Agreement, attached as Exhibit B.
- Section 2. A multi-year operating project (MYOP) for the Downtown ESC Project is hereby established (I0200500).
- Section 3. An expenditure budget in the amount of \$6.5 million in the Downtown ESC Project (I0200500) MYOP: \$1.5 million from the Parking Fund (Fund 6004) and \$5 million from the MOPA Funds (Fund 2030) is established.
- Section 4. A capital improvement project (CIP) for the Downtown ESC Project is hereby established (B0200100).
- Section 5. The City Manager or his designee is authorized to move appropriations and expenditures between the MYOP and CIP when appropriate based on City budget and accounting policies.
- Section 6. The City Manager or his designee is authorized to execute professional services agreements for technical and financial advisory services for assistance with the Downtown ESC Project for a total amount not to exceed \$250,000.

- Section 7. The City Attorney or his designee is authorized to execute legal services agreements for assistance with the Downtown ESC project for a total amount not to exceed \$550,000.
- Section 8. The City Treasurer or his designee is authorized to execute professional services agreements for assistance with the Downtown ESC Project for a total amount not to exceed \$505,000.
- Section 9. The City Manager or his designee is authorized to execute a professional services agreement with Weston Sports and Entertainment for sports facility design and construction advisory services for the Downtown ESC Project for an amount not to exceed \$250,000.
- Section 10. The City Manager or his designee is authorized to execute a professional services agreement with Barrett Sports Group, LLC, for negotiation, advisory, and other services for the Downtown ESC project, in an amount not to exceed \$200,000.

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Exhibit B – First Amendment to the Master Owner Participation Agreement

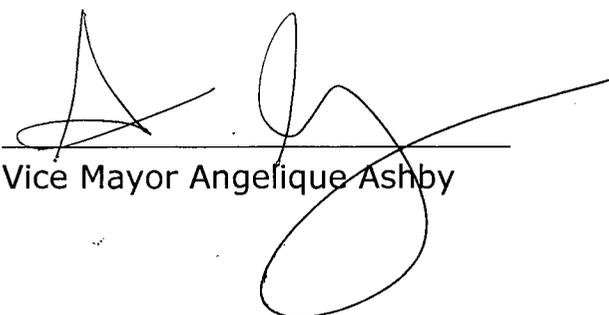
Adopted by the City of Sacramento City Council on June 25, 2013 by the following vote:

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

Noes: Councilmembers Fong and McCarty

Abstain: None

Absent: None



Vice Mayor Angelique Ashby

Attest:



Shirley Concolino, City Clerk

Exhibit A
Summary of ESC Consultant Services and Costs

Type of Consultant Service	Amount
ESC Facility and Finance Advisor	\$200,000
Legal Services	\$550,000
Sports Facility Design and Construction Advisor	\$250,000
Parking Analysis	\$425,000
ESC Revenue Analysis	\$80,000
Real Estate Transaction Services	\$200,000
Communications/Outreach Assistance	\$50,000
Total:	\$1,755,000

**FIRST AMENDMENT
TO
MASTER OWNER PARTICIPATION AGREEMENT
AND
AGENCY FUNDING AGREEMENT
FUTURE DOWNTOWN REDEVELOPMENT PROJECTS**

This First Amendment to Master Owner Participation Agreement and Agency Funding Agreement (this "Amendment") is entered into as of _____, 2013 (the "Effective Date), by and between the **CITY OF SACRAMENTO**, a municipal corporation ("City") and **TAYLOR/CIM REDEVELOPMENT COMPANY, LLC**, a California limited liability company (the "Developer").

Recitals

A. The Redevelopment Agency of the City of Sacramento (the "Agency") and Developer previously entered into a Master Owner Participation Agreement and Agency Funding Agreement dated as of May 2, 2008 (the "MOPA"). The MOPA acknowledged that the Developer is proceeding with plans for the renovation and redevelopment of one or more properties it currently owns within the Merged Downtown Sacramento Redevelopment Project Area (the "Merged Redevelopment Project Area") and with conceptual plans for the redevelopment of properties that it may acquire (the "Properties") within the Merged Redevelopment Project Area. The redevelopment of the Properties was referred to in the MOPA as the "Projects." As a material inducement to the Developer to continue with such planning and implementation of the Projects, the Agency agreed to provide financial assistance to the Developer from the MOPA Funds, as defined below, for renovation and redevelopment work in accordance with the terms and conditions of the MOPA.

B. On or about May 2, 2008, the City received certain funds (the "Net Proceeds") of approximately \$49 million from the following transactions: (a) the sale of the Sheraton Grand Sacramento Hotel located at 1230 J Street (the "Hotel"), pursuant to a certain Sheraton Grand Sacramento Hotel Purchase and Sale Agreement dated April 16, 2008, between the Sacramento Hotel Corporation, a California nonprofit public benefit corporation, (referred to as "Seller" or "Hotel Seller"), and CIM Urban REIT Acquisition, LLC, a California limited liability company, (referred to as "Purchaser") and Public Market Building LLC, a California limited liability company, (referred to as "Manager"), whereby the Hotel sale proceeds were to be transferred to City pursuant to certain prior agreements between City and Seller; and (b) the sale of the City's Parking Garage located at the intersection of 13th Street and J Street, pursuant to that certain 13th and J Street Garage Agreement of Purchase and Sale dated April 16, 2008, between the City (referred to as "Seller" or "Garage Seller"), CIM Urban REIT Acquisition, LLC, a California limited liability company, (referred to as "Buyer"), the Sacramento Hotel Corporation, a California nonprofit public benefit corporation, (referred to as "Hotel Corporation"), and Public Market Building, LLC, a California limited liability company, (referred to as "Manager"). A portion of the Hotel sale proceeds were used to defease the revenue bonds issued by the Sacramento City Financing Authority to fund construction of the Hotel. Pursuant to City

Council Resolution No. 2008-190 adopted on March 25, 2008; the City pledged to pay and deposit with the Agency the cash sum equal to Fifty Percent (50%) of the Net Proceeds received by the City, and pursuant to City Resolution No. 2008-372, additional Net Proceeds were allocated to Agency, for a total of approximately \$27.7 million. As set forth in the City resolutions, these funds were provided to Agency to accelerate the development, construction, acquisition, and enhancement of various facilities, projects, and improvements within the city, and in particular for underutilized and economically depressed sites within the Merged Redevelopment Project Area. Also on March 25, 2008, the Agency adopted Resolution No. 2008-018, whereby the Agency approved the MOPA. Under the terms of the MOPA, the Agency agreed to budget, and deposit and maintain, in a separate line item account of the Agency, the principal of which was pledged solely for use as provided in the MOPA (the "MOPA Funds"). The Agency held the MOPA Funds in trust for the City to provide financial assistance to Developer for certain Projects in accordance with the terms and conditions of the MOPA. Some of the MOPA Funds have been previously conveyed to Developer by Agency for Projects, and approximately \$19.3 million remains available to Developer under the MOPA.

C. In entering into the MOPA, the Agency found and determined that the Projects anticipated under the MOPA would meet certain goals of the Agency for the Merged Redevelopment Project Area, including without limitation, elimination of the following: vacancies and low lease rates, deficient buildings and unreinforced masonry buildings, and underutilized or obsolete properties; development of mixed use catalyst projects; increase of downtown office, retail and residential uses; and the provision of assistance to projects that contribute to the development of an active theater and entertainment district. The Projects to be undertaken by the Developer under the MOPA were intended to complement other uses in the Merged Redevelopment Project Area and the Convention and Theater District.

D. As part of the 2011-2012 State budget bill, the California Legislature enacted, and the Governor signed, companion bills AB 1X 26 and 27, requiring that each redevelopment agency in the State be dissolved as of October 1, 2011, unless the community that created it enacted an ordinance committing it to making certain payments. A Petition for Writ of Mandate was filed in the Supreme Court of California on July 18, 2011 (*California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. 5194861), challenging the constitutionality of AB 1X 26 and AB 1X 27 on behalf of cities, counties and redevelopment agencies. On December 29, 2011, the Supreme Court issued its final decision in the aforesaid litigation, upholding AB 1X 26 and invalidating AB 1X 27, which resulted in the dissolution of all redevelopment agencies throughout the State effective February 1, 2012.

E. Pursuant to Health and Safety Code Section 34173(d), the City of Sacramento elected to become the Redevelopment Agency Successor Agency (the "RASA") for the Agency's non-housing assets and functions by Resolution No. 2012-018 adopted on January 31, 2012. Except for those powers repealed or limited by AB 1X 26, the authority and obligations of the dissolved Agency, along with all of its assets, property, contracts, leases, books and records, but excluding the housing assets and functions, have been transferred to and are vested in the City acting in its capacity as the RASA. The actions of RASA with regard to the Agency's non-housing assets and functions are subject to approval of the Oversight Board and the State Department of Finance under AB 1X 26.

F. Because the MOPA Funds held and managed by the Agency were City funds, the State Department of Finance directed RASA to transmit the remaining MOPA Funds and assign the MOPA to the City. On June 4, 2012, the Oversight Board for RASA approved Resolution No, 2012-008 authorizing the transfer of the MOPA Funds and assignment of the MOPA to the City. On November 20, 2012, by Resolution No, 2012-392, the City accepted the transfer of the MOPA Funds and the assignment of the MOPA. As a result, the City became the successor to the Agency for the MOPA. Accordingly, the City has been vested with the authority and the obligation to continue to perform the Agency's obligations under the MOPA and to utilize the balance of the MOPA Funds held in trust for the City in accordance with the MOPA.

G. The City has been working on a financing plan for the development of an entertainment and sports complex (the "ESC") to be located in the downtown area of the City on potential sites which are located in or contiguous to the Merged Redevelopment Project Area. In order to facilitate the financing of the ESC, the City desires to use Five Million Dollars (\$5,000,000) of the MOPA Funds to fill a gap in the financing for the ESC Project.

H. The ESC, as envisioned by the City, would be a major catalyst to the redevelopment and revitalization of all of downtown Sacramento. The ESC would be a venue for year round sports and entertainment events that are anticipated to attract a significant number of people to downtown Sacramento on an annual basis. The ESC, if developed, is anticipated to attract additional patrons to existing restaurants, hotels and businesses within the Merged Redevelopment Project Area, and create the need for more of such uses throughout downtown Sacramento. As a consequence, the ESC is anticipated to improve property values and impaired investment throughout downtown Sacramento, including the Merged Redevelopment Project Area, help to spur development of currently underutilized properties, and reduce vacancies and improve lease rates, as the ESC will help downtown Sacramento become the primary destination for entertainment in the Sacramento region. The ESC would benefit Developer's Properties and Projects under the MOPA.

I. In light of the anticipated benefit to the Merged Redevelopment Project Area, including but not limited to the benefit to those Properties and Projects owned or to be acquired by the Developer as anticipated in the MOPA, that would be derived from the development of the ESC, the City and Developer desire to amend the MOPA to allow for the use of a portion of the MOPA Funds, not to exceed Five Million Dollars (\$5,000,000.00), by the City for the development of the ESC project, subject to the terms and conditions of this Amendment.

Agreements

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and Developer hereby agree as follows:

Section 1. All capitalized terms not defined in this Amendment shall have the meanings as defined in the MOPA.

Section 2. The City shall deposit Five Million Dollars (\$5,000,000.00) (the "MOPA ESC Funds") from the segregated account of the City currently holding the MOPA Funds into a separate account established by the City to be used for the development of the ESC project. The MOPA ESC Funds shall be used by City solely and exclusively to pay for expenses incurred in connection with development of the ESC to be undertaken by the City. In the event that the City determines that the ESC project will not be completed, then the remaining uncommitted balance of the Five Million Dollars (\$5,000,000) shall be redeposited into the segregated account of the City holding the MOPA Funds, to be used by Developer in accordance with the terms and conditions of the MOPA.

Section 3. As partial consideration for Developer's agreement to make the MOPA ESC Funds available for development of the ESC, the dates set forth in the Milestone Events Schedule of the MOPA are hereby extended as follows:

A. In the event that the City decides not to proceed with the development of the ESC, the Target Date for submission of the Developer's next Subsequent Project is extended to three years from the date upon which the City Council formally determines that it will not proceed with the development of the ESC, and all subsequent dates in the Milestone Events Schedule are adjusted accordingly.

B. In the event that the City does proceed with the development of the ESC, the Target Date for submission of the Developer's next Subsequent Project is extended to three years from the date upon which the City certifies the Environmental Impact Report for the ESC, and all subsequent dates in the Milestone Events Schedule are adjusted accordingly.

Section 4. CIM Urban REIT Acquisition, LLC, an entity affiliated with the Developer, owns that portion of the block bounded by 12th, 13th, I and J Streets, which is currently in use as a parking structure (the "Garage Site"). The Garage Site is designated C-3-SPD in the City's Zoning Code, which zoning designation contemplates a broad range of intensive urban uses. As further consideration for Developer's agreement to allow the use of the MOPA ESC Funds for development of the ESC, and in an effort to facilitate Developer's proposal for its next Subsequent Project under the MOPA, the City acknowledges and agrees that the use of MOPA funds for the development of the Garage Site with intensive uses that may include retail-commercial, hotel, residential and/or office with ground floor retail-commercial components is permitted under the MOPA.

Section 5. The City and Developer acknowledge and agree that the funding of the ESC as contemplated in this Amendment will help to facilitate the development of the ESC and serve as a catalyst for development and enhanced commercial activity throughout downtown Sacramento, thereby directly benefiting the Merged Redevelopment Project Area and the Properties and Projects contemplated in the MOPA. However, the expenses for the ESC project to be funded pursuant to this Amendment are different than the types of Projects contemplated under the MOPA, in part because the Developer will have no ownership interest in the ESC. The parties therefore agree that the procedures for allocating the MOPA Funds and the requirements and limitation applicable to the use of the MOPA Funds as set forth in the MOPA shall not apply to the funding of the ESC expenses as set forth in this Amendment, and the use of MOPA ESC

Funds shall be allocated and used solely in accordance with the terms and conditions of this Amendment.

Section 6. The effective date of this Amendment shall be the date that this Amendment is approved by the City. Except as modified and amended by this Amendment, all other provisions of the MOPA shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this First Amendment to Master Owner Participation Agreement and Agency Funding Agreement as of the date set forth above.

City:

CITY OF SACRAMENTO,
a municipal corporation

DATED: _____, 2013

By: _____
John F. Shirey
City Manager

ATTEST

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
Senior Deputy City Attorney

-AND-

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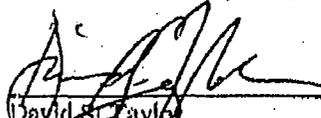
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Developer:

TAYLOR/CIM REDEVELOPMENT COMPANY, LLC
A California limited liability company.

DATE: 6/19, 2013

By:



David B. Taylor
Its Managing Member