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ECONOMIC DEVELOPMENT
DEPARTMENT

CITY OF SACRAMENTO
CALIFORNIA

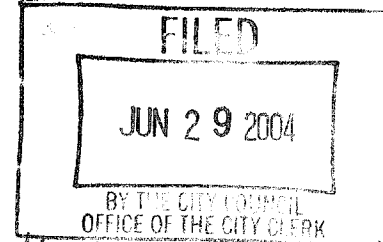
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June 24, 2004

City Council of the City of Sacramento
Sacramento, CA

Honorable Members in Session:



Staff to return on 7/22/04

**SUBJECT: REPORT BACK REGARDING DOWNTOWN SPORTS AND
ENTERTAINMENT DISTRICT**

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION:

1. Staff recommends that the Council direct the City Manager to prepare, for Council consideration, language for the November 2004 ballot that would advise the Council on the following matters:
 - a. Whether the public supports raising various fees, taxes and/or contributing otherwise to support the construction of a downtown Sports and Entertainment District that would include a new downtown sports arena, renovation of the Community Center Theater, the Crocker Art Museum, the Crest Theater, and constructing public improvements on the Sacramento Waterfront; and
 - b. Whether the public supports raising various fees, taxes and/or contributing otherwise to support the construction of a new Sports Arena in North Natomas at the existing location of the Arco Arena.
2. The staff recommends that the Mayor invite the County of Sacramento to participate in preparation of the ballot language.
3. The staff recommends that the Council direct the City Manager to:
 - a. Prepare, for Council consideration, a resolution regarding the principles that govern Council consideration of a new downtown Sports and Entertainment District to supercede the principles adopted on July 31, 2001.

- b. Prepare, to the extent feasible within the limited available time, additional financial analysis regarding a Downtown Sports and Entertainment District that would include a new downtown sports arena, renovation of the Community Center Theater, the Crocker Art Museum, the Crest Theater, and constructing public improvements on the Sacramento Waterfront.
- c. Prepare additional financial analysis regarding a new Sports Arena in North Natomas at the existing location of the Arco Arena.

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

FOR COUNCIL MEETING OF: June 29, 2004

SUMMARY:

On June 22, 2004, the Council heard two reports regarding a Sports and Entertainment Center. This report requests Council direct the City Manager to prepare for the July 22, 2004 City Council meeting, additional financial analysis and language for the November 2004 ballot that would advise the Council on (1) whether the public supports raising various fees, taxes and/or contributing otherwise to support the construction of a downtown Sports and Entertainment District that would include a new downtown sports arena, renovation of the Community Center Theater, the Crocker Art Museum, the Crest Theater, and constructing public improvements on the Sacramento Waterfront; and (2) whether the public supports raising various fees, taxes and/or contributing otherwise to support the construction of a new Sports Arena in North Natomas at the existing location of the Arco Arena.

BACKGROUND:

On June 22, 2004, the Council heard two reports regarding a Sports and Entertainment Center. The first report was from the Sacramento Metropolitan Chamber of Commerce Arena Business Task Force. The Task Force concluded that Arco Arena is approaching the end of its useful life; that a new sports arena will be required in approximately five years; that public participation in financing an arena is appropriate; and that the choice for an arena location should consider numerous factors including mass transit accessibility, redevelopment affects and financial feasibility.

The second report was prepared by a Special Committee convened to consider specific location alternatives and funding mechanisms for the Sports and Entertainment Center. The Special Committee recommended that a new arena be considered in the context of a greater initiative to revitalize downtown Sacramento, and that components of the initiative should include renovation of the Community Center Theater and the Crest Theater, expansion of the Crocker Art Museum, and investment in the Sacramento waterfront. The Special Committee identified the southwest corner of 7th and K Streets as the optimal

location for the new facility given the potential for revitalizing affects on surrounding blighted areas to the east of that location.

The Special Committee presented a menu of financial sources to be considered to support the downtown Sports and Entertainment District initiative, many of which would be appropriate only in the context of a downtown arena location and broad redevelopment initiative. The Committee also recommended that the North Natomas site be retained as an alternative location for a new sports arena in the event that sufficient resources to support a downtown Sports and Entertainment District Initiative cannot be attained. The table below summarizes the potential revenue sources presented by the Committee and the staff evaluation of where such resources might appropriately be applied.

Revenue Source	Downtown and Entertainment District	North Natomas Arena
N. Natomas Property Sale (City 100 acres)	X	X
Airport Car Rental Surcharge	X	X
Downtown Parking surcharge	X	?
Countywide TOT increase	X	?
TOT Exemption	X	?
Arena Admissions Surcharge	X	X
Community Center Admissions	X	
Downtown BID	X	
Naming Rights	X	X
MSE Lease Payment	X	X
Downtown Food and Beverage Surcharge	X	
Incremental Sales Tax Surrounding Sports Facility	X	? ⁽¹⁾
N. Natomas Property Re-use Revenues (taxes)	X	? ⁽¹⁾
Auto Sales Tax	X	X
MSE Contribution	X	X

⁽¹⁾ Revenues to the city from reuse of the City and MSE acreage in North Natomas could be dedicated to the Natomas project. Revenue streams could include sales tax if there is a retail component to the reuse. Structured parking to serve the arena would be required to maximize these potential revenue sources.

While more potential sources of revenue are clearly available for a downtown location, the cost of the recommended downtown location is also more expensive. Cost considerations include displacement of the Macy's mens' store and adjacent Westfield shops, reconfiguration of the Westfield center, acquisition of the Marshall Hotel and the office building at 7th and K, and the loss of underground parking spaces. Additionally, the non-arena components of the plan (Community Center renovation, Crocker Art Museum, etc.) add considerable costs.

BALLOT LANGUAGE CONSIDERATIONS:

Meaningful ballot language must consider both the costs of the alternative proposals, the potential sources of revenues and their feasibility of implementation. For the meeting of July 22, 2004 the staff will prepare the following:

1. A cost estimate for both the Downtown Sports and Entertainment District initiative, as presented by the Special Committee, and the alternative sports facility at the current Arco Arena site. (Given the limited time to prepare this analysis and the considerable work required to develop estimates for this complex plan, the estimate will be presented as a range with a considerable margin of error);
2. An evaluation of the funding menu presented by the Special Committee, including projected revenues, potential risks to the City, and process for implementing specific funding mechanisms (e.g., vote requirements, etc.); and
3. Ballot language that provides enough information to voters, including costs and potential revenues, to fairly evaluate whether or not they recommend that Council implement a new sports facility in one of the two alternate locations.

Additionally, staff will present a modified set of principles related to council consideration of a new downtown Sports and Entertainment District. The principles previously adopted by Council are attached as Exhibit A.

General Time Lines

- June 29, 2004: Provide Direction to City Manager to prepare ballot language and financial analysis.
- July 22, 2004: Council Takes Action on Proposed Ballot Measure based additional financial analysis.
- Nov 2, 2004: Pending Council Approval on July 22, 2004, advisory vote on measure.
 - November '04 – January '05: If voters approve investment in one or both of the two sports facility proposals, staff to commence the following activities:
 - Preparation of architectural and engineering plans and cost estimates.
 - Negotiations with MSE regarding public and private contributions.
 - Preparation of a financing plan.
 - Detailed analysis of funding sources and implementation requirements including preparation of necessary ballot language for certain funding components.

- Council vote on ballot language January '06 for March '06 ballot; or
 - Council vote on ballot language August '06 for November '06 ballot.
- November '04: If voters reject investment in both sports facility proposals, no additional staff work on sports facility to follow.

FINANCIAL CONSIDERATIONS:

Further staff evaluation of financial considerations will be provided on July 22, 2004 in accordance with the discussion herein.

ENVIRONMENTAL CONSIDERATIONS:

There are no CEQA/NEPA issues associated with the requested action. As projects come forward, environmental considerations will be addressed with the City Council as appropriate.

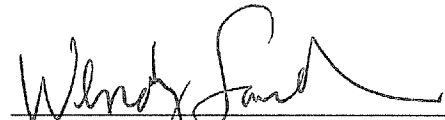
POLICY CONSIDERATIONS:

Further staff evaluation of policy considerations will be provided on July 22, 2004 in accordance with the discussion herein.

ESBD CONSIDERATIONS:

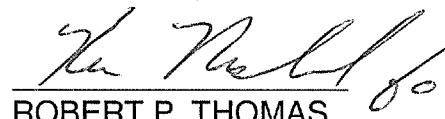
No goods or services are being purchased under this report

Respectfully Submitted:



Wendy Saunders
Downtown Development Manager

RECOMMENDATION APPROVED:



ROBERT P. THOMAS
City Manager

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Attachment: Exhibit A: July 31, 2001 resolution, page 7

RESOLUTION NO. 2001-539

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF JUL 31 2001

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

Section 1. The City Council hereby approves participation, not to exceed \$50,000, with Union Pacific Railroad (UPRR) and Maloof Sports and Entertainment for the specific purpose of preparing a feasibility study for a potential downtown sports and entertainment center on the UPRR Railyards Area of downtown Sacramento as set forth in the staff report dated July 26, 2001.

Section 2. The City Council hereby approves the following principles in relation to consideration of any potential new downtown sports and entertainment center.

1. A new downtown sports and entertainment center would be the centerpiece of a broader overall redevelopment effort (related commercial, retail, housing, etc.) for the subject Railyards Area.
2. A new downtown sports and entertainment center would be developed as a venue for not only sports but also performing arts and other related art, cultural and entertainment activities.
3. Any potential financing structure for a new downtown sports and entertainment center must not result in any negative impact on the City of Sacramento General Fund.
4. Any potential financing structure for a new downtown sports and entertainment center must not result in any negative impact on the existing \$73 million City of Sacramento loan for the existing Arco Arena.
5. Any proposed new or increase in taxes to be used to finance a new downtown sports and entertainment center would require voter approval.
6. Any financial participation by the City of Sacramento related to a new downtown sports and entertainment center should focus on public infrastructure.

Heather Fargo
MAYOR

ATTEST:

Helene A. Bunnell
CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: 2001-539

DATE ADOPTED: JUL 31 2001