



City Council Report

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File ID: 2017-01436

October 31, 2017

Consent Item 04

Title: Waiver of Comprehensive Project Agreement Non-Compete Prohibition for Convention Center Events at Sleep Train Arena During Construction

Location: 1400 J Street, District 4; 1 Sports Parkway, District 1

Recommendation: Pass a Resolution: 1) waiving the non-compete prohibition in section 4.2 of the Comprehensive Project Agreement (CPA) for the exclusive purpose of allowing the relocation of Convention Center events to Sleep Train Arena through December 2020; 2) reserving the right to rescind this waiver at any time with not less than 30 days' notice to Sacramento Basketball Holdings LLC, Sacramento Downtown Arena LLC, and Sacramento Kings Limited Partnership; and 3) leaving in force all other sections of the CPA.

Contact: Desmond Parrington, Project Manager, (916) 808-5044; Fran Halbakken, Assistant City Manager/Project Executive, (916) 808-7194; Office of the City Manager.

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Resolution

Description/Analysis

Issue Detail: On May 20, 2014, Council approved the Comprehensive Project Agreement (CPA) with Sacramento Basketball Holdings LLC, Sacramento Downtown Arena LLC, and Sacramento Kings Limited Partnership. As part of the City's investment in and the development of the Golden 1 Center, the City negotiated provisions in the CPA that placed restrictions on the use of Sleep Train Arena. Specifically, section 4.2 of the CPA sets out a non-compete prohibition for Sleep Train Arena, which was designed, in part, to ensure that the Golden 1 Center remain economically viable for both the City and the Kings.

On May 30, 2017, Council directed staff to move forward with plans for the renovation and expansion of the Convention Center. The renovation and expansion work will require the relocation of booked events from the Convention Center. In anticipation of the start of construction, Visit Sacramento, the region's convention and visitor's bureau, in conjunction with City Convention Center staff are working with those that booked events during the anticipated construction period to identify suitable venues for relocation. Sleep Train Arena can host an unspecified number of these relocated Convention Center events, and relocating to Sleep Train Arena would help to ensure that these events remain in the Sacramento region. Among other advantages, this would ensure that the City will continue to receive the transient occupancy tax (TOT) revenues generated from hotel usage of guests that attend these events. Furthermore, the relocation of some Convention Center events during this period would help support hotels, restaurants and other businesses in Natomas.

The Sacramento Kings continue to plan for the redevelopment of the 184-acre Natomas arena site. During this period, should the Kings move forward with development or receive a proposal for development of the site, the City would be able to rescind the waiver with a 30-day notice.

Policy Considerations: The waiver to allow relocation of some Convention Center events to Sleep Train Arena during the Convention Center construction period is consistent with the following City General Plan policies:

- ERC 4.1.5 - The City shall support renovation and expansion of Convention Center facilities and adjacent supportive infrastructure, including hotels, to attract top tier national and international events.
- ED 1.1.5 - The City shall continue to work with Visit Sacramento, the Metro Chamber, and interested stakeholders to expand local amenities and to market Sacramento as a tourist destination and convention venue.

Economic Impacts: It is anticipated that this will have a positive economic impact as it will allow the City to retain events and the associated TOT revenue that might otherwise be lost if

events cancel or relocate elsewhere. It will also support local restaurants and other businesses in the Natomas area.

Environmental Considerations: The Sacramento Convention Center serves as the location for a variety of events throughout the year. Those attending events arrive by various modes of transportation (e.g., personal vehicle, air, rail) and utilize various modes of transportation while visiting Sacramento. Events at the facility utilize local services for food and drink; local hotels provide lodging and related services; and local bars, restaurants and commercial businesses serve the needs of visitors. Each of these activities may generate various types of environmental effects: air emissions from vehicles, water demand from hotels, police and emergency services from City departments. The cumulative effects of such activities have been evaluated in the Master EIR that was prepared for the 2035 General Plan.

The proposal to relocate some events to Sleep Train Arena during construction activities for the expansion of the Convention Center is subject to review under the California Environmental Quality Act (CEQA). CEQA requires that the City consider potential impacts that could result from the relocation of events. The relevant inquiry is whether such relocation would result in new or increased significant effects on the environment. The City has concluded that it would not.

The relocation would not result in increased attendance—the City is not proposing to utilize the Sleep Train Arena capacity as a means of increasing the size of events. Holding events at the Sleep Train Arena would alter the manner in which visitors travel to the event, but this would be affected by each visitor's original location, mode of travel and place of lodging, and there is no substantial evidence that attendance at an event at Sleep Train Arena would, during the temporary relocation period, result in increased vehicle miles traveled or result in other impacts. There are abundant locations for lodging, bars, restaurants and commercial businesses in the North Natomas community, and there is no evidence that the activities of visitors would result in new or increased impacts relating to public services.

The Sleep Train Arena is served by all public services and utilities, and temporary relocation of events to the facility would not require any new construction or expansion of public services, and would have no impact on the physical environment. Relocation would not generate additional demand for recreational services or facilities.

Because it can be seen with certainty that relocation of Convention Center events to Sleep Train Arena would have no significant effect on the environment, the activity is exempt from CEQA review pursuant to CEQA Guidelines section 15061(b)(3) (no significant environmental effect).

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Renovation and expansion of the Convention Center may necessitate the relocation of some events to other locations. Sleep Train Arena has the space and the availability to host some of these events. By using Sleep Train Arena, the City would benefit by retaining TOT revenue and the Natomas area could see benefits to local hotels, restaurants and other businesses from this activity.

Financial Considerations: There is no impact to the General Fund from this action. As noted previously, it is anticipated that this will have a positive economic impact as it will allow the City to retain events and the TOT revenue associated with it that might otherwise be lost if events cancel or relocate elsewhere

Local Business Enterprise (LBE): Not applicable.

RESOLUTION NO. 2017-

Adopted by the Sacramento City Council

GRANTING A WAIVER OF SECTION 4.2 OF THE COMPREHENSIVE PROJECT AGREEMENT FOR THE EXCLUSIVE PURPOSE OF ALLOWING THE RELOCATION OF CONVENTION CENTER EVENTS TO SLEEP TRAIN ARENA

BACKGROUND

- A. On May 20, 2014, Council approved the Comprehensive Project Agreement (CPA) with Sacramento Basketball Holdings LLC, Sacramento Downtown Arena LLC, and Sacramento Kings Limited Partnership.
- B. Section 4.2 of the CPA sets out a non-compete prohibition for Sleep Train Arena, which was designed, in part, to ensure that the Golden 1 Center remain economically viable for both the City and the Kings.
- C. On May 30, 2017, in Resolution 2017-0216, the City Council directed staff to move forward with a plan for the renovation and expansion of the Convention Center.
- D. This construction work on the Convention Center will result in some events needing to be relocated.
- E. Visit Sacramento has been working to identify alternate locations, including Sleep Train Arena and the Golden 1 Center, to house those events that will need relocation.
- F. Retention of Convention Center events in Sacramento is a priority for the City during the renovation and expansion of the Convention Center, in part, so that the City and region can retain the economic benefits of those events, including associated transient occupancy tax and sales tax.
- G. Due to scheduling conflicts, events cannot be relocated to the Golden 1 Center, and the relocation of these events to Sleep Train Arena will not affect the economic viability of the Golden 1 Center for either the City or the Sacramento Kings.

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

- Section 1. The requirements set forth in Section 4.2 of the CPA are hereby waived until December 31, 2020 for the exclusive purpose of allowing for the relocation of Convention Center events to Sleep Train Arena located at 1 Sports Parkway in the Natomas area of Sacramento.
- Section 2. The City Council reserves the right to rescind this waiver at any time with not less than 30 days' notice to Sacramento Basketball Holdings LLC, Sacramento Downtown Arena LLC, and Sacramento Kings Limited Partnership.
- Section 3. With the exception of Section 4.2, all other sections of the CPA remain in force.