



## City Council Report

915 I Street, 1<sup>st</sup> Floor  
Sacramento, CA 95814

[www.cityofsacramento.org](http://www.cityofsacramento.org)

---

**File ID:** 2017-01659

December 12, 2017

**Discussion Item 28**

---

**Title: Update on Design, Schedule and Private Operations of the Sacramento Convention Center Renovation and Expansion Project**

**Location:** 1400 J Street, District 4

**Recommendation:** Pass a Motion authorizing the City Manager or City Manager's designee to proceed with the full program for the design of the Sacramento Convention Center renovation and expansion project with the recommended construction schedule.

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

**Presenter:** Fran Halbakken, Assistant City Manager, (916) 808-7194; Desmond Parrington, Project Manager, (916) 808-5044, Office of the City Manager

**Attachments:**

1-Description/Analysis

## Description/Analysis

**Issue Detail:** On May 30, 2017, City Council approved a contract with Populous, the project architect, and directed staff to proceed with a revised design of the Convention Center project. The original concept for the Convention Center was presented and discussed at a series of public workshops hosted by Mayor Steinberg and Councilmember Hansen between January and March 2017. The revised design resulted from this series of meetings.

That design would address the existing deficiencies of the building including loading dock access to all exhibit halls and internal circulation. It would also include new east and west lobbies, additional meeting room space on the east side, a new kitchen, additional exhibit space and multi-purpose space on the west side of the building, and an upgraded central utility plant as part of phase I. A future phase II would add a second-floor ballroom.

The concept design was in part shaped by the original project schedule, which involved a spring 2018 construction start with completion by late fall 2020 – a 34-month schedule. The east meeting rooms and lobby would be constructed first so that events could be shifted to that side of the building in summer 2019, enabling the older west side of the Convention Center to be demolished and reconstructed. The ultimate goal of the project is to allow for booking of multiple events within the building within the same week (known as stacking in the industry). This would result in greater hotel room night demand throughout the entire week rather than only on peak event days. This greater hotel demand should translate into more transient occupancy tax (TOT) revenue.

City staff and its consultant team of Rider Levett Bucknall, Populous, and AECOM-Hunt Construction conducted a series of stakeholder meetings to discuss the design and schedule. The meetings included hotel representatives, meeting planners, current users, downtown business leaders as well as technical experts, Convention Center staff, Visit Sacramento staff, and building trade representatives.

With the feedback received from the stakeholders, staff and its consultant team conducted an analysis of that input and analyzed what cost savings and efficiencies could be achieved from the suggested changes. As a result of the input and the review, both the design and the schedule have been revised to meet to address those cost-saving changes. For example, stakeholders indicated that additional meeting room space was not as critical on the east side, but was essential on the west side of the building. This change was a cost savings to the project as building new meeting room space was simpler and less expensive than renovating all of the existing terrace area on the east side for meeting rooms. Similarly, they unanimously agreed that the second-floor ballroom should be included and that it should be divisible into a smaller ballroom and with additional meeting rooms as it is needed now in order to support the

stacking of events at the facility. Not only would this would enable each side of the convention center to stand alone as rentable space with exhibit halls, meeting rooms, ballrooms and lobby/registration areas, but building that space now would result in considerable cost savings compared to building it in a later phase. Many of Sacramento's direct competitors including San Jose and Long Beach have two ballrooms at their convention centers.

### Recommended Design and Schedule

Given the importance to the hotel community of including the ballroom as part of the first phase, the Sacramento Hotel Association and Visit Sacramento are exploring the opportunity to provide a significant contribution to the project to offset the cost of the ballroom. City staff, Visit Sacramento and local hotel leaders are currently working through the details of this proposal. By including the ballroom now rather than building it in the future, the City would eliminate a second round of customer and TOT impacts and meeting displacements and would save approximately \$15 million or more compared to the total cost of building it in two phases.

For this expanded project, staff is recommending a new schedule that would reduce the impact on major events currently booked in 2018 through July 2019. Under the new schedule, construction would start on the Pannatoni Building (1030 15<sup>th</sup> Street) in January 2019. This would allow the construction of the new east lobby without disrupting current Convention Center operations. In July 2019, the Convention Center would shut down until fall 2020. Though the interior work on the second-floor ballroom and meeting rooms on the west side would continue until March 2021, the facility would be operational by November 2020.

The original schedule did not provide sufficient time for Visit Sacramento and meeting planners and users to relocate events. This would likely to lead to cancellations and the potential loss of future business. Instead, the new schedule provides more lead time and reduces the impact to some of the City's larger events. Visit Sacramento is already working with clients scheduled between July 2019 and November 2020 to find suitable alternate locations in the City such as Cal Expo, Sleep Train Arena, Golden 1 Center, and area hotels and conference centers, etc.

The new schedule would shorten the construction duration significantly and would reduce the risk of project delays resulting from working around existing events. There would be approximately \$4 million in cost savings to the project as temporary construction measures designed to allow ongoing events on the east side would no longer be needed. This means that the City would not have to borrow that amount as part of its financing resulting in even more savings. These savings more than offset the reduction of TOT revenue typically generated from the facility during the shutdown period. The schedule also coincides with the construction period for the Community Center Theater, which means there would be less risk of disruption to Theater and Convention Center events.

It is also anticipated that the addition of a ballroom would result in additional hotel room nights and would generate more TOT revenue for the City. City staff are currently working with Visit Sacramento and CBRE to estimate the impact of that anticipated revenue to the City and its bonding capacity.

Given the potential contribution from the hotels and the improved booking opportunities resulting from adding the ballroom, staff is recommending that the Council authorize the City Manager to proceed with the design of the full program including the ballroom with the new project schedule which starts in January 2019.

If there is a delay in the financial contribution from the hotels or their contribution is not available, the City would be able to revert to the phased approach as originally envisioned. Any design expense incurred during this period would be minimal as this design work is needed to determine the future location of mechanical, electrical and plumbing to serve the ballroom.

#### Project Costs and Financing

City staff are working closely with AECOM Hunt, the design-assist contractor, and Rider Levett Bucknall, the City's project advisors, to prepare cost estimates and staff will return in March 2018 with estimates based on the schematic design (SD) as well as a review of the project financing using the updated TOT analysis from CBRE and bond capacity estimates from Morgan Stanley. More information on the private hotel contribution is expected to be available by March.

#### Private Operations

On November 6<sup>th</sup>, City staff received a preliminary proposal from the Kings, SMG and Live Nation team to operate the facilities in the Sacramento Convention Center Complex. Based on staff's review of the proposal and subsequent meetings with their team, additional information is required in order for staff to complete its due diligence and make a recommendation to Council. That additional information is expected January 15<sup>th</sup> and staff will return to Council with its findings and a recommendation by spring 2018.

**Environmental Considerations:** On November 15<sup>th</sup>, the City released a draft environmental impact report (DEIR) for the project for public review through January 2. The DEIR is available on the City's website at <http://portal.cityofsacramento.org/Community-Development/Planning/Environmental/Impact-Reports>. However, the actions contained in this report to regarding the schedule and design will have no significant effect on the environment and are exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3).

**Sustainability:** The project will be designed utilizing energy efficient standards and will reduce the carbon footprint contribution, therefore helping meet the City of Sacramento's sustainability goal. The facility will be designed in accordance with City policy LU 8.1.5 LEED Standard for City-Owned Buildings, which requires LEED (Leadership in Energy and Environmental Design) Silver or equivalent standard.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** The approval of the design for the full program and the revised schedule are necessary to keep the project on track and to ensure that there is an investment from the hotels in the City's Convention Center project.

**Financial Considerations:** As noted above, the Sacramento Hotel Association has proposed to provide an investment in the project to offset the cost of the new ballroom. In addition, the addition of the ballroom is anticipated to generate additional TOT revenue. That analysis is currently underway, and staff will report back in March with those results. Staff is not requesting additional funding at this time. The current design budget is sufficient to cover the design of the full program through schematic design. However, it is anticipated that there will be some additional expenses associated with the design of the ballroom for design development and construction documents, and that proposal will be brought forward to Council in January.

**Local Business Enterprise (LBE):** Not applicable.