

ENTERTAINMENT AND SPORTS CENTER PROJECT

About the project

What is the Entertainment and Sports Center (ESC) Project? The ESC is a proposed indoor multi-use facility that will accommodate sporting and entertainment events such as professional and collegiate sports, concerts, ice shows, indoor rodeo, trade shows, large graduations, family shows, and other indoor entertainment. It also contains a practice facility with administrative offices.

The project planning approvals allow for up to 1.5 million square feet of additional development including 475,000 square feet of office space, 350,000 square feet of retail, a 250-room hotel, and 550 residential units.

What are the benefits of investing in the ESC for Sacramento and the region? As seen in many cities, well-designed and strategically located entertainment and sports centers increase the vitality of downtown areas. Investment from businesses that want to locate near the facility generates tax revenues for cities and increases the value of surrounding properties. Sales, property, hotel, and utility tax revenues all increase with the enhanced economic activity. The ESC will not only create thousands of jobs during construction but create hundreds of permanent positions as well.

The Sacramento Kings are partnering with the Community Workforce Pipeline, a new alliance of community and faith-based organizations focused on providing greater economic opportunities to low-income and disadvantaged workers through the ESC. This new “Priority Apprenticeship Program” will recruit, train, and employ at least 70 apprentices from high-need backgrounds and neighborhoods during construction of the ESC.

What is the estimated cost of the ESC and what is the City’s contribution? The estimated cost of the ESC is \$477 million. The Sacramento Kings will contribute \$254 million and the City will contribute \$223 million. The owners of the Kings will pay for any additional overruns and predevelopment costs. In addition, both the Kings and the City have assumed certain financial responsibilities and made in-kind contributions of land and other assets.

Where will the ESC be located? The ESC will be located within the Downtown Plaza site between 5th and 7th Streets and J and L Streets.

What will happen to Downtown Plaza? Portions of the Downtown Plaza between 5th Street and east of 7th Street will be demolished, becoming the new ESC site. Buildings such as the historic Ramona Hotel (Church of Scientology), the Marshall Hotel and the buildings housing the University of San Francisco and 24-hour Fitness will remain active and intact. The portion of Downtown Plaza west of 5th Street, including the Macys store, will not be affected at this time and will remain open as an active retail center.

How much parking is available for the new downtown ESC? And where is the parking located?

More than 13,500 parking spaces exist within ½ mile of the Downtown Plaza. Both on -street and off-street parking will be available through city, county and private garages and lots. For comparison, there are approximately 7,000 parking spaces at Sleep Train Arena. In downtown Sacramento, ½ mile is equal to six blocks. A benefit of locating the arena downtown is that Regional Transit has five light rail stations in the vicinity of the proposed ESC, with the closest at 7th and K Streets. The Sacramento Valley Station, offering train, bus and taxi service, is located at 4th and I Streets.

Terms and Development

What are the terms of the lease agreement? The City of Sacramento will lease the ESC to the Kings at a progressive lease amount. The Kings will pay a minimum of \$6.5 million per year with annual increases. Their minimum payment at the end of the 35-year lease will be approximately \$18 million. The cumulative total of the minimum lease payments, over the term of the lease, will amount to approximately \$391 million.

Who will own the ESC? The ESC will be owned by the City of Sacramento. The City will lease the ESC to the Sacramento Kings ownership group. At the end of the lease, the Kings will have the option to acquire the ESC if they meet all other obligations over the term.

Will the City increase taxes or use taxes to pay for the ESC? No. The City will not be paying for the ESC with new taxes or using tax dollars from the general fund.

What is the development schedule for the ESC? The City has been working closely with the owners of the Kings to finalize definitive agreements, the Final Environmental Impact Report, the Financing Plan, Entitlements and Digital Billboard Ordinance. On May 1, all contracts, agreements and the final environmental document will be released for public viewing. On May 20, City staff will present the ESC project to City Council for consideration and final approval. Pending approval, construction preparation activities will start immediately and construction will begin in the fall of 2014.

Who will design the ESC and new development in and around the Downtown Plaza? The City and the owners of the Kings have been working with design group AECOM on ESC and plaza designs. AECOM has designed more NBA arenas than any other firm and has extensive experience with urban planning and international sporting events. AECOM aims to create a building that is iconic, LEED Gold certified, technologically advanced and an embodiment of Sacramento's unique character.

The surrounding development is being designed by RCH. Selections for the design and development of the adjacent uses will follow shortly after the ESC.

When will the ESC be completed and open for events? The ESC is scheduled for completion by October 2016.

Financing

Updated May 2014

What is the total cost of the ESC? The total cost of the ESC is estimated to be \$477 million.

What are the sources of the \$477 million? The Sacramento Kings will contribute approximately \$254 million and the City will contribute approximately \$223 million.

What are the sources for the City's contribution? The City will finance its \$223 million contribution through the sale of bonds (\$212.5 million) and parking and economic development funds (\$10.6 million).

How will the City repay these bonds? The City will enter into a 35-year progressive lease contract with the Kings starting at \$6.5 million annually and increasing to \$18 million by the end of the lease-term. These lease payments, along with parking enterprise revenues, hotel tax revenues and other revenue streams created by the new ESC will be used to pay off the bonds.

Are there costs associated with issuing the bonds? Yes. Just as there are costs associated with getting a mortgage to buy a home, there are costs associated with issuing bonds. There are unique costs associated with issuing municipal bonds. The exact costs won't be known until the bonds are issued but it is estimated that the total bond issue amount would be approximately \$298 million. This amount includes the cost to issue the debt, interest on a debt and the debt reserve, all of which are required.

What happens if there are cost overruns? The Kings will cover all additional costs, including cost overruns, predevelopment, capital repairs and development of City-owned parcels.

How did the City determine its portion of the ESC? Using conservative assumptions, the evaluation showed that the City could, with minimal risk, fund approximately \$223 million of the ESC costs. Due to the very conservative revenue assumptions, funds are included in the borrowing to build a reserve for future payments and to protect the City's General Fund.

Are new city taxes needed to pay for the ESC? No. The City will not increase taxes to pay for the ESC.

Is the City selling its parking garages? No. The City is not selling parking garages.

Is the City increasing parking rates to pay for the ESC? No, parking rates will keep pace with market conditions and customary inflation. The City's parking program generates more than \$25 million per year in fee revenue from parking meters, garages and lots. Many of those who pay parking fees come from outside city limits, particularly since downtown is a regional employment center generating 100,000 daily visitors who use public parking. Hotel taxes will be used as a safeguard for the repayment of the bonds, if necessary. Hotel taxes are almost entirely paid for by visitors to Sacramento.

Could the City use the sale of bonds to finance City services instead?

No. The types of bonds proposed for the ESC project can be used only to raise money for constructing projects like the ESC. The bond proceeds cannot be used to fund services such as police, fire and parks and recreation.

* At this time, the ESC is only a proposal. These Quick Facts anticipate possible future events. The city must and will comply with CEQA before committing itself to finance or develop the ESC.

For more information, please visit: <http://www.cityofsacramento.org/arena/>