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LA24-203A

November 28, 2016

Mr. Brian Wong, MBA, CPFO
Debt Manager
City of Sacramento, Office of the City Treasurer
915 "I" Street, HCH – 3rd Floor
Sacramento, CA 95814

E-mail: bwong@cityofsacramento.org

Re: Golden 1 Center
Sacramento, California

Dear Mr. Wong:

Enclosed is our Monthly Executive Summary, as contained in our Site Observation Report 29 for the referenced project, based on our site visit of November 2, 2016. The site observation was performed and the report was written by the undersigned.

The Merritt & Harris, a JLL Company's monthly Site Observation Reports are issued and can be relied upon, solely by the City of Sacramento and Cortland Products Corp. This monthly Executive Summary is posted for information purposes only and cannot be relied upon by any other party.

This summary report was based on Summary Application and Certificate for Payment 35, prepared by ICON Venue Group on behalf of the Sacramento Basketball Holdings, LLC, dated November 15, 2016, including Turner Construction Company's Application and Certificate for Payment 30, and other project costs incurred during the month of October 2016.



If you have any questions regarding this report, please call.

Very truly yours,

MERRITT & HARRIS, a JLL COMPANY

Ricardo Flores
Senior Vice President, Construction

RF:rf
Enclosure

cc: City of Sacramento
Attn: Desmond Parrington
Cortland Products Corp.
Attn: John J. Budyak
Attn: Michael C. Dombai
Attn: Matt Terhune
Sacramento Downtown Arena LLC
Attn: John Rinehart
Icon Venue Group
Attn: Art Salgado
Manny P. Kratsios

E-mail: dparrington@cityofsacramento.org
E-mail: john.budyak@cortlandglobal.com
E-mail: michael.dombai@cortlandglobal.com
E-mail: matt.terhune@cortlandglobal.com
E-mail: rinehart@kings.com
E-mail: asalgado@iconvenue.com



SECTION II - EXECUTIVE SUMMARY

This section is intended to be a brief overview of the project, based on our current site visit. Please read the report in its entirety for a complete understanding of our comments and opinions.

Conformance to Plans and Specifications and Workmanship

The project has been issued a 60-day Temporary Certificate of Occupancy for Arena and Practice Facility by the city of Sacramento. The work at the project site has been substantially completed in general accordance with the construction documents and other pertinent documents that we have reviewed to date.

The overall quality of workmanship appears to be good.

Summary of Total Project Costs

The project Budget has increased from the original \$477,000,000 to the current \$558,237,839 via Equity contributions and reimbursements. The project Sources total \$565,252,706, which are in excess of the Uses. Overall, adjustments and Equity contributions totaling \$96,195,683 have been reflected in the Budget.

Please be aware that there additional funds available totaling \$49,164,459, that are destined for other project expenses, including financing costs not covered under the Construction budget.

This current requisition includes soft costs, permit fees, and Turner Construction's construction costs for work incurred through October 2016.

A. Preconstruction Costs – Turner Construction Company

Pre-Construction and Preview Center contracts were awarded to Turner Construction Co. Turner's Pre-construction contract was established at \$700,000 to allow the Contractor to perform preconstruction activities prior to establishment of a GMP. Change Orders totaling \$525,228 increased the Contract sum to \$1,225,228.

Turner's Preview Center contract was originally established at \$1,500,000. The inclusion of Change Order 1 in the amount of \$55,604 increased the contract sum to \$1,555,604. The work under the Preview Center contract has been completed.

Turner Construction did not submit Pay Applications for the Preview Center and for Pre-Construction costs. No funding is being requisitioned this period.



The following table summarizes the Pre-Construction and Preview Center work to date:

<u>Turner Construction</u>	<u>Pre-Con Pay App</u>	<u>Preview Ctr. Pay App</u>	<u>Combined</u>
Current Contract Value	\$1,225,228	\$1,555,604	\$2,780,832
Total Completed and Stored less Retain.	1,050,625	1,555,604	2,606,229
Less Previous Payments	<u>(1,050,625)</u>	<u>(1,555,604)</u>	<u>(2,606,229)</u>
Current Amount Requisitioned	\$0	\$0	\$0
Balance to Complete	\$174,603	\$0	\$174,603

Although there is a balance to complete in the Pre-construction contracts of \$174,603, we have been informed that this amount constitutes a savings, and a deductive Change Order will be issued to close out this contract.

B. GMP Contract – Turner Construction Co.

Turner Construction Company entered into a construction agreement with Sacramento Downtown Arena, LLC. The GMP consists of the initial contract and the First through Fourth Amendments to the contract.

The following summary is based upon the Turner Construction Company’s Application and Certificate for Payment 30, for work performed through October 31, 2016:

Current Contract Value		\$391,180,440
Total Completed and Stored to Date	98.7%	\$386,038,972
Current Amount Requisitioned		\$ 2,664,834
Balance to Complete		\$ 5,141,468

There is a balance to complete in the GMP contract of \$5,141,468. Please refer to our Project Budget and Requisition Review for our opinion on the adequacy of the remaining funds.

The GMP Budget was based on 100% Design Development documents, dated August 14, 2014.

The dollar amounts of each line item were reviewed at the time of our site visit, and the amounts were found to reasonably reflect the percentage of work in place.



C. Systems and Equipment Budget

We will consolidate the major Contracts under the Systems & Equipment Budget here. The total Systems & Equipment Budget totals \$58,671,001. The major contracts include Skymaster, Legends Hospitality, Diversified, Panasonic, JCI, Advantel, AVDB Group and MTA.

The following table reflects Trade Vendors request for funding of work performed through October 31, 2016:

	Current Budget	Previously Paid	Payment Due	Total Paid to Date	Balance to Complete	Retention	Complete to Date
Systems & Equipment							
Legends Hospitality	\$9,200,944	\$6,472,532	\$1,502,409	\$7,974,941	\$1,226,003	\$0	\$7,974,941
AVDB Group	4,990,454	3,976,127	0	3,976,127	1,014,327	209,270	4,185,397
Panasonic	11,716,185	10,473,160	0	10,473,160	1,243,025	620,276	11,093,436
Video Prod. (Diversified)	3,850,522	3,038,443	0	3,038,443	812,079	159,918	3,198,361
Scoreboard Consultant	50,000	66,000	0	66,000	(16,000)	0	66,000
JCI	2,309,834	2,047,383	83,606	2,130,989	178,845	236,781	2,367,770
Deposit for Chairman Tile		25,650	0	25,650	(25,650)	0	25,650
Skymaster	975,943	767,232	0	767,232	208,711	40,381	807,613
Advantel	13,895,059	11,785,256	0	11,785,256	2,109,803	620,276	12,405,532
MTA	3,034,879	1,586,031	1,246,814	2,832,845	202,034	138,371	2,971,216
Other FF&E	8,647,181	3,311,411	2,082,876	5,394,287	3,252,894	0	5,394,287
Total	\$58,671,001	\$43,549,225	\$4,915,705	\$48,464,930	\$10,206,071	\$2,025,273	\$50,490,203

The contracts above, have a cumulative balance to complete of \$10,206,071. Please refer to our Project Budget and Requisition Review for our opinion on the adequacy of the remaining funds.

Review of Project Budget and Draw Request 35

Icon Venue Group, representing Sacramento Kings Downtown Arena LLC, has presented its Application and Certificate for Payment 35, reflecting costs incurred through October 31, 2016.

Work covered under the this draw request includes Turner construction costs, trade vendors, FF&E costs, sales and marketing expenses, A&E fees, legal services, and permits.

The project Budget, originally \$477,000,000, currently stands at \$558,237,839, having increased via Equity Contributions and adjustments. The project Sources total \$565,252,706, which are in excess of the Uses. Overall, adjustments and Equity contributions totaling \$96,195,683 have been reflected in the Budget.



The following table summarizes the Budget and the costs to date:

Description	Revised Budget	Prior Payment	Current Payment	Paid to Date	Remaining Balance	% Complete
Uses						
Land Acquisition	\$34,531,782	\$34,531,782	\$0	\$34,531,782	\$0	100.0%
Construction Costs						
Preconstruction - Services	\$700,000	\$700,000	\$0	\$700,000	\$0	100.0%
Preconstruction - Expenses	15,368	15,368	0	15,368	0	100.0%
Enabling Work	335,256	335,256	0	335,256	0	100.0%
Construction - GMP	391,180,440	371,945,666	2,664,834	374,610,500	16,569,940	95.8%
Construction - Demolition	0	0	0	0	0	#DIV/0!
Downtown Plaza Enabling Work	101,710	101,710	0	101,710	0	100.0%
Electrical Mall Investigation	419,174	419,174	0	419,174	0	100.0%
Subtotal Construction Costs	\$392,751,949	\$373,517,175	\$2,664,834	\$376,182,009	\$16,569,940	95.8%
Subtotal Systems & Equipment	\$58,059,821	\$43,662,333	\$5,262,999	\$48,925,332	\$9,134,489	84.3%
Subtotal Soft Costs	\$71,544,444	\$70,103,708	\$624,967	\$70,728,675	\$815,769	98.9%
Subtotal Contingency	\$1,349,843	\$0	\$0	\$0	\$1,349,843	
Total Project Budget	\$558,237,839	\$521,814,998	\$8,552,800	\$530,367,798	\$27,870,041	95.0%

We reviewed the project's Summary of Invoices, and invoices generated through October 31, 2016, at our offices, and during a site visit with representatives of Icon Venue Group.

In our opinion, the remaining funds of \$27,870,041, which include remaining Contingencies totaling \$1,349,843, and private placement sources totaling \$7,014,867, are sufficient to complete the work as currently defined and the Pending Change Order work estimated at \$2,384,717.

The Contingencies will need to be monitored carefully to ensure a balanced Budget.

The total amount requisitioned under the Sacramento Kings Downtown Arena LLC, Construction Draw 35 is **\$8,552,799.70**, and the Arena Private Placement sources will be utilized to fund this requisition. Included in the total amount requisitioned are Turner's Construction Costs of \$2,664,834, and Other Project Costs of \$5,887,966.

We have reviewed the corresponding back-up and we concur with the amount requisitioned. Please ensure that the conditions of the Disbursement Agreement are met prior to funding.

Scheduled Completion

A Summary Schedule, prepared by Turner Construction, dated May 20, 2014 was provided for review. This Schedule indicated site mobilization to have commenced May 21, 2014, with substantial completion of the arena anticipated by September 23, 2016, and project Closeout by December 1, 2016.

The project has been substantially completed and was issued a Temporary Certificate of Occupancy by the city of Sacramento on September 16, 2016, one day after its scheduled September 15, 2016 date. The first event, a musical concert, took place on October 4 and 5, 2016. The first regular season NBA game between the Sacramento Kings and San Antonio Spurs) took place on October 27, 2016. Although not indicated, closeout is expected to continue through the end of 2016.



Open Issues/Comments

The following items are referenced by Report Number and Item Number:

This Period

There are no new Open/Issues and Comments this period.

Previous Issues

27.1 Project Close Out

Merritt & Harris, a JLL Company has issued a project closeout document checklist, which should be addressed by team ownership

Update: It was reported that the closeout package is being assembled and will be made available in the near future