

**09799P160003**  
**LA24-203A**

April 13, 2017

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

**E-mail:** [bwong@cityofsacramento.org](mailto:bwong@cityofsacramento.org)

**Re: Golden 1 Center**  
**Sacramento, California**

Dear Mr. Wong:

Enclosed is our Monthly Executive Summary, as contained in our Report 32 for the referenced project. The preparation of this report, which did not require a site visit, was written by the undersigned.

JLL'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 38, prepared by ICON Venue Group on behalf of the Sacramento Basketball Holdings, LLC, dated March 23, 2017, including Turner Construction Company's Applications and Certificates for Payment 33 and 34, and other project costs incurred during the months of January and February 2017.



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

Very truly yours,

**JONES LANG LASALLE AMERICAS, INC. (“JLL”)**

*William W. Sullivan Jr.*

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



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## **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**

According to the Owner's Representative, the project has been re-issued a 90-day Temporary Certificate of Occupancy for Arena and Practice Facility by the city of Sacramento. This TCO is due to expire on May 15, 2017. We have requested a copy of the TCO.

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**

#### Project Budget and Requisition Review

The project Budget has increased from the original \$477,000,000 to the current \$558,652,211 via Equity contributions and reimbursements. The project Sources total \$565,667,078, which are in excess of the Uses. Overall, adjustments and Equity contributions totaling \$110,952,211 have been reflected in the Budget.

Please be aware that there are additional funds available totaling \$49,164,459, 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 January and February 2017.

#### **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 Preview Center contract includes the interior tenant improvement of office space in downtown Sacramento for the purpose of ESC Arena marketing activities. Although this work was not monitored by JLL, we were able to tour the completed improvement during our initial visit to Sacramento as part of our Tri-Party Meeting. The work under the Preview Center contract has been completed.



Turner Construction has completed the Preview Center and Pre-Construction scopes. No further funding will be requisitioned for these items. The following table summarizes the Pre-Construction and Preview Center work to date:

The work performed under the above noted contracts has been completed and the contracts have been completed and closed-out.

### **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 Applications and Certificates for Payment 33 and 34, for work performed through January and February 2017:

Current Contract Value		\$391,180,440
Total Completed and Stored to Date	99.3%	\$388,230,570
<b>Current Amount Requisitioned</b>		<b>\$ 7,291,178*</b>
Balance to Complete		\$ 2,949,870

\* The amount requisitioned of \$7,291,178 includes \$364,564 for Pay Application 33 and \$6,926,614 for Pay Application 34. The latest Pay Application addresses partial and full release of retention to some subcontractors.

There is a balance to complete in the GMP contract of \$2,949,870. 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 our office, 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 Systems & Equipment Budget totals \$57,780,856. 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 February 28, 2016:

	<b>Current Budget</b>	<b>Previously Paid</b>	<b>Payment Due</b>	<b>Total Paid to Date</b>	<b>Balance to Complete</b>	<b>Retention</b>	<b>Complete to Date</b>
<b>Systems &amp; Equipment</b>							
Legends Hospitality	\$8,348,608	\$8,148,608	\$191,302	\$8,339,910	\$8,698	\$0	\$8,339,910
AVDB Group	4,185,397	3,976,127	0	3,976,127	209,270	209,270	4,185,397
Other A/V Costs	1,104,327	819,018	0	819,018	285,309	0	819,018
Panasonic	11,805,163	10,580,194	0	10,580,194	1,224,969	556,852	11,137,046
Video Prod. (Diversified)	3,850,522	3,414,812	0	3,414,812	435,710	179,727	3,594,539
Scoreboard Consultant	50,000	66,000	0	66,000	(16,000)	0	66,000
JCI *	2,424,830	2,146,090	275,365	2,421,455	3,375	0	2,421,455
Skymaster	975,943	767,232	159,914	927,146	48,797	48,797	975,943
Advantel	13,185,729	12,526,443	659,286	13,185,729	0	0	13,185,729
MTA	3,034,879	2,832,845	0	2,832,845	202,034	138,371	2,971,216
Other FF&E	8,893,394	6,558,344	0	6,558,344	2,335,050	0	6,558,344
<b>Total</b>	<b>\$57,858,792</b>	<b>\$51,835,713</b>	<b>\$1,285,867</b>	<b>\$53,121,580</b>	<b>\$4,737,212</b>	<b>\$1,133,017</b>	<b>\$54,254,597</b>

\* JCI's request includes Pay Applications 34, 35 and 36 in the amounts of \$32,882, \$3,375 and \$242,483. The above total \$278,740. Due to an accounting omission, the amount payable for Pay Application 34 in the amount of \$3,375 was not included, therefor the amount requisitioned is \$275,365. The amount due under Pay Application 35 will be requisitioned as part of the next Draw request.

The contracts above, have a cumulative balance to complete of \$4,737,212. 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 38

Icon Venue Group, representing Sacramento Kings Downtown Arena LLC, has presented its Application and Certificate for Payment 38, reflecting costs incurred through February 28, 2017.

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 \$558,652,211, having increased via Equity Contributions and adjustments. The project Sources total \$656,667,078, which are in excess of the Uses. Overall, adjustments and Equity contributions totaling \$110,952,211 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
<b>Uses</b>						
<b>Land Acquisition</b>	<b>\$34,531,782</b>	<b>\$34,531,782</b>	<b>\$0</b>	<b>\$34,531,782</b>	<b>\$0</b>	<b>100.0%</b>
<b>Construction Costs</b>						
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	391,525,064	376,386,443	7,291,179	383,677,621	7,847,443	98.0%
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%
<b>Subtotal Construction Costs</b>	<b>\$393,096,573</b>	<b>\$377,957,952</b>	<b>\$7,291,179</b>	<b>\$385,249,130</b>	<b>\$7,847,443</b>	<b>98.0%</b>
<b>Subtotal Systems &amp; Equipment</b>	<b>\$57,780,856</b>	<b>\$52,186,238</b>	<b>\$1,648,101</b>	<b>\$53,834,339</b>	<b>\$3,946,517</b>	<b>93.2%</b>
<b>Subtotal Soft Costs</b>	<b>\$71,730,763</b>	<b>\$71,473,377</b>	<b>\$38,636</b>	<b>\$71,512,012</b>	<b>\$218,750</b>	<b>99.7%</b>
<b>Subtotal Contingency</b>	<b>\$1,512,237</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,512,237</b>	
<b>Total Project Budget</b>	<b>\$558,652,211</b>	<b>\$536,149,349</b>	<b>\$8,977,915</b>	<b>\$545,127,264</b>	<b>\$13,524,947</b>	<b>97.6%</b>

We reviewed the project's Summary of Invoices, and invoices generated through February 28, 2017, at our offices.

Several line item reallocations and increases took place within the construction budget. The summation of the current budget increases and decreases totals a net increase of \$25,000.

A cost exercise between the team ownership group, ICON, Turner and its Subcontractors which had been ongoing for several months in order to reconcile the former 50% CDs to the 100% CD version, and incorporate Pending Change Orders was previously completed.

A global settlement agreement was reached, and incorporated into Change Order 29, with a value of \$19,245,016, which included a \$13.8-million allocation allowing Turner to deal with their Subcontractors, and issue any necessary Subcontract Change Orders. Also included was \$4.6-million that Turner used to supplement additional costs needed to complete the project. In addition to the above, Turner reduced their fee by \$7.5-million, reallocating this sum to their direct costs for distribution to their Subcontractors.

In our opinion, the remaining funds of \$20,539,815, which include remaining Contingencies totaling \$1,512,237, private placement sources totaling \$7,014,867, and a \$324,624 surplus in the GMP Budget, are sufficient to complete the work as currently defined and the Pending Change Order work estimated at \$3,144,342. 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 38 is **\$8,977,914.98**, and the Sources under which funding will be provided are as follows: \$6,511,283 will be drawn from the Arena Private Placement (1) Account, and \$2,466,632 will be drawn from the City Contribution Account.



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Included in the total amount requisitioned are Turner's Construction Costs of \$7,291,179, and Other Project Costs of \$1,686,736.

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 January, 2017.

### **Open Issues/Comments**

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

#### **This Period**

##### **32.1 Pay Applications**

Due to an accounting oversight, JCI's current payment excluded the amount due from one of its pay applications submitted this period, in the amount of \$3,375. This amount will be requisitioned as part of the next pay application review.

##### **32.2 Lien Waivers**

Turner Construction's Subcontractor Unconditional Lien Waivers, for work performed during December 2016 are overdue and should be made available for review.

##### **32.3 Certificate of Occupancy**

The previously provide Temporary Certificate of Occupancy (TCO) has expired. The Owner's Representative informed us that the TCO has been reissued and the current expiration date of May 15, 2017.

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## Previous Issues

### 31.1 Lien Waivers

Provide missing Unconditional Lien Waivers from RP Coatings, SWF Industrial and Viking Steel, for the October 2016 pay period.

**Update:** The above noted lien waivers have not been provided

### 31.2 Trade Vendor Lien Waivers

Although requested, Trade Vendor Lien Waivers have not been made available to us. It is our understanding that Liens by Trade Vendors are being filed against this project. Liens should be bonded around prior to issuing payments

**Update:** We are not aware of whether liens against the property have been resolved

### 27.1 Project Close Out

JLL 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

## Resolved Issues

### 30.1 Lien Waivers

Provide Turner Construction's Unconditional Lien Waiver for the October 2016 pay period

**Resolved:** Although we have not been provided with the above noted lien waiver, we have been provided with subsequent waivers that reflect no outstanding monies owed