



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

June 9, 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 33 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 39, prepared by ICON Venue Group on behalf of the Sacramento Basketball Holdings, LLC, dated April 26, 2017, including Turner Construction Company's Applications and Certificates for Payment 35 and 36, and other project costs incurred during the months of March and April 2017.



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

Very truly yours,

**JONES LANG LASALLE AMERICAS, INC. ("JLL")**

A handwritten signature in blue ink, appearing to read "Ricardo Flores", with a long horizontal flourish extending to the right.

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  
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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**

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 \$559,654,412 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 \$113,394,239 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 March and April 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 work performed under the above noted contracts has been completed and the contracts have been 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	99.7%	\$389,979,369
<b>Current Amount Requisitioned</b>		<b>\$ 5,783,623*</b>
Balance to Complete		\$ 1,201,071

\* The amount requisitioned of \$5,783,623 includes \$1,668,328 for Pay Application 35 and \$4,115,295 for Pay Application 36. The latest Pay Application addresses release of retention to some subcontractors.

There is a balance to complete in the GMP contract of \$1,201,071. This doesn’t include the inclusion of Change Orders 33 and 34 totaling \$3,073,349 which have been included in the budget, but not yet reflected in the pay application. 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 \$57,064,409. 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 April 2017:

Description	Revised Budget	Prior Payment	Current Payment	Paid to Date	Remaining Balance	% Complete
<b>Systems &amp; Equipment</b>						
Concession Equipment (Legends)	\$8,339,910	\$8,339,910	\$0	\$8,339,910	\$0	100.0%
Scoreboard & Video (Panasonic)	12,373,596	10,646,194	1,727,402	12,373,596	(0)	100.0%
Audio Systems	5,164,984	4,863,561	324,323	5,187,884	(22,900)	100.4%
Advantel	13,185,729	13,185,728	0	13,185,728	1	100.0%
Video Production	3,848,320	3,414,811	241,093	3,655,904	192,416	95.0%
Security (JCI)	2,424,831	2,421,454	0	2,421,454	3,377	99.9%
Window Washing (Skymaster)	975,943	927,146	64,425	991,571	(15,628)	101.6%
Furniture (MTA)	3,101,260	3,035,221	66,039	3,101,260	(0)	100.0%
Other FF&E	6,894,008	6,852,162	44,746	6,896,908	(2,900)	100.0%
WI-FI Das Communications (DJP)	148,150	148,150	0	148,150	0	100.0%
WI-F Rukus	607,677	0	0	0	607,677	0.0%
<b>Subtotal Systems &amp; Equipment</b>	<b>\$57,064,409</b>	<b>\$53,834,339</b>	<b>\$2,468,028</b>	<b>\$56,302,367</b>	<b>\$762,042</b>	<b>98.7%</b>

The contracts above, have a cumulative balance to complete of \$762,042. 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 39

Icon Venue Group, representing Sacramento Kings Downtown Arena LLC, has presented its Application and Certificate for Payment 39, reflecting costs incurred through April 30, 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 \$559,152,604, 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 \$113,394,239 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	394,253,789	383,677,621	5,783,623	389,461,244	4,792,545	98.8%
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>\$395,825,298</b>	<b>\$385,249,130</b>	<b>\$5,783,623</b>	<b>\$391,032,753</b>	<b>\$4,792,545</b>	<b>98.8%</b>
<b>Subtotal Systems &amp; Equipment</b>	<b>\$57,064,409</b>	<b>\$53,834,339</b>	<b>\$2,468,028</b>	<b>\$56,302,367</b>	<b>\$762,042</b>	<b>98.7%</b>
<b>Subtotal Soft Costs</b>	<b>\$71,731,116</b>	<b>\$71,512,012</b>	<b>(\$496,714)</b>	<b>\$71,015,298</b>	<b>\$715,817</b>	<b>99.0%</b>
<b>Subtotal Contingency</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Total Project Budget</b>	<b>\$559,152,604</b>	<b>\$545,127,264</b>	<b>\$7,754,937</b>	<b>\$552,882,200</b>	<b>\$6,270,404</b>	<b>98.9%</b>

We reviewed the project's Summary of Invoices, and invoices generated through April 30, 2017, at our offices.

Several line item reallocations and increases took place within the construction budget, which totaled a net increase of \$498,393.

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 previously 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.

Pending Change Orders totaling \$3,073,349 are designated for Final Settlement and Project Closeout and includes monies to finalize work and settle final payments to Subcontractors. Additionally, \$170,000 of this money will be used to create a Certificate of Occupancy Allowance that will be used to complete work listed in log that is needed for issuance of a final Certificate of Occupancy. Costs for this work is listed as "T&M against allowance."

In our opinion, the remaining funds of \$6,270,404, plus the remaining private placement sources totaling \$6,514,474, and a \$3,073,349 surplus in the GMP Budget, are sufficient to complete the work as currently defined and the Pending Change Order work estimated at \$3,073,349.



The total amount requisitioned under the Sacramento Kings Downtown Arena LLC, Construction Draw 39 is **\$7,754,936.80**, and this money will be drawn from the Kings Team Equity Account Sources.

Included in the total amount requisitioned are Turner's Construction Costs of \$5,783,623, and Other Project Costs of \$1,971,314.

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**

##### **33.1 Unconditional Lien Waivers**

Turner's Unconditional Lien Waivers for work performed in January and February 2017 are overdue and should be made available.

#### **Previous Issues**

##### **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.

**Update:** This issue will be addressed the next time JCI submits a Pay Application

### 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. Trade Vendors should provide their Final Unconditional Lien Waivers

### 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 has been assembled and is in the process of being sent to us. Release of final retention amounts is contingent upon receipt of a complete close out package

## Resolved Issues

### 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.

**Resolved:** The December 2016 lien waivers have been provided

### 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.

**Resolved:** A 15 day TCO dated June 1, 2017, has been made available

### 31.1 Lien Waivers

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

**Resolved:** The above noted lien waivers have been provided