

# **The Kings and City and County of Sacramento: Betrayal in the Kingdom?**

## **Issue**

Have the City and County of Sacramento deceived their citizens regarding their dealings with the Kings? Specifically,

- Were the city and county withholding information about current and past government involvement with the Kings?
- Were the city and county withholding information about the specifics of the new arena proposal?
- What are the consequences of the local government taking title to portions of the property in the polluted railyards?
- What is the impact of the proposed arena on the railyard development and on development in other parts of the city?

## **Reason for Investigation**

On November 7, 2006, the voters of Sacramento County defeated Measures Q and R. Before the election the Grand Jury received a citizen's complaint raising questions about the measures. This complaint, along with public concern expressed in the media, led to this investigation.

## **Method of Investigation**

After opening the investigation, the Grand Jury did archival research and conducted more than 25 interviews including numerous public officers at various levels of government.

The Grand Jury reviewed many agreements, memoranda, drafts, resolutions, legal opinions, correspondence, ballot measures, media analyses, and other documents regarding the following:

- New Sports and Entertainment Facility
- Measure A/B Tax Proposals
- Proposed Financial Assistance to the Sacramento kings
- Bonds and Related Documents Regarding Loans to Sacramento Kings
- Public-Private Partnership
- City of Sacramento Sports policy
- Reciprocal Easement and Operation of Arena
- Development of Property in North Natomas Community Plan Area
- Rezoning of Property around Temporary Arena
- Execution of documents necessary for Transfer of Property to City of Sacramento

- Recommendation Regarding phase II of Downtown Sports and Entertainment District Feasibility Analysis

The Grand jury reviewed a number of published articles, including:

- Michael Peter Smith, Gregory A. Guagnano, Cath Posehn, “The Political Economy of Growth in Sacramento: Whose City?” Chapter 14 in Gregory D. Squires, editor, *Unequal Partnerships: The Political Economy of Urban Redevelopment in Postwar America*. (Rutgers University Press, 1989)
- Paul C. Weiler, *Leveling the Playing Field: How the Law can make Sports Better for Fans*, (New York: Harvard University Press, 2000)
- No. 339, April 5, 1999, Policy Analysis “Sport Pork-The Costly Relationship between Major League Sports and Government,” Raymond J. Keating

## **Background and Facts**

### **Before the Kings and the Current Arco Arena**

There have been numerous efforts in Sacramento to build sports facilities with public money. They have all failed. In 1975 there was a ballot measure presented that would have allowed the building of a stadium on county owned land; it was defeated. Without seeking voter approval, in 1978 the Board of Supervisors was preparing to negotiate a long term lease with developers for a stadium on Bradshaw Road. The 1978-1979 Sacramento County Grand Jury called for a temporary halt to the county proceedings and requested the matter be decided by the voters.<sup>1</sup> Later that year Proposition 13 passed and the county abandoned the Bradshaw Road project.

Developers who owned land near the current arena location in North Natomas qualified Measure A for the 1979 ballot. The measure would have rezoned 400 plus acres owned by developers and allowed the development of a sports complex.<sup>2</sup> Measure A lost. The city and county thereafter formed a joint commission to study where a stadium could be located in Sacramento County. The commission voted for two sites, one of which was the present Arco Arena site.

The hectic times, leading up to and following the temporary Kings arena, have been full of sport stadiums and arena plans. In 1983 a county officer publicly gave this perspective, “I see the private sector finally successful in their plan to purchase an inflatable stadium which can then be set up at different locations which from time to time have been vigorously proclaimed as ‘The Perfect Site in Sacramento County!’ The hot air needed for this inflatable stadium is certainly abundant in Sacramento!”

<sup>1</sup> 1978 Grand Jury Report, letter dated December 21, 1978, to the chairman of the board of supervisors.

<sup>2</sup> Developers pushing Measure A had previously purchased the land where the stadium would be and the adjacent land. County Recorder Documents.

The same developers who sponsored the 1979 Measure A purchased the Kansas City Kings in 1983. In 1984 they were quoted in the media as committed to the people of Kansas City, saying, “Our primary goal right now is to make the team succeed in Kansas City.” While these new Kings owners were negotiating with Kansas City, they were also building a warehouse in North Natomas to be used as a temporary arena. However, this structure wasn’t built to National Basketball Association (NBA) standards and when the Kings moved to Sacramento in 1985 a time limit for its use was imposed by the NBA. The Sacramento County Board of Supervisors on May 15, 1985, approved a use permit for a temporary arena on North Market Boulevard and for rezoning of the adjacent acres for office buildings.

Opposing the rezoning, the Environmental Council of Sacramento noted the ease with which speculators get land rezoned. “A big league city has to have a strong government. Giving everyone what they ask for, regardless of the total result, is not good government.” Other opponents complained that some supervisors seem unduly influenced by campaign contributions from developers. Opinions were expressed to the Grand Jury that Sacramento politics changed when the Kings arrived. Developer and related interest monies have changed the political landscape and have raised the cost of running for office.

Since the NBA had imposed a deadline for the use of the temporary arena, there was an immediate effort to build a more permanent facility that could be used as an arena. Several members of the city council and the board of supervisors, as well as citizens, expressed concerns about the pressure from the Kings owners to rezone and change the planning for North Natomas. The proposed arena was considered a wedge to allow for development<sup>3</sup> and growth.<sup>4</sup> An officer with the Kings was concerned that the city would not approve a permanent arena within the time frame set by the NBA, and stated to the media, “What city councilman would risk potential political suicide by voting against the permanent arena once the team takes up residence here?”

Because of the possible flood danger in Natomas, the owners had trouble obtaining financing to construct the arena. To help secure the original loan commitment to build the current arena, the Kings received an \$8 million loan from the Sacramento City Employees’ Pension Fund without the knowledge of the Sacramento City Council.<sup>5</sup> The resulting arena was poorly constructed, hurriedly built and designed primarily as a basketball facility. The Kings and backers of a new arena argue that the arena is old, outdated and in need of repair. The actual situation may be that the arena does not generate enough revenue to offset the high salaries of the Kings players and other operating costs.

<sup>3</sup> A member of the then Sacramento Coalition Opposing Leap Frog Development opposing the location of the basketball arena in the North Natomas area stated that, “Developers are using the emotions of Sacramento sports fans as a bargaining chip in winning rezoning. I hope the people of this city don’t get suckered into losing some great aspects of Sacramento for the sake of professional sports”

<sup>4</sup> Interviewees stated that growth was one of the biggest problems facing this community at that time, and that the arrival of the Kings put great pressure on Sacramento to allow development in North Natomas.

<sup>5</sup> The Kings continue to get favors from local government. Arco Arena is in the City of Sacramento. The Kings entered into a contract with the Sacramento County Sheriff’s Department to provide off-duty officers for security at Arco notwithstanding a) objections of the Sacramento Police Department and b) Sheriff’s off-duty job guidelines which state, “Job requests are automatically refused that are not in the unincorporated areas of Sacramento County” The sheriff’s department offered the services at a better rate than the police department.

## **Hail to the Kings! The Costly Illusion that City Greatness Requires the Presence of Professional Sports**

Public and private groups in Sacramento have been trying for years to bring professional sports to this community. A few examples follow: 1) to induce the Raiders to move to Sacramento the city offered a \$40 million bond in 1989; 2) in 1995, the city took title to land next to Arco Arena upon which preliminary excavation had already begun for stadium construction. In exchange, the city granted the donor certain tax credits and development concessions in other locations; 3) on June 11, 1996, the city established a sports policy that sets forth types of public investment or participation for the retention and attraction of sports teams; 4) in 1996, there was an effort to build a major league baseball stadium in the railyards.

Sports proponents continue to promote the ideology that Sacramento can transform to a “world class city,” by building an arena and keeping the Kings. The argument has been and still is that the Kings bring and will continue to bring growth of industry and employment and will help trigger revitalization of downtown; therefore, the city needs to provide money to build a new arena and perhaps forgive the previous loan to the Kings to stop them from leaving. A former high ranking city public official put the image problem in perspective, “The problem with slogans like a ‘world class city’ is that they wind up meaning so many different things to so many different people, and folks wind up arguing past one another like ships passing in the night. The premise is wacky, the logic is irrelevant, and only the passion is meaningful.”<sup>6</sup>

In 1997 the city loaned the Kings \$78.5 million. A brief history of the 1997 loans is necessary to understand how desperate the City of Sacramento was to keep the Kings. In 1996 the second group owning the Kings was considering selling or moving the team. The owners approached the city with a \$235 million public/private partnership proposal to develop a sports complex and entertainment center. The proposal was termed “Partnership for Playing.” The city’s gross commitment would have been \$150 million. This included a \$90 million contribution toward Arco Arena and a \$10 million commitment for infrastructure at the arena and stadium sites as described under the North Natomas Financing Plan. On January 21, 1997, the Kings group withdrew their proposal.

On January 28, 1997, the Kings and the city reached agreement on a new proposal which was described as follows: “The City provides the Kings with financial assistance to enable the franchise to continue operations for a minimum of ten years. The financial assistance includes a \$70 million loan, and fee credits and deferrals for future infrastructure. The source of payment for the loan will be arena revenues and ticket surcharge revenues.” Some city officers raised questions about the new proposal. One inquired, “How much do the revenues fall short of the loan payment of the loan in the early years?” The city staff responded, “There is a projected shortfall of \$8.5 million during the first seven years.”

Another inquired about the contribution or subsidy of the infrastructure under the North Natomas Financing Plan. The city staff responded that the “plan provides a 30-year schedule for infrastructure improvements to serve the North Natomas community.” City staff noted, “At this time, it is

<sup>6</sup> *Unequal Partnerships: The Political Economy of Urban Redevelopment in Postwar America*, G. Squires, editor, 262.

projected that the pro-rata share of the plan for the Arena is \$5 million. This arena has already paid \$2 million toward this fee leaving an outstanding balance of \$3 million.” City staff proposed an approach “to provide a credit of \$1.75 million to \$2 million toward the infrastructure plan. Defer the balance of \$1 million to \$1.25 million for a period of not more than 15 years.” City staff stated, “The fee credit represents a potential long-term opportunity costs to the land owners in Natomas. In general terms, the city typically uses the term subsidy when a cash contribution is provided to an organization. The fee credit can be characterized as an adjustment to the assessment of the arena property. As an aside, *the Sacramento City Sports Policy allows direct public subsidy of infrastructure without a vote of the people.*”<sup>7</sup> (Emphasis added.)

Without a vote of the people, Lease Revenue Bonds in the amount of \$70 million were issued in 1997. Deferred Capital Notes were issued for a total of \$8.5 million to enable the Kings to make the first seven year payments on the loan. On April 15, 2005, the Kings paid \$12 million to pay off the Deferred Capital Notes. By the terms of the loan, if the Kings pay off the remaining \$70 million loan by June 2007 they are free to leave Sacramento.

The city kept, and continues to keep, most of the loan documents from the general public. The city website lists the bond to finance the \$70 million loan, but the public can only get access to a little over 200 pages. Attempts to obtain the loan documents on the city website were futile. Members of the Grand Jury were expressly informed that the documents were approximately 800 pages and were not available to members of the public. Only after the Grand Jury made a written request to the city were the documents provided. It took the formal efforts of the Grand Jury process to obtain the 800 plus pages of loan documents and the additional pages of notes and other supporting documents that went to the Sacramento City Council.

### **Deal or No Deal: Go to the November Ballot Anyway**

Since 2001 there have been a number of studies and proposals to build a new arena for the Kings, the latest being the expenditure of over \$700,000 of public funds leading to the placement of Measures Q & R on the November 2006 ballot. This would have provided for a multi-purpose arena and entertainment center.

The city and county spent over \$300,000 for sports consultants and attorneys to try to craft a new arena deal for the Kings in 2006. No work product was available to the Grand Jury, upon its request, resulting from this expenditure.

In an effort to obtain public financing, Sacramento City and County of Sacramento officials agreed to put the matter on the November 7, 2006, ballot as Measures Q & R. The ballot measures as written were a blatant attempt to avoid the provisions of Proposition 218 in that Measure R was listed as a general tax (requiring a majority vote) and Measure Q was for distribution of the monies from the tax. Combined, they would have represented a special tax requiring a two-thirds vote. It cost the tax payers over \$456,000 to put Measures Q & R on the November ballot.

<sup>7</sup> Exhibit C to Addendum to the City Manager Report, answer to: council questions.

There was a flurry of negotiations in New York and Las Vegas involving the Kings and various Sacramento officials in the run up to the November 7, 2006, election. Numerous proposals were floated showing support for an arena and entertainment facility in the railyard or possibly at the Arco site. The public was led to believe that there had been a deal made and that only some minor adjustments were required to finalize it. Had a deal been made as outlined, the city and county were ready to give away the entire revenue stream from the facility being proposed and pay for the facility. In fact there was no deal and never had been. The arena proponents postured in public over who walked away from the bargaining table or who went back on their word. There was never any deal to go back on. All the election hype and analyses were bogus!

The actions of the city and county leaders were not aboveboard with the citizens of Sacramento.<sup>8</sup> Local private and official proponents exhorted the public to vote in favor of Measures Q & R by prophesying their passage would help Sacramento's image, save the Kings from moving, jump start the railyard development, and potentially be of increased economic benefit to Sacramento. It took judicial action to release to the public the scant documents regarding negotiations which took place after the measures were placed on the ballot.

The lure of an economic benefit to the public by providing a subsidy to professional sports, i.e., the Kings, is just pure wishful thinking. "Players garner about 55 percent of the gains from subsidies and the owners get 45 percent. It doesn't take a math degree to see what that leaves for everyone else."<sup>9</sup> "There is economic value to professional sports. However, it should be left to the marketplace, not politicians, to determine that value. Without government subsidies pro sports would still exist and thrive, as they did in the past. Owners and players, though, would have to adjust their financial expectations downward a bit."<sup>10</sup>

### **Downtown Railyard Development – What Have We Gotten Into?**

The request to look into the arena development in the railyards raised questions about the railyard development. This report concludes with the Grand Jury's concerns about the downtown railyard development which were one of the reasons an investigation was opened.

The downtown railyard property consists of approximately 240 acres. This land is slated for development and includes the city's plans for developing an intermodal transportation facility. The property is bordered on the south by "I" Street; to the west by I-5 and the Sacramento River; to the north by North "B" Street and on the southeast by the Alkali Flat residential area. The land is in close proximity to Richards Boulevard, Old Sacramento and downtown. The railyard, when owned by Southern Pacific, was the location of major railroad operations and housed maintenance facilities

<sup>8</sup> The County spent over \$30 thousand dollars for a consultant to provide assistance in communicating key features of the ballot measure to local elected officials and staff to obtain their support. Inter-Governmental Consulting Services Contract.

<sup>9</sup> No. 339, April 5, 1999, Policy Analysis, *Sport Pork - The Costly Relationship between Major League Sports and Government*, Raymond J. Keating. See Also: *Professional Sports haven't delivered promised benefits in seven California Cities*, U. C. Berkeley report by C. Cockrell, Public Affairs.

<sup>10</sup> Keating, op. cit.

from 1865 until the 1990's. In 1995 Union Pacific Railroad bought the railyard, and became the responsible party for investigating the pollution and resulting cleanup. Over the years, the activities at the site have resulted in the release of inorganic and organic contamination across the majority of the acreage. Some of the area has been cleaned and developed, notably the location of the Sacramento Federal Courthouse. In December 2006, following the sale by Union Pacific Railroad, Thomas Enterprises, Inc. and the City of Sacramento became the responsible parties under the law for the cleanup.

The results of various soil remedial investigations have defined extensive soil, soil vapor, and groundwater contamination, which include metals, volatile organic compounds, semi volatile organic compounds, poly nuclear aromatics, and total petroleum hydrocarbons. A contaminated plume of groundwater extends both onsite and offsite. According to the California Department of Toxic Substance Control the contaminated groundwater plume extends offsite to the south, beneath downtown Sacramento to approximately "P" Street. Areas on the site have land use restrictions due to the contamination.

### **The Train has left and the City now has the Station!**

Has the city initiated the much wished for revitalization of downtown or has it stepped into a polluted black hole? The following questions raise great concerns about the railyard development.

- Why did the city pay \$55 million for a building it acknowledges is not worth \$55 million?
- What protection has the city obtained from the developer to cover any costs the city may incur for cleaning up portions of the polluted railyard?
- What memoranda of understanding and other agreements has the city entered into with the developer to cover the costs of infrastructure and other development costs?
- How much will the city pay for the development and maintenance of the planned intermodal transportation facility?
- How does the city plan to upgrade the outdated and overloaded sewer system serving the present railyard?
- What truly objective and independent studies have been conducted that analyze the proposed development of offices, buildings, retail and housing in the railyards and the impact it will have on businesses in the downtown area, Richards Boulevard, and North Natomas?

Before the November 2006 election, which included measures Q and R, there were ample critical analyses of the proposed new arena's impact on railyard development and there is no need to repeat them in this report.

This Grand Jury will recommend to the next year's Grand Jury to follow up on the above questions. The City of Sacramento should forthrightly and in a timely manner answer the above questions. This would shed light on the city's plan for the railyard and the present and proposed commitments made to the developer.

## Findings and Recommendations

**Finding 1.** Government officials often have to make unpopular and tough decisions; however, they should be made publicly and in good faith. Sacramento County breached the good faith of honest and open communication by placing Measures Q and R on the ballot asserting a deal which did not exist.

**Recommendation 1.** Sacramento County should not put matters on the ballot without first explaining the details sufficiently in writing and making them available to the public and posting them on the Sacramento County website. This allows the public to make an informed decision.

**Finding 2.** The City of Sacramento has not been forthright with the citizens of Sacramento. The details of the 1997 loan to the Kings have never been accessible to the public and remain the focus of many rumors.

**Recommendation 2.** The City of Sacramento should make public all the 1997 loan agreement documents with the Kings.

**Finding 3.** The judicially determined unlawful withholding of the documents from the public before the election does not build confidence in government.

**Recommendation 3.** Except when not restricted by law, the City and County of Sacramento should make all information relating to the determination of important public policy available to the citizens of Sacramento.

**Finding 4.** The City and County of Sacramento keep pandering to the Kings. The Kings are going to make whatever business decision they are going to make. If they want to move, they have that option under the terms of the current 1997 loan. The Kings and the Monarchs play only a limited number of games each year. If local government decides to build a new entertainment center, there is no justification for allowing one private group to deprive the City and County of Sacramento of the revenue generated and control of the development.

**Recommendation 4.** If the City and County of Sacramento want a first class entertainment facility, then build it. Build it with public funds, e.g., redevelopment funds, bonds, etc., and let the City and County of Sacramento derive the revenue stream. Make the facility a truly first class facility that can handle big name entertainment and other events. Let the facility be a draw to Sacramento and surrounding communities on a year round basis. If the private sector wants to participate, then make a deal, such as swapping the current undersize convention center in return for private participation. Stop worrying about the Kings.

**Finding 5.** The City of Sacramento has entered into an unknown number of agreements with the developer of the railyard and others related to the development of the railyards.

**Recommendation 5.** The City of Sacramento should make all agreements the city has made with the developer and others related to the development of the railyard available to the public.



## **Response Requirements**

**Penal Code sections 933 and 933.05 require that specific responses to both the findings and recommendations contained in this report be submitted to the Presiding Judge of the Sacramento Superior Court by June 19, 2007, from:**

- **The Sacramento City Council, Findings 2, 3, 4 and 5; Recommendations 2, 3, 4 and 5.**
- **The Sacramento County Board of Supervisors, Findings 1, 3 and 4; Recommendations 1, 3, and 4.**

## **Appendix**

1. Table of Contents of the City of Sacramento Financing Authority 1997 Lease Revenue Bonds
2. Table of Contents of the February 5, 1997 Arena Refinancing Agreement City of Sacramento and Kings Arco Arena Limited Partnership
3. 1996 City of Sacramento Sports Policy



CITY OF SACRAMENTO  
TREASURER'S OFFICE

1997 LEASE REVENUE BONDS (ARCO ARENA)  
DEBT SERVICE SCHEDULE

LEASE YEARS 1-7

Original par: 73,725,000.00  
Issue Date: 31-Jul-97  
Dated Date: 31-Jul-97  
Fixed Swap Rate: #4 6.8450%

# 1

# 2

# 3

DATE	Total Debt Service			SWAP		City (Deferred Capital Notes)*		ARCO Arena		PRINCIPAL REMAINING	
	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	ANNUAL DEBT SERVICE	BOND- HOLDERS	MERRILL LYNCH	CITY PAYMENT	CITY ANL. PMT	ARENA PAYMENT**		ARENA ANL. PMT
31-Jul-97											
15-Oct-97		1,051,349.22	1,051,349.22		928,986.20	122,363.02	400,000.00		651,349.22	73,725,000.00	
21-Jan-98		1,345,727.00	1,345,727.00		1,205,742.43	139,984.57	400,000.00		945,727.00	73,725,000.00	
15-Apr-98		1,177,511.13	1,177,511.13		1,010,646.88	166,864.25	400,000.00		777,511.13	73,725,000.00	
15-Jul-98		1,261,619.06	1,261,619.06	4,836,206.41	1,100,691.21	160,927.85	400,000.00	1,600,000.00	861,619.06	3,236,206.41	73,725,000.00
21-Oct-98		1,345,727.00	1,345,727.00		1,191,631.51	154,095.49	375,000.00		970,727.00	73,725,000.00	
20-Jan-99		1,247,601.07	1,247,601.07		1,015,664.27	231,936.80	375,000.00		872,601.07	73,725,000.00	
21-Apr-99		1,275,637.05	1,275,637.05		973,209.50	302,427.55	375,000.00		900,637.05	73,725,000.00	
21-Jul-99		1,261,619.06	1,261,619.06	5,130,584.19	978,392.19	283,226.88	375,000.00	1,500,000.00	886,619.06	3,630,584.19	73,725,000.00
20-Oct-99		1,247,601.07	1,247,601.07		1,035,930.97	211,670.11	350,000.00		897,601.07	73,725,000.00	
19-Jan-00		1,247,601.07	1,247,601.07		1,201,558.79	46,042.29	350,000.00		897,601.07	73,725,000.00	
19-Apr-00		1,261,619.06	1,261,619.06		1,171,508.17	90,110.89	350,000.00		911,619.06	73,725,000.00	
19-Jul-00	125,000.00	1,261,619.06	1,386,619.06	5,143,440.27	1,217,399.42	44,219.64	350,000.00	1,400,000.00	1,036,619.06	3,743,440.27	73,600,000.00
18-Oct-00		1,245,485.78	1,245,485.78		1,300,450.67	(54,964.89)	325,000.00		920,485.78	73,600,000.00	
17-Jan-01		1,245,485.78	1,245,485.78		1,306,729.67	(61,243.89)	325,000.00		920,485.78	73,600,000.00	
18-Apr-01		1,273,474.22	1,273,474.22		1,114,638.78	158,835.44	325,000.00		948,474.22	73,600,000.00	
18-Jul-01	200,000.00	1,259,480.00	1,459,480.00	5,223,925.78	935,571.00	323,909.00	325,000.00	1,300,000.00	1,134,480.00	3,923,925.78	73,400,000.00
17-Oct-01		1,242,101.31	1,242,101.31		744,010.94	498,090.36	275,000.00		967,101.31	73,400,000.00	
16-Jan-02		1,242,101.31	1,242,101.31		497,476.15	744,625.16	275,000.00		967,101.31	73,400,000.00	
17-Apr-02		1,270,013.69	1,270,013.69		366,207.38	903,806.31	275,000.00		995,013.69	73,400,000.00	
17-Jul-02	295,000.00	1,256,057.50	1,551,057.50	5,305,273.81	411,896.33	844,161.17	275,000.00	1,100,000.00	1,276,057.50	4,205,273.81	73,105,000.00
16-Oct-02		1,237,109.21	1,237,109.21		389,913.64	847,195.57	225,000.00		1,012,109.21	73,105,000.00	
15-Jan-03		1,237,109.21	1,237,109.21		375,130.18	861,979.02	225,000.00		1,012,109.21	73,105,000.00	
16-Apr-03		1,264,909.42	1,264,909.42		300,405.36	964,504.06	225,000.00		1,039,909.42	73,105,000.00	
16-Jul-03	395,000.00	1,251,009.31	1,646,009.31	5,385,137.15	286,660.44	964,348.87	225,000.00	900,000.00	1,421,009.31	4,485,137.15	72,710,000.00
15-Oct-03		1,230,424.88	1,230,424.88		248,698.15	981,726.72	175,000.00		1,055,424.88	72,710,000.00	
21-Jan-04		1,327,199.87	1,327,199.87		277,105.89	1,050,093.98	175,000.00		1,152,199.87	72,710,000.00	
21-Apr-04		1,244,249.88	1,244,249.88		251,798.77	992,451.11	175,000.00		1,069,249.88	72,710,000.00	
21-Jul-04	420,000.00	1,244,249.88	1,664,249.88	5,466,124.49	257,198.66	987,051.22	175,000.00	700,000.00	1,489,249.88	4,766,124.49	72,290,000.00
20-Oct-04		1,223,317.48	1,223,317.48		343,538.14	879,779.34	0.00		1,223,317.48	72,290,000.00	
19-Jan-05		1,223,317.48	1,223,317.48		425,539.60	797,777.88	0.00		1,223,317.48	72,290,000.00	
20-Apr-05		1,250,807.77	1,250,807.77		533,580.52	717,227.24	0.00		1,250,807.77	72,290,000.00	
20-Jul-05	615,000.00	1,237,062.63	1,852,062.63	5,549,505.36	620,333.04	616,729.58	0.00		1,852,062.63	5,549,505.36	71,675,000.00
19-Oct-05		1,212,910.23	1,212,910.23		701,160.69	511,749.55	0.00		1,212,910.23	71,675,000.00	
18-Jan-06		1,212,910.23	1,212,910.23		800,355.90	412,554.33	0.00		1,212,910.23	71,675,000.00	
19-Apr-06		1,240,166.64	1,240,166.64		878,715.59	361,451.05	0.00		1,240,166.64	71,675,000.00	
19-Jul-06	745,000.00	1,226,538.44	1,971,538.44	5,637,525.55	965,115.98	261,422.46	0.00		1,971,538.44	5,637,525.55	70,930,000.00
18-Oct-06		1,200,303.07	1,200,303.07		1,029,154.89	171,148.18	0.00		1,200,303.07	70,930,000.00	
17-Jan-07		1,200,303.07	1,200,303.07				0.00		1,200,303.07	70,930,000.00	
18-Apr-07		1,227,276.18	1,227,276.18				0.00		1,227,276.18	70,930,000.00	
18-Jul-07	885,000.00	1,213,789.63	2,098,789.63	5,726,671.95			0.00		2,098,789.63	5,726,671.95	70,045,000.00
	3,680,000.00	49,724,394.94	53,404,394.94	53,404,394.94			8,500,000.00	8,500,000.00	44,984,394.94	44,984,394.94	

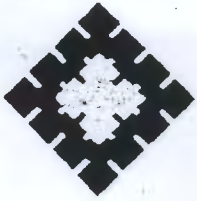
\* Deferred Capital Notes fully repaid on April 13, 2003

\*\* Reflects the fixed rate obligation and not the actual quarterly lease payment requirements

**CITY OF SACRAMENTO 1997 LEASE REVENUE BONDS (ARCO ARENA)**  
**TREASURER'S OFFICE DEBT SERVICE SCHEDULE**

Principal: 11,352,046.63  
 Commencement: 1-Jul-04  
 Fixed Swap Rate: 7.5000%

Debt Service Schedule						
DATE	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	ANNUAL DEBT SERVICE	PRINCIPAL REMAINING	Accrued Interest
1-Jul-04						
13-Apr-05	11,352,046.63	666,932.74	12,018,979.37		0.00	
1-Jul-05		0.00	0.00		0.00	
Days 365		667,127.12	12,019,173.75			
Actual 360		676,392.78	12,028,439.41			
Exhibit 4B 30/360		851,403.50				
Difference from 30/360 vs 36:			194.38			



# PACIFIC FINANCIAL PRINTING

4020 Campbell Avenue, Menlo Park, CA 94025 • (650) 328-1500 • FAX (650) 328-

97 DEC 30 AM 8:13

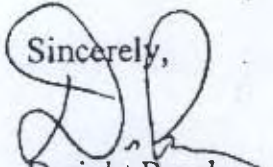
CITY TREASURER  
SACRAMENTO

December 29, 1997

To Whom It May Concern:

Enclosed are the Electronic Bound Volumes and related documents for the City of Sacramento Financing Authority 1997 Lease Revenue Bonds (Arco Arena Acquisition). If you have any questions or comments, please call me at (650) 328-1500.

Sincerely,



Dwight Rowley  
Customer Service

**SACRAMENTO CITY FINANCING AUTHORITY  
1997 LEASE REVENUE BONDS  
(ARCO ARENA ACQUISITION)**

**CLOSING MEMORANDUM**

The following memorandum will summarize the procedures to be followed in completing the sale of \$73,725,000.00 aggregate principal amount of the Sacramento City Financing Authority 1997 Lease Revenue Bonds (ARCO Arena Acquisition) (the "Bonds").

**Time and Place**

The Closing for the Bonds will be held at the offices of Orrick, Herrington & Sutcliffe LLP, 400 Capitol Mall, Suite 3000, Sacramento, California, beginning at 8:00 a.m., California time, on July 31, 1997. A Pre-closing review will be held at said offices of Orrick, Herrington & Sutcliffe LLP, beginning at 9:00 a.m. on July 30, 1997, to confirm that all documents and papers are on hand, in proper form and properly executed.

**Parties**

The following parties are expected to be present or represented at the Pre-closing conference and at the Closing for the Bonds:

Sacramento City Financing Authority ("Authority")

City of Sacramento ("City")

William Carnazzo, Assistant City Attorney ("City Attorney" and "Authority Counsel")

MBIA Insurance Corporation ("Bond Insurer")

Kutak Rock ("Bond Insurer's Counsel")

Orrick, Herrington & Sutcliffe LLP ("Bond Counsel")

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Remarketing Agent")

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters ("Underwriters")

Brown & Wood LLP ("Underwriters' Counsel")

Rick Benner, President, Capital Sports and Entertainment ("Team Owner Representative" and "Arena Owner Representative")

Kings Arco Arena Limited Partnership ("Arena Owner")

Sacramento Kings Limited Partnership ("Team Owner")

McDonough, Holland & Allen ("Team Owner's Counsel" and "Arena Owner's Counsel")

First Trust of California, National Association ("Trustee" and "Paying Agent")

Dorsey & Whitney LLP ("Trustee's Counsel")

Rogers & Wells ("MLCS Counsel")

Merrill Lynch Capital Services, Inc. ("MLCS")

Merrill Lynch & Co., Inc. ("MLC")

Fidelity National Title Insurance Company ("Title Company")

The parties indicated below will deliver ten complete originals of each of the respective documents as indicated below. The documents will be executed in advance of the Closing by the respective parties thereto and delivered no later than the Pre-closing. All of such deliveries will be deemed to have been made in escrow until the final delivery at the Closing has been made.

Responsibility for preparing or assembling the documents is indicated in parentheses.

References to the Arena Refinancing Agreement are to the City's Agreement No. 97-014, dated as of February 5, 1997, a term sheet which by its terms expires at the Closing.

#### Major Documents

1. Grant Deed to ARCO Arena (executed by Arena Owner and City, approved as to form by City Attorney and attested to by City Clerk) (notarized) (Arena Owner's Representative and Arena Owner's Counsel)
2. Site Lease (executed by City and Authority, approved as to form by City Attorney and Authority Counsel and attested to by City Clerk and Secretary of the Authority) (sealed) (Section 8(d)(1) of the Purchase Contract) (Bond Counsel)
3. Memorandum of Site Lease (executed by City and Authority, approved as to form by City Attorney and Authority Counsel and attested to by City Clerk and Secretary of the Authority) (notarized and sealed) (Bond Counsel)
4. Facility Lease (executed by Authority and City, approved as to form by City Attorney and Authority Counsel and attested to by City Clerk and Secretary of the Authority) (sealed) (Section 8(d)(1) of the Purchase Contract) (Bond Counsel)

5. Memorandum of Facility Lease (executed by Authority and City, approved as to form by City Attorney and Authority Counsel and attested to by City Clerk and Secretary of the Authority) (notarized and sealed) (Bond Counsel)
6. Arena Facility Sublease (Sub-sublease) (executed by City and Arena Owner, approved as to form by City Attorney and attested to by City Clerk) (Arena Owner's Counsel)
7. Memorandum of Arena Facility Sublease (executed by City and Arena Owner, approved as to form by City Attorney and attested to by City Clerk) (notarized) (Arena Owner's Counsel)
8. Indenture (executed by Authority, Trustee and Paying Agent, approved as to form by Authority Counsel and attested to by Secretary of the Authority and Authorized Officer of Trustee) (Section 8(d)(1) of the Purchase Contract) (Bond Counsel)
9. Continuing Disclosure Certificate (executed by City) (Section 8(d)(1) of the Purchase Contract) (Underwriters' Counsel)

Documents Relating to Sale of Bonds

10. Preliminary Official Statement, dated July 11, 1997 (City)
11. Official Statement, dated July 17, 1997 (executed by City and Authority) (Section 8(d)(14) of the Purchase Contract) (City)
12. 15c2-12 Certificate of City (executed by City) (Underwriters' Counsel)
13. 15c2-12 Certificate of Authority (executed by Authority) (Underwriters' Counsel)
14. Purchase Contract, dated July 17, 1997 (executed by Underwriters, City and Authority) (Underwriters' Counsel)
15. Preliminary Blue Sky and Legal Investment Surveys (Section 8(d)(21) of the Purchase Contract) (Underwriters' Counsel)
16. Rating Letters of Moody's Investors Service and Standard & Poor's Ratings Service (Section 8(d)(18) of the Purchase Contract) (Bond Insurer)
17. Remarketing Agreement, dated as of July 1, 1997 (executed by Authority and Remarketing Agent) (Section 8(d)(1) of the Purchase Contract) (Underwriters' Counsel)

Documents Relating to the Authority

18. Joint Exercise of Powers Agreement (certified by Secretary of the Authority; conformed copies) (Bond Counsel)



19. Notice filed with Secretary of State pursuant to Section 6503.5 of the California Government Code (Bond Counsel)
20. Resolution No. 97-001 (Authorizing the Issuance and Sale of the Bonds and Execution and Delivery of the Legal Documents) (Section 8(d)(16) of the Purchase Contract) (certified by Secretary of the Authority) (Bond Counsel)
21. Certificate of the Authority (executed by Authority) (Section 8(d)(9) of the Purchase Contract) (Bond Counsel)
22. Incumbency and Signature Certificate of the Authority (executed by Authority) (Bond Counsel)
23. Written Request of the Authority (executed by Authority and accepted and agreed to by Trustee) (Section 2.01 of the Indenture) (Bond Counsel)
24. ISDA Master Agreement, U.S. Municipal Counterparty Schedule attached thereto and related Confirmation, each dated as of July 17, 1997 (the "Swap Agreement") (executed by Authority and MLCS) (MLCS Counsel)

Documents Relating to the City

25. Resolution No. 97-180 (Authorizing the Execution and Delivery of the Financing Documents to which the City is a party, the Official Statement and the Purchase Contract) (Section 8(d)(17) of the Purchase Contract) (certified by City Clerk) (Bond Counsel)
26. Charter of the City of Sacramento (certified by City Clerk) (Bond Counsel)
27. Certificate of the City (executed by City) (Section 8(d)(10) of the Purchase Contract) (Bond Counsel)
28. Certificate of the City (executed by City) (Section 8(d)(11) of the Purchase Contract) (Bond Counsel)
29. Certificate of the City Regarding Essentiality of the Leased Facility (executed by City) (Bond Counsel)
30. Subordination, Nondisturbance and Attornment Agreement (executed by City, Authority, Arena Owner and Team Owner, approved as to form by City Attorney and Authority Counsel and attested to by City Clerk and Secretary of the Authority) (notarized) (Section 13.1 of the Arena Facility Lease) (Team Owner's Counsel)

#### Documents Relating to Team Owner

31. Team Owner Relocation Assurance Agreement (executed by Team Owner and City, approved as to form by City Attorney and accepted and agreed to by Trustee) (Section 2.10 of the Arena Refinancing Agreement) (Bond Counsel and Team Owner's Counsel)
32. Memorandum of Team Owner Relocation Assurance Agreement (executed by Team Owner and City and approved as to form by City Attorney) (notarized) (Team Owner's Counsel)
33. Security Agreement (executed by Team Owner and Trustee) (Bond Counsel)
34. Subordination Agreement (executed by Trustee, Authority and NationsBank and acknowledgement and agreement by Team Owner) (Team Owner's Counsel)
35. UCC-1 Financing Statement (executed by Team Owner) (Bond Counsel)
36. Approval letter from the National Basketball Association (executed by National Basketball Association, NBA Properties, Inc., NBA Market Extension Partnership and NBA Development and accepted and agreed to by Trustee, City, Authority and Team Owner) (Section 2.10 of the Arena Refinancing Agreement) (Team Owner's Counsel)
37. Certificate of Team Owner, together with Exhibit A, certified Certificate of Limited Partnership for Sacramento Kings Limited Partnership, Exhibit B, certified Certificate of Limited Partnership for Royal Kings Limited Partnership and Exhibit C, certified Articles of Incorporation for Capitol Sports Team, Inc. (executed by Team Owner) (Bond Counsel and Team Owner's Counsel)
38. Corporate Resolution, Consent and Certification for Team Owner (Team Owner's Counsel)
39. Assignment and Consent Agreement (senior debt) (executed by Team Owner and NationsBank, N.A.) (Team Owner's Counsel)
40. UCC-1 Financing Statements for NationsBank, N.A. (senior debt) (executed by Team Owner) (Team Owner's Counsel)

#### Documents Relating to Arena Owner

41. Arena Owner Relocation Assurance Agreement (executed by Arena Owner and City and approved as to form by City Attorney) (Section 2.10 of the Arena Refinancing Agreement) (Bond Counsel and Arena Owner's Counsel)
42. Memorandum of Arena Owner Relocation Assurance Agreement (executed by Arena Owner and City and approved as to form by City Attorney) (notarized) (Bond Counsel and Arena Owner's Counsel)

43. Use Agreement (executed by Arena Owner and Team Owner) (Section 13.1 of the Arena Facility Lease) (Arena Owner's Counsel)
44. Memorandum of Use Agreement (executed by Arena Owner and Team Owner) (Arena Owner's Counsel)
45. Certificate of Arena Owner, together with Exhibit A, certified Certificate of Limited Partnership for Kings Arco Arena Limited Partnership, Exhibit B, certified Certificate of Limited Partnership for Royal Kings Arena Limited Partnership and Exhibit C, certified Articles of Incorporation for Capitol Sports Arena, Inc. (executed by Arena Owner) (Section 8(d)(12) of the Purchase Contract) (Bond Counsel and Arena Owner's Counsel)
46. Certificate of Arena Owner regarding Insurance (executed by Arena Owner) (Sections 4.02 and 4.06 of the Facility Lease) (Bond Counsel)
47. Corporate Resolution, Consent and Certification for Arena Owner (Arena Owner's Counsel)
48. Environmental Indemnity by Arena Owner in favor of City (executed by Arena Owner) (Bond Counsel)

#### Documents Relating to Trustee

49. Certified General Resolution of the Trustee (Authorizing Execution and Delivery of the Indenture), together with Articles of Association (Section 8(d)(15) of the Purchase Contract) (Trustee's Counsel)
50. Certificate of Trustee (executed by Trustee) (Section 8(d)(13) of the Purchase Contract) (Bond Counsel)

#### Documents Relating to Closing and Other Documents

51. Transfer Agreement (executed by City, Authority, Arena Owner and Team Owner, approved as to form by City Attorney and Authority Counsel and attested to by City Clerk and Secretary of the Authority) (Bond Counsel)
52. Specimen Bonds (Bond Counsel)
53. Escrow Instructions (executed by Bond Counsel and Arena Owner's Counsel and acknowledged and agreed to by Title Company) (Bond Counsel)
54. Receipt for Bonds (executed by Underwriters) (Bond Counsel)
55. Receipt for Purchase Price by Trustee (executed by Trustee) (Bond Counsel)

56. Receipt for Purchase Price by Title Company (executed by Title Company) (Bond Counsel)
57. DTC Blanket Issuer Letter of Representation (executed by Authority and Depository Trust Company) (Bond Counsel)
58. Preliminary and Final Notices to California Debt and Investment Advisory Committee (Bond Counsel)
59. Certificate of Consent of Bond Insurer Regarding Declaration of an Event of Default and Acceleration under the Indenture (executed by Bond Insurer) (Bond Insurer's Counsel)
60. Certificate of Bond Insurer Regarding Official Statement (executed by Bond Insurer) (Bond Insurer's Counsel)
61. Incumbency Certificate of Bond Insurer (executed by Bond Insurer) (Bond Insurer's Counsel)
62. Municipal Bond Insurance Policy (Section 8(d)(19) of the Purchase Contract) (Bond Insurer)
63. Swap Insurance Policy (Bond Insurer)
64. Debt Service Reserve Surety Bond Insurance Policy (Section 8(d)(19) of the Purchase Contract) (Bond Insurer)
65. Financial Guaranty Agreement (executed by Bond Insurer, Authority and City and approved as to form by City Attorney and Authority Counsel) (Bond Insurer's Counsel)
66. Memorandum of Financial Guaranty Agreement (executed by Bond Insurer, Authority and City, approved as to form by City Attorney and Authority Counsel and attested to by City Clerk, Secretary of the Authority and Assistant Secretary of the Bond Insurer) (notarized) (Bond Insurer's Counsel)
67. CLTA Title Insurance Policy (Section 3.06 of the Arena Refinancing Agreement) (Title Company)
68. Requisition No. 1 (Bond Counsel)
69. Quit Claim Deeds (executed by City and Authority, approved as to form by City Attorney and Authority Counsel and attested to by City Clerk and Secretary to the Authority), together with Escrow Instructions (executed by City, Authority and Trustee) (Section 9.2 of the Arena Facility Lease) (Arena Owner's Counsel and Team Owner's Counsel)
70. Certificate of Calculation Agent (executed by MLCS) (Underwriters)

71. Guarantee of Merrill Lynch & Co., Inc. (executed by MLC) (Underwriters)

Opinions

72. Final Opinion of Bond Counsel (Section 8(d)(2) of the Purchase Contract) (Bond Counsel)
73. No Merit Opinion of Bond Counsel (Section 8(d)(4) of the Purchase Contract) (Bond Counsel)
74. Supplemental Opinion of Bond Counsel (Section 8(d)(3) of the Purchase Contract) (Bond Counsel)
75. Opinion of Counsel to Authority (Section 8(d)(5) of the Purchase Contract) (Authority's Counsel)
76. Opinion of Counsel to City (Section 8(d)(6) of the Purchase Contract) (City's Counsel)
77. Opinion of Counsel to City and Counsel to Authority to Bond Insurer (City's Counsel and Authority's Counsel)
78. Opinion of Counsel to Underwriters (Section 8(d)(7) of the Purchase Contract) (Underwriters' Counsel)
79. Opinion of Counsel to Trustee (Section 8(d)(8) of the Purchase Contract) (Trustee's Counsel)
80. Opinions of Counsel to Bond Insurer (Section 8(d)(20) of the Purchase Contract) (Bond Insurer's Counsel)
81. Opinion of Counsel to Team Owner (Team Owner's Counsel)
82. Opinion of Counsel to Arena Owner (Arena Owner's Counsel)
83. Municipality Opinion of Bond Counsel to Bond Insurer (Bond Counsel)
84. Opinion of Bond Counsel to Bond Insurer Regarding Pledge of Base Rental Payments (Bond Counsel)
85. Opinion of Authority Counsel to MLCS required by Swap Agreement (Authority Counsel)
86. Opinion of MLCS Counsel required by Swap Agreement (MLCS Counsel)
87. Opinion of Counsel to MLC required by Swap Agreement (MLCS Counsel)

88. Opinion of Bond Counsel to MLCS required by Swap Agreement (Bond Counsel)
89. Reliance Letters of Bond Counsel to Underwriters (Swap Agreement & No Merit) (Section 8(d)(2) of the Purchase Contract) (Bond Counsel)
90. Reliance Letters of Bond Counsel to Bond Insurer (Final & Swap Agreement) (Bond Counsel)
91. Reliance Letter of Bond Counsel to MLCS (Swap Agreement) (Bond Counsel)
92. Reliance Letter of Bond Counsel to Trustee (Final) (Bond Counsel)

#### Closing

At the time of the Closing or as shortly thereafter as is practicable, the parties each will receive on compact disk one signed copy of the documents listed above prepared and executed in connection with the sale of the Bonds, subsequent to the following events:

1. The following documents will be recorded in the office of the Sacramento County Recorder on July 30, 1997:
  - (a) Grant Deed to ARCO Arena.
  - (b) Memorandum of Site Lease.
  - (c) Memorandum of Facility Lease.
  - (d) Memorandum of Arena Facility Sublease.
  - (e) Memorandum of Arena Owner Relocation Assurance Agreement.
  - (f) Memorandum of Team Owner Relocation Assurance Agreement.
  - (g) Memorandum of Financial Guaranty Agreement.
  - (h) Subordination, Nondisturbance and Attornment Agreement.
2. The amount available at Closing will be \$73,725,000.00 computed and will be disbursed as follows:
  - (a) \$762,947.45 will be wired to the Trustee for deposit into the Acquisition Fund.
  - (b) \$70,586,489.75 will be wired by the Underwriters to the Title Company.
  - (c) \$683,449.42 will be retained by the Underwriters as the Underwriters' Discount.
  - (d) \$1,692,103.13 will be wired by the Underwriters to the Bond Insurer in payment of the premium for the MBIA Bond Insurance Policy, the Swap Insurance Policy and the Debt Service Reserve Surety Bond Insurance Policy.
3. The UCC-1 Financing Statements will be filed with the California Secretary of State.

4. The Title Company representative will deliver ten (10) original CLTA Title Insurance Policies in accordance with the Escrow Instructions.
5. MBIA will authorize Bond Counsel to release the municipal bond insurance policies.
6. The Bonds will be delivered to The Depository Trust Company, New York, New York.
7. The Trustee will release to the Underwriters (in New York, New York) the Bonds in the aggregate principal amount of \$73,725,000.00.

**COPY**

EXECUTION COPY

3 of 6

*City Agmt  
92-014*

**ARENA REFINANCING AGREEMENT**

by and between

**CITY OF SACRAMENTO  
("City")**

and

**KINGS ARCO ARENA LIMITED PARTNERSHIP  
("Owner")**

Dated as of February 5, 1997



Arena Refinancing Agreement  
City of Sacramento  
and  
Kings Arco Arena Limited Partnership

Dated February 5, 1997

A request can be made to the City to obtain this document. The document consists of the following:

1.	Agreement	30 Pages
2.	Exhibit 1 Legal Description	3 pages
3.	Exhibit 2 Amendment Term Sheet	5 pages
	Attachment A to Exhibit 2	9 pages
4.	Exhibit 3 City Lease Term Sheet	3 pages
5.	Exhibit 4 COP Term Sheet	4 pages
	Attachment A to Exhibit 4	5 pages
6.	Exhibit 5 Calculation of Arena Net Operating Income	4 pages
7.	Exhibit 6 Refinance Term Sheet	3 pages
	Term Sheet	2 pages
8.	Exhibit 7 Revenue Anticipation Bond Term Sheet	2 pages
9.	Exhibit 8 Sublease Term Sheet	11 pages
10.	February 5, 1997 Resolution 97-065	
11.	February 13, 1997 Resolution 97-088	

AMENDED

RESOLUTION NO. 96-291

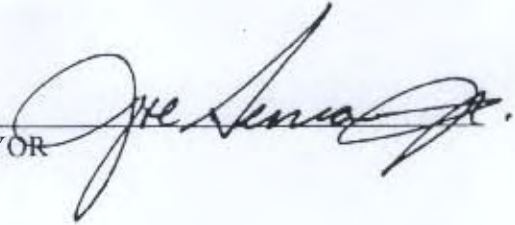
ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF JUN 1 1996

A RESOLUTION ESTABLISHING SPORTS POLICY  
FOR THE CITY OF SACRAMENTO

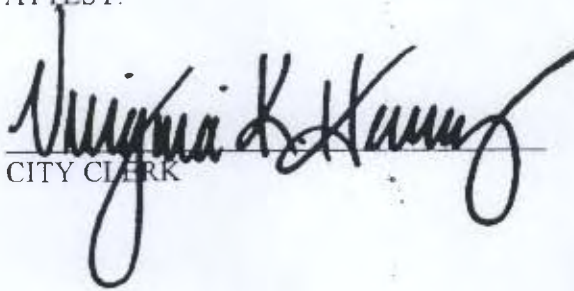
BE IT RESOLVED by the City Council of the City of Sacramento that the attached Sports Policy is hereby approved.

MAYOR



ATTEST:

CITY CLERK



---

FOR CITY CLERK USE ONLY

RESOLUTION NO: 96-291

DATE ADOPTED: JUN 1 1996

---

## ATTACHMENT 1

### SPORTS POLICY

This policy establishes the roles of the City and County of Sacramento in the retention and attraction of sports teams and sporting events and outlines guidelines for the appropriate level of support which may be offered as incentive for the location of teams or events in Sacramento County.

A major assumption of this policy is that major sports franchises and events, whether located in the city or county have positive economic and quality of life impacts on all the citizens of Sacramento.

The short-term goal of the City and County is to position Sacramento to be competitive for major professional sports and events attraction. The long-term goal of this policy is to attract major professional franchises to Sacramento.

#### Roles

The Sacramento City Council is the decision-making body for any land use, environmental impact, or fiscal issues that may be associated with the location of sports teams and/or sports events within the city limits;

The Sacramento Board of Supervisors is the decision-making body for any land use, environmental impact or fiscal issue that may be associated with the location of sports teams and/or sports events within the unincorporated county;

The Sacramento Sports Commission has been established by the City and County of Sacramento to act as the coordinating and facilitating body to augment the efforts of the private and public sectors to attract professional sports teams and major professional and amateur sporting events to the Sacramento region.

#### Guidelines for Public Involvement

To facilitate the retention and attraction of sports and sporting events in the Sacramento area, the City and County shall offer appropriate incentives under the following scenarios:

1. A sports franchise owner desires to locate his/her franchise within Sacramento and is on the priority list of sports teams identified below;

50-291

RESOLUTION No. \_\_\_\_\_

JUN 1 1996

2. A local group of investors desires to purchase and locate in Sacramento an existing or expansion sports franchise, identified on the priority list of sports teams below;
3. A non-local group of investors desires to purchase and locate in Sacramento an existing or expansion sports franchise identified on the priority list of sports teams below;
4. A sports franchise owner or group of investors desires to build a sports facility on city/county-owned property.
5. A national or international sports event is offered for which Sacramento meets the eligibility criteria to become host city.
6. A sports events is offered which generates a significant number of overnight visitors.

Priority Sports Teams for Attraction/ Retention

The operation of professional sports teams have a significant economic impact on the local economy by generating direct spending inside the stadium (i.e., admissions, concessions, parking) and outside of the stadium (i.e., restaurants, retail, transportation). Additional spending generated by teams come from visiting teams, coaches and umpires, as well as player/management salaries and advertising. Given these economic impacts, the following sports teams will be targeted for retention/attraction:

**•NBA Basketball**

The Sacramento Kings franchise provides national media exposure for Sacramento and, as evidenced by a high level of community support, is a popular local attraction. Efforts should be on-going to retain the franchise in Sacramento.

**•CISL Soccer**

The Sacramento Knights played for the Continental Indoor Soccer League Championship in 1995. This team has strong attendance at home games played at Arco Arena. Continued support of this team will also help the NBA Kings, since both are owned by the same corporation.

**•Major League Baseball**

The growth in the population and effective buying income of the Sacramento region is evidence that a team could be supported in Sacramento. Popularity of baseball in Sacramento is demonstrated by an estimated 5-10% of San Francisco Giants/Oakland A's season ticket holders being from the Sacramento area. Given the adopted zoning for a stadium of the size to support Major League Baseball, the city should support private efforts to attract a Major League Baseball team to Sacramento.

**•NHL/IHL Hockey**

The growth of hockey in the last decade (five NHL expansion teams have been awarded since 1990) demonstrates its increasing popularity to a large segment of the population.

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RESOLUTION No. \_\_\_\_\_

JUN 1 1996

Sacramento Kings Limited Partnership ("Team Owner")

McDonough, Holland & Allen ("Team Owner's Counsel" and "Arena Owner's Counsel")

First Trust of California, National Association ("Trustee" and "Paying Agent")

Dorsey & Whitney LLP ("Trustee's Counsel")

Rogers & Wells ("MLCS Counsel")

Merrill Lynch Capital Services, Inc. ("MLCS")

Merrill Lynch & Co., Inc. ("MLC")

Fidelity National Title Insurance Company ("Title Company")

The parties indicated below will deliver ten complete originals of each of the respective documents as indicated below. The documents will be executed in advance of the Closing by the respective parties thereto and delivered no later than the Pre-closing. All of such deliveries will be deemed to have been made in escrow until the final delivery at the Closing has been made.

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2. Site Lease (executed by City and Authority, approved as to form by City Attorney and Authority Counsel and attested to by City Clerk and Secretary of the Authority) (sealed) (Section 8(d)(1) of the Purchase Contract) (Bond Counsel)
3. Memorandum of Site Lease (executed by City and Authority, approved as to form by City Attorney and Authority Counsel and attested to by City Clerk and Secretary of the Authority) (notarized and sealed) (Bond Counsel)
4. Facility Lease (executed by Authority and City, approved as to form by City Attorney and Authority Counsel and attested to by City Clerk and Secretary of the Authority) (sealed) (Section 8(d)(1) of the Purchase Contract) (Bond Counsel)

Neutral site NHL games in Sacramento were successful and demonstrated the ability to jointly use the Arco facility. The City should support private efforts to attract hockey to Sacramento.

**•Minor League Baseball**

Sacramento successfully supported the minor league Solons for a number of years with attendance reaching an estimated 200,000 in a year. As an interim step in the acquisition of a Major League Baseball franchise, a successful Minor League Baseball in Sacramento may present a convincing argument for an Major League expansion team. In addition, an interim facility could accommodate potential weeknight games of other Major League teams which suffer from low attendance in their own host cities. The City should support private efforts to attract a minor league team to Sacramento.

**•NFL Football**

The growth in the population and effective buying income of the Sacramento region is evidence that an NFL team could be supported in Sacramento -Jacksonville and Charlotte, the last two NFL expansion teams awarded, both have population and effective buying incomes less than Sacramento. Given the adopted zoning for a stadium of the size to support an NFL team, the city should support private efforts to attract a NFL team to Sacramento.

Type of Public Investment or Participation

The type and amount of public investment will be evaluated on a case by case basis. Any investment or public participation will reflect the value to the Sacramento community, as well as the potential for success.

**•Expedited permits**

City or County assistance in gathering all permitting bodies together and working through related issues in a timeframe which meets the needs of the private sector.

**•Early review of land use decisions**

City Council consideration of land use applications prior to full staff review in order to address outstanding issues or areas of concern and to reach tentative agreement on the development approach.

**•Processing of deposits for season ticket reservation program**

Use of City's existing Convention Center reservations system to assist in processing ticket deposits and pre-sold tickets.

**•Target public infrastructure spending**

City may consider redirecting a portion of budgeted infrastructure improvements for roadways, drainage, or utilities to an area that would facilitate private development, providing that such development is consistent with economic development goals.

RESOLUTION No. 96-291

JUN 1 1996

• **Contribution of land as public equity to facility**

City may contribute city-owned land for private development of sports facility provided that usage of the facility is used for the benefit of the public.

• **Public financing supported by stadium revenues**

Private development of a stadium which projects a guaranteed annual net cash flow may be granted public financing.

• **Public financing supported by ownership interest in franchise**

City may consider constructing stadium should an ownership interest in a franchise be offered, depending on the financial history and projections for the franchise.

• **Construction of facility with public resources, with voter approval (City only)**

Any amount of direct public subsidy for facility development will be considered only with approval by Sacramento voters through a referendum process. Regional funding would be a priority.

• **Public participation in management of facility to generate cash flow year round**

City may enter into agreements with various facility operators and promoters to market stadium and ensure profit making uses year round.

• **Commitment to profitability of facility**

City may enter into agreements/MOUs with existing facility operators to avoid competition and/or duplication of effort.

Location Priorities - Baseball Stadium

The priority location for a Major League stadium is in the downtown area. The target area is bounded by the Sacramento and American Rivers on the west and north, and by "I" and 2nd Streets on the south and east. Sites for consideration should include the Southern Pacific Railyards, Richards Boulevard, and City property behind the Water Treatment Plant site.

The North Natomas site owned by the City should always be available as a site option in the event that a downtown site cannot be acquired from a willing seller.

Staff Responsibilities

The following entities shall be the points of contact on issues related to this policy.

**Sacramento Sports Commission (SSC)** - Director of Sports Development is responsible for actively promoting Sacramento at professional sports league and association meetings, researching available sports franchise opportunities and recruiting major sporting events to Sacramento.

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- ▶ SSC briefs professional leagues, team owners and potential investors of sports policy.
- ▶ SSC continues pursuit of major events, utilizing the staff above to assess appropriate incentives and developing proposals that have a maximum return to the City or County.
- ▶ SSC prepares prospectus consisting of sports policy and facility assessment (to be prepared).

**City Manager's Office** - Office of Economic Development is responsible for providing information on the economic impacts of sports franchises, sporting events, land use decisions and facility development within the Sacramento city limits and defining what, if any, assistance is appropriate.

**County Executives Office** - Responsible for providing information on the economic impacts of sports franchises, sporting events, land use decisions, and facility development within Sacramento County and defining what, if any, assistance is appropriate. Also responsible for providing fiscal analysis of public participation or support in facility development through the Office of Debt Management.

**City Treasurer** - Responsible for providing fiscal analysis of public participation or support in facility development within the City of Sacramento.

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