



## **PUBLIC SYNERGIES REPORT**

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**Think BIG Full Committee Meeting**

July 28, 2011

## Overview of Regional Public Benefits

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- **\$7B** in revenue to region over 30 years
- **4,100** new jobs
- **\$556MM** in spending during construction
- **3.1MM** new visitors to downtown each year
- **\$6.7MM** in annual fiscal benefits

# Checklist to Create Funding Plan

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- ✓ **Determine cost** *(February 8, 2011 – May 26, 2011)*
- Propose menu of funding options** *(May 30, 2011 – September 6, 2011)*
- Select funding options** *(September 7, 2011 – December 31, 2011)*
- Secure funding sources** *(January 1, 2012 – February 29, 2012)*
- MARCH 1, 2012 RELOCATION DEADLINE**

# Overview of Public-Private Partnership (PPP)

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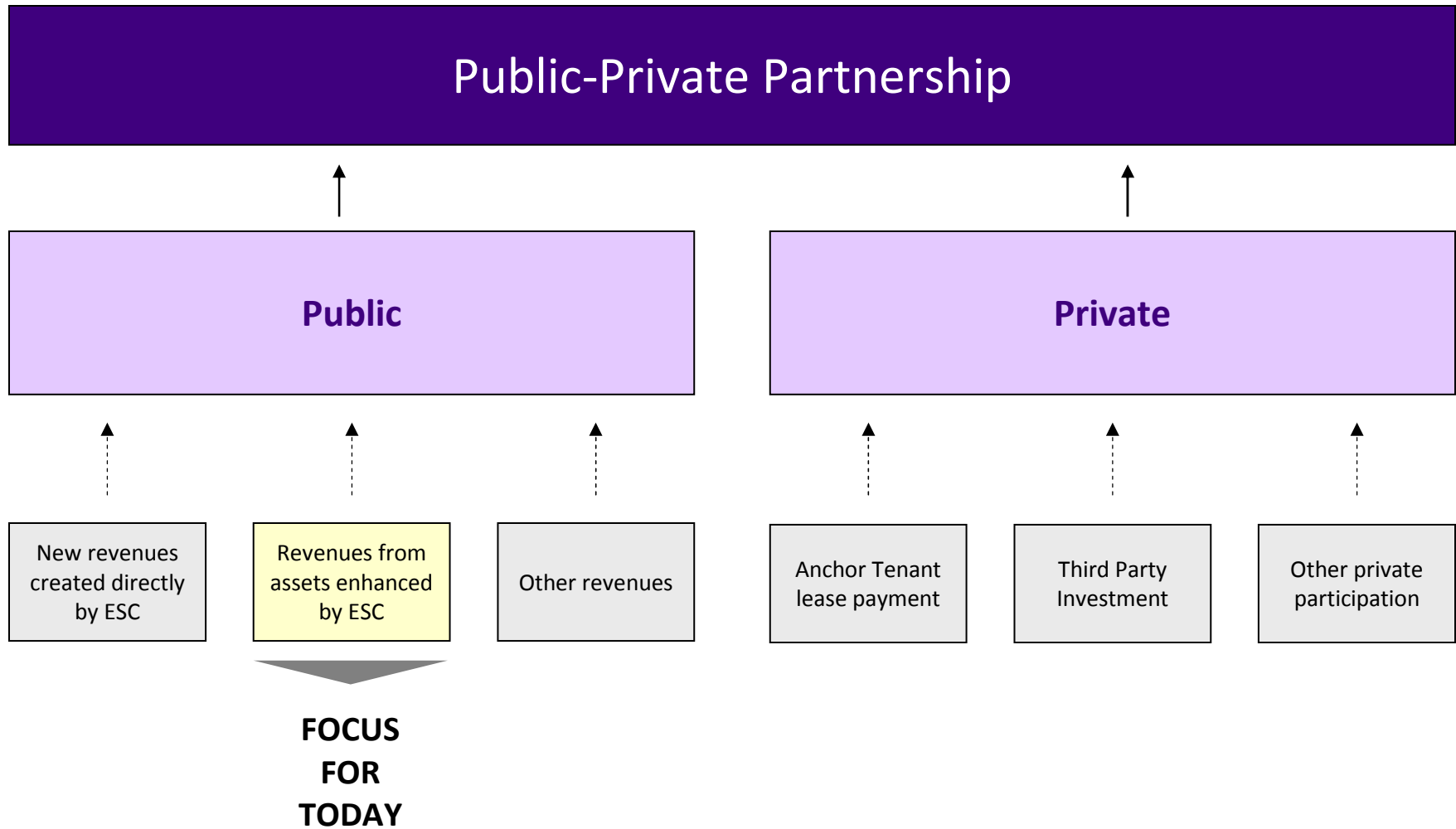
- New ESC will cost **\$387MM**
- Financing will require **public-private partnership**
  - **PRIVATE PARTICIPATION**
    - Kings as anchor occupant
    - Third party investors in operator and/or developer roles
  - **PUBLIC PARTICIPATION**
    - ESC will be public asset owned by taxpayers
    - Multiple revenue streams required

## Guiding Principles in Developing PPP

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- Protect taxpayers
- Learn from best practices in comparable markets
- Maximize private investment by creating viable economic model
- Ensure return on public investment in form of jobs and economic activity
- Focus on public revenues created or enhanced by ESC that would not otherwise exist

# Conceptual Model for PPP



# Public Assets with Potential ESC Synergies

**Parking**



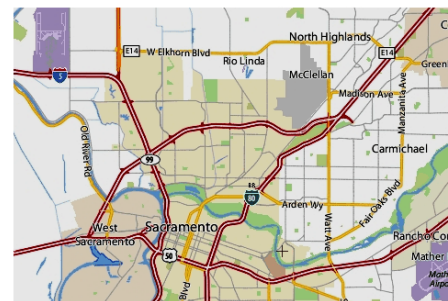
**Billboards**



**Cell Phone Towers**



**Public Land**



- Asset value increases because of the ESC
- May not otherwise be available if no ESC constructed
- Do not increase costs to the public or impact other funding

## EARLY ANALYSIS - HIGHLY PRELIMINARY

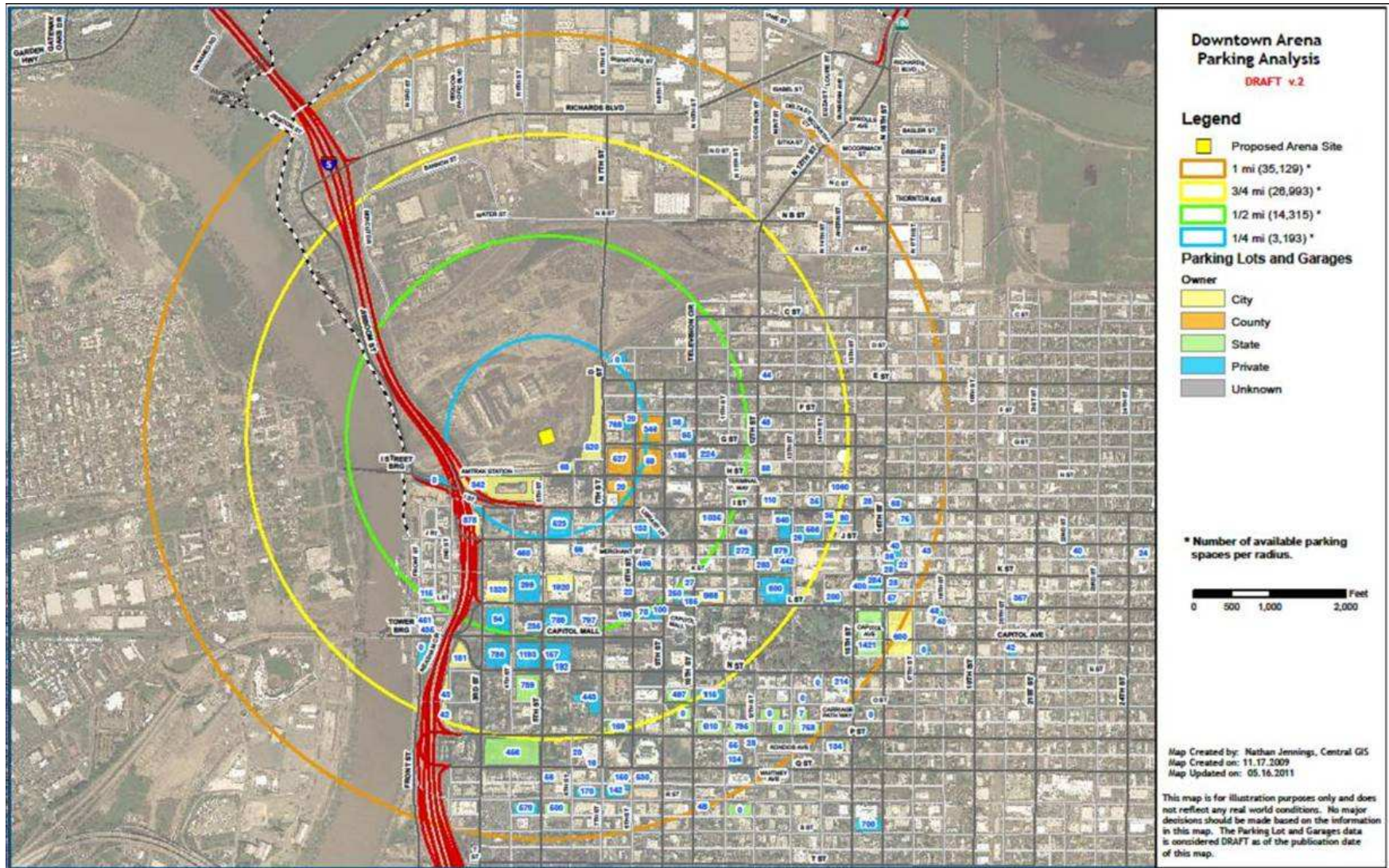
# Publicly-Owned Parking Assets near ESC



- **9,200 spots** within ½ mile of ESC
  - 8,263 offstreet
  - 1,024 onstreet
- **Low utilization** after 5pm
- Higher utilization anticipated from **180-200 events** per year
- Tapping existing inventory **reduces project cost and increases foot traffic** to nearby dining and shopping
- **Intermodal** will provide alternatives
- Estimated **\$1-5M/year** in new potential revenue opportunities generate by ESC opportunity

# EARLY ANALYSIS - HIGHLY PRELIMINARY

## Parking Inventory



## Billboards: Three Models

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- **Traditional Lease**
  - Lease to billboard company for a fixed amount plus percentage of revenue
  - Borrow against future revenues OR negotiate 10-20 year pre-paid lease
  - Favorable if long-term lease secured with blue chip partner
- **One-Time Sale**
  - Entitle signs and sell rights and permits
  - Make one-time sale to billboard company for the rights to billboard
  - Yields higher upfront revenue but lower future revenue streams
- **Own and Operate**
  - Build signs and operate as part of signage program
  - Capture revenue by direct sales as owner and operator of signs
  - Best long term cash flow implications, but most speculative

*NOTE: Signage would likely require permit approvals from city and in some cases, state*



## Billboards: Case Studies

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### Sacramento State LED Billboard

- Two faces on a single structure
- Traditional Lease structure
- Clear Channel paid \$1M in advance against rent and then 25% of future revenue
- Traffic Count: 90,000 per day each way
- \$600k projected revenues per year



### Oakland Coliseum Static boards

- 10 signs on 5 structures
- Traditional Lease structure
- No upfront revenue; 40% of revenues
- Traffic Count: 110,000 per day each way
- \$1.2MM projected revenues per year

## Cell Phone Towers

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- **Sacramento City Council Ordinance**
  - Effective 2002
  - Allows for issuing cell tower permits on city-owned facilities
  - Proceeds must be used for specific project as approved when permit granted
- **30 towers located across City of Sacramento**
  - Partners: AT&T, Metro PCS, Sprint Nextel, Surewest, Verizon, Clear Wireless
  - Generate roughly \$500K/year
- **Cell phone towers related to ESC could generate additional revenue**



## EARLY ANALYSIS - HIGHLY PRELIMINARY

### Land



- Development of ESC will **increase downtown activity** and **transform economic character** of region
- Private investment will increase as ESC and surrounding areas become **“destination”**
- **Railyards site** most directly benefitted
  - City owns 12 acres at ESC site and 33 acres overall
- Other public land could benefit
  - **2400** city-owned properties in city portfolio
  - **40** identified as priority candidates for sale
  - Early review suggests **\$30MM - \$60MM** could be generated from select properties



## Conclusions

- Public-Private finance plan will require assembling a **variety of revenue streams and funding sources**
- Must create value for both **public and private participants**
  - Jobs and economic development for public
  - Viable economic model for private investors
- Key subset of funding sources will be **revenues created by ESC** (*e.g. billboards*) and **new revenues enhanced** as a result of the facility (*e.g. parking*)