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LA24-203A

February 9, 2017

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

E-mail: bwong@cityofsacramento.org

Re: Golden 1 Center
Sacramento, California

Dear Mr. Wong:

Enclosed is our Monthly Executive Summary, as contained in our Report 31 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 37, prepared by ICON Venue Group on behalf of the Sacramento Basketball Holdings, LLC, dated January 18, 2017, including Turner Construction Company's Application and Certificate for Payment 32, and other project costs incurred during the month of December 2016.



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

Very truly yours,

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

William W. Hallinan Jr.

Ricardo Flores
Senior Vice President, Construction

RF:rf
Enclosure

cc: City of Sacramento
Attn: Desmond Parrington
Cortland Products Corp.
Attn: John J. Budyak
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Attn: Matt Kerhune
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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 project has been 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 February 14, 2017. 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 \$558,627,211 via Equity contributions and reimbursements. The project Sources total \$565,642,078, which are in excess of the Uses. Overall, adjustments and Equity contributions totaling \$110,927,211 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 December 2016.

A. Preconstruction Costs – Turner Construction Company

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

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

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

This contract has 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 Application and Certificate for Payment 32, for work performed through December 31, 2016:

Current Contract Value		\$391,180,440
Total Completed and Stored to Date	99.2%	\$387,861,821
Current Amount Requisitioned		\$ 938,844
Balance to Complete		\$ 3,318,619

There is a balance to complete in the GMP contract of \$3,318,619. Please refer to our Project Budget and Requisition Review for our opinion on the adequacy of the remaining funds.

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

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



C. Systems and Equipment Budget

We will consolidate the major Contracts under the Systems & Equipment Budget here. The total Systems & Equipment Budget totals \$58,633,192. 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 December 31, 2016:

	Current Budget	Previously Paid	Payment Due	Total Paid to Date	Balance to Complete	Retention	Complete to Date
Systems & Equipment							
Legends Hospitality	\$9,200,944	\$8,084,568	\$64,040	\$8,148,608	\$1,052,336	\$0	\$8,148,608
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	736,167	82,851	819,018	285,309	0	819,018
Panasonic	11,805,163	10,473,160	107,034	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	2,424,831	2,146,090	0	2,146,090	278,741	238,455	2,384,545
Deposit for Chairman Tile	0	25,650	0	25,650	(25,650)	0	25,650
Skymaster	975,943	767,232	0	767,232	208,711	40,381	807,613
Advantel	13,185,729	12,526,443	0	12,526,443	659,286	620,276	13,146,719
MTA	3,034,879	2,832,845	0	2,832,845	202,034	138,371	2,971,216
Other FF&E	8,893,394	5,781,201	777,143	6,558,344	2,335,050	0	6,558,344
Total	\$58,711,129	\$50,830,295	\$1,031,068	\$51,861,363	\$6,849,766	\$1,983,332	\$53,844,695

The contracts above, have a cumulative balance to complete of \$6,849,766. 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 37

Icon Venue Group, representing Sacramento Kings Downtown Arena LLC, has presented its Application and Certificate for Payment 37, reflecting costs incurred through December 31, 2016.

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

The project Budget, originally \$477,000,000, currently stands at \$558,627,211, having increased via Equity Contributions and adjustments. The project Sources total \$565,642,078, which are in excess of the Uses. Overall, adjustments and Equity contributions totaling \$110,927,211 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
Uses						
Land Acquisition	\$34,531,782	\$34,531,782	\$0	\$34,531,782	\$0	100.0%
Construction Costs						
Preconstruction - Services	\$700,000	\$700,000	\$0	\$700,000	\$0	100.0%
Preconstruction - Expenses	15,368	15,368	0	15,368	0	100.0%
Enabling Work	335,256	335,256	0	335,256	0	100.0%
Construction - GMP	391,525,064	375,447,598	938,844	376,386,443	15,138,621	96.1%
Construction - Demolition	0	0	0	0	0	#DIV/0!
Downtown Plaza Enabling Work	101,710	101,710	0	101,710	0	100.0%
Electrical Mall Investigation	419,174	419,174	0	419,174	0	100.0%
Subtotal Construction Costs	\$393,096,573	\$377,019,108	\$938,844	\$377,957,952	\$15,138,621	96.1%
Subtotal Systems & Equipment	\$58,633,192	\$50,952,794	\$1,233,444	\$52,186,238	\$6,446,954	89.0%
Subtotal Soft Costs	\$71,614,719	\$71,248,304	\$225,073	\$71,473,377	\$141,343	99.8%
Subtotal Contingency	\$750,945	\$0	\$0	\$0	\$750,945	
Total Project Budget	\$558,627,211	\$533,751,987	\$2,397,361	\$536,149,349	\$22,477,862	96.0%

We reviewed the project's Summary of Invoices, and invoices generated through December 31, 2016, at our offices.

In our opinion, the remaining funds of \$22,477,862, which include remaining Contingencies totaling \$750,945, 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 \$3,315,714. 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 37 is **\$2,397,361.11**, and the Source under which funding will be provided is the Kings Team Equity account.

Included in the total amount requisitioned are Turner's Construction Costs of \$938,844, and Other Project Costs of \$1,458,517.

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



Scheduled Completion

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

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

Open Issues/Comments

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

This Period

30.1 Lien Waivers

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

30.2 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

Previous Issues

30.1 Lien Waivers

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

Update: Turner's Lien Waiver has not been provided

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