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LA24-203A

January 4, 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 30 for the referenced project. The preparation of this report, which did not require a site visit, was written by the undersigned.

The Merritt & Harris, a JLL Company'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 36, prepared by ICON Venue Group on behalf of the Sacramento Basketball Holdings, LLC, dated December 20, 2016, including Turner Construction Company's Application and Certificate for Payment 31, and other project costs incurred during the month of November 2016.



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

Very truly yours,

MERRITT & HARRIS, a JLL COMPANY

Ricardo Flores
Senior Vice President, Construction

RF:rf
Enclosure

cc: City of Sacramento
Attn: Desmond Parrington
Cortland Products Corp.

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Sacramento Downtown Arena LLC

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Icon Venue Group

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Manny P. Kratsios



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. 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

The project Budget has increased from the original \$477,000,000 to the current \$558,479,061 via Equity contributions and reimbursements. The project Sources total \$565,493,928, which are in excess of the Uses. Overall, adjustments and Equity contributions totaling \$96,436,905 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 November 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 Merritt & Harris, a JLL Company, 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

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 31, for work performed through November 30, 2016:

Current Contract Value		\$391,180,440
Total Completed and Stored to Date	98.9%	\$386,890,862
Current Amount Requisitioned		\$ 837,098
Balance to Complete		\$ 4,289,578

There is a balance to complete in the GMP contract of \$4,289,578. 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 November 30, 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	\$7,974,941	\$109,627	\$8,084,568	\$1,116,376	\$0	\$8,084,568
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	347,254	388,913	736,167	368,160	0	736,167
Panasonic	11,716,185	10,473,160	0	10,473,160	1,243,025	620,276	11,093,436
Video Prod. (Diversified)	3,850,522	3,038,443	376,369	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	2,121,646	24,444	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	11,785,247	741,196	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	5,394,287	386,914	5,781,201	3,112,193	0	5,781,201
Total	\$58,622,151	\$48,802,831	\$2,027,463	\$50,830,294	\$7,791,857	\$2,046,756	\$52,877,050

The contracts above, have a cumulative balance to complete of \$7,791,857. 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 36

Icon Venue Group, representing Sacramento Kings Downtown Arena LLC, has presented its Application and Certificate for Payment 36, reflecting costs incurred through November 30, 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 \$558,479,061, having increased via Equity Contributions and adjustments. The project Sources total \$565,493,928, which are in excess of the Uses. Overall, adjustments and Equity contributions totaling \$96,436,905 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	374,610,500	837,098	375,447,598	16,077,466	95.9%
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	\$376,182,009	\$837,098	\$377,019,108	\$16,077,466	95.9%
Subtotal Systems & Equipment	\$58,633,192	\$48,925,332	\$2,027,462	\$50,952,794	\$7,680,398	86.9%
Subtotal Soft Costs	\$71,598,092	\$70,728,675	\$519,629	\$71,248,304	\$349,789	99.5%
Subtotal Contingency	\$619,422	\$0	\$0	\$0	\$619,422	
Total Project Budget	\$558,479,061	\$530,367,798	\$3,384,189	\$533,751,987	\$24,727,074	95.6%

We reviewed the project's Summary of Invoices, and invoices generated through November 30, 2016, at our offices, and during a site visit with representatives of Icon Venue Group.

In our opinion, the remaining funds of \$24,727,074, which include remaining Contingencies totaling \$619,422, 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 \$2,384,717. 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 36 is **\$3,384,189.47**, and Kings Team Equity Sources will be utilized to fund the current requisition. Included in the total amount requisitioned are Turner's Construction Costs of \$837,098, and Other Project Costs of \$2,547,091.

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

Previous Issues

27.1 Project Close Out

Merritt & Harris, a JLL Company 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