

WARRIORS DEAL

Warriors up investment with city in new deal

City Council expected to vote Tuesday

By J.M. BROWN

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BASKETBALL 9.8.12
✓ SANTA CRUZ — Ahead of a critical City Council vote Tuesday, the Golden State Warriors' Development League team has agreed to strengthen its investment in a \$5.4 million, seven-year deal with the city to relocate this fall.

According to restructured financial terms revealed Friday, the Santa Cruz Warriors will prepay four years of rent on a temporary 30,000-square-foot arena to be built between downtown and the beach. The city will use the \$532,000 to pay down a city loan underwriting the fast-tracked project.

Just a week ago, the team had agreed to pay a full seven years of rent at \$133,000 per year, but city negotiators decided to credit the team for three years of rent if the Warriors increased their capital investment — from \$600,000 to \$1.4 million. That money is separate from the loan.

City Manager Martín Bernal said the new agreement reduces the city's overall risk by increasing security on the loan, the amount of which has nearly doubled since the team first publicly announced its relocation plans in April. Receiving four years of rent up front, in addition to collecting annual loan payments of \$250,000, better secures the city's investment, he said.

"In case we had a worst-case scenario and the Warriors decided to

SEE WARRIORS ON A2

IF YOU GO

SANTA CRUZ CITY COUNCIL

WHEN: 7 p.m. Tuesday

WHERE: Council Chamber, 809 Center St.

DETAILS: www.cityofsantacruz.com

WARRIORS

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leave and default on the loan, what we wanted to have was more collateral," Bernal said.

The team, formerly called the North Dakota Wizards, hopes to host its first home game in late December in a facility constructed on an employee parking lot belonging to the Santa Cruz Seaside Co., which owns the tourist magnet Beach Boardwalk nearby. The facility at 140 Front St. will have 2,950 seats for games, and when floor seats are added, 4,000 for concerts or other events.

COMPLEX NEW DEAL

City and team officials said there is a tentative deal with the Seaside Co. to relocate Boardwalk employee parking to 220 spaces in downtown garage with underused permit capacity and provide shuttles to the beach. The Warriors also will make \$35,000 in annual lease payments to Seaside Co. and paint a Boardwalk logo on the arena floor six feet from center court — a sponsorship the team values at \$50,000.

As for collateral, the Warriors agreed to cover \$529,000 in prepaid construction expenses if the city releases loan funds over time to cover those costs while the team

pays down the overall loan. As the facility's owner, the city agreed to credit the Warriors \$1.85 million for the value of the leasehold interest, the city's share of a Kaiser Permanente naming-rights deal and assets within the facility.

With the expedited rent payment schedule, that brings to \$2.9 million the amount the city views as collateral against its \$4.1 million loan from a public trust fund. That fund, created by the sale of property, can only be used for capital investments, and contains only \$6.1 million as of June — just a third more than the Warriors loan.

"By shifting rent payments from the back end of lease to prepayment, by acknowledging some money we have already expended and not requiring city to fully extend the loan amount, I personally thought this was a better way to structure it," said Jim Weyermann, president of the Santa Cruz Warriors. "I tried to respond to reduce the overall perceived at-risk position of the city, though my personal view is the money is not at risk."

Original estimates for the facility were \$2.8 million. But sandy soil, fire safety requirements and other construction-related issues necessitated a sturdier structure than originally planned — all of which raised costs from to \$5.4 mil-

HOW THE MONEY WORKS

Here are some details about the revised seven-year financing deal on the proposed Kaiser Permanente Arena for the Santa Cruz Warriors:

COST SPLITTING:

- City: \$4.1 million public trust fund loan to Warriors
- Warriors: \$1.2 million capital investment, plus \$200,000 for items outside budget
- Devcon Construction: \$100,000 capital contribution
- TOTAL: \$5.6 million (though project is estimated now to cost \$5.4 million)

HOW THE LOAN GETS REPAYED:

- At least \$1.75 million in loan payments by the Warriors (\$250,000 annually for seven years)
- \$1.15 million to \$1.5 million in estimated concessions and non-Warriors event rental
- \$532,000 in rent payments by the Warriors (\$133,000 annually for four years)
- TOTAL: At least \$3.4 million to \$3.75 million, with any balance to be split by the city and Warriors after seven years

OTHER COSTS:

- \$35,000 paid annually by Warriors for city's lease of Santa Cruz Seaside Co. lot at 140 Front St.
- Free team sponsorship for Seaside Co. of \$50,000 value in lieu of additional rent
- Boardwalk employees will be shuttled to downtown garage, where city gives up 220 spaces in underused permit parking garage.

lion. The facility would come down in seven years unless the team and city agree to extend the arrangement while pursuing a permanent structure.

There is no change in the city's intent to collect concessions revenue, including from wine and beer sales, and apply it to the loan. Revenue from renting the arena out for UC Santa Cruz sports teams, concerts or other events will also

go toward retiring the debt.

If debt on the loan remains after seven years, the city has agreed to split it with the team. The minimum the city can hope for is repayment, but there is the possibility for the city to make money on a separate admissions tax, any increases in hotel and sales taxes and sharing in merchandise and ticket sales once the loan is repaid.

Still, Bernal said, "This isn't a money-making scheme for the city. The goal is to see whether we can have a better, more modern facility to revitalize this area and see if we can create a connection between the downtown and beach area. This could catalyze that."

There is another minor change separate from the loan: The city will defer general plan and water and sewer fees of \$147,000, with the expectation that a \$1 facility use surcharge added to each ticket will cover them. As is usual for publicly owned facilities, Bernal said the venue will be exempt from traffic impact fees, which could total close to \$1 million.

NOISE, PARKING CONCERNS

Even if council members agree to the new financial terms, they must OK a special use permit for the property, which is zoned multifamily residential. The council will hear concerns from Beach Hill neighbors over noise, parking and traffic created by the team's 24 annual games and other events.

The city's Planning Commission heard those complaints Thursday before voting unanimously to recommend approval of the project. The commission underlined the importance of key condi-

tions — that the team encourage parking in downtown lots or on-street spaces, that Beach Hill residents get the option of year-round parking permits and that noise be monitored by the city.

"We absolutely want them to park downtown," Weyermann said. "If we can't park people and get them in and out, they won't come back."

He said the team will promote off-site parking through the Internet, advertising and direct mail to season ticket holders and possibly provide face painters, balloon makers or street musicians, to create a "Disney-like entrance" that makes the walk toward the arena more pleasant. Noise will be reduced by insulated metal walls, and fans must be out by 10 p.m.

Richard Andrews, former president of the Beach Hill Neighborhood Association and a city parks and recreation commissioner, said he felt the Planning Commission listened to citizen concerns. But many are still worried about noise.

"I think the neighbors are very suspicious of the whole project," Andrews said, adding that they expect to report rowdy fans. "Some of us feel we are going to have to go through that process."

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