

ORDINANCE S-45266

AN ORDINANCE AUTHORIZING THE CITY MANAGER TO AMEND OPERATING AGREEMENT WITH PHOENIX ARENA DEVELOPMENT LIMITED PARTNERSHIP (PADLP) AND AMEND OR ENTER INTO OTHER AGREEMENTS AS NECESSARY WITH PADLP, SUNS LEGACY PARTNERS, LLC, AND THEIR AFFILIATES, TO FACILITATE THE RENOVATION OF THE CITY-OWNED DOWNTOWN ARENA KNOWN AS TALKING STICK RESORT ARENA; FURTHER AUTHORIZING THE CITY CONTROLLER TO DISBURSE AND THE CITY TREASURER TO ACCEPT ALL FUNDS RELATED TO THIS ITEM PURSUANT TO THE AGREEMENTS; AND AUTHORIZING A PROCUREMENT PROCESS FOR AN OWNER'S REPRESENTATIVE TO OVERSEE THE CITY INVESTMENT AND INTERESTS IN THE RENOVATION.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF PHOENIX as follows:

SECTION 1. The City Manager or his designee is authorized to amend the Operating Agreement with Phoenix Arena Development Limited Partnership (PADLP), City Contract No. 53440 (Operating Agreement), and to enter into or amend any other agreements as necessary with PADLP, Suns Legacy Partners, LLC (Suns), and any City-approved designees (collectively, the Agreements).

SECTION 2. The Agreements will contain the following business terms:

A. The City, PADLP, and the Suns shall renovate Talking Stick Resort Arena (Arena) as generally described in the project scope attached hereto as Exhibit A and

more fully described in the amendment to the Operating Agreement (the Renovation). PADLP is responsible for conducting the Renovation in accordance with all applicable procurement laws and completing all of the items listed in the Renovation by August 1, 2021.

B. The City shall contribute up to ONE HUNDRED FIFTY MILLION DOLLARS (\$150,000,000) for the Renovation (City Contribution), as separately authorized in Ordinance S-45265. The City is not responsible for any total project cost overruns in the Renovation.

C. PADLP shall contribute EIGHTY MILLION DOLLARS (\$80,000,000) for the Renovation, and PADLP also is responsible for any total project cost overruns in the Renovation (PADLP Contribution).

D. The City shall procure and hire an owner's representative to monitor the Renovation and all expenditures to ensure all items in the project scope are completed and provide regular status reports to the City Manager and the Council. Up to FIVE HUNDRED THOUSAND DOLLARS (\$500,000) of the cost for this owner's representative shall be reimbursed to the City from the City Contribution.

E. The Suns shall construct a new practice facility within the City limits by no later than October 1, 2021.

F. One year after the date the Renovation is complete, the City shall contribute TWO MILLION DOLLARS (\$2,000,000) annually into the Arena's Renewal and Replacement Account (R&R Account) over the next twelve and one-half years, and PADLP shall contribute ONE MILLION DOLLARS (\$1,000,000) annually into the R&R Account over the next twelve and one-half years

G. The term of the Operating Agreement shall be extended through June 30, 2037, with an additional five-year option at PADLP's discretion (the Term).

H. The Assurance Agreement with the Suns, City Contract No. 53441, shall be amended to remove the obsolescence provision, increase the liquidated damages amount (LDA) up to TWO HUNDRED MILLION (\$200,000,000), and extend the Suns' obligation to play home games in the Arena through the Term.

I. The Suns and PADLP shall release and discharge the City from all accrued, unpaid "Suns Payments" as defined under the Operating Agreement.

J. The Operating Agreement shall require the Suns and Mercury to continue to use "Phoenix" in the team names.

K. The Community Benefits Program shall in the Operating Agreement include apprenticeships and require the Suns to contribute the sum of TEN MILLION DOLLARS (\$10,000,000) to the community-benefits program in 2019, of which TWO MILLION SIX HUNDRED THOUSAND (\$2,600,000) shall be allocated to the City's Head Start Program.

L. The City shall demonstrate the allocation of 80% of the current arena facility revenue to public safety, and the incremental rent increase of ONE MILLION FIVE HUNDRED THOUSAND (\$1,500,000) shall be allocated to homelessness and public safety issues in neighborhoods as part of the City's annual budget process.

M. The Agreements may contain other terms and conditions deemed necessary by City staff.

SECTION 3. The City Treasurer is authorized to accept and the City Controller is authorized to disburse all funds related to this item pursuant to the agreements.

SECTION 4. Further authorizing a procurement process for an owner's representative to oversee the Renovation as described in Section 2.D.

PASSED by the Council of the City of Phoenix this 23rd day of January, 2019.

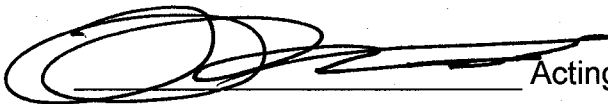

MAYOR

ATTEST:

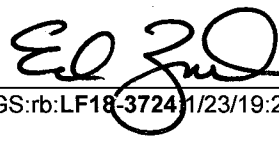

City Clerk



APPROVED AS TO FORM:


Acting City Attorney

REVIEWED BY:


City Manager

TGS:rb:LF18-3724-1/23/19:2082390_1

EXHIBIT A

Exhibit A: Talking Stick Resort Arena Renovation Project Scope
Revised November 2018

* Items more fully described in (1) the Renovation Feasibility Study dated 11.2018 for Talking Stick Resort Arena and (2) the Phoenix Suns Arena Master Plan 2018 Updates to Masterplan MEP R2, which are incorporated by reference to this Exhibit, and subject to amendment as set forth in the Amended Operating Agreement.

**Certain items will be funded partially or fully through Operator's contribution to the Project

Item	Description
D	Seating Bowl
D1	Seating Bowl Misc. Upgrades
D2	Convert Lower Bowl Seats from GA to Club
D3A	New Voms to Mezzanine Level and out of bowl
D3B	New Voms at South Event Level
D4	Main Concourse Lower Bowl Corner Bars
D5	Upper Bowl Corner Bars
D8	Railings
D9	House Reduction System
D10	ADA Upgrades
E	Event Level
E1	Courtside Club (East & West)
E2	VIP Club Space
E3	Press Conference Space
E4	Renovated Locker Rooms
E5	Renovated Circulation
E6	Convert Offices and Workshops
E8	Star Lounges
E9	Storage
E10	MEP Space
F	Main Concourse
F1	New Commissary and Food Dock
F2A	Renovate Concourse
F3	Box Office Space
F4	Renovate Team Store
F6A	Club Space
F7	Concession
F8	MEP/ BOH Space
G	Lower Suite Level A
G2B	Convert Suites to Big Bar
G4	North Club Upgrades
G5	Commissary
G7	MEP/ BOH Spaces
G8	Circulation
G10	Partial Demo at Parking Garage
H	Upper Suite Level B
H2B	Option 2 w/ Bowl Extension
H6	MEP/ BOH Spaces
H8	Circulation
H9	Warming Kitchen
H10	Demo Existing Parking Level
I	Upper Concourse
I1	Circulation
I2	Dry Storage
I3	POS/Concessions
I4	MEP/ BOH/ Storage
M	Roof
M10	Roof/ Roofing
N	Exterior Wall / Envelope Upgrades
J	Technology

EXHIBIT A

J1	New Scoreboard	
J2	New Ribbon Board	
J3	Digital Control Room	
J4	Security System Upgrades	
K	Signage & Graphics	
K1	Digital Signage	
L	Other	
L1	FF&E Allowance	
L2	Artwork Allowance	
L3	Structural Upgrades - Rigging System	
L4	Food Service & Equipment Upgrades	
L5	Vertical Circulation (upgrades & new)	
	MEP Infrastructure Upgrades - High Priority Items	
Subtotal		\$207,880,316
Soft costs at 13%		\$27,024,341
Project - Projected Total Costs		\$234,904,757