



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Staff Report
January 19, 2010

**Honorable Mayor and
Members of the City Council**

**Title: Old Sacramento Underground Tours – Agreement and Loan Documents with
Historic Old Sacramento Foundation (HOSF), Inc.**

Location/Council District: Old Sacramento/District 1

Recommendation: Adopt a **Resolution:** 1) approving and authorizing the City Manager or his designee to execute an agreement with HOSF for the operation of a guided tour program of Old Sacramento's underground and hollow sidewalks; 2) approving and authorizing the City Manager to execute a loan agreement with HOSF in the amount of \$185,000 for the funding of start up costs associated with establishing the tour program, 3) accepting delivery of a promissory note by HOSF in the amount of \$185,000 and 4) authorizing the City Manager to make the necessary adjustments to record the loan and record the repayment.

Contact: Barbara E. Bonebrake, Director, (916) 808-8225

Presenters: Marcia Eymann, History Manager, (916) 264-7072

Department: Convention, Culture and Leisure

Division: Center for Sacramento History

Organization No: 17001911

Description/Analysis

Issue: HOSF seeks to establish a specialized guided tour program exploring Old Sacramento's underground and hollow sidewalks. The goal of the program is to create a successful tour program that will draw locals and tourists to the district for a new experience in Old Sacramento, and have them walk away with a new image and understanding of the area.

Significant start-up costs are involved in establishing this program. HOSF is not able to afford these costs. Staff recommends the City's Community Center Fund (Fund 6010) finance the start-up costs and also recommends HOSF and the City enter into an agreement that establishes a repayment plan.

Policy Considerations: The City of Sacramento has a long history of supporting and investing in local cultural activities. Rather than requesting direct financial support, this report instead requests a loan, to be fully repaid with the revenue generated by this new program.

Environmental Considerations:

California Environmental Quality Act (CEQA): Under the CEQA guidelines, California Code of Regulations, Title 14, Section 15301, the proposed activities are categorically exempt from CEQA review.

Sustainability Considerations: Not applicable.

Other: Not applicable.

Commission/Committee Action: The HOSF has reviewed and approved this report.

Rationale for Recommendation: As part of the 2005 Gold Rush Days in Old Sacramento, limited tours into Sacramento's underground and hollow sidewalks were offered as part of the weekend events. Those tours quickly sold out leaving many visitors disappointed. Since then, the HOSF has received many calls asking about the start date for future underground tours. Demand is so strong to re-instate these tours that there is currently a list of over 1,000 names of people who wish to be notified once tours are scheduled.

It is the plan of the HOSF to begin these tours by Memorial Day weekend 2010 and have them run weekends through the summer, conducting at least ten tours each day. The plan is structured to allow for expansion beyond weekend tours, should demand warrant it.

Highlights of the proposed program include:

- Giving Sacramento a unique identity as the only city in California to raise its streets;
- Creating packaging opportunities with local business, hotels, tour operators, California State Parks, local museums, and the Sacramento Convention and Visitors Bureau;
- Providing a stable revenue source for HOSF to expand various educational and interpretive programming throughout Old Sacramento;
- Increasing new and repeat visitation of both tourist and locals to Old Sacramento;
- Providing a new activity that is close by and can be shared as a family experience for locals and tourists; and
- Providing quality offerings for visitors to Old Sacramento.

Financial Considerations: Establishing a new, high quality tour program has significant one-time start up costs including physical improvements to the underground areas, specifically wooden walkways and railings in the basements of Hall Luhrs and B.F. Hastings buildings, as well as lighting and addition of an exit door. Funds are also needed for ticket design and printing, staff training, signage and coordination, specialized sound equipment (hearing impaired accessibility), as well as interpretive displays in the underground areas, and projection equipment.

The estimated cost of these initial expenses is \$185,000. Unfortunately, HOSF does not currently have the capacity to fund these costs. Staff is recommending that the City's Community Center Fund (6010) finance the initial expenses and HOSF and the City agree to a loan payment schedule. See Attachment 2 for details.

Due to the public's established interest in this program, it is projected that the revenues are adequate to fully repay the loan within approximately 10 years. Repayment would be based upon 10 percent of gross income or \$25,000 annually, whichever is less. Repayment will include principal and interest payments over a period of approximately 10 years, using a 4 percent interest rate .

Emerging Small Business Development (ESBD): No goods or services are being purchased as a result of this agreement. However, ESBD guidelines will be considered as a component of the overall process.

Respectfully Submitted by: Barbara E Bonebrake
for Marcia Eymann, History Manager
Center for Sacramento History

Approved by: Barbara E Bonebrake
Barbara E. Bonebrake, Director
Convention, Culture and Leisure Department

Recommendation Approved:

Cassandra H.B. Janning
for Ray Kerridge
City Manager

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Attachment 1**Background**

HOSF seeks to establish a specialized guided tour program exploring Old Sacramento's underground and hollow sidewalks. The goal of the program is to create a successful tour program that will draw locals and tourists to the district for a new experience in Old Sacramento, and have them walk away with a new image and understanding of the area. The tours will be high quality presentations drawn from extensive original historic research. No two tours will be identical. The Historic Old Sacramento Foundation will be recruiting individuals with theatrical backgrounds to serve as tour guides. By utilizing actors, the tours become performances, breathing life and energy into the historical narrative. Guides may present the tour from the point of view of one historical figure or provide a range of different interpretations. These variations will increase repeat visitation.

When visitors complete the experience, they will have gained a sense of understanding and awe regarding the massive political and physical achievement it took to raise the streets, and how it permanently changed the City's landscape. Most important of all, they will learn about Sacramento's unique historical identity as the only city in California to raise its streets, and one of only a handful to do so in the entire nation.

On the surface, the raising of Sacramento's central business district offers exciting accounts of mishap, controversy, and of course, the pioneer-entrepreneurial spirit that has come to define the early history of not only the city, but the Western United States. The story of the evolution of Sacramento from a frontier settlement to gold rush boom town and eventually to the economic and political hub of California can be best understood as the melding of motives and expectations for settling a new city in the West.

The story of the City of Sacramento begins with John Sutter laying claim to nearly 44,000 acres of land at the confluence of the Sacramento and American rivers in 1840. His hold on the land is short lived as gold is discovered at Sutter's mill near Coloma in 1848. Sutter did his best to keep the discovery secret, but when a local teamster that worked for Sutter attempted to pay, with gold, for a bottle of brandy at the C.C. Smith Store at Sutter's Fort, (owned by Smith and his partner Sam Brannan) the proverbial cat was out of the bag. Brannan quickly stocked up on goods, and scouted for a new and more strategic location closer to the natural flow of traffic up river toward the gold fields. Brannan first approached the residents of Sutterville, offering them the opportunity of future riches as the economic hub of the area if they would give him free land for his business and warehouse. Brannan was rejected, and he quickly moved to his second location up the Sacramento River at the foot of modern K Street. He laid claim to a small clearing used by Sutter's men as a boat landing known as Sutter's Embarcadero. Brannan overrode the claims of previous occupants, erected a few tents and set up shop. With this simple act he selected the location of the present-day city of Sacramento. The site, however, had its problems, and some believe Brannan knew this at the time as he had literally pulled driftwood from the trees along the Embarcadero, wood that could only have been left behind from heavy flooding. The concept of a geographically better position, secure from flooding, was overruled by Brannan's command of goods and capital exercising the defining role in the city's location. Despite being in the flood plain, the strategically located embarcadero trumped any fears generated by Mother Nature. This was the beginning of Sacramento's problems with flooding, all based on the desire to capitalize on the incoming flow of miners in search of goods and supplies in their quest for gold, and not on the flow

of water of two powerful rivers that were both the life blood of the City and its most imminent threat.

This is the story our Underground Tours will tell and many more related to the City's efforts to control nature by building levees, altering the flow of the rivers and ultimately the physical raising of its streets and buildings.

Attachment 2**Program Financial Projections**

UNDERGROUND TOURS
Program Financial Projections
December 17, 2009

START UP

	TOTAL BUDGET
Physical Plant	
Pathway lighting	\$10,000
Upgrades to BF Hastings Building & Park	\$20,000
Upgrades to Hall Luhrs Building (decking, pathways)	\$20,000
Products for Tours and Resale	
LED Lights as give-away (500 @ \$2.50)	\$1,250
Helmet (re-usable) (90 @ \$6.00)	\$540
Guidebook (5,000 @ \$5.00)	\$25,000
T-shirts (500 @ \$8.99)	\$5,000
Hats (100 @ \$9.00)	\$900
Flashlights (100 @ \$3.00)	\$300
Program Administration and Development	
Ticket Design and Printing	\$500
Docent Training Coordinator/Volunteer Recruitment (Year 1)	\$30,000
Half-Time Assistant for Tour Coordination (Year 1)	\$12,000
3-4 Speakers for docent training	\$1,500
Training materials & supplies	\$3,000
Web Site design/Marketing	\$5,000
Exhibition (props, photos, text, panels)	\$5,000
PA or Mics	\$1,000
Signs	\$1,500
Antenna Audio (audio tour system)	\$15,000
ADA Film for alternative experience	\$10,000
Projector for ADA Film	\$3,500
Computer	\$1,500
subtotal Admin and Development	<u>\$89,500</u>
Contingency	\$12,510
	<u>\$185,000</u>

Operating Budget - Year 1				OPTION 1	OPTION 2
annual operating plan with staffing for weekend tours only					
INCOME					
Fees	Adults	(17 and up)	\$17.50		
	Youth	(6-17)	\$12.00		
	Child	(5 and under)	Free		
OPTION 1					
Tours of 15 each 70% adult; 30% Youth x 10 per day x 50 days per year (May - Oct)					
	11 Adults @	\$17.50	\$192.50		
	4 Youth @	\$12.00	\$48.00		
				\$84,175	
Annual Income: \$240.00 per tour x 10 tours x 50 days 70% capacity on \$120,250					
OPTION 2					
Tours at 20 each 70% adult; 30% youth x 10 per day x 50 days per year					
	14 Adults @	\$17.50	\$245.00		
	6 Youths @	\$12.00	\$72.00		
				\$134,725	
Annual Income: \$317.00 per tour x 10 tours x 50 days 85% capacity on \$158,500					
Retail Sales	150 people per day x \$2.00 per visit x 50 days			\$15,000	
	200 people per day x \$3.0 per visit x 50 days				\$30,000
TOTAL INCOME				\$99,175	\$164,725
COST OF GOODS SOLD					
50% of retail for estimating purposes				-\$7,500	-\$15,000
GROSS MARGIN				\$91,675	\$149,725
EXPENSE					
Debt Service Collected				\$9,168	\$14,972
Coordinator and Assistant funded by Capital Investment for Year 1 Note: funded year 1 from start up loan				\$42,000	\$42,000
Tour Guides (10 tours per day x 50 days x \$13.00 per hour (3 Tour guides per day, 6 hour days = \$234.00 per day)				\$11,700	\$11,700
Administration (estimate)				\$5,000	\$5,000
Manager cost percentage				\$5,000	\$5,000
Public Relations/Marketing				\$10,000	\$10,000
Ticket Reprinting				\$500	\$500
Supplies				\$1,000	\$1,000
TOTAL EXPENSE				\$84,368	\$90,172
TOTAL INCOME (LOSS)				\$7,307	\$59,553

RESOLUTION NO. 2010-

Adopted by the Sacramento City Council

January 19, 2010

OLD SACRAMENTO UNDERGROUND TOURS – AGREEMENT AND LOAN DOCUMENTS WITH HISTORIC OLD SACRAMENTO FOUNDATION (HOSF), INC.

BACKGROUND

- A. The HOSF seeks to establish a specialized guided tour program exploring Old Sacramento's underground and hollow sidewalks.
- B. The goal of the program is to create a successful tour program that will draw locals and tourists to the district for a new experience in Old Sacramento, and have them walk away with a new image and understanding of the area. The tours will be high quality presentations drawn from extensive original historic research.
- C. There are significant start-up costs involved in establishing this program. HOSF is not able to afford these costs. The City's Community Center Fund (6010) will finance the start up costs and HOSF and the City will enter into an agreement (see Exhibit A) establishing a repayment plan.
- D. The loan amount to is \$185,000, to be repaid over approximately 10 years (see Exhibit B) using a 4 percent interest rate.
- E. The tour program will operate under the auspices of the Historic Old Sacramento Foundation (HOSF) and under the Operations Agreement in Exhibit C.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The agreement with the Historic Old Sacramento Foundation (HOSF) for the operation of a guided tour program of Old Sacramento's underground and hollow sidewalks is approved, and the City Manager or his designee is authorized to execute the agreement.
- Section 2. The loan Agreement with HOSF in the amount of \$185,000 for the funding of start up costs associated with establishing the tour program is approved, and the City Manager or his designee is authorized to execute the agreement.
- Section 3. Delivery of a promissory note by HOSF in the amount of \$185,000 is accepted.

Section 4. Authorizing the City Manager or his designee to make the necessary adjustments to record the loan and record the repayment.

Section 5. Exhibits A, B and C are part of this Resolution.

Exhibit A – Loan Agreement

Exhibit B – Promissory Note

Exhibit C – Operations Agreement