

CITY OF SACRAMENTO



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ROBERT P. THOMAS
DIRECTOR

CITY MANAGER'S OFFICE
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CROCKER ART MUSEUM DIVISION
GOLF DIVISION
METROPOLITAN ARTS DIVISION
MUSEUM AND HISTORY DIVISION
RECREATION DIVISION
PARKS DIVISION
ZOO DIVISION

September 13, 1982

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Leased Facility for Museum and History Division

APPROVED
BY THE CITY COUNCIL

SEP 21 1982

OFFICE OF THE
CITY CLERK

SUMMARY

This report identifies the projected increase in rental costs for the building space leased for the Museum and History Division operation. It presents several options to meeting the facility needs of the Division and compares the short and long term advantage of each option. The report recommends that staff be authorized to investigate the feasibility of constructing permanent facilities on City land. Further, that staff be authorized to renegotiate the building lease for the Museum and History Division.

BACKGROUND INFORMATION

Office and storage space at 1931 K Street is currently leased for the operation of the Museum and History Division. The lease provides 13,000 square feet of space at a cost of .20¢ per square foot or \$31,200 per year. The current lease is in its fifth year and expires on November 1, 1982.

The current leased space is inadequate for the present collection and needs to be expanded. The Eleanor McClatchy collection pledged to the City/County is to be turned over to the Division by the end of 1982. The McClatchy collection is currently stored at the Sacramento Bee building and occupies 3,000 square feet of space. In addition, part of the current collection is also housed in a SMUD and a Housing and Redevelopment warehouse in the downtown area.

The proposed museum facility in Old Sacramento has no storage facilities. Items to be used in the exhibits will reduce the existing inventory of artifacts by approximately 1,000 square feet. It has been the experience of other agencies that upon completion of a new museum, considerable public exposure is gained, which results in greater opportunities for donation of historical artifacts.

Based upon the existing inventory, the addition of the McClatchy collection and the number of items to be located at the new museum facility, there is an immediate need to increase the warehousing capabilities of the Division by approximately 5,000 square feet. By utilizing a system of storage called "space saver", a 16,000 square foot facility would adequately meet the needs of the Division for the next several years.

Staff has investigated the following alternatives to meet the facility needs of the Division. For comparison purposes, all options consider a 16,000 square foot facility. No City or County owned facilities are available for use at this time or in the foreseeable future.

ALTERNATIVE I - RENEGOTIATE EXISTING LEASE

Section 19 of the current lease provides the City with an option to renew the lease for an additional period of five years at a negotiated rental price that reflects the current market value for the premises. The current owners of the building have indicated they would require .58¢ per square foot for a new lease. The City Real Estate office has surveyed the area and informed the Department that .50¢ - .60¢ per square foot is consistent with the current market rate of the area. A renegotiated lease at .58¢ per square foot would cost \$111,360 per year.

ALTERNATIVE II - RELOCATE TO A NEW FACILITY

Staff has investigated the rental market in other areas of the City and County. The Division could relocate to a new leased facility at a price of .35¢ - .40¢ per square foot or \$67,200 - \$76,800 per year. This rental rate is based upon similar warehouse/office conditions that include climate control for the preservation of the collection.

ALTERNATIVE III - BUILD-TO-SUIT ON CITY LAND

An option to consider is contracting with a private developer for a build-to-suit arrangement on City or County land. Staff has identified an available City-owned parcel at Miller Park as a potential site. (Refer to Attachment A). This site can accommodate a 16,000 square foot facility, is close to downtown and the proposed museum facility in Old Sacramento, has adequate space for off-street parking and can accommodate future building expansion.

Staff estimates that a build-to-suit arrangement could be secured at a yearly rental rate of approximately \$203,000 per year. The City/County would have ownership of the building at the end of a 20-year period.

This alternative would require the execution of an agreement between the City and County. The agreement would address the funding of the facility, as well as the disposition of the building should the present arrangement of funding the Museum and History Division terminate.

ALTERNATIVE IV - CITY/COUNTY FINANCED FACILITY

The final alternative to consider is external and internal financing techniques which might be utilized by the City and County to provide the necessary funds for the construction of the facility. Options that need to be evaluated include joint powers agreements, non-profit corporations, or traditional financing.

The Engineering Department estimates a 16,000 square foot facility could be constructed at a cost of \$882,000. If 20-year financing for the building was secured at 15%, the yearly payment would be \$139,369.

This alternative would require the execution of an agreement between the City and County. The agreement would address the funding of the facility, as well as the disposition of the building should the present arrangement of funding the Museum and History Division terminate.

Following is a comparison of the four alternatives presented. Attachment B provides an overview of the costs of each alternative over a 20-year period.

MUSEUM AND HISTORY DIVISION

COMPARISON OF ALTERNATIVES

Alternatives	Estimated Rent Per Year For Five Years	Estimated Cost Over 20 Years	Advantages	Disadvantages
ALTERNATIVE I - Renegotiate Lease	\$111,360	\$4,012,189	<ol style="list-style-type: none"> 1. If Alternative III is selected, it is advantageous to remain at existing site for one year due to the cost of moving and staff disruption. 2. There are no advantages to remain at existing site if Alternative II is selected. 	<ol style="list-style-type: none"> 1. Non-ownership of building 2. City/County faced with escalating rental costs.
ALTERNATIVE II - New Lease	\$ 76,800	\$2,776,096	<ol style="list-style-type: none"> 1. Least expensive option over 20 year period. 2. Provides adequate facilities to meet Division's needs. 	<ol style="list-style-type: none"> 1. Non-ownership of building 2. City/County faced with escalating rental costs. 3. May result in moving Division several times depending on rental market.
ALTERNATIVE III - Build-to-Suit	\$203,000	\$4,056,000	<ol style="list-style-type: none"> 1. Ownership of building after 20 years. 2. Cost of lease remains consistent for 20 years. 3. Financial incentives over Alternative I after 11 years. 4. Financial incentives over Alternative II after 18 years. 5. Long-term financial advantage. 	<ol style="list-style-type: none"> 1. Alternative is \$92,000 more expensive than Alternative I each year for five year 2. Alternative is \$126,000 more expensive than Alternative II each year for five year 3. Requires a 20-year financial commitment by the City and County.
ALTERNATIVE IV - City/County Financed	\$139,369	\$2,787,380	<ol style="list-style-type: none"> 1. Ownership of building. 2. Additional advantages will be identified once funding mechanism is determined 	<ol style="list-style-type: none"> 1. Disadvantages will be determined once funding mechanism is determined

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Based upon the information presented in this report, it appears the build-to-suit or City/County financing alternatives may provide the best financial options to the City and County. In order to properly evaluate the potential of these alternatives, an extension of the existing facility lease is necessary.

BUDGET AND FINANCE COMMITTEE ACTION

The Budget and Finance Committee reviewed this report at their September 7, 1982 meeting. The Committee recommended that the report back on this item include all facilities currently leased by the City. The report back should address alternative methods of financing permanent facilities and a priority list of these facilities. With this modification, the Budget and Finance Committee unanimously approved staff's recommendation.

FINANCIAL DATA

There are adequate funds in the FY 1982-83 division budget for an extension of the existing lease.

RECOMMENDATION

It is staff's recommendation that the City Council approve:

1. That staff be authorized to renegotiate the lease at 1931 K Street for a one-year period with an option for one year.
2. That staff be directed to further investigate the financial feasibility of Alternatives III or IV of this report for the construction of an office/warehouse facility on City land.
3. That staff be directed to report back to the Budget and Finance Committee within 180 days with an evaluation and recommendation on all facilities leased by the City. The report should include alternative methods of financing City-owned facilities and a list of these projects in priority order.

Respectfully submitted,



ROBERT P. THOMAS
Director of Community Services

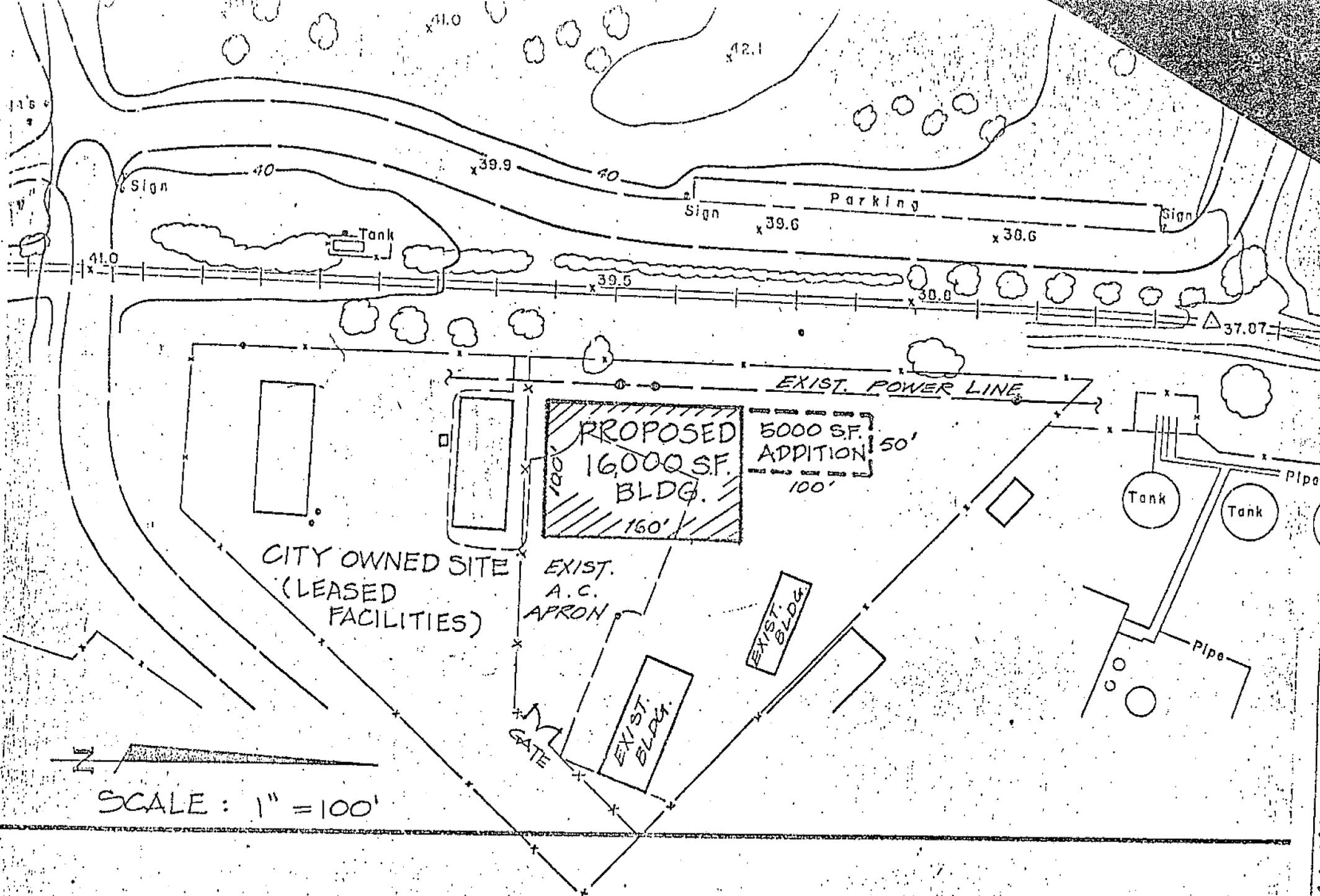
Recommendation Approved:


WALTER J. SLIPE
City Manager

RPT:js

Attachments: Exhibits A and B

September 21, 1982
All Districts

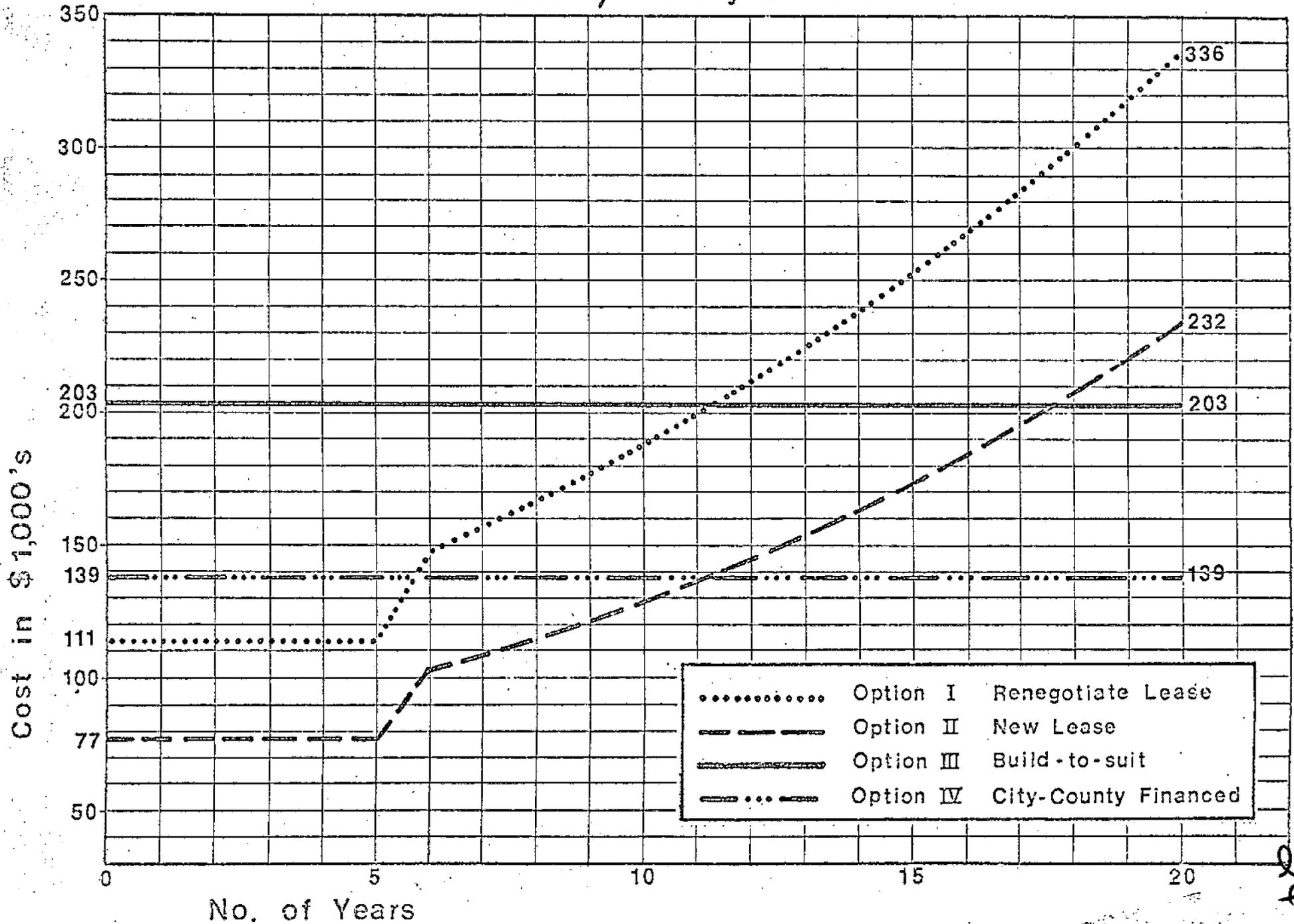


SCALE : 1" = 100'

MILLER PARK

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OFFICE / WAREHOUSE COST COMPARISON for Museum / History Division



ATTACHMENT B
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