

RESOLUTION NO. 2007-883

Adopted by the Sacramento City Council

December 4, 2007

DEFUNDING THE CALIFORNIA INDIAN HERITAGE CENTER (CIHC) PROJECT (KD61) AND RETURNING AVAILABLE FUNDS TO CRCIP CONTINGENCY; REJECTING ALL PURCHASE PROPOSALS FOR LOT X AND REMOVAL FROM THE MARKET; ALLOCATING PROJECT CONTINGENCY TO THE CROCKER ART MUSEUM EXPANSION AND RENOVATION PROJECT (CF60), GEORGE SIM COMMUNITY CENTER PROJECT (BC41), AND VALLEY HI/NORTH LAGUNA LIBRARY PROJECT (QA36); AND FUNDRAISING THRESHOLD CHANGE FOR THE STUDIOS FOR THE PERFORMING ARTS PROJECT (BC36)

BACKGROUND

- A. On January 10, 2006 the City Council approved the Community Reinvestment Capital Improvement Program (CRCIP) and on May 23, 2006 the issuance of capital improvement revenue bonds (2006 CIRBs) to fund the City's CRCIP.
- B. Consistent with the policy directives adopted by the City Council (Resolution 2006-366), staff has provided an update on the status of the CRCIP projects.
- C. In addition to the approved CRCIP project list (Exhibit A), the 2006 CIRBs included the establishment of "bridge loans" for the Crocker Art Museum Expansion and the Studios for the Performing Arts (Studios) projects. The cost of issuance and repayment of these loans is the obligation of these non-profit partners.
- D. The interest earnings on the 2006 CIRBs recognized to date are approximately \$5.3 million, which includes earnings on the "bridge loans." Interest earnings are needed to fully fund project contingency as approved by Council. Council has authorized additional interest earnings to be used toward bridge loan debt service.
- E. In May 2007, the State of California decided to pursue a site for the California Indian Heritage Center in West Sacramento for the Center's main facilities, while retaining interest in access to American River Parkway property west of Northgate Boulevard. The City costs associated with preliminary studies and environmental review is approximately \$300,000. Based on the State's decision, staff is recommending that \$6.0 million be returned to the CRCIP project contingency.
- F. The significant slowdown in the real estate market over the 18 months since the Crocker Art Museum and Renovation project (CF60) financing was identified has negatively impacted the current market value of Lot X, to an extent that it is not currently advantageous to the City to sell this piece of real estate. As a result of not selling Lot X, there will be a \$20 million impact to the Crocker project budget and the overall CRCIP financing plan.

- G. Unanticipated infrastructure costs and construction cost escalation has resulted in increased costs for the George Sim Community Center and Valley Hi/North Laguna Library projects resulting in the need to release project contingency.
- H. Staff and the Arts Organizations are continuing to identify and evaluate the Studios project and potential savings that could be realized from: value engineering, additional scope reduction, constructing a green/sustainable building, alternative delivery methods, and building ownership options. Consistent with the effort to reduce costs and promote sustainability, the project is being designed to meet energy efficiency standards equivalent to or greater than what would be required for LEED certified.
- I. On March 13, 2007 the City Council approved Resolution 2007-151 establishing benchmarks for the Studios for the Performing Arts (Studios) project. The benchmark for the construction document phase of the project was established at \$7 million. In an effort to fully understand the costs related to the project, construction documents are needed. By reducing the benchmark for the construction document phase of the project from \$7 million to \$5.5 million the project can continue moving forward concurrently with private fundraising efforts.

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

- Section 1. The City Manager is authorized to defund the CIHC project and return \$6.0 million to the CRCIP project contingency.
- Section 2. The City Manager is authorized to reject all purchase proposals for the two adjacent parcels located at the southwest corner of Capitol Mall and Third Street (collectively known as Lot X) and remove it from the market.
- Section 3. The City Manager is authorized to allocate \$15 million from CRCIP project contingency to the Crocker Art Museum Expansion and Renovation Project (CF60) in exchange for the Crocker Art Museum Association's (CAMA) interest in Lot X.
- Section 4. The City Manager is authorized to appropriate the \$975,000 in CRCIP project contingency reserved for the George Sim Community Center project to the project budget (BC41).
- Section 5. The City Manager is authorized to appropriate \$1.5 million in CRCIP project contingency to the Valley Hi/North Laguna Library project (QA36).
- Section 6. Staff is authorized to proceed with the construction document phase of the Studios for the Performing Arts (Studios) project (BC36). The projects' sustainable performance standards must, at a minimum, be designed to meet the energy efficiency standards that would be required for LEED certified.
- Section 7. The City Treasurer and City Manager are directed to report back to Council in six months with the next status report including an update on interest earnings.

Adopted by the City of Sacramento City Council on December 4, 2007 by the following vote:

Ayes: Councilmembers Cohn, Fong, Hammond, McCarty, Pannell, Sheedy, Tretheway, and Waters.

Noes: None.

Abstain: None.

Absent: Mayor Fargo.

Attest:

Kevin McCarty, Vice-Mayor

Shirley Concolino, City Clerk