



REPORT TO COUNCIL

City of Sacramento

33

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STAFF REPORT
April 18, 2006

Honorable Mayor and
Members of the City Council

Subject: Community Reinvestment Capital Improvement Program (CRCIP)

Location/Council District: City-wide

Recommendation: Staff recommends that the Mayor and City Council approve and direct staff to:

- Include Tier I and Tier II projects (Attachment A) in the CRCIP financing;
- Include bridge financing for:
 - Crocker Art Museum Renovation and Expansion Project (\$12.0 million),
 - Center for the Performing Arts (\$5.0 million),
 - Haggin Oaks Economic Development project (\$6.4 million), and
 - Pursue sale of Lot X for the benefit of the Crocker Art Museum project.

Contact: Gus Vina, Assistant City Manager, 808-7138 and Thomas P. Friery, City Treasurer, 808-5168

Presenters: Gus Vina, Assistant City Manager

Department: City Manager's Office/City Treasurer's Office

Division: Executive Office/Financing

Organization No: 0310/0900

Summary: On March 21, 2006, the Mayor and City Council discussed and directed staff on the next steps toward final approval of the CRCIP. Specifically, staff was directed to:

- Allocate, from the additional \$8.0 million available in estimated bond proceeds:
 - \$500,000 to the Discovery Museum-Gold Rush Exhibit project in Tier I;
 - \$6,300,000 to the California Indian Heritage Center project in Tier I; and
 - \$1,200,000 to the District Improvement Funding;
- Fund the Neighborhood Park Improvements project with bond proceeds and redirect \$3.0 million from the community projects reserve into the District Improvement project;
- Identify that \$4.2 million will be available with bond proceeds when the financing is in place for the District Improvement Funding project;
- Include language in the financing that will allow the Community Center Theater project to receive bond proceeds as necessary should Tier I projects not materialize or as savings in estimated project costs are realized;

- Proceed with the understanding that the Neighborhood Park Improvements and District Funding projects, at \$3.0 million and \$6.0 million respectively, will not be initiated until such time that the Pocket Library grant funding request is secured; and
- Establish an \$11.0 million project contingency fund.

Staff was also directed to develop policy regarding:

- Rules of engagement as we move forward with specific funding for projects so that we understand specific deliverables, staffing requirements, use of funding, and critical timing as it relates to bond covenants;
- Use of the \$11.0 million contingency fund;
- Reprogramming of Tier II projects;
- Development of progress reports to be provided to the Mayor and City Council as we move forward with project implementation; and
- Specific criteria to use for determining when agreements and memorandums of understanding will be used to mitigate risk for the city as deemed appropriate and necessary.

Attachment A included in this report reflects all of the changes to Tier I and Tier II projects as directed by the Mayor and City Council and totals \$94.0 million in estimated bond proceeds. Additionally, this exhibit includes \$11,053,000 in Downtown Bond proceeds, \$3,600,000 in General Fund fund balance, and \$5,000,000 in Lot A proceeds to be used on the CRCIP projects as identified in Attachment A.

In addition to the \$94 million in estimated bond proceeds, staff is requesting approval and direction to include bridge loans in the CRCIP financing that includes:

- \$12.0 million for the Crocker Art Museum Renovation and Expansion project;
- \$5.0 million for the Center for Performing Arts; and
- \$6.4 million for the Haggin Oaks Economic Development Project.

Additional Financing: As directed by the Mayor and City Council on March 26, 2006, the financing will also include the "piggy-back" SHRA bonds estimated at \$25 million and the refunding of parking bonds estimated at \$5.3 million.

Committee/Commission Action: None.

Background Information:

Prior Council Action

- On October 11, 2005, the Mayor and City Council were presented with a proposal for a "quality of life" bond issuance that would include neighborhood, community, and various cultural related projects. The Mayor and City Council authorized the City Manager to identify projects for a Community Reinvestment Capital Improvement Program (CRCIP) and further directed the City Treasurer to propose a debt structure to finance these projects.

- On December 13, 2005, staff reported back with a proposed list of community related projects, as well as provided an overview of the limitations associated with tax-exempt bond proceeds including: private activity use, hedge bonds, and arbitrage. Additionally, the Mayor and City Council heard presentations from several non-profit and community organizations in support of funding needed for various community facilities including Crocker Art Museum, Sacramento Zoo, Fairytale Town, and libraries. Staff was directed to report back to the Mayor and City Council with a refined projects list to include project descriptions and preliminary cost estimates.
- On February 7, 2006, the Mayor and City Council approved a projects list and classified each project according to priority as either a Tier 1 or Tier 2 project. The City Treasurer's Office was directed to report back with the proposed financing structure to meet the Mayor and City Council's overall project priorities. Staff was also requested to bring back any additional or new information.
- On March 21, 2006, the Mayor and City Council discussed and directed staff on final projects to include in the Tier I and Tier II lists. Staff was also directed to develop policy recommendations, which have been identified in the Policy Considerations section of this report.

Bridge loan summaries

Crocker Art Museum Renovation and Expansion Project: The total project is estimated at \$87 million, of which \$67 million is estimated as required for the construction contract in 2007. Current projections indicate that of the \$67 million required for the construction contract in 2007, \$35 million will be available leaving a funding gap of \$32 million. Staff's recommendation for funding this gap includes the sale of Lot X for an estimated \$20 million and a bridge loan of \$12 million. These actions will provide sufficient funds for the construction contract.

The \$12 million bridge loan will be repaid through binding and documented pledges collected for the Crocker Art Museum project. The capital campaign to date has secured binding pledges for over \$47 million. Of this amount, public funding accounts for \$16 million. Because private pledges are received over time, of the remaining \$31 million in private pledges, only \$21 million is estimated as available in time for a construction contract.

Repayment of the city's bridge loan of \$12 million, with estimated debt service payments of \$1.7 million annually, is available through the remaining \$10 million in secured binding pledges, verbal commitments for \$14 million, and pending requests amounting to another \$7 million. Additionally, the Museum will continue its fundraising efforts.

Center for the Performing Arts: The total project is estimated at \$18 million. The CRCIP bond financing includes \$9 million for this project. Additionally, \$4 million is estimated in private pledges through a joint capital campaign among the California Musical Theatre, the Sacramento Philharmonic, the Sacramento Opera, and the Sacramento Ballet Company. Staff is recommending that the gap of \$5 million be provided in the form of a bridge loan to be repaid with estimated rent revenues of \$350,000 annually.

Haggin Oaks Development project: The current effort to accommodate the Mel Rapton dealership includes the preparation of a 20 acre site. Costs for the development of this 20 acre site are estimated at \$12.1 million. The city's share of the cost is estimated at \$9.1 million and Mel Rapton's share is \$3.0 million. City funding available for this project includes \$1.2 million in existing CIP funding and \$1.5 million in the FY2007 CIP budget, leaving a \$6.4 million gap. Staff is recommending a bridge loan for this \$6.4 million in order to complete this project.

Current negotiations for a 30 year lease with Mel Rapton will generate a minimum of \$450,000 annually, sufficient to provide the debt service on the bridge loan. Additionally, the new revenues generated in this project are estimated at between \$480,000 and \$1.0 million annually.

All of the above projects supported with bridge loans are city assets, owed and controlled by the city. Construction and project management will be the responsibility of the city and funding will be monitored by the city. Progress reports and implementation plans will be provided to the Mayor and City Council as we move forward with these projects. As mentioned previously in this report, expenditure of funds will be supported by the appropriate use of memorandum of understanding or other forms of agreements in order to mitigate any risk to the city's financial investments.

Financial Considerations:

Total financing for the CRCIP will include \$94.0 million for the projects identified in Attachment A with General Fund revenues of \$6.5 million annually dedicated to debt service payments, \$12.0 million bridge loan to the Crocker Art Museum project with documented pledges providing debt service payments estimated at \$1.7 million annually, \$5.0 million bridge loan to the Center for Performing Arts project with rent revenues providing debt service payments estimated at \$350,000 annually, and \$6.4 million bridge loan for the Haggin Oaks Economic Development project with lease revenues dedicated to debt service payments estimated at \$450,000 annually.

Environmental Considerations:

The requested action is not subject to the provisions of the California Environmental Quality Act (CEQA). Environmental review for any project, which utilizes funds allocated by the proposed debt issue, will be performed in conjunction with planning, design and approval of each specific project as appropriate.

Policy Considerations:

- The use(s) of the \$11.0 million contingency will require the Mayor and City Council's approval with recommendations from the City Manager's Office;
- Any funding that becomes available due to project savings, contingency savings, investment earnings, or projects that do not materialize in Tier I will require the Mayor and City Council's approval for reprogramming.
- Progress reports on projects will be provided approximately every six months to the City Council. The first progress report will include, but not be limited to:

- Project delivery schedules;
- Project managers and staffing;
- Criteria for when memorandum of understandings or other types of agreements will be provided to mitigate risk for the City.
- Staffing for project delivery of city projects is estimated at seven to ten full time positions. These position requests will be included in the FY2007 Budget process for the Mayor and City Council's approval. Funding for these positions will be included in the project budgets.

Emerging Small Business Development (ESBD):

None, as there is no purchasing activity associated with this action.

Approved:


Ray Kerridge
City Manager

Approved:

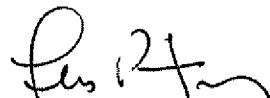

Thomas P. Friery
City Treasurer

Table of Contents

Page 1-5 Report

Page 6 Attachment A – CRCIP Project List

Attachment A

PRIORITY PROJECTS	GENERAL FUND	DOWNTOWN BOND	FUND BALANCE	LOT A PROCEEDS	OTHER
(1) Pocket Library	\$116,278,000	\$11,053,000	\$3,600,000	\$5,000,000	\$1,830,000
(2) Crocker Art Museum Expansion	3,700,000				\$848,000
(3) Zoo Veterinary Hospital	\$2,000,000	\$8,000,000			
(4) Regional Park Improvements	1,200,000				
(5) Animal Shelter Cattery Building	5,000,000				
(6) George Sim Community Center	\$1,500,000				
(7) South Natomas Community Center Improvements	\$6,500,000				
(8) Sacramento Unity Center	\$400,000				
(9) Art Rehearsal Space (14/H) Land & Match for Building	\$2,000,000				
(10) Intermodal Transportation Facility-Variou Options	\$9,000,000				
(11) Oak Park Community Center Phase II	\$3,000,000				
(12) Sierra 2 Restroom & Access Improvements	\$1,000,000		\$600,000		\$450,000
(13) Valley Hi-North Laguna Library	\$175,000				\$532,000
(14) District 2 Improvements (streetslights, sidewalks, parks)	\$16,000,000				
(15) District 3 Improvements (Ben Ali curbs, gutters, streetslights & parks)	\$7,500,000				
(16) District 1 Improvements (Alkali Flat, Stanford-Teen Cntr, Charter Performing Arts)	\$1,000,000				
(17) Memorial Auditorium Historical Studies Group Request	\$1,500,000				
(18) Community Center Theater Design	\$3,053,000	\$3,053,000		\$5,000,000	
(19) Fairytale Town Fencing & Walkways	\$0				
(20) Children's Theater of CA (CTC-B Street)	\$500,000				
(22) District Improvement Funding	\$1,000,000				
(23) Neighborhood Park Improvements	\$7,200,000		\$3,000,000		
(24) Indian Heritage Museum	\$3,000,000				
(25) Discovery Museum-Gold Rush Exhibit	\$6,300,000				
(26) City Contingency	\$500,000				
	\$11,000,000				
Tier I Funding Plan: \$94,028,000					
(27) District 7 Facilities/Improvements	\$8,300,000				
(28) Neighborhood Infrastructure/CDBG eligible (streetslights, curbs/gutters & sidewalks)	\$5,000,000				
(29) Children's Theater of CA (CTC-B Street)	\$2,000,000				
(30) SMUD Underground Match	\$5,000,000				
(31) Sacramento Zoo Animal Exhibits	\$1,950,000				
Tier II Funding Plan: \$22,250,000					