



# REPORT TO COUNCIL

## City of Sacramento

915 I Street, Sacramento, CA 95814-2604  
[www. CityofSacramento.org](http://www.CityofSacramento.org)

Consent  
 January 20, 2008

Honorable Mayor and  
 Members of the City Council

**Title:** Reimbursement Agreement with the Jackson Laboratory

**Location/Council District:** Main/Lange Avenue Intersection - Council District 2

**Recommendation:** Adopt a Resolution authorizing the City Manager to sign a reimbursement agreement with the Jackson Laboratory for the cost to prepare engineering plans and specifications for the Main/Lange Avenue Emergency Water Service Intertie, in the amount of \$50,000.

**Contact:** Dean Peckham, Economic Development Senior Project Manager, 808-7063; James R. Rinehart, Economic Development Manager, 808-5054; and Robert Armijo, Senior Engineer, 808-1411

**Presenters:** Dean Peckham

**Departments:** Economic Development & Department of Utilities

**Division:** Citywide

**Organization No:** 4453

**Description/Analysis**

**Issue:** The Jackson Laboratory is relocating its genetic research and scientific services from West Sacramento to a site located at 4910 Raley Boulevard. The City's water distribution system does not provide the water pressure required for emergency fire flows at this site, due to the high fire flow requirements that apply to a building of this size (95,000 square feet). Based on discussions with Sacramento Suburban Water District staff, City staff determined that sufficient fire flows could be provided by constructing an emergency water service intertie connecting the City's water distribution system for this area to a water line operated just outside the City limits by the Sacramento Suburban Water District. Because such an emergency intertie would provide a benefit to the City's water distribution system serving the general area, City staff proposed reimbursing the Jackson Laboratory's cost to design the intertie, subject to City Council approval. An engineer was retained by the Jackson Laboratory to complete plans and specifications for the intertie, which have been approved by the City's

**Department of Utilities.**

After the design was complete, City staff was informed by Sacramento Suburban Water District staff that construction and use of the intertie would require payment of significant fees, that would render this option infeasible, and that any proposal to waive or reduce the fees would require the performance of a rate study and approval by their Board of Directors. Due to the necessity of meeting its scheduled move in date, the Jackson Laboratory could not wait for this to occur, and was forced to abandon the plan to construct the emergency intertie; instead, the Jackson Laboratory met the fire flow requirements for its project by constructing a private water tank and pump on the Jackson Laboratory property, at a cost of approximately \$450,000. The proposed agreement would reimburse the Jackson Laboratory \$50,000 for the cost incurred to prepare the approved plans and specifications for the emergency intertie, which will be transferred to the City upon payment.

**Policy Considerations:** The action requested herein is consistent with the City of Sacramento Strategic Plan goals to expand economic development throughout the City. The proposed reimbursement agreement provides an opportunity for the City to support the attraction and expansion of the Jackson Laboratory, a leading biotech research firm. The attraction of Jackson Labs to the Raley Boulevard area is a critical element of the City's Economic Development Strategy to attract, retain, and expand high quality companies and the jobs which they create for local residents. The City and Jackson Labs will partner to attract other biotech companies with who would benefit from the close proximity to Jackson Labs.

**Environmental Considerations:** The proposed reimbursement agreement is not a project that requires environmental review under the California Environmental Quality Act (CEQA), as no changes to the environment are proposed. CEQA review would be required if the emergency intertie were to be constructed in the future.

**Sustainability Considerations:** This report does not address any sustainability issues.

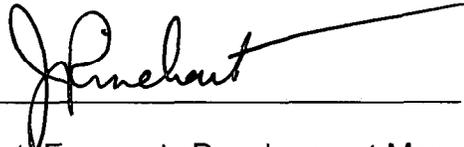
**Commission/Committee Action:** None.

**Rationale for Recommendation:** Staff is recommending that the Jackson Laboratory be reimbursed for the engineering costs associated with the design of the intertie because the City will be able to use the approved plans and specifications if it becomes feasible to construct the emergency intertie at a future time, and the Jackson Laboratory incurred this cost with a reasonable expectation of City reimbursement.

**Financial Considerations:** The cost for design of the emergency intertie is \$50,000. The City's cost will be funded by Economic Development/Department of Utilities CIP.

funds utilized for public water infrastructure costs (Z14006500, 6005 Water Fund): In return, the City will be able to use the approved plans and specifications if it becomes feasible to construct the emergency intertie at a future time, pending agreement with the Sacramento Suburban Water District.

**Emerging Small Business Development (ESBD):** This item does not involve any City procurement.

Respectfully Submitted by: 

James R. Rinehart, Economic Development Manager



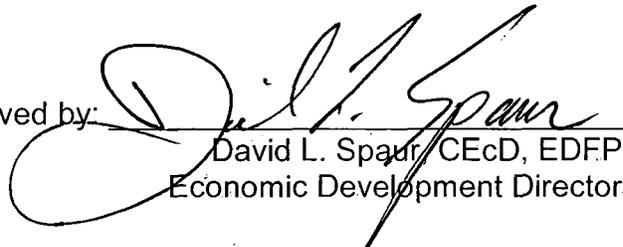
Dave Brent, Engineering Manager  
Department of Utilities



Dean Peckham, Senior Project Manager

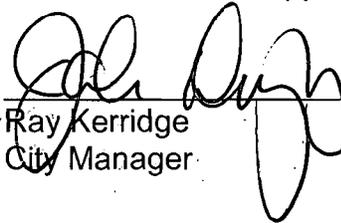


Robert Armijo, Senior Engineer  
Department of Utilities

Approved by: 

David L. Spaur, CEcD, EDFP  
Economic Development Director

Recommendation Approved:

  
Ray Kerridge  
City Manager

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**Attachment 1****BACKGROUND:**

The Jackson Laboratory (Jackson Labs) is an independent, non-profit organization focusing on mammalian genetics research to advance human health, headquartered in Bar Harbor, Maine, with over 1,300 employees across the U.S., including over 60 employees at its current location in West Sacramento. This facility is relocating to the City of Sacramento.

**Jackson Labs Overview:**

- Conducts genetic research
- Provide scientific services and genetic resources to laboratories around the world
- Educates students of all ages through courses, internships and other programs
- Work uses the mouse as a research tool. Because the mouse genome is 95 percent identical to the human genome, mice are an effective and efficient model for human diseases.
- Provides scientific resources, techniques, software and data to scientists around the world.
- Breeds and manages colonies of mice to supply other research institutions and laboratories.
- Offers high school internships, pre- and post-doctoral opportunities and other collaborative education programs.
- Provides in-the-lab workshops as well as courses and conferences given by industry leaders and renowned scientists.

**Key Points about Jackson Labs in Sacramento**

- Jackson Labs is relocating to Sacramento from W Sac in order to move away from flooding issues associated with their site on Reed Ave.
- Jackson Labs employs over 60 people currently
- Jackson Labs will employ over 125 people when the Sacramento facility opens.
- Jackson Labs will employ 150 to 250 people within five years.
- Jackson Labs employs people out of High School through PhD doctorates.
- Jackson Labs current payroll is over \$3.4 million.
- Jackson Labs is doubling size of building it purchased to 95,000 square feet.
- Jackson Labs is investing \$26 million in facility improvements.

As previously noted, Jackson Labs is relocating its genetic research and scientific services from West Sacramento to a site located at 4910 Raley Blvd. Although water pressure in the City's water distribution system serving this area is adequate for present customers and likely will be adequate for most future development projects, due to the size and characteristics of the Jackson Labs facility, water pressure currently is not

adequate to meet the emergency fire flow requirements that apply. As a result of meetings convened by the City Manager's Office it was determined that the necessary water pressure could be provided through the construction of an emergency water connection tying the City's distribution system in to another public water line operated by the Sacramento Suburban Water District (SSWD) just east of the City/County line at McClellan Park. Initial discussions with SSWD staff indicated that this was feasible and would be supported by SSWD. During an emergency fire condition, this intertie would boost water pressure by allowing additional water to enter the City's water distribution system serving the area that includes the Jackson Laboratory site.

An engineer was retained by the Jackson Laboratory to complete plans and specifications for the intertie, which were approved by the City's Department of Utilities. City staff and Jackson Lab representatives subsequently were informed by SSWD staff, for the first time, that construction and use of the emergency intertie would require payment to SSWD of significant fees, that would render this option infeasible. SSWD further indicated that any proposal to waive or reduce the fees would require the performance of a rate study and approval by the SSWD Board of Directors.

In order to meet the Jackson Laboratory's scheduled move in date of October 2008, Jackson Labs determined that it could not wait for the SSWD to complete a rate study and Board hearing. As a result Jackson Labs was forced to abandon these plans and instead construct a private 458,000 gallon onsite water storage tank to provide sufficient fire flows in the event of an emergency. Jackson Labs has requested reimbursement for the cost to prepare the approved plans and specifications for the emergency intertie, which would be transferred to the City upon payment. Staff is recommending that the Jackson Laboratory be reimbursed for the engineering costs associated with the design of the intertie because the City will be able to use the approved plans and specifications if it becomes feasible to construct the emergency intertie at a future time, and the Jackson Laboratory incurred this cost with a reasonable expectation of City reimbursement.

### **Why Is City Proposing to Assist Jackson Labs:**

Following adoption of the Economic Development Strategy in 2000, Council approved the set aside of funds within the Utilities and Public Works (now Transportation) Department budgets to achieve Economic Development goals established in the strategy. Within Public Works and Utilities, capital improvement programs are carefully studied and mapped out over several years in the future. However, economic development efforts to create new industry, job growth and revenue generation may generate needs for public infrastructure in areas not identified in the long term capital improvement projects.

To accommodate this need, both the Utilities and Transportation Departments each contribute funding to the EDCIP on an annual basis through the CIP process. The allocation of the funds is consistent with priorities set forth by the Council: infill, redevelopment, and economic development. All proposed projects must meet fund

eligibility requirements specific to the funding source.

In this case, the Economic Development/Department of Utilities CIP funds for public water infrastructure improvements would be used to reimburse Jackson Labs for the engineering costs associated with the design of the Main Ave/Lang Ave. intertie. If it becomes feasible to construct the emergency intertie, the intertie would benefit not only the Jackson Laboratory project, but would provide for additional emergency water pressure for the City's water distribution system serving the 57 acre area bounded by Raley Blvd/McClellan Park, Santa Ana and Main Ave. This area includes twenty-four (24) vacant acres that could directly benefit from the emergency water connection, if the size and characteristics of their development were to trigger additional fire flow requirements.

Through their numerous partnerships and affiliations, Jackson Labs has stated they would like to work with the City to attract similar biotech/life science businesses with whom they can partner. In addition, the attraction of Jackson Labs to the City creates a momentous opportunity to create strong partnerships between Jackson Labs and local school districts to increase educational opportunities and internships for local students, raising awareness of the natural sciences and the Science Technology Engineering & Math (STEM) Programs at CSUS and local school districts, as well as employment opportunities for local residents.

**Attachment 2**

**RESOLUTION NO.**

Adopted by the Sacramento City Council

**APPROVAL OF REIMBURSEMENT AGREEMENT  
WITH THE JACKSON LABORATORY**

**BACKGROUND**

- A. The Jackson Laboratory (Jackson Labs) is an independent, non-profit organization focusing on mammalian genetics research to advance human health. Jackson Labs is relocating its genetic research and scientific services from West Sacramento to a site located in the City at 4910 Raley Boulevard. Jackson Labs is investing approximately \$26 million in the new facility that will employ 125 people.
- B. Due to the size (95,000 square feet) and characteristics of the Jackson Labs project, the City's water distribution system in the vicinity of the project does not provide sufficient water pressure to meet the regulatory requirements for emergency fire protection water flow applicable to the project.
- C. One option to meet the project's fire flow requirements that was identified in discussions between Jackson Lab representatives and City staff was to design and construct an emergency connection between the City's water distribution system and the nearby water distribution system operated by the Sacramento Suburban Water District (SSWD). Such a connection would operate during an emergency fire condition when additional water was needed to increase water pressure in the City's water distribution system.
- D. In addition to providing a benefit to the Jackson Labs project, such a connection would provide for additional emergency water pressure for the City's water distribution system serving the 57 acre area bounded by Raley Blvd/McClellan Park, Santa Ana and Main Ave. Based on these benefits, City staff proposed using City funds allocated for public water infrastructure costs to fund the emergency intertie design costs, subject to City Council approval.
- E. After discussions between City staff and SSWD staff indicated that construction of the intertie was feasible and acceptable to SSWD, Jackson retained an engineer to prepare plans and specifications for the emergency intertie, which plans and specifications have been approved by the City's Department of Utilities. City staff and Jackson representatives subsequently were informed by SSWD that construction and use of the emergency intertie would require payment to SSWD of significant fees, that would render this option infeasible.

SSWD further indicated that any proposal to waive or reduce the fees would require the performance of a rate study and approval by the SSWD Board of Directors.

- F. Due to the necessity of meeting its scheduled move in date, Jackson determined that it could not wait for the SSWD to complete a rate study and go to the SSWD Board to determine what fees would apply to construction and use of the intertie. As a result Jackson Labs was forced to abandon the plan to construct the intertie, and, instead, met its project's fire flow requirements by constructing a private water tank and pump on the Jackson Labs property, at a cost of approximately \$450,000.
- G. Jackson Labs has requested that the City reimburse Jackson Labs for its cost to retain an engineer to prepare the approved plans and specifications, which would be transferred to the City upon payment. City staff recommends providing such reimbursement, due to the fact that the City will be able to use the approved plans and specifications if it becomes feasible to construct the emergency intertie at a future time, and given that Jackson incurred this cost with a reasonable expectation of City reimbursement.

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

- Section 1. The City Manager is authorized and directed to execute a reimbursement agreement with the Jackson Laboratory in the amount of \$50,000 (Z14006500, 6005 Water Fund), for the plans and specifications prepared for the Main Ave./Lang Ave. Emergency Water Service Intertie.

**DRAFT****Agreement for Payment of Design Costs**

This Agreement for Payment of Design Costs ("Agreement") is entered into on \_\_\_\_\_, 2009, by and between the City of Sacramento, a municipal corporation ("City") and The Jackson Laboratory, a \_\_\_\_\_ ("Jackson").

## Recitals

- A. Jackson owns property located in the City of Sacramento at 4910 Raley Boulevard, and Jackson is developing the property as a genetic research and scientific laboratory; City Building Permit Application No. \_\_\_\_ (the "Project").
- B. The City's Department of Utilities (the "Department") provides utility services for the Project, including water service.
- C. Due to the size of the Project, the City's existing water distribution system in the vicinity of the Project does not provide sufficient water pressure to meet the regulatory requirements for emergency fire protection water flow applicable to the Project (the "Fire Flow Requirements").
- D. An option to meet the Fire Flow Requirements that was identified in discussions between Jackson representatives and City staff was to design and construct an emergency connection between the City's water distribution system and the nearby water distribution system operated by the Sacramento Suburban Water District ("SSWD") in the vicinity of the Project. Such a connection (hereafter referred to as the "SSWD Emergency Connection") would operate during an emergency fire condition when additional water was needed to increase water pressure in the City's water distribution system to meet the Fire Flow Requirements for the Project.
- E. In addition to providing a benefit to the Project, such a connection would provide a benefit to the City's water distribution system by increasing water pressure for other future projects served by the same water distribution system and having similar Fire Flow Requirements. Based on this benefit, City staff proposed that City funds allocated for public water infrastructure costs in the Economic Development CIP (Z14006500, 6005 Water Fund) could be used to fund the SSWD Emergency Connection design costs, subject to City Council approval.
- F. After initial discussions between City staff and SSWD representatives indicated that construction of the SSWD Emergency Connection was feasible and acceptable to SSWD, Jackson retained an engineer to prepare plans and

specifications for the SSWD Emergency Connection, which plans and specifications (hereafter referred to as the "Approved Plans") have been approved by the City's Department of Utilities. Jackson retained the engineer for this purpose in advance of any final agreement due to Jackson's need to meet the Fire Flow Requirements for the Project in advance of their scheduled move-in date of October 2008, and in anticipation that a final agreement would provide for City funding of the design costs.

- G. City staff and Jackson representatives subsequently were informed by SSWD that construction and use of the SSWD Emergency Connection would require payment to SSWD of significant fees; that would render this option infeasible. SSWD further indicated that any proposal to waive or reduce the fees would require the performance of a rate study and approval by the SSWD Board of Directors.
- H. Due to the necessity of meeting its scheduled move in date, Jackson determined that it could not wait for the SSWD to complete a rate study and go to the SSWD Board to determine what fees would apply to construction and use of the SSWD Emergency Connection. As a result Jackson Labs abandoned the plan to construct the SSWD Emergency Connection, and, instead, is meeting the Fire Flow Requirements for the Project by constructing a private water tank and pump on the Jackson property, at a cost of approximately \$450,000.
- I. Jackson has requested that the City reimburse Jackson for its cost to retain an engineer to prepare the Approved Plans. The City is willing to provide such reimbursement in exchange for the Approved Plans, due to the fact that the City will be able to use the Approved Plans if it becomes feasible to construct the SSWD Emergency Connection at some future time, and given that Jackson incurred this cost with a reasonable expectation of City reimbursement. This also is consistent with the City's Strategic Plan goal to expand economic development, because the relocation of Jackson's facility to the Raley Boulevard area is a critical element of the City's Economic Development Strategy to attract, retain, and expand high quality companies and the jobs which they create for local residents.

NOW, THEREFORE, in consideration of the mutual obligations set forth herein, City and Jackson agree as follows:

1. **Recitals Incorporated:** The above Recitals are incorporated by this reference as if fully set forth at this place.
2. **Reimbursement for Design Costs:** Not later than thirty (30) days after the approval of this Agreement by both parties; (a) Jackson shall provide to the City's Department of Utilities a complete set of the Approved Plans, stamped by Jackson's engineer, including any related digital files; and (b) City shall pay Jackson for the engineering design costs identified in **Exhibit A**, attached hereto.

and incorporated herein by this reference.

3. **Indemnity.** Jackson shall defend (upon City's request), indemnify and hold harmless City, and its officers, employees, and agents, and each and everyone of them, from and against all actions, damages, costs, liability, claims, losses, and expenses of every type and description to which any or all of them may be subjected, by reason of, or resulting from, directly or indirectly any act or omission by Jackson, its agents, consultants, contractors or subcontractors, or their respective officers or employees, in connection with the preparation of the Approved Plans. The foregoing shall include, but shall not be limited to, attorney fees (for staff attorneys and/or outside counsel) reasonably incurred by City.
4. **Binding on Successors.** This Agreement shall be binding on and shall inure to the benefit of the parties, and their respective officials, employees, agents, successors, transferees and assigns, provided that this Agreement shall not be assigned by either party without the written consent of the other party, and any attempted assignment without such consent shall be void.
5. **Authority.** Each individual executing this Agreement on behalf of a corporation or partnership represents and warrants to City that he or she has been authorized to do so by the entity on whose behalf he or she executes this Agreement and that said entity will thereby be obligated to perform the terms of this Agreement.
6. **Attorney's Fees.** If the services of any attorney are required by either party to secure the performance of this Agreement, or otherwise upon the breach or the default of either party, or if any judicial remedy or arbitration is necessary to enforce or interpret any provision of this Agreement, the prevailing party shall be entitled to reasonable attorney fees (for staff attorneys and/or outside counsel), costs, and other expenses, in addition to any other relief to which such party may be entitled.
7. **Governing Law.** This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of California. The place where this Agreement is to be performed and its situs or forum will at all times be in the County of Sacramento.
8. **Waiver.** The waiver by any party to this Agreement of a breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach of that or any other provision of the Agreement.
9. **Entire Agreement.** This Agreement constitutes the entire agreement and understanding between City and Jackson concerning the subject matter contained herein. Any amendment to this Agreement shall be in a writing signed by both parties.

**CITY OF SACRAMENTO**

**THE JACKSON LABORATORY**

By: \_\_\_\_\_

By: \_\_\_\_\_

Print name: \_\_\_\_\_

Print name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

For: Ray Kerridge, City Manager

APPROVED TO AS FORM:

By: \_\_\_\_\_

\_\_\_\_\_  
City Attorney

Print name: \_\_\_\_\_

Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
City Clerk

**Exhibit A**  
(Engineering Cost Exhibit)

*Note: Reimbursed costs to be shown on this exhibit should be verified by DOU*