

**Meeting Date:** 4/17/2014

**Report Type:** Consent

**Report ID:** 2014-00251

**Title: Resolution of Support for the Powerhouse Science Center's IBank Application**

**Location:** District 4

**Recommendation:** Pass a Resolution of Support for the application of the Powerhouse Science Center to the California Infrastructure and Economic Development Bank (IBank) for an economic expansion loan in the amount of \$25 million for the construction of the relocated and expanded Science Center at 400 Jibboom Street.

**Contact:** Rachel Hazlewood, Sr. Project Manager, (916) 808-8645, Economic Development Department

**Presenter:** None

**Department:** Economic Development Dept

**Division:** Citywide Development

**Dept ID:** 18001031

**Attachments:**

- 1-Description/Analysis
- 2-Background PHSC Reso of Support
- 3-Resolution as IBank App Sponsor
- 4-Attachment A Site Plan

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**City Attorney Review**

Approved as to Form  
Michael Sparks  
4/2/2014 4:07:07 PM

**Approvals/Acknowledgements**

Department Director or Designee: Jim Rinehart - 3/25/2014 9:59:07 AM

## Description/Analysis

**Issue Detail:** The Powerhouse Science Center (PHSC), also known as the Discovery Museum, is asking the City to act as a sponsor for the PHSC application submittal to the California Infrastructure and Economic Development Bank (IBank) for a \$25 million loan to fund the construction of the relocated and expanded science center (Project) from 3615 Auburn Boulevard to 400 Jibboom Street, the City-owned historic PG&E Power Station B property. The City would have no direct obligation to repay the IBank loan. The loan repayment would be the sole obligation of PHSC and would come from PHSC operating income, and donations and sponsorships from corporate, public and private entities to a PHSC endowment. The PHSC is also asking for an annual appropriation from the City of Sacramento of \$350,000 per year for 20 years. The City operational contribution would be used by PHSC to repay, in part, the IBank loan. The City Council is not being asked to take action on this contribution at this time. It will be brought to City Council for consideration at a future meeting contingent upon the PHSC financing plan, a review of the PHSC donations/sponsorships received to date, adequate source of funds to make the annual debt service payments, and the receipt of preliminary approval from the IBank for the funding application.

**Policy Considerations:** The reuse of the former PG&E Power Station B property as a science center is consistent with the 2030 General Plan, the 2013 Economic Development Strategy, the River District Specific Plan, the Sacramento Riverfront Master Plan and prior actions taken by the City Council in support of the PHSC Project.

**Economic Impacts:** The total cost of construction of the Project (Phase 1 and Phase 2) is estimated at \$89 million, which is projected to create 418 direct jobs and 240 indirect jobs. Additionally, according to the Center for Strategic Economic Research (CSER) calculation, over \$55 million in direct output and over \$31 million in indirect or induced activities will be generated by the construction project. The indicated economic impact estimates are calculated using a tool developed by the CSER. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

**Environmental Considerations:** The Project is subject to review under the California Environmental Quality Act ("CEQA"). On June 1, 2010, City Council adopted the Mitigated Negative Declaration and Mitigation Monitoring Plan for the Robert T. Matsui Waterfront Park Master Plan Amendment, which included development of the Project (Resolution 2010-296). The action implements the Project as considered in the Mitigated Negative Declaration, and no additional environmental review is required.

**Sustainability:** The rehabilitation of the former PG&E building will meet the sustainability goal of reusing underutilized properties.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** The PHSC was selected by the City Council in 2007 to renovate and occupy the historic PG&E Power Station B on Jibboom Street. Since that time, the PHSC has completed entitlements, received environmental clearances and regulatory approvals. The PHSC has nearly completed construction drawings and has been raising funds. The construction of the Project will create a regional draw for Sacramento as well as provide a much needed center for science, technology, engineering and math education for children from kindergarten to 12<sup>th</sup> grade. Serving as a project sponsor is the first step in securing the construction financing from IBank to undertake Phase 1 of the Project.

**Financial Considerations:** The IBank loan would not be an obligation of the City and no financial commitment is being requested of the City at this time. The PHSC is expected to repay the IBank loan through revenues generated from its long-term Partnership Program endowment that allows corporate, private and public sponsors to support PHSC payment of the debt service on the IBank loan, development of ongoing programs, and fund the planning, design, fabrication and maintenance of the exhibits/experiences. These private sponsorships are invested into the endowment, along with other operating revenues, contributions and interest earnings, and will provide the funds for the annual debt service payments. To date, PHSC has secured over \$7 million for the Partnership Program endowment and is working with the City and other agencies to raise an additional \$14 million.

**Local Business Enterprise (LBE):** None at this time.

## Background

### Project Information

The Powerhouse Science Center (PHSC) is a nonprofit corporation that was founded in 1951. It has operated as the Discovery Museum in a City-owned facility at 3615 Auburn Boulevard for over 60 years. The PHSC has outgrown the 11,000 square foot facility and is working to develop the Powerhouse Science Center (Center) on the City-owned site of the former Pacific, Gas & Electric (PG&E) Power Station B at 400 Jibboom Street (Site).

The Site is located approximately one-quarter mile north of Old Sacramento and is immediately adjacent to the City's water intake structure on the Sacramento River. It includes the historic PG&E building and parking areas to the north and east of the building. The Site is approximately four acres in size and is immediately north of the six and one-half acre Robert T. Matsui Waterfront Park. The City took title to the Site in 2002 from the State of California. Other than a brief time in the early 1960s when the site was used as a metal salvage yard, the building has been shuttered since PG&E ceased its operation in 1954.

The new Center will include a science, space and technology center, planetarium and dome theater to be known as the Earth, Space and Sciences Center (ESSC), a cafe, gift shop and adjacent parking. The development of the Center will be phased. Phase 1 includes the ESSC, an adjacent parking lot and the structural stabilization of the historic Power Station. Phase 2 includes the full renovation of the historic Power Station and the construction of a multistory parking structure.

At its current location the Discovery Museum operates Sacramento's only public planetarium and one of the nation's most successful Challenger Learning Centers, a simulated space mission developed with NASA. Annually, approximately 60,000 to 80,000 school children and individuals visit the PHSC.

The new location will provide room for the PHSC to expand its exhibits, classrooms and laboratory space. Due to the increase in size, expanded exhibits, additional programs and improved location, the new Powerhouse Science Center is projected to attract 250,000 annual visitors, a substantial portion of which would be K-12<sup>th</sup> grade students.

The unique location of the new Powerhouse Science Center will take advantage of the nearby new Water Intake Facility on the Sacramento River, which will provide learning opportunities for students, and the Robert T. Matsui Waterfront Park, which will be enhanced with interpretive tours to further environmental study. Additionally, the

proximity of the Site to the Railroad Museum, Old Sacramento, and the future Railroad Technology Museum in the Railyards will place the Powerhouse Science Center Project centrally amidst other tourist attractions.

### Achievements To Date

On June 12, 2007, City Council awarded the Powerhouse Science Center an Exclusive Right to Negotiate for the science center project. Subsequently, on June 21, 2011 in Resolution 2011-361, City Council approved a 55-year lease with the PHSC which included the requirement that the PHSC construct the new facility by June 30, 2017.

Since 2007, the PHSC has been diligently pursuing the development of the new center through fundraising, obtaining regulatory approvals and developing construction documents for the new center. A summary of those accomplishments is as follows:

- **Hazardous Contamination:** The Site is a former, delisted Super Fund site and is under the oversight of the California Department of Toxic Substances Control (DTSC). There is a recorded land use covenant and annual groundwater monitoring requirement. The new project has obtained DTSC approval of the construction plans and the environmental remedies that will ensure the new building and site design protect public health and safety.
- **Endangered Species:** The Site had a large elderberry shrub, home to the endangered Valley Elderberry Longhorn Beetle, which was relocated in accordance with federal standards to a protected wildlife bank.
- **Wetland:** An early City construction project resulted in the creation of a small man-made wetland, which has been mitigated as required by federal and state requirements.
- **PG&E Towers:** Two PG&E electrical towers remained on the Site from the prior operations as a power station. PG&E removed these towers and relinquished the easements crossing the property as part of its contribution to the Powerhouse Science Center.
- **Entitlements:** The City approved planning entitlements and a parks master plan amendment for the PHSC design.
- **Design:** The PHSC completed design drawings and is 75% complete on its construction drawings for the new science center.
- **Science Exhibits:** The PHSC completed its Exhibition Master Plan for the new exhibits which will include Liquid Gold on water conservation, Power-Up on energy conservation, and the Nature Discovery Center among others.
- **Historic Landmark:** The City and PHSC solicited and received approval for the building to be considered a National Historic Landmark.
- **Levee:** The site is located along the Sacramento River flood control levee. The City and the PHSC have worked with regulators to get approval for the site design to develop the project adjacent to the levee.

## Remaining Development Issues

The PHSC continues to ready the Site for the new project. Remaining hurdles include:

- Approval from the Army Corps of Engineers (Corps) to construct the facility adjacent to the flood control levee. The PHSC has received preliminary approval from the Corps.
- Ownership of a small remainder parcel from PG&E where one of the transmission towers was located. Agreement on that purchase has been reached with PG&E and is proposed in another staff report submitted to Council for consideration on April 17, 2014.
- The PHSC and the City are working to gain acceptance of the State Office of Historic Preservation for the project design.

## Project Financing

The Powerhouse Science Center project has been more than six years in development. The project funding will come from a number of sources including foundation grants, government grants, corporate and private donations and tax credits.

The total project cost, including exhibits and soft costs, is estimated to be \$89 million. It will be broken into two phases:

Phase 1: This phase will include the Earth, Space and Science Center, the planetarium, gift shop, café, parking lot, and stabilization of the historic structure. The cost estimate for Phase 1 is \$49 million.

Phase 2: Phase 2 will include the rehabilitation of the historic Power Station B building and the construction of the multistory parking structure. Additionally, it will include improvements to the adjacent Robert T. Matsui Waterfront Park. The estimated cost for Phase 2 is \$40 million.

The tables below show proposed Phase 1 funding sources and the general uses of the funds.

<b>Sources</b>	<b>Amount</b>
City Redevelopment Grant (River District)	1,100,000
County of Sacramento (TOT Grant)	200,000
State Prop. 84 Grant (Nature Education Facility)	7,000,000
Founding Partners/Private Donations	2,200,000
Subtotal	\$10,500,000
New Market Tax Credits – Estimated	13,500,000
IBank Loan	25,000,000
<b>Total Sources</b>	<b>49,000,000</b>

<b>Uses</b>	<b>Amount</b>
Construction Costs (Direct Facility, Site, Interior, & Exhibits)	\$28,000,000
Predevelopment Costs (Architecture Design & Engineering, Preconstruction, Environmental)	5,000,000
Soft Costs (Permits, Planetarium, Challenger, Exhibits)	8,700,000
Pre-opening Soft Costs	2,100,000
Financing Expenses	5,200,000
<b>Total Uses</b>	<b>\$49,000,000</b>

The PHSC is submitting an application to the California Infrastructure and Economic Development Bank (IBank) for a \$25 million loan to fund the construction of the new Center. The City is being asked to sponsor the application but would have no obligation to repay the IBank loan. The PHSC is expected to repay the IBank loan through revenues generated from its long-term Partnership Program endowment that allows corporate, private and public sponsors to support PHSC payment of the debt service on the IBank loan, development of ongoing programs, and fund the planning, design, fabrication and maintenance of the exhibits/experiences. These private sponsorships are invested into the endowment, along with other operating revenues, contributions and interest earnings, and will provide the funds for the annual debt service payments. To date, PHSC has secured over \$7 million for the Partnership Program endowment and is working with the City and other agencies to raise an additional \$14 million.

The PHSC has submitted a request to the City for a contribution to the PHSC Project of \$350,000 a year for 20 years. The City Council is not being asked to take action on the request at this time. A staff report that includes the details of the request will be brought to City Council for consideration at a future meeting contingent upon the PHSC financing plan, a review of the PHSC donations/sponsorships received to date, adequate source of funds to make the annual debt service payments and the receipt of preliminary approval from the IBank for the funding application.

Due to constitutional debt limitations, the City could not enter into a binding 20 year commitment, but rather would have to make annual budget appropriations to PHSC over the course of the 20 years. Possible sources for payment of the annual appropriation from the City would be net property tax revenues received by the City as a result of the dissolution of redevelopment, annual revenue generated by the electronic billboard located on the PHSC property, annual revenues generated by leasing or selling the 3615 Auburn Boulevard facility and the estimated tax revenues generated by the PHSC Project.

**RESOLUTION NO. 2014-\_\_\_**

Adopted by the Sacramento City Council

**April 17, 2014**

**SUPPORT FOR THE ECONOMIC EXPANSION PROJECT BEING  
IMPLEMENTED BY THE POWERHOUSE SCIENCE CENTER AND  
INTENT TO ACT AS A SPONSOR FOR PURPOSES OF THE  
FINANCING APPLICATION FOR SUCH PROJECT**

**BACKGROUND:**

- A.** The Powerhouse Science Center (Powerhouse) is expanding from its current location at 3615 Auburn Boulevard to the historic, former PG&E Power Station B at 400 Jibboom Street, which is owned by the City and leased to the Powerhouse for 55 years.
- B.** The California Infrastructure and Economic Development Bank (IBank) was established and exists pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following), for the purpose of, among other things, providing financial assistance to eligible infrastructure and economic expansion projects.
- C.** The Powerhouse (Applicant) intends to submit an application for financing (Financing Application) in the amount of \$25 million under the IBank's Infrastructure State Revolving Fund Program (ISRF Program) for the construction of the new, expanded facility at 400 Jibboom Street, as shown in Attachment A hereto (the Project).
- D.** The IBank's Amended and Restated Criteria, Priorities and Guidelines for the Selection of Projects for Financing under the ISRF Program, adopted on October 29, 2013 (the Criteria), establishes requirements for the financing of projects under the ISRF Program.
- E.** For the ISRF Program, in instances such as this, where the Applicant is a nonprofit organization, the Criteria requires that the Financing Application for an Economic Expansion Project (as defined in the Criteria) be made in conjunction with a public entity, such as the City of Sacramento (the City) acting as a sponsor (Sponsor); and
- F.** The City desires to declare its support for the Project and indicate its intent to act as a Sponsor for purposes of the Financing Application.

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

- Section 1.** The above recitals are true and correct.
- Section 2.** The City Council declares its support for the Project and its intent to act as a Sponsor for purposes of the Financing Application.
- Section 3.** In furtherance of the foregoing, the City Manager or his designee is hereby authorized to cooperate with the IBank and the Applicant and their representatives to facilitate the Applicant's efforts to submit a completed Financing Application package to the IBank; provided, however, that the City is under no obligation to provide any form of financial assistance to the Applicant or the Project unless the obligation is explicitly authorized by a subsequent action of the City Council.
- Section 4.** This Resolution takes effect when adopted.

# ATTACHMENT A

## Relocated and Expanded Powerhouse Science Center

