

**Meeting Date:** 10/14/2014

**Report Type:** Staff/Discussion

**Report ID:** 2014-00811

**Title:** Studios for the Performing Arts Status

**Location:** District 4

**Recommendation:** Receive and file.

**Contact:** Leslie Wisniewski, Administrative Officer, (916) 808-8920, Convention & Cultural Services

**Presenter:** Jody Ulich, Director, (916) 808-5105, Convention & Cultural Services

**Department:** Convention & Cultural Services

**Division:** CCS Administration

**Dept ID:** 17001011

**Attachments:**

1-Description/Analysis

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**City Attorney Review**

Approved as to Form  
Kourtney Burdick  
10/9/2014 11:09:10 AM

**Approvals/Acknowledgements**

Department Director or Designee: Leslie Wisniewski - 10/8/2014 5:04:28 PM

## Description/Analysis

**Issue Detail:** On December 17, 2013, City Council approved a lease agreement between the City and the Sacramento City Unified School District (“SCUSD”) for lease of property at 2420 N Street (the “Fremont School Building”) as the new location for the Studios for Performing Arts. City Council also approved a sublease of the property to the Studios for the Performing Arts Operating Company (the “Studios Operating Company” or “SOC”) who would renovate the property and then further sublease it to its member organizations—the Sacramento Ballet and the Sacramento Region Performing Arts Alliance (formerly the Sacramento Opera and Sacramento Philharmonic) (collectively referred to as the “Member Organizations”)—and possibly to other arts and educational institutions.

The SOC has estimated the cost of the renovation at \$6 million. The following funding sources have been identified to contribute to the project:

- \$2.5 million from the CalEPA Fund (Fund 2801) for improvements, consistent with Council Resolution No. 2013-144;
- \$2.5 million upon receipt by the City of repayment of Non-Interest Bearing Principal B from the Crocker Art Museum Association (CAMA), which is to be remitted to the City between January 2018 and January 2030, consistent with Resolution No. 2013-0247 and City Agreement 2013-0860 for the reimbursement to SOC for costs expended on the second phase of the project.
- SOC is to contribute the total cost of the initial improvements, less \$2.5 million, which shall be secured by SOC before the first \$2.5 million of City funding is released.

The sublease agreement with SOC was approved by Council but has not been executed. When City Council acted on December 17, 2013, to approve the sublease, the action was based on there being two founding member organizations, the Sacramento Ballet Company and the Sacramento Region Performing Arts Alliance (SRPAA). The SRPAA has since declined to move forward.

SOC is currently working to secure other tenants for the space. According to SOC—

- It has \$1,144,167 cash on hand for the project;
- It has been unable to secure a bridge loan for \$2.5 million;
- It has secured five tenants with signed letters of commitment (but not signed leases), which is 92% occupancy, and received letters of intent from ten additional prospective tenants. The tenants include one founding member, three non-profit organizations and one other organization; and
- It has amended its bylaws as contemplated in the original unexecuted sublease; and
- It has generated a new business plan.

As originally contemplated by the sublease, SOC was to—

- Have 80% of their leasable space under tenancy (tenants must be approved by the City);
- Have reconstituted their board membership to better reflect the new business model, and have adopted bylaws to that effect. The bylaws must be affirmatively voted on by at least one member of each current group within the Board (Sacramento Region Performing Arts Alliance, Sacramento Ballet etc.); and
- The SOC must have a business plan approved by the City.

Staff has reviewed the materials provided by SOC which shows that they have made good progress in meeting the terms previously outlined in the unexecuted agreement. The two remaining areas that need more work are to build a stronger operating reserve and secure a bridge loan of \$2.5 million.

Staff will continue to work with the SOC to advance the Studios project. Once a revised plan has been finalized, it will be presented to City Council for consideration.

**Policy Considerations:** The proposed actions in this report further the City's goal of providing a diversity of first class arts and cultural facilities and programs.

**Economic Impacts:** None.

**Environmental Considerations:** This project is for the purpose of making improvements to the historic Fremont School for Adults building which is limited to the maintenance, repair, stabilization, rehabilitation, restoration, preservation, conservation, or reconstruction of historical resources in a manner consistent with the Secretary of Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings (1995), Weeks and Grimmer. This project is exempt under Section 15331 – Historical Resource Restoration/Rehabilitation, of the California Environmental Quality Act.

**Sustainability:** This agreement has been reviewed for consistency with the goals, policies, and targets of the City's Sustainability Plan (SMP).

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** None.

**Financial Considerations:** None with this informational report.

**Local Business Enterprise (LBE):** Not applicable.