



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604

www. CityofSacramento.org

Staff Report
July 25, 2006

**Honorable Mayor and
Members of the City Council**

Title: Memorandums of Understanding for Several Community Reinvestment Capital Improvement Program Bond Projects

Location/Council District: District 1, District 3, and District 4

Recommendation:

Adopt the attached Resolution authorizing the City Manager or his designee to execute Memorandums of Understanding (MOUs) between the City of Sacramento and the following nonprofit corporations for projects funded through the Community Reinvestment Capital Improvement Program (CRCIP):

1. The Sacramento Zoological Society, regarding the construction of a veterinary hospital at the Sacramento Zoo;
2. The Capital Unity Council, regarding the construction of the Capital Unity Center;
3. The Natomas Education Foundation, regarding the construction of the Natomas Community Performing and Fine Arts Center;
4. Fairytale Town, regarding the construction of fencing and walkway improvements at Fairytale Town;
5. The Sacramento Museum of History, Science, and Technology, regarding the construction of various Discovery Museum improvements and exhibits;
6. California Musical Theatre, The Sacramento Ballet, The Sacramento Opera Company, and the Sacramento Philharmonic Orchestra Association, regarding the construction of the "Studios for the Performing Arts" (Formerly Known As Arts Rehearsal Center).

Contact: Sheryl A. Taylor, Senior Project Manager, Economic Development Department, 808-7204; Barbara Bonebrake, Director, Convention, Culture and Leisure Department, 808-8225

Presenters: Barbara Bonebrake
Department: Convention, Culture and Leisure
Division: Administration

Organization No: 4310

Description/Analysis

Issue: The MOUs recognize a partnership between the City and the various organizations and a commitment to the respective project's implementation.

Policy Considerations: The approval of the MOUs memorializes the agreements between the various parties and sets forth funding obligations.

Environmental Considerations: The Environmental Services Manager has determined that the authorization to approve several Memorandums of Understanding (MOUs) between the City of Sacramento and the following entities for projects funded through the Community Reinvestment Capital Improvement Program (CRCIP) is exempt from the requirements of the California Environmental Quality Act (CEQA), pursuant to Section 15061(b)(3) of the CEQA Guidelines. Exemption 15061(b)(3) consists of an activity covered by the general rule that CEQA applies only to projects, which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. However, any projects as a result of CRCIP funding will be brought back to City Council for authorization to proceed with actual construction/development of the proposed project improvements. At the time of final action, appropriate CEQA environmental review documentation will also be completed for each specific project and brought forward to Council.

Rationale for Recommendation: On May 23, 2006, City Council authorized the issuance of the 2006 Capital Improvement Revenue Bond (2006 CIRB) (approximately \$150 million) and adopted policy directives for the CRCIP. One of the policy directives states that MOUs with grantee organizations should be put in place to ensure project objectives will be met before funding is awarded. The MOUs included in this report will allow for the transfer of funds to the various non-profit organizations as authorized by the City Council.

Financial Considerations: The MOUs included in this report represent a total City contribution of \$13.7 million, plus an additional \$5 million in bridge financing for the following projects:

| | |
|--|---------------------|
| 1. Zoo Veterinary Hospital Grant | \$ 1,200,000 |
| 2. Capital Unity Center Grant | \$ 2,000,000 |
| 3. Natomas Community Performing & Fine Arts Center Grant | \$ 500,000 |
| 4. Fairytale Town Fencing and Walkways Grant | \$ 500,000 |
| 5. Discovery Museum-Gold Rush Exhibit Grant | \$ 500,000 |
| 6. Studios for the Performing Arts Grant | \$ 9,000,000 |
| 7. Studios for the Performing Arts – Bridge Financing | \$ 5,000,000 |
| | <u>\$18,700,000</u> |

The adopted policy directives provide for periodic review of the projects, and reallocation if necessary.

Emerging Small Business Development (ESBD): Not applicable.

Respectfully Submitted by: Barbara Bonebrake
Barbara Bonebrake
Director

Recommendation Approved:

Cassandra H.B. Jennings
for Ray Kerridge
City Manager

Attachments

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Attachment 1 Background

Prior Council Action

- On October 11, 2005, City Council authorized the City Manager to identify projects for a Community Reinvestment Capital Improvement Program (CRCIP) bond issuance.
- On December 13, 2005, staff presented a proposed list of community projects.
- On January 10, 2006, City Council held a financial planning workshop and developed a CRCIP project list. Each project was evaluated and ranked in priority order as either a Tier 1 or Tier 2 project.
- On February 7, 2006, City Council approved the CRCIP project list.
- On March 21, 2006, City Council directed staff on which final projects to include in the Tier I and Tier II lists.
- On April 18, 2006, City Council approved the final Tier I and Tier II project list and bridge financing.
- On May 23, 2006, City Council authorized the issuance of approximately \$150 million in 2006 bonds, authorized funding for the Tier I CRCIP projects and adopted policy directives. Policy Directive number 3 states that agreements or Memorandums of Understanding with grantee organizations should be put in place to ensure project objectives will be met before funding is awarded.

Projects Outline and MOU Summary

1. Sacramento Zoo Veterinary Hospital

The construction of a \$2.4 million veterinary hospital located at 3930 Land Park Drive that is estimated to be completed in Fall 2006. Total City contribution is \$1.2 million. The MOU provides that Bond funds will be disbursed to Grantee within 30 days of execution of the MOU, subject to certain terms and conditions.

2. Capital Unity Center

The construction of a \$6 million interactive learning and exhibition center located at 16th and N Streets to memorialize the culture, history and diversity of California people. The project is estimated to commence in 2006 and be completed in January 2008. Total City contribution is \$2 million. The MOU obligates the Unity Center to submit plans to the City for each phase of the project as well as periodic budget reports, income and expense statements, semi-annual status reports, and a final status report.

3. Natomas Community Performing and Fine Arts Center

The \$500,000 City contribution toward the \$7.3 million project will assist in the completion of the final phase of construction of the center which is located at 4600 Blackrock Drive. The project is slated for completion in May 2007. The MOU obligates the Natomas Education Foundation to provide a budget, semiannual status reports, and a final status report. The MOU also requires that the facility will be available for community and public use in accordance with the school district's and charter school's facility use policies. The MOU provides that Bond funds will be disbursed to Grantee within 30 days of execution of the MOU, subject to certain terms and conditions.

4. Fairytale Town Fencing and Walkways

Fairytale Town is located at 3901 Land Park Drive. The \$500,000 City contribution will fund walkway resurfacing, new perimeter fencing, and other minor improvements. The MOU obligates Fairytale Town, Inc. to submit an initial budget, periodic budget reports, semi-annual status reports, and a final status report with proof of payment.

5. Discovery Museum - Improvements and Exhibits

The City is funding the total project cost of \$500,000 to design, fabricate, refurbish, renovate, and repair exhibits located within the Discovery Museum located at 101 I Street. The project is slated for completion within a three-year timeline. The MOU obligates the Sacramento Museum of History, Science, and Technology to submit an initial budget, periodic budget reports, semi-annual status reports, and a final status report. The MOU further obligates the Sacramento Museum of History, Science, and Technology to obtain Council approval of the exhibit design prior to starting any work on the exhibits that will be funded by this MOU.

6. Studios for the Performing Arts (Formerly Known as Arts Rehearsal Center)

The construction of an approximate 46,000 square foot, four-story facility will accommodate office and rehearsal space for four arts organizations – the California Musical Theatre, the Sacramento Ballet, the Sacramento Opera Company, and the Sacramento Philharmonic Orchestra Association, Inc. The facility will be located at 725 14 Street. The project is slated for completion within a three-year timeline. The project funding includes the following: 1) \$9 million in City grant funds, 2) \$5 million in City bridge financing to be repaid by the arts organizations via lease payments, and 3) \$4 million from the participating arts organizations raised from a capital campaign drive. The MOU provides that the City will own the facility, and that the parties will agree to act in good faith at all times, and the planning process will involve a community outreach program.

The MOU between the City and the Arts Organizations is consistent with the policy directives adopted by Council for the use of CRCIP bond proceeds. Policy directive number 2 provides that City bond funds will not be advanced until fifty-percent (50%) of the needed external funding is achieved. However, the parties recognize that the

Project will require the expenditure of a limited amount of bond proceeds prior to the receipt of external funding to facilitate the timely completion of the Project. To conform with the policies underlying this directive, the MOU provides that one hundred percent (100%) of external funding must be raised by the Arts Organizations before the City issues its Request for Proposals for Project Construction. It should also be noted that this Project is a joint project that will be owned by the City.

Attachment 2
Memorandums of Understanding

The Memorandums of Understanding in regard to this action are on file with the City Clerk, or may be found on the internet at the following web address:

www.cityofsacramento.org/webtech/streaming_video/live_council_meetings.htm

RESOLUTION NO.

Adopted by the Sacramento City Council

**AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO EXECUTE
MEMORANDUMS OF UNDERSTANDING (MOUs) BETWEEN THE CITY OF
SACRAMENTO AND NONPROFIT CORPORATIONS FOR PROJECTS FUNDED
THROUGH THE COMMUNITY REINVESTMENT CAPITAL IMPROVEMENT
PROGRAM (CRCIP)**

BACKGROUND

- A. On October 11, 2005, City Council authorized the City Manager to identify projects for a Community Reinvestment Capital Improvement Program (CRCIP) bond issuance.
- B. On April 18, 2006, City Council approved the final Tier I and Tier II project list and bridge financing.
- C. On May 23, 2006, City Council authorized the issuance of approximately \$150 million in 2006 bonds and adopted policy directives. Policy Directive number 3 states that agreements or Memorandums of Understanding with grantee organizations should be put in place to ensure project objectives will be met before funding is awarded.

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

- Section 1. That the City Manager or his designee is authorized to execute the attached Memorandums of Understanding between the City of Sacramento and the following nonprofit corporations:
 - 1. The Sacramento Zoological Society, regarding the construction of a veterinary hospital at the Sacramento Zoo;
 - 2. The Capital Unity Council, regarding the construction of the Capital Unity Center;
 - 3. The Natomas Education Foundation, regarding the construction of the Natomas Community Performing and Fine Arts Center;
 - 4. Fairytale Town, regarding the construction of fencing and walkway improvements at Fairytale Town;

5. The Sacramento Museum of History, Science, and Technology, regarding the construction of various Discovery Museum improvements and exhibits;
6. California Musical Theatre, The Sacramento Ballet, The Sacramento Opera Company, and the Sacramento Philharmonic Orchestra Association, regarding the construction of the "Studios for the Performing Arts" (formerly known as the Arts Rehearsal Center).