REPORT TO COUNCIL
City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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Staff Report
March 13, 2007

Honorable Mayor and
Members of the City Council

Title: Studios for the Performing Arts Project Update

Location/Council District: 725 14th Street, District 1

Recommendation: Adopt a **Resolution** approving staff's recommendation to move forward with the Studios for the Performing Arts (SPA) Project, providing the arts organizations adhere to certain performance benchmarks.

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

Presenters: Sheryl A. Taylor, Senior Project Manager

Department: Convention Culture and Leisure

Organization No: 4310

Description/Analysis:

Issue: This Report provides an update on the Studios for the Performing Arts (SPA) Project and includes a request for City Council direction and support for the next phases of the Project.

The proposed SPA Project is for the construction of a facility for rehearsal, office and classroom space for four arts organizations: The Sacramento Ballet, The Sacramento Opera Company, Sacramento Philharmonic Orchestra Association, and California Musical Theatre (Arts Organizations). The facility will be located at 725 14th Street.

Budget

The initial SPA Project budget was $18 million based upon a straight-forward square foot cost estimate. The current cost estimate is $25.4 million. A major factor in the cost increase is construction cost escalation. Other cost factors include a LEED silver certification requirement, which adds approximately $1.4 million, the Art in Public Places requirement and prevailing wage requirement. The building systems and components have been reengineered several times to maximize efficiency and reduce costs. An alternative construction method was also reviewed to ascertain possible cost savings but was determined to be infeasible.

Financing Structure

On May 23, 2006, the SPA Project was approved in the 2006 Community Reinvestment Capital Improvement Program (CRCIP). The original financing structure between the City and the Arts Organizations was based upon a 50/50 participation. Currently, the participation structure is 35/65 and is depicted below:

City	$9 million
Bridge Loan (To be repaid by Arts Orgs)	$5 million
Arts Orgs Capital Campaign	$11.4 million
Funding Total	$25.4 million

Capital Campaign

The Arts Organizations commenced a concerted campaign to raise their portion of the contribution. Currently, they need to raise approximately $11.4 million. They are seeking a lead donor and several major donors. According to the Arts Organizations, a lead donor contribution is imminent. At this time, the Arts Organizations have garnered 100% board participation which yielded $550,000 in pledges.

The capital campaign is based in part on the following categories of donations:

- Lead donor - $5 million requested – naming rights
- Other major donors with naming opportunities:
    - Ballet School - $1.5 to $2 million potential
    - Studio 1 - $1 to $1.5 million potential
    - Studio 2 - $1 to $1.5 million potential
- Total major donors - $8.5 million to $10 million

Naming Rights Process

Upon the successful negotiation for a lead donor contribution, the Arts Organizations will ask that the facility be named accordingly. Such naming rights will be brought to City Council for consideration and approval in a separate staff report.

Status

The schematic design phase is complete. The Project is slated to be presented to the Design Review Commission on March 21, 2007. Staff is preparing the Initial Study for the environmental process. Staff recommends suspension of the subsequent architectural phases of the Project until certain benchmarks are met by the Arts Organizations. Staff recommends the following performance guidelines be met to keep the Project on schedule:

Requirement	To Commence
$5 M in Pledges	Design Development Phase
$7 M in Pledges	Construction Documents Phase
$11.4 M in Pledges and 50% of pledges converted to cash and transferable to or controlled by the City	Prior to the issuance of request for bids
$11.4 M in Cash to City	Prior to awarding contract

With the Ballet's current lease due to expire in the next 24 months, time is of the essence in completing the SPA Project. The Arts Organizations are aware of the ramifications of suspending the subsequent phases of the Project. Once the Arts Organizations meet the requirements, the architect, Dreyfus and Blackford is positioned to immediately commence the next architectural phase.

Policy Considerations: The approval of the staff recommendation memorializes the performance benchmarks and provides a Project update.

Environmental Considerations: This report concerns administrative activities that will not have any significant effect on the environment, and that do not constitute a "Project" as defined by as defined by California Code of Regulations, title 14, sections 15061(b)(3) and 15378(b). Additional environmental review, as needed, will occur at the time of development or improvement of the site.

Rationale for Recommendation: Staff recommends approval of the next steps to facilitate the progression of the Project and to ensure a collaborative partnership between the City and the Arts Organizations.

Financial Considerations: There are no additional financial implications associated with this staff report.

Emerging Small Business Development (ESBD): Not applicable.

Respectfully Submitted by: Barbara E. Bonebrake
Barbara E. Bonebrake
Director, Convention, Culture and Leisure

Recommendation Approved:

Cassandra H. Jenny
for Ray Kerridge
City Manager

Table of Contents:

Pgs 1-4 Report

Attachments

1 Pg 5 Background
2 Pg 6 Resolution

Background

In 2005, the City of Sacramento was approached by four Arts organizations to seek a partnership in a public-private Project to provide rehearsal, office and classroom space for the Arts organizations. The Arts organizations are The Sacramento Ballet, The Sacramento Opera Company, Sacramento Philharmonic Orchestra, and California Musical Theatre. The Studios for the Performing Arts (SPA) Project will provide multiple benefits to the region which will facilitate a positive performing arts environment.

On October 11, 2005, City Council authorized the City Manager to identify Projects for a 2006 Community Reinvestment Capital Improvement Program (CRCIP) bond issuance. This Project was formerly known as the Arts Rehearsal Space Project and was included in the approved 2006 CRCIP bond issuance.

Ancillary to the CRCIP process, on April 11, 2006, City Council approved acquisition of the site at 725 14th Street and allocated $2.9 million to purchase the property and demolish existing improvements. Escrow closed on May 1, 2006.

Dreyfuss & Blackford Architects (D&B) prepared a preliminary program, conceptual drawings and conceptual floor design as pro bono work for the Arts organizations. The preliminary program indicates a need for an approximate 46,000 square foot, four story facility.

On July 25, 2006, City Council approved the Memorandum of Understanding and approved a $921,118 architectural services contract with Dreyfuss and Blackford Architects.

RESOLUTION NO.

Adopted by the Sacramento City Council

APPROVING STAFF'S RECOMMENDATION TO MOVE FORWARD WITH THE STUDIOS FOR THE PERFORMING ARTS (SPA) PROJECT, PROVIDING THE ARTS ORGANIZATIONS ADHERE TO CERTAIN PERFORMANCE BENCHMARKS.

BACKGROUND

A. Four arts organizations, including The Sacramento Ballet, The Sacramento Opera Company, Sacramento Philharmonic Orchestra Association, and California Musical Theatre ("Arts Organizations"), approached the City of Sacramento to seek a partnership in a public-private Project to provide rehearsal, office, and classroom space for the Arts Organizations.

B. This Project will support performing arts within the region by providing a shared facility suitable for use by multiple nonprofit arts organizations. The Project aligns with the City Council's strategic focus areas of culture and entertainment.

C. On October 11, 2005, City Council authorized the City Manager to identify Projects for a 2006 Community Reinvestment Capital Improvement Program (CRCIP) bond issuance. The Studios for the Performing Arts (SPA) Project was formerly known as the Arts Rehearsal Space Project and was included in the approved 2006 CRCIP bond issuance.

D. Ancillary to the CRCIP process, on April 11, 2006, the City Council approved acquisition of the site at 725 14th Street and allocated $2.9 million to purchase the property and demolish existing improvements. Escrow closed on May 1, 2006.

E. Dreyfuss & Blackford Architects (D&B) prepared a preliminary program, conceptual drawings and conceptual floor plan as pro bono work for the Arts organizations.

F. On July 25, 2006, City Council approved a Memorandum of Understanding between the City and the Arts Organizations for the construction of the Project and approved a $921,118 architectural services contract with Dreyfuss and Blackford Architects.