



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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STAFF
December 4, 2007

Honorable Mayor and
Members of the City Council

Title: Community Reinvestment Capital Improvement Program (CRCIP) and 2006
Capital Improvement Revenue Bonds (2006 CIRBs)

Location/Council District: Citywide

Recommendation: Accept this CRCIP status report, and adopt a Resolution authorizing: (1) the defunding of the California Indian Heritage Center (CIHC) project (KD61) and returning \$6.0 million to the CRCIP project contingency; (2) the rejection of all purchase proposals for the two adjacent parcels located at the southwest corner of Capitol Mall and Third Street (collectively known as Lot X) and removal from the market; (3) the allocation of \$15 million from CRCIP project contingency to the Crocker Art Museum Expansion and Renovation Project (CF60) in exchange for the Crocker Art Museum Association's (CAMA) interest in Lot X; (4) the allocation of \$975,000 in CRCIP project contingency to the George Sim Community Center project (BC41); (5) the allocation of \$1.5 million in CRCIP project contingency to the Valley Hi/North Laguna Library project (QA36); and (6) staff to proceed with the construction document phase of the Studios for the Performing Arts (Studios) project (BC36).

Contacts: Marty Hanneman, Assistant City Manager, 808-7138; Thomas Berke, Interim City Treasurer, 808-5168; Russell Fehr, Finance Director, 808-5832

Presenters: Marty Hanneman / Russell Fehr

Department: City Manager's Office/City Treasurer's Office

Division: Executive Office/Financing

Organization No: 0310/0900

Description/Analysis

Issue: On May 23, 2006, the City Council authorized the issuance of approximately \$150 million in 2006 CIRBs, authorized funding for the Tier I CRCIP projects and adopted policy directives (see Attachments 1 and 2). This is the second status report to City Council since the CRCIP project list and funding were approved. In accordance with the policy directives, future status reports will be provided semi-annually.

The overall CRCIP included a number of financing sources including bond proceeds, Sacramento Housing and Redevelopment Agency (SHRA) funding, and the General Fund. In addition, a key piece of the CRCIP financing was the presumed \$20 million net proceeds from the sale of Lot X which made up a substantial portion of the City's contribution to the Crocker Art Museum Expansion (Crocker) project.

The following provides an overview of known issues affecting several CRCIP projects, and detailed information on the recommendations:

Crocker Expansion and Renovation (CF60): The significant slowdown in the real estate market over the 18 months since the project financing was identified has negatively impacted the current market value of Lot X, to an extent that it is not currently advantageous to the City to sell this piece of real estate, therefore staff is recommending that Council reject all purchase proposals and authorize staff to remove Lot X from the market. By maintaining control of Lot X, the City will have development control over the property and can sell it in a better market and utilize the proceeds for a future capital improvement program process. However, as a result of not selling Lot X, there will be a \$20 million impact to the Crocker project budget and the overall CRCIP financing plan (a separate companion report covers the revenue and cost estimates in more detail).

CAMA is currently involved in a \$100 million capital campaign, the largest cultural fundraising in the region's history. To date, CAMA has raised and identified nearly \$70 million in cash and pledges from the private sector, proving strong community support for the Project. The Crocker expansion project represents a significant private/public partnership and will result in the addition of a new City owned building valued at over \$84 million. Additionally, the expansion of the Crocker will allow for larger exhibits and events that will increase the visibility of the museum and result in economic benefits to the City. Given the significant benefits of this project and the availability of privately raised funds, staff is recommending that Council allocate \$15 million of CRCIP contingency funds to cover a majority of the shortfall created by not selling Lot X in exchange for CAMA's interest in Lot X. CAMA is committed to accelerating fundraising to cover the \$5 million variance of the presumed sale of Lot X.

California Indian Heritage Center (KD61): The State of California has decided to pursue a site in the City of West Sacramento for the Center's main facilities, while retaining interest in access to American River Parkway property west of Northgate Boulevard; therefore, the CRCIP project previously approved will not be delivered and staff is recommending that \$6 million of the original \$6.3 million allocation be returned to project contingency. The CRCIP funding remaining in the project has been used to cover initial project costs (approximately \$150,000) and future costs for the conduct of preliminary studies for outdoor interpretive opportunities along the American River (approximately \$150,000).

George Sim Community Center (BC41): The current project estimate based on increased construction costs and actual construction documents is approximately \$3 million more than the current budget. To keep the project moving forward, staff is recommending that the \$975,000 in contingency established for this project be added

to the project budget. Staff will continue to work on identifying additional funding sources (grants, tax increment, etc.); to fully fund the project (Phases 1 and 2).

Valley Hi Library (QA36): The costs for construction of Cotton Lane, the primary access road to the site, and utilities were not included in the project cost estimates because at the time it was anticipated that development of the adjacent property would result in this infrastructure improvement. Due to the adverse local real estate market and the downturn in development activity, private development adjacent to the library site will not be occurring in time to provide for the construction of Cotton Lane. To address the added expenditure related to the construction of Cotton Lane staff is recommending the release of \$1.5 million from CRCIP project contingency.

Studios for the Performing Arts (Studios) (BC36): The original 2005 project estimate of \$18 million, which was to be shared between the City of Sacramento and the Arts Organizations, has increased to almost \$26 million. To date \$19.5 million has been secured for the project. Increases to the project construction budget include:

1. Leadership in Energy and Environmental Design (LEED) measures (approximately \$600,000);
2. Exterior elevation design enhancements to meet the City's Design Review Commission recommendations (approximately \$695,000);
3. Prevailing wage (approximately \$1.0 million); and
4. Construction cost escalation and soft cost increases due to the higher construction value (approximately \$3.7 million).

Staff and the Arts Organizations recommend building the Studios to meet sustainable performance standards rather than requiring a specific program standard such as LEED. By designing and building the Studios to meet sustainable performance standards, in excess of Title 24, the project will meet the City Council's commitment to green building, while benefitting from substantial cost savings.

In addition, staff and the Arts Organizations are currently working on and evaluating the following options to identify project savings:

1. Value engineering which includes reduction/refinement of project scope (potential savings of \$474,000);
2. Additional scope reduction;
3. Constructing a green/sustainable building that exceeds Title 24 standards (the Arts Organizations will be responsible for on-going operating costs);
4. Alternative delivery methods; and
5. Building ownership options that could make it easier for the arts organizations to secure private bridge financing in the face of a lengthy fundraising campaign.

The Arts Organizations and staff are recommending that the City Council reduce the project fundraising threshold from \$7 million to \$5.5 million to allow construction documents (approximately \$450,000) to be developed (costs to be shared equally between the City and the Arts Organizations) in order to develop a more accurate construction cost estimate.

Remaining Contingency: As is typical with construction projects, unknown or unforeseen conditions such as underground storage tanks, the discovery of cultural artifacts and other factors such as market conditions can result in unanticipated expenses and project cost escalations. Based on this experience staff believes that until construction contracts are in place and the initial phase of construction (grading, infrastructure and foundations) is completed, the full cost to deliver these projects will not be known. Therefore, staff recommends that the remaining project contingency be maintained until the Tier I projects are further along in the construction phase of development.

Staff will continue to monitor these projects, and as more information becomes available, or additional Council direction is required will return to Council as necessary.

CRCIP Contingency/2006 CIRBs Interest Earnings: Due to impacts from bond market pricing, the original 2006 CRCIP Contingency was reduced from \$11 million to \$8.5 million. In May 2007, the City Council approved the allocation of interest earnings to replenish the original 2006 CRCIP Contingency, and to advance debt service for the 2006 CRCIP Bridge Loans for an initial period of time. As of June 30, 2007, interest earnings on the 2006 CIRBS are approximately \$5.3 million (\$3.6 million tax-exempt interest earnings and \$1.7 million in taxable interest earnings), which includes interest earnings on the "bridge loans."

In accordance with Council's policy actions on the CRCIP bridge loans interest earnings are being used to make bridge loan payments for the Studios and Haggin projects. Additionally, interest earnings on the bridge loan proceeds being held by the City for construction of the Crocker and Studios projects, are receiving interest earnings, which are being used to offset debt payments. Interest earnings above these obligations have been allocated to the 2006 CRCIP Contingency. A summary table of contingency balance is provided on Attachment 3.

Policy Considerations: The original City Council action on the CRCIP provides that the allocation of contingency be determined by City Council. The recommendation to allocate CRCIP contingency to the Crocker, George Sim Community Center and North Laguna/Valley Hi Library projects will reduce the total available contingency to \$3.2 million, assuming interest earnings through FY2007/08.

While significant progress has been made on the CRCIP projects (see Attachments 4 and 5), several are not yet in the construction phase, making it difficult to determine the adequacy of project budgets due to bid and construction risks. As projects are more fully developed it may be necessary for City Council to reprioritize the remaining Tier 1 projects. Additionally, given the City's current financial challenges it is necessary to move forward cautiously with the existing projects, and to avoid adding additional projects that will increase City operating costs and further impact the ability to deliver Tier I projects.

Environmental Considerations: The requested actions are not subject to the provisions of the California Environmental Quality Act (CEQA). Environmental review

for the approved CRCIP projects will be performed in conjunction with planning, design and approval of each specific project as appropriate.

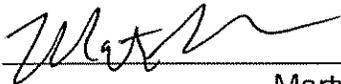
Rationale for Recommendation: The allocation of contingency supports City Council's intended efforts to reinvest in significant projects within the community. The inability to sell Lot X at this time, which was required to provide needed funding in support of the Crocker Art Museum Expansion and Renovation project, creates a significant gap in the overall funding plan. The recommendations within this report provide the necessary support for Tier I projects ready to move forward.

Financial Considerations: The following provides a summary of the financial recommendations included in this report:

- California Indian Heritage Center (CIHC) – defund the project and return \$6.0 million to the CRCIP project contingency;
- Crocker Art Museum Expansion and Renovation – allocate \$15 million from CRCIP project contingency in exchange for CAMA's interest in Lot X;
- George Sim Community Center – allocate the CRCIP project contingency associated with this project (\$975,000) and work with the Redevelopment Agency to identify additional funding to complete the project;
- Valley Hi/North Laguna Library – allocate a portion of the CRCIP project contingency associated with this project (\$1.5 million) to cover the unanticipated costs related to Cotton Lane; and
- Studios – reduce the project fundraising threshold from \$7 million to \$5.5 million to allow construction documents to be developed (approximately \$450,000, to be split between the Arts Organizations and the City).

In an effort to ensure that adequate funds are available to complete the CRCIP projects as approved by the City Council, staff is recommending that except for the specific recommendations identified above, project contingency available within the CRCIP bond funds be maintained until the Tier I projects are further along in the construction phase of development.

Emerging Small Business Development (ESBD): Not Applicable.

Respectfully Submitted by: 

Marty Hanneman
Assistant City Manager

Respectfully Submitted by: Thomas Berke
Thomas Berke
Interim City Treasurer

Recommendation Approved:

for Ray Kerridge
Ray Kerridge
City Manager

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Attachment 1**Background**

- 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.
- On June 13, 2006, City Council authorized the reallocation of District Improvement Funding and the Neighborhood Park Improvements projects to increase the General Fund for the Pocket Library project.
- On March 13, 2007, the City Council approved a fundraising threshold for the Studios for the Performing Arts be established at \$7 million in order to move to the next design step of preparing construction documents.
- On May 15, 2007, the City Council heard the first status report on the CRCIP and authorized the use of interest earnings to make the 2006 Capital Improvement Revenue Bond (CIRB) debt service payments on the bridge loan projects.

Attachment 2**2006 CIRB
CITY COUNCIL POLICY DIRECTIVES
(CRCIP and Loan Program)**

The Community Reinvestment Capital Improvement Program (CRCIP) is a policy decision by City Council to make a major investment in quality of life issues in the community. City Council wanted to also optimize the City's ability to invest in these projects while complying with tax laws. Finally, City Council wanted to optimize the economic benefit in the community in an appropriate time frame. To assure the realization of these objectives it is necessary to establish policies that will accomplish these objectives.

The CRCIP envisioned borrowing \$94+/- million to fund 24 separate Tier I projects for the City and Community non-profit organizations, as well as \$23.4 million for three other City-owned projects. The projects are all in different stages of development. Some projects are "shovel ready," while others require additional funding, and still others have not been sited, completed environmental work, or have construction drawings.

The CRCIP projects, by City Council direction, will be primarily financed with the proceeds of the 2006 CIRB bond sale, not internal City funds. Traditionally, the City uses tax-exempt bonds to finance public improvements. However, the nature and readiness of certain CRCIP projects do not comply with tax-exempt financing regulations (i.e. hedge bonds, arbitrage, private activity), and therefore, those projects require the use of taxable bonds. Taxable bonds generally cost approximately 20% more than tax-exempt bonds.

The City Treasurer's Office has developed a preliminary financing structure based on an assessment of the current project status. However, in addition to current project status, there are future considerations that will subsequently impact the financing structure. In order to determine the final financing structure and comply with City Council's objectives it is necessary to develop Policy Directives. Accomplishing this will ensure optimal use of tax-exempt bonds, while also ensuring City Council's objectives are met. The following are offered as Policy Directives for City Council consideration and adoption.

1. **PROJECT STATUS:** The preliminary financing structure has been based upon current project status and assumes all projects funded with tax-exempt funding will be completed within three years. Failure to comply with this or other tax-exempt financing regulations can result in significant financial liability to the City, including treble damages (for the amount of bonds issued.) Finally, should the identified CRCIP projects not progress in a timely manner, sufficient time must be available to reprogram and expend the tax-exempt bond proceeds and accomplish City Council objectives.

Policy Directive

Preliminary Work: Projects that have not begun preliminary work which may include acquisition, community outreach, environmental, design, etc. within [12] months of July 1, 2006 (anticipated funding availability date), will be reassessed for continued funding or substitution of other projects.

Construction Work: Projects that have not commenced construction within [24] months of July 1, 2006, will be reassessed for continued funding or substitution of other projects.

Projects which are in this category at this time include:

- Animal Shelter Cattery Building*
- Art Rehearsal Space (aka - Studios for the Performing Arts)*
- Children's Theater of CA (B Street)*
- Crocker Art Museum Expansion*
- Discovery Museum*
- District Improvement Funding
- District 1 Improvements* - Alkali Flat Boys & Girls Club
- District 1 Improvements* - Stanford Teen Center
- District 2 Improvements*
- District 3 Improvements*
- Fairytale Town*
- George Sim Community Center*
- Indian Heritage Museum (aka – California Indian Heritage Center – CIHC)
- Intermodal Transportation Facility
- Memorial Auditorium Improvements*
- Neighborhood Park Improvements
- Oak Park Community Center Phase 2*
- Pocket Library*
- Regional Park Improvements*
- Sacramento Unity Center*
- So. Natomas Community Center Improvements*
- Valley Hi-North Laguna Library*

2. **EXTERNAL FUNDING SOURCES:** Several projects, specifically those associated with non-profit organizations, require some form of external funding to complete the identified project. If the external funding is not achieved, it is likely that the project will not be completed. Additionally, if the City bond funds are advanced without assurance that the project will be completed, it is highly unlikely that the City would be repaid and able to reprogram the proceeds for another project.

* Denotes in more than one Policy Directive Category

Policy Directive

City bond funds will not be advanced until such time that [50%] of the needed external funding is achieved.

Projects which are in this category at this time include:

- Art Rehearsal Space (aka - Studios for the Performing Arts)*
- Children's Theatre of CA (B Street Theatre)*
- Crocker Art Museum Expansion*
- District 1 Improvements* (Alkali Flat, Teen Center, Charter School)
- Sacramento Unity Center*

3. **GRANT FUNDS:** Tax-exempt or taxable bond proceeds may be granted to non-profit organizations. Federal requirements on the use of tax-exempt bond proceeds can be eliminated thru the use of a grant. From a tax perspective the funds are considered expended at the time the grant is made. However, absent some form of agreement, from a policy perspective there can be no assurance that the funds would be used for the desired project.

Policy Directive

Agreements or MOUs with grantee organizations should be put in place to ensure project objectives will be met before funding is awarded.

Projects which are in this category at this time include:

- Art Rehearsal Space (aka - Studios for the Performing Arts)* – see General Fund Loan Directive
- Children's Theatre of CA (B Street Theatre)*- e.g. located within City limits, External Funding in place
- Crocker Art Museum Expansion* – see General Fund Loan Directive
- Discovery Museum* – e.g. City owned unrestricted use
- District 1 Improvements* (Alkali Flat, Teen Center, Charter School) – e.g. Policy Directive regarding External Funding
- Fairytale Town* – e.g. City owned unrestricted use
- Sacramento Unity Center* – e.g. Policy Directive regarding External Funding
- Sacramento Zoo* – e.g. City owned unrestricted use

4. **GENERAL FUND LOANS:** In addition to the CRCIP, City Council authorized General Fund loans to three City related projects, two of which have non-profit affiliation. These loans while separate from the CRCIP are included in the overall City financing.

Policy Directive

Loan or Development Agreements with grantee organizations must be put in place prior to award of funding.

Projects which are in this category at this time include:

- Art Rehearsal Space (aka - Studios for the Performing Arts)* – e.g. Policy Directive regarding External Funding in-lieu of deferment of TIs
- Crocker Art Museum Expansion* – e.g. \$20 million associated with Lot X
- Haggin Oaks Development Site – e.g. Development Agreement in place

5. **CONTINGENCY:** The CRCIP includes a contingency of approximately \$11 million that is associated with 12 of the 28 Tier I projects. The contingency approximates 17% of these projects. Council has previously indicated that any use of the contingency should return to City Council for approval. As a result of interest rate increases that have occurred since City Council approval of the program there presently are not sufficient project funds to fully fund all Tier I projects and the anticipated \$11 million contingency. The Tier I project funds could be maintained through a prudent reduction in the contingency.

Policy Directive

Contingency is earmarked for Tier I construction projects and should not be reprogrammed to Tier II or other projects until assurance can be made that all Tier I projects have sufficient funding to be completed; and the contingency can be reduced at the time of bond sale of an amount not less than 12% of the Tier I projects that have a contingency, if such reduction is necessary to maintain project funds for all Tier I projects originally approved by City Council. City Council must approve all use of contingency.

Projects which are in this category at this time include:

- Animal Shelter Cattery Building*
- Art Rehearsal Space (aka - Studios for the Performing Arts)*
- District 2 Improvements*
- District 3 Improvements*
- George Sim Community Center*
- Memorial Auditorium Improvements*
- Oak Park Community Center Phase 2*
- Pocket Library*
- Regional Park Improvements*
- Sierra 2 Restroom & Access Improvements
- So. Natomas Community Center Imp*
- Valley Hi-North Laguna Library*

6. **BOND PROCEEDS MANAGEMENT:** The CRCIP projects have been gross funded and not net funded as is customary for City financings. Therefore, the investment earnings pending expenditure of fund balance are not integral to meeting the objectives of the CRCIP. There is no time limit on the expenditure of investment income earned on taxable bond proceeds, whereas, the expenditure of investment earnings from tax-exempt must comply with federal regulations. Therefore, the investment income should be reported to City Council periodically for programming (as opposed to accumulating in the fund balance). Additionally, because of federal regulations on tax-exempt bond proceeds, routine reporting should be made to City Council.

Policy Directive

The City Treasurer's Office will report back to City Council [semi-annually] on the availability and programming of investment earnings and the status of projects as they relate to compliance with tax-exempt regulations and Policy Directives; and City Council authorize the use of investment earnings from the 2006 CIRB (excluding the SHRA component) unspent lease revenue bond funds to restore all Tier I projects should interest rates increase prior to the bond issue and a reduction in contingency funds previously described not be sufficient to offset the loss of project funds due to potential interest rate increases.

Policy Directives will assist the City Treasurer's Office to structure the CRCIP bonds to meet City Council objectives, manage the bond proceeds in compliance with federal regulations, and provide periodic report backs to City Council on program status.

Attachment 3

CRCIP Project Contingency

The CRCIP Tier I project list totaled \$94 million dollars which originally included a set aside of \$11 million for project uncertainties (contingency). Due to impacts from bond market pricing, the original proposed 2006 CRCIP Contingency was reduced from \$11 million to \$8.5 million. In May 2007, City Council approved the allocation of interest earnings to replenish the original 2006 CRCIP Contingency, and to advance debt service for 2006 CRCIP Bridge Loans for an initial period of time. The following table reflects contingency balances based on approved and proposed allocations as well as assumed interest earnings through FY2007/08.

	<u>Fund 713</u>	<u>Fund 714</u>	<u>Total</u>
<u>Beginning Fund Balance (June 2006)</u>	\$7,870,681	\$681,796	\$8,552,477
Funding Swap for District Programming ¹	(\$1,059,941)	\$ -	(\$1,059,941)
CRCIP Contingency Subtotal:	\$6,810,740	\$681,796	\$7,492,536
 <u>Interest Earnings</u>			
FY2005/06 Interest	\$208,225	\$88,284	\$296,509
FY2006/07 Interest	\$3,432,650	\$1,581,600	\$5,014,250
Assumed FY2007/08 Interest	<u>\$2,353,872</u>	<u>\$ 1,161,165</u>	<u>\$3,515,037</u>
Subtotal Interest:	<u>\$5,994,747</u>	<u>\$2,831,049</u>	<u>\$8,825,796</u>
CRCIP Contingency Subtotal:	\$12,805,487	\$3,512,845	\$16,318,332
 <u>Less Bridge Interest Allocation (thru FY08):</u>			
Crocker	(\$561,831)	\$ -	(\$561,831)
CRCIP Contingency Subtotal:	\$12,243,656	\$3,512,845	\$15,756,501
 <u>Less Debt Payments for Bridge Loans (thru FY08):</u>			
Crocker FY07 ²	(\$510,362)	\$ -	(\$510,362)
Studios FY07 & FY08	\$ -	(\$699,913)	(\$699,913)
Haggin FY07 & FY08	<u>\$ -</u>	<u>(\$888,177)</u>	<u>(\$888,177)</u>
CRCIP Contingency Subtotal:	\$11,733,294	\$1,924,755	\$13,658,049
 <u>Add</u>			
California Indian Heritage Center (CIHC) ³	\$6,000,000	\$ -	\$6,000,000
CRCIP Contingency Subtotal:	\$17,733,294	\$1,924,755	\$19,658,049
 <u>Less Proposed Allocation</u>			
Crocker - Lot X Funding	(\$15,000,000)	\$ -	(\$15,000,000)
George Sim Community Center	(\$975,000)	\$ -	(\$975,000)
Valley Hi/North Laguna Library	<u>(\$1,500,000)</u>	<u>\$ -</u>	<u>(\$1,500,000)</u>
CRCIP Contingency Subtotal:	\$258,294	\$1,924,755	\$2,183,049
 Tax-Exempt (Fund 713) Financing Contingency:			
			\$258,294
Taxable (Fund 714) Financing Contingency:			
			\$1,924,755
General Fund (Fund 101) Financing Contingency:			
			\$1,059,941
		CRCIP Financing Total:	\$3,242,990

¹ The CRCIP funding plan included \$3 million in General Funds, to ensure compliance with the use and timing restrictions of the bond proceeds, CRCIP bond funds are being spent first

² CAMA assumes debt payments for the Crocker bridge loan starting in FY08 based on the approved MOU

³ \$6.3 million was originally allocated towards CIHC and \$300,000 is being retained in the project for planning and acquisition costs

Attachment 4

CRCIP PROJECT STATUS

CRCIP Project	Total CRCIP Funding	Project Description / Status Update
Design and/or Bid Phase		
District 3 Improvements	\$ 1,000,000	Street infrastructure plans are being finalized.
Crocker Art Museum Expansion	\$ 14,000,000	Guaranteed Maximum Price (GMP) for construction to be approved on 12/4/07 with construction to be completed by early 2010. Includes a \$12 million bridge loan.
George Sim Community Center	\$ 6,500,000	Guaranteed maximum price is planned to be known January 2008 with a ground breaking planned for March 2008.
Oak Park Community Center Phase II	\$ 1,000,000	Construction documents are being finalized and project is expected to go to bid in December 2007.
Pocket Library	\$ 12,700,000	The City has signed a construction and financing agreement with the Sacramento Unified School District to deliver this project. The project is currently in the schematic design phase.
S. Natomas Community Center Kitchen	\$ 200,000	The concession kitchen is anticipated to go to bid in November.
Studio for the Performing Arts (Studios)	\$ 14,000,000	Project ready to move to construction document phase. Funding includes a \$5 million bridge loan.
Sutters Landing Regional Park	\$ 1,666,667	Construction documents being developed for a dog park, river access and other amenities, with construction planned for mid-2008.
Valley Hi/North Laguna Library	\$ 16,000,000	Currently in construction document phase with a ground breaking planned for March 2008.
Under Construction		
Animal Shelter Cattery Building	\$ 1,500,000	Ground breaking was held in September.
District 2 Improvements	\$ 7,500,000	Park and street lighting improvements are under construction.
Economic Development - Haggin Oaks	\$ 6,400,000	Bridge loan financing for site improvements.
Granite Regional Park	\$ 1,666,667	Skate park, dog park with small dog area, soccer field and additional enhancements, to be completed by end of 2008.
Intermodal Transportation Facility	\$ 3,000,000	Property acquisition is complete and improvements studies are in progress.
Memorial Auditorium Improvements	\$ 3,053,000	Waterproofing is complete and site improvements are in progress.
North Natomas Regional Park	\$ 1,666,666	Bike trails and landscaping through and around the park are 50% complete, to be completed by end of 2008.
Sierra 2 Restroom & Access Improvements	\$ 175,000	CRCIP funded ADA improvements are complete. Additional improvements are being identified related to the CDBG and General Fund allocations through the CRCIP process.
Grant Projects in Progress		
Children's Theater of CA (CTC-B Street)	\$ 1,000,000	Theater group fund raising on schedule. On target for construction-ready drawings to be completed by 9/08.
Discovery Museum - Gold Rush Exhibit	\$ 500,000	Improvements focused on telling the story of the City and County of Sacramento as well as addressing infrastructure problems. Museum is in the process of bringing on a designer to begin work on conceptual drawings.
District 1 Improvements (Alkali Flat)	\$ 500,000	Design and build a play area where the existing Boys and Girls Club parking lot is, and then relocate the parking lot.
District 1 Improvements (Stanford Teen Center)	\$ 500,000	Staff is reviewing project scope with Stanford Settlement to determine what can be accomplished with available resources with a Spring 2008 goal for starting construction.
Fairytale Town Fencing & Walkways	\$ 500,000	Staff is preparing to put fencing improvements out to bid.
Sacramento Unity Center	\$ 2,000,000	Finalizing CA Department of State Architecture permit. Construction to begin early 2008.
Completed and/or Cancelled CRCIP Projects		
California Indian Heritage Center (CIHC)	\$ 6,300,000	State of California determination to locate the facility in West Sacramento has resulted in the ability to return \$60 million to CRCIP contingency.
District 1 Improvements (Charter Performing Arts)	\$ 500,000	Theater is complete.
Sacramento Zoo Veterinary Hospital	\$ 1,200,000	Construction has been completed and the hospital is open.
S. Natomas Community Park Rose Garden	\$ 200,000	Rose garden has been completed.

Attachment 5

CRCIP PROJECT HIGHLIGHTS

The following renderings and site plans are intended to provide an update on the significant progress made to date on a few of the CRCIP projects.

Oak Park Community Center



Sacramento Memorial Auditorium



Studios for the Performing Arts (Studios)

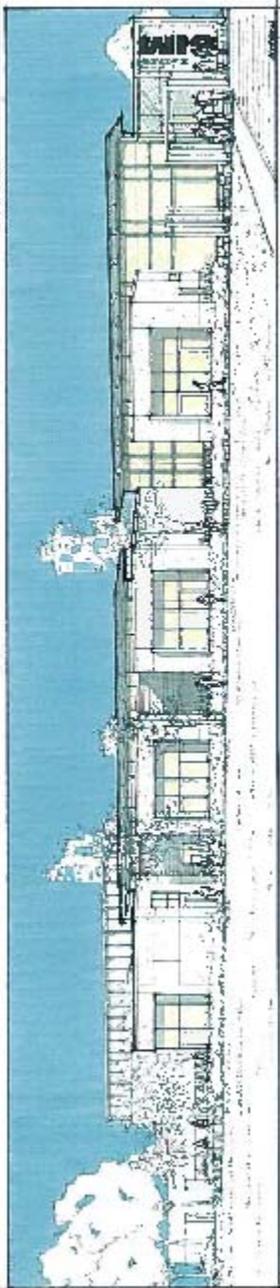


Crocker Art Museum Expansion and Renovation



George Sim Community Center Expansion

GEORGE SIM COMMUNITY CENTER



VIEW 'CONCEPT' NORTH EASER FROM '06/01/07/07/07

6207 LOGAN STREET
SACRAMENTO CA 95824

50% DESIGN DEVELOPMENT 15 OCTOBER 2007

Valley Hi / North Laguna Library

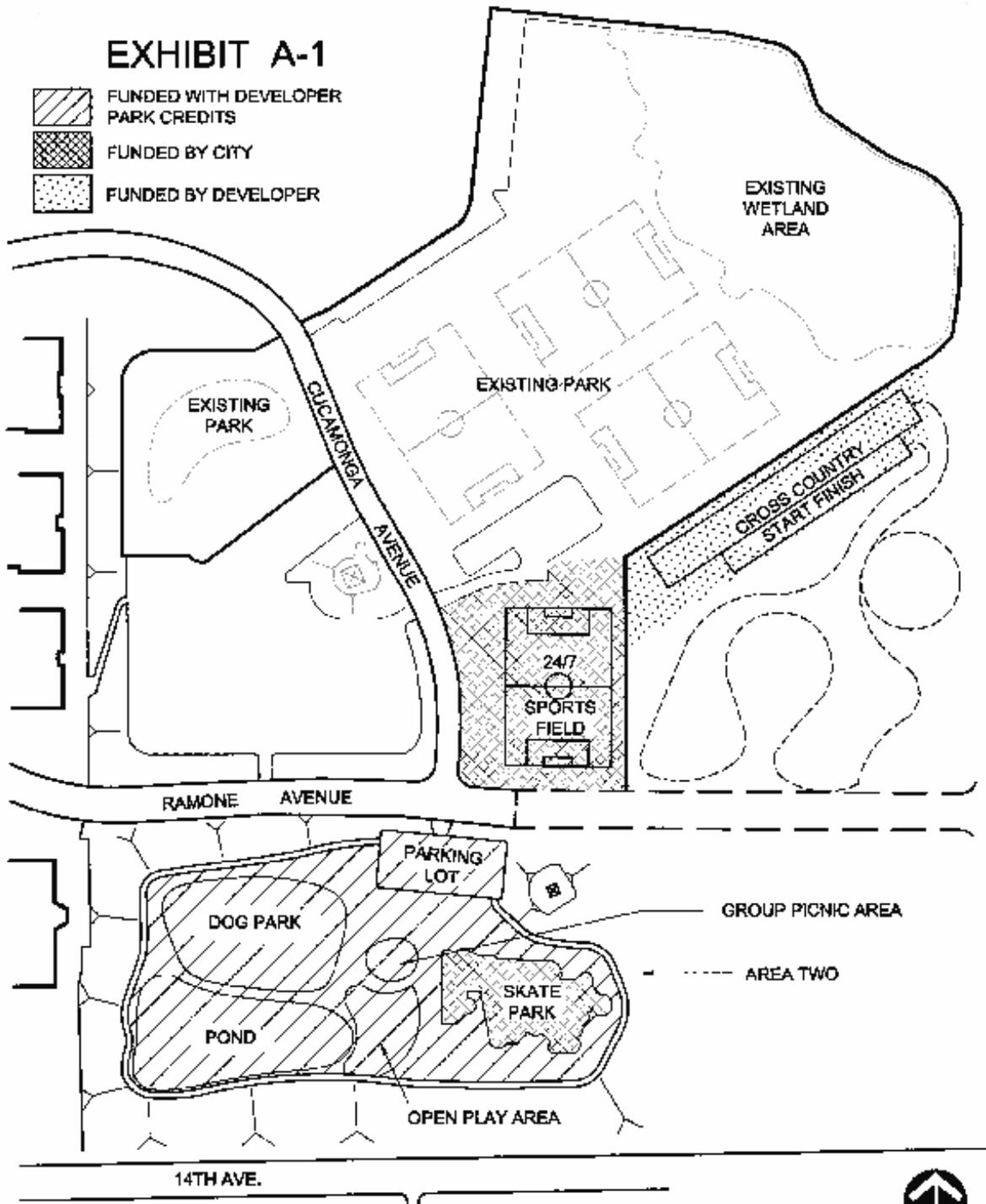


Corner of Bruceville Road & Cotton Lane

Valley Hi/North Laguna Library
June 8, 2007

noll&tam
architects and planners

Granite Regional Park



Granite Regional Park Funding Exhibit

Attachment 6

RESOLUTION NO.

Adopted by the Sacramento City Council

DEFUNDING THE CALIFORNIA INDIAN HERITAGE CENTER (CIHC) PROJECT (KD61) AND RETURNING AVAILABLE FUNDS TO CRCIP CONTINGENCY; REJECTING ALL PURCHASE PROPOSALS FOR LOT X AND REMOVAL FROM THE MARKET; ALLOCATING PROJECT CONTINGENCY TO THE CROCKER ART MUSEUM EXPANSION AND RENOVATION PROJECT (CF60), GEORGE SIM COMMUNITY CENTER PROJECT (BC41), AND VALLEY HI/NORTH LAGUNA LIBRARY PROJECT (QA36); AND FUNDRAISING THRESHOLD CHANGE FOR THE STUDIOS FOR THE PERFORMING ARTS PROJECT (BC36)

BACKGROUND

- A. On January 10, 2006 the City Council approved the Community Reinvestment Capital Improvement Program (CRCIP) and on May 23, 2006 the issuance of capital improvement revenue bonds (2006 CIRBs) to fund the City's CRCIP.
- B. Consistent with the policy directives adopted by the City Council (Resolution 2006-366), staff has provided an update on the status of the CRCIP projects.
- C. In addition to the approved CRCIP project list (Exhibit A), the 2006 CIRBs included the establishment of "bridge loans" for the Crocker Art Museum Expansion and the Studios for the Performing Arts (Studios) projects. The cost of issuance and repayment of these loans is the obligation of these non-profit partners.
- D. The interest earnings on the 2006 CIRBs recognized to date are approximately \$5.3 million, which includes earnings on the "bridge loans." Interest earnings are needed to fully fund project contingency as approved by Council. Council has authorized additional interest earnings to be used toward bridge loan debt service.
- E. In May 2007, the State of California decided to pursue a site for the California Indian Heritage Center in West Sacramento for the Center's main facilities, while retaining interest in access to American River Parkway property west of Northgate Boulevard. The City costs associated with preliminary studies and environmental review is approximately \$300,000. Based on the State's decision, staff is recommending that \$6.0 million be returned to the CRCIP project contingency.
- F. The significant slowdown in the real estate market over the 18 months since the Crocker Art Museum and Renovation project (CF60) financing was identified has negatively impacted the current market value of Lot X, to an extent that it is not

currently advantageous to the City to sell this piece of real estate. As a result of not selling Lot X, there will be a \$20 million impact to the Crocker project budget and the overall CRCIP financing plan.

- G. Unanticipated infrastructure costs and construction cost escalation has resulted in increased costs for the George Sim Community Center and Valley Hi/North Laguna Library projects resulting in the need to release project contingency.
- H. Staff and the Arts Organizations are continuing to identify and evaluate the Studios project and potential savings that could be realized from: value engineering, additional scope reduction, constructing a green/sustainable building that exceeds Title 24 standards, alternative delivery methods, and building ownership options. Staff and the Arts Organizations are currently recommending that the Studios be constructed to meet sustainable performance standards rather than requiring a specific program standard such as Leadership in Energy and Environmental Design (LEED). By designing and building the Studios to meet sustainable performance standards, in excess of Title 24, the project will meet the City Council's commitment to green building, while benefitting from substantial cost savings.
- I. On March 13, 2007 the City Council approved Resolution 2007-151 establishing benchmarks for the Studios for the Performing Arts (Studios) project. The benchmark for the construction document phase of the project was established at \$7 million. In an effort to fully understand the costs related to the project, construction documents are needed. By reducing the benchmark for the construction document phase of the project from \$7 million to \$5.5 million the project can continue moving forward concurrently with private fundraising efforts.

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

- Section 1. The City Manager is authorized to defund the CIHC project and return \$6.0 million to the CRCIP project contingency.
- Section 2. The City Manager is authorized to reject all purchase proposals for the two adjacent parcels located at the southwest corner of Capitol Mall and Third Street (collectively known as Lot X) and remove it from the market.
- Section 3. The City Manager is authorized to allocate \$15 million from CRCIP project contingency to the Crocker Art Museum Expansion and Renovation Project (CF60) in exchange for the Crocker Art Museum Association's (CAMA) interest in Lot X.
- Section 4. The City Manager is authorized to appropriate the \$975,000 in CRCIP project contingency reserved for the George Sim Community Center project to the project budget (BC41).

- Section 5. The City Manager is authorized to appropriate \$1.5 million in CRCIP project contingency to the Valley Hi/North Laguna Library project (QA36).
- Section 6. Staff is authorized to proceed with the construction document phase of the Studios for the Performing Arts (Studios) project (BC36).
- Section 7. The City Treasurer and City Manager are directed to report back to Council in six months with the next status report including an update on interest earnings.