REPORT TO COUNCIL
City of Sacramento

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STAFF REPORT
March 21, 2006

Honorable Mayor and
Members of the City Council

Subject: Community Reinvestment Capital Improvement Program (CRCIP)

Location/Council District: City-wide

Recommendation: City Council provide direction on:

- The financing structure for an estimated $94+ million CRCIP supported by an annual lease payment of $6.5 million;
- Including in the CRCIP financing as a "piggy-back":
  - an estimated $25 million in SHRA bonds,
  - an estimated $5.3 million taxable refunding of parking bonds;
- Bridge financing or alternative financing for:
  - Crocker Art Museum Expansion Project,
  - Arts Rehearsal Space,
  - Haggin Oaks Economic Development Project.

City Council approve Final Tier 1 and Tier 2 projects.

Contact: Gus Vina, Assistant City Manager, 808-7138 and Thomas P. Friery, City Treasurer, 808-5168

Presenters: Gus Vina, Assistant City Manager and Thomas P. Friery, City Treasurer

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

Division: Executive Office/Financing

Organization No: 0310/0900

Summary: Since the February 7 Council meeting, City Treasurer's Office, in partnership with the City Manager's Office, Budget Office, and General Services Department, refined the list of identified projects including cost estimates, funding sources, and project delivery timelines. Staff will present information on the following:

- Leveraging $6.5 million annually over 30 years;
- $94+ million in CRCIP funds;
  - Tier 1 projects at an estimated $75 million,
  - Programmed contingency of $11 million,
  - Estimated $8 million available for programming;

- Consideration of bridge financings for the Crocker Art Museum Expansion, the Arts Rehearsal Space;
- Provide new information on the Haggin Oaks Economic Development Project and the California Indian Cultural Heritage Museum;
- "Piggy-back" financings of approximately $40+ million which will save approximately $600,000 in financing costs;
- Financing schedule estimates sale in late May/early June.

Committee/Commission Action: None.

Background Information:

Prior Council Action

- On October 11, 2005, City Council was presented with a proposal for a "quality of life" bond issuance that would include neighborhood, community, and various cultural related projects. City Council authorized the City Manager to identify projects for a Community Reinvestment Capital Improvement Program (CRCIP) and further directed the City Treasurer to propose a debt structure to finance these projects.

- On December 13, 2005, staff reported back with a proposed list of community related projects, as well as provided an overview of the limitations associated with tax-exempt bond proceeds including: private activity use, hedge bonds, and arbitrage. Additionally, City Council heard presentations from several non-profit and community organizations in support of funding needed for various community facilities including Crocker Arts, Sacramento Zoo, Fairytale Town, and libraries. Staff was directed to report back to City Council with a refined projects list to include project descriptions and preliminary cost estimates.

- On February 7, 2006, City Council approved a projects list and classified each project according to priority as either a Tier 1 or Tier 2 project (**Exhibit A**). The City Treasurer's Office was directed to report back with the proposed financing structure to meet the City Council's overall project priorities. Staff was also requested to bring back any additional or new information.

Analysis of CRCIP

Proposed Financing Structure: In order to structure the financing, Tier 1 projects were categorized into four broad categories as summarized below.

CRCIP Funds Available		$94.0M
Grants:		
Tax-exempt	$ 4.2M	
Taxable	$ 3.5M	

City Construction Projects:		
Tax-exempt	$45.6M	
Taxable	$21.7M	
Total	$75.0M	
Contingency	$11.0M	
Tier 1 Total Costs		($86.0M)
CRCIP funds available for programming		$ 8.0 M

The detailed analysis is shown in **Exhibit B.** The analysis indicates that additional proceeds of $8 million are available for further City Council programming.

Additional Information

Bridge Financing: Through the assessment process it was also discovered that the Crocker Art Museum Expansion and the Arts Rehearsal Space could not be completed without additional funding.

The concept of a "City" bridge financing was discussed as an alternative to meet the cash flow needs of the construction project. If the City provides a bridge financing it increases the amount of funding above that originally programmed. Additional information on bridge financing is provided in **Exhibit C**.

Executives and Board members from these entities will brief City Council on their respective projects.

Contingency: As part of staff analysis of Tier I and Tier 2 projects, it was discovered that many of the proposed projects are in the early stages of design and therefore construction could not commence immediately. Therefore, in order to ensure that sufficient funding is available to address increasing construction costs and unanticipated events that may occur during the construction phase, it was determined that a contingency would be fiscally prudent to address these unknowns. A lump-sum $11 million contingency has been included in the CRCIP financial modeling.

The City Manager will present to City Council any requests for use of contingency.

New Information: During the review process new information was brought forth on two City projects: California Indian Cultural Heritage Museum and the Haggin Oaks Economic Development Project. Additional information will be presented to City Council for consideration.

The above summation of the CRCIP analysis by staff is completed and presented to City Council for finalizing the CRCIP Tier 1 and Tier 2 projects.

Piggy-back

Staff is informing City Council that by "piggy-backing" other financings within this bond issue, approximately $600,000 - $900,000 will be saved. These financings will include an SHRA component estimated at $25 million, an estimated $5.3 million taxable refunding associated with two City parking garages, and if included as an approved City project up to $6.3 million for the Haggin Oaks Economic Development Project. These projects are more fully described on **Exhibit D.**

Financial Considerations:

The source of funds for bond repayment is an annual appropriation by City Council of $6.5 million dollars of General Fund monies as a lease repayment for specific City assets. The amount of the repayment source ($6.5 million) approximates the amount of ERAF monies the City will receive starting in 2006, although such monies are not pledged as a part of the financing.

Borrowing Costs

The City Treasurer's Office has estimated borrowing costs at a blended rate of 5.27%, which is .50% higher than current rates. The sale is projected for late May/early June; subject to change based on market conditions at that time. The overall break-out ratio is 67% tax-exempt and 33% taxable bonds. The following table shows the estimated costs.

Estimated Tax-exempt Bond Rate	4.93%
Estimated Taxable Bond Rate	6.05%
Blended Bond Rate	5.27%

Environmental Considerations:

The requested action is not subject to the provisions of the California Environmental Quality Act (CEQA). Environmental review for any project, which utilizes funds allocated by the proposed debt issue, will be performed in conjunction with planning, design and approval of each specific project as appropriate.

Policy Considerations:

This report and the recommendations contained within the report are consistent with the City's sustainable budget policy and in accordance with the City's Strategic Plan.

Emerging Small Business Development (ESBD):

None, as there is no purchasing activity associated with this action.

Approved:

for Ray Kerridge
City Manager

Approved:

Thomas P. Friery
City Treasurer

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COMMUNITY REINVESTMENT FUNDING 2006

PRIORITY PROJECTS	GENERAL FUND	DOWNTOWN BOND	FUND BALANCE	LOT A PROCEEDS	OTHER
	$97,778,000	$11,053,000	$3,600,000	$5,000,000	$1,830,000
Pocket Library	3,700,000				$848,000
Crocker Art Museum Expansion	$2,000,000	$8,000,000			
Zoo Veterinary Hospital	1,200,000				
Regional Park Improvements	5,000,000				
Animal Shelter Cattery Building	$1,500,000				
George Sim Community Center	$6,500,000				
S. Natomas Community Cntr. (SNCC) Improv.	$400,000				
Sacramento Unity Center	2,000,000				
Neighborhood Park Improvements			$3,000,000		
Art Rehearsal Space (14/H) Land & Match for Building	$9,000,000				
Intermodal Transportation Facility-Various Options	$3,000,000				
Oak Park Community Center Phase II	$1,000,000				
Sierra 2 Restroom & Access Improvements	$175,000		$600,000	CDBG ADA Work	450,000
Valley Hi-North Laguna Library	16,000,000				$532,000
District 2 Improvements (streetlights, sidewalks, parks)	7,500,000				
District 3 Improvements (Ben Ali)	1,000,000				
District 1 Improvements (Alkali Flat, Stanford-Teen Center, Charter-Performing Arts)	1,500,000				
Memorial Auditorium Historical Studies Group Request	$3,053,000	$3,053,000			
Community Center Theater Design				$5,000,000	
Fairytale Town Fencing & Walkways	$500,000				
Children's Theater of CA (CTC-B Street)	$1,000,000				
District Improvement Funding	$9,000,000				
Tier I Funding Plan: $75,028,000					
District 7 Facilities/Improvements	$8,300,000				
Neighborhood Infrastructure/CDBG eligible (streetlights, curbs/gutters & sidewalks)	$5,000,000				
Children's Theater of CA (CTC-B Street)	$2,000,000				
SMUD Underground Match	$5,000,000				
Sacramento Zoo Animal Exhibits	1,950,000				
Discovery Museum-Gold Rush Exhibit	500,000				
Tier II Funding Plan: $22,750,000					

EXHIBIT B

CITY TREASURER ANALYSIS

Using the criteria listed below the City Treasurer's Office developed a proposed financing structure. Each project was individually analyzed against the following criteria in developing the proposed bond structure. **(See Attachment 1)**

Tax-Exempt: While the use of tax-exempt bonds is the most traditional method for financing City projects, there are limitations and restrictions regarding the use of tax-exempt proceeds that must be met. As identified in the December 13 report these restrictions include regulations imposed by the Tax Equity and Fiscal Responsibility Act and the Tax Reform Act. The key factors evaluated by staff for each proposed project in order to issue tax-exempt bonds included the following.

- **Private Activity** – is there any private enterprise activity associated with the use of the proposed facility, and if so, will it exceed 5% of the proceeds or 10% of the use of the facility?

- **Hedge Bonds/Expenditure Rule** – is there an identified project that the proceeds will be expended on with at least 85% of the proceeds being expended within three years? In evaluating this staff reviewed whether a site had been acquired for a new facility, were there construction drawings, and was there sufficient funding to fully fund the cost of the improvement, etc.

- **Arbitrage** – Is it anticipated that profit will be earned above the permissible rate of return on the tax-exempt bonds and those funds will need to be rebated to the federal government.

Taxable: If there were questions regarding whether a proposed project would be able to meet the requirements for tax-exempt bonds a more flexible option would be to issue a portion of the bonds as taxable. In the past the interest rate spread between tax-exempt and taxable bond ranged from 30% to 40%, that spread has narrowed significantly and is currently between 5% - 20%. Therefore, the economic benefit that can be derived by the greater flexibility and use of taxable funding may well offset the slight increase in financing cost associated with funding the project with taxable bonds.

Grants: For clarification purposes a Grant approved by City Council is considered as spent as of the day the City makes payment of the grant, not when the actual project is completed. However, to the extent the City Council approves a tax-exempt grant the Council may impose certain policy directives. These directives may not permit the City to recover monies paid because they may have already been spent the monies or requiring repayment could well result in a taxable event. As an alternative should grants be designated as taxable, the City Council may impose policy directives and have staff oversee the accomplishment of the directives prior to releasing these funds. If the policy directives are not achieved the monies can be returned to Council for use in other projects as authorized by Council. Further,

investment income earned while administering these types of grants can be paid to the City, and there is no time limit on how long these policy directives can be in effect. **(See Attachment 2)**

The same consequences exist for City constructed projects. To the extent such projects are not known or that bond proceeds cannot reasonably be expended within three years, CRCIP projects approved to be financed with tax-exempt monies can result in significant liability to the City. Conversely, projects financed with taxable bond proceeds carry more flexibility and do not carry City liability.

In trying to assess liability in the inappropriate use of tax-exempt bond proceeds the example we have seen over the years is the loss of tax-exempt interest earnings status. Further, municipalities have been subject to treble damages awarded to investors as a penalty for the loss of tax -exempt income to investors.

In today's market environment the difference in borrowing cost for tax-exempt versus taxable monies is approximately 20%. However, as explained previously the penalties for inappropriate use of tax-exempt monies is greater than the cost differential. Finally, while the differential is currently 20%, it is still only half of the 40% historical spread between tax-exempt and taxable borrowing costs.

Financing Sizing

City Council has directed the City Treasurer to maximize the borrowing leverage on $6.5 million. Based on the analysis of projects approved by City Council these projects are categorized in four broad categories for financing purposes. As it relates to all Tier 1 projects the ratio of such projects are approximately 67% tax-exempt and 33% taxable. In the analysis of these projects it was determined that an additional contingency of $11 million was required to be set aside to cover any project overruns. Although a detailed analysis of this breakdown is shown as Attachment 1 of Exhibit B, the following table breaks down the City Council approved projects in tax-exempt and taxable comparisons under Tier I.

City Council Approved Projects
(millions of $)

	Tax-exempt	Taxable	Total
Project Costs	$49.8	$25.2	$75.0
Contingency	$ 7.2	$ 3.8	$11.0
Total Project Needs	$57.0	$29.0	$86.0

For purposes of estimation the City Treasurer's Office has developed an estimate of the borrowing costs with a conservative view resulting from the fact that the bond sale would be scheduled for late May to early June a .50% has been added to the current estimated costs of tax-exempt and taxable borrowing. Also, the Treasurer's staff has used a break out of 67% tax-exempt and 33% taxable bonds. The following table estimated the maximum leverage that can be obtained through a $6.5 million lease payment.

TIER I

	Dollars (millions)
Tax-Exempt Projects and Contingency	57.0
Taxable Projects and Contingency	29.0
Total Project Cost Needs	86.0
Estimated Tax-exempt Bond Rate	4.93%
Estimated Taxable Bond Rate	6.05%
Blended Bond Rate	5.27%
PAR Value Tax-exempt	71.0
PAR Value Taxable Bonds	31.0
Total Bond Borrowing	102.0
Less:	
Bond Reserve	(7.0)
Estimated Financing Costs	(1.0)
Net Proceeds Available	94.0
Less:	
Contingency	(11.00)
Total Available for projects	83.0
Less: Tier 1 Project Estimates	75.0
Remaining	**8.0**

SUMMARY ANALYSIS OF CRCIP PROJECTS (TIER I & TIER II)

ATTACHMENT 1

Tier	Priority	CRCIP - Project Name	CATEGORY	Tax-exempt	Taxable	TOTAL Tax-Exempt	TOTAL Taxable	TOTAL Tax-Exempt & Taxable
Tier 1	1	Pocket Library	CITY CONSTRUCTION PROJECT		$ 3,700,000	$ -	$ 3,700,000	$ 3,700,000
Tier 1	2	Crocker Art Museum Expansion	GRANT		$ 2,000,000	$ -	$ 5,700,000	$ 5,700,000
Tier 1	3	Sacramento Zoo Veterinary Hospital	GRANT	$ 1,200,000		$ 1,200,000	$ 5,700,000	$ 6,900,000
Tier 1	4	Regional Park Improvements (Granite, Sutter Landing, North Natomas)	CITY CONSTRUCTION PROJECT	$ 5,000,000		$ 6,200,000	$ 5,700,000	$ 11,900,000
Tier 1	5	Animal Shelter Cattery Building	CITY CONSTRUCTION PROJECT	$ 1,500,000		$ 7,700,000	$ 5,700,000	$ 13,400,000
Tier 1	6	George Sim Community Center	CITY CONSTRUCTION PROJECT	$ 6,500,000		$ 14,200,000	$ 5,700,000	$ 19,900,000
Tier 1	7	So. Natomas Community Cntr Improv	CITY CONSTRUCTION PROJECT	$ 400,000		$ 14,600,000	$ 5,700,000	$ 20,300,000
Tier 1	8	Sacramento Unity Center	GRANT	$ 2,000,000		$ 16,600,000	$ 5,700,000	$ 22,300,000
Tier 1	9	Neighborhood Park Improvements	CITY CONSTRUCTION PROJECT	$ -	$ -	$ 16,600,000	$ 5,700,000	$ 22,300,000
Tier 1	10	Art Rehearsal Space	CITY CONSTRUCTION PROJECT	$ -	$ 9,000,000	$ 16,600,000	$ 14,700,000	$ 31,300,000
Tier 1	11	Intermodal Transportation Facility	CITY CONSTRUCTION PROJECT	$ 3,000,000		$ 19,600,000	$ 14,700,000	$ 34,300,000
Tier 1	12	Oak Park Community Ctr Phase 2	CITY CONSTRUCTION PROJECT	$ 1,000,000		$ 20,600,000	$ 14,700,000	$ 35,300,000
Tier 1	13	Sierra 2 Restroom & Access Improvements	CITY CONSTRUCTION PROJECT	$ 175,000		$ 20,775,000	$ 14,700,000	$ 35,475,000
Tier 1	14	Valley Hi-North Laguna Library	CITY CONSTRUCTION PROJECT	$ 16,000,000		$ 36,775,000	$ 14,700,000	$ 51,475,000
Tier 1	15	District 2 Improvements (streetlights, sidewalks, parks)	CITY CONSTRUCTION PROJECT	$ 7,500,000		$ 44,275,000	$ 14,700,000	$ 58,975,000
Tier 1	16	District 3 Improvements (Ben Ali Playground)	CITY CONSTRUCTION PROJECT	$ 1,000,000		$ 45,275,000	$ 14,700,000	$ 59,975,000
Tier 1	17	District 1 Improvements (Alkali Flat B & G Club Park, Stanford Teen Center, Charter Performing Arts)	GRANT $1M, CITY CONSTRUCTION PROJECT $500K	$ 1,000,000	$ 500,000	$ 46,275,000	$ 15,200,000	$ 61,475,000
Tier 1	18	Memorial Auditorium Improvements	CITY CONSTRUCTION PROJECT	$ 3,053,000		$ 49,328,000	$ 15,200,000	$ 64,528,000
Tier 1	19	Community Center Theater Design	CITY CONSTRUCTION PROJECT	$ -	$ -	$ 49,328,000	$ 15,200,000	$ 64,528,000
Tier 1	20	Fairytale Town Fencing and Walkways	GRANT	$ 500,000		$ 49,828,000	$ 15,200,000	$ 65,028,000
Tier 1	21	Children's Theater of CA (CTC-B Street)	GRANT		$ 1,000,000	$ 49,828,000	$ 16,200,000	$ 66,028,000
Tier 1	22	District Improvement Funding	CITY CONSTRUCTION PROJECT		$ 9,000,000	**$ 49,828,000**	**$ 25,200,000**	**$ 75,028,000**
Tier 2	23	District 7 Facilities/Improvements	CITY CONSTRUCTION PROJECT		$ 8,300,000	$ 49,828,000	$ 33,500,000	$ 83,328,000
Tier 2	24	Neighborhood Infrastructure/CDBG eligible (streetlights, curb/gutters, sidewalks)	CITY CONSTRUCTION PROJECT	$ 5,000,000		$ 54,828,000	$ 33,500,000	$ 88,328,000
Tier 2	25	Children's Theater of CA (CTC-B Street) - Phase 2	CITY CONSTRUCTION PROJECT		$ 2,000,000	$ 54,828,000	$ 35,500,000	$ 90,328,000
Tier 2	26	SMUD Underground Match	CITY CONSTRUCTION PROJECT		$ 5,000,000	$ 54,828,000	$ 40,500,000	$ 95,328,000
Tier 2	27	Sacramento Zoo Animal Exhibits	GRANT	$ 1,950,000		$ 56,778,000	$ 40,500,000	$ 97,278,000
Tier 2	28	Discovery Museum -- Gold Rush Exhibit	GRANT	$ 500,000		$ 57,278,000	$ 40,500,000	$ 97,778,000
Tier 2	29	Indian Heritage Museum	CITY CONSTRUCTION PROJECT		$ 6,500,000	**$ 57,278,000**	**$ 47,000,000**	**$ 104,278,000**
							TOTAL TIER I PLUS $11M CONTINGENCY	**$ 86,028,000**
							TOTAL TIER I & II PLUS $11M CONTINGENCY	**$ 115,278,000**
TOTAL PAR VALUE BONDS				**$ 102,000,000**				
	RESERVE ACCOUNTS (BONDS)			**$ (7,000,000)**				
	FINANCING EXPENSES (COST OF ISSUANCE AND UNDERWRITER'S DISCOUNT)			**$ (1,000,000)**				
AVAILABLE FOR CRCIP PROJECTS				**$ 94,000,000**				

TIER	PROJECT NAME, DESCRIPTION AND BASIS FOR RECOMMENDATION
GRANTS (TAX-EXEMPT)	
TIER	
Tier 1	Sacramento Zoo Veterinary Hospital - Zoological Society (501c3), a non-profit 501c3 entity is requesting $1.2M City funds to construct a $2.4M veterinary hospital to treat Zoo animals. City Council may grant $1.2M (tax-exempt) since bond proceeds will likely be expended within 2 years or sooner with design and permits already completed and the other half of funding ($1.2M) already secured from private donations.
Tier 1	Sacramento Unity Center - The Unity Center is owned and operated by Capital Unity, a non-profit entity. The $6M project will be used to build an interactive learning and exhibition center at 16th and N memorializing the culture, history and diversity of California people. Capital Unity already secured $2.2M grant from the California Cultural and Historical Endowment (CCHE) and $1M from Mort and Marcy Friedman. $800K will come from capital campaign. City Council may grant $2M (tax-exempt) since majority of funding was already secured and the remaining $2M from City will complete the $6M project. Construction to begin in 2006 and completed by January 2008.
Tier 1	District 1 Improvements - Charter Performing Arts - The Natomas Education Foundation is a non-profit organization. City funding requested is $1M to finish the final phase of construction; project is already under construction. The Foundation already secured over $6.2M funding from local bond, state bond, grants and community fundraising. City Council may grant $1M (tax-exempt) since project is under construction and other funding already secured.
Tier 1	Fairytale Town Fencing and Walkways - City funding of $500K is requested by non-profit entity to expand/renovate restroom and walkway lighting for visitors. The total project is estimated at $1.925M, and will be completed with additional funding from other sources, mainly private donations. City Council may grant $500K (tax-exempt) since these projects (restroom and walkway) are stand-alone and anticipated to be finished within 3 years or sooner.
Tier 2	Sacramento Zoo Animal Exhibits - City funding of $1.95M is requested by Zoological Society (501c3), which will be used to construct/renovate antiquated animal enclosures (Giraffe barn $1.5M, Primate Exhibit $350K and Hyena Exhibit $100K) required for accreditation. City Council may grant $1.95M (tax-exempt) since the project is shovel ready and anticipated to be finished within 2-3 years.
Tier 2	Discovery Museum – Gold Rush Exhibit - City funding requested by non-profit entity is $500K, which is the entire project cost. The funds will be used to design/fabricate/refurbish/renovate/repair exhibits for the Discovery Museum History Center's Gold Rush exhibit. City Council may grant $500K (tax-exempt) since proposed improvements are anticipated to be completed within 3 years or sooner.
GRANTS (TAXABLE)	
Tier 1	Crocker Art Museum Expansion - Total project cost is estimated at $79M to construct a new 100,000 sq. ft. addition to the Museum and to renovate existing buildings. Crocker will also receive $8M of Downtown bond proceeds. City Council may grant $2M (taxable) since it may take longer to start the construction and the other major sources of funding are still pending. CAMA is also asking for Bridge Financing from City.
Tier 1	District 1 Improvements - Gardenland Teen Center - Project cost estimated at $500K or more to construct a teen center at Stanford Settlement (Sister Jean). City Council may grant the $500K taxable since project will not be completed within 3 years and fundraising may be an issue.
Tier 1	Children's Theater of CA (CTC-B Street)
Tier 2	Children's Theater of CA (CTC-B Street) - Phase 2
	Project estimated at $23.8M to relocate B Street Theater to the new Sutter Hospital complex in Midtown (Phase 1 and 2). Children's Theater of CA (CTC), a non-profit entity plans to build a 615 -seat, 2 theater performing arts complex. City funding will be supplemented by other sources. City Council may grant $1M taxable (Phase 1) since the relocation and construction will take longer than anticipated (over 3 years) and other funding not yet secured.

EXHIBIT C

BRIDGE FINANCINGS

Bridge Financing
By virtue of investing in the projects, Bridge Financing introduces project completion/construction cost and repayment issues to the investor. Understanding these issues permits the investor to assess the risk they are undertaking in such a project. To the extent an investor agrees to provide a stated amount of dollars to a project, but additionally agrees to carry the Bridge Financing exposure – the investor will assume funding of the entire project.

During staff analysis, certain conditions that were not apparent earlier were discovered. Staff wanted to make sure that we brought forth this new data to City Council's attention and the extent to which the City will be committed to these projects in order to ensure completion of these projects. The City serving as an investor for the Bridge Financing will increase the City's financial involvement to a greater level than previously identified and approved.

Through the analysis process, two such projects have been identified as needing Bridge Financing in order to complete the project in a timely manner: Crocker Art Museum Expansion and the Center for Performing Arts.

Crocker Art Museum Expansion: The Crocker expansion is an estimated $79 million dollar project that will include construction of a new building and renovation of existing buildings. Through this process City Council has elected to award the Crocker Expansion Project $2 million of the proposed CRCIP bond sale and an additional $8 million from SHRA Merged Downtown Tax Increment Bond proceeds. However, since a major source of funding is based on future pledges, there is a funding gap that needs to be addressed prior to award of the construction contract. Representatives of the Crocker Art Museum will address this issue with City Council.

Art Rehearsal Space: This proposed project would be a shared facility among the California Musical Theatre, the Sacramento Philharmonic, the Sacramento Opera, and the Sacramento Ballet Company. The facility is estimated to cost $18 million for site acquisition and construction. City Council has approved $9 million to assist with the funding of this project. The arts groups have asked the City to bridge finance $5 million from lease payments that will begin after occupancy. Further, they have indicated that the remaining $4 million will come from a capital campaign that should be completed by 2008. Representatives of the Art Rehearsal Space will address this issue with City Council.

EXHIBIT D

ADDITIONAL FINANCINGS

SHRA

Staff recommends to City Council to include approximately $25 million as project leases in the financing for SHRA redevelopment project areas: Army Depot, 65th Street, and North Sacramento. These bonds will be structured under an Advance Repayment Agreement and backed by the City's Master Lease program. This is the same structure that was used in the 1999 Capital Improvement Revenue Bond (CIRB) and the 2002 CIRB.

Taxable Refunding Parking Bonds

This includes the refunding of approximately $5.3 million of existing tax-exempt bonds to taxable bonds to eliminate limitations on the use of the garages, particularly as it pertains to long-term parking leases to private entities. The two garages that will benefit from this Refunding include the Civic Center garage and the Central Downtown Garage, both of which have reached maximum private activity use. There will be an approximate $200,000 annual increase in cost to the Parking Fund associated with this refunding, but the economic benefit achieved by eliminating the use restrictions will offset the slight additional cost.

In two previous City Council meetings, staff presented issues related to tax-exempt financing and the consideration of other options such as taxable financing. In April, staff anticipates returning to City Council to further explore these options.

Haggin Oaks Economic Development Project

This is a 17 acre site economic development project is estimated at $9.3 million, which includes $6.3 million for environmental clean-up and an additional $3 million for infrastructure improvements to make the site useable. Currently, there is an exclusive right to negotiate with Mel Rapton Honda for long-term lease of 11 acres of the site. It is projected that $6.3 million of the clean-up and infrastructure costs would need to be borne by the City with the remaining $3 million, which is an asphalt impenetrable cap, that would be included as part of the construction cost of the dealership facility. The debt service obligation would be offset by lease revenue from the dealership, as well as the increase in sales and property tax. It is pointed out that this is a City owned property and actual development agreement may not be known for one year, therefore, this would be similar in concept to a Bridge Financing.