TO:       HONORABLE CITY COUNCIL
FROM:    CITY MANAGER        DEPARTMENT: COMMUNITY SERVICES
DATE:    MARCH 10, 2008          CMR: 107:08
SUBJECT: APPROVAL OF THE EXPENDITURE OF $290,000 IN CAPITAL
       IMPROVEMENT PROGRAM FUNDS THROUGH A CONTRACT WITH
       THE PALO ALTO ART CENTER FOUNDATION TO DEVELOP AND
       COMPLETE THE PLANNING AND DESIGN PHASE FOR THE
       RENOVATION AND CAPITAL IMPROVEMENTS TO THE PALO ALTO
       ART CENTER CAPITAL IMPROVEMENT PROJECT PF-07000 (ART
       CENTER ELECTRICAL AND MECHANICAL UPGRADES)

RECOMMENDATION
Staff recommends that Council approve the attached agreement between the City of Palo Alto
and the Palo Alto Art Center Foundation expending $290,000 from CIP Project PF-0-7000 to
develop and complete the planning, design development phase for the proposed renovation and
capital improvements to the Palo Alto Art Center.

BACKGROUND
The 28,000 square foot Art Center building and its facility systems exist essentially as they were
built and installed in 1951. Since its conversion from a City Hall more than thirty-seven years
ago, the only significant repairs to the Art Center have been seismic improvements made in
1987. In early 1999, the Palo Alto Art Center Foundation (Foundation) began to work
proactively toward the needed expansion and renovation of the Art Center facility, focusing on
two identified issues: 1) mechanical and electrical upgrades to the exhibition spaces that had
already been identified in the City’s Infrastructure Management Plan; and 2) the need for
additional children’s art classrooms and activity space. In March 1999, the Palo Alto City
Council approved a proposal from the Foundation to explore the development of a public/private
partnership that would make possible a capital project to expand and renovate the Art Center.

In March 2000, the Foundation received a $50,000 grant from the David and Lucile Packard
Foundation to conduct a facility master planning process, matched by $50,000 from the City.
The Palo Alto Art Center Programming Report, completed in 2001 (CMR 438:01), laid out an
improvement plan that addressed the Center’s immediate needs.

In August 2001, a Joint Site Planning Committee was convened with the goal of seeking a site
design that would allow the Main Library and the Art Center to expand while addressing the
limitations and opportunities offered by the site, neighborhood concerns, and the desires of the
community and other stakeholders. In September 2001, the Foundation received a second $50,000 grant from the David and Lucile Packard Foundation. This grant was also matched by the City (CMR: 226:02). The Site Planning Study for the Palo Alto Library and Art Center was completed in February 2002. A draft EIR for the project was completed for the City on April 17, 2002.

The master plan and conceptual design for the Palo Alto Art Center and site was approved by Council on July 14, 2002, along with a Memorandum of Understanding (CMR: 340:02) describing the City’s commitment to contribute $5 million to a fund set up through a public/private partnership over five years. The MOU was intended to go into effect upon successful passage of a library bond measure in November 2002. That bond measure was unsuccessful.

In 2005, the Foundation again contracted with Mark Cavagnero Associates to develop a phased approach to complete the master plan. A first phase of building renovations with cost estimates included creation of a children’s wing, improvements to the existing gallery space, and replacement of mechanical and electrical systems, which the City has already identified for renovation. Based on the preliminary cost estimates, the Infrastructure Management Plan capital funding allocation for the Art Center Electrical & Mechanical Upgrade (Capital Implement Program Project – PF-07000) was readjusted from $800,000 to $1.74 million.

In June 2006, the Foundation contracted with Netzel Associates to conduct a capital development feasibility study within the community, and in December 2006, based on the contractor’s recommendation from the study, the Foundation approved a $6.5 million project, the first phase of the master plan.

On April 10, 2006, a colleague’s memo was approved by the City Council directing staff to work with the Foundation in drafting a Memorandum of Understanding to expand and renovate the Art Center as a public/private partnership.

On July 9, 2007, the Council approved a Letter of Intent (Attachment B) outlining mutually acceptable terms and conditions for the collaboration between the City and the Foundation for Phase I (building electrical, mechanical and children’s wing renovation) construction of improvements and alterations to the Palo Alto Art Center (CMR 288:07).

On September 24, 2007, the Foundation entered into an agreement with Mark Cavagnero Associates, to: 1) design the project through schematic design and design development phase; 2) submit preliminary estimates of construction costs based on schematic design and adjustments to preliminary estimate of construction costs based on the design development; 3) prepare construction documents setting forth in detail the requirements for the construction of the project, based on the design reviewed and approved by the Foundation and City; and 4) assist in the awarding and preparing contracts for construction and administration of the construction contract.

**DISCUSSION**

The Phase I project improvements and alterations to the Palo Alto Art Center consist of the full renovation of approximately 7,600 square feet of existing area (creating a new children’s wing),

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partial renovation of 12,000 square feet of existing area (mechanical and electrical, existing gallery, and bathrooms). Additional improvements include enclosing and landscaping the central garden, children’s sculpture garden, and children’s entry court; covering a portion of the children’s sculpture garden; and adding a new parking/drop off area at the west end of the site. The estimated cost of the proposed project is $6,500,000, of which $5,710,000, which includes construction, furnishings and equipment, design, engineering and fees and an additional $790,000 in fund development costs (pledge financing, annual support replacement, etc., to be paid by the Palo Alto Art Center Foundation in support of the fundraising efforts).

The terms of the attached agreement with the Palo Alto Art Center Foundation for the transfer of $290,000 to develop and complete the planning and design development phase for the capital improvements and renovation to the Palo Alto Art Center are consistent with the Council-approved Letter of Intent. The agreement transfers to the Foundation $290,000 to provide for the City’s share of planning and design of the plans, specifications and working drawings for the project. Should the project not proceed after the design phase is complete, the City can use the plans to perform needed infrastructure repairs as specified in the Adamson study.

The City’s financial responsibility, as specified in Capital Improvement Project PF-07000 (Art Center Electrical and Mechanical Upgrades) is to replace original mechanical and electrical equipment and systems to meet current occupant need, provide code compliance, and optimize operation and energy efficiency.

Although the ultimate goal is to reach an agreement under which the renovation work for the Project shall be completed, this Agreement pertains only to the design development phase of the Project. The planning and design development phase of the project will require evaluation of various issues, including compliance with LEED, ADA, seismic upgrades, hazardous materials removal and electrical service upgrades. The costs of addressing these issues cannot be accurately determined until the design development process has proceeded further. If the City and Foundation reach agreement on the costs identified for each and mutually acceptable terms and conditions for the continuation of the Project through the construction phase, then they will negotiate and execute a separate written agreement and return to Council for approval.

**TIMELINE**

The agreement will begin upon the execution by the City. The Foundation’s estimated timeline for the project is to have design development and City review completed by June 2008; Foundation campaign planning and fundraising to be completed by December 2008; construction documentation, permit approval and bidding to be completed by February 2009; and construction to begin spring of 2009, with a ten-month anticipated construction period.

**RESOURCE IMPACT**

The Letter of Intent noted that the City had earmarked funding in the amount of $1.74 million as part of its Infrastructure Management Plan for the Art Center, to be applied to the costs of the project. This funding is shown in the adopted budget as Capital Improvement Program Project (CIP)-PF-07000 (Art Center Electrical and Mechanical Upgrades). When design development is completed, all requirements will have been identified, including LEED, seismic upgrade, ADA, hazardous material removal and electrical service upgrade. Based on the cost estimates by Mack
5 (cost estimator for the project), it is possible that the City’s and Foundation’s share will need to increase.

The adopted budget for Capital Improvement Project PF-07000 (Art Center Electrical and Mechanical Upgrades) which covers for the design fee is $290,000. The 2008-09 Proposed Budget includes $1,450,000 for the construction costs.

**POLICY IMPLICATIONS**
The proposed project is consistent with the City’s recently updated Policy and Procedures 1-25, Public/Private Partnerships, which defines this project as an alliance partnership.

**ENVIRONMENTAL REVIEW**
The Foundation will be required to fully comply with all provisions of CEQA as may apply to the specific development plans submitted during the term of the Agreement.

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**ATTACHMENTS**
Attachment A: Agreement with the Palo Alto Art Center Foundation
Attachment B: Letter of Intent
Attachment C: CIP Project PF-07000 (CIP Page)
Attachment D: Proposed Project Timeline

cc: Palo Alto Art Center Foundation