

**CITY COUNCIL MEETING**5/12/2021

[X] Placed Before Meeting

[] Received at Meeting

#11

City of Palo Alto


M E M O R A N D U M**TO:** City Council**DATE:** May 17, 2021**SUBJECT:** AGENDA ITEM #11: TRANSMITTAL OF CITY COUNCIL COLLEAGUES MEMO REGARDING PALO ALTO MUSEUM (PAM) AT THE ROTH BUILDING

At the end of March 2021 three City Council Members submitted a colleagues memo in regards to providing direction to staff on the ongoing partnership with the Palo Alto Museum and use of the ROTH Building 300 Homer Avenue. Staff is transmitting that memo, with the concurrence of the authors as information to inform the Council's discussion regarding the FY 2022 budget and the FY 2022-2026 Capital Improvement Program (CIP) Plan as the recommendations include identification of additional funding for the rehabilitation of the facility in the amount of approximately \$4 million additional funds.

Staff most recently received direction on this item at the December 15, 2020 City Council meeting, the staff report can be found here, including detailed funding table for the project. Staff Report #[11832](#)

Staff will bring back the substantive question of the ROTH building itself as outlined in the memo and will complete the resource impact in prep for that discussion at that time.

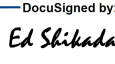
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Director, Administrative Services/CFO

CITY MANAGER:

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ED SHIKADA

City Manager

ATTACHMENT A: COLLEAGUES MEMO

DATE: March 23, 2021
TO: City Council Members
FROM: Council Members Kou and Stone, Vice Mayor Burt
SUBJECT: Palo Alto Museum (PAM) at the Roth Building

Issue

The City purchased the historic Roth Building in 2000 and issued a Lease Option to the Palo Alto History Museum (now the Palo Alto Museum) in 2007. The Museum has invested \$1.8M in approved plans to rehabilitate the Roth Building, generated several million dollars to both rehabilitate the building and to then install a museum in the National Register building. The momentum to install a museum in the Roth Building has been inhibited by inconsistent action from the City.

As a City-owned asset, the hard shell of the building would normally be the responsibility of the landlord (the city) with the tenant being responsible for interior build-outs, other than “tenant improvements” funded or provided by the landlord. In addition, the city is scheduled to receive multiple significant community assets and benefits that are outside of museum-based functions or obligations including; publicly accessible park restrooms, a cafe accessible to the park, community meeting spaces, and resources for youth research and education.

Partnership Goals

The partnership goals include rehabilitation of an historically significant building which is listed on the National Register of Historic Places according to the Secretary of Interior’s Standards, and support for a significant community serving facility. The building is an especially important City-owned property that embodies our history of innovation, and the legacies of the community, all in one building, https://en.wikipedia.org/wiki/Palo_Alto_Medical_Foundation:

- The entrepreneurs and founders, including Dr. Russel Lee and Dr. Edward Roth, of the innovative “community clinic” model of the Palo Alto Medical Clinic (later Foundation) at the Roth Building (constructed in 1932);
- Clinic co-founder, Dr. Esther Clark, was a trailblazing female pediatrician;
- Artist and Stanford Professor, Victor Arnautoff, whose world-renowned frescoes depicting medical history adorn the entrance and are perhaps the most important public art in the city; and
- Architecture by Palo Alto’s Birge Clark, whose renowned architectural legacy is embedded in our residential, commercial, and public properties.

Consequently, the Roth Building is the uniquely ideal building to house the Palo Alto Museum and related public facilities.

Background and Discussion

2000	City purchases Roth Building and approves historic designation
2004	Council accepts Palo Alto Historical Association (PAHA) RFP proposal
2005	Council approves 40-year lease option to Palo Alto Museum, formerly Palo Alto History Museum (PAHM)
2007	PAM lease option agreement approved
2010	Roth Building placed on National Register of Historic Places
2017	City challenges the Museum to raise \$1.75M by year end which was met and confirmed by an independent review in late 2019. The Lease Option was not extended as indicated.

From 2017 – 2020, the City has conveyed inconsistent messages to the Museum and the public with confusing directions. The city challenged the Museum to raise \$1.75M in exchange for a Lease Option, then pursued rezoning, investigated other uses, issued a new RFP, and discussed selling the building. These inconsistent messages and lack of a promised Lease Option have made fundraising extremely challenging for the Palo Alto Museum.

Completed by PAM:

- Design, Approval Architectural Plans and City Permits acquired at \$1.8 million Museum expense
- Plans conform to requirements as an historical building enabling the sale of Transfer of Development Rights (TDR) funds to pay for rehabilitation work.
- Partnered with Vance Brown for construction contract services.
- Procured Grants from Santa Clara County for roof replacement. Grants are restricted to the PAM rehabilitation plans. Additional grant funding was also secured for Arnautoff frescoes restoration.
- Identified potentially applicable development impact fees as outlined in Finance Committee Staff report dated 11/17/2020¹

According to the approved plans, the establishment of the Museum in the Roth Building is expected to bring a number of contributions to the community. Those include:

- A public restroom at Heritage Park (as required by the initial RFP)
- Permanent home for the City-owned historic archives
- Community meeting spaces
- Unique Palo Alto and Stanford social, cultural, and technological exhibits a
- Resources for required studies by second - fourth grade students not currently available elsewhere
- Lab of evolving technologies for all students
- Park-side café
- Venue for speakers and authors

The Council in its 2020-2021 budget discussions directed that shovel-ready projects take priority.

¹ <https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=59923.76&BlobID=79089>

The Museum has brought forward the rehabilitation of the City-owned Roth Building with approved plans and permits. By partnering with the Museum, the City can take advantage of the millions of dollars in project financing the Museum brings for the fastest and most cost-efficient means to rehabilitate the historic Roth Building.

Timing is critical. This project needs to move forward quickly to preserve this vulnerable historic building, take advantage of the existing permit, and move forward this construction season to avoid winter rains.

Recommendation

- 1) Issue a lease or lease-option between the City and PAM, which would allow for donor and restricted funds for the rehabilitation pursuant to the Secretary of the Interior's Standards and County grants to be released for construction of Phase 1 (Phase 1 is the rehabilitation and build out of the facility to make it suitable for occupancy also known as a "warm shell" estimated at \$10.5 million);
- 2) Direct City Staff to identify additional funding to help complete the rehabilitation funding gap ranging between \$4.0 - \$4.3 million (PAM estimate at \$3.71 million in 2020) from possible library, community center, and/or parks impact fees, Stanford Development Funds, cost savings from CIP projects and other identifiable sources;
- 3) Release the amended Lease Agreement to the Museum for timely review and finalization;
- 4) Commit to a partnership with the Museum for the rehabilitation of the Roth Building and for mutual long-term success of the project.

Resource Impact

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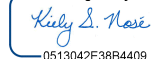
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