

CITY COUNCIL REVIEW

REVIEW & PROVIDE DIRECTION
ON TERMS OF LEASE BETWEEN
THE CITY AND PALO ALTO
HISTORY MUSEUM FOR ROTH
BUILDING

City Council, Item #14

OVERVIEW

- FY 2022 Adopted Budget included an updated path forward for the ROTH Building, 300 Homer Ave.
 - Additional financial support approved
 - Direction to negotiate a long-term lease with Palo Alto History Museum (the Museum)
- Since August, parties have been working to negotiate key business terms for a final lease agreement
- The City and the Palo Alto History Phase I capital project is an estimated \$12.3 million rehabilitation of the City owned property at 300 Homer Ave., originally purchased in April 2000 for \$2 million.
 - After an RFP the City accepted the Museums proposal in 2004, and on May 14, 2007 Council approved an option and lease agreement.

REMAINING PROJECT COST FUNDING PLAN FOR \$10.5M



FUNDING SOURCE	ESTIMATED FUNDING CONTRIBUTION
TDR proceeds and a \$1.0 million contribution from the General Fund	\$4.9 M
Stanford University Medical Center (SUMC) Funds – Community and Infrastructure	\$2.0 M
Impact Fees: Parks (designated for the establishment of a public restroom at Heritage Park)	\$0.35 M
Impact Fees: Community Center (designated for the establishment of community space including the Community Room)	\$1.65 M
Impact Fees: Library (designated for the establishment of the City archives)	\$0.3 M
Grants from the County of Santa Clara (roof replacement \$0.3 million)	\$0.3 M
PAM cash on hand (MGO reports approximately \$0.8 million available with some needs for operating costs)	\$0.5 M
PAM pledges MGO Audit report estimated \$0.2 million are more likely to be collectable	\$0.2 - \$0.5 M
TOTAL FUNDING PLAN	\$10.5 M

TENTATIVE BUSINESS TERMS – GENERAL AGREEMENT

The City and the Museum have tentatively reached general agreement on 11 of 17 major business terms

1) Premises	8) Taxes
2) Tenant Use	10) City Archives
3) Lease Term	12) Tenant Sublease Rights
4) Rent	13) Initial Tenant Improvements
6) As Is Condition	14) City Contributions to Construction Costs
7) Operating Expenses including utilities	

TENTATIVE BUSINESS TERMS – OUSTANDING TERMS

5) Security Deposit: City staff initially proposed a \$150,000 security deposit to provide sufficient resources; museum has proposed it be limited to \$10,000 in the 2007 lease option.

9) Maintenance Obligations: Which party is responsible for long-term maintenance and replacement of structural aspects of the building and building systems?

11) City and 3rd Party Use of Community Room/Facilities: Staff propose the following principles to guide operating policies and procedure development...

- use shall not impede the routine business of the Museum for the public benefit and access
- Use of components of the facilities including fees and access levels must satisfy requirements under any restricted funds currently programmed for capital improvements
- a minimum number of hours these spaces are available to the community
- fees not to exceed fees for other similar City facilities and may be subject to approval by City Council or designee (such as the City Manager)

TENTATIVE BUSINESS TERMS – OUSTANDING TERMS

Additional Funding Requested: \$182,000

15) Permit & Processing Fees: Museum requests \$100,000 reimbursement for processing fees already paid by the Museum for permitting and waiver of any future fees

16) Prevailing Wages: Museum requests \$15,000 payment for compliance with state requirements for tracking and reporting of prevailing wages

17) Payment & Performance Bonds: Museum requests \$67,000 in funding from the City to pay for a payment bond which is legally required.

DRAFT POTENTIAL MOTION FOR COUNCIL CONSIDERATION

Staff recommends that the City Council review and provide direction on the key lease terms between the City and Palo Alto Museum for the ROTH Building.

Draft Motion

- 1) Direct staff to complete lease negotiations with the Palo Alto History Museum in alignment with terms outlined in the staff report and with the following additional guidance:
 - a) Security Deposit.....
 - b) Maintenance....
 - c) Additional funding requested for 1) Permit & Process Fees waiver... 2) Prevailing Wage... and 3) Payment and performance bonds...
 - d) Principles for use of the Community Room/Space...

IF ALIGNS WITH COUNCIL DIRECTION, add:

- 2) Direct staff to return with a budget amendment to appropriate additional funding of \$?