

COUNCIL MEETING 12/14/2020

Received Before Meeting

13

Finance Committee Recommendation on Next Steps for the Roth Building

Council Agenda Item #13 December 14, 2020

Pain Alta Hittery Masseet

December 14, 2020

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OVERVIEW

- City has owned 300 Homer Ave. aka the 'ROTH building' for two decades
 - The City & PAM have partnered for 17 years, since 2003, as part of a response to a request for proposal (RFP)
- PAM has proposed a two-phase project, we will focus on phase 1, the rehabilitation of the ROTH building estimated at \$10.5 M or "warm shell"
 Additional "cold shell" option at \$6.5 M, partial phase 1 completion
- \$6.0 M in readily available funding has been identified for the rehabilitation, plus pledges by PAM supporters.
- On November 17, 2020, the Finance Committee recommended to Council to identify options to fund the "Cold Shell" option (\$6.5 M) and develop lease options



BACKGROUND AND TIMELINE SUMMARY

- 2000 City purchases Roth Building and approves historic designation
- 2002 Council approves RFP for Roth Building options
- 2003 Council accepts Palo Alto Historical Association (PAHA) RFP proposal
- 2005 Council approves 40-year lease option to Palo Alto Museum (PAM), formerly Palo Alto History Museum (PAHM)
- 2007 PAM lease option agreement approved
- 2010 Roth Building placed on National Register
- 2014 2017 several one-year extensions granted to PAM & City Council fundraising target for PAM \$1.75M
- 2019 Building permit issued to PAM & review of fundraising target initiated & SCC grant funds approved
- 2020 Donation review completed & City Council direction to return to review additional financial support





RECENT COUNCIL ACTIONS

March 2, 2020 (CMR#10276)

- A. Move forward with options for an RFP, including potential rezoning of the site;
- B. Additionally, include a possible shared space arrangement;
- C. Return to City Council by Monday, May 4, 2020 with a status report (<u>CMR#11287</u>); and
- D. Refer to the Finance Committee discussion of the possibility that the City fund the build-out
 [this was intended to be specifically related to the current PAM partnership and build-out]



June 2020

During the FY 2021 Budget deliberations, City Council reaffirmed and prioritized Item D, referral to the Finance Committee

November 17, 2020

Finance Committee recommendation to the City Council for "Cold Shell" option and lease options (CMR#11611)



PAM REQUEST

- Fund the remaining phase 1 construction cost, PAM estimates at \$3.71 million from possible library, community center or parks impact fees.
- Issue a 40-year lease between the City and the PAM, which would allow for donor funds to be released for construction costs in phase 1.
- 3. Commit to a partnership for the rehabilitation of the Roth Building and for mutual long-term success.



The full letter of request from PAM can be found in Attachment A of the staff report <u>CMR #11611</u>



FINANCIAL STATUS SUMMARY - PHASE 1

 PAM has spent \$1.8M on prep work for design and approval of rehab plans (not reflected in the table to the right) Funds are either already set aside in city / PAM funds

awarded grants

ъ

funds are not received verbal/

Requires identification of revised

SUPPORT

FINANCIAL

ADDITIONAL CITY

SUPPORT

AVAILABLE FINANCIAL

PLEDGES

- Phase 1 construction options:
 - \$6.5 M est. to complete a "cold shell" (partial Phase 1 completion)
 - \$10.5 M est. to complete Phase 1 rehabilitation

[if completed in stages, additional cost of \$500,000 plus inflation costs expected]



	FUNDING SOURCE	ESTIMATED FUNDING CONTRIBUTION	PROJECTED GAP TO PHASE 1 \$10.5M
	TDR proceeds and a \$1.0 million contribution from the General Fund	\$4.9 M	
nt written donor support	Grants from the County of Santa Clara (roof replacement \$0.3 million)	\$0.3 M	
	Library impact fees designated for the establishment of the City archives	\$0.3 M	
	PAM cash on hand (MGO reports approximately \$0.8 million available with some needs for operating costs)	\$0.5 M	
	Readily Available Funds	\$6.0 M	(\$4.5 M)
	PAM pledges; MGO Audit report estimated \$0.2 million are more likely to be collectable	\$0.2 - \$0.5 M	
	Additional Funds including pledges	\$6.2 - \$6.5 M	(\$4.0 – 4.3M)
	Additional City Impact Fees	\$0.6 M	
es of investment	Additional City Impact Fees requires defunding planned projects (Rinconada Park Improvements per the approved Parks Master Plan and Library Automated Material Handling)	\$2.5 M	
priorities	SUMC or General Fund/General Capital Improvement Fund Requires defunding existing projects impacting the 2014 Council Infrastructure plan projects	\$1.2 M - \$0.9M	
		\$10.5 M	\$0

Finance Committee Recommendation

The Finance Committee recommends the City Council direct staff to:

- Identify funding for a "cold shell" construction project (\$6.5 million) including use of "Available Financial Sources" as identified in Table 1 in staff report #11611, with additional funding needs to be identified by the City ranging between \$500,000 \$1.0 million;
- Return to the City Council with both additional funding and a lease or lease option agreement with the Palo Alto Museum (PAM) for a finite period; some funding, such as PAM donor funds, necessitate using PAM approved plans, and to identify other potential funding options; and
- 3. Work with museum staff to suggest a length of time for the museum to have enforceable lease terms, subject to conditions.





PALO ALTO MUSEUM

PAM PRESENTATION

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