TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: COMMUNITY SERVICES
DATE: JULY 9, 2007 CMR: 288:07
SUBJECT: APPROVAL OF A LETTER OF INTENT WITH THE PALO ALTO ART CENTER FOUNDATION TO RENOVATE AND EXPAND THE PALO ALTO ART CENTER AND UPGRADE ASSOCIATED INFRASTRUCTURE (CAPITAL IMPROVEMENT PROGRAM PROJECT PF-07000)

RECOMMENDATION
Staff recommends that Council:
1. Approve the attached Letter of Intent (Attachment A) with the Palo Alto Art Center Foundation, which sets guidelines for the formation of a public/private partnership for the renovation and expansion of the Palo Alto Art Center.
2. The City Manager or his designee be authorized to sign the Letter of Intent on behalf of the City of Palo Alto.

BACKGROUND
The mission of the Palo Alto Art Center Foundation (formerly the Palo Alto Cultural Center Guild), a private nonprofit 501 (c) (3) organization founded in 1973, is to support the mission and goals of the of the Palo Alto Art Center, promote unique art experiences and education for people of all ages, and serve as the Art Center’s advocates and ambassadors in the community. Beginning with a January 19, 1999 letter to the Council, the Foundation Board confirmed the intent to open discussions on the subject of a public/private partnership to renovate and expand the Palo Alto Art Center.

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 1999, the Palo Alto Art Center Foundation began to work proactively toward the needed expansion and renovation of the Art Center facility focusing on two identified issues: 1) upgrades to the exhibition spaces, 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 Palo Alto Art Center Foundation to explore the development of a public/private partnership that would make possible a capital project to expand and renovate the Art Center. The Foundation intended that part of its role in this partnership would be to raise one-half of the funds required for the project.
In March 2000 the Foundation applied to the David and Lucile Packard Foundation and the Non-profit Facilities Fund and received $50,000 to conduct a facility master planning process, matched by $50,000 from the City. The Palo Alto Art Center Programming Report was completed in 2001 (CMR 438:01) by architect David Robinson. The programming report detailed space use as defined by current program needs and laid out an improvement plan that addressed the Center’s immediate critical needs.

In August 2001, a Joint Site Planning Committee was convened. The goal was to seek 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 Art Center Foundation received a second $50,000 grant request from the David and Lucile Packard Foundation. The grant was matched by the City (CMR: 226:02). Mark Cavagnero and Associates in association with SWA Group were contracted by the Foundation to develop the joint site plan. The Site Planning Study for the Palo Alto Main Library and Art Center was completed February 8, 2002. A Public Draft EIR of the site was prepared for the City of Palo Alto by Thomas Reid Associates and completed by April 17, 2002.

In 2002, Mark Cavagnero Associates continued work on the master plan and conceptual design for the Palo Alto Art Center and site. All plans, reports, and surveys were reviewed and approved by City boards and commissions. The plan was completed on June 14, 2002 and approved by Council. A Memorandum of Understanding was approved unanimously by the City Council at its July 15, 2002 meeting (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. The bond measure was unsuccessful.

**DISCUSSION**

In the spring of 2003, the Foundation Board unanimously voted to commit to the implementation of the master plan for the Art Center. Supported by a $10,000 grant from the Non-profit Finance Fund it worked with fundraising and organizational development consultants to prepare for the possibility of a future capital campaign.

In 2005, the Foundation contracted with Mark Cavagnero Associates to develop a phased approach to complete the master plan. A first phase of building renovations with cost estimates developed by Mack 5 included creation of a children’s wing, improvements to existing gallery space, and replacement of mechanical and electrical systems. The Foundation’s Building Committee met with Public Works staff. Based on the cost estimates the Infrastructure Management Plan allocation for the Art Center Electrical & Mechanical Upgrade (Capital Improvement Program Project – PF-07000) was readjusted.

In January 2006, the Foundation Board gave final approval to move towards a capital campaign. In June 2006, the Foundation contracted Netzel Associates to conduct a capital development feasibility study. Netzel Associates is an organizational consulting firm specializing in managing capital development programs for nonprofits. Clients include
the California Science Center, the Japanese American National Museum, Ronald McDonald House at Stanford, YMCA of Santa Clara Valley, and Notre Dame High School. Netzel presented its report to the Board on October 16, and the Board voted to accept the Netzel's recommendation to move forward with a $6.5 million capital campaign. The Foundation Board hired Netzel as its campaign counsel. At its December 13, 2006 meeting, the Board voted to conduct a 26-month capital campaign to raise the $6.5 million.

On April 10, 2006 a colleague's memo was approved by the City Council directing City staff to work with the Art Center Foundation in drafting a Memorandum of Understanding to expand and renovate the Art Center as a Public/Private Partnership, committing $1.74 million from the City’s Infrastructure Improvement program.

The Letter of Intent (Attachment A) outlines mutually acceptable terms and conditions for the collaboration between the City and the Palo Alto Art Center Foundation for Phase I construction of improvements and alterations to the Palo Alto Art Center.

**RESOURCE IMPACT**
Funds of $1.74M for the electrical and mechanical upgrades for the project are included in Capital Improvement Program Project – PF-07000 (Art Center Electrical & Mechanical Upgrades) and come from the City’s Infrastructure Improvement program. To reach the funding goal of $6.5M, the Palo Alto Art Center Foundation will raise approximately $4.8M through private contributions.

**PROJECT REVIEW TIMELINE**
- Option agreement, lease, license or other contract between the City and the Palo Alto Art Center Foundation to be presented for Council approval in fall 2007.
- Schematic design, landmark review, and design review, planning, owner review, and design development to be completed by June 2008.
- Palo Alto Art Center Foundation campaign planning and fundraising completed by December 2008
- Construction documentation, permit, and bidding to be completed by May 2009
- Construction to begin September 2009, with an eight month anticipated construction period.

**NEXT STEPS**
Should this Letter of Intent be adopted, the next step will be to develop an option agreement, lease, license or other contract to be put in place for the construction period, or as otherwise agreed to by the parties. The document will specify all policies, procedures and requirements as they relate to design, construction, safety, liability and funding details necessary between the City and the Palo Alto Art Center Foundation to successfully complete Phase I construction at the Palo Alto Art Center. Once the document is signed and approved, and all requirements met, the Palo Alto Art Center Foundation will begin construction activities.
POLICY IMPLICATIONS
The proposed projects are consistent with the recently updated Public/Private Partnership Policy which defines this project as an alliance partnership.

ENVIRONMENTAL REVIEW
An Environmental Impact Report for the Newell/Embarcadero Civic Facilities Expansion Program was adopted by a Council resolution (CMR: 305:02) on June 24, 2002. These plans are consistent with the original concepts evaluated in the EIR.

ATTACHMENTS
Attachment A: Letter of Intent
Exhibit 1: Conceptual Plan of premise “Art Center Master Plan”

PREPARED BY: ____________________________
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CITY MANAGER APPROVAL: ____________________________
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