

BLUE RIBBON TASK FORCE

Report to the

Palo Alto City Council

On the

PUBLIC SAFETY

BUILDING PROJECT

June 19, 2006

The Blue Ribbon Task Force (BRTF) respectfully submits this report to the City Council in answer to its charge that we make an independent study of the need for a Public Safety Building (PSB) and potential responses to that need. The Task Force has sought to represent the interests of Palo Alto's residents, business community, police, and other public safety officials and staff by reviewing the case for a new or renovated building to replace the one now housing the Police Department, the City's Emergency Operations Center (EOC), and the 911 Emergency Dispatch Center. The Task Force placed primary emphasis on emergency preparedness, preserving public safety, safeguarding justice, and stewardship of taxpayers' funds. This report is comprised of five sections: need, size, location, cost, and financing. Appendices are attached that provide useful detail.

Executive Summary

The Task Force recommends in the strongest possible terms that the City proceed expeditiously to build a new Public Safety Building. Until it does, Palo Alto cannot be assured of an effective response to major natural or man-made emergencies. Moreover, its public safety functions, with emphasis on police services, the EOC, and all 911 calls, are compromised by a facility whose inadequacies have become increasingly manifest over the nearly forty years since it was designed. Among the current building's more serious deficiencies are limitations on its technical capacity to handle hi-tech crime, ability to assure the integrity of the chain of custody of evidence, and capability to provide for the security of those who work there. Such deficiencies threaten community security and employee safety and expose the City to liability in several areas. Though most Palo Altans are unlikely to deal directly with the police, all Palo Altans are indirectly dependent on the ability of the City to maintain safety, good order, and emergency response capacity. Therefore, while no single Palo Altan knows whether or when they may end up needing police services, the well-being of every citizen depends on a functional Public Safety Building.

Need

The current facility strains to provide a working environment that is at best only marginally adequate for the critical people and functions it houses: the Police Department, the Emergency Operations Center, and the Emergency 911 Communications Center that serves the City and Stanford, Palo Alto and Stanford Police Departments, Stanford Fire, Palo Alto Public Works, and Utilities. It was built before current earthquake building codes were set and it no longer meets the standards established for buildings that provide "essential services." (The "essential services" designation requires such facilities to be constructed in a manner that substantially increases the probability that they will be able to function after a major earthquake.) The current facility's serious limitations risk the safety of officers and staff, security of evidence, protection of equipment, and relationships of trust and respect with the community. Employee morale suffers as a result of the rundown and crowded conditions within which such demanding

work must be carried out. The City lags several neighboring communities in regard to working conditions, operational capacity, and the message the building conveys to the current officers and those who enter the recruiting pool. The building's inadequacies represent an ongoing, negative signal regarding the place of public safety, police and emergency preparedness in the daily life, security, and welfare of Palo Alto.

Building Size

To assure the prudent and economical use of public funds for a PSB project, the Task Force examined in great detail the initially proposed staffing and space needs. The Task Force reviewed each space as to its function, priority, size, code and other technical requirements it must meet. That list of needs was identified in 2000 through an assessment process implemented by the City, the Police Department, and RossDrulisCusenbery, Architecture Inc. (RDC). That space needs assessment resulted in a proposed building of approximately 58,076 total square feet compared to the current building's size of 24,190 square feet. A subcommittee of the Task Force, and eventually the Task Force itself, re-examined the initial proposal on a room-by-room, space-by-space basis. As a result of this questioning and a careful reassessment by staff, the size was reduced to 49,600 square feet. This process resulted in a reduction of 15 percent of the proposed building area from the initially proposed space needs. This number represents the smallest possible size Public Safety Building consistent with present and longer term functional need.

Site Location

Identifying a site for the new Public Safety Building in an essentially built-out city continues to be a challenge. The Task Force initially reviewed twenty-eight sites and site variations provided by City staff. These sites were preliminarily evaluated against criteria established by the Task Force, including size, location, neighborhood compatibility, and cost. Twenty-four sites were eliminated on various grounds summarized in the body of this report. The remaining four sites were ranked from most to least desirable as follows: 1) Park Boulevard; 2) Gilman Street; 3) California Avenue; and 4) renovation and expansion of the existing site. All four sites can accommodate a building of the proposed size and the parking that would accompany it. The Park Boulevard site is the unanimous first choice of the Task Force. It is centrally located and close to arterials, is the least physically complex and encumbered, is large enough to accommodate a significant proportion of the required parking in surface lots, and would enable the most rapid construction schedule. The second- and third-ranked sites, though each has some positive attributes, are substantially less desirable. Reworking and expanding the current site, the fourth-ranked and least desirable alternative, is likely to be the most expensive, complex, and protracted option. The BRTF strongly recommends the Park Boulevard site.

Project Cost

City staff, working with Michael Ross of RDC, provided the Task Force with estimated cost ranges of three options to enable us to compare the relative project expense but not

to calculate probable project budget numbers. These options are: 1) for a building on vacant privately owned land; 2) for a building on a publicly owned parking lot; and 3) for reconstruction and expansion of the current facility. Project budgets cannot reliably be estimated at this stage because of the large number of unknowns (such as site characteristics, environmental impact mitigations, construction costs, possible site acquisition costs, etc.). Using general cost factors and the recommended size of 49,600 square feet, the building on the most favorable site with the least impediments during design and construction (the Park Blvd. site) would not likely cost less than \$38 million. The most difficult site (renovation and expansion of the current building) would not likely cost more than \$55 million. (These estimates do not include financing costs.) The Task Force, in presenting these numbers to denote an approximate cost range, at the same time recommends that, at the appropriate time, the City Council convene an expert panel to perform a peer review and evaluation of the project documents and estimates.

Financing

The Task Force defers to the City Council regarding financing alternatives. Because the PSB is one of a number of Palo Alto municipal infrastructure needs, the method chosen to fund it would necessarily be part of an overall financial strategy developed by the City to address infrastructure projects. The Task Force reviewed financing issues and options in a general manner and presents those findings in the body of the report.

Conclusion

An adequate and well-functioning PSB is a community asset whose vital importance cannot be overestimated. The Task Force has respected Palo Altans' expectation to be safe and secure in normal times and well protected and responded to in abnormal times. We understand and also respect the public's equal expectation that expenditures made for the common good should be prudent and make the best use possible of tax revenues. We believe a new Public Safety Building based on the findings of this Task Force is an essential long-term investment for the safety, good order, and well being of Palo Alto. Continued reliance on the existing, seriously substandard facility unnecessarily, unwisely, and inexcusably places at risk the professionals who work there and those who depend on them.

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The Need for a New or Renovated Building

The current facility at 275 Forest Avenue was designed nearly forty years ago (1967) as part of the City Center complex. As early as 1985, overcrowding was evident, and a needs assessment was completed as were two more between then and 1998. (CMR 349.05, August 8, 2005, p. 1.) The third study followed the 1997 Council direction to staff "to initiate the formal process needed for site selection and construction of a new public safety building." That action was informed by a report by Ekona Architecture and Planning that had identified "numerous deficiencies with the current police facility." Among them were failure to conform to current State legal standards and state and local building codes; programmatic needs relating to property and evidence, detention, facility

support and warehouse functions; and deficiencies in prisoner processing, evidence processing, handling, and storage. (City Manager's Report 498:04, December 6, 2004) A May 24, 2004 report by the Santa Clara County Grand Jury focusing on evidence and property handling confirmed the previously identified deficiencies.

As time passed, conditions incrementally and steadily worsened. The continued decline of the building's adequacy led to a renewed sense of urgency and the charge to the BRTF for this study. At 24,190 square feet, the current building is roughly half the size of police or public safety buildings in several neighboring communities. Since the building was first occupied in 1970, a number of things have changed that explain the worsening situation:

- ❑ A higher risk of catastrophic events caused by nature (e.g., earthquake, flood), disease (e.g., avian flu), or terrorists. (We note this first not because such events are highly probable but because, should they occur, they affect the greatest numbers of citizens and make maximum demands on response capacity.)
- ❑ New or newly recognized types of criminal activity, most notably computer fraud and identity theft, which afflicts Palo Alto in greater numbers than surrounding communities' and national averages; and also sexual predators using the Internet and elder abuse.
- ❑ New law enforcement obligations including safeguarding of DNA evidence (for crime fighting and assuring justice for the innocent) requiring special facilities and equipment; longer periods in which evidence must be retained in a secure manner; a timed parking system in the downtown area (requiring a staff of seven officers and vehicles); and additional paperwork requirements.
- ❑ New health and safety regulations and recommendations pertaining to such things as fume hoods for working with chemicals, separate air circulation systems (where pathogens may be associated with evidence or chemical fumes may be present), and secure facilities related to terrorism threats (such as secure mailrooms in case biological agents are introduced into the building through a mailed package).
- ❑ The upgrading of building codes, including earthquake codes, leaving the current building deficient in key respects.
- ❑ The growth of the City by 10 percent. The resident population was 56,040 in 1970, and is approximately 61,700 now. The additional daytime population of the City (people who work, study, and shop here but live elsewhere), a statistic of significant relevance when calculating the need for police protection, traffic monitoring, and related matters, comes to another 47,000 in 2006. (Data not available for 1970.)
- ❑ The overall staffing of the Palo Alto Police Department (PAPD) housed in the building has increased 28 percent since the current facility was built. The authorized staffing levels of the Police Department (including the 911 Dispatch Center) grew from 119 in 1969-70 to 152.5 in 2006-07. Sworn staffing levels increased from 88 to 93 while civilian staffing increased from 31 to 59.5. Civilian staff has increased as a result of the transfer of the parking enforcement

function from another department and the additional work load requirements associated with property and evidence, community policing, and technology. In addition, the Department now includes more than 40 volunteers compared to none in 1969-70.

From these facts and the prior needs assessments, we knew that the record was long and the confirmation of need was amply documented in that record. But confirmation in the record, while clearly important, was not what we looked at first. We needed to be convinced by our own assessment, so we undertook our own study. It included:

- A close examination of the current building and probing conversations with those who work in it.
- Highly informative comparison tours of four neighboring police or public safety buildings (Redwood City, Mountain View, Fremont, and Santa Clara). These were built between the late 1970s and 2000.
- Presentations by public safety officials, city staff, and the architect, Michael Ross, who is consulting with the city on this project.
- Research in City documents and on the Internet, and comparative statistical analyses.
- Comparisons of the current facility with general standards for such facilities.

It is the combination of all of these that led us to our recommendation that the city needs to act without delay on a building that will make Palo Alto safer on a day-by-day basis *and* in the case of a large scale or catastrophic event. (See Appendix 1, the Problem Statement that has been placed on the BRTF Web site for public perusal since April 7, 2006; and Appendix 9, Fact Sheet, prepared for the public meeting of May 25th.)

We surveyed 2004 crime statistics in order to compare relative law enforcement activity. (Data are available on the Web from "Area Connect" and are based on 2004 FBI data.) We looked at the numbers for eight nearby communities: Cupertino, East Palo Alto, Fremont, Menlo Park, Mountain View, Redwood City, Santa Clara, and San Jose. The crime categories were murder, forcible rape, robbery, aggravated assault, burglary, larceny theft, and auto theft. The data were normalized per 100,000 population. To keep the data from becoming distorted by unusually high numbers, we excluded the largest value in each crime category before calculating averages. The results were as follows:

- In one category Palo Alto was considerably above average, at 140 percent of average for larceny theft (computer crime, fraud, identity theft, etc.); in another it was somewhat above average, at 125 percent of average for murder.
- For two categories, Palo Alto was considerably below average, at one-third the average for aggravated assault and two-thirds the average for auto theft.
- For the remaining three categories, Palo Alto numbers were within 13 percent of the average, twice on the low side (forcible rape and robbery), once on the high side (burglary).

Data such as these have multiple explanations, and we are not attempting to draw any conclusions from them, save one: that the PAPD is, on average, equivalently stressed by criminal activity as are neighboring cities and needs to be as well equipped and prepared as they to prevent and fight crime. (See Appendix 7 for additional comparative crime statistics.)

Since 1970, the scope of the public safety responsibilities of the PAPD has increased.

- ❑ The substantial growth in Palo Alto as a destination (for people visiting Stanford, the Stanford Shopping Center, neighborhood commercial centers, restaurants, and businesses) has brought more traffic, parking issues, and other activity obliging increased patrols and responses to calls requesting or requiring a police response.
- ❑ The growing number of restaurants in and around University Avenue and California Avenue tend to generate alcohol-related police activity.
- ❑ Homelessness is likewise a relatively new phenomenon in the City.
- ❑ Increased commercial activity increases shoplifting arrests.
- ❑ Palo Alto residents expect a high level of service from the PAPD, and calls for service to the police average 146 per day, 365 days per year. This equates to roughly 0.86 police calls for service per year per resident. Comparable numbers are: Redwood City at 0.80, Santa Clara at 0.58, and Fremont at 0.28.

These several factors place demands on the Department that in turn put pressure on space, such as hiring more officers and staff, acquiring and parking more police vehicles, and the increased record keeping that goes with these rising levels of activity.

When designed, the current building did not include spaces and features that are now considered essential, such as a secure Sallyport (an enclosure in which a prisoner can be taken from a police vehicle into the building safely); reasonably sized, re-assuring, and “soft” spaces providing a humane environment for interviewing victims or witnesses who have been injured, frightened, or otherwise traumatized; access for the disabled; certain high-tech equipment used in detective work and in departmental operations and an electrical system capable of supporting such technology; a sufficient number of holding cells to assure safety for officers and enable the separation of juveniles and adults, as required by law (so that the juvenile cannot later be recognized by the adult and perhaps drawn into further difficulty); and equivalent locker, shower, and toilet facilities for female officers (there were no female officers in 1970). Sleeping space for officers coming off night duty and scheduled for court appearances a few hours later is improvised and inadequate. Segregated storage space for firearms seized in evidence does not exist.

Crowding has consequences in addition to those noted so far. After a period of increasing crowding, operational inefficiencies began to grow, such as locating people and functions in available space rather than in relation to other units with which they regularly work; jeopardizing the integrity of evidence when it must be stored in suboptimal locations; placing lockers in hallways, thus depriving those who must use

them of privacy; storing records in under-secured spaces; holding conversations or interviews between employees or with the public in lobbies, shared offices, or other open space in general use, thus compromising confidentiality; having to use spaces distant from the facility for police functions, e.g., the Citizens Police Academy; etc. [Note: the Department maintains some offsite storage space and may in the future; in most cases, this is desirable since it allows use of lower-cost facilities.]

When surrounding jurisdictions form task forces to work on regional crime trends, different police departments must take turns housing such efforts for their duration. Palo Alto has difficulty meeting its obligations; when it can meet them, it is only at the cost of short-changing the regular functions that must be temporarily displaced. When the PAPD hosts meetings of regional associations and invites professional working groups such as high-tech investigators, county police chiefs, robbery/homicide detectives to collaborate on regional issues appropriate space must on occasion be rented because of lack of suitable space in its own building.

Several surrounding communities have, since the late 1970s, built new public safety or police buildings incorporating up-to-date technologies, responding to the changes in legal, building code, and environmental safety requirements, growth in their communities, changes in the nature of criminal activity, and other relevant factors. The four nearby facilities visited ranged in size from 44,000 to 70,000 square feet. The best police men and women and civilian staff—the kind we want in Palo Alto—have their pick of where to work. New or upgraded facilities advantage other cities in recruitment for new officers and retention of already trained and experienced officers. (See Appendix 7 for comparable data on facility size, community census, and number of officers and other staff.)

Very little has occurred that would diminish space needs, though the future holds more promise for that than the past provided. Compressible shelving can make better use of evidence storage and file storage space (but cannot be retrofitted into the current building); information technology will in the future require less space for storage of records; appropriate remote storage in less costly facilities releases pressure on the main facility; some functions can be outsourced to commercial, county, or regional facilities (though much of this has already been done); etc. These factors are taken into account in the assessment of building size discussed in the next section.

II Necessary Size

The starting point for turning functions and needs into square footage was the study by the firm of RDC from 2000, which proposed the needed overall size to be 58,076 square feet (compared to its existing 24,190 square feet). Other estimates since that time include the Keenan proposal for a turnkey building, at 59,000 square feet for comparable public safety needs, and a staff estimate from February of this year that came to 56,646 square feet. The initial study (from 2000) intended to cover needs through the year 2020. Its

conclusion was consistent with standards for such facilities. The BRTF reviewed this study, raised a number of questions about justification, and undertook an exacting examination through a subcommittee with the goal of assuring the prudent and economical use of public funds for a PSB project. It examined in great detail the initially proposed space needs, questioning each space as to its function, priority, size, and the code and other technical requirements it must meet. The period under consideration was extended to 2026 to provide limited flexibility into the future. That subcommittee worked with Chief Johnson and other members of the City staff, raising questions such as these:

1. Where could needs be merged and spaces be used for multiple purposes (e.g., using the Emergency Operations Center, which must be at all times equipped and ready but is activated only as needed, for tactical weapons training, departmental meetings, and other large group functions)?
2. Where could less-than-standard square foot allocations be tolerable even if not optimal?
3. How many needs could be warehoused and relocated to alternative, less costly space, such as records storage, property not involved in open cases, and the like (as long as these remained under departmental control)?
4. Where could program elements be efficiently located in relation to each other to minimize circulation, storage, and other potentially duplicative spaces and thus their size implications?

These questions and the results they produced challenged the initial proposal room-by-room and space-by-space. As a result of this examination by the subcommittee and ultimately by the Task Force itself, and thanks to the candid and forthcoming responses by staff, the size was reduced to 49,600 square feet, a reduction of 15 percent from the initially proposed space needs (See Appendix 2, Space Needs Assessment.) Note should also be taken of the core/satellite relationship (Appendix 8) showing which core functions must be housed within the same building as the Police Department and which might be located differently. Some (e.g., multi-purpose room, some portion of evidence storage) must be close but would not necessarily be governed by the same “essential services” code requirements. Other functions (EOC and Emergency 911 Communications) *do* require an “essential services” level construction and so should be within the PSB. Roughly 1,500 square feet could be in cheaper-to-build warehouse space not necessarily in or near the principal building.

Paring size to the minimum required for the present and 20 years beyond was a key—but not only—task. In addition we noted that at 49,600 square feet the building would also need to be flexible enough to respond not only to growth but also to shifts in functions and internal relationships. If size were wound too tight, so to speak, flexibility would be a certain casualty. Within the total, we provide an allowance for “Green Building” attributes, especially in light of their potential to repay this allowance in operating savings and building characteristics that enhance its quality as a place to work.

As a final test of whether the PSB would be neither smaller nor larger than necessary, we subjected the resulting number to the discipline of asking what would be the first space to be eliminated, if square feet had to be reduced, or added, if the square feet could be increased. The proposed multi-purpose room would be the one next to be cut, and the Task Force considered such a move to be a serious loss to the building. Such a space, with its many potential uses, would provide a space for the community to come together in the presence of uniformed police to enhance the positive and defuse the negative connotations of law enforcement, particularly for minority residents; permit school classes to learn about public safety issues; provide community briefings; provide space for the Citizens' Police Academy and PANDA training; enable Palo Alto to play its role in regional public safety and law enforcement issues by hosting meetings with neighboring jurisdictions; use as sleeping quarters for police, public works, and utilities staff who will be first responders in a major disaster; and the like. (Moreover, if this space should be eliminated, other conference room spaces in the building would need to be enlarged to serve some of the functions that a multi-purpose room would have served.)

First to be added back would be slightly increasing the size of the interior spaces, an option that would greatly improve the building's flexibility. As a result of this hypothetical cut-and-add analysis, we believe that the proposed size of 49,600 square feet optimally meets the objective of prudent size and effective function.

In addition to the building itself, 192 secured police and unsecured parking spaces (for staff and visitor vehicles) must be provided, requiring approximately 91,000 square feet. How this is to be done will depend on the site. In some cases, parking structures not now contemplated may be needed, adding to project cost.

III Site

Finding a suitable location for a vital building in our essentially built-out city continues to be a challenge. Beginning with twenty-eight sites and site variations provided by City staff, the Task Force reviewed them against the following criteria:

1. Site is of adequate size to provide for building and associated parking for official vehicles, staff autos, and visitor convenience;
2. Site should not be subject to ground instability (e.g., liquefaction) or flooding;
3. Site provides access on at least two sides;
4. Site is in proximity to related public safety functions enabling possible joint use (e.g., County courthouse, City Hall, etc.);
5. Site is centrally located to enhance ability to serve entire community;
6. Site does not place an excessive burden on surrounding neighborhoods—residential and commercial; and
7. Site does not unduly add to the costs of construction, parking, environmental mitigations, or operations.

Criteria 1-3 had to be satisfied. Criteria 4-7 lay in a judgment zone and were weighed in a holistic assessment of any particular site. In applying these criteria, we also considered the cost of new construction vs. the cost of renovating existing structures; the cost of land (we do not believe possible sites should be limited to those already publicly owned); the cost of replacement parking, where applicable; and the cost of temporary relocation if a renovation of the current Police Department were to be considered. We also discussed whether existing vacant buildings might be considered for purchase. Since buildings developed for commercial use are not built to “essential service” code standards and retrofitting would not be cost effective, they would not meet our requirements. We eliminated this as an option.

Applying the above criteria to the twenty-eight options, we eliminated twenty-four on various grounds. (See Appendix 3 for a list of the sites and, where applicable, the reason for elimination.) The BRTF gave particularly careful attention to two initially plausible sites before eliminating them. One was the site of the downtown library, a site that we were ultimately convinced should remain as a library. The other focused on two parking lots on Emerson, between University and Lytton. Use of these sites would substantially impact a crowded section of the main business district, remove parking from a place where it is needed, and oblige a split building. The combination of problematic factors seemed to us to constitute more than sufficient grounds for elimination.

The BRTF then ranked the remaining four from most to least desirable as follows: 1) Park Boulevard; 2) Gilman Street; 3) California Avenue; and 4) renovation and expansion of existing site. All four sites can accommodate a building of the proposed size (including provision for limited expansion if and when needed) and the parking that would accompany it. (See Appendix 5 for Architectural Stacking Diagrams of these four sites.)

The Park Boulevard site is centrally located and close to arterials, is the least physically complex and encumbered, places the least burden on the surrounding community, could provide surface lots for much of the required on-site parking, and would enable the most rapid construction schedule. Reworking and expanding the current site is likely to be the most expensive, complex, and protracted option requiring a duplication of facilities during construction to keep all functions fully operational at a cost of several millions of dollars that would provide no long-term benefit to the City. Each of the other two sites has substantial pros and cons. Both are on public land but both are primarily current parking lots and would thus incur the cost of replacement parking. Both are well located but complex sites that would cause considerable disruption during construction. The California Avenue site in particular is in a commercial zone that is a destination for customers, i.e., most come there deliberately rather than in connection with other errands or business. Impediments such as construction disruption could, the merchants fear, cause these customers to go elsewhere, establish other shopping patterns, and then not return when construction is completed.

IV Cost

Though the Task Force was acutely aware of the significance of cost and, therefore, of the need to keep it as low as possible, our main contribution in that respect was in assuring that the size of the building was adequate but no larger than necessary for the present and approximately twenty years into the future. Cost is difficult to estimate at this stage because of the large number of unknowns (such as site characteristics, environmental impact mitigations, construction costs, possible site acquisition costs, etc.). The City's consulting architect on this project, Michael Ross, provided the Task Force with industry estimates of cost ranges for different project elements and contingency factors for a building that meets the "essential services" regulations. Covered by this requirement are functions that are most essential to a community in a major emergency: fire departments, hospitals, police, and the EOC and 911 communications functions currently housed in the Palo Alto Police Department building. An essential services building requires specialized, design, engineering, construction and inspection processes. Such buildings are designed to remain operational following an earthquake or other natural disaster. They also require more robust design and construction for both structural and nonstructural components including, but not limited to, structural systems, communications systems, main transformers and switching equipment, and emergency backup systems. These systems are essential to facility operations and require adequate consideration during the design and construction process to assure, insofar as practical, continued operation of the building after a disaster. All of these factors increase construction cost well above those for standard commercial construction. Using these and the recommended size of 49,600 square feet, rough cost ranges were calculated for three different situations. These estimates include building construction, associated parking, and land costs, if any, but do not include financing costs. They are as follows:

- | | |
|---|----------------------|
| <input type="checkbox"/> For a building on vacant private land | \$38 to \$45 million |
| <input type="checkbox"/> For a building on a publicly owned parking lot | \$45 to \$50 million |
| <input type="checkbox"/> For reconstruction and additions to current facility | \$50 to \$55 million |

The range runs from the Park Boulevard site, where project costs would not likely run less than \$38 million, to the most difficult building to build (renovation and expansion of the current building) that would not likely cost more than \$55 million. The middle category applies to the Gilman Street and California Avenue sites. (See Appendix 4, Preliminary Project Relative Cost Comparisons.) These cost ranges are estimated based on anticipated costs for beginning construction as of May 2009. We recommend, at some point during the design and when building drawings are developed, the convening of an expert panel of architects, contractors, project managers, and possibly others to advise on the probable cost of any specific project.

V Financing

As one among other Palo Alto needs, the PSB must necessarily be part of the financing strategy the City adopts to respond now and over time to the City's infrastructure priorities. The Task Force, therefore, defers to the City Council in determining the most appropriate approach to financing a new PSB.

The Task Force reviewed two of the most common means of using debt in the financing of public needs. *General Obligation* (GO) bonds are the most secure and straightforward funding mechanism for major projects. They are tax exempt and are repaid through an ad valorem tax against real property, two characteristics that cause them to be favorably viewed by the bond market and that result in lower interest costs compared to other options. GO bonds can be used only for the acquisition and improvement of real property. In this case, that would exclude furniture, fixtures, and equipment (FF&E), an expense estimated at between \$1.3 and \$2.0 million. GO bonds require a two-thirds favorable vote. As a consequence of Proposition 13, an ad valorem tax will cause the tax burden of a GO bond to be distributed unevenly depending on when a taxpayer acquired his or her property.

Certificates of Participation (COP) are a vehicle well known in the investment community that can cover acquisition, construction, and FF&E expenses. They do not require voter approval; neither do they raise a new revenue source for payments to holders. This obliges the City through its budgeting process to designate the sources from which payments to Certificate holders can be made over the Certificates' life. By City Council policy, such sources must be available within a balanced budget. Any new tax revenues raised to cover COP expenses would be a "special tax" and, therefore, would require a two-thirds favorable vote.

A Parcel Tax, for example, could generate revenue to pay COP expenses through a flat levy on each property or parcel within the City. Parcel tax revenue also can be used for FF&E and operating expenses, though in the present case we do not anticipate any action regarding operating expenses. Parcel taxes typically have a sunset provision, after which they expire unless reauthorized by the voters.

As a pro forma exercise, we asked City staff to calculate repayment costs over a thirty-year period based on the high end of the range of our three cost comparisons calculations, namely, \$45, \$50, and \$55 million. These are the approximate numbers:

- ❑ With GO bonds, the range of annual debt retirement cost would range from roughly \$3.0 to \$3.7 million depending on project costs.
- ❑ For COPs, the range of annual payments would range from roughly \$3.5 to \$4.3 million, also depending on project costs. (See Appendix 6, Public Safety Building Financing Options Analysis.)

The Task Force recommends to Council that any rent savings generated by City staff moving into vacated police space be dedicated to refurbishing existing police space and to offsetting debt service on a new police building. Candidates for such a move include Information Technology staff located at 300 Hamilton Avenue and Utility staff located at Elwell Court. In addition, the Task Force recommends that Council direct staff to begin discussions with Stanford University for an appropriate contribution to offset the capital costs associated with the Communications Center in the PSB. Stanford contracts with the City for dispatch services, and language in this agreement discusses both operating and capital payments.

To discourage the too-early concretizing of broad and general estimates, we reiterate that all of the above numbers are based on comparative costs and assumptions and should be treated as very early and rough approximations.

For the reason noted above, we do not make a recommendation on financing.

List of Appendices

1. Problem Statement as it or earlier drafts appeared on PSB Web page since April 7, 2006
2. Final Space Needs Assessment Report dated June 8, 2006
3. Inventory of Potential Sites dated June 8, 2006
4. Preliminary Project Relative Cost Comparisons dated June 8, 2006
5. Preliminary Program Stacking Diagrams by Michael Ross, dated June 12, 2006
6. Public Safety Building Financing Options Analysis by Joe Saccio, dated June 13, 2006
7. Comparable police data/stats on building size, crime – comparing Palo Alto with Redwood City, Santa Clara, Fremont, Mountain View, and San Mateo dated June 13, 2006
8. Core and Satellite Functions by Michael Ross dated May 25, 2006
9. Fact Sheet dated May 25, 2006
10. Summary of BRTF's process and copies of all meeting notes

