Summary Title: Roth Building Project

Title: Discuss With the Palo Alto History Museum and Provide Feedback and Potential Direction Regarding the Rehabilitation and Future use of the Roth Building, Including Funding, Construction Phasing, and Support Requested

From: City Manager

Lead Department: Administrative Services

Recommendation
Staff recommends that the Finance Committee review, discuss with the Palo Alto History Museum (PAHM, also known as Palo Alto Museum or “PAM”) the current goal of the partnership between the City and PAM in the rehabilitation of the Roth Building, the return on investment in cultural and community benefits including the current status of project financing, and current request for City support in this partnership. This is in advance of a second item expected in October to discuss the financial scenarios and specific funding options from City financials.

Summary
In response to the City Council request as part of the FY 2021 Budget process and the March 2020 City Council referral to the Finance Committee, the Committee is to review options for potentially funding the build-out of the Roth Building as the new home for the Palo Alto History Museum. Staff is seeking Finance Committee consideration of potential project elements including potential funding options, and finance limitations. PAHM will provide a presentation of the status of the project, options to further phase the first phase of construction, shared space options, and funding options they wish to explore. Specifically the PAHM will articulate and discuss the support they are seeking from the City.

Based on this discussion, staff will return with potential options of funding the Phase 1 of the Roth Building project including the funding gap and impacts of use of those funding sources.

Background
In April 2000, the City Council approved the $1,957,000 purchase of the Roth Building and its 0.41 acre site for potential development as a “public facility or alternative use if a public facility is not feasible,” in conjunction with the South of Forest Avenue Coordinated Area Plan (SOFA
On May 20, 2002, Council approved a Request for Proposals (RFP) and directed staff to solicit proposals for the lease of the Roth Building. The RFP specified that preference be given to non-profit groups located in or serving Palo Alto; that the property be improved and operated at no cost to the City; and that public access to the Roth Building restrooms by users of the neighboring park be provided.

In response to the RFP, one proposal was received in November 2003. The Palo Alto History Museum (PAHM or the Museum) proposed to restore, preserve and improve the historic Roth Building for use as a museum. PAHM’s proposal was accepted by the Council in April 2004, at which time staff sent the Museum a draft Option and Lease Agreement for its review. In February 2006, staff received the Museum’s proposed changes to the draft Agreement including a request that the City contribute up to $300,000 to repair leaking and drainage problems at the Roth Building. On July 10, 2006, Council created a Capital Improvement Program (CIP) for Roth Building maintenance in the amount of $415,000 to provide funding for interim measures to prevent further deterioration of the building until the Museum would take over the site. On May 14, 2007, Council authorized the Mayor to execute the Option Agreement and approved a City contribution of $150,000 for repair of the leaking and drainage problems. The Option Agreement was executed on June 22, 2007 with a twenty-four month term.

Since 2007, PAHM personnel and City staff have examined a variety of proposals to fund the capital and operating needs of the Roth Building historical museum and the City Council has extended the option agreement several times. Additional background information can be found by referring to prior staff reports, CMRs: 2197, 2891, 4703, 5365, 5551, 5879 and 8612. The 2007 option agreement was extended several times over the past 13 years, but finally lapsed in late 2018 and is no longer in effect.

In December 2018 (Report #9767) the City Council reviewed the status of the Roth Building project and directed staff to validate the PAHM’s recent fundraising milestone of $1.75 million between 2017 and 2018. At that time, Council did not choose to extend the option agreement but directed staff to update the option and lease agreement, which had not been updated since 2007, for later consideration by Council.

In working to complete the validation of the fundraising milestone of $1.75 million that was discussed on December 2018, staff engaged a consultant to review the pledges, cash, and fundraising activities of PAHM to confirm the fundraising goal was met prior to beginning drafting new agreements. On March 2, 2020 (CMR 10276) the City Council reviewed the status of the Roth Building and fundraising by the Palo Alto History Museum (PAHM) articulating the finding of the validation work associated with meeting the $1.75 million target. Council approved the following motion:

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; and
D. Refer to the Finance Committee discussion of the possibility that the City fund the build-out [specifically related to the current PAHM partnership and build-out]

Discussion
Currently the Roth Building in partnership with the PAHM has two construction phases planned: phase 1 which is the rehabilitation and build out of the facility to make it suitable for occupancy and phase 2 which is the interior build out of the museum and exhibits. Phase 1 is currently estimated to cost $10.5 million, per PAHM and their contractor Vance Brown and is the primary source of discussion for this item. As staff has worked on part D of the above direction, and received renewed interest and guidance from the City Council during the FY 2021 Adopted Budget discussions, work on drafting an RFP to explore alternative partnerships have been on hold.

On June 15 staff provided an update on the Roth Building (CMR 11287) as requested in part C of the March 2\textsuperscript{nd} motion. This staff report follows-up on part D of the March 2 motion with what is expected as the first of two items with the Committee to address the rehabilitation of the Roth Building in partnership with PAHM and the financial needs and prioritization that would be necessary to satisfy this. Depending on the Finance Committee’s feedback, staff expect to return to the Committee with a discussion of the potential City funding of the build-out. Staff and PAHM have been partnering through this period to explore options and discussion with the Finance Committee is desired, as requested by the Council, before moving forward with potential next steps and additional staff work of either documents to extend the option and lease agreement or the start of a new RFP.

Over the past months staff has met with PAHM to discuss options for moving forward on the phase 1 Roth Building museum project. Options discussed have ranged from a minimal rehabilitation and construction of the building, known as the ‘cold shell’ option, to reviewing different funding sources for a full build out of the museum to satisfy phase 1. Central to reviewing these ideas are questions that need to be discussed by the Finance Committee for staff to take the appropriate next steps in working with the PAHM.

Resource Impact
Depending on the funding options selected for further exploration staff will return with resource impact assessments.

Stakeholder Engagement
Staff continues to meet with representatives of PAHM including their construction contractor to discuss the current status of the project, shared space options, phasing of the construction project, and any additional potential next steps. In addition, staff continues to discuss funding feasibility, legal restrictions, zoning options, as well as construction details with necessary partner departments including but not limited to Public Works, Community Services, the City Attorney’s Office, and Planning & Development Services departments.
Environmental Review
The proposed action is to provide direction on next steps for staff efforts with respect to the future use of the Roth Building and does not constitute approval of a project under the California Environmental Quality Act (CEQA).