



**PUBLIC WORKS DEPARTMENT**

CITY HALL

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**CITY COUNCIL STAFF REPORT**

Meeting: October 16, 2018

Subject

Budget Adjustment to proceed with a Request for Proposals for a market and operations feasibility study for a Performing Arts Center

Recommended Action

Staff recommends Council take the following actions:

1. Adopt Resolution No. 18-XXX amending FY 18/19 Operating Budget to appropriate \$200,000 from the General Fund to complete a market and operations feasibility study for a Performing Arts Center; and
2. Authorize staff to hire a consultant for a contract amount not to exceed \$200,000 to complete a market and operations feasibility study for a Performing Arts Center

Background

On September 19, 2018, the Cupertino City Council adopted the Vallco Town Center Specific Plan including resolutions to certify the Environmental Impact Report and associated General Plan Amendments. In addition, the City Council introduced and conducted the first reading to adopt a Development Agreement between the City and Vallco Property Owner LLC, as well as introduced and conducted the first reading for ordinances to amend the Municipal Code and the Zoning Map. On October 2, 2018, the Cupertino City Council conducted the second readings and adopted the DA and amended the Municipal Code and the Zoning Map.

The Development Agreement includes a number of community benefits for the City if the Developer chooses to construct a project on the site that conforms to the Tier 2 option established in the Specific Plan. One of the community benefits proposed in the Development Agreement is the option for City Council to accept either a 'core and warm shell' for a 60,000 square foot Performing Arts Center (PAC) that would be constructed by the Developer on the Town Center property, or a one-time payment to the City in a total amount of \$22,800,000 (PAC In Lieu Payment). The Development Agreement further stipulates that the City would begin, within 90-days after the effective date of the agreement, a feasibility study for the Performing Arts Center. Based on the feasibility study, the City may elect to either receive the PAC In Lieu Payment or proceed with

design and construction of the PAC. To proceed with construction of the PAC, the City must approve the Vallco Master Site Development Permit with the PAC included in the permit. If the City approves the Vallco Master Site Development Permit without the PAC included in the design, then the Developer shall pay to the City the PAC In Lieu Payment. The PAC In Lieu Payment shall be paid to the City prior to issuance of the certificate of occupancy for the last office building.

A feasibility study will analyze existing performing arts center spaces in west Santa Clara County and surrounding communities, alongside market and industry trends and other factors to determine whether a new facility of the size proposed is feasible and could be successful in this market, what expected tenant improvement costs would be for the City's funding obligation, and what annual operating costs could be expected. The study will aid the City Council in making a choice between the two options (PAC or PAC In Lieu Payment). Key considerations that will be analyzed in the study are:

- Economic, Demographic and Destination Market Analysis
- Performing Arts Center Trends
- Review of Financial and Programmatic Performances of Existing Performing Arts Centers
- Analysis of Comparable and Competitive Facilities
- Potential Joint Use Opportunities
- Demand Projections
- Financial Projections
- Cost Estimates for Completion of Tenant Improvements
- Expected annual operating costs

#### Next Steps

Public Works will initiate a Request for Qualifications (RFQ) for a market and operations feasibility study; will review the submittals and choose a qualified consultant and will begin the study.

#### Schedule

Date	Activity
November 2018	Post Request For Qualifications
January 2018	Choose Qualified Consultant and Execute Contract
February-June 2019	Prepare the Market and Operations Feasibility Study
June 2019	Present the Market and Operations Feasibility Study to City Council.

#### Sustainability

There are no negative effects from this action. The study will analyze the market demand, economic impact, estimate of required tenant improvements, and annual operating cost for a 60,000 square foot Performing Arts Center at the Town Center property.

#### Fiscal Impact

To complete a market and operation feasibility study for a Performing Arts Center at the Vallco Town Center property, the FY 18/19 Operating Budget needs to be amended to appropriate \$200,000 to Public Works Capital Improvement Program operating account. This additional appropriation will be funded from the Capital Reserve Fund 429. Current year end projections for this fund anticipate the fund will end the year with \$13 million in unassigned fund balance, the use of \$200,000 will reduce that year end projection to \$12.8 million.

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Prepared by: Chad Mosley

Reviewed by: Timm Borden, Director of Public Works Department

Approved for Submission by: Amy Chan, Interim City Manager

#### Attachments:

A – Excerpt from Development Agreement by and between City of Cupertino and Vallco Property Owner, LLC – Article 5.1 - Performing Arts Center

B – Draft Resolution