November 10, 2014
Preliminary Report of the Los Altos Financial Commission
Hillview Park and Community Center Project

1) Introduction

Los Altos City Council has tasked the Financial Commission with participating in the Hillview Park and Community Center planning process, particularly related to evaluating funding strategies. An ad hoc committee of three members of the Commission was appointed to prepare a report and make recommendations to the full Commission and ultimately, to Council. At this time, the definitive scope, design, timing and cost of the Community Center development effort are still a work-in-process as public outreach, consultation and Council deliberations continue. As the first phase of development becomes more precisely defined, the Financial Commission expects to update this preliminary report with new or revised recommendations related to financing strategy and options.

Los Altos is a city of highly educated, high income residents, who expect and appreciate the quality of life that Los Altos affords. They expect the city to provide quality facilities for community enjoyment such as 10 parks, 2 libraries, a history center, and public recreation facilities, including a community center. The appetite for residents' interest in city recreational services is indicated by the steady growth of use, which has far outstripped the rate of city population growth. In the last 10 years (2003-2013):

- City population has steadily grown from 27,512 to 29,792 (8%).
- City classes and programs have grown from 2,078 to 2,675 (28%).
- City facility rentals have grown from 500 to 2,702 (440%).

In order to support the growth of such programs and to address the replacement of aging, high-maintenance facilities on the Civic Center campus, the City developed a Master Plan in 2009. The Master Plan was put on hold principally because a survey in 2012 showed voters were unwilling to approve funding of the majority of Phase 1 construction costs via a $65 million bond measure.

Following further discussion and input from the community, the City Council decided to develop a revised plan for the Civic Center. In January 2014, Council adopted its 2014 priorities, the first of which is to approve the development of a new Los Altos Community Center as a first phase of planned Civic Center improvements. Council also stated that the budget for the community center should align to community support for financing.

The City's architectural consultants, Anderson Brule Architects (ABA), provided conceptual cost models for two options for a first phase of the project with estimated construction costs of $60 million and $90 million, respectively. At its meeting on September 15, the Financial Commission discussed potential financing strategies for both options and provided input to City staff for presentation at the September 23 Council meeting. This input supported financing a $60 million project with approximately $40 million to be raised via a voter-approved bond measure or parcel tax and approximately $20 million to be provided from existing City cash reserves. The basis for this recommendation and other suggestions made by the Financial Commission is discussed more fully in section 5 of this report.

Following the Council meeting on September 23, at which these options were presented and considered, Council decided to proceed with a target project budget of $60-70 million with funding details to be determined, including a bond measure, city funding through reserves and certificates of participation, and potential funding from Los Altos Hills. A cap of $15 million was set on internal funding. Council's priorities for the first phase of development are:

1. Community Center with underground parking; and
2. Swim Center

2) <u>Current Status - Projected Scope, Timing and Cost of the Civic Center Project</u>

The 2009 Master Plan called for multiple phases of development, the first of which would include a new police station, city hall and community center, at a total estimated cost of $81 million. Athletic fields, a library and a theater were to be included in later phases with a swim center to be funded entirely by outside community groups. The City Council decided on a financing strategy to seek voter approval of a $65 million bond issue to fund construction of the police station and the community center with the new city hall funded from internal resources. However, a telephone survey of voters in 2012 indicated that there was not enough public support to pass a $65 million bond measure and Council decided not to proceed with the bond measure and the Master Plan at that time.

After revisiting the issues in 2013, Council set a 2014 priority to develop an updated Master Plan with a multi-generational community center as the first priority. The existing Community Center building is a 40,000 square foot former school built in the late 1940s. An analysis conducted in 2009 in conjunction with development of the Master Plan concluded that the cost of renovating the existing Community Center would likely exceed the cost of new construction. Many of the fundamental building systems, such as heating, electrical and plumbing, function poorly, if at all, and incur high maintenance expenses.

During 2014, there have been a number of consultations with citizens and community organizations in various meeting formats, in an effort to determine the most desired features and design parameters for the site and for individual elements of the Master Plan, especially the new community center. The various elements of the entire project are not substantially different from the 2009 Plan, although the size of the proposed community center was reduced from 76,000 square feet to 55,000 square feet in the current iteration. The prioritization of the various elements has also changed, with the theater, new police station and city hall now deferred until a later phase. As part of the outreach to citizens, Godbe Research conducted another voter survey in August 2014. This telephone survey asked a sample of voters a variety of questions to gauge their level of support for a potential bond measure to finance a first phase, which would include a community center, swimming pool and underground parking. The results of the survey were presented to Council on August 26, and indicated the necessary 2/3 level of support at up to $8 per $100,000 of assessed value, or approximately $20 million in bond financing.

Also included in the public outreach was a meeting on August 28, 2014 to solicit input from citizens on possible financial strategies to fund the Community Center development. Three members of the Financial Commission attended this meeting, as well as representatives from ABA and the City's financial consultants, NHA Advisors (NHA). It should be noted that, at the time of this meeting, construction cost estimates for the community center and other proposed elements of the Master Plan had not been fully updated since a previous study in 2009. For our initial consideration of financing, City staff projected, based on a good faith update of the 2009 estimates that the current cost of a first phase of development would be in a range of $40 million to $50 million. The Commission members present took notes of various financing suggestions from the public.

On September 15, ABA made available to city staff and the Financial Commission a budget framework based on prevailing costs for similar government agency projects. In that budget framework, estimated base construction costs for various elements of the project were determined to be as follows:

- A Community Center building of approximately 55,000 square feet ($20.85 million)
- A Community Swim Center of approximately 39,860 square feet ($4.24 million)
- A Community theatre of approximately 10,000 square feet ($7.50 million)
- Community playing fields (one each for soccer, baseball) ($1.24 million)
- Different permutations of surface and underground parking ranging from $1.94 million for 100% surface parking to $11.28 million for approximately two thirds of the parking to be underground.

In addition to these "hard" costs, ABA added 35% for architectural and engineering fees, 21.5% for contractor overhead and profit, a project contingency of 10% and a further 14.7% for cost escalation, assuming a time period of 3.5 years until the middle of the project is reached. ABA then prepared two conceptual cost models based on these costs for two specific configurations, Option A and Option B, attached as Exhibits A & B.

Option A, which included the community center, related site work, and parking with 79 of 369 required spaces underground totaled $59.88 million. Option B, which added a swim center, soccer field and parking with 250 out of 369 spaces underground, totaled $90.25 million.

Neither of these cost models includes costs of new furniture and equipment, moving expenses and costs of temporary facilities during the construction period.

Such expenses, potentially amounting to several million dollars, could not be paid for out of bond proceeds and would have to be met out of existing city resources.

It follows also that, for each element, there are ongoing operating costs as well as capital costs. While the Commission was not asked to study operating cost issues, it is clear that there will be both potential new revenue sources as well as new costs associated with all elements of the Plan, and these need to be analyzed and understood in advance.

3) Examples of similar recent, community efforts in the area, and how they were financed

California cities have employed a number of well-established financing mechanisms to fund the construction of community facilities. Some of these methods, such as general obligation bonds and parcel taxes, require voter approval. Others, such as internal debt, do not require voter approval, although they are subject to limitations imposed by budgetary constraints and credit rating status. Often, these mechanisms are used in combination, especially where a project includes multiple elements and significant dollar costs. Typically, projects requiring the use of voter-approved financing will focus such funding on elements most likely to receive taxpayer support, such as community recreational facilities and libraries. Additionally, we have seen various examples of partnerships with the private sector, both for-profit and non-profit organizations, in the construction and operation of community facilities. Internal resources like cash and debt are more commonly used for facilities with lower use by the public, such as city halls.

Listed below are a few examples of financing mechanisms employed by various cities to build a variety of community facilities. This is not intended to be a comprehensive survey; rather these are relatively recent examples that we have become aware of through our own research and suggestions from city staff and advisors.

- Cash Resources in Reserve Funds

Many cities have established reserve funds, in which cash resources are transferred to funds designated for specific purposes, including community buildings and recreational assets such as parks. These reserves may be funded from many sources, with the most common being annual appropriations or from one-time payments such as developer fees levied on new construction or sales of city-owned land.
In 2006, the City of Mountain View (population: 74,066) opened a 25,000 square foot Senior Center at a cost of approximately $17 million. The Senior Center was funded principally from reserve funds, including a CIP (construction-in-progress) reserve, Park-in-Lieu funds and a construction conveyance tax.

- Sale/Lease/Donation of Owned Land

The City of Santa Rosa (pop.: 167,815) donated a parcel of land to a non-profit (Seniors Inc.) in order to enable the non-profit to build and operate a senior citizen building. The non-profit raised the construction cost (approximately $8 million) mainly via a capital campaign, a substantial part of which came from one donor.

- General Obligation Bonds

General Obligation (GO) bonds are secured by property taxes and can be adjusted annually to meet the debt service requirements of any authorized bonds. They are subject to approval by 2/3 of voters and are "ad valorem"(i.e. based on the assessed value of properties). Therefore, individual homeowners may pay significantly different amounts from their neighbors depending on when they purchased their home. For the construction of facilities, GO bonds are typically issued with 30-year repayment periods. If assessed property values increase as properties change hands, it is probable that annual amounts levied on homeowners will decrease over time. GO bonds are perhaps the most widely used and least expensive form of financing for projects on a scale that exceeds available internal cash and debt resources. GO bonds may be issued in more than one tranche, depending on the timing and size of the project. Local examples of successful GO bond measures include:

  - Menlo Park (pop.: 32,036) Measure T - $38 million for parks and recreation (November 2001)
  - Palo Alto (pop.: 64,403) Measure N - $76.0 million for a community center and libraries (November 2008)

- Pleasant Hill (pop.: 33,152) Measure E (special district) - $28 million for a community center (August 2009)

The latter two measures required annual payments by homeowners in a range of $25 -$30 per $100,000 of assessed value.

- Parcel Taxes/Special Assessments

Parcel taxes differ from GO bonds principally in that assessments are levied as a flat rate per land parcel (although exemptions are sometimes made for seniors and hardship cases) rather than on an ad valorem basis where assessed value determines the amount paid by each property owner. Like GO bonds, they require 2/3 voter approval, but in some cases the proceeds can be used for operating expenses as well as for capital projects.

There is some evidence that parcel taxes are more commonly used to fund public safety costs, both for new buildings such as police stations (e.g. Corte Madera (pop.: 9,253), and particularly the operating costs of police and fire departments. Parcel taxes have also been used to construct libraries and pay ongoing operating costs of these facilities after their construction (e.g. Belmont (pop.: 26,731).

- Joint Powers Authority (JPA)

While not a financing mechanism per se, a JPA can be established to allow a group of agencies to provide services which would be uneconomic or impractical for them to support individually. JPAs have separate boards and powers from the underlying agencies and are managed independently. The JPA agreements include the sharing of capital and operating costs as well as the power to raise finance via bond measures or parcel taxes. A local example is the North County Library Authority which provides for additional funds/services to the Los Altos Main and Woodland branch libraries as part of the Santa Clara County Library District, a group of libraries in eight cities and unincorporated areas in Santa Clara County.

- Internal Debt (Certificates of Participation, or COP)

COPs are a popular form of financing in which voter approval is not required. They are generally structured in the form of a lease. The key characteristic differentiating COPs from bonds requiring voter approval is that payments on the lease are subject to annual appropriation by the municipality. The size of the financing is limited by the city's ability to make lease payments on an ongoing basis. The City of Newport Beach (pop.: 85,186) used COP of approximately $45 million to finance a 72,000 square foot civic center, including a new city hall, a fire station and parking structure. The Newport Beach COPs require an annual appropriation of $3 million by the city for the next 30 years.

- Public/Private Partnerships

The example quoted above of the Santa Rosa senior center is one form of partnership. There are many possible forms of partnership, which seem to depend mainly on local factors. These include the cost and availability of land, the possibility of donations from business, non-profits and/or private individuals, and the financial and management constraints of operating different recreational and community facilities. For example, community swimming pools usually carry significant operating costs; in Novato (pop.: 51,904), the YMCA has taken over pool management while in Menlo Park, a for-profit organization manages the pools. Both organizations are financially responsible for the majority or all of their revenues and expenses.

- Private Donations/Sponsorships

Capital campaigns are typically focused on raising some or all of the costs of construction of community facilities. One example in Los Altos was the campaign to move and restore the Neutra House. The land was made available by the city and a capital campaign raised the necessary funding. On a larger scale, a private donor provided a substantial portion of the $20 million which enabled Menlo Park to build a gymnasium and renovate a recreation center. Large donations, however, may require the City to cede significant influence over the design and use of facilities financed in this way. In addition, naming rights for buildings are often a negotiated feature of major donations.

4) <u>Opportunities for these funding mechanisms in Los Altos</u>

- Cash Resources/Reserve Funds:

    The City of Los Altos is fiscally strong. Approximately half of its revenues are from property taxes. In the last 10 years, the assessed

value of taxable property in Los Altos has risen every year, with one exception (2010-2011). The total taxable assessed value has risen from $5.9 billion in 2003-2004, to $10.2 billion in 2012-2013, an increase of 72%.
As of June 30, 2014, the City had total cash and investment resources (unaudited) of $60.0 million Of this amount, specific fund balances which could be made available for the civic center project include: Community Facility Renewal fees balance of $8.4 million, Real Property Proceeds balance of $10.2 million; and net Park in Lieu Fees balance of $4.0 million, for a total of $22.6 million.

- City Owned Land Resources

  The City owns land with a book value of $11.5 million. While most of this land is fully utilized for the civic center campus and for parks, the City owns a number of small parcels, with arguably limited utility to the City for development or lease. There may be opportunities to sell one or more of these parcels to adjacent property owners or other interested parties who may be in a position to put the land to use. The sale of such parcels, with a potential value of up to several million dollars, could either supplement existing cash reserves and/or allow the use of a higher mix of cash resources in the project financing.

- General Obligation Bonds

  Due primarily to its strong property tax base, Los Altos has the financial capacity and credit standing (AA+) to issue a bond for the entire project, but only if voters provide the required 2/3 majority. As noted above, the taxable assessed value (AV) of property now exceeds $10 billion, with an average AV of almost $1 million per property. In order to raise $40 million in a bond issue, the city would need to persuade voters to approve an annual assessment of approximately $16 per $100,000 of AV, or $200 annually on the average AV of $1 million per property. The recent survey showed that a level of $8 per $100,000 AV would be all that voters would provide a 2/3 majority for, although it must be noted that no marketing or public relations campaign to promote the proposal had been conducted prior to the survey. Other cities in the Bay Area reasonably comparable to Los Altos have passed bond measures in excess of $20 per $100,000 AV, so it is possible that a well-structured bond measure with attractive features and an aggressive campaign could obtain greater financial support than the survey indicated. However, it should be noted that the Los Altos School District placed a $150 million bond measure on the November 2014 ballot. As of the date of this report, the measure appears to have passed with a slim margin, resulting in an additional $30 per $100,000 AV for Los Altos property owners (and others within the school district boundaries).

- Parcel taxes

    In a similar fashion to a GO bond measure, the City has the requisite capacity and credit standing to raise money via a parcel tax. We understand that the financing costs associated with a parcel tax could be slightly higher than those of a bond measure because GO bonds are issued on the full faith and credit of the issuing agency, meaning that the agency can draw on all its possible revenue sources for repayment. The annual rate of a GO bond can also be adjusted upwards in the event of a decline in assessed values and will also decline if property values increase over time. Parcel taxes, however, can only rely on the specific voter-approved levies for repayment and consequently may carry higher financing costs for the agency. Aside from financing costs, the choice between a bond measure and a parcel tax is in some degree a political decision on how best to spread the cost among the taxpayers of the City, both residential and commercial. A parcel tax proposal would also require the same type of well-structured measure and aggressive marketing as a GO bond measure. The City's bond consultant, NHA Advisors, is well placed to advise in detail on the relative costs and merits of GO bonds and parcel taxes.

- Participation of Los Altos Hills/Joint Powers Authority

    The City has already held initial discussions with Los Altos Hills (LAH) (pop.: 7,922) regarding ways in which LAH might participate in the proposed development. The financial participation of LAH, could spread capital and operating costs over a broader base. A broader tax and population base could improve the economics of the community center and swim center. The structure of a collaborative relationship could take a variety of forms depending upon the benefit received by residents of Los Altos Hills.

- Certificates of Participation (COP)

  At June 30, 2013, the City had about $1.8 million outstanding in COP, which were issued to fund the purchase of Rosita Park. These COP are repayable in annual installments of principal and interest of approximately $170,000 until 2029. A debt capacity study conducted by the Financial Commission in 2012 presented three scenarios, with the most aggressive showing that the City has the capacity to raise $10 million in new internal debt, such as COP, with an annual debt service cost of about $750,000. This level of debt service cost represented about 3-4% of projected operating expenses, assuming repayment over 30 years. While the report dates to 2012, it used conservative interest rate assumptions and financial forecasts. This means that with the relatively stable interest rates of the last two years and better-than-forecast financial results, the conclusions of the report are still broadly relevant. Given the in-built conservatism of the report and the fact that other peer cities have committed to debt service ratios of 5-6% of operating expenses, it could be argued that the City's debt capacity might be as high as $15 million. However, there would be a need to review the principal and interest burden of any new COP in the light of a potential bond issue and other changes to the City's financial profile and credit status. COPs carry the risk that higher levels of debt service could lead to significant cuts in City services in the event of a protracted economic downturn. The uncertainties surrounding significant future expenses such as pension contributions and the 2016 renewal of the fire services contract with Santa Clara County suggest that some degree of conservatism with respect to potential debt service is appropriate.

- Existing Debt:

  As of June 2013, Los Altos has a total direct and overlapping debt of $255.9 million, which is 2.51% of the city's assessed valuation ($10.2 billion). This is well within the state-imposed debt limit of 15%. As noted above, only $1.8 million of this amount is direct debt of the

City of Los Altos. The remainder is composed of the pro-rata share of obligations imposed on the residents of Los Altos by other agencies, including Santa Clara County and a number of school and community college districts serving the City's residents.

- Private Donors/Sponsors (individual, businesses and non-profits)
  Los Altos is one of the most affluent communities in the United States and many residents and organizations have the resources to be major donors to community projects. This is especially true if the project (or specific elements of it) proceeds with the cooperation and commitment of the Town of Los Altos Hills. Private donations could be a good way to fill all or part of a funding gap. Discrete elements such as the swim center or a theater would be obvious targets for a capital campaign. Although on a smaller scale, local residents contributed to construction of the Los Altos History Museum and also to a recent campaign to move and restore the Neutra House in its current location. The Los Altos Community Pool Foundation has a campaign to raise funds privately for the construction of a swim center.

5) Discussion

When the scope and timing of the Community Center development effort is more well-defined, and/or additional constraints outlined, the Financial Commission will move beyond this preliminary examination of the issues and possibilities. However, there are several general issues for consideration even at this stage.

The City is considering a variety of elements to be included in the Civic Center. Because the project will inevitably consist of phases, and the various elements have different financial and financing considerations, the Financial Commission recommends considering the financial issues and financing possibilities for each element individually. For example, the Commission believes that a bond measure or parcel tax requiring 2/3 voter approval should be directed towards the highest-cost elements that are most likely to garner the broadest community support, such as the multi-generational community center itself. Some items, in particular the swim center and theater, each of which will require financing in the $5 million to $10 million range, might be best financed via a capital campaign. Either facility could be attractive to a large donor who could potentially be given some influence over the design and allowed naming rights. In contrast, internal debt and some cash resources most likely lend themselves to financing projects with less immediate appeal to voters, such as new police station and city hall facilities.

Council has also stated that it wants a community center project with “a budget that aligns to community support for financing.” It is unclear to us whether this means that the project should be 100% financed by a bond measure or parcel tax approved by the voters, or whether it leaves open the possibility of adding other City resources to the financial mix. The results of the 2014 voter survey suggest that, even with an aggressive marketing effort to persuade voters to support a bond measure greater than $20 million, it is highly likely that multiple sources of financing will be required to complete the first phase as currently envisaged. We assumed in our discussion that multiple sources of financing for the community center would not only be acceptable to Council, but necessary to make the project possible. In addition, depending in part on timing considerations, we believe that the City should keep certain resources and financing mechanisms available for later phases of the project and/or other potential demands on capital for purposes not directly related to the Civic Center.

In any case, it appears from voter surveys in 2012 and 2014 and the latest cost estimates that the level of support from voters would not permit full funding of the community center itself via a bond measure or parcel tax. While the Commission does not profess to have a good sense of how large a bond measure or parcel tax could be approved by voters, it believes that the results of the recent voter survey should be viewed with a degree of skepticism. Based on the experience of other comparable cities, and assuming a professional and aggressive marketing campaign, the Commission believes that voters could be persuaded to approve an amount considerably in excess of $8 per $100,000 AV. It would seem reasonable to us to seek approval for an amount of $15-$20 per $100,000 AV. This would generate approximately $40 - $50 million in proceeds. $40 million raised via a parcel tax would require each parcel to pay about $225 annually for 30 years, assuming that all residential and commercial properties are taxed.

However, even allowing for the possibility of higher proceeds, we conclude that an initial first phase focus on a project similar in scope to Option A, building only the community center and the minimum required amount of parking, consistent with further development of the site in due course. This more modest proposal would still require approximately $60 million in total funding, not including the furniture, equipment and temporary operating costs referenced earlier in this report.

It is worth noting that in both Options A & B, the “hard” construction costs represent less than half of the total estimated costs of the project. “Soft” costs, such as architectural and engineering fees, contingencies, contractor overhead and profit, and escalation account for slightly more than half of the costs in each case.

We considered whether reducing the proposed size of the community center would provide any significant reduction in costs. We rejected this idea, since public input appears to support the need for at least a 55,000 square feet building and because the building would need to be reduced very significantly in size to generate worthwhile cost reductions. Even the limited project described in Option A requires a significant, but reasonably prudent, allocation of City funds to supplement the proceeds of a bond measure or parcel tax. The existing soccer and baseball fields would remain in place and unimproved until a later phase.

We believe that a swim center and new theater are good candidates for a capital campaign. While they might attract significant large donors from within the community, there are other grass-roots efforts, such as those already undertaken by the Los Altos Community Pool Foundation, which could also play a role. The voter survey indicated that there is considerable community support for building a swim center, but not the desire to fund both a pool and the community center via a bond or parcel tax. While the voter survey did not directly address the need for a new theater or its potential location, it is clear from the survey results that a new theater has to be off the table for now, unless a successful capital campaign can be mounted.

While other elements of the Master Plan are not being considered for immediate action, we recommend that the City keep some financial “dry powder” for these developments in future years. Other buildings (police department and city hall) are in better condition than the dilapidated and high-maintenance community center, but they will need significant renovation or replacement in due course. We believe that COPs and internal funds, with the possibility of a parcel tax for public safety operations, would seem to be the best methods of funding these capital projects when necessary. We do not have any updated cost estimates for these buildings, but we believe that they can be financed in due course from the City's internal resources, principally cash and potential debt.

The Commission was also made aware of preliminary discussions between members of Los Altos City Council and Los Altos Hills Town Council about the possible participation of Los Altos Hills (LAH) in the project, or elements of it. Although various forms of participation could be negotiated, the most common model is establishment of a JPA, with a separate board and governance. Clearly, some form of cooperation with LAH could spread capital costs as well as potential revenues and expenses over a larger base of population. We encourage the Council to continue discussions with Los Altos on the topic of a model satisfactory to both entities. Any voter-approved measure by a prospective JPA would, of course, require a good understanding of voter sentiment in both communities and a well-orchestrated marketing campaign.

6) Recommendations

Based on the above discussion, certain preliminary consensus recommendations were noted for presentation to Council at its September 23 meeting. The key recommendations were as follows:

Maintain the proposed size of the community center at 55,600 square feet as reducing the size of the facility will not meet the needs of the community and likely dilute public support

Proceed with a bond measure or parcel tax yielding approximately $40 million

Utilize approximately $20 million in City funds from sources such as the Community Facility Renewal Fund, the Real Property Proceeds Fund and the Park-in-Lieu Fund

Embark on a capital campaign for private funds focused on specific project amenities in the first and/or subsequent phases of the project

The Commission also recommends:

Focus on a first phase along the lines of Option A. At this time, absent a very significant contribution from private donors, we do not see any prudent and financially sound way for the City to move ahead with Option B as a first phase of the project.

Keep financing options in reserve for additional phases of the Civic Center project and for other future capital needs of the City. In particular, the use of internal (non-voter-approved) debt should ideally be reserved for future projects.

Explore via further surveys and with a well-developed professional marketing plan whether voters would be supportive of a bond measure or parcel tax aimed at raising an amount in excess of our suggested $40 million. This would clearly preserve cash and other financial options for later stages of the project and other capital requirements.

Examine the possibility of sales of land to supplement the City's reserve funds, or other revenue-generating opportunities such as leases to supplement city revenues. While the sale of land, particularly any part of the Civic Center site, is likely to be controversial, there may be certain small parcels suitable for sale because they have limited opportunities for use or lease by the City.

Identify consultants or other means to assist with the development of a capital campaign to finance additional elements of the Master plan, especially the swim center and theater.

Continue to engage with Los Altos Hills to explore mutually beneficial cooperation on all, or part, of the Master Plan.

Consider not only the capital costs of projects, but also prepare up-front financial models of the projected revenues and operating costs for the new facilities and the programs and services which will be offered. While City residents expect to have quality facilities and services, it is important to the sustainability of the City's annual budgets that some significant percentage of cost recovery be achieved in the development of new facilities and services. Currently, the aggregate direct cost recovery of city recreation services is in the 80% range (comparing favorably to other cities), with the aim of recovering 100% of direct program costs. It is important for the acceptance and success of the project that these issues be publicly discussed and understood in advance.

Sources and Acknowledgments:

Statistics obtained from the City of Los Altos Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, updated to June 30,2014 for certain fund balances

Conceptual construction cost models provided by ABA Architects on September 15, 2014

Population data from U.S. Census Bureau – 2010 census (except Los Altos – 2013 estimate)

Acknowledgments: thanks to City staff, ABA, NHA Advisors for their assistance

Conceptual Cost Model - Option A

Component	Size	Cost
Demolition - Community Center		$ 0.34 M
Site Work	201,400 sf	$ 2.19 M
Community Center	55,600 sf	$ 20.8 M
Swim not included		
Soccer to remain		
Parking (total)	369 stalls	$ 1.94 M
Underground Premium	*(79 stalls)*	$ 3.61 M
Subtotal		**$ 28.93 M**
Mark-up* 21.5%		$ 6.22 M
Hard Costs Total		**$ 35.15M**

Component		Cost
Hard Costs Total		$ 35.15 M
Soft Costs	35 %	$ 12.30 M
Subtotal		**$ 47.46 M**
Project Contingency	10 %	$ 4.75 M
w/ Escalation		
Today	**-**	**$ 52.20 M**
3.5 years	**14.7%**	**$ 59.88 M**
5 years	**21.7%**	**$ 63.51 M**

* Mark-up includes: C.O. Contingency 5%, General Conditions 8%, Profit 6%, Bonds/Insurance 2.5%

Conceptual Cost Model - Option B

Component		Size	Cost
Demolition - Community Center			$ 0.34 M
Site Work		331,300 sf	$ 3.52 M
Community Center		55,600 sf	$ 20.8 M
Swim		39,860 sf	$ 4.24 M
Soccer		75,000 sf	$ 0.83 M
Parking (total)		369 stalls	$ 1.94 M
Underground Premium		(*250 stalls*)	$ 11.28 M
Subtotal			**$ 43.60 M**
Mark-up*	21.5%		$ 9.37 M
Hard Costs Total			**$ 52.98 M**

Component		Cost
Hard Costs Total		$ 52.98 M
Soft Costs	35 %	$ 18.54 M
Subtotal		**$ 71.52 M**
Project Contingency	10 %	$ 7.15 M
w/ Escalation		
Today	-	**$ 78.67 M**
3.5 years	**14.7%**	**$ 90.25 M**
5 years	**21.7%**	**$ 95.72 M**

* Mark-up includes: C.O. Contingency 5%, General Conditions 8%, Profit 6%, Bonds/Insurance 2.5%