

# AGENDA ITEM 7.0

California Cultural and Historical Endowment Board Meeting  
9/29/2011

## STAFF REPORT

<b>GRANTEE:</b>	Institute for Advancing Unity, formerly Capital Unity Council
<b>PROJECT:</b>	Unity Lab
<b>LOCATION:</b>	Sacramento
<b>PROJECT SUMMARY:</b>	Applicant plans to construct a three story multi-purpose structure featuring multi-sensory, interactive exhibits on broad-based diversity-related social issues. Round 3 CCHE funds were expected to assist with the exhibits or the early construction stages of the 32,000 square foot building.
<b>FUNDING RESERVED:</b>	\$1,451,250
<b>FUNDING RESERVATION DATE:</b>	08/23/2007
<b>FUNDING APPROVAL DATE:</b>	11/19/2008
<b>IN GRANT AGREEMENT?:</b>	Yes
<b>GRANT AGREEMENT TERM:</b>	07/01/2009-04/12/2012
<b>FUNDING ROUND:</b>	Funding Round 3

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## BACKGROUND INFORMATION

Round 3 CCHE funding was approved in November of 2008 for the installation of exhibits in the Capital Unity Council's planned education center. Originally, the education center was to be built in a renovated warehouse, partially with Round One CCHE funds; however, due to severe structural instability found in that building, it was not deemed feasible to renovate the warehouse and demolition and new construction were required. The Board approved a request for a material change to the Round 1 CCHE grant for the rehabilitation of the warehouse in April 2007. The change allowed the CCHE funds to be spent on design and construction documents for the new building instead of on rehabilitation of the existing building. Ultimately, close to \$1 million was spent on architectural design and construction costs and \$1.2 million on exhibit design development to be installed in the new building. The Round 1 funds have been fully expended and the CCHE grant is closed out, but the building has not yet been constructed.

In early September, the grantee reported that the major pledge anticipated to provide the majority of the funding for construction of the new building was not received and the organization will not be able to move forward on construction of the Unity Lab at the original location at 16th and N Streets. The Round 3 grant was approved for exhibits to be installed at this location. As costs "incidentally but directly related" to construction of the new building, they were deemed capital asset expenditures.

## REQUEST

Grantee is requesting approval of a material change to the grant from exhibit production and installation in a newly constructed facility at 16th and N Streets, to installation at an alternate location, a high school 10 miles outside of downtown Sacramento. However, as currently conceived, the proposed exhibits are no longer an incidental cost of construction of the new building. Consequently, they are not considered eligible capital assets under the General Obligation Bond Law.

The proposed exhibits are problematic for a few reasons. Many years ago the CCHE established the policy of allowing the use of bond funds for permanent exhibits if the major portion of the cost is for actual construction and installation, if the

grantee can demonstrate that the exhibits will have a useful life of more than 15 years, and where the primary purpose of the grant is a capital assets project. The loss of a capital asset connected to the exhibits places these exhibits outside the allowable rule. Additionally, CCHE guidelines specifically prohibit the purchase of computers. Other unallowable costs in the proposed budget include software/user interface development, evaluations, and the production of multi-media support systems and related software.

#### **STAFF RECOMMENDATION**

In December of 2010, CCHE staff proposed that the grantee request a material change to allow the funds to be used for construction of the new building, instead of these ineligible purposes so that the organization would continue to have access to the resources. However, given the plan to abandon the construction project and the unallowability of the proposed exhibit development, staff reluctantly recommends that the Board terminate the grant agreement and allow the \$1,451,250 to be allocated to other eligible projects on the Round 4 Wait List.

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