



Staff Report

DISCUSSION AND DIRECTION ON CONTRACT POINTS FOR EMMETT HOUSE DDA WITH MID-PENINSULA HOUSING CORPORATION

Honorable Chair and Board Members:

Summary

On December 14, 2004, the RDA Board directed staff to proceed with developing an agreement with Mid-Peninsula Housing Corporation to relocate and refurbish the Emmett House. We have been in contact with them since that time and are returning to the Board with a summary of agreement points for the Board's discussion and direction. We are also providing in this memo a summary of other actions being undertaken to bring the project to fruition. Staff is seeking direction from the Board prior to returning with a draft Disposition and Development Agreement. No public hearing is required, but surrounding property owners have been notified of this item on RDA's agenda.

Background

Since June, 2004, the Board has developed a project definition for relocating, refurbishing and operating the Emmett House that appears to be near completion. In the intervening months, the Board addressed a number of issues, including alternative locations for the Emmett House, removing the affordability restriction from the Sixth and O'Neill property, the consequences of maintaining excess surplus in the LMI fund and specific design and operational characteristics of the proposed relocation.

At the most recent meeting, staff was directed to prepare a contract – called a Disposition and Development Agreement (DDA) – with Mid-Peninsula Housing Corporation (see attachment A). Subsequently, staff has met with Mid-Pen Housing and discussed some of the project's finer points. We wish to confirm these points with the Agency prior to bringing forward a draft agreement. Staff has also initiated three Professional Services Agreements related to the Emmett House, as follows:

- Convert the second story floor plan from two one-bedroom units to one two-bedroom unit, by Garavaglia Architecture (extension of existing agreement)
- Prepare a landscape plan, by Cottong & Taniguchi
- Obtain planning services to process the zone change, Conceptual and Detail Development Plans, right-of-way vacation and environmental clearances, by CSG

Consultants, Inc.

Discussion

Prior to developing a draft Disposition and Development Agreement for the Agency's approval, staff wished to review the specific points of the project for Agency confirmation. Following the Agency's direction, the DDA will be prepared, reviewed by the Agency's legal counsel and returned for Agency action and approval.

Based on staff's understanding thus far, we believe the following are the major points of the Emmett House project:

1. Overall Project Scope
 - a. The Emmett House will be relocated from its current site to the RDA-owned site at Sixth and O'Neill;
 - b. The House will be restored to, and maintained in a historical condition
 - c. The proposed site includes vacation of public right-of-way along Sixth Avenue in favor of the site.
 - d. Three units will be developed in the Emmett House: Two one-bedroom apartments on the first floor and one two-bedroom apartment on the second floor
 - e. A garage for at least three vehicles will be constructed on the site, with final configuration to be determined with approval of the Conceptual Development Plan.
2. Affordability Criteria
 - a. The apartments will be affordable under California Redevelopment law.
 - b. The units will be restricted to households earning incomes not to exceed 60% of the median income levels set for San Mateo County by the State, in accordance with HUD criteria. (As of 2005, the limit for a household of four is \$56,550.)
3. Terms of sale
 - a. The Agency will sell the House to Mid-Peninsula Housing Corporation for one dollar (\$1).
 - b. The Agency will provide a 30-year ground lease to Mid-Peninsula Housing Corporation for one dollar (\$1) per year, and the Agency would receive two-thirds (66.67%) of excess cash flow as residual payments.
 - c. All improvements would revert to the Agency at the end of the term of the ground lease.
 - d. Mid-Peninsula Housing Corporation will serve as the development entity and will be responsible for managing the relocation and rehabilitation of the Emmett House into an affordable housing project at its new location. The 2003 estimate included a profit of \$93,400 and Mid-Peninsula Housing Corporation proposes a developer fee (in lieu of 'profit') of one hundred thousand dollars (\$100,000).
 - e. The Belmont Redevelopment Agency will bear the costs of the project, including relocation, architecture, fees & permits, hard costs, on-site and off-site costs,

project management fees and other project costs. Payment of costs shall be in the form of a loan from the Agency to Mid-Peninsula Housing Corporation.

- f. Project costs were estimate at \$1,020,000 in May 2003, including a 4% escalation to mid-2004. This estimate has not been revised to include:
 - i. Adjustments for 2005 costs changes (estimated 4% increase)
 - ii. Adding the cost of processing the applications (estimated at \$20,000 to \$25,000)
 - iii. Adding costs of architectural revisions, landscape plans (est. \$5000 to \$8000)
 - iv. Adding the cost of the right-of-way vacation request (unknown)
 - v. Deleting the costs of soils / geotechnical report (\$4000)Staff proposes that the project cost be set at \$1,020,000, excluding remaining design and processing costs, plus an allowance of up to 10% based on actual bids. If bids exceed 10% over the project estimate (or \$1,122,000), the project would return to the Agency for review and action, including possible termination.
 - g. Mid-Peninsula Housing Corporation may seek third party permanent financing for the project. Any third-party financing will be applied to reduce the City loan. The City loan would be subordinated to any third-party financing.
 - h. In accordance with the exemptions provided in RDA Resolution 312, the project will not be subject to prevailing wages.
4. Operational Terms
- a. The historic appearance of the Emmett House and the landscaping will be maintained in first-quality condition
 - b. A marketing plan for securing tenants will be implemented over the life of the project, with the following groups given priority
 - First: Teachers and employees of public and private schools located in Belmont
 - Second: Employees of the City of Belmont
 - Third: Employees of businesses and institutions located in Belmont
 - c. Tenants shall be restricted to one vehicle per household.

It should be noted that Mid-Peninsula Housing Corporation has previously stated that it is interested in the project, as long as the following provisions were maintained:

1. No less than three apartment units in the building
2. Incomes restricted to no greater than 60% of County median.
3. Sale of the house to Mid-Peninsula Housing Corp.
4. Developer fee

The remainder of the points appears to be open to some discussion and negotiation, and staff is seeking the Board's authorization to work within them – as may be modified by the Board – to prepare a Disposition and Development Agreement for the Board's review.

Fiscal Impact

None at this time. When negotiations with Mid-Peninsula Housing Corporation are successfully concluded, staff will return to the Board with comments on the financial impacts of the draft DDA. The Board previously allocated \$1,020,000 for the project, based on the architect's preliminary May 2003 estimate.

Public Contact

In addition to posting of RDA agenda, a post card regarding this meeting item was mailed to owners of properties located within 300 feet of the 'receiving' site at Sixth and O'Neill Avenues.

Recommendation

Staff recommends that the Board endorse the above points for purposes of preparing a draft DDA for review and approval.

Alternatives

1. Provide alternative direction on one or more of the agreement points.
2. Direct staff to seek an alternative developer
3. Abandon the relocation / refurbishment of the Emmett House at Sixth and O'Neill Avenues, and direct staff to identify other options for the Emmett House structure and Sixth and O'Neill site.

Attachments

- A. RDA meeting minutes, December 14, 2004
- B. RDA staff reports, September 14, November 9 and December 14, 2004

Respectfully submitted,

Craig A. Ewing, AICP
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