Belmont Redevelopment Agency Agenda # _____
Meeting of July 8, 2008

Staff Report

RESOLUTION APPROVING RENTAL PLAN FOR TWO AGENCY-OWNED BELOW-MARKET RATE DWELLING UNITS WITHIN EMMETT HOUSE. AT 1000 O'NEILL AVENUE

Honorable Chair and Board Members:

Summary

Staff is recommending Redevelopment Agency adoption of a resolution regarding an Agency-owned below-market rate property known as the Emmett House at 1000 O'Neill Avenue. The resolution proposes that: 1) Emmett House be retained in ownership by the Redevelopment Agency and rented to two qualifying households; 2) that in the selection of renter households for Emmett House, a priority system be developed that may include preferences for – as an example - City employees, public safety employees and entry-level schoolteachers; and 3)LSA Associates, under that firm's current contract with the City of Belmont, take on the responsibility of marketing the units, screening applicants, and recommending potential renter households to the Redevelopment Agency Board for final selection.

Background

Emmett House is a locally-designated historic landmark, owned by the Redevelopment Agency and purchased through housing grant funds. The unit was recently moved from its prior location near the southwest corner of Ralston Avenue and El Camino Real to its current location on a vacant parcel owned by the Redevelopment Agency at 1000 O'Neill Avenue. The interior would be renovated to create two dwelling units. Numerous entitlements were previously approved by the Planning Commission to accommodate the relocation and rehabilitation of the Emmett House, including a Conceptual Development Plan, Conditional Use Permit to establish a Detailed Development Plan, Parcel Map, Design Review, Tree Removal Permit, Grading Plan and Certificate of Appropriateness. On May 20, 2008 the Planning Commission approved a Design Review Permit for the property, albeit subject to several conditions. Landscaping, final tree placement, final colors and materials, and a gate detail are required to return to the Planning Commission for final review and approval. A Planning Commission subcommittee has been formed to more efficiently review the outstanding items and provide a final recommendation to the full Planning Commission.

Discussion

Staff analyzed several options for disposition of the Emmett House, including:

1. Redevelopment Agency retains neither the units nor the grounds, with both units sold as for-sale affordable units to eligible households and grounds sold as common area held by both households.
2. Redevelopment Agency retains the grounds, but sells the units as for-sale below-market rate condominiums to income-eligible households.
3. Redevelopment Agency retains both the grounds and the units, and the units are rented to income-eligible households, with the City acting as (or hiring) a property manager.

In analyzing the available disposition scenarios, Staff was primarily concerned with each disposition scenario's impact on:

a. Redevelopment Agency budget
b. The Agency's ability to control and maintain the property's grounds and landscaping.
c. The Agency's ability to control and maintain Belmont Creek as it crosses the property.
d. Tenant selection process and tenant tenure.
e. Ease of property management.
f. Ease of reporting, monitoring, and enforcement of affordable housing policies.
g. Required deed restrictions and resale agreements.

Disposition Scenario 1: Redevelopment Agency retains neither the units nor the grounds, with both units sold as for-sale below-market rate units to eligible households and grounds sold as common area held by both households. Under this scenario, the two dwelling units are sold at below-market rate to two eligible households and the grounds are sold to the households to be held in common. This scenario would transfer the entire project, with the possible exception of Belmont Creek, to private ownership. All responsibility for property maintenance would be placed on a Homeowner's Association required to form upon sale of the units. A Landscape Maintenance Agreement could be recorded on the property to ensure perpetual maintenance. Additionally, because Emmett House is a Planned Development, revisions to the exterior that have not been considered through an Amendment to the Planned Development would be illegal and subject to compliance through Code Enforcement action. However, by losing direct control of the property's grounds, the City will be required to rely on Code Enforcement to remedy any future issues regarding landscaping and exterior maintenance.

Under this scenario, the City should retain responsibility for perpetual maintenance of Belmont Creek. This may include creekbank strengthening to prevent loss of the private property due to bank erosion. While the City's geotechnical consultant has found that improvements to strengthen the creek bank are not immediately necessary, improvements to strengthen the bank from failure may be required in the future.

Also under this scenario, disposing of the units as for-sale affordable units would require additional monitoring by the City to ensure that owners are occupying, and not renting, the property or are not violating any of the Codes Covenants and Restrictions (CC&R's) that would

be required on the property. Deed restrictions and resale agreements will be required to ensure that the City retains sale-back rights when the owners vacate. In addition, annual reporting is highly recommended to ensure that property owners occupy the property and are not renting the units at market-rate levels.

Benefits of Scenario 1: City disposes of property and responsibility for property; Ownership tenants may be perceived as more stable by community.

Drawbacks of Scenario 1: City has least amount of control over the property; City must execute a Landscape Maintenance Agreement and other documents such as CC&R's, and depend on code enforcement for remedy of any maintenance or occupancy issues; City would have to monitor units to ensure that owners are not renting the units at market-rate levels, City must retain responsibility of Belmont Creek.

Disposition Scenario 2: Redevelopment Agency retains the grounds, but sells the units as for-sale affordable condominiums to eligible households. In this scenario, the City retains ownership of the land, but sells airspace rights to the two dwelling units as condominium ownership. As owners of the land, the City would be responsible for all property and landscaping maintenance.

As in Disposition Scenario 1, disposing of the units as below-market rate, for-sale condominium units will require additional monitoring by the Agency to ensure that owners are not renting the units, particularly at market-rate levels. Deed restrictions and resale agreements will be required to ensure that the Agency retains sale-back rights when the owners vacate.

Benefits of Scenario 2: Agency disposes of responsibility for dwelling units; Ownership may be perceived as more stable by community; Agency retains ownership of property; therefore, the Agency controls the viability of landscaping and exterior maintenance. The Agency would also retain full control of Belmont Creek and the adjacent creekbank.

Drawbacks of Scenario 2: Agency loses control of dwelling units and must rely on annual reporting to ensure status of owner-occupancy; Agency must manage property or hire property manager for maintenance purposes; Agency would have to monitor units to ensure that owners are not renting out units, particularly at market-rate levels.

Disposition Scenario 3: Redevelopment Agency retains both the grounds and the units, and the units are rented to income-eligible households at below-market rate levels. Under this scenario, the Agency preserves maximum control over the property by retaining ownership of the building, units, and underlying property, including Belmont Creek. The below-market rate units would be rented to income-eligible households, and the Agency would be required to act as property manager, or hire a property manager for both building and grounds maintenance. A Landscape Maintenance Agreement would not be required.

By retaining the units as a rental property, the Agency can minimize the likelihood that owner-occupants would be renting the units to non-eligible tenants and the monitoring of occupants becomes less critical. However, annual income reporting would be required to ensure that tenants retain eligibility. Deed restrictions and resale agreements are not required. Under this scenario, the Agency retains maximum control over this 'signature' property.

Benefits of Scenario 3: Agency can maintain highest level of control over this signature property; No Landscape Maintenance Agreement would be required; Monitoring of occupants is less critical; Agency could repair creek bed at any time; Agency would not be limited to depend on code enforcement to remedy any building maintenance issues; Agency could choose to convert the units to ownership units in the future; No resale or deed restrictions would be required.

Drawbacks of Scenario 3: Rental tenants may be viewed as less stable by community; Agency will continue to be responsible for both the building and the grounds.

Eligible Household Selection

In any of the above disposition scenarios for the Emmett House, the Agency will be required to market, screen and ultimately select eligible households for each of the affordable units. LSA Associates, Inc. is currently under contract with the City of Belmont to provide municipal planning services, and should be the party responsible for implementing a tenant/homeowner selection plan.

The Agency may establish prioritization criteria to rank income-eligible households. Consistent with the goals and policies of the General Plan, priority should be given in this order:

1. Households where at least one member is a City of Belmont resident and one member is an employee of the City of Belmont or the Belmont-Redwood Shores School District.
2. Households where at least one member is an employee of the City of Belmont or the Belmont-Redwood Shores School District.
3. Households where at least one member is a resident of the City of Belmont and employed by the County of San Mateo
4. Households where at least one member is a resident of the City of Belmont.

As stated previously, all applicants must first qualify under the income limits established annually by the California Department of Housing and Community Development (HCD). If an applicant is income-eligible, then applicants would be evaluated under the priority system.

Some examples of possible City employee trades and typical salaries that would be eligible include parks and recreation employees ($12/hour), entry-level police officer and public safety dispatchers ($66,000 annually), lifeguards ($12/hour), maintenance workers ($25,000 annually),

librarians ($40,000 annually), office support and assistants ($42,000 annually), parks and child care teachers ($14/hour). The aforementioned sample of salaries was obtained through an informal survey of currently available jobs in San Mateo County jurisdictions. The annual salary of a first-year certificated teacher in the Belmont-Redwood Shores School District is $46,206. For a three-person household in San Mateo County, that salary is considered "Very Low Income" and would qualify for an application.

Selection of the final households will require the Agency or the Agency's chosen agent to advertise the units, review and verify the rental and/or ownership applications, interview prospective households, and continue to verify compliance with the affordable housing policies while the unit is occupied. LSA Associates has the necessary experience to undertake these tasks, and would fall under the purview of LSA's existing contract with the City of Belmont.

The Redevelopment Agency Board may choose to designate the final tenant selection to an Agency subcommittee, or may choose to allow LSA to award the tenancy. If a subcommittee is formed to determine final tenant selection, LSA would provide the subcommittee with a recommendation based on an objective evaluation of the application and the priority criteria listed above. If there are several eligible households that meet the criteria listed above, the Agency may choose to employ a lottery to make the final selection.

General Plan/Vision Statement

The actions associated with the Emmett House disposition process further the City's General Plan/Housing Element Goals as follows:

Housing Element Goal 2
"Provide residential sites through land use, zoning, and specific plan designations to encourage a broad range of housing opportunities."

General Plan Goal 1015.4
"To maintain and enhance the appearance of the City through controlling the location, timing, design and landscaping of new development and encouraging renovation of older areas."

Fiscal Impact

If the units (and underlying property) are sold to income-eligible parties, this action would likely generate revenue to the City between $300,000 and $400,000 per unit; this results in a one-time influx of revenue for that amount. This revenue must be reallocated for future LMI purchases in the area.

There may be a long-term loss to the Agency if the units are sold and the Agency retains ownership of the land. The above-described sale price of the units would be discounted by the

underlying land value (due to continued Agency ownership). While again the Agency would recoup some revenue based on sale of the units, the City would retain the costs associated with property maintenance and management.

If the units and the property are retained by the Agency, the property would generate ongoing rental revenue for the Agency. While rents would be considered below-market rate, the Agency would retain control of the property and would ensure adequate property maintenance in perpetuity. This option potentially represents a lesser long-term fiscal impact to the Agency.

Public Contact

The agenda was posted as required by the California Government Code.

Recommendation

Staff recommends that the Redevelopment Agency adopt the attached resolution.

Alternatives

1) Take public testimony and continue the hearing, directing any questions to staff for research and response. A staff memorandum would be prepared for consideration at a future hearing.
2) Deny the resolution.
3) Take no action.

Attachments

A. Resolution Approving Rental Plan for Two Agency-Owned Below-Market Rate Dwelling Units within the Emmett House at 1000 O'Neill Avenue

Respectfully submitted,

Andrea Ouse, AICP Consulting Planner	Carlos de Melo Community Development Director	Jack R. Crist Executive Director

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Attachment A - REDEVELOPMENT AGENCY RESOLUTION NO._____

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF BELMONT APPROVING THE RENTAL OF TWO AGENCY-OWNED BELOW-MARKET RATE DWELLING UNITS WITHIN EMMETT HOUSE AT 1000 O'NEILL AVENUE

WHEREAS, the Redevelopment Agency has purchased the property at 1000 O'Neill Avenue; and,

WHEREAS, the Redevelopment Agency purchased the historic Emmett House located at 843 Ralston Avenue; and,

WHEREAS, the Emmett House has been relocated to 1000 O'Neill Avenue and is being rehabilitated to accommodate two below-market rate dwelling units; and,

WHEREAS, the Redevelopment Agency must determine the long-term disposition of the property, whether the property should be sold to income-eligible buyers or whether the property should be retained by the Redevelopment Agency for rental to income-eligible tenants; and,

WHEREAS, the rental of the Emmett House units will allow the Agency to retain ownership of the property; and,

WHEREAS, LSA Associates, Inc., under an existing City-contract, will prepare a rental plan to consider timing, eligibility requirements, rules for tenancy, marketing and prioritization criteria to consider when ranking income-eligible households for tenancy; and,

WHEREAS, a public hearing was duly noticed, held on July 8, 2008, and closed; and,

WHEREAS, the rental of the Emmett House units is not considered a project under the provisions of the California Environmental Quality Act.

NOW, THEREFORE BE IT RESOLVED that the Redevelopment Agency approves the rental of two Agency-owned below-market rate dwelling units within the Emmett House at 1000 O'Neill Avenue.

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I hereby certify that the foregoing resolution was duly and regularly passed and adopted by the Redevelopment Agency of the City of Belmont at a regular meeting thereof held on July 8, 2008 by the following vote:

AYES, DIRECTORS: _____
NOES, DIRECTORS:_____
ABSTAIN, DIRECTORS: _____
ABSENT, DIRECTORS:_____
RECUSED, DIRECTORS:_____

_____
Secretary, Redevelopment Agency

APPROVED:

_____
Chair, Redevelopment Agency