



City of Palo Alto

City Council Staff Report

(ID # 4963)

Report Type: Consent Calendar

Meeting Date: 8/4/2014

Summary Title: Budget Amendment Ordinance for 2247 Bryant Street Rehabilitation

Title: Adoption of a Budget Amendment Ordinance in the Amount of \$250,000 (To Be Offset by Insurance Proceeds) for Rehabilitation of Property Located at 2257 Bryant Street

From: City Manager

Lead Department: Administrative Services

RECOMMENDATION

Staff recommends that the City Council approve the attached Budget Amendment Ordinance (BAO) in the Capital Improvement Fund in the amount of \$250,000 for the reconstruction expenses of the partially City owned property at 2247 Bryant Street, Palo Alto (Attachment A.). All expenses will be offset by insurance payments from State Farm Insurance, resulting in a zero cost impact to the City.

EXECUTIVE SUMMARY

The City of Palo Alto and Frank Benest (Previous City Manager from February 2000 – August 2008) are joint owners of the property located at 2257 Bryant Street in the City of Palo Alto. The property was purchased jointly on June 27, 2001 to be used as the primary residence of the City Manager. Presently, the equity ownership of the property consists of 56.8% by the City and 43.2% by Frank Benest and Pamela S. Grady, Co –Trustee of the Benest & Grady Family Trust Dated November 13, 1990.

Mr. Benest had been living in the property until a house fire occurred on May 3, 2014 making the property uninhabitable. Since this incident, Mr. Benest has moved to a rental property in Palo Alto and City staff has been working with him, the insurance agent, contractors, architect, and structural engineer toward the clean-up and rehabilitation of the property. The insurance company, State Farm, will be paying for expenses such as clean-up and new structural and architectural plans, and construction costs. A City CIP is being established as a conduit for receiving insurance payments (revenue) and for paying expenses. Insurance checks will be issued to the joint owners of the property, the Benest & Grady Family Trust and the City of Palo Alto. These will be deposited in the CIP and then used to pay the contractors and architects for rehabilitation of the property.

BACKGROUND

On May 30, 2001 the City Council approved an amendment to the housing assistance provision of the City Manager's employment agreement. That amendment increased the City's housing assistance funding amount from \$1.2 million to \$1.5 million. In accordance with the amendment, the City provided a \$900,000 equity share and a \$500,000 City loan with a 30-year term to purchase the property located at 2257 Bryant Avenue, Palo Alto, California. The former City Manager contributed \$185,000 toward the down payment to acquire the property. The property was purchased jointly with title being held as Tenants-in-Common by the City and the Benest & Grady Family Trust at a total cost of \$1.585 million. On May 3, 2014, the property was severely damaged by a fire and became uninhabitable forcing Mr. Benest and his family members to move to a rental property in Palo Alto. The property was insured and the insurance company has accepted the claim. City staff and Mr. Benest have been working together with State Farm Insurance representatives toward the clean-up and rehabilitation of the property.

DISCUSSION

Since the property is jointly owned, and the City is coinsured, the insurance company is issuing checks for clean-up and structural and architectural plans in both of the owners' names. The approval of the BAO will allow the City, in the interim, to deposit the insurance checks and pay for the expenses that are incurred toward the rehabilitation of the home. The funds will pass through for payments and the City will not be financially obligated for any work that is being completed at the property at this point.

According to the term of the initial employment contract between the City and M. Benest, sale of the home was to occur based on one of the following events:

- a. At the option of Frank Benest, subject to the terms of the employment agreement;
- b. The passing of 18 months following the involuntary termination of the employment;
- c. Upon mutual agreement of the parties;
- d. On December 31, 2017 or until the manager's current children have graduated or left Palo Alto public schools, whichever comes first.

The City and Mr. Benest will continue to meet to explore their options as how to move forward after the insurance adjuster's final analysis and additional reports by the architect, general contractors, and structural engineers are provided. Staff will update the Council when more information is available. Presently, the amount of \$250,000 is requested in spending authority based on estimated needs. More funding will be needed in the future for additional work. Again, insurance payments will cover all costs associated with this project.

TIMELINE

Staff will return to Council to provide updates and seek approval for the next steps.

RESOURCE IMPACT

The attached BAO requests an appropriation of expenses in the amount of \$250,000 in the Capital Improvement Fund to a newly established capital project, Emergency Facility Improvements (PF-15005). Invoices will only be paid once funds have been received from State Farm Insurance, resulting in no net impact to the Capital Improvement Fund or Infrastructure Reserve.

POLICY IMPLICATIONS

This recommendation is consistent with the original loan agreement and in preserving the City's partially owned asset.

ENVIRONMENTAL REVIEW

None required

ATTACHMENTS

Attachment A: Budget Amendment Ordinance

Attachments:

- Attachment A: Budget Amendment Ordinance Emergency Facility Improvement 2257 Bryant Street (DOC)
- Attachment B: PAFD 2257 Bryant Report (PDF)

Attachment A
ORDINANCE NO. _____

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO AMENDING THE BUDGET FOR FISCAL YEAR 2015 IN THE CAPITAL IMPROVEMENT FUND, ESTABLISHING A NEW CAPITAL PROJECT, EMERGENCY FACILITY IMPROVEMENTS, PF-15005, IN THE AMOUNT OF \$250,000, OFFSET BY INSURANCE REIMBURSEMENTS, RESULTING IN NO NET IMPACT TO THE CAPITAL IMPROVEMENT FUND

The Council of the City of Palo Alto ORDAINS as follows:

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 12 of Article III of the Charter of the City of Palo Alto, the Council on June 16, 2014 did adopt a budget for Fiscal Year 2015; and

B. On May 30, 2001 the City Council approved an amendment to the housing assistance provision of the then current City Manager's employment agreement, increasing the City's housing assistance funding from \$1.2 million to \$1.5 million; and

C. The property at 2257 Bryant Street in Palo Alto was jointly purchased, with title being held as Tenants-in-Common by the City of Palo Alto and the Benest & Grady Family Trust; and

D. Presently, the equity ownership of the property consists of 56.8% by the City and 43.2% by Frank Benest and Pamela S. Grady, Co. – Trustee of the Benest and Grady Family Trust, dated November 13, 1990; and

E. A house fire on May 3, 2014 made the property uninhabitable. Since that time, Mr. Benest has been living in a rental property in Palo Alto, and City staff has been working with him, the insurance agent, contractors, architects, and structural engineers toward the cleanup and rehabilitation of the property; and

F. The insurance company, State Farm, is paying the needed expenses by issuing checks for cleanup and new structural plans. The approval of this budget amendment ordinance will allow the City to deposit checks to pay the contracts and architects for the necessary rehabilitation work.

SECTION 2. The net sum of Two Hundred Fifty Thousand Dollars is hereby appropriated to the Emergency Facility Improvements Project (PF-15005) in the Capital Improvement Fund. The expenditures in this new project will be offset by payments from the insurance company, resulting in no net impact to the Capital Improvement Fund or Infrastructure Reserve.

SECTION 3. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 4. The Council of the City of Palo Alto hereby finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

Senior Assistant City Attorney

Director of Public Works

Director of Administrative Services

Attachment B

PALO ALTO FIRE DEPARTMENT

FIRE INVESTIGATION REPORT

Incident No.: 1230010

Page 1 of 11

Date/Time/Day of Incident: May 3rd 2014 1155

Incident Address: 2257 Bryant

Investigating Officer (I/O): Fire Investigator Scott Woodfin

Enclosed is my written brief of my investigation into this fire loss at the above referenced address. This brief consists of the summary below and attached photographs.

My opinions expressed in this report are based upon empirical data collected during the investigation process and utilizing the guidelines established in NFPA 921. My conclusions are based upon scientific method and deductive reasoning.

SYNOPSIS

In summary, this fire occurred inside the structure of the above address. The fire was first observed by Layla Benest and notified-*(Palo Alto Fire Department Communications via 9-1-1)*.

Upon arrival, firefighters observed heavy smoke and flames coming from the Delta side of the structure. Suppression crews performed an interior attack from the driveway to the main entrance. Suppression efforts were successful. Forcible entry was not needed. There is access to the backyard next to the garage. The house was occupied at the time of the fire. The occupant was inside at the time of the fire. The occupant was notified by a neighbor of the fire to the rear of the structure.

Heavy fire, smoke, and smoke staining damage were observed throughout the structure.

No injuries were reported as a result of this fire loss.

My assessment of the origin and cause of this fire is based on the analysis of physical evidence, the assessment of reported information, and the evaluation of all possible causes.

NOTIFICATION / ON-SCENE / DEPARTED SCENE

On May 3rd, 2014 at approximately 1155, I was notified via cell phone by Capt. Dean. We discussed the investigation. It was decided we would do a Task-Force callout.

**PALO ALTO FIRE DEPARTMENT
FIRE INVESTIGATION REPORT**

Incident No.: 1230010

Page 2 of 11

SCENE MANAGEMENT

Investigation Personnel

Scott Woodfin – Lead Investigator

Capt. Rich Dean

PAFD

John Parks

PAFD

BC Dennis Johnsen

Santa Clara County FD

Matt Gundersen

Mountain View FD

Barbara Maxwell

ATF

Capt. Mark Shah

PAFD

Shelia Donovan

PAFD

Alexander Hermann

PAFD

Preliminary Fire Loss Estimate

Unknown

AREA OF FIRE ORIGIN

Waiting on Supplemental report

POINT OF FIRE ORIGIN

Waiting on Supplemental report

STATEMENT FROM (Layla Benest)

Waiting on Supplemental report

**PALO ALTO FIRE DEPARTMENT
FIRE INVESTIGATION REPORT**

Incident No.: 1230010

Page 3 of 11

Photo log

Supplemental Report
SANTA CLARA COUNTY FIRE DEPT
LAW ENFORCEMENT
CA - 0432000
34090.6 GC- VEHICLE# Recorder#



EVENT # CNI #14-126-0012
BATS REPORT ID # #
PAGE #1

Date: 05/07/2014 Time: 1400

Supplemental Report

1 **Attachments:**
2 DVD containing fire incident scene photos taken for Palo Alto Fire Department Fire report #2698.
3
4

5 **Synopsis:**
6 The Santa Clara County Fire Investigation Task Force was requested by Palo Alto Fire Department to
7 assist with the investigation of a 3 alarm residential fire in property belonging to the City of Palo
8 Alto. I responded as the Task Force Coordinator and photographed the scene from the exterior and
9 the interior.
0

1 **Investigation:**
2 The fire in this residence occurred on 05/03/2014 and the Task force was requested to assist with the
3 investigation on 05/06/2014. Along with the Coordinator position duties, I was also the
4 photographer for this incident.
5

6 I photographed the exterior of the residence at 2257 Bryant Street and then photographed the interior
7 of the residence. I completed these photographs before any investigation process was started.
8

9 After photographing the interior downstairs, I photographed the second story interior of the
0 residence. I then photographed, as requested by the origin and cause investigators.
1

2 **Evidence:**
3 Photos of the exterior and interior fire scene placed on DVD disk.
4
5

6 **Disposition:**
7 Photos and supplemental report completed and delivered to Palo Alto Fire Department.
8
9
0

Reporting Officer: [Signature]
Dispatch # 416337
CJOC # 12611 Date: 05/07/2014

Reviewed By: D. Jelinek #16337 Date: 05/07/2014 Processed By:

BATS Entry By: Date: Copies To: DA Court Other: DPW JPD S/O or PD

PALO ALTO FIRE DEPARTMENT

FIRE INVESTIGATION REPORT

Incident No.: 1230010

Page 4 of 11

**PALO ALTO FIRE DEPARTMENT
FIRE INVESTIGATION REPORT**

Incident No.: 1230010

Page 5 of 11



**PALO ALTO FIRE DEPARTMENT
FIRE INVESTIGATION REPORT**

Incident No.: 1230010

Page 6 of 11



**PALO ALTO FIRE DEPARTMENT
FIRE INVESTIGATION REPORT**

Incident No.: 1230010

Page 7 of 11



**PALO ALTO FIRE DEPARTMENT
FIRE INVESTIGATION REPORT**

Incident No.: 1230010

Page 8 of 11



**PALO ALTO FIRE DEPARTMENT
FIRE INVESTIGATION REPORT**

Incident No.: 1230010

Page 9 of 11



**PALO ALTO FIRE DEPARTMENT
FIRE INVESTIGATION REPORT**

Incident No.: 1230010

Page 10 of 11

My assessment of this case is based on the analysis of physical evidence, the assessment of reported information, and the evaluation of all possible causes. My file will close pending further investigation/ research/ testing with this report. Please feel free to contact me on any points needing further clarification.

CASE STATUS

- Open
- Closed
- Suspended

Scott Woodfin
Fire Investigator