TO:                   HONORABLE CITY COUNCIL

FROM:                  CITY MANAGER                         DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT

DATE:                MARCH 22, 2004                       CMR: 543:03

SUBJECT:  APPROVAL OF AN AGREEMENT IN THE AMOUNT OF $113,672 WITH PALO ALTO HOUSING CORPORATION AND PALO ALTO HOUSING CORPORATION APARTMENTS, INCORPORATED FOR FUNDS ALLOCATED DURING FISCAL YEAR 2003/04 UNDER THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

RECOMMENDATION
Staff recommends that the City Council approve and authorize the City Manager or his designee to execute the attached agreement in the amount of $113,672 with Palo Alto Housing Corporation and Palo Alto Housing Corporation Apartments, Incorporated to replace the domestic water supply system at Oak Manor Townhouses located at 630 Los Robles Avenue.

BACKGROUND
Palo Alto Housing Corporation (PAHC) is a private non-profit organization that develops and operates low and moderate-income housing in the City. Palo Alto Housing Corporation Apartments, Inc. (PAHCA, Inc.) is the non-profit controlled entity that holds title to several PAHC properties. (The board of PAHC is also the board of PAHCA, Inc.) PAHC applied for fiscal year 2003/04 Community Development Block Grant (CDBG) funding to assist in replacing the water supply system at Oak Manor Townhouses on behalf of PAHCA, Inc. On May 12, 2003, the City Council approved allocating $113,672 in fiscal year 2003/04 CDBG funds to the Oak Manor domestic water system project. The agreement for this project is with both PAHC and PAHCA, Inc. since the property is owned by PAHCA, Inc.; however PAHC is responsible for managing the property and it will be responsible for the work on this project.
DISCUSSION
Oak Manor Townhouses is a 33-unit apartment property and 22 of the units are assisted under the Section 8 Moderate Rehabilitation Program. The building was built in 1966 and has major capital plumbing needs due to corroded galvanized pipes that cause low water pressure and abrupt temperature changes. PAHCA, Inc. spends thousands of dollars in temporary repairs to the pipes each year. Replacing the water pipes will provide a permanent solution to Oak Manor’s plumbing needs.

The funding for this project will be provided as a loan to PAHCA, Inc. consistent with City practice; the City does not provide grants of housing funds, except for emergencies or under very unusual circumstances. Structuring the funding as a loan ensures that the use of the property will be maintained for a CDBG-eligible activity for a specified length of time. In this case, the loan term is for 30 years. The loan for this project will be subordinated to the existing City loan of $2,100,000.00 with PAHCA, Inc. of January 7, 1991 for the acquisition of the project site.

RESOURCE IMPACT
The $113,672 of the agreement will be funded with federal CDBG funds provided through the U.S. Department of Housing and Urban Development (HUD). Repayment of the loan will not be required unless the property is sold or the program terminated or changed to a use that has not been approved by the City prior to July 1, 2033.

POLICY IMPLICATION
The recommendation in this staff report does not represent any change to City policies.

ENVIRONMENTAL REVIEW
HUD environmental regulations for the CDBG program is contained in 24 CFR 58 “Environmental Review Procedures for Title I Community Development Block Grant Programs.” The Oak Manor Townhouses domestic water system project meets the conditions specified for exemption under 24 CFR Part 58.34.

ATTACHMENTS
Attachment A: Agreement Between the City of Palo Alto and Palo Alto Housing Corporation (PAHC) and Palo Alto Housing Corporation Apartments, Inc. (PAHCA, Inc.) for Funds Allocated During Fiscal Year 2003/04 Under the Community Development Block Grant Program