TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER      DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT

DATE: MAY 10, 2004       CMR: 229:04

SUBJECT: APPROVAL OF AMENDMENT NO. 1 TO AGREEMENT NO. C04100297 BETWEEN THE CITY OF PALO ALTO AND ADOLESCENT COUNSELING SERVICES, INC. CONCERNING THE CITY'S FUNDING OF THE REHABILITATION OF THE CARAVAN HOUSE FACILITY AT 2361 HIGH STREET

RECOMMENDATION
Staff recommends that the City Council approve and authorize the Mayor to execute the attached amendment to the agreement with Adolescent Counseling Services, Inc. (ACS) to extend the term of the agreement until June 30, 2005 and reallocate unexpended funds in the amount of $10,000 to ACS for the completion of its Caravan House rehabilitation project, and approve and authorize the City Manager to execute the Modification of Note and Deed of Trust and other Loan documents to effectuate the amendment.

BACKGROUND
ACS was allocated $111,197 in CDBG funding during fiscal year 2003/04 for rehabilitating the exterior and the interior of the Caravan House, located at 2361 High Street (Attachment B). After conducting lead testing at the site, it was discovered that lead abatement activities would need to be undertaken in order to comply with federal lead-based paint regulations. The ACS project was not able to proceed until March 2004 because the impacts of lead-based paint on the site had to be thoroughly analyzed before any work could begin. The lead testing and abatement at the site were costlier than originally anticipated and increased project costs by almost $10,000.
**DISCUSSION**
In order to offset the additional cost of lead abatement for the Caravan House rehabilitation project, staff is proposing to reallocate $10,000 in unexpended funds from the CDBG Housing Development fund to ACS for the completion of its project.

The City CDBG Housing Development fund has a current balance of approximately $228,000. In fiscal year 2003/04, funds were set aside for the acquisition of a future affordable housing site in the City; however, a site has yet to be identified and the funds need to be expended in a timely manner pursuant to the Department of Housing and Urban Development (HUD) requirements. Staff has consulted with HUD and was informed that reallocating funds from one project to another is permissible under HUD regulations if the funds for both projects were allocated in the same fiscal year and are in the same project category. Both projects were allocated funding in fiscal year 2003/04 and are under the capital projects category.

**RESOURCE IMPACT**
The proposed section will not impact the City’s General Fund. The amendment will involve the shift from one project to another of previously allocated CDBG funds provided through the U.S. Department of Housing and Urban Development.

**POLICY IMPLICATION**
The recommendation in this staff report is consistent with HUD policies and does not represent any change to City policies.

PREPARED BY: _____________________________________________________________
Eloiza Murillo-Garcia, Associate Planner-CDBG

APPROVED BY: _____________________________________________________________
STEPHEN EMSLIE, Director of Planning & Community Environment

CITY MANAGER APPROVAL: _______________________________________________
EMILY HARRISON, Assistant City Manager
Attachments:
A - Amendment No. 1 to Agreement No. C04100297 Between the City of Palo Alto and Adolescent Counseling Services, Inc. For Funds Allocated During the Fiscal Year 2003/04 Under the Community Development Block Grant Program

B - CMR: 458:03: Approval of an Agreement in the Amount of $111,197 with Adolescent Counseling Services, Inc. for Funds Allocated During the Fiscal Year 2003/04 Under the Community Development Block Grant Program

Cc: Adolescent Counseling Services, Inc.