TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

ATTENTION: POLICY AND SERVICES COMMITTEE

DATE: SEPTEMBER 14, 2004 CMR: 410:04

SUBJECT: REJECTION OF PROPOSAL SUBMITTED BY THE LUCIE STERN MARITIME CENTER TO RELOCATE, REPAIR AND LEASE THE FORMER SEA SCOUT FACILITY AT 2560 EMBARCADERO ROAD AND REQUEST FOR COUNCIL DIRECTION

RECOMMENDATION
Staff recommends that: 1) Council not accept the proposal submitted by the Lucie Stern Maritime Center responding to a Request for Proposal (RFP) package to relocate, repair and lease the former Sea Scout Base; and 2) direct staff to cooperate with Environmental Volunteers (EV) while it determines the feasibility of a long-term lease, including allowing EV to enter the property to assess its condition; or to return to Council with the actions required to demolish the building as per the original 1979 Baylands Master Plan.

BACKGROUND
The Sea Scout building is a 2,209 square foot wood frame structure composed of two one-story wings on each side and a taller center section equivalent to two stories in height. The building was designed by Birge and David Clark, and donated to the City by Lucie Stern on May 30, 1941. Located in the Palo Alto Baylands Nature Preserve, the building is currently in poor condition; its floors have been subject to flooding during biannual extreme high tides, and therefore its rehabilitation will require extensive sub-floor rehabilitation and relocation to a higher elevation near its current location in the Baylands Preserve.

The Baylands Master Plan (Plan), adopted by the Council in 1979, established a plan for the harbor. The Plan called for the removal of the berths and buildings, including the Sea Scout building, and the return of the harbor to its natural state. Voters reaffirmed the Plan on November 4, 1980, when a ballot measure to continue operation of the harbor was defeated. On February 10, 1986, (CMR:142:86), staff presented Council with a
Yacht Harbor Building Assessment Report that recommended the demolition of the Sea Scout building as part of the harbor reclamation project. That same year, Council approved Capital Improvement Program (CIP) Project No. 86-06, which was established to implement the goals of the Baylands Master Plan, including demolition of the Sea Scout building.

On October 24, 1988 (CMR:495:88), and again on June 8, 1998 (CMR:249:98), Council delayed the demolition of the Sea Scout building in order to give the Sea Scouts time to remove its boats from the harbor and find a new place to meet. During this time, the boats were moved to Redwood City's harbor, and Pacific Skyline Council gave notice that due to liability and financial constraints it would no longer be able to support the Palo Alto Sea Scout base.

On April 17, 2000, Council granted the Lucie Stern Maritime Center’s (LSMC) request to give LSMC until January 30, 2001 to secure funding and find an alternate location for the former Sea Scout Building. (The LSMC is a non-profit organization. Its members are Sea Scouts, former Sea Scouts and those interested in preserving the facility at the Palo Alto Baylands for Sea Scout usage and museum purposes.)

On May 6, 2002, Council adopted the Historic Resources Board’s recommendation to designate the building at 2560 Embarcadero Road, known as the Sea Scout Base, to the City of Palo Alto’s Historic Inventory in Category 1, as provided in Municipal Code Chapter 16.49.

Council referred to the Policy and Services Committee (P&S): 1) the question of “how this unique building could become a viable element in the Baylands to be used by the Sea Scouts and other organizations committed to preserving the building for youth and other community uses”; and 2) gave direction to the Committee to review, as expeditiously as possible, issuance of an RFP so that other nonprofit organizations would be encouraged to participate.

On September 10, 2002, the Policy and Services Committee recommended that the City Council direct staff remove the direction that the building be used solely for Sea Scouts and other youth activities and prepare a Request for Proposals for an option to lease the facility to any nonprofit agencies. The recommendation further stated that the term for the RFP process should be one year and the option for two years, and the tenant should be required to pay for all costs associated with the renovation and relocation, and obtain all necessary permit approvals prior to entering into a lease.

On March 17, 2003, Council adopted the recommendation of the Policy and Services Committee directing staff to: 1) remove the direction that the building be used for Sea Scout and other youth activities; 2) prepare a Request for Proposals to solicit proposals for an option to lease the facility; 3) in the process of selecting a tenant, give preference to an organization that would allow space for public use; and 4) ensure that the tenant’s
use of the building be compatible with the Baylands. Council also reduced the time for responses to the RFP process to six months. The RFP approved by Council included the following requirements for improvement and use of the Sea Scout building: 1) the provision of public benefit and public access and consistency with the City park ordinance; 2) no adverse impacts to the Baylands environment; and 3) preservation of the historic significance of the building. In addition, the City encouraged uses benefiting youth, seniors, wildlife and/or the environment. The RFP also required that the building be rehabilitated and relocated to a higher elevation at one of three nearby sites in the Baylands Preserve (Site A, B, or C as shown on an attachment to the RFP).

**DISCUSSION**

Initially, there were three parties interested in leasing the building: The San Francisco Bay Bird Observatory, Wildlife Rescue and the Lucie Stern Maritime Center (LSMC). January 7, 2004 was the date set to receive the proposals responding to the RFP. Wildlife Rescue and the San Francisco Bay Bird Observatory notified the City during the RFP process that they were no longer interested in the property. No proposals were received on January 7. When staff contacted LSMC, it indicated that it was still interested but had forgotten the due date for responding. Staff was concerned that returning to Council with no proposals would not resolve the issue. Since the LSMC was still interested in leasing the facility, staff extended the deadline for submitting proposals to March 27, 2004. On March 27, 2004 the LSMC submitted the attached proposal (Exhibit A).

Staff believes that the LSMC proposal is unacceptable, does not meet the criteria of the RFP and recommends Council not accept the proposal. On June 2, 2004, a six-member committee, consisting of one representative from the Historic Resources Board and City staff from Public Works, Planning, Community Services and Administrative Services, met to evaluate LSMC’S proposal. Overall, the committee felt the LSMC proposal was high on enthusiasm but low on details. Committee comments ranged from lack of specific information on funding sources and donated materials, labor and expertise to low-cost estimates and an unrealistic source for annual revenue. There was no breakdown of material costs, no references were furnished, and in place of the $5,000 option purchase price, there was a note stating "as discussed earlier, this application fee is to be waived". No such waiver was offered by staff.

**Estimated Costs for Moving and Upgrading the Facility**

LSMC estimates the cost to move the facility to Site B and rehabilitate it to be $150,000; $100,000 of that cost would be for the rehabilitation work. The $100,000 equates to $45.27 per square foot. In contrast, the City remodel of the Harbor Master’s House thirteen years ago cost $211 per square foot. The Palo Alto History Museum (PAHM) is estimating $324 per square foot to restore and remodel the Roth Building. LSMC’s proposal listed $5,000 ($2.26 per square foot) as an expense for architect/engineer costs. Even with one-half the cost donated, that would only equate to one week of paid full-time design work. In contrast, PAHM estimated architect and engineering costs at $550,000 ($32 per square foot). Additionally, the LSMC report made no mention of the cost for
permits, any jurisdictional review fees, or asbestos or lead paint removal. LSMC defends its cost estimates by saying a majority of the labor and materials will be donated.

**Estimated Revenue for Moving and Upgrading the Facility**
The proposal indicates that revenue sources to pay for the move and rehabilitation of the facility would come from the LSMC membership, County, State and Federal Historic Restoration Funds and applications to corporate and foundation grants. There was no reference to how much money had been raised to-date or an estimate of the time it would take to raise the funds. At a Policy and Services Committee meeting in 2002, after working on the project for three years, LSMC stated that it had donated services from the structural engineer, a house-moving firm was donating half its costs ($50,000 to relocate to Site B), $3,200 had been raised for soil sampling, and it had pledges of $14,000 once a lease was signed.

**Annual Costs**
The proposer’s five-year pro-forma estimates the first year expenses at $28,919. LSMC projects that $28,919 will be enough to pay for a part-time staff member, upgrades to the facility, exhibits, equipment, utilities, maintenance, repairs, insurance, possessory interest tax and there will still be enough money to establish a $10,000 reserve for replacements.

**Annual Revenue**
The Gross Income Sheet anticipates that revenue to pay for annual costs would be $30,919. $10,000 would come from fund raising events and $20,919 from rental of the facility to community groups and organizations. The report also states that the facility would only be available for rental midweek from 9am to 5pm, yet it still anticipates 142 rentals per year. This estimate of rentals appears unrealistic given that the nearby Lucie Evans Bayland Interpretive Center averages 16 rentals per year at an hourly rate that is less than the rate proposed by the LSMC.

**Concerns with LSMC**
To its credit, the LSMC, in five years, has managed to become a non-profit organization, obtained a structural engineer’s report on the condition of the building and has had the building designated as a City historic structure. The proposal evaluation committee was prepared to give the Sea Scouts more time to address the lack of information, but staff believes that the LSMC’S ability to provide factual information and to raise the funds necessary to complete the relocation and renovation of the building have been long-standing issues.

The City’s relationship with the LSMC began just prior to the expiration of the lease with the formal Sea Scout organization in June 1998. At that time, having already given the Sea Scouts ten years to find a new location, the Council extended the lease another two years to the newly-formed LSMC. The Council also directed the LSMC to make quarterly reports to the City Manager. (LSMC furnished only three quarterly reports during the two-year lease extension.) In the first quarterly report, the LSMC suggested
that, rather than find a new location for its meetings, the building be moved to a new location. A year and a half later, in a letter dated February 25, 2000, staff admonished the LSMC for having made little progress in developing a plan to move the structure, identifying all of the costs involved in moving the structure, obtaining the required permits and approvals, and finding the necessary funds to move the building from its current location. At its April 17, 2000 meeting, when the Council gave LSMC additional time, it directed LSMC to provide: a professional written evaluation of the condition of the facility, especially the floor and foundation; an estimate of all costs associated with the move and the rehabilitation of the facility including code and ADA accessibility requirements; and a detailed report regarding how the building would be moved from its current location. On May 18, 2000, the City Manager and several staff members met with the representatives of the LSMC. At that meeting the City Manager, again urged the LSMC to create a formal plan regarding how its members would achieve Council's direction of securing funding and finding a new location. The LSMC is now being asked to provide the same information it was asked to provide four years ago. Staff is therefore recommending that the LSMC proposal not be accepted.

**ALTERNATIVES**

**Environmental Volunteers**

In a letter dated May 28, 2004, Environmental Volunteers expressed an interest in leasing the former Sea Scout building. Environmental Volunteers (EV) is a non-profit organization devoted to promoting the understanding of and responsibility for the environment through hands-on-science education. (One of its first projects was conducted at the Palo Alto Baylands 32 years ago.) EV has a staff of seven and an annual operating budget of $550,000. EV has viewed the building and would like to do a more thorough analysis to understand the extent of the relocation and renovation. It believes that the building would be large enough for its staffing needs and still be able to provide for public meeting space. EV has expressed concerns about the expense of a thorough analysis as part of a proposal process. It also does not want to be involved in the politics of competing with the Sea Scout group. It is requesting that Council direct staff to cooperate with EV for up to 6 months while EV: 1) consults with a qualified architect, structural engineer, and contractors to determine more specifically the costs associated with the project; and 2) develops a fundraising plan based on project costs. EV is excited about the prospect of leasing the facility and believes that the former Sea Scout facility would provide its organization with a visible presence in a natural environment appropriate to the organization's mission. A letter from Environmental Volunteers, addressed to Council, accompanies this report.

Should EV determine that it is feasible for it to improve and lease the building, staff would return to Council with the specifics of EV’s proposal to relocate, renovate and operate the facility and an option to lease the Sea Scout building to EV for the long term.
**RESOURCE IMPACT**
Council gave clear direction that prospective tenants would be required to lease, improve, maintain and operate the property at no cost to the City. Should the Council choose to demolish the building, funding would be requested as part of a future CIP request. In 1986, staff estimated the cost of demolition to be $30,000. Funding was approved by Council and included in CIP-86-06. CIP-86-06 has been closed and funds for the demolition have been returned to the General Fund. In order to demolish the building, staff would have to provide a new estimate, and funding would be requested in a future CIP.

**POLICY IMPLICATIONS**
Granting EV the time and opportunity to evaluate the feasibility of a long-term lease is consistent with Comprehensive Plan policies related to the Baylands, park use and the Council’s stated preference that the Sea Scout building be used by groups benefiting youth, seniors, wildlife and/or the environment.

Demolition would be subject to a demolition moratorium of 60 days as set forth in PAMC 16.49.070 (a). In addition, the Architectural Review Board (ARB), Historic Resources Board (HRB), or any interested person may recommend that the City Council extend the moratorium up to one year due to its Category 1, Palo Alto Historic Resources Board designation.

**ENVIRONMENTAL REVIEW**
A decision to cooperate with EV while it conducts cost analyses and determines fund raising sources, including allowing EV to enter the property to assess its condition, is not a project under the California Environmental Quality Act (CEQA) and no environmental impact assessment would be required.

Appropriate CEQA review would be performed in connection with any proposal based on which the Council would award an option to lease the property. In addition, option conditions included in the RFP require optionees to comply with all requirements of the CEQA.

Should Council wish to pursue the alternative of demolishing the building, appropriate CEQA review would be performed prior to staff returning to Council with a CIP request for funding the demolition.

**ATTACHMENTS**
Attachment A: Bid Response from the Lucie Stern Maritime Center
Attachment B: Letter from Environmental Volunteers
PREPARED BY: ____________________________________________
          WILLIAM W. FELLMAN
          Manager, Real Property

DEPARTMENT HEAD APPROVAL: ________________________________
                             CARL YEATS, Director
                             Administrative Services

CITY MANAGER APPROVAL: ________________________________
                         EMILY HARRISON
                         Assistant City Manager

cc:             Kevin Murray and Rocky Trujillo – LSMC
               Pria Graves
               Beth Bunnenberg
               Emily Renzel
               Karen Holman