TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: SEPTEMBER 19, 2005 CMR: 376:05

SUBJECT: AUTHORIZATION TO CIRCULATE REQUEST FOR PROPOSALS FOR SALE OF CERTIFIED DEVELOPMENT RIGHTS FROM THE PALO ALTO CHILDREN’S LIBRARY, 1276 HARRIET STREET

RECOMMENDATION
Staff recommends that Council approve the attached Request for Proposals (RFP) for the sale of Certified Development Rights from the Palo Alto Children’s Library, 1276 Harriet Street (Attachments A and B).

BACKGROUND
On August 1, 2005, Council approved a resolution designating the Palo Alto Children’s Library to be eligible as a “Sender Site” in the City’s Transfer of Development Rights program (CMR:340:05).

The purpose of the TDR program is to encourage and support the rehabilitation of historic buildings. The program provides a floor area bonus for the qualified rehabilitation of Category I and 2 historic buildings and Seismic Category I, II, and III buildings which are either owned by the City of Palo Alto or located in the Downtown CD zone district. The size of the bonus is 2,500 square feet, or 25% of the existing building, whichever is greater. Floor area bonuses may be transferred (sold) from eligible “sender” sites for use on eligible “receiver” sites in the Downtown. For City-owned property, floor area bonuses from eligible sender sites must be sold by the City on the open market through a public bid process. Funds from the sale will be used to rehabilitate eligible City-owned historic buildings.

DISCUSSION
Council’s August 1, 2005 approval of a resolution designating the Palo Alto Children’s Library to be eligible as a “Sender Site” in the TDR program has fulfilled the first of five provisions required for eligible City-owned buildings to participate in the TDR program. A summary of those provisions is attached (Attachment C). Following Council’s August 1, 2005 approval of the resolution, the Director of Planning has determined the Children’s Library site is eligible for a 2,500 square foot floor area bonus, thus fulfilling the fourth provision. As noted in CMR:340:05, the second provision was met with the July 6, 2005 Historic Resources Board approval of the Children’s Library Historic Structures Report.
The third provision requires that, prior to development rights being offered for sale, the City Manager establish a written public process using the City’s formal bidding procedures to sell bonus floor area development rights from designated sites. Attached is a copy of the Procedure for Sale/Transfer of Development Rights for City-Owned Property (Attachment D), which has been included in the City Manager’s Policy and Procedures Manual. In accordance with the attached procedure, staff has had the development rights appraised to determine a minimum bid and whether to offer the 2,500 square foot bonus in a lump sum or in increments. The appraisal recommends offering the development rights in increments of 500 square feet for a minimum bid of $42,500 ($85 per square foot) each.

The attached RFP consists of an information flyer and proposal package. The information flyer announces the opportunity to purchase 2,500 square feet of floor area bonus, available for sale in 500 square foot lots, which is transferable from the Palo Alto Children’s Library to eligible sites in Downtown Palo Alto and which is exempt from the parking requirements. It includes the date proposals are due, the minimum bid price and instructions on how to obtain and submit the bid package. The information flyer also explains the TDR program, including both limits and advantages of the development rights offered for sale. (Refer to page 1 and 2 of the attached information flyer for details.) It should be noted that a significant part of the value of the development rights is the parking exemption, which provides for the first 5,000 square feet of TDR transferred to an eligible receiver site being exempt from parking requirements. The parking requirement in the Downtown is one space per 250 square feet of floor area, and parking for new non-exempt development must be provided on-site or a fee of $53,000 per space is assessed by the Parking Assessment District. The development rights do not have to be assigned to or used on a receiver site at the time of purchase. They may be held for use or resale at a later date. The proposal package contains detailed information on submitting the bid and the offer and agreement to purchase. Major terms of the RFP are:

1. Minimum bid of $42,500 per 500 square foot lot of floor area bonus.
2. Bidders may bid on one or more lots, and the City reserves the right to accept or reject all or part on multiple lot bids.
3. Sealed written bids, accompanied by a good faith deposit in the amount of 10 percent of the actual bid, but not less than $4,250, will be accepted until 3:00 p.m. on November 8, 2005. Bids will be opened on November 8, but will not be accepted or rejected at that time.
4. Within seven days following notification from the City that a bidder was the qualified high bidder, the bidder is to pay the City the difference between the good faith deposit and 20 percent of the total bid.
5. Following acceptance of the bid(s) by the City Council, the buyer is to pay the balance of the purchase price within 60 days of written notification of acceptance of the bid(s).

Following Council approval, the RFP will be advertised in local newspapers and the information flyer will be sent to all persons on the Real Estate Division “Surplus Property Mailing List,” persons owning eligible “receiver sites” in the CD District, local developers and others likely to be interested in the offering.
RESOURCE IMPACT
The minimum bid, which is set at $42,500 for each 500 square foot increment of the total 2,500 square foot floor area bonus, totals $212,500. Proceeds from the sale will go to a special fund established by the City Manager in accordance with the fifth provision listed on the attached Summary of Provisions. Funds will be committed to the rehabilitation of the Children’s Library in accordance with approved plans or, in the event of funds remaining following completion of Children’s Library project, to the rehabilitation of other eligible City-owned buildings.

POLICY IMPLICATIONS
Approval of the RFP is in accordance with Chapter 18.32.090(b) of the Zoning Code and the City Manager’s Procedures for Sale/Transfer of Development Rights for City-Owned Property.

TIMELINE
Following Council approval, staff will advertise the RFP. Bids are due November 8, 2005. Staff will return to Council with a recommendation for acceptance of bids in late November or December.

ENVIRONMENTAL REVIEW
Authorization of the sale of development rights for the Children’s Library site is Categorically Exempt under Provision 15305, Minor Alterations in Land Use Limitation, of the California Environmental Quality Act Guidelines. The Children's Library Renovation and Expansion project will be done in accordance with the Mitigated Negative Declaration previously approved by Council (Resolution No. 8183).

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ATTACHMENTS
Attachment A: Informational Flyer
Attachment B: Request for Proposals
Attachment C: Summary of Provisions for Transfer of Development Rights for City-owned Property
Attachment D: Procedure for Sale/Transfer of Development Rights for City-Owned Property