TO:                     HONORABLE CITY COUNCIL
FROM:                   CITY MANAGER                      DEPARTMENT: PLANNING AND
                      COMMUNITY ENVIRONMENT
DATE:                  JULY 14, 2008                        CMR: 301:08
SUBJECT:               APPROVAL OF AN AGREEMENT IN THE AMOUNT OF $138,000 WITH
                      PALO ALTO SENIOR HOUSING PROJECT, INC. LOCATED AT 455 E.
                      CHARLESTON ROAD, FOR FUNDS ALLOCATED DURING FISCAL
                      YEAR 2007/08 UNDER THE COMMUNITY DEVELOPMENT BLOCK
                      GRANT (CDBG) 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 $138,000 with Palo Alto Senior Housing
Project, Inc. for the radiant heating system project at Stevenson House located at 455 E.
Charleston Avenue in Palo Alto.

BACKGROUND
Palo Alto Senior Housing Project, Inc. owns and manages Stevenson House, a 120-unit
apartment complex built in 1968. The complex, consisting of 28 one-bedroom, and 92 studio
apartments, provides affordable rental housing for Palo Alto seniors. Stevenson House applied
for and received an award of $144,259 in fiscal year 2007/08 CDBG funds to renovate the
interior common areas. Stevenson House staff approached City staff for permission to modify
the scope of work after it was discovered that the radiant heating system needed to be upgraded.
Stevenson House staff explained that upgrading the radiant heating system was a more urgent
matter than completing the interior common area renovation. City staff agreed to support the
modification to the scope of work. The radiant heating system upgrade is expected to increase
the energy efficiency of the facility and provide more comfortable living conditions for the
residents.

DISCUSSION
Because of the age of the facility, addressing all of the needed repairs and improvements puts a
strain on the Stevenson House reserves. CDBG funds help provide a way to accomplish
upgrades while still maintaining rents affordable to low and very-low income elders. The
Exhibit “D” Regulatory Agreement will be recorded against the property to ensure the long-term
affordability of the units in accordance with the Affordable Housing Fund Guidelines adopted by
the City Council on October 27, 2003.
Although $144,259 was allocated for this project, $6,259 will be set aside to retain a consultant to monitor the federally mandated prevailing wage requirements. This is an allowable project delivery cost under CDBG regulations. The remaining $138,000 will be used for the agreement with Stevenson House to upgrade the radiant heating system.

**POLICY IMPLICATIONS**
The proposed funding implements City Comprehensive Plan policy H-15 and CDBG commitments to maintain affordable rental housing stock and to provide housing for seniors.

**RESOURCE IMPACT**
The cost of the agreement with Stevenson House will be $138,000 for the upgrades to the radiant heating system. An additional $6,259 will go toward the cost of the prevailing wage consultant. The total cost for the project will be $144,259 and will be funded with federal CDBG funds provided through the U.S. Department of Housing and Urban Development (HUD). Repayment of the $138,000 loan will not be required unless the property is sold or the use is changed without City consent, prior to the end of the 30-year affordability restriction in 2038.

**ENVIRONMENTAL REVIEW**
HUD environmental regulations for the CDBG program are contained in 24 CFR 58 “Environmental Review Procedures for Title I Community Development Block Grant Programs.” The Stevenson House Radiant Heating System Project is determined to be Exempt under the National Environmental Policy Act (NEPA).

**ATTACHMENTS**
Attachment A: Agreement between the City of Palo Alto and Palo Alto Senior Housing Project, Inc. for Funds Allocated During Fiscal Year 2007/08 under the Community Development Block Grant Program

Prepared by: _________________________________
ELOIZA MURILLO-GARCIA, CDBG Planner

Department Head: _________________________________
CURTIS WILLIAMS, Interim Director
Planning and Community Environment

City Manager Approval: _________________________________
KELLY MORARIU / STEVE EMSLIE
Deputy City Managers

cc: Palo Alto Senior Housing Project, Inc.