TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: OCTOBER 20, 2008

CMR: 414:08

REPORT TYPE: CONSENT

SUBJECT: Adoption of a Resolution Designating 2560 Embarcadero Road, Known as the Former Sea Scout Building, to be Eligible as a “Sender Site” in the Transfer of Development Rights Program

RECOMMENDATION
Staff recommends that Council approve the attached Resolution designating 2560 Embarcadero Road, known as the former Sea Scout building, to be eligible as a “Sender Site” in the Transfer of Development Rights program.

BACKGROUND
The former 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 and its floors have been subjected to flooding during biannual extreme high tides. Its rehabilitation requires extensive sub-floor rehabilitation and relocation to a higher elevation at or near its current location in the Baylands Preserve.

On May 6, 2002, Council adopted the Historic Resources Board’s (HRB) recommendation to designate the former Sea Scout building 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) consideration of how the 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. The Council also gave direction to the Committee to review issuance of an RFP so that nonprofit organizations would be encouraged to participate.

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 (RFP) 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. In response to the RFP, one proposal was received on April 13, 2004.

On October 12, 2004, Council approved the September 14, 2004 Policy and Services Committee recommendation to: 1) not accept the proposal submitted by the Lucie Stern Maritime Center responding to an RFP to relocate, repair and lease the former Sea Scout base; and 2) direct staff to open discussions with Environmental Volunteers with a view of developing a long-term lease. In accordance with Council direction, staff cooperated with EV while it conducted analyses to determine the feasibility of project for the former Sea Scout building based on the requirements of the City’s RFP for the property. On January 2007, EV submitted a proposal for an option to lease for the site.

On July 8, 2007, Council approved a motion to: 1) authorize the City Manager to execute an Option to Lease Agreement with the Environmental Volunteers (EV); 2) waive certain City processing fees for the project in accordance with Policy and Procedures 1-25, Public/Private Partnerships; and 3) allow funds from the sale of the TDR Transfer Development Rights to apply to the EV project capital costs up to $300,000 with any additional amount over $300,000 subject to the approval of the City Council. The EV is a non-profit organization which promotes the understanding of and responsibility for the environment through hands-on science education. The Option to Lease Agreement, dated July 9, 2007, provides for a two-year option term during which EV must receive required approvals of its project plans to rehabilitate, relocate and reuse the former Sea Scout building and provide evidence it has the funds to complete the project. The 40-year lease provides for the EV to use the site as its office headquarters for conducting its mission and providing other public benefits. (Refer to Attachment B for a project summary.)

On August 6, 2008, the HRB reviewed the EV project plans and its March 9, 2007 Historic Structures report for the building and recommended approval with conditions to the Architectural Review Board (ARB) and the Director of Planning and Community Environment (Planning Director). The HRB affirmed that the proposed rehabilitation of the building meets the definition of “Historic Rehabilitation” set forth in Municipal Code 18.18.030(b), and that the proposed plan complies with the Secretary of the Interior’s Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings. On August 21, 2008, the ARB recommended approval of the project, including a Conditional Use Permit and an Initial Study/Draft Mitigated Declaration. On September 4, 2008, the project received final approval from the Planning Director.

On September 15, 2008, Council adopted a Park Improvement Ordinance for the rehabilitation and relocation of the Sea Scout Building in accordance with the approved EV project plans.

**DISCUSSION**

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 1 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. Here, the estimated bonus is 2,500 square feet. Floor area bonuses may be transferred (sold) from eligible “sender” sites for use on eligible non-historic “receiver” sites in the Downtown. For City-owned property,
floor area bonuses from eligible sender sites may 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.

Section 18.28.060(d) of the Zoning Code outlines five provisions for eligible City-owned buildings to participate in the TDR program. A summary of those provisions is attached (Attachment C). The first provides for the Council to designate by resolution City-owned buildings that are Category I or Category 2 on the City's historic inventory or Category I, II or III on the City's seismic hazards identification list as eligible to participate as "sender sites" in the TDR program. As noted in the attached resolution, the former Sea Scout building at 2560 Embarcadero Road in the Palo Alto Baylands is a Category I historic building on the City of Palo Alto Historic Inventory and as such qualifies to be a "sender site" in accordance with the first provision of Chapter 18.28.060(d). The resolution also notes the HRB review and recommendation for approval of the EV project design and the March 9, 2007 Historic Structures Report for the former Sea Scout Building.

The second provision, requiring the City Manager to establish a public bidding process to sell the bonus floor area development rights, has been completed and is attached (Attachment D). The procedure, based on the City's formal bidding procedures, involves an appraisal to establish the minimum bid and Council approval of a Request for Bid Proposals (RFBP). Following Council approval, staff will advertise the RFBP and once bids are received, return to Council for approval of a bid proposal.

The March 9, 2007 Historic Structures Report prepared by EV for the building fulfills the third provision of the attached summary requiring preparation of a historic structures report in accordance with the standards and guidelines of the State Historic Preservation Office. The project has received approvals for its application from the HRB, ARB and Director or Planning thus meeting the fourth provision. Satisfaction of the fifth provision, establishment by the City Manager of a fund for the proceeds from the TDR sale, will occur following the sale of the TDR. The Council has approved allowing the funds from the sale of the TDR to apply to the EV project capital costs up to $300,000 with any additional amount over $300,000 subject to the approval of the City Council.

**TIMELINE**
Staff will return to Council in a month or two for approval of the Request for Bid Proposals (including results of the appraisal).

**RESOURCE IMPACT**
Approval of the attached resolution satisfies one of several provisions required prior to the sale of the transferable development rights for the former Sea Scout building. Sale of these development rights will result in revenues to be used for rehabilitation and adaptive re-use by the EV of the former Sea Scout building in accordance with approved plans.

**POLICY IMPLICATIONS**
This recommendation is consistent with existing City policy.

**ENVIRONMENTAL REVIEW**
The former Sea Scout building rehabilitation and relocation project will be in accordance with the Initial Study/Draft Mitigated Declaration adopted by the Director of Planning on September 4, 2008.

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ATTACHMENTS
Attachment A: Resolution of the Council of the City of Palo Alto Designating the former Sea Scout building Eligible as a "Sender Site" in the Transfer of Development Rights program.
Attachment B: Summary of Environmental Volunteers proposed project
Attachment C: Summary of Provisions for Transfer of Development Rights for City-owned Property
Attachment D: Procedure for Sale/Transfer of Development Rights