TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT

DATE: MARCH 4, 2002

SUBJECT: DIRECTION FROM THE CITY COUNCIL REGARDING THE OPPORTUNITY CENTER PROJECT PROPOSED BY THE COMMUNITY WORKING GROUP AT 33/39/45 ENCINA WAY IN PALO ALTO

RECOMMENDATION
If the City Council decides to consider the request by the Community Working Group (CWG), staff recommends that Council direct the City Manager to return to the Council with a recommendation on options.

DISCUSSION
This report transmits background information regarding the status of the Community Working Group’s proposed Opportunity Center project in conjunction with a request and presentation by Dr. Don Barr, President of the Community Working Group.

The Community Working Group, a non-profit organization, was founded in 1998 in response to the effects of the severe winter flood on low-income, homeless persons in the Palo Alto community. Its main priority has been to establish an indoor “Day Center,” where clients could access social services and basic care facilities (such as restrooms, showers, laundry, etc.) with dignity and out of inclement weather. CWG succeeded in identifying property on Encina Way that seemed suitable for the proposed Opportunity Center.
In 1999, CWG purchased the property at 33 Encina and entered into a good faith purchase agreement for the adjacent parcel at 39 Encina. Although both parcels were under separate ownership, they have a common lessee and sub-lessee. Currently, an auto repair business occupies both 33 and 39 Encina. 33 Encina contains the structure and 39 Encina is used as dedicated parking for the auto repair business. The purchase agreement for 39 Encina is scheduled to close escrow on April 15, 2002, upon the expiration of the existing lease with the auto repair business. These two properties yield a combined total of 13,260 square feet of land. It is estimated that the size of the combined parcel could support the planned Opportunity Center as well as approximately 50 units of housing affordable to extremely low-income persons.

In response to the great need in Palo Alto for housing affordable to lower-income persons, CWG decided to pursue the acquisition of the adjacent 4,800 square foot parcel at 45 Encina. It is estimated that the addition of the third parcel could increase the number of housing units from 50 to 95, and would create a more cost-effective project by spreading fixed costs over a greater number of units. The 45 Encina property contains a single-story structure that is currently used as warehouse space.

The Community Working Group’s acquisition of the property at 39 Encina is now at-risk. The lessee has expressed a desire to exercise an option to purchase the property that is specified in the existing lease. Earlier, the lessee had indicated there was no intention to exercise the option, and that the right to purchase had not been extended to the sub-lessee.

In addition, CWG has not been successful in its attempts to negotiate an equitable sale with the owners of 45 Encina. The present owners are not willing to enter into negotiations relating to the sale of that property.

RESOURCE IMPACT
The City of Palo Alto committed $480,000 in Community Development Block Grant (CDBG) funds to the Opportunity Center project in fiscal year 2001/02. Staff and the CDBG Citizens Advisory Committee are considering recommending to Council that an additional $420,000 in CDBG funds, previously allocated to the Oak Court project, be reallocated to the Opportunity Center project.

POLICY IMPLICATIONS
Affordable housing is one of the City Council’s top five priorities. The addition of affordable housing for very-low income persons is also a high priority for the City’s Consolidated Plan and the Housing Element of the Comprehensive Plan. The Association of Bay Area Governments (ABAG)’s assigned housing goal for the City’s “fair share” of housing affordable to very low income persons is 265 units. The proposed housing units in the Opportunity Center project would all address this number.
ENVIRONMENTAL REVIEW
This action does not require California Environmental Quality Act (CEQA) review.

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