TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: MAY 20, 2002 CMR: 254:02
SUBJECT: REQUEST FOR PROPOSALS TO LEASE THE ROTH BUILDING,
300 HOMER AVENUE, PALO ALTO

RECOMMENDATION
Staff recommends that the City Council approve the attached Request for Proposals (RFP) package and direct staff to solicit proposals for leasing the Roth Building.

BACKGROUND
In April 2000, the City Council approved the purchase of the Roth Building and its 0.41 acre site for potential development as a “public facility or alternative use if a public facility is not feasible,” in conjunction with the South of Forest Coordinated Area Plan (SOFA CAP).

In acquiring the Roth Building, the City entered into a development agreement with the Palo Alto Medical Foundation (PAMF). The development agreement stipulates that the City must complete demolition and removal of the non-historic wings by July 2003. The purpose of the demolition is to provide for additional park space and to provide a buffer of approximately 100 feet between the historic Roth Building and a residential development project being undertaken by Summerhill Homes immediately south of the Roth Building. On December 11, 2001, staff presented a City Manager’s Report (CMR:340:01) on the Roth Building’s potential reuse to the Policy and Service Committee of the City Council. The Policy and Services Committee recommended that staff issue an RFP for non-profit organizations to lease the Roth Building. On March 4, 2002, Council: 1) approved the demolition of the basement/wings associated with the non-historic 1947 addition to the Roth Building; 2) approved the temporary retention of the spine of the 1947 addition; and 3) reviewed and commented on the summary of a Request for Proposals (RFP) for non-profit organizations to lease and renovate the Roth Building. Council’s comments included direction that the RFP require that any use of the Roth Building include public access to the restrooms and that proposers be encouraged to provide a community room as part of the project.
DISCUSSION
The attached RFP consists of an Information Flyer (summarizing the offering) and a Proposal Package (including Proposal Forms, Proposal Questionnaire, Option to Lease, and Lease). The intent of the RFP is to lease the property under a long-term lease to a non-profit group or organization(s) that can improve, maintain and operate the property for a use that:

- provides public benefit and/or fills a public need
- preserves and maintains the historic significance of the property
- is compatible with adjacent park use
- does not adversely impact the residential neighborhood

Preference will be given to non-profit groups located in or serving Palo Alto. In addition, the RFP requires that improvements, maintenance and operation of the property be at no cost to the City. The RFP is summarized in Attachment A.

Property Description
Following City demolition of 1947 wings, the Roth Building will be approximately 17,000 square feet, consisting of the 2-story historic Roth Building (approximately 10,000 square feet) and the 1947 spine addition (approximately 7,000 square feet including a basement, first and second level.) Because the 1947 spine addition is not determined to be a significant historic resource, future tenants of the property may choose to keep or demolish all or a portion of the spine. (See Attachment B)

Use of the Property
The RFP requires that the use of the property be of benefit to the City and community as a whole, that it be consistent with City goals and objectives as set forth in the Comprehensive Plan and Zoning Ordinance, and that the impact of the proposed use not be detrimental to the neighborhood, community and environment. As directed by the City Council on March 4, 2002, proposers are also required to provide public access to the Roth Building restrooms by users of the park and strongly encouraged to provide a community meeting room as part of the project. Sensitivity to the amount of open space retained for park use adjacent to the building is also an important factor in design and use.

Historic Preservation
The RFP explains the architectural and historic significance of the Roth Building and that the City desires to preserve as much of its historic significance and integrity as possible. A summary of the guidelines for historic preservation included in the Secretary of the Interior’s Standards of Rehabilitation for Historic Buildings is attached to both the Information Flyer and the Option to Lease. It will be up to the proposer to show how its proposed improvements and possible modifications to the property are responsive to the Secretary’s Standards and Guidelines for historic preservation and rehabilitation. The

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City maintains the ability to control the appropriate degree of historic preservation for the site through its evaluation and selection of proposals and required review and approval of the use and development plans during the option term.

**Required Improvements and Estimated Costs**

Not all significant improvements and costs necessitated by a new use of the property are possible to determine precisely without knowing the nature of the specific use of the property. However, the RFP identifies minimum improvements and related estimated costs required for upgrading existing systems to meet current codes and building practices. A list of required improvements and estimated costs totaling $4,360,000 are listed in Attachment B to the Information Flyer. These improvements and costs are for the historic Roth Building only. Renovating the additional 7,000 square feet of the spine will add approximately $2,000,000 in project costs for a total of $6,360,000.

During its discussion of the Roth Building on March 4, 2002, Council members expressed their desire to have the development and operation of the property by any long-term tenant be “cost neutral” to the City. The RFP requires that the development and operation of the property be at no cost to the City; however, it does not require the lessee to repay the cost of acquisition of the building or the full cost of demolition of the wings. The cost to acquire the building was $1,957,100. Estimated costs for demolition of the wings presented to Council on March 4, 2002 totaled $930,000, of which $130,000 was the cost to abate the lead paint and asbestos in the wings and historic Roth building. Staff has since considered the advantage of separating hazardous materials abatement of the property into two phases: 1) abatement of the wings and basement to be demolished; and 2) abatement of the historic Roth Building. The City would be responsible for the first phase involving the wings and basement. Once a use is determined, the future tenant would be responsible for second phase, abatement of the historic building, so that areas left unaffected by the new use need not be disturbed by the abatement. In this way, historical elements could be saved and costs may be reduced as well. Therefore, the RFP includes in the costs of required tenant improvements an estimate of $75,000 ($65,000 plus $10,000 contingency), for the cost to abate the lead and asbestos in the historic Roth Building. Tenant responsibility for abatement in the historic building will reduce the City’s previously estimated cost of $930,000 for hazardous materials abatement, demolition, and construction of a temporary bracing and enclosure structure by $65,000, for a new total of $865,000.

**Park Dedication and Leased Area**

The summary RFP presented to Council on March 4, 2002 provided for lease of both the Roth Building and its .41 acre site. The RFP also anticipated including that leased area in the future park dedication for the SOFA park. However, staff now recommends limiting the lease to the building only and excluding the leased building from the park dedication.

Lease of the entire .41 acre site (17,838 square feet) would include the landscaping surrounding the Roth Building. This would result in the tenant being responsible for
landscape improvements and maintenance in that area. By limiting the lease to the building only, the City maintains responsibility for the landscaping. Advantages of City retention of the land and landscaping surrounding the building are: 1) more consistency between the building landscaping and the park; 2) more City control of design issues involving interface between the Roth Building and park landscaping; 3) more control of access to the building on the south side as it relates to the park design (plaza, building entrance, lighting, etc.); and 4) avoiding conflicts between the City and its tenant about how the landscaping should be improved and maintained, including the significant courtyard oak tree. Staff estimates the cost of landscape improvements to the Roth Building to be $50,000 to $70,000 and the annual cost of ongoing maintenance to be approximately $12,000. These costs would be included in the budget planning for the future park.

The Palo Alto Municipal Code (PAMC) requires that dedicated parkland be open and accessible to the public. If the Roth Building leased area were included in the future park dedication, the strict limitations of the PAMC could prohibit potential non-profit public benefit uses, such as a group of non-profits that might want to lease the building for office space. Excluding the leased area from the future park dedication has the advantage of fewer limitations on potential non-profit uses of the property and does not significantly reduce the size of the future park, which would still be 2+ acres.

For the above reasons, the attached RFP provides for lease of the building only, and anticipates that leased area will be excluded from the future park dedication. It should be noted that even though the future use of the property will not be limited by the strict requirements of the park dedication ordinance, the RFP does require that any use be compatible with the adjacent park use.

**Evaluation of proposals**

Proposers will be required to show how their proposed use, improvements and modifications meet the requirements for use and historic preservation of the property. Consistent with the City’s policy for the Leased Use of City Land/Facilities, proposers will be required to provide the following information, which will be considered in evaluating proposals: 1) the extent to which the proposed leased use satisfies a public need or provides public benefit; 2) the extent to which the proposal is responsive to the guidelines and standards for historic preservation/rehabilitation; 3) the consistency of the proposed use with existing City goals and objectives (as set forth in the Comprehensive Plan, Zoning Ordinance, SOFA CAP, and general municipal services objectives); 4) the impact of the proposed use upon the neighborhood, community, and environment; 5) the degree of public access and fees to be charged to Palo Alto citizens; 6) the monetary and non-monetary consideration to be provided to the City; 7) the history and assessment of the proposer’s ability to finance and carry out the construction, operation and maintenance of the facility and services as proposed; 8) a five-year pro-forma financial analysis of the proposed use, setting forth the project revenues and expenses for this
period of time; and 9) ability to address sensitive design issues relating to adaptive reuse of the historic building and interface with the park.

Proposers consisting of more than one non-profit organization will be required to provide evidence of financial/legal commitment as a group. This will avoid problems such as those that occurred during the first RFP process for the Williams property when, after the City granted the option to a consortium of three non-profit groups, two of the three groups backed out of the project, and the City had to withdraw the option. The RFP does not specify the form of financial commitment; however it should be sufficient that the City has some assurance of the stability of the groups’ association. One possibility is an “umbrella” corporation which would legally define and strengthen the association between groups. In addition, evaluation of proposals by groups of non-profits will consider the degree of public benefit provided by each group and the compatibility of the groups with each other in terms of purpose and services offered, and use of the building.

Proposals will be reviewed and evaluated for recommendation to the City Council by a proposal evaluation committee comprised of representatives of staff from Planning, Real Estate, Public Works, Community Services, and a member of the Historic Resources Board and/or Architectural Review Board.

Proposed Schedule for Solicitation
Following Council approval, staff will advertise the RFP in local newspapers and send the information flyer to the City’s surplus property mailing list, local non-profit groups and to those persons and groups who have expressed interest in leasing the property. The RFP will also be added to the City’s website.

Proposals will be accepted until May 20, 2003, when sealed proposals will be opened. Proposals and proposers will then be reviewed by the evaluation committee using the criteria summarized above, and the proposals and recommendations for a successful bidder will be forwarded to the City Council.

**RESOURCE IMPACT**
The RFP requires prospective tenants to lease, improve, maintain and operate the property at no cost to the City. Tenant responsibility for hazardous materials abatement of the historic Roth Building will reduce the previously identified demolition costs to the City by $65,000. Costs for City responsibility for the Roth Building landscaping will be included in the future budget planning for the park.

**POLICY IMPLICATIONS**
The RFP is consistent with Policy and Procedures 1-11, Leased Use of City Land/Facilities.
ENVIRONMENTAL REVIEW
The City certified a Final Environmental Impact Report for the Council adoption of the SOFA CAP Phase I and approval of the Development Agreement with PAMF. Both actions included the retention, rehabilitation and community use of the historic Roth Building, with demolition of the 1947 wings, and development of a two-acre park.

An environmental impact assessment (EIA), as may be required by the California Environmental Quality Act, will be performed in connection with the proposal that staff ultimately recommends to the Council as the one that should be awarded the option to lease the property. The EIA would address potential impacts including historic rehabilitation, parking and neighborhood compatibility. In addition, option conditions included in the RFP require optionees to comply with all requirements of the California Environmental Quality Act.

ATTACHMENTS
Attachment A: Summary of RFP
Attachment B: Site map
Attachment C: Request for Proposal, including:
   - Information Flyer
   - Proposal Package

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