TO:          HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: JULY 9, 2007 CMR:291:07
SUBJECT: APPROVAL OF OPTION TO LEASE TO THE ENVIRONMENTAL VOLUNTEERS FOR THE FORMER SEA SCOUT BUILDING AT 2560 EMBARCADERO ROAD

RECOMMENDATION
Staff recommends that Council: 1) authorize the City Manager to execute the attached Option to Lease Agreement with the Environmental Volunteers (EV); and 2) waive certain City processing fees for the project in accordance with Policy & Procedures 1-25, Public/Private Partnerships.

BACKGROUND
The 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 subject to flooding during biannual extreme high tides. Its rehabilitation will require extensive sub-floor rehabilitation and probable relocation to a higher elevation at or near its current location in the Baylands Preserve.

The Baylands Master Plan (Plan), adopted by the Council in 1979, called for the removal of the berths and buildings, including the Sea Scout building, and the return of the harbor to its natural state. Voters reaffirmed the Plan on November 4, 1980, when a ballot measure to continue operation of the harbor was defeated. On February 10, 1986, (CMR:142:86), staff presented Council with a Yacht Harbor Building Assessment Report that recommended the demolition of the Sea Scout building as part of the harbor reclamation project. That same year, Council approved Capital Improvement Program (CIP) Project No. 86-06, which was established to implement the goals of the Baylands Master Plan, including demolition of the Sea Scout building.

On October 24, 1988 (CMR:495:88), and again on June 8, 1998 (CMR:249:98), Council delayed the demolition of the Sea Scout building in order to give the Sea Scouts time to remove its boats from the harbor and find a new place to meet. During this time, the boats were moved to Redwood City's harbor, and Pacific Skyline Council gave notice that due to liability and financial constraints it would no longer be able to support the Palo Alto Sea Scout base.
On May 6, 2002, Council adopted the Historic Resources Board’s recommendation to designate the building at 2560 Embarcadero Road, known as the Sea Scout Base, 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): 1) the question of “how this unique 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”; and 2) gave direction to the Committee to review, as expeditiously as possible, issuance of an RFP so that other 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 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.

On October 12, 2004, Council approved the September 14, 2004 Policy and Services Committee recommendation (CMR410:04) 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) directed staff to open discussions with Environmental Volunteers (EV) with a view to developing a long-term lease.

DISCUSSION
Pursuant to Council’s direction, staff has worked with EV on a development plan that would fulfill the following objectives:

- provide public benefit and public access
- preserve and maintain the historic significance of the property
- not adversely impact the Palo Alto Baylands Preserve
- give preference to non-profit groups benefiting youth, seniors, wildlife and/or the environment
- relocate the building to higher ground and improve, maintain and operate the property at no cost to the City.

EV conducted its analysis to understand the extent of the relocation and renovation. It consulted with an architect, structural engineer, and contractors to determine more specifically the costs associated with the project and developed a fundraising plan based on project costs. In January 2007, EV submitted its proposal (Attachment A), which is summarized below.

Proposal

Proposer:
EV is a non-profit organization devoted to promoting the understanding of and responsibility for the environment through hands-on-science education. EV accomplishes its mission through the donated services of 160+ trained volunteers supported and coordinated by a paid administrative staff of seven (five fulltime and two part-time). Since its founding in 1972, EV has served over 300,000 school children in Santa Clara and San Mateo Counties. EV volunteers teach specific, ecologically-oriented science topics in classroom settings as well as lead field trips to appropriate sites using local Bay Area environments, such as the Baylands.
Proposed Use:
EV proposes to rehabilitate and relocate the building to use as its office headquarters for conducting its mission and providing other public benefits. It will use the small rooms in the building for its offices and the large, two-story high central room of over 1,000 square feet for meetings, training sessions and possibly to accommodate other groups who might need meeting space. Additionally, EV intends to provide ecologically-oriented classes and exhibits at the site for Palo Alto citizens and the general public.

Proposed Improvements and Relocation:
Other than the relocation of the building to higher ground, EV anticipates no changes to the defining historic characteristics of the building, and plans no additions or exterior alterations. The plan for rehabilitation and adaptive re-use will be consistent with the Secretary of the Interior’s standards for Historic Rehabilitation and in accordance with the City’s analysis that the building needs to be at a higher elevation to ensure it is high enough to avoid problems related to water incursion from high tides. EV notes that while it might be feasible to adequately elevate the structure and provide a new foundation at its current location, that alternative is less preferable and likely more expensive, than relocating it a short distance to nearby adjacent high ground as identified by the City in the RFP. EV and its architects will evaluate and analyze both possibilities and also consult with various permitting agencies and entities, and propose to the City the alternative that provides the optimum solution for achieving the overall desired outcomes for a properly functioning and faithfully rehabilitated historic building.

Financial Information:
EV has an annual operating budget of $560,000. Projected construction costs total $2.2 million to adequately cover overall short and long term costs of the project. As of November 2006, a total of $1,722,500 has been received, pledged or committed.

Proposed Method of Operation:
EV has created a Project Management Group (PMG) made up of former and current Board members to oversee all aspects of the project. It has also hired a professional Project Manager to: 1) coordinate activities of planning, permitting, and hiring contractors; 2) interface with City staff and review boards; and 3) work with community groups as necessary. EV has engaged a Palo Alto architecture firm with experience in historic rehabilitation to advise it on how to restore and rehabilitate the building exterior to optimally retain its character and how to remodel the interior of the building to serve EV’s near and long term operation needs while also retaining significant historic interior features. The firm will help to incorporate environmentally sensitive materials and features into the restoration and to create a green building to the extent feasible under various codes and historic standards.

Bid Items:
The proposal offers $5,000 for the purchase price of the option and $1.00 per year rent.

Proposal Criteria/Evaluation
Staff from the Departments of Public Works, Planning & Community Environment, Community Services, and Administrative Services reviewed EV’s proposal based on criteria similar to that
identified in the earlier RFP (Attachment C). Following is a discussion of the proposal in terms of this criteria.

**Public Benefits:**
The proposed use directly benefits youth and the environment, as encouraged by Council and the RFP. Public benefits provided by the proposed use include the advantage of EV headquarters being located at the Palo Alto Baylands, which will enable it to better conduct its mission, facilitate public outreach efforts and enhance its capability to provide volunteer staffing for Palo Alto’s Lucy Evans Baylands Interpretive Center in partnership with the City. Last year, EV served 474 teachers and benefited 10,428 Santa Clara and San Mateo County children through 348 classroom services and 129 natural science field trips.

EV will provide 50 hours per year of public information and education to Baylands visitors and/or Palo Alto community members. This will include, but not be limited to, environmental education programs, community lectures, open houses, nature walks, Baylands restoration projects, and camp programs. Over time, EV intends to increase the hours offered for these activities, according to the availability of its resources. EV will also create and make available to the public at least two permanent, exterior informational and educational displays. One will highlight the historical background and former uses of the building and another one or more displays will deal with Baylands ecology related to the flora and fauna of the Bay. These displays will be periodically re-designed and updated.

In addition, the project will provide for the rehabilitation and adaptive re-use of a historically important but deteriorating building owned by the City. Improvements include seismic upgrading including a new foundation; addition of sustainable and environmentally sensitive features; and improvement of the site with a natural landscaping plan. The rehabilitation and adaptive re-use of the building will incorporate numerous “green” design features to make it a more environmentally sensitive and responsive facility and to provide an example to other organizations and the community. EV will periodically conduct on-site meetings, seminars and educational programs to share its knowledge in this area. The restoration of the natural area around the building will create the opportunity for public education and study of natural area restoration and will include the addition of many more types of native plants than would otherwise be required for basic mitigation. EV will remove the existing seawall and return the waterfront bank to its natural state. EV will also complete an important gap in the popular Marsh Front Trail, which currently circles around the building, to its preferred location along the marsh bank in front of the building. It will accomplish this by constructing accessible connections between the promenade deck of the relocated building and the two adjacent termini of the existing trail in order to close the gap in the trail. The trail connections and promenade deck will be open and accessible to the public during park hours, and EV will be responsible for the maintenance of the trail along the promenade deck itself. Finally, EV will construct a public restroom near the Baylands Duck Pond, to replace the existing porta-potty. EV will pay up to $75,000 for the cost of construction, with the City to reimburse it for any additional cost. The City will maintain the restroom.

**Degree of Public Access and Fees to be Charged to Palo Alto Citizens:**
Public access will be provided through the public education, displays and trail access outlined above. In addition, EV will enhance the public’s environmental awareness of natural science
issues through programs for which EV may chose to charge fees. It may also periodically rent portions of the building to Palo Alto-based, non-profit, community groups. Both activity fees and rental fees will conform to similar fees charged by Community Services and in accordance to an annual fee schedule approved in advance by the City Manager.

*Responsiveness to Historic Guidelines and Standards:*  
EV has contracted for a Historic Structures Report (HSR) on the building which insures compliance under both Federal and State historic statutes, including the Secretary of Interior’s Standards for Historic Rehabilitation. Based on the findings and recommendations of the HSR, and under guidance of Palo Alto Historic Resources Board, EV will develop a plan to restore the building as close as possible to its original state in accordance with current building, disability and other codes, EV’s needs, and environmental sensitivity.

*Consistency with City Goals and Objectives:*  
The proposed use will be allowed under the existing zoning PF-D (Public Facilities-Site and Design District) provided the proposer obtains a conditional use permit during the option term. The proposed use includes public access for exhibits, classes, and demonstrations and is therefore consistent with the requirements that City parkland be open to the public and not limited to exclusive use by private groups. In addition, the proposed use meets policies and programs of Comprehensive Plan Land Use Goal 7: Conservation and Preservation of Palo Alto’s Historic Buildings, Sites and Districts, such as Policy L-51, “Encourage public and private upkeep and preservation of resources that have historic merit;” Policy L-52, “Encourage the preservation of significant historic resources owned by the City of Palo Alto;” Policy L-57, “Develop incentives for the retention and rehabilitation of buildings with historic merit in all zones;” and Policy L-58, “Promote adaptive reuse of old buildings.”

*Impact of the proposed use upon the immediate vicinity/neighborhood, the community generally and the environment:*  
The relocation, restoration and rehabilitation of the building and its use by EV is in accordance with Council’s March 17, 2003 direction that the use of the building be compatible with the Baylands and preserve the historic significance of the building. The impact of the proposed use on park traffic and parking will be addressed during the option period as part of the development approvals. As detailed above in the “Public Benefits” section, the rehabilitation and adaptive re-use of the building will incorporate numerous “green” design features to make it a more environmentally sensitive and responsive facility and the natural area around the building will be restored and enhanced with native plants. Both the building and landscape restoration will provide examples and opportunities for education to other organizations and the community.

*Consideration to be Provided to the City:*  
In addition to the $5,000 purchase price of the option and the $1.00 per year rent, EV will pay for up to $75,000 of the construction cost of the public restroom, and improve and operate the leased premises at no cost to the City. Non-monetary consideration is the public benefit described above. In addition, any transferable development rights created by the project will belong to the City.
History/assessment of the proposer’s ability to finance and carry out the proposed use and improvements:
EV has performed a revised cost analysis to determine the funding required to complete the project successfully and has determined it would need $2.2 million to cover overall short and long term costs of the project, including short term restoration and relocation; overhead and administrative costs during the years the project would be underway; long range capital for future maintenance and repairs; and contingency. A copy of the $2.0 million campaign budget is attached as Exhibit 1 to Attachment B of the attached proposal. EV has begun soliciting funds and so far has raised approximately $1.7 million in cash or commitments, anchored by a $1 million grant from the David and Lucille Packard Foundation. EV is less than $500,000 from its funding goal and will continue to raise funds during the months before most of the funds will be needed. Estimated costs of planning, design, permitting, engineering and construction are included in Exhibit 4 to Attachment B of the proposal.

PV’s Project Management Group (PMG) includes members with experience overseeing and managing similar projects, including working with the City on planning, permitting and building an interpretive center at the Enid Pearson Arastradero Open Space Preserve. EV’s Project Manager has had 28 years experience in coordinating project teams for an award-winning architecture firm, providing project management on community buildings and feasibility studies and in working with City staff members. EV’s architectural firm has experience in historical restoration work, and the contractor is well known locally for many local projects including the Palo Alto YMCA, Castilleja School and Allied Arts building in Menlo Park. A list of PMG members and biographical data along with résumés are attached as Exhibit 2 and 3 to Attachment B of the proposal.

Pro Forma Analysis:
In lieu of the 5-year pro forma financial analysis, EV has submitted its operating budget and results for its fiscal year ended June 30, 2006 and its approved budget for the fiscal year ending June 30, 2007 (Exhibit 5 to Attachment B of the proposal). EV states that its operating budgets do not change significantly from year to year, so any subsequent year budget projections would be similar, though slightly higher in most categories except for occupancy expenses, which would be lower due to reduced rental expenses related to its current location.

Option Agreement and Lease
Under the attached Option Agreement and Lease (Attachment C), EV is granted a two-year period to satisfy the specified conditions prior to exercising the option and entering into the lease. The major option conditions the EV must satisfy are the following:

1. Pay the option purchase price ($5,000).
2. Submit schematic plans within twelve months of the commencement of the Option Agreement.
3. Receive approval of its development plans from the Historic Resources Board, Architectural Review Board (if applicable), Planning and Transportation Commission and City Council. The development plans will include specific details of the interior
and exterior historic preservation and maintenance features to be included in the development of the property.

4. Receive approval of any land use permits or approvals required to implement the proposed use and improvements. The proposed use and improvements will require approval of a conditional use permit and a variance for parking.

5. Receive approval of a long term maintenance plan and schedule for the building from the City Manager or his designee.

6. Satisfy the Director of Administrative Services that the EV has sufficient finances or financial commitments to implement the project as approved by the City and furnish the Director of Administrative Services with evidence that sufficient financial security will be available to construct the project.

EV Requested Changes and Additions to Option and Lease Agreements
Attachment D includes a summary of the conditions of the option and the terms of the proposed lease. The terms of the attached option agreement and lease are consistent with the above evaluation criteria with the exception of extending the schematic plan timeline in the Option Agreement and extending the term of the lease. EV has requested an extension of the time requirement to submit its schematic plans to the City from 6 months to 12 months. Staff feels EV’s request to extend the time is reasonable, given the complexity of the project.

EV also requested a change to the term of the lease as offered in the RFP from 20 to 40 years. Staff did not feel the public benefits included in EV’s written proposal justified the extended term, and during lease negotiations, requested that EV increase the public benefit provided by its use. EV offered added benefits including the following, which are described in detail above: 1) improving and maintaining a portion of the Marsh Front Trail; 2) providing at least two permanent exterior informational and educational displays for the public; 3) providing at least 50 hours annually of environmental education to the public; 4) restoring the area around the building to its natural state including the addition of more plants than required for basic mitigation; 5) providing educational programs to share EV’s knowledge based on its experience in implementing the green design materials and features that will be incorporated into the rehabilitation of the building; and 6) constructing a public restroom and contributing up to $75,000 of the cost. Staff feels the EV’s requests for extending the schematic plan timeline and the term are justified and has included them in the attached proposed Agreements.

Waiver of Fees
EV has requested a waiver of City processing fees for its development project. Subject to Council approval, the City’s Policy and Procedures 1-25, Public/Private Partnerships provides for the waiver of any normal City processing or use fees required by the Municipal Fee Schedule, with the exception of utilities fees and charges. The waiver may apply to fees associated with a construction project which results in a new or improved public facility which will be owned or controlled by the City. The City has previously waived fees for such projects as the improvements by Friends of the Children’s Theater to the Children’s Theater, and the improvements by the Museum of American Heritage to the Williams property. Staff recommends a waiver of fees for the Environmental Volunteer project to include approximately
$36,000 in building plan check and permit fees and an estimated minimum of $15,000 in Planning fees (see Attachment E). Any fees relating to Transferable Development Rights (TDR), should the project apply for TDR, are cost recovery and will not be waived.

**NEXT STEPS**
The two-year option term will begin upon the execution of the option by the City, and the EV will begin the process of fulfilling option conditions. When the conditions have been met, the lease will be executed and construction of the approved improvements and operation of EV project will commence. Once the option conditions have been met, and assuming no substantial changes are made to the proposal or the form of lease during the development approval process, the lease will be executed by both parties without returning to Council. Council will have the opportunity to review and approve the detailed plans for the project during the option period.

**RESOURCE IMPACT**
The proposed improvements, maintenance and operation of the property will be at no cost to the City. EV will construct and pay for costs of the public restroom up to $75,000 which the City will maintain. Since this public restroom will replace a contracted porta-potty, the net increase in maintenance costs for this restroom will be insignificant. The estimated total of fees to be waived by the City for this project is $36,000 in building plan check and permit fees and $15,000 in Planning fees, for a total of $51,000.

**POLICY IMPLICATIONS**
Accepting the EV proposal and approving the option to lease is consistent with the Comprehensive Plan policies related to historic structures and the Baylands, the City Zoning Ordinance, park use, the Policy and Procedures for Leased Use of City Facilities, and the Sea Scout RFP including Council’s stated preference that the Sea Scout building be used by groups benefiting youth, seniors, wildlife and/or the environment. The fee waiver is consistent with Policy and Procedures 1-25, Public/Private Partnerships.

**ENVIRONMENTAL REVIEW**
The optionee will be required to fully comply with all provisions of CEQA as may apply to the specific development plans submitted during the option period.

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ATTACHMENTS
Attachment A: Proposal from Environmental Volunteers
Attachment B: Proposal Evaluation Criteria
Attachment C: Option Agreement and Lease
Attachment D: Summary of Option to Lease
Attachment E: Permit Fees to be Waived

cc: Environmental Volunteers