

Agenda Report

July 28, 2014

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Housing and Career Services Department

SUBJECT: APPROVAL OF KEY BUSINESS TERMS OF AGREEMENT WITH WAVERLY SCHOOL FOR THE RELOCATION AND REHABILITATION OF THE HISTORIC DECKER HOUSE STRUCTURE CURRENTLY LOCATED AT 750 N. FAIR OAKS AVENUE; CITY GRANT IN THE AMOUNT OF \$450,000 FOR DECKER HOUSE PROJECT COSTS

RECOMMENDATION:

It is recommended that the City Council take the following actions:

- 1) Find that the proposed business terms, as described in this agenda report, of the Relocation and Rehabilitation Agreement with the Waverly School for the relocation and rehabilitation of the Decker House currently located at 750 N. Fair Oaks Avenue, are exempt from the California Environmental Quality Act ("CEQA") pursuant to Categorical Exemption Class 31 under Section 15331 of the CEQA Guidelines for "Historical Resource Restoration/Rehabilitation";
- 2) Appropriate \$450,000 from the Inclusionary Housing fund balance (Fund 619) to Account No. 8167-619-684140-55-51333 ("Heritage Square Project") and authorize staff to make necessary adjustments to the budget;
- 3) Find that conveying the Decker House to the Waverly School according to the proposed business terms is in the public interest and furthers the goals and objectives of the City Council, and approve the key business terms of the Relocation and Rehabilitation Agreement with the Waverly School, as set forth in this agenda report; and
- 4) Authorize the City Manager to execute, and the City Clerk to attest, the Relocation and Rehabilitation Agreement, and any other documents that may be necessary to implement the Decker House project.

BACKGROUND:

The “Decker House” is a 3,316 square foot, two-and-a-half story house located at 750 N. Fair Oaks Avenue, within City-owned property at 750-790 N. Fair Oaks Avenue, the site of the proposed “Heritage Square” 70-unit affordable senior housing project to be developed by BRIDGE Housing. The Decker House was constructed in 1892 and was designated by the City as a historic landmark in 1988.

As part of the City’s developer selection process for the Heritage Square project, it was determined that it would be the City’s responsibility to relocate and rehabilitate the Decker House. Costs incurred by the City to relocate and rehabilitate the Decker House are considered Heritage Square project costs. Accordingly, on July 1, 2010 the City released a Request For Proposals (RFP) for the relocation, historic renovation, and reuse of the Decker House. However, no proposals were submitted in response to the RFP by the August 2, 2010 deadline. This outcome may be attributed to the deteriorated condition of the structure and the costs associated with bringing it up to code for proposed reuse as well as in compliance with Secretary of Interior historic standards. Potentially interested parties may not have been able to come forward with financially feasible proposals in which they carried the cost of financing the rehabilitation. In May 2014 the Waverly School (“Waverly”) approached the City Housing and Career Services Department with a proposal to relocate and rehabilitate the Decker House and utilize the structure for educational program purposes. The total cost of the Decker House project is approximately \$623,000 of which Waverly requested from the City grant funding in the amount of \$450,000. The balance of \$173,000 would be funded by Waverly.

Originally founded in 1993, Waverly is a private, college preparatory, pre-kindergarten through twelfth grade school which currently serves 323 students. Waverly has three campuses in Pasadena: 1) the Elementary School - 67 Bellevue Drive; 2) the Middle School - 120 Waverly Drive; and 3) the High School – 108 Waverly Drive. In addition, the Waverly School Organic Farm (the “Farm”) is located north of and adjacent to 679 Pasadena Avenue (see parcel map, Attachment “A”). The Farm is a multi-purpose green space and provides opportunities for learning, play, collaboration, and relaxation for Waverly students and their families. The Farm site is State Route 710 freeway corridor property owned by the California Department of Transportation (“Caltrans”) and leased to Waverly in five-year increments.

The Farm is the proposed destination site for the Decker House. The historic structure would be located at the northwest corner of the Farm lot (see preliminary site plan, Attachment “B”). The exterior of the Decker House would be rehabilitated in accordance with the Secretary of the Interior’s Standards. Waverly proposes to re-configure the interior of the Decker House to serve as three classrooms and one kitchen on the first floor. The second floor would provide three additional classrooms and a small office for the Farm manager (see preliminary floor plans, Attachment “C”). The rehabilitated Decker House would allow Waverly to hold full-day elementary classes on-site. It is important to note that prior to the City’s acquisition of the Heritage Square project site in 2004, the interior of the Decker House was significantly altered when it

was subdivided into two units. Very little, if any, historic fabric remains in the interior of the house. The Farm site is zoned Single-Family Residential (RS), which currently does not allow private schools as a use. Therefore, per the City's Zoning Code, Waverly will be required to obtain a Minor Conditional Use Permit (MCUP) in order to relocate and operate the Decker House on the Farm site.

Waverly has experience in moving and rehabilitating historic structures. In 2006 Waverly successfully completed the relocation and rehabilitation for reuse of numerous historic structures within its High School campus including the Dearth House, the Browne/Trull House, and the Stanyer House. As was the case with these historic structures, oversight of the Decker House project will be performed by Waverly Board Members Charles Loveman (Executive Director of Heritage Housing Partners), Jingbo Liu (architect), Emily Stadnicki (City planner) and Heidi Johnson, Head of Waverly School. Waverly will also likely hire a day-to-day project manager.

CURRENT STATUS OF FARM SITE AND HERITAGE SQUARE PROJECT:

Waverly is in discussions with Caltrans to amend the land lease to allow the relocation of the Decker House onto the Farm site. Caltrans approval is expected, with precedence having been established at the Sequoyah School located at 535 S. Pasadena Avenue, which is also Caltrans-leased property. Two years ago, Caltrans allowed the Sequoyah School to construct a new building on the site and extended the lease by 10 years. Concurrent with the lease amendment discussions with Caltrans, Waverly is also preparing to obtain City land use entitlements for the Farm site, which includes an MCUP as discussed above, and a Certificate of Appropriateness for the relocation of the Decker House. The entitlement phase is budgeted at \$50,000 towards which Waverly funds in the amount of \$15,000 would be expended prior to release of the City's funds in the amount of \$35,000. The City's funding during the entitlement phase is to be considered risk money because it will be disbursed prior to Caltrans' anticipated approval of the Farm site land lease. However, in the unlikely event that Caltrans does not approve the land lease amendment, in which case the Decker House would not be allowed to be moved onto the Farm site, the City will have no obligation to disburse any further grant funds. It is important that Waverly commence entitlement activities as soon as feasible so that the Decker House can be relocated well in advance of the start of construction of the Heritage Square senior housing project, which is anticipated to occur in March 2015.

After Caltrans has determined the property to be surplus (which is not expected to occur until 2015 at the earliest), Waverly intends to acquire the site with its own funds. Under existing State law (the "Robert Act"), Caltrans is required to give priority to purchase SR 710 surplus nonresidential property at fair market value to tenants in good standing who currently rents or leases such property. As a nonresidential tenant in good standing, Waverly would have first priority to purchase the Farm site after Caltrans designates the property as surplus. Waverly is working with State Senator Carol Liu's office on a proposal that would further facilitate Waverly's purchase of the property under the Robert Act.

BRIDGE Housing submitted a tax credit funding application to the State on July 1, 2014. Funding awards are expected to be announced in September 2014. If BRIDGE Housing's application is successful, they will be able to move the Heritage Square project forward into City plan check. City issuance of a building permit for the Heritage Square project is conditioned upon, among other things, the relocation of the Decker House. Timely relocation is critical because tax credit program regulations require that projects must secure building permits no later than six months after receiving a reservation of tax credits. For the Heritage Square senior housing project, BRIDGE Housing must secure building permits in March 2015. Failure to do so will result in the State cancellation of the tax credit reservation.

KEY BUSINESS TERMS OF AGREEMENT WITH WAVERLY SCHOOL

- Waverly shall obtain Caltrans approval to amend the lease agreement on the Farm site to permit the relocation of the Decker House within the timeframe established in the Schedule of Performance. The Caltrans-approved lease agreement shall be a condition of City release of funds for the project's Predevelopment phase (see below).
- Waverly shall obtain Certificate of Appropriateness and all applicable City land use entitlements and permits required for the relocation and siting of the Decker House within the timeframe established in the Schedule of Performance.
- Upon Waverly obtaining Certificate of Appropriateness and all applicable City land use entitlements and permits, City shall convey the Decker House to Waverly in exchange for Waverly's commitment to relocate, rehabilitate, and reuse the Decker House in conformance with the Secretary of the Interior's Standards for the treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings at an estimated cost in excess of \$623,000. The City will provide a bill of sale to Waverly for such consideration.
- Waverly shall move the Decker House from 750 N. Fair Oaks Avenue no later than March 1, 2015.
- Waverly shall be solely responsible for testing and abatement of asbestos and lead-based paint hazards in connection with the moving of the Decker House from 750 N. Fair Oaks Avenue.
- Waverly shall rehabilitate the exterior of the Decker House per the Scope of Development and in conformance with the Secretary of the Interior's Standards for the treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings.

- Waverly shall renovate the interior of the Decker House per the Scope of Development.
- City shall provide to Waverly grant funding in the amount of \$450,000 to assist the relocation and rehabilitation of the Decker House (the "City Grant").
- City Grant and Waverly funds will be allocated for the project as follows:

Project Phase	City Grant	Waverly Funds	Total
1. MCUP Entitlement	\$35,000	\$15,000	\$50,000
2. Predevelopment	\$50,000	\$5,000	\$55,000
3. House Moving	\$150,000	\$25,000	\$175,000
4. Construction	\$215,000	\$128,000	\$343,000
Total	\$450,000	\$173,000	\$623,000

During the MCUP Entitlement phase, Waverly funds in the amount of \$15,000 shall be fully expended before City Grant funds are utilized. As a condition of release of City Grant funds for the Predevelopment phase, Waverly shall provide written documentation of Caltrans-approved lease amendment allowing for the relocation of the Decker House onto the Farm site. However, this condition does not apply to City Grant funds for the MCUP Entitlement phase.

City Grant funds for the MCUP Entitlement and Predevelopment phases will be deposited with a third-party escrow and releases of such funds shall require City Housing Director (or designee) written approval of Waverly draw requests.

City Grant funds for the House Moving and Construction phases will be disbursed by the City on a monthly basis, and will require City Housing Director (or designee) written approval of Waverly's monthly invoices evidencing payment of eligible project costs incurred. Any and all cost overruns shall be the responsibility of Waverly to cover.

Waverly agrees to comply with other disbursement conditions as may be established by the City.

- Upon relocation of the Decker House onto the Farm site, Waverly shall maintain the Decker House in good condition and operate it for its intended use for a period of ten (10) years.
- Should Waverly fail to perform on any requirement under the Agreement, the City may require Waverly to repay all amounts advanced by City, with the exception of City Grant funds disbursed during the MCUP Entitlement phase, and the City may terminate the Agreement. Furthermore, if Waverly fails to move the Decker House from 750 N. Fair Oaks Ave. by March 1, 2015, possession of the Decker House shall revert to the City.

- The Project shall be subject to all applicable City ordinances and policies including insurance and indemnification requirements, and First Source Local Hiring.

ENVIRONMENTAL ANALYSIS:

The “Historical Resource Restoration/Rehabilitation” Categorical Exemption Class 31 under Section 15331 of the California Environmental Quality Act (“CEQA”) Guidelines pertains to projects that are limited to the maintenance, repair, stabilization, rehabilitation, restoration, preservation, conservation or reconstruction of historical resources in a manner consistent with the Secretary of the Interior’s Standards for the treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings.

The Decker House project, pursuant to the proposed agreement between the City and Waverly, is consistent with Class 31 projects under CEQA Guidelines Section 15332 and is thereby exempt from CEQA and no further CEQA review is required.

COUNCIL POLICY CONSIDERATION:

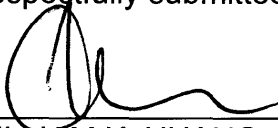
The proposed action supports and promotes the quality of life and the local economy -- a goal of the City Council’s Strategic Objectives.

FISCAL IMPACT:


The cost of this action will be \$450,000, funded from the Inclusionary Housing fund balance. Funding for this action will be addressed by an increase in appropriations in Account No. 8167-619-684140-55-51333 ("Heritage Square Project") and a decrease in the Inclusionary Housing fund balance (Fund 619) in the amount of \$450,000.

The anticipated impact to other operational housing programs or projects as a result of this action will be minimal and will be absorbed within existing budget appropriations. This action will reduce the available balance of the Inclusionary Housing Fund to approximately \$1.68 million.

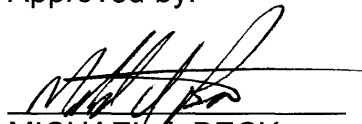
Respectfully submitted,


for WILLIAM K. HUANG, Director
Housing and Career Services

Prepared by:


James Wong
Senior Project Manager

Approved by:


MICHAEL J. BECK
City Manager

Attachments

- Attachment "A" -- Parcel Map
- Attachment "B" -- Preliminary Site Plan
- Attachment "C" -- Preliminary Floor Plans