



Department: Administration
Cost Center: 1005
For Agenda of: 2/6/2024
Placement: Consent
Estimated Time: N/A

FROM: Greg Hermann, Deputy City Manager
Prepared By: Robert Hill, Sustainability & Natural Resources Official

SUBJECT: AMENDED AND RESTATED EXCLUSIVE NEGOTIATING AGREEMENT WITH SMART SHARE HOUSING SOLUTIONS

RECOMMENDATION

Approve the draft Amended and Restated Exclusive Negotiating Agreement with Smart Share Housing Solutions, in a final form satisfactory to the City Attorney.

POLICY CONTEXT

The City's Financial Management Manual (Section 475 -C) allows exclusive negotiations for long term leases of City property, as well as provisions for leases to non-profit organizations, where there is a clear link between the proposal and accomplishment of significant City goals, plans or policies and where the proposal has a clear and measurable community benefit.

The proposed project entails rehabilitation and adaptive re-use of the City-owned Rosa Butron Adobe together with installation of a "tiny home" village that will provide affordable housing units. Staff considers the activities described for The Waterman Village to be in the public interest in accordance with the City's historic preservation goals, the Conservation and Open Space Element of the General Plan that provides policy regarding adaptive re-use of the City's historic structures, with the Downtown Concept Plan, and with the Housing Element of the General Plan.

Accordingly, the proposed project appears to meet the basic policy framework and parameters for entering into an Exclusive Negotiating Agreement (ENA) in accordance with the Financial Management Manual.

DISCUSSION

Background – Property History

The City of San Luis Obispo has owned the Rosa Butron Adobe located at 466 Dana Street since 1989. The City Council adopted a Resolution of Acceptance at that time and agreed to acquire the property as a life estate gift from Ms. Mary Gail Black for site stewardship, restoration, and public uses. It is understood that the donor's intent was for the City to hold ownership and take care of the property over the long-term, including both the residence and the grounds.

The Rosa Butron Adobe is listed as a historic residence on the City's Master List of Historical Resources. Only the front room of the existing structure is the circa. 1845 historic adobe itself, while a subsequent veranda that was added around 1865 is also considered to be a contributing component of the structure's historicism.

The house is currently vacant, although the City does provide basic maintenance and upkeep to the house and grounds. It is important to note that the Rosa Butron Adobe needs extensive refurbishment, restoration, or rehabilitation prior to it being suitable for occupancy. City resources to maintain and restore its suite of adobe properties are limited and this effort is part of a larger movement towards seeking community partners to help activate these valuable historic resources.

Previous Council Action

Following City Council's direction, staff issued a Request for Interest (RFI) document seeking community partners to help the City rehabilitate and re-use the Rosa Butron Adobe. The RFI was issued on March 6, 2020, to known interested parties, broadly to non-profit hubs such as The San Luis Obispo County Community Foundation and SPOKES: Resources for Non -Profits, and to local affordable housing organizations including the Housing Authority and People's Self-Help Housing.

As a result of the RFI process, on September 7, 2021, the City Council approved an Exclusive Negotiating Agreement with Smart Share Housing Solutions and the Peace Project (operating under fiscal sponsorship from Ecologistics, Inc.) that set forth a vision for a shared project known as the Waterman Peace Village, as well as identification of tasks, milestones, and responsibilities agreed upon by both groups.

On November 29, 2022, however, the City's staff issued a written notice of termination to the Peace Project based on the mutual understanding that the Peace Project would not be able to meet its fundraising milestones and continue to move forward with its portion of the shared project contemplated by the ENA.

Amended and Restated Exclusive Negotiating Agreement

The "Waterman Village" project, as now currently envisioned, entails rehabilitation and adaptive re-use of the adobe structure and installation of tiny housing units, together with related on-site and off-site (if any) improvements on or appurtenant to the property, to be completed entirely by Smart Share. The art studio proposed by the Peace Project is no longer a part of the proposed site development. The key highlights of the ENA remain as follows:

1. Two-year term for exclusive negotiations.
2. Maintenance of non-profit status at all times.
3. Fundraising plan submittal and proof of financial ability to complete the project.
4. Lease negotiation and execution can begin upon satisfactory due diligence, including zoning and / or General Plan requirements, submittal of satisfactory design and construction schedule, and evidence of available funds.
5. Anticipated lease terms include a 55-year term and rent of \$1 per year.

6. Standard review and approval process, including public hearings with the Cultural Heritage Committee and other applicable City bodies, as well completion of the environmental review process prior to any construction.

In addition, the draft Amended and Restated ENA allows for Smart Share Housing to have site access necessary to show the property and structure to prospective donors and funders, as well as to place their Demonstration Cottage in the parking area to the side of the adobe to show the exterior appearance and interior accommodations of a “tiny home”. These provisions are subject to revocable right-of-entry and encroachment permits from the City.

Public Engagement

The RFI that first set forth this process was published on the City’s website, together with a notification item, and was broadly distributed. The existing ENA was approved at a duly noticed City Council meeting in September 2021, and any member of the public may provide comments on the Amended and Restated ENA that is the subject of this report at or before the meeting.

It is important to note that this item requests the City Council’s review and consideration of the Amended and Restated ENA only; any subsequent lease agreement and project that may arise from these negotiations are subject to additional, future public review processes.

CONCURRENCE

The City’s Community Development Department concurs with the recommendation from both a housing and historic preservation perspective.

ENVIRONMENTAL REVIEW

Entering into the Amended and Restated ENA is not a Project, in and of itself, in accordance with the California Environmental Quality Act (CEQA). However, any future activities that meet the definition of a “Project” under CEQA Guidelines will be subject to the environmental review process.

FISCAL IMPACT

Budgeted: No
Funding Identified: No

Budget Year: 2023-25

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund				
State				
Federal				
Fees				
Other:				
Total	N/A	N/A	N/A	N/A

The recommended action does not entail any direct expenditures. Modest staff time to complete review of the tasks identified in the Amended and Restated ENA and attend to the agreement and partnership is supported within the operating budgets of the City Administration and IT and Community Development Departments.

Advancing affordable and workforce housing through collaboration with local non-profit partners, as well as continuing to support the preservation of the City's adobes, are both strategies that are included in the Major City Goals for the 2023-25 Financial Plan. Smart Share has not yet completed cost estimating for the project, anticipated as a future step by the ENA, and it is therefore unknown as this time the amount of affordable housing funds that may be requested. Any allocation of City affordable housing funds would happen through the customary process and be evaluated based on established funding criteria (see [City Council Resolution No. 9263 \(2001 Series\)](#)).

ALTERNATIVES

The City Council may request changes or may decide not to approve the Amended and Restated Exclusive Negotiating Agreement with Smart Share Housing Solutions. This action is not recommended by staff because the proposed action is administrative and in furtherance of prior Council direction.

ATTACHMENTS

A - Draft Amended and Restated Exclusive Negotiating Agreement with Smart Share Housing Solutions.