January 8, 2018

SUBJECT
Receive Update on Implementation of Docktown Plan, Provide Authorization Related to Boats, Barge-Based Dwellings and Personal Property Sold to the City, Authorize Increased Funding for Relocation Services, Provide Direction on Funding Plan for Docktown Plan Implementation, and Provide Direction Regarding Landside Facilities

RECOMMENDATION
1. Accept report on implementation of Docktown Plan; and
2. By motion, authorize staff to sell, donate or remove boats, barge-based dwellings and personal property acquired in conjunction with implementation of the Docktown Plan, and to enter into agreements with auctioneer, broker, and/or disposal company as needed; and
3. By motion, authorize City Manager to execute Amendment No. 2 to the agreement with Overland, Pacific and Cutler (OPC) in the amount of $84,488 for a total contract amount of $396,156, to complete the provision of relocation services to Docktown Marina tenants; and
4. By motion, use FY 2016-17 General Fund net operating proceeds (estimated at $2.3 million) to offset costs incurred with implementing the Docktown Plan and direct staff to present updated funding plan for anticipated costs associated with implementing the Docktown Plan with the Mid-Year Budget report on February 26, 2018; and
5. By motion, direct City Manager to negotiate modification or termination of license of landside facilities (parking, restrooms and laundry facilities, Harbormaster office, and Peninsula Yacht Club site) with landside owners, and authorize City Manager to terminate the Sublicense with the Peninsula Yacht Club

BACKGROUND
The City is ending residential uses at Docktown Marina (“Docktown”) to comply with State law. Recognizing that this transition will be challenging for people currently living at Docktown, the City Council adopted a relocation assistance program intended to address individual tenant relocation needs and to provide individuals with a reasonable time to move. Additional background is provided in Attachment 1 (December 12, 2016 Staff Report Regarding Docktown Plan).

The Docktown Plan (“Plan”) (Attachment 2) provides a yearlong transition schedule for Docktown tenants, as well as financial assistance in the form of moving expenses, incentive payments for tenants desiring to move more quickly, and vessel acquisition
payments for tenants desiring to sell their property to the City. The Plan includes additional financial aid for people with special needs, including seniors, veterans, and low-income individuals. In addition, the Plan offers advisory assistance to help tenants find a new marina slip for their watercraft or a new land-based residence.

Under the Docktown Plan, tenants who own their boat or barge-based dwelling may move their property to a new marina, sell their property to a private buyer, or sell their property to the City. For those who choose to sell their property to the City, the Plan established a process for the acquisition value to be established by a qualified appraiser. Based on feedback received on the draft Docktown Plan, the final Docktown Plan also allowed tenants to seek an independent appraisal of their property value. In such situations, a third appraiser considered both appraisals and determined the final value for a City offer of acquisition.

This report provides an update on the implementation status of the Docktown Plan and recommends an amendment to the agreement with OPC as well as a process for handling property sold to the City. Additionally, the report updates anticipated costs and recommends modifications to the approved funding policy for costs associated with implementing the Docktown Plan.

**ANALYSIS**

**Status of Relocation**

The City has contracted with relocation experts Overland, Pacific and Cutler to meet with each tenant and sub-tenant\(^1\), explain benefits provided under the Docktown Plan, help them apply for relocation benefits and sell their property to the City if desired by the tenant. At this time, 27 of the 70 tenants and sub-tenants at Docktown Marina have relocated, and another 31 tenants and sub-tenants have agreed to relocate by February 28, 2018 (or June 30, 2018 for families with school-age children). In some cases, tenants and sub-tenants have signed relocation agreements but are still in the process of providing necessary documentation. The City is continuing to encourage individuals living at Docktown to complete relocation agreements.

The table below provides a summary on the relocation status for tenants and sub-tenants at Docktown Marina as of December 6, 2017.

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\(^1\) The Docktown Plan defines Tenant and Sub-tenant as follows: "**Tenant**" means an Owner having a written Lease with the City of Redwood City to live aboard the Tenant’s Dwelling at a berth (or berths) at Docktown. "**Sub-tenant**" means a person or household who holds a valid Subtenant Agreement.
Relocation Status for Tenants and Sub-tenants as of January 4, 2018

<table>
<thead>
<tr>
<th>Boats</th>
<th>Have Relocated</th>
<th>Have Agreed to Relocate by 2/28/18</th>
<th>Are In the Process of Completing Relocation Agreements*</th>
<th>Have Not Agreed to Relocate at this Time</th>
<th>Total – All Eligible Tenants and Sub-tenants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Boats</td>
<td>Barge Based Dwellings (BBD)</td>
<td>Boats BBD</td>
<td>Boats BBD</td>
<td>Boats BBD</td>
</tr>
<tr>
<td>14</td>
<td>13</td>
<td>5</td>
<td>3</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>42</td>
<td>28</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Some tenants have signed relocation agreements but have not provided all required documentation.

Based on tenant requests, tenants with school-age children have been given the opportunity to stay at the Docktown Marina through June 30, 2018. Agreements acknowledging this extension are being drafted. Staff believes that up to four families may choose to complete these agreements and remain through June 30.

Status of Docktown Tenants Moving to the Port of Redwood City-Operated Municipal Marina

Since December 2016, Port of Redwood City staff have initiated plans and engineering for repairs and upgrades to the “C” dock and the restroom and laundry facilities of the Municipal Marina in anticipation of being able to accommodate up to 19 liveaboard tenants. The Port Commission has approved policies to allow liveaboards at the Marina and Port staff are working to obtain the necessary permits from the Bay Conservation and Development Commission, which has jurisdiction over liveaboard uses at marinas. At this time, it appears fewer than 10 tenants may move to the Port. Relatively few tenants at Docktown owned boats that could be accommodated at the Municipal Marina; many were too large to fit the berths there or not navigable. Some tenants may choose to sell their boats to the City and buy boats to live at the Municipal Marina but tenants have not made final decisions.

Eligibility for Relocation Benefits

Under the Plan, Docktown tenants and sub-tenants are eligible to receive a variety of relocation benefits:

- Reimbursement for actual moving cost of movable vessels
- Reimbursement for actual moving costs of household goods
- Special payments allowing individuals who are disabled, low income, seniors, or veterans to receive either three months of land-based housing rent payments or three months of berth rent differential payments (recognizing the differences between berth rents at Docktown and at a new marina), depending on whether they move to land-based housing or a new marina
• Reimbursement of up to $1,000 for sales-related costs
• Additional incentive payments on a sliding scale, starting with $10,000 for owners of vessels and $5,000 for non-owners for those moving earlier in the relocation timeframe
• An offer of City payment of fair market value of the structure if the owner chooses to sell their vessel to the City.

Depending on their individual circumstances including family size, dwelling size, the cost of moving their personal property, whether they participated in the incentive program for early decisions on relocation, and whether they qualify for special benefits due to senior, veteran or disabled status, the relocation benefits range from $1,500 to $31,000. On average, tenants and sub-tenants will receive $13,000 in relocation benefits.

In response to comments on the draft Docktown Plan, the final Plan included provisions for tenants or sub-tenants to appeal the determination of benefits owed to them under the Plan. Thirty-three appeals were heard, and in several cases relocation benefits were increased based on additional information provided to an independent hearing officer during the appeal process, resulting in increased benefits being allocated to 20 berths.

The total cost for providing relocation benefits is estimated at $1,000,000.

Potential Acquisition of Boats and Barge Based Dwellings

Docktown tenants who are considering sale of their property to the City have completed an independent appraisal process as described above and in the Docktown Plan. Acquisition offers, based on a fair market value assessment, range from $4,000-$48,000 for boats (average offer $15,000), and from $83,000-$1.2 million for barge based dwellings (average offer $580,000). While not all individuals who have completed the appraisal process have agreed to relocate from Docktown, it appears most tenants who completed the process are choosing to sell their property rather than move it or sell it to a private owner.

Acquisition cost estimates assume that all tenants who have completed the appraisal process ultimately will choose to sell their property to the City in order to calculate the maximum financial cost, however, tenants may choose not to sell their property to the City, and actual acquisition costs would be somewhat lower in this case. All but two tenants in the barge based dwellings, which have been appraised at higher values, have relocated, agreed to relocate by February 28, 2018, or have begun the process of completing relocation agreements.

The total cost for acquiring boats, barge based dwellings and personal property is estimated at $15.1 million.
Additional Costs Incurred Associated with the Docktown Plan

Costs associated with implementing the Docktown Plan include the direct cost of providing relocation benefits and property acquisition, as well as contract project management costs, relocation consultant costs, legal counsel, costs for security services, and costs for dismantling acquired property in the case that it is not feasible to sell, donate, or move the property to another location.

Now that the processes for determining benefits eligibility and the fair market value of property acquisition have been completed, staff have updated estimated costs associated with implementing the Docktown Plan. It is important to note that these costs do not include the cost to remove docks or complete any capital projects related to long-term uses of Redwood Creek, as the City Council has not determined how the portion of the Creek owned by the City will be used in the future.

The City leases, on a month-to-month basis, the land adjacent to the Creek to provide access to the Marina. The property owner (the applicant is a developer) is proposing a 131-unit housing development on the site; the development proposal anticipated the continued operation of the Docktown Marina and allows for waterside access consistent with the public trust as well as Marina parking. The proposal is currently under review; project information is available at:


The City is subject to legal challenges associated with implementation of the Docktown Plan. To date, five such legal challenges have been filed against the City. Legal defense costs are projections based on current legal activity and are subject to change.

In February 2016, costs associated with the Docktown Plan were estimated at $10.2 million. Costs are now estimated at $20.8 million, and have increased because several costs were not known in February 2016:

1. Total costs associated with providing comprehensive assistance to tenants: OPC staff has spent more time than anticipated assisting tenants, and costs for service will exceed the initial $311,668 contract for services. An amendment to the agreement with OPC is needed to continue services through June 2018, for a total contract cost of $396,156 (increase of $84,448).
2. Costs associated with providing multiple appraisals (approximately $50,000)
3. Costs associated with administering an independent appeal process (over $100,000)
4. Costs associated with providing security services as tenants leave the Marina, and to prevent unauthorized use of acquired property (approximately $20,000)
5. Costs associated with handling property which cannot be sold, donated or moved (estimated at $1 million)
6. Costs associated with providing relocation benefits and acquiring property ($7.3 million increase)
7. Costs associated with defending legal claims against the City (estimated at over $1 million).

The largest contributor to the increase in costs is the cost of acquiring property from tenants. At the time of adopting the Docktown Plan, staff had assumed that some tenants would move or sell their property on their own; however, this has not occurred. Additionally, the number of tenants contesting their level of relocation benefits and their property appraisals was greater than expected, which increased costs.

The table below provides an updated projected two-year cost of implementing the Docktown Plan, based on current information. Most costs will be incurred in FY 2017-18.

**FY 2016-17 and FY 2017-18 Costs Associated with Relocation of Residential Uses at Docktown Marina**

<table>
<thead>
<tr>
<th>Estimated cost of acquisition and relocation benefits provided to tenants and sub-tenants</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions of barge-based dwellings</td>
<td>$14,500,000</td>
</tr>
<tr>
<td>Acquisitions of boats</td>
<td>$600,000</td>
</tr>
<tr>
<td>Relocation benefits</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>5% contingency</td>
<td>$800,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$16,900,000</strong></td>
</tr>
</tbody>
</table>

| Professional costs associated with Plan implementation (relocation firm, project management, legal advice on implementation of Docktown Plan, benefits appeal hearing officer, appraisers, removal of any vessels which cannot be sold or donated, marina security) | $2,400,000 |
| Legal Defense of Claims Made Against the City | $1,100,000 |
| Cost share - Capital Costs for Port to Support Live Aboards at Municipal Marina | $400,000 |

| **Estimated Total Cost** | **$20,800,000** |
Funding Sources for Relocation Benefits and Other Costs Associated with Implementing the Docktown Plan

In February 2017, the City Council endorsed the following approach to funding costs associated with implementing the Docktown Plan:

1. Use currently available one-time sources ($5.4 million).

2. Transfer $600,000 each year from the General Fund. These funds can be used to offset expenses or to pay back an interfund loan needed to provide an immediate infusion of cash.

3. Dedicate any future ERAF payments that exceed $2.5 million to Docktown relocation expenses. While these payments are not expected indefinitely, the City has received over $4.0 million in ERAF funds for each of the last five years.

In addition to these sources, staff recommends that any proceeds from the sale of property acquired at Docktown and that the FY 2016-17 General Fund net operating proceeds (approximately $2.3 million) be used to offset costs incurred with implementing the Docktown Plan.

With this approach, the City is essentially amortizing the costs of supporting tenant relocation over multiple years. The number of years required will depend on the amount of future excess ERAF funds received and the financial proceeds from the sale of acquired vessels. Given that the legal liability associated with residential uses at the Docktown Marina has developed over five decades, spreading the costs associated with ending residential uses over a multi-year period is appropriate.

As was anticipated, an interfund loan will be required to provide immediate funding for implementation costs. Staff will recommend a loan with the February 26, 2018 Mid-Year Budget update.

Recommended Process for Handling Abandoned Property or Property Sold to the City by Docktown Marina Tenants

Eight boats and three barge-based dwellings have been acquired by the City to date. Nine of these vessels had to be deconstructed as they were at risk of sinking or otherwise required ongoing maintenance by the City. Staff seeks Council direction on the process for handling the remaining five boats and barge-based dwellings, as well as additional boats and barge-based dwellings sold to the City in the future.

In developing the recommended approach, staff did consider whether it was feasible to convert some of the boats or barge-based dwellings to land-based housing.
Unfortunately, that is not possible because they were not built to land-based construction standards. Additionally, allowing vacant boats and barge-based dwellings to remain at Docktown Marina presents security concerns. As tenants vacate, staff strive to secure the property to avoid unauthorized uses of these dwellings. This month, the City contracted with a security company to conduct patrols as City maintenance staff are typically present during daytime hours only.

Because the acquired boats and barge-based dwellings cannot be converted to land-based housing, and because the vacant dwellings present a risk of trespassing, staff believes there is no public purpose served in owning the property on an ongoing basis. Section 3-1/2 of the City Charter authorizes the City to control and dispose of City real or personal property for the common benefit. Staff recommends the boats or barge-based dwellings acquired by the City be declared surplus property, and that a three-step process be undertaken to remove them from the Marina:

1. Contract with a qualified auctioneer auction property to the highest bidder and/or contract with a broker sell property directly to an interested buyer;
2. For any property that an auctioneer will not accept for auction, or broker cannot sell to a private party, staff will attempt to donate it to a nonprofit that accepts vehicles and boats; and
3. For property that cannot be sold or donated, staff will arrange for the property to be deconstructed outside of Docktown Marina if feasible, or on site if the property is at risk of sinking.

Staff further recommends that any proceeds from the sale of vessels be used to reimburse the City for costs incurred in the implementation of the Docktown Plan. The Charter and Municipal Code do not specify a process for disposal of personal property, but the recommended process is consistent with the intent of Section 3-1/2 of the Code to handle surplus property for the common benefit.

License of Landside Facilities Supporting Residential Uses at Docktown

The City has a license to use private property on land adjacent to Redwood Creek as part of the Docktown Marina. Currently, the license provides for parking and dock access, a harbormaster office, restrooms and laundry facilities for tenants, and the Peninsula Yacht Club, which is operated by a sublicensee of the City. The need for these facilities will change as liveaboard uses end. Staff recommends that the City Council authorize staff to terminate the sublicense with the Peninsula Yacht Club and negotiate modification or termination of the landside license agreement with the landside landowners.

**ALTERNATIVES**

The Council may direct staff to develop an alternative approach to removing acquired property from the Marina. Retaining or storing the vessels is not recommended. Some
owners have expressed interest in buying their vessel for salvage value directly from the City, after the owners have been paid full market value, but that is not consistent with the City’s obligation to protect public funds. Owners who wish to re-purchase their vessels can do so as part of an open auction process. Property scheduled for donation to a non-profit will not be re-sold to the prior owner.

**Fiscal Impact**
As described above, the City Council approved a multi-year strategy to fund payment of relocation benefits and activities associated with the Docktown Plan. Fundamentally, one-time funds are being used to the greatest extent possible, as well as annual $600,000 transfers from the General Fund and commitment of any ERAF funds over $2.5 million annually.

At this time, staff recommends that the FY 2016-17 General Fund net operating proceeds (approximately $2.3 million) and revenues from the sale of acquired property be used to offset costs incurred with implementing the Docktown Plan.

Now that the cost of implementing the Docktown Plan, including costs associated with providing relocation benefits and acquiring vessels, can be estimated more accurately, it is clear that an interfund loan will be required as costs incurred this fiscal year will exceed funding in the Docktown Reserve Fund. Staff will recommend an interfund loan mechanism with the February 26, 2018 Mid-Year Budget Update. Such loans have been authorized loans in the past, and would be repaid, in this case, by an annual transfer of $600,000 from the General Fund, as well as payments of any ERAF funds received that exceed $2.5 million annually.

**Environmental Review**
This action is not a “project” within the meaning of the California Environmental Quality Act (CEQA) because the sale will not cause a direct physical change in the environment or reasonably foreseeable indirect change in the environment (Public Resources Code Section 21065; Guidelines Section 15378).

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MELISSA STEVENSON DIAZ  
CITY MANAGER
ATTACHMENTS

1. December 12, 2016 Staff Report: Consideration of Comments Received on the Draft Docktown Plan and Approval of Final Docktown Plan to Provide Relocation Assistance for Tenants and Ending Residential Use at Docktown Marina
2. Docktown Plan
3. Second Amendment to Agreement with Overland, Pacific and Cutler (OPC)