

Special Meeting
February 21, 2012

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:00 P.M.

Present: Burt, Espinosa, Klein, Price arrived @ 6:10 P.M., Schmid, Shepherd, Yeh

Absent: Holman, Scharff

CLOSED SESSION

1. CONFERENCE WITH CITY ATTORNEY—EXISTING LITIGATION

Subject: Schmidlin v. City of Palo Alto
Sixth District Court of Appeal, Case No. H034169
Authority: Government Code section 54956.9(a)

The City Council returned from the Closed Session at 7:00 P.M. and Mayor Yeh advised no reportable action.

SPECIAL ORDERS OF THE DAY

2. Adolescent Counseling Services- Community Presentation.

Dr. Philippe Rey, Executive Director of Adolescent Counseling Services (ACS) spoke to the Council about the three main programs that his agency provides. These include the On-campus counseling program, which is on all public middle and high schools in Palo Alto, the Substance Abuse Treatment Program and the After-school Counseling Program. He thanked the Council for the ongoing support from the City through the funds received from the Human Services Resource Allocation Process (HSRAP.) He also explained the key role that ACS has taken in Project Safety Net, the community collaborative for suicide prevention and youth well-being. Opportunities to get involved at ACS include through monetary donations and serving on the board of directors. Dr. Rey invited the Council to attend their annual fundraiser, Spring Sounds, to be held on March 16, 6:30-11:30pm at Club Illusions in Palo Alto.

3. Selection of Candidates to be Interviewed for the Public Art Commission for Three Terms Ending on April 30, 2015.

02/21/2012

MOTION: Council Member Shepherd moved, seconded by Council Member Espinosa to interview all candidates for the Public Art Commission for Three Terms Ending on April 30, 2015.

MOTION PASSED: 7-0 Holman, Scharff absent

4. Selection of Candidates to be Interviewed for the Human Relations Commission for Three Terms Ending on March 31, 2015.

MOTION: Council Member Shepherd moved, seconded by Council Member Price to interview all candidates for Human Relations Commission for Three Terms Ending on March 31, 2015

MOTION PASSED: 7-0 Holman, Scharff absent

5. Selection of Candidates to be Interviewed for the Utilities Advisory Commission ending on June 30, 2013.

MOTION: Council Member Schmid moved, seconded by Council Member Price to interview all candidates for the Utilities Advisory Commission ending on June 30, 2013.

MOTION PASSED: 7-0 Holman, Scharff absent

CITY MANAGER COMMENTS

City Manager, James Keene reported Consent Agenda Item No. 9 included a new Safe Routes to School Project. He stated the Council would be able to develop new education material which would help expand the City's Safe Routes to School Bike Safety Education Program, develop new transportation policy which implemented reduced speed limit zones near schools, develop Walk and Roll maps for each of the District's 17 public schools, and help develop a new Safe Routes to School web site for the City. He indicated the Project was funded as part of the grant the City received from Valley Transportation Authority (VTA), the Vehicle Emissions Reductions Based on Schools Program (VERBS). He said the grant funded the New Safe Routes to School assistant coordinator on the City's Staff for the next two years and helped implement the Program. He announced that a public meeting would be held to discuss the Long Range Plan for Palo Alto's Regional Wastewater Treatment Facility. This was the fifth in a series of public meetings on this Plan and would be held March 1 at Cubberley in Room H1 from 4:00 p.m. to 6:00 p.m. He anticipated the Plan under development would be brought to Council for consideration in the spring. He reported on the Tree House Apartments' opening and celebration last Thursday. He noted the Palo Alto Housing Corporation hosted the celebration for the opening of the Tree House Apartments at

488 West Charleston Road. The Tree House Apartments included 33 studio and 2 one-bedroom units for persons of very low income, which applied to households with 20 to 50 percent of the County median household income. The City of Palo Alto was recognized for its contribution to the Project including providing nearly half of the Project funding. He reported the units were fully rented and the Housing Corporation indicated there were 40 persons on the waiting list. He reported the City nominated the Tree House Apartments for the Association of Bay Area Governments' (ABAG) 2012 Growing Smarter Awards in the public partnership and urban design categories. He stated the public could contact either the Palo Alto Housing Corporation or City Housing Specialist Tim Wong at tim.wong@cityofpaloalto.org for more information.

ORAL COMMUNICATIONS

Paul Wright, President and CEO of the Palo Alto Chamber of Commerce, stated it was his pleasure to officially welcome the Council and the community to the 2012 Palo Alto Business Expo hosted by the Chamber next Thursday evening. He indicated it would be conducted at Tesla Motors on Deer Creek Road. He reported tickets were \$25, and interested persons could go to the paloaltochamber.com web site. He said it was a way to explore and recognize 40 local Palo Alto businesses. He hoped the Council could attend.

Stephanie Munoz understood the former Boy Scout boat house on the Baylands had been refurbished, remodeled, repaired and was ready to be christened with a name. She proposed that that name be in honor of Ed Powers, who single-handedly saved that building from destruction.

Jack Morton reported this past week the court reinstated the merchants' suit on the California Avenue issue, filed by the proprietor of California Paint and Wallpaper, a 50+ year business. The California Avenue merchants fully supported enhancing the street; what frustrated them was the City's duplicity in its grant application. No businesses were approached for the so-called traffic study, and City Staff had repeatedly refused to consider a trial as it did on the Arastradero modifications to the streets. He noted later tonight the Council would talk about intensifying the area, and yet there was no mention of what would happen on California Avenue that would justify losing those lanes for the area that would now bear the MTC housing requirements. He thought Council Members needed to return rationality to this process and determine a solution that enabled the vitality of this area to continue, but not at the expense of destroying what had taken 50 years to build.

Wes Marinov stated he was invited to the Council Meeting to express his support for preserving the Post Office. He thought the Tree House

Apartments were grossly misrepresented. He stated it was presented as housing for very low income residents of Palo Alto, to which the City contributed half of the funding. He knew a couple of low-income residents of Palo Alto who were not able to get in there, because the prices were too high. He heard the price of a studio was \$550 and \$1,000. He asked how people with a Social Security income of approximately \$1,000 could afford that kind of housing. He believed this whole project should be re-examined by the City.

CONSENT CALENDAR

MOTION: Council Member Klein moved, seconded by Council Member Price to approve Agenda Item Nos. 6-14.

6. Approval for the City Manager to Enter Into an Agreement with the Cities of Mountain View and Los Altos to Purchase Public Safety Systems Technology, Including Computer Aided Dispatch (CAD), Police Records Management (RMS), and In-Vehicle Mobile and Reporting Applications for Police and Fire.
7. Approval of a Utilities Enterprise Fund Contract with PAR Electric Contractors, Inc. in the Amount of \$553,180 for Electric Pole Replacement at Locations Throughout the City (System Improvement: EL-98003) and a 4kV to 12kV Electric Capital Improvement Project Between Alma Street, West Charleston Road, El Camino Real and Del Medio Avenue (EL-09004).
8. Approval of Amendment No. 2 to Add the Amount of \$47,878.71 to Contract No. C09127439 with All City Management Services, Inc. for a Total Contract Not to Exceed Value of \$1,101,784.71 for Adult Crossing Guard Services Provided During the Period of September 1, 2011 – November 30, 2011.
9. Approval of a Contract Agreement with Alta Planning & Design in the Amount of \$400,000 to Develop a New Safe Routes to School Program.
10. Adoption of a Resolution 9230 Donating Surplus Fire Equipment to Oaxaca, Mexico.
11. Finance Committee Recommendation to Accept the Audit of the Use of Library Bond Proceeds.
12. Finance Committee Recommendation to Accept the Auditor's Office Quarterly Report as of September 30, 2011.

13. Finance Committee Recommendation to Accept MGO's Financial Statements and Letter.
14. Adoption of a Resolution 9231 Expressing Appreciation to William Berry Upon Completion of His Term as a Utilities Advisory Commissioner.

MOTION PASSED: 7-0 Holman, Scharff absent

ACTION ITEMS

15. Public Meeting for Presentation from U.S. Postal Service to Discuss Process for Disposition and Relocation of Post Office at 380 Hamilton Avenue.

Director of Planning & Community Environment, Curtis Williams indicated the purpose of tonight's meeting was to allow the U.S. Postal Service to present information regarding the potential disposition and relocation of the Downtown Post Office. He stated Postal Service representatives would outline the process and schedule for a potential sale and would accept public comments now and through March 7. Staff expected, unless Council directed otherwise, to commission an appraisal of the site and to return to Council to discuss whether the City was interested in presenting an offer to purchase the site. He reported no Council action was requested at this time, but Staff had listed this as an Action Item in the event Council wished to provide direction.

Jim Wigdell, USPS Communications, reported he was present to discuss the possible relocation of the Palo Alto Post Office currently located on Hamilton Avenue, which USPS called the Hamilton Station. He indicated he would discuss why they were here, the decision-making process, cost and community input. He stated there would be a comment period, which was important to him. He indicated he would discuss the financial condition of the Postal Service, and Ms. Alvarado would discuss the cost avoidance by relocating retail operations in Palo Alto. He stressed this was not a closure of the Palo Alto Hamilton Station; it was merely a relocation. He stated the community would still have the same retail services, the same PO boxes and everything available today; it may not be in the Palo Alto Hamilton Station going forward. Lastly he would discuss the next steps. He explained they were present because of 39 Code of Federal Regulations (CFR) § 241.4, which was a federal law dealing with the relocation of Post Offices no matter where they were located in the country. He indicated there was another process they used for discontinuing a Post Office, 39 CFR § 241.3. He didn't want people to be confused by the two processes.

He repeated this was strictly a relocation process. He stated part of the process was to have a public meeting to ensure increased opportunities for members of the community and local officials to convey their views concerning the contemplated project, and to have those views considered prior to any final decision. He explained the financial climate of the Postal Service had led them to doing these types of projects throughout the country. He noted there were several occurring on the Peninsula currently; the Palo Alto Hamilton Station, Sausalito, Half Moon Bay and a few other similar projects where they were considering selling large buildings and moving into a smaller footprint. He said the biggest problem was the decline of first-class mail volume. He reported in 2006 they had their best year ever as far as mail processing and mail volume, 213 billion pieces of mail; whereas, that count was down to about 168 billion pieces in 2011. He reported first-class mail was simply going away, and first-class mail was their biggest contributor to revenue. The Postal Service received no tax dollars; it was funded by the sale of stamps, other products and services. He said they had to cover their expenses, and so far they were having financial difficulties because of the decline of first-class mail. He reported over the last five years, they had had a decline of about 25 percent of first-class mail volume, and the Postal Service ended Fiscal Year September 30, 2011 with a net loss of \$5.1 billion. In 2006 the Postal Enhancement and Accountability Act required the Postal Service to pay into the future retiree healthcare benefits approximately \$5.5 billion a year. He explained that was why they were looking at not only changing the way they were doing business, but also looking at properties with high value and possibly relocating Postal Services and Operations to return money to the coffers. He noted traditional retail was declining; over the past six years, retail revenue had declined by over \$2 billion and customer visits to Post Office lobbies had dropped by more than 200 million. He indicated 35 percent of all revenue was generated outside of postal facilities, such as ATMs and usps.com and contract postal units or village post offices. He stated they were changing the way they do business to embrace the new reality of the Postal Service.

Diana Alvarado, USPS Real Estate Manager, explained a customer service facility was categorized by a facility that provided retail window service and P.O. boxes to the public. She stated any time the Postal Service had a plan to either expand, relocate or have new construction, they had to abide by the CFR and they must host a public meeting. She said it was important to note that this was not a closure or a consolidation. They were proposing to take retail services currently at the Palo Alto Hamilton Station and relocate them into the Downtown. One of the core strategies that the Postmaster General had created was for the Postal Service to become leaner, faster and smarter as an organization. They did that by optimizing their network, realigning the workforce, reducing energy and reducing physical footprint. The Hamilton Station building had 20,300 square feet,

and the Postal Service could provide the same retail services in a 3,500 square foot footprint. By relocating into a right-sized facility, she stated they could have an annual savings of over \$100,000 a year, mainly in utility and maintenance costs. She explained over a ten year period, they saved over \$1 million from just one building in Palo Alto, which was why they were doing this everywhere. She stated Palo Alto currently had six retail sites. She noted they typically considered sites within 2 1/2 miles, but this would push the Hamilton Station into another facility, so they didn't want to do that. She said they had an asset manager assigned to the project, and all dispositions were operated from the facility's headquarters. She reported due diligence meant ordering appraisals, surveys and internal documents, and they were contracting for a historical consultant. She stated the Postal Service understood the importance of keeping the characteristics of the historical building. She indicated that the historical consultant would be working closely with the State Historical Preservation Officer (SHIPO) to define the covenants and restrictions on the historical building, and the covenants and restrictions would be placed on the deed for whoever purchased the facility. She reported the next steps were to obtain a local broker as the Postal Service had a national contract with CB Richard Ellis. She said they would advertise the property for sale, at which point they would determine qualifications and obtain a best and final offer. She stated it was important to know this proposal was contingent upon locating an acceptable buyer and finding an acceptable relocation space.

Mr. Wigdell stated considerations in the decision-making process were community input. He reported the community would have an opportunity to comment up to 15 days following the community input meeting, which was the comment period. He said anybody could write a letter, if they wished. He noted this particular Post Office had been located on Hamilton Avenue for a very long time. He assured the public that any Post Office boxes and corresponding numbers would transfer to the new location, so the consumers would not have to change their address. He said mail delivery would not change the results of this possible relocation of the Hamilton Station. He noted mail delivery would not be affected at all as letter carriers were located in a different building. He explained the Postal Service would make a recommendation, which would be forwarded to USPS headquarters in Washington, D.C. along with the cost analysis and any community input. He stated headquarters would either concur with the recommendation or make a recommendation of its own or stop the process. He reported if the recommendation was to go forward with the proposal, the Postal Service would notify the community of its decision and the community would be given an opportunity to appeal to Washington, D.C. He said they would post the instructions for appeal. He stated the community had 15 days following the public input meeting, until March 7, to send letters and comments to Diana Alvarado at the Pacific Facility

Service Office at the address noted. He stated the Postal Service had a representative present to take notes during the comment period, and those comments would become part of the public record while they formulated their decision.

Council Member Burt wished them luck in finding reasonably priced commercial property in Downtown Palo Alto. He asked if they would consider simply reducing the size of services at the present location.

Ms. Alvarado stated everything was under consideration at this point.

Council Member Burt asked specifically if that was something they were presently considering or had already considered.

Ms. Alvarado indicated many developers had asked about the property and asked if they would be willing to stay. She stated they would evaluate everything. She repeated the disposition was handled in Washington, D.C. and all decisions would be made there. She said they would put it all into a formalized report and send it back to Washington, D.C.

Council Member Burt inquired how far along they were in looking at alternatives, because it seemed that they would have a hard time in their price range in Downtown Palo Alto. He asked why they wouldn't want to shrink the size and stay in that location.

Ms. Alvarado repeated it was not a local decision, but they would move it forward. She thought it would be considered.

Council Member Burt asked if they would be making recommendations.

Ms. Alvarado replied absolutely.

Council Member Burt inquired why that wouldn't be their first recommendation.

Ms. Alvarado indicated it would be a recommendation.

Council Member Klein asked how the USPS covered that deficit, where did the \$5 billion come from.

Mr. Wigdell replied from sale of the Palo Alto Post Office and others like it around the country. He explained the USPS had a \$15 billion credit limit with the Federal Government, and had been tapping into that, and were very close to reaching the limit. He reported the Postmaster General had stated, barring any Congressional changes, the USPS would be out of cash by the middle or end of this year.

Council Member Klein noted they didn't discuss the use of sales proceeds. Assuming the property sold for \$x million, he asked where the \$x million went.

Ms. Alvarado stated it went into the general fund of the Postal Service.

Council Member Klein thought that would be one way to reduce the annual deficit.

Ms. Alvarado answered correct.

Mr. Wigdell said this program was part of a larger program of the Postal Service to become solvent by the year 2015 or so, and involved other closures and consolidations and reducing deliveries.

Council Member Klein inquired if the highest bid always won.

Ms. Alvarado responded no.

Council Member Klein asked what went into that decision.

Ms. Alvarado explained the highest bidder may not always have the cash or have acceptable credit or propose a suitable use for the property.

Council Member Klein inquired if there was a discount for local governments.

Ms. Alvarado suggested the City put in an offer.

Council Member Klein asked if discounts were in a written policy in the Postal Service or if they had been carried out in actual practice.

Ms. Alvarado was not aware of any discounts.

Council Member Klein proposed the following scenario: three credible buyers, one bid x amount and wanted to develop it into an office building, another bid a little less than x amount and wanted to turn it into a hotel, and the City bid half of x amount to keep the property in public use. He asked how the Postal Service decided who won the property.

Ms. Alvarado couldn't answer that question right now.

Council Member Klein inquired how the Council could get guidance on that.

Ms. Alvarado said she had provided the name of the asset manager and suggested the City submit a letter of intent.

Council Member Klein indicated the property was zoned PSOSNAC, meaning governmental, public utility, educational, community service and recreation. He asked whether a business developer made an offer contingent on rezoning. He also inquired what the Council's rules were with respect to a prospective buyer.

City Attorney, Molly Stump explained that kind of thing could be handled through a contingency. She believed the Postal Service in this case had indicated that they were interested in proposals that would be free of contingencies. She stated that meant, for a proposal to be considered, the purchaser would have to assume the risk of a subsequent zone change if that was the buyer's plans for the facility. She said that would potentially come before the Council at a future date for the Council's consideration.

Council Member Klein inquired if the Council was under any obligation to change the zoning given the General Plan Designation of Regional Community Commercial area.

Ms. Stump thought the Council would have to work with Staff on any proposal, and it would be in the future in terms of the City having to review its potential. She wasn't sure she was in a position to state exactly the limits of the Council's discretion. She indicated they would have to look at that going forward.

City Manager, James Keene thought the City would not be under any obligation to rezone the property based upon the Postal Service agreeing to sell the property to a buyer who was assuming risk. He thought the sale itself didn't put the Council in a situation where it was required to make that change.

Council Member Klein asked if it was fair to say that a potential buyer would take that into account and be less willing to pay top dollar.

Mr. Keene answered unless there was some benefactor who just generously wanted to buy it for the City and build a building for the City on his place, yes.

Council Member Klein hypothesized that Mr. Donald Developer bought the property subject to current zoning restrictions, and a year later he wanted it rezoned to the equivalent of all the surrounding property, and asked if the Council could legally say no to that.

Ms. Stump stated he was asking a question containing many hypothetical elements, and thought Staff would have to review the situation at that point and what was in the best interest of the City, then make a

recommendation to the Council. She indicated the Council would have some discretion to consider any request for a zone change that came before the Council.

Council Member Espinosa was interested in learning more about the decision process as it seemed to rest in D.C. He was trying to understand how the conversation happened between the Council and USPS to make sure they understood the real estate market Downtown. He asked if the USPS representatives had shared that information so the people in Washington, D.C. would understand which options really made sense. He wanted to make sure the folks in the decision-making seat were receiving information about a unique real estate market.

Ms. Alvarado explained when the concept first came about and the planners put it together, they considered the local real estate market as well as the capital expenditure it would require to build out that property, and weighed it against what they thought they could get for the Palo Alto Hamilton Station along with the operational savings. She reported it went through three levels of approval, and it passed all three levels of approval. She stated they had local brokers giving them the prices, and they understood prices were high.

Council Member Espinosa inquired if teams from D.C. viewed sites physically or through information when considering options.

Ms. Alvarado stated the Facilities Vice President had viewed the property and surrounding area two weeks ago. She repeated staying in the location was possible.

Council Member Espinosa asked if any of the examples of property sold had been sold to government agencies.

Ms. Alvarado did not know, but stated she could follow up.

Council Member Espinosa inquired where the Council fit into the timeline and where in the decision-making process would the USPS be returning for feedback or decision from Council Members.

Mr. Wigdell explained the USPS was in the very early stages. He agreed this was a relatively complicated process. He stated the initial step was meeting with the City of Palo Alto, and the next step was the public input meeting. He stated they would wait the 15-day period, but the Asset Management Group had to perform due diligence which was the next step. He did not have a firm timeline on that.

Council Member Espinosa asked if that process was taking four months or 1 1/2 years.

Ms. Alvarado indicated due diligence typically required 90 days; however, this one could be longer because they had to rely on the SHIPO to be timely. She explained they typically marketed the property for 90 days, and after that it was probably another 30 days to review qualifications, and probably two weeks to 30 days for a best and final offer. She reiterated finding a qualified buyer and an acceptable location were challenges. She indicated they had to satisfy operational folks, which might be even more difficult.

Council Member Espinosa inquired where in the sales process did they return to Council or work with Staff to resolve issues. He asked if there were other public meetings. He wanted to understand when the Council would participate in the process.

Mr. Wigdell stated as the process unfolded, the asset manager became involved, due diligence occurred, and the property went on the market, and he wouldn't keep the City Council in the dark. He said there wasn't a specific timeframe when they would return to the Council, but if necessary they would. He indicated there was no requirement for an additional public meeting according to the CFR, but they would keep the Council informed as things proceeded.

Council Member Espinosa inquired if any of the other sites had plans for change.

Ms. Alvarado answered no. She explained delivery from Menlo Park would probably go into the Palo Alto main office.

Council Member Schmid was concerned about how much time potential buyers would have to assess the value of the property once it went on the market.

Ms. Alvarado stated approximately 90 days.

Council Member Schmid asked if they knew what the earthquake rating of the building was and, if someone was interested in remodeling the interior, were there constraints because of earthquake standards.

Ms. Alvarado didn't know, but imagined they would have to follow Code.

Council Member Schmid confirmed she couldn't say anything about the existing building structure. In terms of the value of the property, he

noticed that around it was a number of other PFs which were parking. He asked if the City owned those parking lots.

Mr. Williams replied yes.

Council Member Schmid asked if the City had options along with this property or neighboring properties.

Mr. Williams answered correct.

Council Member Schmid noted that the City was currently paying parking assessments, which were quite substantial. He asked what that amount was.

Mr. Williams replied the site was assessed for 28 parking spaces with an assessment of \$140,000, and the City of Palo Alto paid that.

Council Member Schmid asked if it was paid each year or a one-time payment.

Mr. Williams thought it was either paid at one time or paid over a number of years, but the City was not paying it currently.

Council Member Schmid inquired if the City would be reimbursed if the property was transferred. He asked if the parking was being sold along with the property.

Mr. Williams indicated the parking did go along with the property, to the extent that there were discretionary approvals associated with that. He indicated they could have a discussion about recouping the cost of that assessment or buying into the Parking District.

Council Member Schmid thought there were annual assessments for the Parking District.

Mr. Williams stated he would have to check. He thought some property owners had paid upfront and in some instances the City had done that.

Council Member Schmid stated any private party that bought the property would have to understand the relationship to the parking assessment and whether that continued or not and whether there was an obligation on it.

Mr. Williams replied yes.

Council Member Shepherd mentioned the Azula property where Sunnyvale obtained access to former military property without cost. She explained

there was no cost because Foothill College and a park would be located there. She asked why this sale was different from that sale, and why couldn't this sale be like that.

Mr. Wigdell indicated that was not their area of expertise, but stated the USPS was not subsidized by taxpayer dollars, so the USPS was a quasi-governmental agency.

Ms. Alvarado explained the Federal Acquisition Act did not apply to the Postal Service because it was not subsidized by tax dollars.

Council Member Shepherd inquired whether the USPS was looking for a statement from the City of Palo Alto regarding zoning

Ms. Alvarado answered they were not looking for that at this time.

Council Member Shepherd explained the property's zoning affected the price the USPS would get. She would rather see the Postal Service receive their fair share of that if there was going to be any other consideration. She asked if there had been a presentation for the Palo Alto Unified School District.

Ms. Alvarado stated this was the public meeting.

Council Member Shepherd inquired if the Council could ask to be part of the sale process in order to review proposals that would complement the type of interest the City had of keeping it a public facility site.

Ms. Alvarado explained the City was not typically part of the process. She indicated they could include the City on information sent to Washington, D.C.

Council Member Shepherd explained the City prepared zones to build what it wanted and to support what it wanted. She knew the Council had been looking at public facility sites. She wanted to understand if there was a way the City could become part of that process. She asked if the building was in good condition or was it being sold as-is.

Ms. Alvarado indicated that a building assessment would be disclosed to the buyer. She had checked the response line and there were no roof leaks. She suggested asking the station manager who was present. She explained the appraisal would provide a good idea of the condition of the building.

Council Member Shepherd requested the City become a hard stop in the process at some point in time, so that the City could work in concert with the buyer.

Council Member Price inquired if it was possible to contact the Asset Management Group in Washington, D.C. to determine if there were examples of partnership opportunities with local government. She recognized that was not Ms. Alvarado's specialty, and asked if the Council could make those inquiries to determine if there were some successful examples.

Ms. Alvarado answered absolutely; that's why they had provided the asset manager's name in the presentation.

Council Member Price thought it was better to present an argument in person, and felt the Council should present its case in person. She encouraged Staff to pursue that. She inquired if there was ever Congressional interest in the deliberations around these kinds of sites.

Mr. Wigdell said it depended on the situation. He noted there was a lot of Congressional interest when the Hillsborough Post Office burned down and had to be relocated.

Council Member Price thought it advisable for the Council to consider contacting their representatives, if needed. She noted the presentation didn't include anticipated costs in terms of rent and overhead for a smaller location.

Ms. Alvarado replied that information was considered proprietary and a part of the study.

Council Member Price stated a structural engineering assessment would be performed to answer questions. She explained this was an exquisite building built by architect Burge Clark who was a founding member of the American Institute of Architects Santa Clara Valley.

Mayor Yeh asked for a walk-through of some of the physical requirements for a building for USPS services.

Ms. Alvarado replied they needed a building of approximately 3,500 square feet that would house three retail counters, Post Office boxes, an automated postal unit, a small platform, security, and customer parking,

Mayor Yeh noted the current site had a mail island.

Ms. Alvarado said they called that a snorkel lane, which was no longer a part of the design standard. She noted the snorkel lane could be removed to allow more parking. She suggested the Council approach the USPS about that; they'd be willing to work with the Council on that.

Mayor Yeh asked Staff if the City usually relied upon an appraisal obtained by the property owner or obtained an independent appraisal or property assessment.

Mr. Keene thought the Council had some discretion, but practice was to obtain an independent appraisal for transparency and validation for the Council on any spending decision.

Mayor Yeh was curious about the construction options for the actual building. He assumed there were protections for changing the building itself, and inquired if there were options for construction around the building.

Mr. Williams thought there were probably some options for building around the building, not in front of the building. He explained any construction would need to be consistent with the Secretary of Interior standards. He indicated it might be possible to have some kind of addition or separate structure behind the building, but Staff did not have a detailed analysis of that.

Mr. Keene understood the Postal Service was required to sell the property at the appraised value, with that being based on existing zoning, the historical nature and requirements, building conditions and market factors. He asked if there were any circumstances where the Postal Service would sell the property for less than the appraised value, separate from something related to the relocation piece.

Ms. Alvarado stated they would need special approvals to sell below appraised value.

Mr. Keene asked if they had done that before.

Ms. Alvarado stated her office had not done that, but she was sure it had been done around the country.

Priscilla Bates was somewhat reassured by learning that the Postal Service was interested in relocation, which is what she thought they needed. She thought the City needed a Post Office location Downtown. She stated it was easy to go to the Post Office while doing a number of other errands. She hoped Palo Alto could consider buying that building and using it for Post Office space and some of the other space the City needed for its

services. She thought the Postal Service needed an efficient building Downtown, maybe a high-story building, and wasn't concerned if the Post Office was demolished.

Muriel Gravina was reassured by the Council's comments, because she was afraid it was a done deal. She noted one reason for the disposal of the Hamilton Post Office was the sluggish economy. She stated the economy goes in cycles and thought Silicon Valley's economy would rise. She thought prices for property and rental space would continue to rise. She asked what percentage of the \$5.1 billion deficit was attributable to the Post Office in Palo Alto. She felt Washington, D.C. would ignore local history and needs. She indicated the national retail figures on page 3 were again national and not local figures.

Stephanie Munoz stated the most encouraging thing she had heard all evening was the possibility of the Post Office remaining at the current location. She also had the impression that this was a done deal and the Federal Government was going to sell this property. She indicated the Postal Service was planning on selling a building which was built with taxpayer dollars as it was a gift to the City of Palo Alto. She stated the value of the property depended entirely on zoning. She indicated the parking lot could be intensively developed.

Jean Bozman stated the building was finished in 1932 and dedicated by Ogden Mills, Secretary of the Treasury. She noted a lot had changed in the intervening years. She indicated there were some benefits to being grandfathered out of whatever happened in 1932. She said it was sad that the building was constructed during the Great Depression and in the current Great Recession it was being sold. She stated there were very real monetary issues. She agreed with Council Member Burt's comments regarding the dynamics of Palo Alto. She stated the building was unique, located in the center of town, and an icon and symbol of Palo Alto's right-sized architecture. She explained the scale, setbacks, landscaping and classic design were emblematic of Palo Alto. She noted there was a lot to recommend preserving it.

Robert Moss stated relocating Downtown would not save the Postal Service money. He indicated a 3,500 square foot building located on the fringes of Downtown would cost about \$150,000 per year, so the Postal Service would lose \$50,000 a year. He explained the selling price would have to be based on existing zoning; the Postal Service couldn't assume it would be zoned anything other than PF. If the Postal Service remained in the building and sold the remaining portions, he thought the City should purchase it. He suggested the City move the Development Center there; move Emergency Services, 911 or Public Safety there; or, utilize the basement for Police Department storage and the upstairs for the

Development Center. He felt the cost of purchasing the space would be significantly less than purchasing new property.

Herb Borock believed it was appropriate for the Council and Staff to consider acquiring this property. He noted the adjacent parking lot was the site of the farmer's market, and an alternative location would need to be found for that. He explained that a request for rezoning required action by the Council and was subject to a referendum. He would have liked to see a floor plan of the current site and the amount of square footage currently being used by the Postal Service. Regarding the issue of a study or report not available through the Freedom of Information Act, he suggested it could be available at the request of a member of Congress.

Mayor Yeh asked the representatives of the USPS if they wished to respond to comments and questions raised by the public.

Mr. Wigdell appreciated the community's input. He understood the Postal Service was near and dear to everybody's heart. He stated Council Member Burt's comments about the specialness of the Downtown area were important. He indicated they were present to hear these comments. He stated they had been taking notes, and would find answers to the questions they couldn't answer specifically. With regard to the comment of the financial information being national numbers, he explained the USPS did not release local financial information. He stated the financial bind was a national problem, and required drastic steps. He indicated it was not a financial problem with the local Palo Alto Post Office; it was a national problem with finances. He stated the retail Post Office with all services would remain in the basic area. He thanked everyone for their comments and feedback.

MOTION: Council Member Price moved, seconded by Council Member Schmid that the City Council direct Staff to; 1) conduct an independent property appraisal of the site, and 2) conduct a preliminary examination of various adaptive reuse concepts and other uses of the immediate vicinity for further Council consideration.

Council Member Price thought this was an opportunity for the Council to be creative. She stated this was a key facility and location within the City of Palo Alto. She thought an independent assessment of the value of the site was critical information needed to fully engage in a discussion. She believed an independent appraisal was appropriate. She said various concepts, partnerships and financing models should be fully examined for the use of the building, site and immediate vicinity. She suggested Staff contact the Asset Management Group of USPS to clarify questions raised by Council Members regarding the process and to determine examples of various outcomes in other

parts of the country where there had been effective and productive use of a public facility such as a Post Office building.

Council Member Schmid added that timing would be important. He indicated there would not be much time to consider options once the clock started running.

Council Member Klein suggested adding some of Council Member Price's remarks as a third item. He stated decisions would be made in Washington, D.C.; therefore, it made sense to talk with the actual decision makers. He thought the City's Washington lobbyists could be helpful. He didn't understand the USPS not disclosing information regarding expenses. He stated rents were well known. He thought the only way to save money, as discussed, was to retain space at 380 Hamilton. He believed the USPS would lose money other than the proceeds from the sale.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to direct Staff to establish contact with the USPS Asset Management staff in Washington, D.C. using our Staff, Council Members (if appropriate), and our Washington, D.C. Lobbyists.

Council Member Shepherd inquired how complicated would it be if the City were to determine a venue that would allow the USPS to save the 3,500 square foot space, and what kind of considerations could the representatives take back to Washington, D.C. for purchase price. She asked how would that be evaluated and were they looking to remain in the building.

Ms. Alvarado stated she was not the decision maker, and asked the Council to submit a proposal.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER that included in Staff's evaluation consideration of an option in a proposal that the USPS would have a lease tied to the purchase price of the property at 380 Hamilton Avenue.

Mr. Keene stated it was clear this was an option, not a requirement, and there could be variations.

Council Member Shepherd stated the Council could quantify it based on market rents and market forces in exchange for dedicated space on some City property in Downtown Palo Alto.

Council Member Schmid suggested changing lease to partnership, which could be a lease, a partial purchase, or ownership of a part.

Council Member Shepherd was fine with either term; although, she thought the USPS did not want to be the deed holder on the property.

Mr. Keene stated discussions of proposals with price and terms could be appropriate for Closed Session with the Council. Staff understood the intent of the Motion was to be directive and illustrative rather than prescriptive of everything to be considered. He thought Staff understood they were to bring back a range of options and possibilities for consideration. He suggested the Council not try to identify every possible scenario, but keep it open-ended.

Council Member Shepherd wanted to bookmark the discussion so the USPS would understand the City was interested in keeping the Postal Service Downtown. She thought this would allow the USPS to meet changing needs and keep public facility space at the highest and best use.

Council Member Espinosa supported the Motion. He was interested in preserving the building and honoring it and its context within the street and Downtown while thinking creatively about the maximum use of the remainder of the space. He thought there were some unique opportunities given the parking lots and the shape and structure of the building.

Mayor Yeh asked Staff when this Item would return to the Agenda so that members of the public would be aware of additional opportunities for comment.

Mr. Keene indicated the timeframe was constrained given the schedule the Postal Service had noted. He noted there would be opportunity for Closed Sessions, and anticipated an Open Session between now and the time of submitting a proposal. He stated there would be at least one more public meeting before the May timeframe identified by the Postal Service representatives.

Mayor Yeh recalled the USPS was required to have one public meeting, and stated an open meeting under the auspices of the City of Palo Alto would be open to USPS participation.

Council Member Price thought it would be useful for the Council to understand the impact of this on Staff's work plan.

Mr. Keene stated this was an important step and a wise move by the Council. He argued that the City's interest in being a potential bidder strengthened the City position as it related to maintenance of the existing PF zoning on that location.

MOTION AS AMENDED PASSED: 7-0 Holman, Scharff absent

16. Update Regarding Sustainable Communities Strategy (SCS) and Regional Housing Needs Methodology, Determination of Designation for Priority Development Areas, and Authorization for Letter Regarding One Bay Area Transportation Grant.

Director, Planning & Community Environment, Curtis Williams reported there were two specific and one general recommendations. The first specific recommendation was that Council direct Staff not to request designation of the El Camino Corridor and/or Downtown as Priority Development Areas (PDA). He noted this was also the recommendation of the Planning and Transportation Commission (PTC) and the Regional Housing Mandate Committee (RHMC). The second recommendation was to authorize the Mayor to sign the letter, attached as attachment A, to the Metropolitan Transportation Commission (MTC) making further comments regarding the One Bay Area Transportation grant criteria. The third recommendation was to provide continuing input regarding the City's approach to the alternative scenarios presented by the Association of Bay Area Governments (ABAG) with MTC input, and to direct Staff and the RHMC to return to the Council with an interim letter to those agencies regarding this effort. Staff had included a fourth recommendation to support Staff's utilization of \$25,000 of existing budget to retain an economic consultant, who would appear at the RHMC meeting on Thursday. He reported the Council had made previous comments on the letter to the MTC, and had several suggestions regarding the criteria. He explained the MTC had modified and streamlined some criteria such that there were now three criteria. One remained the certification of a Housing Element. The second one was adoption of a Complete Streets Policy for a city. The third one was a city's Resolution of Intent to make zoning and Housing Element consistent with a non-binding Resolution of Intent. Staff believed Palo Alto could comply with the Complete Streets Policy. Staff continued to be concerned about the Housing Element certification, and thought this non-binding Resolution of Intent was a nebulous and dangerous path to travel. Staff had drafted the letter opposing those two specific items. Staff also noted that the Santa Clara County Planning Directors Association was compiling a letter on this subject and included both of those points; although, it also included some others that were more important to the County and some other cities. Staff wanted to focus Palo Alto's letter on those two items. Staff understood the Cities Association was drafting a letter similar to that. He had contacted their staff, and they had reviewed Palo Alto's letter and would hopefully incorporate some of Palo Alto's information. He indicated the second issue regarding the PDAs was the three areas now included the alternative scenarios compiled by ABAG. He noted the California Avenue PDA had priority for grant eligibility funding for that area as part of the One Bay Area grant and part of this

whole concept. He said the Valley Transportation Authority (VTA) recommended areas along El Camino Real should be included in terms of potential for higher density, intensity, transportation and infrastructure; and that was designated in ABAG plans as a Growth Opportunity Area (GOA). He stated the Downtown area was also considered a GOA in ABAG scenarios but not an official PDA. He noted those three areas had all been allocated higher intensity development under those scenarios. Staff thought the project provided much higher intensity development than the areas were capable of accommodating. He indicated the El Camino Real Corridor included areas well into residential neighborhoods. He commented the Downtown area included some areas beyond the scope of where Staff thought development was likely to occur. He stated the transportation funding component applied to PDAs, which was California Avenue. He indicated the questions were did Palo Alto want to include the other two areas as PDAs, and ask the regional agencies to designate those as PDAs in order to receive priority for transportation funding. He was concerned that the agencies would further designate increased housing and other intensity within those areas. He noted there was fairly limited transportation funding that the City would be looking for in Downtown, if any. Staff thought, given VTA's improvements, they would fund El Camino Real transportation improvements. Staff also thought there would be future opportunities to review PDA designations there. Overall, Staff did not feel there was enough of a benefit at this point to request that designation, and the RHMC and PTC concurred. He reported the third area was the Alternative Land Use scenarios, which were numbers 3, 4 and 5 on the list. He stated number 1 was history and number 2 was unrealistic. He noted numbers 3, 4 and 5 had been discussed before in terms of how much they focused development around transit stations or disperse outward growth into outlying County. He stated the primary motive for SB375 was reduction in greenhouse gas (GHG) emissions from autos and light vehicles. He indicated the Bay Area's target was a 7 percent reduction by 2020, and a 15 percent reduction by 2035. He said the agencies had reviewed those three alternative scenarios and modeled the impact on reduced GHG, and the table indicated very little difference in those Land Use alternatives in terms of reducing GHG. He reported the most concentrated version was 9.4 percent reduction and the least concentrated was 7.9 percent. He said that was a minimal difference, neither came close to the 15 percent goal by 2035. He said both of them meet the 7 percent goal by 2020. He indicated MTC and ABAG had been reviewing transportation policy initiatives, some of which the Council had discussed previously, as methods to further reduce GHG. He noted the total for those was estimated at 6 1/2 percent, which helped make up the difference in the two, but was more significant than the difference between the Land Use scenarios and strategies. He suggested the Council continue to ask if it was worth the cost and angst of dictating Land Use patterns when the change in reduction of GHG was minimal in those land

distributions. He stated the transportation policies could be more significant factors to review. He reported the plan was for ABAG and MTC to develop a preferred scenario, which was likely to be a hybrid of these scenarios, to present to their Boards in mid-March. Staff had continued to attempt to make the point about the overall assumptions, demographics and job projections as being out of sync with recent historic trends. Staff felt it was not worth the effort to get into the real details with ABAG and MTC concerning specific development in Palo Alto.

Council Member Schmid reported the RHMC had its first public meeting on January 26. He stated the bulk of the meeting was spent looking at the VTA designations of the El Camino Real Corridor and Downtown as potential PDAs. He indicated the Committee had an extensive discussion about that and agreed with Staff that it did not make sense at this time to move to a PDA designation with those two areas. He stated the Committee reviewed the alternate scenarios, and discussed them and the economic and demographic assumptions. He noted there was no action taken on either of those. He reported the Committee had invited two School Board members to participate in the activities of the RHMC, and there would be a liaison from the PTC as well. He stated one of the goals of the Committee was to reach out to the public, and the Committee had identified two ways of doing that. He said the School Board members would be participants in the activity of the Committee, but non-voting members, because the essence of the Committee was to respond to the mandates on the City, which the School District did not have a role in. However, he noted it was difficult to make any decisions about housing growth in the City without getting input from the School Board.

Dan Garber, Planning and Transportation Commissioner, reported Staff had asked the PTC for two things: to provide input into the City's approach; and to support Staff's recommendation to support the VTA's designation of the El Camino Real Corridor as a planned community development area but not the Downtown area. He stated the PTC did not support Staff's recommendation. Regarding the second piece to provide input regarding the City's approach, he reported comments from several of the Commissioners. Commissioner Tuma stated that if at some point in the future, the City or County VTA annexed the El Camino Corridor as a GOA, the City should look to potentially reduce the width of the boundary so that it did not include the R1 zoned areas, which currently overlapped; noted that even if the housing projection was reduced even by half, that would then be approximately 6,000+ units and 25 percent more housing than the City had now and represented a dramatic impact on the community; supported Staff's position of asking the MTC not to require certification of the Housing Element. He indicated all of these comments were in general supported by all of the Commission. Commissioner Feinberg suggested that these issues were harder to deal with in communities with no open

land, such as Palo Alto; that the Land Use scenarios had little projected impact on the reduction of GHG; was concerned that the envisioned BRT system would cannibalize ridership on Caltrain; if Caltrain could underground rail crossings, that the community could then support growth in that improved circulation would provide greater opportunity for growth; supported Staff's recommendation of hiring the economic consultant. Commissioner Martinez noted that the development of the environment in Palo Alto was focused on office and R&D and not housing, as in San Francisco, and anything but housing as in East Bay; and asked Staff to continue fighting to get more realistic housing projections. Commissioner Keller expressed the concern that when the City built more housing, the more ABAG was encouraged to allocate more housing being required. Commissioner Garber supported Staff's conclusion that the MTC abandon the Land Use strategies in favor of transportation strategies.

Council Member Klein was pleased to read about the support from Contra Costa Transportation Authority, and to hear about the letter from the Santa Clara County Cities Association. He asked what outreach to other communities was being performed.

Mr. Williams reported Staff had reached out to Santa Clara County cities, and had sent information through networks created by ABAG to post letters and information. He noted Staff had contacted other cities and their responses were mixed; two-thirds weren't doing anything, felt they couldn't do it, didn't have the resources or weren't participating; one third were participating and taking some interest, but they had concerns very different from Palo Alto's. He stated Staff was trying to forge a meaningful consensus at a county level, but hadn't been very effective. He noted Contra Costa in many respects represented the cities in their county with their letter.

Council Member Schmid thought Staff had performed a lot of work and invested a lot time in working and communicating with other agencies around the Bay. He felt bringing in the consultant would be helpful. He agreed with the comment that other cities were not in the same position as Palo Alto; that if Palo Alto zoned for it, it would happen. He noted other cities were having trouble building and moving houses, so they didn't have the same impulse to be careful.

Council Member Klein inquired who or what organizations thought this was a good idea and why.

Mr. Williams said there was a very strong lobby from the social equity, environmental, housing and building organizations who were participants in public meetings and the Regional Advisory Working Group. He stated they were very active, and sensed that they were in offices of ABAG and having conversations. He indicated Oakland and San Francisco had some

problems with it, but overall they were not opposed to the concept. He reported San Jose had indicated a concern about the amount of housing they had been allocated, but they were not pushing back.

Council Member Price hypothesized that at some point in the next ten or fifteen years, Palo Alto would decide to substantially, in concert with Caltrain, upgrade the Caltrain Station at University Avenue, and along with that there were some PTOD developments. She asked what the process would be in this scenario, when the Council was viewing this as a GOA rather than a PDA.

Mr. Williams indicated agencies were asking cities if they wanted to pass a resolution making that designation, which then provided more priority for obtaining transportation grants. Staff thought it would likely allocate more intensity to that area; although, it was difficult to imagine how as they had already allocated a level of intensity as a GOA that seemed to be difficult to achieve. He explained that both the Downtown area and the El Camino Real Corridor were appropriate areas to be reviewing higher density development. He said the scale was the problem. He explained a much reduced scale of intensity would accommodate a lot of intensity Downtown or in the Corridor. He believed there would be another opportunity to re-evaluate in a few years. Staff suggested a phased process starting with some level of intensity in combination with transportation options. He noted they were supposed to re-evaluate this every four years to determine if changes were to be made in different areas. He stated at some point in time, the Council could be comfortable with a PDA designation for Downtown and/or the Corridor. He said the 25-to 30-year growth scenario for these areas was unmanageable.

Council Member Price agreed in concept with Staff's recommendation, and recognized that many factors were out of the City's control. She thought the reliance on transportation policies and initiatives did make sense, but her concern was the impact of that over time. She was disheartened to see that in 2030 or 2040 they anticipated the use of transit, bicycle and pedestrian to be about 20 percent. She stated the City had to provide the opportunity, but there were some core issues related to individual choices. She concurred with the need for an economic consultant. She asked if Staff had shopped that around to any other cities who might be interested in sharing costs.

Mr. Williams wanted to hear from the RHMC after its meeting on Thursday. He stated if this was viable, he would definitely want to talk to other Santa Clara cities about doing this on a larger scale and sharing costs

Council Member Price referenced correspondence regarding the One Bay Area Transportation grant issue, and asked if they were amenable to re-examining some of that criteria.

Mr. Williams asked if she meant the Housing Element.

Council Member Price stated the PDA.

Mr. Williams reported the last letter to them commented on 70 percent of transportation dollars going to PDAs, and transportation funding for areas related to PDAs. He indicated they had expanded that language to allow transportation to be contributing to the PDA. He thought the other areas with the 70/30 split were still present, and stated a GOA designation would not be enough to qualify for the grants. He didn't think they would change that. He thought there was a chance they might eliminate the term GOA altogether and just drop back to PDAs.

City Manager, James Keene stated there was some concern about the transportation funding allocation for those jurisdictions without PDAs or jurisdictions with less area for those. He explained the 70 percent for PDAs meant that money would be distributed amongst jurisdictions with PDAs; it didn't mean automatically the 30 percent went to everybody else. He indicated it meant all the other cities including those with PDAs competed for the remaining 30 percent. He thought there was some real concern about how evenly those funds were allocated from a transportation network point of view.

Council Member Shepherd noted this was the second report from Staff, and said they were filled with a lot of information. She appreciated having Dr. Golton at the RHMC, because Committee members were immediately able to get an answer as to the School District's thinking in managing demographics. She considered this a time and money sinkhole. She had the impression ABAG meetings were hectic and chaotic. She inquired whether the Council was receiving a good process at these regional meetings that discussed important and critical topics.

Mr. Williams suggested Council Member Shepherd was referring to the Regional Housing Methodology meetings. He said the meetings were very frustrating, and noted there were probably 5 of the 40 representatives who seriously questioned adopting a methodology that bought into the SCS which hadn't been adopted. He indicated a number of cities were housing oriented, and there were a number of other interests that were housing or building oriented. He expected they would have a tentative recommendation to adopt the methodology at the March 8, 2012 meeting. He thought there was a better chance of having change at the SCS level, but it would have to come through council members and State Legislators. He felt there was some momentum at the staff level, but didn't know if it was being generated at the city council level or transportation agency level.

Council Member Shepherd stated this was one of the most momentous projects that Palo Alto had to review in order to understand where to put units and rezone projects. She was shocked that Contra Costa Transportation Authority spent \$25,000 and issued the letter, while the VTA had walked away from the topic. She inquired if the RHMC could ask VTA to reconsider the topic and provide the letter from Contra Costa. She wanted to understand why the VTA would walk away from this so quickly when others were taking it seriously.

Mr. Williams thought VTA had sympathy with some of these positions, but hadn't chosen to be the county-wide representative for the cities. He felt they had left that to planning organizations and the Cities Association. He noted the VTA had focused on transportation grant criteria, and had made some good comments about the Complete Streets issue. He understood their latest response to this would comment on the Housing Element, even though it would be fourth or fifth on their list of priorities.

Council Member Shepherd stated this was a completely different angle from the Contra Costa Transportation Authority. She thought the VTA should be charged with something besides telling cities they were on their own. She said hiring a consultant was a huge step for the City to make, let alone a transportation agency. She was not sure what the City was measuring. She saw the SCS measurements, but was not sure they explained Palo Alto's historical experience. She stated the Bay Area plan had bicycle commutes at barely 1 percent, when Palo Alto was at 7 1/2 percent and hoped to get more. She asked if this was a gift to this process, so that Palo Alto's baseline would start higher than another city. She asked if there was a starting point where they could make one of these measurements.

Mr. Williams stated if the City were allowed to draft a suggested plan to be a part of that solution, then it could make some inroads. He felt that ABAG had not looked at cities specifically; they were looking at a bigger picture. He indicated ABAG was not listening to comments about unrealistic development. He knew this was a large project for ABAG and they were fighting staff cutbacks. At a meeting with planning directors in the region and the ABAG director, he had suggested ABAG meet with every planning director of every city to understand the particulars for that city. He indicated ABAG's was willing to meet with a county group of directors.

Council Member Burt extended his appreciation to Staff for making a strong analysis and critique of the fallacies in the proposal. He also appreciated the statement that ABAG was not terribly interested in individual cities. He thought the Council needed to include in its arguments the positive things the City was doing and how the City was embracing the fundamental

values and were leaders in them. He indicated above the SB375 level was AB32, which was the GHG reductions, and SB 375 was largely intended to address mobile transportation impacts on GHG. He said SB375 was an implementation tool for AB32. He noted the City had a GHG reduction plan which included mobile transportation and other forms. He stated the City had discussed using AB32 as the framework for much of the sustainability initiatives. He thought the City should lead with how it performed when compared to the objectives, because the City continued to be a leader in that arena. He reported the City had recently met its goals on electric vehicle adoption by 2020 and beyond and, overlaying that with the City's clean electricity portfolio, Palo Alto was approaching 90 percent and had the potential to be 100 percent clean electricity. He commented that not only was that a standalone, but also an incredible achievement in terms of the goals of AB32. He remarked other cities couldn't say that because they weren't doing that. He reported the State had set a lower goal for renewable energy and the big utilities were not achieving it, while Palo Alto set a higher goal and was exceeding it and on a shorter timeline. He indicated Palo Alto also maintained a very strong program in affordable housing. He felt Staff needed to point out that the comparison point was other communities with very high land costs like Palo Alto. He explained it was a great difficulty to achieve that with incredibly high land costs. He stated Palo Alto had done this for decades and had been and continued to be leaders in this program. He had read an analysis that reported Palo Alto had a lower population density adjacent to Caltrain stations than other cities, yet had a far higher Caltrain use than almost any city. He reported Palo Alto had the second highest loading in the entire system next to San Francisco, yet was hardly the second largest city on the corridor. He said these were great achievements that addressed the fundamental objectives, and could be used to challenge the premises.

Council Member Espinosa supported Staff's position. He stated the Council had laid out a plan of how to push back and in what manner, and thought it had done that. He agreed with Council Member Burt's comments about which arguments to make. He asked if there were other ways the Council was not being heard, and if there were other ways the Council should be approaching this to make sure its points were realized.

Mr. Williams suggested contacting city councils and State Legislators to determine who was on board and had influence with some of these groups. He stated a second means was involving the community, and hoped the School District's involvement would generate interest. He was not sure, given how nebulous this subject was, how to generate interest at a grassroots level. He thought there was some interest in Palo Alto, but wasn't sure there was interest in other communities. Staff was willing to try other ideas for getting the community involved. He didn't expect the

School District to be vocal, but believed there could be some elements within the school community that wanted to be active.

Council Member Espinosa knew this had been raised previously. He stated those conversations had suggested the Committee think about what approaches the Council could take in partnership with other jurisdictions, representatives and others. He hoped those conversations were taking place and, if not, he encouraged the Committee to think about that. He asked what level of intensity of growth and density would be realized under this.

Mr. Williams reported the 25- to 30-year forecast was a 50 percent increase in number of households in Palo Alto. He indicated it was adding 12,500 new households to an existing 25,000 or 26,000 households.

Council Member Espinosa asked what that would look like in terms of development.

Mr. Williams noted the projections excluded single-family home areas. He didn't know how Palo Alto could do that without quite a few six to ten-story buildings scattered around El Camino, Downtown and California Avenue. He reported ABAG regional projections took Palo Alto from three- to four-story buildings to five- to six-story buildings in the most concentrated areas. He thought it would be more than that.

Robert Moss urged the Council to adopt the recommendations of PTC, Staff and the Council Committee to not identify El Camino and the Downtown areas as PDAs. He thought it would be a disaster to rezone a quarter mile either side of El Camino for high density housing. He stated that would not reduce traffic or CO2 emissions, because between 80 percent and 90 percent of the people who moved in there would drive. He reported the Council was missing the increase in gasoline mileage, higher efficiency, mandated by the Federal Government. He said that would have a huge impact on reducing GHG. He noted ABAG had not accounted for that at all. He noted the Council didn't have a policy or program for telecommuting, and he'd been urging high speed broadband to every home in Palo Alto for the last 15 years. He thought that would allow more people to work from home and reduce driving. He suggested returning to the local transit system of 40 years ago. He suggested VTA provide local bus service to the people of Palo Alto, which would reduce GHG.

Council Member Price wished to respond to Council Member Shepherd's remarks regarding VTA. She explained the VTA viewed itself as an operator of transit services. Because VTA didn't have Land Use authority or control of individual city Housing Elements, she understood why they would be reluctant to take a position to represent 18 cities. She thought,

from a policy point of view, it would be extraordinarily difficult if not impossible to absolutely represent the variety of opinions and experiences within all the cities. She stated VTA allocated transportation funding and promoted initiatives which balanced Land Use intensity and transportation services. She thought they did that reasonably well. She said they made an effort to promote transit-oriented development. She applauded Contra Costa County for taking the initiative. She indicated VTA had not taken positions that cover all of these points, but weighed in with the expertise they did have. She concurred with the idea they could do a better job.

MOTION: Council Member Schmid moved, seconded by Council Member Klein to:

- 1) Direct Staff not to request the VTA designation of the El Camino Real Corridor and/or Downtown as Planned Development Areas (PDAs), consistent with the recommendations of the Planning and Transportation Commission and the Regional Housing Mandate Committee; and
- 2) Authorize the Mayor to sign a letter to the Metropolitan Transportation Commission (MTC) regarding the One Bay Area Transportation Grant criteria; and
- 3) Provide input regarding the City's approach to the proposed Alternative Scenarios being considered for the Bay Area's SCS (SB375), including directing staff and the Regional Housing Mandate Committee to prepare a letter to ABAG and MTC for Council approval on the Consent Calendar of March 5; and
- 4) Confirm Council support to retain economic consultant assistance (up to \$25,000) as input to the letter and subsequent analysis of the Draft Preferred Land Use Scenario.

Council Member Schmid stated the Staff recommendation had four parts; the first part was to endorse the recommendation of the RHMC and the PTC not to request VTA designation of the El Camino Real and Downtown areas as PDAs. He thought each group had endorsed Staff's recommendation on this. He thought the letter to the Metropolitan Transportation Authority reflected work by Staff over the last three months. He noted the third element was to refer to the RHMC help in preparing a letter to ABAG and MTC. He saw the goal of the Committee to be processing and integrating the comments made this evening. He thought it was helpful to have representatives of the School Board and PTC at the meeting to provide input. He said the final part was a confirmation of up to \$25,000 to hire a consultant who had been working with other Bay Area communities on this project. He thought it endorsed the direction the Staff had been working toward. He thought there was a period of time in the next five or six

months where a lot of decisions would have to be made. He thought there was a strong endorsement for reaching out, and suggested the Committee spend time identifying specific ways to reach out to wider communities.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER TO direct Staff to consider and advise the Council if it would be useful to hire a Sacramento lobbyist for this issue.

Council Member Klein was pleased in some ways that the Council was getting some traction. He found this issue to be frustrating and dangerous. He thought Staff's description of Palo Alto if this were enforced was scary. He felt the only way those numbers could be accomplished was if the R1 neighborhoods were invaded by multi-unit housing. He didn't know how the Council would accomplish that. He viewed this as a law whose underlying foundation made no sense. He noted an analysis of the program indicated the program produced few benefits. He felt the Council could accomplish more by other means. He felt this only benefitted those who had a financial stake in building houses in various places, particularly where demand seemingly always met supply. He said that was not good social policy, and would not accomplish the goal of sustainable cities. He thought the fact that the Council was taking a strong approach was useful. He felt the City would need partners throughout the State in order to succeed. He supported the Motion, and hoped the Council would find more allies.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER TO add to Recommendation No.4- to encourage Staff to ascertain if other entities are willing to share the consulting fees.

Council Member Shepherd noticed that the Contra Costa letter asked for a reduction in housing allocation. She asked if there was a defined amount that had to come from the Bay Area.

Mr. Williams thought the letter was asking for a reduction for the whole Bay Area. He noted the reduction was broken down into subareas. He explained there was a point at which it became a zero-sum game. He noted discussions had recently centered on the estimate of 770,000 housing units over the given time period. He stated that figure was being decreased to approximately 700,000, because of the analysis around foreclosures. He indicated it was based on an unrealistic projection of job growth.

Council Member Shepherd had read the financial crisis foreclosure report, and thought people moved in with others.

AMENDMENT: Council Member Shepherd moved, seconded by Council Member Burt that the City request VTA to reconsider their position of not commenting on the Housing Element.

Council Member Shepherd thought it was in their interest to respond specifically, because these numbers were being managed by ABAG and MTC. She also thought it would be in their interest to help the cities wrestle this through.

Council Member Burt stated this initiative was at the intersection of Land Use planning and transportation planning. Because VTA was the regional agency for Santa Clara County on transportation planning, he felt they should be asked to engage in a meaningful way. If they were sympathetic but not taking a position, he thought that was not what the Council needed from them. He indicated the Council had representatives on the VTA, and suggested the Council attempt to engage with them. He believed it was another place where the Council could get additional support. He said it was a series of efforts to educate participants to gain their support.

Council Member Klein did not support this Amendment. He stated VTA was San Jose dominated, and he thought this could create a voice for Santa Clara County which the Council did not want. He felt this was taking a leap into the darkness, when the Council had not done its homework.

Council Member Schmid thought it was important to try to follow up with information on the Contra Costa Transit Authority letter with the VTA, and see whether it had an influence and effect on their decision process.

Mayor Yeh was interested in understanding where the different VTA communities were. He agreed with Council Member Klein's comments. He assumed there were some similarities between Contra Costa and VTA, but he didn't know the politics behind it. Because of that, he preferred informal discussions to understand the rationale behind VTA's decision.

Council Member Espinosa stated there were different ways to ask questions, and sometimes you wanted to ask those you knew the answer to, and sometimes it's treacherous not to know those answers. He agreed with the spirit of asking VTA to reconsider, but wanted some sense of where they might be with that.

Council Member Price did not support the Amendment. She understood that VTA was making some comments about the Housing Element, but not stating it as its top three items. She asked if that was the way Staff presented it.

Mr. Williams reported VTA had presented five bullet points in terms of their comments, and it was fourth on the list. He felt it was not strongly emphasized, but he thought they were going to suggest the certified Housing Element should not be required.

Mr. Keene suggested Staff could reconcile the spirit of the Amendment, perform some reconnaissance with VTA and other cities, and report back to the RHMC or Council with information on the efficacy of that action.

Council Member Burt stated Colleagues were misguided for not supporting the Amendment. He indicated the Council had taken leadership roles regarding High Speed Rail that risked their being viewed as outliers. He felt taking that sort of initiative brought others to an informed and aligned position. He looked forward to hearing how a response emerged from an informal discussion. He didn't understand how this rationale was so different from that of High Speed Rail.

Council Member Shepherd agreed with Council Member Price's comments regarding the VTA's explanation of not becoming involved in this process; yet the VTA asked for comments when they spoke to the Council. She was disturbed by the VTA not revealing comments in a response to ABAG and MTC. She asked Staff to pursue this. She wanted to see their response on record in order to promote the objectives of being responsive and thoughtful about growth in the Bay Area.

AMENDMENT FAILED: 3-4 Burt, Schmid, Shepherd, yes, Holman, Scharff absent

Mayor Yeh knew from the perspective of Palo Alto, the least acceptable form of planning was one imposed by regional and external entities. He thought the Council was sending a clear message through the process created in the Motion and through the work of the RHMC. He stated this was setting a clear framework for Palo Alto that could be shared with other cities.

MOTION AS AMENDED PASSED: 7-0 Holman, Scharff absent

17. Submittal of Mitchell Park Library and Community Center Monthly Construction Contract Report and Council Direction to Staff to Continue Construction Contract Monthly Reports.

Assistant Director of Public Works, Phil Bobel indicated there was no presentation beyond the report. He distributed an attachment which contained summary information. He reported the Mitchell Park Library and Community Center Construction Project were approximately two-thirds complete in terms of funding. He explained Staff calculated the percentage

of completion based on the percentage of budgeted funds spent. He noted the Council had authorized a 20 percent construction contingency, and 6.7 percent had been spent. Staff believed that was the main reason the Council had asked for these reports, and was present to explain the status of expenditures from the contingency. He stated the change orders were summarized in the Staff Report. He said there were three new change orders, all of which had line items but none met the \$85,000 requirement to be approved by the Council. Staff had approved the three change orders since the last time this Item was before the Council. He noted the Council had asked for information concerning expenditures for special consultants in dealing with the unusual number of change orders. Staff had hired three consultants: a structural engineer, a law firm and a scheduling engineer. He stated the amounts of those contracts and the amount expended were in the Report. He indicated two-thirds of the structural engineering amount, less than half of the legal firm amount, and all of the scheduling engineering amount had been spent. He reported more funds would be added to the scheduling budget. He explained the scheduling engineer was helping with scheduling as well as review of change orders. He indicated the Council wanted to know how many requests for change orders the contractor had submitted, and wanted to see that in relation to the change orders approved. He said the best way to see that was the small graph titled Mitchell Park Library Approved Change Orders and Outstanding Potential Change Orders. He reported only 6.7 percent had been utilized with a run rate of 10 percent at 67 percent completion of the Project. He explained potential change orders meant the contractor hadn't submitted a formal change report or request, but preliminary information had been indicated. He stated they were at \$6 million in potential change orders. He indicated new information was change order requests, and Staff did not have historical information. He reported the one data point at 67 percent indicated the contractor had submitted not only potential change orders but also formal change order requests. He stated that amount was approximately \$4 million. He said this was another way to gauge what the construction contractor was submitting. He noted the 20 percent contingency amount was above the current change orders and below the requests for change orders. The next chart demonstrated the current contract and the contingency amount, which remained below the engineer estimate. He explained the next chart showed all of the library projects and how they related to the \$76 million bond measure. He stated the current projection for all libraries and the contingency amount was well below the \$76 million bond measure.

City Manager, James Keene noted the last monthly report was before the new year. He stated Staff had been slower in getting this report to the Council, because the consultants wanted a Closed Session with the Council but Staff was not ready to do that. Staff felt it was important to submit a report to the Council prior to meeting with consultants. He thought the

report did indicate the status of the project. Because the Council would want to discuss the future of the project, Staff had scheduled a Closed Session with the Council on February 29, 2012. He noted there were some trend lines that could indicate different perspectives, and Staff needed to have that discussion with the Council at that meeting.

Council Member Schmid referenced page 4 of the Staff Report regarding reports would no longer be forwarded to the Council. He asked if that implied this was the last report the Council would receive.

Mr. Bobel explained the reports would not be forwarded separately. He said Council had been receiving the report twice, and Staff would now only supply the report once.

Council Member Schmid confirmed the Council would receive a report.

Mr. Bobel answered yes. He stated the Council would receive the Monthly Report in March, and it would be labeled January/February.

Council Member Schmid indicated the first report as of September listed approved change orders of \$2 million, while the current report, four months later, listed approved change orders of \$1.6 million.

Mr. Keene explained there had been corrections to projections that were not approved change orders, and that had been corrected in subsequent reports.

Mr. Bobel stated that graph was not correct.

Council Member Schmid commented that exhibits C and D were Library Bond Oversight Committee documents, while the Packet indicated attachment D was the Library Bond Stakeholders Committee. He asked if there was information from the Library Bond Stakeholders Committee.

Mr. Bobel agreed there was no information from the Library Bond Stakeholders Committee and apologized for the error.

Council Member Schmid asked if any relevant information came from the January Library Bond Stakeholders Committee meeting.

Mr. Bobel reported Staff had discussed the change order situation with them, and presented the same type of information.

Council Member Schmid asked if the Committee had made comments relevant to the Council.

Mr. Bobel stated there were no conclusions or items to be passed to the Council. He said the January Minutes had not been done. He indicated they had not passed any Motions with respect to this.

Council Member Schmid asked if there would be another public report in March.

Mr. Bobel replied yes.

MOTION: Mayor Yeh moved, seconded by Council Member Schmid to: 1) Accept this update on the Mitchell Park Library and Community Center (MPL&CC) construction contract change orders; and 2) direct Staff to continue to submit monthly reports to Council and to take related actions which Council may direct.

MOTION PASSED: 7-0 Holman, Scharff absent

COUNCIL MEMBER QUESTIONS, COMMENTS, AND ANNOUNCEMENTS

Council Member Shepherd announced that Allison Cormack and former Council Member John Barton both received Tall Trees Awards which will be presented on April 11, 2012. She also reported on attending the Silicon Valley Leadership State of the Valley meeting.

Council Member Schmid attended the Lower Peninsula Flood Protection Advisory Committee of the Santa Clara Valley Water District, where they made a presentation about a possible safe, clean water bond measure targeted for November 2012.

Council Member Price announced that she was appointed to the Santa Clara County Mental Health Board.

ADJOURNMENT: The meeting was adjourned at 10:58 P.M.