

Special Meeting  
May 24, 2010

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:07 p.m.

Present: Burt, Espinosa, Holman, Klein, Price arrived at 6:12 p.m.,  
Scharff, Schmid, Shepherd, Yeh arrived at 6:44 p.m.

Absent:

#### CITY MANAGER COMMENTS

City Manager, James Keene advised in Eleanor Pardee Park there were three diseased Eucalyptus trees being removed. The Fire Department in conjunction with the American Red Cross demonstrated sidewalk CPR training in front of City Hall. The Utilities Department was developing strategic plans for their operations. He noted the Mitchell Park Library would be closed for construction starting June 5, 2010.

#### ORAL COMMUNICATIONS

None

#### APPROVAL OF MINUTES

**MOTION:** Vice Mayor Espinosa moved, seconded by Council Member Shepherd to approve the minutes of April 19, 2010 and May 3, 2010.

**MOTION PASSED:** 8-0 Yeh absent

#### CONSENT

**MOTION:** Vice Mayor Espinosa moved, seconded by Council Member Holman to approve Agenda Item Number 1.

1. Approval of Agreement with Sherry L. Lund Associates in an Amount of \$26,000 (Subject to Potential \$2,000 Discount) for Completion of Annual Council Appointed Officer Performance Reviews.

**MOTION PASSED:** 8-0 Yeh absent

#### AGENDA CHANGES, ADDITIONS, AND DELETIONS

**MOTION:** Council Member Klein moved, seconded by Vice Mayor Espinosa to move Agenda Item Number 5 forward to become Agenda Item Number 1A.

**MOTION PASSED:** 8-0 Yeh absent

1A. (Former No. 5) Colleague's Memo from Mayor Burt and Council Member Klein asking for Council support for the Passage of Proposition 15, the California Fair Elections Act.

Council Member Klein stated the Colleagues Memo was intended to make Council and the community aware of the benefit of Proposition 15; which was to allow publicly financed campaigns.

**MOTION:** Council Member Klein moved, seconded by Council Member Price to support the passage of Proposition 15, the California Fair Elections Act that will appear on the June 8, 2010 ballot.

Ellen Forbes, 820 Loma Verde Avenue, spoke regarding the League of Women Voters' support for Proposition 15.

**MOTION PASSED:** 8-0 Yeh absent

#### STUDY SESSION

2. Introduction of the Stanford University Medical Center Facilities Renewal and Replacement Draft Environmental Impact Report and Outline of Public Review Schedule.

Council Member Klein advised he would not participate in the study session due to his wife being on staff at Stanford University. He left the meeting at 6:20 p.m.

Director of Planning and Community Environment, Curtis Williams advised that Staff had included at places a revised table that replaces Attachment D as the project flow chart. He noted that it is at the end of the Draft

Environmental Impact Report (EIR) preparation. The Development Agreement process will be continuing with a few check-in points with the Council. The Environmental Review process will be continuing with the comments on the Draft, with the responses to those comments, the Final EIR, and consideration of that before the final Entitlements. Finally, there is the Entitlement process at the end. The EIR provides the basis for many of those discussions whether it is the Development Agreement, the Architectural Review, or those Entitlements.

City Manager, James Keene stated that there will be plenty of opportunities for Council discussion if needed going forward as we move through the EIR.

Mr. Williams stated there existed an interrelationship of the EIR to the various other project components; they are integrated with the Development Agreement and the various Entitlements. The EIR process is essentially continuing through to the point of certifying the EIR. In between we have all these various opportunities to look at not only the EIR, the Planning & Transportation (P&TC) Commission will have six meetings, the Council will have five meetings, the Development Agreement will be discussed multiple times between now and the finalization of the EIR, the P&TC and Council will be looking at the General Plan Amendment, the rezoning, all the various Entitlements, as well as the architecture. Then once the Final EIR is before you the Architectural Review Board (ARB) and the P&TC be making their recommendations. The Council will consider the actual entitlements as the final step. In response to Council Member Holman's questions, this process is highly unusual and very extensive, and represents a substantial change to Palo Alto's physical environment. We do have a review process that in most cases, in most communities even large projects entail one or two meetings to take input on EIR's. As mentioned we have 11 meetings scheduled. We have broken those down by topic areas to try to be as efficient as possible in focusing on areas, but any subject can be discussed at any of those meetings. We have an extensive public comment period. State law requires a 45-day minimum and we have a 67-day comment period. The schedule is still tight to try to get all the meetings and input in before the Council's August recess. In response to one of the questions that came up today, Staff is committed to a very rapid turnaround of the Planning and Transportation Commission's minutes. If the P&TC meeting is on Wednesday, we can have those out by Friday at the latest. We will immediately email them as well as post them on the website to be available at least by the weekend before a Council Meeting. The schedule also will include the periodic updates on the Development Agreement to the Council. We will also include review and input on the various entitlements by the P&TC, but again no actual recommendation of the P&TC can come to you until that Final EIR is before them. Similarly, the ARB will be having

preliminary reviews along the way but will not take any action until that Final EIR is out. Also, in response to concern about Historic Resources Board input we will schedule a meeting with them during this period to get their input, again with the assistance of what is in the Draft EIR. The basic intent of this meeting is to provide an overview of the Draft EIR organization and the process that we are embarking upon. Substantive comments on the EIR are most appropriately made either at any of those 11 public meetings that we have scheduled or in writing, in particular email or letters. All those comments will be recorded and responded to by the consultant and Staff in conjunction with the response to comments and the Final EIR.

PBS&JR Environmental Consultants, Mr. Rod Jeung stated he served as the Project Director on the Environmental Impact Report. The main part of tonight's discussion and overview is really to give a better idea of the contents, the organization, the structure, and some of the conclusions that are found in the Draft Environmental Impact Report. The firms of AE Com, prepared the Transportation Impact Analysis, Environ did the Health Risk Assessment, Architectural Resources Group did the evaluation of the historic resources at the site, identified the Stone Building as an historic resource, Kaiser Marston Associates provided input regarding the Housing Needs Analysis that is related to the amount of employment that is anticipated at the Stanford Medical Center. William Kotomoto Associates will assist us with preparing visual simulations or photomontages to present how the project would appear in the future. Essentially what we are doing tonight is describing the requirements of the California Environmental Quality Act (CEQA). The goal of that Act was to ensure that decision-makers are taking the time before they approve a project to actually understand the implications of the project, and specifically the environmental implications of that project. The California Environmental Quality Act requires a report that discloses what those environmental impacts might be before the decision-makers take action. The City of Palo Alto has its own significance threshold. If the project exceeds any of those thresholds it is a major task of the Environmental Impact Report to identify mitigation measures to reduce those impacts to what we consider to be less than significant. What has to be evaluated in an Environmental Impact Report is to what extent does that change, or the impact result in a significant physical change or a physical environmental impact. Mitigation measures are very important in an Environmental Impact Report to be able to reduce those impacts to less than significant. In addition, the heart of CEQA or the heart of NEPA (National Environmental Policy Act), is to determine if there are ways that this project can be accomplished that meets most of the project objectives and also reduces the impacts that have been identified in the environmental document. One of the goals of CEQA is if you can identify alternatives that would reduce those impacts then those need to be considered seriously and

the City Council has to make specific deliberations on why you are not going to select one of those alternatives rather than the proposed project. There are five basic sections or chapters if you will. The first is to get a good understanding of what is being proposed. Stanford has submitted an application to the City. We have taken that application and we have distilled from it those features of the project that are really going to have a potential to change the physical environment. What we document in the Project Description is not necessarily everything that is covered by the project application, but it does highlight most of the major features. It will talk about the project goals and objectives, physical features, change to the circulation system, and any physical environmental changes. Secondly, you have to know what is in the project description or what is being proposed to understand how it is going to change. The Project Objectives are then a declaration by the project applicant on what they are hoping to accomplish with this project. What is it that they are pursuing? What goals do they hope to accomplish? When you get into the third section after the description of the project and the project objectives, we are really then in the heart of the environmental analysis of the Environmental Impact Report. The beginning of that is really describing what your existing setting is. What is on the ground today, how many cars are operating on the streets, are there sensitive resources like protected trees in the area, do we have cultural resources. What is physically there that has the potential to be affected by the proposed project. That affect, that change, the result from implementing the proposed project is what constitutes the impacts. So in this environmental analysis there is a declaration of what is there on the ground and then how it is going to change as a result of the project. Again, if that change is substantial, or significant, then the Environmental Impact Report needs to identify mitigation measures to try to reduce those impacts. Another feature of the California Environmental Quality Act that is important to understand is that these projects are not looked at in a vacuum. It does us no good to understand the full ramifications of how a project could change the physical environmental setting if we don't also understand some of the other foreseeable projects that are occurring in the vicinity. Those too, when you combine their impacts with those of the proposed project have the potential to accumulate or compound with one another and result in greater impacts than each of the individual projects by themselves. Those compounding or joint impacts are described as cumulative impacts. Under the section on Other CEQA Considerations the California Environmental Quality Act identifies a number of other topics that need to be disclosed to the public and made available to the decision-makers. Some of those include long-term ideas about the growth inducing impacts and what some of the irreversible impacts are of the project. Finally, it is important in the California Environmental Quality Act to take a look at alternatives. Again, are there ways to go ahead and reduce the impacts different than what has

been proposed by the project applicants but in a way that meets most of the project objectives? The comments that we are looking for, the ones that are going to be most beneficial to us and to the P&TC are those comments that really focus on the adequacy of the environmental document. Have we properly disclosed the potential impacts? Have we identified the range of mitigation measures that are going to be critical to reducing those effects? Is the range of alternatives feasible and reasonable? So we are really looking for comments and input that allows the environmental document to be enhanced and to allow the City Council and the P&TC to reach a more informed decision. The merits of the project, the fiscal benefits, or problems created by the project are not under the purview of CEQA. For this particular application, we have three different major project sponsors. There is the Stanford Hospital and Clinics or SHC, the Lucile Packard Children's Hospital or the LPCH, and the Stanford University of Medicine or SUM. There are specific objectives regarding siting of the different improvements and buildings. A lot of this has to do with internal efficiencies and functional adjacencies. There are a series of objectives that relate to circulation and parking, and there are a series of objectives related to cost and making this a more efficient operation for the Medical Center. These Project Objectives, are fully listed in Section 2.3 of the Draft Environmental Impact Report. As we get into some of the Project Alternatives, the City itself has identified a number of objectives that they would like to see this project accomplish. This becomes part of the framework and the undertone for the negotiations that occur during the Development Agreement. What the City is looking for, in a nutshell, is trying to encourage and improve the walkability of and the mixed use dimensions related to this project. We are trying to as part of the City's objectives look for opportunities to provide for housing near or on the campus so that the employees who are going to be working at the Medical Center have a place to live that is nearby. The City is looking for some financial guarantees, if you will, and some opportunities to allow for the fiscal benefits to flow to the City. Regarding the Project Description, I would like to characterize it as there being maybe two or three major drivers that are causing the project to be a dance at this time. The first is that there is state legislation, Senate Bill 1953 that requires acute care hospitals to go ahead and seismically upgrade their facilities. It is a law that has specific timelines built into that legislation for 2013 and for 2030. Hospitals all throughout the state have been going through a similar process or have already undergone a similar process in order to achieve seismic safety. Second, if you take a look at the evolving modern healthcare standards there is a tremendous change in terms of how patient care is being delivered. For healthcare purposes the trend is to try to have private rooms as much as possible. So you have a situation now where in the hospital you could have two to three individuals or patients in a particular room and the trend is to try to have individual rooms. Similarly with emergency

departments, the need to be able to provide, when you have a trauma care facility, the kind of first aid and first care response is incredibly important. That tends not to have so much a relationship to the census of the population but it really has to do with the surrounding population and the demographics of the community. Then finally, when you think about the diagnostic treatments and the care that you receive when you go to a hospital now there is a lot more equipment, there is a lot more that is being prepared and done by physicians. So there is a lot more space that is needed to accommodate the activities and the treatment. This amounts to a sort of right sizing the facilities. A third major driver in terms of advancing the project is the shift towards more outpatient care. There are a lot of things that previously would have been handled within the hospital setting itself, that now could be handled in an outpatient clinic. Finally, there are just life safety codes that affect heating, ventilation, air conditioning, ADA accessibility, and enhanced support functions. The project is divided into two parts, there is the main Medical Center, the main site, and then there is the Hoover Pavilion. When you take a look at those two areas right now there is about 2.73 million square feet of developed space. The proposed project calls for new construction of 2.53 million square feet. However, as part of that there is obviously not enough room on that site to accommodate the 2.53 million square feet of new construction, so there is a commensurate reduction as a result of demolition that is going to occur at the site. The demolition amounts to about 1.2 million square feet. What you have when you put all those numbers together is a net increase at these two locations of about 1.31 million square feet. The vast majority of that additional space is going to happen at the Stanford Hospital Clinic location. There are about 46,000 square feet that would occur at the Hoover Pavilion and another 441,000 square feet that would occur at the Lucile Packard Hospital. Related to that is the desire to increase the number of new parking spaces. There would be about 2,000 to 2,053 new spaces, and there would be about 2,242 new full time equivalent employees. In order for this project to move forward there are a number of Entitlements that need to occur. Some of those Entitlements include a change to the existing Comprehensive Plan for the City. Specifically that would be changing some of the land use designations along Welch Road from a Research Park to Major Institution and Special Facilities. There would also be the annexation of about three-quarters of an acre to the project site from Santa Clara County. Some of the zoning changes that are being considered are the possibility of creating a new zoning district, something that might be a hospital district or a public facilities hospital district. As part of this there would be an effort to streamline the process in the sense that Stanford would no longer come before the City to seek a Conditional Use Permit. There would still be ARB review. The Floor Area Ratios (FAR) that would be established for the sites would be greater than what currently exists so there would be a 1.5 FAR on

the main campus and a .5 FAR on the Hoover Pavilion site. Some of the height limits would be different and some of the parking requirements would be changed. Finally, as part of the negotiations, the City is negotiating heavily on a new Development Agreement that would set the contractual arrangements and provisions by which Stanford would be allowed to move forward with its proposals. As far as the City is concerned some of those negotiating points really relate to some of the financial commitments for things like community health programs, transportation demand measures, housing in lieu payments, and ensuring that the project is at least cost neutral by guaranteeing revenue projects to offset the expenditures. There are basically 14 standard EIR topics that are covered in every single environmental document. The impacts that are disclosed in the Environmental Impact Report range from no impact, meaning the project really isn't going to change anything related to the physical environment, to those impacts that are considered significant and unavoidable. So even with the adoption of some of the mitigation measures that are recommended those impacts are still going to remain significant. The alternatives CEQA requires us to consider a range of reasonable alternatives to the project. Retrofitting to comply with Senate Bill 1953, is one of the primary drivers. The second no project alternative, is to go ahead and comply with Senate Bill 1953, but also take care of some of the other structures that occur within the hospital facilities. Alternative A looks at right sizing the Stanford Hospital and Clinics and the Lucile Packard Hospital. The second reduced intensity alternative right sizes those facilities but also allows for an expansion of the square footage to basically 60 percent of what has been proposed by the application, by our proposed project. Working closely with the City there were a number of significant impacts that we sought to try to reduce to less than significant. As a result there was a tree preservation alternative that was developed in order to reduce the impacts to the protected trees. There is an historic preservation alternative specifically developed to reduce the impacts on the 1595 Stone Building which was identified as an historic resource. Then there was a Village Concept Alternative. The Tree Preservation Alternative does have a lot of the features associated with the proposed project with one important, significant difference. When we did the evaluation of the proposed project there is an identification of up to 71 protected trees that would be removed as a result of the project. Those 71 trees are identified in the City's Municipal Code as protected trees and worthy of mitigation measures. Twenty-three of those trees the City Arborist has gone ahead and identified as being particularly biologically and aesthetically significant. So it became a major thrust of this alternative, the Tree Preservation Alternative, to look for ways to go ahead and reduce the impacts to those 23 trees. It was done by eliminating some of the development that was proposed in what is known as the Kaplan Lawn. The development that was proposed there under the proposed project has



been relocated thereby allowing those trees to be preserved. In addition, there was a proposal to take the Stanford Hospital and Clinics garage currently off Welch Road and to modify its design so that it would be partially above ground. The interesting thing about this particular alternative is that with the reconfiguration of the space it results in basically the same square footage as what is proposed under the current proposed project. So the level of operation, the level of impacts is the same, but it does avoid the impacts to the protected trees. Finally, I want to touch on the Village Concept Alternative. This alternative has been looked at largely as a way to reduce some of the emissions related to the air pollutants and the greenhouse gases from the car trips that result from the development of the Stanford Medical Center. It is looking at ways to encourage better travel between some of the housing that has already been approved and some of this new development. So the thrust of it is to take the 490 homes that have been previously approved, part of them under the General Use Permit with Santa Clara County, and part of them with the Sand Hill Road Corridor projects Environmental Impact Report, and to restrict the housing so that it becomes available only for Stanford Medical Center employees. The intent here is to make the housing available to the Medical Center employees and thereby cut down on the amount of commuting. The housing that would be proposed is basically off Quarry Road, Sand Hill Road, and within walking distances to the proposed development sites. The other thrust associated with this is really trying to strengthen the pedestrian and bicycle linkages and to make this a more walkable development. So people who are working or living near the Medical Center can easily get to the shopping center and easily get over to the Inter-Modal Transit Center. One of the important requirements under the California Environmental Quality Act is to provide some information regarding that alternative that is considered environmentally superior. In other words, if we took a look at all seven alternatives, which one of them is going to best reduce the significant impacts. CEQA also specifically says that if you end up choosing the no project alternative as your environmentally superior alternative, you should take a look at one of the other build alternatives to see if that could satisfy or service the environmentally superior alternative. In this case it is the Reduced Intensity Alternative A, basically the right sizing of both of the existing hospitals. Right sizing those facilities as part of this Reduced Intensity Alternative A would avoid some of the intersection and roadway congestion that were identified for the proposed project. It would reduce the amount of emissions that were identified, and it would reduce the greenhouse gas emissions that were identified during project operations. Finally, we are looking for comments that can come in any number of vehicles or different ways. The first is to go ahead and send emails to [Stanford.project@cityofpaloalto.org](mailto:Stanford.project@cityofpaloalto.org). Second, the public can submit a written letter. Third is to come out to any one of those number of public

hearings and to offer your verbal comments. All those comments will be taken, they will all be considered, they are all going to be recorded, and we will be preparing responses to those in a few months.

Mayor Burt stated he would just like to say that the two additional updates at our places, were beneficial. One is a timeline and the other is a flowchart, which shows the relationship of the various reviewing bodies and the timing. We have coming up six Planning and Transportation Commission meetings starting in the last week of May through the middle of July. We have five City Council meetings on the Draft EIR from early June through late July. There is going to be a very extensive public process. It is going to be moving forward in an expeditious manner and yet a very thorough manner. We will see if we can have the appropriate balance between a thorough Palo Alto process and an efficient one.

Vice Mayor Espinosa asked what would make the timeline slip, and the impacts of any slippage. He wanted to make sure that we all are in full understanding that it is a very aggressive timeline. He asked what could cause the delays and what impacts will that have to the timeline.

Mr. Williams stated vulnerability is if we get into some of these checkpoints along the way and either materials are not ready by then or more possibly there is more than the number of meetings than we anticipate that might require preparing more information. At the very end of the process we are assuming that most of these issues have been vetted and that we are ready to get to an approval point. We have a month and a half, approximately, in there for ARB, P&TC, and Council to approve what is a major project. So if the Council at that point feels there is a necessity to have more or take more time to look at something that also could drive some lengthening of the process.

Mr. Keene stated the format for the Draft EIR review has segments of the EIR going to the P&TC and then quickly moving onto the Council. One of the things that we want to ensure talking with the City Clerk is fast turnaround time on minutes, from the P&TC meetings and even the Council meetings going forward. We would propose that in order to support that and to stay on schedule, we would look at bringing in a court reporter to support that transcription to get a fast turnaround. Secondly, it looks like for the most part that the Staff Report that would go to the P&TC on a particular segment would be the same Staff Report that would be going to the Council. Both of those changes at least ought to manage the logistics piece of keeping us on track if the Council would agree with those.

Vice Mayor Espinoza asked if Staff could provide an overlay and how this fits into those other conversations. At the end of this timeline we talk about needed amendments but questioned what conversations are we having as a community.

Mr. Williams stated the primary issues related to the Comprehensive Plan are the Housing Element coming forward in that timeframe and the nonresidential development in the City. There will be discussions about housing which is part of this discussion but not necessarily driving the Housing Element. There are longer-term issues around the Housing Element and how this project might not only affect this Housing Element but future Housing Element cycles. The other one is that we will be having some discussions in the Comprehensive Plan about the amount of nonresidential development in the City and whether to modify the limit we have now. I think our proposal to this point has been that the hospital proper, not the clinic but the hospital itself, would not count against the limitation that we currently have. That is to be discussed as part of the Comprehensive Plan.

Council Member Schmid stated later this evening we are going to be talking about the Development Agreement and there is a connection between the Draft EIR and the Development Agreement. Housing is probably the most important connection to our Comprehensive Plan, and it is probably the most expensive mitigation that happens to the City. In the section on housing in the Draft EIR on page 3.13-19 there is a description of mitigation measures on housing. There are five bullet points and four of the bullet points start by saying, 'The City shall.' It appears most of the mitigation is the City shall do something. Three of the things it talks about amend the zoning code to permit more residential uses, particularly multifamily residents; the City shall impose an additional ad hoc housing fee on development; the City shall provide an inclusionary housing requirement. Those are things we have not done in some cases. There are things that would be very expensive. One of those, the inclusionary housing requirement, is currently under litigation. He stated he was concerned that the burden seems to be on the City. He asked if that was a correct interpretation.

Senior Assistant City Attorney, Cara Silver stated the City will have a special meeting dedicated to housing in order to drill down further on this particular topic. In response to Council Member Schmid's specific question, the way the EIR mitigation measures are generally drafted are in that type of required wording, mandatory wording. However, the Council has the ability to select which mitigation measures it thinks are appropriate and it actually has to make a finding of feasibility regarding whether these mitigation measures will in fact reduce impacts that are identified in the EIR. Once that

finding is made then language is drafted accordingly. The point here is just to identify at a very high-level the menu of options that are available.

Council Member Schmid stated he was surprised that there is a menu, four of the five items are the City shall. His question is when we talk about Development Agreement should we be including a discussion of the cost of these types of mitigations.

Ms. Silver stated that there are some mitigation measures that the City can take on itself. Then there are other mitigation measures that the City in order to implement must first adopt a regulation. Then the burden will fall on the applicant if we adopt that particular mitigation measure.

Council Member Holman asked for clarification on a few things. One is on page 3 of the Staff Report, the last paragraph talks about Statements of Overriding Considerations. It sounds like if there is an unavoidable impact, all that needs to be done is to make a Statement of Overriding Consideration. That is really not the case. What are the conditions under which you can make a Statement of Overriding Consideration.

Ms. Silver stated there has to be detailed findings that the impacts cannot be feasibly mitigated before a Statement of Overriding Considerations is adopted.

Council Member Holman stated another way of putting that might be that you can't make a Statement of Overriding Consideration until all reasonable and feasible alternatives have been examined. She was concerned by the ARB process. It appears that project review is happening concurrent with the preparation of the Final EIR. Item Number 19 on the Tentative Timeline states that the Final ARB review and recommendation to the P&TC is in November, but the Entitlement Review is not until after that at least on this timeline. She has concerns that in this community that does not work because it presumes outcome, and it becomes expensive on the part of the applicant and difficult on the part of decision-makers because there is so much seemingly in place prior to zoning entitlement.

Mr. Williams stated the architectural review has been ongoing and will continue to move forward. The review will be informed by the Visual Impacts Chapter particularly of the EIR to provide more information as they look at these preliminary reviews in the upcoming months. It is our intent that the actual recommendations to the Commission are not going to come forward until after the Final EIR is before them and then onto the P&TC and the Council. At some point along this way we also do have some check-ins on the architectural review process or on the design with the P&TC and the

Council. The actual recommendations by the ARB wouldn't occur until after the Final EIR is before them. He stated he thought with a project of this size there has to be some concurrent review of the design without waiting until absolutely just about everything is completed with the Final EIR and the entitlement reviews.

Council Member Holman stated she is opposed to the inclusion or dedication of the 490 housing units having to do with the Village Concept Alternative. She would like to be sure that what has been analyzed considers whether we are or are not then just transferring the impact of the lack of housing for some of the County projects to some development down the line. This housing was accounted for in the GUP process to provide housing for other projects on County land. So if we take this and apply it to the Medical Center project are we then creating additional environmental impacts for the other development in the GUP because we are taking that housing.

Ms. Silver answered yes that is one of those issues that we will get into in more detail in the Housing Section. This proposal takes some of the excess GUP units that are not tied to the build out of the academic campus and reallocates those excess units.

Council Member Price asked on the Cumulative Analysis within the Environmental Impact Report how do you define the inclusiveness. For example, two general projects come to my mind, and maybe this isn't the venue to speak about these. One is the Performing Arts Center and the second is High-Speed Rail and Caltrain improvements as they relate to transit alternatives and the level of service, and what the level of transit service is that potentially could be improved, etc. A lot of this is timing, and she asked how would that distinction be made and would these two large projects be part of this process.

Ms. Silver stated typically Staff would develop a cumulative project list of all of the projects that are in the pipeline as of the date that the Notice of Preparation was filed. Staff will look at projects that are located within Palo Alto and at neighboring jurisdictions in compiling the list. The High-Speed Rail project actually came about after the Notice of Preparation was filed as did the Performing Arts Center, but Staff has analyzed the impacts of the High-Speed Rail.

Council Member Price asked for some general detail or comments about the basis for determining feasibility. There are lots of ways in which you can do that and each mitigation measure has a different level of complexity or simplicity.

Ms. Silver stated here is a specific set of criteria that you look at in determining whether a mitigation measure is feasible. It ranges from economic feasibility to planning feasibility.

Mayor Burt stated he carefully reread the five bullets on page 3.13-19 of the Draft EIR. The second bullet specifically refers to the project. The third bullet where it says 'The City shall,' but it refers specifically to the hospital and the exemption from affordable housing fees. The third one talks about an ad hoc housing fee potentially for units induced by this particular project. The fifth one where it says 'City shall' but it is a housing requirement for the newly created hospital district. So upon careful reading he stated he saw that four of the five clearly are specific to this project.

Mr. Keene stated it should be stressed that these measures are presented here only in conceptual terms and the City may find that some or all of them are not feasible for various legal, practical, or other reasons.

Council Member Shepherd asked the difference between a hospital district and Hospital Zone.

Ms. Silver stated they were the same thing and the terms were used interchangeably.

Council Member Shepherd asked what this zoning title brought to the project

Ms. Silver stated the primary zoning for the site is Public Facility and there are certain restrictions in Public Facility that would not allow the project as proposed. Staff had reviewed amending the existing Public Facilities Zone to allow for some of the specific proposals. The consensus among the group was to create a very specific Hospital Zone to address in detail the project specifics.

Bern Beecham, 321 Cowper St. stated the challenge of the DEIR is to understand it. The purpose of the EIR is to enable the City and the community to make a fact-based decision on going forward. This is an important junction in moving from either a wished-based or make a list based approach to what the community wants from the applicant. The EIR is still subjective. Any analysis is based on the assumptions, the models, and the principles underlying it.

Paula Sandas, President and CEO of the Chamber of Commerce stated the Board of Directors of the Chamber of Commerce is in agreement that the hospital's expansion project is essential for our community and is supportive of the progress made in the last few months moving toward the

Development Agreement. Last May the Chamber Board made playing an appropriate role in ensuring the building of a new Stanford University Hospital and Clinics and Lucile Packard Children's Hospital in Palo Alto a priority in the Chamber's strategic plan. We encourage the continuation of the negotiations with the goal of win/win/win for the City, the hospitals, and the future of the delivery of healthcare. The hospitals are among the assets that make our community a great place in which to live and do business. Their very existence has sparked local business ventures and employment in biotech, pharmaceuticals, healthcare, and a lot more.

Dr. Bruce Baker, 3195 Kipling Street stated what disturbs him the most is the perception of what the thought process is regarding Stanford offsets on this project. Stanford is perceived by many of our constituents in town to be too big and to be rich. He has heard people saying good plan, let's go with it. He requested that the City be fair and objective on this whole process.

Robert Moss, 4010 Orme Street stated there is an assumption that there is going to be no traffic impact on Middlefield, Lytton, and University. At one point they are talking about an impact at one of the intersections in Menlo Park, which will increase wait times by over 22 seconds at a signal. A number of the impacts are identified as being significant and can not be mitigated. Stanford is asking for a Development Agreement over some period of time. This project is going to have to take 10 or 15 years to complete. The Development Agreement only covers a portion of that time. At the end of that time you look at what has been built, what the projected adverse impacts were, what the real adverse impacts are, and if there is a significant difference.

Brian Schmidt, Committee for Green Foothill stated he thought there was a possibility of a legislative extension for the SB 1953 deadline of 2013. Stanford started this process quite late, much later say than Santa Clara Valley Medical Center. Stanford is not the only facility that started late and if it isn't happening now probably next year there is going to be a push in the legislature for an extension of the deadline.

Heyward Robinson, Ph.D., Council Member, City of Menlo Park stated he had not had a chance to read the Draft Environmental Impact Report but he had read the newspapers. There will be impacts in Menlo Park. Mitigating traffic impacts will require an aggressive trip reduction strategy. Stanford should be recognized for being a world-class medical facility.

## ACTION ITEMS

3. Review of the Stanford University Medical Center Facilities Renewal and Replacement Project Fiscal Impact Analysis and Development Agreement Proposal and City's Preliminary Counter Offer and Direction to Staff.

Deputy Director of Administrative Services, Joe Saccio, stated that as part of the Entitlement process for the project the City and Stanford University Medical Center agreed to do a Fiscal Impact Analysis. In fact two have been done, one that Stanford University Medical Center contracted with CBRE. Stanford also agreed to fund a peer analysis using a City consultant and that is Applied Development Economics. The reasons for the studies were to determine the potential impacts on the delivery of City services from the project. The studies also determined the fiscal impacts to the City whether the revenues offset the costs associated with the project, and to determine whether there is any need for additional revenues or compensation through the Development Agreement. Both analyses were based on assumptions and estimates and methodologies. The CBRE report indicates that the potential tax revenues generated by the project will be sufficient to fund all the anticipated costs over the next 30 years. Projected revenues total \$25.1 million over 30 years with the projected expenses of \$17.5 million. Therefore there will be a surplus of revenues over expenditures of \$7.6 million. The ADE peer review findings have the revenues relatively close to CBRE with a \$1.1 or \$1.2 million difference. The projected expenses by ADE are higher than what CBRE is projecting. The ADE analysis has a \$1.1 million deficit over 30 years. The major differences between the two reports are: 1) Property taxes have a significant variance where CBRE is higher by \$374,000; the Property tax is very much a consequence of when the two analyses were done. The more robust one from CBRE came just before the great recession hit and property values were moving downward. When ADE conducted their analysis during the recession, the values moved downward. 2) Utility Users Tax has a significant variance of \$620,000. There were slightly different assumptions that were used by both consultants for the Utility Users Tax. The CBRE analysis is based on actual engineering and construction information and the ADE analysis used current utility usage per square footage. On the expense side there is a definite difference in the approaches that were used by the two consultants. Some of the major differences are in the administrative areas as well as in police and fire. ADE's costs are significantly higher in certain departments, and CBRE's are lower. The fundamental difference is again in the methodology. The methodology in this case is where ADE included in its calculation of incremental costs all of the costs within the department. City CBRE in their analysis felt that administrative costs in the departments wouldn't vary over



time and were fixed costs. The two studies are relatively close on tax projections. The Use Tax represents a very significant part of the revenue stream from this project as one-time revenues. There is a \$7.5 million difference in the cost between the two analyses. It is also an important to note that both of these studies do not have inflation imbedded for revenues and expenses. It is a typical methodology used in preparing Fiscal Analysis, so both of them are neutral on increases in costs. We did ask our consultant to take a look at potential impacts of inflation over time. Naturally those impacts are a consequence of a variety of factors. The finding in the analysis is that the City could over 30 years be responsible for higher costs than revenues if certain assumptions pan out on the CPI Index. Our goal is to either have revenue guarantees with the City held whole for any costs that are incurred with in the end a neutral situation whereby all the costs are being covered by the revenue streams.

Council Member Yeh asked if Stanford had an opportunity to work with the consultants to verify the inflation.

Mr. Saccio stated we did relay the ADE memo and the analysis to Stanford.

Senior Managing Director, CBRE Consulting, Amy Herman stated she managed the Fiscal Impact Analysis on behalf of Stanford. In their review of the ADE memo, they were not able to validate all of the assumptions and information. They believe that the level of deficit that has been identified for the escalation of the labor costs for the City is something that is a City policy decision in terms of the labor costs.

Council Member Yeh asked if Stanford CBRE was planning to do any kind of analysis. This would be an important area to understand where Stanford is, and whether or not there is going to be a counter-analysis.

Senior Associate Vice President, Stanford University, Land Building and Real Estate, Bill Phillips answered that the basic assumption in the analysis in the ADE analysis was that revenues and costs would inflate at the same level. ADE was asked what would happen if costs inflated at a higher level similar to what has occurred in the past. Assuming that expenses at the City increased faster than the revenues, then this project would have additional deficit. The City deficit is already a fact and if you don't align your revenues with your costs, especially your labor costs, both projects, the City, and the SUMC project are going to go haywire. They are not going to be able to sustain each other.

Planning and Transportation Commissioner, Lee I. Lippert stated the Planning and Transportation Commission reviewed this item on April 28,

2010. Attachment C is a summary of the Planning and Transportation Commission's comments. He reviewed the comments made by each Planning and Transportation Commissioner.

Council Member Schmid stated the assumption that expenditures and revenues raise at the same rate has not been true in Palo Alto for a long time, especially since the current labor contracts were negotiated and signed. The escalation of benefit costs, both medical and retirement, have been going up at about twice the rate of the CPI or our long-term revenue base. Staff has given us a ten-year financial forecast, which carries those numbers explicitly as a basis of our future forecasts. It is clear not just in this community but in communities all over California and the State of California that that is an accurate assessment of the situation we are in. The only change since we had this discussion a few weeks ago is CALPERS who holds our benefit resources in an irrevocable trust announced that they did lose \$50 billion in the last fiscal year. CALPERS solution is to raise the funding requirement by 20 percent next year. This is a serious matter and I don't think it can be shrugged off by saying that is the City's problem. It is all our problem and I think we have to deal with it. I think it is important that the Staff comes forward with some alternatives. I would like Staff to come back and tell us either tonight or at some point in the future how we can sign a contract with Stanford and be made whole without taking into account this very real situation.

Council Member Scharff asked about the revenue guarantee that is recommended to be included in the proposed Development Agreement. In looking at the ADE analysis he asked what would that revenue guarantee look like. The Use Taxes are projected at \$8.0 million, which you could basically state as a potential revenue guarantee. He asked how could there be a revenue guarantee over 30 years on direct purchases or employee spending. He would like to have addressed how we could craft a revenue guarantee and how that would make sense.

Applied Development Economics, Doug Svensson stated that there are certain aspects of the revenues that would be difficult to track back to this project. There are some directly generated revenues that the City could track. For example, onsite sales tax and the property tax are both revenues that are tracked by accounts. There would be a formula that would relate to things that could be verified year-to-year that would then address some of the other indirect revenues that are also included in the analysis.

Council Member Scharff asked if what this meant is that you could identify both the construction related purchasing revenues and the property tax revenues.

Mr. Svensson stated there are also some direct onsite sales taxes that are included in the analysis. Transient Occupancy Tax related to visitorship can also be tracked. These are activities that are directly related to operations of the facilities in the project.

Council Member Scharff asked if it was possible to come up with a formula that would track these revenues fairly.

Mr. Svensson stated there is the possibility of a formula that could work.

Council Member Scharff stated neither of the consultants took inflation into account and was that because the assumption was that inflation would go up equally for costs and expenses.

Mr. Svensson answered initially yes.

Council Member Scharff asked how the \$18 million on inflation was determined.

Mr. Svensson stated they considered the different sources of revenue and also the costs that are involved. Four different components of inflation were affected. The largest driving force is the City's escalation in Staff and benefit costs, which are in fact part of its long-term expenditure forecast. Some of the property related or construction related revenues were arrived at by looking at engineering cost indexes, which are more indicative of costs that relate to property. We created a model for the 30 years. The difference between the deficit with those factors included and the deficit that we originally projected is the actual \$18.5 million, cumulative.

Council Member Scharff asked if they included the pension and employee costs. He asked if these were broken out separately and then was everything else inflated differently.

Mr. Svensson stated that they used a 4.3 percent rate for salaries and benefits, which is the information received from Staff. Pension benefits are included in the overall City labor costs. By comparison the general inflation rate is only 2.2 percent. The construction related costs have been escalating at 3.5 percent in the region. The property tax is constrained by law at 2.0 percent. That is a relative small revenue component for this particular project.

Council Member Scharff asked if labor costs are at 4.3 percent, construction costs are at 3.5 percent, and then the general inflation rate was at 2.2 percent, were the inflated revenues calculated at 2.2 percent.

Mr. Svensson answered yes for non-property tax revenues.

Council Member Scharff asked for confirmation that there was an assumption for a very low rate of inflation of 2.2 percent over 30 years.

Mr. Svensson stated that is what has occurred over the last ten years.

Council Member Scharff stated if you look at the 1970s and add those rates in, it would be completely different.

Mr. Svensson stated the reason they did not initially calculate these amounts with those considerations is because there is an enormous amount of variability in these figures.

Mr. Keene stated the City's flexibility in making labor adjustments is constrained by state law. The City has gone farther faster than almost any other City in the Bay Area in trying to contain labor costs. The City is doing really just about everything it can do within the California environment to try to hold down those costs as we go forward in the future.

Mr. Saccio stated that Staff could track the specific revenues that are the outgrowth of the project. Staff has had preliminary discussions with Stanford regarding the issue of costs exceeding revenues.

Vice Mayor Espinosa inquired about the issue of one study completed before the economic downturn and one after. He asked for comments on the impacts.

Mr. Svensson stated the impacts were primarily based upon property values for property tax. Property Taxes were a relatively small component of the total revenues. The figures that we have reviewed this evening are the cumulative difference over 30 years between our projection and CBRE's projections. Our assumption was that property values would recover to a degree by the time this project is built, but that they would end up ten percent lower than the market values in 2007.

Council Member Price asked for clarification in terms of the Development Agreement as it relates to this issue of revenue guarantees. She asked if in fact that is one of our principles in terms of cost neutrality or some revenue guarantees then will the Development Agreement as it gets more developed

have different mechanisms where we could be assured that we have some stop-gap measures. She asked if there will be funds set aside to address a delta if it continues to grow between expenses and revenues as it relates to revenue guarantee.

Senior Assistant City Attorney, Cara Silver stated discussions have begun with Stanford to incorporate this into the Development Agreement. Staff's intent is that there will be a detailed formulation of this contained in the Development Agreement. There is a template in place that the Palo Alto Medical Foundation developed with the City of San Carlos for a revenue guarantee for Utility Users Tax (UUT), which is one of the most difficult revenues to predict, and quantify, and secure. There will be further discussions about revenue guarantees in some of the other areas.

Council Member Holman noted that some things are absolutely out of the City's control besides the general economy which are state takeaways. One is that we don't know exactly what the new healthcare bill is going to provide.

Deputy City Manager, Steve Emslie stated that after the Fiscal Impact is completed, Staff will go through the Development Agreement deal points.

Council Member Holman asked if Staff had considered a 50-year agreement as opposed to 30-year agreement. That affects the revenue neutrality of this quite a considerable amount.

Ms. Silver stated Staff had not run the projections out to 50 years. Staff was using a 30-year period for those projections.

Council Member Holman stated the project is going to be in existence longer than 30 years and the City would still be having responsibilities for this project. She asked if it was really prudent to be thinking long-term and not just for the life of the Development Agreement but for the life of the project.

Council Member Scharff stated neither of the consultants initially took inflation into account. He asked if the best practice is not to take inflation into account.

Mr. Svensson stated it is common to assume that revenues and costs will inflate equally. This was because in part the analysis is to identify structural imbalances, where the source of revenue does not meet the cost levels. Typically because City expenditures are constrained to a degree by available revenues, the assumption is that the City will need to find a way to track them over the long-term.

Council Member Scharff asked if they would recommend adding in inflation and if that was the best practice. He was concerned that we now have a number of \$18 million, which is based on assumptions.

Mr. Svensson stated they had a number of occasions to do this kind of analysis. They have been asked by many other cities to do a similar analysis. It was simply initially a case that we were looking over a 30-year period and over that period of time some of these costs will be presumably renegotiated and that the City would have some ability to affect costs as they relate to revenues.

Council Member Yeh stated it was apparent that the City did not agree with Stanford on the expense lines. He asked how to get agreement on the methodology of how to calculate actual expenditures and revenue guarantees.

Mr. Saccio stated that Staff felt that for certain revenues the City can do an adequate job of tracking. Staff's goal is definitely to get a formula that is equitable and covering all costs but not trying to weigh it down maybe in terms of real minutia that may be very difficult, and administratively difficult to accumulate.

Mayor Burt asked when we have impact fees what sort of recovery do we have versus the expenses that come about from those impacts.

Mr. Emslie stated all impact fees have to be related back to a direct nexus to the impact created. The local jurisdiction has the ability to set the actual recovery of the fee at any point up to 100 percent of the cost of the impact. Our Impact Fees are less than 50 percent. They vary by fee. The least cost recovery is the Housing Fee, which is about 15 and 17 percent of the total cost.

Mayor Burt asked if Stanford has given any indication as to their willingness to consider a revenue stream guarantee.

Mr. Emslie stated that Staff has begun to compare different agreements to share with Stanford as a template for moving forward.

Mayor Burt stated the City, with Stanford's cooperation, had gotten some revision in the ABAG allocations. Stanford was required to build several thousand housing units, which was above the entire number allowed for the County. He asked how many housing units were the total quantity built in

the County including Stanford's versus the allotment. He asked if we did not have that information if we could get it as a follow up.

Mr. Emslie stated yes.

Mayor Burt asked if it is even more housing units than what the City got allocated when we had the ABAG adjustment.

Mr. Emslie answered yes.

Mayor Burt asked for clarification on Table 1 of the April 6 Report. It says that these are annualized projections and they are actually the aggregate of that 30-year timeframe. Secondly, he noted in the comments a recommendation that there should be consideration of a hotel bonus within the hospital district. Hotels adjacent to hospitals are now really common and dynamic use of hotels serving outpatients, families of patients, and people for medical conferences. In this case it would be at the juncture of the shopping center and the medical hospitals, and very prime location, maybe one of the best locations in the City for a hotel.

Mr. Emslie stated the Development Agreement has been a part of planning and entitlements for several decades in the State of California. Basically it is looked at as a quid pro quo exchange between local jurisdictions conferring of long-term land use rights, basically giving up its land use control and binding future Councils in exchange for the applicant receiving certainty and the ability to build out generally a complex project over a longer period of time. This quid pro quo is done in exchange for community benefits that are negotiated and they are entered into voluntarily. A Development Agreement is not a land use entitlement it is a voluntary contract between two willing participants. The Stanford proposal that was made back in June of last year is summarized in the table. There are healthcare benefits and those are paid out over ten years. There is a series of fiscal benefits in terms of community fees and impact fees. Then revenues that are projected over the life of the project are listed in the table. There are transportation and trip reduction benefits. That is largely part of the Go Pass program, which is the employer subsidized Caltrain pass, which is used on the Stanford academic campus and not provided to hospital workers. There was a series of pedestrian and bicycle linkages between Palo Alto and the campus, the Medical Center, and the shopping center. Housing benefits were largely the impact fees that the City would require of a commercial project. Currently hospitals are exempt from payment of housing impact fees. Lastly, school impact fees are those that are collected by Palo Alto Unified School District to offset the effects of commercial development. As we navigate the Development Agreement negotiations, Staff has prepared the four Guiding Principles that are used to

help prepare a document that would meet with the Council's direction. Essentially there are really three categories of ways that cities reduce or minimize impacts through monetary contributions. One, there is the payment directly of impact fees. In response to Mayor Burt's question, earlier impact fees are collected for a variety of public improvements. Those generally are much less than what the full cost recovery is and that is really set by policy. There are the mitigation measures that are required as a part of the environmental review. Impacts are identified, and then mitigations are identified, and many times the payment of a proportionate fee is considered to be the appropriate implementation of a mitigation measure. Those are implemented through the project conditions that are made at the time of the land use approval. Then the last category are those in the community benefits category. Those are those that are not directly linked to a particular impact, those that cannot be measured often can serve City wide interests or other local interests that are related to but not directly connected nor measurable to the impact of a specific project. This is the City's preliminary Development Agreement Counter Offer that has been presented to the two Committees, Policies and Services, and Finance. This is basically in the area of healthcare. The Counter Offer is to extend the payments over the initial 10-year period to a 30-year period of time that would help to increase the medical services to those that can't afford it in our community. That would essentially take the \$7.0 million and extend it over the life of the Development Agreement at the same rate, essentially up to \$21 million over the life of the agreement. Stanford has indicated that they are willing to do that, and in fact are required by federal medical programs to allow appropriately credentialed doctors and other practitioners to use the hospital. Staff is looking at having some form of that agreement in the Development Agreement specified. It could be the possibility of a collocated emergency operation facility in the buildings. We could continue to explore ways that to use internet technology such as broadband service to help enhance, and to innovate creative healthcare programs. In Transportation Mitigation, Staff is suggesting to take a second look at the Go Pass program, and perhaps look at shifting some of the funds that were allocated for that to other more City wide programs such as expanded shuttle or other City wide infrastructure improvements that would also serve to benefit the transportation system to the university and the hospital. Staff would look at the pedestrian and bicycle linkages that are certainly appreciated and could be made in connecting the City, the hospital and the university. The housing benefits will be discussed in much greater detail as we go through the Environmental Impact Report and the actual project entitlements later this summer and into the fall. We are looking at ongoing discussions with the Palo Alto Unified School District. Right now they are proposing to pay the required fee but we are anticipating that discussions will continue between the University and the school district to ensure that



the long-term affects of population and employment change will not adversely impact the school district or its enrollment. Lastly we are looking at a contribution to help kick-start the City's meeting its obligations under its infrastructure backlog. This contribution is a way to help in keeping our community strong. A vital community that will continue to support the hospital and the university with quality programs and a quality of life that will continue to attract the talent necessary to ensure that this becomes and stays a world-class teaching and medical research center.

Mayor Burt left the meeting at 8:47 p.m.

Vice Mayor Espinosa stated at this point there will be questions taken from the Council on the Development Agreement Proposal and the City's Counter Offer. After that, he will open up the discussion for public comment and then return to the Council for direction and commentary.

Council Member Holman asked: 1) what is being offered in healthcare and how that compares with what is currently being provided, 2) how does it relate to the national healthcare plan, and how this might interface together.

Mr. Emslie stated Stanford does have a program where those who are unable to afford the healthcare services are able to apply for consideration of a loan or grant, and that is an ongoing program. Stanford is offering a dedicated source of funding that would be used for that same purpose. Staff is not absolutely sure what the effect of the new healthcare program will have on that. That is something that we will continue to collect information as we go through the negotiations. Staff does anticipate that the new federal health insurance program will have an effect over this benefit, but it is a little too early to say what the effect is.

Council Member Holman asked if the GO Pass Transportation Demand Management program is being offered in lieu of providing some otherwise required parking spaces, or is this just straight off a transportation benefit.

Mr. Emslie stated that he understood it to be a straight out transportation benefit. Stanford is not getting a consideration of any parking variance or other reduction in infrastructure cost.

Council Member Holman stated she was interested in how many students currently are attending Palo Alto schools, what the cost of that is, and how many students would be projected as a part of this project. She asked why there was an indication of working with the school district and City to minimize the impact of schools. Some other documents she has seen are saying it is a conversation to have with the school district. She asked if the

Development Agreement would be the place to lock in commitments to funding education impacts.

Mr. Emslie stated currently we are working with the school district to develop the number of students and Staff will have that number when they return the population numbers. Staff will have the school district information about how many are from Stanford broken out when they present that section in the EIR. The Development Agreement is absolutely the place for that to happen. The district and the university have had several conversations. The school district is absolutely aware that they will be able to plug into our Development Agreement if they do reach agreement in terms of what the impacts are. Staff has offered to assist at any point with any negotiations with the school district, and they have preferred to do that on their own. They are fully aware and will most likely have input into the Development Agreement that the Council will consider.

Council Member Holman asked Staff if what is being discussed has full cost recovery. It would seem that property owners are subsidizing Stanford students because they don't pay property tax.

Mr. Emslie stated that is not his understanding at this point but it may develop into that area. The initial concern as expressed on behalf of the school district to the City has been a primary concern about a requirement for more housing on the campus, as an impact. They were more concerned about the City's requiring additional housing and the burden that that would place on the school district. Staff did not understand that there was an in lieu property tax discussion going on.

Council Member Holman asked if the school district understood that it isn't that Palo Alto was requiring more housing, but that it is responding to the housing issue from the Association of Bay Area Government (ABAG).

Mr. Emslie stated the school district was very clear about that. They tend to see it as a direct negotiation and are not looking at it beyond the immediate entitlement and beyond into the future Housing Element cycles.

Council Member Shepherd asked when the Planning Department determined that Stanford should assume ABAG risk. She asked if that was a realistic consideration.

Mr. Emslie stated it was basically because if the City did not meet our housing targets that are set by ABAG then Stanford would be somehow responsible for making those up.

Council Member Shepherd stated she felt that the additional jobs might change the ABAG numbers.

Mr. Emslie stated ABAG has been very clear to the City that the numbers won't go up because of this project. However, if in the next cycle after 2014 when the City would receive the new housing numbers there is a possibility that because there was more job growth in the area that ABAG could raise them. Subsequently, transferring that risk to Stanford is certainly possible to do under mutual agreement in the Development Agreement, but he did not feel that the City could mandate that. Staff felt that the ABAG requirement or the state requirement is on the City.

Director of Planning and Community Environment, Curtis Williams stated the Planning and Transportation Commission had a discussion regarding some of the potential impacts of not complying with ABAG numbers.

Council Member Shepherd asked for an explanation regarding the hospital project participating in operating the Palo Alto cross-town shuttle service by contributing to the citywide traffic impact fee.

Mr. Emslie stated Staff was suggesting that because the City bears the bulk of cross-town shuttle cost. Staff was looking at helping to offset that cost by a financial contribution from Stanford, which may be able to preserve more midday service to help serve more workers at the campus or at the Research Park. Staff felt that there were also other avenues of expanding either the Marguerite or the City shuttle service. Staff and VTA worked together about 18 months ago to identify areas that are currently underserved. One of them is the California Avenue area that doesn't have City shuttle service and has limited VTA access. There is a great potential to capture some riders in that area, especially at midday for workers and other residents who want to use services in the California Avenue during the day.

Mr. Lippert stated the thought is that a large number of the medical community lives in Palo Alto, and by also expanding shuttle service it wouldn't be necessary for them to drive to the Medical Center. They could take a shuttle.

Council Member Scharff asked why in the Guiding Principles, number two, requiring project mitigation would be in a Development Agreement. He thought those are parts of the Conditions of Approval.

Ms. Silver stated that in the public process what frequently happens is that there is a confusion between mitigations or conditions. Staff is trying to include in the Guiding Principles clarification that mitigations belong in the

Conditions of Approval and other community benefits belong in the Development Agreement.

Council Member Scharff stated a concern with the Housing Benefit. The Development Agreement stated that the Hospital Zone will include additional measures to address jobs. He asked if that would be considered a mitigation.

Ms. Silver stated that particular item would be a zoning condition, and it also could be in the Development Agreement if you so chose to go above and beyond the normal requirements that would be found in a Zoning Ordinance.

Council Member Scharff stated Staff has presented a list of items that the Council is being asked to give direction on. He felt that this list was dealing with mitigations. At this point as set forth in this Counter Offer there is nothing further other than what would be proposed in the EIR, which Council would vote on separately. He asked if that was correct.

Ms. Silver stated this list is intended to be very broad. Staff is trying to hone in on what the particular priorities are for the Council. Staff recognized that some of these things may actually be mitigation measures or could be included in the Zoning Ordinance, and could just as easily be considered community benefits.

Council Member Scharff stated his other concern that this is our supplemental counter offer. He asked if the Council were to give direction that they approved the supplemental counter offer, does that mean that the counter offer also includes everything that Stanford offered as well.

Ms. Silver stated no, this a supplement to Stanford's original offer.

Council Member Scharff stated that Stanford only has a certain amount of money and that the City should be sensitive to how much money they ask for from Stanford. He felt that Stanford needed to make a fair contribution but that the City should be sensitive to that.

Mr. Keene stated that the preliminary counter offer is Staff's recommendation to the Council. Most likely all of those things are not going to be able to get clear until the Council has worked through the EIR process to be clear about what the state of mitigations are in relation to the community benefits. Staff has provided their proposed response to Stanford's original offer related to community benefits.

Council Member Scharff stated that it would be helpful at some point in the future that instead of having two documents, the Council would receive one document where they could look at everything the City is asking from Stanford. At some point when the Council is reviewing the mitigations, he would like for there to be price tags associated with each mitigation. There is an overall dollar amount that Stanford will be spending, and that is something he would need to review.

Council Member Yeh asked how Staff plans to bring together all the different potential interests as it relates to the Development Agreement.

Mr. Emslie stated there are ongoing discussions with our neighbors that are impacted by this, primarily Menlo Park and East Palo Alto. Staff has been meeting with the respective staffs over the course of the preparation of the Environmental Impact Report so their input has been taken into account. Staff recently met with the City of Menlo Park and their transportation staff, because it is primarily in the area of traffic that a lot of the impacts accrue for Menlo Park. There are open and very frequent conversations that are going on with the stakeholder agencies.

Council Member Yeh asked if ultimately will there be separate Development Agreements between Stanford and these other entities.

Mr. Emslie stated it is possible. Probably in another city, it wouldn't take the form of a Development Agreement because there wouldn't be a quid pro quo in terms of the land use. There are other instruments that could be used and it wouldn't necessarily have to be in the city's Development Agreement. The school district could do a side agreement or letter of agreement. A Development Agreement is a convenient place to compile everything.

Mr. Keene stated these are going to be public decisions and it will be important for the City and Stanford to know the totality of the sort of agreements.

Council Member Yeh stated that the Development Agreement has had a separate kind of standard in the sense that it doesn't have to have an immediate nexus to the projects and the impacts that have been identified through the EIR. His own interest is that it is mutually beneficial with the applicant. The recent plane crash identified this gap that we have in terms of serving the hospitals and providing power. He asked if any follow up discussions have occurred since the Policy and Services Committee meeting.

Mr. Keene stated that he did not believe any conversations have happened with Stanford with the hospital negotiating team. There are conversations

going on with separate Stanford University Staff and our Utilities Staff on that issue.

Council Member Yeh stated this is kind of a virtuous cycle where if this project and the redundant transmission line were to move forward ideally it addresses the needs of our hospitals when the disasters occur most. This also has a positive benefit to our General Fund where our physical assets have increased and we do have an ongoing benefit that materializes through this process. He asked how Staff envisioned in terms of the process for the Development Agreement soliciting feedback from the City Council. He asked if there would ultimately be some kind of prioritization of potential community benefits.

Mr. Emslie stated the timeline indicated that there will be check-ins as the Development Agreement becomes more definite. Staff would return to Council when there would be choices over priorities for direction to take back into the negotiation sessions.

Council Member Yeh asked if there would be future discussions of dollar amounts or estimates associated with the different community benefits.

Mr. Emslie answered yes.

Council Member Price asked regarding the supplemental items under the Development Agreement, under Economic and Community Vitality, about the requested contribution of 30 million dollars. She asked if the City was in a position in the course of the evolution of the Development Agreement to come up with different ideas regarding how the 30 million dollars might be applied.

Mr. Emslie stated he envisioned having a very specific discussion about the list of projects that this would end up funding. Staff would be bringing that discussion to Council before the Development Agreement is near finalization.

Council Member Price suggested something like a mini-endowment fund that could help offset some of our issues in terms of operating costs.

Mr. Emslie answered yes.

Council Member Price stated she liked the idea of the GO Pass. The GO Pass money goes directly to Caltrain. Quite a lot of these are really pass-through items. The Planning and Transportation Commission referred to the impacts of the construction worker commute. She noted that the order of magnitude of the numbers of workers that will be coming and going in order to

construct this vast project, has not been given to Council. She noted that if the City were really serious about greenhouse gas reductions, any trips that could be modified with the expansion of shuttle is reasonable.

Ms. Silver stated the EIR does look at construction impacts of the project in great detail, and in particular in the Transportation Section and Greenhouse Gas Section. Staff will have some hard data on some of the construction trips. The EIR does discuss some mitigation measures for those types of impacts and it certainly is appropriate in this discussion to drill down on those points further.

Mr. Lippert stated the Planning and Transportation Commission did look at that very briefly. The Commission felt there was a possibility of the contractor or Stanford paying into a Transportation Demand Management (TDM) program. The TDM program would in fact be paid out to citizens that would offset the construction workers bringing their trucks. That might be paid for by paid parking by the construction workers. So in other words, construction workers drive, they park at a Stanford facility, they pay for parking, and those monies would then go into a TDM program and could be used by other citizens who wouldn't drive to Palo Alto.

Council Member Price asked if there was any rationale for a slight reduction in the amount of parking for the site. One of the ways to encourage people to use transit is to make parking less easy.

Mr. Emslie stated the City does have code and policies in place that allow that quid pro quo to happen. Staff does not have enough analysis to be able to make that commitment to this project, but certainly that is within the toolkit that planners have to create the kind of conditions that make reliance on the single passenger vehicle less attractive.

Council Member Price spoke to the issue of additional housing and the impacts on the schools. There were also impacts on childcare trips. Workers near the worksite are still making childcare trips and she wanted to know if there was a way that this can be brought into the discussion.

Mr. Emslie answered yes.

Walt Hays, 355 Parkside Drive stated he was speaking as Co-Chair of the Friends of the Stanford Hospital and Clinics with Bern Beecham. There are over 700 people who have signed up indicating strong support, at least in general, for the Stanford project. Stanford is prepared to do very extensive mitigation, and he felt that the positive benefits of this will greatly outweigh any few unavoidable impacts. Regarding the Development Agreement, he

felt that the City needed to start with recognizing that having a modern, safe hospital that has enough beds is important. The City needed to recognize that the hospitals are separate from Stanford, that they don't have unlimited money. He asked the City to proceed as expeditiously as possible to complete this project.

Herb Borock, P.O. Box 632 asked to continue this item until after the Council received the Final Environmental Impact Report. The comments and the responses to comments on the Draft Environmental Impact Report will inform the Council as to what should be included in the Development Agreement. He stated he had only had the opportunity to look for one thing in the CBRE proposal, Exhibit 39, which shows a Utility Users Tax of five percent. Large users such as Stanford Medical Center, which is the largest user of electricity in the City pay five percent Utility Users Tax on only a portion of their utilities, then they pay three percent, and then they pay two percent.

Dr. Stanley Meyerson stated the benefits from Stanford are so incredible and their patience is not very long.

Norman Beamer, 1005 University Avenue expressed his disappointment that the topic of flood control retaining basin has been removed from the table for the negotiation on the Development Agreement. The flooding of San Francisquito Creek is a big problem in the City. He acknowledged the previous speakers in lauding the benefits that the Stanford Hospital will bring, but noted that those benefits are to the whole region but the costs are borne entirely by Palo Alto.

Tina Peak, 160 Palo Alto Avenue stated the Fiscal Analysis shows that this project doesn't make sense for Palo Alto in the long-term. The total project revenues are shown to be positive at first because of construction related taxes but those will disappear once the project is finished, and Palo Alto will be left supporting this hospital. Furthermore, since the Fiscal Analysis leaves out the cost of housing, schools, libraries, recreation facilities, and open space it is not a complete analysis. There is no way to support the increased traffic of 2,200 more employees plus other trips generated by patients and visitors, as well as indirect employees such as food suppliers, toxic disposals, laundry services, etc. The environment and the social costs of this huge building are too great. The City Council should decide what is a sustainable and a preferred size for our community hospital and its facilities.

Executive Director of San Francisquito Creek JPA, Len Materman stated part of his role as head of the JPA is to advocate for and build projects that



protect people from flooding and provide other benefits. JPA projects are designed to directly benefit over 3,200 properties in Palo Alto that lie in the 100-year floodplain. These properties are also subject to an average of \$1,200 annual premium for flood insurance. Allowing a flood control basin west of Interstate 280 to detain water during a major storm is a viable option to reduce the threat of flooding for everyone downstream. One of the City's four Guiding Principles for negotiations on the hospital project community benefit as you saw are enhancing City Infrastructure by preserving a high standard of economic and community vitality. An upstream retention basin, even one that doesn't alter current land use, is infrastructure that would enhance economic and community vitality during normal times by helping to save Palo Alto residents millions of dollars in flood insurance. The project applicant rightly asserts that their newly built hospital would provide a benefit to Palo Alto in times of emergencies. The project applicant has said repeatedly that their new hospital does not justify an upstream detention site on their land, but we must wonder with one of the main arguments for the hospital being its ability to serve residents during a disaster if maybe an upstream detention site would help to justify building a new hospital.

Stephanie Munoz, 101 Alma #701 stated you can't allow Stanford to redevelop the hospital without providing housing for the low-income employees. It is clearly against the interests of the Palo Alto residents and all the neighbors to allow Stanford to get away with having all commercial and no residential.

Vice President for Design and Construction for Stanford Hospital, Mark Tortorich stated his comments this evening echo previous remarks by Stanford's Vice President of Special Projects, Mike Peterson who spoke to the Finance Committee and to the Planning and Transportation Commission about the Development Agreement and the Fiscal Analysis. There are four points that he would like to make. One, after the hospital had made their June 15, 2009 proposal the hospitals and City Staff have had approximately a half dozen meetings and discussions on the Development Agreement issues; Two, Stanford believes that the correct amount of community benefit associated with the GO Pass, which is the traffic reduction effort, is closer to 106 million dollars due to the higher cost of the GO Pass over the life of the project; Three, Stanford has estimated that the property taxes will grow with the project so there is no reason for the City to put forth a payment in lieu of taxes in their counter proposal; Four, in response to some questions from the Council today the health benefits identified in Stanford's offer are over and above existing programs.

Brian Schmidt, Committee for Green Foothills, stated his Committee had submitted a letter to the City Council on November 26, 2007 regarding the community benefits that should be included in the Development Agreement. What Stanford proposes is essentially a tradeoff. The university wants a significant increase in the density and height of development in places that benefit Stanford's plans. The community in return should get a benefit of a reduction of unwanted development in places that should be open spaces, the foothills, creeks, and nearby areas.

Council Member Holman stated that she supported Council Member Scharff's comment about having a clear document coming forward the next time this returns to Council. She noted that she was supportive of Council Member Yeh's comments about the redundant transmission line. She thought she had brought up the upstream catch basin or retention basin during the Policy & Services Committee meeting. It is a health and safety issue. She thought it is quite appropriate to consider that. It isn't an out-of-pocket cost for the applicant, and she thought it was appropriate. Attachment C said that it had been removed because it didn't fit within the City's four Guiding Principles established for negotiations. These principles seemed to be Staff's designations. She indicated support for the multi-Planning Commission comments. She felt that issues such as the College Terrace Bicycle Path, the utility substation leases, EOC construction, low cost train station, lease extension, bicycle sharing program, bike maintenance facility, and open space offsets for height increases should be considered. With the Development Agreement one of the reasons that it is iterative is we will learn more about what the impacts are as we review that document. If there will be removal of a significant number of protected trees, there should be a monetary contribution to CANOPY or the City's tree program. If the Stone Building is going to be destroyed it would seem that it would be reasonable that there would be compensation to the community for that. Perhaps that is an historic preservation fund that could be implemented somehow in the City of Palo Alto to support other retention and restoration of other historic buildings.

**MOTION:** Council Member Scharff moved, seconded by Council Member Yeh to direct Staff to: 1) explore creating strong incentives to develop hotels in the Hospital Zone and continue to move forward with negotiations along the lines outlined in the City's preliminary counter offer, and 2) periodically report back to the City Council on supporting hotels in the Hospital Zone and the progress of the Development Agreement negotiations.

Council Member Scharff stated Mayor Burt made a really good point when he indicated the synergy between hospitals and hotels. Staff should take a strong look at where to put that hospital zone and putting a bonus in there

for hotels. This could be a huge win/win for the City and the residents. He felt that Staff's Counter Offer is a good counter offer.

Council Member Yeh asked whether Staff had some preliminary feedback on the hotel zoning.

Ms. Silver stated from a fiscal perspective Staff strongly supports that consideration. The issue that Staff is facing right now is that if it is incorporated into the zoning ordinance, Staff would have to look at the environmental impacts of the hotel. This would more than likely require some additional environmental analysis, and could extend the review period.

Council Member Yeh asked if a Motion was required for Staff to review the impacts.

Mr. Keene stated Staff could bring the Council back a little more detail on the tradeoffs.

Council Member Scharff asked if it would delay the EIR at any point then he would withdraw that portion of the Motion. If all the City would be doing is just changing the zoning to create the potential for another project in the future, an EIR is not required.

**INCORPORATED IN THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** that there is no intention to delay this project.

Council Member Price asked if it were simply a hotel as a permitted use, then there would not be a binding aspect that would change the project definition.

Mr. Keene stated he thought the way the Motion has been reshaped is clear to not impact this particular project.

Council Member Holman asked about the intention of the Motion. She asked if the Motion only included what has been presented as the Counter Offer.

Council Member Scharff stated if the Council wanted to add things to the Motion, they could either make an Amendment or a Substitute Motion.

**SUBSTITUTE MOTION:** Council Member Holman moved, seconded by Council Member Shepherd to support Staff recommendation in the Counter Offer but incorporate comments received at the Council meeting as we enter the iterative Development Agreement process.

Council Member Holman stated this isn't the time to be taking things off the table.

Council Member Shepherd stated she could not support the main Motion because it did not incorporate the comments made by the Council. This is a time for some exploration.

Council Member Schmid asked if the Motion for zoning is just in the Hospital Zone.

Council Member Scharff answered yes.

Council Member Schmid asked if there was 100 square feet of land available in the Hospital Zone.

Council Member Scharff stated he could not support the Substitute Motion primarily because it is really important to outline what we are voting on and what direction we are giving to Staff. There have been a number of comments tonight and he felt if we open it up too wide it is too difficult to focus in the negotiations. If there are particular items that should be included in the Motion, they should be voted on individually. Stanford does not have an unlimited checkbook. Clearly we need to negotiate in good faith and have a list of items that we sit down with Stanford and say these are the items on our list. Council has to give some direction as to what that is. The intent of the original Motion was to place the basics on the floor and see if there were Council Members who wanted to make Amendments. He felt that the Council needed to hone in on what to negotiate with Stanford and to make it clear to everyone here what we are interested in seeing in that Development Agreement.

Council Member Yeh asked how exactly the City was going to prioritize all the different ideas. He did not feel comfortable to actually select which alternatives to focus on at this point because he did not have enough information.

Mr. Keene stated the fiscal impact itself is still undefined as to how the City and Stanford might see that and how to deal with the inflation numbers. He did appreciate Council Member Scharff's point to give staff direction. He did appreciate the desire to get some clarity because Staff will be doing a lot of the negotiating.

Vice Mayor Espinosa stated he was a strong supporter of the Substitute Motion. This is a very complex negotiation that we are going through. As

stated at the beginning of Staff's presentation, numerous meetings will be coming up over the next couple of months to really dive deep into every area that has been raised. This has been an iterative process where the City has really put almost everything on the table and then begun to narrow it down through very close conversations with Stanford. He felt that the City has really turned a corner entering into a much more collaborative process with Stanford. He felt that Staff has identified at what point the City will be putting those stakes in the ground on various issues, but that time is not tonight.

Council Member Price stated she would be supporting the Substitute Motion. Based on the outline that Staff has given the Council for the schedule, she asked if Staff could be more specific regarding at what point we would have a more focused discussion on how to sort out many of the comments that were made this evening.

Mr. Keene stated over the next couple of months the City will be focused on the Draft EIR with several public hearings. He felt that if the Council could continue the open, frank way of looking at this project, the direction will start to get clear for Staff and to Stanford.

Council Member Price asked if Staff will be preparing a list of the items that appear to be of more common interest by Council.

Mr. Keene stated yes

**INCORPORATED INTO SUBSTITUTE MOTION WITH CONSENT OF THE MAKER AND SECONDER** that Staff is to return with an iterative list for Council to consider.

Council Member Schmid asked if the Motion includes the comments made.

Council Member Holman stated there are a number of ways to consider this. It could be suggestions offered as friendly amendments.

Vice Mayor Espinosa stated the spirit of the Substitute Motion was to include all the comments that were made this evening.

**INCORPORATED INTO SUBSTITUTE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** that the Substitute Motion's intent is to include all comments received by the Council at this meeting.

**SUBSTITUTE MOTION PASSED:** 7-0 Klein not participating, Burt absent

Council Member Scharff stated that he would like for Staff to explore creating strong incentives to develop hotels in the Hospital Zone.

Council Member Schmid stated that his top priority is to keep the city whole, to make sure that we don't end up subsidizing the project over time. That goes particularly to the expenses that we might have over time associated with that. The second big item for him was housing. As was pointed out in the EIR, the housing mitigations involve decisions by the Council, some of which are focused on Stanford development, but others of which are focused on our housing projects. His third comment is on transportation. The public clearly felt that traffic safety is a critical issue and he wanted to see that listed.

Council Member Yeh noted that Mayor Burt wanted to add his voice to the upstream water retention. Mayor Burt is interested in his role as liaison to the JPA, and he has been very mindful about that potential addition to the list of Development Agreement community benefits.

Council Member Yeh noted that he had one question regarding the Fiscal Impact Report, which is more of a comment. He wanted to be kept aware of the 18 million dollar figure as a point of potential contentiousness with Stanford. The project cost accounting is something that can address some of those issues. Another concern was that Stanford had mentioned that it does consider the Go Pass as a benefit of over 100 million dollars. It would be helpful to understand from Stanford's perspective the community benefits they saw in terms of dollars or in specific services.

Council Member Shepherd stated she had serious concerns about the conversation about the 18 million dollar potential gap, the fact that this does need to be cost neutral, and the disappointing news that it sounds like the City is going to continue to have rising costs over revenues. Her priority is to make sure that it is cost neutral, and that we are aggressive in making sure that that happens. Taking trips off of our surface streets is also very important. Expanding the shuttle service even more than what is written up in the Development Agreement is something that she would like to have explored more deeply and more integrated into how the movement of our community operates.

Council Member Scharff stated he had a strong interest in the citywide infrastructure. He felt that a contribution towards infrastructure is really important. At the same time he recognized that Stanford does not have an unlimited checkbook and the Council did have to be very mindful of how much they were asking for and what the total dollars amounted to. At the end of the day he felt that everyone wanted to have a great hospital project

that meets the needs of the community. He was also interested in exploring redefining the TDM program and the Go Pass; 106 million dollars is a lot of money. Shuttle programs are fabulous and really meet the needs of the community. He also wanted the project to be cost neutral. He was concerned about the notion of putting inflation into the project. He explained that when he said he wanted the project to be revenue cost neutral, he did not want this to be used as an opportunity to extract huge amounts of money out of Stanford in a way that could be really negative towards Stanford based on some perceived 18 million dollar gap. He did feel that the City needed to focus on those items in revenue neutrality issue that are frontloaded, a lot of the use taxes, which Stanford could clearly guarantee. He would like to see some of these suggestions laid out in terms of where this money is coming from, what money we are going to ask Stanford to spend.

Council Member Price stated regarding inflation, she felt it was prudent to look at it in terms of inflation over the longer-term. She hoped that within the Development Agreement there will be a kind of reconciliation period perhaps like at a 30 percent or 50 percent, in order to have a realignment if the estimates are indeed off by a factor that is greater than expected. She asked if there was a way to set aside funds to deal with that as part of the Development Agreement so in case the City had grossly miscalculated there would be a way for a realignment. She was in favor of the housing fund given likely population growth and demands for housing in the region. She asked if there was a way within a Development Agreement to make a statement that the construction jobs would be given to construction firms who are from the Bay Area.

Vice Mayor Espinosa stated he needed to provide a commentary left by Mayor Burt before he left. He would like, as we are looking at the Go Pass, the shuttle, and different transportation issues that have been raised tonight a real focus on what leads to trip reductions. He wanted to know if there was a comparison that could be made between these different transportation options that really focuses on that as the priority so that we can come to a better understanding of doing a comparative analysis. He asked if Staff could comment just briefly on the timeline issues raised by Mr. Borock and whether or not this may be a compliance issue.

Ms. Silver stated that Staff did expect that those timeline issues will ultimately be incorporated into the Development Agreement. She wanted to discuss the method of distinguishing between what types of benefits and issues are properly labeled as mitigations and conditions of approval, and what types of issues are properly labeled as community benefits. The reason for that is that the City did have police power to impose standard

mitigations and conditions of approval, to the extent that those issues are raised by the project itself. However, with a community benefit package and a Development Agreement you have broader latitude, it is a contract, and the types of issues that are incorporated into a Development Agreement do not have to have the strict nexus that some of the other conditions have.

Vice Mayor Espinosa asked for Staff's response to the issue raised by Mr. Materman and why some of the issues that had been on the table earlier are not currently part of the discussion.

Ms. Silver stated in respect to the upstream detention basin there is a very significant process that the JPA is undergoing on that. The timeline just really doesn't correspond with the aggressive timeline that this project has with respect to the SB 1953 seismic upgrade requirements and further with the current Council's direction of expediting the process to accommodate those timelines. The two timelines are not in sync. There has not been a site identified for the detention basin.

Vice Mayor Espinosa stated that he had provided extensive comments at the Finance Committee and at this time he would not reiterate them.

Council Member Klein returned to the meeting at 10:40 p.m.

4. Report from the High Speed Rail Committee (HSR) to Support Caltrain Legislation and Process for Evaluation of Peninsula Cities Consortium (PCC) Core Message; HSR Committee Report on Recommendations on a Palo Alto Caltrain/HSR Corridor Study; Review and Council Direction Regarding Draft Peer Review of the Preliminary Alternatives Analysis Report for the High Speed rail San Francisco to San Jose Section.

Deputy City Manager, Steve Emslie stated the primary purpose in coming before the Council was to discuss the Alternatives Analysis and the Corridor Study with the full range of potential impacts from land use to the urban design perspective.

Council Member Klein stated the focus of discussion was the Alternatives Analysis and he felt the Corridor Study was premature at the present time.

Dave J. Young, Hatch Mott MacDonald, gave a brief presentation on the peer review of the Preliminary Alternatives Analysis Report which focused on alignment and cross sections developed by the High Speed Rail Authority (HSRA), construction impacts, rail operations and their costs.



Council Member Klein stated concern for the lack of cost information for sound walls and the three construction options.

Mr. Young stated the cost for sound walls varied by height or depth, and the construction costs had been provided by the HSRA without detailed explanation of what was included in the costs.

Council Member Klein stated in an effort to provide accurate information there needed to be an examination of the costs that were not presently specified. He asked whether the Palo Alto High School had been taken into consideration in the Alternatives Analysis.

Mr. Young stated the high school had yet to be considered in relation to where it sits with the proposed Alternatives Analysis.

Council Member Klein stated the School District was concerned that seventy-five percent of the campus would be negatively affected.

Council Member Schmid asked the basis for not carrying forward the deep tunnel option into South Palo Alto.

Mr. Young stated in the planning profile sheets there was no deep tunnel option being considered for South Palo Alto. The tunnel would end just south of Oregon Expressway.

Council Member Schmid stated in reviewing the Preliminary Alternatives Analysis Report the City of Mountain View was shown as having a range of options.

Mr. Young stated he did not believe the City of Mountain View had a deep tunnel option.

Council Member Schmid stated the Alternative Analysis had presented the deep tunnel option at a visible cost lower than a cut and cover or trench.

Mr. Young stated the HSRA presentation was misleading; the tunnel option did not continue beyond Oregon Expressway, it was continued as open cut.

Council Member Schmid stated there had been public handouts regarding options and asked the purpose of the information.

Mr. Young stated the schematics could be misleading if read by a party not familiar with schematic drawings.

Council Member Yeh asked for clarification on the depth of the tunnel having different elevations that ranged from 85 feet to 47 feet.

Mr. Young stated in the Alternatives Analysis there were multiple CalTrain tracks in the area and there needed to be a grade separation.

Council Member Yeh stated the CalTrain station was North of Oregon Expressway but the grade discussion was for South of Oregon Expressway.

Mr. Young stated with the option of raising the depth of the tracks, the CalTrain tracks could remain and the HSR tracks could run underneath.

Council Member Yeh asked where the portal would be located.

Mr. Young stated the portal was 4,000 feet long and started at grade level just at the south end of Palo Alto. The grade would begin to lower until it was covered south of Oregon Expressway.

Council Member Yeh asked whether the 2.5 percent grade would continue downward until the eighty-five foot depth had been reached or the forty-seven foot depth.

Mr. Young stated once the grading was at 1.5 diameters of coverage it was considered a tunnel.

Council Member Yeh stated the different points of where the portal could begin created uncertainty as to what area within South Palo Alto would be impacted.

Mr. Young stated at this stage, the large tunnel was a single example out of many options for the actual configuration. By the time the Draft Environmental Impact Report (EIR) was completed, there should be more concrete information available.

Council Member Yeh stated from an engineering perspective it would be good to receive information on the point of entry for the portal.

Council Member Price asked to what degree Bay Area Rapid Transit (BART) data would be useful in terms of the costs for sound walls and construction.

Mr. Young stated the BART costs had been reviewed although the HSR was a larger scale on size and impacts.

Council Member Price asked whether the cut and cover costs for the BART system showed such a wide outlier.

Mr. Young stated by looking at the guideway costs, we can not justify the costs BART was using.

Council Member Scharff stated one of the alternatives was at grade level through Palo Alto. Another alternative was at grade level or cut and cover beginning in the City of Mountain View, then cut and cover through South Palo Alto and then heading down into a deep bore.

Mr. Young stated that was correct.

Council Member Scharff asked for clarification that once South Palo Alto was reached, everything could be cut and cover.

Mr. Young stated that was one option being reviewed.

Council Member Scharff asked whether there was an option where the HSR went from cut and cover and came up to grade level at a portal into South Palo Alto.

Mr. Young stated there were multiple scenarios being drawn up and although that specific combination had not been created, it could still be an option.

Council Member Scharff asked if the bored tunnel was an option and would the tunnel come out at Menlo Park or San Francisquito Creek.

Mr. Young stated the tunnel would exit north of the San Francisquito Creek and would come up to a gradual grade.

Mr. Emslie asked with the bored tunnel option would a train heading south come out into a trench or a cut and cover.

Mr. Young stated usually emerging from a bored tunnel there was a short area of cut and cover.

Beth Bunnenberg, 2351 Ramona Street, spoke regarding the Palo Alto historical sites being impacted by the HSR in terms of vibrations, noise and visual impairment. Deep tunneling would provide the best mitigation to preserve the Palo Alto heritage.

Herb Borock, P.O. Box 632, urged Council to oppose or take no position on the legislation requesting funds to support the electrification of CalTrain.

Caren Chappell, 242 Charleston Avenue, spoke regarding approving the tunnel option and requesting the tunnel be completely under all of the creeks not just San Francisco.

**MOTION:** Council Member Shepherd moved, seconded by Council Member Klein to: 1) support legislation securing funding for Caltrain Electrification; 2) support the Peninsula Cities Consortium (PCC) Core Message, and have the HSR Committee review the Core Message and send comments to the PCC.

Council Member Klein clarified the CalTrain legislation was discussed at length at a previous Council meeting; the intent of the legislation was to enable CalTrain to qualify for American Recovery Reinvestment Act (ARRA) funds. The core principles for the Peninsula Cities Corridor (PCC) had been previously reviewed and discussed by the Council.

Council Member Holman stated she was supportive of the CalTrain electrification project. She asked for clarification of details on what Council was supporting.

Council Member Shepherd stated the stimulus funds were slated for preparation of electrification of CalTrain and there were three specific locations being prepared.

Mr. Emslie stated the stimulus funds would provide the base infrastructure that was necessary to move forward with electrification.

Council Member Holman stated her concern was specific to understanding the impacts of the CalTrain electrification project. She asked in supporting the legislation, was Palo Alto denying their right to mitigation.

Council Member Klein stated CalTrain had final authority over the use of its Right-of-Way. He stated supporting the legislation was in the community's interest.

Council Member Schmid stated the City's alternatives were being narrowed dramatically and felt the tunneling option should remain an alternative.

**AMENDMENT:** Council Member Schmid moved, seconded by Council Member XXXXX to direct the HSR Committee to work to provide a deep tunnel development to Palo Alto.

**AMENDMENT FAILED DUE TO THE LACK OF A SECOND**

Council Member Price stated it was a strategic move on the part of Council to support the electrification of Caltrain; the process of electrification had been studied for more than twenty years. The City needed to ensure fixed rail services along the peninsula survived and were improved. By supporting the legislation, it was a step toward the future of transportation.

Council Member Scharff stated CalTrain felt the process of electrification was crucial to their survival and it was an opportunity to move forward with HSR.

Vice Mayor Espinosa asked whether there had been conversations with the leadership of the City of Mountain View on their thoughts for a tunnel system or a station for their portion of the HSR system.

Council Member Klein stated the Mountain View City Council had been approached and they were currently on a different page for their City. At the request of Mountain View, the HSRA had added the possibility of a station and no tunnel in Mountain View.

**INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER** to clarify the language that support of CalTrain electrification was not support for High Speed Rail.

**AMENDMENT:** Council Member Holman moved, seconded by Council Member Schmid to support the CalTrain legislation dependant upon the ability of the City of Palo Alto to comment on physical impacts to the City.

Council Member Shepherd asked for clarification on whether the Amendment was referring to the electrification of CalTrain.

Council Member Holman stated yes, the physical impacts the electrification would have on Palo Alto.

**AMENDMENT RESTATED:** Council Member Holman moved, seconded by Council Member Schmid to support the Caltrain electrification legislation dependant upon the ability of the City of Palo Alto to comment on physical impacts to the City.

Council Member Holman stated her understanding was that the EIR had not been certified and parts of the EIR were actually stale and there were opportunities to reopen issues that affected Palo Alto.

Council Member Schmid stated since the EIR was not finalized and the debate of the effects of the HSR on the community were still in question, it

would be premature to vote for CalTrain to move ahead with the electrification.

Council Member Klein stated he did not support the Amendment. He noted the EIR had not been certified due to Menlo Park and Atherton having issues.

Council Member Scharff asked why the Amendment was dependant upon whether or not there was an ability to comment on the EIR.

Council Member Holman clarified her understanding was not all of the members of the legislature had a clear understanding of the HSR System. The rationale of the Amendment was to notify the legislature that the City's involved had concerns too.

Council Member Price stated she did not support the Amendment.

**AMENDMENT FAILED:** 3-5 Holman, Schmid, Yeh yes, Burt absent

Council Member Yeh asked what type of additional analysis could be conducted and ultimately whether that could be built into the Motion or whether it would need to be a separate Motion.

Council Member Klein stated the Motion on the table was narrow with two items. He clarified he favored the idea of the tunnel being driven through the entirety of Palo Alto which belonged in a response to the Alternatives Analysis which was approximately four weeks away.

Council Member Shepherd clarified the deep tunnel was only for HSR, not CalTrain or freight usage. Once the tunnel was in, there would be added expenses for the cut and cover or grade separation.

Council Member Schmid stated the PCC guidelines mentioned communities would work towards tunneling. He asked for clarification on the intent.

Council Member Price stated tunneling was one of the guiding principles in the PCC guidelines.

Council Member Holman suggested moving to the discussion on the Corridor Study.

Council Member Klein stated the Corridor Study was remaining in Committee until Staff returned with a more detailed Draft Scope of Work to be reviewed by the Committee prior to returning to the Council. It would be premature to have a discussion where a decision could not be made.

**MOTION RESTATED:** Council Member Shepherd moved, seconded by Council Member Klein to: 1) Support legislation securing funding for Caltrain Electrification; 2) Support the Peninsula Cities Consortium (PCC) Core Message, and have the HSR Committee review the Core Message and send comments to PCC; and 3) Clarify the language that support of SB95 or other legislation pertaining to Caltrain electrification funding is not support of High Speed Rail favoring a particular alignment along the Caltrain right-of-way.

Council Member Holman stated she would be supporting the Motion with the commitment on the part of the Committee to convey to the legislature the concerns of the environmental impacts due to the electrification project.

Vice Mayor Espinosa stated that request needed to be in the form of an Amendment to the Motion on the table or as a separate Motion.

Council Member Holman stated her understanding was the Committee was in contact with the legislature and she felt as part of their communication the concerns could be conveyed.

Council Member Klein stated the language appeared to be similar to the failed Amendment and he felt uncomfortable considering language that was inconsistent with the Motion.

**MOTION PASSED:** 7-1 Schmid no, Burt absent

#### COUNCIL MEMBER QUESTIONS, COMMENTS, AND ANNOUNCEMENTS

Council Member Klein reported on attending the Bay Area Water Supply and Conservation Board of Directors meeting last week and that water use is down five percent for all agencies who buy water from San Francisco.

ADJOURNMENT: The meeting adjourned at 12:31 a.m.