



PLANNING COMMISSION STAFF REPORT

FOR THE PLANNING COMMISSION
MEETING OF MAY 22, 2006
AGENDA ITEM C1

LOCATION:	2825 Sand Hill Road	APPLICANT AND PROPERTY OWNER:	The Board of Trustees of the Leland Stanford Junior University
EXISTING USE:	Vacant		
PROPOSED USE:	Office, Hotel and Associated Facilities	APPLICATIONS:	General Plan Amendment, Rezoning, Conditional Development Permit, Environmental Review
EXISTING ZONING:	C-1-C (Administrative, Professional and Research District, Restrictive)	PROPOSED ZONING:	C-4-X (General Commercial, Other than El Camino Real – Conditional Development District)
EXISTING GENERAL PLAN DESIGNATION:	Professional and Administrative Offices	PROPOSED GENERAL PLAN DESIGNATION:	Retail/Commercial

PROPOSAL

The applicant is proposing to construct a 170,000-square-foot hotel facility comprised of 120 guest rooms and suites, five villas, a restaurant, spa, fitness center, and a 100,000-square-foot office complex on a 21.06-acre, undeveloped site located at 2825 Sand Hill Road adjacent to the Sand Hill Road/Interstate 280 interchange. The proposal requires the approval of the following requests:

- **General Plan Amendment:** Change from Professional and Administrative Offices land use designation to Retail/Commercial land use designation;
- **Rezoning:** Change from C-1-C (Administrative, Professional and Research District, Restrictive) to C-4-X (General Commercial – Conditional Development District);
- **Conditional Development Permit:** Establish specific uses and development regulations and architectural designs;
- **Heritage Tree Permit:** Remove two heritage size trees; and
- **Environmental Review** of the proposed project in the form of an Environmental Impact Report (EIR).

The proposal requires review and recommendations by the Planning Commission on the General Plan Amendment, Rezoning, Conditional Development Permit, and EIR. The City Council is the final decision-making body on these applications. The City Council will also consider the Heritage Tree Removal Permit and the recommendation by the Housing Commission in regard to the Below Market Rate Housing in-lieu fee proposal.

BACKGROUND

Previous City Council and Planning Commission Meetings

The proposal appeared before the City Council on May 24, 2005 for a study session and then subsequently before the Planning Commission for study sessions on September 19, 2005 and February 27, 2006. At the meetings, the study session allowed the applicant to present the proposed project and receive comments raised by the City Council, Planning Commission, and members of the public.

At the City Council study session, the Council expressed general support for the proposed project. The Council was interested in learning more about the fiscal implications of the project, particularly the Transient Occupancy Tax (TOT). In addition, several members of the public also expressed support for the proposed hotel at the subject site. However, several nearby residents also raised concern about traffic and the change in appearance of the site.

On September 19, 2005, the applicant presented the project to the Planning Commission at a study session. The Commission generally supported the proposal in concept and provided comments on various issues, including lighting, signage, streetscape and architectural details, and pedestrian accessibility. Members of the public also provided comments and raised concern about traffic and aesthetics.

In a follow-up study session on February 22, 2006, the applicant provided the Planning Commission and members of the public with visual aids, including a scaled model of the built-out site in context with the adjacent land uses and colors and materials boards. The Commission generally supported the architectural style and the proposed high quality materials to be used within the project. Members of the Commission indicated that the proposed height exception was appropriate given the grade differential of the site and that views to the west would not be hindered from Sand Hill Road and adjacent properties.

At the February 22, 2006 meeting, the Planning Commission also conducted a public hearing to receive comments on the Draft Environmental Impact Report (EIR) during the 45-day public comment review period, which began on January 31, 2006 and closed on March 16, 2006. The minutes of the Planning Commission meeting and the comments from the public and Planning Commission are included in the Response to Comments of the Final EIR which have been distributed to all commenters and is available upon request in the City offices. The Final EIR is available for review during the office hours of the Planning Division.

Fiscal Impact Study

In response to the City Council's request, the applicant submitted a fiscal analysis prepared by CBRE Consulting/Sedway Group (CBRE Consulting) for the proposed project. To assist staff in review of the report's assumptions, methodology and conclusions, the City selected Denise Conley Consulting Group (CCG) to prepare a peer review of the Fiscal Impact Study. The CBRE Consulting study indicates that in 2008, when the hotel would be in operation, the proposed development is expected generate approximately \$1,099,000 in Transient Occupancy Tax (TOT). This amount would double the City's existing TOT revenue. The CCG peer review memorandum identified several technical critiques of the CBRE Consulting Fiscal Impact Study. However, despite potential revenue reductions for such factors, the proposed project would have a net fiscal positive impact on the City of Menlo Park. The Fiscal Impact Study, peer review, and the response to the peer review analysis by CBRE Consulting were provided to the City Council for its May 9, 2006 meeting. The staff report without attachments are included as Attachment J. The attachments to the May 9, 2006 City Council's staff report are available for review during office hours of the Planning Division.

Below Market Rate Proposal

On May 10, 2006 the Housing Commission was scheduled to review the proposed Below Market Rate Housing proposal, which is payment of an in-lieu fee of approximately \$2.5 million. Due to lack of a quorum by the Commission, the Housing Commission has continued the item to the June 7, 2006 meeting for discussion and recommendation. The Housing Commission staff report is included as Attachment I. The Housing Commission recommendation will be forwarded to the City Council for review and action at its tentatively scheduled June 20, 2006 meeting.

ANALYSIS

The purpose of the May 22, 2006 public hearing on this proposal is to give the public and the Planning Commission an opportunity to comment on the project and the Final EIR that has been prepared. Subsequent to receiving public comment, the Commission should formulate and forward to the City Council its final recommendation on the proposed project and Final EIR. The City Council is tentatively scheduled to hold a public hearing on the project on June 20, 2006.

A more detailed description of the components of the hotel and office project, including a review of the architecture and materials, landscaping, and parking, access and circulation, is located in the February 27, 2006 Planning Commission staff report. The February 27, 2006 staff report is included as

Site and Surrounding Context

The 21.06-acre site is located in the southeastern quadrant of the Sand Hill Road/Interstate 280 interchange and is undeveloped grassland area. The site is generally triangular. For clarification, an approximate 14,000-square foot parcel, located at the entrance of the project site along Sand Hill Road, is not part of the project site, but rather part of the adjacent site at 2725-2775 Sand Hill Road. Because the project site has an access easement over this land, which is integral to ingress and egress for the project, the area is represented on the site plan by a dotted line. For purposes of lot area and floor area ratio (FAR) calculations, the square footage of the parcel is excluded.

Office buildings are located to the east and north, across Sand Hill Road, Interstate 280 is located on the west, and the Stanford Linear Accelerator Center (SLAC) is located to the south. The topography of the site contains a gradual downward slope, heading towards the freeway, with an approximate 50-foot grade differential between the east and west sides of the property.

Proposed Project

The proposed project is the development of a 170,000 square-foot hotel and its associated facilities and a 100,000 square-foot office complex comprised of four

buildings on an undeveloped 21-acre site. The site plan integrates the various components into one comprehensive development. The site plan incorporates multiple structures connected through a series of pedestrian linkages. The hotel and villas would be situated on the southeastern portion of the site, closest to the existing office complex on the adjacent property. Hotel rooms and suites range in size from 518 to 1,004 square feet in size and are grouped in multiple buildings while the extended stay villas are individual units comprised of two or three bedrooms, ranging from 2,400 to 3,550 square feet in size. The new office buildings would be located closest to the Sand Hill Road/Interstate 280 Interchange. The common facilities, including a spa, fitness center, and restaurant, would be centrally located on the site, and available for use by hotel guests, office employees or members of the public. The applicant intends to own and develop the property and manage the office complex. It is anticipated that a private hotel operator would manage the hotel. At this time, the applicant does not plan to enter into any long-term ground leases.

The following table provides the density, floor area ratio, building coverage, paving and landscaping percentages, number of parking spaces, setbacks, and height requirements under the existing C-1-C zoning district and the proposed underlying C-4 zoning district with a comparison to the proposed project.

Left Intentionally Blank

**Table 1
FAR, Building Coverage, Paving, Landscaping, Parking, Setbacks and Height
Comparisons**

	C-1-C District	C-4 District	Proposed Project
Floor Area Ratio (FAR)	25%	40%	29.5%
Building Coverage	20%	No Maximum	21.4%
Paving	N/A	N/A	22.2%
Landscaping	Minimum 30%	Minimum 5%	56.4%
Parking	1,080 spaces 4 spaces per 1,000 sf	1,620 spaces 6 spaces per 1,000 sf	590 spaces (Approximately 1 per 300 sf for office, 1.1 spaces per 1 room, 6 per 1,000 sf of restaurant, 5 per 1,000 sf for personal service)*
Setbacks**	Front: 75 ft. Side Corner: 75 ft. Interior: 30 ft. Rear: 40 ft.	N/A	Front: 75 ft. Side: 60 ft. Rear: 45 ft.
Height	35 Feet Maximum***	30 Feet Maximum***	39 Feet Maximum (from finished grade)

* Generally Based on City's Parking Reduction Guidelines

** Front = Sand Hill Road, Side = Shared Property with 2725 Sand Hill Road and
Rear = Interstate 280

***Height of Structure means the vertical distance from the average level of the highest and lowest point of the natural grade of the portion of the lot covered by the structure to the topmost point of the structure, excluding elevator equipment rooms, ventilating and air conditioning equipment and chimneys.

General Plan Amendment and Rezoning

Although undeveloped, the subject site at 2825 Sand Hill Road has long been planned for urban uses in the General Plan. The site currently has a General Plan land use designation of Professional and Administrative Offices and the property is zoned C-1-C (Administrative, Professional and Research District, Restrictive). The proposed office component of the project is consistent with the General Plan land use designation and zoning district. However, the hotel and related facilities are not explicitly identified in the General Plan and the uses are not currently permitted in the C-1-C zoning district. In order to construct the proposed project, the existing General Plan land use and zoning

designations would need to be changed. The appropriate designations would be Retail/Commercial General Plan land use designation and C-4 (General Commercial – Other than El Camino Real), which is the corresponding zoning district. The proposal includes the “X” (Conditional Development) zoning designation in order to consider alternative development standards.

Table 1, as shown above, indicates that the project will be within the standards of the C-4 requirements for all items except height and parking. In consideration of the C-4-X zoning district, the applicant proposes that these development regulations be established through the Conditional Development Permit to accommodate the proposed hotel and office project. The parking requirement for the C-4 zoning district is six spaces per 1,000 square feet of gross floor area regardless of use. With a total gross floor area of 270,000 square feet, the parking requirement would be 1,620 spaces. The applicant is proposing a total of 590 parking spaces based on the proposed specific uses and the City’s Parking Reduction Guidelines, which was adopted as part of Phase II of Commercial Streamlining. In regard to the building height exception, the maximum height allowed in the C-4 district is 30 feet measured from average existing grade. The proposed office building heights are approximately 39 feet in height measured from finished grade, which varies throughout the site. The proposed development standard would include an exception to the height and how it is calculated. The difference between proposed and finished grade is dependent upon the location of the building. These exceptions and all elements requiring a use permit would be covered through the Conditional Development Permit.

The proposed “X” designation would create specific development standards for the site, which provides assurances to the types of uses and intensification of the site. The C-4 base designation allows a wide variety of commercial land uses. However, the proposed project would be limited to those uses identified in the Conditional Development Permit, which is included as Attachment G. Similarly, the Conditional Development Permit establishes the development standards for the project, identifying specific FAR, building coverage, landscaping, parking, and height standards. The uses, development standards and conditions identified in the Conditional Development Permit are specific to the site.

The Planning Commission may wish to consider the land use goals and policies contained in the General Plan that are related to the commercial development. The goals and policies that are most applicable to the proposal are listed below.

Goal I-E To promote the development and retention of commercial uses which provide significant revenue to the City and/or goods or services needed by the community and which have low environmental and traffic impacts.

Policies

- I-E-1 All proposed commercial development shall be evaluated for its fiscal impact on the City as well as its potential to provide goods or services needed by the community.
- I-E-2 Hotel uses may be considered at suitable locations within the commercial and industrial zoning districts of the city.
- I-E-4 Any new or expanded office use must include provisions for adequate off-street parking, mitigating traffic impacts, and developing effective alternatives to auto commuting, must adhere to acceptable architectural standards, and must protect adjacent residential uses from adverse impacts.

Staff believes that the project is consistent with the proposed land use designation and goals and policies of the General Plan and that it is appropriate to make the required finding.

As discussed previously, the fiscal impacts of the project have been evaluated and the proposed hotel could double the City's existing TOT of approximately \$1,070,000 to \$2,169,000 in 2008 when the hotel is operational, thus contributing to the City's fiscal health. A full service restaurant, spa facilities and fitness center are additional public amenities proposed within the project.

The hotels location is suitable given the proximity to the freeway and the existing composition of venture capital, financial and professional firms along the Sand Hill Road Corridor, which is an area that is underserved by a hotel in close proximity. The proposed hotel and office complex would allow potential and existing employees along Sand Hill Road Corridor to utilize the proposed services, thus potentially minimizing environmental consequences such as vehicle trips and pollution.

As indicated in the Draft EIR, the proposed project would have a less than significant impact (with proposed mitigation) on the environmental impact areas discussed in the Draft EIR, except for traffic. The traffic impacts that may potentially not be fully mitigated are those that require improvements outside the control of the applicant and the City of Menlo Park (i.e., the I-280 northbound off ramp), are regional in nature and the project's contribution to the impact does not justify pursuit of the necessary improvement (i.e., the El Camino Real/Ravenswood Avenue intersection), or no feasible mitigation exists (i.e., roadway segment impacts).

As part of the project, the applicant proposes to provide a shuttle service for the employees and patrons of the hotel to and from local and regional transit services along the El Camino Real Corridor. The applicant's proposed Transportation Demand Management Plan, which would remain for the occupied life of the project, would also

include measures such as bike racks and showers and lockers to promote other methods of transit. As part of the project, the applicant proposes to install new American with Disabilities Act (ADA) compliant sidewalk ramps at the four corners of the Addison-Wesley intersection and also improve the existing pedestrian pathway along the north side of Sand Hill Road opposite the project site. The incorporation of safe and attractive pedestrian facilities both off-site and on-site provides connectivity within the site, between the site and nearby complexes, and should encourage pedestrian activity.

Conditional Development Permit

Under the base C-4 zoning requirements, any new construction requires a use permit regardless of whether or not the use is permitted. The proposed project would require a use permit for the construction of the hotel, office, personal service and restaurant uses. In addition, the hotel and extended stay villas, the provision of alcohol associated with the restaurant, and massage associated with the spa, which are conditional uses, would require approval of a use permit. These uses would be identified as permitted uses in the Conditional Development Permit.

The Conditional Development Permit (CDP) establishes the development regulations for the property and the conditions of approval. The CDP, included as includes terms that allow for minor changes to the location and exterior of the buildings, landscaping and fencing that are consistent with the CDP through an administrative review process. Major modifications involving additional square footage or other expansions, change in land use, development standards or conditions would require an amendment to the CDP and approval by the City Council.

The proposed CDP has been designed for the proposed project to be approved without the flexibility for future expansion without review and approval by the City Council. The components of the project, including the mix of uses, the partially submerged parking, the extensive landscaping, and architectural style and materials, create a project that is compatible in design and scale with the surrounding office complexes. No building exceeds two stories above proposed grade, which retains the low-density character of the Sand Hill Road Corridor and preserves the views of the hills to the west. The inclusion of submerged parking is both aesthetically pleasing and environmentally sensitive as impervious surfaces are reduced.

Staff believes that the use of the Conditional Development Permit is appropriate subject to the conditions of approval included as Attachment H. The proposed development meets the major development requirements of floor area ratio, lot coverage, and landscaping. The exceptions related to height and parking are appropriate given the proposed uses and the overall site design, which 1) provides partially submerged parking, 2) reduces the amount of impervious surfaces, 3) allows for over 50 percent of the site to be landscaped with a variety of native trees, plants shrubs and decorative pavers, and 4) creates similar setbacks as adjacent properties to maintain the consistency of development along Sand Hill Road. The development standards and

conditions of approval have been created to ensure that the proposed components of the project are built and operating consistent with the intent of the project.

The applicant has also expressed an interest in modifying two of the draft conditions of approval, item 6.14.2 and 6.19.2, and potentially adding a condition. The applicant has been working with the City and adjacent property owners to explore alternative improvements to the existing pedestrian pathway. A final design solution has not been agreed upon, but the staff will continue to work with the applicant on refining the proposal prior to the City Council meeting. Future changes would be addressed in condition 6.14.2. Additionally, the applicant seeks to modify condition 6.19.2 to provide relief from payment of the Building Construction Street Impact Fee given the site's proximity to I-280 and therefore, less potential for impact on the roadways. The change in fee for the proposed project would require action by the City Council. Finally, the applicant is working with the adjacent property owners to explore improvements and long-term maintenance of the median island along Sand Hill Road in front of the project site. At this time, no condition of approval has been added, but staff will continue to work with the applicant on this topic prior to the City Council meeting.

Heritage Tree Removal

The project site contains 20 heritage trees, mostly eucalyptus and coast live oak, located on the perimeter of the site. Two heritage trees, a valley oak and Italian stone pine, are proposed for removal to accommodate a dedicated right turn lane on Sand Hill Road into the project site and associated street frontage improvements. Both of the trees are mature and in fair condition according to an inventory prepared by the applicant's arborist. The removal of the heritage trees would require a Heritage Tree Permit and would require a two to one replacement ratio. A conceptual landscaping plan, which provides a variety of trees, plants, shrubs and other landscaping material, is shown on L1.05 of Attachment B and the species are listed on L1.06 and L1.07/

ENVIRONMENTAL REVIEW

A Draft Environmental Impact Report (EIR) was prepared for the proposed project, and was released for public comment from January 31, 2006 to March 16, 2006. Staff received 22 comment letters from residents, nearby property managers, and various local and state agencies. These comments, in addition to comments received at the Draft EIR public hearing on February 27, 2006, are included with responses to those comments. The response to comments and the Draft EIR comprise the Final EIR for the project. Staff also received seven letters following the close of the public review period, which are included as Attachment L.

The comments on the Draft EIR generally focused on several topics, including traffic, additional alternatives to the project, the loss of wetlands and biological resources, and visual change of the undeveloped site.

The primary issue raised in the letters was traffic, including concerns about impacts on streets such as Oak Avenue and Monte Rosa Drive, and impacts at the intersection of the northbound I-280 off-ramp and Sand Hill Circle. As discussed in the Draft EIR and summarized in the environmental review section of the staff report dated February 27, 2006, the proposed project would result in potentially significant and unavoidable impacts on 11 street segments. Two of those segments are Oak Avenue north of Sand Hill and Monte Rosa Drive north of Sand Hill, both classified as local streets. Residents have expressed concern about cut-through traffic on these streets to Sand Hill Road and the potential delay and increase in safety hazards. The project is considered to have an impact if more than 25 trips are added, which is the threshold established for local streets with volumes that currently exceed established capacities. The project would need to be reduced to generate approximately 10 percent of the trips to reduce the significance level. As indicated in the Final EIR, the City of Menlo Park has implemented a Neighborhood Traffic Management Plan (NTMP) which provides measures to enhance the safety and sense of well being on residential streets. Residents on Oak Avenue and Monte Rosa Drive can use this program to potentially improve conditions along these streets segments. Traffic impact fees paid pursuant to Mitigation Measure 3.13-1 could help fund requested NTMP measures.

The potential impact at the intersection of the northbound I-280 off-ramp and Sand Hill Circle was also identified as a potentially significant impact in the Draft EIR. As indicated in the Draft EIR, mitigation for improvements to the intersection has been identified. However, these improvements are not within the control of the City of Menlo Park, but rather Caltrans. The mitigation measure requires the pursuit of an encroachment permit with Caltrans prior to submitting a building permit application with the City. The mitigation measure considers timing and alternatives should the applicant be unsuccessful in obtaining a permit from Caltrans. Furthermore, staff, in coordination with the applicant, has modified the mitigation measure to shorten the timeframe for implementation and require establishment of a fund equal to the estimated cost of construction for the benefit of either Caltrans or the City of Menlo Park as an alternative.

The comment letters also expressed desire for additional reduced project alternatives, which could potentially reduce impacts. The Final EIR includes two additional measures, including a Hotel with No Office Alternative and a 50 Percent Hotel and 50 Percent Office Alternative. Like the proposed project, both of these alternatives would result in significant and unavoidable traffic impacts. These alternatives could reduce impacts to air quality and traffic-related noise, but neither of these are significant unavoidable impacts of the proposed project. Potential impacts to biological resources, such as wetlands and the loss of heritage trees, would likely not be avoided or reduced given that development would impact at least a portion of the wetlands. As stated in the Draft EIR, the applicant proposes to install numerous trees, plants, and other landscaping material, some of which are native species, which would not only mitigate for the loss of the trees, but also provide additional landscaping. The proposed project would include over 50 percent of the site in landscaping, which would be an attractive feature of the site from I-280 and Sand Hill Road. Additionally, the proposed relocation of wetlands would result in replacement at a ratio of 2:1 (new wetlands and riparian

restoration: impacted wetlands). The proposed mitigation would result in overall improved conditions and provide habitat for resident and migratory wildlife. These mitigation measures have all been identified as conditions of approval for the project.

The Final EIR was released for public review on May 9, 2006. The public review period ends on May 19, 2006 at 5:00 p.m. To date, three letters have been received on the Final EIR, and are included in Attachment M.

In order to complete the EIR process and certify the document, CEQA requires the preparation of Findings for Certification, a Statement of Certification, and a Mitigation Monitoring and Reporting Program. The Findings for Certification address the significant impacts identified in the Draft EIR, describing the impact, the mitigation and the determination of significance. The Statement of Certification states that the City has met all procedural requirements of CEQA. The Mitigation Monitoring and Reporting Program (MMRP) establishes responsibility and timing for implementation of all required mitigation measures. The mitigation measures have been taken from the list of mitigations measures listed in Table 1-1 of the Draft EIR on pages 1-6 through 1-20. While the content of the mitigation measures has remained, revisions have been made to better identify implementation timing and responsibility. The revised mitigation measures are included in the MMRP. The Findings for Certification, including the Statement of Certification, and the Mitigation Monitoring and Reporting Program are included as Attachments C and D.

As identified in the Draft EIR Analysis of Impacts, the project will result in significant, unavoidable traffic impacts. In order to approve the project with significant and unavoidable adverse environmental impacts, the City Council must adopt a Statement of Overriding Considerations. This is a specific finding that the project includes substantial public benefit that outweighs its significant adverse environmental impact. The Statement of Overriding Considerations is included in Attachment C. The Planning Commission should review and forward a recommendation to the City Council on the adequacy of the Final EIR, Findings for Certification, the Statement of Overriding Consideration, Statement of Certification and Mitigation Monitoring and Reporting Program. The City Council will be the final decision-making body on all documents associated with the certification of the Final EIR.

RECOMMENDATION

The proposed hotel and office project is well designed, compatible with the surrounding land uses, and appropriate in scale and use for the site. The proposed General Plan Amendment, Rezoning, and Conditional Development Permit are necessary for the development of the proposed project, which is consistent with several goals and policies of the City's General Plan. As indicated in the DEIR, proposed project would have a less than significant impact all environmental impact areas except for traffic. Staff believes that the benefits of the proposed project outweigh the potential significant and unavoidable impact to traffic. Staff recommends that the Planning Commission recommend certification of the EIR and Statement of Overriding Considerations, and

recommend approval of the General Plan Amendment, Rezoning and the Conditional Development Permit.

Staff recommends that the Planning Commission recommend the following to the City Council.

Environmental Review

1. Adopt the Findings for Certification of the Environmental Impact Report, including the Statement of Overriding Considerations and Statement of Certification.
2. Adopt the Mitigation Monitoring and Reporting Program prepared for the project.

General Plan Amendment

3. Make a finding that the proposed General Plan amendment to change the land use designation of property located at 2825 Sand Hill Road from Professional and Administrative Offices to Retail/Commercial for the development of a total of a 170,000-square-foot hotel facility comprised of 120 guest rooms, five villas, a restaurant, spa, fitness center and associated facilities, and a 100,000-square-foot office complex would be consistent with the adopted General Plan.
4. Approve a resolution amending the General Plan to change the land use designation of property located at 2825 Sand Hill Road from Professional and Administrative Offices to Retail/Commercial.

Rezoning

5. Make a finding that the proposed rezoning of property located at 2825 Sand Hill Road from C-1-C (Administrative, Professional and Research District, Restrictive) to C-4-X (General Commercial, Not Applicable to El Camino Real – Conditional Development District) is consistent with the General Plan land use designation of Retail/Commercial.
6. Introduce an ordinance rezoning property located at 2825 Sand Hill Road from C-1-C (Administrative, Professional and Research District, Restrictive) to C-4-X (General Commercial, Not Applicable to El Camino Real – Conditional Development District).

Conditional Development Permit

7. Make a finding that the proposed conditional development permit will not be detrimental to the health, safety, morals, comfort and general welfare of the persons residing or working in the neighborhood of such proposed planned development, and will not be detrimental to property and improvements in the neighborhood or the general welfare of the City.
8. Make a finding that the conditional development permit allows for development that supports a mix of hotel with associated amenities and office uses in close proximity to each other, provides a hotel in a location that is currently underserved by hotel uses, increases the City's Transient Occupancy Tax (TOT) revenues, contributes an in-lieu fee to the City's Below Market Housing Program, and improves wetlands through relocation and restoration of natural habitat.
9. Approve the Conditional Development Permit for the construction of a 170,000-square-foot hotel facility comprised of 120 guest rooms, five villas, a restaurant, spa, fitness center and associated facilities, and a 100,000-square-foot office complex for property located at 2825 Sand Hill Road subject to the terms and conditions of the Conditional Development Permit.

Deanna Chow
Senior Planner
Report Author

Justin Murphy
Development Services Manager

PUBLIC NOTIFICATION

Public notification consisted of publishing a legal notice in the local newspaper and notification of owners and residents with a 300-foot radius of the subject property. In addition, notices were mailed to residents and property owners of the Sand Hill Circle area and properties located between Sharon Park Drive and Sand Hill Road. Notices were also sent to members of the public who requested to be notified of this project.

ATTACHMENTS

- A. Location Map
- B. Project Plans
- C. Findings for Certification of the Environmental Impact Report, including the Statement of Overriding Considerations

- D. Mitigation Monitoring and Reporting Program for the Environmental Impact Report
- E. Draft Resolution amending the General Plan to change the land use designation of the property located at 2825 Sand Hill Road from Professional and Administrative Offices to Retail/Commercial
- F. Draft Ordinance rezoning property located at 2825 Sand Hill Road from C-1-C (Administrative, Professional and Research District, Restrictive) to C-4-X (General Commercial, Not Applicable to El Camino Real – Conditional Development)
- G. Draft Conditional Development Permit, dated May 22, 2006
- H. Draft Conditions of Approval, dated May 22, 2005
- I. Housing Commission staff report for the meeting of May 10, 2006 (without attachments)
- J. Fiscal Impact Study staff report for the City Council meeting of May 9, 2006 (without attachments)
- K. Staff Report for the Planning Commission meeting of February 27, 2006 (without attachments)
- L. Correspondence received following closure of the public review comment period on the DEIR:
 - Chris and Marie Kenney, 2210 Avy Avenue, dated March 19, 2006
 - Charlotte Mesiel, dated March 22, 2006
 - Jean McDonald, President of Sand Hill Townhouse Association (400-712), dated March 24, 2006
 - Timothy Sable, District Branch Chief (IGR/CEQA), Department of Transportation, dated March 28, 2006
 - Gordon Johnson, President of Sand Hill Circle Association, dated March 24, 2006
 - Mark Waissar, dated April 28, 2006
- M. Correspondence received on the Final EIR
 - Nancy Andrus, 1925 Oak Avenue, dated May 18, 2006
 - Rich Rollins, 640 Menlo Avenue, dated May 18, 2006
 - John W. Van Natta, M.D., dated May 19, 2006

Previous Documents Available for Review During Business Hours at the Planning Division

- City Council Study Session Staff Report, May 24, 2005
- Planning Commission Study Session Staff Report, September 19, 2005
- Draft Environmental Impact Report, dated January 2006
- Fiscal Impact Study by CBRE Consulting/Sedway Group, dated January 2006
- Planning Commission Study Session Staff Report, February 27, 2006
- Peer Review Memorandum on the Fiscal Impact Study by Conley Consulting Group, dated March 30, 2006

- Response to Peer Review Memorandum by CBRE Consulting/Sedway Group, dated April 7, 2006
- Final Environmental Impact Report, dated May 2006

EXHIBITS TO BE PROVIDED AT MEETING

- Model
- Colors and Material Board

Note: Attached are reduced versions of maps and diagrams submitted by the applicant. The accuracy of the information in these drawings is the responsibility of the applicant, and verification of the accuracy by City Staff is not always possible. The original full-scale maps and drawings are available for public viewing at the Community Development Department.

V:\STAFFRPT\PC\2006\52206__2825_Sand_Hill_Road_Staff report.doc

DRAFT

**RECOMMENDATIONS OF THE PLANNING COMMISSION OF THE CITY OF MENLO
PARK REGARDING CERTIFICATION OF THE FINAL ENVIRONMENTAL IMPACT
REPORT, FINDINGS, APPROVAL OF MITIGATION MEASURES AND MITIGATION
MONITORING AND REPORTING PROGRAM, AND STATEMENT OF OVERRIDING
CONSIDERATIONS**

**UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT
(Public Resources Code, Section 21000 et seq.)**

SAND HILL ROAD HOTEL AND OFFICE DEVELOPMENT PROJECT

I. INTRODUCTION

In May, 2005, the City of Menlo Park received an application from the Board of Trustees of the Leland Stanford Junior University to construct a hotel and office project (the project) in the western portion of the City of Menlo Park. The 21.06-acre site proposed for development is located at 2825 Sand Hill Road, adjacent to the southeastern quadrant of the Interstate 280/Sand Hill Road interchange and is owned by Stanford University and managed by Stanford Management Company.

The application included the construction of a 170,000 square-foot hotel facility comprised of 120 guest rooms and suites, five villas, banquet and meeting space, spa, fitness center and a 100,000 square-foot office complex. The proposal would require approval of the following:

- A **General Plan Amendment** to change the Professional and Administrative Offices land use designation to the Retail/Commercial land use designation;
- A **Rezoning** to change the C-1-C Administrative, Professional and Research District to the C-4-X General Commercial – Conditional Development District;
- A **Conditional Development Permit** to establish specific uses and development regulations and review architectural designs;
- A **Heritage Tree Permit** to remove two heritage size trees; and
- **Environmental Review** under the provisions of the California Environmental Quality Act (CEQA) of the proposed project in the form of an Environmental Impact Report (EIR).

On July 14, 2005, the City of Menlo Park Community Development Department issued a Notice of Preparation (NOP) to interested agencies and members of the public and to the State Clearinghouse that an EIR would be prepared for the proposed **Sand Hill Road Hotel and Office Development Project**. The NOP response period extended for a period of 30 days.

On July 28, 2005, the City of Menlo Park conducted an EIR agency/public scoping meeting for the project to allow agency representatives, individuals and the public at large to express the environmental issues and project alternatives they considered necessary to be addressed in the project EIR, and for the Community Development Department to record those expressed concerns for purposes of EIR preparation and entry into the record.

A Draft EIR for the project was completed and circulated for a 45-day public/agency review and comment period on January 31, 2006. The review and comment period extended through March 16, 2006.

On February 27, 2006, a public hearing to address the adequacy of the Draft EIR was held before the Menlo Park Planning Commission at which time oral and written comments were requested. In addition, various letters of comment were submitted during the course of the public/agency review and comment period.

On May 9, 2006, the City of Menlo Park published and issued a Final EIR in response to comments received on the Draft EIR. The Planning Commission recommends that the City Council certify the Final EIR and, if it approves the project, issue the following approvals, findings, and statement of overriding considerations under the California Environmental Quality Act.

II. GENERAL FINDINGS AND OVERVIEW

A. Procedural Background

The Draft EIR prepared for the project was published for public and agency review and comment on January 31, 2006. The Draft EIR was made available for review and comment by interested persons and public agencies through March 16, 2006. The City of Menlo Park prepared written responses to the comments received during the comment period and included those responses in a Final EIR. The Final EIR was made available for public and agency review on May 9, 2006.

B. Record of Proceedings and Custodian of Record

For purposes of CEQA and the findings as set forth herein, the record of proceedings for the City of Menlo Park's findings and determinations consists of the following documents and testimony:

1. The Final EIR (comprising the Draft EIR (volume 1) and the Final EIR (volume 2) for the *Sand Hill Road Hotel and Office Development Project* and all reports, documents, studies, memoranda and maps related thereto.
2. The Notice of Preparation and other public notices issued by the City in conjunction with the Draft EIR for the *Sand Hill Road Hotel and Office Development Project*.
3. All written and oral comments submitted by agencies and members of the public to the City during the public/agency review period for the Draft EIR and at any public hearings or meetings held on project approvals.

4. All documents constituting the record pursuant to Public Resources Code section 21167.6; and
5. All matters of common knowledge to this Commission and Council, including but not limited to:
 - a. the Menlo Park General Plan and other applicable policies
 - b. the Menlo Park Zoning Ordinance and other applicable ordinances
 - c. information regarding the City's fiscal status
 - d. applicable City policies and regulations.

The documents described above comprising the record of proceedings are located in the offices of the Menlo Park Community Development Department, 701 Laurel Street, Menlo Park, CA 94025. The custodian of these documents is the Development Services Manager or his designee.

C. Severability

If any term, provision, or portion of these Findings or the application of these Findings to a particular situation is held by a court to be invalid, void or unenforceable, the remaining provisions of these Findings, or their application to other actions related to the *Sand Hill Road Hotel and Office Development Project* shall continue in full force and effect unless amended or modified by the City.

III. CERTIFICATION OF THE FINAL EIR

The Final EIR and City Council staff report dated _____ was presented to the City Council, acting as the decision making body of the Lead Agency for the project, and the City Council reviewed and considered the information contained in the Final EIR prior to approving the project.

The City Council hereby finds that the Final EIR for the Sand Hill Road Hotel and Office Development project is adequate, accurate and objective and reflects the independent judgment of the City; and the Final EIR contains no significant revisions to the Draft EIR.

The City Council of the City of Menlo Park, acting as the decision-making body for the Lead Agency for the project hereby does CERTIFY THE COMPLETION of said Final EIR in compliance with CEQA and the CEQA Guidelines.

IV. FINDINGS AND RECOMMENDATIONS REGARDING SIGNIFICANT AND UNAVOIDABLE IMPACTS

TO BE INSERTED CONSISTENT WITH MITIGATION MONITORING AND REPORTING PROGRAM

V. FINDINGS FOR SIGNIFICANT IMPACTS AVOIDED OR MITIGATED TO LESS THAN A SIGNIFICANT LEVEL

TO BE INSERTED CONSISTENT WITH MITIGATION MONITORING AND REPORTING PROGRAM

VI. PROJECT ALTERNATIVES

A. Background, Legal Requirements

CEQA requires that EIRs assess feasible alternatives or mitigation measures that may substantially lessen the significant effects of projects prior to approval (*Public Resources Code §21002*). With the exception of the “No Project” alternative, the specific alternatives or types of alternatives that must be assessed are not specified. CEQA “establishes no categorical legal imperative as to the scope of alternatives to be analyzed in an EIR. Each case must be evaluated on its own facts, which in turn must be reviewed in light of the statutory purpose.” (*Citizens of Goleta Valley v. Board of Supervisors*, 52 Cal.3d. 553, 556 (1990)). The legislative purpose of CEQA is to protect public health, welfare and the environment from significant impacts associated with all types of development, by ensuring that agencies regulate activities so that major consideration is given to preventing environmental damage while providing a decent home and satisfying living environment for every Californian (*Public Res. Code §21000*).

B. Identification of Project Objectives

The CEQA Guidelines state that the “range of potential alternatives to the proposed project shall include those that could feasibly accomplish most of the basic purposes of the project and could avoid or substantially lessen one or more of the significant effects” of the project (*CEQA Guidelines §15126(d)(2)*). Thus, an evaluation of the project objectives is key to determining which alternatives should be assessed in the EIR.

The objectives of the Sand Hill Road Hotel and Office Development project include the following:

- 1) To develop a vacant site, currently designated for Professional and Administrative Offices, with uses that are most economically beneficial to both Stanford and the City of Menlo Park in the long term.
- 2) To address the existing lack of hotel space along the Sand Hill Road Corridor, the hub of the nations’ venture capital industry.
- 3) To provide mutually supportive office, hotel, conference and amenity spaces in immediate proximity to each other.

C. EIR Alternatives Analysis

- *Alternative 1: No Project Alternative*

The No Project alternative is discussed on pages 6-2 and 6-3 of the Draft EIR.

Findings and Explanation: The No Project alternative is rejected as an alternative to the project as proposed because this alternative would not achieve the objectives of the project sponsor or of the City for the development of economically beneficial land uses, address the lack of hotel space or provide mutually supportive office, hotel and related land uses on one site.

None of the project objectives would be met under the No Project alternative.

- *Alternative 2: Alternative Project Site*

The Alternative Project Site scenario is discussed on pages 6-3 through and 6-6 of the Draft EIR.

Findings and Explanation: The Alternative Project Site scenario is rejected as an alternative to the project as proposed because this alternative would not be expected to avoid or substantially lessen the significant unavoidable cumulative or project-induced traffic impacts as identified. The mix of road segments that could be adversely impacted with the project at another location would not be expected to be substantially the same as for the project as currently proposed, but would be expected to occur given the project land uses of the size proposed.

Any alternative site would fail to meet Project Objective 1 because it would leave the proposed project site undeveloped. The off-site alternative would fail to derive any economic benefit for Stanford or the City from the I-280/Sand Hill Road site, which has long been identified for economically beneficial development or provide hotel space perceived as needed in the Sand Hill Road corridor area. Further, it is not confirmed that Stanford Management Company would acquire, control or have access to a site it does not own within the local hotel and office market area and no alternative site is identified as capable of avoiding or substantially lessening any significant environmental effects of the project.

- *Alternative 3: Reduced Project*

The Reduced Project alternative is discussed on pages 6-6 and 6-7 of the Draft EIR.

Findings and Explanation: The Reduced Project alternative is rejected as an alternative to the project as proposed because while it was determined that project traffic would exceed Menlo Park criteria for the generation of significant traffic impacts on 11 street segments, it was concluded that a smaller project needed to avoid the impact would be a level of development generating approximately ten percent of the trips of the project as proposed. A ten percent level of development compared to the project as proposed is not considered economically viable. Further, given the locations of the wetlands and the trees near Sand Hill Road, it is likely that any economically viable use of the project site would encroach on at least a portion of the wetlands and could require removal of heritage trees to allow for project access.

A reduced project would not meet project Objective 1 because it would not be economically beneficial to both Stanford and the City of Menlo Park. A Reduced Project alternative would also significantly compromise Project Objective 2 to address the existing lack of hotel space along the Sand Hill Road Corridor, and Project Objective 3 to provide mutually supportive office, hotel, conference and amenity spaces in immediate proximity to each other.

- *Alternative 4: Alternative Land Use*

Findings and Explanation: The Alternative Land Use scenario is discussed on pages 6-7 and 6-8 of the Draft EIR. The Alternative Land Use scenario is rejected as an alternative to the project as proposed because this alternative, which would provide for office development only, would still be expected to exceed Menlo Park criteria for the generation of significant traffic impacts on 11 street segments, and would increase the average vehicle delay at the El Camino Real and Ravenswood Avenue intersection beyond the Menlo Park threshold for intersections during the PM peak hour. These impacts would continue to be significant and unavoidable under this alternative because implementation of mitigation measures are infeasible at this time and therefore, would not reduce the traffic impacts to less than significant levels.

The Alternative Land Use scenario would not meet Project Objectives 2 and 3 because it would not provide a hotel use. This alternative as an office-only project would partially meet Project Objective 1 because it would develop the vacant site and would provide some economic benefit both to Stanford and to the City of Menlo Park. This alternative would, however, be less economically beneficial to the City of Menlo Park compared to the proposed project because it would eliminate transient occupancy taxes which are significantly greater than the City revenues derived from office uses.

- *Alternative 5: Hotel with No Office Development Alternative.*

This alternative is discussed on pages 4-12 and 4-13 of the Final EIR.

Findings and Explanation: The Hotel with No Office Development Alternative is rejected as an alternative because it would not approach the 10 percent level of traffic generation. The number of impacted street segments would be reduced from 11 to 9, however this alternative would still have an impact on local street segments. This alternative would reduce the impact at the intersection of I-280 off-ramp and Sand Hill Circle in the near term, but would still require mitigation for the 2015 cumulative conditions. Impacts to El Camino Real and Ravenswood would still remain significant and unavoidable. Given the location of the wetlands, it is likely that any economically viable use of the project site would encroach on at least a portion of the wetlands .

A reduced project of Hotel with No Office Development would not meet Project Objectives #1 and #3 because it would not be the most economically beneficial Stanford and would not provide mutually supportive office, hotel, conference, and amenities in immediate proximity to each other.

- *Alternative 6: 50 Percent Hotel and 50 Percent Office Development Alternative.*

This alternative is discussed on pages 4-13 and 4-14 of the Final EIR.

Findings and Explanation: The reduced alternative of 50 Percent Hotel and 50 Percent Office is rejected as an alternative to the project as proposed because, similar to the Hotel with No Office Alternative, it was determined that impacts would still occur on 9 street segments, mitigation would be required at the northbound I-280 off-ramp/Sand Hill Circle intersection in the 2015 cumulative scenario, and impacts to El Camino Real and Ravenswood would still remain significant and unavoidable. Additionally, this alternative would not be expected to reduce or avoid the biological impacts of the proposed project because economically viable uses of the project site would impact at least a portion of the wetlands.

A reduced project of 50 Percent Hotel and 50 Percent Office would not meet Objective 1 because it would not be the most economically beneficial to the City of Menlo Park and Stanford. This alternative would also compromise Project Objective 2 to address the existing lack of hotel space along the Sand Hill Road Corridor, and Project Objective 3 to provide mutually supportive office, hotel, conference and amenities in immediate proximity to each other.

VII. STATEMENTS OF OVERRIDING CONSIDERATIONS RELATED TO THE PROJECT FINDINGS

The City Council of the City of Menlo Park adopts and makes the following Statement of Overriding considerations regarding the significant, unavoidable impacts of the Sand Hill Road Hotel and Office Development project.

Significant Unavoidable Impacts

With respect to the foregoing findings and in recognition of those facts that are included in the record, the City has determined that the project would result in significant unavoidable impacts to traffic and circulation, as disclosed in the Final EIR prepared for this project. The impacts would not be reduced to a less than significant level by feasible changes or alterations to the project.

Overriding Considerations

The City Council finds that each of the overriding considerations set forth below constitutes a separate and independent ground for finding that the benefits of the project outweigh its significant adverse environmental impacts and is an overriding consideration warranting approval of the project. The City Council of the City of Menlo Park specifically adopts and makes this Statement of Overriding Considerations regarding the significant unavoidable impacts of the project and the anticipated benefits of the project. The City Council finds that this project has eliminated or significantly lessened all significant impacts on the environment where feasible.

Benefits of the Project

The City Council has considered the Final EIR, the public record of proceedings on the proposed project, and other written materials presented to the City as well as oral and written testimony at all public hearings related to the project, and does hereby determine that implementation of the project as specifically provided for in the project documents would result in the following substantial public benefits:

1. The project will develop a vacant site, currently designated for Professional and Administrative Offices, with uses that are most economically beneficial and generate an increase in revenues, including Transient Occupancy Tax (TOT) revenues (estimated at approximately \$1,000,000 in 2008), for the City of Menlo Park in the near and long term.
2. The project provides hotel space and related amenities along the currently underserved Sand Hill Road Corridor.
3. The project will provide proportionately sized and mutually supportive/complementary office, hotel, conference and amenity spaces in immediate proximity to each other wherein hotel guests can walk to meetings at the offices and office employees can walk to the hotel's restaurant, spa and fitness center, and conference facilities.
4. The project site is currently undeveloped but is not designated as open space in the General Plan or zoning for the site; it is currently designated for professional office space. Development of appropriately planned and zoned space within the City Limits helps to relieve pressure for the development of open-space lands.
5. The project will occur in an existing developed area on the west edge of the City currently served by existing roads and utility systems, thereby avoiding the need for the substantial construction of new utility systems which could otherwise indirectly induce population growth.
6. The project sponsor will enhance the provision of below market rate housing opportunities in the City through payment of a fee in the amount of approximately \$2.5 million toward the City's Below Market Rate (BMR) Housing Program.
7. The project sponsor will improve the existing pedestrian pathway and connectivity on the north side of Sand Hill Road opposite the project frontage.
8. The project will include relocation of wetlands at a ratio of 2:1 (new wetlands and riparian restoration:impacted wetlands). The proposed mitigation on the west side of I-280 adjacent to the San Francisquito Creek would result in overall improved conditions and provide habitat for resident and migratory wildlife.
9. The project sponsor will either construct improvements at the northbound I-280 off-ramp, which would operate at LOS F without the project, to a level of service D or, if Caltrans does not permit those improvements, provide funds in an amount equal to the cost of the improvements.

2825 Sand Hill Road Mitigation Monitoring and Reporting Program -- DRAFT

Category/Impact	Mitigation Measure	Monitoring/Reporting Responsibility	Monitoring/Reporting Requirement
AESTHETICS			
Visual Character - Project Construction	<p>MM 3.1-1: Prior to issuance of a grading permit, the applicant shall submit a construction staging plan, showing the areas for storage of materials, and a construction vehicle parking plan. The stockpiling and storage of construction materials and equipment prior to use and installation shall be minimized to the extent practicable. The delivery of construction materials shall reasonably be timed to coincide with their use so as not to allow for excessive materials storage on the project site. Staging areas shall be located away from I-280 and Sand Hill Road to the extent possible, without encroaching on the adjacent office complex, and close to or within the general area of construction, out of the way of vehicular traffic and pedestrian use. The plan shall be subject to review and approval of the Planning and Building Divisions.</p>	Community Development Director; Building Official	Submittal of a Construction Staging Plan and a Construction Vehicle Parking Plan Prior to Grading Permit Issuance
Light and Glare	<p>MM 3.1-2: Simultaneous with the building permit application, the applicant shall submit a lighting plan, providing the location, architectural details and specifications for all exterior lighting subject to review and approval of the Planning Division. A photometric study shall be included. The lighting plan shall minimize glare and spillover.</p> <p>Night lighting along streets, in parking areas, and along walkways for the project shall be focused downward and/or shielded to avoid glare and point sources of light from interfering with the vision of off-site persons and motorists on local roadways except for area-specific tree, sign and decorative accent lighting with limited illumination radii. The applicant shall retain a specialist in lighting design to determine light source locations, light intensities, and types of light source. Lighting levels provided shall be compatible with general illumination levels in the area where development occurs (e.g., along Sand Hill Road or the adjacent office complex) to avoid a noticeable contrast in light emissions, and to also provide for safety and security. The overall objective is to establish area lighting that would be adequate for safety and surveillance, but minimize the potential effects on nighttime views from locations off the project site.</p> <p>The applicant shall retain a specialist in lighting design to determine light source locations, light intensities, and types of light source. Lighting levels provided shall be compatible with general illumination levels in the area where development occurs (e.g., along Sand Hill Road or the adjacent office complex) to avoid a noticeable contrast in light emissions, and to also provide for safety and security. The overall objective is to establish area lighting that would be adequate for safety and surveillance, but minimize the potential effects on nighttime views from locations off the project site.</p>	Community Development Director	Submittal of a Lighting Plan Simultaneous with the Building Permit Application
AIR QUALITY			
Construction Period Emissions	<p>MM 3.2-1: Prior to grading permit issuance, the applicant shall submit a dust control plan that includes dust control measures to reduce particulate matter emissions during project grading and construction phases. The plan shall also specifically address how dust would be controlled during weekends and other off-work periods. Finally, all plans shall include a contact name and phone number to receive and address any complaints. The plan shall be subject to review and approval of the Planning Division. The project contractor(s) shall comply with the dust control strategies developed by the Bay Area Air Quality Management District. The project sponsor shall include in construction contracts the following requirements or measures shown to be equally effective.</p> <ul style="list-style-type: none"> - Cover all truck hauling soil, sand, and other loose construction and demolition debris from the site, or require all such trucks to maintain at least two feet of freeboard; - Water all exposed or disturbed soil surfaces in active construction areas at least twice daily; - Pave, apply water three times daily, or apply (non-toxic) soil stabilizers on all unpaved parking areas and staging areas; - Sweep daily (with water sweepers) all paved parking areas and staging areas; - Provide daily clean-up of mud and dirt carried onto paved streets from the site; - Enclose, cover, water twice daily or apply non-toxic soil binders to exposed stockpiles (dirt, sand, etc.); - Limit traffic speeds on unpaved roads to 15 mph; - Install sandbags or other erosion control measures to prevent silt runoff to public roadways; - Replant vegetation in disturbed areas as quickly as possible; 	Community Development Director	Submittal of a Dust Control Plan prior to grading permit issuance

2825 Sand Hill Road Mitigation Monitoring and Reporting Program -- DRAFT

Category/Impact	Mitigation Measure	Monitoring/Reporting Responsibility	Monitoring/Reporting Requirement
	<ul style="list-style-type: none"> - Install wheel washers for all existing trucks, or wash off the tires or tracks of all trucks and equipment leaving the site; - Install wind breaks at the windward side(s) of construction areas; - Suspend excavation and grading activity when winds (instantaneous gusts) exceed 25 miles per hour over a 30-minute period or more; and - To the extent possible, limit the area subject to excavation, grading, and other dust-generating construction activity at any one time. - The dust control plan shall include the dust control coordinator's information and indicate that all construction sites shall have posted in a conspicuous location the name and phone number of a designated construction dust control coordinator who can respond to complaints by suspending dust-producing activities or providing additional personnel or equipment for dust control. 		
	BIOLOGICAL RESOURCES		
Sensitive Species	<p>MM 3.3-1a: Prior to commencement of grading, the applicant shall hire a qualified biologist to conduct a field survey from 21 to 14 days prior to commencement of activities that would result in removal of vegetation during breeding season (February 1 through August 31) in order to prevent the direct loss of sensitive bird species or their nests. The field survey shall be submitted to the Planning Division for review. A qualified biologist shall determine if active nests of native birds are present in the construction zone (area where activities occur that result in the removal of vegetation). If no bird nests are observed, then no further mitigation is necessary.</p> <p>In the event an active nest is discovered in areas to be disturbed, removal of the nesting substrate shall be postponed until the nest is vacated and juveniles have fledged (typically three to four weeks for small passerines), as determined by the biologist, and there is no evidence of second nesting attempts unless the California Department of Fish and Game (CDFG) and US Fish and Wildlife Service for migratory birds (USFWS) authorize otherwise. No surveys are required if vegetation removal would occur outside the nesting season, from September 1 to January 31.</p>	Community Development Director	Submittal of Biologist's Field Survey prior to commencement of grading; postponement of work if active nest discovered
Sensitive Species	<p>MM 3.3-1b: During the blooming period for plant species of interest as identified in the EIR, the applicant shall hire a qualified botanist to survey the project site in accordance with protocols developed by CDFG or USFWS -in order to prevent the direct loss of sensitive plant species. The survey shall be submitted for review by the Planning Division. If no sensitive plant species are observed, no further mitigation is required. If sensitive plant species are observed within the area to be impacted (area where activities occur that result in the removal of vegetation) by the project, the botanist shall implement a detailed mitigation plan that includes the following elements:</p> <ul style="list-style-type: none"> - Population estimate of the plants within the project site that would be impacted. - Basic habitat requirements of the species effected by the project. - Identification of a mitigation site including existing vegetative characteristics, species assemblages, ownership, etc. - Detailed seed or plant collection, propagation, planting, and routine care methodologies to be employed. All stock shall be harvested from the project site when possible. - Specific success criteria, monitoring protocols, and reporting pathways including remedial actions if mitigation plantings do not succeed. <p>The mitigation plan shall be submitted to the Planning Division, CDFG and USFWS as appropriate prior to implementation. All annual reporting per CDFG and USFWS protocol shall be also submitted to the agencies for review.</p>	Community Development Director	Submittal of Botanist's Survey during the blooming period for plant species of interest as identified in the EIR; submittal of Mitigation Plan if needed
Sensitive Species	<p>MM 3.3-2: Prior to grading permit issuance, the project applicant shall prepare a storm water management plan (SWMP) that incorporates stormwater quality Best Management Practices (BMPs) into the project design subject to review and approval by the Engineering Division.</p> <p>The City of Menlo Park requirements for a Grading Plan include maximizing infiltration of stormwater and where on-site infiltration is not sufficient, routing of stormwater through vegetated swales or other comparable BMPs prior to discharge to the public storm drain systems. Other water quality BMPs are included in requirements of the Grading Plan.</p>	Public Works Director	Submittal of a Storm Water Management Plan (SWMP) Prior to Grading Permit Issuance

2825 Sand Hill Road Mitigation Monitoring and Reporting Program -- DRAFT

Category/Impact	Mitigation Measure	Monitoring/Reporting Responsibility	Monitoring/Reporting Requirement
	<p>As part of the project design, disconnected roof drains, bioretention filtration areas (e.g., rain gardens), and roadside swales will be implemented to the maximum extent practicable. Mechanical treatment devices would be used, where necessary, but not to exceed treatment of 15 percent of the project area. Details of the stormwater quality BMPs locations, size, and type shall be included in the SWMP. According to the General Permit C.3. provisions, 85 percent of the annual site runoff must be treated consistent with City and County standards. The stormwater plan and grading and drainage plan shall be subject to review and approval of the Engineering Division. The BMPs will be installed and maintained as stipulated in the Grading Plan requirements of the City of Menlo Park's Grading and Drainage Plan Guidelines and Checklist.</p>		
Sensitive Species and Wetlands	<p>All construction activities, including road improvements, installation and realignment of utilities, and new development would be subject to the City of Menlo Park Municipal Code Stormwater Management Program (7.42) and requirements for obtaining a Grading Permit prior to the initiation of construction.</p> <p>MM 3.3-3 and 3.3-4: Prior to issuance of grading permits, the project applicant or its agent shall acquire all appropriate wetland permits and submit documentation to the Planning Division. These permits include a Section 404 Wetlands Fill Permit from the Corps, a Section 401 Water Quality Certification from the Regional Water Quality Control Board, and, if necessary, a Section 1600 Streambed Alteration Agreement from CDFG.</p> <p>Wetland mitigation shall be implemented as required as a part of the Section 404 CWA permitting process. Mitigation is to be provided concurrent with construction of the proposed project. Mitigation could include purchase of the appropriate amount of credits from a local mitigation bank if available. The exact mitigation ratio is variable, based on the type and value of the wetlands that could be affected by the project, but would be a minimum of 1:1.</p> <p>In addition, a Wetland Mitigation and Monitoring Plan shall be implemented in accordance with Section 404 CWA permitting process and include the following:</p> <ul style="list-style-type: none"> - Descriptions of the wetland types, and their expected functions and values; - Performance standards and monitoring protocol to ensure the success of the mitigation wetlands over a period of five to ten years; - Plans showing the location, size and configuration of wetlands to be created or restored (if a mitigation bank is not used); - An implementation schedule showing that construction of mitigation areas will commence prior to or concurrently with the initiation of construction; and - A description of legal protection measures for the preserved wetlands (i.e., dedication of fee title, conservation easement, and/or an endowment held by an approved conservation organization, government agency or mitigation bank). 	Community Development Director	Submittal of all appropriate Wetland Permits prior to issuance of grading permits; implementation of Wetland Mitigation and Monitoring Plan
Policies	<p>The wetland mitigation shall be constructed prior to final inspection of the first phase of the project.</p> <p>MM 3.3-5: As part of the building permit submittal, the applicant shall submit a landscaping plan that shows the species, size, quantity and location of all trees, shrubs, plants, and other landscaping material. The number of tree replacement trees shall be in conformance with the City's requirements for commercial projects at a ratio of 2:1 (new:removed). The landscaping plan is subject to review and approval of the Planning Division.</p>	Community Development Director	Submittal of a Landscaping Plan as part of the building permit submittal
Archaeological Resources	<p align="center">CULTURAL RESOURCES</p> <p>MM 3.4-1: Prior to grading permit issuance, the project applicant shall hire a qualified archaeologist to prepare an Archaeological Monitoring and Data Recovery Plan (AMDRP). The AMDRP shall be submitted to the City of Menlo Park and to the Stanford University Campus Archaeologist for approval, and shall be implemented prior to the issuance of the grading permit. The AMDRP shall specify that an archaeologist be present for all vegetation-clearing and grading activities associated with project construction. The AMDRP shall define where and how data recovery will be conducted for all important archaeological resources discovered, how archaeological monitoring will be conducted, and the protocol to be followed in the event that significant resources are discovered during archaeological monitoring. In addition, the AMDRP shall include the following:</p>	Community Development Director; Stanford University Campus Archaeologist	Submittal and implementation of an Archaeological Monitoring and Data Recovery Plan (AMDRP) prior to grading permit issuance

2825 Sand Hill Road Mitigation Monitoring and Reporting Program -- DRAFT

Category/Impact	Mitigation Measure	Monitoring/Reporting Responsibility	Monitoring/Reporting Requirement
	<p>- A site-specific research design, describing the types of thematic research topics to be addressed and the specific methodology to be used during data recovery, with provisions for amending the AMDRP shall the resources encountered differ from those anticipated.</p> <p>- Provisions for artifact cataloging, complete and thorough analysis, and curation.</p> <p>- Provisions for consultation with the Native American Heritage Commission in the event that skeletal remains are discovered.</p> <p>- An outline for the preparation of a technical report of findings, within a reasonable time period, that meets professional standards (e.g., the Secretary of the Interior's Standards and Guidelines for Archeology and Historic Preservation). Draft copies of the technical report are to be provided to the City of Menlo Park and to the Stanford University Campus Archaeologist for review and concurrence, and final copies provided to the City of Menlo Park, the Stanford Archaeologist, and the Northwest Information Center (NWIC) of the California Historical Resources Information System (CHRIS).</p> <p>- All recovered artifacts (and site features, if any) shall be analyzed sufficiently to address the research questions posed in the AMDRP, which could include radio-carbon assay, obsidian hydration analysis, lithic analysis, or other techniques as determined necessary. All artifacts shall be preserved and recorded in accordance with recognized standards (e.g., the Secretary of the Interior's Standards and Guidelines for Archeology and Historic Preservation).</p>		
Paleontological Resources	<p>MM 3.4-2: During grading, in the event fossilized or unfossilized shell or bone is uncovered for the proposed project, contractors shall stop work in the immediate area of the find, notify the landowner, Stanford University, and retain a qualified paleontologist to survey the site and assess the find. In addition, the project sponsor shall notify the Community Development Department. The paleontologist retained by the project sponsor shall visit the site and make recommendations for treatment of the find that shall be sent to the Community Development Director. Recommendations could include collection, recordation, and analysis of any significant cultural materials. If a fossil find is confirmed, it shall be recorded with the U.S. Geological Survey and curated in an appropriate repository.</p>	Community Development Director	Notification of fossil find and stoppage of work in immediate area, if needed
Human Remains	<p>MM 3.4-3: During grading or construction, if human remains are discovered, the project sponsor shall halt further excavation or disturbance of the discovery site or any nearby area reasonably suspected to overlie adjacent human remains. In accordance with State CEQA Guidelines section 15604.5(e), the County Coroner shall be notified immediately. If the remains are found to be Native American, the County Coroner shall notify the Native American Heritage Commission within 24 hours. The most likely descendant of the deceased Native American shall be notified by the Commission and given the chance to make recommendations for the remains. If the Commission is unable to identify the most likely descendant or in the event the landowner and the descendant fail to reach an agreement, the remains may be re-interred with appropriate dignity elsewhere on Stanford University property in a location not subject to further subsurface disturbance.</p> <p>A final report shall be submitted to the Community Development Department which shall contain a description of the mitigation program that was implemented and its results including a description of the monitoring and testing program, a list of the resources found, a summary of the resources analysis methodology and conclusions, and a description of the disposition/curation of the resources. The report shall verify completion of the mitigation program to the satisfaction of the Director of Community Development or designee.</p>	Community Development Director	To be implemented if human remains are encountered
Water Quality	<p align="center">HYDROLOGY AND WATER QUALITY</p> <p>MM 3.7-1: Prior to grading permit issuance, the project applicant shall prepare a storm water management plan (SWMP) that incorporates stormwater quality Best Management Practices (BMPs) into the project design subject to review and approval by the Engineering Division.</p> <p>The City of Menlo Park requirements for a Grading Plan include maximizing infiltration of stormwater and where on-site infiltration is not sufficient, routing of stormwater through vegetated swales or other comparable BMPs prior to discharge to the public storm drain systems. Other water quality BMPs are included in requirements of the Grading Plan.</p>	see MM 3.3-2	see MM 3.3-2

2825 Sand Hill Road Mitigation Monitoring and Reporting Program -- DRAFT

Category/Impact	Mitigation Measure	Monitoring/Reporting Responsibility	Monitoring/Reporting Requirement
<p>Construction Period Noise Levels</p>	<p>As part of the project design, disconnected roof drains, bioretention filtration areas (e.g., rain gardens), and roadside swales will be implemented to the maximum extent practicable. Mechanical treatment devices would be used, where necessary, but not to exceed treatment of 15 percent of the project area. Details of the stormwater quality BMPs locations, size, and type shall be included in the SWMP. According to the General Permit C.3. provisions, 85 percent of the annual site runoff must be treated consistent with City and County standards. The stormwater plan and grading and drainage plan shall be subject to review and approval of the Engineering Division. The BMPs will be installed and maintained as stipulated in the Grading Plan requirements of the City of Menlo Park's Grading and Drainage Plan Guidelines and Checklist.</p> <p>All construction activities, including road improvements, installation and realignment of utilities, and new development would be subject to the City of Menlo Park Municipal Code Stormwater Management Program (7.42) and requirements for obtaining a Grading Permit prior to the initiation of construction.</p> <p align="center">NOISE</p> <p>MM 3.9-1: Prior to grading permit issuance, the applicant shall submit a Construction Noise Plan subject to review and approval by the Planning and Building Divisions. The Plan shall include the following measures to implement during construction: To minimize construction noise impacts on nearby residents and businesses, and to be consistent with Title 8 of the City of Menlo Park Municipal Code, construction activities that exceed stated noise limits are permitted only between the hours of 8:00 AM and 6:00 PM, Monday through Friday, and are prohibited on weekends and federal holidays.</p> <p>Construction equipment shall be properly muffled and maintained with noise reduction devices to minimize construction-generated noise. Prohibit unnecessary idling of internal combustion engines. The contractor shall locate stationary noise sources on the project site as far as possible away from existing residential and commercial uses, and require the use of acoustic shielding with such equipment when feasible and appropriate.</p> <p>The construction contractor shall designate a "noise disturbance coordinator" for construction activities. The coordinator would be responsible for responding to any local complaints regarding construction noise. The coordinator would determine the cause of the noise complaint (i.e., starting too early, bad muffler, no shielding), and would require that reasonable measures warranted to correct the problem would be implemented. Conspicuously post a telephone number for the coordinator at the construction site and include it in the notice sent to neighbors and businesses regarding the construction schedule.</p>	<p>Community Development Director; Building Official</p>	<p>Submittal of a Construction Noise Plan prior to grading permit issuance</p>
<p>Street Segments Volumes</p>	<p align="center">TRAFFIC AND CIRCULATION</p> <p>MM 3.13-1: Prior to building permit issuance, the applicant shall pay following fees associated with the project:</p> <ul style="list-style-type: none"> - Prior to building permit issuance, the applicant shall pay all applicable school impact fees associated with the project. - Prior to building permit issuance, the applicant shall pay the applicable Building Construction Street Impact Fee. - Prior to building permit issuance, the applicant shall pay the below market rate fee in accordance with Section 16.96.030 of the Zoning Ordinance estimated to be \$ 2,510,300 based upon 100,000 square feet of office/R&D at \$13.05 per square foot and 170,000 square feet of non-office (hotel) at \$7.09 per square foot. - Prior to issuance of a building permit, the applicant shall pay a traffic impact fee of \$1.60 per square foot of gross building square footage. The fee could be used on a variety of capital improvement projects to help reduce traffic impacts including adaptive signal timing, capacity improvements throughout the City and/or future traffic calming measures. 	<p>Community Development Director</p>	<p>Payment of project-related fees</p>

2825 Sand Hill Road Mitigation Monitoring and Reporting Program -- DRAFT

Category/Impact	Mitigation Measure	Monitoring/Reporting Responsibility	Monitoring/Reporting Requirement
Intersections and Intersections - Cumulative	<p>MM 3.13-2 and 3.13-4: Prior to submittal of an application for a building permit for the construction of the project, the applicant shall apply for an encroachment permit from Caltrans to convert the existing through lane from the northbound off-ramp of Interstate 280 to the east bound portion of Sand Hill Road to a through-right lane, including related intersection improvements to accommodate the construction or reconfiguration of the intersection. This may include removal of the right-turn divider island, relocation of the traffic signal pole and installation of new traffic signal equipment. The through-right and right turn lanes shall extend approximately 300 feet south from Sand Hill Road.</p> <p>The application shall include all necessary improvement plans and documents that are required by Caltrans. The applicant agrees to diligently pursue Caltrans approval and shall submit revised plans and documents reasonably required by Caltrans promptly after receipt of written comments from Caltrans. As part of the building permit submittal, the applicant shall submit a copy of the Caltrans encroachment permit application to the City of Menlo Park Director of Public Works and provide updates on the status of the encroachment permit application to the Director of Public Works every six months for four years after the encroachment permit application.</p> <p>The applicant shall construct the improvements as applied for within 180 days of obtaining Caltrans encroachment permit therefore unless a longer timeframe, not to exceed one year, is identified in the Caltrans permit. If after two years from the date of encroachment permit application the applicant has not obtained an encroachment permit from Caltrans the City of Menlo Park, at its discretion, has up to two years to determine whether to enter into an agreement with the applicant, for the City to pursue the necessary approvals and construct the improvements subject to the applicant paying for said improvements, including but not limited to, construction costs, design fees, consultant fees, inspection fees and costs associated with obtaining Caltrans approval. If after four years from the date of project approval an encroachment permit has not been issued by Caltrans, neither the City nor the applicant shall be obligated to implement said improvements.</p> <p>In the event that either the City decides not to pursue the improvements or four years elapses without issuance of the Caltrans encroachment permit, the applicant shall provide to the City an engineer's estimate of the cost of construction of the improvements described in the encroachment permit application. Upon review and approval of the estimate by the City of Menlo Park Director of Public Works, the applicant shall pay the amount of the estimate (the "Funds") to the City. The City shall make the Funds available to Caltrans for any Caltrans project that includes capacity improvements to the I 280 northbound off-ramp to Sand Hill Road. If Caltrans has not committed to implement such a project five years from the encroachment permit application, the City may use the Funds for improvements to Sand Hill Road west of Santa Cruz Avenue.</p> <p>The mitigation described in the first paragraph above would provide LOS D operations and would reduce the impact to less than significant. However, the City recognizes that the timing and implementation of this measure is outside the jurisdiction and responsibility of the City. Approval of improvements would be required from Caltrans. The City recommends that Caltrans approve implementation of the proposed mitigation measure, but also recognizes that in the event that Caltrans does not approve or allow implementation of the recommended mitigation measure, potentially significant impacts could result in the near term and cumulative scenario for A.M. peak hours vehicle delay at the state-controlled intersection I 280 northbound off ramp/Sand Hill Circle and Sand Hill Road.</p> <p>Without implementation of the proposed mitigation, the impact would be significant and unavoidable. The potential substitute mitigation (i.e., use of the applicant's funds either for ramp improvement as part of another Caltrans project or for City-sponsored improvements to Sand Hill Road west of Santa Cruz Avenue) would be expected to improve local traffic conditions, but that improvement cannot be quantified, so the impact would be deemed to remain significant and unavoidable.</p>	Public Works Director	Application for an Encroachment Permit from Caltrans Prior to Submittal of Application for Building Permit; Submittal of Copy of Caltrans Encroachment Permit As Part of Building Permit Submittal; Provision of Updates on the Status of Encroachment Permit Application; Construction of Improvements Within 180 Days of Receiving Encroachment Permit
Intersections - Cumulative	<p>MM 3.13-3: (none)</p> <p>MM 3.13-5: (none)</p>		

2825 Sand Hill Road Mitigation Monitoring and Reporting Program -- DRAFT

Category/Impact	Mitigation Measure	Monitoring/Reporting Responsibility	Monitoring/Reporting Requirement
Construction-Period Traffic	<p>MM 3.13-6: Prior to grading permit issuance, the applicant shall prepare a Traffic Control Plan that identifies the timing and routing of all major construction equipment and trucking to avoid potential traffic congestion and delays on the local street network, such as Sand Hill Road and local streets, and encourage the use of Interstate 280. It may be necessary to limit construction activities and materials delivery to off-peak hours or determine access to particular areas of construction that would not conflict with local traffic circulation or vehicular access to the residential areas, the office and commercial areas along Sand Hill Road, and Stanford University. The applicant shall consult with the County of San Mateo and City of Palo Alto on the Traffic control Plan. The plan shall be subject to review and approval of the Planning and Transportation Divisions.</p>	Community Development Director; Transportation Manager	Submittal of a Traffic Control Plan Prior to Grading Permit Issuance
Transit Service	<p>MM 3.13-7: Prior to final inspection of either the hotel or office component, whichever comes first, the applicant shall submit information on the timing and routes of the shuttle service connecting the project site with the existing and local and regional transit services along El Camino Real as part of the Transportation Demand Management Plan. The project sponsors shall fund and implement the operation of a shuttle service for the occupied life of the project. The plan shall be reviewed and approved by the Planning and Transportation Divisions. The shuttle shall be operational at the time of occupancy of the first component (hotel or office) of the project.</p>	Community Development Director; Transportation Manager	Submittal of Shuttle Service Timing and Route Information Prior to Final Inspection of Either the Hotel or Office Component, Whichever Comes First
Congestion Management	<p>MM 3.13-8: Concurrent with the start of occupancy of the first component (hotel or office) of the project, the applicant shall implement a Transportation Demand Management (TDM) consistent with the TDM measures identified in the DEIR for the project. These programs, once implemented, must be on going for the occupied life of the development. The TDM plan is subject to review and approval of the Planning and Transportation Divisions.</p>	Community Development Director; Transportation Manager	Implementation of Transportation Demand Management (TDM) Plan Concurrent with Start of Occupancy

ATTACHMENT E

DRAFT
May 22, 2006

RESOLUTION NO. ____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK
AMENDING THE GENERAL PLAN TO CHANGE THE LAND USE DESIGNATION
FOR CERTAIN PROPERTY LOCATED AT
2825 SAND HILL ROAD**

WHEREAS, the Planning Commission of the City of Menlo Park has considered the adoption of an amendment to the General Plan to change the land use designation for certain property located at 2825 Sand Hill Road to allow for the development of a 170,000-square-foot hotel facility comprised of 120 guest rooms, five villas, a restaurant, spa, fitness center and associated facilities, and a 100,000-square-foot office complex; and

WHEREAS, the provisions of the Government Code, 65350, et. seq. have been complied with; and

WHEREAS, the City Council of the City of Menlo Park has considered the comments of the Planning Commission in regard to amending the General Plan;

NOW THEREFORE, BE IT AND IT IS HEREBY RESOLVED by the City Council of the City Menlo Park that the General Plan Amendment to change the land use designation for the project site from Professional and Administrative Offices to Retail/Commercial, particularly described in Exhibit "A" and Exhibit "B", be adopted.

I, Silvia M. Vonderlinden, City Clerk of the City of Menlo Park, do hereby certify that the above and foregoing Resolution was duly and regularly passed and adopted at a meeting by said Council on the ___th day of _____, 2006 by the following vote:

AYES: Council Members:
NOES: Council Members:
ABSENT: Council Members:
ABSTAIN: Council Members:

I further certify that the foregoing copy of said Resolution is a true and correct copy of the original on file in the office of the City Clerk, Civic Center, Menlo Park, California.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City, this _____ day of _____, 2006.

City Clerk

ATTACHMENT F

DRAFT
May 22, 2006

ORDINANCE NO. ____

**An Ordinance of the City of Menlo Park, Rezoning Property Located
at 2825 Sand Hill Road**

The City Council of the City of Menlo Park does ordain as follows:

SECTION 1. The zoning map of the City of Menlo Park is hereby amended such that certain real property located at 2825 Sand Hill Road (074-470-100) and more particularly described in Exhibit "A" and Exhibit "B" is rezoned from C-1-C (Administrative, Professional and Research District, Restrictive) to C-4-X (General Commercial, Not Applicable to El Camino Real – Conditional Development District).

SECTION 2. This ordinance shall become effective thirty (30) days after the date of its adoption. Within fifteen (15) days of its adoption, the ordinance shall be posted in three (3) public places within the City of Menlo Park, and the ordinance, or a summary of the ordinance prepared by the City Attorney, shall be published in a local newspaper used to publish official notices for the City of Menlo Park prior to the effective date.

INTRODUCED on the ____ day of _____, 2006.

PASSED AND ADOPTED as an ordinance of the City of Menlo Park at a regular meeting of said Council on the ____ day of _____, 2006, by the following vote:

AYES: Council Members:
NOES: Council Members:
ABSENT: Council Members:
ABSTAIN: Council Members:

APPROVED:

Nicholas Jellins
Mayor, City of Menlo Park

ATTEST:

Silvia M. Vonderlinden
City Clerk

ATTACHMENT G

DRAFT **CONDITIONAL DEVELOPMENT PERMIT** *May 22, 2006*

2825 Sand Hill Road

1. GENERAL INFORMATION:

- 1.1 Applicant: The Board of Trustees of the Leland Stanford Junior University
- 1.2 Nature of Project: General Plan Amendment, Rezoning, Conditional Development Permit, and Heritage Tree Removal Permit for the construction of a 170,000-square-foot hotel facility comprised of 120 guest rooms, five villas, a restaurant, spa, fitness center and associated facilities, and a 100,000-square-foot office complex.
- 1.3 Property Location: 2825 Sand Hill Road
- 1.4 Assessor's Parcel Numbers: 074-470-100
- 1.5 Area of Property: 21.06 acres
- 1.6 Present Zoning: C-1-C (Administrative, Professional and Research District, Restrictive)
- 1.7 Proposed Zoning: C-4-X (General Commercial, Not Applicable to El Camino Real - Conditional Development District)

2. DEVELOPMENT STANDARDS:

- 2.1 Floor Area Ratio (FAR) shall not exceed **29.5 percent** of the project site.
- 2.2 Lot coverage shall not exceed **21.5 percent** of the lot area.
- 2.3 Minimum landscaping (including hardscape as defined on the approved plan) shall be **56 percent** of the lot area.
- 2.4 The maximum amount of surface parking areas and driveways shall not exceed **22.5 percent** of the lot area.
- 2.5 Building setbacks and heights shall be in accordance with the approved plans.
- 2.6 The on-site circulation and 590 parking spaces shall be installed according to the approved plans.

- 2.7 All rooftop equipment shall be fully enclosed and integrated into the design of the building. Landscaping shall screen all utility equipment that is installed outside of a building and cannot be placed underground.

3. USES

- 3.1 The office component of the project is comprised of four buildings consisting of a total of 100,000 square feet of office space. Permitted uses in the office buildings shall include the following:
 - 3.1.1 Professional, administrative, and executive offices;
 - 3.1.2 Research and development facilities; and
 - 3.1.3 Amenities and related activities, such as fitness center, ATM machines, and café, typical to office buildings located on Sand Hill Road and meant to serve employees of the immediate area.
- 3.2 The hotel component of the project is comprised of 170,000 square feet of hotel and related facilities located in multiple buildings. Permitted uses shall include the following:
 - 3.2.1 Hotel rooms and suites (limit 120);
 - 3.2.2 Extended stay villas (limit 5);
 - 3.2.3 Restaurant and café;
 - 3.2.4 Restaurant and café where liquor and/or entertainment are provided;
 - 3.2.5 Drinking establishments in conjunction with the hotel;
 - 3.2.6 Day spa, including massage;
 - 3.2.7 Fitness center;
 - 3.2.8 Conference rooms;
 - 3.2.9 Banquet facilities;
 - 3.2.10 Retail, limited to serve the hotel guests;
 - 3.2.11 Financial establishment, such as Automatic Teller Machines (ATMs) or traveler's check exchange, limited to serve the hotel guests and employees of the immediate area;
 - 3.2.12 Personal services such as dry cleaning (where no hazardous materials are used or stored on site), beauty salons, and shoe repair meant to serve the hotel guests and employees of the immediate area; and
 - 3.2.13 Outdoor seating, outdoor pools, jacuzzis, and other similar uses and amenities related to the operation of a luxury hotel.

4. SIGNS

The Conditional Development Permit establishes a master sign program for the site, which includes a project monument sign at the entrance, facility monument signs at key components of the site, and directional signs throughout the complex as generally shown on sheets L1.02 and L1.08 of the approved plans. The signage shall be constructed of similar, high quality materials that are consistent and compatible with the architecture and color of the buildings. The

size of the signs shall be appropriate for the location and purpose. Typical dimensions are as follows:

Project Monument Sign: Six feet in height by 15 feet in width;

Facility Monument Sign: Four feet, four inches in height by eight feet, two inches in width; and

Directional Signage: Four feet, four inches in height by three feet, two inches in width.

5. TERMS OF THE PERMIT

5.1 The Conditional Development Permit shall expire one year from the date of approval if the applicant does not submit a complete building permit application within that time. The Community Development Director may extend this date per Municipal Code section 16.82.170.

5.2 Modifications to the hotel and office buildings and property may be considered under the following terms:

5.2.1 Minor modifications to building exteriors and locations, fence styles and locations, signage, and significant landscape features may be approved by the Community Development Director or designee, based on the determination that the proposed modification is consistent with other building and design elements of the approved Conditional Development Permit and will not have an adverse impact on the character and aesthetics of the site. The Director may refer any request for revisions to the plans to the Planning Commission for architectural control approval. A public hearing could be called regarding such changes if deemed necessary by the Planning Commission.

5.2.2 Major modifications to building exteriors and locations, fence styles and locations, signage, and significant landscape features may be allowed subject to obtaining an architectural control permit from the Planning Commission, based on the determination that the proposed modification is compatible with the other building and design elements of the approved Conditional Development Permit and will not have an adverse impact on the character and aesthetics of the site. A public hearing could be called regarding such changes if deemed necessary by the Planning Commission.

5.2.3 Major revisions to the development plan which involve material changes in land use, expansion or intensification of development or a material relaxation in the standards of development set forth in

section 2 above constitute permit amendments that require public hearings by the Planning Commission and City Council.

5.3 Any application for amendment shall be made by at least the property owner, in writing, to the Planning Commission. The Planning Commission shall then forward its recommendation to the City Council for action.

6. PROJECT SPECIFIC CONDITIONS:

Please see Attachment H. To be inserted prior to the City Council meeting.

Recommended for Approval by the
Menlo Park Planning Commission on
May 22, 2006

Approved by the
Menlo Park City Council on
_____, 2006

Arlinda Heineck, Community
Development Director

Silvia M. Vonderlinden, City Clerk

v:\staffrpt\cc\2006\052206- 2825 Sand Hill - CDP.doc

DRAFT - CONDITIONS OF APPROVAL
May 22, 2006

2825 Sand Hill Road

6. CONDITIONS:

- 6.1. Development of the project shall be substantially in conformance with the following plans submitted by Hill Glazier Architects, SWA, Babey, Moulton, Jue and Booth, Nishkian Menninger, BKF, Fehr and Peers, and Blum Consulting dated received by the Planning Division on May 16, 2006, consisting of 53 plan sheets and recommended for approval to the City Council by the Planning Commission on May 22, 2006, except as modified by the conditions contained herein.
- 6.2. Prior to building permit issuance, the applicant shall comply with all utility companies' regulations that are directly applicable to the project.
- 6.3. Prior to building permit issuance, the applicant shall obtain all necessary approvals for annexation of the property into the West Bay Sanitary District through the San Mateo Local Agency Formation Commission (LAFCo). The existing sewer system shall be extended to serve the proposed project and upgraded where needed.
- 6.4. Prior to building permit issuance, the applicant shall comply with the Menlo Park Fire Protection District's regulations that are applicable to the project.
- 6.5. Prior to building permit issuance, the applicant shall submit a plan for any new utility installations or upgrades for review and approval of the Planning, Engineering and Building Divisions. All utilities shall be placed underground. All utility equipment that is installed outside of a building and that cannot be placed underground shall be properly screened by landscaping. The plan shall show exact locations of all meters, back flow prevention devices, transformers, junction boxes, relay boxes, and other equipment boxes.
- 6.6. Prior to grading permit issuance, the applicant shall submit a plan for construction safety fences around the site for review and approval of the Building Division. The fences shall be installed according to the plan prior to commencing construction.
- 6.7. Prior to the submittal of a complete building permit application, the applicant shall submit a Grading and Drainage Plan for review and approval by the Engineering Division. The plans shall be prepared by a Civil Engineer registered in California and shall be included in the project plans submitted for the building permit applications. The Grading and Drainage Plan shall be approved prior to issuance of a building permit.

- 6.8. Prior to final building inspection, the applicant shall provide evidence satisfactory to the Director of Public Works that the storm drainage system under I-280 will operate as designed and approved.
- 6.9. Prior to grading permit issuance, the applicant shall submit a dust control plan that includes dust control measures to reduce particulate matter emissions during project grading and construction phases. The plan shall also specifically address how dust would be controlled during weekends and other off-work periods. Finally, all plans shall include a contact name and phone number to receive and address any complaints. The plan shall be subject to review and approval of the Planning Division. The project contractor(s) shall comply with the dust control strategies developed by the Bay Area Air Quality Management District. The project sponsor shall include in construction contracts the following requirements or measures shown to be equally effective.
 - 6.9.1 Cover all truck hauling soil, sand, and other loose construction and demolition debris from the site, or require all such trucks to maintain at least two feet of freeboard;
 - 6.9.2 Water all exposed or disturbed soil surfaces in active construction areas at least twice daily;
 - 6.9.3 Pave, apply water three times daily, or apply (non-toxic) soil stabilizers on all unpaved parking areas and staging areas;
 - 6.9.4 Sweep daily (with water sweepers) all paved parking areas and staging areas;
 - 6.9.5 Provide daily clean-up of mud and dirt carried onto paved streets from the site;
 - 6.9.6 Enclose, cover, water twice daily or apply non-toxic soil binders to exposed stockpiles (dirt, sand, etc.);
 - 6.9.7 Limit traffic speeds on unpaved roads to 15 mph;
 - 6.9.8 Install sandbags or other erosion control measures to prevent silt runoff to public roadways;
 - 6.9.9 Replant vegetation in disturbed areas as quickly as possible;
 - 6.9.10 Install wheel washers for all existing trucks, or wash off the tires or tracks of all trucks and equipment leaving the site;
 - 6.9.11 Install wind breaks at the windward side(s) of construction areas;
 - 6.9.12 Suspend excavation and grading activity when winds (instantaneous gusts) exceed 25 miles per hour over a 30-minute period or more; and

- 6.9.13 To the extent possible, limit the area subject to excavation, grading, and other dust-generating construction activity at any one time.
- 6.9.14 The dust control plan shall include the dust control coordinator's information and indicate that all construction sites shall have posted in a conspicuous location the name and phone number of a designated construction dust control coordinator who can respond to complaints by suspending dust-producing activities or providing additional personnel or equipment for dust control. (MM 3.2-1A and MM 3.2-1B)
- 6.10. Prior to grading permit issuance, the applicant is required to submit a Notice of Intent to the State Water Resources Control Board and prepare a Storm Water Pollution Prevention Plan (SWPPP) for controlling water discharges associated with construction activity. A copy of the document must be submitted and approved by the Engineering Division prior to issuance of a grading permit.
- 6.11. Heritage trees in the vicinity of the construction project shall be protected pursuant to the Heritage Tree Ordinance. Prior to grading permit issuance, the applicant shall submit a revised arborist report to include tree protection measures and preservation techniques for all applicable heritage trees, including the installation of tree protective fencing prior to grading.
- 6.12. As part of the building permit submittal, the applicant shall submit a landscaping plan that shows the species, size, quantity and location of all trees, shrubs, plants, and other landscaping material. The number of tree replacement trees shall be in conformance with the City's requirements for commercial projects at a ratio of 2:1 (new:removed). The landscaping plan is subject to review and approval of the Planning Division. (MM 3.3-5)
- 6.13. Prior to final building inspection, the applicant is required to enter into a "Stormwater Treatment Measures and Operation Maintenance (O&M) Agreement" with the City subject to review and approval of the Director of Public Works. With the executed agreement, the property owner is responsible for the operation and maintenance of stormwater treatment measures for the project. The agreement shall run with the land and shall be recorded by the applicant with the San Mateo County Recorder's Office.
- 6.14. Simultaneous with the building permit application submittal, the applicant shall submit improvement plans subject to review and approval of the Public Works Department. The comprehensive submittal shall include the following items:
- 5.14.1 Improvement plans for the right-of-way fronting the property along Sand Hill Road;

- 5.14.2 Improvement plans for the pedestrian pathway on the north side of Sand Hill Road across from the project site;
 - 5.14.3 Improvement plans for closure of existing median island at the project entrance and Addison Wesley site at 2725-2775 Sand Hill Road;
 - 5.14.4 Improvement plans for Sand Hill Road and Addison Wesley intersection crosswalk; and
 - 5.14.5 Improvement plans for American with Disabilities Act (ADA) compliant ramp upgrades at the four corners of the Sand Hill Road and Addison Wesley intersection.
 - 5.14.6 Improvement plans for Sand Hill Road, including the right turn lane into the project site, which shall have a minimum 12-foot asphalt travel lane, and the relocated bicycle lane adjacent to the right turn lane, which shall have a minimum width of seven feet.
- 6.15. Prior to grading permit issuance, the applicant shall submit final Storm Drainage, Grading, Erosion and Sedimentation Control Plans for review and approval by the Engineering Division. The final plans shall be prepared by a Civil Engineer registered in California, shall be in accordance with the preliminary plans, and shall be included in the project plans submitted for the building permits. The following specific elements shall be shown on the Plans:
- 6.15.1. Square footages of existing (pre-development) and proposed (post-development) on-site impervious areas and the change in the square footage of impervious area upon completion of the proposed project;
 - 6.15.2. Provide a detailed Hydrology Report showing the post development Q and the pre-development Q and proposals for hydro-modification by means of detention/retention.
 - 6.15.3. Provide a detailed Storm Water Quality Report identifying all c.3 site design measures to maximize pervious area, source control measures to keep pollutants out of the stormwater, construction BMPs and post-construction treatment measures;
 - 6.15.4. All storm drain water, if not handled by on-site infiltration, must drain to a natural waterway, the public street, or public storm drain system; and
 - 6.15.5. Compliance with all applicable National Pollutant Discharge Elimination System (NPDES) Permit requirements.
- 6.16. As part of the building permit submittal, the applicant shall submit a detailed landscape and irrigation plan for review and approval of the Community Development and Public Works Departments. The plan shall comply with the regulations for Water Efficient Landscaping (Municipal Code Chapter 12.44) and be consistent with San Mateo Countywide Stormwater Pollution Prevention Program (STOPPP) regarding the selection of pest resistant plants to minimize pesticide use. The landscaping shall be installed prior to

final building inspection of the last office building or hotel, whichever comes first.

- 6.17. The landscaping plan shall also include sight distance triangles for pedestrian and vehicular safety subject to review and approval of the Transportation Division.
- 6.18. Simultaneous with the building permit application, the applicant shall submit a lighting plan, providing the location, architectural details and specifications for all exterior lighting subject to review and approval of the Planning Division. A photometric study shall be included. The lighting plan shall minimize glare and spillover.

Night lighting along streets, in parking areas, and along walkways for the project shall be focused downward and/or shielded to avoid glare and point sources of light from interfering with the vision of off-site persons and motorists on local roadways except for area-specific tree, sign and decorative accent lighting with limited illumination radii.

The applicant shall retain a specialist in lighting design to determine light source locations, light intensities, and types of light source. Lighting levels provided shall be compatible with general illumination levels in the area where development occurs (e.g., along Sand Hill Road or the adjacent office complex) to avoid a noticeable contrast in light emissions, and to also provide for safety and security. The overall objective is to establish area lighting that would be adequate for safety and surveillance, but minimize the potential effects on nighttime views from locations off the project site. (MM 3.1-2)

- 6.19. Prior to building permit issuance, the applicant shall pay following fees associated with the project:
 - 6.19.1 Prior to building permit issuance, the applicant shall pay all applicable school impact fees associated with the project.
 - 6.19.2 Prior to building permit issuance, the applicant shall pay the applicable Building Construction Street Impact Fee.
 - 6.19.3 Prior to building permit issuance, the applicant shall pay the below market rate fee in accordance with Section 16.96.030 of the Zoning Ordinance estimated to be \$ 2,510,300 based upon 100,000 square feet of office/R&D at \$13.05 per square foot and 170,000 square feet of non-office (hotel) at \$7.09 per square foot.
 - 6.19.4 Prior to issuance of a building permit, the applicant shall pay a traffic impact fee of \$1.60 per square foot of gross building square footage. The fee could be used on a variety of capital improvement

projects to help reduce traffic impacts including adaptive signal timing, capacity improvements throughout the City and/or future traffic calming measures. (MM 3.13-1)

- 6.20. Prior to building permit issuance, the applicant shall submit a complete application for an encroachment permit for work performed within Caltrans' jurisdiction. Improvements to the pedestrian pathway shall be installed within one year of issuance of the necessary permits to perform the work.
- 6.21. Prior to final inspection of the office buildings, a minimum of 25 percent of the hotel rooms must be under construction.
- 6.22. Simultaneous with the building permit application, the applicant shall submit detailed plans, already approved by Allied Waste, for the provision of on-site recycling and garbage receptacles throughout the project site for review and approval of the Planning Division and the Environmental Program Coordinator. The appearance of any recycling facilities not contained within the structures shall be compatible with the architecture of the building.
- 6.23. Prior to issuance of a grading permit, the applicant shall submit a construction staging plan, showing the areas for storage of materials, and a construction vehicle parking plan. The stockpiling and storage of construction materials and equipment prior to use and installation shall be minimized to the extent practicable. The delivery of construction materials shall reasonably be timed to coincide with their use so as not to allow for excessive materials storage on the project site. Staging areas shall be located away from I-280 and Sand Hill Road to the extent possible, without encroaching on the adjacent office complex, and close to or within the general area of construction, out of the way of vehicular traffic and pedestrian use. The plan shall be subject to review and approval of the Planning and Building Divisions. (MM 3.1-1)
- 6.24. Prior to commencement of grading, the applicant shall hire a qualified biologist to conduct a field survey from 21 to 14 days prior to commencement of activities that would result in removal of vegetation during breeding season (February 1 through August 31) in order to prevent the direct loss of sensitive bird species or their nests. The field survey shall be submitted to the Planning Division for review. A qualified biologist shall determine if active nests of native birds are present in the construction zone (area where activities occur that result in the removal of vegetation). If no bird nests are observed, then no further mitigation is necessary. In the event an active nest is discovered in areas to be disturbed, removal of the nesting substrate shall be postponed until the nest is vacated and juveniles have fledged (typically three to four

weeks for small passerines), as determined by the biologist, and there is no evidence of second nesting attempts unless the California Department of Fish and Game (CDFG) and US Fish and Wildlife Service for migratory birds (USFWS) authorize otherwise. No surveys are required if vegetation removal would occur outside the nesting season, from September 1 to January 31. (MM3.3-1A) During the blooming period for plant species of interest as identified in the EIR, the applicant shall hire a qualified botanist to survey the project site in accordance with protocols developed by CDFG or USFWS -in order to prevent the direct loss of sensitive plant species. The survey shall be submitted for review by the Planning Division. If no sensitive plant species are observed, no further mitigation is required. If sensitive plant species are observed within the area to be impacted (area where activities occur that result in the removal of vegetation) by the project, the botanist shall implement a detailed mitigation plan that includes the following elements:

- Population estimate of the plants within the project site that would be impacted.
- Basic habitat requirements of the species effected by the project.
- Identification of a mitigation site including existing vegetative characteristics, species assemblages, ownership, etc.
- Detailed seed or plant collection, propagation, planting, and routine care methodologies to be employed. All stock shall be harvested from the project site when possible.
- Specific success criteria, monitoring protocols, and reporting pathways including remedial actions if mitigation plantings do not succeed.

The mitigation plan shall be submitted to the Planning Division, CDFG and USFWS as appropriate prior to implementation. All annual reporting per CDFG and USFWS protocol shall be also submitted to the agencies for review. (MM 3.3-1B)

- 6.25 Prior to issuance of grading permits, the project applicant or its agent shall acquire all appropriate wetland permits and submit documentation to the Planning Division. These permits include a Section 404 Wetlands Fill Permit from the Corps, a Section 401 Water Quality Certification from the Regional Water Quality Control Board, and, if necessary, a Section 1600 Streambed Alteration Agreement from CDFG.

Wetland mitigation shall be implemented as required as a part of the Section 404 CWA permitting process. Mitigation is to be provided concurrent with construction of the proposed project. Mitigation could include purchase of the appropriate amount of credits from a local mitigation bank if available. The exact mitigation

ratio is variable, based on the type and value of the wetlands that could be affected by the project, but would be a minimum of 1:1.

In addition, a Wetland Mitigation and Monitoring Plan shall be implemented in accordance with Section 404 CWA permitting process and include the following:

- Descriptions of the wetland types, and their expected functions and values;
- Performance standards and monitoring protocol to ensure the success of the mitigation wetlands over a period of five to ten years;
- Plans showing the location, size and configuration of wetlands to be created or restored (if a mitigation bank is not used);
- An implementation schedule showing that construction of mitigation areas will commence prior to or concurrently with the initiation of construction; and
- A description of legal protection measures for the preserved wetlands (i.e., dedication of fee title, conservation easement, and/or an endowment held by an approved conservation organization, government agency or mitigation bank).

The wetland mitigation shall be constructed prior to final inspection of the first phase of the project. (MM 3.3-3 and 3.3-4)

6.26 Prior to grading permit issuance, the project applicant shall hire a qualified archaeologist to prepare an Archaeological Monitoring and Data Recovery Plan (AMDRP). The AMDRP shall be submitted to the City of Menlo Park and to the Stanford University Campus Archaeologist for approval, and shall be implemented prior to the issuance of the grading permit. The AMDRP shall specify that an archaeologist be present for all vegetation-clearing and grading activities associated with project construction. The AMDRP shall define where and how data recovery will be conducted for all important archaeological resources discovered, how archaeological monitoring will be conducted, and the protocol to be followed in the event that significant resources are discovered during archaeological monitoring. In addition, the AMDRP shall include the following:

- A site-specific research design, describing the types of thematic research topics to be addressed and the specific methodology to be used during data recovery, with provisions for amending the AMDRP shall the resources encountered differ from those anticipated.

- Provisions for artifact cataloging, complete and thorough analysis, and curation.
- Provisions for consultation with the Native American Heritage Commission in the event that skeletal remains are discovered.
- An outline for the preparation of a technical report of findings, within a reasonable time period, that meets professional standards (e.g., the Secretary of the Interior's Standards and Guidelines for Archeology and Historic Preservation). Draft copies of the technical report are to be provided to the City of Menlo Park and to the Stanford University Campus Archaeologist for review and concurrence, and final copies provided to the City of Menlo Park, the Stanford Archaeologist, and the Northwest Information Center (NWIC) of the California Historical Resources Information System (CHRIS).
- All recovered artifacts (and site features, if any) shall be analyzed sufficiently to address the research questions posed in the AMDRP, which could include radio-carbon assay, obsidian hydration analysis, lithic analysis, or other techniques as determined necessary. All artifacts shall be preserved and recorded in accordance with recognized standards (e.g., the Secretary of the Interior's Standards and Guidelines for Archeology and Historic Preservation). (MM 3.4-1)

6.27 During grading, in the event fossilized or unfossilized shell or bone is uncovered for the proposed project, contractors shall stop work in the immediate area of the find, notify the landowner, Stanford University, and retain a qualified paleontologist to survey the site and assess the find. In addition, the project sponsor shall notify the Community Development Department. The paleontologist retained by the project sponsor shall visit the site and make recommendations for treatment of the find that shall be sent to the Community Development Director. Recommendations could include collection, recordation, and analysis of any significant cultural materials. If a fossil find is confirmed, it shall be recorded with the U.S. Geological Survey and curated in an appropriate repository. (MM 3.4-2)

6.28 During grading or construction, if human remains are discovered, the project sponsor shall halt further excavation or disturbance of the discovery site or any nearby area reasonably suspected to overlie adjacent human remains. In accordance with State CEQA Guidelines section 15604.5(e), the County Coroner shall be notified immediately. If the remains are found to be Native American,

the County Coroner shall notify the Native American Heritage Commission within 24 hours. The most likely descendant of the deceased Native American shall be notified by the Commission and given the chance to make recommendations for the remains. If the Commission is unable to identify the most likely descendant or in the event the landowner and the descendant fail to reach an agreement, the remains may be re-interred with appropriate dignity elsewhere on Stanford University property in a location not subject to further subsurface disturbance.

A final report shall be submitted to the Community Development Department which shall contain a description of the mitigation program that was implemented and its results including a description of the monitoring and testing program, a list of the resources found, a summary of the resources analysis methodology and conclusions, and a description of the disposition/curation of the resources. The report shall verify completion of the mitigation program to the satisfaction of the Director of Community Development or designee. (MM 3.4-3)

- 6.29 Prior to grading permit issuance, the project applicant shall prepare a storm water management plan (SWMP) that incorporates stormwater quality Best Management Practices (BMPs) into the project design subject to review and approval by the Engineering Division.

The City of Menlo Park requirements for a Grading Plan include maximizing infiltration of stormwater and where on-site infiltration is not sufficient, routing of stormwater through vegetated swales or other comparable BMPs prior to discharge to the public storm drain systems. Other water quality BMPs are included in requirements of the Grading Plan.

As part of the project design, disconnected roof drains, bioretention filtration areas (e.g., rain gardens), and roadside swales will be implemented to the maximum extent practicable. Mechanical treatment devices would be used, where necessary, but not to exceed treatment of 15 percent of the project area. Details of the stormwater quality BMPs locations, size, and type shall be included in the SWMP. According to the General Permit C.3. provisions, 85 percent of the annual site runoff must be treated consistent with City and County standards. The stormwater plan and grading and drainage plan shall be subject to review and approval of the Engineering Division. The BMPs will be installed and maintained as stipulated in the Grading Plan requirements of the City of Menlo Park's Grading and Drainage Plan Guidelines and Checklist.

All construction activities, including road improvements, installation and realignment of utilities, and new development would be subject to the City of Menlo Park Municipal Code Stormwater Management Program (7.42) and

requirements for obtaining a Grading Permit prior to the initiation of construction. (MM 3.3-2 and MM 3.7-1)

6.30 Prior to grading permit issuance, a Storm Water Pollution Prevention Plan (SWPPP) for construction activities shall be submitted for review and approval by the Engineering Division. Projects that disturb one or more acre of land surface (such as the proposed project) are subject to the NPDES Construction General Permit c.3 provisions. The SWPPP may include, but would not necessarily be limited to, BMPs for reducing sediment and chemicals in stormwater runoff.

BMPs may include the following:

Erosion and Sediment Control Construction BMPs:

- Construction scheduling, such as phasing and season avoidance, to minimize erosion and sediment;
- Perimeter protection such as straw wattles or silt fences;
- Check dams to prevent gully erosion and/or slow water down to allow sediment to settle out;
- Gravel bag berm/barriers to prevent runoff or run-on of surface water flows;
- Street sweeping and vacuuming to remove vehicle-tracked soil and sediment;
- Storm Drain Inlet Protection such as filter bags and perimeter protection;
- Stabilized Construction Entrance to prevent vehicle tracking of sediment and debris on roadways; and
- Wind Erosion Control BMP such as soil stabilizers (would require more water quality modeling), wetting down of dry sediment, or covering exposed surfaces.

Vehicle and Equipment Operation BMPs

- Construction equipment to be brought to the site no sooner than it is needed and removed from the site as soon as practical. Major equipment overhaul will take place off site;
- Vehicle and equipment maintenance facilities prepared and used to prevent discharges of fuel and other vehicle fluids; and
- Vehicle and Equipment Fueling to take place in a contained staging area to prevent discharges of fuel and other vehicle fluids.

Waste Management and Materials Management BMPs

- Material delivery and storage—materials to be stored either off-site or under cover. Hazardous materials to be stored in contained areas.

- 6.31 Prior to grading permit issuance, the project proponents would also need to prepare and submit a Grading Plan with associated Erosion and Sedimentation Control Notes/Plans subject to review and approval by the Engineering Division.
- 6.32 Prior to grading permit issuance, the applicant shall submit a Construction Noise Plan subject to review and approval by the Planning and Building Divisions. The Plan shall include the following measures to implement during construction:
- 6.32.1 To minimize construction noise impacts on nearby residents and businesses, and to be consistent with Title 8 of the City of Menlo Park Municipal Code, construction activities that exceed stated noise limits are permitted only between the hours of 8:00 AM and 6:00 PM, Monday through Friday, and are prohibited on weekends and federal holidays.
- 6.32.2 Construction equipment shall be properly muffled and maintained with noise reduction devices to minimize construction-generated noise.
- 6.32.3 Prohibit unnecessary idling of internal combustion engines.
- 6.32.4 The contractor shall locate stationary noise sources on the project site as far as possible away from existing residential and commercial uses, and require the use of acoustic shielding with such equipment when feasible and appropriate.
- 6.32.5 The construction contractor shall designate a “noise disturbance coordinator” for construction activities. The coordinator would be responsible for responding to any local complaints regarding construction noise. The coordinator would determine the cause of the noise complaint (i.e., starting too early, bad muffler, no shielding), and would require that reasonable measures warranted to correct the problem would be implemented. Conspicuously post a telephone number for the coordinator at the construction site and include it in the notice sent to neighbors and businesses regarding the construction schedule.(MM 3.9-1)
- 6.33 Prior to submittal of an application for a building permit for the construction of the project, the applicant shall apply for an encroachment permit from Caltrans to convert the existing through lane from the northbound off-ramp of Interstate 280 to the east bound portion of Sand Hill Road to a through-right lane, including related intersection improvements to accommodate the construction or reconfiguration of the intersection. This may include removal of the right-turn divider island, relocation of the traffic signal pole and installation of new traffic signal equipment. The through-right and right turn lanes shall extend approximately 300 feet south from Sand Hill Road.

The application shall include all necessary improvement plans and documents that are required by Caltrans. The applicant agrees to diligently pursue Caltrans approval and shall submit revised plans and documents reasonably required by Caltrans promptly after receipt of written comments from Caltrans. As part of the building permit submittal, the applicant shall submit a copy of the Caltrans encroachment permit application to the City of Menlo Park Director of Public Works and provide updates on the status of the encroachment permit application to the Director of Public Works every six months for four years after the encroachment permit application.

The applicant shall construct the improvements as applied for within 180 days of obtaining Caltrans encroachment permit therefore unless a longer timeframe, not to exceed one year, is identified in the Caltrans permit. If after two years from the date of encroachment permit application the applicant has not obtained an encroachment permit from Caltrans the City of Menlo Park, at its discretion, has up to two years to determine whether to enter into an agreement with the applicant, for the City to pursue the necessary approvals and construct the improvements subject to the applicant paying for said improvements, including but not limited to, construction costs, design fees, consultant fees, inspection fees and costs associated with obtaining Caltrans approval. If after four years from the date of project approval an encroachment permit has not been issued by Caltrans, neither the City nor the applicant shall be obligated to implement said improvements.

In the event that either the City decides not to pursue the improvements or four years elapses without issuance of the Caltrans encroachment permit, the applicant shall provide to the City an engineer's estimate of the cost of construction of the improvements described in the encroachment permit application. Upon review and approval of the estimate by the City of Menlo Park Director of Public Works, the applicant shall pay the amount of the estimate (the "Funds") to the City. The City shall make the Funds available to Caltrans for any Caltrans project that includes capacity improvements to the I-280 northbound off-ramp to Sand Hill Road. If Caltrans has not committed to implement such a project five years from the encroachment permit application, the City may use the Funds for improvements to Sand Hill Road west of Santa Cruz Avenue.

The mitigation described in the first paragraph above would provide LOS D operations and would reduce the impact to less than significant. However, the City recognizes that the timing and implementation of this measure is outside the jurisdiction and responsibility of the City. Approval of improvements would be required from Caltrans. The City recommends that Caltrans approve implementation of the proposed mitigation measure, but also recognizes that in the event that Caltrans does not approve or allow implementation of the recommended mitigation measure, potentially significant impacts could result in the near term and cumulative scenario for A.M. peak hours vehicle delay at the state-controlled intersection I-280 northbound off ramp/Sand Hill Circle and Sand Hill Road. Without implementation of the proposed mitigation, the impact would be significant and unavoidable. The potential substitute mitigation (i.e., use of

the applicant's funds either for ramp improvement as part of another Caltrans project or for City-sponsored improvements to Sand Hill Road west of Santa Cruz Avenue) would be expected to improve local traffic conditions, but that improvement cannot be quantified, so the impact would be deemed to remain significant and unavoidable. (MM 3.13-2 and 3.13-4)

- 6.34 Prior to grading permit issuance, the applicant shall prepare a Traffic Control Plan that identifies the timing and routing of all major construction equipment and trucking to avoid potential traffic congestion and delays on the local street network, such as Sand Hill Road and local streets, and encourage the use of Interstate 280. It may be necessary to limit construction activities and materials delivery to off-peak hours or determine access to particular areas of construction that would not conflict with local traffic circulation or vehicular access to the residential areas, the office and commercial areas along Sand Hill Road, and Stanford University. The applicant shall consult with the County of San Mateo and City of Palo Alto on the Traffic control Plan. The plan shall be subject to review and approval of the Planning and Transportation Divisions. (MM 3.13-6)
- 6.35 Prior to final inspection of either the hotel or office component, whichever comes first, the applicant shall submit information on the timing and routes of the shuttle service connecting the project site with the existing and local and regional transit services along El Camino Real as part of the Transportation Demand Management Plan. The project sponsors shall fund and implement the operation of a shuttle service for the occupied life of the project. The plan shall be reviewed and approved by the Planning and Transportation Divisions. The shuttle shall be operational at the time of occupancy of the first component (hotel or office) of the project. (MM 3.13-7)
- 6.36 Concurrent with the start of occupancy of the first component (hotel or office) of the project, the applicant shall implement a Transportation Demand Management (TDM) consistent with the TDM measures identified in the DEIR for the project. These programs, once implemented, must be on going for the occupied life of the development. The TDM plan is subject to review and approval of the Planning and Transportation Divisions. (MM 3.13-8)



Community Development Department
701 Laurel Street/Menlo Park, CA 94025-3483
(650) 330-6706/Fax (650) 327-1759

MEMORANDUM

DATE: May 10, 2006
TO: Housing Commission
FROM: Arlinda Heineck, Community Development Director

SUBJECT: Proposed Below Market Rate (BMR) Agreement for Project Located at 2825 Sand Hill Road

The applicant and property owner, The Board of Trustees of the Leland Stanford Junior University, is proposing to construct a 170,000 square foot hotel facility comprised of 120 guest rooms, five villas, a restaurant, spa, fitness center, and a 100,000 square foot office complex on a 21-acre vacant site at 2825 Sand Hill Road adjacent to the Sand Hill Road/Interstate 280 interchange. The proposal requires approval of: (1) a General Plan amendment to change the land use designation of the property from Professional and Administrative Offices to Retail/Commercial; (2) a rezoning of the property from C-1-C (Administrative, Professional and Research District, Restrictive) to C-4-X (General Commercial – Conditional Development District); (3) a Conditional Development Permit to establish specific uses and development regulations and review architectural designs; (4) a heritage tree permit to remove two heritage trees; and (5) an Environmental Impact Report (EIR) to assess the potential adverse environmental impacts of the project. The Planning Commission will review the above requests as a recommending body and the City Council will review the requests as the final decision-making body. The applications are tentatively scheduled to be reviewed by the Planning Commission on May 22, 2006 and by the City Council on June 20, 2006.

The proposal will trigger the Below Market Rate (BMR) Housing Program requirements. In order to meet the requirements, the applicant has submitted a draft BMR Agreement for review and recommendation by the Housing Commission. The Housing Commission's recommendation will be forwarded to the Planning Commission for its consideration during its deliberations on the project, and eventually to the Council for a final decision.

BMR Housing Program Requirement

The City's BMR Program applies to any commercial development which includes more than 10,000 square feet of new building area or more than 10,000 square feet of building area converted from an exempt use to a non-exempt use or from a Group B use (all other commercial/industrial uses) to a Group A use (office/research and development). Exempt uses are private schools and churches, public facilities, and projects that generate few or no employees. Since the proposal is for new commercial square footage in excess of 10,000 square feet, it is subject to the BMR Program requirements.

Section 16.96.030 of the Zoning Ordinance and Section 3 of the BMR Guidelines provides various alternatives to mitigate the demand for affordable housing created by commercial development projects. The alternatives include: (1) on-site BMR units if housing is allowed by the zoning district in which the proposed project is located; (2) off-site BMR units; and (3) if neither on-site nor off-site units are feasible, payment of an in-lieu fee prior to issuance of building permits. If BMR units were to be developed to meet the requirement, 9.35 units would be required to be constructed.

In the case of the proposed project, on-site units are not feasible since the existing and proposed zoning does not allow for residential units. Additionally, the existing and proposed General Plan land use designation for the property supports commercial development on the property, consistent with other property along the Sand Hill Road corridor.

Off-site BMR units are required to be available on or before the completion of the proposed project (Section 4.2 of the BMR Guidelines). Generally, the two options for providing off-site units are to develop units on other property owned by the applicant or the purchase/construction of units within a residential project being developed by others. The applicant does not own other property within the City of Menlo Park that is available and feasible for residential development. The purchase/construction of additional BMR units within another project is made difficult by both the number of required units and the requirement that the off-site units must be available on or before the completion of the proposed project. The timing of the review and construction process of housing projects currently under consideration cannot be guaranteed. Linking the construction of the hotel/office project to the development of future off-site BMR units over which the applicant has no control is likely to create delays or have impacts that would render this option infeasible.

Given that the existing and proposed land use designations and zoning would not allow for the development of on-site units and the lack of available property owned by the applicant and uncertainty associated with the development of off-

site units in another project, the applicant is proposing to pay an in-lieu fee. The fee is required to be paid prior to building permit issuance. The amount would be the fee in effect on the date the payment is made, recognizing that the fee is adjusted annually on July 1 based on a five-year moving average of the percentage increase in the Consumer Price Index (Shelter Only) for all Urban Consumers in the San Francisco-Oakland-San Jose area. The current fees that would be applicable to the project are \$13.05 per square foot for the office portion of the development (Group A use) and \$7.09 per square foot for the hotel use (Group B use) for a total fee of \$2,510,300.

Recommendation

A draft BMR Agreement for the payment of the in-lieu fee is included as Attachment A for the Commission's review and consideration. Staff believes that the payment of the fee is appropriate and recommends approval of the BMR Agreement.

ATTACHMENTS

- A. Draft BMR Agreement for 2825 Sand Hill Road
- B. Project Plans (will be available at the meeting)

H:\staff reports\Housing Commission\051006 – 2825 Sand Hill Road



PLANNING COMMISSION STAFF REPORT

FOR THE PLANNING COMMISSION
MEETING OF FEBRUARY 27, 2006
AGENDA ITEM C1 AND D1

LOCATION:	2825 Sand Hill Road	APPLICANT AND PROPERTY OWNER:	The Board of Trustees of the Leland Stanford Junior University
EXISTING USE:	Vacant		
PROPOSED USE:	Office, Hotel and Associated Facilities	APPLICATIONS:	General Plan Amendment, Rezoning, Conditional Development Permit, Environmental Review
EXISTING ZONING:	C-1-C (Administrative, Professional and Research District, Restrictive)	PROPOSED ZONING:	C-4-X (General Commercial, Other than El Camino Real – Conditional Development District)
EXISTING GENERAL PLAN DESIGNATION:	Professional and Administrative Offices	PROPOSED GENERAL PLAN DESIGNATION:	Retail/Commercial

PROPOSAL

The applicant is proposing to construct a 170,000-square-foot hotel facility comprised of 120 guest rooms, five villas, a restaurant, spa, fitness center, and a 100,000-square-foot office complex on a 21-acre vacant site at 2825 Sand Hill Road adjacent to the Sand Hill Road/Interstate 280 interchange. The proposal requires the approval of the following requests:

- **General Plan Amendment:** Change from Professional and Administrative Offices land use designation to Retail/Commercial land use designation;
- **Rezoning:** Change from C-1-C (Administrative, Professional and Research District, Restrictive) to C-4-X (General Commercial – Conditional Development District);
- **Conditional Development Permit:** Establish specific uses and development regulations and review architectural designs;
- **Heritage Tree Permit:** Remove two heritage size trees; and
- **Environmental Review** of the proposed project in the form of an Environmental Impact Report (EIR).

The proposal requires review and recommendations by the Planning Commission on the General Plan Amendment, Rezoning, Conditional Development Permit, Heritage Tree Permit, and EIR. The City Council is the final decision-making body on these applications.

BACKGROUND

The proposal appeared before the City Council on May 24, 2005 for a study session and then subsequently before the Planning Commission for a study session on September 19, 2005. At both meetings, the study session allowed the applicant to present the proposed project and receive comments raised by the City Council, Planning Commission, and members of the public.

At the City Council study session, the Council expressed general support for the proposed project and was interested in keeping abreast of the progress of the project. The Council was interested in learning more about the fiscal implications of the project, particularly the Transient Occupancy Tax (TOT). In response, the applicant has submitted a fiscal analysis for the proposed project. The City is conducting an independent review of the applicant's fiscal study. Staff anticipates that the peer review will be available in late March 2006 and the fiscal impact study will be presented to the City Council in April 2006.

At the City Council meeting, several members of the public also expressed support for the proposed hotel at the subject site. Additionally, several nearby residents raised concern about traffic and the change of appearance of the site.

On July 28, 2005, staff conducted a scoping session on the Environmental Impact Report during the 30-day circulation of the Notice of Preparation, which identified the preparation of an EIR for the proposed project. The purpose of the scoping meeting was to receive input on the content to be analyzed in the EIR. Staff received both written and verbal comments from members of the public and various local and regional agencies. Many of the comments related to traffic, noise and aesthetics.

On September 19, 2005, the applicant presented the project to the Planning Commission at a study session. The Commission generally supported the proposal in concept and provided comments on various issues, including lighting, signage, the streetscape and architectural details and pedestrian accessibility. Members of the public also provided comments and raised concern about traffic and aesthetics.

Over the past several months, the applicant has worked to refine their proposed plans and address comments raised by the Planning Commission. Revised plans, which address some of the items, are included as Attachment B. The applicant will further address items at the Planning Commission study session component of the February 27, 2006 meeting.

ANALYSIS

Process

The purpose of the February 27, 2006 public hearing on the proposed project is to give both the public and the Planning Commission an opportunity to comment both on the Draft EIR that has been prepared for the project and the project itself. Therefore, this staff report contains both a general description of the project and a summary of the issues discussed in the Draft EIR. The first part of the meeting will be to review and receive comments on the Draft EIR during the 45-day public comment review period. Comments received during the public hearing on the Draft EIR will be responded to as part of the Final EIR. The response to comments in the Final EIR will be reviewed at a subsequent Planning Commission meeting. The second component of the February 27, 2006 meeting will be a study session on the proposed project. The study session will focus on the proposed project, including the uses, the site design, architectural features and landscaping plan. Comments received on the proposed project can be considered by the applicant for inclusion within the project prior to the Planning Commission's recommendation and City Council action. A separate Planning Commission meeting will be scheduled at a later date, anticipated in late May or early June 2006, and it is at that meeting that the Commission will provide a recommendation on the project, including the Final EIR, to the City Council.

Existing Site

The 21-acre triangular shaped site is located in the southeastern quadrant of the Sand Hill Road/Interstate 280 interchange and is undeveloped grassland area. Office buildings are located to the east and north, across Sand Hill Road, Interstate 280 is located on the west, and the Stanford Linear Accelerator Center (SLAC) is located to the south. The topography of the site contains a gradual downward slope, heading towards the freeway, with an approximate 50-foot grade differentiation between the east and west sides of the property.

The site has some unique features. Along the west side of the property, adjacent to Interstate 280, two wetland features exist. One feature has been identified as a ephemeral blue-line creek on the northern portion of the site (lowest point of the site) and the other feature is a drainage swale that runs from south to north on the west side property line. Both of these contribute water to the San Francisquito Creek. The proposed project could result in the loss of wetlands and be an adverse impact. The Draft EIR, however, includes mitigation that addresses the impact such that there would be no net loss of wetland acreage.

The site is accessed from an existing traffic signal/intersection on Sand Hill Road, which is commonly referred to as Addison-Wesley due to a former long-term tenant. The intersection would be the primary ingress and egress from the site, which is also shared with the five adjacent office buildings to the east, which are located on Stanford-owned land. Four of the five buildings are on a sublease from Addison-Wesley's long-term land lease that expires in September 2025 and Stanford manages the fifth building. Access and circulation will be further discussed in the Analysis section of this report.

Proposed Project

The proposed project is the development of a 170,000 square-foot hotel and its associated facilities and a 100,000 square-foot, multi-building office complex on a 21-acre site. The site plan integrates the various components into one comprehensive development. The site plan incorporates multiple structures connected through a series of pedestrian linkages. The hotel and villas would be situated on the southeastern portion of the site, closest to the existing office complex on the adjacent property. The new office buildings would be located closest to the Sand Hill Road/Interstate 280 Interchange on the opposite side of the site. The common facilities, including a spa, fitness center, and restaurant, would be centrally located on the site, and available for use by hotel guests, office employees or members of the public. The applicant intends to own and develop the property and manage the office complex. It is anticipated that a private hotel operator would manage the hotel. At this time, the applicant does not plan to enter into any long-term ground leases.

General Plan Designation and Zoning District

The site currently has a General Plan land use designation of Professional and Administrative Offices and the property is zoned C-1-C (Administrative, Professional

and Research District, Restrictive). The proposed office component of the project is consistent with the General Plan land use designation and zoning district. However, the hotel and related facilities are not explicitly identified in the General Plan and the uses are not currently permitted in the C-1-C zoning district. In order to construct the proposed project, the existing General Plan land use and zoning designations would need to be changed. The appropriate designations would be the C-4 (General Commercial – Other than El Camino Real) zoning district and the Retail/Commercial General Plan land use designation.

Under the base C-4 zoning requirements, any new construction requires a use permit regardless of whether or not the use is permitted. The proposed project would require a use permit for the construction of the hotel, office, personal service and restaurant uses. In addition, the hotel and the provision of alcohol associated with the restaurant, which are conditional uses, would require approval of a use permit.

As proposed, the project would not meet all the development regulations of the base C-4 district. The applicant would be requesting two exceptions through a Conditional Development Permit and the corresponding “X” Conditional Development District overlay. A Conditional Development Permit allows for flexibility in meeting all development regulations, except for density and floor area ratio. In consideration of the C-4-X zoning district, the applicant would be proposing that several development regulations be established through the conditional development permit to accommodate the proposed hotel and office project.

The project would require an exception to the parking and height requirements of the C-4 district. The parking requirement for the C-4 zoning district is six spaces per 1,000 square feet of gross floor area regardless of use. With a total gross floor area of 270,000 square feet, the parking requirement would be 1,620 spaces. The applicant is proposing a total of 590 parking spaces based on the proposed uses and the City's Parking Reduction Guidelines. Staff would note that through the adoption of Phase II of Commercial Streamlining, the Zoning Ordinance allows for requests to reduce the amount of required parking spaces for specific uses. In regard to the building height exception, the maximum height allowed in the C-4 district is 30 feet. The proposed plans show office building heights approximately 38 feet in height. These exceptions and all elements requiring a use permit would be covered through the conditional development permit.

The following table provides the density, floor area ratio, building coverage, paving and landscaping percentages, number of parking spaces, setbacks, and height requirements under the existing C-1-C zoning district and the proposed underlying C-4 zoning district with a comparison to the proposed project.

Table 1
FAR, Building Coverage, Paving, Landscaping, Parking, Setbacks and Height Comparisons

	C-1-C District	C-4 District	Proposed Project	
Floor Area Ratio (FAR)	25%	40%	28.9%	
Building Coverage	20%	No Maximum	18.9%*	
Paving	N/A	N/A	22%	
Landscaping	Minimum 30%	Minimum 5%	59.1%	
Parking	1,080 spaces 4 spaces per 1,000 sf	1,620 spaces 6 spaces per 1,000 sf	590 spaces (Approximately 1 per 300 sf for office, 1.1 spaces per 1 room, 6 per 1,000 sf of restaurant, 5 per 1,000 sf for personal service)**	
Setbacks***	Front: 75 ft. Side Corner: 75 ft. Interior: 30 ft. Rear: 40 ft.	N/A	<u>CDP****</u> Front: 75 ft. Side: 40 ft. Rear: 40 ft.	<u>Building*****</u> Front: 75 ft. Side: 60 ft. Rear: 45 ft.
Height	35 Feet Maximum	30 Feet Maximum	38 Feet Maximum	

* Excluding covered porch areas

** Generally Based on City's Parking Reduction Guidelines

*** Front = Sand Hill Road, Side = Shared Property with 2725 Sand Hill Road and Rear = Interstate 280

**** The CDP setbacks refer to the project-specific development standards.

***** The Building setbacks refer to the proposed setbacks from the building to the respective property lines.

Hotel and Associated Facilities

The hotel would consist of 120 guest rooms and five villas. The guest rooms would be configured within 15 different one-story and two-story buildings and designed in clusters around courtyards. Guestrooms range in size from 542 square feet for a typical king room to 3,550 square feet for a three-bedroom villa. The typical size guestroom would be approximately 550 square feet and each unit would contain a private veranda. Each of the five proposed villas would be one-story and contain two or three bedrooms with a private patio and pool.

The project has integrated several common pool and patio areas to provide open space, and relaxation and recreational opportunities. A full service restaurant, spa facilities and fitness center are additional public amenities proposed within the project. The

restaurant and spa will be open to the general public and it is anticipated that access to the fitness center would be limited through private membership.

Office

The proposed office complex would be comprised of four two-story buildings located around a central landscaped courtyard in the northwestern corner of the site. The total square footage of the office complex would be 100,000 square feet. Previously, a five building option was presented to the Planning Commission study session. The four and five office building options are described in the DEIR to provide environmental clearance for either scenario, but the applicant has decided to pursue the project with four office buildings. The applicant intends to target tenants whose business is similar to those existing on Sand Hill Road, and it is anticipated that multiple tenants would likely occupy the buildings.

Architecture and Materials

The design of the project is inspired by California ranch style architecture, which is generally consistent with the architectural style of nearby buildings along the Sand Hill Road Corridor. With low-pitched gabled roofs, long and narrow form to the building, and open patios, the buildings reflect elements of the ranch style. The applicant proposes to use high quality building materials that feature natural colors and finishes such as exposed wood rafters and trim, wood balconies and railings, and stone veneer accents. The exterior of the buildings would be finished in either cement plaster or board and batten siding. The roof would be either cedar shake or cedarlite concrete tile. The materials would be consistent with the California ranch style and be compatible with other buildings in the area.

Landscaping

The project site contains 20 heritage trees, mostly eucalyptus and coast live oak, located on the perimeter of the site. Two heritage trees, a valley oak and Italian stone pine, are proposed for removal to accommodate a dedicated right turn lane on Sand Hill Road into the project site and associated street frontage improvements. Both of the trees are mature and in fair condition according to an inventory prepared by the applicant's arborist. The inventory, dated April 2005, includes an assessment of these two trees in addition to the other heritage trees on site and has been included as part of the technical appendices of the Draft EIR. The removal of the heritage trees would require a Heritage Tree Permit and would require a two to one replacement ratio.

In response to comments from the Planning Commission, the applicant has prepared a more detailed landscaping concept. The plan utilizes a mix of trees, shrubs, ground cover, perennials, native wildflower and lawn. A detailed plant list has been included on pages L.106 and L.107 of the plans. The project's street frontage along Sand Hill Road would contain a mix of coast live oak, deodar cedar, and Chinese pistache. The applicant also proposes a four-foot tall wood farm fence along the Sand Hill Road

frontage. The style of the fence is unobtrusive and is keeping in character with the proposed natural materials of the buildings. An enlarged detail of the Sand Hill Road frontage has been included on page L.108.

Parking, Access and Circulation

Access to the site would be directly from Sand Hill Road at the existing Addison-Wesley signalized intersection. The entrance to the development is currently being used by an existing office complex located to the east that was approved in three phases, beginning in the late 1960s and most recently in 1996. The existing entrance would become a shared entry with the proposed project. When the fifth building of the existing office complex located at 2775 Sand Hill was approved in 1996, one of the conditions of approval was for further analysis of the access to the site when development occurred at 2825 Sand Hill Road. Staff, in conjunction with its traffic consultant on the Draft EIR, has determined that the existing median opening shall be closed upon development of the proposed project. The closure of the median would restrict left turns into the access road that leads to parking at the rear of the office complex and redirect inbound vehicles to a slightly longer and more circuitous route. The median closure would not impact vehicles exiting the site. The recommended closure of the existing median was based on safety and vehicular efficiency.

Once on the site, vehicular traffic would travel along a road around the perimeter of the site; however, the road would not create a full loop, except for emergency vehicle access. The applicant also proposes an emergency vehicle access off Sand Hill Road, but the public would not use this ingress/egress point. The applicant is proposing parking at grade and in a garage below the office building and spa and fitness center. The site would contain 590 parking spaces to serve all the uses. Valet service would also be available for hotel guests and restaurant patrons.

Besides vehicular circulation and access, the Commission was also interested in the proposed improvements for pedestrian access to and from the site and within the site. The applicant has indicated their desire to improve existing crosswalks at 1) the site's entrance between the east and west sides of the Addison-Wesley entrance and 2) across Sand Hill Road from the Addison-Wesley site to the north. Additionally, the applicant plans to improve the existing pathway located on the north side of Sand Hill Road across from the project to help improve pedestrian circulation and access to the site. These improvements would be in-lieu of constructing pedestrian facilities on the south side of Sand Hill Road in front of the project where there is less of a pedestrian destination. The plans do not yet reflect these concepts, but will be included in the final plans. An on-site pedestrian and vehicular circulation diagram is located on page L1.02 of the plan set.

ENVIRONMENTAL REVIEW

A Draft Environmental Impact Report (EIR) has been prepared for the proposed project, and was released for public comment on January 31, 2006. The public comment period

for the Draft EIR will end at the close of the business day on March 16, 2006. All verbal and written comments received, including comments from this Planning Commission meeting, will be responded to in the Final EIR, which will be prepared following the close of the 45-day review period. The Final EIR will be available at least 10 days prior to the Planning Commission's public hearing on the proposal. The Planning Commission will review the Final EIR as part of the Commission's recommendation to the City Council on the project.

The Draft EIR analyzes the potential impacts of the project across a wide range of impact areas. The Draft EIR determined that the project would have a less-than-significant impact without the need for mitigation on the following impact areas: geology, soils, and seismicity; hazardous materials; land use; population and housing; and public services. Other impact areas in the Draft EIR, including aesthetics; air quality; biological resources; cultural resources; hydrology and water quality; and noise, were identified as potentially less than significant with the adoption of specific mitigation measures. Many of these mitigation measures are typical and often included with larger development projects. Some of the mitigation measures are site specific such as addressing the loss of wetlands. A complete list of these mitigation measures is included in Table 1-1 of the Draft EIR on pages 1-6 through 1-20.

The Draft EIR identified that one of the environmental impact areas would have a potentially significant unavoidable impact as a result of the project. This is transportation and is explained in more detail below.

Transportation

The transportation analysis considered impacts to signalized and unsignalized intersections, roadway segments, freeway ramps, transit, access and circulation, and parking. The analysis was based on a 100,000 square-foot office complex, 132 hotel rooms (120 hotel rooms plus 12 rooms from the five villas), a 160-seat restaurant, and a 16,100 square-foot fitness and spa facility.

Intersection Traffic Volumes

The transportation section analyzed 28 intersections located near the project area and along the Sand Hill Road corridor, Alpine Road, Junipero Serra Boulevard, Alameda de las Pulgas and El Camino Real. The location, collection date, and source of each intersection count used in the EIR analysis is shown in Table 3.13-4 on page 3.13-22 of the EIR.

In the near term during the p.m. peak hour, the project would cause a 1.9 second per vehicle increase in average delay for all movements and a 1.0 second per vehicle average increase in average delay on the critical movements on the local approach to the State-controlled intersection of El Camino Real and Ravenswood Avenue. Without the project, the intersection operates at level of service (LOS) E in the near term. This

impact would be potentially significant because it exceeds the City's threshold of 0.8 seconds of vehicle delay during the p.m. peak hour.

In the cumulative scenario (2015), the project would change the LOS at El Camino Real and Ravenswood Avenue from D to E during the a.m. peak and would change the LOS from E to F during the p.m. peak with a 2.3 second per vehicle increase in average delay for all movements and 1.2 seconds of delay per vehicle average increase in average delay on critical movements. The impact would also exceed the City's threshold.

The Draft EIR identifies potential mitigation to reduce both the near term and cumulative scenarios. Mitigation to improve the intersection operations at El Camino Real and Ravenswood Avenue would require removal of parking spaces along El Camino Real and/or widening on El Camino Real to provide a third through lane in each direction. The widening of El Camino Real poses some constraints given the existing right-of-way limitations. The addition of lanes could result in property acquisition and potentially the loss of existing buildings and heritage trees. If undertaken, the improvement would reduce the average delay and would reduce the LOS from E to D in the p.m. peak hour in the near term.

The implementation of the identified mitigation measure may not be appropriate or feasible at this time. If the mitigation measure was not implemented, the impact at El Camino Real and Ravenswood Avenue would remain significant and unavoidable.

Roadway Segment Volumes

The DEIR concluded that traffic added to the street system by the proposed project would exceed Menlo Park criteria on 11 street segments of the 117 segments that were analyzed for the EIR. The impacted segments are the following:

- Middlefield Road, North of Willow (Minor Arterial)
- Monte Rosa Drive, North of Sand Hill (Local)
- Oak Avenue, North of Sand Hill (Local)
- Olive Street, South of Middle (Local)
- Ravenswood Avenue, El Camino Real to Middlefield (Minor Arterial)
- Sand Hill Road, East of Santa Cruz (Minor Arterial)
- Santa Cruz Avenue, East of Orange (Minor Arterial)
- Santa Cruz Avenue, North of Sand Hill (Minor Arterial)
- Santa Cruz Avenue, South of Sand Hill (Minor Arterial)
- University Drive, South of Santa Cruz (Collector)
- Willow Road, East of Middlefield (Minor Arterial)

The Menlo Park Transportation Impact Analysis Guidelines include a set of impact criteria for minor, arterial, collector and local streets based on average daily traffic

volume (ADT). To determine if an impact was triggered, the daily traffic increases were compared to the City's impact criteria for its respective street type.

The impact could be reduced to a less than significant level at all locations if the project was reduced to a level of development that would generate approximately 10 percent of the trips as currently proposed. Without this reduction, the impact could be significant and unavoidable. The EIR has identified mitigation of payment of a traffic mitigation fee, based upon gross square footage of the buildings, to be used towards capital improvement projects, such as adaptive signal timing technology on Sand Hill Road. Although implementation of the mitigation measure would help, it would not reduce the impact to a less than significant level.

Off-Ramp Analysis

The addition of the project traffic would increase a.m. peak hour vehicle delay at the State-controlled intersection Interstate 280 off-ramp/Sand Hill Circle and Sand Hill Road. During the a.m. peak hours, the project would cause a 9.1 second delay per vehicle in average delay for all movements and a 13.3 second increase per vehicle in average delay on critical movements at the Interstate 280 northbound off-ramp/Sand Hill Circle and Sand Hill Road in the near term. In the cumulative scenario (2015), the addition of project traffic would cause a 13.1 second per vehicle increase in average delay for all movements and a 28.3 second increase per vehicle in average delay on critical movements. The State does not have a specific standard for impacts on State-controlled intersections already operating at LOS F without the project. However, the City of Menlo Park has determined that this is a significant impact, as it is standard practice in other jurisdictions such as Santa Clara County to assess a significant impact when a project adds more than four seconds of delay to an intersection operating at LOS F without the project.

To help reduce the impact to a less than significant level, the applicant shall apply for an encroachment permit through Caltrans for the conversion of the existing through lane from the northbound off-ramp of Interstate 280 to the east bound portion of Sand Hill Road to a through-right lane, including all the related intersection improvements. Because the Interstate 280 off-ramp/Sand Hill Circle and Sand Hill Road is a State-controlled intersection, the City does not have authority for reviewing or implementing these improvements. Approval of these improvements would be through Caltrans. The City recommends that Caltrans approves the mitigation measure, but also recognizes that in the event that Caltrans does not approve or allow implementation of the recommended mitigation measure, potentially significant impacts could result in the near term and cumulative scenario for a.m. peak hours. Without implementation of the proposed mitigation, the impact would be significant and unavoidable.

Mitigated Traffic Impacts

The Draft EIR also identifies traffic impacts that can be reduced to a less than significant level where mitigation is implemented. Mitigation measures such as a construction

traffic control plan, a shuttle service between the project site connecting to local and regional transit services, and a Transportation Demand Management (TDM) plan have been identified to help reduce transportation impacts by providing alternative means of transportation methods and reducing the number of trips generated by the project.

Correspondence

The City issued a Notice of Preparation of the EIR and received comments from nine members of the public and five agencies. The letters are included in Appendix A of the Draft EIR. The letters raised issues related to such items as increased traffic, visual impacts associated with changes to the Interstate 280 corridor, and hydrology. These items have all been included as sections in the Draft EIR.

Since the release of the Draft EIR, the City has received one letter from Pacific Gas and Electric (PG&E) (Attachment C). The letter provided general comments and also indicated that continued implementation of the General Plan could have cumulative impacts on services and facilities. PG&E would also like to include a discussion of electromagnetic fields (EMF) in the Draft EIR.

SUMMARY

As stated at the beginning of this staff report, the purpose of the February 27, 2006 Planning Commission public hearing is to allow both the public and the Planning Commission an opportunity to comment on both the Draft EIR and the project. No recommendation is being provided at this time, as the Planning Commission will have another opportunity at a subsequent public hearing to provide a recommendation to the City Council on this proposal. Public comments received on the Draft EIR during the review period and public hearing will be addressed through the Final EIR.

In regard to the Draft EIR prepared for this project, the Planning Commission may wish to discuss whether the potential environmental impacts have been adequately discussed and addressed.

In terms of general comment areas regarding the project itself, the Planning Commission may wish to provide comments or direction on the proposed landscaping plan, the architectural design of the buildings, and access improvements.

Deanna Chow
Senior Planner
Report Author

Justin Murphy
Development Services Manager

PUBLIC NOTIFICATION

Public notification consisted of publishing a legal notice in the local newspaper and notification of owners and residents with a 300-foot radius of the subject property. In addition, notices were mailed to residents and property owners of the Sand Hill Circle area and properties located between Sharon Park Drive and Sand Hill Road. Notices were also sent to members of the public who requested to be notified of this project. No formal action will be taken by the Commission at the meeting.

ATTACHMENTS

- A. Location Map
- B. Project Plans
- C. Letter from Pacific Gas & Electric, dated February 3, 2006.

EXHIBITS TO BE PROVIDED AT MEETING

- Model
- Colors and Material Board

Note: Attached are reduced versions of maps and diagrams submitted by the applicant. The accuracy of the information in these drawings is the responsibility of the applicant, and verification of the accuracy by City Staff is not always possible. The original full-scale maps and drawings are available for public viewing at the Community Development Department.

V:\STAFFRPT\PC\2006\022706__2825_Sand_Hill_Road_EIR.doc



COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: May 9, 2006
Staff Report #: 06-084

Agenda #: F1

REGULAR BUSINESS: Review of and Potential Direction on the Fiscal Impact Study and Peer Review for the Proposed Hotel and Office Development at 2825 Sand Hill Road.

RECOMMENDATION

Staff recommends that the City Council consider the Fiscal Impact Study prepared by CBRE Consulting/Sedway Group, and the peer review analysis conducted by Conley Consulting Group, to evaluate the fiscal impacts of the proposed hotel and office development, and make a determination whether the Fiscal Impact Study provides sufficient information.

BACKGROUND

At a study session on May 24, 2005, the City Council requested that the applicant prepare a Fiscal Impact Study to better understand the fiscal implications of the proposed hotel and office development on the City's General Fund. The proposed project consists of an approximately 170,000 square-foot hotel with 120 guest room and suites, five extended stay villas, restaurant, spa/fitness center, and meeting/conference/banquet facilities, and approximately 100,000 square feet of office space in four buildings on a 21-acre site.

Following the direction from the City Council, the applicant submitted a Fiscal Impact Study prepared by CBRE Consulting/Sedway Group (CBRE Consulting), which is included as Attachment A. To assist staff in review of the report's assumptions, methodology and conclusions, the City selected Conley Consulting Group (CCG) to prepare a peer review of the Fiscal Impact Study, which is included as Attachment B.

ANALYSIS

CBRE Consulting/Sedway Group Fiscal Impact Study

CBRE Consulting conducted an analysis of the fiscal benefits and costs to the City of Menlo Park resulting from the proposed development at 2825 Sand Hill Road. The fiscal impact analysis focuses on key General Fund revenue sources, including property tax, transient occupancy tax (TOT), sales tax, business license fees, and franchise fees. The analysis was conducted in 2008 and 2011 dollars, which are when the project's first full year of operation is expected and when the hotel operation is expected to stabilize, respectively.

The calculations for the TOT are shown in Exhibit 8 of Attachment A. The Fiscal Year 2005-2006 budget estimated TOT revenue from existing hotels in the City at approximately \$1,070,000. According to the CBRE Consulting study, the development of the proposed hotel is expected to be approximately \$1,099,000 in 2008, which would double the City's current transient occupancy tax revenue. Upon stabilization in 2011, the study states that the hotel is projected to increase the City's TOT revenue for the City's General Fund by approximately \$1.6 million due to increased occupancy levels and room rates.

In addition, the report also identifies other net new revenues as a result of the proposed project, which are summarized in the Executive Summary. The report states that no additional General Fund expenditures are expected to arise as a result of the proposed project. Therefore, in 2008, the projected net revenue to the City's General Fund, including TOT, property tax, sales tax, and other fees would be approximately \$1.35 million as a result of the proposed development. In 2011, the projected net revenue to the City's General Fund would be \$1.93 million.

Conley Consulting Group – Peer Review

Conley Consulting Group conducted a "peer review" of the CBRE Consulting Fiscal Impact Study on behalf of the City. The peer review memorandum and its findings are intended as a companion analysis to the CBRE Consulting report. As part of the review, CCG reviewed the assumptions and methodology of the CBRE Consulting study, conducted independent research on the property tax rates and assessed values of the subject property, reviewed relevant studies regarding fiscal impacts, interviewed Menlo Park staff to discuss fiscal impact assumptions, and reviewed the Menlo Park hotel market and transient occupancy tax trends.

The CCG memorandum concurs with the overall conclusion of the CBRE Consulting study that the proposed project would create a positive fiscal impact to the City, but states that the CBRE Consulting analysis overestimates the potential fiscal benefits. The CCG peer review identifies several areas that could reduce the overall net revenue, including how the proposed project would impact the City's current tax revenue generators and the cost of providing City services to the new development. The CBRE Consulting study does not explicitly consider whether the new development will result in transfer of existing hotel or sales tax revenue from other businesses in Menlo Park. The amount of transfer, if any, has not been fully analyzed or quantified.

The CCG memorandum states that the CBRE Consulting study also underestimates the cost of providing City services to the new development since operating costs were assumed to be zero. CCG states that there would be municipal operating costs, particularly since the hotel and employees would use Menlo Park services and patronize Menlo Park businesses outside of the project area. CCG prepared an analysis for municipal service costs, which is estimated at \$230 per job per year. The proposed project includes an estimated 333 office jobs and 267 hotel jobs for a total of 600 new jobs. In 2008 dollars, the calculated cost would be approximately \$146,000. This cost was not identified in the CBRE Consulting report.

The CCG memorandum identifies several technical critiques of the CBRE Consulting Fiscal Impact Study. However, despite potential reductions for such factors, the proposed project would have a net fiscal positive impact on the City of Menlo Park. The CCG memorandum states that even if the projected revenues were reduced by as much as 20 percent to account for possible transfer of tax-generating business activity, and City operating costs are subtracted based on an average cost per employee, fiscal revenues exceed fiscal costs.

CBRE Consulting /Sedway Group – Response to Peer Review Analysis

To respond to CCG’s memorandum, CBRE Consulting prepared a memorandum, included as Attachment C. Specifically, the memorandum addresses two issues raised by CCG, including the potential overstatement of tax revenues from the proposed hotel and the assumption that operating costs for the project would be zero.

CBRE Consulting believes that the proposed hotel would not likely reduce the City’s existing tax revenue because the hotels in Menlo Park are not direct competitors. The proposed hotel is a five-star hotel that would potentially compete with other five-star hotels outside of Menlo Park. Additionally, CBRE Consulting states that the CCG memorandum assumes a “zero-sum game”, in which there is a stagnant market that would not create new demand to replace guests lost to other hotels. The memorandum states that the hotel market in Menlo Park and surrounding area is in a recovery mode and increasing occupancy rates and rising room rates can justify new construction in the nearby areas over the next several years.

In response to CCG’s question about operating cost assumptions, CBRE Consulting states that their analysis was intended to look at net new costs to the City of Menlo Park General Fund specifically associated with the Police and Public Works services associated with the project rather than averaging costs for general municipal services as identified in the CCG memorandum. Additionally, CBRE Consulting states that its analysis was confirmed by conversations with staff from those Departments. However, CBRE Consulting agrees with the cost analysis results of the CCG memorandum, which, despite different methodologies, still results in a net positive fiscal impact to the City of Menlo Park.

IMPACT ON CITY RESOURCES

The applicant paid for the Fiscal Impact Study prepared by CBRE Consulting, the peer review analysis performed by a City-selected consultant for the City, and associated staff time. Any direction received from the City Council at this time would not result in any direct costs. The decision on the proposed project could have positive implications for the City’s General Fund if approved.

POLICY ISSUES

Consideration of potential fiscal benefits has policy implications to the extent that there are potential environmental impacts associated with the proposed project. The General

Plan contains goals, policies and implementation measures that deal with the issue of revenue-generating land uses and the determination of fiscal impacts.

ENVIRONMENTAL REVIEW

The Fiscal Impact Report and peer review are not subject to environmental review. The proposed hotel and office development is subject to compliance with the California Environmental Quality Act (CEQA). An Environmental Impact Report (EIR) has been prepared for the proposed hotel and office project and will be considered by the City Council at a later date.

Deanna Chow
Senior Planner
Report Author

Justin Murphy
Development Services Manager

PUBLIC NOTICE: Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

ATTACHMENTS

- A. Fiscal Impact Study, prepared by CBRE Consulting/Sedway Group, dated January 2006
- B. Conley Consulting Group memorandum, dated March 30, 2006
- C. CBRE Consulting/Sedway Group memorandum, dated April 7, 2006

**FISCAL IMPACT STUDY FOR
PROPOSED HOTEL /OFFICE
DEVELOPMENT AT
I-280 AND SAND HILL ROAD

MENLO PARK, CALIFORNIA**

Prepared for:

**STANFORD MANAGEMENT
COMPANY**

JANUARY 2006

January 12, 2006

T 415 781 8900
F 415 733 5530

www.cbre.com

Mr. William Phillips
Managing Director, Real Estate
Stanford Management Company
2770 Sand Hill Road
Menlo Park, CA 94025

Re: Fiscal Impact Analysis for the Proposed Sand Hill Road Development

Dear Mr. Phillips:

CBRE Consulting/Sedway Group ("CBRE Consulting") is pleased to submit this report regarding Stanford Management Company's proposed hotel and office development at I-280 and Sand Hill Road in the City of Menlo Park, California. The report projects the fiscal benefits and costs to the City of Menlo Park's General Fund resulting from development of the proposed project upon its completion in 2008 and in 2011 when hotel operations are estimated to stabilize.

One-time and recurring revenues relevant to this analysis included incremental increases in property, sales, and transient occupancy taxes, as well as in business license and franchise fees. The City of Menlo Park Police and Public Works departments were contacted to determine additional service-related costs associated with the proposed Sand Hill Road development. The results of CBRE Consulting's fiscal impact analysis indicate that this project will generate an estimated net positive revenue flow of \$1.36 million to the City of Menlo Park General Fund during its first year of operation (2008). Revenues will increase in subsequent years as a result of inflation, stabilization of hotel occupancy, and improved market conditions. In 2011, upon stabilization of the hotel operation, the project is expected to generate a net revenue flow of \$1.94 million to the General Fund. Thus, it would be beneficial to the City of Menlo Park from a revenue standpoint to support the proposed hotel/office project.

It has been a pleasure working with you on this project. Please let us know if you have any questions or additional needs.

Sincerely,



Lynn M. Sedway, CRE
Executive Managing Director



Amy L. Herman, AICP
Managing Director



Kimberley J. Player
Managing Director

KJP:kjp
Enclosure

TABLE OF CONTENTS

LIST OF EXHIBITS	1
I. EXECUTIVE SUMMARY	2
Overview	2
Summary of Findings	2
II. INTRODUCTION	4
Study Background and Project Description	4
Methodology	4
Major Assumptions.....	5
III. ONE TIME COSTS AND REVENUE	8
One-Time Revenues	8
One-Time Costs.....	8
IV. RECURRING ANNUAL REVENUES.....	9
Property Taxes	9
Retail Sales Taxes and Employee/Hotel Guest Expenditures.....	9
Transient Occupancy Taxes	10
Business License Fees	10
Franchise Fees	11
V. RECURRING ANNUAL COSTS.....	13
Police	13
Public Works.....	13
VI. SUMMARY OF NET FISCAL IMPACT.....	14
Revenue Summary	14
Cost Summary	14
Net Fiscal Impact	14

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

LIST OF EXHIBITS

- Exhibit 1: Summary of Estimated Fiscal Impacts
- Exhibit 2: Development Scenario Assumptions
- Exhibit 3: Tax and Revenue Assumptions
- Exhibit 4: Property Value and Operating Assumptions
- Exhibit 5: Estimated Service Population
- Exhibit 6: Net New Property Tax Revenue
- Exhibit 7: Sales Tax Revenue
- Exhibit 8: Transient Occupancy Tax Revenue
- Exhibit 9: Other Fee Revenue
- Exhibit 10: Estimated Incremental Service Costs

I. EXECUTIVE SUMMARY

OVERVIEW

The purpose of this study is to analyze the net fiscal impacts of Stanford Management Company's proposed hotel and office development on the City of Menlo Park's General Fund. Stanford Management seeks to develop a 21.14-acre site located adjacent to Interstate 280, south of Sand Hill Road. The proposed project includes construction of the following uses:

- An approximately 165,000-square-foot hotel with 120 guest rooms and suites, five extended stay villas, a first-class restaurant, a spa/fitness center, meeting/conference/banquet facilities of approximately 8,675 square feet; and
- Approximately 100,000 square feet of office space in four or five buildings.

CBRE Consulting/Sedway Group (CBRE Consulting) conducted an analysis of the fiscal benefits and costs to the City of Menlo Park resulting from development of the proposed project, including an analysis of the marginal costs of providing services and the revenues associated with the planned development at projected build out (2008).

SUMMARY OF FINDINGS

CBRE Consulting's fiscal impact analysis indicates that the proposed office/hotel development will generate a net positive revenue flow of \$1,357,761 to the City of Menlo Park General Fund during its first year of operation in 2008 (see Exhibit 1). Revenues will increase in subsequent years, consistent with inflation, improved market conditions, and stabilization of hotel occupancy and room rates. Estimated net revenue increases for both 2008 and 2011 (the year the hotel operation is expected to stabilize) are summarized in the table below; no additional General Fund expenditures are expected to arise as a result of the development of the Sand Hill Road project.

Summary of Net Revenues, 2008 and 2011

Revenue Source	2008	2011
Property Tax	\$121,905	\$129,366
Sales Tax	\$101,451	\$155,710
Transient Occupancy Tax	\$1,099,098	\$1,613,855
Other Fees	<u>\$33,695</u>	<u>\$37,180</u>
TOTAL	\$1,356,149	\$1,936,111

The hotel operation, in particular, should be a strong revenue generator. The addition of the hotel is expected by 2008 to more than double the City's current transient occupancy tax revenue, which was estimated at \$1,070,000 million in the 2005-2006 Budget. Upon stabilization in 2011, the hotel is projected to generate \$1,613,855 in transient occupancy tax revenue for the General Fund.

In addition to General Fund revenue generation, the proposed hotel/office development will make significant contributions to other key Menlo Park services, most notably schools. A portion of the net new property tax revenue will flow to Menlo Park schools although the project itself will not place an additional burden on the school system, as it lacks a residential component. Together, the Las Lomas Elementary and Sequoia High general purpose funds are anticipated to receive \$467,140 of the incremental property tax generated by the Sand Hill Road project in 2008, and \$495,733 in 2011.

In summary, this fiscal impact analysis suggests that it would be beneficial to the City of Menlo Park from a revenue standpoint to support the development of the proposed hotel/office project.

II. INTRODUCTION

STUDY BACKGROUND AND PROJECT DESCRIPTION

Stanford Management Company, in conjunction with Rosewood Hotels, has proposed a new hotel and office development for a 21.14-acre site located adjacent to Interstate 280, south of Sand Hill Road, in the City of Menlo Park. The proposed project includes construction of the following uses:

- An approximately 165,000-square-foot hotel with 120 guest rooms and suites, five extended stay villas, a first-class restaurant, a spa/fitness center, meeting/conference/banquet facilities of approximately 8,675 square feet; and
- Approximately 100,000 square feet of office space in four or five buildings.

The City of Menlo Park is preparing an Environmental Impact Report for this project. To supplement this work, Stanford Management Company has asked CBRE Consulting to analyze the net fiscal impacts of the proposed hotel and office development on the City of Menlo Park's General Fund.

METHODOLOGY

CBRE Consulting conducted a quantitative analysis of the fiscal benefits and costs to the City of Menlo Park's General Fund resulting from development of the proposed project, including an analysis of the marginal costs of providing services and the revenues associated with the proposed hotel/office development at projected build out. The fiscal impact analysis focused on key General Fund revenue sources, including property taxes, transient occupancy taxes, sales taxes, business license fees and franchise fees. The analysis was conducted in both 2008 and 2011 dollars. The year 2008 is expected to be the project's first full year of operations; 2011 is the year the hotel operation is expected to reach stabilization.

CBRE Consulting's approach to this fiscal impact study involved thoroughly researching issues from the perspective of the City of Menlo Park. To assure the report's credibility, all relevant data and sources are fully documented and included in the report. In addition, independent research was conducted to validate key information, including anticipated hotel room rates, office rental rates, occupancy assumptions, and employment density. Tasks completed by CBRE Consulting in the course of this study are summarized below.

- Developed a comprehensive list of assumptions for the project, detailed in the next section of this report;
- Identified local service agencies funded by the General Fund likely to be affected by the project and estimated the impact of the proposed project on these agencies;
- Estimated recurring service costs and revenues;
- Estimated one-time service costs and revenues;

- Developed a computer model to assess the net fiscal impact of the proposed project; and
- Presented relevant findings in a concise report.

MAJOR ASSUMPTIONS

To support the analysis, key parameters and assumptions required to estimate fiscal revenue impacts were defined, all of which are fully documented in the exhibits presented in the Appendix. CBRE Consulting utilized reasonable assumptions throughout the analysis. Details of the development, including building sizes, descriptions, and the expected completion date, were obtained from Stanford Management and Rosewood Hotels (see Exhibit 2). Further details regarding incremental revenue and cost assumptions are provided below.

Incremental Revenue Assumptions

Property Tax Rate and Value. In order to determine the incremental property tax revenue associated with the proposed development, research was conducted with the San Mateo County Controller's Office to determine the appropriate Education Revenue Augmentation Fund (ERAF)-adjusted City of Menlo Park property tax rate for the subject site, which is 9.47 percent of the 1.0 percent property tax rate for San Mateo County Tax Rate Area 008-006 (see Exhibit 3). This tax rate was confirmed by the City of Menlo Park's Finance Director. Consistent with California's Proposition 13, property taxes were assumed to increase at a rate of two percent per year.

The estimated \$130,668,552 value of the proposed hotel/office development upon completion in 2008 is based on data provided by Stanford Management and Rosewood Hotels (see Exhibit 4). Land values per buildable hotel room and per buildable office square foot were estimated at \$40,000 and \$175, respectively. Improvement values of \$584,310 per room for the hotel component and \$351 per square foot for the office component reflect Stanford Management's and Rosewood Hotels' estimates of hard and soft construction costs plus imputed interest. These estimates were compared with Marshall and Swift Valuation Service data on construction costs for reasonableness. Contingency costs are (conservatively) not included in these improvement value estimates.

Sales Tax and Employee/Hotel Guest Expenditures. Per Exhibit 3, the City of Menlo Park's retail sales and use tax rate is 1.0 percent of taxable sales. Annual inflation relevant to retail sales and expenditures is projected at 3.0 percent.

The analysis assumes annual hotel and office employee spending of \$623 and \$1,388 in 2008 within the City of Menlo Park, respectively (see Exhibit 3). These figures are based on office worker spending information from the International Council of Shopping Centers and on the differential between office and hotel worker salaries from the US Census Bureau's County Business Patterns. In order to avoid double-counting of estimated on-site restaurant sales, office employee expenditures were conservatively reduced by 25 percent, to account for the likelihood that these people will occasionally eat lunch at the hotel restaurant. Hotel employee meals will not generate sales taxes at the hotel restaurant; per Rosewood Hotels, employee meals are written off as non-transactions. To take into account the proximity of retail in Palo Alto, it was conservatively assumed that the City of Menlo Park would capture 75 percent of hotel employee expenditures and a slightly lower 50 percent of office employee expenditures. Given their higher

incomes, the latter group is likely to frequent some of the high-end shops and restaurants in Palo Alto.

Based on an industry standard assumption, hotel guest spending is generally similar to the hotel’s average daily room rate. At 65 percent occupancy in 2008, a total of 78 guests are estimated to spend \$385 per day per room, or a total of \$10,960,950 per year on taxable retail items. Of these total expenditures, the hotel restaurant, spa, and gift shop are likely to capture at least 25 percent, resulting in hotel guest spending outside the hotel of \$8,220,713 per year. Taking into account the likelihood that nearby cities with larger retail concentrations, most notably Palo Alto, will capture as much as 75 percent of this spending, annual hotel guest expenditures within Menlo Park are assumed to be \$2,055,178, or \$26,348 per guest (see Exhibit 3). Using the same methodology for 2011 hotel guest expenditures, and taking into account a stabilized occupancy rate of 76 percent and an average daily room rate of \$485, results in annual guest spending of \$3,026,004, or \$33,180 per guest.

Transient Occupancy Tax. The City of Menlo Park’s transient occupancy tax rate is 10.0 percent (see Exhibit 3). This analysis assumes no future change in this rate.

Business License Fees. The City of Menlo Park’s business license fees are based on revenues generated by business activity (annual gross receipts). Rosewood Hotels provided revenues for the hotel component of the proposed development, including data for the hotel operation, restaurant, spa, and gift shop. Relevant assumptions from the City of Menlo Park’s revenue-based business license fee schedule are as follows:

**City of Menlo Park
Business License Fees Relevant to Proposed Hotel/Office Development**

Annual Gross Receipts (Over Amount)	Annual Gross Receipts (At or Below Amount)	Annual License Fee
\$500,000	\$600,000	\$310
\$700,000	\$800,000	\$390
\$800,000	\$900,000	\$425
\$900,000	\$1,000,000	\$460
\$1,000,000	\$2,000,000	\$750

Source: The City of Menlo Park Revenue and Claims Division; and CBRE Consulting.

Another \$250 fee is added to the annual license fee for each additional million above \$2 million in gross receipts, or portion thereof up to \$30 million, with a maximum business license fee of \$8,000 (see Exhibit 3). The City’s Business License Fee Schedule is assumed to remain constant through 2011.

Because of the difficulty involved in estimating revenues generated by potential office tenants, average business license fees paid by traditional office and venture capital companies were used in this analysis (see Exhibit 3). According to the City of Menlo Park Revenue and Claims Department, the average business license fee paid by a traditional business in Menlo Park is \$455 per year in 2005. The average fee paid by a venture capital firm is higher, at \$2,200 per year. Additionally, each fund managed by venture capital firms is required to have its own business license at an annual fee of \$50 each. For the purpose of this analysis, these fees were conservatively assumed to remain constant through 2011.

Franchise Fees. According to the City of Menlo Park Finance Director, electric and gas, garbage, water, and cable TV services generate revenue to the General Fund in the form of franchise fees. As of 2005, these fees (as a percentage of total charges) were as follows:

Electric and Gas	1.0%
Garbage	5.8%
Water	1.0%
Cable TV	5.0%

These franchise fees have been conservatively assumed to stay constant through 2011.

Marginal Cost Assumptions

Additional service-related costs were considered for two departments funded by the General Fund – Police and Public Works. This analysis does not include an assessment of additional fire-related service costs as the proposed development falls under the jurisdiction of the Menlo Park Fire District, which is not funded out of the City of Menlo Park General Fund. Rather, this entity is funded by property taxes collected in the cities of Menlo Park, Atherton, and East Palo Alto, plus unincorporated areas of San Mateo County.

Assumptions relating to the details of the proposed development, including employment estimates (see Exhibits 1 and 4) were provided to contacts within the Police and Public Works departments in an effort to secure estimates of additional service requirements.

Employment and Service Population Estimates

Proposed Hotel/Office Development Employment. As shown in Exhibit 4, the proposed project is expected to generate 600 full-time jobs. Per data from Rosewood Hotels, the hotel component will generate 267 of this total. The office component will generate an additional 333 jobs. This figure assumes a total of 300 square feet per employee in the 100,000-square-foot office project.

Service Population Base. Although a marginal cost approach was used to estimate additional costs associated with the proposed development, CBRE Consulting also developed an estimate of an appropriate service population base (see Exhibit 5). The 2008 service population base of 44,727 was calculated using the Menlo Park resident population plus one-half the employment base. Assumptions used in this estimate are summarized below.

- **Menlo Park Population.** According to the Association of Bay Area Governments (ABAG), the City of Menlo Park had an estimated population base of 30,800 in 2005 and is estimated to have a population base of 31,100 in 2010. Using the average annual increase (0.2 percent) implied by these numbers results in an estimated population base of 30,980 in 2008.
- **Menlo Park Employment Base.** According to ABAG, employment in the City of Menlo Park was estimated at 25,810 in 2005 and 28,680 in 2010 (an average annual increase of 2.1 percent). This implies an employment base of 27,496 in 2008.

III. ONE TIME COSTS AND REVENUE

ONE-TIME REVENUES

One-time processing fees, such as building permit fees, were (conservatively) not included in this analysis as they are assumed to be charged on a cost recovery basis. The only one-time revenue source applicable to this analysis of General Fund fiscal impacts is the franchise fee associated with the installation of cable TV services at the proposed hotel development. As shown in Exhibit 4, Comcast conservatively estimated the cost to bring a signal to the subject site at \$4,000. This cost accommodates trenching from the “pedestal” (an existing CATV pedestal is located near the entry to the property, eliminating the need to bring plant out to the site) to the “minimum point of entry” (the point where the structure cable first enters the building). This \$4,000 cost does not include the following:

- **Amplifiers:** Amplifiers ensure quality signal to guest rooms, the need for which will be determined by the distribution of services from the “line of demarcation” (the point at which responsibility for the line/signal transitions from Comcast to the hotel). More detailed information is needed to determine amplifier costs, which are generally \$800 per amplifier. However, a conservative assumption would exclude these costs as the developer’s electrician often supplies this equipment.
- **Modulation:** Modulation, which runs about \$2,000 per channel, manages the serialization of channel numbers and continuity of guest programming from one type of television to another. Again, more detailed information is needed to determine these costs; they have conservatively been eliminated from the analysis.
- **Filters:** Individual channel filters, which cost approximately \$450 per channel, are used to customize programming format and/or notch-out channels. As with amplifier and modulation costs, filter costs are not included in this analysis.

Based on a franchise fee of 5.0 percent of total cable TV installation charges, the one-time revenue expected to flow to the City’s General Fund as a result of cable TV installation is estimated at \$200. This revenue is not included in the summary of estimated fiscal impacts in Exhibit 1, which includes only recurring revenues.

ONE-TIME COSTS

According to the City of Menlo Park Finance Director, no one-time costs associated with the development of the proposed hotel/office project would affect the City’s General Fund.

IV. RECURRING ANNUAL REVENUES

PROPERTY TAXES

As shown in Exhibit 6, the net new property tax revenue estimated to flow to the City of Menlo Park General Fund as a result of the development of the proposed hotel/office project is \$121,905 in 2008. This figure is based on the assumption that 9.47 percent of the 1.0 percent property tax on the \$130,668,552 value of the new development will flow to the City of Menlo Park General Fund. The current property taxes generated by the site (\$18,631 per year, of which \$1,765 flows to the City) were netted out of the net new revenue total. Assuming an increase in property taxes of two percent per year, the net new property tax revenue projected to flow to the General Fund in 2011 is \$129,366.

RETAIL SALES TAXES AND EMPLOYEE/HOTEL GUEST EXPENDITURES

Taxable retail sales at the proposed hotel development total an estimated \$7,461,000 million (restaurant, taxable spa sales, and gift shop) in 2008 and \$11,857,778 in 2011 (see table below). As shown in Exhibit 7, applying the 1.0 percent sales tax rate to these figures results in \$74,610 in annual revenue to the City of Menlo Park General Fund, increasing to \$118,578 in 2011.

Taxable Retail Sales, Hotel Component 2008 and 2011

Revenue	2008	2011
Food and Beverage	\$6,682,000	\$10,870,000
Spa (1)	\$208,000	\$238,778
Gift Shop	\$571,000	\$749,000
TOTAL	\$7,461,000	\$11,857,778

(1) Taxable spa sales estimated to be 7.1 percent of total spa revenue, per Rosewood Hotels.
Source: Rosewood Hotels.

Based on assumptions of 267 full-time hotel employees and estimated annual retail spending of \$623 per hotel employee within the City of Menlo Park, an additional one percent, or \$1,664, of total annual sales of \$166,400 is estimated to flow to the City's General Fund as a result of hotel worker expenditures. Similarly, the office development's 333 employees will generate an estimated \$4,625 per year in sales tax, as a result of spending a total of \$462,500 per year. Assuming a three percent per year increase in retail sales, sales tax generated by hotel employee spending is anticipated to rise to \$1,818 in 2011; office worker spending is forecast to generate \$5,054 in retail sales tax.

During 2008, hotel guest spending of \$2,055,178 within the City of Menlo Park is anticipated to translate into an additional \$20,552 in sales tax revenue. Upon stabilization of the hotel operation in 2011, hotel guest expenditures are forecasted to add an additional \$30,260 in sales tax revenue.

In total, the proposed hotel/office project is projected to generate an additional \$101,451 in retail sales tax to the City of Menlo Park in 2008 and \$155,710 in 2011, upon stabilization of the hotel operation.

TRANSIENT OCCUPANCY TAXES

Based on data provided by Rosewood Hotels regarding revenue per available room (\$250) and occupancy (65 percent) in 2008, the proposed hotel development is estimated to generate nearly \$10,998,980 in revenue in 2008 (see Exhibit 8). Applying the City of Menlo Park transient occupancy tax rate of 10 percent to this figure results in revenue of \$1,099,098 to the City’s General Fund.

Upon stabilization in 2011, occupancy rates are assumed to have increased to 76 percent while revenue per available room is expected to have reached \$368. These assumptions are consistent with both CBRE Consulting’s expectations and forecasts from PKF Consulting. By 2011, the proposed hotel development is projected to generate \$16,138,548 in revenue, translating into an annual transient occupancy tax of \$1,613,855. Per the City of Menlo Park’s 2005-2006 Budget, annual revenue from existing transient occupancy taxes is projected to total \$1,070,000. The addition of the proposed hotel project will therefore double the City’s current transient occupancy tax revenue during its first year of operation (2008).

BUSINESS LICENSE FEES

Hotel Component

The hotel, restaurant, spa, and gift shop operations will generate revenue to the City of Menlo Park in the form of business license fees. These fees are based on estimated hotel revenues as summarized in the following table.

**Total Annual Revenue Projections, Hotel Component
2008 and 2011**

Revenue	2008	2011
Rooms	\$10,991,000	\$16,139,000
Restaurant	\$6,682,000	\$10,870,000
Spa	\$2,933,000	\$3,367,000
Gift Shop	\$571,000	\$749,000

Source: Rosewood Hotels.

As shown in Exhibit 9, the hotel operation can expect to pay an annual business license fee of \$3,000 in 2008, based on the assumptions outlined in Exhibits 3 and 4. The restaurant is assumed to pay a business license fee of \$2,000, while the spa and gift shop will pay \$1,000 and \$310, respectively. In total, 2008 revenue expectations for the hotel will translate into business license fees of \$6,310.

Using Rosewood Hotels' revenue forecasts, and assuming no change in the City's Business License Fee Schedule, the hotel, restaurant, spa, and gift shop operations will pay a total of \$9,140 in business license fees in 2011.

Office Component

Based on the assumptions of average business license fees for both traditional and venture capital office tenants (see Exhibit 3), and on assumptions of tenant mix, the office component of the proposed development can be expected to generate approximately \$13,775 in business license fees (see Exhibit 9). This estimate is based on a total of ten office tenants, five of which are assumed to be venture capital firms, each of which are assumed to manage an average of ten funds apiece. Business license fees for the office component were conservatively assumed to remain constant through 2011.

The estimated number of tenants is conservative. According to Costar and local real estate brokers, the average size of a Sand Hill Road office tenant is approximately 5,300 square feet; an estimated 55 percent of these tenants are financial services firms. Five traditional office tenants paying an average business license fee of \$455 per year yields a total of \$2,275 to the City's General Fund. Similarly, five venture capital firms paying an average business license fee of \$2,200 add \$11,000 in revenue.

To apply the additional \$50 per fund charge for venture capital funds, CBRE Consulting researched the average number of funds per firm. Based on data from the City of Menlo Park Revenue and Claims Department, CBRE Consulting estimated an average of ten funds per venture capital company, resulting in an additional \$500 per year to the General Fund.

FRANCHISE FEES

Electric and Gas

Stanford Management provided data from Blum Consulting Engineers outlining expectations for electric and gas usage at the proposed hotel/office development. According to these data, the hotel component is expected to use 3.9 million kilowatt hours (kWh) of electricity, while the office component is expected to use nearly 2.0 million kWh. Based on rates of \$0.12 and \$0.14 per kWh for the hotel and office components, respectively (2008 dollars, inflated at 1.0 percent per year from 2005 rates), total annual electricity usage is expected to cost \$771,675. Natural gas usage, estimated at 113,100 and 8,000 therms per year for the hotel and office components, respectively, is expected to result in a total cost of \$155,740, based on a 2005 average annual rate of \$1.29 per therm and an average annual increase of 4.1 percent from 2005 to 2008 (based on PG&E data regarding gas rate increases between 1988 and 2004). A 1.0 percent franchise fee on the project's total anticipated electric and gas usage of \$927,415 results in additional revenue of \$9,274 to the City's General Fund in 2008 (see Exhibit 9). Inflating electricity costs at 1.0 percent per year and gas rates at 4.1 percent per year, results in additional franchise fee revenue of \$9,707 in 2011.

Garbage

Per Allied Waste, the provider of garbage services for the area including the proposed development, the hotel/office development can be expected to generate about 90 yards of

waste per week – 34.3 yards for the hotel development and 55.2 yards for the office development (see Exhibit 4). However, about 60 percent of this total is assumed to be diverted to recycling and composting programs, as is typical for similar projects. According to Allied Waste, the total cost for garbage-related services, after recycling and inflated at an average annual rate of 3.9 percent from 2005 to 2008 (based on average annual increases from 1996 to 2004), is \$31,342. Applying the 5.8 percent franchise fee to this total results in additional revenue of \$1,818 to the City's General Fund in 2008 and \$2,039 in 2011 (see Exhibit 9).

Water

Stanford Management provided data from Blum Consulting Engineers outlining expectations for water usage at the proposed hotel/office development, including sewer, water, and irrigation (see Exhibit 4). Based on total usage of 38,500,000 gallons at a rate of \$2.61 per thousand gallons (provided by the City's Revenue and Claims Department), total annual water costs can be expected to register \$100,339 (see Exhibit 9). Water rates were conservatively assumed to remain flat through 2011. According to the Revenue and Claims Department, the City of Menlo Park has not raised water rates in nine years; however, a study regarding these rates is currently underway and could result in an as-yet-unknown rate increase. Applying the 1.0 percent franchise fee to this total results in additional annual revenue of \$1,003 to the City's General Fund.

Cable TV

Annual cable TV costs for the 120 hotel rooms and five villas at the proposed hotel development were estimated by Comcast at \$30,300. Service included in this total includes standard cable (82 channels), premium programming (Showtime and HBO), financial programming (Bloomberg), and high-definition TV formatting. Pay-per-view and video-on-demand services are not included in this analysis, but could potentially provide additional revenue to the hotel. Data on historic and forecasted cable TV rate increases were not available; therefore, a flat rate through 2011 was conservatively assumed. Applying the 5.0 percent franchise fee to this total results in additional annual revenue of \$1,515 to the City's General Fund (see Exhibit 9).

V. RECURRING ANNUAL COSTS

As mentioned previously, additional service-related costs were considered for two departments funded by the General Fund – Police and Public Works. Fire department services are not funded out of the City of Menlo Park General Fund; rather the Menlo Park Fire District is funded through a separate allocation of property taxes.

POLICE

CBRE Consulting provided the City of Menlo Park Police Department with details of the proposed hotel/office development, including information on size and estimated employment. According to the Chief of Police, no additional capital or staffing costs will be associated with this project (see Exhibit 10).

PUBLIC WORKS

Similarly, the City of Menlo Park Public Works Department does not foresee any costs arising as a result of the development of the proposed Sand Hill Road project (see Exhibit 10). No public roads are planned within the site's boundaries, eliminating the need for additional maintenance. According to a Public Works representative, extra wear and tear on Sand Hill Road is not a concern; the traffic generated by the proposed development is not expected to have a significant impact on the physical integrity of the street. Stanford Management will be responsible for their required share of costs relating to landscaping work, the installation of new water meters, and any required traffic signal upgrades.

VI. SUMMARY OF NET FISCAL IMPACT

REVENUE SUMMARY

CBRE Consulting's fiscal impact analysis indicates that the proposed office/hotel development will generate an estimated positive revenue flow of \$1.36 million to the City of Menlo Park General Fund during its first year of operation in 2008. Revenues will increase in subsequent years as a result of inflation, stabilization of hotel occupancy, and improved market conditions. In 2011, upon stabilization of the hotel operation, the project is expected to generate a net revenue flow of \$1.94 million to the General Fund. Incremental revenue increases are summarized in the table below.

Summary of Incremental Revenues, 2008 and 2011

Revenue Source	2008	2011
Property Tax	\$121,905	\$129,366
Sales Tax	\$101,451	\$155,710
Transient Occupancy Tax	\$1,099,098	\$1,613,855
Other Fees	\$33,695	\$37,180
TOTAL	\$1,356,149	\$1,936,111

The hotel operation, in particular, should be a strong revenue generator. The addition of the hotel in 2008 is expected to more than double the City's current transient occupancy tax revenue, which was estimated at \$1,070,000 million in the 2005-2006 Budget.

One-time revenues such as processing fees, were not included in this analysis as they were assumed to be charged on a cost recovery basis. The only one-time revenue source applicable to the analysis of General Fund fiscal impacts is the franchise fee associated with the installation of cable TV services at the proposed hotel development, which totals a relatively minimal \$200.

COST SUMMARY

According to the two relevant service departments – the City of Menlo Park Police and Public Works departments, no significant additional General Fund expenditures are expected to arise as a result of the development of the Sand Hill Road project. In addition, according to the City of Menlo Park Finance Director, no one-time General Fund costs will be associated with the development of the proposed hotel/office project.

NET FISCAL IMPACT

The proposed hotel/office development is projected to have a net positive fiscal impact on the City of Menlo Park General Fund of \$1.36 million in 2008 (the project's first year of operations) and \$1.94 million in 2011 (the year the hotel operation is expected to stabilize). In addition to General Fund revenue generation, the proposed hotel/office development will make significant contributions to other key Menlo Park services, most notably schools. Together, the Las Lomitas

Elementary and Sequoia High general purpose funds are anticipated to receive \$467,140 of the incremental property tax generated by the Sand Hill Road project in 2008, and \$495,733 in 2011. In summary, CBRE Consulting's fiscal impact analysis suggests that it would be beneficial to the City of Menlo Park to support the development of the proposed hotel/office project.

The contents of this report are subject to the appended Assumptions and General Limiting Conditions.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

CBRE Consulting has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although CBRE Consulting believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

This report may not be used for any purpose other than that for which it is prepared. Neither all nor any part of the contents of this study shall be disseminated to the public through publication advertising media, public relations, news media, sales media, or any other public means of communication without prior written consent and approval of CBRE Consulting.

APPENDIX: EXHIBITS

**EXHIBIT 1
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
SUMMARY OF ESTIMATED ANNUAL FISCAL IMPACTS
CITY OF MENLO PARK GENERAL FUND**

Revenue and Cost Items	2008		2011	
Revenues				
Net Property Tax Revenue (1)	\$	121,905	\$	129,366
Sales/Expenditures Tax Revenue (2)	\$	101,451	\$	155,710
TOT Tax Revenue (3)	\$	1,099,098	\$	1,613,855
Other Fee Revenue (4)	\$	33,695	\$	37,180
Total Annual Revenues	\$	1,356,149	\$	1,936,111
Expenditures (5)				
Police Services	\$	0	\$	0
Public Works Services	\$	0	\$	0
Total Annual Expenditures	\$	0	\$	0
NET ANNUAL FISCAL IMPACT (=Revenues-Expenditures)	\$	1,356,149	\$	1,936,111

Notes:

- (1) Refer to Exhibit 6. Property value inflated at 2 percent per year from 2008 to 2011.
- (2) Refer to Exhibit 7.
- (3) Refer to Exhibit 8.
- (4) Refer to Exhibit 9. Other fee revenue includes business license fees and franchise fees.
- (5) Refer to Exhibit 10.

Sources: CBRE Consulting.

P:\2005\1005154 Stanford Menlo Park\Working Docs\[Fiscal_Analysis6.xls]Ex4 Property Assumptions[KP]

**EXHIBIT 2
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
SUMMARY DEVELOPMENT SCENARIO ASSUMPTIONS (1)
NOVEMBER 2005**

Sand Hill Road Site Description/Use	Data
Site Acreage	21.14
Project Completion Date	2008
Office	
Building FAR SF	100,000
Number of Buildings	4-5
Stories	2
Hotel	
Building FAR SF (2)	165,000
Rooms (2)	125
Stories	1 and 2

Notes:

(1) Development assumptions provided by Stanford Management and Rosewood Hotels.

(2) Plans include 120 hotel rooms and 5 villas.

Sources: Stanford Management; Rosewood Hotels; San Mateo County Assessor's Office; and CBRE Consulting.

P:\2005\1005154 Stanford Menlo Park\Working

Docs\[Fiscal_Analysis6.xls]Ex4 Property Assumptions[KP]

**EXHIBIT 3
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
TAX AND REVENUE ASSUMPTIONS (1)**

Assumption	Data
<u>Property Tax</u>	
Property Tax Rate (2)	1.00%
Annual Property Tax Increase	2.00%
City of Menlo Park Allocation (3)	11.7%
Total Property Tax Revenue for the City of Menlo Park, 2004 (4)	
Secured plus Unitary Revenue	\$ 7,398,625
Unsecured	\$ 522,696
HOPTA	\$ 74,964
Total Property Tax Revenue, 2004 (all Menlo Park)	\$ 7,996,285
Total ERAF shift (5)	\$ 1,517,161
ERAF Shift as % of Total Property Tax Revenue	19.0%
ERAF-Adjusted Property Menlo Park Tax Rate (6)	9.47%
<u>Sales Tax (7)</u>	
Retail Sales Tax Rate to Menlo Park	1.00%
<u>Employee/Hotel Guest Expenditures (in Menlo Park), 2008 Dollars</u>	
Average Annual Expenditures per Hotel Employee (8)	\$ 623
Average Annual Expenditures per Office Employee (9)	\$ 1,388
Average Annual Expenditures per Occupied Hotel Room (10)	\$ 26,348
<u>Transient Occupancy Tax (11)</u>	
City of Menlo Park TOT Rate	10.0%
<u>Business License Fees (12)</u>	
Hotel Component	
Business with Annual Gross Receipts > \$500,000 and < \$600,000	\$ 310
Business with Annual Gross Receipts > \$700,000 and < \$800,000	\$ 390
Business with Annual Gross Receipts > \$1 million and < \$2 million	\$ 750
Additional fee for each additional \$1 million up to \$30 million	\$ 250
Office Component	
Traditional Business License (Average Fee)	\$ 455
Venture Capital Business License (Average Fee)	\$ 2,200
Venture Capital Fund Fee (per Fund)	\$ 50
<u>Franchise Fees (13)</u>	
Electric and Gas	1.0%
Garbage	5.8%
Water (14)	1.0%
Cable TV (15)	5.0%

(continued)

EXHIBIT 3
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
TAX AND REVENUE ASSUMPTIONS (1)

Assumption

Data

Notes:

- (1) Sales and transient occupancy tax rates assumed to remain constant from 2005-2011. Similarly, no increase anticipated in business license fee schedule or franchise fees.
- (2) Per San Mateo County Controller's Office. Composite property tax rate for Tax Rate Area (TRA) 008-006.
- (3) Per San Mateo County Controller's Office. Allocation for San Mateo County TRA 008-006.
- (4) Per San Mateo County Controller's Office.
- (5) Property tax allocated to the Education Revenue Augmentation Fund (ERAF).
- (6) Menlo Park property tax allocation (11.7%) reduced by the ERAF shift as a percentage of property tax revenue (19%).
- (7) Per California Board of Equalization.
- (8) Based on office worker spending (see footnote 9) adjusted for the difference between office and hotel worker salaries. According to the US Census Bureau's County Business Patterns, hotel workers earn about 22.5 percent of average office worker salaries. Per Rosewood Hotels, hotel employee meals at the hotel restaurant are written off as non-transactions. Due to the proximity of Palo Alto's retail, the City of Menlo Park was assumed to capture 75 percent (\$623) of hotel employee expenditures.
- (9) Projected workday local retail expenditures generated by employees are estimated based on analysis of figures developed by the International Council of Shopping Centers, "Office Worker Retail Spending Patterns." Employees in suburban locations spend approximately \$3,290 (2003 dollars, or \$3,700 in 2008 dollars) annually within their work communities. Of the total, it is estimated that lunch purchases account for 39 percent of those expenditures. Since it is expected that office employees will occasionally take lunch at the hotel's restaurant, the annual workday expenditures by each employee were conservatively reduced by 25 percent to \$2,775 (2008 dollars). Due to the proximity of Palo Alto's retail, the City of Menlo Park was assumed to capture 50 percent (\$1,388) of office employee expenditures.
- (10) Based on industry standard indicating daily hotel guest spending is roughly equivalent to the room rate (\$385 in 2008). Hotel restaurant, spa, and gift shop spending are expected to account for 25 percent of this daily spending. Due to the proximity of Palo Alto's retail, we assumed that the City of Menlo Park would capture 25 percent of these hotel guest expenditures.
- (11) Per the City of Menlo Park.
- (12) Hotel component fees obtained from revenue-based business license fee schedule from the City of Menlo Park. Office component fees based on the cost of an average traditional/venture capital business license fee (2005), per the City of Menlo Park. VC fund fee is fixed.
- (13) Per the City of Menlo Park.
- (14) Up to a maximum rate of \$1.95/unit of water (748 gallons).
- (15) Includes one-time hook up charges and recurring annual cable costs.

Sources: San Mateo County Controller's Office; San Mateo County Assessor's Office; California Board of Equalization; The City of Menlo Park Revenue and Claims Department; International Council of Shopping Centers Retail Spending Patterns (2003); US Census Bureau County Business Patterns (2002); Dean Runyan and Associates; Smith Travel Research; PKF Consulting; and CBRE Consulting.

P:\2005\1005154 Stanford Menlo Park\Working
 Docs\[Fiscal_Analysis6.xls]Ex4 Property Assumptions[KP]

**EXHIBIT 4
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
PROPERTY VALUE AND OPERATING ASSUMPTIONS
2008 DOLLARS**

Assumption	Measure	Hotel	Office
<u>Property Value Upon Completion (1)</u>			
Land Values	per Buildable Hotel Room/Office SF	\$ 40,000	\$ 175
Improvement Value	per Buildable Hotel Room/Office SF	\$ 584,310	\$ 351
Total Value		\$ 78,038,802	\$ 52,629,750
TOTAL ESTIMATED DEVELOPMENT VALUE			\$130,668,552
<u>Employment (2)</u>			
Full-Time Employment	Total Employees	267	333
<u>Occupancy (2008) (3)</u>			
	Percent Occupied	65.0%	100.0%
<u>Hotel (4)</u>			
Available Rooms	Annual Total	43,920	-
Average Daily Room Rate (ADR)	\$ per Room	\$ 385	-
Revenue per Available Room (REVPAR)	\$ per Room	\$ 250	-
<u>Office</u>			
Number of Tenants (5)	Total Tenants	-	10
Number of Traditional Office Tenants (6)	Total Office Firms	-	5
Number of Venture Capital Tenants	Total VC Firms	-	5
<u>Revenue and Retail Sales (7)</u>			
Rooms	Total Annual Revenue	\$ 10,991,000	
Spa (Total Sales)	Total Annual Revenue	\$ 2,933,000	
Food & Beverage (Restaurant)	Total Annual Revenue	\$ 6,682,000	-
Gift Shop	Total Annual Revenue	\$ 571,000	-
<u>Taxable Retail Sales</u>			
Food & Beverage (Restaurant)	Total Annual Revenue	\$ 6,682,000	-
Spa (Taxable Retail Sales Only)	Total Annual Taxable Sales	\$ 208,000	-
Gift Shop	Total Annual Revenue	\$ 571,000	-
Total Taxable Retail Sales	Total Annual Sales	\$ 7,461,000	-
<u>Electric and Gas Usage (8)</u>			
<u>Electricity</u>			
Annual Use	Kilowatt Hours (kWh)	3,942,000	1,971,000
Average Electricity Rate per kWh (9)	\$/kWh	\$ 0.12	\$ 0.14
Average Annual Increase (10)		1.0%	1.0%
<u>Gas</u>			
Annual Use	Therms, 1,000 btu/therm	113,100	8,000
Average Annual Gas Rate per Therm (11)	\$/Therm	\$ 1.29	\$ 1.29
Average Annual Increase (12)		4.1%	4.1%
<u>Garbage Service (13)</u>			
Total Garbage Generation (14)	Total Yards/Week	34.3	55.2
Cost of Service	Annual Cost (\$)	\$ 25,012	\$ 6,330
Average Annual Increase (15)		3.9%	3.9%
<u>Water Usage</u>			
<u>Annual Use (16)</u>			
Sewer	Gallons (000s)	10,709	2,716
Water	Gallons (000s)	10,676	2,745
<u>Irrigation (17)</u>			
	Gallons (000s)		11,643
Average Annual Rate per Unit (18)	\$/Unit (1 Unit=748 Gallons)	\$ 1.95	\$ 1.95
Average Annual Rate per Gallon (000s)	\$/Gallon (000s)	\$2.61	\$2.61
Average Annual Increase (19)		0.0%	0.0%

(continued)

**EXHIBIT 4
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
PROPERTY VALUE AND OPERATING ASSUMPTIONS
2008 DOLLARS**

Assumption	Measure	Hotel	Office
Cable TV			
Hook-Up Cost (20)		\$ 4,000	-
Annual Costs (21)		\$ 30,300	-
Average Annual Increase (22)		0.0%	

Notes:

- (1) Land and improvement values provided by Stanford Management and Rosewood Hotels. Contingency costs subtracted. Improvement values compared with Marshall & Swift cost data for reasonableness.
- (2) Hotel employment provided by Rosewood Hotels. Office employment assumes 250 SF per employee.
- (3) Hotel occupancy data provided by Rosewood Hotels and reviewed for reasonableness with PKF and Smith Travel data for consistency. Office occupancy includes 5% vacancy allowance.
- (4) Data provided by Rosewood Hotels and compared with room rate information from local area hotels.
- (5) Sand Hill Road average tenant size is 5,250 SF, per Costar. Stanford Management estimates 1-2 tenants per building. CBRE Consulting conservatively used an estimate of 2 tenants per building, or a total of 10 tenants.
- (6) Per Stanford Management, the majority of office tenants are expected to be VC firms. Per Costar, 54% of Sand Hill Rd tenants are Financial Services firms. CBRE Consulting estimated a tenant mix with a 50-50 split between traditional office and VC firms.
- (7) Data provided by Rosewood Hotels. Room and spa service revenue not included in taxable retail sales.
- (8) Data on electric and gas usage provided by Stanford Management.
- (9) Data provided by PG&E. Current (2005) charges inflated to 2008 dollars based on average annual increase.
- (10) Assumption provided by CBRE Consulting.
- (11) Based on data provided by PG&E reflective of average annual gas rates from January to November 2005.
- (12) Based on data provided by PG&E reflective of the average annual increase in gas prices from 1988 to 2004.
- (13) Data provided by Allied Waste based on garbage production at comparable hotels, spas, and office buildings.
- (14) Assumes diversion of 60 percent of total generation to recycling and composting programs, consistent with comparable properties.
- (15) Based on data provided by Allied Waste. Reflects average annual increase in service rates between 1996 and 2004.
- (16) Data provided by Blum Consulting Engineers.
- (17) Total irrigation usage for hotel and office.
- (18) Water rate provided by the City of Menlo Park Revenue and Claims Manager.
- (19) Per Revenue and Claims Manager, Menlo Park has not raised water rates in nine years. Although a study regarding water rates is currently underway, which will likely result in a rate increase, CBRE Consulting conservatively estimated flat water rates through 2008.
- (20) Comcast conservatively budgeted a one-time cost of \$4,000 to accommodate trenching to the minimum point of entry. Does not include amplifier, modulation or filter costs.
- (21) Fee to provide cable TV to 120 guest rooms and 5 villas. Includes standard cable (82 channels), premium programming, financial programming, and high-definition TV formatting. Pay-per-view and video-on-demand not included but could provide additional revenue to the hotel.
- (22) Data on historic and forecast cable TV rate increases were not available. CBRE Consulting conservatively assumed flat rates through 2008.

Sources: Stanford Management; Rosewood Hotels; Marshall & Swift Valuation Service (Class A Office and Class A Full-Service Hotel); PKF Consulting; Smith Travel; City of Menlo Park Revenue and Claims Manager; Costar; PG&E; Allied Waste; Comcast; Blum Consulting Engineers; and CBRE Consulting.

P:\2005\1005154 Stanford Menlo Park\Working Docs\[Fiscal_Analysis6.xls]Ex4
Property Assumptions[KP]

11-Jan-06

**EXHIBIT 5
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
ESTIMATED SERVICE POPULATION
2008**

Assumption	Year	Data
Menlo Park Population (1)	2005	30,800
Menlo Park Population (1)	2010	31,100
Estimated Menlo Park Population (2)	2008	30,980
Menlo Park Employment (1)	2005	25,810
Menlo Park Employment (1)	2010	28,680
Estimated Menlo Park Employment (2)	2008	27,496
Estimated Service Population (3)	2008	44,727

Notes:

- (1) Data provided by ABAG ("Projections 2005").
- (2) Estimate for 2008 calculated based on average annual increase from ABAG's 2005 to 2010 projections.
- (3) Total Menlo Park population plus one-half Menlo Park employment.

Sources: Association of Bay Area Governments, "Projections 2005"; and CBRE Consulting.

P:\2005\1005154 Stanford Menlo Park\Working

Docs\[Fiscal_Analysis6.xls]Ex4 Property Assumptions[KP]

11-Jan-06

**EXHIBIT 6
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
NET NEW PROPERTY TAX REVENUE TO THE
CITY OF MENLO PARK GENERAL FUND**

	2008	2011
<u>New Property Tax Estimate</u>		
Total Estimated Value (1)	\$130,668,552	\$ 138,666,513
Property Tax Rate (2)	<u>1.0%</u>	<u>1.0%</u>
Total Property Tax	\$1,306,686	\$1,386,665
Menlo Park General Fund Allocation of Property Tax (2)	<u>9.47%</u>	<u>9.47%</u>
Menlo Park General Fund Property Tax Revenue	\$123,777	\$131,354
<u>Previous Property Value and Tax Estimate</u>		
Total Assessed Value (3)	\$1,977,164	\$2,098,182
Property Tax Rate (2)	<u>1.0%</u>	<u>1.0%</u>
Total Property Tax	\$19,772	\$20,982
Menlo Park General Fund Allocation of Property Tax (2)	<u>9.5%</u>	<u>9.5%</u>
Menlo Park General Fund Property Tax Revenue	\$1,873	\$1,988
Net New Property Tax Revenue	\$121,905	\$129,366

Notes:

(1) Based on the value assumptions in Exhibit 4. Year 2008 value increased by two percent per year to 2011.

(2) Based on the property tax assumptions in Exhibit 7.

(3) Per First American Real Estate Solutions value for 21.14-acre site, APN 074-470-100. Year 2005 assessed value of \$1,863,126 inflated by two percent per year to 2008.

Sources: San Mateo County Controller's Office; San Mateo County Assessor's Office; First American Real Estate Solutions; and CBRE Consulting.

P:\2005\1005154 Stanford Menlo Park\Working Docs\[Fiscal_Analysis6.xls]Ex4 Property Assumptions[KP]

EXHIBIT 7
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
ESTIMATED SALES TAX REVENUE TO THE CITY OF MENLO PARK
AS A RESULT OF RETAIL SALES (HOTEL) AND EMPLOYEE EXPENDITURES
2008 AND 2011 DOLLARS

Revenue to General Fund	2008	2011
<u>Estimated Retail Sales Tax Revenue, Hotel</u>		
Estimated Total Taxable Retail Sales (1)	\$7,461,000	\$ 11,857,778
Retail Sales Tax Rate to Menlo Park (2)	<u>1.0%</u>	<u>1.0%</u>
Sales Tax Accruing to Menlo Park	\$74,610	\$118,578
<u>Employee Expenditures</u>		
Hotel Employees (3)	267	267
Average Annual Expenditures per Employee (4)	<u>\$ 623</u>	<u>\$ 681</u>
Total Annual Hotel Employee Expenditures	\$ 166,408	\$ 181,838
Retail Sales Tax Rate	<u>1.0%</u>	<u>1.0%</u>
Sales Tax Accruing to Menlo Park	\$1,664	\$1,818
Office Employees (3)	333	333
Average Annual Expenditures per Employee (4)	<u>\$ 1,388</u>	<u>\$ 1,516</u>
Total Annual Office Employee Expenditures	\$ 462,500	\$ 505,386
Retail Sales Tax Rate	<u>1.0%</u>	<u>1.0%</u>
Sales Tax Accruing to Menlo Park	\$4,625	\$5,054
<u>Hotel Guest Expenditures</u>		
Average Occupied Rooms per Night (5)	78	91
Average Annual Expenditures per Occupied Room (6)	<u>\$ 26,348</u>	<u>\$ 33,180</u>
Total Annual Hotel Guest Expenditures (in Menlo Park)	\$ 2,055,178	\$ 3,026,004
Retail Sales Tax Rate to Menlo Park (2)	<u>1.0%</u>	<u>1.0%</u>
Sales Tax Accruing to Menlo Park	\$ 20,552	\$ 30,260
Total Sales Tax Accruing to Menlo Park (Hotel and Office)	\$ 101,451	\$ 155,710

Notes:

- (1) Based on restaurant, gift shop, and taxable spa sales in Exhibit 4.
(2) Based on retail sales tax assumptions in Exhibit 3.
(3) Based on employment assumptions in Exhibit 4.
(4) Based on employee expenditure assumptions in Exhibit 3. Assumed to increase by three percent per year.
(5) Based on occupancy assumptions in Exhibit 4 and occupancy of 76 percent in 2011.
(6) Based on hotel guest expenditure assumptions in Exhibit 3 and on average daily room rate of \$485 in 2011.

Sources: CBRE Consulting.

P:\2005\1005154 Stanford Menlo Park\Working Docs\[Fiscal_Analysis6.xls]Ex4 Property Assumptions[KP]

**EXHIBIT 8
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
ESTIMATED TOT TAX REVENUE
2008 AND 2011 DOLLARS**

Tax/Fee	Data
<u>First Year of Operation - 2008 (1)</u>	
Revenue per Available Room (2)	\$250
Available Rooms	<u>43,920</u>
Total Annual Room Revenue	\$10,990,980
TOT Tax Rate (3)	<u>10.0%</u>
Transient Occupancy Tax to Menlo Park (2008)	\$ 1,099,098
<u>At Stabilization (2011) (4)</u>	
Revenue per Available Room	\$ 368
Available Rooms	<u>43,800</u>
Total Annual Room Revenue	\$ 16,138,548
TOT Tax Rate	<u>10.0%</u>
Transient Occupancy Tax to Menlo Park (2011)	\$ 1,613,855
Total Annual Transient Occupancy Tax	\$1.1 - \$1.6 million

Notes:

- (1) Based on the assumptions in Exhibit 3.
- (2) Based on 2008 occupancy rate of 65%.
- (3) Based on the tax assumptions in Exhibit 3.
- (4) Data based on stabilized occupancy of 76% and an average daily room rate of \$485 in 2011, per Rosewood Hotels.

Sources: CBRE Consulting.
P:\2005\1005154 Stanford Menlo Park\Working
Docs\[Fiscal_Analysis6.xls]Ex4 Property Assumptions[KP]

EXHIBIT 9
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
ESTIMATED OTHER FEE REVENUE (1)
2008 AND 2011 DOLLARS

Tax/Fee	2008	2011
<u>Hotel Business License Fees</u>		
Hotel Operation	\$ 3,000	\$ 4,500
Restaurant	\$ 2,000	\$ 3,000
Spa	\$ 1,000	\$ 1,250
Gift Shop	\$ 310	\$ 390
Total Hotel Business License Fees	\$ 6,310	\$ 9,140
<u>Office Business License Fees</u>		
Traditional Office Business License Fees		
Average Business License Fee	\$ 455	\$ 455
Number of Traditional Office Tenants	5	5
Total Annual Business License Fees	\$ 2,275	\$ 2,275
Venture Capital Business License Fees		
Average Management Entity Fee	\$ 2,200	\$ 2,200
Number of Management Entities	5	5
	\$ 11,000	\$ 11,000
Per Fund Fee	\$ 50	\$ 50
Average Number of Funds per Company (2)	10	10
	\$ 500	\$ 500
Total Office Business License Fees	\$ 13,775	\$ 13,775
Total Annual Business License Fees	\$ 20,085	22,915
<u>Franchise Fees</u>		
Electric and Gas		
Total Electric Charges	\$ 771,675	\$ 795,057
Total Gas Charges	\$ 155,740	\$ 175,693
Total Electric and Gas Charges	\$ 927,415	\$ 970,750
Franchise Fee	1.0%	1.0%
Electric and Gas Fee to Menlo Park	\$ 9,274	\$ 9,707
Garbage		
Total Garbage Service Costs	\$ 31,342	\$ 35,154
Franchise Fee	5.8%	5.8%
Garbage Fee to Menlo Park	\$1,818	\$2,039
Water		
Total Water Costs (Hotel and Office)	\$ 100,339	\$100,339
Franchise Fee	1.0%	1.0%
Water Usage Fee to Menlo Park	\$ 1,003	\$1,003

(continued)

EXHIBIT 9
 FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
 ESTIMATED OTHER FEE REVENUE (1)
 2008 AND 2011 DOLLARS

Tax/Fee		2008		2011
Cable TV				
One-Time Fee to Bring Signal to Hotel	\$	4,000		N/A
Franchise Fee		<u>5.0%</u>		N/A
Total One-Time Hook Up Fee		200		N/A
Annual Fee for Cable TV	\$	30,300	\$	30,300
Franchise Fee		<u>5.0%</u>		<u>5.0%</u>
Annual Cable TV Fees to Menlo Park	\$	1,515	\$	1,515
TOTAL FRANCHISE FEES (RECURRING ANNUAL FEES ONLY) (3)				
	\$	13,610	\$	14,265

Notes:

- (1) Based on the assumptions in Exhibits 1-4.
- (2) Per City of Menlo Park.
- (3) Does not include one-time fee for Cable TV hook up.

Sources: CBRE Consulting.

P:\2005\1005154 Stanford Menlo Park\Working Docs\Fiscal_Analysis6.xls\Ex4 Property Assumptions[KP]

EXHIBIT 10
FISCAL IMPACT ANALYSIS - STANFORD SITE, MENLO PARK
ESTIMATED INCREMENTAL SERVICE COSTS
2008 DOLLARS

Department		Cost
<u>Police Department (1)</u>	\$	0.00
<u>Public Works (2)</u>		
Road Maintenance	\$	0.00
Estimated Total Incremental Costs		0.00

Notes:

(1) Per the City of Menlo Park Police Department, there will be no additional capital or staffing costs associated with this development.

(2) Per the City of Menlo Park Public Works Department, no additional costs associated with this development will impact the General Fund.

Sources: City of Menlo Park Police and Public Works Departments; and
CBRE Consulting.

P:\2005\1005154 Stanford Menlo Park\Working
Docs\[Fiscal_Analysis6.xls]Ex4 Property

11-Jan-06



Conley Consulting Group

MEMORANDUM

March 30, 2006

To: City of Menlo Park Community Development Agency
Deanna Chow, Senior Planner

From: Conley Consulting Group
Denise Conley, Principal

cc:

Subject: Peer Review of Fiscal Analysis for the Proposed Sand Hill Road Development

Conley Consulting Group (CCG) is pleased to assist the City of Menlo Park in its review of Stanford Management Company's proposed development at Sand Hill Road. On behalf of the applicant, CBRE Richard Ellis Consulting/Sedway Group (CBRE) prepared a Fiscal Impact Analysis dated January 12, 2006. CCG has undertaken a peer review of that analysis. This memorandum presents our findings and is to be reviewed as a companion analysis to the CBRE report.

CCG Review

To undertake this review, CCG completed the following tasks:

- Review of the assumptions and underlying methodology in the CBRE Study.
- Independent research into the property tax rates and assessed values for the subject parcels
- Review of relevant studies and correspondence regarding fiscal impacts prepared in 2002.
- Interviews with key Menlo Park staff to review fiscal analysis assumptions.
- General review of the Menlo Park hotel market and transient occupancy tax trends.

**Real Estate Economics
Development Strategy
Economic Development**

Tel 510.625.1448
Fax 510.625.1151

311 Oak Street, Suite 110
Oakland, California 94607
cgg@conley-group.com
www.conley-group.com

25304.005 Revised Stanford Fiscal Impact Peer Review

I. CONCLUSIONS

The CBRE analysis estimates gross revenues associated with development of the proposed 120-room Rosewood Hotel, with five extended-stay villas, a restaurant, spa, and gift shop, as well as approximately 100,000 SF of office space at I-280 and Sand Hill Road. CCG has reviewed the CBRE projection and finds that while it is likely that revenues will substantially exceed the cost of providing services to the project, the analysis overestimates the potential fiscal or tax revenues from the proposed development because it does not consider whether revenues are net new to the City, or whether a portion represents a transfer of tax revenues that already flow to the City. On the other hand, the analysis seeks to estimate fiscal costs on a marginal, or net new cost, basis. Because revenues and costs are not treated in a parallel manner, the net fiscal benefits of the project are likely overstated.

CCG's analyses and comments are summarized below and detailed in the attached memo.

The CBRE analysis underestimates the cost of providing City services to the new development, since operating costs were assumed to be zero. This seems unreasonable, especially given that revenue estimates are based on hotel guests and employees shopping and patronizing Menlo Park businesses outside of the project. It would only be reasonable to conclude that these employees and guests benefit from and should therefore share the cost of providing municipal services.

A more rigorous approach would be to estimate the true marginal revenue from the project, with appropriate adjustments for revenues transferred from other economic activity in the city, compared to the true marginal cost to provide city services to the proposed development. If, on the other hand, gross revenues are used, it is appropriate to use gross, or average service costs.

CCG's allocation of fiscal costs to the project on an average cost per employee basis results in an estimated total of roughly \$138,000 per year in current dollars and roughly \$146,000 per year by 2008. However, even if the projected revenues were reduced by as much as 20% to account for possible transfer of activity from other Menlo Park businesses, and fiscal costs were estimated on an average cost basis, fiscal revenues would exceed a reasonable estimate of fiscal costs. In fact, if as much as 85% of the projected TOT revenues are transferred and not net new to Menlo Park, the fiscal impact of the project would still be positive.

We therefore concur with the CBRE conclusion that the proposed project would have a net positive fiscal impact on the City of Menlo Park.

II. OVERVIEW OF FISCAL IMPACT METHODOLOGY

Fiscal impact analysis is intended to determine the net effects of new development on the cost of providing government services, considering new taxes generated by and additional public costs associated with the new project.

Determining the fiscal impact of a proposed project is not as simple as estimating the gross future taxes generated by the proposed land uses at stabilized operations. A careful analysis would also consider all existing tax revenue streams that will be affected by the proposed project. A new development can transfer economic activity from one location in the City to another and thus not proportionately result in new taxes even if it is a success for the developer. In essence, the true fiscal impact to the City is the marginal increase in overall net tax revenue rather than the gross taxes projected from the new development.

The CBRE analysis does not consider how the proposed Stanford development will impact the City's current tax revenue generators in total. That analysis only adjusts for the property taxes currently generated from the site in calculating net new revenue from the proposed project. CBRE does not consider whether the new development will result in transfer of existing hotel or sales tax revenue from other sites in Menlo Park.

As discussed below, the CBRE report applies a narrowly defined marginal cost approach to its analysis of municipal costs. In fact, the CBRE report goes as far as to state there will be no additional costs to the City associated with this proposed project.

III. CBRE FINDINGS

The CBRE report analyzes the gross tax revenues generated by a proposed development consisting of a 120-room hotel, restaurant, spa and meeting facility along with approximately 100,000 SF of office space. There is no attempt to quantify marginal fiscal revenues. As stated above, the CBRE analysis concludes that there will be no marginal costs to provide government services to project.

As shown in Table 1 below, Transient Occupancy Tax (TOT) is the primary source of fiscal revenues from the proposed new project. This table summarizes the projected fiscal impact as presented by CBRE for the initial year of occupancy, 2008 and stabilized operations in 2011.

**TABLE 1
CBRE NET FISCAL IMPACT
SAND HILL DEVELOPMENT**

	2008	2011
Menlo Park Revenues		
Transient Occupancy Tax	\$1,099,098	\$1,613,855
Property Tax	\$121,905	\$129,366
Sales Tax	\$101,451	\$155,710
Other Fees	\$33,695	\$37,180
TOTAL	\$1,356,149	\$1,936,111
Menlo Park Civic Costs		
	\$0	\$0
Net Fiscal Impact	\$1,356,149	\$1,936,111

With respect to revenues, CBRE estimated the underlying drivers of tax revenue (hotel room revenues, taxable sales, assessed values, etc.) and then applied the relevant tax rates to the

projected values. Transient Occupancy Tax (TOT) accounts for over 80% of the projected revenue.

IV. REVENUE PROJECTION REVIEW

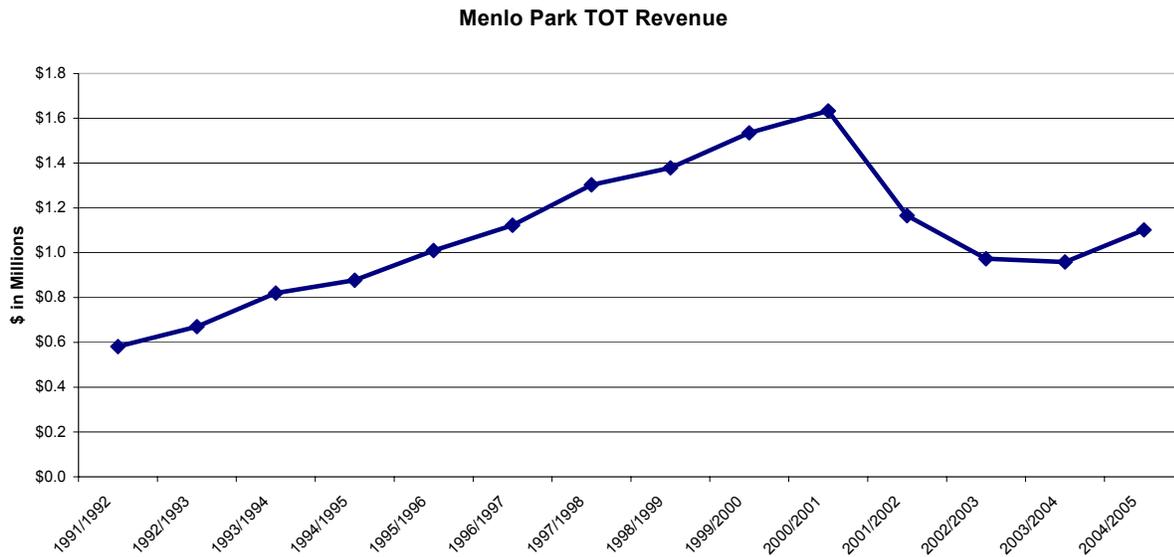
CCG reviewed the assumptions for projection of Menlo Park tax revenues. The discussion below focuses on TOT, Sales Tax, and property tax as these three revenue sources account for almost 98% of the projected revenue. CBRE also projected revenues from business licenses and franchise fees on utilities provided to the site using projected users or usage and applying the relevant fee schedules. These sources represent 2.4% of the total projected tax revenues.

A. TOT Revenues

Menlo Park currently has an inventory 308 hotel rooms in six properties, as shown in the attached Exhibit A.

The proposed project, at 120 rooms, will result in a substantial increase in the number of hotel rooms. (Note that, when considered with the 130-room hotel proposed on the Bohannon property, a total of 250 new rooms are proposed to be added to the City's hotel inventory, more than an 80% increase.)

Transient Occupancy Tax (TOT) is assessed at 10% of hotel room revenues. The chart below shows the TOT revenue trends for Menlo Park for the last ten years. City TOT revenues dropped dramatically with the changes in the economy and new additions to supply in the competitive region. The 171-room Stanford Park Hotel is by far the largest lodging facility in the City, and given its higher room rates represents a significant portion of the City's total TOT revenues. The drop in TOT revenues after 2000/2001 occurred after the new Westin Palo Alto came on line in 2000 when the dramatic drop off in travel and the Silicon Valley economy in general following the 9/11 tragedies and the collapse of the dot-com economic expansion.



Prior to 2000, the only local, high-end hotel serving visitors to Menlo Park, Stanford and Palo Alto was the Stanford Park Hotel. With the introduction of the 184-room Westin Palo Alto in 2000, the Stanford Park Hotel experienced a significant drop in revenue. According to local sources, the newly built 200-room Four Seasons Hotel in East Palo Alto will also impact room revenues, and thus TOT receipts from the Stanford Park Hotel.

The proposed Rosewood Hotel will have a spa. By the time the proposed hotel opens, both the Four Seasons and the Stanford Park hotels will also offer spa services. The proposed 120-room Rosewood Hotel will further expand the inventory of high-end hotel rooms. With the construction of the Rosewood Hotel, the area inventory of high-end product will reach 675 rooms, excluding the villas, almost a four-fold increase from the high-end inventory in the year 2000. Hotels serve the demand created by the local economy, which includes the Sand Hill Road office sector, Stanford University and the Palo Alto business base.

Although the proposed Rosewood Hotel will be a higher end hotel than others in the market, only some of its business will come from attracting a new demand segment to a new resort destination. The Corporate demand segment, comprised of business-based travel coming to Menlo Park, and perhaps the broader Silicon Valley, will represent a significant share of the demand for the new hotel. That segment is only now starting to recover from the post dot.com crash decline in demand that has affected lodging facilities throughout the Bay Area. Thus, the performance of the proposed Rosewood Hotel is somewhat dependent upon on the pace and strength of the regional economic recovery.

The proposed hotel is a high-end luxury hotel. CBRE relied on room rate and occupancy assumptions from the hotel operator, Rosewood Hotels & Resorts. The average hotel room rate is projected at \$385 in 2008 and \$485 in 2011 when hotel is projected to reach stabilized operations. Occupancy rates are projected initially at 65% growing to 76% by 2011. Given the rapid expansion of the inventory of high-end hotels, this projected performance is dependent upon significant growth of demand in this portion of the lodging market. It is also likely that significant demand will be captured from existing hotels in the market area, including the Stanford Park hotel.

According to a limited survey of local hotel operators conducted for this effort, when the Westin Hotel entered the market at the peak of the dot.com boom, some City hotels had as much as a 21% decrease in their occupancy rates.

Extended Stay Villas

The project includes five extended stay villas. The CBRE estimates do not project any TOT revenue from these units. The private villas will have two and three bedrooms and will range from 2,500 to 3,750 square feet according to the project EIR. According to the TOT ordinance, TOT revenue would be due if they are rented for terms less than 30 days. If these are being proposed as furnished housing rentals, a differing level of impact fees, possibly including school fees, should be projected for the project. CCG encourages staff to clarify with the project sponsor how they plan to operate these villas so that appropriate development fees and future occupancy taxes accrue to the City of Menlo Park.

TOT revenues represent 81% of the projected tax revenues from this project. However, the CBRE assertion that the proposed hotel will generate room tax revenues that will double the City's TOT revenues must be qualified by the portion of the projected TOT revenues transferred from other City lodging facilities.

B. Sales Tax

1. Sales Tax from Worker Spending

CBRE estimates sales taxes from the new office workers, the hotel visitors, hotel restaurant, and hotel workers. The overall issue of whether these are new retail sales to Menlo Park or just a transfer of activity that would have occurred in the absence of the development project is not addressed at all.

CBRE estimated office worker spending using at work spending patterns from a survey of suburban office employees (source: International Council of Shopping Centers), deducting 25% of the expenditure potential to account for lunches at the hotel restaurants (estimated separately), and allocating 50% of the expenditures to merchants within Menlo Park. CBRE estimated that 50% of the tenants of the office space would be venture capital firms. If other similar employers rent space in the proposed project, their well-compensated employees should generate food and retail sales at the same rate or better than the typical office worker expenditure patterns on which these estimates are based.

However, there are two concerns that may render this projection unreliable. They are:

- a. Given the strength of the food and retail offerings in nearby Palo Alto, it is likely that the workers from the Sand Hill Road offices would actually make more than 50% of their work-day related purchases in Palo Alto.
- b. To the extent that the new office buildings attract tenants relocating from other office space in Menlo Park, these sales would not be net new sales tax revenues to the City.

Hotel workers are projected to generate sales tax revenues from purchases during their workdays. CBRE also based projected hotel employee expenditure potential on the ICSC Office Worker Survey. Retail spending was adjusted for the lower wages hotel workers earn compared to office workers, but there was no adjustment for issues such as shift work (they don't, for instance, assume lower spending for shift workers who work at night when stores are closed), meals provided onsite, and the lack of time for or tradition of "business lunches" for most hotel employees. Additionally, hotels employ maids, porters, receptionists and other types of workers that would likely spend far less at their place of work for non-meal purchases like clothing and accessories than typical office workers, even after adjustment for income.

Thus, the estimated sales tax generated by work-day employee spending is overstated. These revenues represent less than 0.5% of the total annual revenue projected from the project.

2. Hotel guest spending

Daily hotel guest spending is estimated to be equal to the hotel room rate or \$385 per occupied room night based on industry standards. A 25% deduction is made for the portion of those sales that occur in the hotel restaurant, spa and gift shop. Of the remainder, 25% is projected to occur within the City of Menlo Park.

To the extent that the hotel guests at the Rosewood Hotel were already coming to the region, the retail spending is not new economic activity. The project sponsors need to further analyze the projected revenues to demonstrate that the sales tax will be new to the City.

Sales Taxes from this source are less than 1.5% of the total projected revenues from this development.

3. Restaurant, Gift Shop and Spa Sales

Taxable sales from the hotel restaurant, gift shop and spa are based on volume projections by Rosewood Hotels. These projections appear reasonable, except to the extent that these sales represent a transfer of economic activity from elsewhere in the City of Menlo Park.

C. Property Tax

CCG reviewed the CBRE property tax projections finds that it is perhaps too conservative. CBRE conservatively estimated that the ERAF shift of property tax revenues to the State will reduce property tax revenues from the proposed development. However, the State-mandated ERAF shift is calculated on a statewide basis, and allocated to cities proportionately to their property tax base. While it is true that if all other communities have a fixed tax base, an addition to Menlo Park's base would result in additional mandated revenue transfer to the state, it is not at all clear that additional assessed valuation from the subject will result in an increased ERAF liability. Thus the CBRE analysis is perhaps too conservative in this regard.

The ERAF shift adjustment represents less than 2% of the total projected revenues from this project.

V. MUNICIPAL EXPENSE ANALYSIS

Although project revenues are calculated without consideration of whether revenues are net new, the CBRE report finds that there will be no additional, or marginal, costs to the City of Menlo Park associated with this development. The Draft EIR also finds that there will be no impacts on public services. Based on this assumption of no additional costs, the CBRE report presents the projected revenues as the net new revenue from the project. This result was based on asking the narrow question to personnel in two City departments of whether their costs will increase with the new project.

The proposed Project is in the jurisdiction of Menlo Park and will receive the benefits of City services for the life of the project. A more conventional fiscal analysis would look at how the overall costs of government relate to the population served by the City government. Fiscal analysis studies typically develop a "service population" as a weighted mix of residents and

workers in a City. It must be noted that the conventional employment-based cost methodology does not allocate costs to the customers of a facility, such as a hotel or a retail outlet, that attracts guests that are neither City residents nor employees. If it is assumed that these guests patronize other businesses in the City, as it the case in the CBRE analysis, these guests obviously benefit from and should share the cost of Menlo Park municipal services.

The attached memo provides CCG's analysis of services costs, which estimates municipal service costs at \$230 per job per year. The project includes 333 office jobs and 267 hotel project jobs, a total of 600 jobs. On an average cost basis this would represent an annual cost of \$138,000 per year in current dollars or \$146,000 in 2008 dollars, assuming cost inflation at 3% per year.

**EXHIBIT A
MENLO PARK HOTEL INVENTORY
STANFORD FISCAL IMPACT PEER REVIEW**

Hotel/Motel	Rooms	Suites	Price Range	Notes
Stanford Park Hotel 100 El Camino Real Phone: 650/322-1234	163	8	\$295-\$725	Four Star Hotel. Complimentary coffee and tea; apples; freshly baked cookies in lobby nightly at 9:30 p.m.; complimentary San Jose Mercury News and Wall Street Journal delivered Mon-Fri; free courtesy van within the Menlo Park/Palo Alto area; Business Center; turn-down service upon request; 24-hour room service; on-command 24-hour movie system in all rooms.
Menlo Park Inn 1315 El Camino Real Phone: 650/326-7530	30	2	\$125-\$165	Broadband access; restaruant in hotel, hot tub
Best Western Riviera 15 El Camino Real Phone: 650/321-8772	36		\$129-\$189	Complimentary continental breakfast, free high-speed Internet access, sauna, pool, Jacuzzi and fitness center. Complimentary fresh fruit, freshly baked cookies and coffee served all day. Same day dry-cleaning services available. Laundry facilities on property. Each room equipped with iron and ironing board, hair dryer, microwave and refrigerator.
Red Cottage Inn and Suites 1704 El Camino Real Phone: 650/326-9010	27	2	\$79-\$159	Garden-style setting, Personalized service. Complimentary continental breakfast, fax/copy services, guest voicemail, microwave/mini-fridge, cable 25-inch TV, iron with ironing boards, direct dial phones with modem data port, and a private patio adjoining each room. Heated pool. DVD VCR and free high-speed Internet access. Each room has a large sliding glass door leading to a private patio garden patio with redwood deck and bistro table set.
Mermaid Inn 727 El Camino Real Phone: 650/323-9481	38		\$76-\$105	Serves continental breakfast. Microwaves and refrigerators in each room. Cable TV (CNN, HBO, Showtime, HBO, ESPN) and iron/ironing board.
Stanford Inn 115 El Camino Real 650-325-1428	14		\$50 to \$80	Planning to undergo renovation and will be shutting down for about a month
TOTAL	308	12		



Conley Consulting Group

MEMORANDUM

March 7, 2006

REVISED: April 17, 2006

To: Carol Augustine, Finance Director
City of Menlo Park

From: Denise Conley, Principal
Conley Consulting Group

Subject: City Service Costs for Fiscal Analysis

Conley Consulting Group (CCG) has been asked by the City of Menlo Park to provide peer review of the fiscal impact analyses of two proposed projects in the City. The purpose of this memo is to serve as the foundation for a conversation on the appropriate approach to measuring fiscal cost impacts for these two projects and for other projects in the future.

We understand that over the years there has been some level of public debate on the subject of fiscal review in the City, and that the authors of the two studies have been active parties in this debate.

Fiscal impact analysis is, at its most basic level, a comparison of the new revenues generated by new development with the costs to provide municipal services the new development. The two studies reviewed are:

Study: Fiscal Impact Study for Proposed Hotel /Office Development at I-280 and Sand Hill Park
Prepared for: Stanford Management Company
Date: January 2006
Prepared by: CBRE Richard Ellis Consulting/Sedway Group

Study: Fiscal Impact Analysis of Bohannon Properties: Independence and Constitution Sites
Prepared for: The David Bohannon Organization
Date: October 2005
Prepared by: Brion & Associates

**Real Estate Economics
Development Strategy
Economic Development**

Tel 510.625.1448
Fax 510.625.1151

311 Oak Street, Suite 110
Oakland, California 94607
cgg@conley-group.com
www.conley-group.com

These two fiscal impact studies differ significantly in the methodology used to estimate the costs of municipal services for the new development. CCG reviewed the cost methodologies in these two analyses and the fiscal impact model developed for the City in 2002 by Applied Development Economics, Inc. and Vernazza Wolfe Associates, Inc. The Brion study relied in part on the 2002 Fiscal Model, but made certain assumptions that reduced the projected fiscal costs of the Bohannon development. The CBRE study differed more substantially from the 2002 Fiscal Model, and assumed that there will be no fiscal costs associated with the proposed Stanford development.

The fiscal analysis prepared by the City's consultants in 2002 developed a per employee average cost factor of \$227 using the 2001/2002 City Budget and a city employment base of 31,400 jobs. The Brion analysis relies on the 2004/05 budget and the current estimated employment base of 25,180 jobs to develop a modified marginal fiscal cost estimate of \$169 per employee.

In addition to the different base years, these two analyses used different methodologies to attribute the costs of providing City government services to residents and workers and to allocate costs between variable and fixed costs.

The Brion analysis assumes a portion of City costs are fixed and will not increase with growth and then allocates the variable portion of municipal costs by Department to residents and workers. The 2002 City model allocates all costs by Department to residents and workers without a reservation of a portion of costs as fixed.

Table 1, on the following page, presents the allocation of the 2004/5 City Budget as presented by Brion and as updated to allocate costs on an average basis.

Based on this review of fiscal cost studies and City data, CCG concludes that \$229 per job per year is a conservative estimate of the municipal costs associated with new employment.

**TABLE 1
 FISCAL ANALYSIS SERVICE COST CALCULATION
 MENLO PARK FISCAL ANALYSIS**

Expenditures	FY 2004-5 City Budget Expenditures	Less Depart- mental Revenues	Net Dept Cost	% of Costs that are Fixed	Net Variable Costs	Amount Attributable to Employment Uses		Current per Employee Cost Factor
						%	Amount	
FISCAL ANALYSIS IN OCTOBER 2005 BRION ANALYSIS								
Administration Services	7,132,021	\$208,022	\$6,923,999	50%	\$3,462,000	25%	\$865,500	\$34.37
Community Development	1,957,131	\$1,395,500	\$561,631	0%	\$561,631	25%	\$140,408	\$5.58
Community Services	5,353,316	\$2,850,213	\$2,503,103	10%	\$2,252,793	25%	\$563,198	\$22.37
Library	1,669,602	\$162,500	\$1,507,102	25%	\$1,130,327	10%	\$113,033	\$4.49
Police	9,312,203	\$310,222	\$9,001,981	15%	\$7,651,684	25%	\$1,912,921	\$75.97
Public Works	3,804,817	\$301,500	\$3,503,317	25%	\$2,627,488	25%	\$656,872	\$26.09
Total General Fund	\$29,229,090	\$5,227,957	\$24,001,133	26%	\$17,685,921	24%	\$4,251,931	\$168.86
2005 Employment per ABAG		25,180						

REVISED COST ANALYSIS (1)

Administration Services	7,132,021	\$208,022	\$6,923,999	0%	\$6,923,999	25%	\$1,731,000	\$68.75
Community Development	1,957,131	\$1,395,500	\$561,631	0%	\$561,631	25%	\$140,408	\$5.58
Community Services	5,353,316	\$2,850,213	\$2,503,103	0%	\$2,503,103	25%	\$625,776	\$24.85
Library	1,669,602	\$162,500	\$1,507,102	0%	\$1,507,102	10%	\$150,710	\$5.99
Police	9,312,203	\$310,222	\$9,001,981	0%	\$9,001,981	25%	\$2,250,495	\$89.38
Public Works	3,804,817	\$301,500	\$3,503,317	0%	\$3,503,317	25%	\$875,829	\$34.78
Total General Fund	\$29,229,090	\$5,227,957	\$24,001,133	0%	\$24,001,133	24%	\$5,774,218	\$229.32

(1) cost to provide services to employees based on average cost of that portion of services attributed to employees.
 Source: Brion 2005, ADE/Vernazza Wolfe 2002, Conley Consulting Group.

MEMORANDUM

To: Mr. William Phillips, Stanford Management Company

From: Amy Herman and Kimberley Player, CBRE Consulting

Date: April 7, 2006

Subject: Response to Conley Consulting Group (CCG) Peer Review of CBRE Consulting's Fiscal Impact Analysis for the Proposed Sand Hill Road Development

Following an assessment of Conley Consulting Group's peer review of the Fiscal Impact Analysis for Stanford Management's proposed hotel/office development, CBRE Consulting has addressed what we consider to be the two most significant issues raised by the CCG report, and those which are likely to have the greatest relative impact on the analysis:

1. The potential overstatement of the net tax revenues from the proposed hotel; and
2. The assumption that operating costs for the proposed project would be zero.

The issue regarding the potential overstatement of tax revenue from the proposed hotel stems, according to the CCG report, from a lack of consideration of the impact the new Rosewood hotel would have on existing Menlo Park hotels. CBRE Consulting does not believe that the Rosewood hotel will significantly reduce the City's income from existing hotels, for the following reasons.

Although the CCG report refers to six existing hotels in Menlo Park, it is clear that five of these are not remotely comparable to the proposed Rosewood hotel (see Exhibit A to CCG report). The only genuine question is whether the Rosewood hotel would reduce the City's tax revenues from the Stanford Park Hotel. CBRE believes that any such effect would be unlikely and, if it occurred, minor.

First, the Stanford Park Hotel is a four-star hotel with room rates beginning at \$270 (not \$295) per weeknight. The proposed Rosewood hotel, on the other hand, is designed to be a very upscale, five-star establishment, with room rates expected to begin at \$385 in 2008. The four-star hotel market is different from the five-star hotel market. Thus it is not surprising that the Stanford Park lost significant business to the Westin Hotel in Palo Alto when the Westin opened. The Rosewood hotel, on the other hand, is expected to compete directly with the five-star Four Seasons in East Palo Alto (2006 weeknight rates beginning at \$325-\$340), as well as with five-star hotels in San Francisco and San Jose. Accordingly, assuming a stagnant hotel market, the Rosewood hotel would be expected to deprive East Palo Alto, San Francisco and San Jose - not Menlo Park - of tax revenue from existing hotels.

Despite the difference between the four-star and five-star hotel markets, it is, of course, possible that the Rosewood hotel could attract a hotel guest from the Stanford Park Hotel who would not be (or has not already been) attracted by the Westin or the Four Seasons. But any such effect would be speculative and non-quantifiable. The CCG report itself, while suggesting that the Rosewood hotel would have an important negative effect on the Stanford Park, makes no effort to quantify that effect. CBRE Consulting, on the other hand, was asked to provide a quantitative analysis.

Mr. William Phillips
April 7, 2006
Page 2

Second, the CCG approach assumes a zero-sum game, that is, a stagnant hotel market in which the Stanford Park Hotel could not replace any guest it lost to another hotel. CBRE Consulting assumes, however, that the local hotel market will grow over time, similar to the assumptions of Rosewood and other developers of recent hotel projects. There is no reason to assume that the Stanford Park Hotel could not compete in such an environment.

Third, given that the hotel market in Menlo Park and surrounding area is in recovery mode, increasing occupancy rates and rising room rates can be expected to justify new construction within the next several years. For example, a new, upscale hotel is currently being considered for a site in Mountain View. Should the City of Menlo Park elect not to develop a five star hotel, one is likely to locate in nearby Palo Alto or Mountain View. If this occurred, Menlo Park would lose the opportunity to capture a significant amount of net new tax revenue.

CCG has also questioned CBRE Consulting's assumption that the operating costs associated with the Sand Hill Road project would be zero. This assumption is based on the scope of the study and on validation by City officials, including the City of Menlo Park Finance Director. With regards to the Sand Hill Road project, CBRE Consulting's intent was to assess net new costs to the City of Menlo Park General Fund associated with the following service agencies: police, fire, and public works. As fire department services are not funded out of the City of Menlo Park General Fund, this task was dropped from our scope. CBRE Consulting's goal with respect to the cost analysis was to identify net new costs associated with the proposed office/hotel development, as opposed to allocating existing costs as the CCG study attempts to do. While we do not disagree with the cost analysis results of the CCG study, its methodology differs from that which we, Stanford Management, and the City of Menlo Park agreed to utilize in the scope of our fiscal impact analysis. Despite these differences, the CCG study concurs with the CBRE Consulting conclusion that "the proposed Sand Hill Road project would have a net positive fiscal impact on the City of Menlo Park."¹

The contents of this memorandum are subject to the appended Assumptions and General Limiting Conditions.

P:\2005\1005154 Stanford Menlo Park\Report\Peer Review Memo.doc

¹ *Ibid*, page 2.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

CB Richard Ellis Consulting/Sedway Group has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although CB Richard Ellis Consulting/Sedway Group believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

This report may not be used for any purpose other than that for which it is prepared. Neither all nor any part of the contents of this study shall be disseminated to the public through publication advertising media, public relations, news media, sales media, or any other public means of communication without prior written consent and approval of CB Richard Ellis Consulting/Sedway Group.