



MEMORANDUM

DATE: December 15, 2009

TO: City Council

FROM: Justin Murphy, Development Services Manager
Community Development Department

RE: **Agenda Item J1: Report from the City Council Subcommittee on the Menlo Gateway (Bohannon Hotel & Office) project**

The Council Subcommittee would like to provide an update to the full Council on the activities related to the Menlo Gateway Development Agreement negotiations.

The Subcommittee has met a number of times with the City's core negotiating team since the November 17, 2009 meeting when the Council authorized the City Manager to enter into good-faith negotiations with the developer on the Development Agreement. The subcommittee has met with the two experts, Suzanne Mellen of HVS Consulting & Valuation and Rob Perrino of Cushman & Wakefield, which the City is hiring to provide guidance regarding the financial feasibility of the hotel and office aspects of the project.

The following is a summary of the steps that have been completed to date regarding the Development Agreement negotiations:

- Core Team developed a set of parameters for the Development Agreement based on the Council's caveats expressed on November 17, 2009. The parameters are grouped in three categories:
 - Items that need to be included in the Development Agreement.
 - Items that should be explored in the Development Agreement.
 - Items that should be considered in the Development Agreement.
- Subcommittee reviewed the parameters.
- Core Team submitted the parameters to the developer.

The following is a summary of the remaining steps regarding the Development Agreement negotiations:

- Developer submits a preliminary draft term sheet with business terms based on the parameters established by the City.

- Remainder of the negotiation involves the Core Team responding to the draft term sheet until the developer submits a final draft term sheet that reflects the maximum to which the developer can agree. Throughout this process, the Core Team will be checking in with the Council Subcommittee, the City's experts, and members of the extended staff team.
- Council reviews the final draft term sheet, which may or may not be recommended by either the core team or the subcommittee. The Council can either accept or reject the term sheet. Staff's recommendation will depend on the level of benefits included and other terms that match Council's expectations which have been provided to staff.

It has become evident that the draft term sheet will not be ready by the January 12, 2010 target date due to the complexity of the project. The schedule driver is the developer's ability to deliver financial information for the City's experts to perform independent evaluations of the project. Instead of establishing a new target date, the item will be scheduled for the first Council meeting after the draft term sheet is available with the understanding that every effort will be made to keep the process moving forward in a timely manner. The remainder of the schedule is dependent upon the Council review of the draft term sheet. In order to avoid misconceptions about future meeting dates, all of the tentative dates have been removed from the schedule, which is included as Attachment A. Updated tentative dates will be re-inserted once the Council reviews the draft term sheet. The overall lead time from Council review of the draft term sheet to final action by the Council would be approximately 14 weeks. The revised schedule provides additional explanation of the lead time between meetings.

Although the term sheet will not be ready by January 12, 2010, work continues on having the Final Environmental Impact Report (EIR) and Final Fiscal Impact Analysis (FIA) available for public review by early to mid-January 2010. Therefore, the revised schedule lists the release of the documents prior to availability of the draft term sheet. The release would be advertised with a press release, a public notice in the newspaper, and an email bulletin sent to subscribers on the project page on the City's website. The revised sequencing provides an opportunity for the public and the Council to consider the response to comments on the Draft EIR and Draft FIA, which should create a better context for the review of the draft term sheet of the Development Agreement. Furthermore, release of the Final EIR and Final FIA prior to the draft term sheet will enable a longer review period for these documents without adversely impacting the overall schedule.

ATTACHMENTS

A. Revisions to the Public Outreach and Development Agreement Negotiation Process

**Public Outreach and Development Agreement Negotiation Process
Menlo Gateway (Bohannon Hotel-Office Mixed-Use) Proposal**

#	Meeting Description	Notes / Timing	Method of Notification	Date Scheduled
1.	City Council to review and discuss the Public Meeting Schedule and method of notification	Prior to first public meeting	Council agenda published Web site project page updated & email bulletin sent	4/14/09
2.	City Council to review Subcommittee Report		Council agenda published Web site project page updated & email bulletin sent	6/16/09
MILESTONE: Draft Environmental Impact Report (DEIR), Project Plans, and Fiscal Impact Analysis (FIA) issued for public review				
3. 4. 5.	<p>Public outreach meetings to educate community about the proposed project, get input on public benefit needs and discuss FIA</p> <ul style="list-style-type: none"> • Belle Haven Neighborhood (Onetta Harris Community Center, evening) • Business Community (Onetta Harris Community Center, afternoon) • City-wide (Civic Center, evening) <p><i>(Note: all meetings are open to the public and may be attended by any or all Council Members or Commissioners)</i></p>	Prior to deadline for DEIR comments. (not to receive comments, but let people know how they can submit EIR comments)	City-wide postcard mailing for meetings 2, 3, 4, and 5 Chamber of Commerce newsletter Web site project page updated & email bulletin sent Notice sent to all appointed commissioners Press release	7/23/09 (4-6 p.m.) 7/23/09 (7-9 p.m.) 7/29/09
6.	Housing Commission Meeting to review Summary and Population and Housing chapter, and to provide individual comments.	During DEIR review period	Housing Commission agenda published Web site project page updated & email bulletin sent	8/5/09 (5:30 p.m. start)

Public Outreach and Development Agreement Negotiation Process

Menlo Gateway (Bohannon Hotel-Office Mixed-Use) Proposal

#	Meeting Description	Notes / Timing	Method of Notification	Date Scheduled
7.	Transportation Commission Meeting to review Summary and Traffic and Transportation chapter, and to provide individual comments.	During DEIR review period	Transportation Commission agenda published Web site project page updated & email bulletin sent	8/5/09 (7:00 p.m. start)
8.	General Commission Meeting to allow other Commissions (Parks & Recreation, Environmental Quality, Bicycle, Library) to review the project.	During DEIR review period	Web site project page updated & email bulletin sent	8/19/09
9.	Planning Commission Public Hearing regarding the draft EIR <i>(Outcome: Receive public comments on the DEIR – all comments will be responded to in the Final EIR)</i>	After release of the DEIR and FIA – towards the beginning of the 60 day review period for DEIR	Planning Commission agenda published Public Hearing Notice published and mailed to project distribution area Web site project page updated & email bulletin sent	9/14/09
10.	Planning Commission study session item to discuss Public Benefit, FIA, and development program <i>(Outcome: Commission reviews and comments on project proposal)</i>	Prior to final EIR	Planning Commission agenda published Web site project page updated & email bulletin sent	10/5/09
11.	City Council study session to consider feedback from the Planning Commission and discuss environmental impacts and mitigations, Public Benefit, FIA, and development program	Prior to final EIR	Council agenda published Web site project page updated & email bulletin sent	11/3/09

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#	Meeting Description	Notes / Timing	Method of Notification	Date Scheduled
12.	Planning Commission special meeting to consider the question of project size.		Planning Commission agenda published Web site project page updated & email bulletin sent	11/9/09
13.	City Council regular item to provide direction or parameters to guide development agreement negotiations	At least two weeks after council study session	Council agenda published Web site project page updated & email bulletin sent	11/17/09
MILESTONE: Prepare Final EIR, FIA and negotiate a draft Development Agreement				
<u>MILESTONE: Publish Final EIR and FIA for public review in January 2010 and advertise through press release, public notice in newspaper, and email bulletin</u>				
14.	City Council regular item to review business terms of development agreement	<u>Tentative dates for subsequent meetings to be re-established once this meeting occurs.</u>	Council agenda published Web site project page updated & email bulletin sent	▼ TBD

15.	Housing Commission review and recommendation for approval of draft BMR Housing agreement	<u>Minimum of 1 week after Council review of the business terms of the Development Agreement</u>	Housing Commission Agenda posted Web site project page updated & email bulletin sent	▼ TBD

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Deleted: **MILESTONE: Publish Final EIR, FIA, draft BMR Housing Agreement, and Recommended Development Agreement for public review**

Deleted: Prior to Planning Commission Public Hearing

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**Public Outreach and Development Agreement Negotiation Process
Menlo Gateway (Bohannon Hotel-Office Mixed-Use) Proposal**

#	Meeting Description	Notes / Timing	Method of Notification	Date Scheduled
16.	Planning Commission Public Hearing – Recommendation on final EIR, final FIA, General Plan Amendment (map and text), Zoning Ordinance Amendment, Zoning Map Amendment, Development Agreement, Architectural Control, Tentative parcel Maps, and BMR Housing Agreement	<u>Approximately 6 weeks after Council review of the business terms of the Development Agreement</u>	Planning Commission agenda published Public Hearing Notice published and mailed to project distribution area (<i>potentially a joint notice with meeting #18</i>) Web site project page updated & email bulletin sent	TBD
17.	Planning Commission recommendation on the entire proposal	Minimum of 2 weeks after Planning Commission public hearing	Planning Commission agenda published Web site project page updated & email bulletin sent	TBD
18.	City Council Public Hearing – Certification of Final EIR, Acceptance of Final FIA, Approval of General Plan Amendment (map and text) resolution, Introduction of an Ordinance Amending the Zoning Ordinance, Introduction of an Ordinance Rezoning Property, Introduction of an Ordinance Approving the Development Agreement, Architectural Control, Tentative Parcel Maps, and BMR Housing Agreement <i>(Note: may require two meetings)</i>	Approximately/minimum of 6 weeks after Planning Commission recommendation.	Council agenda published Public Hearing Notice published and mailed to project distribution area (<i>potentially a joint notice with meeting #16</i>) Web site project page updated & email bulletin sent	TBD
19.	City Council – Adoption of the Ordinances for Amending the Zoning Ordinance, Rezoning Property, and Approving the Development Agreement (consent item)	Next available Council meeting after first reading	Council agenda published Web site project page updated & email bulletin sent	TBD

Deleted: After release of Final EIR
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Note: all dates tentative and subject to revision.