



COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: November 3, 2009

Staff Report #: 09-154

Agenda Item #: SS-1

STUDY SESSION: Consideration of and Possible Direction on the Menlo Gateway (Bohannon Hotel & Office) Proposal Located at 101 to 155 Constitution Drive and 100 to 190 Independence Drive and Associated Environmental Impact Report (EIR), Fiscal Impact Analysis (FIA), and Development Agreement Process

RECOMMENDATION

Staff recommends that the City Council review the project information contained in the staff report, listen to the presentations and public comment, and then provide feedback to staff regarding the questions contained in Attachment A and summarized as follows:

1. Is the following question the appropriate one for staff to ask on November 17 in order to receive Council direction and begin negotiations of the Development Agreement?

Are you willing to consider approving a project of the proposed size?

- If yes, are there any "caveats" needed to consider approving a project of the proposed size?
- If no, what aspect(s) of the proposed size would need to change to consider approving a project?

2. Would you like the Planning Commission to weigh in on Question #1 at a special Commission meeting on November 9 and report back to the Council at the November 17 meeting?
3. Is there any additional information that you need to be able to answer Question #1 on November 17?

BACKGROUND

The Bohannon Development Company has submitted a proposal for a mixed-use office, research and development (R&D), hotel, and health club development on nine properties addressed 100 to 190 Independence Drive and 101 to 155 Constitution Drive. The proposal is currently branded as the Menlo Gateway project, although it has also been referred to informally as the Bohannon hotel-office mixed-use project. The proposed project would require the following actions:

1. **General Plan Amendment** to create a new Mixed-Use Commercial Business Park land use designation, which would allow research and development (R&D) facilities, offices, hotels/motels, health/fitness centers, cafes and restaurants, and related commercial uses.
2. **General Plan Amendment** to change the land use designation of the properties from Limited Industry to Mixed-Use Commercial Business Park;
3. **Zoning Ordinance Amendment** to create a new M-3 (Mixed-Use Commercial Business Park) zoning district and undertake associated modifications to other sections of the Zoning Ordinance, in particular the creation of specific parking requirements for the M-3 district;
4. **Rezoning** the properties from M-2 (General Industrial) to M-3 (Mixed-Use Commercial Business Park);
5. **Development Agreement** to create vested rights in project approvals, address implementation of the proposed design and infrastructure improvements in the project area, and specify benefits to the City;
6. **Architectural Control** approval of specific project plans for the construction of new buildings with a maximum of 955,170 square feet of gross floor area (137.5 percent FAR) and a maximum building height of 140 feet;
 - The Constitution Drive site would include two eight-story office buildings totaling 494,669 square feet; potential neighborhood-serving convenience retail and community facility space; and two multi-story parking structures;
 - The Independence Drive site would include a 200,000-square-foot, eight-story office building; a 171,563-square foot, eleven-story, 230-room hotel; a 68,519-square-foot health and fitness center; a 4,245-square-foot restaurant; potential neighborhood-serving convenience retail and community facility space; and a shared multi-story parking structure;
7. **Tentative Parcel Maps** (one on the Independence site and one on the Constitution site) to merge lots, adjust lot lines, and establish easements.
8. **Heritage Tree Removal Permits** to remove 40 heritage trees on the Independence site and 32 heritage trees on the Constitution site;
9. **BMR Agreement** for the payment of in-lieu fees associated with the City's Below Market Rate Housing Program; and
10. **Environmental Impact Report (EIR)** to analyze the potential environmental impacts of the proposal.

In addition, the development review process includes the review of a Fiscal Impact Analysis (FIA).

Review Process

A comprehensive listing of past public meetings and milestones associated with the proposal is included as Attachment C. The public outreach and Development Agreement negotiation process, constituting all meetings from the July 2009 Community Meetings onward, was reviewed and approved by the City Council in April and June 2009. The process recommendation was the result of focused work conducted by the

project's Council Subcommittee, made up of Council Members Cohen and Fergusson. The Council Subcommittee will continue to have an active role throughout the remainder of the process, including the provision of oversight and advisory services during the Development Agreement negotiation.

The City Council study session provides an opportunity to discuss the overall application and development program (including the architectural design and development regulations), the Draft FIA, and public benefit. Although the public benefit component is an important topic, staff is attempting to de-emphasize discussions at this stage of the review process in order to revisit it after commencing the negotiation process on the Development Agreement. As a study session item, no staff recommendation on the requested applications is being provided, and the City Council is not required to take any action as a body at this time. At this stage of the review process, the Council should focus on a high-level, big-picture review of a relatively complex project with many interrelated aspects that require a comprehensive understanding.

On November 17, 2009, the City Council is scheduled to provide direction or parameters to guide the Development Agreement negotiations. Following the November 17 meeting, the City's consultants would prepare the final environmental and fiscal documents, which would include responses to comments received during review of the draft documents. Concurrently, staff and the applicant would negotiate a draft Development Agreement, which would be available for review by the general public and considered by the Planning Commission and City Council in early 2010.

This study session follows a Planning Commission public hearing on the Draft EIR (September 14, 2009), as well as a Planning Commission study session on the development program, FIA, and public benefit that commenced on October 5 and was continued to October 19. The transcripts/minutes of the three meetings are included as Attachments M, N, and O, respectively. The Chair of the Planning Commission has requested that the Commission hold an additional study session on the proposal, which could take place as a special meeting on November 9, 2009 (six of the seven Planning Commissioners have indicated that they could attend). The objective of this special meeting would be to provide additional discussion/direction to help inform the City Council's meeting of November 17, 2009. As part of the November 3 study session, the City Council will be asked whether to authorize the additional Planning Commission meeting as a change to the approved project schedule. In addition, staff is recommending additional changes to the schedule as shown in Attachment B and summarized as follows:

- One City Council and two Planning Commission meetings would be added.
- The projected timeline would be extended by six weeks.

ANALYSIS

Development Program

The Development Program covers the various applications and requests that comprise the proposed project. A brief summary of the components is summarized below. The Study Session provides the City Council an opportunity to comment on the Development Program. The applicant has submitted an information packet, which is included as Attachment F, and questions and answers related to the proposal, which is included as Attachment G.

General Plan Amendment and Zoning Ordinance Amendment

The applicant has proposed the creation of a new General Plan Land Use Designation (Mixed-Use Commercial Business Park) and Zoning District (M-3 Mixed-Use Commercial Business Park), which would be applied to the project sites. The proposed amendments are included as Attachment H.

The following is a summary table comparing the development standards of the existing M-2 and proposed M-3 zoning districts.

Development Regulation Comparison

	Proposed M-3 District Requirements	Existing M-2 District Requirements
Lot Area	0 sf min.	25,000 sf min.
Lot Width	0 ft. min.	100 ft. min.
Lot Depth	0 ft. min.	100 ft. min.
Setbacks		
Front	0 ft. min.	20 ft. min.
Rear	10 ft. min.	0 ft. min.
Sides	5 ft. avg.	10 ft. avg.
Height	140 ft. max.	35 ft. max.
Floor Area Ratio (FAR)		
Office	100% max.	45% max.
Hotel	24% max. additional	Not applicable
Other	13.5% max. additional	10% max. additional
Total	<u>137.5% max.</u>	<u>55% max.</u>
Coverage	45% max.	50% max.
Paving	0% min.	0% min.
Landscaping	0% min.	0% min.

In addition to the creation of the proposed new M-3 district, the applicant is proposing to undertake several associated amendments to the Zoning Ordinance, such as the creation of use-based, shared off-street parking standards specific to the M-3 district.

The proposed Zoning Ordinance amendments would also include additions and changes to a number of definitions.

The proposed M-3 maximum office FAR of 100 percent would be larger than what is permitted in any of the existing commercial zoning districts, which have maximums of between 20 and 50 percent. The proposed M-3 total maximum FAR of 137.5 percent would be larger than any other existing commercial district, with the exception of the C-3 (Central Commercial) district, in which an FAR of 200 percent may be permitted by use permit, provided the required parking for the square footage above the 100 percent FAR is provided on site or on nearby private property. In practice, this parking requirement can be difficult to meet on smaller downtown parcels, and has had the effect of keeping recent C-3 development at or near 100 percent FAR. The proposed maximum height of 140 feet would be larger than any other base zoning district (the R-4 High-Density Residential zoning district currently allows the greatest maximum, 40 feet). However, projects that qualify for a Conditional Development Permit (CDP) may propose heights greater than the base zoning requirement, with no specific limit. Staff has prepared a matrix comparing the proposed project with other projects of interest, both within and outside the City (Attachment J).

The proposed General Plan and Zoning Ordinance Amendments have been tailored to allow the specific development application, and represent the project sponsor's preferred approach. Staff has reviewed the proposed General Plan and Zoning Ordinance Amendments for basic technical compliance and has suggested modifications that have been incorporated by the project sponsor. Staff (including the City Attorney) is planning to conduct another round of detailed review of the proposed amendments, and may present additional analysis on the approach at a future meeting. There may be refinements or modifications that would permit the same development program and fit within the Draft EIR parameters, but which interact better within the existing ordinances, or establish clearer direction for future development applications. The City Council may comment at this meeting on the overall method by which the General Plan and Zoning Ordinance would be amended.

Development Agreement

The applicant is requesting a legally binding Development Agreement. A Development Agreement is a contract between the City of Menlo Park and a project sponsor that delineates the terms and conditions of a proposed development project. A Development Agreement allows a project sponsor to secure vested rights, and it allows the City to secure certain benefits. Development Agreements are enabled by California Government Code Sections 6584-65869.5. The City Council adopted Resolution No. 4159 in January 1990, establishing the procedures and requirements for the consideration of Development Agreements (Resolution No. 4159 is available upon request at City offices or on the project page). The resolution contains specific provisions regarding the form of applications for development agreements, minimum requirements for public notification and review, standards for review, findings and

decisions, amendments and cancellation of agreements by mutual consent, recordation of the agreements, periodic review, and modification or termination of an agreement.

To date, the City has approved one Development Agreement, in 1991, for the Sun Microsystems campus at 1601 Willow Road along Bayfront Expressway. This agreement is available upon request at City offices or on the project page. Among other elements, the agreement specifies an overall term of 18 years, vests certain development rights (including the total square footage that could be constructed), and requires that the developer pay the City a guaranteed revenue stream (from which sales or use tax can be deducted).

Under the proposed M-3 zoning district, a Development Agreement would be a requirement for any M-3 development. The project sponsor has not yet proposed any specific terms for the Development Agreement, such as a length of time for which the development rights would be vested.

Under the process approved by the City Council, the direct negotiation of a draft agreement with the applicant would be undertaken by a core team, consisting of the following:

- City Manager Glen Rojas
- City Attorney Bill McClure
- Public Works Director Kent Steffens
- Development Services Manager Justin Murphy
- Business Development Manager David Johnson

While the draft Development Agreement would initially be negotiated by a limited group (due to the complexity and technical content of such agreements), the draft would be released for public review, including a formal recommendation by the Planning Commission, and the full City Council may direct the core negotiation team to pursue revisions at any point before final approval.

As stated in earlier staff reports for this proposal, staff believes that the Development Agreement would have the following core principles:

1. Guarantees must be provided with regard to any public benefits; and
2. Construction of the hotel component must occur prior to any office construction.

In addition, negotiation of the draft Development Agreement would be informed by the following:

- Direction from the full City Council at the November 17, 2009 meeting;
- Ongoing feedback from the Council Subcommittee;
- Input from additional staff members, such as the Finance Director, Community Development Director, and Police Chief; and

- Review from an independent development consultant.

The input from the independent development consultant is intended to provide the City with a more detailed understanding of the monetary value of the project approvals. The consultant would preferably be someone who has developed property or has extensive experience with the financials of a development project, especially one involving a hotel.

Other Land Use Entitlements and Necessary Approvals

The Menlo Gateway project requires other entitlements and City approvals as described below. This meeting provides an opportunity for the City Council to ask questions and provide feedback regarding these requests as well.

Architectural Control

The applicant has prepared detail project plans for architectural control review of the proposed structures and site improvements. The City Council has received complete packages of the project plans, which are also available for viewing on the City's website. (Select sheets of the project plans are included as Attachment E). The project is targeting a rating of Leadership in Energy and Environmental Design (LEED) Gold for the offices and Silver for the hotel and health club.

Tentative Parcel Maps

The applicant is proposing to record Tentative Parcel Maps (one on the Independence site and one on the Constitution site), in order to merge lots, adjust lot lines, and establish easements. On the Independence Site, the five existing parcels would be merged into either one parcel or two parcels with the parking structure and either the hotel or the office building. On the Constitution Site, the four existing parcels would be merged into either one parcel or two parcels with one office building and one parking structure on each parcel. The consolidation of the parcels would be accomplished through parcel maps on the respective sites. In addition, the parcel maps would be used to establish and modify easements.

Heritage Tree Removals

Based on the preliminary arborist report (available upon request), a total of 35 trees were identified on the Constitution site that would be protected under the City's Heritage Tree Ordinance as shown on project plan sheet CL2. Of those trees, a total of approximately 32 are slated for removal. On the Independence site a total of 55 heritage trees were identified as shown on project plan sheet IL2, with approximately 40 slated for removal. Almost all of the redwood trees along the US 101 frontage of the Independence site are proposed to remain.

Below Market Rate (BMR) Housing Agreement

The applicant is proposing to pay the in lieu fee to comply with the City's Below Market Rate (BMR) housing requirements. Based on the current fees and calculating a credit for the existing buildings, the fee is estimated to be \$8,481,300. The BMR Agreement regarding the payment of fees would need to be reviewed by the Housing Commission.

Transportation Demand Management (TDM) Plan

The applicant has prepared a Preliminary TDM Plan, which is included as Appendix J of the Draft EIR and available on the project page. The TDM Plan includes the following items:

- Bicycle lockers and racks;
- Showers and changing rooms;
- Shuttle service;
- Subsidized public transit tickets;
- Subsidies for pedestrian/bicyclists who commute to work;
- Vanpool program;
- Preferential carpool and vanpool parking;
- Commute assistance center;
- Employee commute surveys;
- Alternative work schedules;
- Provision of on-site amenities;
- Guaranteed ride home program;
- Installation and maintenance of alternative transportation kiosks;
- Telecommuting; and
- Connections for non-motorized travel.

Fiscal Impact Analysis (FIA)

The City's independent economic consultant, Bay Area Economics (BAE) has prepared a Draft Fiscal Impact Analysis (FIA), projecting the potential changes in fiscal revenues and service costs directly associated with development of the proposed project, as well as for the five alternatives that were defined through the EIR process. The public comment period on the Draft FIA closed in conjunction with the October 19, 2009 Planning Commission meeting. The Draft FIA also explores a number of related topics, including indirect revenues/costs from potential induced housing demand, as well as possible development pressures on nearby parcels. In addition, the Draft FIA analyzes one-time/non-recurring revenues (such as impact fees) and discusses potential additional opportunities for fiscal benefits. The Draft FIA was released in July 2009 and is available for public review at City offices and on the project page. The Draft FIA work was informed by a Council-approved scope of work and a public workshop conducted on July 30, 2008, at which the proposed assumptions and methodologies were presented and input was received.

General Fund Impact of Proposed Project and Alternatives

The core of the Draft FIA is the estimation of annual General Fund revenues and costs associated with the proposal and the alternatives. The major annually occurring revenue sources include new property taxes, sales taxes, and transient occupancy tax (TOT, also known as the room or lodging tax). The Draft FIA projects that the project would generate annual stabilized revenues to the General Fund of \$2.15 million. The largest portion (60 percent) of these revenues would come from TOT, and the second-largest component (23 percent) would consist of property tax. For the analysis of expenditures, BAE interviewed department and agency heads to determine whether the estimation should be based on marginal costs (for example, if specific new facilities/equipment or personnel slots would be needed to serve the project) or on average costs (using the proportional increase in the overall Menlo Park service population represented by the proposed project and the alternatives). For the latter analysis, service population is defined as 100 percent of residents residing within a jurisdiction plus 50 percent of employees, which reflects the lower demands for governmental services that are generated by employees compared to residents. The Draft FIA estimates that the proposed project would generate approximately \$485,000 in annually recurring General Fund expenditures. The largest portion of this (54 percent) would consist of increased personnel costs for the Police Department.

Subtracting the costs from the revenues, the Draft FIA projects a net fiscal impact to the General Fund of an annual surplus of \$1.67 million. The analysis of the alternatives projects modest net surpluses for Alternatives 1 (no project) and 2 (office build-out under existing M-2 zoning). For Alternatives 3 through 5, which consist of the hotel and health club as proposed, alongside a range of reduced-size office components, the analysis projects annual net General Fund surpluses of \$1.40 million to \$1.57 million, the largest portion of which is represented by TOT. The project sponsor has submitted a letter (Attachment I questioning the assumption that the hotel and health club as proposed (specifically, the Renaissance ClubSport product) would be viable without the office square footage as proposed, stating that Alternative 3 would not support any hotel, and that Alternatives 4 and 5 would only support a smaller Marriott Courtyard type of hotel product. The project sponsor's letter includes correspondence from Marriott and PKF Consulting supporting the position that the office population would represent a majority of the health club membership and help generate demand for the hotel, albeit without detailed background information on how the precise proposed office square footage was determined to be necessary to support the hotel and health club. The Draft FIA's analysis of the alternatives as defined through the EIR process is in line with the assumptions and methodologies that were publicly discussed prior to the commencement of work. As part of the formal response to comments, BAE will analyze the supplemental information submitted by the applicant.

Special Districts

The Draft FIA also looks at the ongoing impact on special districts, in particular the Menlo Park Fire Protection District, which is projected to receive total annual revenues (primarily from property tax) of approximately \$554,000 from the proposed project. On the cost side, the Fire District is projected to have annual expenditures of approximately \$616,000, primarily due to staffing requirements for a new ladder truck needed to serve the proposed buildings of greater than three stories in height, leading to an annual net cost to the Fire District of \$62,000. The ladder truck itself is considered a one-time capital cost, estimated at \$1.0 million to \$1.5 million. The remainder of the special district analysis (such as for school districts and water/sanitary districts) projects positive net impacts, particularly for school districts, which would not see any direct student population increase. The project is located within the Redwood City Elementary School District, which would receive all of the property tax allocation for primary education.

Other Analyses

The Draft FIA also includes a discussion of the potential for future land use changes in the vicinity of the project, in particular with office-only development at densities similar to the proposed project. With regard to the block that is located between the two project sites, these 12 parcels are not considered likely candidates for near-term redevelopment, due their relatively small size (average 1.3 acres) and disparate ownership, which would require land assembly for development. East of the project sites, some larger parcels (several owned by the project sponsor) include newer office buildings, which would typically discourage near-term redevelopment. Some of the other nearby parcels are occupied by owner/users that need facilities for business operations, which typically results in less interest in development, and other parcels are smaller and/or owned by different entities. However, the project sponsor does own a number of other parcels that are occupied by older industrial buildings and which could be considered candidates for redevelopment. Overall, the analysis determines that the long-term demand for higher-density office is likely, but constrained by land assembly issues, as well as the City's role in permitting General Plan and Zoning Ordinance amendments.

In addition, the Draft FIA discusses the potential indirect impact of induced housing demand, using the upper-end projection from the Housing Needs Analysis (included as an appendix to the Draft EIR), which states that the project could result in a 76-unit increase to the City's next Regional Housing Needs Allocation (RHNA). The Draft FIA projects that if these units were actually developed and occupied, the revenues/expenditures would result in an annual net General Fund deficit of approximately \$68,000. Potential impacts to elementary schools would vary depending on which of four districts that serve the City the units were located in, ranging from a deficit of \$45,000 (Las Lomitas) to a surplus of \$35,000 (Ravenswood).

Public Benefit

As noted earlier, the Development Agreement provides a mechanism for the City to grant a longer-term approval in exchange for demonstrable public benefits. In contrast to standard conditions of approval (such as payment of impact fees) or mitigation measures required through the EIR process (such as construction of intersection improvements), public benefits that are defined through the Development Agreement do not have to be directly correlated to a project's impacts or follow a standard formula.

For the purposes of this discussion, public benefit is typically viewed as a topic that is distinct from those inherent attributes of the project that may be considered positive (such as the projected TOT revenue). However, the characteristics of the overall project should be understood and considered as part of the detailed discussion of public benefit options. The concept of public benefit is also linked with the overall development program, in particular the size of the project. The proposed project, as the largest of the options under discussion, would offer the opportunity for the greatest amount of public benefit.

The public benefit discussion commenced with idea gathering exercises at the three Community Meetings in July 2009. These exercises consisted of community members providing input (via dots to establish general areas of emphasis and/or notes to provide additional context) on broad public benefit categories identified by staff. The Community Meeting exercises were complemented by an open-ended public benefit discussion at the General Commission Meeting on August 19, 2009, which was attended by representatives of the Bicycle, Environmental Quality, and Parks and Recreation Commissions, as well as members of the general public.

Next, the public benefit input from the Community Meetings and General Commission Meeting was reviewed by staff and the Council Subcommittee, and is available in matrix form as Attachment K. The initial input has been filtered and consolidated, such as by providing an additional level of detail for overly general suggestions or by removing duplicate ideas. Where a public benefit recommendation was determined to already be part of another plan (such as the Redevelopment Implementation Plan) or more directly within another agency's purview, it has been removed from future consideration but included on the list for disclosure purposes.

At the October 5 and 19 Planning Commission meetings, staff presented the matrix as one mechanism by which the Commission could relay public benefit priorities, via individual voting. The intent was not to establish specific projects/programs as absolute objectives, but rather to use the review of these various ideas as a way to discern overall priorities and values that could be used to inform the Development Agreement negotiations. Planning Commissioners relayed some concerns about this approach, due to the absence of cost information and uncertainty about whether certain public benefit ideas should more properly be considered as EIR mitigations or other inherent attributes of the project. However, for the purposes of informing the City Council's deliberations, Commissioners did provide correspondence following the October 19

meeting. Commissioners provided a range of responses that weren't restricted to voting on matrix items, making a numerical tabulation infeasible, so the full correspondence is included for the Council's review as Attachment L.

As part of an overall question that would be posed to the City Council on November 17, the Council will be asked to provide direction on public benefit, most likely through caveats that could be part of a "yes" answer to the primary question regarding project size. As noted earlier, the potential for public benefit is likely to be affected by the overall size of the project, and is subject overall to detailed negotiation with the project sponsor. The establishment of public benefit priorities/values will be used to guide Development Agreement negotiations, but it should be understood that some or many of the ideas may not be achievable.

IMPACT ON CITY RESOURCES

The applicant is required to pay planning permit fees, based on the Master Fee Schedule, to fully cover the cost of staff time spent on the review of the project. The applicant is also required to bear the cost of the associated environmental review and fiscal and economic impact analysis. For the environmental review and fiscal and economic impact analysis, the applicant deposits money with the City and the City pays the consultants.

POLICY ISSUES

The proposed project will ultimately require the Council to consider a policy decision whether to change the General Plan land use designation and the zoning classification for the property. The implications associated with this decision will be analyzed through the project review process.

ENVIRONMENTAL REVIEW

The Draft EIR analyzes the potential impacts of the project across a wide range of impact areas. The Draft EIR identifies environmental effects that would be less than significant, some of which would require mitigation, in the following categories: Aesthetics, Biological Resources, Cultural Resources, Hydrology and Water Quality, Hazardous Materials, Land Use, Population and Housing (described below), Public Services, Utilities and Services Systems (other than Water Supply), and Climate Change. The Draft EIR identifies environmental effects that are significant and unavoidable in the following categories: Air Quality, Noise, Traffic and Circulation, and Utilities and Service Systems (Water Supply only). These significant and unavoidable impacts are explained in more detail below. A complete list of impacts and mitigation measures is included in Table 1-1 of the Draft EIR on pages S-7 through S-50. Given the significant and unavoidable impacts associated with the project, the City Council would be required to adopt a Statement of Overriding Consideration, if it determines that the project's benefits outweigh the impacts.

The Planning Commission held a public hearing on September 14, 2009 to comment on the Draft Environmental Impact Report for the Menlo Gateway project. The public comment period ended on September 21, 2009, and the City received correspondence from 29 individuals and agencies/institutions, in addition to the verbal comments made at the September 14, 2009 meeting. All of the Draft EIR comments are available for review on the City website and will be responded to as part of the Final EIR. Some of the comments may address topics that are not directly related to the Draft EIR. The response to comments in the Final EIR will be reviewed at a subsequent Planning Commission meeting, which is projected to take place in early 2010.

Summary of Population and Housing Analysis

The Draft EIR considered whether the project would induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses), or indirectly (for example, through the extension of roads or other infrastructure). In addition, the Draft EIR reviewed whether the project would displace a substantial number of existing housing, necessitating the construction of replacement housing elsewhere, or displace substantial numbers of people, necessitating the construction of replacement housing elsewhere. The analysis is informed by a Housing Needs Analysis (HNA), included as Appendix F of the Draft EIR, which discusses both the projected market demand for new housing, as well as the potential regulatory demand for new housing (articulated through the Regional Housing Needs Allocation and Housing Element processes). The Draft EIR concludes that the project would have no impacts or less-than-significant impacts under the CEQA criteria, due to the fact that the project would not directly affect residential development (new or existing) or indirectly through the extension of roads or other infrastructure.

Summary of Significant and Unavoidable Project Impacts

Transportation

The project would generate 1,146 net new trips in the AM peak hour, 1,235 net new trips in the PM peak hour, and 11,113 net new average daily trips. The traffic analysis studied 21 intersections, nine roadway segments, and three Routes of Regional Significance. The project would result in significant and unavoidable impacts to intersections, segments, and routes in both the near-term and long-term (cumulative) conditions as described below.

Intersections

The following chart shows the intersections that are affected in the near and/or long term with the proposed project, descriptions of the impacts, and potential mitigation measures for the impacts. Because the identified mitigation measures would only partially mitigate the impacts or approval is required from other agencies such as Caltrans, all but one of the traffic impacts would remain significant and unavoidable.

Other mitigation measures that were reviewed, but deemed infeasible are discussed in the Draft EIR.

Intersection	Signalized or Unsignalized	Jurisdiction	Description of Impact	Feasible Mitigation Measure(s), Including Partial Mitigations
Marsh Road/ Bohannon Drive	Signalized	Menlo Park	>0.8 second increase to critical local approaches in the PM peak hour	Transportation Demand Management (TDM) program, Traffic Impact Fee (TIF), Adaptive Signal Timing (AST) improvements, add a westbound right turn lane of 350 feet
Willow Road/ Newbridge Street	Signalized	Caltrans	>0.8 second increase to critical local approaches in the AM peak hour	TDM program, TIF, AST improvements
Bayfront Expressway/ Willow Road	Signalized	Caltrans	>0.8 second increase to critical local approaches in the PM peak hour	TDM program, TIF, AST improvements, add eastbound right turn overlap phase and a third right turn lane OR convert the existing eastbound shared left-through lane into a left only lane and add a second westbound left-turn only lane
Bayfront Expressway/ University Avenue	Signalized	Caltrans	>4 second increase to intersection delay in the PM peak hour	TDM program, TIF, AST Improvements
Bayfront Expressway/ Chilco Street	Signalized	Caltrans	LOS becomes E or worse and 0.8 second increase to critical local approaches in the AM and PM peak hours	TDM program, TIF, AST Improvements, add eastbound left turn lane
Bayfront Expressway/ Chrysler Drive	Signalized	Caltrans	LOS becomes E or worse and 0.8 second increase to critical local approaches in the PM peak hour	TDM program, TIF, AST Improvements, convert the existing right turn lane to a left turn lane and add a shared left turn and right turn lane
Bayfront Expressway/ Haven Avenue	Signalized	Caltrans	> 0.8 second increase to critical local approaches in the AM and PM peak hours	TDM program, TIF, AST Improvements
Marsh Road and US 101 NB Off- Ramp	Signalized	Caltrans	LOS becomes D or worse in the AM peak hour	TDM program, TIF, AST Improvements
Marsh Road/ Middlefield Road	Signalized	Atherton	> 4.0 second increase to critical approach in PM peak hour	TDM program
Independence Drive/ Constitution Drive	Unsignalized	Menlo Park	LOS becomes D or worse in the AM peak hour	TDM program, TIF
Constitution Drive /Chrysler Drive	Unsignalized	Menlo Park	LOS becomes D or worse in the PM peak hour	Signalization of the intersection plus modification of the lane geometry

Roadway Segments

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 there is an impact, the daily increase in traffic volumes associated with the proposal were compared to the City's impact criteria for its respective street type. The following chart shows the affected roadway segments, descriptions of the impacts, and partial mitigation measures for the impacts. All of the impacts would remain significant and unavoidable.

Roadway Segment	Roadway Classification	Description of Impact	Partial Mitigation Measure(s)
Marsh Road (Bohannon to Bay)	Minor Arterial	>100 average daily trips	TDM program and TIF
Constitution Drive (Independence to Chrysler)	Local	> 25 average daily trips	TDM program and TIF
Constitution Drive (Chrysler to Chilco)	Collector	>25% average daily trip increase	TDM program and TIF
Independence Drive (Constitution to Chrysler)	Local	>25% average daily trip increase	TDM program and TIF
Chrysler Drive (Bayfront to Constitution)	Collector	>25% average daily trip increase	TDM program and TIF
Chrysler Drive (Constitution to Jefferson)	Local	> 25 average daily trips	TDM program and TIF
Chilco Street (Constitution to Bayfront)	Collector	>12.5% average daily trip increase	TDM program and TIF
Chilco Street (Constitution to Hamilton)	Local	> 25 average daily trips	TDM program and TIF

Routes of Regional Significance

The San Mateo County 2007 Congestion Management Plan establishes the Routes of Regional Significance in the vicinity of the project. The following chart shows the affected Routes, descriptions of the impacts, and partial mitigation measures for the impacts. All of the impacts would remain significant and unavoidable.

Route	Segment	Description of Impact	Partial Mitigation Measure(s)
SR 84	East of University	>1% increase of estimated capacity	TDM program
US101	South of Willow Road	>1% increase of estimated capacity	TDM program
US101	North of Marsh Road	>1% increase of estimated capacity	TDM program

Mitigation Measures

The three tables above identify transportation mitigation measures. The only measures that fully mitigate impacts are the intersection improvements. The other three types of measures, Transportation Demand Management (TDM) Program and Transportation Impact Fee (TIF) and Adaptive Signal Timing (AST) Improvements, are considered

partial mitigations. Each of these partial mitigation measures is described in more detail below.

- **TDM:** The project sponsor has prepared a preliminary TDM plan, which is included as Appendix J of the Draft EIR. The TDM program would reduce the overall number of trip associated with the project, but exact amount of the trip reduction is difficult to quantify. Therefore, the impacts would not be reduced to a less than significant level.
- **TIF:** Although payment of a TIF would provide the City with funding to be used towards traffic improvement projects, it would not reduce the impacts to a less than significant level. The project would be subject to the recently updated fees.
- **AST:** An option that is currently being utilized on other busy roadways in Menlo Park, such as the El Camino Real corridor, is the implementation of an adaptive signal timing program that would operate in real time, adjusting signal timing to accommodate changing traffic patterns. The timing programs adjust the split, offset, cycle lengths, and phase order of the signals using sensors to interpret characteristics of traffic approaching an intersection, and using mathematical and predictive algorithms, adapts the signal timings accordingly, optimizing their performance. Although the program would improve flow, it would not fully reduce the impacts to a less than significant level.

Air Quality

The increase in air pollutants, including nitrogen oxide (NO_x) and particulate matter (PM₁₀), during project operation caused by vehicle emissions would exceed the Bay Area Air Quality Management District significance thresholds. There is no mitigation available, beyond what the project sponsor is already doing (e.g., Transportation Demand Management program) to reduce emissions from project operation. Therefore, the impact is significant and unavoidable.

Under cumulative conditions, the project's contribution to the increase in air pollutants associated with new stationary and mobile sources associated with project operation would be considerable resulting in a significant and unavoidable cumulative impact.

Noise

In the near term, the increase in traffic associated with the proposed project would result in increased noise levels along Marsh Road near Page Street in Redwood City that would expose people or generate noise levels in excess of applicable standards. The noise at this location would increase by 1.3 dBA Ldn, which is greater than the Federal Transit Administration's (FTA) significance threshold of 1 dBA Ldn for residential uses that are currently exposed to relatively high ambient noise levels. Therefore, the proposed project would expose persons to noise levels in excess of established

standards. There is no feasible mitigation available to minimize this impact. Therefore, the impact would remain significant and unavoidable.

The near term increase in traffic associated with the proposed project would result in increased noise levels along Marsh Road near Page Street, as discussed above. This would result in a substantial, permanent increase in the ambient noise level within the project area. The noise would increase by 1.3 dBA Ldn, which is greater than the FTA significance threshold of 1 dBA Ldn for residential uses. Therefore, the proposed project would result in a permanent increase in ambient noise levels in the project vicinity. In the Near Term, there is no feasible mitigation available to minimize this impact. Therefore, the impact would remain significant and unavoidable.

In addition to the significant and unavoidable operational noise impacts, vibration associated with pile driving during project construction could expose adjacent uses to vibration levels that may damage sensitive research and manufacturing equipment as well as any on-site occupants in the short term. Even with mitigation this impact would remain significant and unavoidable.

Water Supply

The Draft EIR evaluated the following three scenarios for water usage in addition to the hotel and health club components:

- Menlo Gateway Project – 100% Office;
- GPA/ZOA – 100% research and development (i.e., wet lab); and
- Split Option – 63% Office/37% R&D.

The conclusions in the Draft EIR are based on an extensive water conservation program proposed by the project sponsor, including the use of water efficient plumbing fixtures and landscaping. Under near-term conditions, the increase in water supply for maximum development for the GPA/ZOA scenario under normal, dry, and critical dry years would be significant. No feasible mitigation measures would be available to reduce the impact; therefore, the impact would be significant and unavoidable.

Under cumulative conditions, the project's increase in demand for water supplies under all three development scenarios would be considerable, resulting in a significant and unavoidable impact.

Summary of Alternatives Analysis

Draft EIR analyzed five Alternatives as established by the City; the alternatives do not reflect input from the applicant regarding feasibility. Table 6-1 on pages 6-3 and 6-4 of the Draft EIR provide a detailed summary of the following alternatives:

	Land Use	Total Floor Area Ratio (FAR)
Project	Office and Hotel & Health Club	137.5%
Alternative 1	Office	31.5%
Alternative 2	Office	45.0%
Alternative 3	Office and Hotel & Health Club	82.5%
Alternative 4	Office and Hotel & Health Club	110.0%
Alternative 5	Office and Hotel & Health Club	117.3%

Alternatives 3, 4 and 5 include the hotel and health club components of the project with reductions in the amount of office space. Tables 6-2, 6-3, 6-4 and 6-5 on pages 6-5 through 6-8 of the Draft EIR provide summary comparisons of significant impacts of the various alternatives compared to the project. All of the Alternatives would eliminate the noise impact and the NO_x impact. Alternative 1 through 3 would eliminate the PM₁₀ impact. All of the Alternatives would lessen, but not necessarily eliminate, the water supply impacts. In regard to transportation impacts, all of the Alternatives would eliminate the following impacts:

- Intersection of Marsh Road and US 101 northbound off-ramp,
- Chilco Street (between Constitution and Bayfront) roadway segment, and
- US 101 north of Marsh Road Route of Regional Significance.

Alternatives 1 through 3 would eliminate the following transportation impacts:

- Intersection of Bayfront Expressway and University Avenue,
- Intersection of Bayfront Expressway and Chilco Street,
- Intersection of Independence Drive and Constitution Drive, and
- State Route 84 East of University Avenue Route of Regional Significance.

In order to eliminate additional transportation impacts, the hotel and health club component of the project would need to be removed.

Thomas Rogers
 Associate Planner
 Report Author

Justin Murphy
 Development Services Manager

PUBLIC NOTICE

Public notification was achieved by posting the agenda, at least 72 hours prior to the meeting, with this agenda item being listed. In addition, the City sent an email update to subscribers to the project page for the proposal, which is available at the following address: http://www.menlopark.org/projects/comdev_iac.htm

ATTACHMENTS

- A. [Questions for the City Council to Consider on November 3, 2009 regarding Menlo Gateway](#)
- B. [Draft Revisions to the Public Outreach and Development Agreement Negotiation Process](#)
- C. [Project Meetings and Milestones](#)
- D. [Location Map](#)
- E. [Project Plans \(select sheets – complete plans available for review at the City offices or on the City web site\)](#)
- F. [Menlo Gateway Project Information Packet, prepared by Applicant](#)
- G. [Menlo Gateway Questions and Answers, prepared by Applicant](#)
- H. [Draft General Plan Amendment and Zoning Ordinance Amendment, prepared by Applicant](#)
- I. [Applicant Comment Letter on Draft FIA, dated September 29, 2009](#)
- J. [Comparison of Other Projects](#)
- K. [Draft Public Benefit Ideas](#)
- L. [Planning Commission Public Benefit Correspondence](#)
- M. [Approved transcripts of the September 14, 2009 Planning Commission meeting](#)
- N. [Draft excerpts of the minutes of the October 5, 2009 Planning Commission meeting](#)
- O. [Draft excerpts of the minutes of the October 19, 2009 Planning Commission meeting](#)

EXHIBITS TO BE PROVIDED AT MEETING

- Hard copies of Consultant and Applicant Presentations
- Color copies of Menlo Gateway Project Information Packet, Prepared by Applicant

BACKGROUND MATERIAL AVAILABLE AT CITY OFFICES

Draft Environmental Impact Report prepared by PBS&J, dated July 2009

Public Comments on the Draft EIR (Some comments were attached to Planning Commission staff reports or distributed at the Planning Commission meetings).

Individuals

- Ceyda Can Aricanli
- Marcia Bever
- Charles P. Bourne
- Morris Brown
- Alexander Cannara
- Paul Collacchi
- Patti Fry
- Carole Grace
- Miyko A. Harris-Parker
- Kristin Kuntz-Duriseti
- Elizabeth Lasensky
- James R. Madison
- Susan Masetti
- Clem Molony
- Jack Morris
- Andrea Ralston
- Gail Slocum
- Mitch Slomiak
- Joan Collins Solari
- David Speer
- Nina Wouk
- Matthew D. Zinn

Agencies/Institutions

- Caltrans
- City of Redwood City
- Menlo Park Fire Protection District
- Mt. Olive Apostolic Original Holy Church of God
- San Francisquito Joint Powers Authority (JPA)
- San Mateo County Environmental Health
- Town of Atherton

Draft Fiscal Impact Analysis prepared by BAE, dated July 2009

September 14, 2009 Planning Commission Staff Report

- A. Location Map
- B. Project Plans (select sheets – complete plans available for review at the City offices or on the City web site)
- C. Housing Commission Approved Excerpt Minutes, August 5, 2009
- D. Transportation Commission Approved Minutes, August 5, 2009
- E. Correspondence
 - Nina Wouk, September 3, 2009
 - Patti Fry, September 4, 2009

Correspondence Distributed at the September 14, 2009 Planning Commission Meeting

1. Clem Molony, dated September 13, 2009
2. Mt. Olive Apostolic Original Holy Church of God, dated September 14, 2009

October 5, 2009 Planning Commission Staff Report

- A. Location Map
- B. Project Plans (select sheets – complete plans available for review at the City offices or on the City web site)
- C. Project Meetings and Milestones
- D. Menlo Gateway Project Information Packet, Prepared by Applicant
- E. Draft General Plan Amendment and Zoning Ordinance Amendment
- F. Parking Analysis Excerpt from the Transportation Impact Analysis (TIA)
- G. Comparison of Other Projects
- H. Project Sponsor Comment Letter on Draft FIA, dated September 29, 2009
- I. Draft Public Benefit Ideas

Correspondence Distributed at the October 5, 2009 Planning Commission Meeting

1. David Speer, dated October 5, 2009
2. Paul Collacchi, dated October 5, 2009
3. Chuck Kinney, undated

October 19, 2009 Planning Commission Memorandum

- A. Approved Public Outreach and Development Agreement Negotiation Process
- B. Correspondence
 - David Speer, dated October 7, 2009
 - Paul Collacchi, dated October 10, 2009

Correspondence Distributed at the October 19, 2009 Planning Commission Meeting

1. Patti Fry, dated October 19, 2009

Correspondence Submitted after the October 19, 2009 Planning Commission Meeting

1. Paul Collacchi, dated October 24, 2009