



# COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: November 17, 2009

Staff Report #: 09-163

Agenda Item #: F-1

**REGULAR BUSINESS: Provide Comments on the Menlo Gateway (Bohannon Hotel & Office) Proposal Located at 101 to 155 Constitution Drive and 100 to 190 Independence Drive in Order to Guide Negotiations of the Proposed Development Agreement and Adopt a Resolution Authorizing the City Manager to Execute Amendments to the Contract with Bay Area Economics (BAE) for Potential Additional Fiscal and Economic Consulting Services with Funding Provided by the Project Applicant**

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## RECOMMENDATION

Staff recommends that the City Council:

1) Provide direction to guide negotiations of the Development Agreement on the Menlo Gateway proposal by considering input from the Planning Commission and answering the following question:

Given what is currently on the table – the Draft Environmental Impact Report (EIR), the Draft Fiscal Impact Analysis (FIA), public input to date, and the developer's application content – does the City Council believe the City should enter into a good-faith negotiation effort with the developer, given the following caveats: (specific caveats to be added as needed)?

2) Adopt a resolution authorizing the City Manager to execute amendments to the contract with Bay Area Economics (BAE) for potential additional fiscal and economic consulting services with funding provided by the project applicant (Attachment A).

## ANALYSIS

On November 3, 2009, the City Council conducted a study session for the Menlo Gateway proposal. The staff report and the presentations are available for review on the City's website. At this meeting, the Council refined a draft question that had been proposed by staff to be formally asked of the Council at the meeting of November 17. The Council also confirmed that the Planning Commission should hold a special meeting on November 9 to review the refined question, as well as another question that had been posed to the Commission before but which had not been answered in detail. The Council also requested additional information on several topics. The information is

included in Attachment B in a question and answer format. Both the Planning Commission's input and the additional information are discussed in the following sections.

### **Planning Commission Review**

Per the Council's direction, the Planning Commission considered the following questions at the special meeting of November 9, 2009:

1. Given what is currently on the table – the draft EIR, the draft FIA, public input to date, and the developer's application content – does the Planning Commission believe the City should enter into a good-faith negotiation effort with the developer, given the following caveats: (*specific caveats to be added as needed*)
2. Do Commissioners have any comments about how the proposed project relates to the surrounding area, such as the remainder of the Bohannon East portion of M-2, the Marsh Road interchange, the Haven Area portion of M-2, Bedwell Bayfront Park, and San Francisco Bay?

A summary of the Planning Commission's discussions is included as Attachment C. The Commission elected to address the questions by topic area as follows.

- Timeline (Development Agreement Term)
- Scale (Building Size, Height, etc.)
- Housing
- Traffic
- Carbon Footprint (Greenhouse Gases)
- Impact on Surrounding Area (Context)
- Benefits and Mitigations

Three members of the public spoke on the agenda topic: David Speer, Gail Slocum, and Rich Ferrick. In addition, the Commission received one piece of correspondence from Patti Fry (Attachment F).

At the meeting of November 3, City Council encouraged Planning Commissioners to attend the November 17 Council meeting to report back directly. At the November 9 meeting, the Commission authorized the Chair to provide the overview summary remarks and encouraged individual Commissioners to speak directly to the Council if desired.

### **Additional Economic Information Provided by Applicant**

After the November 3, 2009 City Council meeting, the applicant submitted a technical memorandum, which discusses an economic "input/output" analysis prepared by the applicant's fiscal consultant, and it is included as Attachment D (the detailed appendix tables are available upon request at City offices). The analysis looks at the economic

effects of the project on the local economies of San Mateo and Santa Clara Counties. The applicant team also provided information explaining why there are differences between job estimates in the input/output analysis (2,296 jobs) and the Draft EIR (2,566). The primary basis for the discrepancy is that the EIR assumed a 100 percent occupancy rate to analyze a maximum environmental impact scenario, while the input/output analysis uses slightly lower occupancy rates to reflect typical operating conditions.

### **Fiscal Impact Analysis (FIA) School District Correction**

Since the November 3, 2009 Council meeting, the City's FIA consultant has become aware that there was an error in the projections of revenue associated with school districts, in particular those for the Redwood City School District (elementary), in which the project sites are located. Instead of waiting for the response to comments document, the consultants have prepared a memorandum summarizing the changes, which is included as Attachment F. The revisions affect the projected ongoing property tax revenues to the Redwood City School District, which had previously been estimated at approximately \$925,000 per year. However, because this district is a "revenue limit" district, for which the State provides aid to reach minimum funding requirements, the projected increase in property taxes would be offset by an equivalent reduction in State aid. Thus, the Redwood City School District would receive no additional operating revenues associated with the project. These circumstances would also apply if the project sites were located within the Ravenswood City School District, which is the next closest elementary district that serves the City and which is also a revenue limit district.

For secondary education, the project is within the Sequoia Union High School District, which is a "basic aid" district that already meets minimum funding requirements and which gets to retain property tax increases. Thus, the original projection that the proposal would result in additional annual revenues of approximately \$611,000 to this district has not been revised. In addition, the projections for one-time school impact fees, which are not affected by whether a district is a revenue limit or basic aid district, have not been changed.

### **Potential Contract Amendment with BAE**

On April 22, 2008, the City Council authorized the City Manager to enter into a contract with Bay Area Economics (BAE) for a Fiscal and Economic Impact Analysis for the Menlo Gateway project with a budget of \$85,725. Staff believes that it would be beneficial to be able to request BAE to perform additional analysis or research during negotiations of the Development Agreement. Given the fact that the current contract exceeds the \$50,000 authority of the City Manager, the City Council would need to authorize any revisions to the contract. The money to pay BAE would be provided to the City by the applicant. The applicant has agreed to pay for the services up to a maximum of an additional \$25,000. The draft Resolution is included as Attachment A.

### **City Council Direction**

Staff is seeking Council direction based on the following question:

Given what is currently on the table – the Draft Environmental Impact Report (EIR), the Draft Fiscal Impact Analysis (FIA), public input to date, and the developer's application content – does the City Council believe the City should enter into a good-faith negotiation effort with the developer, given the following caveats: (specific caveats to be added as needed)?

For purposes of the question being posed to the Council, a caveat is a relatively open ended term that allows individuals to express comments, desires, concerns, impressions, opinions, feelings, etc. regarding the proposal as he or she sees fit. By answering the question above, individual Council members can express what he or she believes the City should be seeking in regard to the proposal. The Council may wish to group caveats by the same topic areas used by the Planning Commission.

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 term sheet and then 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.

### **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 Impact Analysis (FIA). For the environmental review and FIA, the applicant deposits money with the City and the City pays the consultants.

The draft FIA itself provides projections of the potential changes in fiscal revenues and service costs directly associated with development of the proposed project, for both the City and associated special districts. The public comment period on the Draft FIA closed in conjunction with the October 19, 2009 Planning Commission meeting. The City and its consultants are currently preparing responses to comments, which will be part of the Final FIA, projected to be available for public review in January 2010.

### **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 public comment period on the Draft Environmental Impact Report ended on September 21, 2009. The City and its consultants are currently preparing the Response to Comments document, which is targeted to be available for public review in January 2010.

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## 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](http://www.menlopark.org/projects/comdev_iac.htm)

## ATTACHMENTS

- A. [Resolution of the City Council of the City of Menlo Park Authorizing the City Manager to Authorize the City Manager to Execute Amendments to the Contract with Bay Area Economics \(BAE\) for Potential Additional Fiscal and Economic Consulting Services with Funding Provided by the Project Applicant](#)
- B. [Questions to Answers Posed at the November 3, 2009 City Council Meeting on Menlo Gateway](#)
- C. [Planning Commission Action Summary for the Meeting of November 9, 2009](#)
- D. [Applicant Technical Memorandum: Economic Impact - Input/Output Analysis of Menlo Gateway Project, prepared by Brion & Associates, dated November 4, 2009 \[Detailed appendix tables available for review at City offices\]](#)
- E. [School District Fiscal Impact – Menlo Gateway Project \(Project\), prepared by Bay Area Economics, dated November 12, 2009](#)
- F. Correspondence
  - a. [Email from Patti Fry, dated November 9, 2009](#)