



MEMORANDUM

Supplemental Memorandum
to the 4/19/10 staff report for
Menlo Gateway

DATE: May 3, 2010

TO: Planning Commission

FROM: Justin Murphy, Development Services Manager
Community Development Department

RE: Agenda Item D1: Menlo Gateway (Bohannon Hotel & Office)

The purpose of this memorandum is to supplement the April 19, 2010 Planning Commission staff report on the proposed Menlo Gateway development with updated information.

Correspondence Distributed at the Planning Commission Meeting

Between the printing of the staff report on Thursday, April 15 and the Planning Commission meeting on Monday, April 19, the City received 11 pieces of correspondence from 10 people as follows:

- Margaret Pye, employee in Menlo Park, dated April 15, 2010 (Trees)
- Doug Bourne, dated April 15, 2010 (Trees)
- Jean Coyne, employee in Menlo Park, dated April 16, 2010 (Trees)
- Mitch Slomiak, Menlo Park, dated April 15, 2010 (Climate change)
- Ceyda Can Aricanli, Atherton, dated April 18, 2009 (Traffic)
- Chief Schapelhouman, Menlo Park Fire Protection District, dated April 18, 2009, including April 16, 2009 report from Citygate Associates, LLC (Ladder truck) – sent directly to Planning Commission via email
- Patti Fry, Menlo Park, dated April 19, 2010 (GPA/ZOA) – sent directly to Planning Commission via email
- Patti Fry, Menlo Park, dated April 19, 2010 (FEIR/FFIA) – sent directly to Planning Commission via email

- David and Danielle Pickham, Redwood City, dated received April 19, 2010 (Marsh Tree and Traffic)
- David Speer, dated April 19, 2010 (FEIR)
- Britt von Thaden, Menlo Park, dated April 19, 2010 (Mitigation Measures)

The correspondence was distributed to the Planning Commission at the April 19 meeting and additional copies were made available to the public. Staff has reviewed all of the correspondence and is prepared to respond to follow-up questions from the Planning Commission at the May 3 meeting.

Public Hearing on April 19

The draft transcripts of the April 19 meeting are available and have been distributed separately. The following 17 people addressed the Commission:

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|----------------------------|-------------------------------|
| • Anne Moser | • Brad Van Linge |
| • Clem Molony | • Fire Board President Ohtaki |
| • William Nack | • Doug Marks |
| • Glen Lynch | • Gail Slocum |
| • Howie Dallmar | • Josh Abend |
| • Fire Chief Schapelhouman | • Sharon Williams |
| • Rose Bickerstaff | • Jeff Pollock |
| • Chuck Kinney | • Fran Dehn |
| • Spence Leslie | |

The Commission voted to close the public hearing with the understanding that the April 19 meeting was advertised for public comment and any speakers on May 3 should be limited to comments on information provided after the April 19 meeting.

Updated Information

Development Agreement Term Sheet Check In

On April 6, the City Council identified a number of questions and/or requests regarding the Development Agreement Term Sheet and requested that staff check in with Council on May 11 as summarized in Attachment D. The Council recognized the tight timeline and that these items would be examined by staff in parallel with the Planning Commission review. One item in particular is the Fire District's concerns regarding the potential need for an additional ladder truck in the District. Staff has met with the District and is continuing to meet with the District in order to see if there is a collaborative, legal and fair solution.

Construction Pro-Forma for Office and Hotel

In response to a Commissioner question about whether the construction pro-forma shows that the project would be paid off by year 14 (2023), staff contacted the City's financial consultant for an explanation. The pro-forma is located on page 34 of the analysis prepared by Cushman & Wakefield, dated March 24, 2010. (The pro-forma was included as Attachment J of the April 6 City Council staff report). The purpose of a construction pro-forma is to test the feasibility of a project in terms of an investor's rate of return. Given the risks associated with real estate development, the typical target rate of return is 15 percent, and the pro-forma indicated that the return would be below that threshold at 12.68 percent. The pro-forma provides a snapshot of future income and costs to determine if there is any potential profitability. The construction pro-forma does not consider debt because it would be difficult to speculate what the financing market would be like. The pro-forma makes a simplified assumption that up front costs of more than \$400 million would be paid with cash, which would not be the case for a project of this size. Therefore, the project would not be "paid off" in year 14 even though the pro-forma indicates there would be a net positive cash flow.

Architecture Quality, Garage and Hotel Designs, and Findings

In response to a question about the quality of the architecture, the applicant has prepared the following narrative:

The applicant shall commit to high quality architectural design characterized by the use of high quality materials such as natural stone, pre-finished metal panels, and high-performance, insulated, glazed, curtain walls, which will be protected by solar sun shades/light shelves. The solar sun shades/light shelves would result in less heat gain and significant daylight harvesting. The applicant also commits that the attention to detail would not stop at the basic massing of the buildings, but remain in how materials are joined, how small details are handled, and the importance of all aspects of the proportions of the building. How the details of the architectural design are handled is critical to maintaining the elegance of the building's design.

This language could be incorporated into the Development Agreement and/or Conditional Development Permit if the Planning Commission felt that it would be beneficial to ensure that the ultimate development is consistent with the architectural representations being presented.

In response to previous comments about the design of the parking garages, the applicant presented updated studies indicating a new design intent for the exterior of the garages on April 19. An excerpt of the presentation that provides the most comprehensive drawing of the concept is included as Attachment E. At the May 3 meeting, the applicant also intends to respond to comments regarding the relatively plain architecture of the hotel compared to the architecture of the office buildings, in

order to obtain the Planning Commission's feedback on pursuing a new design direction for the hotel.

Finally in regard to architecture, staff is recommending that the findings for the Conditional Development Permit reference the architectural review that is occurring in lieu of separate architectural control applications. The following additional finding is included in Attachment A as Finding 17.

Make a finding that the review of the Conditional Development Permit takes into consideration the architectural designs of the proposed buildings and structures as shown on the project plans. The project plans in conjunction with conditions of approval demonstrate that the buildings will have high quality designs and utilize high quality materials, and the project provides an overall aesthetic enhancement to the surrounding area at a prominent location serving as a gateway to the City.

Revisions to the Conditional Development Permit

Both the applicant and staff reexamined the Draft Conditional Development Permit (CDP) to ensure that the document reflected the intent of discussions to date and to address some specific comments raised in correspondence or at the April 19 Planning Commission meeting. A clean version of the revised draft CDP is included as Attachment B and a redlined version is included as Attachment C. A majority of the changes are refinements to the timing of specific events or reflect clarifications. The more substantive changes are summarized below.

- **Sections 2.2 and 2.3: Coverage and open space.** The applicant took a closer look at the maximum building coverage and minimum open space requirements related to the redesign of the parking structures. Staff determined that it would be better to calculate building coverage and open space on a per site basis instead of the entire project.
- **Section 4.1: Signs.** The applicant took a closer look at the maximum sign area limits and determined that additional sign area was necessary to provide adequate and proportional signage. Staff reviewed potential signage scenarios and determined that it would be appropriate to increase the maximum signage allowance, but eliminated the potential for the Community Development Director to increase sign area in the future.
- **Section 6: Modifications.** The Section 6.1.2 and 6.2 do not fully align with Development Agreement Sections 1.17 (Hotel), 1.36 (Substantially Consistent Modifications), 5.8 (Parking Structures). Further discussions that involve the City Attorney are needed to ensure that these provisions are consistent.
- **Sections 7.1.6 and 7.2.6 and Conditions 8.25, 8.26, 8.66: Timing of tree removals.** As stated in the April 19 staff report, the tree removals would not

occur immediately, but would wait until the associated construction. This intent is now carried through in applicable conditions of approval.

- **Condition 8.18: Garage modifications.** As mentioned in the April 19 staff report, there is the potential to revisit the placement and function of the driveways to the Constitution parking structures. The final determinations regarding the driveways would be best handled during the detailed design and engineering phase. In addition, as part of reducing the footprint of Constitution Garage B on Lot 2 there is the potential to provide a pedestrian connection from the Chrysler Drive sidewalk to the on-site pedestrian circulation system.
- **Condition 8.25 (formerly 8.26): Constitution/Chrysler trees.** The City has received a number of comments from people who work in the surrounding businesses regarding the potential loss of the prominent trees at the corner of Constitution Drive and Chrysler Drive to accommodate a sidewalk that would connect the two project sites. Given the fact that a traffic signal will be installed at the intersection of Constitution Drive and Chrysler Drive as a mitigation and modifications to the approaches to the intersection would be made to accommodate the necessary lane configurations, there is no potential to narrow the roadways to construct a sidewalk. The applicant has prepared an alternate study that could potentially preserve the three redwood trees (trees #2, 3, and 4), but would still necessitate the removal of the Monterey pine (tree #5). The alternate study, included as Attachment F, would require a public access easement (PAE) of approximately 460 square feet on private property located at 150 Constitution Drive, which is not owned by the applicant. The revision to this condition requires the applicant to make a good faith effort to pursue the PAE.
- **Condition 8.64: TIF estimate.** The Transportation Impact Fee (TIF) calculation has been updated to reflect the floor areas shown on the April 12, 2010 project plans. The new total estimate of \$2,813,460 is included as Attachment G.
- **Condition 8.66: Marsh Road trees.** Attachment H provides an illustration of the proposed right turn lane on Marsh Road to Florence Street and the potential heritage tree removals. The final determination regarding the heritage tree removals would be made during the detailed design and engineering of the roadway improvement. If the trees need to be removed, the condition of approval has been modified to require the planting of 24-inch box trees along Marsh Road at a 2:1 ratio placed at 25 feet on center. In addition, the species should be appropriate for growing underneath the existing overhead power lines.

Correspondence Received Since the April 19 Meeting

The City has received two pieces of correspondence since the April 19 meeting. The correspondence is included as Attachment I. The first piece is from the Friends of Bayfront Park. The letter reiterates requests made at the April 6 City Council meeting and the April 19 Planning Commission for a portion of the public benefit funds to be

earmarked specifically for Bayfront Park. This topic is being explored as part of potential refinements to the Development Agreement Term Sheet. Progress on this topic will be presented to the City Council on May 11. The second piece of correspondence expresses concerns about the proposed tree removals.

Recommended Meeting Procedure

In consultation with the Chair, staff is recommending the following meeting procedure:

- Introductory remarks from staff
- Applicant presentation to provide updates
- Public comment limited to new information since the April 19 meeting
- Commission questions of staff (City consultants are not scheduled to attend)
- Commission questions of applicant team
- Commission discussion/comments considering all comments provided to date, including written and speaker comments provided at the April 19 meeting.
- Commission recommendation on main policy issue:
 - Given all of the benefits and impacts of the proposed project, is it in the City's best interest to approve the project?
- Commission recommendation on various applications listed on Attachment A through one motion or multiple motions

Attachments:

- A. [Revised Draft Findings and Actions for Approval](#)
- B. [Revised Draft Conditional Development Permit – Clean](#)
- C. [Revised Draft Conditional Development Permit – Redlined](#)
- D. [Development Agreement Term Sheet Follow Up](#)
- E. [Proposed Parking Structure Design Modifications](#)
- F. [Alternate Design for Sidewalk at Corner of Constitution Drive and Chrysler Drive](#)
- G. [Transportation Impact Fee \(TIF\) Estimate](#)
- H. [Marsh Road and Florence Street Intersection Mitigation](#)
- I. New Correspondence
 - [Friends of Bayfront Park, dated received April 20, 2010](#)
 - [Albert Meyer, dated April 26, 2010](#)

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