



COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: February 14, 2012

Staff Report #: 12-029

Agenda Item #: F1

REGULAR BUSINESS: **Direction on the Parameters for Negotiating the Development Agreement for the Facebook East Campus Project Located at 1601 Willow Road**

RECOMMENDATION

Staff recommends that the City Council provide direction for negotiating the Development Agreement for the Facebook East Campus Project located at 1601 Willow Road based on the following parameters:

1. Provide a source of on-going revenue for as long as the land use entitlement to exceed 3,600 employees is in place.
2. Provide one-time items in the form of public improvements or studies that would benefit the surrounding area.
3. Provide a mechanism for funding programs and services that meet on-going community needs.
4. Pursue a commitment to fund housing opportunities in the City and surrounding region.
5. Pursue a trip cap penalty amount that is severe enough to ensure compliance with the project description.

BACKGROUND

The City is currently conducting the environmental review and processing the development application for the Facebook Campus project located at the intersection of Willow Road and Bayfront Expressway. The Project Sponsor seeks to amend the existing Conditional Development Permit (CDP) for the East Campus by converting the existing employee cap of 3,600 people into a vehicular trip cap. The proposed trip cap includes a maximum of 2,600 trips during the AM Peak Period from 7:00 a.m. to 9:00 a.m. and the PM Peak Period from 4:00 p.m. to 6:00 p.m. and a maximum of 15,000 daily trips. The trip cap would allow approximately 6,600 employees to occupy the East Campus.

In concert with the requested CDP Amendment, the Project Sponsor is requesting a legally binding Development Agreement. The Development Agreement would define the long-term land use intentions, specific terms and conditions for the development, and public benefits that would apply, should the East Campus component of the Project be approved. Under State law (California Government Code Sections 6584-65869.5), development agreements enable the City to grant a longer-term approval in exchange for demonstrable public benefits.

The previous staff reports, which provide more detailed background information, plus the Draft Environmental Impact Report (EIR) and Draft Fiscal Impact Analysis (FIA) are available for review on the City-maintained project page accessible through the following link:

http://www.menlopark.org/projects/comdev_fb.htm

The remainder of this staff report focuses on Council direction to staff on negotiating the Development Agreement for the East Campus.

ANALYSIS

On January 31, 2012, the City Council held a study session on the Facebook Campus Project. As part of the study session, the Council identified additional information requests that would be beneficial as part of the review process.

Additional Information

Development Agreement Examples

Staff has started collecting Development Agreements from other local cities, such as Santa Clara, Mountain View and Palo Alto. To date, staff has not encountered a Development Agreement that would be a good means of comparison based on the type of project or the types of enumerated public benefits. Each community and each Development Agreement negotiation is unique. Nevertheless, staff will continue to search for other Development Agreements during the negotiation process that could serve as beneficial means of comparison.

Redevelopment Agency Dissolution Implications

Regarding the fiscal impact of the City's redevelopment agency being dissolved, BAE conducted a preliminary reallocation in the fiscal model prepared for the Project of the \$73.5 million increase in assessed value for the East Campus, which was in the Redevelopment Project Area, to the West Campus, which was not in the Redevelopment Project Area. Through this reallocation, the property tax distribution for the East Campus does not flow into the redevelopment portion of the model, but instead it is distributed in the same way as the increase in property taxes from the West

Campus. The following are the outputs of this model run in annual receipts at full build-out, rounded down to the nearest \$1,000:

- City General Fund: increases \$55,000
- Fire District: increases \$49,000
- Sequoia Union High School District: increases \$62,000

The Ravenswood Elementary School District gets increased property tax revenues, but reduced state aid, so it is a wash for that district.

Aside from the Facebook Campus Project, the Fire District, the Sequoia Union High School District, and the Menlo Park City School District will also receive additional funds from the reallocation of existing project area tax increment, net of the items on the enforceable obligations payment schedule. Given the complexities of the assumptions and calculations, it is too early to estimate what the differences may be. Staff will attempt to provide those estimates at a later date.

Intersection Mitigation Diagrams

The intersection mitigation diagrams are included in the Appendix (Chapter 3.5 – Appendix I) of the Draft EIR. For ease of reference, hard copies of the diagrams have been provided to each of the Council members and will be available at the Council meeting.

Project Water Demand

According to the Draft EIR, the net increase of water demand of the East Campus would require approximately 54.0 acre feet per year (AFY), or about five percent of the available capacity in Menlo Park Municipal Water District's (MPMWD's) Individual Supply Guarantee (ISG). Operation of the West Campus would require approximately 65.4 AFY, which represents about six percent of MPMWD's excess capacity per the ISG.

Parameters

Based on all of the input to date, staff has developed a framework for the Council to consider in establishing the parameters to guide the negotiation of the Development Agreement. The framework outlined below is based on categories, which are generally above and beyond mitigation measures associated with the EIR. The framework is not meant to exclude any ideas mentioned to date. To the contrary, it is meant to provide a "bucket" for all of the ideas with the understanding that not all of the ideas will be achievable. For ease of reference, the summary of public benefit ideas from the January 31, 2012 staff report, plus additional ideas presented at the meeting is included as Attachment A. In general, the negotiating team would focus on the public benefit

ideas in which there was the greatest overlap between the City's need and the Project Sponsor's interest in the particular topic.

1. *On-Going Revenue:* *Provide a source of on-going revenue for as long as the land use entitlement to exceed 3,600 employees is in place.*

Given the City needs, there appears to be a consensus that a high priority parameter is the provision of a source of on-going revenue for as long as the land use entitlement to exceed 3,600 employees is in place. The revenue could be in the form of an in lieu of sales tax fee or some other mechanism.

2. *One-Time Items:* *Provide one-time items in the form of public improvements or studies that would benefit the surrounding area.*

There appears to be an interest in pursuing one-time improvements or studies that would benefit the surrounding area. One high-profile topic has been improved bicycle access to the site, including improvements to the Bay Trail, striping of freeway overcrossings, and improvements to commonly used bicycle access routes to the site. Other ideas include new or enhanced City facilities near the project site and/or streetscape improvements. The City's 5-Year Capital Improvement Plan, including unfunded and General Fund items, can serve as a basis for some ideas.

3. *Program, Service, and Policy Items:* *Provide a mechanism for funding programs and services that meet on-going community needs.*

This is a relatively broad category that is meant to capture a number of ideas. This category could help to memorialize ad hoc agreements that the Project Sponsor made with project supporters, formalize volunteer opportunities, and involve the creation of a Community Foundation. This category could also cover items such as the following:

- public access to local shuttle system;
- a priority hiring program for local residents;
- the establishment of a preference for local providers of on-site services;
- creating the catalyst for off-site services and amenities in the vicinity of the project site; and
- provision of free wireless access to Belle Haven.

4. *Housing:* *Pursue a commitment to fund housing opportunities in the City and surrounding region.*

Although not a direct environmental impact, the Project's potential to affect the affordability of housing in the area has been expressed as a concern. The East Campus does not trigger the need to pay the City's Below Market Rate (BMR) Housing fee because the fee is only applicable with an increase in floor area and no increase in floor area is proposed for the East Campus. (As a means of

comparison, the estimated BMR fee for the West Campus is approximately \$4,491,700). Given the increase of employees on the East Campus and the increased demand for housing, the negotiating team could pursue a commitment to funding housing opportunities in the City and surrounding region.

5. Trip Cap Penalty: *Pursue a trip cap penalty amount that is severe enough to ensure compliance with the project description.*

As identified previously, the trip cap penalty amount needs to be negotiated. The penalty needs to be severe enough to ensure compliance with the project description. It is important to keep in mind that that the penalty is not intended to be a revenue generator.

The framework outlined above reflects the staff recommendation based on all of the various inputs received to date. The Council has the option of supporting this framework, modifying the framework, or proposing an alternative framework. Regardless of which option the Council chooses, it should provide direction to the negotiating team in order for the negotiations to begin.

Negotiation Process

The negotiation process will commence immediately upon the Council's direction. Through the negotiation process, the applicant would likely request certain items from the City, such as land use vesting rights, City-imposed fees, project modifications, and transferability. At the conclusion of negotiation, the negotiating team will present a term sheet for consideration by the full Council in April. After Council acceptance of the term sheet, staff will prepare the complete Development Agreement for public review by the Planning Commission and the City Council at respective public hearings in May and June, 2012.

IMPACT ON CITY RESOURCES

The Project Sponsor is required to pay planning permit fees, based on the City's Master Fee Schedule, to fully cover the cost of staff time spent on the review of the Project. The Project Sponsor is also required to bear the cost of the associated environmental review and FIA. For the environmental review and FIA, the Project Sponsor deposits money with the City and the City pays the consultants.

POLICY ISSUES

The Project does not require an amendment to the City's General Plan. The primary policy issues for the City Council to consider while reviewing the Project relate to the significant and unavoidable environmental impacts and the appropriate level of public benefit based on the request to exceed the current employee cap of 3,600 people on the East Campus.

ENVIRONMENTAL REVIEW

A Draft EIR was released for public review on December 8, 2011 through January 30, 2012. The comments received on the Draft EIR have been posted to the City's website. The City's consultants have begun the process of responding to comments and preparing the Final EIR, which is anticipated to be released in mid to late April 2012.

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 agenda publication was supplemented by a citywide postcard mailing, which provided information about the Project proposal and associated documents, as well as information about the community outreach meeting in December, and the Planning Commission and City Council meetings in January and February to discuss the Project. Finally, 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/s/comdev_fb.htm

ATTACHMENTS

A. [Summary of Public Benefit Ideas](#)

BACKGROUND MATERIAL AVAILABLE AT CITY OFFICES

- [Draft Environmental Impact Report prepared by Atkins, dated December 2011](#)
- [Draft Fiscal Impact Analysis prepared by BAE, dated December 8, 2011](#)
- [East Palo Alto Housing Affordability Analysis, dated December 21, 2011](#)