



# PLANNING COMMISSION STAFF REPORT

FOR THE PLANNING COMMISSION  
MEETING OF JANUARY 9, 2012  
AGENDA ITEMS: E1, F1, G1

<b>LOCATION:</b>	<u>East Campus</u> – 1601 Willow Road <u>West Campus</u> – 312 and 313 Constitution Drive	<b>APPLICANT:</b>	Facebook Inc.
<b>EXISTING USE:</b>	<u>East Campus</u> – Corporate Campus <u>West Campus</u> – Unoccupied Office Buildings	<b>PROPERTY OWNER:</b>	<u>East Campus</u> – Wilson Menlo Park Campus <u>West Campus</u> – Giant Properties LLC (West Campus)
<b>PROPOSED USE:</b>	<u>East Campus</u> – Corporate Campus <u>West Campus</u> – Corporate Campus	<b>APPLICATION:</b>	<u>East Campus</u> - Conditional Development Permit Amendment, Development Agreement, and Environmental Review <u>West Campus</u> – Environmental Review
<b>ZONING:</b>	<u>East Campus</u> - M-2-X (General Industrial, Conditional Development) <u>West Campus</u> - M-2 (General Industrial)		

## **PROPOSAL**

Facebook Incorporated (Facebook) seeks to develop an integrated, phased permanent headquarters to accommodate the company's long-term growth potential. This phased approach includes the development of an East Campus, followed by the development of a West Campus. Currently, Facebook is seeking land use entitlements for the East Campus, as well as environmental review for the entire Project, per the requirements of the California Environmental Quality Act (CEQA). The requested land use entitlements for the East Campus include amendment of the existing Conditional Development Permit (CDP) to convert the employee cap to a vehicular trip cap, as well as execution of a Development Agreement. Project plans, including schematic plans for the West Campus, are included as Attachment B to this staff report.

The 56.9 acre East Campus is currently developed with nine buildings, which contain approximately 1,035,840 square feet. The existing entitlements for the site allow up to 3,600 employees to occupy the site, and Facebook currently has approximately 2,000 employees at the site. The project sponsor has completed tenant improvements at the site to convert the hardware-intensive laboratory spaces and individual hard-wall offices to a more open, shared workspace characteristic of the Facebook work environment, which is intended to foster innovation, teamwork, and creativity.

As part of the proposed Project, the project sponsor seeks to convert the existing employee cap into a vehicular trip cap. The 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.

The environmental review analyzes this proposal, as well as the build-out of the approximately 22-acre West Campus. This second phase of the Project contemplates construction of five buildings totaling approximately 440,000 square feet of gross floor area, consistent with M-2 zone requirements, and an associated five-story parking structure. The proposed height of the buildings would exceed the 35-foot maximum height limit in the M-2 zone and a rezone to M-2-X and approval of a CDP would be required to exceed the height limit. The project sponsor anticipates submitting land use entitlements for the West Campus in the latter part of this year.

The second phase of the Project is anticipated to house approximately 2,800 employees for a total of approximately 9,400 employees occupying both the East and West Campuses at full occupancy. The proposed Project would result in approximately 5,800 more employees than are currently permitted under the existing land use entitlements for the East Campus. However, unlike the existing entitlements for the East Campus, the Project proposal does not include a cap on the number of employees.

Specifically, the proposed phased Project would require the following actions:

### **East Campus – Phase I**

1. **Conditional Development Permit Amendment** to convert the existing 3,600 employee cap to an AM and PM peak period and daily vehicular trip cap;
2. **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; and
3. **Environmental Impact Report (EIR)** to analyze the potential environmental impacts of the proposal.

### **West Campus – Phase II**

1. **Rezoning** the project site from M-2 to M-2-X to exceed the M-2 zoning district's 35-foot height limit and build up to 75-feet;
2. **Conditional Development Permit** to establish development regulations;
3. **Lot Merger/Lot Line Adjustment** would be required to merge the existing two parcels that make up the West Campus site; alternatively, a lot line adjustment would be required to ensure that no buildings cross property lines;
4. **Lot Line Adjustment** would be required to facilitate additional Emergency Vehicle Access (EVA);
5. **Heritage Tree Removal Permits** would be required for each heritage tree to be removed;
6. **BMR Agreement** for the payment of in-lieu fees associated with the City's Below Market Rate Housing Program;
7. **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; and
8. **Environmental Impact Report (EIR)** to analyze the potential environmental impacts of the proposal (one EIR was prepared to analyze both the East and West Campus phases of the Project).

In addition, the land use entitlement process includes the development and review of a Fiscal Impact Analysis (FIA), which is currently available in draft form.

### **BACKGROUND**

On February 8, 2011, the City received a preliminary application from Facebook to commence the environmental review process for the Facebook Campus Project described above. Since that date, numerous meetings have been held and milestones achieved, which are specified in the table below.

<b>Date</b>	<b>Body/Milestone</b>	<b>Description</b>
4/15/11	City Council	Review of EIR Notice of Preparation (NOP) schedule
<b>4/21/11</b>	<b>Milestone</b>	<b>NOP released for public review</b>
5/10/11	City Council	Authorization for City Manager to enter into consultant contract for transportation analysis
5/16/11	Planning Commission	EIR scoping session and study session
6/14/11	City Council	City Council authorization for City Manager to enter into consultant contracts for EIR and FIA
8/23/11	City Council	Review of public meeting process and tentative schedule
10/18/11	City Council	Appointment of Council Development Agreement subcommittee
11/15/11	City Council	Update on status of release of Draft EIR and Draft FIA
<b>12/8/11</b>	<b>Milestone</b>	<b>Release of Draft EIR and Draft FIA</b>
12/8/11	Public Outreach Meeting	To inform the community about the proposed project and the documents available for review
12/12/11	Bicycle Commission	To inform the community about the proposed project and the documents available for review
12/13/11	East Palo Alto City Council Study Session	To inform the Council and community about the proposed project and environmental impacts specific to the City of East Palo Alto
12/14/11	Transportation Commission	To inform the community about the proposed project and the documents available for review
12/15/11	Green Ribbon Citizen's Commission	To inform the community about the proposed project and the documents available for review
<b>12/21/11</b>	<b>Milestone</b>	<b>Release of East Palo Alto Housing Affordability Analysis</b>
1/4/12	Housing Commission	To inform the community about the proposed project and the documents available for review
1/4/12	Environmental Quality Commission	To inform the community about the proposed project and the documents available for review

Staff reports, presentations and minutes (the Public Outreach meeting did not have formal minutes prepared and some meeting minutes were not yet available at the publication date of this staff report) for the above referenced meetings are available at the City's web site, or at the Community Development Department at City Hall.

## **MEETING PROCEDURE**

The purpose of the January 9, 2012 Planning Commission meeting is threefold, and includes the following items:

1. **Pubic Hearing Item - Draft Environmental Impact Report:** Review of the Draft EIR for the Facebook Campus Project and provision of an opportunity for Planning Commissioners and members of the public to comment individually on the Draft EIR during the 47-day public comment review period, running through

January 23, 2012. Comments should be informed by the summary analysis in the Environmental Review section below and presentations by City staff at the January 9<sup>th</sup> meeting. Comments received during the public hearing on the Draft EIR will be transcribed by a court reporter and responded to as part of the Final EIR. Comments may also be submitted as written correspondence before the end of the comment period. The response to comments in the Final EIR will be reviewed at a subsequent Planning Commission meeting.

2. **Regular Business Item - Draft Fiscal Impact Analysis:** Review of the Draft FIA for the Facebook Campus Project and provision of an opportunity for Planning Commissioners and members of the public to comment individually on the Draft FIA. Comments should be informed by the discussion in the Draft FIA and presentations by City Consultants at the January 9<sup>th</sup> meeting. Comments received on the Draft FIA will be transcribed by a court reporter and included and responded to in the Final FIA.
3. **Study Session Item - Review of Facebook Campus Project Proposal:** An overview of the Project proposal, inclusive of the Development Agreement and associated public benefits will be provided and the Planning Commission and public will have the opportunity to provide feedback on the Project proposal

Given the extensive nature of the topics to be covered at the meeting, staff recommends the following meeting procedure to effectively and efficiently move through the three items included on tonight's agenda for the Facebook Campus Project

#### Draft Environmental Impact Report Public Hearing

1. Introduction by Staff
2. Draft EIR Overview Presentation by Staff
3. Public Comments on Draft EIR
4. Commission Questions of Staff/Consultant/Project sponsor on Draft EIR
5. Commissioner Comments on Draft EIR
6. Close of Public Hearing

#### Draft Fiscal Impact Analysis Regular Business Item

7. Introduction by Staff
8. Draft FIA Overview by City Consultant
9. Public Comments on Draft FIA
10. Commission Questions of Staff/Consultant on Draft FIA
11. Commissioner Comments on Draft FIA

#### Project Proposal Study Session

12. Project Overview Presentation by the Project sponsor
13. Public Comments on Project Proposal
14. Commission Questions of Staff/Project sponsor on Project Proposal
15. Commissioner Comments on Project Proposal

Immediate next steps after the January 9<sup>th</sup> meeting include a City Council Study Session on January 31<sup>st</sup> for the Council to learn more about the Project and identify any other information that is needed to ultimately make a decision on the Project.

Subsequent to the Study Session on January 31<sup>st</sup>, the City Council will have a regular business item at their meeting on February 14<sup>th</sup> to consider feedback from the Commissions, discuss environmental impacts and mitigations, public benefit, fiscal impacts, Project proposal, and provide direction on parameters to guide development agreements negotiations. Publication of the Final EIR and Final FIA are anticipated in April, with additional Planning Commission and City Council meetings in April, May and June of 2012.

## **PUBLIC HEARING ITEM D- 1: ENVIRONMENTAL REVIEW**

The Draft EIR analyzes the potential impacts of the Project across a wide range of impact areas. The Draft EIR evaluates 16 topic areas as required by the California Environmental Quality Act (CEQA), as well as one additional topic area specific to the project site (Wind). The 16 required topic areas include: Aesthetics, Agricultural Resources, Air Quality, Biological Resources, Cultural Resources, Geology and Soils, Greenhouse Gas Emissions, Hazards and Hazardous Materials, Hydrology and Water Quality, Land Use, Mineral Resources, Noise, Population and Housing, Public Services, Transportation, and Utilities. Given the phased nature of the Project, these topic areas were analyzed separately for both the East and West Campus, and then collectively for the entire Project proposal. Since the East Campus component of the project does not include ground disturbing activities or new construction, topic areas whose impacts are directly tied to ground disturbing activities and new construction were not analyzed for the East Campus. These topic areas include Aesthetics, Cultural Resources, Biological Resources and Wind.

The Draft EIR identifies significant and unavoidable impacts in the following categories: Air Quality, Noise, and Transportation. These significant and unavoidable impacts are explained in more detail below. A complete list of impacts and mitigation measures is included in section S.1 – Summary, of the Draft EIR. A comprehensive table of all potential environmental impacts and associated mitigations measure can be found in Tables S-1 (East Campus) and Table S-2 (West Campus), which begin on page S-5. 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 environmental impacts.

### **Summary of Significant and Unavoidable Project Impacts**

The proposed Project would result in significant and unavoidable impacts in three issue areas. Specifics of those impacts are discussed below.

#### **Air Quality**

The increase in air pollutants, including nitrogen oxide (NO<sub>x</sub>), reactive organic gas (ROG), and particulate matter (PM<sub>10</sub>), during project operation would exceed the Bay Area Air Quality Management District (BAAQMD) significance thresholds. This impact is directly attributable to increased vehicle emissions, and there is no feasible mitigation measure, beyond what the Project sponsor is already doing (e.g., Transportation

Demand Management program, vehicular trip cap) to reduce emissions from Project operations. Therefore, the impact is significant and unavoidable. This impact is also identified as a significant and unavoidable cumulative impact.

In addition, the proposed Project would result in a cumulative impact related to the exposure of sensitive receptors to toxic air contaminants (TAC). It is important to note that the Project's contribution to this impact is less than five percent, and that the sensitive receptors that would be exposed to TACs are already being exposed as a result of their proximity to major roadways. Per BAAQMD standards, these existing sensitive receptors are located closer than recommended to sources of significant TACs. As such, there are no feasible mitigation measures to address this impact and it remains significant and unavoidable.

## **Noise**

As a result of the increase in traffic associated with the Project, there is an associated increase in traffic related noise. Specifically, the Project would result in significant increases in traffic noise on Marsh Road between Scott Drive and Bohannon Drive, and on Willow Road between O'Brien Drive and Newbridge Street. This increase in noise levels would expose people or generate noise levels in excess of applicable standards. Specifically, the noise at these locations would increase by 1.0 dBA CNEL, which exceeds the Federal Transit Administration's (FTA) significance threshold. The trigger for exceeding the threshold is an increase of 1.0 dBA CNEL or more due to the presence of 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. Mitigation measures, such as sound walls, were explored to mitigate this impact, but were found to be infeasible due to Caltrans standards pertaining to sound walls, existing residential driveways that require breaks in the sound walls, the potential for creating aesthetic impacts and the resulting isolation of residential units located behind the sound walls. As such, there is no feasible mitigation available to minimize this impact, and therefore, the impact remains significant and unavoidable.

The noise increase resulting from traffic noise discussed above would also result in substantial, permanent increases in the ambient noise levels at the identified roadway segments. As discussed above, there are no feasible mitigation measures for this impact, and 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 on the West Campus 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. Mitigation measures are included to address this impact, but even with implementation of feasible mitigation measures this impact would remain significant and unavoidable.

## Transportation

The Transportation Study for the Facebook Campus Project included analysis of four different scenarios:

- Near Term 2015 East Campus Only;
- Near Term 2018 East and West Campuses;
- Cumulative 2025 East Campus Only; and
- Cumulative 2025 East and West Campuses

The analysis studied 34 intersections, ten roadway segments, and nine roadway segments on four Routes of Regional Significance. The analysis found that the Project would result in significant and unavoidable impacts to nine intersections, four roadway segments, and six segments of routes of regional significance in both the near-term and long-term (cumulative) conditions as described below.

### Intersections

A total of ten study intersections were identified as having potentially significant impacts, and the intersection of Willow Road and Middlefield can be fully mitigated because it is controlled by the City of Menlo Park. For the remaining nine intersections, the identified mitigation measures would only partially mitigate the impacts or would fully mitigate the impacts if approval is granted by the agency that controls the intersection. As presented in the table on the following page and summarized below, of the ten impacted intersections:

- Impacts to one intersection can be fully mitigated;
- Impacts to four intersections can be fully mitigated with approval of the agency controlling the intersection;
- Impacts to four intersections can be partially mitigated, and
- Impacts to one intersection cannot be mitigated.

As a result of the factors discussed above, including the fact that only one of the impacted intersections is controlled by the City of Menlo Park, impacts at the remaining nine intersections would remain significant and unavoidable.

The following chart provides a more comprehensive picture of the impacted intersections and associated mitigations measures.

Intersection	Scenario of Significance	Jurisdiction	Mitigation Measure	Feasible?	Mitigated?
Marsh Rd. and Bayfront Expy.	Near Term East and West Campuses	Caltrans	Reconfigure the westbound approach from a shared left-through-right lane to a left-through lane and a right-through lane	Yes	Yes – with Caltrans approval
Marsh Rd. and US-101 NB Ramps	Near Term East and West Campuses	Caltrans	Add a northbound right turn lane	Yes	Yes – with Caltrans approval
Marsh Rd. and Middlefield Rd.	Cumulative East and West Campuses	Atherton	Add a second left-turn lane to the southbound approach and widen paving. Re-stripe Marsh to accommodate receiving lane. Fair share contribution for project calculated to be approximately 30.4%	Yes	Partial, due to fair share contribution
Willow Rd. and Bayfront Expy.	Near Term East Campus	Caltrans	Add a third eastbound right-turn lane and a second westbound left-turn lane.	No <sup>1</sup>	Partial
Willow Rd. and Newbridge St.	Near Term East and West Campuses	Caltrans	Add a second eastbound left-turn lane and a third westbound through lane	No <sup>2</sup>	Partial
Willow Rd. and Middlefield Rd.	Near Term East Campus	Menlo Park	Restripe northbound through lane to a northbound shared through-right lane	Yes	Yes
University Ave. and Bayfront Expy	Near Term East Campus	Caltrans	Add a fourth southbound through lane	No <sup>3</sup>	Partial
University Ave. and Donohoe St.	Cumulative East and West Campuses	Caltrans	Stripe a formal southbound right turn lane and provide southbound right turn overlap phasing	Yes	Yes – with Caltrans approval
Bayfront Expy and Chrysler Dr.	Near Term East Campus	Caltrans	Restripe existing eastbound right turn lane to a shared left-right lane	Yes	Yes – with Caltrans approval
Middlefield Rd. and Lytton Ave.	Near Term East Campus	Palo Alto	Add an additional eastbound left-turn lane	No	No
<ol style="list-style-type: none"> <li>1. Westbound left-turn lane is not feasible. Eastbound right-turn lane is feasible, but only partially mitigates impact.</li> <li>2. A second eastbound left turn lane is not feasible.</li> <li>3. An approximately one-mile portion of the Bay Trail will be constructed on University Avenue to partially mitigate this impact.</li> </ol>					

### Roadway Segments

Of the agencies that control roadway segments within the study area, only the Cities of Menlo Park and Palo Alto have guidelines that require the evaluation of roadway segments during the environmental review process. The Menlo Park Transportation

Impact Analysis Guidelines were utilized to evaluate impacts to roadway impacts for segments within the City of Menlo Park. These 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.

Roadway segments within the City of Palo Alto were evaluated using the Traffic Infusion on Residential Environment (TIRE) method. The TIRE method provides a way to qualitatively measure the impacts of a roadway from the traffic added by new developments. This method assigns an index value based on the daily traffic volumes on roadway segments. These index values range from 0.0 to 5.0 with 3.0 or higher values representing a roadway that is "auto-dominated." According to the TIRE method, a traffic volume increase that causes at least a 0.1 increase in the TIRE index would be noticeable to street residents.

Utilizing these two evaluation tools on the ten roadway segments reviewed in the Draft EIR, the analysis found that four roadway segments would experience significant and unavoidable impacts. Impacted roadway segments include the following, all of which are located within the City of Menlo Park:

- Marsh Road between Bay Road and the Railroad tracks;
- Willow Road between Durham Street and Chester Street;
- Willow Road between Nash Avenue and Blackburn Avenue; and
- Middlefield Road between Linfield Drive and Survey Lane.

All of these impacts would begin with the Near Term East Campus Only scenario in 2015 and there are no feasible mitigation measures for these impacts.

### Routes of Regional Significance

The San Mateo County Congestion Management Program Land Use Analysis Program guidelines requires that Routes of Regional Significance be evaluated to determine the impacts of added Project generated trips for projects that create more than 100 net peak hour trips. The Route of Regional Significance that are in the project area are State Route (SR) 84 (Bayfront Expressway), SR 109 (University Avenue), SR 114 (Willow Road) and United States Highway 101 (US 101). Nine segments of routes or regional significant were evaluated in the transportation analysis, which determined that the following six segments had significant and unavoidable impacts:

- SR 84 (US 101 to Willow Road);
- SR 84 (Willow Road to University Avenue);
- SR 84 (University Avenue to County Line);
- US 101 (North of Marsh Road);
- US 101 (Willow Road to University Avenue); and
- US 101 (South of University Avenue).

All of these impacts would begin with the Near Term East Campus Only Scenario in 2015 and there are no feasible mitigation measures for these impacts.

### Mitigation Measures

Transportation related mitigation measures include the following:

- **Intersection Improvements:** As presented in the table above, ten intersection mitigation measures will be required to address intersection impacts. Since some of these measures are only partial mitigations, and the majority of intersections are not under the jurisdiction of the City of Menlo Park, the intersection mitigations would not reduce the Project's intersection impacts and the impacts remain significant and unavoidable.
- **Transportation Impact Fee (TIF):** Payment of a TIF would be required for the redevelopment of the West Campus. 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.
- **West Campus Trip Cap:** For the Near Term 2018 East and West Campuses scenario, a West Campus Trip Cap is included as a mitigation measure. Specifically, the trip cap limits both the A.M. and P.M. peak period vehicular trips to 1,100. This mitigation measure would reduce A.M. and P.M. peak period trips, and thus reduce trips at impacted intersections, and involves the imposition of a trip cap on the West Campus comparable to the Peak Period Trip Cap that is part of the Project for the East Campus. A peak period trip cap of 1,100 trips for the West Campus does not, in and of itself, fully mitigate the impacts in either the A.M. or P.M. peak periods for any of the impacted intersections. Because the proposed mitigation would not fully mitigate the impact, it remains significant and unavoidable, unless the impact is fully mitigated through an intersection specific mitigation measure.

### Summary of Alternatives Analysis

The Draft EIR analyzed two alternatives including a No Project Alternative and a Reduced Project Alternative. Per the requirements of CEQA, alternatives are required to meet the majority of the Project objectives established by the project sponsor, and substantially lessen or avoid significant and unavoidable impacts. When evaluating which alternatives to consider, the City determined that an 80 percent reduction in vehicular trips would be required to eliminate any of the significant and unavoidable impacts. Since this would not meet any of the basic Project objectives, it was ruled out as infeasible. Reduced Project alternatives of a 50 percent reduction in vehicular trips and 40 percent reduction in vehicular trips, respectively, were also considered. However, since these alternatives resulted in fewer employees, or a minor increase in the number of employees currently permitted under the existing land use entitlements for the East Campus, they were ruled out as infeasible.

Ultimately, the City evaluated the No Project Alternative as required by CEQA and a Reduced Project Alternative that reduced vehicular trips associated with the Project by 25 percent. After completing the alternatives analysis, it was determined that the No Project alternative would not achieve even the most basic Project objectives including providing a centralized headquarters and an integrated highly connected campus. The Reduced Project Alternative, however, would meet several of the Project objectives. However, since the Reduced Project Alternative would not accommodate the Project sponsor's anticipated employee growth, it would not be feasible for the Project sponsor to establish its permanent headquarters at the Project site since such permanence relies entirely on housing its future workforce.

### **REGULAR BUSINESS ITEM E-1: 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 net increase in revenues and expenditures, and resulting net fiscal impact directly associated with development of the proposed Project. The Draft FIA also explores a number of related topics, including indirect revenues/costs from potential induced housing demand, as well as one-time/non-recurring revenues (such as impact fees), and potential additional opportunities for fiscal benefits. The Draft FIA evaluates Project related impact to the City (both the General Fund and Community Development Agency (CDA)) and the following affected Special Districts:

- Menlo Park Fire Protection District;
- Menlo Park Municipal Water District;
- West Bay Sanitary District;
- Elementary and High School Districts;
- San Mateo County Office of Education Special District;
- San Mateo County Community College District; and
- Midpeninsula Regional Open Space District.

The Draft FIA was released with the Draft EIR on December 8, 2011, and is available for public review at City offices, the Library and on the City maintained Project web page.

#### **General Fund Impact of Proposed Project**

The core of the Draft FIA is the estimation of annual General Fund revenues and costs associated with the Project. 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 analyzes two scenarios when evaluating the potential General Fund revenues from the Project, which correspond to alternative assumptions for sales tax and TOT generation. Based upon these two scenarios, the analysis determined that the Project would generate annual revenues to the General Fund between \$567,300 and \$660,300, with the actual amount likely falling within the range defined by these figures. Ultimately, the actual amount would be dependent upon the

extent to which Facebook employees, prospective employees, and visitors make taxable retail purchases in Menlo Park and utilize Menlo Park hotels.

General fund expenditures generated by the Project include the additional Staff and resources needs generated by the Project. In total, implementation of the Project is anticipated to result in \$492,200 of new General Fund expenditures. Utilizing both scenarios for annually occurring General Fund revenues and the anticipated General Fund expenditures generated by the Project, the Project is projected to result in an annual net positive fiscal impact (surplus) ranging from \$75,100 to \$168,100

### Community Development Agency (CDA) Analysis

The CDA serves as the City's Redevelopment Area and oversees the Las Pulgas Community Development Project Area. The Project Area was created in 1981 and the East Campus component of the Facebook Campus Project is located within the Project Area. Based upon the anticipated increase in assessed value for the East Campus, there would be \$735,000 in new tax increment generated each year. This additional tax increment would annually allow for \$146,000 in set asides for affordable housing, \$4,600 to the City's General Fund and \$309,000 for redevelopment project area plan improvements.

On December 29, 2011, subsequent to the publication of the Draft FIA, the California Supreme Court ruled that the state has the right to abolish local redevelopment agencies, but cannot compel them to spend more property tax dollars on local services as a requirement to stay in operation. Barring any legislative intervention, all redevelopment agencies, including the City of Menlo Park's CDA will be dissolved sometime in 2012. The implications of the Supreme Court's actions will be analyzed in the Final FIA.

### Special Districts

The Draft FIA also looks at the ongoing impact on special districts, in particular the Menlo Park Fire Protection District (MPFPD), which is projected to receive total annual revenues (primarily from property tax) of approximately \$300,357 from the proposed Project. On the cost side, the Fire District is projected to have annual expenditures of approximately \$200,000 per year to fund the fully loaded cost of one new fire safety personnel, which will be required as a result of the Project. Based upon the anticipated revenues and costs associated with the Project, it is considered to have a net positive fiscal impact to the MPFPD of \$100,357 annually. However, the District has indicated that the purchase of an aerial ladder truck for the fire station most proximate to the Project site would be necessary to serve the West Campus. Conversely, guidelines issued by the Insurance Service Organization (ISO) suggest that the purchase of additional equipment to service the Project site is not necessary as a result of the presence of an existing a ladder truck within acceptable distance of the Project site.

The remainder of the special district analysis (such as for school districts and water/sanitary districts) project positive net impacts, or no net fiscal impact resulting from implementation of the Project.

#### Indirect Impacts: Induced Housing Demand

The Draft FIA discusses the potential indirect impact of induced housing demand, using the projections included in the Housing Needs Analysis prepared for the City by Keyser Marston and Associates for the Project (included as an appendix to the Draft EIR), which states that the Project could result in a 254-unit increase in residential units in the City. This project equates to approximately 666 new residents in the City based upon an average household size of 2.62 (254 units x 2.62 persons per unit = 666). 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 \$20,200. The induced housing demand of the Project would result in divergent fiscal outcomes for each of the three school districts. The Menlo Park City Elementary School District is projected to have a net negative fiscal impact of \$269,600 annually, the Ravenswood Elementary School District is projected to have no fiscal impact, and the Sequoia Union High School District is projected to have a net positive fiscal impact of \$119,600 annually.

#### Alternative Business-to-Business Sales Tax Analysis

The Alternative Business-to-Business Sales Tax Analysis considers the potential revenues to the City based on a different types of business(es) moving into the Project site. This analysis was completed due to the fact that the previous occupant of the East Campus (Sun Microsystems/Oracle) sold hardware and software and generated substantial business-to-business sales tax revenues; whereas, Facebook's business does not currently generate business-to-business sales tax revenue. The analysis of different types of business(es) occupying the Project site utilized two alternative calculation methods but reached similar conclusions on the range of potential sales tax revenues that the City would receive. Based upon this methodology, the analysis determined that the range of business-to-business sales tax revenue that could be generated from a typical Silicon Valley mix of companies at the Project site would range from \$431,000 per year to \$827,000 per year.

### **STUDY SESSION ITEM F-1: REVIEW OF FACEBOOK CAMPUS PROJECT PROPOSAL**

As discussed previously in the report, the Facebook Campus Project is a phased project, inclusive of two components, the East Campus and the West Campus. Though both phases of the Project are evaluated in the Draft EIR, the project sponsor has only submitted an application for land use entitlements for the East Campus component of the Project. As such, this discussion focuses on the East Campus component of the Project.

## East Campus Development Proposal

The East Campus includes approximately 56.9 acres and was previously occupied by Sun Microsystems/Oracle. The East Campus is currently developed with nine buildings, which contain approximately 1,035,840 square feet. The existing entitlements for the site allow up to 3,600 employees to occupy the site, and Facebook currently has approximately 2,000 employees at the site. The project sponsor has completed tenant improvements at the site to convert the hardware-intensive laboratory spaces and individual hard-wall offices to a more open, shared workspace characteristic of the Facebook work environment, which is intended to foster innovation, teamwork, and creativity.

The project sponsor is currently seeking amendment of the existing CDP applicable to the site. Details regarding the CDP amendment and associated development agreement are discussed below.

### **Conditional Development Permit Amendment**

As part of the proposed Project, the project sponsor seeks to convert the existing employee cap into a vehicular trip cap. The 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. The number of vehicular trips would be monitored continuously through automated means (e.g., imbedded loop detectors in the pavement in each travel lane or video detection) approved by the City. All vehicular entrances to the East Campus would be included in the monitoring. Facebook would be responsible not only for monitoring, but also for achieving compliance with the Trip Cap, which includes, by definition, all three trip cap measurements on a daily basis (the A.M. Peak Period Trip Cap, the P.M. Peak Period Trip Cap and the Daily Trip Cap). The City would enforce compliance with the Trip Cap, and any lack of compliance with the trip cap would result in monetary fines. The amount of these fines would be determined during the Development Agreement process.

Specific parameters regarding the trip cap can be found in the Trip Cap Monitoring and Enforcement Policy, which is included as Appendix 3.5-F of the Draft EIR and is included as Attachment C to this report for ease of reference. This document touches on the following issue areas:

- Definitions – explanation of terminology utilized;
- Trip Cap – definition of the East Campus trip cap, inclusive of the designation of AM and PM peak hour trip caps and a daily vehicular trip cap;
- Monitoring – discussion regarding how the trip cap would be monitored; and
- Enforcement – discussion regarding how the trip cap would be enforced.

Key components of the proposed Project that would assist the project sponsor in achieving compliance with the trip cap include a Transportation Demand Management

Program and enhanced bicycle and pedestrian circulation on site and connecting to the site. These Project components are discussed in more detail below.

### **Transportation Demand Management (TDM) Program**

The TDM Program, which would be implemented as part of the Project, would reduce the number of vehicle trips to and from the East Campus. The TDM Program is designed to provide alternatives to single-occupancy vehicle travel. The proposed TDM Program would include, but would not be limited to the following:

- TDM Program coordinator;
- Commute assistance center;
- New-hire transportation orientation packet;
- On-site amenities to prevent the need for mid-day trips, including but not limited to food service, exercise areas, and banking services;
- Shuttle service (both long-distance and to/from Caltrain stations);
- Vanpool program;
- Carpool matching assistance through ZimRide, an online carpooling and ridesharing service that focuses on college communities and corporate campuses;
- Preferential carpool and vanpool parking;
- Guaranteed ride home program;
- Subsidized public transit passes;
- Subsidies for employees who walk or bike to work;
- Bicycle parking (both short-term racks and long-term lockers or storage facilities);
- Bicycle-share program;
- Showers and changing rooms; and
- Alternative and flexible work schedules.

This program is designed to provide a variety of options to help Facebook and its employees reduce vehicular trips and comply with the vehicular trip cap discussed above.

### **Bicycle and Pedestrian Circulation**

There are existing bicycle facilities on several major routes that access the East Campus. With occupancy of the East Campus, it is expected that bicycle demand on the roadways and paths leading to the campus will increase as employees choose to bicycle commute to the campus. The Project Sponsor has proposed to incorporate bicycle improvements as part of the Project, to encourage employee and visitor ridership to the campus, and to improve the citywide bicycle network. These improvements, which are consistent with the City's Comprehensive Bicycle Development Plan, are described below.

The existing undercrossing of Bayfront Expressway at Willow Road would be improved to provide a connection from Menlo Park to the Bay Trail as part of the Project. This

connection would provide bicyclists and pedestrians a grade-separated route to cross Bayfront Expressway, and would serve as an extension of the Bay Trail. The undercrossing would be opened during initial occupancy of the East Campus with minimal improvements, and if and when entitlements for the West Campus are granted, would be further enhanced. These improvements would provide pedestrian and bicycle access, as well as a people-mover system to transport employees and visitors between the East Campus and West Campus.

Additionally, pathways would be constructed to connect from the Willow Road frontage (from the existing sidewalk that ends between Hamilton Avenue and the railroad crossing) to the undercrossing and from the undercrossing to the Bay Conservation and Development Commission (BCDC) Shoreline Trail (which borders the East Campus), to link to the Bay Trail. These improvements are both identified as long-term needs in the City's Bike Plan. When constructed, they will reduce bicycle and pedestrian exposure when crossing the existing at-grade signalized intersection at Willow Road and Bayfront Expressway, and provide improved access and connectivity to the Bay Trail. Although not part of the Project, the Project Sponsor is also working with the City and Caltrans to restripe the existing bicycle lanes on Willow Road between US 101 and Bayfront Expressway to immediately improve bicycle access to the East Campus.

### Development Agreement

The project sponsor is requesting a legally binding Development Agreement in concert with the requested CDP Amendment. 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 City Council adopted Resolution No. 4159 in January 1990, establishing the procedures and requirements for the consideration of Development Agreements. 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. The City has previously entered into two Development Agreements, most recently with the Bohannon Development Company for the Menlo Gateway Project, and prior to that with Sun Microsystems for the subject Project site. The obligations under the Sun Microsystems Development Agreement have since been fulfilled. Resolution No. 4159, the Bohannon Development Company Development Agreement, and the Sun Microsystems Development Agreement are available for review on the City's webs site, and upon request at City offices.

Similar to each of the Projects discussed above, the Council appointed a Development Agreement subcommittee on October 18, 2011, inclusive of Council members Keith and Cline, to provide assistance and general guidance to the negotiating team utilizing parameters established by the full Council at its February 14, 2012 meeting. The core

City negotiating team includes the City Manager, City Attorney, Development Services Manager and Public Works Director. The two-member Council Subcommittee will meet with the negotiating team on an as needed basis.

At the conclusion of negotiation, the negotiating team will present a term sheet for consideration by the full Council. Prior to finalization of the Development Agreement, the Planning Commission will have an opportunity to make a recommendation to the City Council.

## **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 distinct topic than those inherent attributes of the Project that may be considered positive, such as the Projected sales tax revenue, although 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 linked with the overall development proposal, in particular the size and scope of the Project.

One purpose of the January 9<sup>th</sup> Planning Commission meeting is to provide an opportunity for the public and Commission to identify potential public benefit ideas for the Council to consider when it provides parameters for negotiating the Development Agreement. Staff will provide the Commission's public benefit recommendations to the City Council during the study session to discuss the Project on January 31<sup>st</sup>. The Council will then conduct the final review and prioritization of the public benefit ideas during their meeting on February 14<sup>th</sup>. These recommendations will be utilized during the Development Agreement negotiation phase. The establishment of public benefit recommendations will be used to guide the negotiation, but it should be understood that some or many of the ideas may not be achievable.

## East Palo Alto Housing Affordability Analysis

In response to the release of the Notice of Preparation for the Facebook Campus Project on April 21, 2011, the City of East Palo Alto submitted a comment letter voicing concerns about the potential impact of the Facebook Campus Project on housing affordability in the City of East Palo Alto. Since housing affordability is a socio-economic issue not under the purview of CEQA, analysis related to this comment was not included in the Draft EIR. However, City staff commissioned Keyser Marston and Associates to prepare a Housing Affordability Analysis for the City of East Palo Alto to address the expressed concerns. This report, entitled *Menlo Park Facebook Campus Project: Evaluation of Potential Impacts to Housing Conditions in East Palo Alto* was

released for public review on December 21, 2011, and is available for review on the City's web site, at City Hall and at the City's Library.

The key findings of this analysis are as follows:

- The Project is estimated to generate housing demand in East Palo Alto in the range from 16 to 26 additional units per year over the next six years. Total housing demand to East Palo Alto upon full Project occupancy is estimated to be in the range from 100 to 160 units. This estimate is based on the conservative assumption that three to five percent of Facebook workers will seek housing in East Palo Alto, which is a much higher percentage than the current 0.2 percent.
- Demand from Facebook workers is likely to be met through a combination of existing units and new construction, including the 835 new units in the proposed Ravenswood/4 Corners TOD Specific Plan Area. However, the precise allocation between existing units and new construction is not possible to predict for many reasons. In addition, there are uncertainties as to whether the proposed units will be built and the timing for completion may or may not match with development and occupancy of the Project.
- If none of the additional housing demand is absorbed by new construction, then up to 100 to 160 existing households in East Palo Alto could be displaced as Facebook workers compete with others, including existing residents looking to relocate within East Palo Alto. It is estimated that during the next six years, Facebook workers could represent a demand for about two percent of the units that come available through turnover.
- No significant impact to existing conditions in East Palo Alto of overspending for housing and overcrowding is anticipated. Facebook workers are anticipated to represent a relatively nominal share of the overall housing market in East Palo Alto; therefore, workers are not expected to have sufficient influence on prices and rents to materially affect existing conditions.

## **CORRESPONDENCE**

Since the release of the Draft EIR and Draft FIA on December 8, 2011, the City has received correspondence from the City of Palo Alto and the Loma Prieta Chapter of the Sierra Club requesting extension of the comment period for the Draft EIR. The City Council will be reviewing this request at its January 10<sup>th</sup> meeting.

## **RECOMMENDATION**

Staff recommends that the Planning Commission follow the meeting procedure for the three agendas outlined on pages 4 and 5 of this report

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Report Author

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Development Services Manager

## **PUBLIC NOTICE**

Public notification consisted of publishing a legal notice in the local newspaper and notification by mail of all property owners and occupants within a quarter-mile (1,320 feet) radius of the subject property. The newspaper notice was published on December 1, 2011. The mailed notice 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.

In addition, the City has prepared a Project page for the proposal, which is available at the following address: [http://www.menlopark.org/projects/comdev\\_fb.htm](http://www.menlopark.org/projects/comdev_fb.htm). This page provides up-to-date information about the Project, allowing interested parties to stay informed of its progress. The page allows users to sign up for automatic email bulletins, notifying them when content is updated or meetings are scheduled. Previous staff reports and other related documents are available for review on the Project page.

## **ATTACHMENTS**

- A. Location Map
- B. Project Plans (select sheets – complete plans available for review at the City offices or on the City web site)
- C. Trip Cap Monitoring and Enforcement Policy

**Note:** Attached are reduced versions of maps and diagrams submitted by the project sponsors. The accuracy of the information in these drawings is the responsibility of the project sponsors, and verification of the accuracy by City Staff is not always possible. The original full-scale maps, drawings and exhibits are available for public viewing at the Community Development Department.

## **AVAILABLE FOR REVIEW AT CITY OFFICES AND CITY WEBSITE**

Draft Environmental Impact Report prepared by Atkins, dated December 2011  
Draft Fiscal Impact Analysis prepared by BAE, dated December 2011

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