



PLANNING COMMISSION STAFF REPORT

FOR THE PLANNING COMMISSION
MEETING OF MAY 18, 2015
AGENDA ITEM E3

LOCATION:	1010-1026 Alma Street	APPLICANT:	Lane Partners
EXISTING USE:	Restaurant, Retail, Personal Services	OWNER:	Robert W. Armstrong Revocable Trust
PROPOSED USE:	Non-Medical Office, with Public Plaza and Coffee Pavilion	APPLICATION:	Study Session
ZONING:	SP-ECR/D (El Camino Real/Downtown Specific Plan) - SA E (Station Area East)		

PROPOSAL

The applicant is requesting a study session for the Public Benefit Bonus proposal associated with the architectural control request to demolish two existing commercial buildings and construct a new three-story office building with two underground parking levels in the SP-ECR/D (El Camino Real/Downtown Specific Plan) zoning district. The proposed development would be at the public benefit bonus level, which would exceed the Base level floor area ratio (FAR). The public benefit bonus proposal includes the provision of public plazas along Alma Street, a small pavilion for a cafe, and a financial contribution to the City. No actions will take place at this meeting, but the study session will provide an opportunity for the Planning Commission and the public to become more familiar with the proposal and to provide initial feedback on the applicability of the Public Benefit Bonus.

BACKGROUND

The 1010-1026 Alma Street property is improved with two single-story commercial buildings that were originally constructed in the early 1950s. The buildings have since been occupied by commercial uses, including restaurants, personal services, and retail uses.

ANALYSIS

Site Location

Using Alma Street in a north to south orientation, the subject property is located on the east side of Alma Street, between Ravenswood Avenue and Oak Grove Avenue. Adjacent properties to the north, west, and south are also in the SP-ECR/D zoning district, and are occupied by a mix of uses, including restaurants, offices, retail, and private recreation. The Menlo Park Caltrain Station is located to the west of the subject property, on the west side of Alma Street. Apartment buildings in the R-3 (Apartment) district are located to the east of the subject property. A location map is included as Attachment A.

The subject property is a through lot with frontage on both Alma Street and Alma Lane, where Alma Street serves as the functional front and Alma Lane serves as the functional rear. Alma Lane has a right-of-way width of 20 feet, with Ravenswood Avenue at its southern terminus and Alma Street at its northern terminus. Alma Lane primarily serves as a service alley for the subject site and other properties on this block, and provides access to the carports of the apartment buildings on Noel Drive. The site is currently comprised of five parcels and both existing buildings straddle the property lines. There are existing easements along the outer edges of the project site, including a five-foot wide ingress/egress easement along the right side property line and utility easements along both the front and rear property lines.

Project Description

The applicant is proposing to demolish the existing site improvements and construct a new three-story office building with two levels of underground parking. The proposal would include public plazas along Alma Street, a small retail/café pavilion, and a financial contribution of \$180,212 to the City as public benefits, as discussed in further detail later in this report. The applicant has submitted project plans (Attachment B) and a project description letter (Attachment C). As a study session item, the proposal is at a preliminary review phase, and elements are subject to change as staff conducts a detailed review of the plan sets and other submittals.

The proposed site layout is designed around two heritage oak trees that feature prominently along Alma Street, including a 35.5-inch in diameter coast live oak located in the northwest portion of the site, and a 36-inch in diameter coast live oak located at the southwest corner. The separate parcels on the site would be merged into one parcel, and a proposed three-story building would be situated centrally on the site over a proposed two-level underground garage, with a large left side setback of approximately 53 feet in order to minimize construction impacts to the 35.5-inch oak tree. The majority of the left side setback area would be improved with a fenced, private courtyard, with a smaller unfenced area along Alma Street to serve as a public plaza, which will be discussed in more detail below. The front of the building would include articulated planes, with a plaza area at the inset front entry. The upper floors would

include private deck space, and walls would be set in to create a tiered building massing.

The development would exceed the SA E sub-district Base level density/intensity standards for non-medical office use, as may conditionally be permitted at the Public Benefit Bonus level, as follows:

	Base Level	Public Benefit Bonus Level	Proposed
FAR (Overall)	1.350	1.750	0.875
FAR (Non-Medical Office)	0.675	0.875	0.870

While the proposed development would achieve close to the maximum FAR for non-medical office, the overall allowable FAR for non-office uses (i.e., retail, residential, etc.) would largely remain unused.

The proposed structures would adhere to the Station Area East sub-district height maximums, which have an overall limit of 48 feet and a façade height limit of 38 feet on the front and rear.

Because the project does not incorporate any requests that require City Council approval (for example, a major subdivision, right-of-way abandonment, or development agreement), the proposal as currently formulated may be acted on by the Planning Commission. However, any such future action may be appealed to the City Council.

Design and Materials

As noted previously, the designs are still at a relatively preliminary stage, and are subject to revision as staff conducts a detailed review, including consideration of the applicant's responses to the Specific Plan's extensive design guidelines and standards. However, the study session provides an opportunity for the Planning Commission to provide initial feedback for the consideration of the applicant and staff, on topics such as the design, materials, landscaping, and site layout.

The proposed structures would feature a contemporary design aesthetic, with a range of materials to provide variety and interest. The ground level would feature a storefront glazing system to activate the streetscape. The proposed building would be clad with masonry wall cladding in two textures on the first and second levels, with accent features such as a green wall and pop-outs clad in a different texture from the main wall planes. The third level would have glass walls, with metal framed windows and painted metal canopies. A mechanical well and elevator penthouse would rise above the standing seam metal roof, although its location at the center of the building would screen views of the equipment. Features such as metal sunshades at the windows, metal canopy over the main entry, and glass guardrails for the upper level decks would help break up visual massing and provide architectural interest.

Parking and Circulation

The proposed development includes a total of 96 off-street parking spaces, to be provided through a combination of at-grade parking and a subterranean parking garage. The at-grade parking would be located along Alma Lane, and would consist of 20 parking stalls, while the subterranean garage would be accessed by a driveway along Alma Lane and would provide 76 parking stalls on two levels.

The development would provide parking at the following minimum ratios, as required by the Specific Plan:

Land Use	Parking Ratio
Non-Medical Offices	3.8 spaces per 1,000 square feet of gross floor area
Restaurant	6.0 spaces per 1,000 square feet of gross floor area

The project would likewise provide required bicycle parking in both short-term and long-term configurations. Short-term bicycle parking is proposed in a public plaza at the southwest corner of the site, while long-term bicycle parking is proposed inside the parking garage.

The project would provide pedestrian paths consisting of a 15-foot wide public sidewalk along Alma Street, as well as two pedestrian paths, each of which would be approximately five feet in width, connecting Alma Street and Alma Lane along the left and right side property lines.

Trees and Landscaping

There are currently six heritage trees and six non-heritage trees on or near the site, with limited groundcover plantings. The applicant has submitted an initial arborist report that is being reviewed by staff, and any mitigations (or project revisions) that are necessary to protect these trees would be incorporated into any future project approvals.

The project plans include a conceptual landscape plan, which shows the preservation of two heritage coast live oak trees on site and two heritage elm trees on the adjacent site to the left/north. The siting of the proposed building and underground parking is designed to ensure the continued vitality of the two heritage coast live oak trees. A number of new trees would be added along the peripheries of the site, particularly along Alma Street and the left/north property line. No new trees will be planted along the rear (Alma Lane) due to planting restrictions within the existing utility easement. The project would also feature “vertical landscaping” through a green wall feature at the main building entrance. Landscaping would also be added for the publicly accessible plazas and private courtyard on the ground floor, and private deck spaces on the upper floors. The proposed landscape plan, including the planting of street trees, would need to be

reviewed in more detail by staff, including the Public Works Department and the City Arborist, and may be subject to revision.

Below Market Rate (BMR) Housing

The proposed development would be subject to the City's BMR requirement. The City may allow such a BMR requirement to be met in a number of ways, including on-site provision of a unit, off-site provision of a unit, or payment of an in-lieu fee. At the public benefit bonus level, the proposed project would have a BMR requirement of 0.9 BMR units or an in-lieu fee payment of approximately \$296,000. The Base-level project would have a BMR requirement of 0.7 BMR units or an in-lieu fee payment of approximately \$210,000. The proposed project does not include a residential component, although the zoning designation for the subject site does allow residential uses. The applicant is proposing to satisfy the project's BMR obligations through the payment of in-lieu fees.

The BMR proposal will ultimately be reviewed by the Housing Commission, which will provide a recommendation to the Planning Commission, to be considered with the overall project actions.

Public Benefit Bonus

The Specific Plan establishes two tiers of development:

- **Base:** Intended to inherently address community goals, such as: encourage redevelopment of underutilized parcels, activate train station area and increase transit use, and enhance downtown vibrancy and retail sales. These standards were established through the iterative Community Workshop and Commission/Council review process, wherein precedent photographs, photomontages, sections, and sketches were evaluated for preferences, and simultaneously assessed for basic financial feasibility.
- **Public Benefit Bonus:** Absolute maximums subject to provision of negotiated public benefit, which can take the form of a Development Agreement. As part of the revisions from the Draft Specific Plan, greater specificity was provided on the structure of this review process. In particular, a public study session is required prior to a full application, and has to be informed by appropriate fiscal/economic analysis. The list of recommended public benefits was also expanded with public suggestions, and a process was established to review and revise the list over time. This list was in fact revised by the City Council in October 2014 to remove LEED Silver as a recommended public benefit.

The Public Benefit Bonus process, including background on how the structured negotiation process was selected relative to other procedural options, is described on Specific Plan pages E16-E17 (included here as Attachment D). A small Public Benefit Bonus was granted for one previous Specific Plan proposal, a unique hotel conversion project at 555 Glenwood Avenue, but otherwise this discretionary review process has not yet been fully conducted. The subject proposal and a separate project at 650 Live

Oak Avenue (which will also be considered as a study session item on May 18) represent the first projects to conduct a detailed review at the maximum Public Benefit Bonus levels.

Public Benefit Proposal

The applicant is proposing a public benefit consisting of public space amenities with a retail/café pavilion and outdoor seating, and a one-time financial contribution to the City in the amount of \$180,212. The applicant determined the proposed financial contribution amount based on half of the first year's potential net operating income derived from the additional 5,748 square feet that could be constructed at the public benefit bonus level.

The public space amenities presented in the applicant's proposal includes the following:

- A pedestrian path along the left/north property line that would provide a connection between Alma Street with Alma Lane would be approximately 600 square feet. This would be a new pedestrian path at this location;
- A plaza along Alma Street at the northwest corner of the site, adjacent to a proposed private courtyard with a large oak tree, would be approximately 970 square feet. This plaza would be improved with a small retail/café pavilion, outdoor seating (i.e., benches, and café tables and chairs), and landscaping;
- A recessed court at the main entry to the building along Alma Street would be approximately 510 square feet, and would have a green wall feature;
- A plaza along Alma Street at the southwest corner of the site would be approximately 870 square feet. There is an existing heritage oak tree in this plaza that would be preserved. The applicant is proposing to place some bicycle racks within this plaza, which may limit the usability of this area as a gathering space; and,
- A pedestrian path along the right/south property line that would provide a connection between Alma Street and Alma Lane. This path would replace an existing pedestrian path at this location. The path is also required to be provided as part of the existing ingress/egress easement for the benefit of the adjacent property to the right/south (550 Ravenswood Avenue);

Staff believes that the proposed recessed court at the main building entry and the pedestrian path along the right/south property line should not be considered as public benefits. The recessed court at the main building entry would be project-serving, and would not present a space that invites public use. This area also serves in part to address the Specific Plan's requirements for a major façade modulation and entry prominence. The pedestrian path along the right/south property line would be constructed in fulfillment of an existing ingress/egress easement, and therefore would not be considered a voluntary benefit that is being provided. Both the recessed court at the main entry and the pedestrian path along the right/south property line have been excluded from consideration as part of the public benefit proposal in the financial analysis, which is discussed in more detail below.

With respect to the plazas at the northwest and southwest corners, staff believes they would be attractively designed and the proposed retail pavilion could help activate the northwest plaza; however, both plazas are relatively small, particularly in relation to the large private courtyard on the site. As currently designed, the fragmented spaces as proposed may not look like public spaces. Furthermore, similar public spaces are already being provided in the vicinity (e.g., Menlo Center's plaza).

The Specific Plan does list "Public parks/plazas and community rooms" as one of several elements that could be considered as public benefits, although this list is not binding; each proposal needs to be reviewed on a case-by-case basis.

Financial Analysis

The Specific Plan requires that Public Benefit Bonus study sessions "incorporate appropriate fiscal/economic review (with work overseen by City staff), which should broadly quantify the benefits/costs of the bonus FAR/density/height and the proposed public benefit." The intent of this independent analysis is not to make a definitive determination of the value of the bonus development or the public benefit, or a recommendation whether the bonus should be granted. Rather, the analysis is intended to provide likely estimates and other information to inform the Planning Commission's discussion. The City has commissioned such an analysis by BAE Urban Economics (BAE), which is included as Attachment E.

For the value of the proposed bonus development, BAE has prepared detailed 'pro formas,' which examine typical revenues and costs for both the Public Benefit Bonus proposal (Bonus Project), as well as a similar proposal at the Base-level development standards (Base Project). The Base Project has not been fully designed, but the applicant has described it in sufficient detail for BAE to analyze its relative profitability. Both pro formas take into account factors such as current construction costs, City fees, capitalization rates, and typical market rents. However, as noted in the document, such factors can change, which may substantively affect the conclusions of the analysis. For this case, BAE has determined that development of the proposed Base Project would result in a loss of approximately \$417,000, and therefore, would not be a project that developers would likely pursue. The analysis also determined that the Bonus Project would create approximately \$1.05 million in additional project value as compared to the Base Project, although this figure does not take into account the potential loss that would be incurred by the Base Project.

For the value of the proposed public benefit, the value of the one-time financial contribution is clear, but for the public space elements, the BAE analysis provides some estimates for the consideration of the Planning Commission. By their nature, such elements may have a more subjective value. For the proposed public spaces, BAE analyzed the cost to the developer of providing these improvements, which are estimated at approximately \$199,000. The total value of the proposed public benefit components together could thus be considered as approximately \$379,000.

Planning Commission Considerations

The study session format allows for a wide range of discussion/direction on the Public Benefit Bonus topic. However, to assist the Planning Commission, staff recommends considering a sequence of questions, including:

- **Are the proposed public benefits generally desired?** If a public benefit element is something that Commissioners are negative or even neutral on, the subsequent valuation questions may be disregarded. In such a case, Commissioners could focus on suggestions for alternate public benefits.
- **If the public benefits are desired, are the valuation estimates accurate, or would different considerations be more accurate?** For example, the construction costs for the public space amenities and retail/café pavilion, and the financial contribution to the City may be estimated at \$379,000 as proposed, but Commissioners could consider other valuations.
- **After considering the above question, are the public benefits and the developer benefits roughly aligned, or does the public benefit proposal need to be revised/augmented?** The Specific Plan does not establish an explicit ratio for the value of the public benefit in relation to the developer benefit. However, it is implied that these values should not be orders of magnitude apart. In other words, if the public benefit is substantially higher than the developer benefit, the extra development may not be feasible and an applicant may elect to not proceed, while if the developer benefit is substantially higher than the public benefit, the City may be missing out on desired benefits.
- **Is any additional information/analysis needed to complete the Planning Commission's consideration of this item?** As noted previously, the Specific Plan's Public Benefit Bonus review process has not yet been conducted in detail. While staff believes the BAE analysis provides sufficient information and context, Commissioners could request additional analysis or information.

Following the study session, a range of actions are possible, including:

- If Commissioners provide generally positive feedback, the applicant could continue refining the proposal as it is currently structured. The project could then be presented for comprehensive action at a future meeting.
- If Commissioners provide direction that the public benefit proposal needs to be revised or augmented, the applicant would consider that guidance and either:
 - Revise the proposal and return for an additional study session, or request that the revised proposal be processed by staff and presented for comprehensive action at a future meeting.
 - Revise the proposal to adhere to the Base level standards, which (as a reminder) were established to generate a number of key inherent benefits. The revised Base-level project could then be considered by the Planning Commission at a future meeting.

While the current study session item is an opportunity for individual Commissioner guidance, the Planning Commission as a body may consider a "term sheet" or

equivalent action on the Public Benefit Bonus topic at a subsequent meeting, if more formality is desired. Such an action would not represent any sort of binding approval of the Public Benefit Bonus proposal, as the overall project actions need to be considered comprehensively, including with consideration to environmental review requirements. However, a term sheet or similar action could provide documentation of how the Planning Commission viewed this topic at a preliminary stage.

Correspondence

Staff has received one piece of correspondence on the proposal in general, included in Attachment F and summarized below. No correspondence has been received on the Public Benefit Bonus study session in particular.

Klara Turner, the business owner at 1010 Alma Street, expressed concerns over the disposition of three oak trees, including the oaks at 1010 Alma Street and in the patio of 1026 Alma Street occupied by Iberia Restaurant. The two oak trees at 1010 and 1026 Alma Street would be preserved as part of the proposed development, and in fact, the development has been designed around these trees. The third oak tree located in the central portion of the site along Alma Lane, is proposed for removal as part of the proposed project.

ENVIRONMENTAL REVIEW

As a study session item, the Planning Commission will not be taking an action, and thus no environmental review is required at this time. The overall project will be evaluated in relation to the Environmental Impact Report (EIR) prepared for the Specific Plan, and will be required to apply the relevant mitigation measures.

RECOMMENDATION

Staff recommends that the Planning Commission use the study session to consider a presentation from the applicant, receive public comment, and provide individual feedback on the proposal, in particular on the Public Benefit Bonus element.

Report prepared by:
Jean Lin
Associate Planner

Report reviewed by:
Thomas Rogers
Senior Planner

PUBLIC NOTICE

Public notification consisted of publishing a legal notice in the local newspaper and notification by mail of owners and occupants within a 300-foot radius of the subject property.

ATTACHMENTS

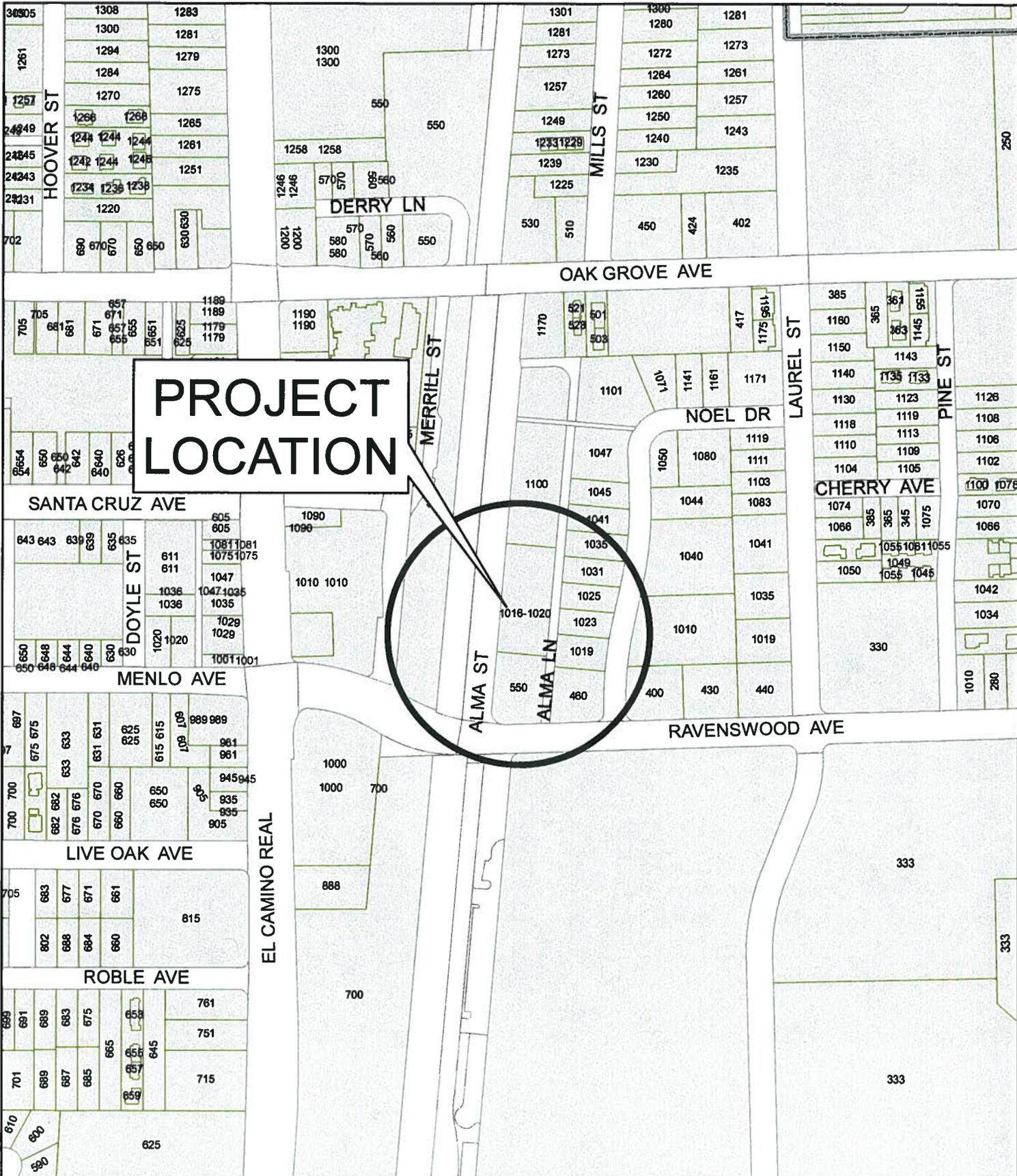
- A. Location Map
- B. Project Plans
- C. Project Description Letter
- D. El Camino Real/Downtown Specific Plan Excerpt (pages E16-E17)
- E. Analysis of Proposed Public Benefit Bonus for 1020 Alma Street Project, prepared by BAE Urban Economics, dated May 14, 2015
- F. Correspondence
 - Email from Klara Turner, dated January 3, 2015

Note: Attached are reduced versions of maps and diagrams submitted by the applicants. The accuracy of the information in these drawings is the responsibility of the applicants, 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.

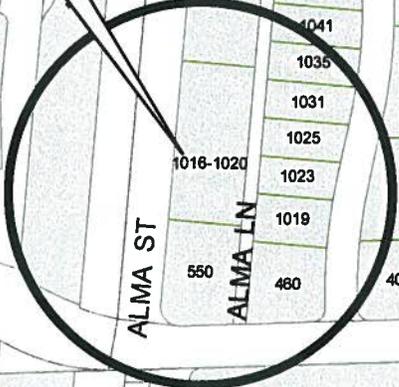
EXHIBITS TO BE PROVIDED AT MEETING

None

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**PROJECT
LOCATION**



CITY OF MENLO PARK
 LOCATION MAP
 1010-1026 ALMA STREET



ALMA STATION BUILDING

1020 ALMA STREET

PLANNING DEPARTMENT APPLICATION FOR DEVELOPMENT - PLAN CHECK RESPONSE #1

PROJECT DESCRIPTION

ONE NEW THREE LEVEL ABOVE GRADE OFFICE USE BUILDING WITH TWO LEVELS OF BELOW GRADE PARKING. PRIVATE AND PUBLIC SERVING OPEN SPACE IS LOCATED AROUND THE PERIMETER OF THE BUILDING INCLUDING A NEIGHBORHOOD SERVING COMMERCIAL PAVILION. SURFACE PARKING IS LOCATED TO THE REAR OF THE BUILDING ALONG ALMA LANE. TWO EXISTING HERITAGE OAK TREES ARE PROPOSED TO REMAIN.

SHEET INDEX

CS	COVER SHEET	A2-01	LEVEL -2 PARKING GARAGE FLOOR PLAN
G2-01	LEED SCORECARD	A2-02	LEVEL -1 PARKING GARAGE FLOOR PLAN
A1-01	AERIAL SITE PLAN	A2-03	LEVEL 0 FLOOR PLAN
A1-02	AREA PLAN	A2-04	FIRST FLOOR PLAN
A1-03	SITE PLAN	A2-05	SECOND FLOOR PLAN
1 OF 1	SURVEY	A2-06	THIRD FLOOR PLAN
C-2.0	TOPOGRAPHIC SURVEY	A2-06	ROOF PLAN
C-3.0	DEMOLITION PLAN	A3-01	FRONT ELEVATION (SOUTH)
C-4.0	GRADING PLAN	A3-01a	PAVILION FRONT ELEVATION (SOUTH)
C-5.0	UTILITY PLAN	A3-02	LEFT SIDE (WEST) & RIGHT SIDE (EAST) ELEVATIONS
C-6.0	STORM WATER MANAGEMENT PLAN	A3-03	REAR ELEVATION (NORTH)
C-8.0	EROSION CONTROL	A3-04	STREETSCAPE ELEVATIONS
C-9.0	VEHICULAR CIRCULATION PLAN	A3-11	BUILDING SECTIONS
L-1.1	GROUND LEVEL PLAN	A3-12	BUILDING SECTIONS
L-1.2	SECOND FLOOR TERRACE	A3-13	BUILDING SECTIONS
L-1.3	THIRD FLOOR TERRACES	A3-14	SITE SECTION
L-2.1	SECTION ELEVATIONS	A4-01	PERSPECTIVE VIEW 1
L-2.2	SECTION ELEVATIONS	A4-03	PERSPECTIVE VIEW 3
L-3.1	PRECEDENTS	A4-04	PERSPECTIVE VIEW 4
L-3.2	ZEN GARDEN PRECEDENTS & MATERIALS	A4-05	PERSPECTIVE VIEW 5
L-3.3	SITE FURNISHINGS & GREEN WALL PRECEDENTS	A5-01	PROPOSED BUILDING GROSS FLOOR AREA
L-3.4	WEST OAK PLAZA MATERIALS AND PRECEDENTS	A5-02	EXISTING BUILDINGS GROSS FLOOR AREA



PROJECT TEAM

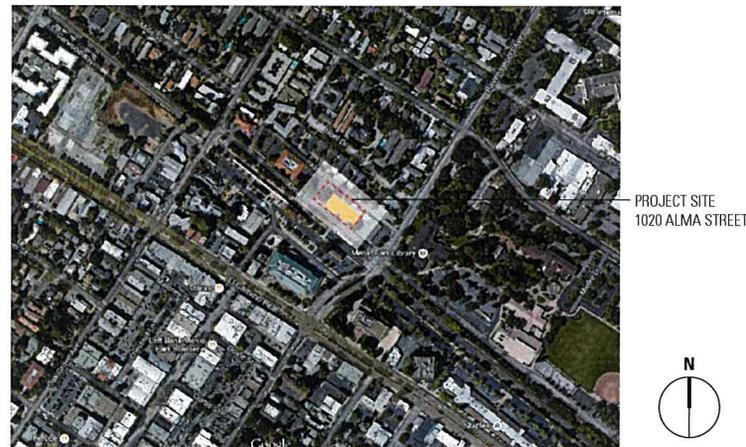
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VICINITY MAP



ALMA STATION

MENLO PARK, CA

COVER SHEET

BAR architects

901 Battery Street, Suite 300 | San Francisco, CA 94111 | 415 293 5700 | www.bararch.com

LANE PARTNERS

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650.838.0100 650.838.0900 fax

14035

04.20.15

NTS

CS



Alma Station - LEED for New Construction SCORECARD

Category	Confirmed				Points Available	Description	Points	Points Available	
	Yes	Likely	Maybe	Challenging					
SUSTAINABLE SITES	1				1	Prereq 1 Construction Activity Pollution Prevention (CAP)	NA	1	
	5				5	Cred 1.1 Site Selection	1	5	
	1				1	Cred 1.2 Development Density & Community Connectivity (w/in 3.5 miles of 10 services, or 60,000 sf/acre)	1	1	
	6				6	Cred 1.3 Brownfield Redevelopment	1	6	
	1				1	Cred 1.4.1 Alternative Transportation—Public Transportation Access (w/in .5 miles of Rail or 2.5 miles of Bus)	1	1	
	3				3	Cred 1.4.2 Alternative Transportation—Bicycle Storage & Showers (5% of com occupants for 15% rest)	1	3	
	1				1	Cred 1.4.3 Alternative Transportation—Low-Emitting and Fuel-Efficient Vehicles	1	1	
	2				2	Cred 1.4.4 Alternative Transportation—Parking Capacity (5% carpool, 20% discounted rate, or no new)	2	2	
	1				1	Cred 1.5.1 Site Development—Protect or Restore Habitat (restore/protect: 50% excluding bldg or <= to 20% of)	1	1	
	1				1	Cred 1.5.2 Site Development—Maximize Open Space (vegetated eq. w/ates building footprint or <= to 20% of)	1	1	
WATER	2				2	Prereq 1 Water Use Reduction—20% Reduction by volume	NA	2	
	2				2	Cred 1.1 Water Efficient Landscaping—50% reduction (2" or No Irrigation Use is)	4	4	
	1				1	Cred 1.2 Innovative Wastewater Technologies—50% potable water use reduction or treatment	2	2	
	4				4	Cred 1.3 Water Use Reduction—30% (2), 35% (3), 40% (4), by volume	4	10	
	7				7	Prereq 1 Fundamental Commissioning	NA	7	
	9				9	Prereq 2 Minimum Energy Performance—10% efficiency improvement	NA	9	
	3				3	Prereq 3 Fundamental Refrigerant Management	NA	3	
	19				19	Cred 1.1 Optimize Energy Performance—12% to 48% (-19) efficiency improvement	19	19	
ENERGY & ENVIRONMENT	7				7	Cred 1.2 On-Site Renewable Energy—1-13% (1-7) of total energy use by cost	7	7	
	2				2	Cred 1.3 Enhanced Commissioning	2	2	
	2				2	Cred 1.4 Enhanced Refrigerant Management	2	2	
	1				1	Cred 1.5 Measurement and Verification	3	3	
	2				2	Cred 1.6 Green Power—2 year contract, renewable energy accounts for 35% building electricity use	2	2	
	11				11	Totals	11	11	
MATERIALS & RESOURCES	3				3	Prereq 1 Storage and Collection of Recyclables	NA	3	
	1				1	Cred 1.1 Building Reuse—Maintain Existing Walls, Floors and Roof (55-65% of total surface area)	3	3	
	1				1	Cred 1.2 Building Reuse—Maintain Interior Non-Structural Elements (5% of total surface area)	1	1	
	2				2	Cred 1.2 Construction Waste Management (50-75% total materials diverted, by weight)	2	2	
	2				2	Cred 1.3 Materials Reuse (5-10% total materials cost, furniture optional)	2	2	
	1				1	Cred 1.4 Recycled Content (10-20% total materials cost, furniture optional)	2	2	
	1				1	Cred 1.5 Recycled Materials (10-20% total materials cost, furniture optional)	2	2	
	1				1	Cred 1.6 Rapidly Renewable Materials (2.5% total materials cost, furniture optional)	1	1	
	1				1	Cred 1.7 Certified Wood (50% total material new wood cost)	1	1	
	3				3	Totals	14	14	
INDOOR ENVIRONMENTAL QUALITY	1				1	Prereq 1 Minimum Indoor Air Quality Performance	NA	1	
	1				1	Prereq 2 Environmental Tobacco Smoke (ETS) Control	NA	1	
	1				1	Cred 1.1 Outdoor Air Delivery Monitoring	1	1	
	1				1	Cred 2.2 Increased Ventilation (50% above ASHRAE 52.1 2007)	1	1	
	1				1	Cred 3.1 Construction IAQ Management Plan—During Construction	1	1	
	1				1	Cred 3.2 Construction IAQ Management Plan—Before Occupancy (2-4)	1	1	
	1				1	Cred 4.1 Low-Emitting Materials—Adhesives and Sealants (100% compliant)	1	1	
	1				1	Cred 4.2 Low-Emitting Materials—Paints and Coatings (100% compliant)	1	1	
	1				1	Cred 4.3 Low-Emitting Materials—Flooring Systems (100% GLP/ES Adhesives)	1	1	
	1				1	Cred 4.4 Low-Emitting Materials—Composite Wood & Aquifiber Products	1	1	
INNOVATION	1				1	Cred 1.1 SSc 4.1 EP Double Siderling (1 point)	1	1	
	1				1	Cred 1.2 EA-2 EP On-Site Renewable Energy (1 point)	1	1	
	1				1	Cred 1.3 ID - Green Building Education (1 point)	1	1	
	1				1	Cred 1.4 ID - Integrated Pest Management (1 point)	1	1	
	1				1	Cred 1.5 EA-6 EP Green Power (1 point)	1	1	
	1				1	Cred 2 ID-2 LEED AP (1 point)	1	1	
	2				2	Totals	6	6	
	REGIONAL	1				1	Cred 1.1 Region Priority-SSc5.2	1	1
		1				1	Cred 1.2 Region Priority-WEc2	1	1
		1				1	Cred 1.3 Region Priority-WEc3 (40%)	1	1
1					1	Cred 1.4 Region Priority-EAc2 (1%)	1	1	
1					1	Cred 1.5 Region Priority-MRc1 (.55%)	1	1	
1				1	Cred 1.5 Region Priority-IEQc8.1	1	1		
1				1	Totals	4	4		

Current Likely Certification Level: GOLD
Possible Certification Level: Gold

Certified	40-49	Total Confirmed Points	23
Silver	50-59	Total Confirmed + Likely Points	62
Gold	60-79	Total Confirmed + Likely + Maybe Points	87
Platinum	80+	Total Confirmed + Likely + Maybe + Challenging Points	99

TARGET CERTIFICATION LEVEL: GOLD

4/9/2015

1 of 1

ALMA STATION

MENLO PARK, CA

LEED SCORECARD

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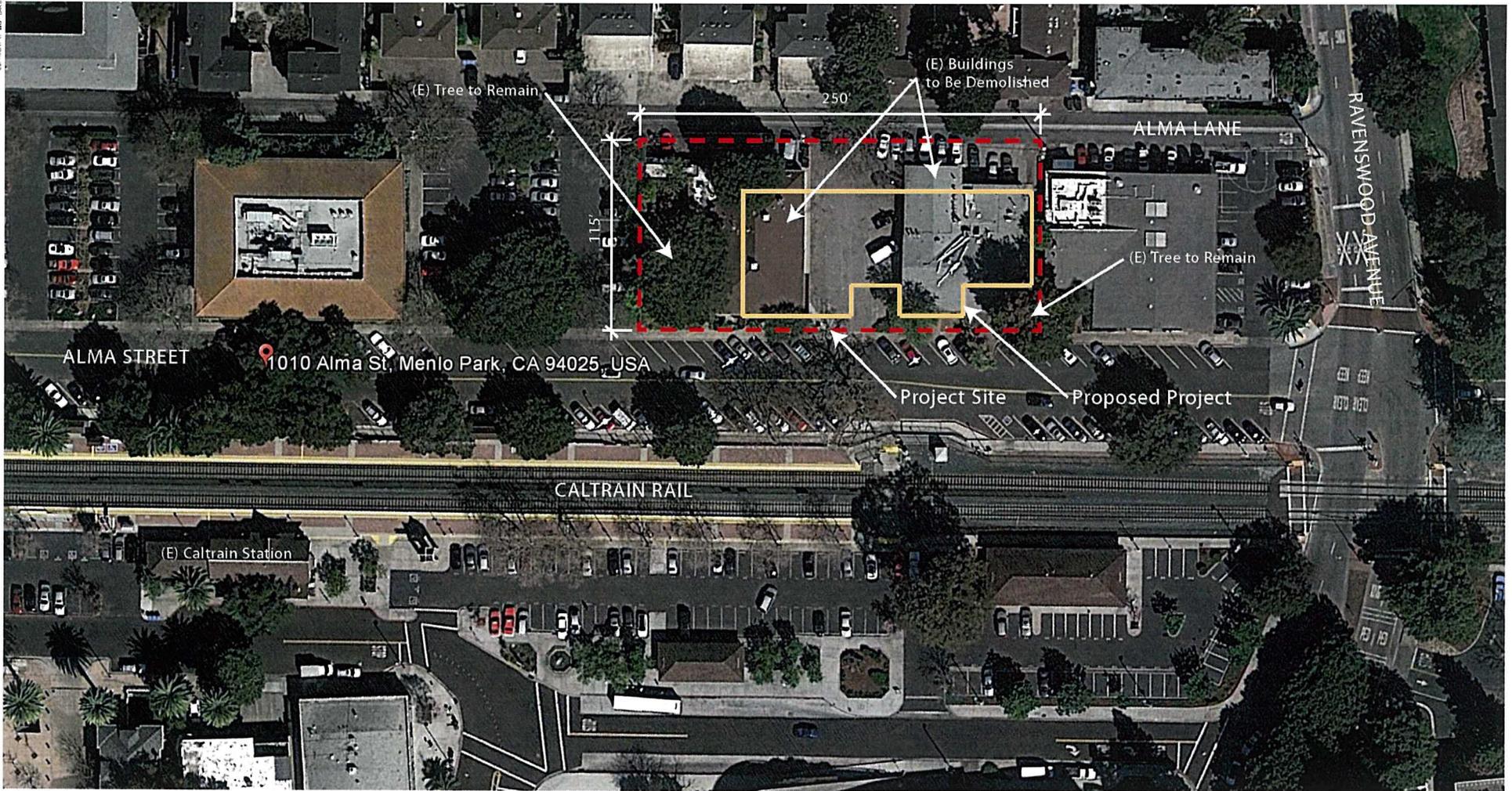
14035

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NTS

G2-01





ALMA STATION

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AERIAL SITE PLAN

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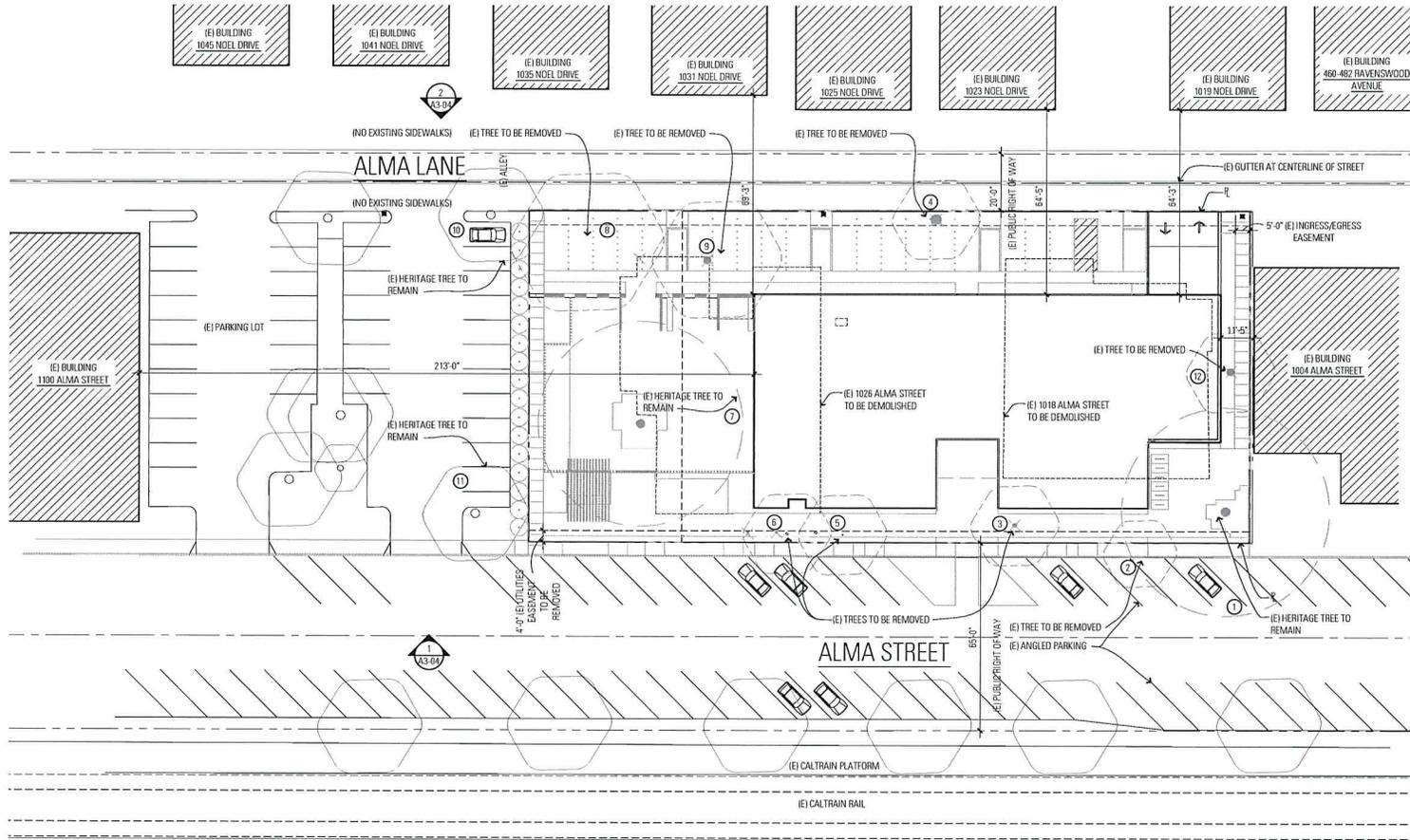
14035

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NOT TO SCALE

A1-01

B3



EXISTING TREE LEGEND		
ARBORIST REPORT #	DBH IN.*	SPECIES
①	36	Quercus agrifolia
②	11	Prunus caroliniana
③	14	Pyrus kawakamii
④	20, 21.5, 5.5	Ailanthus altissima
⑤	9.5	Olea europaea
⑥	9.5	Olea europaea
⑦	35.5	Quercus agrifolia
⑧	9.8	Pyrus kawakamii
⑨	33	Quercus agrifolia
⑩	20.5	Ulmus parviflora
⑪	15.5	Ulmus parviflora
⑫	7, 7.5, 6, 5.5, 4	Prunus laurocerasus

*NOTE: DBH IN. IS TREE DIAMETER IN INCHES MEASURED AT 54 INCHES ABOVE AVERAGE SOIL GRADE

ALMA STATION

MENLO PARK, CA

AREA PLAN

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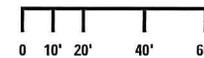
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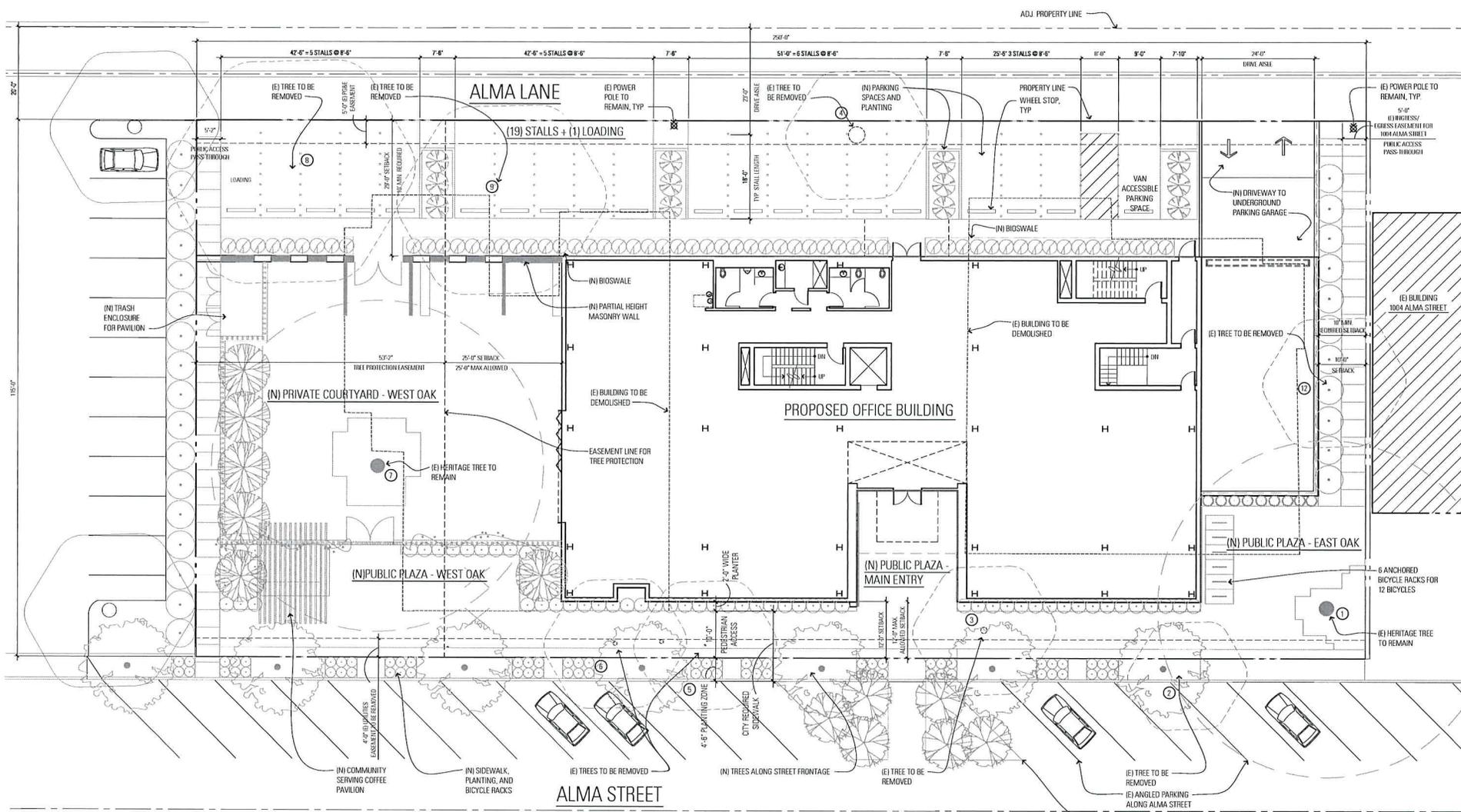
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A1-02



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NOTES
 1. SEE SHEET A1-02 AREA PLAN FOR EXISTING TREE NOTES AND LEGEND

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SITE PLAN

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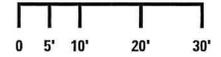
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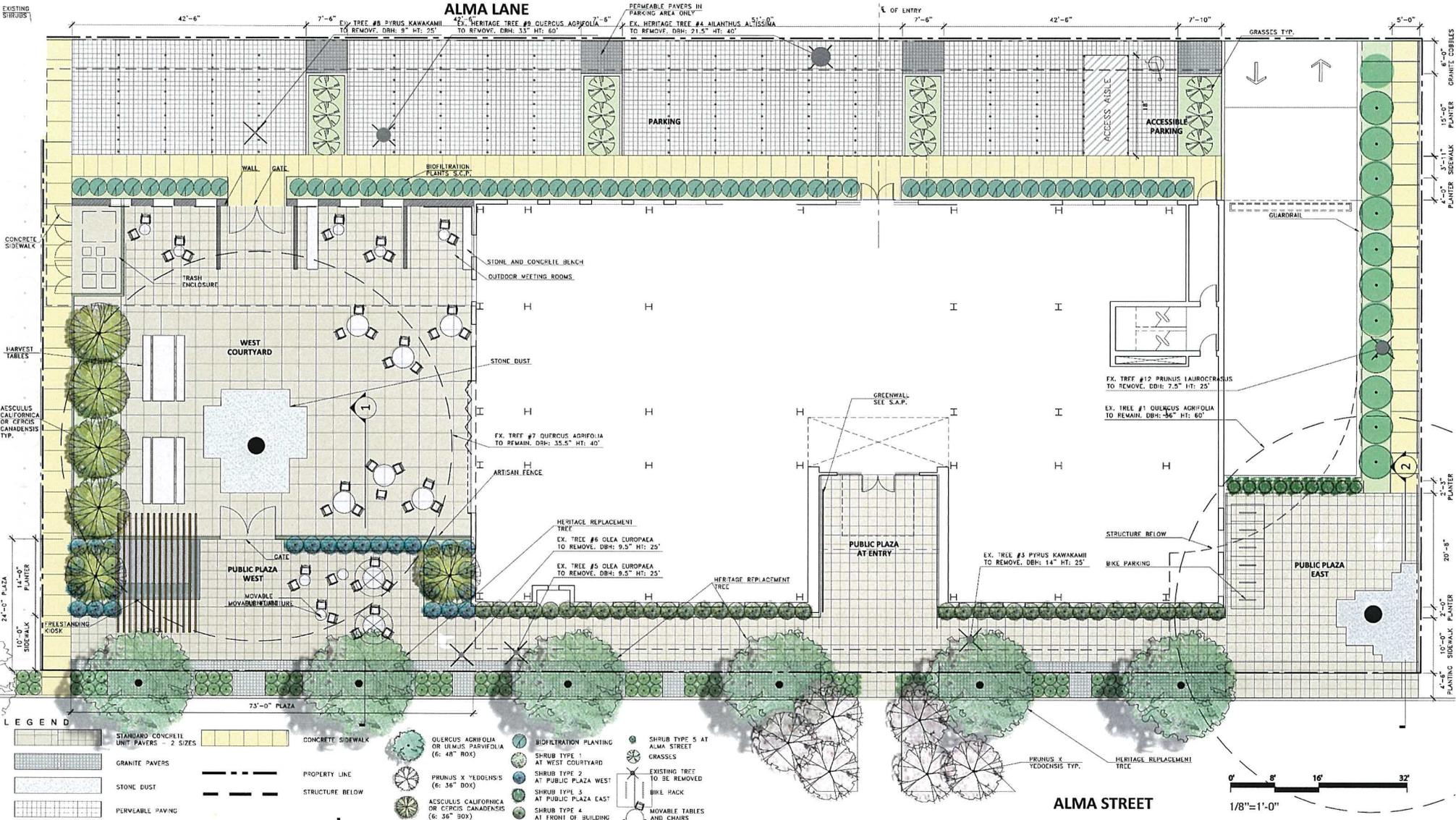
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A1-03





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GROUND LEVEL PLAN
L-1.1





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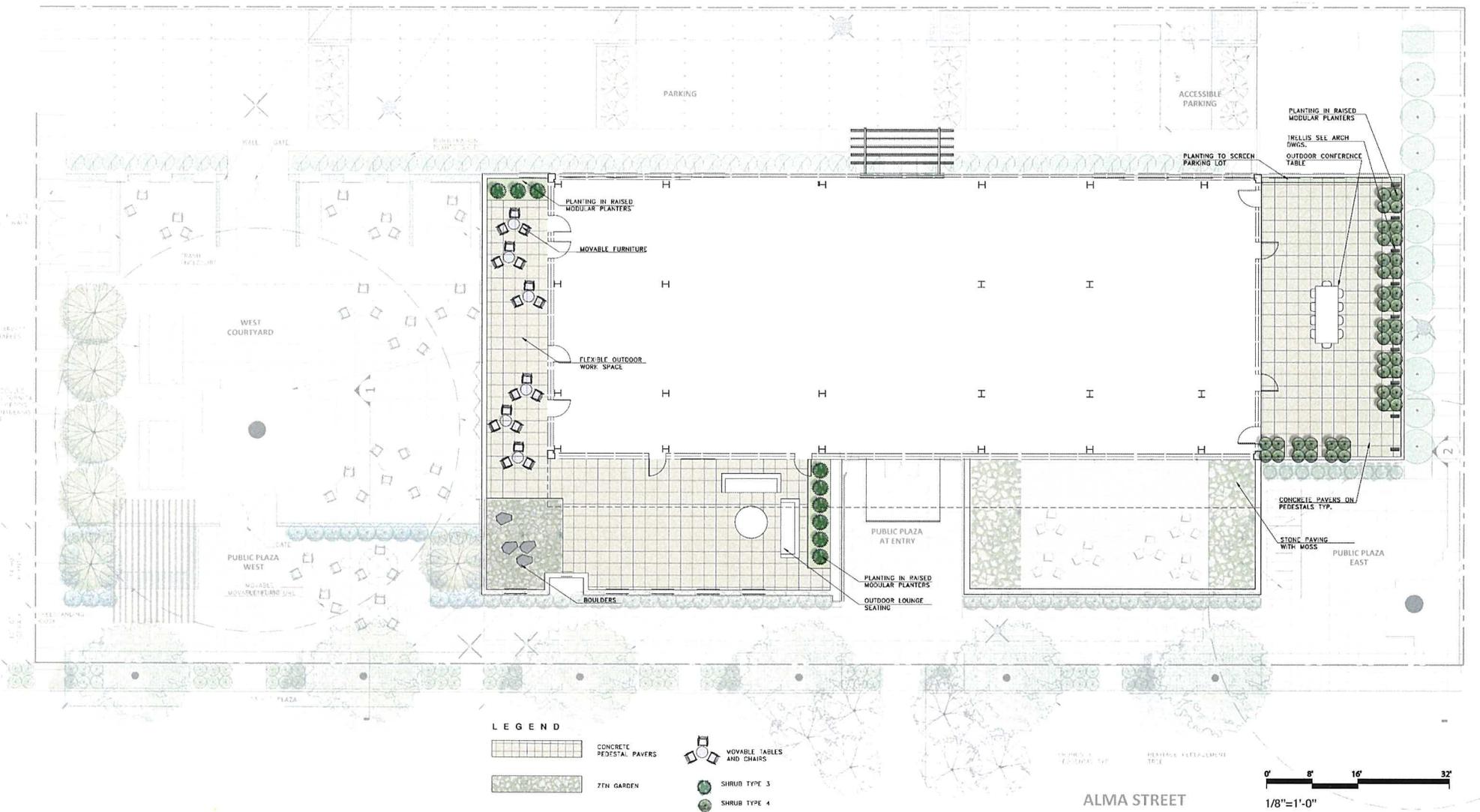
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SECOND FLOOR TERRACE

L-1.2

87



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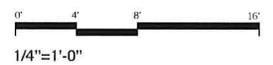
THIRD FLOOR TERRACES
L-1.3





SECTION AT PUBLIC PLAZA WEST
SCALE: 1/4" = 1'-0"

1



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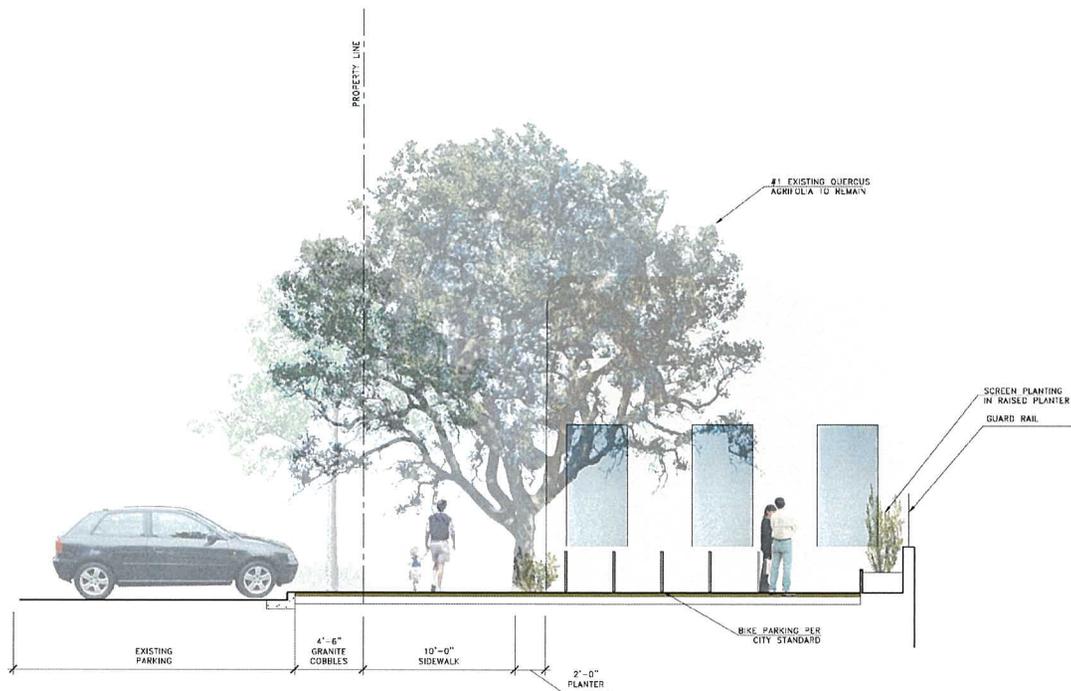


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SECTION ELEVATIONS
L-2.1

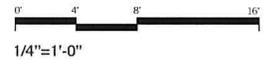




SECTION AT PUBLIC PLAZA EAST

SCALE: 1/4" = 1'-0"

2



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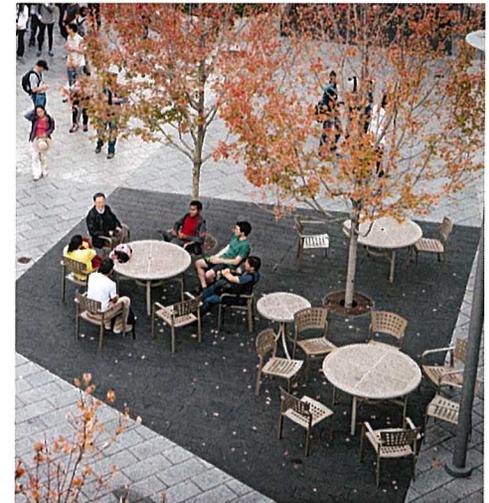
SECTION ELEVATIONS

L-2.2

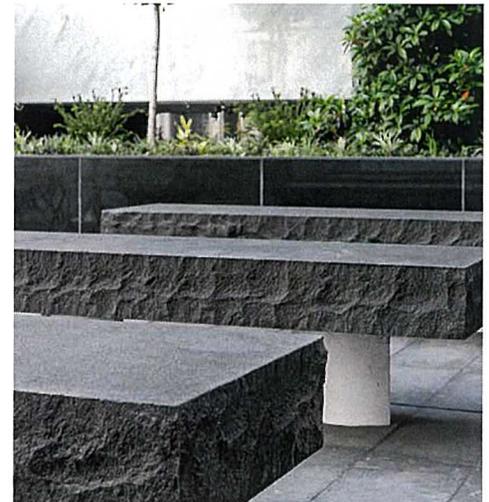




HAAS SCHOOL OF BUSINESS COURTYARD



YELP HEADQUARTERS, 24 NEW MONTGOMERY STREET



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PRECEDENTS
L-3.1





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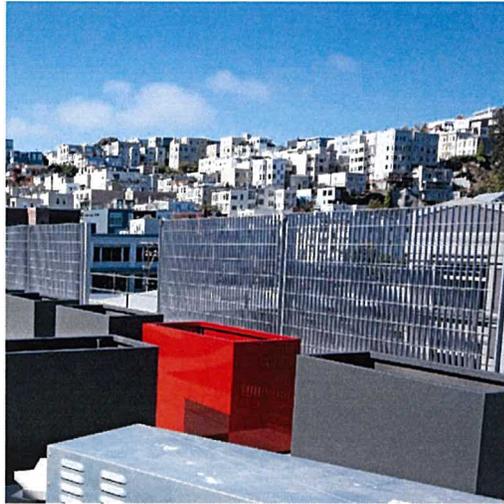
ZEN GARDEN PRECEDENTS
 AND MATERIALS

L-3.2





RAW STEEL MODULAR PLANTERS



BISON MODULAR PLANTERS INTEGRATE WITH PAVING SYSTEM



GREEN WALL BY HABITAT HORTICULTURE, CENTURY CITY, CA



MODULAR PLANTERS



BIKE RACKS



NATIVE NATURALLY OCCURRING GREEN WALL, ALCATRAZ

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SITE FURNISHINGS/GREEN WALL
L-3.3





LASER CUT WEATHERING STEEL PANELS



BRYANT PARK, NEW YORK



LOOSE CAFE FURNITURE



ALMA STATION COFFEE PAVILION



BLUE BOTTLE COFFEE, SAN FRANCISCO

ALMA STATION

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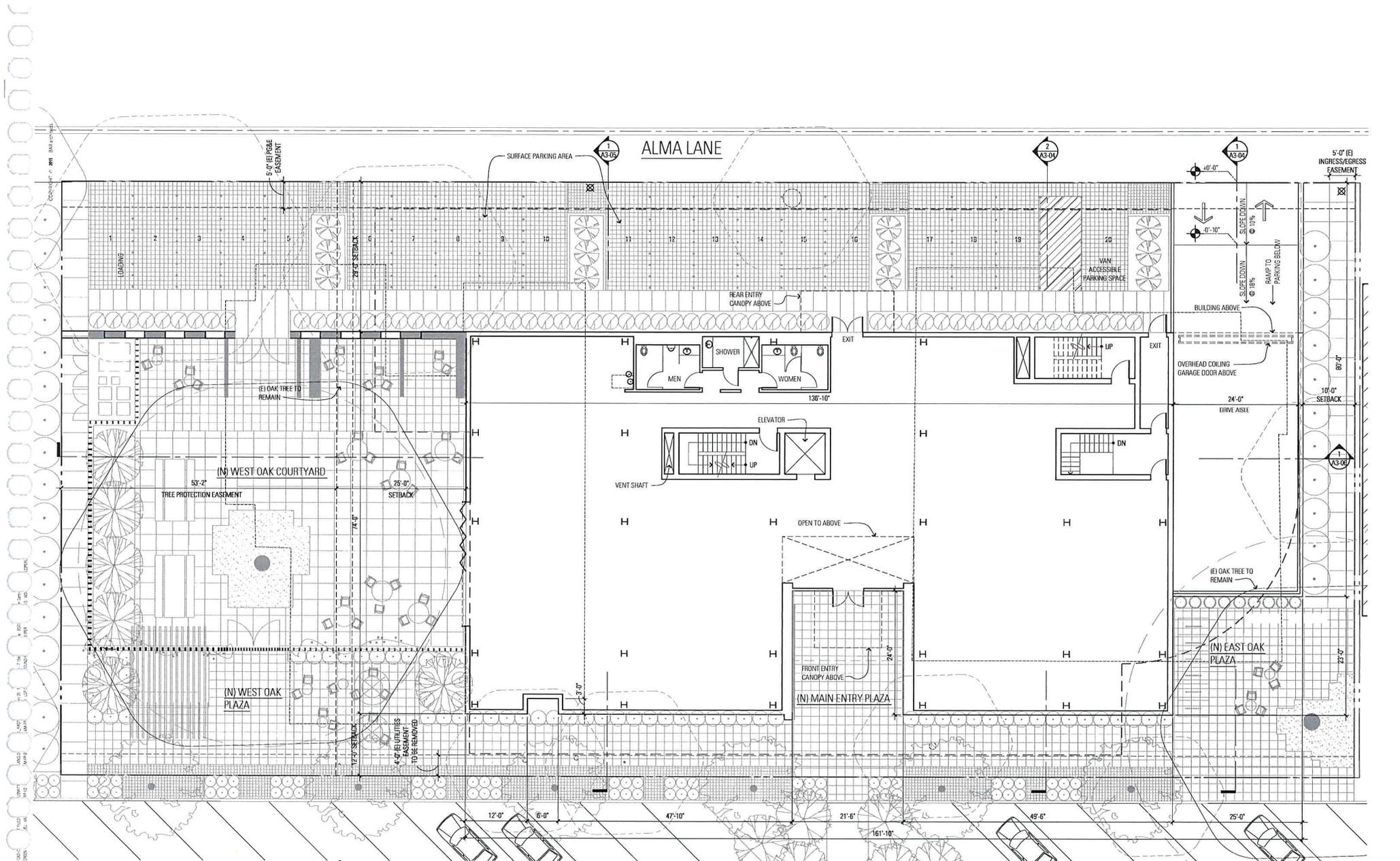


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MATERIALS AND PRECEDENTS
 NEIGHBORHOOD SERVING
 COMMERCIAL PLAZA L-3.4





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FIRST FLOOR PLAN

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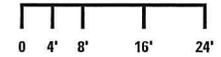
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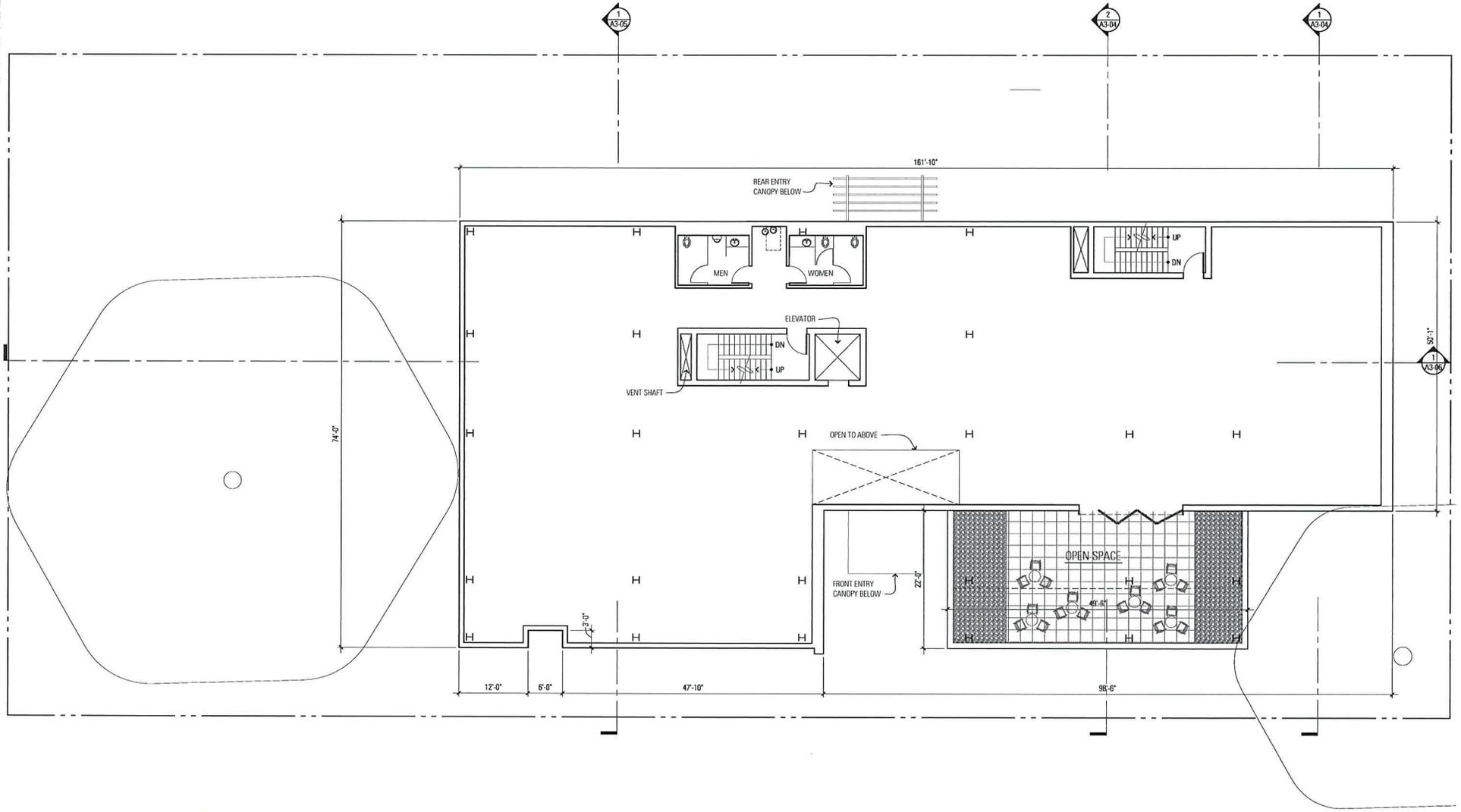
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A2-03

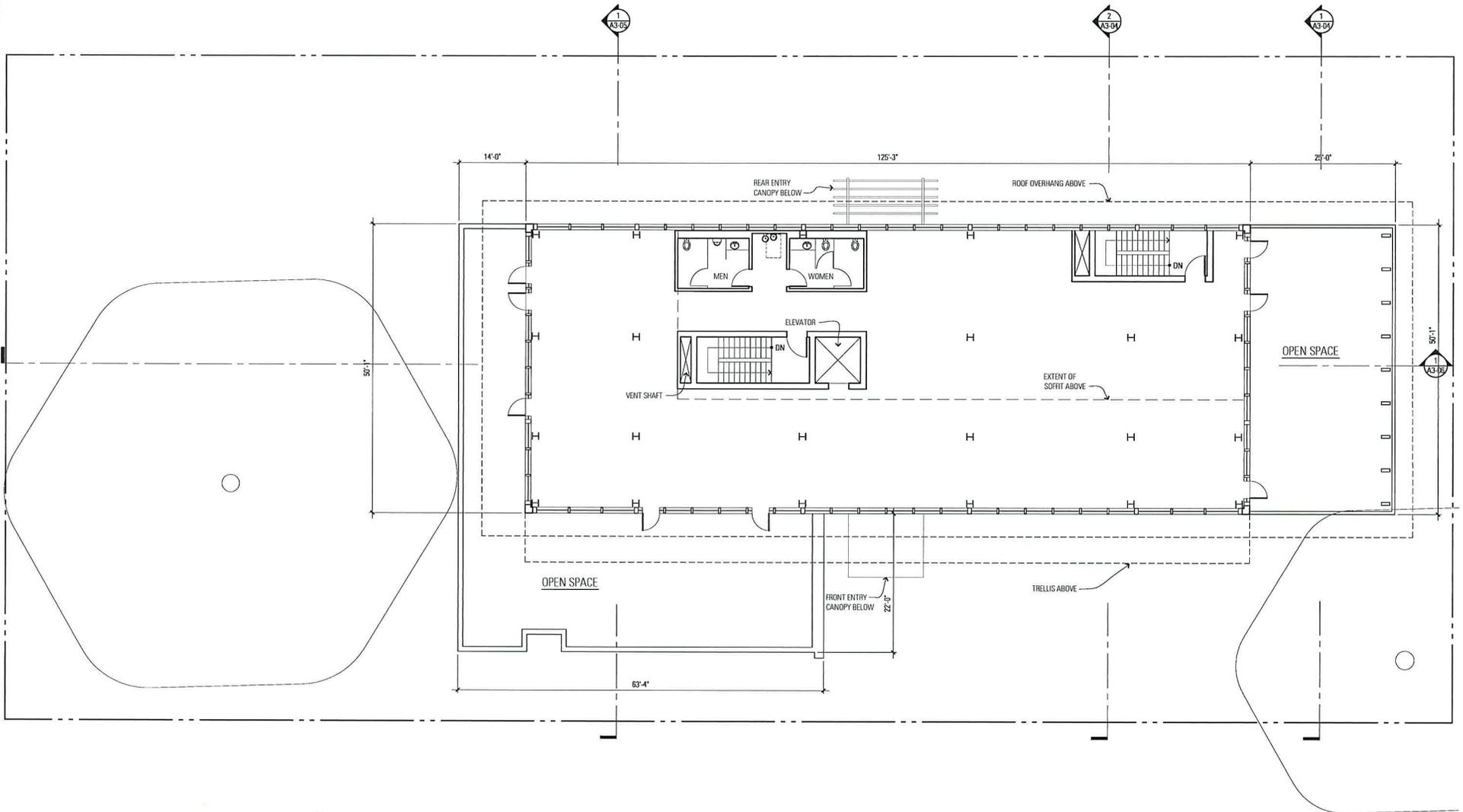
B17



SECOND FLOOR PLAN

B18

CONSULTANT: BAR ARCHITECTS



ALMA STATION

MENLO PARK, CA

THIRD FLOOR PLAN

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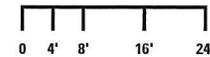
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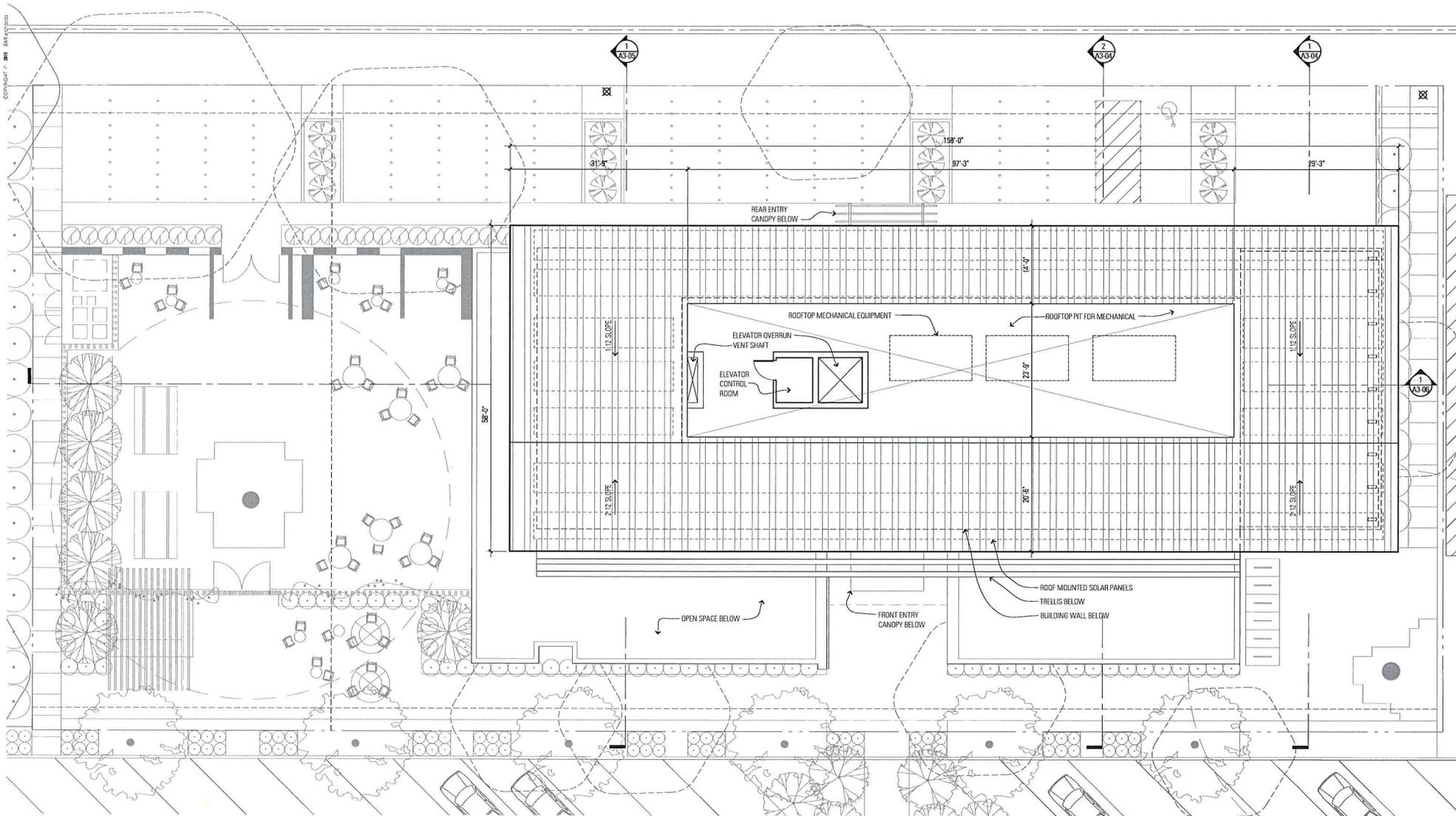
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A2-05

B19



ROOF PLAN

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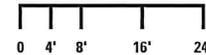
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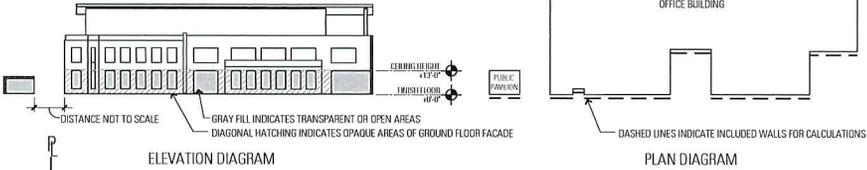


A2-06

B20

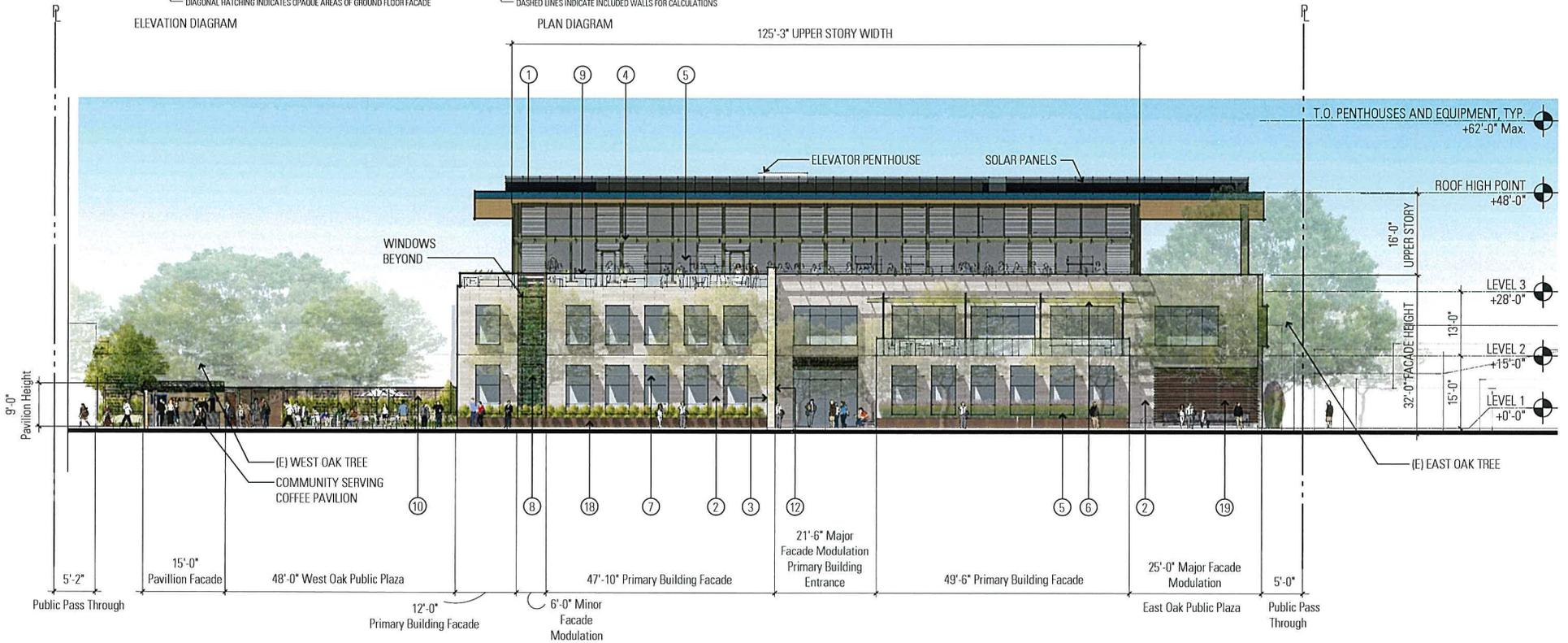
GROUND FLOOR FACADE TRANSPARENCY DIAGRAMS

- GROUND FLOOR PUBLIC FACING FACADE (PARALLEL WALLS ONLY) DEFINED USING FINISH FLOOR TO BOTTOM OF CEILING STRUCTURE FOR HEIGHT
- COFFEE PAVILION INCLUDED IN GROUND FLOOR PUBLIC FACADE AREA
- TOTAL AREA OF GROUND FLOOR PUBLIC FACADE IS 2,106 SQ FT. TOTAL AREA OF TRANSPARENT OR OPEN AREAS ON FACADE IS 1,053 SQ FT
- CALCULATION: $1,179 \text{ SQ FT} / 2,250 \text{ SQ FT} = 0.524 = 52\%$



MATERIALS LEGEND

- | | | |
|---|--|--|
| ① Metal Standing Seam Roof | ⑦ Painted Metal Sunshades | ⑬ Painted Metal Spandrel Panel |
| ② Masonry Wall Cladding: Color/ Texture 1 | ⑧ Painted Metal Lattice with Vines | ⑭ Painted Metal Canopy with Metal Infill |
| ③ Masonry Wall Cladding: Color/ Texture 2 | ⑨ Metal Framed Glass Guardrail | ⑮ Window with Painted Metal Box Sunshade |
| ④ Painted Metal Canopy | ⑩ Masonry Wall with Architectural Metal Screen | ⑯ Weathering Steel Folding Metal Wall |
| ⑤ Metal Framed Operable Windows | ⑪ Open Cell Concrete Block | ⑰ Folding Glass Wall |
| ⑥ Painted Metal Trellis with Metal Infill | ⑫ Living Green Wall | ⑱ Weathering Steel Planter |
| | | ⑲ Painted Metal Lattice |



ALMA STATION

MENLO PARK, CA

FRONT ELEVATION (SOUTH)

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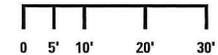
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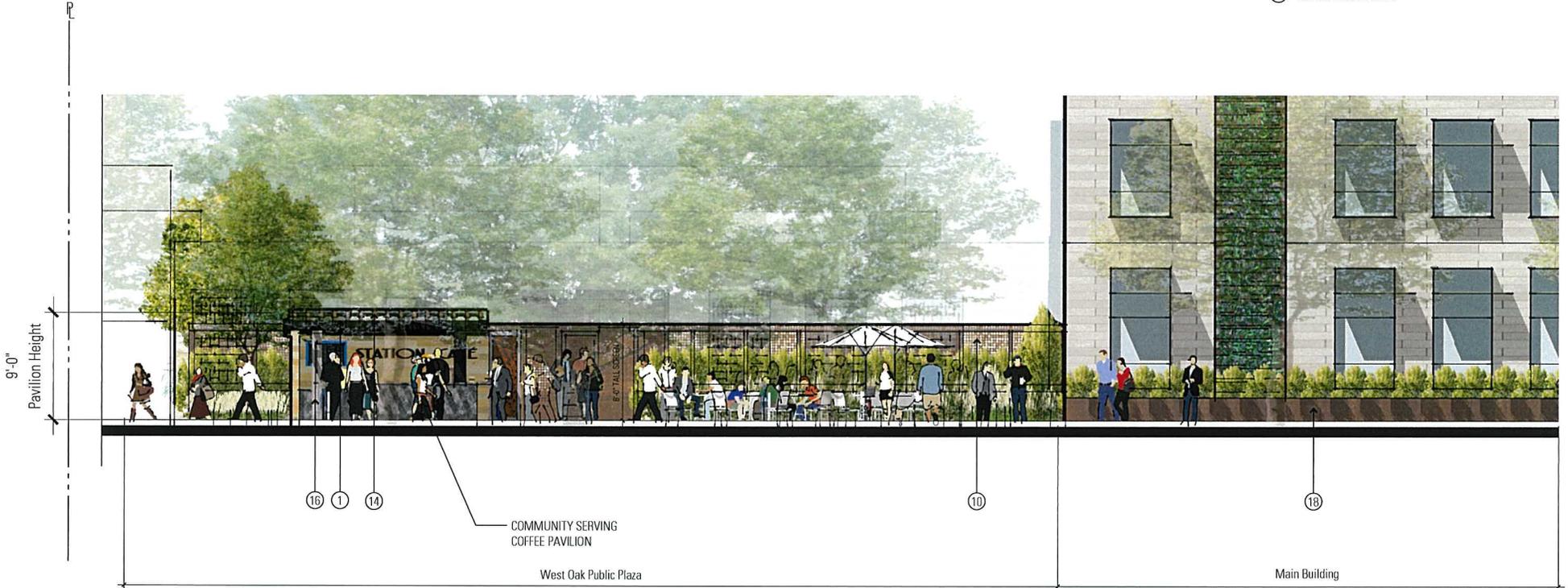
(ALONG ALMA STREET)

A3-01

B21

MATERIALS LEGEND

- | | | |
|---|--|--|
| ① Metal Standing Seam Roof | ⑦ Painted Metal Sunshades | ⑬ Painted Metal Spandrel Panel |
| ② Masonry Wall Cladding: Color/ Texture 1 | ⑧ Painted Metal Lattice with Vines | ⑭ Painted Metal Canopy with Metal Infill |
| ③ Masonry Wall Cladding: Color/ Texture 2 | ⑨ Metal Framed Glass Guardrail | ⑮ Window with Painted Metal Box Sunshade |
| ④ Painted Metal Canopy | ⑩ Masonry Wall with Architectural Metal Screen | ⑯ Weathering Steel Folding Metal Wall |
| ⑤ Metal Framed Operable Windows | ⑪ Open Cell Concrete Block | ⑰ Folding Glass Wall |
| ⑥ Painted Metal Trellis with Metal Infill | ⑫ Living Green Wall | ⑱ Weathering Steel Planter |
| | | ⑲ Painted Metal Lattice |



ALMA STATION

MENLO PARK, CA

PAVILION FRONT ELEVATION (SOUTH)

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(ALONG ALMA STREET)

A3-01a

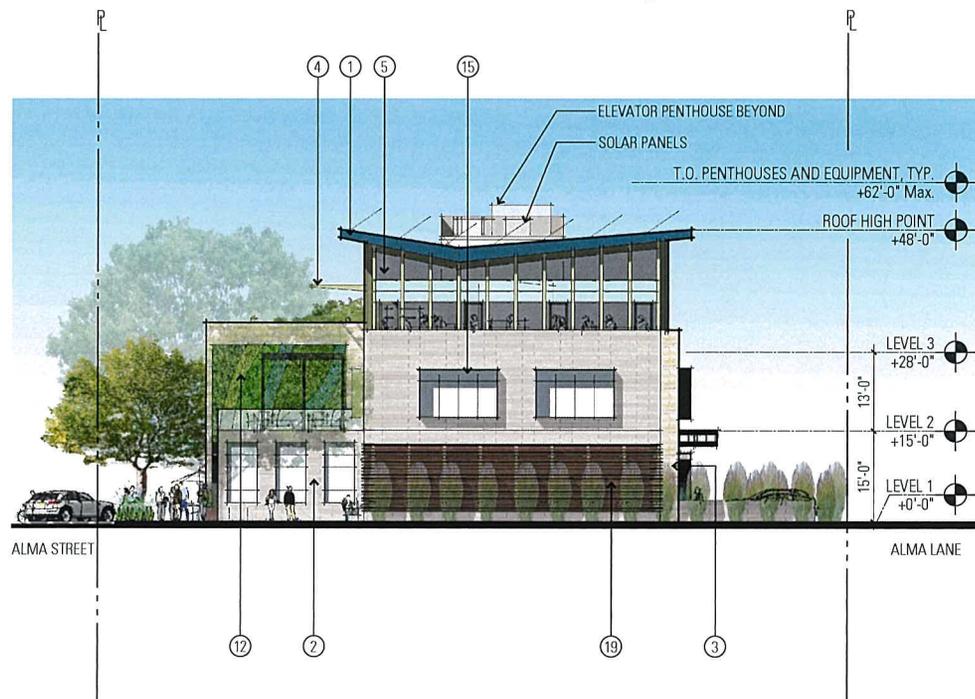
B22

MATERIALS LEGEND

- | | | |
|---|--|--|
| ① Metal Standing Seam Roof | ⑦ Painted Metal Sunshades | ⑬ Painted Metal Spandrel Panel |
| ② Masonry Wall Cladding: Color/ Texture 1 | ⑧ Painted Metal Lattice with Vines | ⑭ Painted Metal Canopy with Metal Infill |
| ③ Masonry Wall Cladding: Color/ Texture 2 | ⑨ Metal Framed Glass Guardrail | ⑮ Window with Painted Metal Box Sunshade |
| ④ Painted Metal Canopy | ⑩ Masonry Wall with Architectural Metal Screen | ⑯ Weathering Steel Folding Metal Wall |
| ⑤ Metal Framed Operable Windows | ⑪ Open Cell Concrete Block | ⑰ Folding Glass Wall |
| ⑥ Painted Metal Trellis with Metal Infill | ⑫ Living Green Wall | ⑱ Weathering Steel Planter |
| | | ⑲ Painted Metal Lattice |



WEST ELEVATION AT OAK TREE COURTYARD



EAST ELEVATION AT SIDEYARD

ALMA STATION

MENLO PARK, CA

LEFT SIDE (WEST) & RIGHT SIDE (EAST) ELEVATIONS

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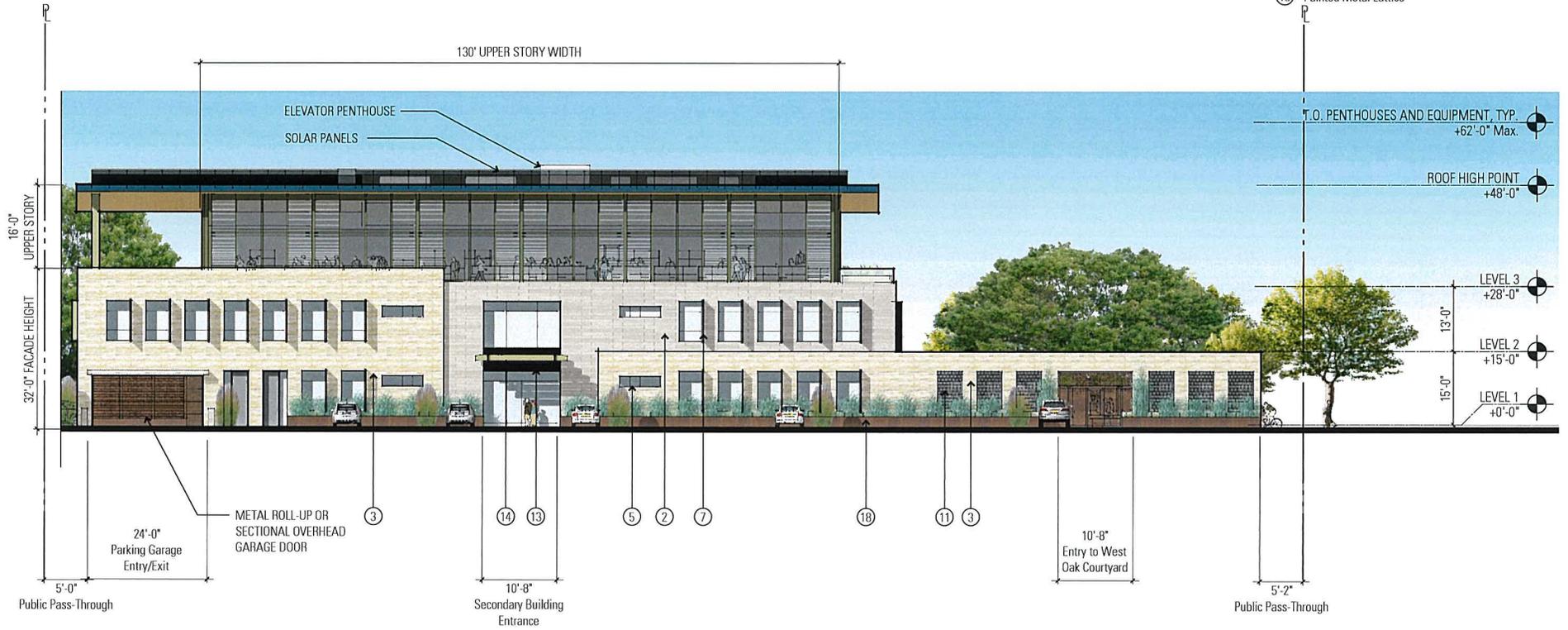


A3-02



MATERIALS LEGEND

- ① Metal Standing Seam Roof
- ② Masonry Wall Cladding: Color/ Texture 1
- ③ Masonry Wall Cladding: Color/ Texture 2
- ④ Painted Metal Canopy
- ⑤ Metal Framed Operable Windows
- ⑥ Painted Metal Trellis with Metal Infill
- ⑦ Painted Metal Sunshades
- ⑧ Painted Metal Lattice with Vines
- ⑨ Metal Framed Glass Guardrail
- ⑩ Masonry Wall with Architectural Metal Screen
- ⑪ Open Cell Concrete Block
- ⑫ Living Green Wall
- ⑬ Painted Metal Spandrel Panel
- ⑭ Painted Metal Canopy with Metal Infill
- ⑮ Window with Painted Metal Box Sunshade
- ⑯ Weathering Steel Folding Metal Wall
- ⑰ Folding Glass Wall
- ⑱ Weathering Steel Planter
- ⑲ Painted Metal Lattice



ALMA STATION

MENLO PARK, CA

REAR ELEVATION (NORTH)

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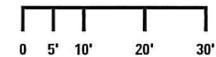
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A3-03

B 24



(E) BUILDING
1100 ALMA STREET

(E) PARKING LOT

PROJECT

(E) BUILDING 1004 ALMA STREET

1 STREETScape ELEVATION ALONG ALMA STREET



(E) BUILDING 1004 ALMA STREET

PROJECT

(E) PARKING LOT

(E) BUILDING
1100 ALMA STREET

2 STREETScape ELEVATION ALONG ALMA LANE

ALMA STATION

MENLO PARK, CA

STREETScape ELEVATIONS

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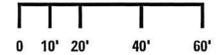
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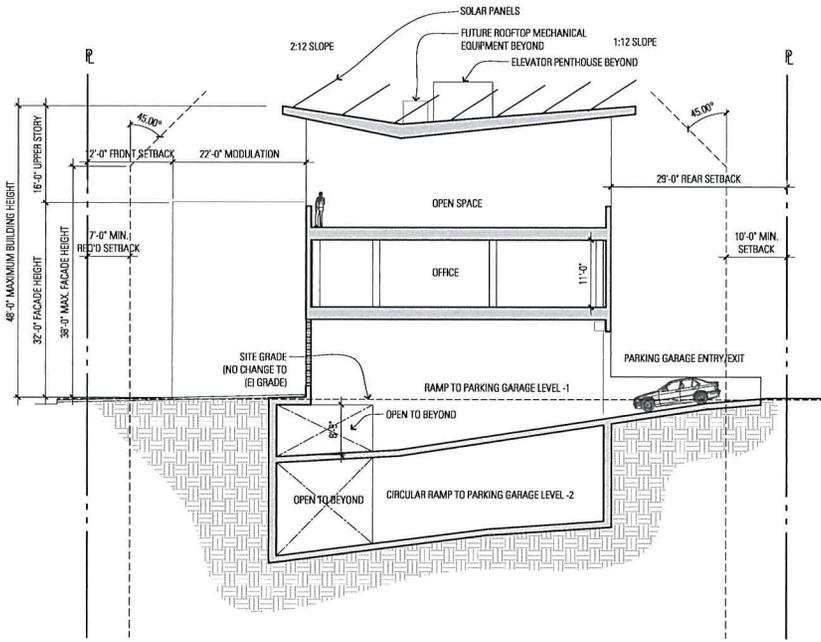
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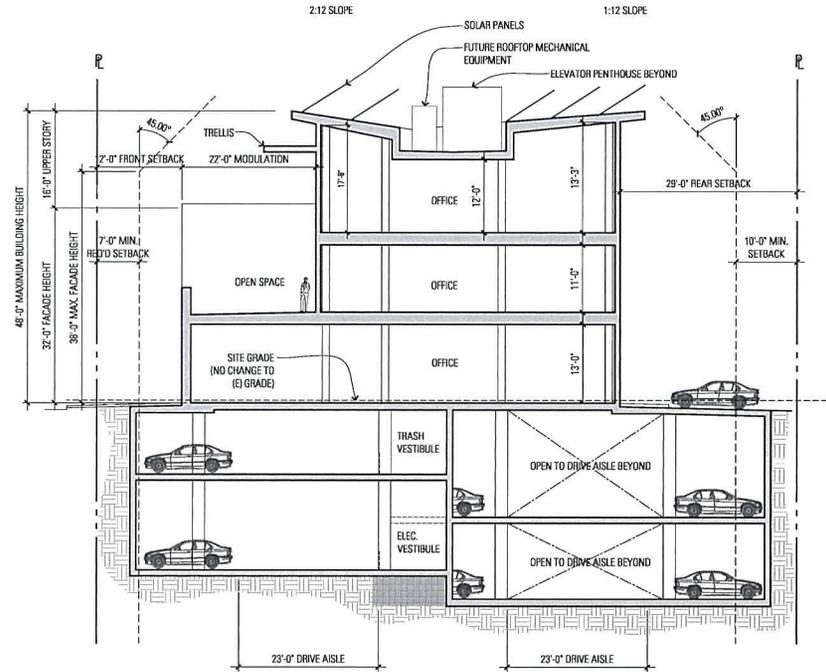


A3-04





1 CROSS SECTION AT PARKING GARAGE RAMP



2 CROSS SECTION AT SOUTH END

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MENLO PARK, CA

BUILDING SECTIONS

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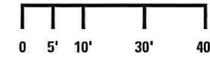
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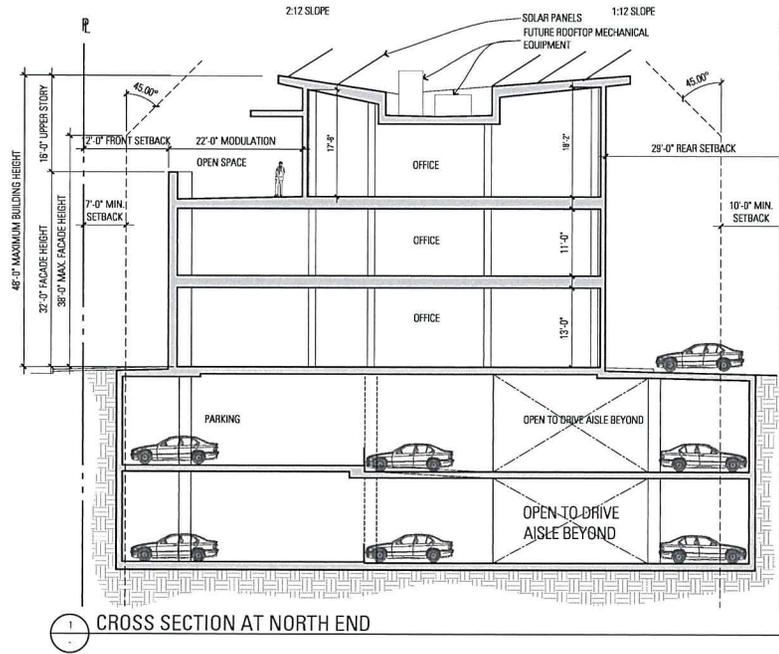
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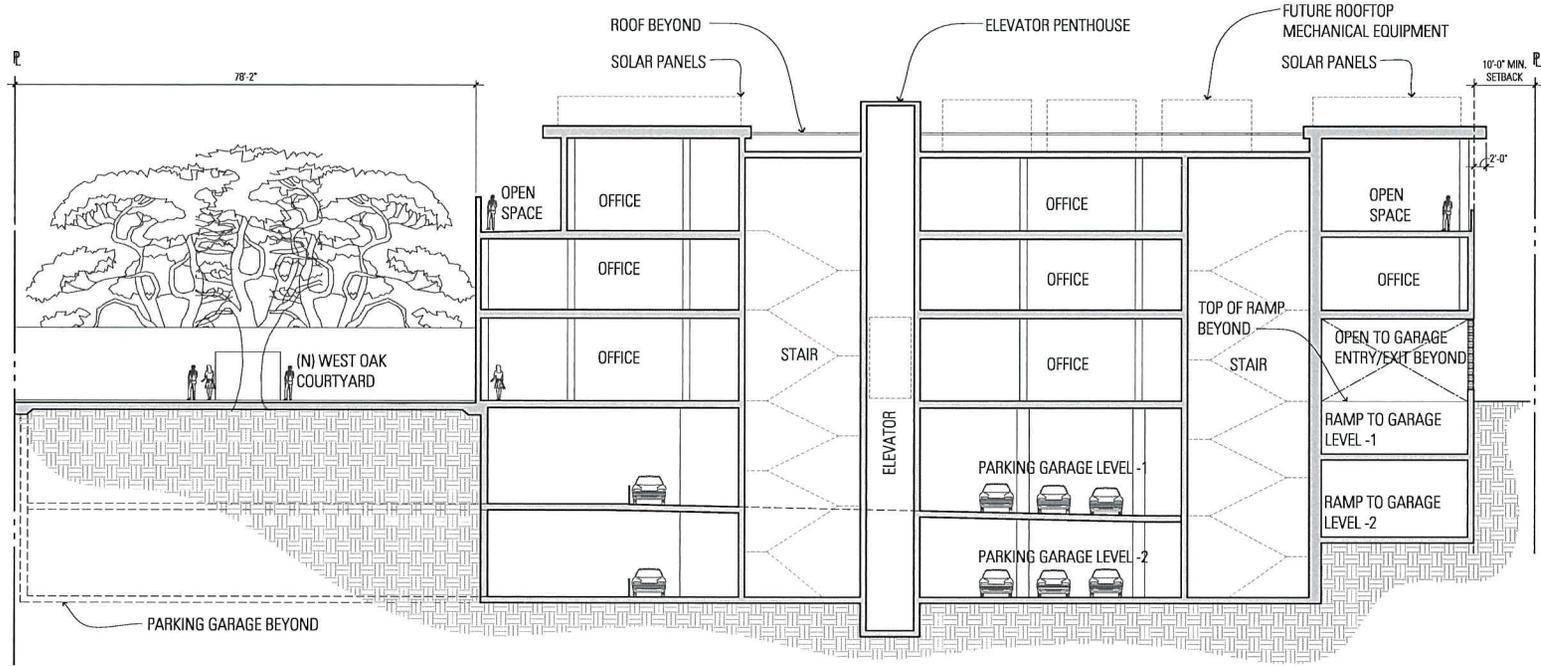
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B26



BUILDING SECTIONS

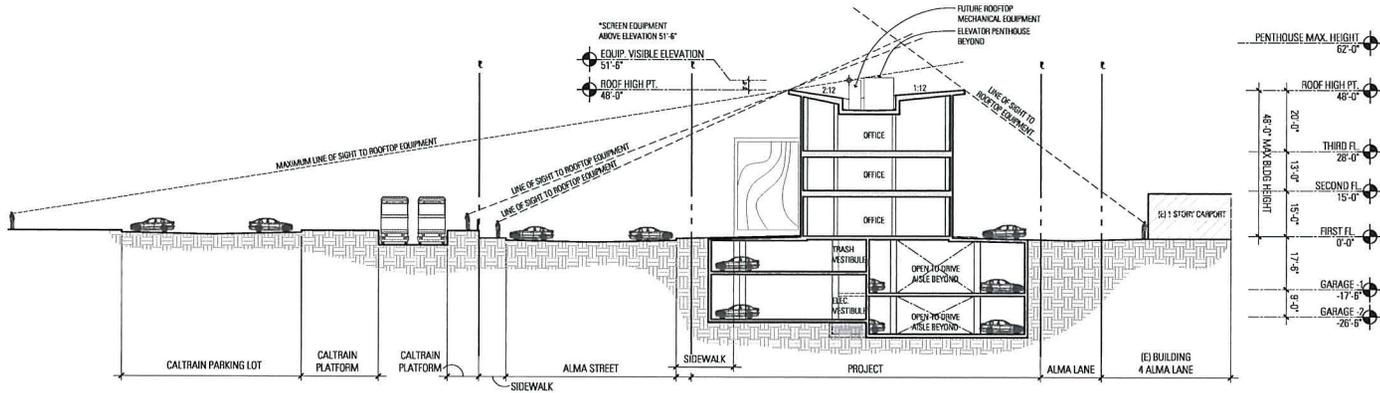




1 LONGITUDINAL SECTION AT VERTICAL CIRCULATION

BUILDING SECTIONS





1 SITE SECTION

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MENLO PARK, CA

SITE SECTION

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A3-14

B29



ALMA STATION

MENLO PARK, CA

PERSPECTIVE VIEW 1
LOOKING EAST ALONG ALMA STREET

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ALMA STATION

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PERSPECTIVE VIEW 3
LOOKING INTO PUBLIC PLAZA WEST

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A4-03





ALMA STATION

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PERSPECTIVE VIEW 4
LOOKING WEST ALONG ALMA STREET

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A4-04





ALMA STATION

MENLO PARK, CA

PERSPECTIVE VIEW 5
LOOKING EAST ALONG ALMA LANE

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L A N E PARTNERS

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14035

04.20.15

NTS



A4-05



DEFINITIONS PER PLANNING CODE AND ZONING ORDINANCE

Floor Area Ratio (FAR): Ratio of gross floor area of building to lot area.

Gross Floor Area: Sum of the horizontal areas of all floors within the surrounding solid walls of a building covered by a roof measured to the outside surfaces of exterior walls.

- Includes basement, mechanical areas, storage areas, projections/cantilevers, elevator shafts, and stairwells.
- Excludes covered parking and related circulation, vent shafts, covered porches and balconies, and enclosures solely for trash/recycling.

PROPOSED BUILDING GSF SUMMARY

	Gross Floor Area (SF)
Parking Levels	0
First Floor	9,693
Second Floor	9,262
Third Floor	6,201
Total Building GSF	25,156

Allowed SF per Max FAR:	25,156 SF
Total Site Gross SF:	28,750 SF
Total Site Net SF: (Lot Coverage)	19,057 SF
FAR:	0.875

Provided Car Parking Count:	
Surface	20 Stalls
Below Grade	76 Stalls
Total	96 Stalls

Required Car Parking Count:	96 Stalls
25,156 SF @ 3.8/1000 SF	

Provided Bicycle Parking Count:	
Long Term (Secure Storage)	52 Spaces
Short Term (Outdoor)	12 Spaces
Total	64 Spaces

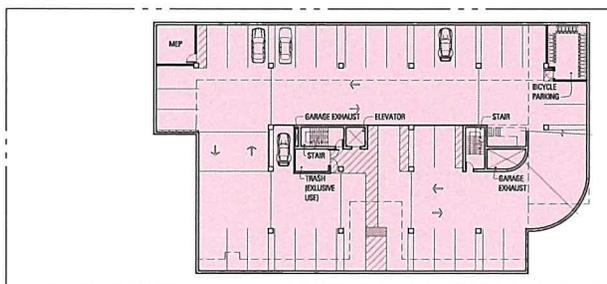
Required Bicycle Parking Count:	
Short Term	1 space/20,000 SF = 2 Spaces
Long Term	1 space/10,000 SF = 3 Spaces
Total	5 Spaces

OPEN SPACE GSF SUMMARY

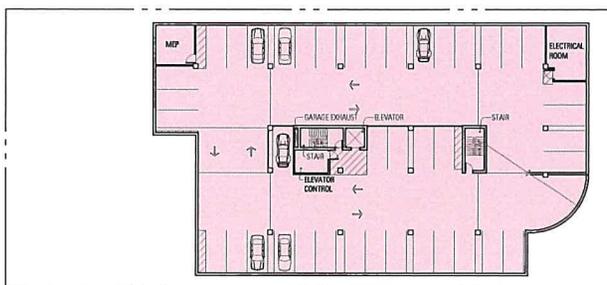
	Open Space GSF
First Floor	10,749
Second Floor	1,146
Third Floor	3,109
Total Open Space GSF	15,004

COLOR KEY

- INCLUDED SPACE IN GSF CALCCS
- EXCLUDED SPACE IN GSF CALCCS
- OPEN SPACE



LEVEL -1 PLAN

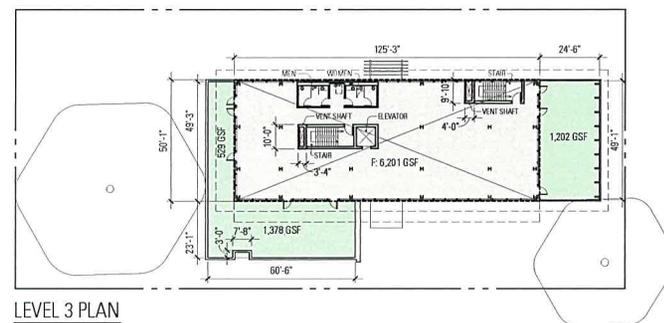


LEVEL -2 PLAN

LEVEL 3

AREA F: 6,273 SF
RECTANGLE - 33 SF
VENT SHAFT - 39 SF
VENT SHAFT = 6,201 SF TOTAL

THIRD FLOOR AREA = AREA F = 6,201 SF TOTAL



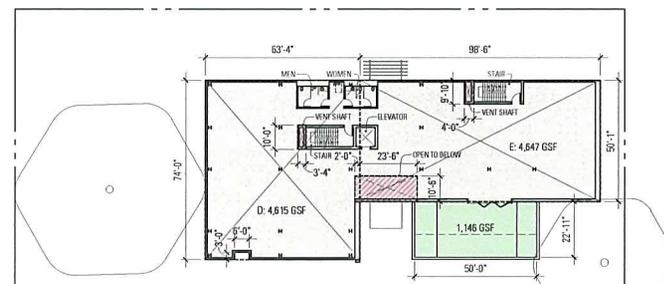
LEVEL 3 PLAN

LEVEL 2

AREA D: 4,687 SF
RECTANGLE - 18 SF
BUILDING FACADE BREAK - 33 SF
VENT SHAFT - 21 SF
SF OPEN TO BELOW = 4,615 SF TOTAL

AREA E: 4,933 SF
RECTANGLE - 39 SF
VENT SHAFT - 247 SF
SF OPEN TO BELOW = 4,647 SF TOTAL

SECOND FLOOR AREA = AREAS D + E = 9,262 SF TOTAL



LEVEL 2 PLAN

LEVEL 1

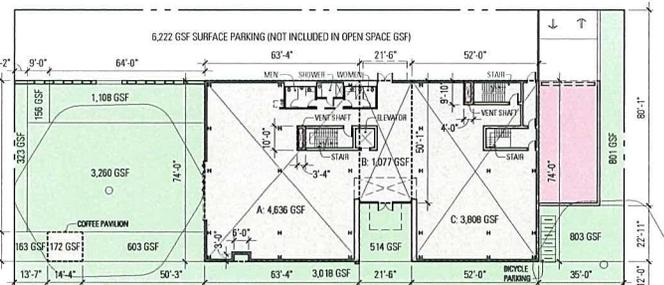
AREA A: 4,687 SF
RECTANGLE - 18 SF
BUILDING FACADE BREAK - 33 SF
VENT SHAFT = 4,636 SF TOTAL

AREA B: 1,077 SF
RECTANGLE = 1,077 SF TOTAL

AREA C: 3,847 SF
RECTANGLE - 39 SF
VENT SHAFT = 3,808 SF TOTAL

COFFEE PAVILION: 172 SF RECTANGLE

FIRST FLOOR AREA = AREAS A + B + C + COFFEE PAVILION = 9,693 SF TOTAL



LEVEL 1 PLAN

ALMA STATION

MENLO PARK, CA

PROPOSED BUILDING GROSS FLOOR AREA

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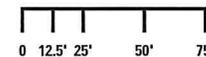
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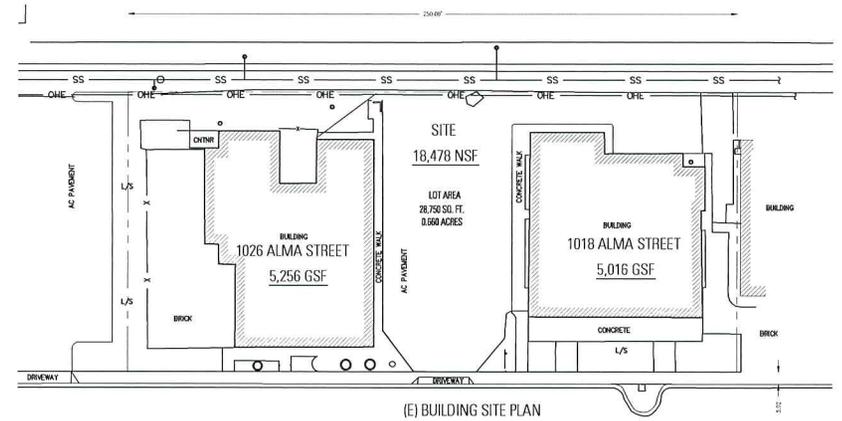


A5-01



EXISTING BUILDING GSF SUMMARY
(MEASURED FROM ALTA SURVEY)

	Gross Floor Area (SF)
1026 Alma - First Floor	5,256
1018 Alma - First Floor	5,016
Total Exterior GSF	10,272
Total Site Gross SF:	28,750 SF
Total Site Net SF: (Lot Coverage)	18,478 SF
FAR:	0.650



ALMA STATION

MENLO PARK, CA

EXISTING BUILDINGS GROSS FLOOR AREA

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04.20.15



A5-02



December 3, 2014

Jean Lin
Associate Planner
City of Menlo Park
701 Laurel Street
Menlo Park, CA 94025

Re: 1020 Alma Street Development – Public Benefit Proposal

Dear Jean:

The purpose of this letter is to present our public benefit proposal for our proposed development project at 1020 Alma Street. Our project contemplates replacing approximately 9,000 square feet of 1950’s single story restaurant and retail space with a 25,156 SF Class-A state-of-the-art office building.

The project will feature sustainable building materials as well as an abundance of outdoor space. We plan to retain the two large heritage oak trees via a thorough maintenance program as they are both suffering from existing health issues. These trees are key focal points for the project and we are very proud of them. In addition, the project will eliminate the existing asphalt parking lot in the middle of the site and the curb cut on Alma Street, which will enhance safety. Finally, our design contemplates significant landscape upgrades with the addition of ten (10) new trees and dozens of new plants.

We believe the design effectively combines modern architecture and natural materials in such a way as to appeal to both Menlo Park residents and today’s cutting edge Silicon Valley companies.

Below is a summary of the site area and the current allowable FAR per the Menlo Park El Camino/Downtown Specific Plan:

APN:	061-412-450
Property Size:	28,752 SF / 0.6601 Acres
Allowable Base Office FAR:	$1.35 / 2 = 0.675 \times 28,752 = 19,408$ SF
Allowable Bonus Office FAR:	$1.75 / 2 = 0.875 \times 28,752 = 25,158$ SF

Our project contemplates a new 3-story office building comprised of 25,156 SF which is an additional 5,748 SF more than what the base FAR allows (25,156 SF – 19,408 SF = 5,748 SF).

In order to obtain the city’s approval for this additional square footage we propose both a financial contribution as well as on-site improvements in the form of open public space.

Financial Contribution

For our financial contribution we propose giving the city a portion of the potential net operating income we would realize by building the additional 5,748 SF. Using this approach, Lane Partners will contribute \$180,212 as a condition of the issuance of building permits that can be utilized by the City for capital improvement projects. This amounts to 50% of year 1 net operating income. See **Exhibit A** for detailed analysis.



Public Open Space

In addition to the financial contribution we are planning to allocate approximately 3,350 SF (approximately 60% of the bonus FAR request) of outdoor space to public use and access. Our plan for this space contemplates the installation of public artwork, an artisan fence, public seating and gathering areas including benches, café tables and chairs. These public amenities will activate the area and create an energized relationship between pedestrians walking to/from the train and the tenants in the building. We could also foresee the addition of a small outdoor food vendor in the public courtyard area at some point in the future. Please see **Exhibit B** for details on the designated public space and potential artwork.

We appreciate your consideration and we look forward to working with you on this project. Should have you any questions please don't hesitate to contact me.

Regards,

Lane Partners, LLC

Marcus Gilmour
Vice President

EXHIBIT A

EXHIBIT A

Alma Station
Public Benefit Contribution Analysis
December 3, 2014

I. SUMMARY DATA

Address:	1020 Alma
Site SF:	28,752 SF
Base FAR:	1.350
Base Office FAR:	0.675
Bonus FAR:	1.750
Bonus Office FAR:	0.875
ProForma Rent/Month:	\$5.50 NNN
Occupancy Rate:	95%
Stabilized Rent/Month:	\$5.23 NNN

II. BASE FAR NOI APPROACH

Office SF:	19,408 SF
Stabilized Rent/Month:	\$5.23 NNN

Monthly Rent	\$101,405
- Ground Lease Payment	(\$40,000)
Monthly NOI	<u>\$61,405</u>
Annual NOI	<u>\$736,857</u>

III. BONUS FAR NOI APPROACH

Office SF:	25,156 SF
Stabilized Rent/Month:	\$5.23 NNN

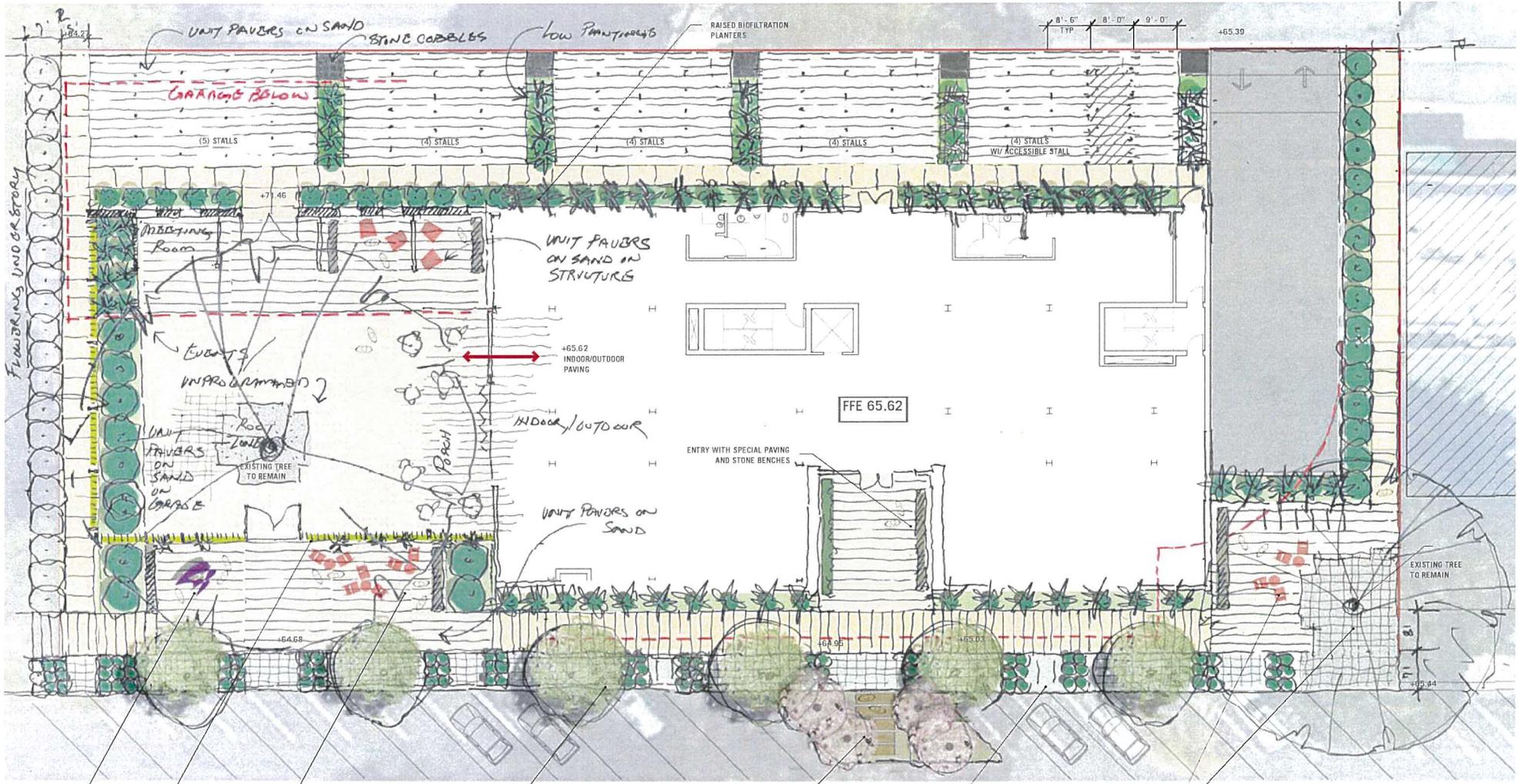
Monthly Rent	\$131,440
- Ground Lease	(\$40,000)
Monthly NOI	<u>\$91,440</u>
Annual NOI	<u>\$1,097,281</u>

IV. BASE VS BONUS NOI

Base Office SF:	19,408 SF
Bonus Office SF:	25,156 SF
Bonus SF:	5,748 SF
Stabilized Rent/Month:	\$5.23 NNN
Bonus Monthly NOI (Yr. 1)	\$30,035
Bonus Annual NOI (Yr. 1)	\$360,425
% of Bonus NOI to City	50%

TOTAL PUBLIC BENEFIT:	\$180,212
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EXHIBIT B



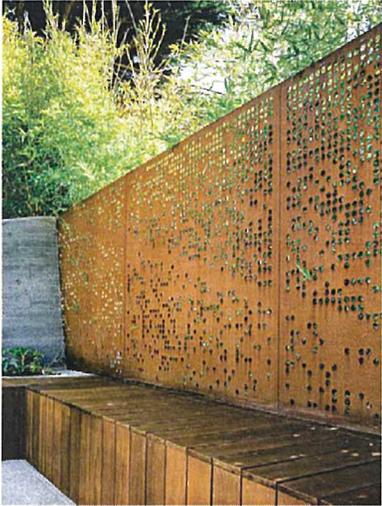
- PUBLIC ART
- ARTISAN FENCE
- MOVABLE FURNITURE
- NEW TREE PLANTINGS IN STONE DUST
- NEW PLANTING ISLAND ON AXIS WITH FRONT ENTRY (STEPPING STONES)
- BIKE PARKING WITH GRAVEL
- MOVABLE FURNITURE SOFT PAVING AROUND BASE OF TREE ALLOWS FLEXIBILITY AROUND ROOTS

SITE PLAN SKETCH

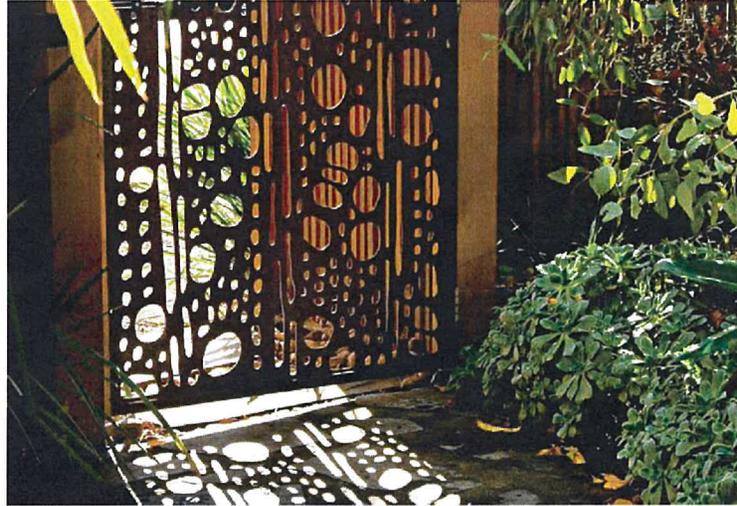
ALMA STATION

12.01.2014 1/8"=1'-0"

66



PATTERNED FENCE PANELS



SEATING AS SCULPTURE



SCULPTURAL PICKETS



SCULPTURE LIT AT NIGHT



SCULPTURE AS SEATING

PUBLIC ART

ALMA STATION
12.01.2014





HAAS SCHOOL OF BUSINESS COURTYARD



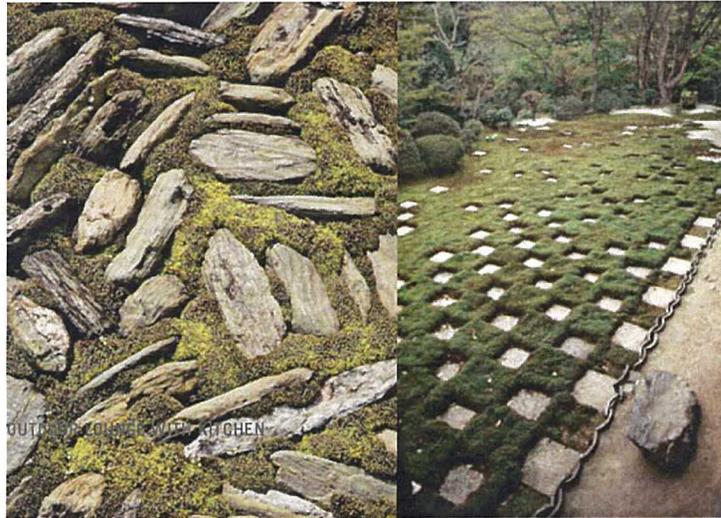
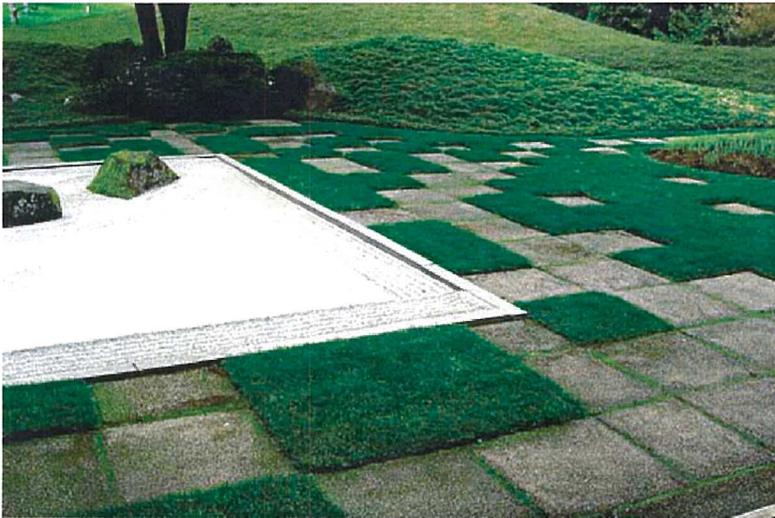
YELP HEADQUARTERS, 24 NEW MONTGOMERY STREET



PRECEDENTS

ALMA STATION

12.01.2014



ZEN GARDEN PRECEDENTS AND MATERIALS

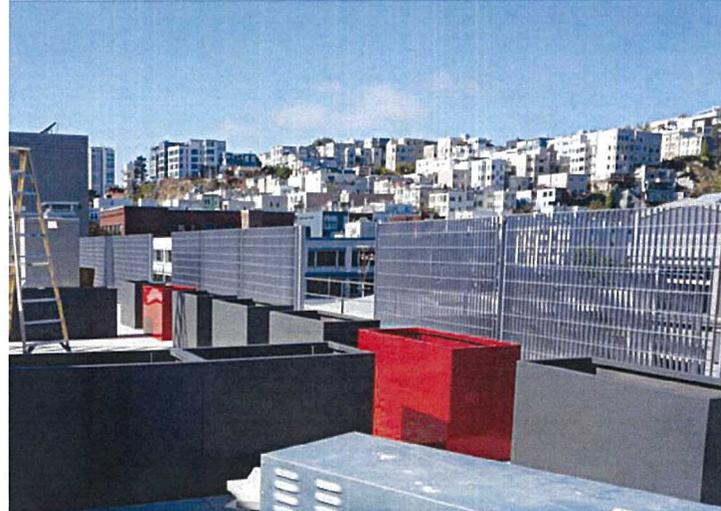
ALMA STATION

12.01.2014

C10



RAW STEEL MODULAR PLANTERS



BISON MODULAR PLANTERS INTEGRATE WITH PAVING SYSTEM



MODULAR PLANTERS



BIKE RACKS

SITE FURNISHINGS

ALMA STATION

12.01.2014

May 4, 2015

Jean Lin
Associate Planner
City of Menlo Park
701 Laurel Street
Menlo Park, CA 94025

Re: Addendum to 1020 Alma Street Development – Public Benefit Proposal dated December 3, 2014

Dear Jean:

The purpose of this addendum letter is to formally document our updated public benefit proposal as it relates to our proposed development at 1020 Alma Street. Our initial proposal was comprised of two components: (1) a one-time financial contribution of \$180,212 and (2) a contribution of private property for open public amenity/plaza space.

In addition to these two components, our public benefit proposal will also include allocating a portion of the project's gross floor area to retail use in the form of a coffee pavilion located within the public open space. See attached design images (Exhibit A).

We believe this additional component of our public benefit proposal follows the guiding principles of the Downtown Specific Plan by enhancing the public space, generating vibrancy, enhancing connectivity among the community, and maintaining Menlo Park's village character.

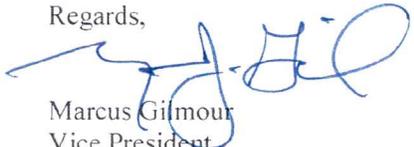
It is our belief that a walk-up retail pavilion with 100% outdoor seating will do more to activate the east train station area as opposed to a retail suite built into the larger building where the majority of seating is inside. It is our hope that the pavilion and outdoor public gathering space will encourage community engagement and generate dynamic connections between local residents, Menlo Park visitors, and folks commuting to/from work via Caltrain. The attached images from Bryant Park in New York capture the experience we want to create (see Exhibit B).

In terms of an operator for the coffee pavilion, Oakland, CA based Blue Bottle Coffee has expressed interest and has sent two people to see the site including the Executive Chairman. We will begin drafting a framework for a lease agreement with Blue Bottle as the project moves through the entitlement process.

We are excited about this new feature and we look forward to discussing it further as we work through the Public Benefit process.

We appreciate your consideration and should you have any questions please don't hesitate to contact me at (650) 838-0100 or by email at marcus@lane-partners.com.

Regards,


Marcus Gilmour
Vice President



C14

ALMA STATION

MENLO PARK, CA

PERSPECTIVE VIEW 1
LOOKING EAST ALONG ALMA STREET

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04.20.15

NTS

A4-01

C15



ALMA STATION

MENLO PARK, CA

PERSPECTIVE VIEW 3
LOOKING INTO PUBLIC PLAZA WEST

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04.20.15

NTS

A4-03



C16

ALMA STATION

MENLO PARK, CA

PERSPECTIVE VIEW 4
LOOKING WEST ALONG ALMA STREET

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04.20.15

NTS

A4-04

Exhibit B



C18

wichcraft soups & salads

pick up here

C19



project viability and financial return of various development programs. This iterative process of presenting at community workshops, analyzing, refining and presenting again resulted in development prototypes, inclusive of building setbacks, upper floor setbacks and heights, as reflected in this Specific Plan. The final step was to “translate” the prototypes into allowable development FARs and densities (dwelling units per acre or DU/Acre), as depicted in Table E2 and Figure E2.

In addition to reflecting community input, the Specific Plan’s increased allowable FARs and density also help achieve several Plan goals, including: stimulating redevelopment of underutilized parcels; activating the train station area and increasing transit use; enhancing downtown vibrancy and retail sales; and increasing residential opportunities. The plan FARs and density help finance public improvements (e.g., streetscape improvements) and produce more Below Market Rate (BMR) housing.

The Specific Plan places the highest intensity of development around the train station, consistent with goals mentioned in the paragraph above. It also focuses higher development intensities on the parcels on the east side of El Camino Real south of Ravenswood Avenue. These larger parcels can accommodate more development, and they are isolated from adjacent residential neighborhoods by El Camino Real to the west and the railroad tracks and Alma Street to the east. The plan also emphasizes residential uses closest to downtown and the train station.

In addition to the base FAR and public benefit bonus FAR summarized in Figure E2 and Table E2, following pages, the Specific Plan limits the amount of business and professional office allowed, similar to existing City policy, and the amount of medical and dental office, based on community concerns.

Standards

E.3.1.01 Business and Professional office (inclusive of medical and dental office) shall not exceed one half of the base FAR or public benefit bonus FAR, whichever is applicable.

E.3.1.02 Medical and Dental office shall not exceed one-third of the base FAR or public benefit bonus FAR, whichever is applicable; in the ECR districts, this is additionally limited to an absolute maximum of 33,333 square feet per development project.

Public Benefit Bonus and Structured Negotiation

A public benefit bonus is the additional development permitted beyond the base intensity (and/or height, if applicable) for a project in exchange for extra public benefit, above and beyond the inherent positive attributes of a project (such as increasing vibrancy and redeveloping vacant and underutilized parcels). As noted previously, the Specific Plan’s recommendation for the base level maximum has been crafted to achieve overall project goals and represent community preferences for building types/sizes. The public benefit bonus would be expected to increase profits from development in exchange for providing additional benefits to the public. However, developers may choose to forgo the public benefit bonus because of perceived costs and risks.

Two common approaches for sharing the benefits of increased development include bonuses for on-site improvements and bonuses achieved through individual developer “structured” negotiations. These two approaches are distinct from, and not to be confused with, impact fees and other development exactions where the fee or other exaction is based on the development’s impact on the need for public facilities (for instance, more residents create a greater need for parks).

The first bonus approach, for on-site improvements, can be a prescriptive one and clearly stated, with a specific amount of additional FAR (e.g. 0.5) or density granted to a developer in exchange for a specific on-site benefit (such as publicly accessible open space). This approach provides more certainty for both the community and developer. However, due to the variety of site and market conditions, developing such a prescriptive approach can be challenging.

“
*Keep the village feel but with
more vibrancy*

”
- Workshop #3 Participant

Individual Developer Structured Negotiation

The Specific Plan recommends an individual developer structured negotiation approach for the sharing of the benefits from increased development above the base FAR, density, and/or height. This approach is the most flexible and effective way to determine appropriate public benefits. The downside is that it creates some uncertainty and often delays the approval process, which can increase cost and risk for developers. However, the Specific Plan requires a structured process to minimize delays and uncertainty.

Projects requesting a public benefit bonus FAR, density and/or height are required to conduct an initial public study session with the Planning Commission, in which both the project and the proposed public benefit are presented for initial evaluation and comment (both from the Planning Commission and the public). Applicants may also request a subsequent study session with the City Council, although this should be expected only for larger or more complicated projects. The study session(s) should incorporate appropriate fiscal/economic review (with work overseen by City staff), which should broadly quantify the benefits/costs of the bonus FAR/density/height and the proposed public benefit. Following the study session(s), the applicant would revise the project and public benefit (if needed) and present them again for full review and action.

The Planning Commission shall, concurrent with overall project review, be the decision-making body on projects proposing public benefits that are incorporated within the project (such as senior housing) and/or which can be memorialized in typical conditions of approval pursuant to the City's normal zoning and planning authority. The

10

Encourage new development

11

- Workshop #3 Participant

11

Certain amenities might be considered community investments and funded through taxes to preserve character

11

- Workshop #3 Participant

Planning Commission action (along with the other project actions) can be appealed to the City Council, per standard procedures. For projects proposing public benefits that cannot be imposed through the City's planning and zoning authority (such as payments that are not related to the impact of a project), the public benefit proposal must be included in a proposed Development Agreement submitted by the developer. In that case, Planning Commission shall be the recommending body and the City Council the decision-making body, and the Development Agreement must be adopted by ordinance as provided in the City's Development Agreement ordinance.

The structured negotiation approach works best when desired improvements are clearly understood by potential applicants. Based on community input (including during the review process for the Specific Plan) and the Specific Plan's goals, a public benefit bonus could be considered for elements including but not limited to:

- Senior Housing
- Affordable Residential Units, in particular for lower affordability levels, particularly in areas nearest the station area/downtown
- Hotel Facility, which generates higher tax revenue for the City while also enhancing downtown vibrancy
- Preservation and reuse of historic resources
- Public parks/plazas and community rooms
- Shuttle services
- Public amenity fund
- Middle Avenue grade-separated rail crossing

The City shall keep this list updated over time by including it with the required yearly reporting to the City Council regarding the Maximum Allowable Development. If desired, the City Council may place the list on the agenda for new public review and direction.

The Specific Plan's process for public benefit bonuses should not necessarily be considered a precedent for other areas of the city, in particular areas that have not conducted an intensive community visioning process to establish goals and guiding principles, and associated development standards and guidelines.

bae urban economics

Consultant Memorandum

To: Jean Lin, City of Menlo Park
From: Ron Golem, Ray Kennedy, Stephanie Hagar, BAE
Date: May 14, 2015
Re: Analysis of Proposed Public Benefit Bonus for 1020 Alma Street Project

Key Findings

Pro forma analysis was conducted to estimate the profit from the two alternative development programs, using information provided by the developer as well as BAE's research and evaluation of development costs and market conditions (the pro formas are attached to this memorandum). Key findings include:

- The Public Benefit Bonus Project (Bonus Project) would result in approximately \$1.05 million in profit to the developer, compared to a \$417,000 loss for the Base level project pursuant to the El Camino Real/Downtown Specific Plan (Base Project). These figures are based on the cost of the completed project, less total development costs and the Net Present Value of the total ground lease payments (because of how the ground lease is structured, the lower revenue for the Base Project would result in lower ground lease payments than for the Bonus Project).
- The Bonus Project would generate an approximate five percent return on total development cost, within the range that could be considered appropriate. A developer would not be expected to proceed with the Base Project because it would result in a loss. Therefore, the calculation for the increase in value should be based on the \$1.05 million profit for the Bonus Project using a baseline of \$0, not the \$1.5 million difference between the Bonus Project and the Base Project (\$1.05 million profit vs. \$417,000 loss).
- The developer has offered a public benefit with two components: (A) a one-time financial contribution of just over \$180,000; and (B) construction of approximately 2,440 square feet of improved landscape areas, including an approximately 970 square foot area at the southwest corner of the site that would include a kiosk selling coffee and prepared food items and a seating area (it excludes the area for the building entry that was included in a previous calculation by the developer). Based on cost figures provided by the developer, the second component of the public benefit has an approximate cost of \$199,000.
- The total construction cost of the proposed public benefit, at nearly \$379,000, represents 36 percent of the increase in value that the Bonus Project would receive from the density bonus. The ultimate content and financial value of the bonus would need to be determined by the City in its negotiations with the developer.

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Emeryville, CA 94608
510.547.9380

Sacramento
803 2nd St., Suite A
Davis, CA 95616
530.750.2195

Los Angeles
706 South Hill St., Suite 1200
Los Angeles, CA 90014
213.471.2666

Washington DC
1400 I St. NW, Suite 350
Washington, DC 20005
202.588.8945

New York City
49 West 27th St., Suite 10W
New York, NY 10001
212.683.4486



The value of the proposed public benefit improvements to the community may or may not align with its construction cost. For example, an amenity could be expensive to construct, but if it is not something the community desires, the value to the community would be limited. Alternately, an amenity could have a low/moderate construction cost, but if it is a critically needed feature, the perceived value to the community could be high.

- Assessment of the appropriateness of the developer’s proposed public benefit improvements is beyond the scope of this economic analysis. The developer considers the kiosk and seating area to provide an amenity to passengers waiting for Caltrain. The higher quality of landscape improvements at the southeast corner of the site, and in the setbacks along the western and eastern edge of the site, could be considered to benefit visitors to the area, adjacent property owners and tenants, and the developer’s tenants as well as marketability of the Bonus Project. The value of the additional revenue from the coffee and prepared food kiosk has been included in the valuation of the Bonus Project.
- The results of the public benefit analysis are summarized in Table 1 below.

Table 1: Summary of Public Benefit Analysis for Proposed Public Benefit Bonus Project and Base Project at 1020 Alma Street, Menlo Park

<u>Development Program</u>	<u>Base Project</u>	<u>Public Benefit Bonus Project</u>
Office sq. ft.	19,408	25,156
Retail sq. ft.	N/A	300
Public Open Space sq. ft.	N/A	2,440
Parking Spaces	74	96
Development Costs		
Hard Costs	\$11,990,451	\$15,916,140
Soft Costs	\$1,438,854	\$1,909,937
Impact Fees	\$387,728	\$540,302
Financing Costs	\$751,301	\$998,672
Developer Fee	\$509,892	\$677,777
Total Costs	\$15,078,226	\$20,042,827
Value Analysis		
Capitalized Value	\$24,358,693	\$31,801,168
Less Development Costs & Ground Lease	(\$24,776,074)	(\$30,751,314)
Project Profit	(\$417,381)	\$1,049,855
Public Benefit Bonus Value		
Increase in Project Value	N/A	\$1,467,236
Proposed Value of Public Benefit	N/A	\$378,941
Net Value to Developer	N/A	\$670,913

Source: BAE, 2015.

- This analysis is based on the Base and Public Benefit Bonus Project with 100 percent office use as proposed by the developer. It does not include analysis of a potential alternative for the Base Project that could include residential uses and potentially allow a larger project with more square footage that might result in a smaller loss, or even break-even or profitable development. Additional design and financial analysis would be needed to determine if an alternative larger mixed-use Base Project would have more favorable economics.

- The figures presented in this memorandum are shown to the dollar based upon spreadsheet analysis prepared with an Excel model. There are many variables that affect development return, as shown in the pro forma. It would be more accurate to consider the above figures as estimates that represent “mid-point” values for a range of potential outcomes (additional sensitivity analysis would be needed to better describe the potential range of outcomes).

Overview of the Analysis

This memorandum presents the results of BAE’s analysis, based on development pro formas, to estimate the increase in value that could arise from a proposed public benefit bonus for a potential development project at 1020 Alma Street in Menlo Park. The developer, Lane Partners, has indicated to the City that it has an option for a ground lease of the site, and that if its project is approved, it would exercise the option and enter into a ground lease, demolish the existing older single-story commercial buildings on the site, and construct a new Class A office development.

The site is in a location eligible for a public benefit bonus pursuant to the El Camino Real/Downtown Specific Plan (Specific Plan), which establishes the formula for the additional built area that is allowed in return for public benefits acceptable to the City.

The public benefit bonus program outlined in the Specific Plan anticipates that public benefits provided pursuant to the program can take the form of on-site improvements, offsite improvements, cash payment to the City for future use toward public benefits, or a mixture. The developer is proposing to provide a combination of a financial contribution and on-site improvements.

Proposed Public Benefit Bonus Project and Base Project

The project site consists of an approximately 0.66 acre parcel, located on Alma Street, north of Ravenswood Avenue, and across the street from the Menlo Park Caltrain station. It is located within the El Camino Real/Downtown Specific Plan Station Area East (SA E) area.

The applicant controls the property through an option to enter into a 99-year ground lease. Ground lease payments increase by 10 percent every five years, subject to a cap set at 30 percent of project base rents, and a floor set at \$48,400 per month (this is equivalent to the rent set for Years 11 through 15 of the ground lease).

Public Benefit Bonus Project

The developer’s proposed project with the public benefit bonus as allowed by the Specific Plan (Bonus Project) would consist of a total of approximately 25,200 gross square feet of office space, with two levels of underground parking. The office building would be a three-story steel-frame structure. A total of 96 parking spaces would be provided, with 76 in the underground parking garage, and 20 surface spaces along the northern edge of the project, accessed from the alley that is adjacent to the property.

The proposed public benefit provided as a part of this project would consist of two components: (A) a one-time financial contribution of \$180,212 calculated by the developer as 50 percent of Year 1 Net Operating Income; and (B) a total of 2,440 square feet of the site that would receive additional higher-quality landscape improvements and be designated for public use. These areas are shown in a site plan attached to this memorandum, and would include a 600 square foot strip at the western edge of the property. There would be an 870 square foot public plaza at the southeastern corner of the property, and a 970 square foot plaza at the southwestern corner of the property, where the property is closest to the Caltrain station. The latter plaza would include seating, and a kiosk that would sell coffee and prepared food items. For the purposes of this analysis, the kiosk is assumed to be an approximately 300 square foot structure that would be leased to a rent-paying operator, who would also be responsible for cleaning and maintenance of the southwestern plaza. As a part of the evaluation of the public benefit proposed by the developer, the City will determine whether each of these spaces constitute an appropriate public benefit.

Base Zoning Project

The developer has not prepared plans for the project that would be allowed under the existing base zoning for the Base Project, however it has indicated that the Base Project would consist of approximately 19,400 square feet of office space.

In the Base Project, development on the parcel would still consist of a three-story steel-frame office building. For this analysis, the required parking of 74 spaces is assumed to be provided through 20 surface spaces (same as the Bonus Project), however the underground parking would provide only 54 spaces, with a smaller second underground level. It is assumed that the Bonus Project would be the same in design, except that the 2,440 square feet of landscaped area shown in the attached figure would be improved to a somewhat lower standard and reserved for private use, consistent with Specific Plan requirements and the developer's desired identity for the project.

Methodology for the Financial Analysis

BAE met with City staff and the developer to review the proposed site plan and development program and review assumptions regarding costs, rental rates, operating costs, and other factors. The developer provided a comprehensive package describing the Bonus Project, with a detailed contractor estimate for construction cost broken out by major components. It should be noted that the proposed project is relatively small, and offers a high level of architectural detail which means that it does not benefit from the economies available to larger projects, and therefore the per square foot construction costs would be expected to be higher.

BAE also researched development costs for other recently built small mixed-use development projects in the local area to allow a comparison with the developer's figures. This included interviews with area developers of office space and rental residential projects to confirm construction costs, operating costs, and capitalization rates. Confidential project cost information for

other proposed projects under consideration by the City was also reviewed. Cost figures for the appropriate construction types as published in the R.S. Means Company square feet construction cost guides were reviewed.

Office rental rates for comparable projects were researched for comparable office projects in Menlo Park, Palo Alto, and Mountain View. Published data on local market area capitalization rates were reviewed. Other assumptions, such as operating expenses and appropriate developer returns, are based on BAE's experience with other projects in the local market area.

This information was then used to prepare a project pro forma model for the Base Project and the Bonus Project. The pro formas consists of Excel worksheets that show assumptions for the development program, development costs, income, operating expenses, and financing costs. The worksheets show the calculation of project cost by category, an analysis of the cost of the new development by component, and the resulting developer profit. Certain expense items were reclassified to simplify the presentation, aside from exceptions noted in the Key Assumptions section, the costs presented in the pro formas are consistent with the costs provided by the developer.

The model is set up to calculate project profit as a residual value. The calculation starts with the market value of the completed project at stabilization (fully leased), and then deducts total development costs as well as the Net Present Value of the ground lease payments. The residual project value for the Bonus Project, less the residual project value for the Base Project, represents the increase in value attributed to the public benefit bonus.

The value of the ground lease was calculated on a Net Present Value (NPV) basis, using the terms provided by the developer and applying a discount rate of five percent (based on long-term cost of funds, i.e. a commercial mortgage). This was done in order to identify the equivalent up-front cost to a potential buyer for the completed project of setting aside funds to make payments throughout the term of the ground lease¹. Unlike other public benefit analyses, the ground lease was included in the calculation because the value of the ground lease is less for the Base Project. This is because the lower base rent generated by the Base Project, combined with a ground lease cap of payments being limited to 30 percent of gross revenues, means that the Base Project has a lower ground lease payment than the Bonus Project.

The pro forma models are attached to this memorandum, with the Base Project shown first, followed by the Bonus Project.

This analysis does not attempt to identify what would be a "reasonable" or "expected" contribution by the developer of the increase in value from the Public Benefit Bonus Project to the City, in the

¹ Net Present Value (NPV) analysis is a method for accounting for the time value of money, i.e. future payments are worth less than payments made today because of the returns that can be earned between now and the future dates.

form of a public benefit financial or in-kind contribution. The concept of a negotiated bonus tied to the increase in the value of the larger project is relatively new, and at present there is no previous experience by the City or other jurisdictions that could be identified on how the increase in value could be “shared” between the developer and a local jurisdiction².

Base Project Infeasibility

As noted in the key findings section, and as shown in the Base Project pro forma, a project using the base zoning in the Specific Plan is infeasible and would result in a loss of \$417,000. By comparison, a profit equal to approximately six to eight percent of total development costs would be required for such a project to be considered feasible and for developers to be likely to pursue it.

The primary reasons for the Base Project being infeasible are: (1) the high cost of building construction; (2) the high cost of underground parking (\$57,000+ per space) that generates no revenue for the project as the market does not currently support pay parking for office tenants; and (3) ground lease terms that do not decrease payments sufficiently to offset the reduction in value resulting from the smaller project.

Larger office projects in the local area that benefit from a lower cost of construction typically have a hard construction cost of approximately \$265 to \$275 per square foot. For the Base Project, if its construction cost were lowered to \$265 per square foot, an approximately 15 percent reduction, and onsite construction costs reduced by \$5 per site square foot (eleven percent), and all other assumptions remained unchanged, the Base Project would become just barely feasible with a total profit of just over \$855,000. However, this lower level of construction cost could result in project inconsistent with the City’s expectations, as set forth in the Specific Plan, for high-quality construction that complements other development in the City. It may also be a challenge to lower costs this much, given the relatively small size of the project and site considerations.

It is possible that a different project for mixed-use development that includes a residential component could result in a profitable Base Project, if it is able to develop a larger project with more square feet that is consistent with zoning requirements. This could be the case even though residential uses are not as profitable as office uses based on current market conditions. Office uses on the Project site cannot exceed one half of the allowable floor area ratio (FAR) for the site, which means that residential uses could possibly be included to take advantage of up to one half of the allowable FAR, subject to development regulations and site constraints – design analysis would be needed to determine how much residential could be included before development standards might require a reduction in the square footage of the office space. Because the site has relatively low

² The existing affordable housing density bonus provided for in California law has a set process for what a developer must provide to obtain the bonus. Another common situation where developers negotiate with cities on how to share the value from a development is through the negotiation of a Development Agreement (DA). However, DA’s are voluntary agreements and there is a very wide range in the concessions that are made by local jurisdictions and developers during their negotiation.

parking requirements for residential units (one space per unit minimum, 1.5 spaces per unit maximum), and the City allows developers to apply for shared parking reductions for mixed use projects, it is possible that adding residential uses to the site would generate enough revenue to make the Base Project feasible, particularly if the developer received an additional reduction in parking requirements due to the parking efficiency of mixed use projects (e.g. office uses require daytime parking and residential peak parking demand is in the evenings). Credit for mixed-use parking represents a discretionary action by the City that would require the applicant to prepare a parking study to calculate the reduced parking demand for mixed-use development.

The Base Project used for this analysis is based on the Public Benefit Project as proposed by the developer, and does not include an alternative mixed-use project.

Key Assumptions

The pro formas set forth all assumptions used in the analysis. Following is a summary of key assumptions that were used for both models:

- Based on data provided by the developer, the rentable area (area for which tenants pay rent) is 18,825 square feet for the Base Project and 24,401 square feet for the Bonus Project. This reflects a load factor of approximately three percent, which is very low, and is consistent with leasing space for a full floor or an entire building (i.e. no multi-tenant spaces with an internal corridor and shared bathrooms).
- For lack of more detailed information, the kiosk serving coffee and prepared food items (sealed items made off-site) is assumed to be approximately 300 square feet. This could be provided through a structure built on site, or a prefabricated structure permanently attached to the plaza.
- The monthly rental rate for the office space is \$66 per square foot per year, triple net (NNN, which means tenants pay their pro-rata share of utilities, maintenance, property taxes, and insurance.) Tenants are assumed to receive a \$60 per square foot tenant improvement allowance to build out their spaces. Based on current market conditions, this is approximately 50 percent of the cost to build out a new tenant space, and tenants would be required to pay the other half to the landlord.

The rent for the kiosk was set at a relatively modest \$36 per square foot per year, NNN. This is based on a survey of kiosk rentals in locations other than Menlo Park and the immediate area, and this figure may be low. Higher rents would result in a slight increase in the value of the project.

- Hard construction costs were reclassified by BAE into the following categories, using the detailed construction cost estimate prepared for the developer by Vance Brown Builders: (1) onsite costs for demolition of existing buildings, environmental remediation, grading, utility undergrounding, and other improvements, including hard surfaces and landscaping; (2) offsite construction costs for Alma Street and alleyway improvements; (3) hard construction costs for second and third floor patios and terraces in the building; (4) hard construction costs for the shell and core

building for all items excluding patios and terraces; and (5) hard construction costs for underground parking.

Several adjustments were made to construction cost estimates. The most significant was the deduction of approximately \$1.36 million for three items: escalation (inflation) adjustments to start of construction; design contingency at five percent of hard construction cost; and construction cost contingency of two percent. This was done for several reasons. Regarding the cost escalation, the pro forma analysis is based on project economics today, rather than trying to consider potential inflation in rental rates in addition to inflation in construction costs, an exercise that can become speculative. For the design contingency costs, an increase was made to the developer's soft construction cost estimate to allow for higher design costs (discussed below). Total hard construction costs are already at the upper end of the market, and any further increase could as likely be dealt with through offsetting savings in some other part of the improvement program versus increasing the overall budget.

Other adjustments to hard construction costs include limiting lobby improvement costs to the \$200,000 figure shown in the contractor's estimate to avoid any duplication of costs. For the Base Project, the cost for patios and terraces was reduced to \$0 on the assumption that these areas would be removed in an effort to lower project costs (this would not change building setback per Specific Plan requirements, it would avoid the cost of building these areas to a higher standard for occupancy).

Aside from the above items, costs as provided by the developer are considered appropriate and were used for the attached pro formas. This results in a total construction cost (hard costs plus soft costs, excluding financing costs and developer fee) of \$730 per square foot to the Bonus Project and \$712 per square foot for the Base Project.³

- Underground parking hard costs are assumed to be \$57,000 per space for the Bonus Project and Base Project, which results in the same total cost for this item as identified by the developer. These costs are higher than average costs for underground parking, and are considered appropriate to given the small size of the underground parking area and less than optimal layout that results.
- The developer's estimate for soft construction costs, after deducting items for public benefit, debt service, and developer fee – all shown elsewhere in the pro forma – is approximately 8.5 percent. This is low, and in particular the share for architect and engineer costs appears too low. This figure was bumped up to 12 percent to provide more of an allowance for these costs, which also offsets more than half of the eliminated design contingency cost.
- The figures provided by the developer did not include impact fees and connection fees. These were estimated based on the City's current costs, except for the non-residential sewer connection fee, which requires a flow estimate. This results in impact fees and connections fees of \$388,000 for the Base Project, and \$540,000 for the Bonus Project.

³ The developer fee covers the costs of managing the development process from beginning to completion of a project and is not intended to represent profit.

- To calculate the value of the landscaping and plaza public benefit improvements, the developer's costs for on-site improvements was used, with deduction of costs that are not as variable (e.g. surveying, demolition, site utilities, etc.). This resulted in an estimate of just under \$48 per square foot for site improvements. The soft cost factor was added to this, along with developer fee and financing costs, and multiplied by 2,440 square feet of public benefit area, to arrive at an estimate of \$199,000. This includes the retail kiosk, which has an assumed cost of \$60,000.
- The developer fee of 3.5 percent identified by the developer was used. This covers the developer's overhead and management costs during the project, separate from profit, and totals \$510,000 for the Base Project and \$678,000 for the Bonus Project.
- Financing assumptions are based on current market conditions, and assume a construction loan interest rate of seven percent, with two points for fees. The capitalization rate to value the finished project is 4.75 percent.

Limiting Conditions

The above analysis is based on cost and valuation factors along with market rental rates provided by the potential developer, as well as research conducted by BAE during the first quarter of 2015. The project is in pre-development, and as design and development work proceeds it is possible that changes in design, building code requirements, construction costs, market conditions, interest rates, or other factors may result in significant changes in costs and profits, and therefore the cost of the public benefit bonus. Depending upon these changes, the project as ultimately proposed or built could become more profitable, or could become less profitable or even infeasible.

**Pro Forma for Office Development - Base Case per Specific Plan
Proposed Project at 1020 Alma Street, Menlo Park CA**

DRAFT

Development Program Assumptions

Characteristics of Project (a)

Site - gross acres / square feet (sf)	0.66	28,752
Total gross sf retail/office bldg	0	19,408
Rentable area, sf, retail/office	0	18,825
Building common area sf		583
Public open space sf		0
Parking:		
Surface parking spaces		20
Underground parking spaces		54
Total parking spaces		74

Cost and Income Assumptions

Development Costs (b)

Onsite costs, building demolition, grading, other improvements		\$45
Onsite costs, patios and terraces, per site sf		\$0
Offsite construction costs: Alma and Alley improvements		\$22
Construction hard costs, per sf - Retail/Office	\$0	\$312
Impact fees (c)		\$387,728
Tenant improvements, per sf of rentable office		\$60
Soft costs, % of hard costs (d)		12%
Parking construction, per space: Surface/Undergrnd. (e)	\$0	\$57,000
Developer fee % of total project costs (e)		3.50%

Revenues and Operating Expenses

Office rental rate, sf/yr, NNN		\$66.00
Retail rental rate, sf/yr, NNN		\$36.00
Annual op. cost per sf retail/office	\$0.00	\$1.20
Vacancy rate retail/office	0%	5%

Financing

Construction loan to cost ratio		75%
Loan fees (points)		2%
Interest rate		7.0%
Construction period (months)		18
Drawdown factor		50%
Total loan amount		\$10,362,775
Capitalization Rate - Office		4.75%

Development Costs

Development Costs (Excludes Land)

Onsite and offsite costs (g)	\$1,727,655
Retail construction costs	\$0
Office construction costs	\$6,055,296
Tenant improvements	\$1,129,500
Parking costs	\$3,078,000
Total Hard Costs	\$11,990,451
Soft costs	\$1,438,854
Impact fees	\$387,728
Total construction costs	\$13,817,033
Total construction cost, per gross sf	\$712

Interest on construction loan	\$544,046
Points on construction loan	\$207,255
Total financing costs	\$751,301

Subtotal Development Costs	\$14,568,334
Developer Fee (f)	\$509,892
Total development costs	\$15,078,226

Value Analysis

Projected Income

Office	
Gross scheduled rents	\$1,242,450
Less vacancy	(\$62,123)
Gross annual rents	\$1,180,328
Less operating expenses	(\$23,290)
Net operating income (NOI)	\$1,157,038

Retail	
Gross scheduled rents	\$0
Less vacancy	\$0
Gross annual rents	\$0
Less operating expenses - included in office	\$0
Net operating income (NOI)	\$0

Total net operating income	\$1,157,038
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Development Feasibility

Capitalized value	\$24,358,693
Less development costs	(\$15,078,226)
Less ground lease NPV (h)	(\$9,697,848)
Project profit - residual value net of all costs	(\$417,381)

Notes

- (a) Project data as provided by developer.
- (b) Construction costs as provided by developer, supported by contractor detail, reorganized by BAE for this proforma. Contingency and escalation for construction excluded as proforma is based on current period economics (however soft costs does include line item for design contingency). Separate line item for lobby is excluded as that cost is shown in core and shell improvements.
- (c) Includes the following impact fees City FY2014-15 impact fee schedule: Storm Drainage Connection Fee, Building Construction Road Impact Fee, Water Capital Facilities Charge, Traffic Impact Fee, BMR Housing In-lieu fee, ECR/Downtown Specific Plan Preparation fee, Supplemental Traffic Impact Fee, Sequoia Union High School District Impact Fee, Menlo Park City Elementary School District Impact Fee. Fee calculation per report. Excludes non-residential sewer connection fees, pending flow calculations. Figures are net of sf of existing Alma St. buildings to be demolished. Does not include any potential impact fee from Menlo Park Fire Protection District.
- (d) Developer soft costs, excluding items shown in other line items in this proforma is considerably lower. Higher figure used by BAE to match typical projects.
- (e) Surface spaces on Alma, alley, or site, cost assumed in those line items.
- (f) The analysis assumes a developer fee to cover the costs of managing the development of a project; the developer fee does not represent profit.
- (g) Does not include public plaza costs in Public Benefit Density project.
- (h) Net Present Value of ground lease payment during term of lease, including escalations, based on information provided by developer. Lease is capped at 30% of rent payments, with floor of \$48,400. This figure is lower than density bonus case due to effect of cap and floor. See report for further explanation. Discount rate for NPV analysis: 5.75%

Sources: Lane Partners; RS Means Co.; City of Menlo Park; BAE, 2015.



Pro Forma for Office Development with Public Benefit Bonus per Specific Plan
Proposed Project at 1020 Alma Street, Menlo Park CA

DRAFT

Development Program Assumptions

Characteristics of Project (a)		
Site - gross acres / square feet (sf)	0.66	28,752
Total gross sf retail/office bldg	300	25,156
Rentable area, sf, retail/office	300	24,401
Building common area sf		755
Public open space sf		2,440
Parking:		
Surface parking spaces		20
Underground parking spaces		76
Total parking spaces		96

Cost and Income Assumptions

Development Costs (b)		
Onsite costs, building demolition, grading, other improvements		\$45
Onsite costs, patios and terraces, per site sf		\$12
Offsite construction costs: Alma and Alley improvements		\$22
Construction hard costs, per sf - Retail/Office	\$200	\$312
Impact fees (c)		\$540,302
Tenant improvements, per sf of rentable office		\$60
Soft costs, % of hard costs (d)		12%
Parking construction, per space: Surface/Undergmd. (e)	\$0	\$57,000
Developer fee % of total project costs (f)		3.50%

Revenues and Operating Expenses		
Office rental rate, sf/yr, NNN		\$66.00
Retail rental rate, sf/yr, NNN		\$36.00
Annual op. cost per sf retail/office	\$0.00	\$1.20
Vacancy rate retail/office	0%	5%

Financing		
Construction loan to cost ratio		75%
Loan fees (points)		2%
Interest rate		7.0%
Construction period (months)		18
Drawdown factor		50%
Total loan amount		\$13,774,784
Capitalization Rate - Office		4.75%

Notes

- (a) Project data as provided by developer.
- (b) Construction costs as provided by developer, supported by contractor detail, reorganized by BAE for this proforma. Contingency and escalation for construction excluded as proforma is based on current period economics (however soft costs does include line item for design contingency). Separate line item for lobby is excluded as that cost is shown in core and shell improvements.
- (c) Includes the following impact fees City FY2014-15 impact fee schedule: Storm Drainage Connection Fee, Building Construction Road Impact Fee, Water Capital Facilities Charge, Traffic Impact Fee, BMR Housing In-lieu fee, ECR/Downtown Specific Plan Preparation fee, Supplemental Transportation Impact Fee, Sequoia Union High School District Impact Fee, Menlo Park City Elementary School District Impact Fee. Fee calculation per report. Excludes non-residential sewer connection fees, pending flow calculations. Figures are net of sf of existing Alma St. buildings to be demolished. Does not include any potential impact fee from Menlo Park Fire Protection District.
- (d) Developer soft costs, excluding items shown in other line items in this proforma (public benefit, debt service, developer fee). Rounded up to 10%.
- (e) Surface spaces on Alma, alley, or site, cost assumed in those line items.
- (f) The analysis assumes a developer fee to cover the costs of managing the development of a project; the developer fee does not represent profit.
- (g) Cost of retail kiosk is included in the cost for the public benefit bonus.
- (h) Net Present Value of ground lease payment during term of lease, including escalations, based on information provided by developer. Lease is capped at 30% of rent payments, with floor of \$48,400. See report for further explanation. Discount rate for NPV analysis:
- (i) If base case project has a value < \$0, this is profit from the density bonus project, as only that project is feasible. 5.75%
- (j) Includes the cost for site improvements (\$47.98 per sq. ft. plus 18.5% for soft costs, developer fee, and financing costs) and cost the cost of the retail kiosk (\$60,000).

Development Costs

Development Costs (Excludes Land)	
Onsite and offsite costs	\$2,271,408
Retail construction costs (g)	\$0
Office construction costs	\$7,848,672
Tenant improvements	\$1,464,060
Parking costs	<u>\$4,332,000</u>
Total Hard Costs	\$15,916,140
Soft costs	\$1,909,937
Impact fees	<u>\$540,302</u>
Total construction costs	\$18,366,379
Total construction cost, per gross sf	\$730
Interest on construction loan	\$723,176
Points on construction loan	<u>\$275,496</u>
Total financing costs	\$998,672
Subtotal Development Costs	\$19,365,051
Developer Fee (f)	<u>\$677,777</u>
Total development costs	\$20,042,827

Value Analysis

Projected Income	
Office	
Gross scheduled rents	\$1,610,466
Less vacancy	<u>(\$80,523)</u>
Gross annual rents	\$1,529,943
Less operating expenses	<u>(\$30,187)</u>
Net operating income (NOI)	\$1,499,756
Retail	
Gross scheduled rents	\$10,800
Less vacancy	<u>\$0</u>
Gross annual rents	\$10,800
Less operating expenses - included in office	<u>\$0</u>
Net operating income (NOI)	\$10,800
Total net operating income	\$1,510,556

Development Feasibility	
Capitalized value	\$31,801,168
Less development costs	<u>(\$20,042,827)</u>
Less ground lease NPV (h)	<u>(\$10,708,486)</u>
Project profit - residual value net of all costs	\$1,049,855

Public Benefit Bonus Value

Gross Increase in Project Value	\$1,467,236
Increase in Project Value Above Zero Baseline (i)	\$1,049,855
Proposed Value of Public Benefit	
Developer Contribution	\$180,212
Public plaza open space (j)	<u>\$198,729</u>
	\$378,941
Net Increase in Value to Developer	\$670,913
Public Benefit as % of Net Increase in Value	36%



-----Original Message-----

From: klara turner [mailto:klaraturnersalon@yahoo.com]

Sent: Saturday, January 03, 2015 8:46 AM

To: Henry, Brian P

Cc: Lin, Jean P

Subject: 300 year oak tree on Alma st...

My name is Klara Turner and I am a business owner at 1010 Alma street. There has been some activity in our location, meaning the businesses from 1010 -1026 Alma, that points to some likelihood of development of the property, even though the owner denies this.

My concern is that the 3 Heritage oaks on this parcel of land are in jeopardy of removal. The great oak outside my business at 1010 Alma has not been trimmed or taken care of for over 18 years, when I had it trimmed. The great oaks in the patio area of Iberia Restaurant have been well maintained yearly and there are records to prove this, and that the trees are alive and healthy. I would love to know how, I or Jose Luis, the owner of the restaurant, can put a preservation order on these oaks, as it seems to me a huge development on this property may be hindered by these trees.... Please let me know asap.

Thank you

Klara Turner

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