



# COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: March 26, 2013  
Staff Report #: 13-043

Agenda Item #: F-2

**REGULAR BUSINESS: Consider a Request for Architectural Control, License Agreement and Encroachment Permit, and Heritage Tree Removal Permits for a Proposed Limited-Service, Business-Oriented Hotel at 555 Glenwood Avenue**

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## RECOMMENDATION

Staff recommends that the City Council concur with the recommendation of the Planning Commission and approve the following actions associated with a proposed limited-service, business-oriented hotel at 555 Glenwood Avenue:

1. **Make California Environmental Quality Act (CEQA) Findings** that the proposal is within the scope of the project covered by the El Camino Real/Downtown Specific Plan Program EIR;
2. **Approve Architectural Control** for the proposed exterior changes and the application of a Public Benefit Bonus for a Floor Area Ratio (FAR) of 1.16 (where 1.10 is the Base level FAR maximum and 1.50 is the Public Benefit Bonus level FAR maximum) in recognition of the hotel use's Transient Occupancy Tax (TOT) revenue;
3. **Approve a License Agreement and Encroachment Permit** for the use of on-street parking spaces along Garwood Way for required parking; and
4. **Adopt a Resolution Approving Heritage Tree Removal Permits** for three trees on the project site.

The full recommended findings, actions, and conditions for approval are included as Attachment A.

## BACKGROUND

In April and May 1987, the City Council approved a Planned Development (P-D) permit and associated P-D(3) district rezoning for a 138-room senior citizens retirement living center on a 2.25-acre site at 555 Glenwood Avenue. The P-D permit established a maximum gross floor area of 113,803 square feet, which represents a Floor Area Ratio (FAR) of approximately 1.16. In addition, the P-D permit required that the development provide "off-street parking for 82 vehicles and provide for additional parking on Garwood

Way per Engineering Division requirements.” The Planning Commission subsequently approved precise development plans in August 1987, and the development was constructed between 1988 and 1990. The development consists of a central one-story building containing communal spaces (such as the lobby, dining, and office areas), surrounded by three-story buildings that contain the individual rooms.

The property has since been in use as a privately owned and operated senior residential facility, branded initially as the “Glenwood Inn” and renamed more recently to “Casa on the Peninsula.” The facility is age-restricted to seniors and provides independent and assisted living options, but is not a skilled nursing facility that provides specialized medical care. Casa on the Peninsula provides a market-rate housing option for seniors (as opposed to subsidized affordable housing).

In June 2012, the City Council approved the El Camino Real/Downtown Specific Plan (“Specific Plan”), which rezoned the subject property from P-D(3) to a new SP-ECR/D zoning district. The Specific Plan established that existing discretionary approvals (such as P-D permits) for developments in the SP-ECR/D district will continue to be honored and enforced, but properties may elect to proceed with new or modified development in accordance with Specific Plan regulations. Within the Specific Plan, the 555 Glenwood Avenue parcel is in the El Camino Real Mixed Use/Residential land use designation and the ECR NE-R zoning district.

On October 30, 2012, the City Council held a study session to provide initial feedback on the potential conversion of 555 Glenwood Avenue to a hotel use. The applicant, Sand Hill Property Company, currently owns and operates a hotel similar to the proposed facility (“Marriott Residence Inn Palo Alto Los Altos,” in Los Altos). The applicant does not currently own or operate the subject property, but is in contract to purchase it from the current owner and business operator. The current owner has initiated the process to close the facility, and will be required to follow State procedures regarding resident relocation. At the October 30 meeting, the Council did not make any motions or other group actions, but the Council Members’ individual feedback has been considered by the applicant and staff as the project review has proceeded.

On March 4, 2013, the Planning Commission reviewed the formal request to modify the existing senior citizens retirement living center into a limited-service, business-oriented hotel in the SP-ECR/D (El Camino Real/Downtown Specific Plan) zoning district. At this meeting, the Commission made two separate actions:

1. Recommend that the City Council approve the CEQA findings, architectural control findings, architectural control conditions of approval, and resolution to approve heritage tree removal permits with the following guidance; 6-0-1 with Commissioner Onken abstaining:
  - The Planning Commission recommends that the City Council prioritize the use of the new Transient Occupancy Tax (TOT) revenue associated with the proposal to fund infrastructure projects, in particular circulation improvements, within the El Camino Real/Downtown Specific Plan area.

2. Recommend that the City Council approve the license agreement and encroachment permit with the following modification; 6-1 with Commissioner Onken opposed:
  - The license agreement and encroachment permit should contain a mechanism that, after a period of five years, would require the payment of a fair market rent for the 39 parking spaces on Garwood Way.

## **ANALYSIS**

A complete discussion of the project proposal, requested land use entitlements and other actions is included in the Planning Commission staff report dated February 25, 2013, which is included as Attachment H. The associated excerpt minutes are included as Attachment I. What follows is a discussion of the Planning Commission's direction, as well as a minor comment initiated by staff. No changes have been made to the project plans (Attachment K) or project description letter (Attachment L).

### **Use of TOT Revenues for Specific Plan Infrastructure Projects**

As noted above, the Planning Commission has recommended that the City Council prioritize the use of the new Transient Occupancy Tax (TOT) revenue associated with the proposal to fund infrastructure projects, in particular circulation improvements, within the El Camino Real/Downtown Specific Plan area. Staff noted at the March 4, 2013 Planning Commission meeting that TOT revenues are collected per procedures outlined by the State and the City's Municipal Code, and by default are deposited into the City's General Fund.

In general, staff believes that there could be advantages to proactively initiating Specific Plan area infrastructure projects, and that the TOT revenue associated with the proposal could provide a useful revenue source. However, at this point, staff does not recommend that the City Council conduct any particular action with regard to how the proposal's projected TOT revenue will be used in the future. Staff believes that infrastructure decisions should be made on a comprehensive, city-wide basis, and should take into account how needs and opportunities can change over time. In addition, TOT revenues will likely fluctuate from year to year, making it difficult to precisely plan expenditures in advance. Staff recommends the Council consider the Planning Commission's recommendation during each yearly review of the Capital Improvement Plan (CIP), but not commit at this time to directing the proposal's TOT revenue to particular project categories.

### **License Agreement and Encroachment Permit Modifications**

In response to the Planning Commission's direction to incorporate a requirement for fair market rent for the Garwood Way parking spaces after a period of five years, the City Attorney has negotiated changes to the proposed license agreement and encroachment permit, the revised version of which is included as Attachment F. Specifically, new clause 4(a)(vii) states that the City shall have the right after five years to impose rent in

an amount equal to the Fair Rental Value for the exclusive use of the Parking Area going forward on a monthly basis. In the event that the City and the project sponsor are not able to agree on the Fair Rental Value, the clause provides typical procedures for determining it, including the potential use of arbitration. As with other parts of the proposed agreement, if total TOT revenues are greater than \$700,000, this provision would not apply, since the City would then be receiving revenue well in excess of the projections. It is the applicant's position that if the Hotel is generating TOT revenues to the City in excess of \$700,000, the City is being generously compensated for the use of the parking area and no additional payments should be required. In addition, if clause 4(a)(vii) becomes effective, other potential payments related to TOT performance would not apply, in order to avoid duplicate penalties. As noted in the Planning Commission staff report, the proposed agreement is intended to strike a balance between representing the City's revenue interests and being acceptable to commercial lending entities that finance property purchase and conversion projects such as the subject application.

### **Garwood Way Extension**

As noted in the Planning Commission staff report, the City has an adopted plan line to extend Garwood Way to Oak Grove Avenue, although there are no immediately pending plans to implement this extension. This future through street is planned as a Class III bicycle route, which features shared use of travel lanes by bicycles and cars. At the March 4 meeting, public comments were made regarding the potential effects of the proposed license agreement on the future bicycle route. Although this topic didn't result in any Planning Commission direction, staff would like to note that bicycle access would not be affected by the proposal, as the agreement for exclusive use would only apply to the parking spaces on the sides of the roadway. Unless the City Council directs future changes to the Garwood Way plan line, through access for cars, bicycles, and pedestrians would be preserved, and the shared bicycle route could be implemented without changes.

### **IMPACT ON CITY RESOURCES**

For the review of the proposal, the applicant has submitted a deposit for the study session and subsequent meetings, and is required to pay for staff time above and beyond that deposit, for full cost recovery.

For the ongoing proposed use of the site, the applicant's limited economic benefit review (Attachment M) concludes that the proposal would generate substantially more revenue to the General Fund than does the existing use, primarily due to new TOT revenues. Specifically, the applicant's analysis projects that the hotel use would increase annual revenues from the property by approximately \$669,000. Of this amount, approximately \$656,000 would be from TOT, collected at the 12 percent rate that was approved by Menlo Park voters as part of the November 6, 2012 general election. The City's independent peer review (Attachment N) found the overall methodology of the applicant's analysis appropriate, and also found that an independent market

assessment shows strong potential demand for the proposed use. The peer review does note that the applicant's analysis is based on the current market conditions (primarily 2011 data from the applicant's Los Altos hotel facility) and that longer-term regional trends could potentially result in reduced revenues. However, a conservative alternative TOT calculation, provided in the independent peer review for comparison purposes, still projects significant annual TOT revenues (\$616,000, or a six-percent reduction compared to the applicant's analysis).

## **POLICY ISSUES**

The El Camino Real/Downtown Specific Plan provides the regulations and guidelines for the development of the 555 Glenwood Avenue property. As noted in the Planning Commission staff report, hotel uses are permitted in the El Camino Real Mixed Use/Residential land use designation. The Specific Plan features a two-tier density/intensity system, in which uses that exceed the Base level dwelling units per acre and/or Floor Area Ratio (FAR) standards are required to pursue a discretionary Public Benefit Bonus process. Staff believes that the revenue increase associated with the proposal would be a substantial public benefit to the City. Although the Public Benefit Bonus review is conducted on a case-by-case basis, hotel facilities are explicitly called out by the Specific Plan as a suggested consideration for such a bonus because of their inherent revenue and vibrancy benefits. In addition, the FAR level that is being requested is 1.16, which would represent only a 5.5 percent increase above the 1.10 Base level. This level would also be well below the maximum 1.50 Public Benefit Bonus level. Staff believes that the benefits to the City (even assuming the alternative TOT calculation projection) would be an appropriate justification for the Public Benefit Bonus.

With regard to the use of Garwood Way for required parking, staff believes that the provision of required parking in the public right-of-way is uniquely justified in this case by the revenue-generating characteristics of the hotel use, and the fact that the use would not be feasible at this time without such dedicated parking. In addition, while the historical development and use of these spaces with the existing use is not considered a legal basis for continued dedicated parking use, they are also unique factors partially justifying the proposed license agreement, and would be factors not applicable to other properties. The proposed TOT requirements in the approval actions and the license agreement and encroachment permit would ensure certain minimum levels of revenue, and the agreement would not preclude alternate parking arrangements, which may be more preferable in the future.

## **ENVIRONMENTAL REVIEW**

The Specific Plan process included detailed review of projected environmental impacts through a program Environmental Impact Report (EIR), as required by the California Environmental Quality Act (CEQA). In compliance with CEQA requirements, the Draft EIR was released in April 2011, with a public comment period that closed in June 2011. The Final EIR, incorporating responses to Draft EIR comments, as well as text changes

to parts of the Draft EIR itself, was released in April 2012, and certified along with the final Plan approvals in June 2012.

The Specific Plan EIR identifies no impacts or less-than-significant impacts in the following categories: Aesthetic Resources; Geology and Soils; Hydrology and Water Quality; Land Use Planning and Policies; Population and Housing; and Public Services and Utilities. The EIR identifies potentially significant environmental effects that, with mitigation, would be less than significant in the following categories: Biological Resources; Cultural Resources; Hazards and Hazardous Materials. The EIR identifies potentially significant environmental effects that will remain significant and unavoidable in the following categories: Air Quality; Greenhouse Gases and Climate Change; Noise; and Transportation, Circulation and Parking. The Final EIR actions included adoption of a Statement of Overriding Considerations, which is a specific finding that the project includes substantial benefits that outweighs its significant, adverse environmental impact.

As specified in the Specific Plan EIR and the CEQA Guidelines, program EIRs provide the initial framework for review of discrete projects. In particular, projects of the scale of the 555 Glenwood Avenue proposal are required to be analyzed with regard to whether they would have impacts not examined in the Program EIR. This conformance checklist, which analyzes the project in relation to each environmental category in appropriate detail, is included as Attachment B. The checklist is informed by a Traffic Impact Analysis (TIA) prepared by the applicant (Attachment C), which was the subject of an independent City peer review (Attachment D). The City Council should note that similar conformance checklists for other projects may differ in format and detail, depending on the attributes of such projects.

As detailed in the conformance checklist presented above, the proposed project would not result in greater impacts than were identified for the Program EIR. Relevant mitigation measures have been applied and would be adopted as part of the Mitigation Monitoring and Reporting Program (MMRP), which is included as Attachment E. No new impacts have been identified and no new mitigation measures are required for the proposed project.

### **Specific Plan Maximum Allowable Development**

Per Section G.3, the Specific Plan establishes the maximum allowable net new development as follows:

- Residential uses: 680 units; and
- Non-residential uses, including retail, office and hotel: 474,000 square feet.

These totals are intended to reflect likely development over the Specific Plan's intended 20- to 30-year timeframe. As noted in the plan, development in excess of these thresholds will require amending the Specific Plan and conducting additional environmental review.

The 555 Glenwood Avenue proposal would not create any new square footage in order to convert the existing senior citizens retirement living center into a new 138-room hotel. However, the net new vehicle trips associated with the conversion, which is of direct relevance to traffic analysis and affects other impact categories (e.g., air quality and noise), can be considered equivalent to a new 87-room hotel, which can be approximated as a net increase of 71,921 square feet of commercial square footage. As such, the 555 Glenwood Avenue proposal would represent 15 percent of the non-residential uses for the overall Specific Plan (note: per Section G.3, the non-residential development is not segmented by use). If the project is approved and implemented, this amount would be deducted from the Maximum Allowable Development in the Plan area.

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Senior Planner

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Community Development Director

## **PUBLIC NOTICE**

Public notification consisted of publishing a notice in the local newspaper and notification by mail of owners and occupants within a 300-foot radius of the subject property. In addition, the City sent an email update to subscribers to the project page for the proposal, which is available at the following address:  
[http://www.menlopark.org/projects/comdev\\_555glenwood.htm](http://www.menlopark.org/projects/comdev_555glenwood.htm)

## **ATTACHMENTS**

- A. Draft Findings, Actions, and Conditions for Approval
- B. Draft El Camino Real/Downtown Specific Plan Program EIR Conformance Checklist – 555 Glenwood Avenue Project
- C. Results of Preliminary Parking and Traffic Impact Analysis of Proposed Marriott Residence Inn at 555 Glenwood Avenue in Menlo Park – TJKM – February 26, 2013 [Note: appendices not included due to length, but available for review on the project page and at City offices]
- D. Review of 555 Glenwood Avenue Traffic Analysis – W-Trans – February 27, 2013
- E. Mitigation Monitoring and Reporting Program (MMRP)
- F. Draft License Agreement and Encroachment Permit for Use of Parking Spaces
- G. Draft Resolution of the City of Menlo Park to Approve the Heritage Tree Removal Permits
- H. Planning Commission Staff Report, dated February 25, 2013, without attachments
- I. Planning Commission Meeting Excerpt Minutes, dated February 25, 2013
- J. Location Map

- K. Project Plans
- L. Project Description Letter
- M. Limited Economic Benefit Review - Conley Consulting Group – October 3, 2012 and January 18, 2013
- N. Limited Market Analysis and Peer Review – BAE Urban Economics – February 19, 2013

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**555 Glenwood Avenue  
Draft Findings, Actions, and Conditions for Approval  
March 26, 2013**

1. Make findings with regard to the California Environmental Quality Act (CEQA) that the proposal is within the scope of the project covered by the El Camino Real/Downtown Specific Plan Program EIR, which was certified on June 5, 2012. Specifically, make findings that:
  - a. A checklist has been prepared detailing that no new effects could occur and no new mitigation measures would be required (Attachment B, including Attachments C and D by reference).
  - b. Relevant mitigation measures have been incorporated into the project through the Mitigation Monitoring and Reporting Program (Attachment E), which is approved as part of this finding.
  - c. Upon completion of project improvements, the Specific Plan Maximum Allowable Development non-residential use total will be reduced by 71,921 square feet, accounting for the project's share of the Plan's overall projected development and associated impacts.
2. Adopt the following findings, as per Section 16.68.020 of the Zoning Ordinance, pertaining to architectural control approval:
  - a. The general appearance of the structure is in keeping with the character of the neighborhood.
  - b. The development will not be detrimental to the harmonious and orderly growth of the City.
  - c. The development will not impair the desirability of investment or occupation in the neighborhood.
  - d. The development provides adequate parking as required in all applicable City Ordinances and has made adequate provisions for access to such parking.
  - e. The development is consistent with the El Camino Real/Downtown Specific Plan. In particular:
    - i. The relatively modest exterior changes would comply with relevant design standards and guidelines.
    - ii. The hotel use's Transient Occupancy Tax (TOT) revenue would justify the application of a Public Benefit Bonus for a Floor Area

Ratio (FAR) of 1.16, which is above the 1.10 Base level FAR but well below the Public Benefit Bonus maximum level of 1.50 FAR. Minimum levels of TOT would be ensured by condition 5a.

3. Approve the architectural control request subject to the following ***standard*** conditions of approval:
  - a. Development of the project shall be substantially in conformance with the plans prepared by Stantec, dated received February 25, 2013, consisting of eight plan sheets and approved by the City Council on March 26, 2013, except as modified by the conditions contained herein, subject to review and approval of the Planning Division.
  - b. The applicant shall comply with all West Bay Sanitary District, Menlo Park Fire Protection District, and utility companies regulations that are directly applicable to the project.
  - c. Prior to building permit issuance, the applicant shall comply with all requirements of the Building Division, Engineering Division, and Transportation Division that are directly applicable to the project.
  - d. Prior to building permit issuance, the applicant shall submit a plan for any new utility installations or upgrades for review and approval of the Planning, Engineering and Building Divisions. Landscaping shall properly screen all utility equipment that is installed outside of a building and that cannot be placed underground. The plan shall show exact locations of all meters, back flow prevention devices, transformers, junction boxes, relay boxes, and other equipment boxes.
  - e. Simultaneous with the submittal of a complete building permit application, the applicant shall submit plans indicating that the applicant shall remove and replace any damaged and significantly worn sections of frontage improvements. The plans shall be submitted for the review and approval of the Engineering Division.
  - f. Heritage trees in the vicinity of the construction project shall be protected pursuant to the Heritage Tree Ordinance.
  - g. Prior to building permit issuance, the applicant shall submit proposed landscape and irrigation documentation as required by Chapter 12.44 (Water-Efficient Landscaping) of the City of Menlo Park Municipal Code. If required, the applicant shall submit all parts of the landscape project application as listed in section 12.44.040 of the City of Menlo Park Municipal Code. This plan shall be subject to review and approval by the Planning and Engineering Divisions. The landscaping shall be installed and inspected prior to final inspection of the building.

4. Approve the architectural control request subject to the following ***project-specific, construction-related*** conditions of approval:
  - a. Concurrent with submittal of a complete building permit, the applicant shall submit a frontage improvement plan, showing the construction of a new accessible ramp, where one does not currently exist, at the intersection of Garwood Way and Glenwood Avenue (directly adjacent to the project site, for the direction crossing Garwood Way), subject to review and approval of the Engineering Division. Implementation of this improvement is required to be completed prior to building permit final inspection, subject to review and approval of the Engineering Division.
  - b. Concurrent with submittal of a complete building permit, the applicant shall submit a detailed report describing the full scope of upgrades to the structural and mechanical, electrical and/or plumbing systems, subject to review of the Building Official and Planning Division. If the City determines that the system upgrades are significant, the applicant shall be required to meet the LEED requirements of Specific Plan Standard E.8.03.
  - c. Concurrent with submittal of a complete building permit, the applicant shall submit a comprehensive arborist report, subject to review and approval of the City Arborist and Planning Division. Tree preservation measures shall be integrated into the project plans.
  - d. Concurrent with submittal of a complete building permit, the applicant shall submit a signage and striping plan for the Garwood Way parking spaces, subject to review and approval of the Transportation and Planning Divisions. Implementation of the approved signage and striping is required to be completed prior to building permit final inspection, subject to review and approval of the Transportation and Planning Divisions.
  
5. Approve the architectural control request subject to the following ***project-specific, ongoing*** conditions of approval:
  - a. The use is subject to review and potential revocation if the hotel use does not provide TOT to the City in a minimum amount of 50 percent of total room occupancy operating revenue for two consecutive years. Specifically, the use would be subject to one of the following options, to be reviewed and determined through a procedure to be established by the Planning Division:
    - i. Payment to the City of an amount equal to the difference between actual TOT and the 50 percent level;
    - ii. Provision of an alternate Public Benefit Bonus, for consideration and action by the Planning Commission;

- iii. Removal of a square footage amount equivalent to the increment between the 1.10 Base level FAR and the 1.16 actual FAR; or
    - iv. Reversion to the previous senior citizens retirement living center use.
  - b. The applicant shall make a good-faith effort to explore the potential of a joint parking arrangement, on commercially reasonable terms, with the owners of the adjacent development site known as 1300 El Camino Real.
6. Approve the license agreement and encroachment permit (Attachment F).
  7. Adopt a Resolution of the City of Menlo Park to approve the heritage tree removal permits (Attachment G).

**555 Glenwood Avenue Project (Marriott Residence Inn)  
El Camino Real/Downtown Specific Plan Program EIR – Conformance Checklist**

**Introduction**

The City of Menlo Park (City) has developed the El Camino Real/Downtown Specific Plan (Specific Plan) to establish a framework for private and public improvements in the Specific Plan area for the next 30 years. The Specific Plan addresses approximately 130 acres and focuses on the character and density of private infill development, the character and extent of enhanced public spaces, and circulation and connectivity improvements. The primary goal of the Specific Plan is to “enhance the community life, character and vitality through mixed use infill projects sensitive to the small-town character of Menlo Park, an expanded public realm, and improved connections across El Camino Real.” The Specific Plan includes objectives, policies, development standards, and design guidelines intended to guide new private development and public space and transportation improvements in the Specific Plan area over the next 30 years. The Plan builds upon the El Camino Real/Downtown Vision Plan that was unanimously accepted by the Menlo Park City Council on July 15, 2008.

On June 5, 2012, the City Council certified the Menlo Park El Camino Real and Downtown Specific Plan Program EIR (Program EIR). According to the Program EIR, the Specific Plan does not propose specific private developments, but establishes a maximum development capacity of 474,000 square feet of non-residential development (inclusive of retail, hotel, and commercial development), and 680 new residential units.

Sand Hill Property Company has submitted an application for a 138-room Marriott Residence Inn (the project). The project site is located at 555 Glenwood Avenue and currently consists of an age-restricted, independent living facility for seniors. The proposed project would renovate this existing independent living facility into a Marriott Residence Inn hotel. The property is part of the Specific Plan area, and as such may be covered by the Program EIR analysis. The intent of this Environmental Conformity Analysis is to determine: 1) whether the proposed project does or does not exceed the environmental impacts analyzed in the Program EIR, 2) whether new impacts have or have not been identified, and 3) whether new mitigation measures are or are not required.

**Existing Condition**

The subject property is located at 555 Glenwood Avenue, at the corner of Glenwood Avenue and Garwood Way, which is part of the SP-ECR/D (El Camino Real/Downtown Specific Plan) zoning district. Glenwood Avenue is the property’s primary functional frontage, and this report’s references to site orientation use it as the “front.” The adjacent properties are occupied by a variety of commercial uses, including a language school, restaurants, and offices. In addition, the property is adjacent to a large vacant multi-parcel site addressed 1300 El Camino Real, which has approved plans for a mixed-use retail-office development, although construction has not yet commenced and

the property owners have indicated interest in possibly pursuing a revised project. The adjacent parcels are all likewise part of the SP-ECR/D zoning district. Garwood Way in this location is a dead-end street that extends the length of the subject property and the 1300 El Camino Real property. The City has an adopted plan line to extend Garwood Way to Oak Grove Avenue, although there are no immediately-pending plans to implement this extension. Garwood Way is directly adjacent to the Caltrain rail corridor.

The project site consists of one parcel (Assessor's Parcel Number: 061-430-430) of approximately 2.25 acres. The site is currently developed with an age-restricted, independent living facility for seniors, originally approved and constructed with 138 rooms. The development consists of a central one-story building containing public spaces (such as the lobby, dining, and office areas), surrounded by three-story buildings that contain the residential rooms. The square footage totals 113,803 square feet.

As reported by the applicant, the owners of the property have conducted revisions over time, such that the number of units is now 125 (due to some single-bedroom units being combined into two-bedroom units), and the number of on-site parking spaces is 72. The east side of Garwood Way, next to the Caltrain tracks, features 30 perpendicular parking spaces in the public right-of-way, which currently have signage stating they may only be used by the 555 Glenwood Avenue facility. The west side of Garwood Way provides nine parallel parking spaces, which do not feature any signage regarding their use. No parking is permitted on Glenwood Avenue in the immediate vicinity of the development; this street features bicycle lanes on both sides of the roadway, and there does not appear to be room to add any on-street parking.

### **Proposed Project**

The applicant is proposing to convert the existing senior citizens retirement living center into a limited-service, business-oriented hotel. As part of this conversion, the applicant would conduct interior, exterior, and landscaping improvements. In particular, the paint scheme would be updated to subtly accentuate the existing projections and recessed areas, and new natural wood fencing would replace existing painted trellises at the ground level. However, the project would not include the construction of any new floor area. The interior public spaces, located in the central one-story building, would be reconfigured to support the hotel use, with dining, meeting, and computer rooms. The three-story residential buildings would be renovated to provide 138 hotel suites, within the outlines of the 138 rooms that were originally approved.

The project requires architectural control review and approval to conduct the exterior improvements. The architectural control action includes consideration of a Public Benefit Bonus for a Floor Area Ratio (FAR) of 1.16, where 1.10 is the Base level FAR maximum and 1.50 is the Public Benefit Bonus level FAR maximum. The proposal includes the application of the Transportation Manager's discretion to approve a parking rate for a use type not listed in Specific Plan Table F2. The proposal also includes the provision of some required parking on the Garwood Way public right-of-way through a license agreement and encroachment permit. In addition, the proposal includes the

removal of three heritage trees: two ash trees located in courtyards at the middle and right-rear corner of the parcel, and one palm tree located at the rear-left corner of the parcel.

The Planning Commission will act as a recommending body for this proposal, in particular for the architectural control component. The City Council will act comprehensively on all requests associated with the proposal.

### **Environmental Analysis**

As discussed in the Introduction, this comparative analysis has been undertaken to analyze whether the project would have any significant environmental impacts that are not addressed in the Program EIR. The comparative analysis discusses whether impacts are increased, decreased, or unchanged from the conclusions discussed in the Program EIR. The comparative analysis also addresses whether any changes to mitigation measures are required.

As noted previously, the proposal would not create any new square footage in order to convert the existing senior citizens retirement living center into a new 138-room hotel, and for many of the impact categories below, this lack of physical change is of primary relevance. However, the net new vehicle trips (589) associated with the conversion can be considered equivalent to a new 87-room hotel, which can be approximated as a net increase of 71,921 square feet of commercial square footage. This square footage equivalency is applied to traffic-related impact categories below to account for the project's share of the Specific Plan development program. If the project is approved and implemented, this amount would be deducted from the Maximum Allowable Development in the Plan area.

### **Environmental Analysis**

#### *Aesthetic Resources*

Impacts would be the same as the Specific Plan. The Program EIR concluded that the project would not have a substantial adverse effect on a scenic view, vista, or designated state scenic highway, nor would the project have significant impacts to the degradation of character/quality, light and glare, or shadows.

Implementation of the proposed project would result in the renovation of the existing structures. The proposed massing and scale of the structures (and associated shadows) would be unchanged relative to the existing condition, as the project would not be increasing the existing lot coverage or floor area and the building heights would remain the same. Further, the existing character of the site would remain similar to existing conditions, as the project would not significantly alter the exterior of the structures and lighting would be similar to the existing lighting experienced at the site. The modest exterior changes that are proposed would generally be consistent with

provisions of the Specific Plan encouraging façade modulation and the use of interesting building materials at the ground level.

As was the case with the Specific Plan, the proposed project would not have a substantial adverse effect on a scenic view or vista, a state scenic highway, character/quality, or light and glare impacts. Therefore, no new impacts have been identified and no new mitigation measures are required for the proposed project.

#### *Agriculture Resources*

Impacts would be the same as the Specific Plan. The Program EIR concluded that no impacts would result with regard to Prime Farmland, Unique Farmland, or Farmland of Statewide Importance, or any area zoned for agricultural use or forest land.

As was the case with the Program EIR, the proposed project would not result in any impacts to farmland, agricultural uses, or forest land. Therefore, no new impacts have been identified and no new mitigation measures are required for the proposed project.

#### *Air Quality*

Impacts would be the same as the Specific Plan.

AIR-1: The Program EIR determined that emissions of criteria pollutants associated with construction would be significant, and established Mitigation Measures AIR-1a and AIR-1b to address such impacts. However, the Program EIR concluded that impacts could still be significant and unavoidable even with implementation of such mitigations. The proposed project, primarily involving interior renovations, would not involve the type of large-scale construction activities that would create such impacts, and the proposed project would be well below the 554-room construction screening threshold adopted by the Bay Area Air Quality Management District. As a result, implementation of Mitigation Measures AIR-1a and AIR-1b is not required for this project.

AIR-2: The Program EIR determined that the Specific Plan would have long-term emissions of criteria pollutants from increased vehicle traffic and on-site area sources that would contribute to an air quality violation (due to being inconsistent with an element of the *2010 Clean Air Plan*), and established Mitigation Measure AIR-2 requiring implementation of Mitigation Measure TR-2 regarding Transportation Demand Management (TDM) strategies to address this impact. However, the Program EIR noted that TDM effectiveness cannot be guaranteed, and concluded that the impact would be significant and unavoidable. The proposed project would be consistent with the Program EIR analysis, and as such would be required to implement Mitigation Measure AIR-2.

AIR-3: The Program EIR determined that the Specific Plan would increase levels of Toxic Air Contaminants (TACs) due to increased heavy duty truck traffic, but that the impacts would be less than significant. The proposed hotel use would not generate an unusual amount of heavy truck traffic relative to other commercial or multi-family

developments due to the limited nature of the construction, and the proposed project's share of overall Specific Plan development (estimated as being equivalent to 71,921 square feet of commercial square footage) would be accounted for through deduction of this total from the Specific Plan Maximum Allowable Development.

AIR-4: The Program EIR concluded that the Specific Plan would not have a substantial adverse effect pertaining to Particulate Matter (PM<sub>2.5</sub>). The proposed project is consistent with the assumptions of this analysis.

AIR-5, AIR-6, AIR-7, AIR-8, AIR-10, and AIR-11: The Specific Plan determined that the introduction of sensitive receptors, specifically new residences, to an environment (near El Camino Real and the Caltrain tracks) with elevated concentrations of TACs and PM<sub>2.5</sub> could result in significant or potentially significant impacts (including in the cumulative scenario), and established Mitigation Measures AIR-5, AIR-7, and AIR-10 to bring impacts to less than significant levels. Although the project site is in proximity to the Caltrain tracks and El Camino Real, the proposed project's conversion of a retirement living center to a hotel, within existing structures, would not represent the introduction of new sensitive receptors in this location, and as such application of these Mitigation Measures is not required for the project.

AIR-9: The Program EIR determined that the Specific Plan is fundamentally consistent with the growth projections of the Bay Area 2010 Clean Air Plan, particularly with regard to residential development. As the proposed project is a commercial development, it does not directly relate to this impact analysis.

No new Air Quality impacts have been identified and no new mitigation measures are required for the proposed project.

### *Biological Resources*

Impacts would be the same as the Specific Plan. The Program EIR determined that less than significant impacts would result with regard to special status plant and wildlife species, sensitive natural communities, migratory birds, and jurisdictional waters and wetlands upon implementation of the recommended Mitigation Measures BIO-1a, BIO-1b, BIO-3a, BIO-3b, BIO-5a through BIO-5c, and BIO-6a. The analysis also found that the Specific Plan would not conflict with local policies, ordinances, or plans. With regard to the project site, none of these potentially significant impacts considered as part of the Program EIR are applicable to the project site, as the project site is developed with an existing independent living facility and no known biological resources are present on-site.

With implementation of the proposed project, renovation activities would occur over the same development footprint. Therefore, as with the Program EIR, the proposed project would result in less than significant impacts to biological resources and no Mitigation Measures would be required. The proposed project would also not conflict with local

policies, ordinances, or plans, similar to the Program EIR. No new impacts have been identified and no new mitigation measures are required for the proposed project.

### *Cultural Resources*

Impacts would be the same as the Specific Plan. The Program EIR determined that no significant impacts to a historic resource would result with implementation of Mitigation Measure CUL-1. The analysis also concluded that the Specific Plan would result in less than significant impacts to archeological resources, paleontological resources, and burial sites with implementation of Mitigation Measures CUL-2a, CUL-2b, CUL-3, and CUL-4. With regard to the project site, none of these potentially significant impacts considered as part of the Program EIR are applicable to the project site, as the project site is developed with an existing independent living facility and no known cultural resources are present on-site.

With implementation of the proposed project, renovation activities would occur over the same development footprint as that considered in the Program EIR. As the existing structures are not 50 years old nor listed on a list of historical resources, the existing on-site structures are not eligible for designation as historical resources. Further, as no grading activities would occur as part of the proposed project (as the project would only consist of renovation activities), the project would not disturb any archeological resources, paleontological resources, or burial sites. Thus, no Mitigation Measures (considered as part of the Program EIR) would be applicable to the proposed project. No new impacts have been identified and no new mitigation measures are required.

### *Geology and Soils*

Impacts would be the same as the Specific Plan. The Program EIR found that no significant impacts pertaining to earthquake faults, seismic ground shaking, seismically induced hazards (e.g., liquefaction, lateral spreading, landsliding, settlement, and ground lurching), unstable geologic units, expansive soils, corrosive soils, landslides, and soil erosion would result. No Mitigation Measures are required.

As the proposed renovation activities would occur over the same development footprint and no grading activities are proposed, the project would result in the same impacts regarding geology and soils. Thus, the project would result in less than significant impacts, no new impacts have been identified, and no new mitigation measures are required.

### *Greenhouse Gas Emissions*

Impacts would be the same as the Specific Plan.

GHG-1: The Program EIR determined that the Specific Plan would generate Greenhouse Gas (GHG) emissions, both directly and indirectly, that would have a significant impact on the environment. Specifically, the operational GHG using the Bay

Area Air Quality District (BAAQMD) GHG Model, measured on a “GHG:service population” ratio, were determined to exceed the BAAQMD threshold. The proposed project’s share of this development (estimated as being equivalent to 71,921 square feet of commercial square footage) and associated GHG emissions and service population, would be accounted for through deduction of this total from the Specific Plan Maximum Allowable Development, and as such is consistent with the Program EIR analysis. The Program EIR established Mitigation Measure GHG-1, although it was determined that the impact would remain significant and unavoidable even with this mitigation. For the proposed project, implementation of Mitigation Measure GHG-1 is not necessary as the BAAQMD-identified GHG Mitigation Measures are primarily relevant to City-wide plans and policies, and also because the City’s CALGreen Amendments have since been adopted and are applied to all projects, including the proposed project.

GHG-2: The Program EIR determined that the Specific Plan could conflict with AB 32 and its Climate Change Scoping Plan by virtue of exceeding the per-capita threshold cited in GHG-1. Again, the proposed project’s share of this development (estimated as being equivalent to 71,921 square feet of commercial square footage) and associated GHG emissions and service population, would be accounted for through deduction of this total from the Specific Plan Maximum Allowable Development, and as such is consistent with the Program EIR analysis. The Program EIR established Mitigation Measure GHG-2, although it was determined that the impact would remain significant and unavoidable even with this mitigation. The specific elements of GHG-2 are applicable to residential (or mixed-use with residential) projects and City programs, and as such are not applicable to the proposed project.

No new impacts have been identified and no new mitigation measures are required for the proposed project.

#### *Hazards and Hazardous Materials*

Impacts would be the same as the Specific Plan. The Program EIR determined that a less than significant impact would result in regards to the handling, transport, use, or disposal of hazardous materials during construction operations. The analysis also concluded that the project site is not included on a list of hazardous materials sites, is not within the vicinity of an airport or private airstrip, would not conflict with an emergency response plan, and would not be located in an area at risk for wildfires. The Specific Plan analysis determined that with implementation of Mitigation Measures HAZ-1 and HAZ-3, impacts related to short-term construction activities, and the potential handling of and accidental release of hazardous materials would be reduced to less than significant levels.

The proposed project would involve minimal ground-disturbance activities, and as such implementation of Mitigation Measures HAZ-1 and HAZ-3 would not be required. Project operations would result in a hotel use rather than the existing independent living facility. The proposed hotel use would not handle, store, or transport hazardous materials in

quantities that would be required to be regulated. Thus, project operations would result in similar impacts as that analyzed for the Specific Plan. No new impacts have been identified and no new mitigation measures are required for the proposed project.

#### *Hydrology and Water Quality*

Impacts would be the same as the Specific Plan. The Program EIR found that no significant impacts pertaining to construction-related impacts (i.e., water quality and drainage patterns due to erosion and sedimentation), or operational-related impacts to water quality, groundwater recharge, the alteration of drainage patterns, or flooding would result. No Mitigation Measures are required.

As the proposed renovation activities would occur over the same development footprint and no grading activities or changes to the amount of existing impervious areas are proposed, the project would result in the same impacts regarding hydrology and water quality. Thus, the proposed project would result in less than significant impacts, no new impacts have been identified, and no new mitigation measures are required.

#### *Land Use and Planning*

Impacts would be the same as the Specific Plan.

LU-1: The Program EIR determined that the Specific Plan would not divide an established community. The proposed project would involve the reuse of an existing developed property, and would not modify the street grid or increase the height of the existing buildings on site. Although Garwood Way on-street parking would be dedicated for the use of the subject property through a license agreement and encroachment permit, this street could still be used for vehicle, bicycle, and pedestrian access. Although Garwood Way is currently a dead-end street, which effectively limits the amount of such use, the City has an adopted plan line to extend it to Oak Grove Avenue, and the proposed project would not itself modify these plans. No mitigation is required for this impact, which is less than significant.

LU-2: The Program EIR determined that the Specific Plan would not alter the type and intensity of land uses in a manner that would cause them to be substantially incompatible with surrounding land uses or neighborhood character. The FAR of the buildings on site would not change, and applicable design guidelines would be followed for the proposed modest exterior changes. No mitigation is required for this impact, which is less than significant.

LU-3: The Program EIR determined that the Specific Plan would not conflict with the City's General Plan, Zoning Ordinance, or other land use plans or policies adopted for the purpose of mitigating an environmental effect. The General Plan and Zoning Ordinance were amended concurrent with the Specific Plan adoption, and the proposed project would comply with all relevant regulations. No mitigation is required for this impact, which is less than significant.

LU-4: The Program EIR determined that the Specific Plan, in combination with other plans and projects, would not result in cumulatively considerable impacts to land use. The proposed project, being a part of the Specific Plan area and accounted for as part of the Maximum Allowable Development, is consistent with this determination. No mitigation is required for this impact, which is less than significant.

No new impacts have been identified and no new mitigation measures are required for the proposed project.

#### *Mineral Resources*

Impacts would be the same as the Specific Plan. The Program EIR noted that the project site is not located within an area of known mineral resources, either of regional or local value.

As was the case with the Specific Plan, the proposed project would not result in the loss of availability of a known mineral resource or mineral resources recovery site. No new impacts have been identified and no new mitigation measures are required for the proposed project.

#### *Noise*

Impacts would be the same as the Specific Plan.

NOI-1: The Program EIR determined that construction noise, in particular exterior sources such as jackhammering and pile driving, could result in a potentially significant impact, and established Mitigation Measures NOI-1a through NOI-1c to address such impacts. However, the proposed project primarily involves interior tenant improvements and minor exterior changes, and would not involve grading, soil import/export, or the use of heavy construction equipment. Therefore construction noise impacts of the proposed project would be less than significant, and these mitigation measures would not apply.

NOI-2: The Program EIR determined that impacts to ambient noise and traffic-related noise levels as a result of the Specific Plan would be less than significant. The proposed project's share of this development (estimated as being equivalent to 71,921 square feet of commercial square footage) would be accounted for through deduction of this total from the Specific Plan Maximum Allowable Development.

NOI-3 and NOI-4: The Program EIR determined that the Specific Plan could include the introduction of sensitive receptors, specifically new residences, to a noise environment (near the Caltrain tracks) with noise levels in excess of standards considered acceptable under the City of Menlo Park Municipal Code, as well as the introduction of sensitive receptors to substantial levels of groundborne vibration from the Caltrain tracks. Although the project site is in direct proximity to the Caltrain tracks, the proposed

project's conversion of a retirement living center to a hotel, within existing structures, would not represent the introduction of new sensitive receptors, and as such application of Mitigation Measures NOI-3 or NOI-4 is not required for the project.

NOI-5: The Program EIR determined that implementation of the Specific Plan, together with anticipated future development in the area in general, would result in a significant increase in noise levels in the area. The Program EIR established Mitigation Measure NOI-5 to require the City to use rubberized asphalt in future paving projects within the Plan area if it determines that it will significantly reduce noise levels and is feasible given cost and durability, but determined that due to uncertainties regarding Caltrans approval and cost/feasibility factors, the cumulative impact of increased traffic noise on existing sensitive receptors is significant and unavoidable. The proposed project's share of this development (estimated as being equivalent to 71,921 square feet of commercial square footage) would be accounted for through deduction of this total from the Specific Plan Maximum Allowable Development.

No new Noise impacts have been identified and no new mitigation measures are required for the proposed project.

#### *Population and Housing*

Impacts would be similar from that analyzed in the Program EIR.

POP-1: The Program EIR determined that the implementation of the Specific Plan would not cause the displacement of existing residents to the extent that the construction of replacement facilities outside of the Plan area would be required. Although the existing, market-rate facility provides a type of group housing, the individual rooms themselves do not have full kitchens and have not been considered by the City to be individual dwelling units. However, it is recognized that residents would be displaced by the proposed hotel use. In general, implementation of the Specific Plan would likely include new residential development that would replace any lost units and add additional housing opportunities in the Plan area, although the timing of individual residential projects would vary based on market conditions. As a result, the Program EIR determined that since the Specific Plan allows for more residential units to be constructed than would be demolished in the Plan area, the construction of replacement housing outside the Specific Plan area would not be required. Additionally, prior to and since information on the hotel proposal has been made public, many of the former residents have voluntarily relocated to other market-rate senior housing facilities, such that the recent occupancy rate has been reduced to approximately 13 percent limiting the number of residents needing to find alternative housing. The proposed project would assist in the relocation of remaining residents at the project site to other residential locations in the City or region, as required by existing law. No mitigation is required for this impact, which is less than significant.

POP-2: The Program EIR determined that the implementation of the Specific Plan would not be expected to induce growth in excess of current projections, either directly

or indirectly. The Program EIR found that full build-out under the Specific Plan would result in 1,537 new residents, well within the Association of Bay Area Governments (ABAG) projection of 5,400 new residents between 2010 and 2030 in Menlo Park and its sphere of influence. Additionally, the Program EIR projected the new job growth associated with the new retail, commercial and hotel development to be 1,357 new jobs. The ABAG projection for job growth within Menlo Park and its sphere of influence is an increase of 7,240 jobs between 2010 and 2030. The Program EIR further determines that based on the ratio of new residents to new jobs, the Specific Plan would result in a jobs-housing ratio of 1.56, below the projected overall ratio for Menlo Park and its sphere of influence of 1.70 in 2030 and below the existing ratio of 1.78.

The proposed project would not directly result in population growth, as the project would not construct new housing. The project may result in a slight increase in population indirectly as a result of an increase in employees at the project site. Based on the Limited Economic Benefit Review (Conley Consulting Group, October 19, 2012), the project would result in a total of 47 net new jobs in the local economy, above the existing senior facility in 2011. It is anticipated that most of the new jobs created would be sustained by the region's existing population. Only 25 new jobs would directly result from project implementation. Assuming that all 25 new jobs result in employees relocating to the City (a conservative assumption), this would result in a population increase of 60 people based on a household size of 2.38 persons per household utilized in the Program EIR. The resultant 60 persons (0.17 percent of the total population analyzed in the Program EIR) would not be considered a substantial increase, would continue to be within all projections and impacts in this regard would be considered less than significant. Thus, no new impacts have been identified and no new mitigation measures are required for the proposed project.

POP-3: The Program EIR determined that implementation of the Specific Plan, in combination with other plans and projects would not result in cumulatively considerable impacts to population and housing. The EIR identified an additional 959 new residents and 4,126 new jobs as a result of other pending projects. These combined with the projection for residents and jobs from the Specific Plan equate to 2,496 new residents and 5,483 new jobs, both within ABAG projections for Menlo Park and its sphere of influence in 2030. The estimated additional 25 jobs and 60 persons associated with the proposed hotel conversion would not be considered a substantial increase, would continue to be within all projections and impacts in this regard would be considered less than significant. Thus, no new impacts have been identified and no new mitigation measures are required for the proposed project.

No new Population and Housing impacts have been identified and no new mitigation measures are required for the proposed project.

#### *Public Services and Utilities*

Impacts would be the same as the Specific Plan. The Program EIR concluded that less than significant impacts to public services, including fire protection, police protection,

schools, parks, and other public facilities would result. In addition, the Program EIR concluded that the project would result in less than significant impacts to utilities and service systems, including water services, wastewater services, and solid waste. No mitigation measures were required under the Program EIR for Public Services and Utilities impacts.

The proposed project would result in similar demands on public services compared to the existing uses at the site. It is anticipated that the elimination of the senior living facility would likely involve a reduction in ambulance and fire calls to the site compared to the proposed hotel use. Neither the existing retirement living center nor the proposed hotel use would affect school enrollment. The proposed project's business hotel users are not expected to substantially increase the use of parks, relative to the existing site occupants. The existing water, wastewater, electric, gas, and solid waste infrastructure is adequate to support the proposed project, as the number of proposed hotel rooms would not exceed 138 rooms, which the current site was developed to support.

No new Public Services and Utilities impacts have been identified and no new mitigation measures are required for the proposed project.

#### *Transportation, Circulation and Parking*

This analysis is informed by a Traffic Impact Analysis (TIA) prepared by TJKM on behalf of the applicant (Exhibit 1) and associated independent City peer review (Exhibit 2).

TR-1 and TR-7: The Program EIR concluded that the Specific Plan would result in significant and unavoidable traffic impacts related to operation of area intersections and local roadway segments, in both the short-term and cumulative scenarios, even after implementation of Mitigation Measures TR-1a through TRA-1d, TR-2, TR-7a through TR-7n, and TR-8.

As part of the TIA, the following intersections were analyzed:

- 1) El Camino Real/Valparaiso Avenue/Glenwood Avenue;
- 2) Glenwood Avenue/San Antonio Avenue
- 3) Glenwood Avenue/Garwood Way;
- 4) Glenwood Avenue/Laurel Street; and
- 5) Glenwood Avenue/Middlefield Road.

Intersections #1 and #5 were analyzed as part of the Program EIR. In both the near-term and cumulative scenarios, the project would not result in impacts in excess of City standards for intersections #1-4. For intersection #5, which has no controls (stop signs or signals) for Middlefield Road movements, but which has stop signs on the approach streets of Glenwood and Linden Avenues, the project would result in significant impacts in both the near-term and cumulative scenarios. However, the Program EIR likewise determined that this intersection would see a significant impact, so the proposed project would be consistent. The Program EIR established Mitigation Measure TR-1b (also TR-

7f), requiring fair-share funding towards signalization of this intersection, which would be applied as a requirement of this project through the Mitigation Monitoring and Reporting Program. However, the implementation of this improvement, which is in the Town of Atherton, cannot be guaranteed, so the impact remains significant and unavoidable, for both the Specific Plan and the proposed project.

TR-2 and TR-8: The Program EIR determined that the Specific Plan would adversely affect operation of certain local roadway segments, in both the near-term and cumulative scenarios. The proposed project, by creating 539 projected net new daily trips, would contribute to this impact. However, the proposed project's share of the overall Specific Plan development (estimated as being equivalent to 71,921 square feet of commercial square footage) would be accounted for through deduction of this total from the Specific Plan Maximum Allowable Development, and as such is consistent with the Program EIR analysis. In addition, the proposed project would be required through the MMRP to implement Mitigation Measure TR-2, requiring submittal and City approval of a Transportation Demand Management (TDM) program prior to project occupancy. However, this mitigation (which is also implemented through Mitigation Measure AIR-2) cannot have its effectiveness guaranteed, as noted by the Program EIR, so the impact remains significant and unavoidable.

TR-3, TR-4, TR-5, and TR-6: The Program EIR determined that the Specific Plan would not result in impacts to freeway segment operations, transit ridership, pedestrian and bicycle safety, or parking in the downtown. The proposed project's reuse of an existing site, using a parking rate supported by appropriate data and analysis, would be consistent with this analysis, and no new impacts or mitigation measures would be projected.

No new impacts have been identified and no new mitigation measures are required for the proposed project.

## **Conclusion**

As discussed, the Conformance Checklist is to confirm that 1) the proposed project does not exceed the environmental impacts analyzed in the Program EIR, 2) that no new impacts have been identified, and 3) no new mitigation measures are required. As detailed in the analysis presented above, the proposed project would not result in greater impacts than were identified for the Program EIR. No new impacts have been identified and no new mitigation measures are required for the proposed project.

Exhibit 1 – Preliminary Parking and Traffic Impact Analysis - TJKM

Exhibit 2 – Review of 555 Glenwood Avenue Traffic Analysis - W-Trans



Vision That Moves Your Community

Transportation  
Consultants**TECHNICAL MEMORANDUM**

Date: February 26, 2013

Project No.: 2-030

To: Mr. Reed Moulds  
Managing Director  
Sand Hill Property Company

From: Christopher Thnay, PE, AICP

Jurisdiction: Menlo Park

Subject: Results of Preliminary Parking and Traffic Impact Analysis of Proposed Marriott Residence Inn at 555 Glenwood Avenue in Menlo Park

The purpose of this technical memorandum is to present the results of a preliminary traffic evaluation for the proposed Marriott Residence Inn (MRI) located at 555 Glenwood Avenue in Menlo Park. The preliminary site plan shows 138 rooms. The purpose of this study is to analyze potential impacts of the proposed project as compared to the assumptions detailed in the El Camino Real/Downtown Specific Plan Final Environmental Impact Report (EIR) dated June 5, 2012. This is a revised technical memorandum based on comments received from the city on the earlier technical memorandum dated October 19, 2012.<sup>1</sup>

Based on comments received, it was determined that the preliminary study should focus on five study intersections:

1. El Camino Real/Glenwood Avenue
2. San Antonio Avenue/Glenwood Avenue
3. Garwood Way/Glenwood Avenue
4. Laurel Street/Glenwood Avenue
5. Middlefield Road/Glenwood Avenue

The following scenarios were analyzed:

- I. Existing Traffic Condition
- II. Existing plus Approved plus Pending Condition
- III. Existing plus Approved plus Pending plus Project Condition
- IV. 2035 Cumulative Condition
- V. 2035 Cumulative plus Project Condition

**Study Intersections**

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4305 Hacienda Drive  
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Pleasanton, CA  
94588-2798  
925.463.0611  
925.463.3690 fax

Fresno  
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Sacramento  
980 Ninth Street  
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95401-4643  
707.575.5800  
707.575.5888 fax

tjkm@tjkm.com  
www.tjkm.com

<sup>1</sup> Email of comments from Thomas Rogers, dated January 17, 2013

### **Traffic Counts**

The existing peak hour counts were available for the two study intersections at El Camino Real/Glenwood Avenue (City 2012 TRAFFIX data) and Middlefield Road/Glenwood Avenue (Downtown Specific Plan EIR report). The a.m. and p.m. peak hour turning movement volumes were collected at the other three intersections.

### **Exiting Conditions**

*El Camino Real (SR 82)* is a primary north-south arterial that connects San Jose with San Francisco. It enters the Menlo Park just north of Sand Hill Road as a six-lane arterial, becomes a four-lane arterial near downtown Menlo Park, and exits the City as a five-lane arterial (three southbound lanes and two northbound lanes) north of Encinal Avenue. The ADT for this roadway is approximately 38,000 vehicles.

*Middlefield Road* is a minor north-south arterial roadway that extends from Sunnyvale to Redwood City. It enters Menlo Park at San Francisquito Creek south of Willow Road as a four-lane arterial and narrows to a two-lane arterial at Ravenswood Avenue. The ADT for this roadway is approximately 20,000 vehicles.

*Glenwood Avenue* is an east-west two-lane collector roadway. It extends from east of Middlefield Road in the Town of Atherton to El Camino Real. This roadway is one of four east-west roadways in the City that cross the Caltrain railroad tracks. The ADT for this roadway is approximately 5,800 vehicles. Glenwood Avenue becomes Valparaiso Avenue west of El Camino Real. There are Class II bike lanes on both sides of Glenwood Avenue.

*Garwood Way* is a two lane local residential street that is located to the west of the Caltrain railroad tracks. It runs from Encinal Avenue in the north to just south of Glenwood Avenue. It is two-way Stop control on Garwood Way at Glenwood Avenue.

*Laurel Street* is a two lane north-south local street with a Class II on-street bike lane on both sides of the street. It is all-way Stop control on Laurel Street at Glenwood Avenue.

*San Antonio Avenue* is a two lane local street with on-street parking. It T's onto Glenwood Avenue and is located directly across from the parking lot of the existing project site.

### **Intersection Levels of Service**

Level of Service is a qualitative index of the performance of an element of the transportation system. Level of Service (LOS) is a rating scale running from A to F, with A indicating no congestion of any kind, and F indicating intolerable congestion and delays.

The *2000 Highway Capacity Manual (HCM)* is the standard reference published by the Transportation Research Board, and contains the specific criteria and methods to be used in assessing LOS. There are several software packages that have been developed to implement HCM. In this study the TRAFFIX software was used to calculate the LOS at the study intersections. Table I summarizes the results of the LOS analysis at the study intersections. Currently, all study intersections operate at an acceptable level of service, except the intersection of Glenwood Avenue/Middlefield Road which operates at LOS F. The City of Menlo Park has established minimum acceptable LOS for roadway and overall intersection operations. The minimum acceptable LOS and results of the existing levels of service analysis are contained in Appendix A.

**Table I: Intersection Levels of Service - Existing Traffic Condition**

ID	Intersection	Control	Existing Conditions			
			A.M. Peak Hour		P.M. Peak Hour	
			Delay	LOS	Delay	LOS
1	El Camino Real/Valparaiso Ave./Glenwood Ave.	Signal	32.3	C	34.1	C
	EB Approach Critical Movements		61.5	E	61.3	E
	WB Approach Critical Movements		69.5	E	73.1	E
2	Glenwood Ave./San Antonio Ave.	Minor St Approach Stop	11.5	B	10.2	B
3	Glenwood Ave./Garwood Way	Minor St Approach Stop	13.8	B	12.4	B
4	Glenwood Ave./Laurel St.	All-Way Stop	16.5	C	11.9	B
5	Glenwood Ave./Middlefield Rd.	Minor St Approach Stop	>150	F	>150	F

The intersection of El Camino Real/Valparaiso Avenue /Glenwood Avenue operates at LOS C while both the eastbound and westbound approach critical movements operate at LOS E. The minor street stop control intersection of Glenwood Avenue/Middlefield Road operates at LOS F. The other three study intersections operate at acceptable LOS.

It should be noted that the Glenwood/Middlefield intersection would be impacted by the Downtown Specific Plan under both Project and Cumulative Conditions. Mitigation Measure TR-1b of the Specific Plan EIR is installation of a traffic signal at this intersection with fair-share funding coming from individual project applicants. However, the Specific Plan impact is significant and unavoidable as the intersection is under the Town of Atherton's jurisdiction, and therefore the City of Menlo Park cannot guarantee implementation of the mitigation measure.

**Near Term Traffic Condition (Scenario II)**

The Existing plus Approved plus Pending Projects (Near Term) scenario adds traffic to the previous scenario from the currently proposed/approved/under construction projects but not yet occupied developments. The total amounts of approved and pending projects in the City of Menlo Park were obtained from the Menlo Park CSA TRAFFIX model.

Table II summarizes the results of the intersection LOS analysis. Detailed calculations are shown in Appendix B.

**Table II: Intersection Levels of Service - Near Term Traffic Condition (Scenario II)**

ID	Intersection	Control	LOS Threshold	Near-Term			
				A.M. Peak Hour		P.M. Peak Hour	
				Delay	LOS	Delay	LOS
1	El Camino Real/Valparaiso Ave./Glenwood Ave.	Signal	D	34.8	C	34.9	C
	EB Approach Critical Movements			62.9	E	63.1	E
	WB Approach Critical Movements			71.4	E	77.4	E
2	Glenwood Ave./San Antonio Ave.	Minor St Stop	C	11.9	B	10.0	B
3	Glenwood Ave./Garwood Way	Minor St Stop	C	14.7	B	12.4	B
4	Glenwood Ave./Laurel St.	All-Way Stop	C	19.5	C	12.1	B
5	Glenwood Ave./Middlefield Rd.	Minor St Stop	D	135.6	F	>150	F

Similar to the existing traffic condition, the intersection of El Camino Real/Valparaiso Avenue /Glenwood Avenue operates at LOS C and both the eastbound and westbound approach critical movements continue to operate at LOS E. And the minor street stop control intersection of Glenwood Avenue/Middlefield Road operates at LOS F. The other three study intersections operate at acceptable LOS.

**Near Term plus Project Traffic Condition (Scenario III)**

In this scenario the proposed traffic volume generated by the proposed project is added to the volume from Near Term Project scenario.

**Traffic Generation**

The existing facility serves both independent and assisted living residents aged 62 years or older. No skilled nursing, Alzheimer’s care or rehabilitation care is offered. The proposed project is the conversion of the existing market rate assisted living senior housing complex into a limited service hotel. The proposed hotel is the Marriott Residence Inn (MRI) with over 650 locations throughout the United States. The closest MRI is located in Los Altos.

TJKM estimated the a.m. and p.m. peak hour trip generation for the existing facility and the proposed MRI project based on the *Trip Generation, Ninth Edition*, published by the Institute of Transportation Engineers (ITE) as shown in Table III. Based on conversation with city staff, it was determined that a blended rate of the All Suites Hotel (ITE Code 311) and Business Hotel (ITE Code 312) best represents the proposed project.<sup>2</sup>

<sup>2</sup> Conversation with Chip Taylor on January 31, 2013

**Table III: Estimated Project Trip Generation**

Land Use (ITE Code)	Size		Daily		A.M. Peak			P.M. Peak				
			Rate	Trips	Rate	In	Out	Total	Rate	In	Out	Total
<b>I. Proposed Project: 138 Rooms Marriott Residence Inn</b>												
Business Hotel (312)/ All Suites Hotel (311) <sup>a</sup>	138	Rooms	6.8	932	0.53	43	30	73	0.59	41	40	81
<b>II. Existing Assisted Senior Adult Housing</b>												
Assisted Living (254)	125	Rooms	2.7	343	0.18	15	7	23	0.29	19	19	37
Net Trips				<b>589</b>		<b>28</b>	<b>23</b>	<b>51</b>		<b>23</b>	<b>21</b>	<b>44</b>

Note: <sup>a</sup> - A blended rate based on Business Hotel and All Suites Hotel was assumed.

Source: ITE Trip Generation, Ninth Edition

Since trips generated by the existing land use would not be present once the future MRI project is developed, these estimated trips would be considered a credit to the project and would be deducted from the future project trips. As shown in Table I, the proposed project is expected to generate approximately 51 net trips during the a.m. peak hour and 44 net trips during the p.m. peak hour.

### Trip Distribution

Trip distribution is the process of determining the proportion of vehicles that would travel between the project site and various destinations in the vicinity of the study area. Trip assignment is the process of determining the various paths vehicles would take from the project site to each destination. Based on the estimated trip generation, the net peak hour trips were assigned to the surrounding network based on the trip distribution assumptions shown on Table 4.13-7 of the EIR.

### LOS Impact Analysis

Table IV shows the LOS results of the Existing plus Approved plus Pending plus Proposed Project scenario. The level of service at the intersection of El Camino Real/Valparaiso Avenue /Glenwood Avenue would change from LOS C to LOS D which is considered acceptable. Similar to the Near Term traffic condition, the eastbound and westbound approach critical movements at the intersection of El Camino Real/Valparaiso Avenue /Glenwood Avenue would continue to operate at LOS E. The increase in delay on the critical movements is less than 0.8 seconds of the significant impact threshold.

The minor street stop control intersection of Glenwood Avenue/Middlefield Road would continue to operate at LOS F. The City's impact criteria also evaluate increases in delay to critical movements. A traffic impact may be considered potentially significant if the addition of the project traffic causes an increase of more than 0.8 seconds of average delay to vehicles on all critical movements for intersections operating at a near term LOS D through F for collector streets and at a near term LOS E or F for arterial streets. Since the increase to the intersection delay is 1.2 seconds during the a.m. peak hour, the traffic impact may be considered potentially significant. Note however, that since delays at unsignalized intersections are measurable up to 150 seconds per the equations of the Highway Capacity Manual, delays near or greater than 150 seconds are considered inaccurate. Since the delay at the intersection is greater than 150 seconds during the p.m. peak hour and 136.8 during the a.m. peak hour (which is less than nine percent from 150 seconds), the estimated increase in delay caused by project traffic might not be accurate.

With a signal, the intersection would operate at LOS B. As noted previously, the Glenwood/Middlefield intersection would be impacted by the Downtown Specific Plan under both Project and Cumulative Conditions. Mitigation Measure TR-1b of the Specific Plan EIR is

installation of a traffic signal at this intersection with fair-share funding coming from individual project applicants. However, the Specific Plan impact is significant and unavoidable as the intersection is under the Town of Atherton's jurisdiction, and therefore the City of Menlo Park cannot guarantee implementation of the mitigation measure.

**Table IV: Intersection Levels of Service - Near Term plus Project Traffic Condition (Scenario III)**

	Intersection	Control	LOS Thres hold	Near-Term				Near-Term Plus Project				Delay Diff.	
				A.M. Peak Hour		P.M. Peak Hour		A.M. Peak Hour		P.M. Peak Hour		A.M. Peak Hr	P.M. Peak Hr
				Delay	LOS	Delay	LOS	Delay	LOS	Delay	LOS		
1	El Camino Real/Valparaiso Ave./Glenwood Ave.	Signal	D	34.8	C	34.9	C	35.0	C	35.2	D	0.2	0.3
	EB Approach Critical Movements			62.9	E	63.1	E	63.0	E	63.3	E	0.1	0.2
	WB Approach Critical Movements			71.4	E	77.4	E	71.3	E	77.5	E	-0.1	0.1
2	Glenwood Ave./San Antonio Ave.	Minor St Stop	C	11.9	B	10.0	B	14.6	B	13.8	B	2.7	3.8
3	Glenwood Ave./Garwood Wy.	Minor St Stop	C	14.7	B	12.4	B	14.7	B	12.4	B	0.0	0.0
4	Glenwood Ave./Laurel St.	All-Way Stop	C	19.5	C	12.1	B	19.5	C	12.1	B	0.0	0.0
5	Glenwood Ave./Middlefield Rd.	Minor St Stop	D	135.6	F	>150	F	136.8	F	>150	F	1.2	0.0

*Fair Share Contribution*

Table V shows the fair share contribution for the future signal at the intersection of Glenwood Avenue and Middlefield Road based on Caltrans methodology and assumed average signal cost of \$700,000.

**Table V: Fair Share Contribution to Future Glenwood/Middlefield Intersection Signal**

Scenarios	AM Peak Hour	PM Peak Hour
Existing plus Approved Projects	2,572	1,767
2035 Cumulative Conditions	3,129	2,154
Project Contribution	1	1
Project Fair share Contribution *	0.2%	0.3%
	\$1,257	\$1,292

**Note: \* Project Fair Share Contribution is based on Caltrans methodology for a typical Traffic Impact Study; the cost for installation of a new traffic signal is assumed to be \$700,000.**

**Source: TJKM Transportation Consultants, Feb. 2013**

**Transportation Demand Management (TDM)**

Alternatively, instead of paying the fair share contribution, the applicant could implement a TDM plan. Detailed analysis of the impacted intersection LOS results indicated that one project trip triggered the 1.2 second delay impact during the a.m. peak hour.

The City of Menlo Park encourages implementation of Transportation Demand Management (TDM). Based on the City's TDM Guidelines, several feasible items to implement includes:

- Subsidizing transit tickets for employees (one peak hour trip credit)
- Creation of preferential parking for carpoolers (two peak hour trips credit)
- Transportation allowance program for bicyclists, walkers and carpoolers (one peak hour trip credit)
- Join the Alliance's guaranteed ride home program (One peak hour trip will be credited for every 2 slots purchased in the program)

A combination of any of the above TDM measures would reduce one or more trips. Additional strategies are discussed in the parking section.

**Roadway Segment Analysis**

Two roadway segments in the vicinity of the project as listed below were selected for analysis of potential project impacts: the existing roadway volumes used in the analysis were obtained from the City's existing TRAFFIX file.

Estimates of daily traffic generated by the proposed project were added to the existing roadway segment daily volumes. The results are presented in Table V. The City of Menlo Park's roadway segment significance criteria was used to identify potentially significant impacts.<sup>3</sup>

**Table VI: Near Term plus Project Roadway Segment Analysis**

Roadway Segments	Classification	Existing	Near-Term	Near-Term plus Project	Project-related ADTs		Impact?
					ADT	% Increase of Near-Term	
1. Glenwood Avenue - El Camino to Laurel	Collector	5,899	6,213	6,827	614	9.9%	No
2. Middlefield Road - Glenwood to Oak Grove	Minor Arterial	14,932	16,496	16,505	9	0.1%	No

The pertinent criteria indicated an impact may be considered potentially significant for a minor arterial if the segment ADT is greater than 10,000 (50 percent of capacity) but less than 18,000, and the project related traffic increases the ADT by 12.5 percent or the ADT becomes 18,000 or more. And for collector streets, it is considered an impact if the ADT is greater than 5,000 (50% of capacity) but less than 9,000, and the project related traffic increases the ADT by 12.5% or the ADT becomes 9,000 or more. Based on the criteria, the results indicated that the proposed project would not result in significant traffic impacts at the two roadway segments under Near Term plus Project Conditions.

<sup>3</sup> Analysis of a proposed project's impact on Menlo Park roadway segments is based on project-generated changes to average daily traffic volumes, not on changes to LOS conditions (see Significance Criteria for Street Segments in the Appendix A).

### 2035 Cumulative Traffic Condition (Scenario IV)

The existing traffic volume was used as a starting base for this analysis. A one percent compound growth per year was assumed for increase in traffic volume within 23 years.<sup>4</sup> This scenario also includes the pending and approved projects.

Table VII shows the LOS results of the 2035 Cumulative Condition.

**Table VII: Intersection Levels of Service - 2035 Cumulative Traffic Condition**

ID	Intersection	Control	LOS Threshold	2035 Cumulative			
				A.M. Peak Hour		P.M. Peak Hour	
				Delay	LOS	Delay	LOS
1	El Camino Real/Valparaiso Ave./Glenwood Ave.	Signal	D	45.4	D	50.9	D
	EB Approach Critical Movements			82.7	F	90.8	F
	WB Approach Critical Movements			100.5	F	116.0	F
2	Glenwood Ave./San Antonio Ave.	Minor St Stop	C	8.1	B	10.7	B
3	Glenwood Ave./Garwood Wy.	Minor St Stop	C	18.8	C	13.9	B
4	Glenwood Ave./Laurel St.	All-Way Stop	C	71.6	F	18.2	C
5	Glenwood Ave./Middlefield Rd.	Minor St Stop	D	>150	F	>150	F

Unlike the Near Term traffic condition, the eastbound and westbound approach critical movements at the intersection of El Camino Real/Valparaiso Avenue /Glenwood Avenue would operate at LOS F.

The minor street stop control intersection of Glenwood Avenue/Middlefield Road would continue to operate at LOS F. The intersection of Glenwood Avenue /Laurel Street would operate at LOS F during the a.m. peak hour.

As noted previously, the Glenwood/Middlefield intersection would be impacted by the Downtown Specific Plan under both Project and Cumulative Conditions. Mitigation Measure TR-1b of the Specific Plan EIR is installation of a traffic signal at this intersection with fair-share funding coming from individual project applicants. However, the Specific Plan impact is significant and unavoidable as the intersection is under the Town of Atherton's jurisdiction, and therefore the City of Menlo Park cannot guarantee implementation of the mitigation measure.

### 2035 Cumulative plus Project Traffic Condition (Scenario V)

In this scenario the proposed traffic volumes generated by the proposed MRI project is added to the volume from previous base cumulative scenario.

Table VIII shows the LOS results of the Cumulative plus Project scenario. The detailed LOS calculation sheets are contained in Appendix E.

<sup>4</sup> Consultation with Chip Taylor, City of Menlo Park, January 31, 2013

**Table VIII: Intersection Levels of Service - 2035 Cumulative plus Project Traffic Conditions**

	Intersection	Control	LOS Thres hold	Cumulative				Cumulative Plus Project				Delay Diff	
				A.M. Peak Hour		P.M. Peak Hour		A.M. Peak Hour		P.M. Peak Hour		A.M. Peak Hr	P.M. Peak Hr
				Delay	LOS	Delay	LOS	Delay	LOS	Delay	LOS		
1	El Camino Real/Valparaiso Ave./Glenwood Ave.	Signal	D	45.4	D	50.9	D	45.5	D	51.5	D	0.1	0.6
	EB Approach Critical Movements			82.7	F	90.8	F	82.9	F	91.8	F	0.2	1.0
	WB Approach Critical Movements			100.5	F	116.0	F	101.0	F	116.0	F	0.5	0.0
2	Glenwood Ave./San Antonio Ave.	Minor St Stop	C	8.1	B	10.7	B	17.4	C	16.1	C	9.3	5.4
3	Glenwood Ave./Garwood Wy.	Minor St Stop	C	18.8	C	13.9	B	19.0	C	14.0	B	0.2	0.1
4	Glenwood Ave./Laurel St.	All-Way Stop	C	71.6	F	18.2	C	72.0	F	18.3	C	0.4	0.1
5	Glenwood Ave./Middlefield Rd.	Minor St Stop	D	>150	F	>150	F	>150	F	>150	F	0.0	0.0

The level of service at the intersection of El Camino Real/Valparaiso Avenue /Glenwood Avenue would continue to operate at LOS D which is considered acceptable. Similar to the Cumulative Traffic condition, the eastbound and westbound approach critical movements at the intersection of El Camino Real/Valparaiso Avenue /Glenwood Avenue would continue to operate at LOS F.

The minor street stop control intersection of Glenwood Avenue/Middlefield Road would continue to operate at LOS F. The impact is not considered potentially significant since project traffic causes an increase that is less than 0.8 seconds of average delay to vehicles on all critical movements. As noted previously, the Glenwood/Middlefield intersection would be impacted by the Downtown Specific Plan under both Project and Cumulative Conditions. Mitigation Measure TR-1b of the Specific Plan EIR is installation of a traffic signal at this intersection with fair-share funding coming from individual project applicants. However, the Specific Plan impact is significant and unavoidable as the intersection is under the Town of Atherton's jurisdiction, and therefore the City of Menlo Park cannot guarantee implementation of the mitigation measure. The intersection would operate at LOS B or better with a signal.

The intersection of Glenwood Avenue /Laurel Street would operate at LOS F during the a.m. peak hour. The increase in average delay to vehicles on critical movements is less than 0.8 seconds. Therefore the impact is not considered significant.

**Roadway Segment Analysis**

Estimates of daily traffic generated by the proposed project were added to the Cumulative roadway segment daily volumes. The results indicated that project impact is not significant and are presented in Table IX.

**Table IX: 2035 Cumulative plus Project Roadway Segment Analysis**

Roadway Segments	Classification	Existing	2035	2035 plus Project	Project-related ADTs		Impact?
					ADT	% Increase of Near-Term	
1. Glenwood Avenue - El Camino to Laurel	Collector	5,899	7,646	8,260	614	8.0%	No
2. Middlefield Road - Glenwood to Oak Grove	Minor Arterial	14,932	20,057	20,066	9	0.0%	No

**Traffic Conclusion**

It is estimated that the level of service impact at the five study intersections due to the proposed MRI project is considered acceptable for all intersections except the intersection of Glenwood Avenue/Middlefield Road under Near Term plus Project scenario.

Under Near Term plus Project scenario, the minor street stop control intersection of Glenwood Avenue/Middlefield Road would continue to operate at LOS F. A traffic impact may be considered potentially significant if the addition of the project traffic causes an increase of more than 0.8 seconds of average delay to vehicles on all critical movements for intersections operating at a near term LOS D through F for collector streets and at a near term LOS E or F for arterial streets. Since the increase to the intersection delay is 1.2 seconds during the a.m. peak hour, the traffic impact may be considered potentially significant. Note however, that since delays at unsignalized intersections are measureable up to 150 seconds per the equations of the Highway Capacity Manual, delays near or greater than 150 seconds are considered inaccurate. As the delay at the intersection is greater than 150 seconds during the p.m. peak hour and 136.8 during the a.m. peak hour (which is less than nine percent from 150 seconds), the estimated increase in delay caused by project traffic might not be accurate.

With a signal, the intersection of Glenwood Avenue/Middlefield Road would operate at LOS B. The implementation of a combination of any of the City’s recommended TDM Guidelines could reduce one or more project trips and allow the impacted intersection to operate at acceptable condition.

**Parking Supply/Demand/Requirement**

The Developer is proposing 113 parking stalls for the Project. The potential parking demand of the proposed MRI project were evaluated using two sources: *ITE (Fourth Edition)* and *Los Altos Marriott Residence Inn Survey*.

*Parking Generation, ITE, Fourth Edition (2010)*

The ITE recently published *Parking Generation, ITE, Fourth Edition (2010)*. The 85<sup>th</sup> percentile parking rate for Business Hotel (Land use Code 312) is shown as 0.75 vehicles per room on a weekday. The weekend rate is slightly lower at 0.72 vehicles per room. Data for one of the site in the All Suites Hotel (Land use Code 311) showed a parking rate of approximately 0.85 vehicles per room. As mentioned earlier, based on conversation with city staff, it was determined that a blended rate of the All Suites Hotel (ITE Code 311) and Business Hotel (ITE Code 312) best represents the proposed project. Using the blended rate of 0.80, it is estimated that approximately 110 parking stalls would be required for the proposed project.

*Using Los Altos Marriott Residence Inn Parking Survey*

Lastly, TJKM also determined the parking demand by using the parking survey data that was collected at the Los Altos Marriott Residence Inn between May and September 2012. A summary of the maximum parking occupancy rate for each month is shown in Table X. The detailed parking occupancy survey data is contained in Appendix F.

**Table X: Parking Occupancy Survey, MRI Los Altos**

<b>Month (2012)</b>	<b>Maximum Parking Occupancy</b>
May	0.85
June	0.87
July	0.87
August	0.88
September	0.86
<b>Maximum Observed</b>	0.88
<b>Average Observed</b>	0.87

Using the maximum parking occupancy of 0.88, approximately 121 parking stalls would be required.

*Parking Variance and Spaces on Garwood Way*

The El Camino Real/Downtown Specific Plan Final Environmental Impact Report (EIR) listed a parking rate of 1.25 spaces per room for hotel use. The rate applies to a typical full service hotel which is considered considerably higher than the proposed limited service MRI development. Therefore, based on the type of proposed MRI hotel use, the application of Footnote #6 as listed in Table F1 of the Specific Plan was appropriate to support the proposed parking rate in this report.

Currently there are 39 parking spaces on Garwood Way – nine parallel spaces on the westside adjacent to Glenwood Inn and 30 perpendicular parking spaces on the eastside. It was observed that six of the nine parallel parking spaces on the westside and three of the 30 perpendicular parking spaces on the eastside were occupied. The occupied parking is most likely all related to Glenwood Inn since this segment of Garwood Way is adjacent to the building. The parking spaces are not easily accessible for other uses in the area.

*Parking Management Strategies*

An effective Transportation Demand Management (TDM) programs would reduce the amount of peak period vehicle traffic on roadways and their associated parking demand by encouraging the use of modes other than single-occupant vehicles for travel.

In the vicinity of Glenwood Avenue and El Camino Real, the project area is quite well served by the Caltrain, San Mateo County Transit District (SamTrans) bus service, and local shuttles. SamTrans provides local and regional bus service, and Caltrain provides commuter rail service. Local shuttles are also provided in Menlo Park for free during commute hours by Caltrain and during mid-day hours by the City. Both shuttles are operated during the week (Monday through Friday) only. In addition, there is a Class II bike lanes located on Glenwood Avenue and Laurel Street.

Based on these existing non-auto mode infrastructures in the immediate vicinity, incentives such as subsidized rail and bus passes are likely to be an effective TDM measures for the project due to its proximity to a robust selection of transit options. Facilities and incentives for bicycling and walking are also likely to be effective. Guaranteed ride home programs, which reduce commuter anxiety about the prospect of needing to return home for a family emergency or due to employee illness, are an effective complement to transit and rideshare incentives.

A successful TDM program for the project will include most, if not all, of the following features:

- Preferential parking for carpools and vanpools;
- Secure, convenient bicycle parking;
- Workplace showers and changing areas;
- Carpool match services for employees;
- Parking cash-out programs for alternative modes commuters; and
- Marketing and information programs to encourage alternative transportation modes (which could include partnering with other local organizations such as the Peninsula Congestion Relief Alliance).

### **Parking Conclusion**

Based on a comparison of two parking occupancy rates, it was determined that a reasonable parking demand rate is in the range of 0.75 to 0.88. Typically many parking demand studies are based on the ITE rate. Using a blended ITE Parking rate of 0.80, approximately 110 parking stalls would be required. Since the proposed project would be providing 113 spaces, the parking provided is considered adequate.

## Appendix A

- City of Menlo Park Significant Impact Criteria
- Existing Traffic Condition

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## Appendix B

### - LOS Calculation Sheets: Near Term Traffic Conditions

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## Appendix C

### - LOS Calculation Sheets: Near Term plus Project Traffic Conditions

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## Appendix D

### - LOS Calculation Sheets: Cumulative Traffic Condition

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## Appendix E

### - LOS Calculation Sheets: Cumulative plus Project Traffic Condition

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## Appendix F

### - Los Altos Marriott Residence Inn Parking Occupancy Survey

# Memorandum



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Date: February 27, 2013

To: **Mr. Chip Taylor**

From: Mark Spencer

Project: MPA900-2

Subject: Review of 555 Glenwood Avenue Traffic Analysis

This memorandum summarizes a review of the Traffic Impact Analysis of the proposed Marriott Residence Inn at 555 Glenwood Avenue in Menlo Park (TJKM, February 26, 2013). The review included the technical memorandum and appendices, with comparisons to the Menlo Park Downtown Specific Plan EIR transportation chapter.

## Summary

In general, the traffic analysis concluded that the level of service at four of five study intersections would be considered acceptable and that the parking provided is considered adequate. These conclusions are supported by a review of the technical memo and detailed analysis presented in the appendices.

For one intersection (Glenwood/Middlefield), the impact would be consistent with that identified in the Downtown Specific Plan EIR. The mitigation measure (traffic signal) identified in the Downtown Specific Plan EIR would mitigate the 555 Glenwood Avenue project's impact. Although the project's fair share contribution to the impact would be relatively low, it is recommended that the proposed 555 Glenwood Avenue project pay a fair share of the cost of this mitigation. The calculation and fee contribution will be determined later.

With respect to parking, while the proposed parking supply of 113 spaces the project would accommodate the projected parking demand of 110 spaces, additional discussion should be included in the memo regarding the need for a parking variance, and the use of on-street spaces to satisfy parking requirements.

## Comparison to El Camino Real/Downtown Specific Plan EIR Analysis

The proposed 555 Glenwood Avenue project site is within the El Camino Real/Downtown Specific Plan area, and is currently in use as a senior citizens retirement living center. Although hotels are an identified land use in the Specific Plan, the 555 Glenwood Avenue site was not identified as an opportunity site in the Specific Plan (per Figure 3-2 of Specific Plan EIR). However, the size of the proposed hotel and the net number of new trips generated is well within the land use and transportation analysis assumptions used in the overall Downtown Specific Plan EIR transportation analysis.

Based on a review of the Downtown Specific Plan EIR and the February 26, 2013 Traffic Impact Analysis Memo, there is no need at this time for a more detailed transportation impact analysis of the proposed project. The potential impacts of the 555 Glenwood Avenue project are covered by the Downtown Specific Plan analysis and mitigation measures. The Glenwood/Middlefield intersection would be

impacted by the Specific Plan under both Project and Cumulative Conditions. Mitigation Measure TR-1b of the Specific Plan EIR is installation of a traffic signal at this intersection with fair-share funding coming from individual project applicants. However, the Specific Plan impact is significant and unavoidable as the intersection is under the Town of Atherton's jurisdiction, and therefore the City of Menlo Park cannot guarantee implementation of the mitigation measure. The proposed 555 Glenwood Avenue project impacts this intersection as well, and should contribute a fair share contribution towards the traffic signal mitigation measure.

The February 26, 2013 Memo also notes that Transportation Demand Management (TDM) measures may be used to lower the project's trip generation. However, there is no analysis in the memo to support that this would reduce the project's impact to a less than significant level, and therefore the impact is significant and unavoidable (as it is in the Downtown Specific Plan EIR).

The other intersection that is impacted under the Downtown Specific Plan is El Camino Real/Valparaiso/Glenwood. The proposed 555 Glenwood Avenue project would not impact this intersection as it would not generate enough peak hour trips to trigger an impact. This is also relevant in that project trips would be dispersed as they move further from the site. Thus, if there aren't enough trips to trigger an impact at the El Camino Real/Valparaiso/Glenwood, it stands to reason that there would be fewer trips further from the site, and the less chance of triggering an impact at intersections along El Camino Real or elsewhere.

### **Comments on Technical Memo**

The February 26, 2013 Memo prepared by TJKM was reviewed in detail. Comments on the memo are listed below.

#### *Traffic Analysis*

The analysis looks acceptable per City of Menlo Park Traffic Impact Analysis Guidelines and is consistent with prior City traffic studies of development projects. Checks of the intersection LOS calculations and analysis parameters (lane geometry, traffic volumes, peak-hour factor, saturation flow, and traffic control) looked acceptable.

In the analysis methodology, growth factors were used to calculate the 2035 cumulative traffic volumes, as opposed to using data from the Downtown Specific Plan EIR. Generally, the forecasted traffic volumes and intersection level of service results were similar, and this approach allowed for the addition of project trips to be compared to a future baseline for impact determination.

The roadway segments that were analyzed in the February 26, 2013 Memo included Glenwood Avenue and Middlefield Road. Middlefield Road would be impacted under the Downtown Specific Plan EIR. The analysis in the February 26, 2013 Memo concluded that the project would not result in an impact along either of these roadways, based on its projected daily trip generation.

#### *Parking Analysis*

The Parking supply and demand analysis was based on ITE *Parking Generation* rates. Using a blend of ITE rates for a business hotel and an all-suites hotel resulted in a projected parking demand of 110 parking spaces. With 113 spaces being provided, including allowance of on-street parking, the parking demand of 110 spaces would be satisfied.

It is also recommended that the parking analysis discussion include the following elements:

- Parking Variance
  - Replace the term “considered considerably higher” with “different.”
  - When mentioning Footnote #6 from Table FI of the Downtown Specific Plan, the memo should note that it states: *If a use is not listed in this table, a project applicant may propose a rate from ULI Shared Parking or other appropriate source or survey for the review and approval of the Transportation Manager. In this case the source is the ITE Parking Generation.*
  - The memo should note that the number of off-street and on-street parking spaces, and that this project would require the City to allow on-street public parking to be counted towards the parking supply of a private development.

**555 Glenwood Avenue Project (Marriott Residence Inn)  
Mitigation Monitoring and Reporting Program (MMRP)**

**Introduction**

The California Environmental Quality Act (CEQA) requires the adoption of feasible mitigation measures to reduce the severity and magnitude of significant environmental impacts associated with project development. The El Camino Real/Downtown Specific Plan process included detailed review of projected environmental impacts through a program Environmental Impact Report (EIR). In compliance with CEQA requirements, the Draft EIR was released in April 2011, with a public comment period that closed in June 2011. The Final EIR, incorporating responses to Draft EIR comments, as well as text changes to parts of the Draft EIR itself, was released in April 2012, and certified along with the final Plan approvals in June 2012. The Program EIR provides the initial structure for review of subsequent development proposals, such as the subject 555 Glenwood Avenue Project.

CEQA requires reporting on and monitoring of mitigation measures adopted as part of the environmental review process (Public Resources Code Section 21081.6). This Mitigation Monitoring and Reporting Program (MMRP) is designed to aid the City of Menlo Park in its implementation and monitoring of relevant measures adopted from the certified Program EIR.

The mitigation measures are taken from the certified EIR. The MMRP is presented in table format and it describes the actions that must take place to implement each mitigation measure, the timing of those actions, the entities responsible for implementing and monitoring the actions, and verification of compliance.

Menlo Park 555 Glenwood Avenue Project Mitigation Monitoring and Reporting Program				
Mitigation Measures	Action	Timing	Implementing Party	Monitoring Party
<b>AIR QUALITY</b>				
<b><i>IMPACT BEING ADDRESSED: Impact AIR-2: Implementation of the Project would result in increased long-term emissions of criteria pollutants from increased vehicle traffic and on-site area sources that would contribute substantially to an air quality violation. (Significant)</i></b>				
See Mitigation Measure TR-2.				
<b>TRANSPORTATION, CIRCULATION AND PARKING</b>				
<b><i>IMPACTS BEING ADDRESSED: Impact TR-1: Traffic from future development in the Plan area would adversely affect operation of area intersections. (Significant); and Impact TR-7: Cumulative development, along with development in the Plan area, would adversely affect operation of local intersections. (Significant)</i></b>				
<p><i>Mitigation Measure TR-1b (also TR-7f):</i> The individual project applicant(s) shall contribute fair-share funding towards the following improvement at the intersection of Middlefield Road and Glenwood Avenue/Linden Avenue:</p> <ul style="list-style-type: none"> <li>• Signalization when investigation of the full set of traffic signal warrants indicate that signalization is warranted.</li> </ul>	Calculation of fair-share funding and payment	Payment required prior to building permit issuance	Project Sponsor	CDD/PW

Menlo Park 555 Glenwood Avenue Project Mitigation Monitoring and Reporting Program				
Mitigation Measures	Action	Timing	Implementing Party	Monitoring Party
TRANSPORTATION, CIRCULATION AND PARKING				
<b><i>IMPACTS BEING ADDRESSED: Impact TR-2: Traffic from future development in the Plan area would adversely affect operation of local roadway segments. (Significant); and TR-8: Cumulative development, along with development in the Plan area would adversely affect operation of local roadway segments. (Significant)</i></b>				
<i>Mitigation Measure TR-2 (also TR-8):</i> New developments within the Specific Plan area, regardless of the amount of new traffic they would generate, are required to have in-place a City-approved Transportation Demand Management (TDM) program prior to project occupancy to mitigate impacts on roadway segments and intersections.	Preparation, approval, and implementation of a TDM program	Submittal of draft TDM program concurrent with building permit submittal; City approval of plan prior to building permit issuance; Ongoing implementation of program elements	Project Sponsor	CDD/PW

**LICENSE AGREEMENT AND ENCROACHMENT PERMIT FOR USE OF  
PARKING AREA**

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**Revised DMV 03.12.13**

This License Agreement and Encroachment Permit (“Agreement”) is made as of \_\_\_\_\_, 2013, by and between The City of Menlo Park, a municipal corporation of the State of California (herein the “City”), and Sand Hill Property Company, a \_\_\_\_\_, or an entity affiliated with Sand Hill Property Company, or its successors in interest or assigns in and to the right title and interest of the below-defined Subject Property, (herein the “Company”).

**RECITALS:**

Whereas, the “Company” is the fee title holder to that certain real property located at 555 Glenwood Avenue, City of Menlo Park, County of San Mateo, State of California, more particularly described on Exhibit A attached hereto (herein the “Subject Property”).

Whereas, the 1500 block of Garwood Way, a public right of way (as to that portion, herein the “Right of Way”), is situated adjacent to the Subject Property. The Right of Way as of the date of this Agreement is a dead end, not a through street. Use of the Right of Way is currently limited to the Subject Property.

Whereas, the City plans to extend Garwood Way, or cause Garwood Way to be extended, onto and through properties which are adjacent to the Subject Property as a through roadway.

Whereas, there are approximately thirty nine (39) parking spaces located within and/or adjacent to the Right of Way per Exhibit “A” that have been constructed, used, and maintained by and for the Subject Property for parking for vehicles of persons making use of the improvements on the Subject Property (herein the “Right of Way Parking”).

Whereas, the Company has submitted to the City a plan for a change of use of the Subject Property to hotel use (the “Project”), which plan incorporates the use of the Right of Way Parking for the exclusive use and benefit of the Subject Property.

Whereas, the City Council has approved City Resolution \_\_\_\_\_ approving the \_\_\_\_\_ permit (the “Permit”) that authorizes the change of use of the Subject Property to hotel use, which Permit incorporates the use of the Right of Way Parking for the exclusive use and benefit of the Subject Property in a manner that will provide adequate parking for the use of the Subject Property for hotel use.

Whereas, the Permit requires that the Company and the City make and enter into a License Agreement that documents the rights of the Subject Property to have the exclusive right of use of the Right of Way Parking subject to the Subject Property being used for hotel purposes that generate to the City transient occupancy taxes.

Whereas, the City Council, by its Resolution No. \_\_\_\_\_ hereby finds that the grant to the Company by the City of a license for the exclusive use of the Right of Way Parking will be beneficial to the City and the public because the providing of such

exclusive use of the Right of Way Parking will enable the Subject Property to be used as and for hotel purposes that generate to the City transient occupancy taxes.

NOW, THEREFORE, in consideration of the mutual covenants and declarations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, City and the Company each agree as follows:

1. Exclusive Rights of Use of Parking Area. City hereby grants to Company a license for the exclusive right for use of that certain area within the Right of Way containing approximately thirty nine (39) parking spaces located in the area described in Exhibit "A" to this Agreement (the "Parking Area") on the terms and conditions stated in this Agreement as a right that is appurtenant to the Subject Property described in this Agreement.

2. Improvements to Right of Way. In consideration of the grant of the rights of use herein provided, the Company shall improve the Right of Way Parking in accordance with the Permit requirements and maintain the Right of Way Parking as herein provided. If the City revises or extends the Right of Way, and in doing so, revises or alters the location of the Right of Way Parking, the Company agrees to operate and maintain the Right of Way Parking as so revised or altered. If the Right of Way Parking is revised or altered, City and the Company agree to modify Exhibit "A" to show the Right of Way Parking as so revised or altered.

3. Term of Use Rights. The Company shall have the rights to use Right of Way Parking and the license herein granted shall endure as long as the Company is using the Subject Property as a hotel facility that generates a minimum amount of transient occupancy taxes ("Hotel Purposes"), subject to the rights of the City and Company to terminate this Agreement as provided in Paragraph 5 hereof. For the purposes of this Agreement, the "minimum amount of transient occupancy taxes" to qualify the Subject Property for Hotel Purposes shall mean that at least 50% of total room occupancy operating revenue of Subject Property shall be subject to Transit Occupancy Tax for 2 consecutive years.

4. Payment Obligations.

(a) The Company shall pay to the City transient occupancy taxes or an in lieu amount for the Hotel Use on the basis set forth in this Paragraph.

(i) The Company shall pay to the City transient occupancy taxes for the Hotel Use in accordance with City Ordinances.

(ii) If, after the first full year of operations after hotel opening, the use of the Subject Property as and for Hotel Purposes does not in any year generate transient occupancy tax to the City on at least 85% of total room occupancy revenue from the Subject Property (the "TOT"), then the Company shall pay to the City an in lieu amount (the "In Lieu Amount") equal to the difference between (i) the amount of TOT actually generated and paid by the Company for transient occupancy use of the Subject Property in that calendar year and (ii) the amount of TOT that would otherwise be generated and paid on 85% of total room occupancy revenue from the Subject Property

up to an amount of \$50,000, payable in 12 equal monthly installments in the ensuing year.

(iii) If, after first full calendar year of operations after hotel opening, the use of the Subject Property as and for Hotel Purposes does not generate transient occupancy tax to the City in any calendar year in an amount equal to at least \$400,000, then the Company shall pay to the City an in lieu amount (the "In Lieu Amount") equal to the difference between (i) the amount of TOT actually generated and paid by the Company for transient occupancy use of the Subject Property in that calendar year and (ii) \$400,000 up to an amount of \$50,000 payable in 12 equal monthly installments in the ensuing year.

(iv) For the first year of calculation of TOT, the amounts payable and the minimum amounts generated shall be prorated for any partial year of operations.

(v) Notwithstanding the provisions of (ii) above, if the amount of TOT paid in any calendar year exceeds \$700,000 then, even if the TOT generated transient occupancy revenue was less than 85% of total room occupancy revenue from the Subject Property then the Company shall not be obligated to pay any In Lieu Amount under (ii) above.

(vi) In no event shall the In Lieu Amount due and payable to the City pursuant to (ii) and (iii) above in any year exceed the total sum of \$50,000.

(vii) If after the date which is five (5) years after the opening of the hotel by the Company on the Subject Property, the Company continues its exclusive use of the Parking Area, then, commencing on the date that is five (5) years after the opening of the hotel by the Company, the City shall have the right to impose rent on the Company in an amount equal to the Fair Rental Value for the exclusive use of the Parking Area going forward on a monthly basis. If the City elects to commence said rent (which election shall be made in writing and delivered to Company no earlier than four (4) years from the opening of the hotel) and the City and the Company cannot agree upon the Fair Rental Value for the exclusive use of the Parking Area then such Fair Rental Value shall be determined by the following process:

**Fair Rental Value Determination:** Fair Rental Value for the exclusive use of the Parking Area hereunder shall be rent for exclusive use of 39 stalls of comparable type, nature and location of parking spaces in the City of Menlo Park [being outdoor, unsecured spaces, adjusted for the maintenance, insurance, and indemnification, etc., being provided by the user]. The City and the Company shall negotiate in good faith to agree on the Fair Rental Value of the Parking Area, which City shall determine administratively by the City Manager and without the necessity of obtaining City Council approval. If the City and the Company are unable to agree on a mutually acceptable Fair Rental Value within thirty (30) days after notification by the City to Company of the City's determination of Fair Rental Value of the Parking Area (which notification shall not be given less than six (6) months prior to the intended rent commencement date), then on or before such date City and the Company shall each appoint a licensed real estate broker [or appraisers if the parties so agree] as an arbitrator with at least ten (10) years of experience in leasing and or valuation of commercial real estate and rents in the Menlo Park area to act as arbitrators. The two (2) arbitrators so appointed shall each separately determine the Fair Rental Value of the Parking Area and each shall submit his or her

determination of such Fair Rental Value to the City and the Company in writing, within thirty (30) days after their appointment. If the two (2) arbitrators so appointed cannot agree on the Fair Rental Value for within such 30-day period, the two (2) arbitrators shall within five (5) days thereafter appoint a third arbitrator who shall be a real estate broker or real estate appraiser with at least ten (10) years of in leasing and or valuation of commercial real estate and rents in the Menlo Park area. The third arbitrator so appointed shall independently determine the Fair Rental Value of the Parking Area within thirty (30) days after appointment, by selecting from the proposals submitted by each of the first two arbitrators the one that most closely approximates the third arbitrator's determination of such Fair Rental Value. The third arbitrator shall have no right to adopt a compromise or middle ground or any modification of either of the proposals submitted by the first two arbitrators. The proposal chosen by the third arbitrator as most closely approximating the third arbitrator's determination of the Fair Rental Value shall constitute the decision and award of the arbitrators and shall be final and binding on the parties. Each party shall pay the fees and expenses of the arbitrator appointed by such party and one-half (1/2) of the fees and expenses of the third arbitrator. If either party fails to appoint an arbitrator, or if either of the first two arbitrators fails to submit his or her proposal of Fair Rental Value to the other party, in each case within the time periods set forth above, then the decision of the other party's arbitrator shall be considered final and binding.

(viii) Notwithstanding the provisions of (vii) above, if the amount of TOT paid in any calendar year exceeds the amount of \$700,000 then the Company shall not be obligated to pay the Fair Market Rent under (vii) above.

(ix) Once such Rent commences under Section 4.(vii), then the provisions of 4(a) (ii) and 4(a) (iii) will no longer be operative.

5. Termination of Rights of Use. The City shall have the right to terminate this Agreement and the rights of the Company to use the Parking Area if any one of the following events occurs:

(a) Failure to Pay TOT: Subject to paragraph 5(f) herein, if the Company fails to pay the TOT or the In Lieu Amount on a timely basis the City shall have the right to terminate this Agreement. If the City determines that the Company has failed to pay the TOT or the In Lieu Amount, City shall send written notice to the Company, stating the amounts of TOT or In Lieu Amount that the City has determined have not been paid. If Company does not pay such amounts within sixty (60) days from the City notice, the City can then terminate this Agreement by written notice to the Company. If the Company disputes in writing the City claims as to such amounts being owed within sixty (60) days from the City notice, then Company and City shall meet and confer within sixty (60) days from the date of the Company's notice to the City to resolve the dispute. If the City and the Company are not able to resolve the dispute within such sixty (60) days, then the dispute shall be resolved by arbitration as set forth in Paragraph 13 of this Agreement.

(b) Cease to Use for Hotel: The City shall have the right to terminate this Agreement if the Company fails to operate the Subject Property for and as a Hotel Use, meaning for the purposes of this Agreement that the Subject Property does not provide TOT to the City in a minimum amount of 50% of total room occupancy operating revenue of Subject Property for two (2) consecutive years unless the Company pays to the City an amount equal to the difference of the amounts of TOT actually paid in the

preceding two (2) years and the amount of TOT that would equate to a minimum amount of 50% of total room occupancy operating revenue of Subject Property for 2 consecutive years. If the City determines that the Company has failed to operate the Subject Property for and as a Hotel Use, City shall send written notice to the Company, stating that the City has determined that Company has failed to operate the Subject Property for and as a Hotel Use and the basis for the City's determination. If Company does not within 60 days after such notice from the City provide City with information reasonably acceptable to City, in City's discretion, that the Subject Property will be operated in a manner that will generate TOT of at least 50% of total room occupancy operating revenue of Subject Property within the next six (6) months, the City can then terminate this Agreement by written notice to the Company unless the Company pays to the City an amount equal to the difference of the amounts of TOT actually paid in the preceding two (2) years and the amount of TOT that would equate to a minimum amount of 50% of total room occupancy operating revenue of Subject Property for 2 consecutive years. For purposes of this paragraph, payment of any In Lieu Amount shall not count toward the calculation of TOT paid to the City. If the Company disputes in writing the City claims as to such amounts being owed within sixty (60) days from the City notice, then Company and City shall meet and confer within sixty (60) days from the date of the Company's notice to the City to resolve the dispute. If the City and the Company are not able to resolve the dispute within such sixty (60) days, then the dispute shall be resolved by arbitration as set forth in Paragraph 13 of this Agreement.

(c) If the Company should close down the business or convert the use to a different use and thereby cease to use the Subject Property for Hotel Purposes for a period of six (6) consecutive months, then the City shall have the right upon written notice to the Company to terminate this Agreement and the rights of use of the Right of Way Parking within one hundred eighty (180) days after such notice unless the Company commences use of the Subject Property for Hotel Purposes within said one hundred eighty (180) days.

(d) If the Company should violate or fail to perform any material covenant of Company under this Agreement the City shall have the right to terminate the rights of the Company to use the Right of Way Parking by delivery to the Company written notice of the asserted violations, stating in reasonable detail the nature of the violations and the steps required for the cured thereof. If the Company should fail to (i) cure such violations within one hundred twenty (120) days after such notice (ii) commence to cure such violation that is not reasonably subject to cure within one hundred twenty (120) days, and pursue such cure with reasonable diligence or (iii) commence arbitration regarding such allegations of the City as to such violations within one hundred twenty (120) days after such notice, then the City shall have the right upon thirty (30) days written notice to the Company to terminate this Agreement and the rights of use of the Right of Way Parking.

(e) The parties agree to use due diligence and commercially reasonable efforts to obtain reasonable alternative parking arrangements for the use of the Company in an amount equivalent to the Right of Way Parking in an area contiguous to the Subject Property other than in the Right of Way, and if such alternative parking arrangements are obtained, upon usage thereof by Company either the City or the Company may terminate this Agreement and the use of the Right of Way Parking by the Company by written notice to the other party.

(f) The Company shall have the right to terminate this Agreement and any concomitant obligations at any time; provided, however, any termination of this Agreement shall not terminate or release any accrued financial obligation due and owing to the City. In this event, the City shall cooperate to execute and record such instruments as are necessary to extinguish the license established by this Agreement.

(g) The provisions of this Paragraph 5 shall be subject to the rights of any lender that has a lien on the Subject Property to cure any cessation of operation of the Subject Property for Hotel Purposes or an asserted violation under this Paragraph 5, provided however that such lender shall have filed a recorded lien of a mortgage or deed of trust on the Subject Property or other instrument that provides the City an address for notice to such lender. Any notice of violation sent to the Company by the City under this Agreement, including a claim or assertion of failure to pay TOT or In Lieu Amounts, shall also be sent to any such lender that has filed a recorded lien of a mortgage or deed of trust on the Subject Property or other instrument that provides the City an address for notice to such lender.

6. Extent of Use. Company shall use the Right of Way Parking only for the parking of motor vehicles that are used by the Company, the employees, agents or contractors of the Company, and the invitees of the Company who are using the Subject Property as occupants of rooms in the hotel facilities within the Subject Property or other amenities within the improvements located within the Subject Property, or for other customers of the Subject Property, or by persons providing services to or making deliveries to the Subject Property.

7. Maintenance. The Company shall be responsible for upkeep, maintenance and repair of the Right of Way Parking, which upkeep, maintenance and repair the Company agrees to undertake in a reasonable and prudent manner. There shall be no contribution with respect to the costs thereof by City.

(a) The Company shall keep the Right of Way Parking in clean condition and generally good repair including cleaning, striping, and maintenance. In coordination with the City's Transportation Engineer, the Company shall have the right to re-stripe and/or re-configure the parking lay-out so long as the quantity of stalls is not reduced and the dimensions of the individual stalls meet City standards.

(b) If the Company fails to maintain and operate the Right of Way Parking and such failure, in the determination of the City results in a condition that the City determines to be unsafe or dangerous to the public, the City shall have the right, but shall be under no obligation to enter the Right of Way on 48 hours' notice, except in emergency situations, when no such notice shall be required, to undertake repairs or other action the City deems required to eliminate or rectify any such unsafe or dangerous condition if the Company fails to remedy such unsafe or dangerous condition within such 48 hours. If the City undertakes any such repair or action, the Company shall reimburse the City for its reasonable costs and expenses for such repair or action. Any damage caused to roadway or other improvements in the Right of Way by the Company or its agents shall be repaired by Company at the Company's costs and expense after notice to Company from City.

(c) The City shall have the right to reconfigure the parking spaces within the Right of Way, or cause or require the reconfiguration of the parking spaces within the Right of Way in such manner as the City deems necessary and appropriate to provide for a safe path of travel, revised storm drainage or utility facilities or use of the Right of Way by motor vehicles, pedestrians and bicyclists, provided, however, that the Company shall, in such event, be provided with sufficient parking spaces within the Right of Way area to achieve number of parking spaces adequate for Hotel Operations (not to exceed the number of parking spaces existing prior to such reconfiguration), or the area of the Right of Way as such Right of Way may be extended or expanded, unless and until alternative locations for such parking spaces is provided in parcels contiguous to the Subject Property pursuant to this Agreement. The City will use its best efforts to cause or require the reconfiguration of the parking spaces within the Right of Way to occur in such manner as will provide the Company with essentially the same amount of parking spaces as is located in the Right of Way as of the date of this Agreement. Notwithstanding the foregoing, if, after any such reconfiguration of the Right of Way by the City, or if such reconfiguration is required by the City to be made by others, there are not sufficient parking spaces for the Hotel Use, the Company shall not be deemed to be in noncompliance with Permits for Hotel Use.

8. Insurance. The Company, at no cost and expense to the City, shall procure and keep in full force and effect during the term, for the mutual benefit of the City and Company, commercial general liability insurance with respect to the operations of or on behalf of Company or its agents, officers, directors, and employees in, on or about the Subject Property in an amount not less than Five Million Dollars (\$5,000,000) combined single limit bodily injury, personal injury, death and property damage, to the extent that such coverage is commercially reasonable to obtain, but in any event such coverage shall not be less than Two Million Dollars (\$2,000,000) per occurrence, with the Company policy expressly to be primary to any coverage maintained by the City with respect to claims arising out of the use of the parking spaces in the Right of Way by Company and its agents, invitees, etc. The Company may achieve such coverage using primary coverage of not less Two Million Dollars (\$2,000,000) per occurrence, with the remaining coverage achieved by the use of umbrella coverage. The policy or policies shall include that the City, including its officers, employees, attorneys and agents shall be additional insureds under such policy or policies.

9. Indemnity. The Company, as the owner of the dominant estate, hereunder hereby agrees to indemnify, defend, hold free and harmless the City of and from and against all claims, demands, losses, causes of action, damage, lawsuits, judgments, including attorneys' fees and costs, arising out of or relating to cost, damage and/or liability which arises from or relates to the acts or omissions of the Company as the owner of the dominant estate, or of its agents, employees, contractors, tenants or invitees, in using the rights herein granted, except to the extent that such cost, damage and/or liability arises from the negligence or willful misconduct of the City. The provisions of this paragraph shall survive the termination of this Agreement.

10. Rights Appurtenant. The rights licensed herein shall be appurtenant to the Subject Property, and cannot be transferred, assigned, or encumbered, except as an appurtenance to the Subject Property.



11. Notices:

(a) Notice shall be delivered to the City as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

copy to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) Notice shall be delivered to the Company as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

copy to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(c) Notice shall be sent to any owner of the Subject Property at the address established by that Owner in the records of the County tax assessor.

(d) Any notice, consent or approval required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given upon (i) hand delivery, (ii) one (1) business day after being deposited with Federal Express or another reliable overnight courier service, with receipt acknowledgment requested, or (iii) upon receipt if transmitted by facsimile telecopy, with a copy sent on the same day by one of the other permitted methods of delivery.

12. Equitable Servitudes; Covenants Running With the Land. All of the rights, licenses, covenants and declarations herein contained shall be deemed to be equitable servitudes enforceable by any of the parties hereto or their successors and assigns. The rights, licenses, covenants and declarations set forth herein shall be covenants running with the land of the Subject Property and shall be binding upon and inure to the benefit of all parties having or acquiring any right, title or interest in any of the Subject Property herein described. The obligations of this Agreement shall be binding on the Company and its successors and assigns in and to the Subject Property and all parties having or acquiring any right, title or interest in or to the Subject Property, or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each the Company and its successors and assigns.

13. Arbitration. All disputes, claims and other matters in question arising out of, or relating to, this Agreement, or the breach thereof may, at the election of any of the parties hereto, be decided by arbitration in accordance with the then current Commercial Arbitration Rules of Judicial Arbitration and Mediation Services (“JAMS”). This agreement to arbitrate shall be specifically enforceable in any court of law under the prevailing arbitration law. The award rendered by the arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof. The arbitration shall be held in San Mateo County.

14. Attorneys Fees. In the event any party hereto institutes legal action or arbitration to enforce or interpret its rights under this Easement Agreement, then the prevailing party or parties shall be entitled to reasonable attorneys' fees in addition to other costs of suit as awarded by the court or arbitrator.

15. Estoppel Certificate. Any party may, at any time and from time to time deliver written notice to the other party requesting such latter party to certify in writing (a) that this Agreement is in full force and effect, (b) that, to the knowledge of the certifying party, the requesting party is not in default in the performance of its obligations under this Agreement, or, if in default, to describe therein the nature and amount of any and all defaults, and/or (c) with respect to such other reasonable business matters directly related to this Agreement. Each party receiving such request shall use its best efforts to execute and return such certificate within twenty (20) days following the receipt thereof.

16. Governing Law. This Easement Agreement shall be governed under the laws of California.

IN WITNESS WHEREOF, this Agreement is executed effective as of the date first above set forth.

**Company:** \_\_\_\_\_ **LLC, a California Limited Liability Company**

**By:** \_\_\_\_\_,  
\_\_\_\_\_  
**its Manager**

**City: City of Menlo Park**

**By:** \_\_\_\_\_  
\_\_\_\_\_  
**Its:** \_\_\_\_\_

Approved by City Council Resolution:

\_\_\_\_\_  
\_\_\_\_\_

City Clerk of the City of Menlo Park

EXHIBIT A

RIGHT OF WAY PARKING

[CROSS HATCH PARKING AREAS ON PROPOSED SITE PLAN]

**RESOLUTION NO.**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK APPROVING HERITAGE TREE REMOVAL PERMITS FOR THE PROPERTY LOCATED AT 555 GLENWOOD AVENUE**

WHEREAS, on February 25, 2013, the City of Menlo Park (“City”) received an application from Sand Hill Property Company (“Project Sponsor”) for removal of three heritage trees at the property located at 555 Glenwood Avenue (“Project Site”) as more particularly described and shown in “Exhibit A”; and

WHEREAS, the removal of Heritage Trees within the City is subject to the requirements of Municipal Code Chapter 13.24, Heritage Trees; and

WHEREAS, the City Arborist initially reviewed the requested tree removals on-site on February 14, 2013 and formally considered the permits on February 26, 2013; and

WHEREAS, the City Arborist determined that the two ash trees located in interior courtyards have poor structure, and the palm tree conflicts with potential development improvements and creates an overcrowding risk with a neighboring oak tree; and

WHEREAS, the City Arborist determined that the proposed planting of approximately 16 new trees on site would be more compatible with the adjacent improvements; and

WHEREAS, all required public notices and public meetings were duly given and held according to law; and

WHEREAS, after notice having been lawfully given, a public meeting was scheduled and held before the Planning Commission of the City of Menlo Park on March 4, 2013 whereat all persons interested therein might appear and be heard; and

WHEREAS, the Planning Commission of the City of Menlo Park having fully reviewed, considered and evaluated all the testimony and evidence submitted in this matter voted affirmatively to recommend to the City Council of the City of Menlo Park to approve the Heritage Tree Removal Permit; and

WHEREAS, after notice having been lawfully given, a public meeting was scheduled and held before the City Council of the City of Menlo Park on March 26, 2013 whereat all persons interested therein might appear and be heard.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Menlo Park hereby approves the Heritage Tree Removal Permits, which shall be valid until March 26, 2014 and can be extended for a period of one-year by the Community Development Director if requested by the applicant.

I, Margaret S. Roberts, City Clerk of Menlo Park, do hereby certify that the above and foregoing Council Resolution was duly and regularly passed and adopted at a meeting by said Council on the twenty-sixth day of March, 2013, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this twenty-sixth day of March, 2013.

---

Margaret S. Roberts, MMC  
City Clerk



# PLANNING COMMISSION STAFF REPORT

FOR THE PLANNING COMMISSION  
MEETING OF MARCH 4, 2013  
AGENDA ITEM E1

<b>LOCATION:</b>	<b>555 Glenwood Avenue</b>	<b>APPLICANT:</b>	<b>Sand Hill Property Company</b>
<b>EXISTING USE:</b>	<b>Senior Citizens Retirement Living Center</b>	<b>OWNER:</b>	<b>Glenwood Inn LLC</b>
<b>PROPOSED USE:</b>	<b>Limited-Service, Business-Oriented Hotel</b>	<b>APPLICATION:</b>	<b>Architectural Control, License Agreement and Encroachment Permit, and Heritage Tree Removal Permits</b>
<b>ZONING:</b>	<b>SP-ECR/D (El Camino Real/Downtown Specific Plan) - ECR NE-R (El Camino Real North-East - Residential)</b>		

## PROPOSAL

The applicant is requesting architectural control to modify an existing senior citizens retirement living center into a limited-service, business-oriented hotel in the SP-ECR/D (El Camino Real/Downtown Specific Plan) zoning district. The architectural control action includes consideration of a Public Benefit Bonus for a Floor Area Ratio (FAR) of 1.16, where 1.10 is the Base level FAR maximum and 1.50 is the Public Benefit Bonus level FAR maximum. The proposal includes the application of the Transportation Manager's discretion to approve a parking rate for a use type not listed in Specific Plan Table F2. The proposal also includes the provision of some required parking on the Garwood Way public right-of-way through a license agreement and encroachment permit. In addition, the proposal includes the removal of three heritage trees: two ash trees located in courtyards at the middle and right-rear corner of the parcel, and one palm tree located at the rear-left corner of the parcel.

The Planning Commission will act as a recommending body for this proposal. The Planning Commission's authority is primarily focused on the architectural control

portion of the request, although information on the other required actions is provided for context. The City Council will act comprehensively on all requests associated with the proposal.

## **BACKGROUND**

In April and May 1987, the City Council approved a Planned Development (P-D) permit and associated P-D(3) district rezoning for a 138-room senior citizens retirement living center on a 2.25-acre site at 555 Glenwood Avenue. The P-D permit established a maximum gross floor area of 113,803 square feet, which represents a Floor Area Ratio (FAR) of approximately 1.16. In addition, the P-D permit required that the development provide "off-street parking for 82 vehicles and provide for additional parking on Garwood Way per Engineering Division requirements." The specific number of parking spaces along Garwood Way was not specified, and the City did not approve an encroachment permit or other mechanism that dedicated these spaces for the exclusive use of the development.

The Planning Commission subsequently approved precise development plans in August 1987, and the development was constructed between 1988 and 1990. The development consists of a central one-story building containing communal spaces (such as the lobby, dining, and office areas), surrounded by three-story buildings that contain the individual rooms. In November 1989, during the construction process, the Planning Commission approved a revision that allowed three on-site parking spaces (at the rear of the development) to be removed in exchange for the development of five additional on-street spaces along Garwood Way, due to a conflict with an on-site oak tree. As with the original action, no encroachment permit or other mechanism for exclusive use of the on-street spaces was approved at this time.

The property has since been in use as a senior residential facility, branded initially as the "Glenwood Inn" and renamed more recently to "Casa on the Peninsula." The facility is age-restricted to seniors and provides independent and assisted living options, but is not a skilled nursing facility that provides specialized medical care. Casa on the Peninsula provides a market-rate housing option for seniors (as opposed to subsidized affordable housing). As reported by the applicant, the owners of the property have conducted revisions over time, such that the number of units is now 125 (due to some single-bedroom units being combined into two-bedroom units), and the number of on-site parking spaces is 74. The east side of Garwood Way, next to the Caltrain tracks, features 30 perpendicular parking spaces in the public right-of-way, which currently have signage stating they may only be used by the 555 Glenwood Avenue facility. The west side of Garwood Way provides nine parallel parking spaces, which do not feature any signage regarding their use. No parking is permitted on Glenwood Avenue in the immediate vicinity of the development; this street features bicycle lanes on both sides of the roadway, and there does not appear to be room to add any on-street parking.

In June 2012, the City Council approved the El Camino Real/Downtown Specific Plan ("Specific Plan"), which rezoned the subject property from P-D(3) to the new SP-ECR/D

zoning district. The Specific Plan established that existing discretionary approvals (such as P-D permits) for developments in the SP-ECR/D district will continue to be honored and enforced, but properties may elect to proceed with new or modified development in accordance with Specific Plan regulations. Within the Specific Plan, the 555 Glenwood Avenue parcel is in the El Camino Real Mixed Use/Residential land use designation and the ECR NE-R zoning district. Full information on the Vision and Specific Plan projects (including staff reports, meeting video, environmental and fiscal review documents, analysis memos, and workshop presentations and summaries) is available on the City's web site at: <http://www.menlopark.org/specificplan>

On October 30, 2012, the City Council held a study session to provide initial feedback on the potential conversion of 555 Glenwood Avenue to a hotel use. The Council did not make any motions or other group actions, but the Council Members' individual feedback has been considered by the applicant and staff as the project review has proceeded. The applicant, Sand Hill Property Company, currently owns and operates a hotel similar to the proposed facility ("Marriott Residence Inn Palo Alto Los Altos," in Los Altos). The applicant does not currently own or operate the subject property, but is in contract to purchase it from the current owner and business operator.

## **ANALYSIS**

### Site Location

The subject property is located at 555 Glenwood Avenue, at the corner of Glenwood Avenue and Garwood Way. A location map is included as Attachment A. Glenwood Avenue is the property's primary functional frontage, and this report's references to site orientation use it as the "front."

The adjacent properties are occupied by a variety of commercial uses, including a language school, restaurants, and offices. In addition, the property is adjacent to a large vacant multi-parcel site addressed 1300 El Camino Real, which has approved plans for a mixed-use retail-office development; however, construction has not yet commenced and the current property owners have indicated interest in possibly pursuing a revised project. The adjacent parcels are all likewise part of the SP-ECR/D zoning district.

Garwood Way in this location is a dead-end street that extends the length of the subject property and the 1300 El Camino Real property. The City has an adopted plan line to extend Garwood Way to Oak Grove Avenue, although there are no immediately-pending plans to implement this extension. Garwood Way is directly adjacent to the Caltrain rail corridor.

### Project Description

The applicant is proposing to convert the existing senior citizens retirement living center into a limited-service, business-oriented hotel. As part of this conversion, the

applicant would conduct interior, exterior, and landscaping improvements, as shown on the project plans (Attachment B). However, the project would not include the construction of any new floor area or building coverage. The interior public spaces, located in the central one-story building, would be reconfigured to support the hotel use, with dining, meeting, and computer rooms. The three-story residential buildings would be renovated to provide 138 hotel suites, within the outlines of the 138 rooms that were originally approved. Specific aspects of the proposal are discussed below. The applicant has submitted a project description letter, which describes the proposal in more detail (Attachment C).

### Hotel Use

The Specific Plan establishes various uses as permitted, permitted with limitations, administratively permitted, conditionally permitted, and prohibited for its land use designations. In the El Camino Real Mixed Use/Residential land use designation, hotels are a permitted use. The Specific Plan "hotel" definition specifically includes "extended-stay hotels," although it excludes "rooming hotels, boarding houses, or residential hotels designed or intended to be used for sleeping for a period of 30 consecutive days or longer." The excluded types of uses typically do not provide any Transient Occupancy Tax (TOT), whereas the permitted hotel types typically provide a mixture of stays that are, and are not, subject to TOT. No discretionary use permit review is required for the hotel land use type, although projects that propose new construction or substantial exterior modifications require architectural control review.

The applicant is proposing that the specific hotel brand be a Marriott Residence Inn, which provides extended-stay accommodations, typically a week or longer. The applicant reports that 77 percent of room revenue at the applicant's Marriott Residence Inn in Los Altos is from guests staying less than 30 days, and as such is subject to TOT. This assumption has been replicated in the fiscal analyses discussed in a following section, although the actual performance of the proposed Menlo Park facility could differ.

The proposed hotel use type meets the Specific Plan hotel definition in that it would be an extended-stay hotel with a majority of revenue subject to TOT. No TOT monitoring or performance standards would be required for a hotel project of this type that met the Base level development standards and provided all required parking on-site. However, because this proposal requires a determination of a Public Benefit Bonus and approval of a license agreement and encroachment permit for off-site parking, and because both of these actions would be justified at least in part by the projected TOT revenue, staff is recommending conditions/terms that would ensure certain minimum levels of TOT and/or revoke or revert the use if it does not meet certain revenue standards. These conditions/terms are discussed in more detail in subsequent sections, and were structured to address the City's interests while also acknowledging development limitations (in particular with regard to typical financing requirements).

## Design and Materials

The applicant is proposing relatively modest exterior changes to the existing structures. As noted previously, no new gross floor area or building coverage would be added to the development. The primary exterior modifications would consist of:

- Repainting of all buildings;
- Replacement of ground-level patio screens with a new fencing treatment; and
- Comprehensive landscaping enhancements (discussed in more detail in the following section).

Because the existing architectural design was approved previously, only the changes are required to be evaluated with regard to the El Camino Real/Downtown Specific Plan's standards and guidelines. The proposed repainting would establish four distinct tones: a pale orange or peach (to match Pantone DS 18-7 C), a light beige (to match Pantone DS 29-9 C), a darker beige (to match Pantone DS 313-9 C), and a slate gray (to match Pantone DS 329-5 C). These tones would be applied in a manner that would subtly accentuate the existing projections and recessed areas, and would all be relatively muted hues consistent with the surrounding buildings. The Specific Plan does not specify use of any particular colors, although it does suggest changes of color as one potential mechanism to accentuate major and minor façade modulations (Section E.3.4.2, "Façade Modulation and Treatment"). Although the proposal is not required to address the façade modulation requirements, given that the building footprint and envelope are not proposed to change, the introduction of greater variation in color would be consistent with this section of the Specific Plan.

The proposed patio screen update would involve the replacement of painted lattice grids at the ground-level with new horizontal wood fencing. The new fence treatment would introduce a new natural wood tone, with gaps that would continue to provide a mix of privacy and transparency. Staff believes this change is consistent with relevant guidelines of Section E.3.5, "Ground Floor Treatment, Entry and Commercial Frontage," in particular those that discourage blank walls at the ground level, and encourage non-retail ground-floor uses to be enhanced with interesting building design and materials.

New signage would be subject to future ministerial sign permit review and approval. As part of the initial staff review of the proposal, the Engineering Division identified a requirement for a new accessible sidewalk ramp at the Garwood Way and Glenwood Avenue intersection, which is shown conceptually on the project plans and required as part of the recommended action (condition 4a).

## Sustainability

The Specific Plan establishes sustainability standards and guidelines, in particular Standard E.8.03, which requires projects to achieve LEED certification at a Silver level or higher (to be verified either directly through the U.S. Green Building Council, or

through an independent auditor program if established by the City) if they meet a number of criteria, including:

- Major alterations that are 20,000 gross square feet or more in existing buildings of Group B, M and R occupancies, where interior finishes are removed and significant upgrades to structural and mechanical, electrical and/or plumbing systems are proposed.

Although the project appears to meet the square footage, occupancy, and interior finish triggers, the project as currently proposed does not appear to be proposing significant upgrades to the structural and mechanical, electrical and/or plumbing systems. As such, this requirement would not apply. However, upon completion of a full building permit application, the project scope could be revised to potentially qualify for this provision. Staff has included a condition of approval requiring submittal of an applicant report providing details on upgrades to the structural and mechanical, electrical and/or plumbing systems, concurrent with building permit submittal. If staff determines that such upgrades are significant, the LEED Silver certification (or equivalent) would be required prior to building permit final inspection (condition 4b).

Open Space and Landscaping

The applicant is proposing comprehensive landscaping improvements, with the intent of refreshing the overall site’s appearance. On the public sides of the parcel, no trees would be added or removed, with the exception of one new aristocrat pear to be added at the main entry on Glenwood Avenue, filling in a gap between similar trees. New low flowering shrubs would also be added at the main entry, helping establish a focus at this location. A limited amount of enhanced paving at the main entry plaza would also help mark this as the primary public entrance. The property’s internal courtyards would feature improvements such as new enhanced paving and bench seating, along with various new plantings. In the largest and most central courtyards, the applicant is proposing to add a fire pit and a barbeque area as guest amenities.

The applicant is proposing that three heritage trees be removed:

<u>Tree Type</u>	<u>Diameter</u>	<u>Location on Property</u>	<u>Condition</u>	<u>Basis for Removal Request</u>
Shamel ash	28.8 inches	Center courtyard	Fair	Health/structure
Shamel ash	35.3 inches	Rear-right corner courtyard	Fair	Health/structure
Mexican fan palm	23 inches	Rear-left corner loading area	Good	Construction and crowding with oak

The applicant is proposing to plant approximately 16 new trees, which would primarily be smaller ornamental species in recognition of the site constraints. The City Arborist has reviewed and tentatively approved the removals and proposed replacement plantings. The City Council will review and act on the requested removals in conjunction with the overall project actions (Attachment D).

The project would be required at the time of building permit submittal to submit a detailed landscape plan demonstrating compliance with the City's Water-Efficient Landscaping Ordinance (WELo), as well as submit a comprehensive site-wide arborist report to ensure protection of all remaining heritage trees (conditions 3g and 4c).

### Public Benefit Bonus

As previously noted, the El Camino Real Mixed Use/Residential land use designation permits hotel uses. However, the Specific Plan also establishes a two-tier density/intensity system, in which uses that exceed the Base level dwelling units per acre and/or Floor Area Ratio (FAR) standards are required to pursue a discretionary Public Benefit Bonus process.

For the 555 Glenwood Avenue property, the ECR NE-R zone establishes a Base level maximum FAR of 1.10, and a Public Benefit Bonus level maximum FAR of 1.50. The subject property has an FAR of approximately 1.16. Although the building size is already approved for the current senior living center use, the change of use at a Public Benefit Bonus level requires Planning Commission review, with City Council review required on appeal or when the overall set of project actions is subject to the discretion of that body. Because this proposal includes Council review of a license agreement and encroachment permit and heritage tree removal permits, the Council will make all final actions on the project, including the Public Benefit Bonus determination.

The Public Benefit Bonus process as outlined in the Specific Plan provides a flexible structure for consideration of such requests, requiring a study session informed by appropriate fiscal/economic review (for this proposal, the October 30, 2012 City Council study session is considered to have addressed this requirement), and providing some suggested elements for consideration. In particular, hotels are called out as one recommended option, as such a facility "generates higher tax revenue for the City while also enhancing downtown vibrancy."

To inform the Planning Commission and City Council's consideration of the Public Benefit Bonus, the applicant has prepared a limited economic benefit review, which is included as Attachment E. An initial version of this review was summarized as part of the October 30, 2012 study session staff report, although it has been revised since then. Since the earlier meeting, the City has conducted an independent peer review, which is available as Attachment F.

The limited economic benefit review concludes that the proposal would generate substantially more revenue to the General Fund than does the existing use, primarily due to new TOT revenues. Specifically, the applicant's analysis projects that the hotel use would increase annual revenues from the property by approximately \$669,000. Of this amount, approximately \$656,000 would be from TOT, collected at the 12 percent rate that was approved by Menlo Park voters as part of the November 6, 2012 general election. The City's independent peer review found the overall methodology of the applicant's analysis appropriate (the consultant noted some minor discrepancies that

would not affect any substantive conclusions), and also found that an independent market assessment shows strong potential demand for the proposed use. The peer review does note that the applicant's analysis is based on the current market conditions (primarily 2011 data from the applicant's Los Altos hotel facility) and that longer-term regional trends could potentially result in reduced revenues. However, a conservative alternative TOT calculation, provided in the independent peer review for comparison purposes, still projects significant annual TOT revenues (\$616,000, or a six-percent reduction compared to the applicant's analysis).

Staff believes that the revenue increase associated with the proposal would be a substantial public benefit to the City. As noted previously, although the Public Benefit Bonus review is conducted on a case-by-case basis, hotel facilities are explicitly called out by the Specific Plan as a suggested consideration for such a bonus because of their inherent revenue and vibrancy benefits. In addition, the FAR level that is being requested is 1.16, which would represent only a 5.5 percent increase above the 1.10 Base level. This level would also be well below the maximum 1.50 Public Benefit Bonus level. Staff believes that the benefits to the City (even assuming the alternative TOT calculation projection) would be an appropriate justification for the Public Benefit Bonus.

In order to ensure that the proposed use meets certain revenue expectations, staff is including a condition of approval (condition 5a) that establishes the Public Benefit Bonus determination as subject to review and potential revocation if the hotel use does not provide TOT to the City in a minimum amount of 50 percent of total room occupancy operating revenue for two consecutive years. The condition would allow a range of options if the trigger is met, specifically:

- Payment to the City of an amount equal to the difference between actual TOT and the 50 percent level;
- Provision of an alternate Public Benefit Bonus, for consideration and action by the Planning Commission;
- Removal of a square footage amount equivalent to the increment between the 1.10 Base level FAR and the 1.16 actual FAR; or
- Reversion to the previous senior citizens retirement living center use.

This condition is consistent with a provision of the proposed license agreement and encroachment permit (discussed in more detail later), and is intended to strike a balance between representing the City's revenue interests and being acceptable to commercial lending entities that finance property purchase and conversion projects such as the subject application.

#### Parking Rate

The Specific Plan establishes parking rates by use, and requires that developments provide dedicated parking (with the exception of the Downtown Shared/Unbundled Parking Area, where there are allowances for required parking to be provided in the

public parking plazas). The use of the public right-of-way for required parking is discussed in more detail in the following section, while this section focuses on the parking rate itself.

As established by Specific Plan Table F2, the parking rate for hotel uses is 1.25 spaces per room, which for a 138-room hotel use would result in a requirement for 173 off-street parking spaces. However, Specific Plan Table F2 footnote #6 states:

If a use is not listed in this table, a project applicant may propose a rate from *ULI Shared Parking* or other appropriate source or survey for the review and approval of the Transportation Manager. If ULI Shared Parking is updated with a new edition, the Transportation Manager may consider new rates.

The applicant has proposed that the requested land use (a limited-service, business-oriented hotel) is materially distinct from the Specific Plan's listed hotel rate. In particular, the proposed hotel type does not offer facilities that are accessible by non-guests, such as a conference center, restaurant, bar, or independent health club facility. As such, the applicant has proposed application of a blended rate from the Institute of Transportation Engineers (ITE) publication, *Parking Generation (Fourth Edition)*. Specifically, the All Suites Hotel (ITE Code 311) and Business Hotel (ITE Code 312) rates would be combined for a rate of 0.80 spaces per hotel room. For a 138-room hotel, this would result in a requirement of 111 parking stalls.

The applicant is proposing to provide 113 parking spaces for the proposal, consisting of 74 on-site spaces and 39 on-street spaces. The Public Works Director (currently serving as the Transportation Manager) has reviewed and approved the application of the 0.80 spaces per room parking rate for this specific use, on the basis that the proposed limited-service, business-oriented hotel type is distinct from the general hotel rate listed in Specific Plan Table F2, and because the blended rate is supported by analysis and data provided by ITE. In addition, although not explicitly considered as a justification by the Transportation Manager, the proposed rate is also consistent with reported facility operations at the Los Altos Marriott Residence Inn that is operated by the applicant.

The Specific Plan establishes the approval of a parking rate for a use type not listed in Specific Plan Table F2 as being at the Transportation Manager's discretion, and does not require Planning Commission action to validate the new rate. However, when an application separately requires Commission review and approval, the Commission may consider and comment on the new rate as it may relate to the overall set of actions.

Since the October 30, 2012 study session, the applicant has explored the potential of shared parking on other nearby developed sites, such as the Caltrain parking lot, although they have stated they do not believe such arrangements are necessary. The applicant has also reviewed the potential to add a modest number of additional spaces on site (specifically, in the rear-left loading area, provided the heritage palm is removed) and at the unimproved end of Garwood Way (where there appears to be

some excess right-of-way), but similarly believes these measures are not needed at this time.

### Use of Garwood Way Public Right-of-Way

The applicant is proposing that the 39 on-street parking spaces along Garwood Way in the vicinity of the development be considered as part of the hotel facility's required parking. As noted previously, the original approvals for the senior citizens retirement living facility required that the developer construct the perpendicular spaces along the east side of the street, but did not formally recognize or enumerate them as required parking spaces for the exclusive use of this parcel (such as through an encroachment permit or other agreement). Staff understands that the spaces have effectively been used as dedicated private parking spaces since the construction of the building, although this use has not itself created a legal right for continued use, either for the current senior residential facility or any future use, as "prescriptive" rights cannot be obtained on public property.

The applicant is proposing that these on-street spaces be considered as part of the proposal, primarily justified by the proposed hotel use's revenue-generating attributes, but also in consideration of the historical use of these parking spaces. The applicant is concurrently proposing that documentation of their exclusive use be recorded by appropriate instrument. The applicant states that alternatives, such as constructing new on-site parking facilities, adding parking lifts to existing parking areas, or providing a 24-hour valet service, are either financially, technically, or aesthetically infeasible given the constraints of this site.

In consultation with staff (in particular the City Attorney), the applicant is proposing City Council approval of a License Agreement and Encroachment Permit, a draft version of which is included as Attachment G. The draft agreement is subject to review and change prior to City Council consideration, although staff believes the substantive elements will not be modified. The agreement includes standard provisions regarding maintenance and insurance, and also includes unique requirements related to revenue. Specifically, the agreement would require the following after the first full calendar year of operations:

- If the use does not generate TOT on at least 85 percent of total room occupancy revenue, the company shall pay an in-lieu amount equal to the difference between actual TOT and the 85 percent level, up to a maximum of \$50,000 (note: if total TOT revenues are greater than \$700,000, this provision does not apply); and
- If the use does not generate total TOT of at least \$400,000, the company shall pay an in-lieu amount equal to the difference between actual TOT and \$400,000, up to a maximum of \$50,000.

The two provisions above are linked, such that any total in-lieu payment would not exceed \$50,000. The agreement also provides that if the use does not generate TOT in

a minimum amount of 50 percent of total room occupancy revenue for two consecutive years, the use will cease, unless the applicant pays an amount equal to the difference between actual TOT and the 50 percent level. These terms were structured to balance the City's interests while also acknowledging development limitations (in particular with regard to typical financing requirements).

The agreement does not preclude alternate parking arrangements in the future. In particular:

- The adjacent parcel at 1300 El Camino Real has approved development plans for a retail-office mixed-use development. This site is under new ownership, and the current property owners have expressed an interest in a revised development proposal, which could potentially include parking to serve the 555 Glenwood Avenue property. While agreement on such an arrangement is not possible at this time, due to differing development timeframes, staff believes shared off-street parking would generally be preferable to continued use of on-street parking spaces. As a result, staff has included a condition requiring the applicant to make a good-faith effort to explore the potential of a joint parking arrangement, on commercially reasonable terms, with the owners of 1300 El Camino Real (condition 5b).
- As noted previously, the City Council has previously adopted a plan line to extend Garwood Way to Oak Grove Avenue. Although the plan line as currently adopted is for a public roadway, the City could in the future consider altering this plan line to require public access for pedestrians, bicycles, and emergency vehicles, but abandon it as a public roadway. Such an abandonment could provide greater design flexibility for adjacent development sites, although this would be subject to detailed review at the appropriate time.

Staff believes that the provision of required parking in the public right-of-way is uniquely justified in this case by the revenue-generating characteristics of the hotel use, and the fact that the use would not be feasible at this time without such dedicated parking. In addition, while the historical development and use of these spaces with the existing use is not considered a legal basis for continued dedicated parking use, they are also unique factors partially justifying the proposed license agreement, and would be factors not applicable to other properties. The proposed TOT requirements in the approval actions and the license agreement and encroachment permit would ensure certain minimum levels of revenue, and the agreement would not preclude alternate parking arrangements, which may be more preferable in the future.

In order to ensure that the spaces are signed and striped in a functional and aesthetically-pleasing way, staff has included a condition of approval requiring a detailed signage and striping plan with the building permit submittal (condition 4d).

## Relationship with Housing Element

The City is currently undertaking a Housing Element update. A initial concern of staff when the applicant inquired about a use change was whether such an action could result in direct negative implications for future Housing Element update cycles (i.e., would the City's unit count obligations be raised by an amount equivalent to the number of rooms currently at this facility). Based on staff analysis, such a "penalty" is only a possibility if a development is explicitly income-restricted for affordable housing and is subsequently removed from those protections. Because the Casa on the Peninsula facility is and has always been a market-rate facility, conversion of the use should not result in direct effects for future Housing Element cycles.

Although there do not appear to be direct Housing Element implications, and although the requested actions to enable a potential hotel operation do not explicitly require consideration of the use change from a senior living center, the applicant has provided information about the State requirements for winding down such a facility. Specifically, they state that "(i) the current owner will be generating a relocation plan customized to each resident and coordinating with the governing agency as to that person's relocation, (ii) from the provision of this information residents would have 60 days' notice to vacate, (iii) staff will be maintained to assist the residents in their moves, and (iv) referral agencies will be retained to place them in a new home."

As previously noted, Casa on the Peninsula is not a skilled nursing home or an affordable senior housing community, which should enable greater flexibility with potential placement of residents in alternate facilities. In addition, the applicant has stated that the facility has recently operated below capacity (currently at approximately 13 percent occupancy), which would limit the number of residents affected by a closure. Staff would also note that both the El Camino Real/Downtown Specific Plan and the in-progress Housing Element Update are intended to help facilitate the production of new housing. While market trends at any particular point may vary between residential and commercial development, over time the Specific Plan and Housing Element Update should help the City improve its jobs:housing balance, as well as encourage the provision of housing types appropriate for a range of ages and incomes.

## **ENVIRONMENTAL REVIEW**

The Specific Plan process included detailed review of projected environmental impacts through a program Environmental Impact Report (EIR), as required by the California Environmental Quality Act (CEQA). In compliance with CEQA requirements, the Draft EIR was released in April 2011, with a public comment period that closed in June 2011. The Final EIR, incorporating responses to Draft EIR comments, as well as text changes to parts of the Draft EIR itself, was released in April 2012, and certified along with the final Plan approvals in June 2012.

The Specific Plan EIR identifies no impacts or less-than-significant impacts in the following categories: Aesthetic Resources; Geology and Soils; Hydrology and Water

Quality; Land Use Planning and Policies; Population and Housing; and Public Services and Utilities. The EIR identifies potentially significant environmental effects that, with mitigation, would be less than significant in the following categories: Biological Resources; Cultural Resources; Hazards and Hazardous Materials. The EIR identifies potentially significant environmental effects that will remain significant and unavoidable in the following categories: Air Quality; Greenhouse Gases and Climate Change; Noise; and Transportation, Circulation and Parking. The Final EIR actions included adoption of a Statement of Overriding Considerations, which is a specific finding that the project includes substantial benefits that outweighs its significant, adverse environmental impact.

As specified in the Specific Plan EIR and the CEQA Guidelines, program EIRs provide the initial framework for review of discrete projects. In particular, projects of the scale of the 555 Glenwood Avenue proposal are required to be analyzed with regard to whether they would have impacts not examined in the Program EIR. This conformance checklist, which analyzes the project in relation to each environmental category in appropriate detail, is included as Attachment H. The checklist is informed by a Traffic Impact Analysis (TIA) prepared by the applicant (Attachment I), which was the subject of an independent City peer review (Attachment J). The Planning Commission should note that similar conformance checklists for other projects may differ in format and detail, depending on the attributes of such projects. The checklist may also be refined prior to City Council consideration of final actions.

As detailed in the conformance checklist presented above, the proposed project would not result in greater impacts than were identified for the Program EIR. Relevant mitigation measures have been applied and would be adopted as part of the Mitigation Monitoring and Reporting Program (MMRP), which is included as Attachment K. No new impacts have been identified and no new mitigation measures are required for the proposed project.

#### Specific Plan Maximum Allowable Development

Per Section G.3, the Specific Plan establishes the maximum allowable net new development as follows:

- Residential uses: 680 units; and
- Non-residential uses, including retail, office and hotel: 474,000 square feet.

These totals are intended to reflect likely development over the Specific Plan's intended 20- to 30-year timeframe. As noted in the plan, development in excess of these thresholds will require amending the Specific Plan and conducting additional environmental review.

The 555 Glenwood Avenue proposal would not create any new square footage in order to convert the existing senior citizens retirement living center into a new 138-room hotel. However, the net new vehicle trips associated with the conversion, which is of

direct relevance to traffic analysis and affects other impact categories (e.g., air quality and noise), can be considered equivalent to a new 87-room hotel, which can be approximated as a net increase of 71,921 square feet of commercial square footage. As such, the 555 Glenwood Avenue proposal would represent 15 percent of the non-residential uses for the overall Specific Plan (note: per Section G.3, the non-residential development is not segmented by use). If the project is approved and implemented, this amount would be deducted from the Maximum Allowable Development in the Plan area.

## **RECOMMENDATION**

The proposed exterior changes would comply with relevant standards and guidelines from the Specific Plan, and the comprehensive landscaping improvements would refresh the overall site's appearance. The hotel use's Transient Occupancy Tax (TOT) revenue would justify the application of a modest Public Benefit Bonus. The parking rate has been approved by the Transportation Manager and is supported by appropriate data and analysis. The use of on-street parking for private use is justified for this site by unique revenue and historical use factors, and the license agreement and encroachment permit would include terms to ensure minimum levels of TOT. The potential environmental effects of the project have been analyzed in detail and would be consistent with the Specific Plan Program EIR. Staff recommends the Planning Commission recommend approval to the City Council of the following actions:

1. Make a finding with regard to the California Environmental Quality Act (CEQA) that the proposal is within the scope of the project covered by the El Camino Real/Downtown Specific Plan Program EIR, which was certified on June 5, 2012. Specifically, make findings that:
  - a. A checklist has been prepared detailing that no new effects could occur and no new mitigation measures would be required (Attachment H, including Attachments I and J by reference).
  - b. Relevant mitigation measures have been incorporated into the project through the Mitigation Monitoring and Reporting Program (Attachment K), which is approved as part of this finding.
  - c. Upon completion of project improvements, the Specific Plan Maximum Allowable Development non-residential use total will be reduced by 71,921 square feet, accounting for the project's share of the Plan's overall projected development and associated impacts.
2. Adopt the following findings, as per Section 16.68.020 of the Zoning Ordinance, pertaining to architectural control approval:
  - a. The general appearance of the structure is in keeping with the character of the neighborhood.

- b. The development will not be detrimental to the harmonious and orderly growth of the City.
  - c. The development will not impair the desirability of investment or occupation in the neighborhood.
  - d. The development provides adequate parking as required in all applicable City Ordinances and has made adequate provisions for access to such parking.
  - e. The development is consistent with the El Camino Real/Downtown Specific Plan. In particular:
    - i. The relatively modest exterior changes would comply with relevant design standards and guidelines.
    - ii. The hotel use's Transient Occupancy Tax (TOT) revenue would justify the application of a Public Benefit Bonus for a Floor Area Ratio (FAR) of 1.16, which is above the 1.10 Base level FAR but well below the Public Benefit Bonus maximum level of 1.50 FAR. Minimum levels of TOT would be ensured by condition 5a.
3. Approve the architectural control request subject to the following **standard** conditions of approval:
- a. Development of the project shall be substantially in conformance with the plans prepared by Stantec, dated received February 25, 2013, consisting of eight plan sheets and approved by the City Council on \_\_\_\_\_, 2013, except as modified by the conditions contained herein, subject to review and approval of the Planning Division.
  - b. The applicant shall comply with all West Bay Sanitary District, Menlo Park Fire Protection District, and utility companies regulations that are directly applicable to the project.
  - c. Prior to building permit issuance, the applicant shall comply with all requirements of the Building Division, Engineering Division, and Transportation Division that are directly applicable to the project.
  - d. Prior to building permit issuance, the applicant shall submit a plan for any new utility installations or upgrades for review and approval of the Planning, Engineering and Building Divisions. Landscaping shall properly screen all utility equipment that is installed outside of a building and that cannot be placed underground. The plan shall show exact locations of all meters, back flow prevention devices, transformers, junction boxes, relay boxes, and other equipment boxes.

- e. Simultaneous with the submittal of a complete building permit application, the applicant shall submit plans indicating that the applicant shall remove and replace any damaged and significantly worn sections of frontage improvements. The plans shall be submitted for the review and approval of the Engineering Division.
  - f. Heritage trees in the vicinity of the construction project shall be protected pursuant to the Heritage Tree Ordinance.
  - g. Prior to building permit issuance, the applicant shall submit proposed landscape and irrigation documentation as required by Chapter 12.44 (Water-Efficient Landscaping) of the City of Menlo Park Municipal Code. If required, the applicant shall submit all parts of the landscape project application as listed in section 12.44.040 of the City of Menlo Park Municipal Code. This plan shall be subject to review and approval by the Planning and Engineering Divisions. The landscaping shall be installed and inspected prior to final inspection of the building.
4. Approve the architectural control request subject to the following ***project-specific, construction-related*** conditions of approval:
- a. Concurrent with submittal of a complete building permit, the applicant shall submit a frontage improvement plan, showing the construction of a new accessible ramp, where one does not currently exist, at the intersection of Garwood Way and Glenwood Avenue (directly adjacent to the project site, for the direction crossing Garwood Way), subject to review and approval of the Engineering Division. Implementation of this improvement is required to be completed prior to building permit final inspection, subject to review and approval of the Engineering Division.
  - b. Concurrent with submittal of a complete building permit, the applicant shall submit a detailed report describing the full scope of upgrades to the structural and mechanical, electrical and/or plumbing systems, subject to review of the Building Official and Planning Division. If the City determines that the system upgrades are significant, the applicant shall be required to meet the LEED requirements of Specific Plan Standard E.8.03.
  - c. Concurrent with submittal of a complete building permit, the applicant shall submit a comprehensive arborist report, subject to review and approval of the City Arborist and Planning Division. Tree preservation measures shall be integrated into the project plans.
  - d. Concurrent with submittal of a complete building permit, the applicant shall submit a signage and striping plan for the Garwood Way parking spaces, subject to review and approval of the Transportation and Planning Divisions.

Implementation of the approved signage and striping is required to be completed prior to building permit final inspection, subject to review and approval of the Transportation and Planning Divisions.

5. Approve the architectural control request subject to the following **project-specific, ongoing** conditions of approval:
  - a. The use is subject to review and potential revocation if the hotel use does not provide TOT to the City in a minimum amount of 50 percent of total room occupancy operating revenue for two consecutive years. Specifically, the use would be subject to one of the following options, to be reviewed and determined through a procedure to be established by the Planning Division:
    - i. Payment to the City of an amount equal to the difference between actual TOT and the 50 percent level;
    - ii. Provision of an alternate Public Benefit Bonus, for consideration and action by the Planning Commission;
    - iii. Removal of a square footage amount equivalent to the increment between the 1.10 Base level FAR and the 1.16 actual FAR; or
    - iv. Reversion to the previous senior citizens retirement living center use.
  - b. The applicant shall make a good-faith effort to explore the potential of a joint parking arrangement, on commercially reasonable terms, with the owners of the adjacent development site known as 1300 El Camino Real.
6. Approve the license agreement and encroachment permit (Attachment G).
7. Adopt a Resolution of the City of Menlo Park to approve the heritage tree removal permits (Attachment D).



Thomas Rogers  
Senior Planner  
Report Author



Arlinda Heineck  
Community Development Director

## PUBLIC NOTICE

Public notification consisted of publishing a notice in the local newspaper and notification by mail of owners and occupants within a 300-foot radius of the subject property. In addition, the City sent an email update to subscribers to the project page for the proposal, which is available at the following address:  
[http://www.menlopark.org/projects/comdev\\_555glenwood.htm](http://www.menlopark.org/projects/comdev_555glenwood.htm).

The Planning Commission action will be in the form of a recommendation to the City Council.

## ATTACHMENTS

- A. Location Map
- B. Project Plans
- C. Project Description Letter
- D. Draft Resolution of the City of Menlo Park to Approve the Heritage Tree Removal Permits
- E. Limited Economic Benefit Review – Conley Consulting Group – October 3, 2012 and January 18, 2013
- F. Limited Market Analysis and Peer Review – BAE Urban Economics – February 19, 2013
- G. Draft License Agreement and Encroachment Permit for Use of Parking Spaces
- H. Draft El Camino Real/Downtown Specific Plan Program EIR Conformance Checklist – 555 Glenwood Avenue Project
- I. Results of Preliminary Parking and Traffic Impact Analysis of Proposed Marriott Residence Inn at 555 Glenwood Avenue in Menlo Park – TJKM – February 26, 2013 [*Note: appendices not included due to length, but available for review on the project page and at City offices*]
- J. Review of 555 Glenwood Avenue Traffic Analysis – W-Trans – February 27, 2013
- K. Draft Mitigation Monitoring and Reporting Program (MMRP)

**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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## PLANNING COMMISSION APPROVED EXCERPT MINUTES

Regular Meeting  
March 4, 2013 at 7:00 p.m.  
City Council Chambers  
701 Laurel Street, Menlo Park, CA 94025

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**CALL TO ORDER** – 7:03 p.m.

**ROLL CALL** – Bressler, Eiref, Ferrick (Chair), Kadvany (Vice Chair), O'Malley, Onken, Riggs (arrived 7:13 p.m.)

**STAFF** – Momoko Ishijima, Planner; Kyle Perata, Assistant Planner; Thomas Rogers, Senior Planner; William McClure, City Attorney

### **E. REGULAR BUSINESS**

#### **E1 Architectural Control/Sand Hill Property Company/555 Glenwood Avenue:**

Request for architectural control to modify an existing senior citizens retirement living center into a limited-service, business-oriented hotel in the SP-ECR/D (El Camino Real/Downtown Specific Plan) zoning district. The architectural control action includes consideration of a Public Benefit Bonus for a Floor Area Ratio (FAR) of 1.16, where 1.10 is the Base level FAR maximum and 1.50 is the Public Benefit Bonus level FAR maximum. The proposal includes the application of the Transportation Manager's discretion to approve a parking rate for a use type not listed in Specific Plan Table F2. The proposal also includes the provision of some required parking on the Garwood Way public right-of-way, to be considered by the City Council through a license agreement and encroachment permit. In addition, the proposal includes the removal of three heritage trees: two ash trees located in courtyards at the middle and right-rear corner of the parcel, and one palm tree located at the rear-left corner of the parcel.

Staff Comment: Planner Rogers said there were four pieces of correspondence sent directly to the Planning Commission, copies of which were available for the public at the table in the rear of the room.

Questions of Staff: Commissioner O'Malley said he was surprised to read the occupancy rate at the Glenwood Inn was only 13% at this time. He asked what the occupancy rate was a year prior. Planner Rogers said based on information provided by the applicant it was about 50% in the year prior. Commissioner O'Malley said that he was curious what that meant in terms of the demand for senior housing in the City.

Public Comment: Mr. Reed Moulds, Sand Hill Property Company, introduced the design team: Mr. Don Sadler, Stantec Architects; Mr. Jim Lauderbaugh, Landscape Architect; and Christopher Thnay, Transportation Engineer. He said that representatives from their hotel division and representatives of the current owners of 555 Glenwood Avenue were also present.

Mr. Moulds said the project proposal was to convert the existing senior living center to a Marriott Residence Inn. He said this type of hotel use competed in a particular category of hotels. He said different from other extended stay hotels, the Residence Inn model was to deliver a very upscale, high quality experience. He said Marriott was the biggest hotel company in the world with \$12 billion in revenue annually. He provided a visual of a Residence Inn in Los Altos that was built by Sand Hill Property Company and was still owned by them. He said they were doing a couple of other Residence Inns in the Silicon Valley. He provided images of the type of rooms in this type of hotel. He said Residence Inns target the marathon business travelers. He said extended stays were anything over five nights although not weeks at a time. He said an average stay was 15 days.

Mr. Moulds said they were proposing a great deal of aesthetic and cosmetic improvements but would keep the existing buildings. He said they would not add or delete from the footprint but reposition features. He said they would use new colors both in landscaping and architecture. He said new materials were being proposed as well as new signage. He provided a visual of the existing site plan and the proposed site plan. He said currently there were three parking areas: 19 spaces in the front, 55 spaces in the rear, and about 39 spaces on Garwood Way. He said there would be much interior change. He showed the landscape plan noting they were proposing to remove three Heritage trees. He said the Residence Inn's mantra was "space, pace and renewal." He said his company has a successful track record of operating this type of hotel.

Commissioner Eiref said other developers had indicated there was no financing for hotels, and asked if they had done any ground up hotels or only refurbished existing structures. Mr. Moulds said they do both and they would use financing for the Menlo Park project. He said however that it was very challenging to get hotels built and that there were not many full service hotels being built. He said one healthy area in the hospitality area was providing for the business traveler, and location was important. He said the strength of the Marriott brand made it financeable.

Commissioner Eiref asked if the network would bring clientele to this location noting that Palo Alto was a "star" attraction. Mr. Moulds said the location had venture capital companies, Facebook, and Stanford all of whom would be drivers for occupancy. He said the Marriott network was powerful noting their rewards program.

Mr. Mark Lynn said he was a partner with Mr. Peter Pau, the owner of Sand Hill Land Company, and helped him manage these assets. He said he was Chief Operating Operator of Sand Hill Hotel Management Company and also the President of HV Asset

Management Company, a fairly large hotel consulting group located in San Francisco. He said they have about a billion dollars worth of hotels in northern America that they oversee and they work with Marriott, Hilton and Starwood products. He said they were a strong supporter of Marriott because of the type of customer and performance they deliver. He said they would be a franchisee of Marriott at this location as they were in Los Altos and would be in Cupertino. He said the operating company Sand Hill Hotel Management was an approved franchisee of Marriott, Hilton and Starwood. He said they found Marriott to be strongest in delivering customer service and product. He said it was extremely difficult to get full service hotel financing just about anywhere in North America currently. He said the Residence Inn models perform extremely well from a profitability standpoint noting their project in Los Altos was recently appraised a year prior at \$53 million for refinancing. He said they do a lot of work with Stanford and in the area, and felt very strongly that they would deliver a quality product to Menlo Park. He said they were actively involved with the community where their hotels were located.

Chair Ferrick asked about the average yearly occupancy rate for the Los Altos Residence Inn. Mr. Lynn said it was 83% last year with an average rate of \$193. Chair Ferrick asked how many rooms it has. Mr. Lynn said 156 rooms. He said they have a good mix of extended and short term stays. He said this proposal would have 138 rooms. Chair Ferrick asked how many guests rented cars. Mr. Lynn said that there was high corporate use and often there were several individuals sharing a rental car. He said hotels with meeting places and restaurants and bars needed more parking. Chair Ferrick asked what percentage of guests stayed longer than 30 days. Mr. Moulds said they looked at the revenue for the Los Altos site for 2011 and 77% of the revenue was subject to Transient Occupancy Tax (TOT). He said the data for 2012 was closer to 79% revenue for less than 30 days. He said Marriott has a different product that served the longer than 30 day stay need. Mr. Lynn said Marriott wanted them as a brand operator to have 45% of their business as extended stay and had four categories: one to four nights, five to 11 nights, 12 to 29 nights, and 30, 31 plus nights. He said Marriott's expectation was to have 45% of the business be extended stay which was everything less than 30 nights.

Commissioner Kadvany asked about the number of employees. Mr. Moulds said there were 41. Commissioner Kadvany asked about the average number of employees parking during the day. Mr. Lynn said most of their employees take public transportation or carpool. He said they also have a bicycle program at their Los Altos facility. He said when most of their guests were in the hotel most of the employees were not as they typically worked from the morning until about 4:00 p.m., notably the housekeeping and maintenance staff. He said there were desk clerks that worked around the clock and a night-shift engineer. Commissioner Kadvany asked what the ratio for parking was at the Los Altos facility. Mr. Moulds said it was 1:1 and they did not use all of the available parking. Commissioner Kadvany asked if they have a Transportation Demand Management (TDM) Plan for the employees. Mr. Lynn said they encouraged the use of alternative transportation but he did not know precisely what incentives were used. Commissioner Kadvany said with the .88 parking at this facility that it was possible they would have full parking. Mr. Moulds said they might have

occasional challenges. Commissioner Kadvany asked if they would turn guests' vehicles away or would they help them find parking as there was no overnight parking in Menlo Park. Mr. Moulds said at Los Altos they were at .67 or .68 spaces per room but after the study session recently with the Menlo Park City Council they would investigate potential locations of overflow sites noting he had a recent meeting with Caltrans regarding that.

Mr. Charlie Bourne, long term resident and Transportation Commission member, said he was speaking for himself only. He said it was a terrible idea to have public streets count as meeting the parking requirements for any development noting the impact of downtown projects in Palo Alto on parking in the surrounding residential areas. He urged the Commission to deny any variance of the off-street parking rate particularly that provided a developer with 24/7 exclusive use of 39 parking spaces on a public right-of-way, Garwood Way. He said until the City could provide parking structures every development project needed to provide sufficient parking space onsite with no exceptions.

Mr. Stefan Petry, Menlo Park, said it seemed like a good project that would provide benefit. He said regarding the Draft License Agreement and Encroachment Permit for Parking Spaces and seconding Mr. Bourne's comments, there was no provision in the document for some type of sunset provision whereby the City would have the ability after a period of time to revisit the agreement. He said it seemed to convey a permanent right. He urged that a provision be added to the agreement to provide a safeguard to consider changing the allowance in the future.

Ms. Adina Levin, Menlo Park, said she was a member of the Environmental Quality Commission, but was not representing that body. She said she would like to build on the prior two speakers' comments in terms of not supporting the request for a perpetual grant of the 39 parking spaces to this developer. She said given the situation on the street it might be a convenient temporary solution for some underutilized spaces but properties at 1300 El Camino Real and the Derry property under the Specific Plan seemed likely for redevelopment with some more intense uses, and those properties would presumably need to have parking. She said the staff report gently suggested that this developer should be given these spaces without end but speak with the other developer and try to come to an accommodation. She suggested something much stronger such as having the 39 spaces on street be temporary and reviewed and not be forever. She said also the City has a long-term plan of connecting Garwood Way across Oak Grove Avenue through to Merrill Street as a low-traffic or pedestrian/bicycle only route which would be a southern bound route parallel to El Camino Real that was badly needed. She said giving this street in perpetuity to this project was giving away an important part of the City's infrastructure. She said a general pattern in the implementation of the Specific Plan so far was looking at projects piecemeal as to whether they would achieve structure goals such as creating the Garwood Way route and the bicycle/pedestrian undercrossing. She suggested that Garwood Way might be a benefit to the project as a route to Caltrain noting the developer had indicated some of the residents and employees would use the train. She said perhaps there should be a

benefit district into which the developer would pay into for that medium term scenario. She said if many of the hotel guests were from Stanford or Facebook, which already have active shuttle programs to Caltrain, she suggested consideration of the project TDM program getting those organizations that have shuttle services to serve this hotel so hotel residents would not need to rent a car.

Chair Ferrick closed the public hearing.

Commission Comment: Chair Ferrick asked if there was a way to limit 30-plus stays based on a certain percentage of rooms to provide some assurance of a level of revenue from TOT for the City. Mr. Moulds said they were sensitive to the desire to maximize new tax revenue and that was one of the reasons they were excited to bring this project forward. He said this was a lucrative hotel if it was not tinkered with and they were projecting \$725,000 of year one TOT revenue based upon how their Los Altos facility was performing. He noted feedback from the City Council that they would like to see TOT maximized. He said the License Agreement not only allowed for the ongoing use of the parking spaces on Garwood Way for the benefit of the property but also structured performing standards for maximizing the TOT.

Chair Ferrick noted the Specific Plan and large infrastructure improvements needed. She said the train station proximity would greatly help with a TDM program. She said she favored Ms. Levin's idea that were a number of their guests there for Facebook and Stanford that those organizations could collaborate to have their shuttle services include the hotel on their routes. She asked how housing units played into this proposal. Planner Rogers said a section of the staff report discussed the Housing Element update process generally and whether this action requested would result in consequences later relative to the Housing Element update. He said staff made a finding that it would not as this was not an income-restricted facility. Chair Ferrick asked if this represented a net loss of a certain amount of units. Planner Rogers said the available information was that state authorities who monitor housing allocations did not get into that level of detail. He said that the City would not get hit with a new 125-plus housing units need because of this project. He said there was some indication that if this was an income restricted project that there might be an impact on housing allocations. Chair Ferrick asked if there was any way to count units that had 30-plus day stays as housing units. Planner Rogers said during the Council study session information was shared that some guests at the Los Altos facility made that their residence. He said however these units would not have full kitchens and based on City's ordinances those would not be considered housing units. City Attorney McClure said that was the case currently with the site; they did not count as housing units because there were not full kitchens.

Commissioner Riggs asked if the applicant had a parking demand analysis for the Los Altos facility for the past year. Mr. Moulds said they audited the parking for six months in 2012. He said the peak was .88 spaces per room. He said the average was .67 to .70. He said they were open to developing backup plans for unseen demands. He said this facility would be more transit oriented than the Los Altos one.

Chair Ferrick said valet parking was a potential solution. Mr. Moulds said they could do that when there were special events but as this was not a full service hotel it would not be sustainable on a regular basis. Chair Ferrick asked how often they hit the .88 peak parking demand at Los Altos. Mr. Moulds indicated quite regularly. Chair Ferrick said she would like to see some consideration of using Garwood Way in the future as a bicycle / pedestrian pathway.

Commissioner Onken said that there were parking rates for a reason and this had been reduced to .8 per room. He said he felt like they had backed themselves in a corner by proposing they could sustain this project at this site by using Garwood Way for parking. He said perhaps they should throw the number of spaces on Garwood Way into the mix but not post designated parking signs there. He said right now very few other people would park there so for the most part it would still be the hotel's sole use. He said the land grab of Garwood Way concerned him.

Commissioner Bressler said he agreed with Commissioner Onken's sentiment. He asked why Menlo Park would give away land to make this project happen. He said it was wrong. He said he would like to see sufficient parking built into the project but he would really object to giving the project parking. He said at the very least they should maintain the parking control with Menlo Park and charge the applicant for the parking. He said they needed revenue to build a parking structure and it was logical to get that revenue from charging for parking on Garwood Way.

Commissioner Kadvany said because of the revenue stream from the hotel tax they were offering parking in perpetuity. He said the parking overflow seemed to be completely the hotel's problem noting no overnight parking in the City. He said the question was whether they knew the value of this land for future use to connect to Merrill Street. He questioned how the applicant would respond if in five years time the City came to them to get the spaces back for a project. Mr. Mould said that they did not want to build hotels that would not work and they saw this proposal as one that would work. He said the License Agreement that was structured with staff would allow for the City to retain the option to use it for that potential extension even though there was licensing of those spaces for the hotel's use. He said they did not want to give up those spaces but to keep them as long as they were performing as structured in the License Agreement. He said this proposal gave the City a great deal of options and would monetize something that was relatively valueless today and provide vitality, TOT revenue, and flexibility for future development.

Commissioner Kadvany said he agreed. He said vibrancy was another value noting this project would get guests to the downtown. He asked about the option to get parking from 1300 El Camino Real. Mr. Moulds said they have had conversations with the developer at 1300 El Camino Real but that group did not have their plans as developed as theirs were so it had been difficult to have the two projects dovetail. He said they did not disagree with working with that developer but would prefer Garwood Way as it was contiguous to the hotel. He said that putting cars in a covered area of a future project at 1300 El Camino Real could be a viable solution as well. He said he both answers to

Marriott and they had certain standards and to the lender who was rigorous on how they executed financing.

City Attorney McClure said at some point a project for 1300 El Camino Real would be coming forward, and the City could bring them to the table if they wanted the City to make some public benefits findings. He said that might be where the parking needed to move the parking off Garwood Way could occur.

Commissioner Riggs said condition 5 in the approvals provided four versions of what the City would do if the outcome of the hotel and TOT were not acceptable. He said Ms. Levin had outlined the issues with the project well. He said he agreed with others that it was not appropriate to have the spaces on Garwood Way permanently dedicated but he also saw that it had to be part of the project. He said he hoped it was possible to give a five or ten year approval to provide for a reassessment. He said creating a path on Garwood Way would provide a link that was crucial to the success of the Plan and El Camino Real. He said he hoped Council and staff would look at a 10-year renewal period and the conditions appropriate to make that renewal. He said tying the public benefit to the parking issue seemed to have two parking benefits; one of which was to tie the bicycle improvements to greater connectivity and as mentioned by Commissioner Bressler a parking structure. He said the latter was a key to making the Specific Plan successful. He said he was pleased with the proposed project and the greater public use that would bring vibrancy.

Chair Ferrick said she liked the photos of how the project would look but she was concerned with the arch element, which she thought dated the design. She said she liked the site plan and the interior but would encourage updating the façade more.

Commissioner Eiref said he liked the idea of a reasonable amount of renewal time. He asked about the parking signage on Garwood Way. Planner Rogers said that was one of the questions that arose as to why the existing facility got the use of that area for parking and if there were any rights associated with that use. He said it was definitely a condition of approval when the Glenwood Inn was built and the development of those spaces was listed in the PD permit and EIR for the permit. He said however that did not enumerate or count those as required spaces nor did it enter into any license agreement or any permanent or binding mechanism. He said it probably was a handshake deal. He said in any event these spaces have been consistently used by that property for the entire time. Commissioner Eiref said having a 10 year renewal review provided the incentive to really pursue a parking solution with the development of 1300 El Camino Real.

Commissioner Bressler said he agreed with the idea of a limit and incentive. He said it bothered him that Menlo Park was put in the position of having to give something away, which made him feel that they had not negotiated very well. He said he would like the City to charge the applicant for what the parking was worth.

Commissioner Onken said if only 75% of the rooms were refurbished and the other 25% held in abatement until additional parking was found there would be no problem with the available parking onsite.

Chair Ferrick asked staff to address the negotiations and options discussed. City Attorney McClure said that the applicant has not yet closed escrow on the property so they have not yet paid anything for the land. He said they have options with what they do with the property as well such as a hotel or having a similar senior facility with a different operator. He said there was an existing building that they wanted to reuse which meant there was no room to build additional parking. He said not building all of the building or removing part of the building would change the economics of doing the project and raised the question of whether it would make sense to do it. He said the basis of going into negotiations with them was what they could afford to commit to. He said there have been discussions about flexibility and limited term but the issue becomes that means the project was not financeable for them. He said if they only have the use for five or 10 years a lender would not commit on a financial transaction that might not have a value in 10 years if they had no parking. He said the issue was whether this was a project the City wanted and what were the terms they could get for that project. He said as a policy matter they could demand that the applicant park all the parking onsite but in all likelihood that would not be a Marriott Residence Inn and there would not be TOT revenue. He said they negotiated the best deal. He said it might not necessarily be the final deal and the Council might ask for something else. The goal though was to keep the applicant from walking away and lose this type of project that would generate TOT.

Chair Ferrick said based on her calculations and projected occupancy it seemed like probably at least 20 of the 39 spaces on Garwood Way would be needed on a regular basis. She said she thought the benefit outweighed the loss of the spaces as those were located against the railroad tracks. She asked if this was a lease or were they giving the plot of land to the applicant. City Attorney McClure said the City would not give the land away and it would remain as public right-of-way and a public street to allow for bicycle and pedestrian improvements with the assurance to the applicant that within Garwood Way as it extended to the train station the 39 parking spaces would be available for them assuming the applicant did not negotiate a deal to put the parking at 1300 El Camino Real. He said if the City thought this was an appropriate use of this location and wanted the TOT revenue this might be the only way to achieve that at least until 1300 El Camino Real was developed and offered potential parking.

Commissioner Riggs said the potentiality was that 1300 El Camino Real might ask the City for public benefit at which time the City could enact within the proposed agreement to have 555 Glenwood Avenue move the 39 spaces into the 1300 El Camino Real parking garage. Mr. McClure said that was the intent noting there might need to be wording clarification. Commissioner Riggs said for him that would resolve the concern he had about developing on some of the right of way of Garwood Way.

Commissioner O'Malley said he was glad to hear the possibility to impose upon the 1300 El Camino Real project to provide parking for the hotel. He said this gave the City a fine goal and some benefit including new revenue. He said even if 1300 El Camino Real was not able to provide the parking he still thought there was great value associated with the proposed project.

Commissioner Bressler said the City should charge for the parking and that would be a great incentive for this developer to work with the developer of 1300 El Camino Real to get the parking there. He said it did not make business sense the way this was structured.

Chair Ferrick said she was assured that the developer was not getting the land and the City would receive benefit from the project. She said as a property it would be wonderful to have a new vibrant hotel there, which would change the use of that area. She said that she did not think the deal should be broken based on 39 parking spaces. She said underground parking for 39 spaces was about \$2 million. City Attorney McClure said the idea was to create a shared parking arrangement.

Commissioner Eiref asked where there was language about negotiating with 1300 El Camino Real. City Attorney McClure said it was in one of the conditions of approval. Commissioner Eiref noted a condition for the applicant to negotiate in good faith, which he thought was not strong enough. He said there had to be some firmness built in otherwise the City was giving away land. He noted that this land was next to the railroad tracks and probably noisy. He said if the applicant used it in perpetuity for parking that might not be a bad thing, but they should pay for the use of it.

City Attorney McClure said the potential for revenue was there but now the City was not getting anything for the parking or from the senior facility now. He said whether it was used for parking or for something else the tradeoff at that location was the possibility of getting a Marriott Residence Inn. He said the applicant needed the parking and sufficient commitment. He said that the owners of 1300 El Camino Real might offer 39 spaces but ask for \$500,000 a year.

Commissioner Eiref asked if there was a hook that if nothing else worked out for parking over five years they could retain the parking for some amount of revenue per day. City Attorney McClure said they could not negotiate a deal in a public forum but he heard what was being said. He said currently the deal was if the property exceeded \$700,000 in TOT annually the owners would not have to pay the City anything. He said if they were less than their 85% occupancy revenue then they would have to pay the City from their profits in an amount up to \$50,000 a year.

Chair Ferrick confirmed that TOT would increase concurrently with hotel rates. She said that the parking currently was not in high demand, and said she felt comfortable with the proposed arrangement.

Commissioner Kadvany said there was a discussion point about tying the TOT to Specific Plan projects. Planner Rogers said the public benefit bonus set up the potential for a public benefit fund for independent project contributions. He said, however, TOT has to be collected by state mandated processes and goes into the general fund.

Chair Ferrick asked if the Commission wanted to recommend to the Council that the TOT revenue be used for improvements under the Specific Plan such as the bike tunnel.

Commissioner Kadvany said he liked the color palette and rather liked the arch. He said there was a probability of peak parking and the City should request a more formalized TDM program. He said parking was something to be managed to the City's benefit and that was a context in which to consider this proposal. He said he would like TOT tied to the Specific Plan. Chair Ferrick said she would like it specifically tied to improvements and infrastructure.

Planner Rogers said there was a requirement in the EIR to implement a TDM plan as part of the project as shown in Attachment K. Commissioner Kadvany asked if that program would be looked at closely so that more than generic methods were used. Planner Rogers said they would look at that. Commissioner Kadvany suggested the City might want to institute a TDM association for applicants coming into the City.

Commissioner Riggs said he would like to make a motion but wanted to see if there was a consensus on some things. He said he was looking at tying the TOT to the City infrastructure or public elements and emphasizing the priority the City has for getting the future bike route from the Creek. Chair Ferrick said that it would remain as public street and public right of way.

Commissioner Riggs moved to recommend to the City Council that they make the findings, and approve the architectural control, the license agreement and the Heritage Tree Removable Permit. Chair Ferrick seconded the motion.

Commissioner Bressler said he thought it was more important to convey what they did not agree upon. Chair Ferrick suggested they could take the license agreement separately. Commissioner Bressler agreed with that. Commissioner Riggs said he was willing to take out the license agreement from the vote. Chair Ferrick agreed. Commissioner Kadvany asked if this included TOT. Commissioner Riggs said that they had consensus on the TOT being tied to the City infrastructure or public elements and that would be captured in the minutes. Planner Rogers said this item would be heard by the City Council on March 26 and the Commission would not have reviewed draft minutes for this meeting prior to that.

After discussion with staff, Commissioner Riggs said he would include the Commission's recommendation that TOT revenue be designated for Specific Plan elements. Chair Ferrick said she would second that amendment.

Commission Action: M/S Riggs/Ferrick to recommend approval to the City Council of the following actions:

1. Make a finding with regard to the California Environmental Quality Act (CEQA) that the proposal is within the scope of the project covered by the El Camino Real/Downtown Specific Plan Program EIR, which was certified on June 5, 2012. Specifically, make findings that:
  - a. A checklist has been prepared detailing that no new effects could occur and no new mitigation measures would be required (Attachment H, including Attachments I and J by reference).
  - b. Relevant mitigation measures have been incorporated into the project through the Mitigation Monitoring and Reporting Program (Attachment K), which is approved as part of this finding.
  - c. Upon completion of project improvements, the Specific Plan Maximum Allowable Development non-residential use total will be reduced by 71,921 square feet, accounting for the project's share of the Plan's overall projected development and associated impacts.
2. Adopt the following findings, as per Section 16.68.020 of the Zoning Ordinance, pertaining to architectural control approval:
  - a. The general appearance of the structure is in keeping with the character of the neighborhood.
  - b. The development will not be detrimental to the harmonious and orderly growth of the City.
  - c. The development will not impair the desirability of investment or occupation in the neighborhood.
  - d. The development provides adequate parking as required in all applicable City Ordinances and has made adequate provisions for access to such parking.
  - e. The development is consistent with the El Camino Real/Downtown Specific Plan. In particular:
    - i. The relatively modest exterior changes would comply with relevant design standards and guidelines.
    - ii. The hotel use's Transient Occupancy Tax (TOT) revenue would justify the application of a Public Benefit Bonus for a

Floor Area Ratio (FAR) of 1.16, which is above the 1.10 Base level FAR but well below the Public Benefit Bonus maximum level of 1.50 FAR. Minimum levels of TOT would be ensured by condition 5a.

3. Approve the architectural control request subject to the following **standard** conditions of approval:
  - a. Development of the project shall be substantially in conformance with the plans prepared by Stantec, dated received February 25, 2013, consisting of eight plan sheets and approved by the City Council on \_\_\_\_\_, 2013, except as modified by the conditions contained herein, subject to review and approval of the Planning Division.
  - b. The applicant shall comply with all West Bay Sanitary District, Menlo Park Fire Protection District, and utility companies regulations that are directly applicable to the project.
  - c. Prior to building permit issuance, the applicant shall comply with all requirements of the Building Division, Engineering Division, and Transportation Division that are directly applicable to the project.
  - d. Prior to building permit issuance, the applicant shall submit a plan for any new utility installations or upgrades for review and approval of the Planning, Engineering and Building Divisions. Landscaping shall properly screen all utility equipment that is installed outside of a building and that cannot be placed underground. The plan shall show exact locations of all meters, back flow prevention devices, transformers, junction boxes, relay boxes, and other equipment boxes.
  - e. Simultaneous with the submittal of a complete building permit application, the applicant shall submit plans indicating that the applicant shall remove and replace any damaged and significantly worn sections of frontage improvements. The plans shall be submitted for the review and approval of the Engineering Division.
  - f. Heritage trees in the vicinity of the construction project shall be protected pursuant to the Heritage Tree Ordinance.
  - g. Prior to building permit issuance, the applicant shall submit proposed landscape and irrigation documentation as required by Chapter 12.44 (Water-Efficient Landscaping) of the City of Menlo Park Municipal Code. If required, the applicant shall submit all parts of the landscape project application as listed in section 12.44.040 of the City of Menlo Park Municipal Code. This plan shall be subject to review and approval by the Planning and Engineering Divisions. The landscaping shall be installed

and inspected prior to final inspection of the building.

4. Approve the architectural control request subject to the following **project-specific, construction-related** conditions of approval:
  - a. Concurrent with submittal of a complete building permit, the applicant shall submit a frontage improvement plan, showing the construction of a new accessible ramp, where one does not currently exist, at the intersection of Garwood Way and Glenwood Avenue (directly adjacent to the project site, for the direction crossing Garwood Way), subject to review and approval of the Engineering Division. Implementation of this improvement is required to be completed prior to building permit final inspection, subject to review and approval of the Engineering Division.
  - b. Concurrent with submittal of a complete building permit, the applicant shall submit a detailed report describing the full scope of upgrades to the structural and mechanical, electrical and/or plumbing systems, subject to review of the Building Official and Planning Division. If the City determines that the system upgrades are significant, the applicant shall be required to meet the LEED requirements of Specific Plan Standard E.8.03.
  - c. Concurrent with submittal of a complete building permit, the applicant shall submit a comprehensive arborist report, subject to review and approval of the City Arborist and Planning Division. Tree preservation measures shall be integrated into the project plans.
  - d. Concurrent with submittal of a complete building permit, the applicant shall submit a signage and striping plan for the Garwood Way parking spaces, subject to review and approval of the Transportation and Planning Divisions. Implementation of the approved signage and striping is required to be completed prior to building permit final inspection, subject to review and approval of the Transportation and Planning Divisions.
  
5. Approve the architectural control request subject to the following **project-specific, ongoing** conditions of approval:
  - a. The use is subject to review and potential revocation if the hotel use does not provide TOT to the City in a minimum amount of 50 percent of total room occupancy operating revenue for two consecutive years. Specifically, the use would be subject to one of the following options, to be reviewed and determined through a procedure to be established by the Planning Division:
    - i. Payment to the City of an amount equal to the difference between actual TOT and the 50 percent level;

- ii. Provision of an alternate Public Benefit Bonus, for consideration and action by the Planning Commission;
  - iii. Removal of a square footage amount equivalent to the increment between the 1.10 Base level FAR and the 1.16 actual FAR; or
  - iv. Reversion to the previous senior citizens retirement living center use.
- b. The applicant shall make a good-faith effort to explore the potential of a joint parking arrangement, on commercially reasonable terms, with the owners of the adjacent development site known as 1300 El Camino Real.
- ~~6. Approve the license agreement and encroachment permit (Attachment G).~~
7. Adopt a Resolution of the City of Menlo Park to approve the heritage tree removal permits (Attachment D).
8. The Planning Commission recommends that the City Council prioritize the use of the new Transient Occupancy Tax (TOT) revenue associated with the proposal to fund infrastructure projects, in particular circulation improvements, within the El Camino Real/Downtown Specific Plan area.

Motion carried 6-0 with Commissioner Onken abstaining.

Commissioner Bressler said after a period of five years that the parking should no longer be free but should be charged a market rate fee. Chair Ferrick said the applicant need the certainty of having the parking needed. Commissioner Bressler said the certainty was there but it did not have to be given for free. Chair Ferrick said she did not see it was being given away as the City retained ownership.

Commissioner Eiref said that 1300 El Camino Real would not give away 39 parking spaces. He said the parking should not be free for perpetuity. City Attorney McClure said that the Commission could make the recommendation. He said regarding the market rate that they might consider a mechanism for determining fair market rent. He said the recommendation was to allow the parking free for five years after which there was a mechanism by which to determine what would be a fair market rent for parking spaces.

Commissioner Bressler moved to recommend to the City Council that the parking on Garwood Way be made available for five years after which a fair market rate would be established to pay for those spaces through some mechanism of agreement between the parties including arbitration. Commissioner Riggs seconded the motion.

Commissioner Kadvany said he thought this was the right recommendation to make.

Commissioner O'Malley said he thought the compensation from the hotel revenue was the benefit. He said this was just a recommendation to the Council and he hoped this would not jeopardize the project proposal.

Commission Action: M/S Bressler/Ferrick to recommend that the City Council approve the license agreement and encroachment permit (Attachment G) with the following modification:

- The license agreement and encroachment permit should contain a mechanism that, after a period of five years, would require the payment of a fair market rent for the 39 parking spaces on Garwood Way.

Motion carried 6-0 with Commissioner Onken opposed.

## **ADJOURNMENT**

The meeting adjourned at 10:25 p.m.

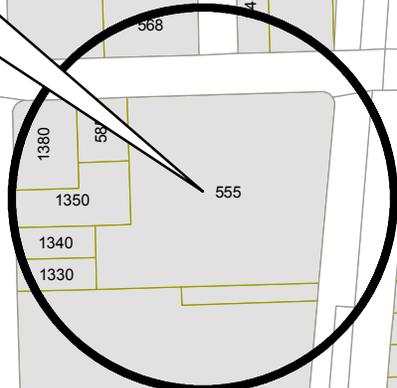
Staff Liaison: Planner Rogers, Senior Planner

Recording Secretary: Brenda Bennett

Approved by Planning Commission on March 18, 2013

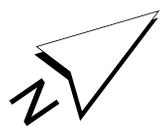


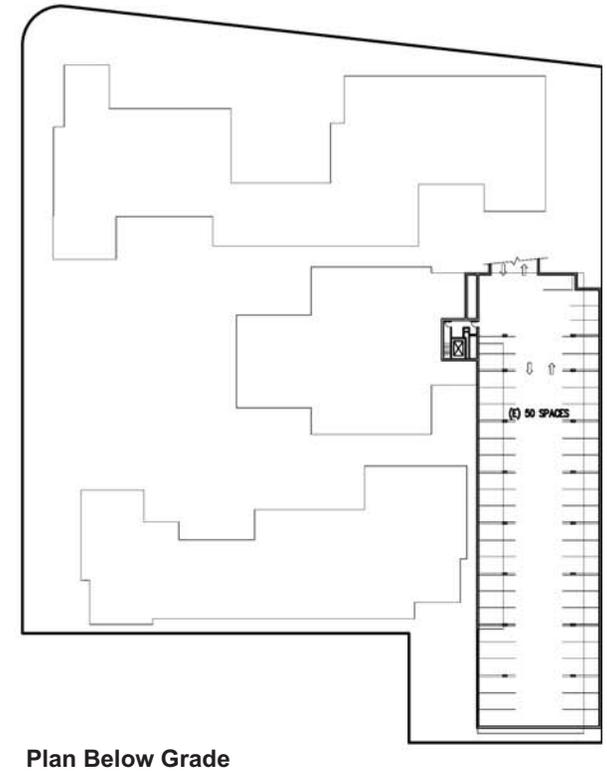
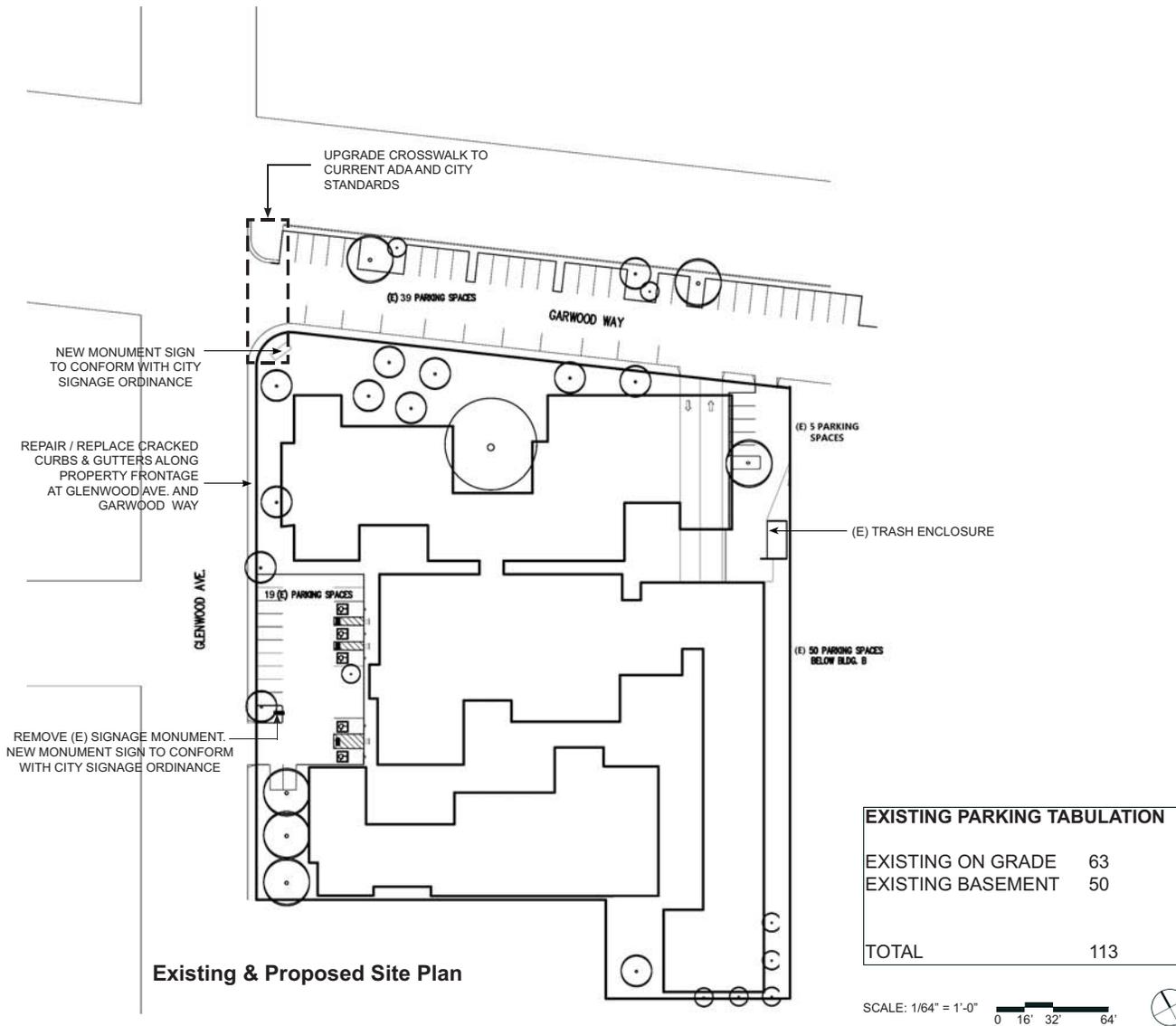
**PROJECT  
LOCATION**



**CITY OF MENLO PARK**  
 LOCATION MAP  
 555 GLENWOOD AVENUE

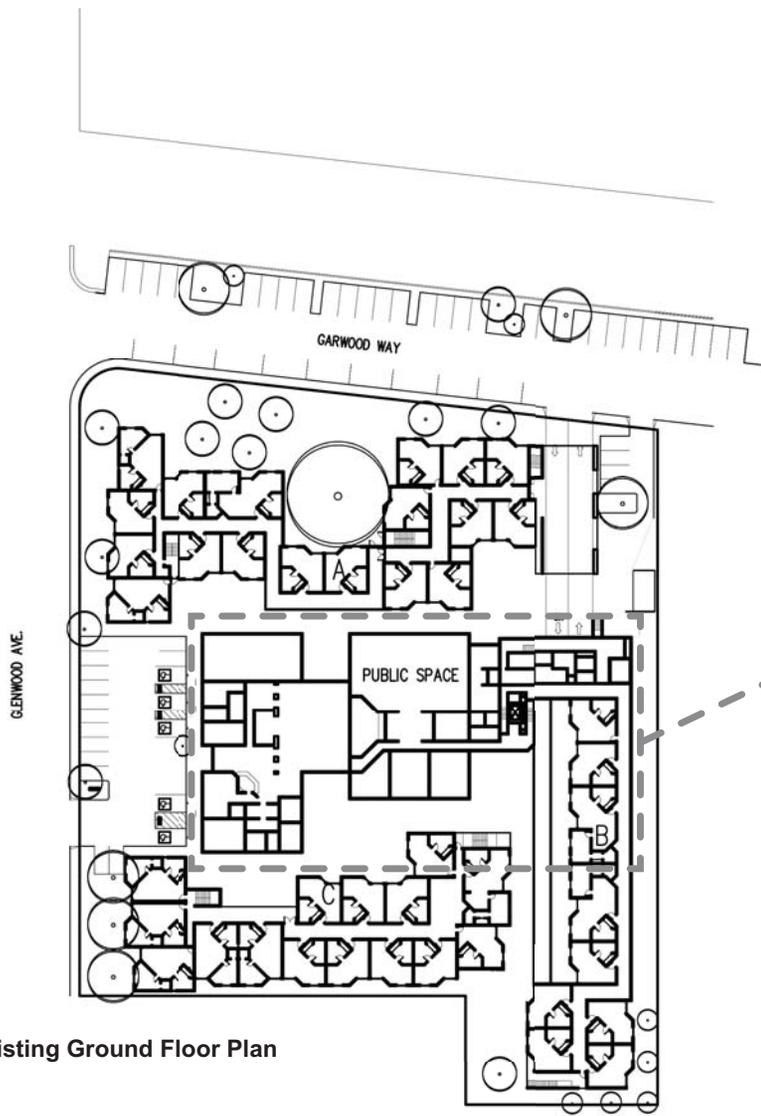
DRAWN: THR CHECKED: THR DATE: 03/04/13 SCALE: 1" = 300' SHEET: 1



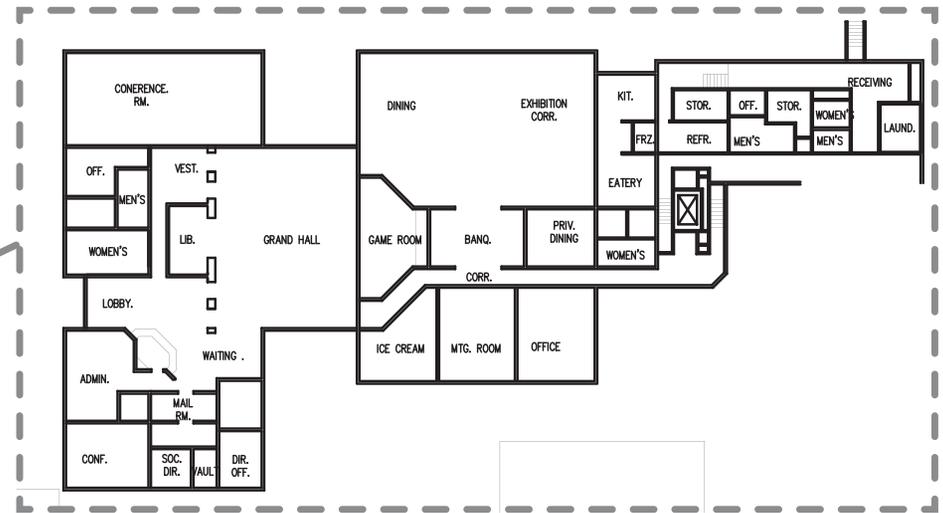


Residence Inn by Marriott  
555 Glenwood Avenue, Menlo Park

Sand Hill Property Company

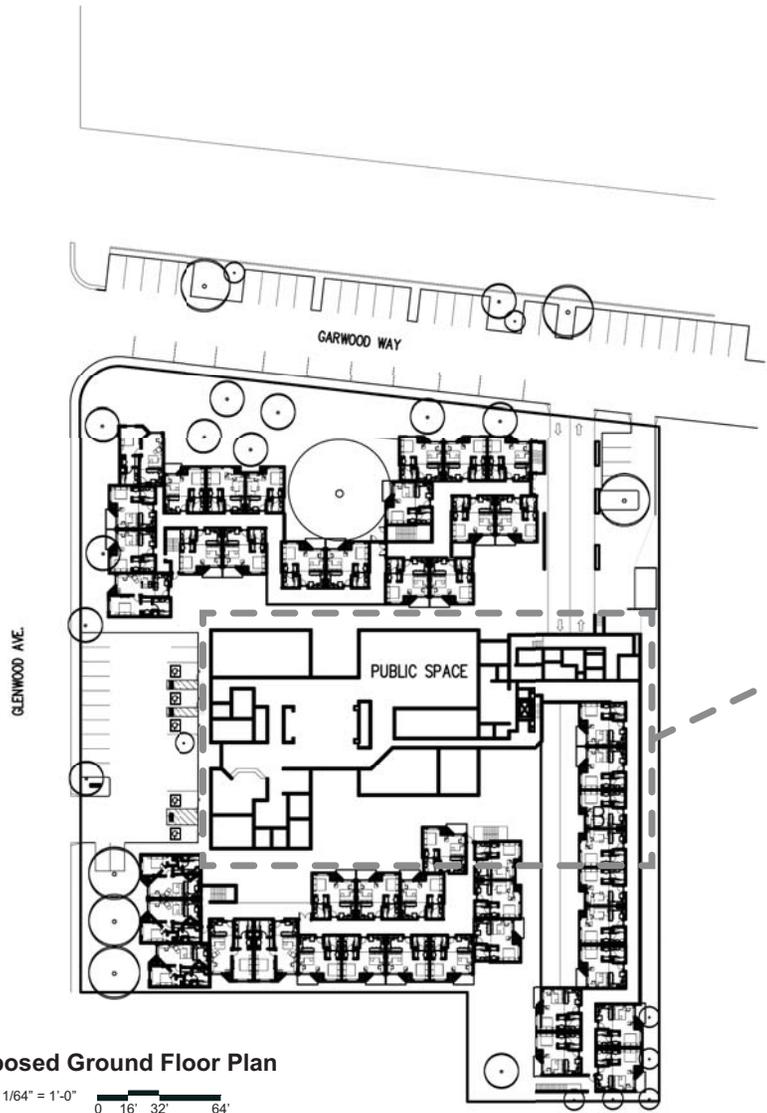


Existing Ground Floor Plan



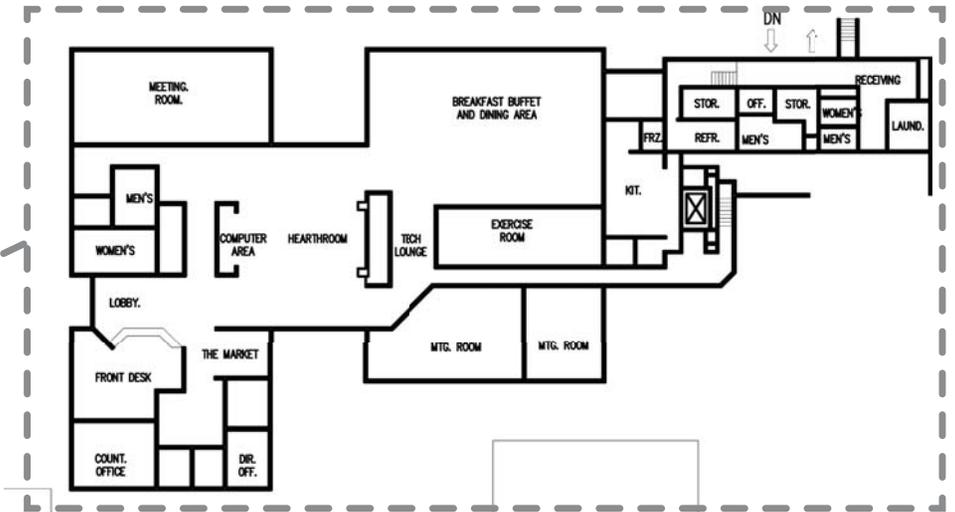
Existing Public Spaces

SCALE: 1/32" = 1'-0"



**Proposed Ground Floor Plan**

SCALE: 1/64" = 1'-0"  
0 16' 32' 64'



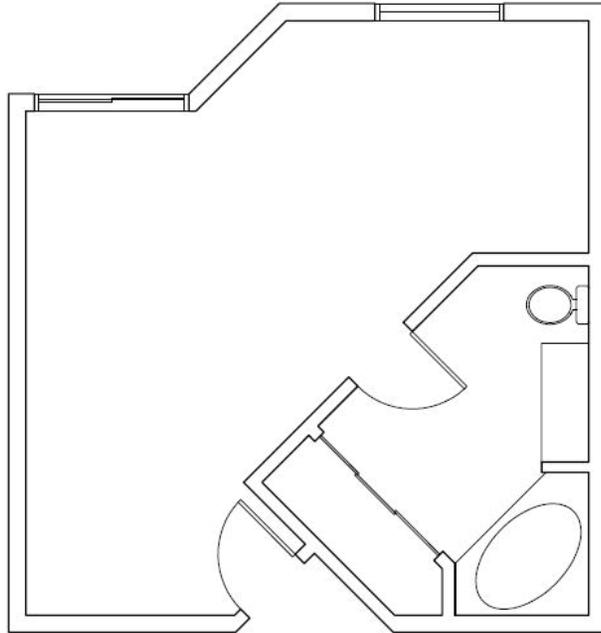
**Proposed Public Spaces**

SCALE: 1/32" = 1'-0"  
0 8' 16' 32'

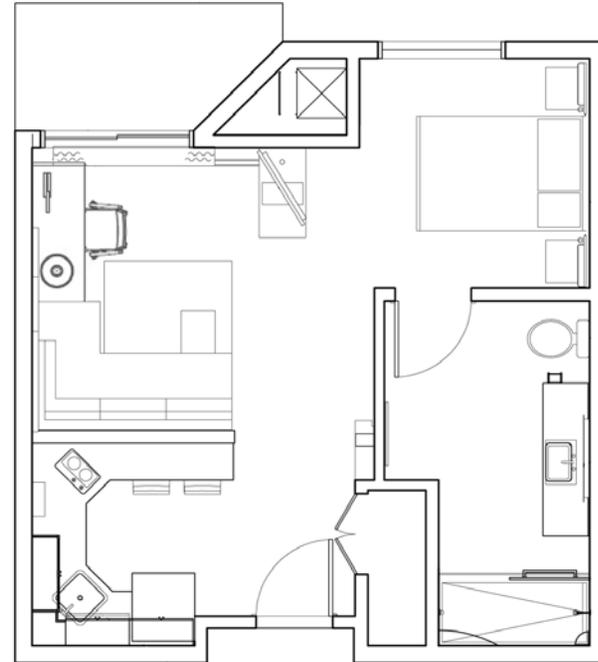
Residence Inn by Marriott  
555 Glenwood Avenue, Menlo Park

Sand Hill Property Company

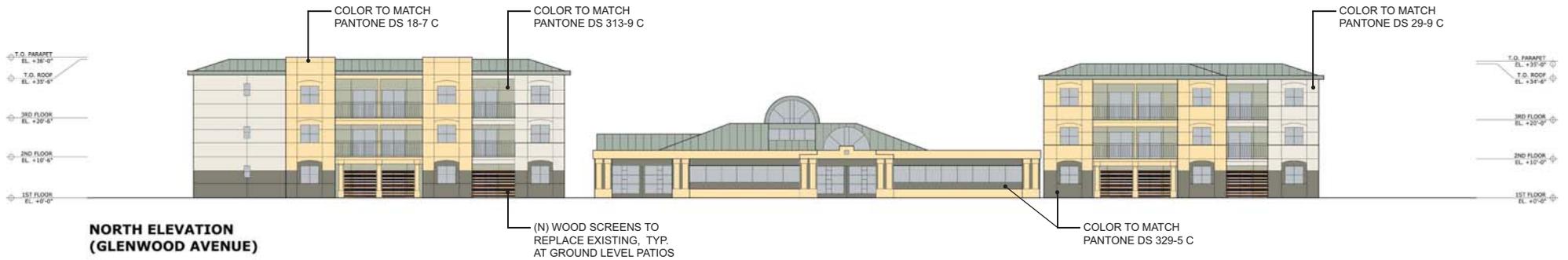
Stantec February 12, 2013



Existing Room Layout



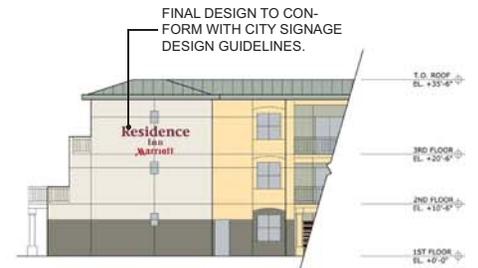
Proposed Room Layout



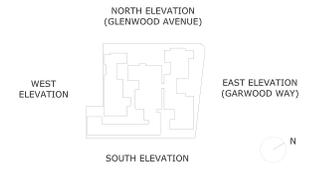
**NORTH ELEVATION  
(GLENWOOD AVENUE)**

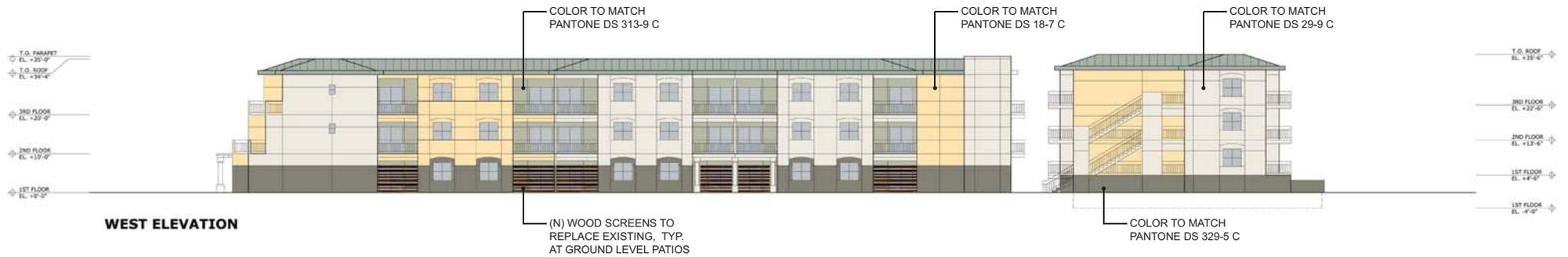


**EAST ELEVATION  
(GARWOOD WAY)**



**PARTIAL WEST ELEVATION  
(ENTRY COURT / PARKING)**





**WEST ELEVATION**



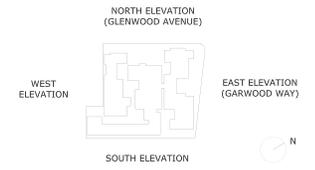
**SOUTH ELEVATION**



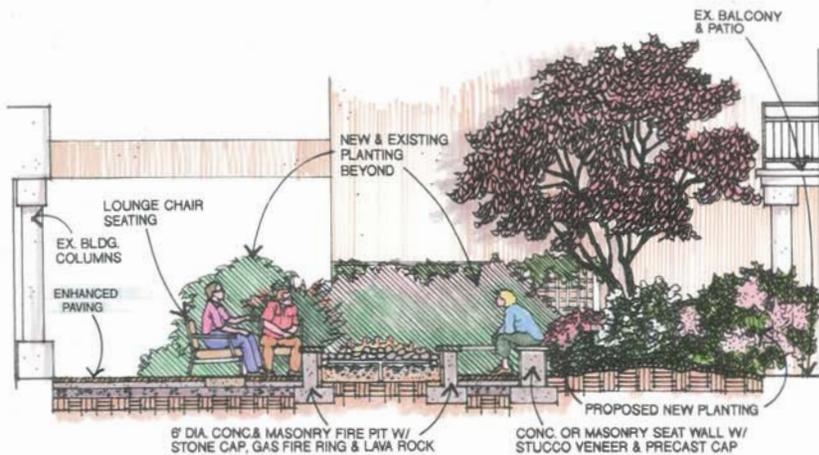
**NEW FENCE TREATMENT AT GROUND LEVEL**



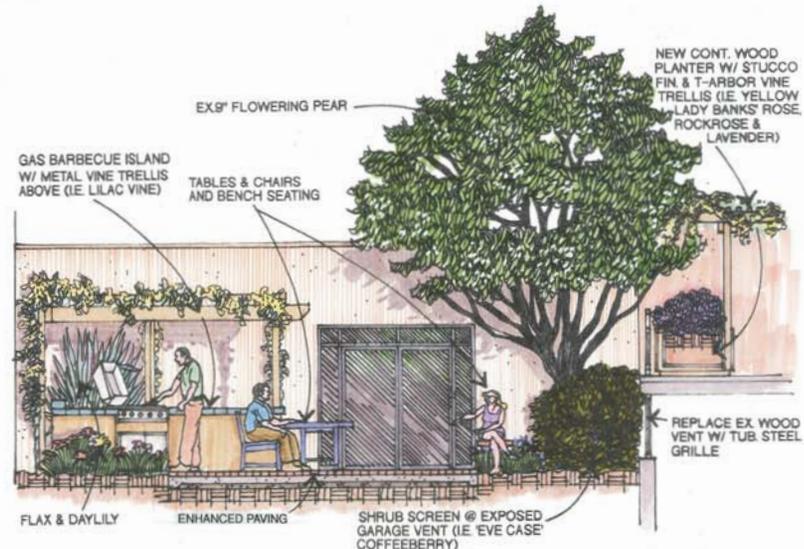
**FENCE REFERENCE IMAGES**







ILLUSTRATIVE SECTION AT FIRE PIT PLAZA



SECTION @ BARBECUE COURT & PARKING GARAGE

RESIDENCE INN BY MARRIOTT  
 555 GLENWOOD AVENUE, MENLO PARK, CALIFORNIA  
 SAND HILL PROPERTY COMPANY

ILLUSTRATIVE LANDSCAPE SECTIONS

**LALDERBAUGH ASSOCIATES**  
 Landscape Architecture/Planning  
 425 Clyde Avenue  
 Mountain View, California 94043  
 (855) 691-9711 | (650) 691-9713

L-2



## SAND HILL PROPERTY COMPANY

PROJECT DESCRIPTION

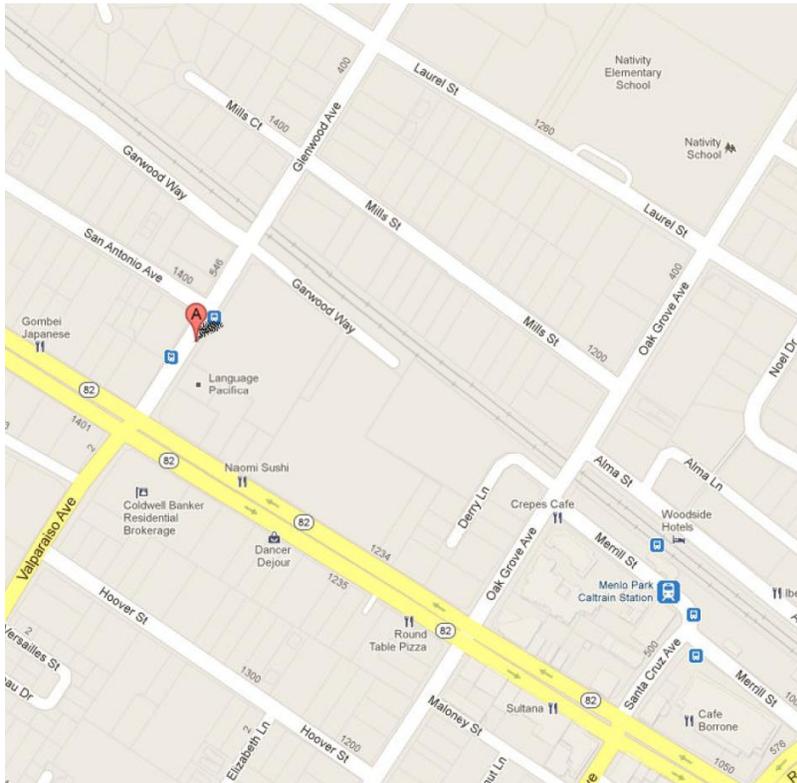
RESIDENCE INN BY MARRIOTT, MENLO PARK

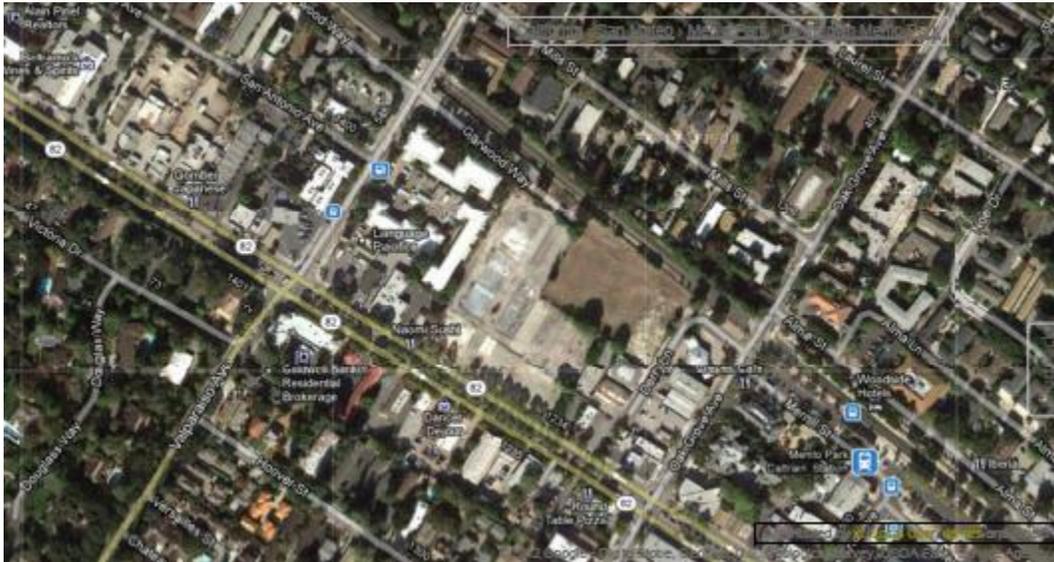
FEBRUARY 22, 2013

Sand Hill Property Company (the “Company”) desires to change the permitted use of 555 Glenwood Avenue (the “Property”) , commonly known as the Casa on the Peninsula, from retirement living complex to a Marriott Residence Inn hotel. The Company has received preliminary feedback from City Council in an October 30<sup>th</sup> study session and has had in-depth discussions (and negotiations, as to resulting TOT revenue) with staff and is presenting this revised project description in connection with its previously submitted “development permit application”.

### PROJECT LOCATION

The subject property is located at 555 Glenwood Avenue at the corner of Garwood Way, less than a block to the east of El Camino Real and approximately one block (less than one quarter of a mile) from the Menlo Park Caltrain Station. Due to its proximity to mass transit alternatives, the property should be considered a transit-oriented site. Glenwood Avenue bounds the project to the north and Garwood Way (and the adjacent Caltrain railroad tracks) bound the project site to the east. Beyond two commercial parcels to the north sits El Camino Real. The site is isolated from adjacent residential neighborhoods by El Camino Real and the railroad tracks.





**EXISTING CONDITIONS**

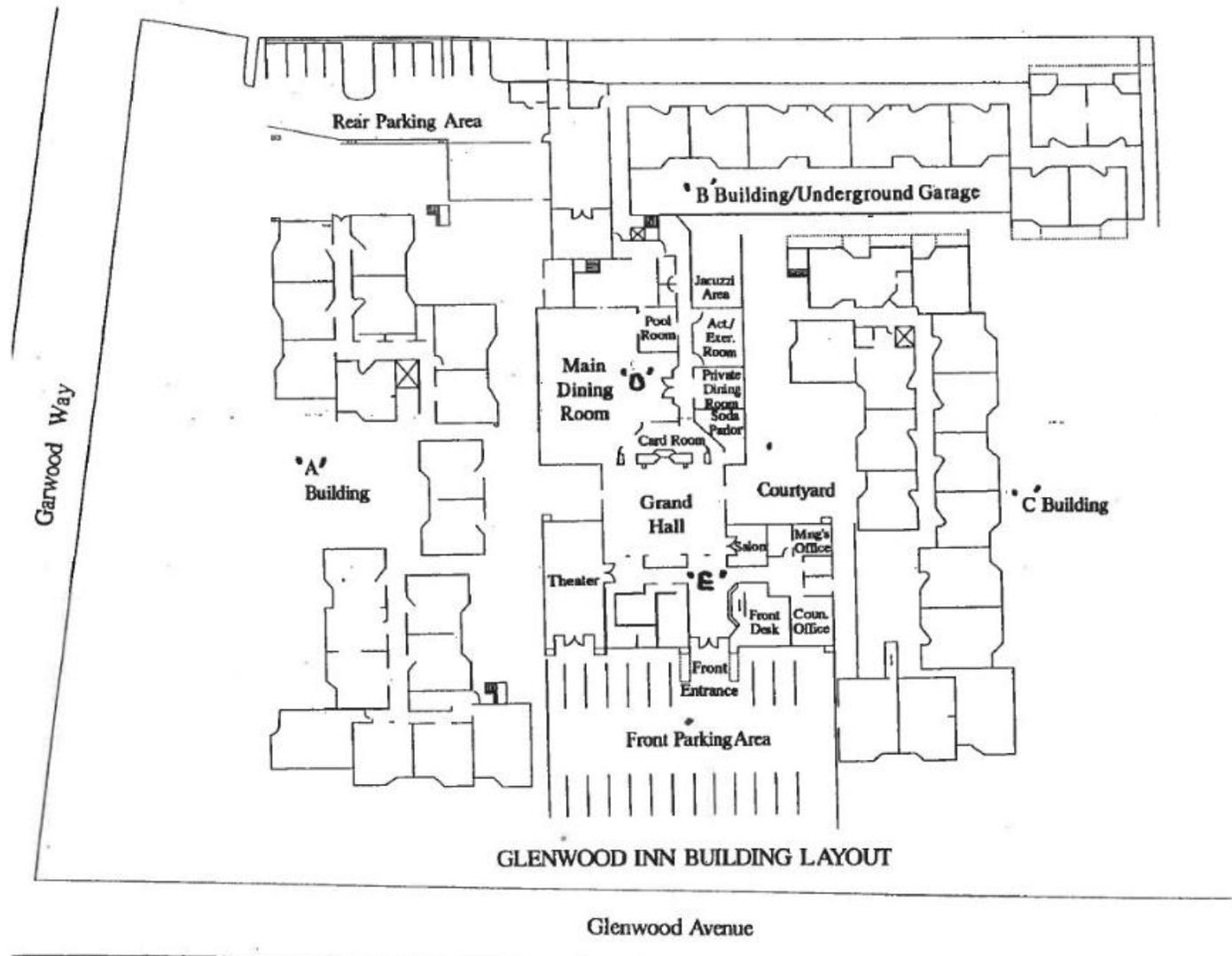
The project site consists of one parcel (APN 061-430-430) of 2.266 acres and existing buildings totaling 113,803 square feet. The subject property is currently operating a market rate assisted living facility consisting of four rectilinear buildings. The buildings were constructed in 1989 in connection with a PD permit issued on April 14, 1987 and are classified as post-modern, concrete and frame structures. The complex has one single-story building (Building A) that houses the public space and common facilities, and three additional three-story structures which contain the guest quarters. The single-story building consists of a library, auditorium, main dining room, private dining room, social room, meeting room, and card room, as well as management offices and areas. The guest quarters include a combination of studio, one-bedroom, and two-bedroom/two-bathroom units that total 125 existing guest rooms, having been converted from the original permitted construction of 138 rooms. Covered or enclosed walkways connect all buildings. There is also an existing 50 space structured garage underneath Building B (see chart below) and 74 total on-site parking stalls. Approximately 30 additional stalls are located on the east side of Garwood Way and are for the property's exclusive use (as indicated by signage all along this parking area). Another 9 stalls are located on the west side of Garwood Way, contiguous to the property, and for practical purposes are solely used by the facility. Including the Garwood Way parking, the facility's total parking is 113 stalls.

Each studio or one bedroom guest quarter has a bathroom as well as an efficiency kitchen (two plate burners, no oven or ventilation, and a shallow bar sink). Each two bedroom guest quarter has two bathrooms as well as the afore-described efficiency kitchen. The units are not considered permanent residences for purposes of characterizing Menlo Park's "housing stock" due to, among other things, this substandard kitchen.

**Existing Room Breakdown**

Building	Studio	1 Bedroom	2 bedrooms/2 bath
<b>A</b>	<b>37</b>	<b>4</b>	<b>11</b>
<b>B</b>	<b>17</b>	<b>0</b>	<b>11</b>
<b>C</b>	<b>32</b>	<b>10</b>	<b>3</b>
<b>Total</b>	<b>86</b>	<b>14</b>	<b>25</b>

## Existing Building Layout



The existing facility serves both independent and assisted living residents aged 62 years or older. No skilled nursing, Alzheimer's care or rehabilitation care is offered. This is not a continuum of care facility.

Actual rental rates currently range from approximately \$4,000 to over \$5,000 for an "independent" resident in a basic living suite. Additional charges apply for assisted living care (in-room meal service, grooming, dressing, toileting, among other like services) and can bring total monthly room rents to over \$7,000. These are not "affordable" or subsidized rents – they are "at market" and at the highest rate it can bear.

The facility has been operating at far below capacity as a result of the current owner's contemplation of exiting the business and currently only stands at approximately 13% occupancy.

In terms of impacts of the facility closure on the remaining residents, existing state codes govern how the current owner must close the facility and assist in the relocation of residents prior to a sale taking place. Among other things, it is our understanding that (i) the current owner will be generating a relocation plan customized to each resident and coordinating with the governing agency as to that person's relocation, (ii) from the provision of this information residents would have 60 days' notice to vacate, (iii) staff will be maintained to assist the residents in their moves, and (iv) referral agencies will be retained to place them in a new home. In fact, the current owner has recently informed us that they have formally initiated the closure of the existing facility, relative both to state oversight as well as the remaining occupants. The relocation of the residents from this facility should be easier than had it been a skilled nursing home or rehabilitation facility, where the health conditions of residents would present unique challenges, or an

affordable senior housing community, in which case the available options for residents with subsidy requirements for relocation would have been much more limited.

Given the rapid rate of move-outs since this project was submitted for City review, it is apparent that the residents of this facility are highly mobile and have options financially. While there are a few exceptions, the majority of the remaining occupants is from Menlo Park and adjacent communities such as Palo Alto, Atherton and Redwood City and has family support locally. (Note that residents or their families typically choose residential care facilities based on proximity to the home of the resident or the home of the families responsible for their care.)

The property sits within the El Camino Real Mixed Use/Residential land use designation of the City's recently adopted El Camino Real / Downtown Specific Plan.

#### PROJECT OBJECTIVE

The renovation and adaptive re-use of an underutilized assisted living facility to/as a Class A, vibrant, tax-generating, business-oriented, internationally-recognized hotel, which use is permitted and encouraged by the City of Menlo Park pursuant to its recently adopted Specific Plan.

#### PROJECT DESCRIPTION

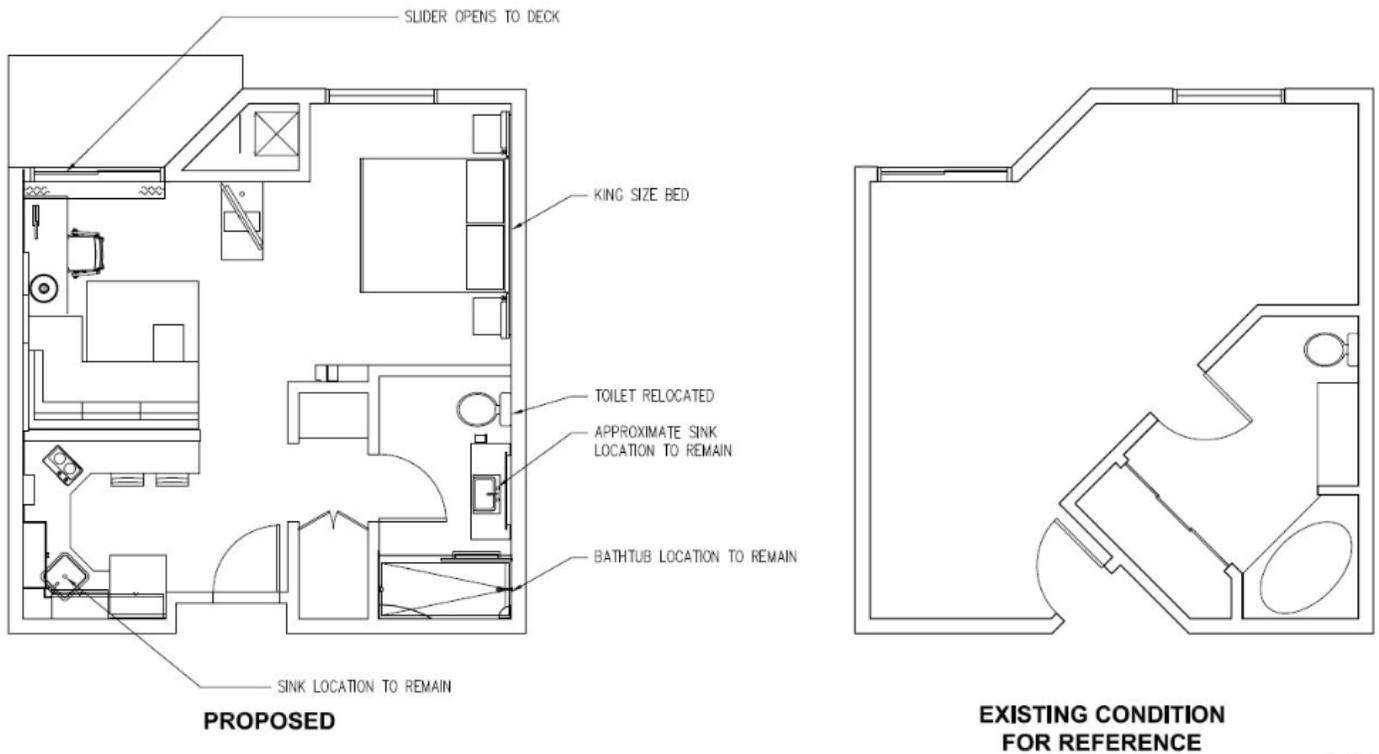
The proposed project is the conversion of the existing market rate assisted living senior housing complex into a limited service hotel. The hotel brand proposed would be Residence Inn by Marriott ("MRI"), a Marriott brand with over 650 locations throughout the United States. The Company is an experienced hotel developer and has previously developed (and continues to own and operate) a MRI in Los Altos, CA. (The Los Altos MRI has continuously ranked in the top 5% globally in guest satisfaction, including multiple "Platinum" awards, since we opened it 11 years ago.) Marriott has already given the Company its approval of the site as a MRI consistent with this project description. The MRI brand is ideal for the Menlo Park area because it will appeal not only to the corporate travelers visiting the Silicon Valley and nearby Stanford University, it will also serve as a popular amenity to the residents and businesses of the local Menlo Park community. While the average guest stay is 5 to 10 days, MRIs often appeal to guests staying for a week or longer and provide them away-from-home comforts including functional in-room and public area work spaces, free daily hot breakfasts, free high speed internet in guest rooms and public areas, convenient 24 hour snack and essentials market, as well as complimentary social events including foods and beverages in the afternoon, while also offering on-site amenities including private meeting rooms, a business center for guests, a communal room for guest work pods/spaces, a guest "hearth room" or sitting room, a breakfast buffet and eating room, exercise room, and fire pit and barbecue area.

The project proposes no increases to the existing lot coverage or floor area. Conveniently, the existing facility very closely mirrors the layout of a prototypical MRI brand product. The size and layout of the guest quarters transitions seamlessly into the various guest room mixes required for a MRI. Additionally the common area and facilities currently in Building A (the public area building) will be reallocated and reconfigured to accommodate the MRI amenities requirements and appeal to the demands of the local market. The goal is to update the existing facilities to create a fresh, unique, and high quality environment that provides state of the art technology, amenities, and business services while still maintaining a consistency with the exterior so as to integrate the use change into the existing neighborhood character.

Existing Facility's Common Area		Proposed Hotel Public Space	
Room Description/Use	Approx. Square Footage	Room Description/Use	Approx. Square Footage
Activity/Exercise Room	483	Meeting Room I	483
Card Room	420	Meeting Room II	828
Grand Hall	1711	Meeting Room III	1209
Library	178	Tech Lounge	420
Main Dining Room	2793	Hearthroom	1711
Pool Room	261	Computer Area	178
Private Dining Room	475	Breakfast Buffet & Dining Area	2467
Restrooms	371	Exercise Room	587
Salon	165	Restrooms	371
Soda Parlor	353	The Market	165
Theater	1209		
<b>TOTAL</b>	<b>8419</b>	<b>TOTAL</b>	<b>8419</b>

Residence Inn hotels are designed to accommodate the extended-stay traveler, and the rooms will be spacious suites with full kitchens and separate areas for sleeping, working, eating, and relaxing.

The below diagram illustrates a potential renovation of an existing studio layout to the MRI proposed studio layout. The existing room structures and plumbing fixtures generally remain in place despite new configurations for the furniture and equipment.



For the ideal MRI room mix, the project proposes the restoration of the converted two-bedroom/two-bathroom guest quarters back into their original studio configuration. The current owner had over time converted 26 original studios into two-bedroom/two-bathroom quarters by simply removing the demising wall and second kitchen area and keeping all other elements of the guest quarters intact. Our project contemplates the reversion of those converted two-bedroom/two-bathroom quarters into their original layout as a single studio guest room by re-introducing the demising wall and the removed kitchen area. The new proposed guest room mix would be as follows:

Room Type	Existing Senior Guest Quarter	Proposed under MRI
Studio	86	112
One Bedroom	14	14
Two Bedroom/Two Bathroom	25	12
Total Room Count	125	138

Note that the original PD permit for the existing buildings permitted 138 “living suites” and the buildings were originally developed with those 138 rooms. The applicant is not aware if the merging of any or all of those 13 studio units was authorized and/or permitted by the City.

No increases to the property’s existing heights (35’), lot coverage, or floor area (113,800 sq ft) are proposed in our project.

**Parking**

Furthermore, we propose no decrease to the site’s parking supply. Today there are total 74 parking stalls on site (19 on the surface parking lot near the entrance and 55 in the rear and in the below grade parking garage). The facility also currently has use of an additional 39 stalls on Garwood Way, which the current owner had represented to us were

exclusive to the facility<sup>1</sup>. The current parking ratio falls below what is typically required for housing but is suitable for a business hotel use.

Our project would propose on- and off-site parking to accommodate the operations of the MRI. In addition to the continued exclusive use of the 30 off-site stalls along the east side of Garwood Way<sup>2</sup>, the project proposes the 9 existing parallel stalls along the Property on the west side of Garwood Way, which is the maximum amount of stalls readily available to be added to the site (without removing existing buildings and/or constructing more underground parking areas). Based on the Company’s operating experience (and empirical data from its Los Altos MRI), as well as Marriott’s site-specific requirements, only with the inclusion of the above Garwood Way stalls is the parking ratio manageable for the proposed MRI operation. A parking analysis from TJKM justifies the proposed parking ratio for the business hotel use.

Location	Existing	Proposed under MRI	Change
Entrance Surface Lot	19	19	0
Surface Lot at Building Rear	5	5	0
Below Grade Garage	50	50	0
Garwood Way – East Side	30	30	0
Garwood Way – West Side	9	9	0
<b>Total Count</b>	<b>113</b>	<b>113</b>	<b>0</b>
Ratio of Stalls to Rooms (inclusive of stalls along Garwood Way)	0.904	0.819	
Ratio of Stalls to Guest Quarters (exclusive of stalls along Garwood Way)	0.592	0.536	

The proposed parking rate above is supported by industry standard rates for the proposed use as well as actual parking usage rates for the Company’s comparable MRI in Los Altos. The Company has audited the parking demand of its 156-room Los Altos MRI (regularly 100% occupied) for five consecutive months in 2012 and the resulting data shows that the parking usage peaks at 0.75-0.88 stalls per room<sup>3</sup> and averages at approximately 0.68 stalls per room. Additionally, we conducted a parking study that corroborated this data. Quite simply neither the Company as the future hotel operator nor Marriott as the hotel franchisor requires stalls beyond what is proposed to satisfy the future parking demand of this business hotel.

Further, not only would the requirement of additional stalls be unnecessary but it would make the project infeasible. The costs of construction to provide subterranean parking are prohibitively high. Adding this below ground parking would also require the removal of portions of the existing structure, as would the creation of additional surface parking. The addition of an above-ground parking structure over the portion of the property currently used as surface parking along Glenwood Avenue is not only cost prohibitive for this project but such a structure would be highly visible from the

<sup>1</sup> Garwood Way was developed as configured by the original developer of the property at his expense in connection with the entitlement and construction of the existing assisted living facility.

<sup>2</sup> There is and has been for apparently many years signage all along the eastern parking on Garwood indicating it is private parking for use solely by the Glenwood Inn.

<sup>3</sup> This figure is inflated at least 5-10% as it does not exclude unauthorized night-time parkers from the offices of Box.net, our next door neighbor.

street and would negatively affect the character of the surrounding area, not to mention the aesthetic of the hotel. The addition of parking stackers or lifts in the existing below grade parking area is physically impossible due to clear height constraints. Finally, the labor costs of providing 24 hour valet services and stacker or tandem stall management is financially infeasible.

#### REVIEW & APPROVAL PROCESS

In July of 2012, the City of Menlo Park adopted the El Camino Real / Downtown Specific Plan (the "Plan"). As of that date, all new development proposals in the Plan area, which encompasses the Property, are now required to adhere to the Specific Plan regulations.

The Company believes the proposed project is in conformance with the guidelines and is strongly supported by the objectives of the Plan.

Our review of the Plan showed that:

- ✓ The Property sits within the Plan's ECR Mixed Use / Residential district (the "District").
- ✓ The existing buildings generally comply with the District's development standards.
- ✓ The hotel use is a permitted use within the District.
- ✓ The hotel use is considered a public benefit by the Plan for its tax revenue and vibrancy.
- ✓ The Property's parking is deficient for the proposed hotel use using the Plan's 1.25 stalls per room ratio.
- ✓ The Plan allows for justifiable parking reductions.
- ✓ The Plan attempts to incentivize public benefit by granting development bonuses or other concessions.

#### **Parking Reduction**

With respect to the above-referenced parking shortfall, as previously outlined the lower number of provided stalls will not have a negative impact on the operations of the hotel or on the adjacent community as the demand will be fully met. In fact, the Plan itself:

- (i) acknowledges that the prescribed parking rate is "conservative" and "industry standard" as opposed to accurate and customized to suit the variety of potential hotel types (limited service hotels such as MRI involve substantially fewer employees – our Los Altos MRI has only two night-time employees on site – than full service hotels, which we believe was a major driver for the high 1.25 "standard" rate) and
- (ii) offers various scenarios in which a qualifying project can justifiably propose a parking supply that does not meet the Plan's minimum parking ratio or involves a use that is not contemplated by the Plan.

The Plan provides that its minimum parking requirements are "higher than average for commercial uses when compared to neighboring jurisdictions." The Plan considers a hotel to be a commercial use. Accordingly, the Plan offers that "there is an opportunity to reduce the minimum parking requirements for some types of development to account for the accessibility of the downtown to non-automobile users and the potential for shared parking."

#### *Non-Automobile Users*

We anticipate a great deal of our proposed hotel's occupancy will come from "non-automobile users". For one, as a member site of the ECR MU/R land use designation, we of course are located less than a quarter of a mile from Menlo Park's Caltrain Station and four SamTrans bus routes (one Express, one Community, and two Caltrain connecting routes, one of which also connects to BART) and expect a significant percentage of guests and employees to travel by modes other than private automobile. Further, from our experience operating the Los Altos MRI, a large portion of the proposed hotel's guests will be "non-transit non-automobile users" including the following guest profiles:

- Business traveler visiting a company within walking or biking distance of hotel

- Business traveler ride-sharing with coworkers (either also staying at the hotel or locally based at the business being visited)
- Longer-term guest from a foreign country who has no valid driver's license utilizing a car service
- Leisure traveler visiting family who is responsible for the guest's transportation

### *Shared Parking*

As the Plan states, "different uses have different parking demand characteristics, with some uses (like offices) peaking during the day on weekdays and other uses (like housing) peaking in the evenings and on weekends. Providing parking spaces that can be shared between these uses is a more efficient usage of the limited amount of available parking."

First, there is an abundance of available street parking in the vicinity of the Property. In addition to the Property's 30 dedicated stalls on the east side of Garwood Way south of Glenwood Ave, there is approximately 300 linear feet of parallel parking on the west side of Garwood which is effectively used only by visitors to the Property. Crossing Glenwood also on the west side, from the corner there is another 150 lf of uninterrupted parallel parking on Garwood alongside the PG&E substation, for which there is little to no competition as the adjacent uses are single family or low density residential with adequate off-street and adjacent on-street parking for residents and guests.<sup>4</sup>

Further, the entire block in which the Property sits (including large vacant lots such as 1300 El Camino Real and the Derry Property) contain no other residential or hotel uses, only commercial uses. Hotel and residential uses typically share similar evening peak hours and are compatible shared parking mates with the day-time peaking commercial uses.

The Plan provides that "shared parking reductions are not included in the City's existing rates, although individual developments can currently request parking reductions based on specific factors". This project is an excellent candidate for a parking reduction not just because it is transit-oriented but on the basis of shared parking efficiencies.

Finally, the Plan introduces a specific geographic zone referred to as the "Station Area Sphere of Influence", which zone includes the subject site. Interestingly the Plan grants all projects within the Station Area Sphere of Influence proposing a multifamily residential use a dramatically reduced minimum parking rate of 1.0 stall per residential unit. This effectively is a 45% reduction from the standard multifamily residential Specific Plan parking rate of 1.85 (which would be applicable to all sites outside of the Station Area or the Station Area Sphere of Influence). As discussed previously, hotel use parking acts very similarly to residential use parking (except hotel use parking typically does not involve weekend daytime volumes like residential use). The question we present to staff is would it not be appropriate to offer hotel uses within the Station Area Sphere of Influence the same kind of Sphere of Influence parking requirement reduction. (This would make the 1.25 stalls per room rate closer to 0.70, aligning with our operational needs.) We feel that, given the above justifications, it would.

We have commissioned the preparation of a parking analysis by TJKM, which concludes that the proposed parking is adequate for the proposed use, and have included same in our project application for the City's reference. TJKM also performed an assessment of the traffic impacts of the proposed use change and determined that level of service impacts at the four study intersections (as identified by staff) due to the proposed project are also considered acceptable. The traffic analysis was also included in the application.

### **Public Benefits**

We feel the public benefit the proposed project inherently offers to the community should be a material element of the City's consideration of the proposed project.

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<sup>4</sup> It should be noted that the Plan indicates that downtown on-street parking supply would not be impacted by the parking situation at the intersection of Glenwood and Garwood. The Plan's Figure F5 clearly demarcates the Property as "Outside Downtown On-Site Parking Area", while Table F3 ("Existing and Future Downtown Parking Supply") and Figure F6 ("Proposed Public Parking Downtown") show in practice that overflow parking by our proposed hotel at the Glenwood/Garwood intersection would be separate and distinct from the downtown parking dynamic.

The Plan reveals that the community believes “hotels are a desirable use for the City from a fiscal and economic development perspective.” Accordingly, the Plan identifies the hotel use that by itself will be considered a public benefit. No other use is so esteemed. The Plan explains that hotel use is considered a public benefit because it generates higher tax revenue for the City while also enhancing downtown vibrancy. Our proposed MRI will undoubtedly accomplish both of these things, and more. Below is a list of public benefits that will result from the proposed MRI:

Transient Occupancy Tax (“TOT”). This is a topical issue right now for the City as it attempts to manage on-going budget challenges. The November election resulted in the increase of the TOT rate in the City from 10% to 12%. The proposed MRI hotel would introduce 138 hotel rooms to the City, which based on our market knowledge and 2011 operating data from our neighboring Los Altos MRI, and confirmed by a fiscal impact consultant, at the current 12% TOT rate would conservatively generate over \$650,000 in total annual tax revenue from this hotel. In fact, based on 2012 operating data from the Los Altos MRI, we believe a more accurate projection of annual TOT is one that exceeds \$725,000. Furthermore, this revenue would be independent of the state’s budget crisis and not subject to appropriation, as was the case when the State of California eliminated the Redevelopment Agency in January 2012. The proposed MRI’s tax revenue is pure bonus revenue with no accompanying economic disadvantages to local businesses and would be immediately accretive to the Plan and the greater economic development of the City in every sense.

- ✓ Direct Economic Stimulus to the Community. In addition to tax revenue, the hotel will generate economic stimulus within the community on a direct basis. The proposed MRI is geared toward the business traveler (we expect an 80/20 split between business and leisure guests), and we expect the productivity of the Menlo Park business community to benefit from the introduction of a business friendly, amenitized hotel. The hotel proposed multiple meeting spaces that will not only be amenity to guests but available to the public. We expect these quasi-public spaces to be popular with all of the City’s businesses, large or small. Furthermore, based on our experience with the Los Altos MRI, we know guests prefer to eat and shop locally and preferably within walking distance – our proposed Menlo Park MRI is in a more walkable location than our Los Altos MRI (and per the Plan sits within a 5 minute walking radius of the Santa Cruz/El Camino Real intersection), so we are confident our guests will generate spending with downtown businesses. Additionally, we expect the proposed hotel to create nearly 50 net new jobs in the local economy, even after considering any eliminated by the closure of the existing facility. This means with this one project the City will have already created 2+% of the 1,357 new jobs the Plan hopes to create over the next 30 years. Further, our internal projections indicate that the proposed project will generate a net increase of \$3.4 million in direct economic activity, \$1.6 million in indirect impacts and \$1.6 million in induced impacts for a net total of \$6.6 million of economic activity added to the local economy.
- ✓ Vibrancy. The proposed hotel will offer guests a premier location within walking distance of Caltrain and downtown that will result in their maximum interaction with the community that surrounds the hotel. We expect over 120 guests to be introduced to the greater downtown area on a nightly basis, and many of which will spend their days here as well. The location of the proposed hotel is highly beneficial to the community. At the edge of the Plan’s “Station Area Sphere of Influence”, the hotel will activate the Station Area and allow for the expansion of the borders of the greater downtown area and bring vibrancy to a pocket of the City that currently is at risk of being deadened by the lack of connectivity caused by the adjacent railroad tracks. An important publicly-stated City goal is to enhance connectivity. As the Plan states, “There is a relatively weak connection between the train station and downtown, with limited foot traffic and activities that would otherwise generate more vibrancy in the area.” We believe this trend would be reversed by the proposed hotel and its location.
- ✓ Improvement of Underutilized Properties & Sustaining Village Character. The existing facility, ‘Casa on the Peninsula’ and formerly (and perhaps more commonly) known as the ‘Glenwood Inn’, has been running at occupancies well below industry and market standards for several years as the owner has been contemplating exiting the business. The facility has accrued a significant amount of deferred maintenance and has not enjoyed a comprehensive “refresh” in many years. The exterior of the buildings and perimeter of the property, while offering interesting architecture and pleasing landscaping, are tired and merit rehabilitation. In anticipation of

85% hotel occupancy rates, the conversion to the hotel use would involve significant cosmetic improvements to the exterior (as well as to the interior, of course) that will transform the streetscape character along Glenwood Avenue and Garwood Way, encouraging street level activity and enhancing the pedestrian environment. Because no changes to the building massing or additional parking structures are envisioned, Menlo Park will not have to compromise its village character to get a new hotel.

- ✓ Healthy Living and Sustainability. We believe that our adaptive re-use of the Property, salvaging as much of the existing structure and improvements as possible, is an environmentally responsible approach to the project. Our goal is to adhere to the Plan's recommendation, "utilizing finite resources in a responsible way, creating healthy environments for building inhabitants and minimizing impacts to both natural systems and existing utilities". We believe our proposed hotel responds to the Plan's sustainability strategy: "Reduce parking footprint by limiting the amount of space dedicated to surface parking, providing shared parking facilities and integrating parking within development footprints." By requesting to provide only enough parking to meet the actual demand of the hotel, as opposed to creating un-needed additional surface parking through the demolition of certain, non-critical existing buildings (which would eliminate hotel amenities, like meeting rooms), we not only avoid unnecessary expense and a compromised hotel operation, we are being sustainable. Additionally, the interiors of the hotel will be designed and constructed to the standards of LEED certification.

Unlike what the Plan contemplates the nature of the relationship between the City and a developer proposing a public benefit, the proposed hotel does not attempt to derive any benefit or additional profits for the provision to the City of the above. As proposed, the re-use of the existing facility as a hotel is justifiable on its own merits. The public benefits that would accompany the re-use would come at no cost or expense to the City. They would be a bonus to the successful project.

In addition to the above public benefits, there are several advantages offered by the proposed hotel.

- ✓ Free of Political and Unmitigated Environmental Impacts. The proposed use change does not remove any housing units from the City's existing housing stock or eliminate an "opportunity site" for rezoning for compliance with the City's Regional Housing Needs Allocation, so there is no negative impact to the efforts of the City's Housing Element. Not only this, but the proposed 138 room hotel is accretive to the Plan's expectation of future hotel development and site targeting. Furthermore, the site's proposed hotel use is an analyzed and permitted use pursuant to the Plan and its Environmental Impact Report. There will be no intensification, densification, or footprint increases to the Property. From an environmental impact perspective, the assisted living facility and the proposed hotel are comparable uses and no environmental impacts, including traffic related, would result from the use change.
- ✓ Community Advocacy. The MRI hotel will be an active member of the community. We anticipate the proposed MRI will act as does our Los Altos MRI, which:
  - Participates in various local community programs
  - Donates rooms to local schools for charity purposes (fundraisers)
  - Is a member of the chamber of commerce and is involved in their events and causes
  - Is actively involved in local festivals
  - Conducts in-house drives to give back to the community
  - Advertises in local papers
  - Refers out to and promotes local businesses
- ✓ Developer Track Record. The developer, Sand Hill Property Company is a long-time local developer with deep experience in hotel development and management, having built or in the process of building several hotels and currently owning and operating the Los Altos Marriott Residence Inn, an award-winning hotel for its management and guest satisfaction. Further, the Company has experience working with the City, having recently entitled the 1300 El Camino Real project.

In addition to the above public benefits and advantages, the proposed project successfully neutralizes several constraints of the Plan area as suggested by the City.

- “Railroad Line Limits East-West Connectivity”. The site is immediately bounded by the railroad line, and our MRI will bring the vibrancy associated with 120+ guests per night right up against it. Increased east-west connectivity over the railroad line on Glenwood Avenue is a natural consequence.
- “Funding for Public Improvements”. The proposed hotel will bring with it upwards of \$1,000,000 in unplanned tax revenue on an annual basis. The City should consider directing this revenue to its General Capital Improvement Fund or its forthcoming “public amenity fund” so that it may utilize this TOT windfall toward the implementation of the public improvements included in the Plan.
- “Financing Given the Current Market Situation”. The economy still has not fully recovered from the financial crises of the last few years. According to the Plan, “the current market situation is characterized by constrained credit markets and a broader economic downturn that has impacted the potential for real estate development. While current market conditions, wherein home prices and the volume of sales have both declined, are not conducive to real estate development at this time, the market for real estate tends to be cyclical in nature. It is difficult to predict when the market will improve; however it is unlikely that new projects in the plan area will be constructed and occupied until 2012–2013, at the earliest.” It is true that there are still significant challenges to planning and executing economically viable projects, and the market for hotel construction (or renovation) financing is not a free-flowing one.

However, the unique circumstances of this proposed project make this a realistic opportunity for a successful hotel in the City to be built. A MRI-conducive building on a properly sized parcel, not to mention the availability thereof, is not commonplace, especially in Menlo Park. The minimal amount of hotel development occurring in the region will also give the project a competitive advantage, especially considering no MRIs even exist between the cities of San Mateo and Los Altos. The local market has put this unique hotel use in demand today, appealing to businesses both big and small as well as the residential population, without impairing the likelihood of the 380 additional new hotel rooms (made up of a conference hotel and a boutique hotel) envisioned by the Plan over the next 20 to 30 years. (We believe this not only because our hotel’s location does not conflict with either of the two envisioned hotels, but because our expected guest profile will be 80% business guest and 20% leisure guest, while the Plan based its 380 room vision on an expected breakdown of 60% leisure guests and 40% business guests.) Finally, the economy supports our particular effort: the project as proposed is financeable and we have capital already arranged for the purchase and complete redevelopment of the property. We are proposing to commence construction immediately upon receiving the necessary approvals and believe we can open the hotel within a year of said approvals.

Not only is the proposed hotel consistent with guidelines and standards of the Plan, we believe this project and its inherent public benefit achieves many of its goals, strategies, and purpose.

In October of 2012, the City Council conducted a study session to provide feedback on the proposed project and certain associated aspects (ie, the specific type of hotel; the fact that the existing condition results in a slightly higher FAR than the maximum base density allowed under the Plan; the difference between parking a full service hotel and a business hotel; and the formalization and continuation of the exclusive use of the parking on Garwood Way for the hotel). At this study session the City Council encouraged staff to continue working with us to develop the project but consider the following concepts and concerns:

- Only roughly 4 out of every 5 dollars of room revenue generated by the proposed hotel will be subject to transient occupancy tax;
- In order for the City to discuss the continued use of the parking along Garwood Way, certain performance standards (ie, relative to TOT revenue generated) would need to be established and met;

- In addition to the aforementioned performance standards, the parking on the Garwood public right of way should not be granted for exclusive use to us by permit, rather by a commercial instrument, ie a license agreement;
- Notwithstanding the license agreement, we should make bona fide efforts to relieve the City from housing a portion of the project's parking supply;
- The image of the facility should be significantly improved.

In the intervening months, we have endeavored to address these concepts and concerns. We feel we have structured a mutually agreeable license agreement for the use of the parking along the Garwood right of way in a manner that ensures the City significant revenue for as long as the hotel use is in effect. We have engaged in good faith discussions with neighboring property owners (1300 El Camino Real/Derry, Caltrain, Ducky's, and 585 Glenwood Avenue) and are committed to exploring every opportunity to achieve the mutual interests of the City and the proposed hotel relative to the provided parking. And of course, we have assembled a great team of architects and designers to create a beautiful, hip, and useful hotel of which Menlo Park can be proud. We look forward to bringing it to life.

Please direct all correspondence regarding the enclosed to:

Reed Moulds  
Managing Director  
Sand Hill Property Company  
203 Redwood Shores Parkway, Suite 200  
Redwood City, CA 94065  
650/344-1500x110



**Conley Consulting Group**

**MEMORANDUM**

October 3, 2012

Revised January 18, 2013

**To:** Sand Hill Property Company  
Attn: Reed Moulds

**From:** Conley Consulting Group  
Lauren Pitts  
Denise Conley

**Subject:** Limited Economic Benefit Review – Menlo Park

Conley Consulting Group (“CCG”) is pleased to present this limited economic benefit review of a proposed development of a select-service, business-class hotel in Menlo Park. Sand Hill Property Company (“SHPC”) seeks a preliminary estimate of the Project’s potential fiscal benefits and economic impact. This report was prepared for SHPC’s internal review.

The property is located at 555 Glenwood Avenue (the “Site”) and is presently operated as an age-restricted, independent living facility for seniors. Currently the property is only 21% occupied. SHPC has proposed to renovate the property as a 138-room Marriott Residence Inn (“MRI”) hotel (the “Project”), a nationally recognized extended stay lodging facility with over 650 locations.

For this review, CCG has prepared the following:

1. A summary comparison of the fiscal revenues associated with the proposed MRI and the existing senior facility (See Table 1).
2. An estimate of the additional impact of the proposed MRI on the local economy using input-output analysis (See Table 2).
3. An estimate of the potential reduced transient occupancy tax (“TOT”) revenues from MRI guests who stay over 30 days and thus may not be subject to TOT. (See Table 3).

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Preliminary Economic Benefit Review Memo

## I. Summary of Conclusions

CCG's estimate of the likely new fiscal revenues to the Menlo Park General Fund and jobs generated by the proposed hotel is summarized in Table 1 and described in the memorandum below. For this analysis, CCG based its revenue assumptions on the operating characteristics of the 156 room MRI hotel located at 4460 El Camino Real in Los Altos, CA (the "Los Altos MRI") also owned and operated by SHPC. Based on the performance of the Los Altos MRI, the gross revenue of the proposed MRI is projected at \$7.2 Million ("M").<sup>1</sup>

### A. Fiscal Revenues

The existing Glenwood senior housing facility generates property taxes and business license fees totaling \$24,831 in 2011. Adaptive reuse of the Site as a hotel will generate transient occupancy, sales, property and business tax revenue.

In November 2012 a TOT ballot measure was passed and the City's TOT rate increased to 12%. At the new rate, the Project will generate \$693,414 in fiscal revenues, a net increase of \$668,582 from the revenues currently generated at Glenwood. See Table 1 below.

<b>TABLE 1: NET INCREASE IN FISCAL REVENUES TO THE CITY OF MENLO PARK FROM PROJECT</b>			
	<b>Glenwood Facility</b>	<b>Proposed MRI</b>	<b>Net Change</b>
Estimated Gross Revenue <sup>2</sup>	\$3,800,000	\$7,233,363	
Estimated Room Revenue <sup>3</sup>		7,099,839	
Estimated Room Revenue Subject to TOT <sup>4</sup>		5,466,876	
<b>Tax Revenue Sources:</b>			
TOT		656,025	
Sales		1,013	
Property	23,831	33,876	
Business Tax	<u>1,000</u>	<u>2,500</u>	
<b>Total</b>	<b>\$24,831</b>	<b>\$693,414</b>	<b>+\$668,582</b>

Source: Conley Consulting Group, Marriott, October 2012.

Thus, the Project generates substantially more revenue to the Menlo Park General Fund than does the existing use, primarily due to TOT revenues and increased property taxes.

<sup>1</sup> No market study was preformed for this effort. Thus, an independent projection of the operating results of a MRI is not available.

<sup>2</sup> Existing Glenwood Inn gross revenue provided by current site management and assumed to be stabilized over 12 months. New Project revenue estimated from the 2011 operating performance of the Los Altos MRI and then adjusted for the smaller size of the Project.

<sup>3</sup> Based on 2011 Los Altos MRI operating performance.

<sup>4</sup> Based on percentage of room revenue subject to taxes per Los Altos MRI in 2011 (77% of estimated room revenue), ie excluding revenue from guests in occupancy for longer than 30 days.

## B. Economic Impacts

Based on the projected \$7.2 M gross revenue from operation of the Project, CCG projects that the Project will generate a net increase of 25 additional jobs employed at the Site, plus a net of 12 indirect jobs and 10 induced jobs for a total of 47 net new jobs in the local economy, over and above the existing senior facility in 2011.<sup>5</sup> Similarly, the Project is projected to impact the local economy with a net addition of \$3.4 M in direct impacts from higher gross income generated by reuse of the site, plus a net increase of \$1.6 M in indirect economic impacts and \$1.7 M in induced economic impacts, for a total net economic impact of \$6.6 M, compared to the site's current use. (See below Table 2 for a summary and Table 7 for detail.)

TABLE 2: JOB AND ECONOMIC IMPACTS				
	Direct	Indirect	Induced	Total
Net Jobs Impact	25	12	10	47
Net Economic Impact	\$3,433,363	\$1,586,170	\$1,563,462	\$6,582,996

Source: Conley Consulting Group, IMPLAN, October 2012.

## II. The Project

The Site is approximately 2.3 acres in size. The current and proposed reuse of the site is described below.

### A. Current Use – Independent Living Facility

The existing site is operated as the Glenwood Inn, a market rate, age-restricted independent living facility made up of four rectilinear buildings. The Site includes one building that serves as community space and three residential buildings with studio, one- and two-bedroom units. The community space includes a library, auditorium, two dining rooms, social room, meeting room, card room and management offices. Unit interiors include at least one bathroom (two bathrooms for two bedroom units) and a partial "efficiency" kitchen (two plate burners, no oven or ventilation, and a shallow bar sink).

### B. Proposed Use – Marriott Residence Inn (MRI)

SHPC has proposed to convert the existing buildings into a Marriott Residence Inn hotel. The property can be converted into an MRI without an increase in the overall size of the buildings. The interiors will be reconfigured and the common areas upgraded to meet MRI design standards and amenity requirements. Services and guest accommodations at the Project will include free hot breakfasts, a 24 hour market, complimentary social events, private meeting rooms, business center, sitting room, breakfast buffet and dining room, and fitness center. In-unit amenities will include private work space and full kitchens. Other guest services will include dry cleaning services, On-Demand movies and grocery delivery services.

<sup>5</sup> This estimated, which is based on IMPLAN input output model is for countywide indirect and induced jobs and economic impacts. Input output analysis is not generally available at the city level.

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## II. Methodology

This fiscal and economic benefit review analysis is intended to determine, on a preliminary basis, the economic effects of new development by considering the new taxes generated and jobs created by the adaptive reuse of the existing senior facility into a Marriot Residence Inn. It is intended as an owner's document for internal use. This analysis estimates the Project's sales performance and tax revenue based on the performance of the nearby, similar MRI hotel in Los Altos. It is important to note that this assignment did not include a hotel market study or a projection of the likely operating results of the Project. CCG used 2011 room revenue generated at the Los Altos property to estimate potential TOT revenues, sales tax and business license fees at the Project. Property tax estimates were based on current property tax rolls for the Site. CCG's assignment does not include estimating the fiscal cost of the development.

To understand the economic impact of the hotel use at the Site, CCG used the IMPLAN economic model for San Mateo County to conduct input-output analysis, based on the various sources of revenue projected to be generated at the Site.

## III. Projected Revenues

### A. Transient Occupancy Tax

The rehabilitation and adaptive reuse of the senior facility as an extended stay hotel will generate transient occupancy tax (TOT) for Menlo Park. TOT is a tax imposed on room revenue, generally limited to short term guests, e.g. hotel guests who stay for 30 days or less.

In fiscal year 2011-12, the City of Menlo Park's TOT revenue collection was approximately \$2.9 M. Based on the operating results of the nearby Los Altos MRI, CCG projects that the Project will generate approximately \$600,000 in annual TOT revenues from short term guests. The Project's projected TOT revenues would increase current citywide TOT revenues by 21%.<sup>6</sup> TOT tax is projected to be the largest source of tax revenue generated by the Project. The Site's current use as a senior facility does not generate any TOT tax.

A November 2012 ballot measure increased the Menlo Park TOT rate to 12%.<sup>7</sup> Members of the community had voiced concerns that the TOT increase will negatively impact the viability of Menlo Park hotels as some travelers may choose to stay in other nearby cities to avoid the tax increase. However, since the TOT rate in other nearby cities, including East Palo Alto, Palo Alto and nine other San Mateo County cities, is already 12%, it is possible that the impact of the proposed TOT increase will not be severe. For this preliminary analysis we have assumed that the TOT rate increase has no impact on hotel patronage patterns.

Prior to the November 2012 election, the City of Menlo Park projected that the proposed 2 percentage point tax rate increase will generate \$290,000 in additional TOT revenues by the end of fiscal year 2012-13 and an additional \$580,000 annually in future years to follow. The recent tax rate increase is projected to generate an additional \$120,000 of TOT revenue from the Project annually.

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<sup>6</sup> Based on the Los Altos MRI facility revenues for 2011. See prior note about the absence of a market study for this analysis.

<sup>7</sup> Measure K is effective 1/1/2013.

**B. Potential TOT from Longer Term Guest Stays**

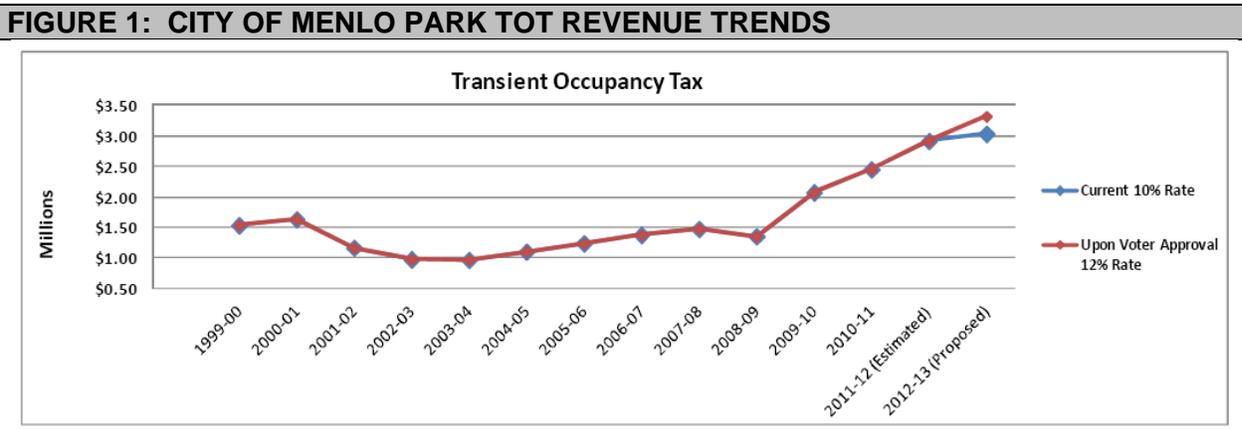
Room revenues from hotel guests who stay beyond 30 days are not subject to TOT.<sup>8</sup> Based on the proportion of longer term guest stays at the nearby Los Altos MRI, CCG estimates that 23% of room revenue for the Project would be from longer term guests who stayed more than 30 days and thus are not subject to TOT tax. We also note that at the Los Altos MRI 17% of those longer term guests were from the corporate demand segment i.e., guests who were likely working on long term projects at firms in nearby Menlo Park or Silicon Valley locations.

Thus, we project that at the current TOT rate, the impact of longer term guest stays at the Project will be \$195,956 (see Table 3 below).

<b>TABLE 3: POTENTIAL TOT IMPACT OF GUESTS STAYS OVER 30+ DAYS</b>			
	<b>2011 Revenue</b>		<b>Difference in TOT Revenue</b>
	<b>All Guests</b>	<b>Less Guests 30+ days</b>	
Total Room Revenue	\$7,099,839	5,466,876	\$1,632,963
Total Potential TOT Tax @ 12%	\$851,981	\$656,025	\$195,956

Source: Conley Consulting Group, Marriott, Sand Hill Property Company, October 2012.

We also note that TOT is one of the few General Fund revenue sources that have steadily increased over the past 10 years. In fact, there have been significant TOT revenues gains in the four years following the start of the Recession of 2008. See Figure 1 below.



Source: Conley Consulting Group, City of Menlo Park, October 2012.

<sup>8</sup> However, guests who stay longer than 30 days, but who check out before 30 days and check back in are subject to TOT revenues.

## Sales Tax

The Project will generate a small amount of sales tax from activities such as food and beverages purchased at a small convenience market. Additional sales tax revenue will be generated by MRI revenues for catered meetings, dry cleaning, grocery services and movie rentals. Due to the limited service nature of the facility, we project that only 1.4% of the facility's total revenue will generate sales tax.<sup>9</sup> The City receives just under 1% out of the total 8.25% San Mateo sales tax rate. Based on 2011 revenues from the MRI in Los Altos, CCG has estimated potential sales tax at the Project. The current Glenwood facility does not generate any sales tax revenue. See Table 4 below.

<b>TABLE 4: ESTIMATED SALES TAX REVENUE</b>			
	<b>Total Revenue</b>	<b>Estimated Sales Tax</b>	<b>City Share</b>
Food & Beverage <sup>10</sup>	\$82,749	\$6,827	\$827
Movie Rentals	15,132	1,248	151
Dry Cleaning	12,884	1,063	129
<b>Total</b>	<b>\$110,764</b>	<b>\$9,138</b>	<b>\$1,108</b>

Source: Conley Consulting Group, Sand Hill Property Company, Marriott, October 2012.

During the construction period, it is possible that sales tax will be generated by local purchases of construction materials. However, this amount is likely to be small, and an estimate of the fiscal impact from construction is beyond the scope of this assignment.

## Property Tax

Table 6 shows the increased tax assessment due to the proposed change in the use of the Site from a senior care facility to a hotel. The assumptions used to calculate the tax impact are as follows:

- Per SHPC staff, property improvements and construction costs associated with the Project would increase the assessed value (AV) of the Site (including personal property) by \$10,000,000.
- SHPC's purchase price for the Site would be at least equal to the existing AV.
- Special charges are generally assessed on a per parcel basis, and are therefore not impacted by changed AV.

<sup>9</sup> Per data from SHPC, operators of the Los Altos MRI.

<sup>10</sup> Food and beverage includes both sales at the market and for meeting room catering.

<b>TABLE 5: PROPERTY TAX AND SPECIAL CHARGES RATES</b>	
<b>General Tax Revenue</b>	1.0000%
Menlo Park Park + Recreation Bond	0.0156%
Menlo Park Elementary School 2005 Refunding Series	0.0402%
Sequoia High School Refund Series 2003 A	0.0356%
San Mateo Junior College Bond Series 2005 B	0.0194%
<b>General Tax Total</b>	<b>1.1108%</b>
<b>Menlo Park/San Mateo County Special Charges</b>	
SMC Mosquito Abatement District	3.74
Menlo Park ESD Measures	790.04
Fed CA & NPDES Storm Fee	58.44
Menlo Park Storm Drainage Fee	392.78
Menlo Park Tree Maintenance	88.96
San Mateo County Community College District 2010-2013	34.00
West Bay Sanitary District	29,697.80

Source: Conley Consulting Group, County of San Mateo Tax Collector/Treasurer, Secured Property Tax Assessment, October 2012.

With the increase improvements to the property, the property tax for the Site would increase by \$111,080 for a total annual (based on 2012 tax rates and charges) of \$405,692. Of this amount \$33,876 will accrue to the City of Menlo Park General Fund.<sup>11</sup>

<b>TABLE 6: SHARE OF PROPERTY TAX TO MENLO PARK GENERAL FUND</b>		
	Existing Development	Proposed Hotel Development
<b>Assessed Value (AV):</b>		
Improvements+Personal Property	18,357,481	18,357,481 <sup>12</sup>
Proposed Improvements to Property		10,000,000 <sup>13</sup>
Land	5,368,296	5,368,296
Total Assessed Value	<b>\$ 23,725,777</b>	<b>\$ 33,725,777</b>
<b>General Tax Revenue</b>	1.0000%	237,258
		337,258
<b>Share to the City</b>	10.045%	23,831
		33,876 <sup>14</sup>

Source: Conley Consulting Group, County of San Mateo Tax Collector/Treasurer, Secured Property Tax Assessment, October 2012.

<sup>11</sup> Assumes buyer is purchasing the property at the current assessed value. If the purchase price is higher, the property tax revenue would increase proportionally.

<sup>12</sup> As stated previously per SHPC, the current AV is assumed to be equal to the acquisition of the property. CCG has not independently tested this assumption, the combined AV, as a cost basis estimate

<sup>13</sup> SHPC provided an estimate of \$10,000,000 for the assessed value of construction to upgrade the existing property to a MRI hotel.

<sup>14</sup> The property tax estimated to the City of Menlo Park General Fund is based on 12.24943964% of the tax rate in tax area 08-004, ERAF equal to 18% is deducted from the City's share, with a remaining tax rate of 10.04454% to Menlo Park.

<b>TABLE 7: ESTIMATED PROPERTY TAX</b>			
		Property Tax Estimate	
		Existing Development	Proposed Hotel Development
<b>Assessed Value:</b>			
Improvements & Personal Property		18,357,481	18,357,481 <sup>15</sup>
Proposed Improvements to Property		0	10,000,000 <sup>16</sup>
Land		5,368,296	5,368,296
Total Assessed Value		\$ 23,725,777	\$ 33,725,777
<b>General Tax Revenue</b>	1.0000%	237,257.77	337,257.77
Menlo Park Park + Recreation Bond	0.0156%	3,701.22	5,261.22
Menlo Park Elementary School 2005 Refunding Series	0.0402%	9,537.76	13,557.76
Sequoia High School Refund Series 2003 A	0.0356%	8,446.38	12,006.38
San Mateo Junior College Bond Series 2005 B	0.0194%	4,602.80	6,542.80
<b>General Tax Total</b>	<b>1.1108%</b>	\$ 263,546	\$ 374,626
<b>Menlo Park/San Mateo County Special Charges</b>			
SMC Mosquito Abatement District		3.74	3.74
Menlo Park ESD Measures		790.04	790.04
Fed CA & NPDES Storm Fee		58.44	58.44
Menlo Park Storm Drainage Fee		392.78	392.78
Menlo Park Tree Maintenance		88.96	88.96
San Mateo County Community College District 2010-2013		34.00	34.00
West Bay Sanitary District		29,697.80	29,697.80
<b>Total Special Charges</b>		\$ 31,066	\$ 31,066
<b>SUMMARY</b>			<b>Difference</b>
General Tax		263,545.93	374,625.93
Total Special Charges		31,065.76	31,065.76
<b>Total Taxes</b>		\$ 294,612	\$ 405,692
			\$ 111,080

Source: Conley Consulting Group, County of San Mateo Tax Collector/Treasurer, Secured Property Tax Assessment, October 2012.

### Business License Fee

In Menlo Park I business License Fees are assessed annually on annual gross receipts. The projected gross receipts at the Project will generate \$2,500 in business license fees to the City. The business license fee is assessed at \$750 for businesses that generate between \$1 M and \$2 M in gross revenue, plus an additional \$250 for each additional million in gross

<sup>15</sup> Assumes buyer is purchasing the property at the current assessed value. If the purchase price is higher the property tax revenue would increase proportionally.

<sup>16</sup> SHPC provided an estimate of \$10,000,000 in proposed SHPC improvements to the property for the assessed value of construction to upgrade the existing property to a MRI hotel.

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revenue. In 2011, the current Glenwood facility paid a business license fee of \$1,000 to the City.<sup>17</sup>

#### IV. Economic Impact

Input-output analysis is a method to measure the likely impact of a new economic activity on the local economy defined on a countywide basis. Input-output analysis uses a macroeconomic model of the economy to measure, on a county level, the interrelationship between activity, including both gross income and jobs, in one sector to other sectors in the economy.

For this analysis, revenues and jobs at the Project are the **direct** economic impacts. In addition to these direct impacts, the businesses who supply goods and services (such as linen and food services) to the Project will experience an **indirect** economic impact from the Project. In turn, the suppliers of those sectors indirectly impacted by the Project will experience **induced** impacts. For example, the additional spending at the Project will result in additional purchases of materials, supplies, and services from other firms that will in turn support subsequent purchases by those businesses from other businesses, and so on.

CCG uses the IMPLAN model of the economy to determine the economic impact of a given business activity on other sectors of the economy. IMPLAN provides multipliers derived from input output analysis. IMPLAN is an economic input-output model originally developed by U. S. Department of Agriculture, Office of Emergency Services and the University of Minnesota, Department of Agricultural and Applied Economics. The current economic impact model is produced solely by MIG, Inc.

CCG used the gross revenue (direct impact) of the Glenwood senior living facility to estimate indirect and induced impacts. According to Staff at Glenwood in 2011 there were 23 full time direct jobs at the Site. Based on the employment multiplier for that activity the current facility added 2 indirect jobs and 3 induced jobs for a total of 28 jobs. The senior facility on the site generates \$3.8 M in direct revenue. The estimated indirect impact of that economic activity is \$369,637 with an additional \$414,740 in induced impacts, for a total of \$4.6 M in economic impacts.

Currently there are 48 direct jobs at the Los Altos MRI. According to staff the number of employees will be similar at the proposed Project as well. Based on 2011 revenue assumptions and employment from the proposed Menlo Park MRI, CCG has estimated the addition of a MRI hotel would likely create approximately 14 indirect jobs and 13 induced jobs for a total of approximately 75 gross new jobs in Menlo Park and San Mateo County. In addition to the direct revenue generated at the Site, a new hotel with more than \$8 M in annual revenue at the subject site would generate \$1.96 M in indirect impacts and another \$1.98 M in induced impacts. Thus, the total new economic impact of the proposed MRI would be \$11.2 M including direct sales activity at the Site as well as revenue generated by industries that supply goods and services used by the MRI and the hotel guests.

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<sup>17</sup> Conversations with Glenwood staff indicated that they initially submitted a business license fee payment of \$1,250, but City of Menlo Park officials returned payment and suggested a lower fee of \$1,000. Glenwood staff did not have an explanation for the change.

Thus, the reuse of the Site as a MRI hotel will result in a net increase of 25 direct jobs, 12 indirect jobs and 10 induced jobs for a total of 47 net new jobs in San Mateo County compared to the existing use of the Site as a senior facility. Similarly, the Project is projected to generate net increase of \$3.4 M in direct economic activity, \$1.6 M in indirect impacts and \$1.7 M in induced impacts for a net total of \$6.6 M of economic activity added to the local economy. See Table 8 below.

<b>TABLE 8: JOBS AND ECONOMIC IMPACTS IN SAN MATEO COUNTY</b>					
<b>Description</b>	<b>Total Revenue</b>	<b>Direct Impacts</b>	<b>Indirect Impacts</b>	<b>Induced Impacts</b>	<b>Total Impacts</b>
<b><i>Glenwood Facility (Current Use)</i></b>					
Jobs Impacts	\$3,800,000	23	2	3	28
Economic Impacts	\$3,800,000	\$3,800,000	\$369,637	\$414,740	\$4,584,377
<b><i>Marriott Residence Inn (the Project)</i></b>					
Jobs Impacts	\$7,233,363	48	14	13	75
Economic Impacts	\$7,233,363	\$7,233,363	\$1,955,807	\$1,978,202	\$11,167,373
<b><i>Total Net Impacts</i></b>					
Net Jobs Impact		25	12	10	47
Net Economic Impact		\$3,433,363	\$1,586,170	\$1,563,462	\$6,582,996

Source: Conley Consulting Group, IMPLAN, October 2012.

## V. Caveats & Limitations

CCG has made extensive efforts to confirm the accuracy and timeliness of the information contained in this document. Such information was compiled from a variety of sources deemed to be reliable, including the proposed developer, state and local government, planning agencies, hotel operators, MIG, Inc., and other third parties. Although CCG believes the information in this document to be correct, it does not guarantee data accuracy and assumes no responsibility for inaccuracies in the information provided by third parties.

CCG has not conducted a formal market study to verify the performance of the proposed property. We note the nearby operation of a MRI in Los Altos, which is marketed as a Palo Alto hotel. Further, in the absence of a market study we have assumed the operation of the Project will not impact the operation of other lodging facilities in Menlo Park.

The analysis assumes that the national economy will continue to experience a slow, but shallow recovery from the Great Recession conditions which started in 2008. We note that the San Mateo County and nearby Silicon Valley is currently undergoing an economic expansion at a greater rate than the rest of California and the nation. If an unforeseen change occurs in the economy, the conclusions contained herein, particularly regarding hotel occupancy, may no longer be valid.

This limited analysis is designed to inform the project proposers of the likely economic benefit of the proposed project. It is intended as an owners document. Furthermore, the document explicitly does not include analysis of the fiscal costs associated with the development.

## Memorandum

**To:** Thomas Rogers, City of Menlo Park

**From:** Ron Golem; Raymond Kennedy, BAE

**Date:** February 19, 2013

**Re:** Limited Market Analysis and Peer Review of Conley Consulting Group Memorandum  
Regarding Proposed Hotel Project in Menlo Park

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This memorandum presents BAE's findings from a peer review of the *Limited Economic Benefit Review* ("the CCG Memo") prepared by Conley Consulting Group (CCG) for Sand Hill Property Company (SHPC) for its proposed hotel project in Menlo Park. The CCG Memo consists of two major components: (1) a comparison of fiscal revenues (Transient Occupancy Tax or TOT; sales tax, property tax; and business license fee) from the proposed hotel compared to the current use; and (2) an estimate of job and economic impacts resulting from the project. The most recent version of the CCG Memo is dated January 18, 2013.

The purpose of this peer review is to evaluate the methodologies and data sources used for the study, assess the appropriateness and accuracy of its calculations, and provide an opinion as to the accuracy and comprehensiveness of the study and identify any items that should be addressed prior to the City's consideration of the study's findings. Because the proposed TOT revenues are the largest fiscal revenue source, but subject to variation based on market conditions, BAE also conducted a limited market assessment to verify assumptions made in the CCG Memo. This limited assessment includes an evaluation of the local market for lodging properties in the same segment as the proposed Residence Inn by Marriott, based on data purchased from Smith Travel Research (STR), the leading provider of data on hotel industry operations, and a review of planned and proposed projects. This information is used to evaluate the results of alternative room rate, occupancy, and TOT assumptions.

## Project Description

SHPC proposes to convert an existing assisted-living facility at 555 Glenwood Avenue in Menlo Park into a Residence Inn by Marriott hotel. Residence Inn is an extended stay hotel chain, providing more amenities, such as kitchens and larger spaces including separate bedrooms, than a conventional hotel. Unlike a traditional, full-service hotel, extended stay hotels do not contain on-site restaurants or lounges, and generally have more limited meeting space. The target market for extended stay hotels includes business travelers with long-term assignments in an area, families in transition seeking temporary housing, and other guests seeking a more "home-like" environment.

**San Francisco**  
1285 66<sup>th</sup> Street  
Second Floor  
Emeryville, CA 94608  
510.547.9380

**Sacramento**  
803 2<sup>nd</sup> Street  
Suite A  
Davis, CA 95616  
530.750.2195

**Los Angeles**  
5405 Wilshire Blvd.  
Suite 291  
Los Angeles, CA 90036  
213.471.2666

**Washington DC**  
1436 U Street NW  
Suite 403  
Washington, DC 20009  
202.588.8945

**New York City**  
121 West 27<sup>th</sup> Street  
Suite 705  
New York, NY 10001  
212.683.4486

The proposed hotel would have 138 rooms/suites, and would not change the existing 113,803 square-foot building footprint, relying instead on substantial remodeling and rehabilitation for the conversion to hotel use.

## **Approach to the Review**

The peer review involves the following steps: (1) review of the CCG Memo and other background documents, including the staff report for the Council study session of October 30, 2012; (2) a telephone interview with Conley Consulting Group regarding its methodology and approach and findings; (3) mathematical analysis of the key assumptions and findings in the CCG Memo; and (4) a limited market analysis to provide another perspective on the reasonableness of the assumptions in the CCG Memo.

The review we conducted is based on our experience in doing fiscal impact and market analysis for numerous communities throughout California, as well as our experience in evaluating lodging property feasible in a number of US jurisdictions. We are familiar with the City of Menlo Park in particular due to our previous and ongoing work preparing fiscal impact analysis for various projects in the City.

## **Summary of Findings**

### ***Market Analysis***

Residence Inn is one of the multiple brands under the umbrella of Marriott International, Inc. Residence Inn is classified by STR as an upscale chain hotel. In San Mateo and Santa Clara County, Residence Inn has more extended stay hotels and rooms than any other upscale chain, accounting for 8 of the 19 properties and 1,186 of the 2,704 rooms/suites in this segment.

The upscale chain extended stay hotel type is a market niche that is currently unfilled in Menlo Park. The extended stay upscale chain property closest to Menlo Park is the Residence Inn several miles away in Los Altos, owned by SHPC and used as the performance benchmark by CCG for the proposed project. SHPC brands this property as the Residence Inn Palo Alto/Los Altos in order to leverage the attraction of Palo Alto proximity. To the north, the closest comparable property is the Hyatt House in Belmont. Since the Los Altos Residence Inn is the closest similar hotel, the CCG Memo's use of the Los Altos Residence Inn for benchmarking the performance of a similar facility in Menlo Park is appropriate.

STR data shows that the annual average occupancy for a sample of upscale extended stay hotels in San Mateo and Santa Clara Counties declined from a peak of 81.8 percent in 2007 to 73.5 percent in 2009, with a substantial recovery to 83.7 percent in 2010, with average occupancy levels above 80 percent in 2011 and 2012. Occupancy rates for upscale chain extended stay hotels have consistently exceeded those for the overall upscale chain market segment (including full-service hotels) in the area. By 2010, annual room demand for upscale chain extended stay hotels exceeded demand in 2007, reaching approximately 546,000 room-nights. By 2012, annual room demand for this group of hotels climbed to about 585,000 rooms, showing that regional demand in this market segment continues to grow. Revenue trends also showed a decline related to the recession, but by 2012 revenues had surpassed pre-recession levels. In 2012, the average daily rate (ADR) for the upscale chain

extended stay segment averaged \$150 per night, a 10 percent increase over 2011, and RevPAR (daily revenue per available room<sup>1</sup>) averaged \$123, a 12 percent increase over 2011. As context, STR reports that for all hotels tracked nationally, occupancy in 2012 averaged 61.4 percent, so the local extended stay market appears to be strong.

Within San Mateo and Santa Clara County, the highest room rates for upscale chain extended stay hotels were found at the Los Altos Residence Inn, which as noted previously is the hotel in this market segment in closest proximity to Menlo Park. The next highest rates were at the Residence Inn in Mountain View. These rates are a strong indicator that within the larger San Mateo / Santa Clara County market, Menlo Park and nearby communities to the south are a strong submarket for hotels, due to the resurgent high tech sector in the area, as exemplified by growth by Apple, Facebook, Google, and other companies along with new start-ups. The strong local hotel performance is also indicated by data for the Los Altos Residence Inn as reported by SHPC; in 2011 that Residence Inn reported average occupancy of 82.8 percent and an average daily rate of \$171.31, for a RevPAR of \$140.59, higher than the occupancy, average daily rate and RevPAR figures reported by STR for area upscale chain extended stay hotels as discussed above.

An additional survey by BAE of Menlo Park and surrounding communities found limited additional competitive hotel supply in the pipeline. The only project currently under consideration is a 230-room full-service Renaissance ClubSport hotel as part of the Menlo Gateway project in Menlo Park. Although the project has received all discretionary approvals, City staff report that the developer is having difficulty obtaining financing for this hotel, so the schedule for development is uncertain. City staff noted three smaller independent hotels in Menlo Park that were currently undergoing or proposing upgrades. These three hotels (the Menlo Park Inn, the Red Cottage Inn, and the Mermaid Inn) total approximately 100 rooms. The Mermaid Inn is currently in discussion with the City regarding a possible increase in their room count, but the other hotels are not adding rooms. Based on BAE interviews with property owners of these three hotels, only the Red Cottage Inn targets extended stay customers.

This limited market analysis indicates that the market for upscale extended stay hotels in the area of Menlo Park has rebounded from 2009 recession levels, with occupancies, room rates, and demand exceeding levels found prior to the recession. The highest room rates are focused in the core area of Silicon Valley near Menlo Park. Looking at the geographic distribution of this hotel type in the area shows a “gap” in the Menlo Park area, indicating strong potential demand for the proposed hotel project at 555 Glenwood Avenue.

### ***CCG Memo Peer Review***

The CCG Memo consists of two major components: 1) a comparison of fiscal revenues from the proposed hotel and the current use; and 2) an estimate of job and economic impacts resulting from the project. CCG used data provided by the developer from the Los Altos Residence Inn to generate its fiscal revenue estimated for the proposed project.

### ***Transient Occupancy Tax***

Transient occupancy tax (TOT) is by far the proposed project’s largest estimated generator of revenues for the City of Menlo Park. Following approval of a voter-approved increase in the tax in November 2012, the City’s TOT rate is now 12 percent of room revenues for guests staying

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<sup>1</sup> RevPAR is calculated as ADR x occupancy rate = RevPAR.

30 days or less. The CCG Memo estimates TOT revenues to the City of \$656,025 annually. The estimate is based on RevPAR from the Los Altos Residence Inn times the number of rooms in Menlo Park, on the assumption that the two hotels would have similar performance. CCG makes an adjustment for stays of more than 30 days, for which local jurisdictions do not collect TOT revenues. This 23 percent adjustment downward in TOT due to stays of thirty or more days (based on the experience of the Los Altos facility) seems to be of an appropriate order of magnitude, given that the reported national rate for stays of five days or more at Residence Inn was 43.8 percent. BAE's market analysis indicates that this area commands higher room rates than the larger region, and the Menlo Park facility will also serve an area overlapping the area including Palo Alto served by the Los Altos Residence Inn (that hotel is referred to as the "Residence Inn Palo Alto Los Altos").

Based on the STR trends data, overall long-term demand continues to increase, so even with any additions to the hotel room inventory, the market in the near-term may be able to sustain higher occupancy levels and room rates. However, it is also possible that the TOT revenues as estimated by the CCG Memo could be overstated, especially over the long-term. Absent a full market study, it is not possible to definitively estimate whether the new Menlo Park Residence Inn would perform at the same level as the SHPC Los Altos Residence Inn, or whether the new facility might impact revenues at other hotels in the City and thereby create off-setting reductions in TOT revenues to the City. Occupancy levels and room rates today are at peak levels relative to the last several years, and the well understood boom-and-bust nature of the Silicon Valley economy means that over the long term ADR and occupancy rates will vary, leading to changes in TOT receipts. Finally, there may be other new proposed lodging projects proposed based on the currently strong market conditions, which could further impact the performance of existing hotels. Thus, even if the new hotel achieves the levels of TOT assumed by the CCG Memo, there is some risk that TOT revenue generation would be somewhat lower, particularly during future economic downturns.

#### ***Alternative TOT Calculation***

BAE has generated a somewhat more conservative estimate of TOT to the City of Menlo Park. This estimate takes into account longer-term regional trends in occupancy and room rates from 2006 through 2012, adjusting for the higher room rates as indicated by revenues at the Los Altos Residence Inn, as described in the expanded section of this memo on the limited hotel market analysis. Based on these adjustments, the proposed hotel would approximately \$615,000 in annual TOT revenues to the City of Menlo Park. The approximately six percent reduction in projected annual TOT revenues that this figure represents even after accounting for the recent market cycle should be considered within the same order of magnitude as the TOT estimate in the CCG Memo. It reinforces the potential for the project to develop significant new fiscal revenues for the City.

#### ***Sales Tax***

Sales tax is estimated by CCG based on revenue numbers from the Los Altos facility provided by the developer and adjusted for the size of the proposed project. The CCG Memo states that the existing facility generates no sales tax directly. The estimated taxable sales from the new hotel would total approximately \$111,000 annually.

Because Menlo Park receives a small share of sales tax (slightly less than one percent of the amount of sale), the tax revenue to Menlo Park is estimated by CCG at only about \$1,100 annually. SHPC provided a slightly lower estimate of sales tax generation to BAE than was

used in the CCG Memo, for a total of \$8,607 in total sales tax paid for food & beverage and dry cleaning, with no sales tax generated by movie rentals as assumed by CCG. As a result, the sales tax generation may be slightly overstated, but the change in revenues relative to overall fiscal revenues would be minimal. In part because the facility does not include a restaurant or bar, the total taxable sales revenues are very small relative to TOT. Even if the proposed project generated no taxable sales, the impacts on fiscal revenue for the City of Menlo Park would be minimal.

#### *Property Tax*

The CCG Memo estimates property tax generation based on a value arrived at by combining two components: the current assessed value and a developer-provided estimate of value added via the conversion to hotel use. The current total assessed value of the property is \$23,725,777. SHPC has estimated that the improvements to the property will add an additional \$10,000,000 to the assessed value, for a total assessed value of approximately \$34,000,000. SHPC has not yet purchased the property, considers information on the terms of its potential purchase to be confidential, and did not provide this information to CCG or BAE.

Given that the property has not been significantly modified or changed ownership in recent years, using assessed value to estimate the sales price appears to be a conservative assumption. Further detail on the value added through renovations and improvements was not available. One point of comparison would be recent hotel sales in the area, but limited research yielded few recent hotel sales in the area. The *San Francisco Business Times* reported in December 2012 that in San Francisco several large hotel property purchases were for more than \$230,000 per room. Applying this figure to this proposed project would indicate a value of \$31.7 million, within the same order of magnitude as estimated in the CCG Memo.

In any case, CCG estimates Menlo Park's share of the property tax increment amounts to only approximately \$10,000 annually. While greater than the sales tax generation, compared to the revenues generated by the TOT, this amount is small, and any variation in assessed value from the CCG Memo's estimate will likely not significantly affect overall tax revenue generation to the City.

#### *Business License Fee*

The CCG Memo estimates that the City's Business License fee will be \$2,500, based on annual revenue of \$7.2 million. BAE's calculation generated an estimated of \$2,250 annually. As with the property taxes, however, the revenue generated by this item is extremely small relative to the TOT, and the difference between the CCG and BAE numbers is minimal.

#### *Economic Impact*

The CCG Memo presents an estimate of increased jobs and economic activity due the conversion of the facility to an extended stay hotel. This estimate is generated using the IMPLAN input-output model, which estimates the flow of dollars as they circulate through the local economy and generate additional jobs and expenditures. IMPLAN is a standard tool for this purpose, and CCG's use is appropriate in this context. BAE has verified CCG's findings. It should be noted, as it is in the CCG Memo, that the direct jobs at the facility are in Menlo Park, but that the "local area" where the expenditures and other jobs are generated is the entirety of San Mateo County due to the limitations of what the IMPLAN model can calculate.

### *Summary of Peer Review*

BAE finds that the methodology used by CCG in estimating fiscal revenues to Menlo Park and economic impacts in the County from the proposed project is generally appropriate. However, the CCG TOT estimate is based on current strong market conditions. Over the long term, annual TOT generation may average somewhat lower than estimated by CCG due to the cyclical nature of the Silicon Valley economy, as well as potential future competing properties.

CCG's estimate of property taxes is constrained by limited information on the current value of the property and the cost to convert and upgrade the existing facility to an extended stay hotel, but appears to be of the correct order of magnitude; in any case, property tax revenue to the City is small compared to the TOT revenue. Sales tax and business license fees would be a very small source of revenue from the proposed project, and any differences between CCG's calculations and BAE's are insignificant.

## **Limited Hotel Market Assessment**

The purpose of this section is to provide an additional overview of the hotel market in Menlo Park and surrounding communities, particularly with respect to the upscale chain extended stay segment. The CCG Memo explicitly does not include any independent market assessment, relying instead on the performance of another similar SHPC property in Los Altos to estimate the likely revenues for the proposed project; the limited market assessment provides insight into whether the proposed project will generate TOT and other revenues at the levels assumed by the CCG Memo.

The analysis draws on performance and inventory data from area hotels provided by Smith Travel Research (STR) to compare the performance of upscale chain extended stay hotels (such as Residence Inn) in the region relative to all upscale chain hotels in general. In addition, Menlo Park and surrounding jurisdictions have been contacted to determine whether there are other planned and proposed hotels in the area that might compete with the proposed project.

### ***Profile of Residence Inn***

Residence Inn is one of the multiple brands under the umbrella of Marriott International, Inc. Other Marriott brands within the company include Marriott Hotels & Resorts, Courtyard, Renaissance Hotels, Fairfield Inn & Suites, and many others.

Residence Inn targets "upscale frequent business travelers" and "extended stay business travelers" seeking a hotel with amenities such as a 24-hour market, exercise rooms, larger suites, free hot breakfasts, and free grocery delivery.<sup>2</sup>

At year-end 2011, there were 614 Residence Inn in the U.S. and Canada, totaling 74,526 rooms. For 2011, average occupancy across the U.S. and Canada properties was 76.7 percent with an ADR of \$115.41, for a RevPAR of \$88.47.<sup>3</sup> By comparison, 2010 average occupancy was 75.3 percent with an ADR of \$112.06 and a RevPAR of \$84.41,<sup>3</sup> indicating a

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<sup>2</sup> <http://www.marriott.com/hotel-development/Residence-Inn.mi>

<sup>3</sup> Marriott International, Inc. 2011 Annual Report.

modest improvement in market conditions from 2010 to 2011. For 2011, extended stay occupancy was reported at 43.8 percent.<sup>4</sup>

**Existing Supply & Performance**

Residence Inn by Marriott is classified by STR as an upscale chain hotel. However, not all upscale chain hotels are extended stay facilities comparable to the proposed project. Table 1 below provides a listing of extended stay upscale chain hotels located in San Mateo and Santa Clara Counties. Residence Inn has more hotels and rooms in the area in this category than any other chain, accounting for eight of the 19 properties and 1,186 of the 2,704 rooms/suites. The STR inventory counts 8,347 rooms currently available in the upscale chain category overall in the two counties.

This list shows a lack of extended stay upscale chain hotels in Menlo Park and surrounding cities (see Figure 1 on the next page). The closest property is the Residence Inn several miles away in Los Altos owned by SHPC and used as the performance benchmark by the CCG Memo for the proposed project. To the north, the closest comparable property is the Hyatt House in Belmont. This finding indicates (1) that the Los Altos Residence Inn may be the best facility to use for benchmarking the performance of a similar facility in Menlo Park and (2) a potential market niche that is currently unfilled in Menlo Park.

**Table 1: Upscale Chain Extended Stay Hotels in San Mateo and Santa Clara Counties**

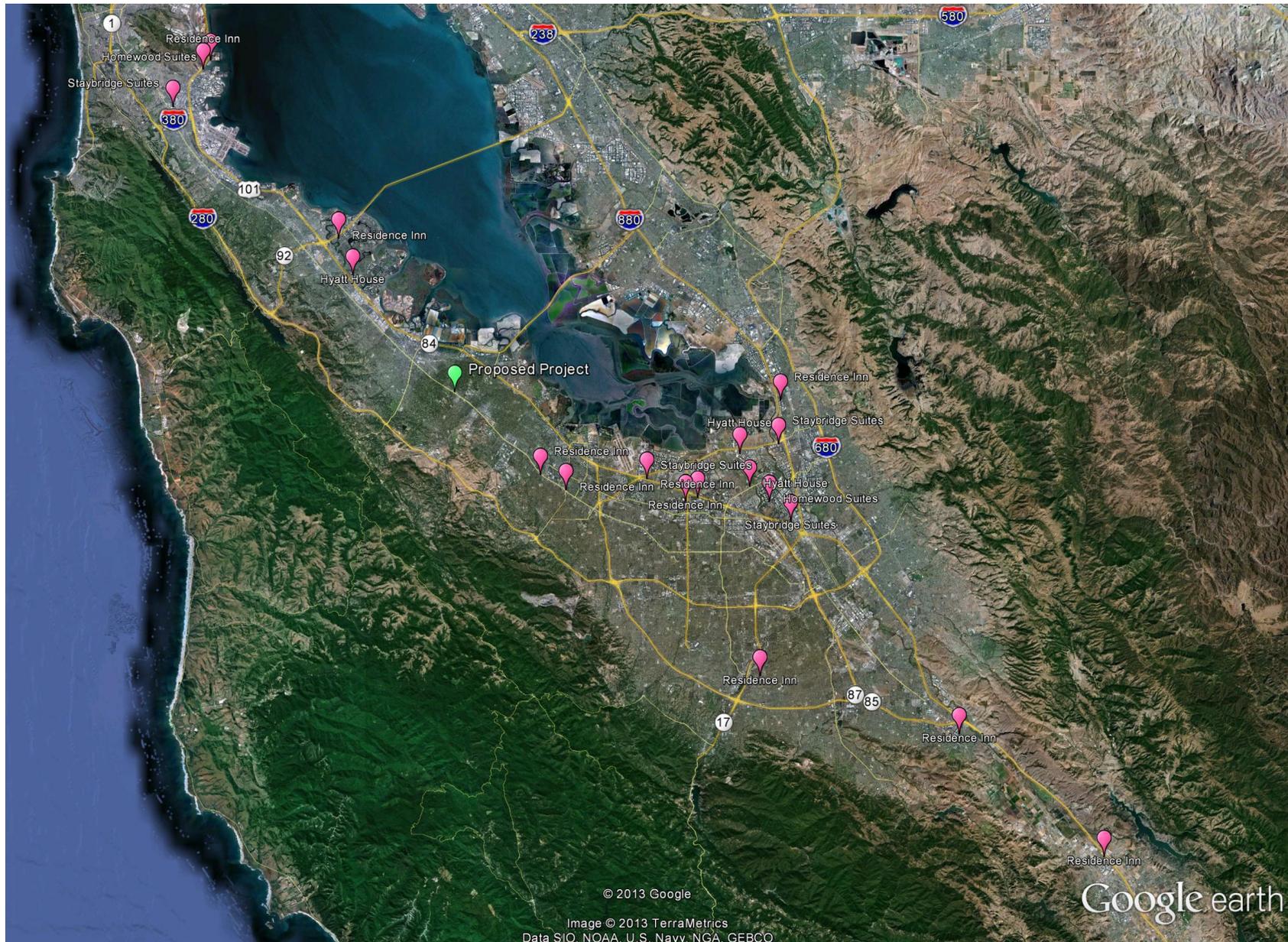
<u>Name</u>	<u>City</u>	<u>County</u>	<u>Rooms</u>
Homewood Suites San Francisco Airport North	Brisbane	San Mateo	177
Hyatt House Belmont Redwood Shores	Belmont	San Mateo	132
Residence Inn San Francisco Airport Oyster Point Waterfront	South San Francisco	San Mateo	152
Residence Inn San Francisco Arprt San Mateo	San Mateo	San Mateo	160
Staybridge Suites San Francisco Airport	San Bruno	San Mateo	92
Homewood Suites San Jose Airport	San Jose	Santa Clara	140
Hyatt House San Jose Silicon Valley	San Jose	Santa Clara	164
Hyatt House Santa Clara	Santa Clara	Santa Clara	150
Residence Inn Milpitas Silicon Valley	Milpitas	Santa Clara	120
Residence Inn Palo Alto Los Altos	Los Altos	Santa Clara	156
Residence Inn Palo Alto Mountain View	Mountain View	Santa Clara	112
Residence Inn San Jose Campbell	Campbell	Santa Clara	80
Residence Inn San Jose South	San Jose	Santa Clara	150
Residence Inn San Jose South Morgan Hill	Morgan Hill	Santa Clara	90
Residence Inn Sunnyvale Silicon Valley I	Sunnyvale	Santa Clara	231
Residence Inn Sunnyvale Silicon Valley II	Sunnyvale	Santa Clara	247
Staybridge Suites Hotel Silicon Valley Milpitas	Milpitas	Santa Clara	99
Staybridge Suites San Jose	San Jose	Santa Clara	114
Staybridge Suites Sunnyvale	Sunnyvale	Santa Clara	138

Note: Includes hotels reporting in STR database

Source: <http://www.biz-stay.com>; STR, 2013.

<sup>4</sup> Defined as the total extended-stay rooms (defined as any stay of five or more consecutive nights) divided by total available rooms. Note that US figures will be considerably lower than typical of the higher cost Bay Area. *Residence Inn Financial Performance Representations* is available at: [http://www.marriott.com/Multimedia/PDF/Hotel\\_Development/ResidenceFDD.pdf](http://www.marriott.com/Multimedia/PDF/Hotel_Development/ResidenceFDD.pdf)

Figure 1: Upscale Chain Extended Stay Hotels in San Mateo and Santa Clara Counties



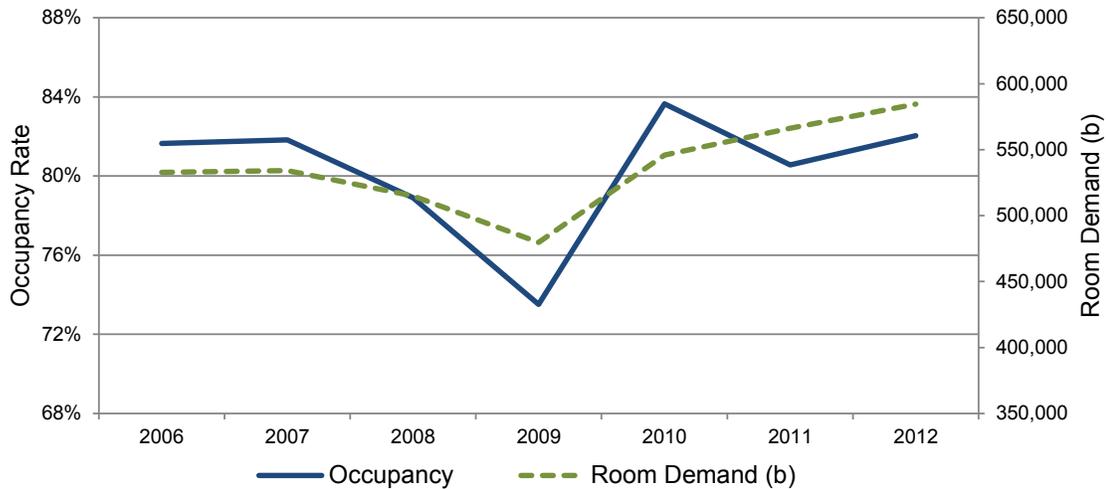
**Performance Trends**

STR data also provide a comparison between the performance of the area’s upscale chain extended stay hotels and the performance of upscale chain hotels overall, showing occupancy and revenue trends over the last several years. The inventory of upscale chain extended stay hotels used for the performance analysis includes only 13 of the hotels in Table 1; the hotels farthest away from Menlo Park were excluded (e.g., Morgan Hill, South San Jose), and due to STR disclosure rules limiting the number of rooms from one chain, it was necessary to create a sample that also excluded the Residence Inn in South San Francisco, San Mateo City, and Milpitas.<sup>5</sup>

As shown in Figure 2, annual average occupancy for the upscale extended stay hotels declined from a peak of 81.8 percent in 2007 to 73.5 percent in 2009, with a substantial recovery to 83.7 percent in 2010, with occupancy levels staying above 80 percent in 2011 and 2012. Occupancy rates for the upscale extended stay hotels have consistently exceeded those for the overall upscale chain market segment. As context, STR reports that for all hotels tracked nationally, occupancy in 2012 averaged 61.4 percent,<sup>6</sup> so the local extended stay market appears to be strong.

Also by 2010, annual room demand for the upscale extended stay hotels exceeded demand in 2007, reaching approximately 546,000 room-nights. By 2012, annual room demand for this group of hotels climbed to about 585,000 rooms, showing that demand in this market segment continues to grow.

**Figure 2: Occupancy Rates & Room Demand, Upscale Extended Stay Hotels, 2006-2012 (a)**



(a) Based on a sample of 13 upscale chain extended stay hotels in San Mateo and Santa Clara Counties as discussed above in text. Figures do not represent a 100 percent count of all upscale chain extended stay hotels in the two counties.

(b) Room demand represents the number of rooms sold over a given time period, excluding complimentary rooms.

Sources: STR; BAE, 2013.

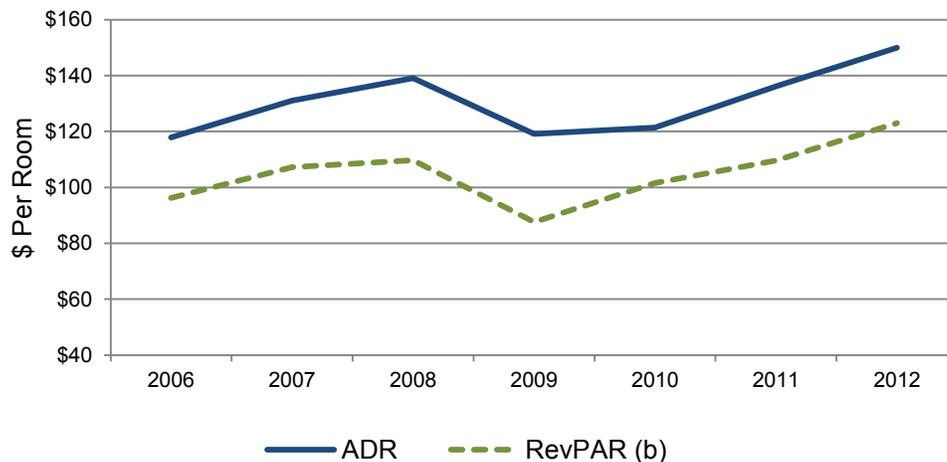
<sup>5</sup> Specifically, the hotels excluded are the Residence Inn in South San Francisco, San Mateo, Milpitas, Campbell, San Jose, and Morgan Hill.

<sup>6</sup> “STR: US hotels report continued growth in 2012,” STR, January 22, 2013, <http://www.hotelnewsnow.com/Articles.aspx/9748/STR-US-hotels-report-continued-growth-in-2012>.

Revenue trends also show a decline related to the recession, but by 2012 revenues had surpassed pre-recession levels (see Figure 3). In 2012, the average daily rate (ADR) for the upscale chain extended stay segment averaged \$150 per night, a 10 percent increase over 2011, and RevPAR (revenue per available room) averaged \$123, a 12 percent increase over 2011. In comparison, the 2012 ADR for all upscale chain hotels in the two counties was \$140, and RevPAR was \$110.

In addition to the data from STR, BAE compiled basic room rate quotes (“rack rates”) for a single-day stay and for a six-day stay at several of the upscale chain extended stay hotels closest to Menlo Park, including some Residence Inn properties that were excluded from the STR sample. As shown in Table 2, the highest rates were for the Residence Inn in Los Altos, the hotel closest to Menlo Park. The next highest rates were at the Residence Inn in Mountain View. These rates are a strong indicator that within the larger San Mateo/ Santa Clara County market, Menlo Park and nearby communities to the south are currently a strong submarket for hotels, likely due to the resurgent high tech sector in the area, as exemplified by Apple, Facebook, Google, and other companies. The strong local hotel performance is also indicated by data for the Los Altos Residence Inn as reported by the developer; according to SHPC, in 2011 that Residence Inn reported average occupancy of 82.8 percent and an average daily rate of \$171.31, for a RevPAR of \$140.59;<sup>7</sup> in comparison, in 2011 the STR sample of upscale chain extended stay hotels as discussed above showed occupancy of 80.6 percent, and ADR of only \$136.11, and RevPAR of only \$125.61.

**Figure 3: ADR and RevPAR Upscale Extended Stay Hotels, 2006-2012 (a)**



Notes:

(a) Based on a sample of 13 upscale chain extended stay hotels in San Mateo and Santa Clara Counties as discussed above in text. Figures do not represent a 100 percent count of all upscale chain extended stay hotels in the two counties.

(b) RevPAR, or Revenue per Available Room, is calculated by dividing total room revenue by the total supply of rooms for a given period.

Sources: STR; BAE, 2013.

<sup>7</sup> Personal communication from Reed Moulds, Managing Director, Sand Hill Property Company, January 30, 2013.

**Table 2: Comparison of Room Rates at Local Upscale Chain Extended Stay Hotels**

<b>Hotel</b>	<b>City</b>	<b>Daily Rate</b>	
		<b>Number of Days</b>	
		<b>1</b>	<b>6</b>
Homewood Suites San Francisco Airport North	Brisbane	\$229	\$209
Hyatt House Belmont Redwood Shores	Belmont	\$237	\$206
Residence Inn San Francisco Airport Oyster Point Waterfront	South San Francisco	\$249	\$219
Residence Inn San Francisco Arprt San Mateo	San Mateo	\$249 (a)	\$219 (a)
Staybridge Suites San Francisco Airport	San Bruno	na (b)	\$207
Residence Inn Palo Alto Los Altos	Los Altos	\$299	\$269
Residence Inn Palo Alto Mountain View	Mountain View	na (b)	\$259 (a)
Residence Inn Sunnyvale Silicon Valley I	Sunnyvale	na (b)	\$219
Residence Inn Sunnyvale Silicon Valley II	Sunnyvale	na (b)	\$249 (c)
Staybridge Suites Sunnyvale	Sunnyvale	\$228	\$210

**Notes:**

Based on basic room rates on web sites for a basic one-bedroom unit, except as noted . For consistency, all queries were made on the same day, and for the same time period. Single-day based on March 6, 2013; extended stay based on March 3-9, 2013.

(a) Rate shown is for a studio unit; no 1-BR units available.

(b) No rooms available at time of query for a single night on March 6.

(c) Rate is for a 1 BR, bi-level suite with loft w 2 baths; studio rate is \$209.

Source: Hotel websites; BAE, January, 2013.

***Planned and Proposed Competition***

A survey of Menlo Park and surrounding communities found limited additional competitive hotel supply in the pipeline. The only new project currently under consideration is a 230-room hotel proposed as part of the Menlo Gateway project in Menlo Park. Although the project has received all discretionary approvals, City staff report that the developer is having difficulty obtaining financing for this hotel, so the schedule for development is uncertain.<sup>8</sup> City staff noted three smaller independent hotels in Menlo Park that were currently undergoing or proposing upgrades. These three hotels (the Menlo Park Inn, the Red Cottage Inn, and the Mermaid Inn) total approximately 100 rooms. The Mermaid Inn is currently in discussion with the City regarding a possible increase in their room count, but the other hotels are not adding rooms. BAE interviews with property owners indicated that only the Red Cottage Inn targets extended stay customers.

***Alternative TOT Projection***

BAE has generated a somewhat more conservative estimate of TOT to the City of Menlo Park. This estimate takes into account longer-term trends in occupancy and room rates as discussed in the analysis of STR data, adjusting for the higher room rates as indicated by revenues at the Los Altos Residence Inn (see Table 3 for the step by step calculations). Based on these adjustments, the proposed hotel would approximately \$615,000 in annual TOT revenues to the City of Menlo Park.

<sup>8</sup> Phone call with Thomas Rogers, Senior Planner, City of Menlo Park, January 9, 2013.

The approximately six percent reduction in projected annual TOT revenues that this lower projection represents, even after accounting for the recent market cycle, reinforces the potential for the project to develop significant new fiscal revenues for the City. This alternative calculation for potential TOT should be considered to be within the same order of magnitude as the TOT estimate in the CCG Memo.

**Table 3: Alternative Estimate of Transient Occupancy Tax**

A	Average Vacancy for STR Sample of Upscale Extended Stay Hotels, 2006-2012	80.3%	Average of data in Figure 2
B	ADR, Los Altos Residence, 2011	\$171.31	From SHPC
C	Average ADR for STR Sample of Extended Stay Hotels, 2011	\$136.11	From Figure 3
D	Ratio of Los Altos Residence Inn ADR to Sample ADR, 2011	1.259	B/C
E	Average ADR for STR Sample of Upscale Chain Extended Stay Hotels, 2006-2012	\$130.67	Average of data in Figure 3
F	Estimated ADR for Los Altos Residence Inn 2006-2012	\$164.46	D*E
G	Estimated RevPAR for Los Altos Residence Inn 2006-2012	\$132.07	A*F
H	Number of Rooms in Proposed Hotel	138	Development plan
I	Estimated Average Annual Total Room Revenue	\$6,652,551	G*H*365
J	Percent Long-Term Stays	23%	From Conley Memo
K	Room Revenue Subject to TOT	\$5,122,464	I*(1-J)
<b>L</b>	<b>Alternative Estimate of Annual TOT</b>	<b>\$614,696</b>	<b>K*12%</b>

Source: BAE, based on information from STR, SHPC, and CCG.