CITY OF MENLO PARK

STAFF REPORT

Planning Commission
Meeting Date: **3/21/2016**
Staff Report Number: **16-022-PC**

Public Hearing and Study Session: **Draft Infill Environmental Impact Report (EIR) Public Hearing and Study Session/Greenheart Land Company/Station 1300 Project (1258-1300 El Camino Real, 550-580 Oak Grove Avenue, and 540-570 Derry Lane)**

Recommendation

Staff recommends that the Planning Commission take the following actions for the Station 1300 project (also known as the 1300 El Camino Real proposal):

- Conduct a Public Hearing to receive public testimony on the Draft Infill Environmental Impact Report (EIR); and
- Conduct a Study Session to provide feedback on the overall project, including the proposed Public Benefit.

The March 21 meeting will not include any project approval actions. The proposal will be subject to additional review at future City Council and Commission meetings. Staff recommends the following meeting procedure to effectively and efficiently move through the two items, allowing the public and the Planning Commission to focus comments on the specific project components.

Draft Infill EIR Public Hearing

- Introduction by Staff
- Presentation by Consultant
- Public Comments on Draft Infill EIR
- Commissioner Questions on Draft Infill EIR
- Commissioner Comments on Draft Infill EIR
- Close of Public Hearing

Project Proposal Study Session

- Introduction by Staff
- Presentation by Applicant
- Public Comments on Project
- Commissioner Questions on Project
- Commissioner Comments on Project

Policy Issues

Draft EIR public hearings provide an opportunity for Planning Commissioners and the public to comment on the completeness and accuracy of the Draft EIR document. Study sessions provide an opportunity for Planning Commissioners and the public to provide feedback on the overall project, including in this case the proposed Public Benefit Bonus. Both Draft EIR public hearings and study sessions should be considered on a case-by-case basis, with comments used to inform future consideration of the project.

Background

Site location

The project site consists of 15 legal parcels (11 assessor's parcels) addressed 1258-1300 El Camino Real, 550-580 Oak Grove Avenue, and 540-570 Derry Lane. The project site would be approximately 6.4 acres in size, after a proposed abandonment of Derry Lane, and dedication of a planned extension of Garwood Way (aligning with Merrill Street) and a partial widening of the Oak Grove Avenue right-of-way. The project site is within the El Camino Real/Downtown Specific Plan ("Specific Plan") area. The project site includes parcels that were previously proposed for redevelopment by O'Brien at Derry Lane, LLC and SHP Los Altos, LLC, as well as one parcel that was not previously part of either of the earlier project sites. A location map is included as Attachment A.

Project description

Greenheart Land Company ("Greenheart") is proposing to redevelop a multi-acre site on El Camino Real and Oak Grove Avenue with up to 217,000 square feet of non-residential uses and up to 202 dwelling units. The project would demolish the existing structures in the southern portion of the site and construct approximately 420,000 square feet of mixed uses. In total, the project would include three mixed-use buildings, a surface parking lot, an underground parking garage, onsite linkages, and landscaping. The uses at the project site would include approximately 188,900 to 199,300 square feet of non-medical office space in two buildings, approximately 202,100 square feet of residential space (up to 202 housing units) in one building, and up to 29,000 square feet of community-serving space throughout the proposed office and residential buildings. The project would provide approximately 1,000 parking spaces within a parking garage and a surface parking lot. Project plans are included as Attachment B.

The proposal requires approval of Architectural Control for the new buildings, including a Public Benefit Bonus to exceed the Base-level Floor Area Ratio and dwelling unit/acre thresholds. Because the project includes abandonment of a public right-of-way, the City Council will be the final decision-making body on the project, with the Planning Commission providing recommendations. Prior to City Council action, the Environmental Quality Commission will also review and provide a recommendation on proposed Heritage Tree Removal permits, and Transportation Commission review and recommendation could be required for on-street parking changes. The Housing Commission has already reviewed and recommended approval of the applicant's Below Market Rate (BMR) Housing proposal, which consists of providing on-site units in lieu of paying affordable housing linkage fees otherwise imposed on new commercial developments over 10,000 sq. ft. The proposal is consistent with the requirements for commercial development found in Section 3.1 of the Below Market Rate Housing Program Guidelines.

CEQA 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.

As specified in the Specific Plan EIR and the CEQA Guidelines, program EIRs provide the initial framework for review of discrete projects. Most project proposals under the Specific Plan are anticipated to be fully addressed as part of the Specific Plan EIR. However, for the proposed project, staff and an independent CEQA consulting firm (ICF International, with support from W-Trans, a transportation analysis sub-consultant) determined that a project-level EIR was required to examine specific impacts not addressed in the Specific Plan EIR. The specific type of project-level EIR required for the project is defined by Senate Bill (SB) 226 as an "Infill EIR," as the project meets relevant criteria defined by that legislation, as discussed in the Draft Infill EIR. Since this determination, the project's CEQA review has proceeded as follows:

Date	Milestone	Hearing Body
6/17/14	EIR Process Information Item	City Council
7/13/14	Notice of Preparation (NOP) Issuance	n/a
8/4/14	EIR Scoping Session (held in conjunction with general project Study Session)	Planning Commission
8/13/14	NOP Comment Deadline	n/a
9/9/14	Environmental Impact Report (EIR) Contract Approval	City Council
2/24/15	EIR Status Update	City Council
3/17/16	Notice of Availability of Draft EIR	n/a
3/18/16	Draft Infill EIR Review Period Start	n/a
3/21/16	*Draft Infill EIR Public Hearing*	*Planning Commission*
4/4/16 5:30 p.m.	Draft Infill EIR Review Period End	n/a

The members of the Planning Commission were previously provided a copy of the Draft Infill EIR and a copy of the Draft Infill EIR is located on the City website.

Analysis

Draft Infill EIR

The Draft Infill EIR analyzes the following four topic areas:

- Air Quality (construction)
- Hazards and Hazardous Materials
- Noise (traffic noise)

- Transportation/Traffic

Other environmental analysis areas were found to have been adequately addressed in the Specific Plan EIR. The Infill Environmental Checklist is included as an appendix to the Draft Infill EIR, and it explains in detail how the project is consistent with the Specific Plan EIR and creates no new significant impacts for the topic categories not analyzed in the Draft Infill EIR (e.g., Biological Resources, Hydrology/Water Quality).

Impact Analysis

For each of the analyzed topic areas, the Draft Infill EIR describes the existing conditions (including regulatory and environmental settings), and analyzes the potential environmental impacts (noting the thresholds of significance and applicable methods of analysis). Impacts are considered both for the project individually, as well as for the project in combination with other projects and cumulative growth. The Draft Infill EIR identifies and classifies the potential environmental impacts as:

- Potentially Significant
- Less than Significant
- No Impact

Where a potentially significant impact is identified, mitigation measures are considered to reduce, eliminate, or avoid the adverse effects. If a mitigation measure cannot eliminate/avoid an impact, or reduce the impact below the threshold of significance, it is considered a significant and unavoidable impact.

The Draft Infill EIR determined that impacts would be less than significant, or less than significant with mitigation, for the following categories:

- Air Quality (construction)
- Hazards and Hazardous Materials
- Noise (traffic noise)

For Traffic/Transportation, the Draft Infill EIR determined that impacts on pedestrian and bicycle facilities, transit facilities, and railroad crossings would be less than significant, or less than significant with mitigation. However, the following transportation/traffic impacts have been determined to be potentially significant. Mitigations have been specified for most intersections/segments/routes, but except as noted by “LTS/M” (less than significant with mitigation), the impacts below are considered significant and unavoidable due to factors such as the need to acquire additional rights-of-way, violation of existing policies, or a location outside of the City’s jurisdiction.

- Impacts on Intersections
  - Near-Term 2020 plus-Project Conditions (TRA-1)
    - #3. Middlefield Road/Glenwood Avenue-Linden Avenue
    - #11. Ravenswood Avenue/Laurel Street [LTS/M]

        - #13. Oak Grove Avenue/Alma Street
        - #15. Oak Grove Avenue/Derry Lane (Garwood Way)-Merrill Street
        - #20. El Camino Real/Ravenswood Avenue-Menlo Avenue
    - Cumulative 2040 plus-Project Conditions (C-TRA-4)
        - #2. Middlefield Road/Encinal Avenue
        - #3. Middlefield Road/Glenwood Avenue-Linden Avenue
        - #5. Middlefield Road/Ravenswood Avenue
        - #7. Middlefield Road/Willow Road
        - #9. Laurel Street/Glenwood Avenue
        - #11. Ravenswood Avenue/Laurel Street
        - #13. Oak Grove Avenue/Alma Street
        - #15. Oak Grove Avenue/Derry Lane (Garwood Way)-Merrill Street
        - #17. El Camino Real/Glenwood Avenue-Valparaiso Avenue
        - #18. El Camino Real/Oak Grove Avenue
        - #20. El Camino Real/Ravenswood Avenue-Menlo Avenue
        - #25. Oak Grove Avenue/University Drive [LTS/M]
        - #26. Santa Cruz Avenue/University Drive (N) [LTS/M]
- Impacts on Roadway Segments
    - Near-Term 2020 plus-Project Conditions (TRA-2)
        - #5. Ravenswood Avenue between Laurel Street and Middlefield Road
        - #10. Oak Grove Avenue west of Laurel Street
        - #11. Oak Grove Avenue east of Laurel Street
        - #13. Garwood Way south of Glenwood Avenue
    - Cumulative 2040 plus-Project Conditions (C-TRA-5)
        - #5. Ravenswood Avenue between Laurel Street and Middlefield Road
        - #10. Oak Grove Avenue between El Camino Real and Laurel Street
        - #11. Oak Grove Avenue between Laurel Street and Middlefield Road
        - #13. Garwood Way between Glenwood Avenue and Oak Grove Avenue
- Impacts on Routes of Regional Significance
    - Near-Term 2020 plus-Project Conditions (TRA-3)
        - Willow Road – US 101 to Bayfront Expressway (northbound)
        - Willow Road – Bayfront Expressway (southbound)
        - Bayfront Expressway – University Avenue to Willow Road (westbound)
        - Bayfront Expressway – Willow Road to University Avenue (eastbound)
    - Cumulative 2040 plus-Project Conditions (TRA-6)
        - Willow Road – US 101 to Bayfront Expressway (northbound)
        - Willow Road – Bayfront Expressway (southbound)
        - Bayfront Expressway – University Avenue to Willow Road (westbound)
        - Bayfront Expressway – Willow Road to University Avenue (eastbound)

Partial mitigations are included for the construction of bicycle improvements (Class II bicycle lanes on portions of Oak Grove Avenue and Class III bicycle route on Garwood Way) and implementation of a Transportation Demand Management (TDM) plan, and these would be project requirements. However, these mitigations are not projected to fully mitigate any impacts.

Alternatives

Under SB 226, Draft Infill EIRs are not required to include an analysis of alternatives. However, this Draft Infill EIR includes an alternatives analysis, in order to allow for a fuller discussion of potential Base level projects, in the event that the project's Public Benefit Bonus is not approved. The analysis includes the following alternatives:

- No Project Alternative: As specified by CEQA, this alternative considers re-use of the existing buildings on the site, but no new construction or other site improvements;
- Base Level Maximum Office Alternative: This alternative considers a similar mixed-use project at a Base-level density/intensity, including the maximum amount of non-medical office uses, as well as some community-serving uses; and
- Base Level Maximum Residential Alternative: This alternative considers a similar mixed-use project at a Base-level density/intensity, with a reduced amount of non-medical office uses, as well as some community-serving uses.

The Draft Infill EIR notes that neither of the reduced-intensity projects would eliminate impacts, although the severity of some impacts would be reduced. The Base Level Maximum Residential Alternative is designated as the environmentally superior alternative, as that term is defined by CEQA.

Correspondence

Two items of correspondence have been submitted regarding the Draft Infill EIR, and they are included as Attachment C.

Study Session

The March 21 Planning Commission meeting will also serve as a study session to review the project proposal. This is an opportunity for the Planning Commission and the public to become more familiar with the project, and to ask questions and provide individual feedback on project aspects such as the building design or site layout. In particular, the Planning Commission should consider the project's proposed Public Benefit, as discussed in more detail below.

Neighborhood context

Neighboring land uses include a hotel to the north; single- and multi-family residential units east of the Caltrain right-of-way; the Menlo Park Caltrain Station and mixed-use development (including residential units) south of Oak Grove Avenue; and the El Camino Real commercial corridor to the west. The northeast corner of El Camino Real/Oak Grove Avenue, immediately adjacent to the project site, includes a Chevron gas station and a restaurant/cafe. Downtown Menlo Park is approximately 0.1 mile southwest of the project site. In total, the project site contains seven existing buildings, totaling approximately 25,800 square feet. In addition, the project site currently includes parking, pavement, and limited vegetative features.

The entire project site is within the Specific Plan's El Camino Real Northeast – Residential (ECR NE-R) District. The ECR NE-R District is located in the "El Camino Real Mixed Use – Residential" General Plan

land use designation, which supports a variety of retail uses, personal services, business and professional offices, and residential uses. The ECR NE-R District permits higher residential densities, in recognition of its location near the train station area and downtown.

Land uses

The project includes the following breakdown of land uses:

Component	Square Feet	% of Overall Project
Apartments (up to 202)	202,100	48.1%
Non-Medical Office	188,900-199,300	44.9%-47.4%
El Camino Real Community-Serving Uses	10,700-21,100	2.5%-5.0%
Oak Grove Avenue Community Service Uses	7,900	1.7%
Total	420,000	100.0%

An earlier iteration of the proposal had a smaller proposed portion of community-serving uses, but the applicant has since increased the amount of community-serving uses that would be guaranteed as part of the project, and has also provided greater definition of such uses. Specifically, the community-serving uses category would include permitted non-residential/non-office uses in the “El Camino Real Mixed Use/Residential” land use designation, for example:

- General Retail Sales
- Full/Limited Service Restaurants
- Food and Beverage Sales
- General Personal Services
- Banks and Financial Institutions
- Business Services
- Personal Improvement Services (subject to a per-business size limit)

In addition, the applicant is requesting that 2,500 square feet of this area could be used for a single real estate office, associated with the property owner. The community-serving uses would wrap around both the El Camino Real and Oak Grove Avenue frontages, helping ensure greater activity and vibrancy on the public-facing sides of the project, and a potential amenity for the general public. Since the commercial uses could vary somewhat in proportion, the Draft Infill EIR considered the most-intense scenario with regard to traffic analysis, to ensure that the analysis was conservative and accurate.

Additional community-serving uses could be considered through case-by-case Administrative Permit and Use Permit review, as specified in Specific Plan Table E1. For example, a restaurant with alcohol service and/or live entertainment would require Administrative Permit review.

The residences would consist of junior one-bedroom units through three-bedroom units, with the majority one-bedroom or two-bedroom in size. The residences would be rented.

Site Layout and Access

The project would require the demolition of the existing buildings at the project site and would entail the construction of three mixed-use buildings, a surface parking lot, underground parking garages, onsite linkages, and landscaping. As noted earlier, the plans are shown as part of Attachment B.

The primarily-office buildings would be oriented in an east-west direction and would front onto El Camino Real. Both buildings would be three stories and would not exceed 48 feet in height (38 feet at the facades facing public rights-of-way). A plaza would be situated between the two buildings with landscaping, and outdoor dining areas. Each of these buildings would feature community-serving uses in the western frontages along El Camino Real. The community-serving uses could vary in size, as noted earlier, but would always occupy the ground floor of the El Camino Real frontage.

The primarily-residential building would front along Oak Grove Avenue and Garwood Way. The building would wrap around a private center courtyard area with a pool. Community-serving uses would be located along the ground floor of the Oak Grove Avenue street frontage. The residential building would consist of four stories and would not exceed 48 feet in height (38 feet at the facades facing public rights-of-way).

A park would be located in the northeast corner of the project site adjacent to Garwood Way and the Caltrain right-of-way. The park would allow for public use and passive recreation.

The project site would be accessible to private automobiles from four driveways: one driveway from El Camino Real and three driveways from Garwood Way. The central portion of the El Camino Real frontage would also feature a driveway that could be used by emergency services.

The project would include the completion of Garwood Way from the northeast edge of the project site to Oak Grove Avenue. This would connect Glenwood Avenue to the north with Oak Grove Avenue to the south and would allow additional access to the project site. The current Garwood Way plan line runs exactly parallel to the Caltrain right-of-way, which would create an off-center alignment with Merrill Street, on the opposite side of Oak Grove Avenue. For safety reasons, the Transportation Division has requested that the extended Garwood Way curve slightly, to align with Merrill Street and to increase the distance between the intersection and the Caltrain tracks. The applicant has agreed to this safety-related adjustment, and the current project plans show this alignment. So that this safety-related change would not impact the parcel size more than the plan line would, a slight adjustment to the width of the new Garwood Way right-of-way (or another property line change) could be required. The Garwood Way extension would be constructed concurrently with the construction of the project.

Trees and Landscaping

There are currently 37 heritage trees at the project site. Over 40 percent of the heritage trees are multi-stemmed Chinese trees of heaven that spread from root sprouts, creating a tree that meets the heritage tree definition, but in general is considered to have limited landscape value. Other tree species at the project site include blackwood acacia, African fern pine, Italian cypress, jacaranda, Canary Island palm, coast live oaks, valley oaks, black locust, and coast redwoods. The project proposes to remove all of these trees. However, the conceptual landscape plan shows a minimum replacement of a two-to-one ratio. There are currently 19 street trees along the El Camino Real and Oak Grove Avenue frontages that are

projected to remain with implementation of the Project. All proposed tree removals and construction effects will be subject to detailed review as the project review proceeds, including consideration by the Environmental Quality Commission.

Public Benefit Bonus

The project would be consistent with the allowed development in the ECR NE-R District with a Public Benefit Bonus. The permitted Floor Area Ratio (FAR) is 1.10, but with a Public Benefit Bonus the FAR can increase to 1.50. In either scenario, non-medical office is limited to no more than one-half the maximum FAR. The maximum height in the ECR NE-R district is 38 feet, although 48 feet is permitted with a Public Benefit Bonus. In either scenario, building facades cannot exceed a height of 38 feet. The project would be constructed at the maximum FAR and height as permitted with a Public Benefit Bonus.

The Public Benefit Bonus allows additional development beyond the base intensity and height in exchange for providing additional benefits to the public. Potential examples of public benefits listed in the Specific Plan include publicly accessible open space, senior housing, additional affordable residential units, hotel facilities, preservation/reuse of historic resources, public parks/plazas, shuttle services, or a public amenity fund contribution. Public Benefit Bonuses require case-by-case discretionary review, and if the Planning Commission and/or City Council ultimately determine that the proposed benefits are not appropriate, a project can be required to be revised to the lower Base Level development standards.

The project has submitted a Public Benefit proposal, which is included as Attachment D. The proposal discusses a number of inherent project benefits, although the Public Benefit itself would take the form of a cash contribution to the pending El Camino Real/Downtown Specific Plan Public Amenity Fund, in the amount of $2,100,000.

As required by the Specific Plan, staff has coordinated the preparation of an independent fiscal/economic analysis of both the project and its Public Benefit proposal, which is included respectively as two memos (Attachments E and F) by the City's consultant BAE. BAE has prepared detailed 'pro formas,' which examine typical revenues and costs for both the Public Benefit Bonus proposal (Bonus Project), as well as a similar proposal at the Base-level development standards (Base Project). The Base Project has not been fully designed, but the applicant has described it in sufficient detail for BAE to analyze its relative value. Both pro formas take into account factors such as current construction costs, City fees, capitalization rates, and typical market rents. However, as noted in the document, such factors can change, which may substantively affect the conclusions of the analysis. For this case, BAE has determined that development of the proposed Bonus Project would create approximately $6,300,000 in additional project value compared to the Base Project.

For the value of the proposed Public Benefit, the cash nature of the applicant's proposal means that BAE does not need to provide possible estimates of its equivalent monetary value (as was done for other projects that proposed on-site benefits such as a community garden). However, BAE has provided analyses of the proposed $2.1 million payment's relationship to other considerations. For example, at its most basic, the proposed payment would represent one-third of the estimated value increase for the proposed project ($2.1 million / $6.3 million = 0.333). BAE has also included comparisons with how other jurisdictions are considering this topic, as well as a draft analysis of a "FAR-foot value" calculation method

discussed by the Planning Commission during previous discussions of the public benefit topic. The memo does not recommend acceptance or rejection of the applicant's Public Benefit proposal, but provides context for the consideration of the Planning Commission and City Council.

As noted earlier, the granting of a Public Benefit Bonus is a discretionary action, and should be considered on a case-by-case basis. The study session format allows for a wide range of discussion/direction on the Public Benefit Bonus topic, although the core question is whether the public benefits and the developer benefits are roughly aligned, or whether the public benefit proposal needs to be revised/augmented. The Specific Plan does not establish an explicit ratio for the value of the public benefit in relation to the developer benefit. However, it is implied that these values should not be orders of magnitude apart. The Commission may also note whether any additional information/analysis needed to complete consideration of this item.

Following the Planning Commission and City Council's consideration of the Public Benefit proposal, a range of actions are possible, including:

- If Commissioners/Council Members provide generally positive feedback, the applicant could continue refining the proposal as it is currently structured. The project could then be presented for comprehensive action at a future meeting.
- If Commissioners/Council Members provide direction that the public benefit proposal needs to be revised or augmented, the applicant would consider that guidance and either:
  - Revise the proposal and return for additional study sessions, or request that the revised proposal be processed by staff and presented for comprehensive action at future meetings.
  - Revise the proposal to adhere to the Base level standards, which (as a reminder) provided increased development potential when the Specific Plan was adopted and, as shown in the BAE memo, result in an economically feasible project. The revised Base-level project could then be considered by the Planning Commission and City Council at future meetings.

While the current study session item is an opportunity for individual Commissioner guidance, the Planning Commission as a body may consider a "term sheet" or equivalent action on the Public Benefit Bonus topic at a subsequent meeting, if more formality is desired. Such an action would not represent any sort of binding approval of the Public Benefit Bonus proposal, as the overall project actions need to be considered comprehensively, including with consideration to environmental review requirements. However, a term sheet or similar action could provide documentation of how the Planning Commission viewed this topic at a preliminary stage. The City Council could likewise consider a term sheet as part of its pending study session on this topic, although this is likewise not required.

Impact on City Resources

The project sponsor is required to pay Planning, Building and Public Works permit fees, based on the City's Master Fee Schedule, to fully cover the cost of staff time spent on the review of the project.

Environmental Review

As discussed in the Analysis section of this report, a Draft Infill EIR has been prepared for the project.

Following the close of the comment period, staff and the consultant will compile the responses to comments document, and will consider and respond to comments received on the Draft Infill EIR. Repeat comments may be addressed in Master Responses, and portions of the EIR may be revised in ~~strikethrough~~ (deleted text) and underline (new text) format. Once the responses and revisions are complete, the Final Infill EIR will be released, consisting of the Responses to Comments plus the Draft Infill EIR. The Final Infill EIR will be considered by the Planning Commission and City Council concurrent with the final project actions.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting. Public notification also 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. Notice of the Draft Infill EIR's availability and the holding of this public hearing was also provided to agencies and jurisdictions of interest (e.g., Caltrans, Town of Atherton, etc.).

Attachments

A. Location Map
B. Project Plans
C. Draft Infill EIR Correspondence
D. Station 1300 Public Benefit Proposal
E. BAE Memorandum – Financial Modeling of Project
F. BAE Memorandum – Evaluation of Proposed Public Benefit

Disclaimer

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.

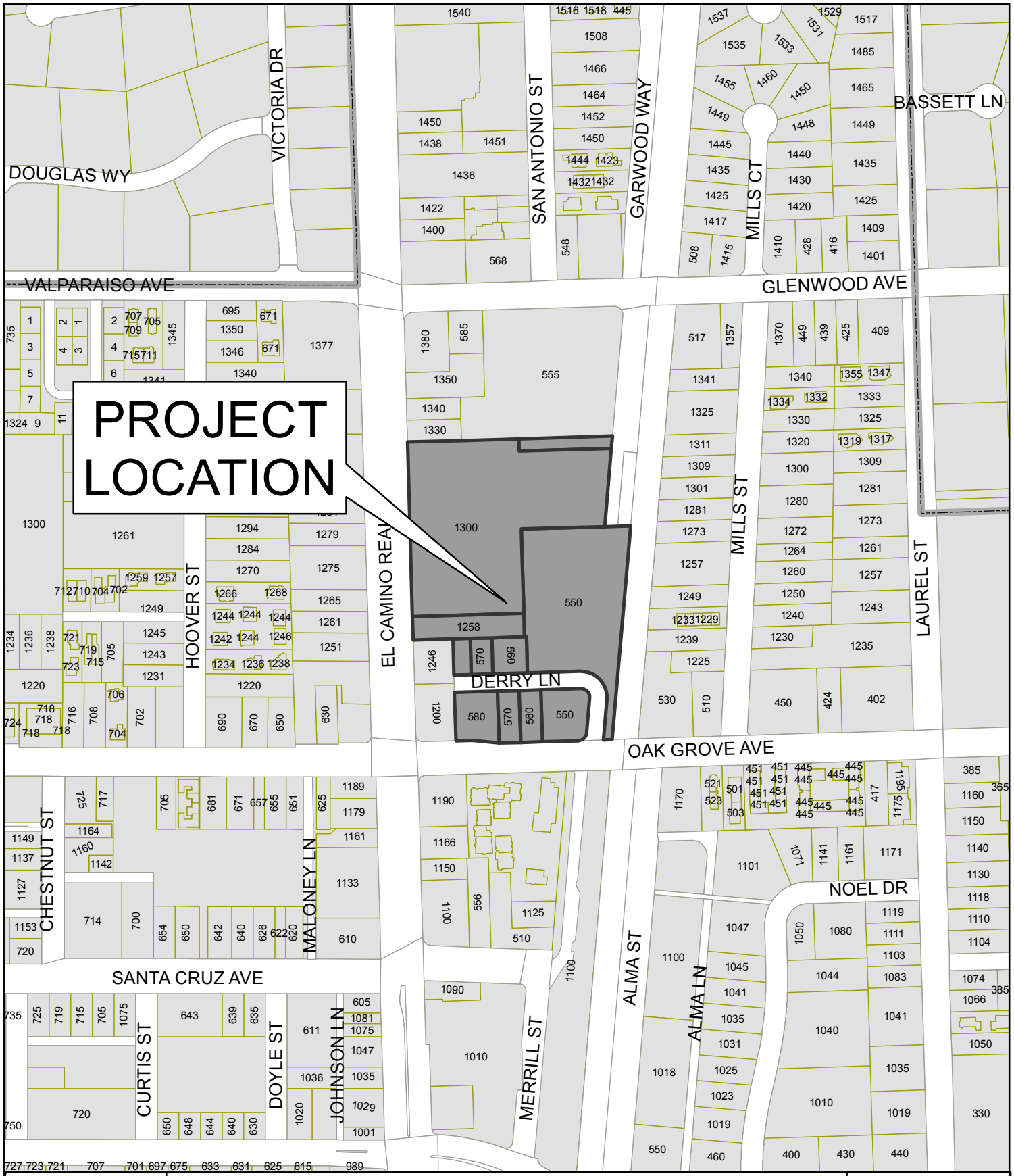
Exhibits to Be Provided at Meeting

None

Report prepared by:
Thomas Rogers, Principal Planner

Report reviewed by:
Arlinda Heineck, Community Development Director

ATTACHMENT A



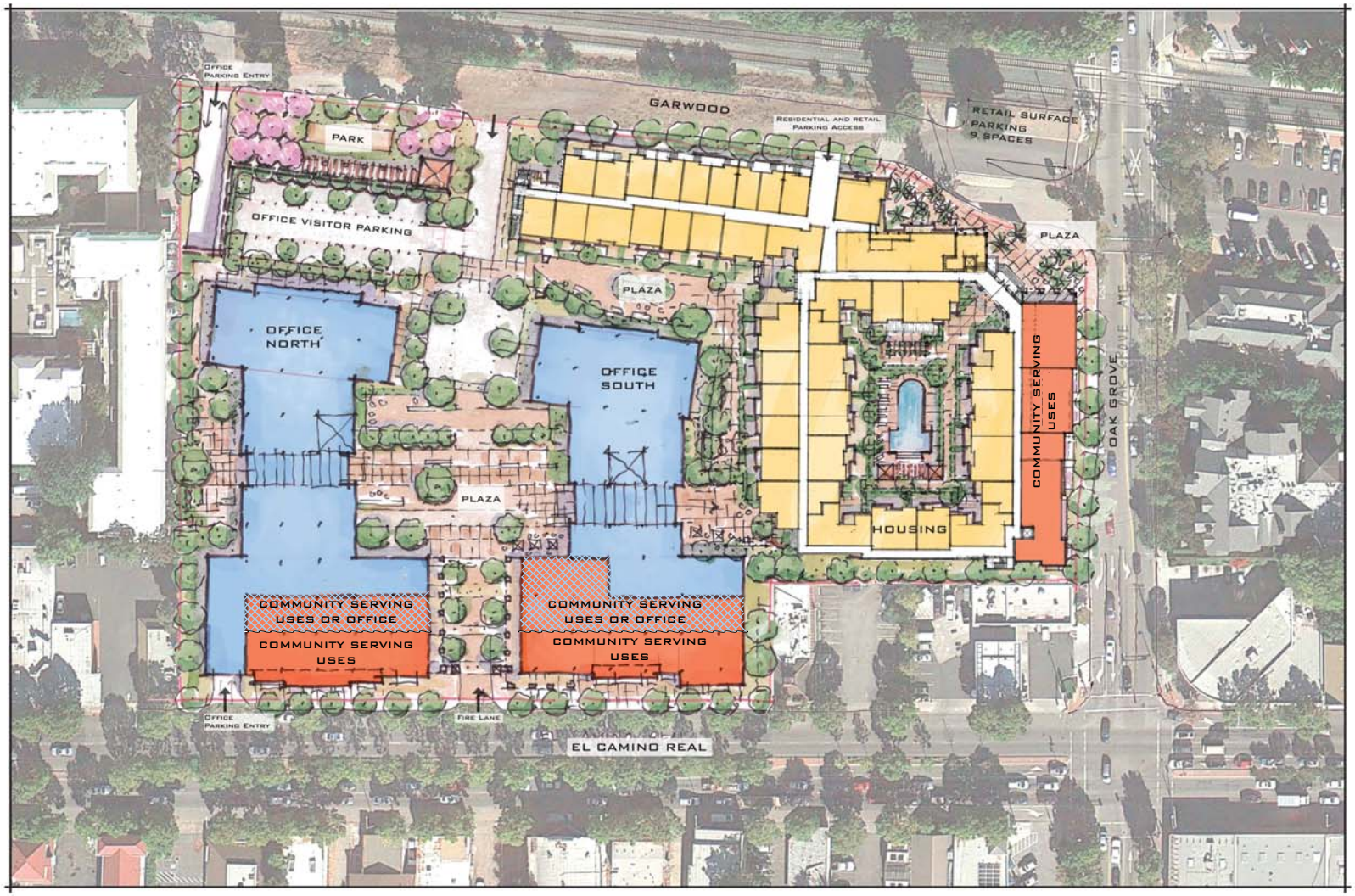
CITY OF MENLO PARK

LOCATION MAP

STATION 1300 (1300 El CAMINO REAL)

DRAWN: THR CHECKED: THR DATE: 03/21/16 SCALE: 1" = 300' SHEET: 1

ATTACHMENT B



Community Serving Uses include Restaurants, Retail & Personal/Business Services

0 40' 80' 160'

1300 EL CAMINO REAL MIXED-USE

Menlo Park, California

Site Plan at Ground Level

Owner: GREENHEART LAND CO. | Date: 07.29.2014 | Project No.: 12060 | BAR architects

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0 16' 32'

1300 EL CAMINO REAL

Menlo Park, California

Office Elevation at El Camino

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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1300 EL CAMINO REAL

Menlo Park, California

Office at El Camino

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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Enlarged Area

1300 EL CAMINO REAL

Menlo Park, California

Oak Grove Retail Site Plan

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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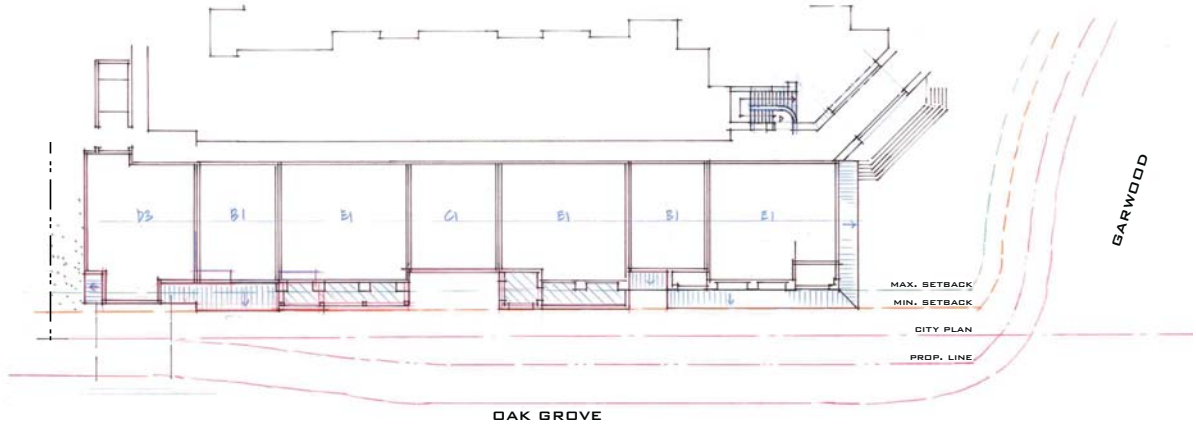

SECOND THRU FOURTH FLOOR RESIDENTIAL UNITS

0 16' 32'

1300 EL CAMINO REAL

Menlo Park, California

Mixed-Use Elevation at Oak Grove

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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1300 EL CAMINO REAL

Menlo Park, California

Mixed-Use at Oak Grove

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

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1300 EL CAMINO REAL

Menlo Park, California

View from Oak Grove & Garwood Way

Greenheart Land Co.	Date: 07.29.2014	Project No.: 12060	BAR architects

Rogers, Thomas H

From: Jen Yahoo <jenmazzon@yahoo.com>
Sent: Tuesday, February 23, 2016 12:23 AM
To: Rogers, Thomas H
Subject: Greenheart traffic study

Thomas, here are my comments:

Please don't proceed with this development that will make Menlo Park more dangerous for pedestrians and bikers at key intersections and along central city routes. Please consider prescribing a smaller scale project to ensure acceptable traffic impacts.

Jen Mazzon
413 Central Avenue, MP

RECEIVED

MAR 14 2016

CITY OF MENLO PARK
BUILDING

March 6, 2016

Menlo Park Planning Commission
701 Laurel Street
Menlo ark, CA 94025

We've been talking about the Station 1300 development, driving around the area, talking some more, and mostly shaking our heads that this project is even being considered.

Have you driven south on El Camino around 8 AM toward Oak Grove and Glenwood? Have you driven north or west or east in that area at any time? Have you studied and counted cars throughout the day?

It's obvious Greenheart Land Company is only interested in the dollars to be gained. The residents are already (and will increasingly be) concerned with the traffic, continuing loss of local shopkeepers, parking problems, and especially growing loss of hometown pride.

Gold Country, or Brentwood area, here we come !

ATTACHMENT D

GREENHEART
LAND COMPANY

January 27, 2016

Mr. Thomas Rogers
Senior Planner, Community Development
City of Menlo Park
701 Laurel St.
Menlo Park, CA 94025

Re: Station 1300 Public Benefit Proposal

Dear Mr. Rogers,

Greenheart Land Company is pleased to submit the attached Public Benefit Proposal for Station 1300. The proposal describes the base and public benefit level developments, as well as the benefits that flow to the community.

We welcome your questions as you review this proposal.

Sincerely,

Steve Pierce
Principal
Greenheart Land Co..

Public Benefit Proposal
for
Station 1300

Prepared for:
City of Menlo Park

Prepared by:
Greenheart Land Company

January 27, 2016

Public Benefit Proposal
for Station 1300

Greenheart Land Co. ("GLC") has proposed to develop a mixed-use project at Public Benefit density at the properties located at 1258 and 1300 El Camino Real and the adjacent Derry Lane parcels. Preliminary drawings of the proposal have been submitted to the City. The following summarizes benefits of Station 1300 to Menlo Park.

There are two categories of benefits: (1) intrinsic community benefits, those that are integral to the development itself, and (2) Public Benefits, those that are proposed to achieve the public benefit density as specified in the El Camino Real/Downtown Specific Plan ("Plan"). Station 1300 will be a dramatic improvement to a prominent and long blighted site and, by its nature, bring extraordinary benefits that will be enjoyed by many. Station 1300 will be more than a place to work and live; it will offer the people of Menlo Park new venues to shop, eat and gather. Further, the intrinsic benefits to the community will include such things as new bike routes; sorely needed rental housing; revenues for the City, schools, and other public entities; and fulfillment of the Plan Vision.

At the public benefit density ("Public Benefit Case"), the intrinsic community benefits of Station 1300 will far exceed those of the base density ("Base Case"). For example, there will be more and larger public spaces; more greatly needed residential units; greater stimulus to the downtown; and more revenue to the City, schools, fire department and other governmental entities.

In addition to these intrinsic community benefits, GLC will make a Public Benefit cash contribution of $2,100,000 to the Downtown Amenity Fund. This is one third of the incremental financial benefit that the City's consultant BAE has determined will accrue to GLC from the Public Benefit Case.

The Public Benefit Case and Base Case developments are described below in Section I. The intrinsic community benefits are detailed in Section II, and the Public Benefit is described further in Section III.

I. Development Description

At base density (i.e., floor area ratio – FAR – 110%), Station 1300 would consist of 310,000 sf in the form of two 2-story office buildings totaling 155,000 sf; a 3-story rental residential structure; 10,000 sf of community serving businesses (such as restaurants and retail) spread among the three buildings; and a 5-level above ground parking structure. The public benefit density (i.e., FAR 150%) development would consist of 420,000 sf, which would include about 190,000 sf of office buildings at 3-stories; 202,000 sf of apartments at 4-stories; about 30,000 sf of space for community serving businesses; and one and one-half floors of underground parking. The Public Benefit Case would have more open space, more residences, and more space devoted to community serving businesses. The two development scenarios are described further in Exhibit A.

II. Intrinsic Community Benefits

Station 1300 will benefit Menlo Park in numerous ways, and the Public Benefit Case development has several advantages over the Base Case development. The benefits of the Base and Public Benefit cases are compared in Exhibit B and described in detail below. The costs of the community benefits for each case are summarized in Exhibit C.

Those benefits that are equally afforded by both alternatives are described below in Section IIA. By most measures the Public Benefit Case offers substantially more intrinsic community benefits as described in Section IIB.

A. Similar Benefits of Public Case and Base Case

Of the twelve Plan goals, Station 1300 fulfills all that are applicable. Some will be met to an equal degree by both cases.

1. **Improve circulation and streetscape conditions on El Camino Real:** Greenheart will build a new public street on its property to connect Glenwood Ave with Oak Grove Ave. Ownership of the land and improvements will be deeded to the City. The new street will complete the connection between Encinal Ave and Ravenswood Ave, and improve access to the Caltrain station, and remove some cars from El Camino. With the missing link in place, Garwood will become a safe alternative bike route to El Camino Real for travel to the Caltrain station and Santa Cruz Ave. The cost to construct the new public street is estimated to be $2,300,000 (excluding land and design costs) and will be borne by Greenheart.

   Another important circulation program will be robust GLC Transportation Demand Management (TDM) program which will reduce the number of vehicular trips of employees and residents. These TDM's include Caltrain Go-Passes (free 24/7 train use) for every apartment and office employee, extensive bike parking, showers and changing rooms in the office buildings, preferential car pool parking, and pay parking, an economic incentive to not drive.

   The El Camino streetscape at the site of Station 1300 has been a community embarrassment for more than a decade. Station 1300 will fulfill the long held citywide desire for improvement.

2. **Ensure that El Camino Real development is sensitive to and compatible with adjacent neighborhoods:** The architecture of Station 1300 draws from the Spanish Eclectic that is enjoyed at the revered Allied Arts complex and many structures throughout Menlo Park. The apartments will face Garwood and Oak Grove and thereby provide an attractive façade to the residential neighborhoods to the east and the 1155 Merrill condominiums. Further, the apartments will be separated by over 100 ft. from the residential neighborhood to the east by the intervening Garwood extension and the railroad right-of-way.

3. **Revitalize the under-utilized parcels and buildings**: Station 1300 will revitalize one of the two most significant under-utilized areas on El Camino Real in Menlo Park.

4. **Provide an integrated, safe and well-designed pedestrian and bicycle network:** Currently Garwood terminates at the rear of Station 1300 at the border of the former Derry Property. With the extension of Garwood to Oak Grove and the provision of a sidewalk and bicycle route, the link between neighborhoods to the north, including the two new hotels, to the Caltrain Station, downtown, and beyond, will be completed to provide a route safer and more pleasurable than the El Camino alternative. Additionally, at GLC's expense, Oak Grove will be widened to accommodate a bike route, thereby improving the important connector between West Menlo and Menlo-Atherton High School.

B. Enhanced Benefits of the PB Case

Under the Public Benefit Case, many of the Plan goals will be met to a greater degree of than with the Base Case. In addition, the Public Benefit Case will generate more revenues for the City, schools and other governmental entities.

1. **Maintain Village Character:** Station 1300 will include the elements that define Menlo Park's "Village" character: street level activity, scale of buildings, open space, and eclectic and inviting architecture. The El Camino and Oak Grove frontages will have ground level shops and restaurants consistent with the areas around it. Even at the Public Benefit height, Station 1300 will be consistent with many of the buildings in the El Camino corridor, including the adjacent condominiums at the corner of Oak Grove and Merrill. Further, the buildings are highly articulated to break up the mass and to continue the varied shapes and forms that characterize the Plan area.

   One dimension of Menlo's "Village" character is its open spaces. The Plan requires that new development in the Plan area have 20% open space. The Base Case alternative would barely achieve this objective because of the above ground parking structure. The Public Benefit Case would devote over 49% of the site to at grade open space. Underground parking (Public Benefit Case only) is a considerable benefit to the community because it eliminates the need for an above ground parking structure (Base Case) and thereby reduces building coverage and increases the amount of open space. Underground parking will cost GLC over $26,000,000 more than above ground parking according to the BAE study done for the City. In addition, village character is enhanced by the elimination of the 5-level Base Case parking structure.

2. **Improve circulation and streetscape condition on El Camino Real**: In addition to the improvements described previously (e.g., extension of Garwood), Station 1300 will contribute nearly $1,300,000 in traffic impact fees to improve circulation. (This is $350,000 more than with the Base Case.)

3. **Activate the train stations:** Station 1300 is the "poster-child" for mixed-use transit oriented development. The importance of the proximity to the Caltrain station is emphasized in the

name of the development, Station 1300. The train station area will be activated by increasing train ridership and creating a center of activity at the Oak Grove Plaza.

Business and residential tenants will be attracted to Station 1300 because they want to get out of their cars and commute by train, as well as walk to downtown amenities. Further, GLC will issue Caltrain Go-Passes to all tenants to incentivize rail use.

The main entry of the residential building and Oak Grove Plaza will be oriented toward and have a line of sight connection with the train station. This node will be activated by the convergence of many uses: leasing office, adjacent retail, plaza café with outdoor dining, the grand entry to the apartments, and in the Public Benefit Case, the pedestrian entry to the under ground parking. The Public Benefit Case will have 35% more floor area, and therefore 35% more people than the Base Case. Thus, it will bring 35% more activity to the train station than the Base Case.

4. **Expand shopping, dining and neighborhood services to ensure a vibrant downtown:** Along the El Camino Real frontage, the Public Benefit Case would offer two restaurants as well as community serving businesses. It is contemplated that Oak Grove businesses will include casual dining and other food related products. The Public Benefit Case will devote 18,600 sf to 29,000 sf to these uses. The Base Case will designate 10,000 sf for community serving uses.

   In addition, activity in downtown will increase when there is a greater daytime and evening population to support existing and new businesses: restaurants, retail, and services. This in turn will attract more Menlo Park residents to downtown. Station 1300 office workers will be daytime patrons and new residents will enliven downtown in the evening. Like with the increased activity in the Caltrain Station area described above, the Public Benefit Case can reasonably be expected to bring 35% more stimulus, not counting the multiplier effect, to the downtown than the Base Case.

5. **Provide residential opportunities in the Vision Plan Area:** Menlo Park homes are among the most expensive in a region that itself is one of the most expensive in the U.S. The average sales price for a single family home in Menlo Park in 2015 was $2,340,000. All residences at Station 1300 will be for rent, not purchase. Even at market rate, Station 1300 will add a significant number of relatively affordable units (when compared to purchasing a home) to the city housing stock. These units will appeal to a younger demographic that cannot afford to buy in Menlo Park and will, thereby, increase diversity. In addition, it is this demographic that will be especially drawn to Station 1300 because of the proximity of downtown resources. Under the Public Benefit Case, there will be 182 units, 10 of which will be below market rate (BMR). The Base Case development would have a total of about 130 units, 7 of which would be BMR. (GLC is proposing a BMR plan that could provide considerably more BMR units within the City, but in any event the Public Benefit Case will result in proportionally more BMRs.)

6. **Provide plaza and park space:** Much of the increased open space afforded by underground parking will be made available to the public in the form of two plazas, an amphitheater plaza, and a park. These amenities are depicted in Exhibit D.

   Unlike Alma Station, there is no plan to cordon off these spaces to prevent public access. Indeed, it is GLC's desire for the community to energize the spaces.

   Central Plaza: Between the office buildings, there will be a large (approximately one-half acre) plaza that will be a central feature of Station 1300. (The Base Case Central Plaza would be considerably smaller.) This will be a multi-use gathering place for the community. The pedestrian entry off El Camino will be through a colonnade with restaurants on each side. The Garwood entry will take the visitor through a landscaped corridor, past Garwood Park, and through the amphitheater. At the western end will be family restaurant dining that will flow into the Plaza. The courtyard at the center will be bordered by landscaped islands that are 18 inches above the plaza surface, which will serve as seating. Café tables in the tree-shaded islands will be for non-restaurant dining or hanging out with friends or a laptop. Children, in particular, will enjoy the "play art" sculptures in the islands. The central courtyard will accommodate larger gatherings such as concerts, presentations, social gatherings, and the like. The design of the Central Plaza is intentionally flexible to allow uses as varied as reading in the shade to a reception for hundreds of people.

   Oak Grove-Garwood Plaza: GLC will provide an approximately 3,600 sf plaza at the corner of Oak Grove and the new Garwood extension. (The Base Case plaza would be smaller.) The plaza will feature decorative paving, outdoor seating, and landscaping. It will be adjacent to food and retail services. This plaza is oriented to the Caltrain station to enliven the station area and is intended for outdoor dining in the spirit of Café Borrone's Plaza.

   Garwood Park: GLC will provide an approximately 18,000 sf park near the northeast portion of the development along Garwood Avenue. This will be a place of recreation, both active and passive. Proposed amenities include bocce courts, ping pong tables, BBQs, picnic tables, and park seating. The park will be highly landscaped and have a shade trellis. (Garwood Park is not included in the Base Case.)

   Plaza Amphitheater: Between Garwood Park and the Central Plaza will be an 8,200 sf amphitheater area for public presentations, musical or otherwise, at a scale more intimate than the Central Plaza. (The Base Case does not include the amphitheater.)

   The construction cost of the park and plazas is estimated to be $3,380,000. The plazas are priced at $57 per square foot, which is the amount estimated for the Alma Station Public Benefit. At $85 per square foot, Garwood Park will be somewhat more expensive because of the higher level of improvements (e.g., trellis, BBQ facilities, permanent game tables, and bocce courts). Refer to Exhibit C.

7. **Financial Benefits:** Both the Base Case and Public Benefit Case developments will generate annual tax revenues to the City and other public entities, as well as one-time fees to the City

and schools. Those residing and working at 1300 ECR will also spend in the Menlo Park economy.

In summary, the Public Benefit development will provide the City and other public agencies, with over $8,000,000 in impact fees, $1,700,000 more than the Base Case development. The Public Benefit development will also spur over $21,000,000 in annual retail sales in Menlo Park, which is $10,000,000 more than the Base Case development.

Further, the Public Benefit Case will increase annual revenues to the City by $550,000, which is $170,000 more than the Base Case development. The Public Benefit development will provide $1,700,000 per year in tax revenues to schools, which is $425,000 per year more than the Base Case. The total annual revenues to all public agencies generated by the Public Benefit Case will be about $5,000,000 or $1,700,000 more than the Base Case.

8. **Promote Sustainability**—A Downtown Plan guiding principle is to incorporate a "*comprehensive approach to sustainability and carbon emissions reduction, utilizing standards integrated with best practices and guidelines*." Station 1300 has established the goal of LEED Platinum certified office buildings as well as LEED Gold certification for the residential building. In addition, the office building will attempt to be certified as a Net Zero Energy building by employing over 3,000 solar photovoltaic panels on the roofs as well as incorporating an Open Loop Ground Source Heat Exchange heating/cooling system that will utilize deep groundwater to heat/cool both the office and residential buildings. Reaching these goals will be a first by a privately funded speculative development in California. LEED Silver is the goal for the Base Case residential and office buildings.

III. Public Benefits

A. Introduction

As described previously, the Public Benefit Case offers the community intrinsic benefits that exceed those of the Base Case (e.g., greater revenues, more housing, more public open space). In addition, GLC will provide a Public Benefit that recognizes the value created by the increased floor ratio.

The Plan encourages Public Benefits that are on-site (e.g., parks, plazas, and common rooms, pg. E17) and off-site (e.g., shuttle services, public amenity funds, pg. E17). The goal of the Plan is to encourage project sponsors to incorporate on-site Public Benefits that improve project quality and long-term utility to the public. GLC has sought to design Station 1300 to fulfill the vision of the Plan in all respects and to be an enduring asset to the community. GLC believes that the Public Benefit Case includes, as intrinsic benefits, many on-site features that address the Plan's goals for public amenities.

B. Proposal

GLC proposes, beyond the on-site benefits noted above, to contribute $2,100,000 to the Downtown Amenity Fund for use in the Plan area in a manner decided by the people of Menlo

Park. This could include anything from a downtown parking structure, to downtown beautification, to whatever is deemed needed. The cash contribution would be one-third of the $6,300,000 value calculated by BAE and nearly two times the 18% cash Public Benefit provided by Alma Station. Refer to Exhibit E for further explanation.

One major difference between the Public Benefit Case and the Base Case is the underground parking, which because of the high cost and additional time to construct increases development risk considerably. The amount of the contribution to the Downtown Amenity Fund reflects this added risk and the significant community benefits (e.g. open space and plazas) that are the consequence of locating the parking underground.

IV. Summary

The GLC Public Benefit consist of a $2,100,000 contribution to the Public Amenity Fund. In addition, Station 1300 community benefits will include a park and plazas (1.2 acres) that are open to the public (costs $3,380,000); the extension of Garwood for vehicles, bikes, and pedestrians (cost $2,300,000); and for the Public Benefit Case additional impact fees ($1,700,000) and additional annual revenues to the schools ($425,000 per year), as well as other intrinsic benefits.

Exhibit A

Development Summary: Base and Public Benefit Cases
Station 1300

Land Use/Description	Base Case	Public Benefit Case	Difference
Office			
No. of buildings	2	2	0
Height	38 ft	48 ft	10 ft
Façade height	38 ft	38 ft	0 ft
Stories	2	3	1
Space (sf)			
Office	155,000	188,900	33,900
Community serving (CS) (maximum)*	5,000	21,100	16,100
Total	160,000	210,000	50,000
Residential			
No. of buildings	1	1	0
Height	38 ft	48 ft	10 ft
Façade height	38 ft	38 ft	0 ft
Stories	3	4	1
Space (sf)			
Apartments	145,000	202,100	57,100
Community serving	5,000	7,900	2,900
Total	150,000	210,000	60,000
Apartments			
Market rate	123	172	49
Below market rate	7	10	3
Total	130	182	52
Office+Residential+CS			
Floor area ratio	1.10	1.50	0.40
Total area	310,000 sf	420,000 sf	110,000 sf
Parking			
Type	Above grnd	Below grnd	N/A
Levels			
Above ground	4	0	4
Below ground	1	2	1
Total	5	2	5
Parking spaces	813	980	167
Open Space at grade (Percentage of Site area)	20%	49%	29%

* The minimum amount of space for community serving businesses in the office buildings would be 10,700 sf, which would result in 199,300 sf of office space.

Exhibit B

Intrinsic Community Benefits
Comparison of Base and Public Benefit Cases

Benefit			Base Case	PB Case	Comments
Downtown Specific Plan Vision					
	Maintain village character		X	**XX**	PB Case: 29% more of the site in open space
	Improve ECR circulation and streetscape		X	X	Extend Garwood, Cost $2,300,000
	ECR neighborhood compatability		X	X	
	Revitilize underutilized parcels		X	X	
	Activate train station		X	**XX**	PB Case: more transit patrons and activity
	Expand shopping and vibrancy		X	**XX**	PB Case: 35% more people and economic activity
	Provide residential opportunities		X	**XX**	PB Case: 52 more units (3 more BMR units)
	Provide plazas and park space		X	**XX**	PB Case: more plaza and park space at an additional cost of $2,670,000
		Central plaza	X	**XX**	PB Case: larger plaza
		Oak Grove-Garwood Plaza	X	**XX**	PB Case: larger plaza
		Garwood Park	0	**X**	Base Case: no park
		Amphitheater Plaza	0	**X**	Base Case: no amphitheater
	Provide pedestrian and bike network		X	X	
Financial benefits					
	Annual tax rev. to all public agencies including schools		X	**XX**	PB Case: @1,700,000 per year more revenue
	Annual tax rev. to schools		X	**XX**	PB Case: $425,000 per year more revenue
	Impact and connection fees		X	**XX**	PB Case: $1,700,000 more fees
Sustainability					
	Office buildings		X	**XX**	PB Case: seek to attain LEED Platinum and Net Zero Energy Base Case: LEED Silver
	Residential buildings		X	**XX**	PB Case: LEED Gold Base Case: LEED Silver

Legend

0 = benefit not present

X = benefit present

XX = greater or enhanced benefit

Exhibit C

Cost of Intrinsic Community Benefits

Community Benefit			Cost to GLC		
			Base Case	PB Case	Difference
Garwood Extension			$2,300,000	$2,300,000	$0
New Bike Routes			NIC	NIC	
Open Space (additional cost for underground parking)			$0	$26,000,000	$26,000,000
Park and plazas	(sf)	($/sf)			
Central plaza*	20,930	$57	$570,000	$1,193,010	$623,010
Oak Grove/Garwood plaza*	3,620	$57	$142,500	$206,340	$63,840
Amphitheater plaza	8,224	$57	$0	$468,768	$468,768
Garwood Park	17,850	$85	$0	$1,517,250	$1,517,250
Total	50,624		$712,500	$3,385,368	$2,672,868
Downtown Vibrancy			NIC	NIC	NIC
Rental Housing (more affordable than for sale housing)			NIC	NIC	NIC
Financial Benefits					
Annual tax revenue to public agencies			$3,300,000 per year	$5,000,000 per year	$1,700,000 per year
Impact fees & Connection fees			$6,500,000	$8,200,000	$1,700,000
Fulfill El Camino Real/Downtown Specific Plan Vision			NIC	NIC	NIC

* Under the Base Case the Central Plaza will be about 10,000 sf and the Oak Grove Plaza 2,500 sf.

Exhibit D

Site Plan and Renderings

STATION 1300

Site Plan

STATION 1300

Shops, restaurants, and offices on El Camino Real

STATION
1300

Shops on Oak Grove

STATION
1300

Apartment courtyard

STATION
1300

Central plaza and north office building

STATION
1300

Oak Grove at Garwood

Exhibit E

Alma Station Public Benefits

Public Benefits	% of Cost of Public Benefit Attributed by City to Public Value	Cost of Public Benefit as % of Increased Project Profit
On-site		
Plazas	100%	22%
Coffee Kiosk	100%	19%
Electric Vehicle Charge	100%	3%
Total:		44%
Off-Site		
Contribution to Amenity Fund	100%	18%

bae urban economics

Memorandum

To: Thomas Rogers, City of Menlo Park

From: Ron Golem, Stephanie Hagar, BAE

Date: March 14, 2016

Re: Financial modeling of public benefit bonus for potential 1300 El Camino Real project

Overview: Purpose of the Analysis

This memorandum presents the results of BAE's modeling of the value of a proposed horizontal mixed-use development project at 1300 El Camino Real in Menlo Park, which would utilize the public benefit program outlined in the El Camino Real / Downtown Specific Plan. This memorandum evaluates the potential developer profit from a project with the base entitlements versus one with a public benefit bonus. Based on the findings presented in this memorandum, BAE has prepared a separate memorandum to evaluate the developer's proposed public benefit contribution relative to the increase in value attributable to the public benefit bonus.

The potential project as conceived to date by the developer ("base project"), consistent with the base entitlements in the Specific Plan, would consist of a two-story office building of approximately 150,000 gross square feet with a parking structure behind it; and 137 rental residential units in a 3-story building above a podium structure that would contain parking. Approximately 15,000 square feet of retail would be provided between both buildings. The base project is not the developer's preferred option, and has not been designed in detail, other than what is needed to conduct this analysis.

The potential project with the public benefit bonus allowed by the Specific Plan ("bonus project") would place all parking in a two-level underground parking garage beneath the development. The site would then accommodate two three-story office buildings with approximately 218,000 gross square feet; and 182 rental residential units in a four-story building. Ground floor community serving uses would comprise approximately 7,900 square feet in the residential building and 10,700 to 21,100 square feet in the office building. The bonus project is the developer's preferred scenario, and has been currently the subject of more design work.

Key Findings

Pro forma analysis was conducted to estimate the profit from the two alternative development programs, using information provided by the developer as well as BAE's independent research and evaluation of development costs and market conditions (the pro formas are attached to this memorandum). Sensitivity analysis was also conducted to test how these findings might change based on changes in cost or market conditions. Key findings include:

- The bonus project would result in approximately $78.2 million of profit to the developer (with development cost of $275 million including land with carrying costs), compared to approximately $71.9 million of profit for the base project (with development cost of $200 million including land with carrying costs). This means that the bonus project realizes $6.3 million in additional profits compared to the base project.
- Based on the pro forma assumptions, both projects are feasible, with the base project achieving a strong adjusted 43 percent return on total costs (a standard metric for return used by developers), and the bonus project achieving strong adjusted 30 percent return on costs).

Because development returns are sensitive to changes in project costs, interest rates, market rental rates and other factors, a sensitivity analysis of selected risk factors as conducted to identify how changes could impact the above findings. The results of this analysis are shown in the table below:

Sensitivity Analysis for Potential 1300 El Camino Real Project Profit ($ millions)

Scenario	Base Project Profit	Bonus Project Profit	Profit Increase
BAE Estimate	$71.9	$78.2	+ $6.3
Underground Parking Cost Shift			
10% Cost Increase	$69.7	$72.6	+$2.9
Construction Hard Cost Shift			
10% Cost Increase	$62.5	$65.2	+$2.7
Change in Capitalization Rate (Corresponds to Interest Rate Hike, Lower Project Value)			
0.25% Rise	$59.1	$61.5	+$2.4
0.50% Rise	$47.5	$46.4	-$1.1
Increase in Rental Rates			
5% rent increase	$87.3	$98.3	$11.0

Source: BAE, 2015.

The sensitivity analysis shows that the estimate of $6.3 million increase in profit from the bonus project falls within a range of potential outcomes from an increase in project profit of

$0 million to $11.0 million. All projects remain feasible, and generate an increase in value for the bonus project, except for a 0.5 percent increase in cap rates, which causes a decrease in value between the base and bonus project because the increase in project value no longer exceeds the increase in total project cost (the lower bound value for the value of the bonus is treated as $0).

The cost of underground parking is a key factor because it is the most expensive way to provide parking ($42,500 per space versus $21,000 for above-ground parking structures), and it is necessary to fully take advantage of the public benefit bonus. Underground parking costs can vary substantially based on site geotechnical conditions.

Capitalization rates are used to estimate the value of income properties and move in tandem with changes in interest rates (capitalization rates are a measure of project net operating income relative to project value, since income is constant a rise in rates means a property is worth less). A significant increase in interest rates will make the finished project worth less, and shrink the profit from the bonus project.

Finally, local residential rental rates have spiked in the current cycle, and to avoid overstating potential rents they are based on the mid-range of rents in new local area high-end rental residential developments. Profit will increase if rents continue to rise and/or top of market rents can be realized.

Limiting Conditions

The above analysis is based on cost and valuation factors along with market rental rates provided by the potential developer and identified by BAE in its independent research during the Second Quarter of 2015. The project is in pre-development, and as design and development work proceeds it is possible that changes in design, building code requirements, construction costs, market conditions, interest rates, or other factors may result in significant changes in costs and profits. Depending upon these changes, the project as built may become more profitable, or could become less profitable or even infeasible. The figures in this analysis should not be relied upon beyond the next three month to six month period, and may be superseded before then.

For these initial findings, BAE used an estimate of land value based on partial property records. This land value represents a top of market estimate for development sites in Northern Santa Clara County, and is supported by the high office rents and residential rents that can be realized. To the extent that the actual cost of land for the project differs, it would change the total profit from the base or bonus project. However, because it is a fixed cost for both projects, it would not be expected to change the difference in profit between the base and bonus project.

The impact fee calculation does not include sewer connection fees because these are based on flow calculations that are not available at present. These, however, should be proportional between the base project and bonus project, and therefore should not substantially affect the calculation of the increase in profit for the bonus project.

Methodology

BAE met with City staff and the potential developer for 1300 El Camino Real to review the proposed site plan and development program and review the developer's assumptions regarding costs, rental rates, operating costs, capitalization rates, and other factors. BAE subsequently conducted independent research to verify these figures. This included interviews with area developers of office space and rental residential projects to confirm construction costs, operating costs, and capitalization rates. Confidential project cost information for other proposed projects under consideration by the City was reviewed. A review of cost figures for the appropriate construction types as published in the R.S. Means Company construction cost guides was conducted. Rental rates for comparable projects were researched for two recently built high-end rental residential projects in Mountain View (no recently built market rental residential projects in their initial lease up period were identified in Menlo Park or Palo Alto). Published reports on local market area capitalization rates were reviewed. Review of other assumptions, such as acceptable developer returns, was based on BAE's experience with other projects in the local market area.

This information was then used to prepare a project pro forma (projection) model for the base project and the bonus project. The pro formas consist of Excel worksheets that show assumptions for the development program, development costs, income, operating expenses, and financing costs. The worksheets then show the calculation of project cost by category, and an analysis of the value of the new development by component, and profit and return. The model is set up to calculate project profit as the residual value, by deducting total development costs (including land) from the market value of the completed project. To confirm feasibility, the "return on costs" was calculated (profit divided by total development costs excluding land); the current market range is between eight and 12 percent return on cost, depending upon the project type, local market condition, and overall project risk.

The pro forma models are attached to this memorandum, with the base project shown first, followed by the bonus project. Each model consists of two pages: the first page is a summary of development costs and the analysis of project value, profit and return; the second page contains all the assumptions used to calculate cost and return.

Key Assumptions

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

- The residential units mix includes studios, junior one-bedroom units, one-bedroom units, two-bedroom units, and a small number of three-bedroom units. Approximately two-thirds of the units are one-bedroom or two-bedroom units, reflecting market demand.
- Unit sizes range from 535 square feet for junior one-bedroom units, to 713 square feet for one-bedroom units, to 1,096 square feet for two-bedroom units, to 1,549 square feet for the three-bedroom units.
- Monthly rental rates range from $3,300 for a junior one-bedroom unit, to $3,600 for a one-bedroom unit, to $4,300 for a two-bedroom unit, to $6,200 for the three-bedroom units.
- Below market-rate (BMR) units are included pursuant to the City's BMR requirements for commercial development. Rental rates for the BMR units are assumed per City policy, and range from $1,643 for a studio or junior one-bedroom unit, to $1,878 for a one-bedroom unit, to $2,113 for a two-bedroom unit.
- Rental rates for the office space are assumed to be $66 per square foot per year, triple-net. The rental rate for retail space is assumed to be $36 per square foot per year, triple-net, reflecting locations that are not as directly accessible to El Camino Real as other retail.
- Hard construction costs range between $240 per square foot for commercial to $250 per square foot for the residential. By comparison, the residential construction cost is approximately one-third higher than a standard multifamily project, reflecting a much higher quality of design and greater building amenities.
- Parking hard costs range, on a per space basis, from $21,000 for structured spaces and $31,000 for podium spaces in the base project, to $42,500 per space for underground parking in the bonus project.
- All City impact fees were calculated and included, except for the sewer connection fee (as noted in the limiting conditions section of this memorandum).

Pro Forma for Mixed-Use Development with Base Case per Specific Plan

Proposed Project at 1300 El Camino Real, Menlo Park CA

ADMIN DRAFT

Development Program Assumptions

Characteristics of Project			
Site - gross acres / square feet (sf)		7.11	309,712
Site area net of Garwood Ave - acres / sf		6.43	280,091
Garwood Way extension, sf			42,100
Office rentable area, sf			149,380
Retail gross leasable area, sf			14,550
Dwelling units (du)			137
Jr 1 bedroom - number / average size		17	535
1 bedroom - number / average size		52	713
2 bedroom - number / average size		55	1,096
3 Bedroom - number / average size		5	1,549
BMR Jr 1 bedroom - number / average size		1	535
BMR 1 bedroom - number / average size		3	713
BMR 2 bedroom - number / average size		4	1,096
Parking:			
Surface parking spaces			25
Above-grade garage spaces			586
Podium parking spaces			170
Underground parking spaces			-
Total parking spaces			781
Common area sf - residential / office / retail (a)	17,746	4,620	450
Total sf - residential / office / retail	139,000	154,000	15,000
Dwelling units/acre			21

Notes

(a) Common area % resid'l / office / retail: 12.8% 3% 3%

(b) Includes the following impact fees City impact fee schedule: Storm Drainage Connection Fee, Building Construction Road Impact Fee, Water Capital Facilities Charge, Traffic Impact Fee, ECR/Downtown Specific Plan Preparation Fee, Supplemental Transportation Impact Fee, Sequoia Union High School District Impact Fees, Menlo Park City Elementary School District Impact Fee. Fee calculation per report. Excludes sewer connection fee, pending flow calculations. Supplemental Transportation Impact Fee estimated pending calculations from City.

(c) Cost of surface parking is included in site development costs.

(d) Estimate by BAE based on review of recorded sales data for parcels comprising the project site.

(e) Consists of property tax payments on half of the property between March 2012 and June 2015 and property tax on the remaining half of the property between Dec. 2012 and August 2015 at $21,800 per month.

(f) Adjusted to include 5% developer fee separate from investor return, even though unlike most developers, applicant does not collect this.

Cost and Income Assumptions

Development Costs			
Demolition costs, per site sf			$2.42
Environmental remediation cost, per site sf			$10.33
On-site utilities and landscaping, per site sf			$25.18
Construction hard costs, per sf - resid/office/retail	$250	$240	$240
Road construction - Garwood Ave, per sf of road			$64
Off site utility construction cost			$750,000
Appliance costs, per du			$4,000
Impact fees (b)			$3,846,453
Tenant improvements, per sf of office / retail		$60	$50
Soft costs, % of hard costs			20%
Parking construction cost, per space:			
Surface parking cost, per space			N/A (c)
Above-grade garage spaces			$21,000
Podium parking spaces			$31,000
Underground parking spaces			$42,500
Developer fee % of total project costs			0%
Revenues and Operating Expenses			
Office rental rate, sf/yr, NNN			$66.00
Retail rental rate, sf/yr, NNN			$36.00
Residential rental rate per du/mo:			
Jr 1 bedroom			$3,300
1 bedroom			$3,600
2 bedroom			$4,300
3 Bedroom			$6,200
BMR Jr 1 bedroom			$1,643
BMR 1 bedroom			$1,878
BMR 2 bedroom			$2,113
Annual op. cost - per du / per office sf / per retail sf	$11,000	$1.80	$1.80
Vacancy rate - residential / office / retail	5%	5%	5%
Financing			
Construction loan to cost ratio			70%
Loan fees (points)			2%
Interest rate			5.5%
Construction period (months)			14
Drawdown factor			60%
Total hard + soft construction costs			$144,665,253
Total loan amount			$101,265,677
Capitalization Rate - Residential / Office / Retail	4.25%	5.75%	6.00%

Source: BAE, 2015.

Pro Forma for Mixed-Use Development with Base Case per Specific Plan

Proposed Project at 1300 El Camino Real, Menlo Park CA

ADMIN DRAFT

Development Costs

Development Costs (Excludes Land)	
Demolition costs	$750,000
Environmental remediation cost	$3,200,000
On-site utilities and landscaping	$7,800,000
Residential construction costs	$35,298,000
Office construction costs	$36,960,000
Retail construction costs	$3,600,000
Garwood Ave construction costs	$2,685,000
Off site utility construction cost	$750,000
Tenant improvements	$8,730,000
Parking costs	$17,576,000
Soft costs	$23,469,800
Impact fees	$3,846,453
Total construction costs	$144,665,253
Total cost, per rentable sf	$470
Interest on construction loan	$3,898,729
Points on construction loan	$2,025,314
Total financing costs	$5,924,042
Total development costs	**$150,589,295**

Value Analysis

Projected Income	
Residential	
Gross scheduled rents	$6,318,348
Less vacancy	($315,917)
Gross annual rents	$6,002,431
Less operating expenses	($1,507,000)
Net operating income (NOI)	$4,495,431
Office	
Gross scheduled rents	$9,859,080
Less vacancy	($492,954)
Gross annual rents	$9,366,126
Less operating expenses	($277,200)
Net operating income (NOI)	$9,088,926
Retail	
Gross scheduled rents	$523,800
Less vacancy	($26,190)
Gross annual rents	$497,610
Less operating expenses	($27,000)
Net operating income (NOI)	$470,610
Total net operating income	**$14,054,967**
Development Feasibility	
Capitalized value	$271,686,616
Less development costs	($150,589,295)
Less land cost - estimate (d)	($47,637,500)
Less Property taxes during holding period (e)	($1,591,400)
Project profit	**$71,868,421**
Adjusted return as % of hard cost (f)	43%

Pro Forma for Mixed-Use Development with Public Benefit Bonus per Specific Plan

Proposed Project at 1300 El Camino Real, Menlo Park CA

ADMIN DRAFT

Development Program Assumptions

Characteristics of Project			
Site - gross acres / square feet (sf)		7.11	309,712
Site area net of Garwood Ave - acres / sf		6.43	280,091
Garwood Way extension, sf			42,100
Office rentable area, sf			188,277
Retail gross leasable area, sf			23,086
Dwelling units (du)			182
Jr 1 bedroom - number / average size		22	535
1 bedroom - number / average size		68	713
2 bedroom - number / average size		75	1,096
3 Bedroom - number / average size		7	1,549
BMR Jr 1 bedroom - number / average size		1	535
BMR 1 bedroom - number / average size		4	713
BMR 2 bedroom - number / average size		5	1,096
Parking:			
Surface parking spaces			50
Above-grade garage spaces			-
Podium parking spaces			-
Underground parking spaces			1,036
Total parking spaces			1,086
Common area sf - residential / office / retail (a)	39,936	5,823	714
Total sf - residential / office / retail (b)	202,100	194,100	23,800
Dwelling units/acre			28
Notes			
(a) Common area % resid'l / office / retail:	19.8%	3%	3%

(b) Retail sf based on 7,900 sf of community serving uses in the residential building and 10,700 - 21,100 sf of retail space in the office building. The analysis uses the midpoint of the range of potential retail sf in the office space.

(b) Includes the following impact fees City impact fee schedule: Storm Drainage Connection Fee, Building Construction Road Impact Fee, Water Capital Facilities Charge, Traffic Impact Fee, ECR/Downtown Specific Plan Preparation Fee, Supplemental Transportation Impact Fee, Sequoia Union High School District Impact Fees, Menlo Park City Elementary School District Impact Fee. Fee calculation per report. Excludes sewer connection fee, pending flow calculations. Supplemental Transportation Impact Fee per estimates from City.

(d) Cost of surface parking is included in site development costs.

(e) Estimate by BAE based on review of recorded sales data for parcels comprising the project site.

(f) Consists of property tax payments on half of the property between March 2012 and June 2015 and property tax on the remaining half of the property between Dec. 2012 and August 2015 at $21,800 per month.

(g) Adjusted to include 5% developer fee separate from investor return, even though unlike most developers, applicant does not collect this.

Cost and Income Assumptions

Development Costs			
Demolition costs, per site sf			$2.42
Environmental remediation cost, per site sf			$10.33
On-site utilities and landscaping, per site sf			$25.18
Construction hard costs, per sf - resid/office/retail	$250	$240	$240
Road construction - Garwood Ave, per sf of road			$64
Off site utility construction cost			$750,000
Appliance costs, per du			$4,000
Impact fees (c)			$5,272,860
Tenant improvements, per sf of office / retail		$60	$50
Soft costs, % of hard costs			20%
Parking construction cost, per space:			
Surface parking cost, per space			N/A (d)
Above-grade garage spaces			$21,000
Podium parking spaces			$31,000
Underground parking spaces			$42,500
Developer fee % of total project costs			0%
Revenues and Operating Expenses			
Office rental rate, sf/yr, NNN			$66.00
Retail rental rate, sf/yr, NNN			$36.00
Residential rental rate per du/mo:			
Jr 1 bedroom			$3,300
1 bedroom			$3,600
2 bedroom			$4,300
3 Bedroom			$6,200
BMR Jr 1 bedroom			$1,643
BMR 1 bedroom			$1,878
BMR 2 bedroom			$2,113
Annual op. cost - per du / per office sf / per retail sf	$11,000	$1.80	$1.80
Vacancy rate - residential / office / retail	5%	5%	5%
Financing			
Construction loan to cost ratio			70%
Loan fees (points)			2%
Interest rate			5.5%
Construction period (months)			21
Drawdown factor			60%
Total hard + soft construction costs			$214,078,341
Total loan amount			$149,854,839
Capitalization Rate - Residential / Office / Retail	4.25%	5.75%	6.00%

Source: BAE, 2015.

Pro Forma for Mixed-Use Development with Public Benefit Bonus per Specific Plan

Proposed Project at 1300 El Camino Real, Menlo Park CA

ADMIN DRAFT

Development Costs	
Development Costs (Excludes Land)	
Demolition costs	$750,000
Environmental remediation cost	$3,200,000
On-site utilities and landscaping	$7,800,000
Residential construction costs	$51,253,000
Office construction costs	$46,584,000
Retail construction costs	$5,712,000
Garwood Ave construction costs	$2,685,000
Off site utility construction cost	$750,000
Tenant improvements	$11,240,568
Parking costs	$44,030,000
Soft costs	$34,800,914
Impact fees	$5,272,860
Total construction costs	$214,078,341
Total cost, per rentable sf	$510
Interest on construction loan	$8,654,117
Points on construction loan	$2,997,097
Total financing costs	$11,651,214
Total development costs	**$225,729,555**

Value Analysis	
Projected Income	
Residential	
Gross scheduled rents	$8,436,240
Less vacancy	($421,812)
Gross annual rents	$8,014,428
Less operating expenses	($2,002,000)
Net operating income (NOI)	$6,012,428
Office	
Gross scheduled rents	$12,426,282
Less vacancy	($621,314)
Gross annual rents	$11,804,968
Less operating expenses	($349,380)
Net operating income (NOI)	$11,455,588
Retail	
Gross scheduled rents	$831,096
Less vacancy	($41,555)
Gross annual rents	$789,541
Less operating expenses	($42,840)
Net operating income (NOI)	$746,701
Total net operating income	**$18,214,717**
Development Feasibility	
Capitalized value	$353,141,530
Less development costs	($225,729,555)
Less land cost - estimate (e)	($47,637,500)
Less Property taxes during holding period (f)	($1,591,400)
Project profit	**$78,183,075**
Adjusted return as % of hard cost (g)	30%

bae urban economics

Memorandum

To: Thomas Rogers, City of Menlo Park

From: Stephanie Hagar, BAE

Date: March 14, 2016

Re: Evaluation of proposed public benefit for 1300 El Camino Real (Station 1300) project

This memorandum presents an evaluation of the proposed public benefit contribution for Station 1300, a development project at 1300 El Camino Real in Menlo Park. The site is in a location eligible for a public benefit bonus pursuant to the Specific Plan, which establishes the formula for the additional built area that is allowed in return for public benefits acceptable to the City. This memorandum builds on BAE's separate analysis modeling the increase in value of the project due to the increase in density from the public benefit bonus.

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

Development Proposal

The potential project with the public benefit bonus allowed by the Specific Plan ("bonus project") would place all parking in a two-level underground parking garage beneath the development. The site would then accommodate two three-story office buildings with approximately 218,000 gross square feet; and 182 rental residential units in a four-story building. Ground floor community serving uses would comprise approximately 7,900 square feet in the residential building and 10,700 to 21,100 square feet in the office building. The bonus project is the developer's preferred scenario, and has been the subject of more design work. The developer's proposed public development contribution is a one-time $2.1 million monetary payment to the City.

The potential alternate base-level project as conceived to date by the developer ("base project") would consist of a two-story office building of approximately 150,000 gross square feet with a parking structure behind it; and 137 rental residential units in a 3-story building above a podium structure that would contain parking. Approximately 15,000 square feet of retail would be provided between both buildings. The base project is not the developer's

preferred option, and has not been designed in detail, other than what is needed to conduct this analysis.

Summary of Pro Forma Findings

BAE conducted a pro forma analysis to estimate the profit from the two alternative development programs, using information provided by the developer as well as BAE's independent research and evaluation of development costs and market conditions. The full pro forma analysis, methodology, and assumptions are detailed in a separate memorandum. Key findings include:

- The bonus project would result in approximately $78.2 million of profit to the developer (with development cost of $275 million including land with carrying costs), compared to approximately $71.9 million of profit for the base project (with development cost of $200 million including land with carrying costs). This means that the bonus project realizes $6.3 million in additional profits compared to the base project.
- Based on the pro forma assumptions, both projects are feasible, with the base project achieving a strong adjusted 43 percent return on total costs (a standard metric for return used by developers), and the bonus project achieving strong adjusted 30 percent return on costs).

Evaluation of Proposed Public Benefit Contribution

Jurisdictions use a variety of metrics to establish the desired value of the public benefit contributions that developers provide in exchange for additional density. Many of these metrics base the value of the contribution on the difference in value between a project developed at the base level density and a project developed at the community benefit level density, either on a project-by-project basis according the specifics of individual projects, or on a more generalized basis using an analysis of project prototypes. The value of the community development contribution is typically expected to total some share of that difference. Possible methods for determining the value of the contribution based on this type of analysis include:

- Negotiation: On a project-by project basis, the City negotiates with the developer to determine the benefit contribution. This is the method that the City of Menlo Park currently uses to assess developer contributions for projects seeking the public benefit density in the Specific Plan area. The City has also undertaken this type of negotiation for projects in other areas, when a Development Agreement is proposed.
- Flat dollar charge per square foot: Developers are assessed a flat fee (e.g., $20) per square foot of development in excess of the base level density. The fee rate is determined based on analysis of prototype projects and the same fee rate applies to all projects.

- Charge based on percent of value: Developers are assessed a fee based on a percent of the difference in value between the base level density and the community benefit level density, as assessed on a project-by-project basis.

A fourth potential metric to determine the desired value of a public benefit contribution could be based on the value of land, expressed as the land cost per square foot of building area (i.e., the cost per FAR-foot) under the base level density. For example, a 10,000 square foot site with a base level FAR of 1.1 allows for a total of 11,000 square feet of built area at the base level. If the land cost is $1.65 million, the cost per FAR-foot would be $150 ($1.65 million/11,000 of buildable area). Using this method, the value of the public benefit contribution would total a portion of the FAR-foot land cost for square footage that exceeds the base level density. For example, if the FAR-foot value is $150, the value of the public benefit contribution to the City might be $75 per square foot of development that exceeds the base level density.

During the public benefit bonus review for some initial project proposals, there were individual Planning Commissioner suggestions that Menlo Park consider the FAR-foot value of new development when evaluating community benefits contributions provided under the Specific Plan. Under such a proposal, the Planning Commission could use the methodology described above as one metric to assess the appropriateness of proposed public benefits contributions. It can be noted that this type of analysis may not accurately account for non-linear costs, such as a taller development needing a different construction type, or a larger project featuring more expensive underground parking instead of cheaper above-ground parking. These issues in valuation, however, can be addressed through an appraisal process that utilizes comparable land sales for projects with similar characteristics.

Although no jurisdictions in California have implemented a FAR-foot method for evaluating public benefit contributions, this method has been adopted and considered by jurisdictions elsewhere. For example, the City of Chicago allows additional square footage in some zoning districts in exchange for either on-site affordable units or by making a monetary contribution to the City's Affordable Housing Opportunity Fund. The amount of the financial contribution is equal to the bonus floor area multiplied by 80 percent of the median land price per base FAR-foot in the submarket where the proposed development is located. A January 2014 report for the City of Toronto recommended that the City value community benefits contributions based on a percent of the appraised land value per square meter of buildable floor area, but the City has not yet adopted this method.

Station 1300 Proposed Public Benefit Contribution

The developer's proposed public benefits contribution for Station 1300 is a $2.1 million monetary payment to the City. In addition, the developer has cited several non-monetary benefits of the project, but is not asking that the City consider these benefits as part of the developer's public benefit contribution. These additional benefits as identified by the

developer include an extension of Garwood Way through the project site, an improved streetscape along El Camino Real, 10 below-market-rate residential units, and three plazas and a park that would be open to the public.

Comparison to Sample Jurisdictions

Table 1 below shows the developer's proposed monetary contribution for Station 1300, expressed in terms of each of the four methods outlined above for determining the desired value of public benefit contributions. The table also shows a comparison to rates established in a sample of other California jurisdictions.

This analysis shows that the proposed contribution is generally consistent with fee rates that are charged on a per-square foot basis, but lower than the rates established based on a percent of the increase in value. The developer's contribution totals $19 per square foot for the square footage that exceeds the base level density. This is slightly lower than the charge per square foot in Mountain View and the charge per square foot for commercial development in the San Francisco Eastern Neighborhoods Plan Area, but slightly higher than the charge per square foot in San Diego and the charge per square foot of residential uses in the San Francisco Eastern Neighborhoods Plan Area. The developer's contribution totals 33 percent of the increase in project value attributable to the public benefit bonus, lower than the rate charged in Culver City and lower than the proposed rate for San Francisco's Central SOMA Plan.

Table 1: Comparison of Proposed Benefit to Rates Charged in a Sample of California Cities with Public or Community Benefits Programs

Method for Determining Benefit Value	Value of Proposed Benefit for Station 1300 (a)	Comparison Jurisdictions	Comparison Jurisdiction Rate
Negotiation	N/A	Menlo Park (El Camino Real / Downtown Specific Plan)	N/A
		Palo Alto	
		Berkeley (Downtown Specific Plan) (b)	
		Santa Monica	
Flat fee per sq. ft. of increment	$19	Mountain View (El Camino Real Precise Plan, San Antonio Precise Plan)	$20
		San Diego (select areas in Downtown) (c)	$17
		San Francisco (Eastern Neighborhoods) (d)	Residential: $12 - $16 Commercial: $20 -$24 Additional inclusionary requirements also apply
Percent of Value of Increment	33%	Culver City	50%
		San Francisco (Central SOMA Plan) (e)	66%-75% (proposed)
		Cupertino Investigated; has not been adopted	N/A
Percent of Land Value per FAR-foot	12%	N/A	N/A

Notes:
(a) Calculations for Station 1300 are based on the assumptions and site characteristics shown in Table 3.
(b) Berkeley is considering a proposal to allow developers to choose to either include benefits related to affordable housing, labor, and other benefits from a menu of options or to pay a flat fee. The flat fee rate has not been determined.
(c) Rate shown is an estimate; fee was set at $15 per square foot in 2007 and inflated annually based on CPI. Developers can also provide benefits directly in exchange for increase in FAR.
(d) San Francisco uses a tiered approach, with lower fees for a 1- to 2-story increase in height and higher fees for a 3-story increase in height.
(e) Basis for valuing Community Benefits contributions for the Central SOMA Plan is still under consideration. A recent presentation by the City's Planning Department used the rates shown in the table as a target (see http://www.sf-planning.org/ftp/files/Citywide/Central_Corridor/20150625_Central_SoMa_Presentation_Final.pdf)

Comparison to Sample Projects with Negotiated Public Benefits

Table 2 shows the proposed public benefit for Station 1300 compared to the monetary contribution proposed for two other projects with negotiated public benefits, based on the three quantified methods described above (i.e., per square foot charge, percent of value increment, and FAR-foot methods). The first comparison project is 1020 Alma Street in the Specific Plan Area, which was recently approved by the Menlo Park Planning Commission. The public benefits contribution from this project consisted of a one-time payment of $185,816 and public plaza spaces, one of which will include a coffee kiosk. The second comparison project is currently under review in Berkeley at 2211 Harold Way. While Berkeley currently negotiates community benefits in the Downtown Specific Plan Area, the Berkeley City Council is evaluating more formulaic approaches to assessing community benefits contributions. For projects currently in the pipeline, including the project at Harold Way, the City Council has

proposed a fee rate of $100 per square foot for square footage between 75 and 120 feet in height and $150 per square foot for square footage that exceeds 120 feet in height.

The proposed contribution for Station 1300 is generally consistent with the contribution provided by the developer of the project at 1020 Alma Street in Menlo Park. While the proposed contribution for Station 1300 is lower than the contribution for 1020 Alma on a per-square foot basis, the proposed contribution is similar if calculated based a percent of the FAR-foot value and higher if calculated based on a percent of the increase in value from the public benefit bonus. The proposed public benefit contribution for Station 1300 would be lower than the contribution for 1020 Alma after accounting for the non-monetary public benefit contributions from the 1020 Alma project. However, Station 1300 will provide similar public benefits in the form of plazas and a park that will be accessible to the public.

On a per-square foot basis, the proposed contribution for Station 1300 is considerably lower than the proposed per-square foot charge for 2211 Harold Way in Berkeley. In considering the proposed fee rates for the project on Harold Way, the City Council noted that these rates may be higher than in any other city in California. In addition, the fee for the project at Harold Way would permit the construction of 45 additional feet in height, which could be considered a fundamentally different project concession than the Specific Plan's FAR increase.

Table 2: Monetary Public Benefit Contributions from Projects with Negotiated Public Benefits

Method for Determining Benefit Value	Value of Proposed Benefit for Station 1300	1020 Alma St, Menlo Park	2211 Harold Way, Berkeley
Monetary Public Benefit Contribution	$2,100,000	$185,816	Unknown
$ per sq. ft. of increment	$19	$32	$100 from 75' to 120' in building height; $150 above 120'.
Percent of Value of Increment	33%	18%	Unknown
Percent of Land Value per FAR-foot	12%	12%	Not applicable; site does not have a maximum FAR.
Comments	Calculations are based on the assumptions and site characteristics shown in Table 3. The developer has noted that the project will include additional non-monetary public benefits, but is not asking that these be considered as part of the public benefit contribution.	In addition to the monetary contribution shown in this table, the public benefit contribution for the project at 1020 Alma Street includes public plaza space and a coffee kiosk. Land value estimated based on the net present value of the ground lease.	Fee rate shown is still under consideration. Project will provide additional non-monetary community benefits.

Key Assumptions

Key assumptions and project and site characteristics incorporated into the preceding analysis are as shown in the following table.

Table 3: Station 1300 Project Characteristics

Selected Project Characteristics	Station 1300
Base level FAR	1.1
Site size (sq. ft.)	280,091
Allowable square footage at base FAR	308,100
Bonus level project size (sq. ft.)	420,000
Square footage above base level FAR	111,900
Land Cost	$47,637,500
Land Value per FAR-foot (at base level FAR)	$155
Additional value from Public Benefit Bonus	$6,314,654
Proposed monetary Public Benefit contribution	$2,100,000

Note:
Site square footage for Station 1300 excludes the land used to extend Garwood Way. Land cost estimated based on BAE review of public records.