

The City Council of the City of Palo Alto met on this date in the Council Chambers at 5:30 P.M.

Present: Burt, Espinosa arrived at 6:45 p.m., Klein, Price, Scharff arrived at 5:35 p.m., Schmid, Shepherd, Yeh

Absent: Holman

Closed Session

1. CONFERENCE WITH LABOR NEGOTIATORS

City Designated Representatives: City Manager and his designees pursuant to Merit System Rules and Regulations (James Keene, Pamela Antil, Dennis Burns, Lalo Perez, Joe Saccio, Sandra Blanch, Marcie Scott, Roger Bloom, Darrell Murray)

Employee Organization: Palo Alto Fire Chiefs' Association

Authority: Government Code Section 54957.6(a)

2. CONFERENCE WITH LABOR NEGOTIATORS

City Designated Representatives: City Manager and his designees pursuant to Merit System Rules and Regulations (James Keene, Pamela Antil, Dennis Burns, Lalo Perez, Joe Saccio, Sandra Blanch, Marcie Scott, Darrell Murray)

Employee Organization: Palo Alto Police Manager's Association (PAPMA)

Authority: Government Code Section 54957.6(a)

3. CONFERENCE WITH CITY ATTORNEY - EXISTING LITIGATION

Subject: City of Palo Alto et al. v. California High-Speed Rail Authority
Superior Court of California, County of Sacramento,
Case No. 34-2010-80000679

Authority: Government Code section 54956.9(a)

The City Council reconvened from the Closed Sessions at 7:02 P.M. and Mayor Yeh announced no reportable action.

City Manager Comments

City Manager, James Keene reported the City of Palo Alto received an award in January from the State of California acknowledging its accomplishments in managing the aesthetics and health of parks, open spaces and buildings

while significantly reducing pesticide use and toxicity. He stated thanks went to Public Works, Community Services and Utilities Departments, who worked together to reduce total pesticide use by 45 percent in recent years, created 12 pesticide-free parks and facilities, eliminated all poison rodent baits and insecticide sprays around buildings, established procedures to protect bee hives, and pioneered many less toxic pest control efforts that had been replicated in other communities. He stated this was the second time Palo Alto had been acknowledged by the State for its effort to make its public places safer for people and for the creeks which were impacted throughout the state by pesticide runoff. He stated on February 27, Caltrain would begin construction of the Highway 101 Auxiliary Lane Project between Embarcadero Road in Palo Alto to the Highway 101/State Route 85 Interchange in Mountain View. The Project would widen Highway 101 by providing auxiliary lanes to allow on-ramp traffic to enter the freeway in their own lane and then merge into Highway 101 traffic; and would install ramp meters and new carpool lanes near the Route 85 Interchange. He said the construction would last approximately two years with lane closures occurring mostly during evening hours and weekends. Staff reported Caltrain had mailed construction notices to all residents in Palo Alto living within 1,000 feet of the Project area. He said this information would be posted to the web site.

Oral Communications

None

Minutes Approval

MOTION: Council Member Shepherd moved, seconded by Mayor Yeh to approve the minutes of November 21, 2011.

MOTION PASSED: 8-0 Holman absent

Consent Calendar

Mayor Yeh noted a memo from Staff requesting that Agenda Item No. 10 be removed from the Agenda and rescheduled for Tuesday, February 21.

Council Member Price advised she would not participate in Agenda Item No. 8 due to a business relationship with One Workplace.

MOTION: Council Member Shepherd moved, seconded by Vice Mayor Scharff to move Item #10 to February 21, 2012.

MOTION PASSED: 8-0 Holman absent

MOTION: Council Member Shepherd moved, seconded by Council Member Schmid to approve Agenda Item Nos. 4-9.

4. Resolution 9225 entitled "Resolution of the Council of the City of Palo Alto Approving the Execution of Master Renewable Energy Certificate Purchase And Sale Agreement With Thirteen Suppliers At An Annual Expenditure Not Exceeding \$1,500,000 During Calendar Years 2012-2016."
5. Resolution 9226 "Resolution of the Council of the City of Palo Alto Naming the Former Sea Scout Building at the Palo Alto Baylands Nature Preserve "Environmental Volunteers EcoCenter".
6. Approval of a Contract with Royston Hanamoto Alley and Abey (RHAA) in the Amount of \$208,253 for Magical Bridge Playground Design (CIP PE-12013).
7. Approval of a Contract with Verde Design, Inc. in the Amount of \$140,000 for Rinconada Park Long Range Project (CIP PE-12003).
8. Approval of Purchase Order with One Workplace, in the Amount of \$632,147.85 for Standard Furniture for the Mitchell Park Library and Community Center.
9. Approval of a Contract with Geodesy in the Amount of \$230,692 for Development and Maintenance Support Services for the City's Geographic Information System Software.
10. ~~Approval for the City Manager to Enter Into an Agreement with the Cities of Mountain View and Los Altos to Purchase Public Safety Systems Technology, Including Computer Aided Dispatch (CAD), Police Records Management (RMS), and In-Vehicle Mobile and Reporting Applications for Police and Fire.~~

MOTION PASSED FOR ITEM NUMBERS 4-7 AND 9: 8-0 Holman Absent

MOTION PASSED FOR ITEM NUMBER 8: 7-0 Price not participating, Holman Absent

Agenda Changes, Additions and Deletions

Action Items

11. PUBLIC HEARING: Review of the Revised Draft East Meadow Circle/Fabian Way Area Concept Plan for Inclusion in the Draft Comprehensive Plan Update.

Mayor Yeh explained the order of the public hearing would be: Staff presentation, comments from Planning and Transportation Commissioner Garber, Council questions, public speakers, and finally additional questions, comments or Motions by the City Council.

Planning Director Curtis Williams explained Staff was present to discuss the East Meadow Circle/Fabian Way Area Concept Plan, which was a portion of the City's Comprehensive Plan currently under development. He stated he would discuss the background and overview of the plan, some of the concepts and strategies outlined for each subarea, and then the next steps. He reported this Plan was developed because the Council, at the outset of the Comprehensive Plan, directed Staff to review this area given the changes over the last decade that had transformed certain areas from Industrial and R&D types of uses to Housing uses. He said these Housing uses were not generally supported by some of the Infrastructure and Parks and other amenities that would normally go along with housing. He stated Council's direction concerning this area in particular and some other areas of the City was to review whether it was appropriate to have additional Housing or whether it was more appropriate to retain some of the Commercial and Industrial uses. Staff believed this had been the Council's direction for the last five or six years, and Staff made several zoning changes around town to reflect that. He said Staff had divided this area into three primary subareas. He indicated the first subarea was the East Meadow/Fabian Way area with the Jewish Community Center and East Meadow Circle. He stated the East of San Antonio subarea tended to feel more like south of San Antonio when driving down Middlefield or Highway 101, but it was actually east of San Antonio, and contained many small industrial parcels and older development. The third subarea was a disjointed group of parcels between San Antonio and Fabian Way, and was smaller parcels with mostly Industrial, Light Industrial and Research and Development uses. He reported the fourth area was not a subarea, but was the pedestrian bicycle network that had been recommended as part of this Program. He stated the main themes which had come from this effort, which had been jointly developed through a series of community workshops and through a series of Planning and Transportation Commission (P&TC) hearings and revisions, was revitalization and upgrading of the East Meadow Circle area for business purposes; essentially the opportunity to transform the East of San Antonio subarea from the current small Industrial uses to potentially revenue-generating uses; thirdly, the Charleston Road subarea,

that short linkage between San Antonio and Fabian Way, primarily to retain those uses on a small scale with particular attention paid to the Fairchild Building; and then overall to improve bicycle and pedestrian circulation throughout the area. He indicated he would next discuss each subarea and those overall goals and strategies. In the East Meadow/Fabian Way/West Bayshore area, Staff was reviewing strategies to retain, enhance and attract high-end R&D and Light Industrial uses in order to provide incentives for redevelopment; to assure a successful transition that didn't impact the existing neighborhoods; to focus development more towards the Highway 101/Bayshore Freeway and West Bayshore area. He stated one of the strategies outlined in the Plan was to allow some increased intensity in development as most of the area currently was allowed a 0.4 to 0.5 Floor Area Ratio (FAR) and was underdeveloped. He reported Staff wanted to allow some increase in that intensity overall for transition purposes, but had to determine the amount of increase based on traffic analysis to be performed in an Environmental Impact Report (EIR). He noted Staff had provided a range of densities to review in the EIR to determine a specific figure. Staff wanted to focus higher intensity development away from residential areas and closer to Highway 101. He stated the center of the East Meadow Circle, the areas along West Bayshore, the areas near Meadow and Fabian all had some potential for that kind of increase. He explained Staff had talked to the P&TC about a number of techniques to allow transfer of development intensity by working with the property owners, and then Staff would determine specific criteria to present to the Council as part of the zoning implementation of this Plan. Staff had included language in the Policies to prohibit incompatible uses, in particular Housing. Staff was not proposing any housing, daycares, or school uses in this area in that it tended to discourage further investment in the Research and Development and Office type of uses; however, P&TC did ultimately concur with allowing for some limited school uses along Fabian Way with a CUP. Staff had had discussions with Loral, which was very important to Palo Alto's economy. He reported they were interested in staying in Palo Alto and expanding. Staff thought these changes would help support that activity at Loral. He indicated the south of San Antonio area contained 26 acres of very small parcels; he thought approximately 75 different parcels. He stated the Commission's and Staff's recommendation was to provide an opportunity for owners to consolidate parcels and to propose larger scale development to generate revenue and enhance the streetscape along Charleston Road, whether along the frontage or on internal roadways. He noted the area was adjacent to the Charleston Plaza area in Mountain View, where big box retailers were currently located. Staff would consider increased intensity focused specifically on those kinds of uses, but would evaluate the traffic impacts of those uses and intensities in the EIR before making a final recommendation on specific Floor Area Ratios and other criteria. He noted the EIR would specifically analyze options such as a retail center, a hotel

and mixed use; mixed use generally being office and retail and services as opposed to residential. Staff would do this through an overlay zoning that would allow the existing uses to remain there, but would also provide the flexibility to allow the commercial development to overtake those uses. Given the history of this area as an industrial area, Staff would continue to prohibit incompatible uses such as schools and daycare facilities. He indicated the third area was along Charleston Road between Fabian and San Antonio, including the corners next to the Campus for Jewish Life property and the area across the street from the Campus for Jewish Life. He explained given the small nature and relatively confined spaces of these properties, Staff and the Commission recommended retaining the existing zoning designations on these parcels while encouraging the retention, rehabilitation and reuse of the historic Fairchild Building. Staff had recognized the Fairchild Building as a resource that needed attention; therefore, the existing Land Use Zoning Regulations would be retained and would include a Comprehensive Plan Policy regarding the Fairchild Building. Staff would be working with the property owner to get that officially designated on the City's inventory as it was already designated on the State of California Register of Historic Places. With regard to the pedestrian bicycle improvements, Staff had noted the bike path crossed Highway 101 to provide access to the Baylands, to bike paths along Barron Creek and Adobe Creek, and to bike paths in the north off West Bayshore. Staff thought linking the bike paths would provide a significant opportunity for connections to neighborhoods, businesses, Greer Park, schools, other parks and the Baylands. He reported Staff would pursue funding strategies, and would work with the Water District to obtain easements necessary for construction of bikeways consistent with the Pedestrian and Bike Plan. Under next steps in the process, he indicated the California Avenue Plan was also under development and would be presented to the Council in the spring. Staff expected to present in the summer or fall an entire package of a draft Comprehensive Plan. With the Council's direction to move forward, Staff would then undergo the environmental analysis of the Comprehensive Plan, including some of the specifics of this Area Plan. He anticipated returning to the Council in the spring of 2013 for final adoption of the Area Plans and the overall Comprehensive Plan. He reported the City would need zoning ordinances and design guidelines to implement some of the features shown in the Plan.

Mayor Yeh asked Commissioner Garber to share the P&TC's review of this plan.

Dan Garber, Planning and Commission Transportation Commissioner, asked to delay his presentation to after the public hearing.

Mayor Yeh stated the meeting would turn to Council questions for Staff based on the presentation. He proposed to Colleagues that they work through each number sequentially. He asked for questions related to the East Meadow/Fabian/West Bayshore area.

Council Member Shepherd asked if Staff was allowing schools and daycares to locate in this area if they had a CUP.

Mr. Williams replied the P&TC recommended private schools with a CUP be allowed to locate in the areas shown as Research/Office (RO), but not daycare.

Council Member Shepherd inquired why daycare was omitted.

Mr. Williams thought they were omitted because of the younger age of the children and their proximity to industrial uses.

Council Member Shepherd asked if it would be considered for one of the properties abutting the residences, because the residences had children.

Mr. Williams thought it was still part of the fabric of the Research and Office and Industrial type of uses, and the concern was businesses were reluctant to move forward with expansion or other development plans because there was a potential for objection from the daycare facility or school. He thought that was a theme that permeated this Plan in the various subareas.

Council Member Shepherd understood that, but she wanted to understand what the break off was as she wasn't on the Council at the time they obtained that. She indicated she would probably ask the same question for subareas A, B and C.

Mr. Williams stated subareas A, B and C were probably not as sensitive; although, those uses were present. He thought the bigger problem was the small lot size and shorter distances between the streets to try to locate a school or daycare with the circulation required and traffic access. He indicated it was a policy decision. He explained Staff would do it through a Use Permit, so anyone who applied would be analyzed on its own and would have to conduct a traffic study and would have an appeal process.

Council Member Shepherd asked if the traffic study would indicate the square footage and ratio the Council would consider in all areas or just the Charleston subarea.

Mr. Williams replied it was all of them. Staff would review the traffic study for all this area and break it out by the subareas to determine the impacts on each and to make recommendations relative to the specific FAR.

Council Member Shepherd stated she had been following the Transfer of Development Rights (TDR). She thought that wouldn't be as big an issue for property abutting the West Bayshore properties as it was for properties abutting the residences. She said having higher density on property abutting the Bayshore property could help with the noise from Bayshore to the residences. She asked whether the TDR process was still under consideration.

Mr. Williams indicated it was still under consideration. He thought the concept was to provide some flexibility in zoning as all properties currently had the same FAR limitation. He suggested there could be different zoning for different areas. There were better planning methods to do that, where property owners worked together. Staff had discussed leaving some open spaces and providing some joint parking facilities given there were flood plain issues. He noted property owners were limited when looking at their own parcels. Staff's suggestion, since the beginning of the process, had been that anything that moved the property owners towards working together would be helpful.

Council Member Shepherd indicated this area took up quite a bit of the freeway, and thought freeway signage had improved over the last five years with electronic signs. She asked if there would be a review of signage for this area as that could also be an interesting topic for property owners and tenants in that area.

Mr. Williams said Staff had not discussed that, but it was something they could review. He asked if she was thinking about signing it for individual business or identifying it as a business park.

Council Member Shepherd was thinking for individual businesses as she knew how important it was for them to get their name out. She suggested Staff ask for community and tenant input since that area had freeway views.

Mr. Williams reported Staff had discussed having some design guidelines associated with this, and appropriate business signage could be a focus.

Council Member Burt noted his report was labeled LI for the area East of San Antonio, the 26 acres.

Mr. Williams stated that was the Comprehensive Plan designation; LI was light industrial.

Council Member Burt asked if they were both Light Industrial.

Mr. Williams replied they were both LI.

Council Member Burt inquired whether schools were currently permitted with a CUP.

Mr. Williams answered yes.

Council Member Burt indicated they were not previously required to have a CUP, and no others had come forward since the CUP had been required.

Mr. Williams stated Staff had discussions with people about them, but they hadn't filed.

Council Member Burt stated this was about having schools and daycare facilities adjacent to facilities with hazardous materials in significant quantities. He thought people didn't grasp that these were significant liability issues for businesses and significant risk potentials for school children unless these issues were discussed in this manner. He inquired if there was an intention to change a Conditional Use of schools in LI to not permitted.

Mr. Williams replied that was the recommendation.

Vice Mayor Scharff asked what was meant by high-end R&D, how was that different from office space, was office space allowed as a subset of R&D, was it just high-end R&D where people had to be performing an R&D process, and what did that mean.

Mr. Williams thought that was a good question, and one Staff had to grapple with. He said the distinctions between office and R&D were difficult to make, but thought Staff would attempt to define them so that R&D truly involved developing a product and moved away from professional offices.

Vice Mayor Scharff agreed and had hoped Staff would take this direction. He would like to determine if there was incubator space. He thought people creating applications fit within the innovation view of the world, and processes involving innovation should be allowed. He thought start-up activities should be included, and inquired if that was included in Staff's thoughts.

Mr. Williams reported Staff was considering the incubator, innovation-type concept. He didn't think that necessarily excluded other R&Ds, but Staff did want to create something specific to researching and developing products as opposed to office space.

Vice Mayor Scharff asked if clean rooms would be allowed.

Mr. Williams answered that was permitted under the current designation and would be encouraged.

Vice Mayor Scharff asked if light manufacturing would be allowed.

Mr. Williams thought the areas identified as LI did allow light manufacturing; the RO designation did not. He stated the areas near Loral on Fabian Way and the areas currently south of San Antonio allowed that, while the other areas were currently limited to research and office uses.

Vice Mayor Scharff asked what incentives were being offered to people to put together parcels, and if Staff was concerned about that at this point.

Mr. Williams indicated Staff would prefer incentives, and thought the development could be better accommodated through parcel consolidations, in that it would allow some flexibility to have open spaces and parking sharing. Staff thought this was necessary if the owners wanted to achieve the higher Floor Area Ratio. He stated the primary incentive would be tying the higher Floor Area Ratios to the type of development.

Vice Mayor Scharff inquired if the parcels were 5,000 or 10,000 square feet.

Mr. Williams stated the ones around the East Meadow Circle were larger than that.

Vice Mayor Scharff asked whether property owners would receive a larger FAR with parcels of a certain size, or would they not be able to utilize that FAR unless they had a bigger parcel, and how big would the parcel need to be.

Mr. Williams didn't know what the threshold would be, but he thought there would be a combination. He thought there would be some threshold, but not merging parcels would allow setbacks to encroach from multiple sides of a smaller parcel. Combining parcels would have perimeter setbacks and allow use of more of the site.

Vice Mayor Scharff asked if Staff had considered a FAR bonus system, where a parcel up to a certain size received more benefits and the benefits were explicitly stated.

Mr. Williams replied Staff had discussed that technique. He stated it was applicable here and in the south of San Antonio area to encourage commercial development.

Vice Mayor Scharff asked whether Staff was looking for general direction tonight.

Mr. Williams stated Staff was looking for general direction that the concept of encouraging higher intensity for the type of development Staff wanted to see in these areas was appropriate; and that Staff was to develop the specific mechanisms for that, perform a traffic analysis and other environmental analyses, and return with the remainder of the Comprehensive Plan.

Vice Mayor Scharff noticed Staff had set FAR targets which it was planning on studying. He inquired why Staff had set those targets rather than utilizing a range for analysis in the EIR, given traffic impacts.

Mr. Williams reported Staff was looking at ranges. He thought the most specific one was the East Meadow Circle area, which was 0.4 to 0.6.

Vice Mayor Scharff asked how that range was determined.

Mr. Williams thought it was Staff's sense that there was a point at which a certain FAR would have a significant traffic impact. He stated Staff could raise the ratio, but he thought Staff was considering a blanket average FAR of 0.5 or 0.6. He indicated traffic could actually accommodate 0.3 or 0.4 adjacent to residential and perhaps 0.75 adjacent to West Bayshore. He stated the range did not apply to a specific parcel.

Council Member Burt asked how Staff might distinguish between R&D and Office use; given that Palo Alto was one of the few cities without a business license. He asked how Staff would control that even if it was a part of the rules.

Mr. Williams thought Staff had to work on that. He suggested Staff could upgrade use and occupancy requirements to something that specifically defined the business, whether number of employees or the nature of the business.

Council Member Burt inquired whether this would be under an Occupancy Permit.

Mr. Williams explained the Occupancy Permit certified a business had met Zoning Code requirements, and that Fire and Building employees had inspected the building to ensure it could be occupied. He reported that process had not been religiously implemented years ago, but Staff had been more rigid in the last few years. He stated Staff did not ask for the number of employees. He thought there was some flexibility either to start doing either that or to be more precise about the nature of the business.

Council Member Schmid referenced Attachment 3 to the Service Efforts and Accomplishments report, a survey comparing north and south Palo Alto. He noted a differential appeared in a limited number of questions, all concerning development issues. Regarding the question of retail growth being slow, the differential between the south and the north was 35 percent, with 25 percent of people in the south more likely to say that economic development was not good and 24 percent saying the quality of new development was not good. He thought this set of Area Concept Plans was addressing that issue, and Staff's sensitivity concerning the housing part of the issue was extremely important as was the focus on bringing in commercial development. In the East Meadow Plan, he noted the P&TC had a long and extended discussion about the transfer of development rights. He assumed that was an innovative way of ensuring less intensive development in property abutting single-family neighborhoods, while increasing the opportunity for Commercial and Light Industrial activities. He asked what would be the size and look of a building constructed on the interior.

Mr. Williams didn't think Staff knew those details yet. He was comfortable saying buildings wouldn't be any larger than those presently on sites adjacent to residential property. He explained the intent was to provide an opportunity for a property owner to build up its site by taking something from one of the interior sites, thereby reducing the intensity adjacent to the residential. He thought the starting point was the floor, which was where Staff currently was, with the ceiling being the existing zoning. He noted this applied the same whether the property was adjacent to residential or the freeway.

Council Member Schmid reported the total numbers on page 6 of the official Concept Plan indicated the increase in East Meadow Circle would be between 40 and 45 percent. He stated no change on the outside of the Circle meant the size of the floor area doubled on the inside of the Circle.

Mr. Williams indicated it doubled on the inside and the perimeter to the freeway.

Council Member Schmid asked whether the development rights could be transferred inside the Circle as well as translated all the way to West Bayshore.

Mr. Williams indicated it was at least to the area between the Circle and West Bayshore.

Council Member Schmid asked if it was implied that the buildings were two stories, 40 feet tall.

Mr. Williams stated Staff didn't know at this point, and hadn't gotten that specific. He anticipated that this could mean three to four stories along West Bayshore in some locations, probably two to three stories on the inner Circle, and one to two stories on the outside adjacent the residential pieces.

Council Member Schmid inquired where parking would be located with the increase of 40 to 45 percent in Floor Area Ratio.

Mr. Williams replied parking would need to be on-site. He explained a below-grade parking structure was unlikely because of ground water and flooding issues. He reported consolidating some sites and justifying that with a better economic return due to higher intensity could make it possible to have a parking structure which served two or three sites.

Council Member Schmid asked if that might be an outcome of the trading of development rights.

Mr. Williams responded yes, but noted it was speculative at this point.

Council Member Schmid noted a discussion with the P&TC about having to raise the level by an unknown amount. He asked whether the single story of buildings adjacent to residential neighborhoods would begin at a level 5, 6 or 7 feet above their current height, meaning that even a single story might be 15 to 20 feet.

Mr. Williams said they had discussed that, and thought it was likely that a new single-story building would be built higher off the ground than existing buildings, which would add some height. He stated if the overall intensity was decreased to some extent, then hopefully that would compensate for it. He reported they discussed the Design Guidelines including a buffer from the edge of residential property into the building site.

Council Member Schmid indicated the Design Guidelines would be a critical part of what comes from this. He noted the traffic impacts had not been determined, but an increase of 40 to 45 percent would likely cause higher levels of traffic on the freeway entrances and exits as well as on Charleston, East Meadow and West Bayshore. He asked whether the traffic impact study would include these feeder streets.

Mr. Williams answered yes. He reported Staff would probably also study whether there was a potential connection from East Meadow Circle across to West Bayshore to reduce traffic from Fabian.

Council Member Schmid stated traffic would still have to get to one of the freeway entrances.

Mayor Yeh asked for questions regarding the East of San Antonio subarea.

Council Member Klein stated the tenor of his questions was what the retail overlay would accomplish given the vast number of individual landowners. He asked for an explanation of how the overlay would work.

Mr. Williams explained the overlay would allow for certain kinds of uses only, such as retail, hotel, and auto sales, with specific Floor Area Ratios tied to each of those. He stated those types of uses weren't allowed currently in that zoning. He indicated it would allow for those uses and allow more intensity than was currently used, and hopefully would be attractive to someone. He thought it would provide, going back to the same concept as before, some thresholds for parcel sizes to be developed that would encourage consolidation of properties. He noted the P&TC had a long discussion about how to do that and how to ensure commercial development occurred from Charleston into the site.

Council Member Klein asked whether there were some retail establishments in that neighborhood. He noted he had seen ads for art galleries.

Mr. Williams reported there might be a couple of small uses. He wasn't sure if they had been there for a while or if they were located there legally. He said most of the area was certainly not that nature.

Council Member Klein thought the outline given was fine, but he didn't see how it would work practically unless there were significant incentives. He assumed the overlay by itself on an individual landowner with one parcel would not create any retail other than the small ones he just mentioned. He asked if that assumption was correct.

Mr. Williams agreed. He thought the encouragement would be there for consolidating and creating larger parcels. He reported some property owners thought combining office development behind retail to help finance retail development would be more attractive.

Council Member Klein asked what the size was of the typical parcel.

Mr. Williams responded the typical parcel was probably a quarter acre or a third acre.

Council Member Klein understood the theory, but asked whether Staff was going to a lot of effort to accomplish nothing.

Mr. Williams didn't know, but thought the P&TC representative could discuss their thought processes.

Council Member Klein asked if landowners had expressed an interest in combining parcels.

Mr. Williams reported Staff had canvassed multiple times to inform landowners about the process. He wouldn't say that Staff had heard from them regarding interest in or opposition to doing something like this. He noted they could be tenants rather than owners.

Council Member Klein inquired if there were examples where this had been successful. He noted Mountain View with lesser numbers and bigger parcels had needed a substantial amount of time to do this.

Mr. Williams indicated it was a long process, and thought the opportunity was to see if it could work. He suggested Staff could develop more incentives to move in this direction. He noted another example was Fourth Street in Berkeley, but that was a lesser geographic area and took some heroic acts to make it happen.

Council Member Klein asked how much money would be spent on this effort to turn this into a semi-retail area.

Mr. Williams didn't see it as being a large amount of money to create a zoning overlay and some Design Guidelines. He thought the effort probably depended on whether Staff put the Economic Development Manager and resources to work on marketing the area to others.

Council Member Klein stated contacting each of the landowners was a significant effort.

Mr. Williams replied public outreach would have been performed regardless of which way it was being presented.

Council Member Price thought it was critical to have incentives with real meaning and value to property owners. She explained the Economic Development Strategy contained many assumptions and goals about enhanced retail opportunities and making them desirable destinations with a variety of uses. She noted the narrative mentioned goals of enhanced landscaping in terms of making that corridor more attractive, which it certainly needed. She asked if Staff was suggesting that part of the design standards would not only address the building environment but also landscaping enhancements.

Mr. Williams responded yes, particularly along street frontages and adjacent to residential neighbors.

Council Member Price stated it did need a lot of help. She asked if there was any consideration of gateway features that would define the Concept Area. She knew gateway features had price tags, but asked if that could be a consideration or had it been addressed in the narrative.

Mr. Williams stated Staff had not addressed that, but could make that a component of any design effort.

Council Member Price observed the areas as a Concept Plan needed more definition. She felt defining the destination in a more attractive way would be useful. She inquired if the FAR cap was per parcel or per consolidated parcel.

Mr. Williams explained Staff viewed it, in terms of environmental analysis, for the whole area; an average FAR over the whole area within the boundaries of each subarea.

Council Member Price stated planning efforts and studies had been performed in other parts of the country where there were not only FAR caps, but also trip generation caps. She inquired if there had been any consideration of a discussion of putting a cap on the number of potential trips that might be generated from this Concept Area.

Mr. Williams thought Staff was backing into that with the EIR analysis. He stated the EIR would define the trip generation impacts, and that would help Staff determine a cap. He said Staff was not prepared to begin with a trip cap.

Council Member Price asked if this would be an element generated as part of the traffic assessment and analysis.

Mr. Williams stated Staff would get that information one way or another, and Staff might review techniques within a subarea to maintain a certain trip generation cap by Transportation Demand Management (TDM) measures.

Council Member Price assumed there were many different TDM strategies that could be implemented. She noted generally they were more effective on larger developments with a greater potential for trip generation. She asked if that would be part of the scenarios that would be examined.

Mr. Williams indicated it would be for those areas where it was appropriate. He stated the East Meadow Circle area did lend itself to that, because it was likely the property owners would work with Staff on that. He said it would be difficult to achieve any meaningful TDM measures in the South of San Antonio area because of the 75 properties and 60 owners.

Council Member Price stated the issue of revenue-generating options always looked very desirable. She inquired if Staff had talked to any hotel developers or was it premature at the current time.

Mr. Williams thought Staff had talked with some developers about retail and mixed use development, but didn't think they had talked specifically to anyone about a hotel.

Council Member Price repeated the concept of destination and making it an attractive destination. She noted one of the features here was the proximity to Highway 101. She had seen examples of high-end retail adjacent to hotels that had been successful, and knew it depended on the community and some other elements around that.

Mr. Williams asked to allow Gloria Humble to respond to Council Member Klein's question regarding the potential for combining properties.

Senior Planner Gloria Humble reported the existing buildings were very old, over the allowable FAR, and didn't have the correct parking. She thought it was unlikely property owners would tear them down and build replacement buildings, because they would lose FAR. However, when the buildings were useless, she stated the best bet was for property owners to take advantage of the incentives through the graduated intensity being offered for merged lots.

Council Member Klein hoped she was right, but he could make the counterargument that, given that property owners had excess FAR and reduced parking, their incentive was to continue working on the building until it fell apart in the next century. He was concerned that while the landowner had that incentive, he also would have arduous negotiations to find two, three or four other property owners willing to combine to create a large parcel. He thought the minimum size for a hotel was three, four or five acres, which could require negotiating with a dozen different landowners. He understood her point, but she hadn't alleviated his concern.

Council Member Espinosa was curious to see what incentives the City could provide to make the combination of parcels real. He thought this was one of the corners of town with great potential in terms of redevelopment. He noted there were aging buildings and narrow, small properties. He remarked the City had difficulty in getting lots combined and seeing the desired development along that corridor. He questioned what was seen along the Highway 101 corridor and what was seen along Charleston. He saw lively streetscape and more pedestrian-friendly walkways, which he presumed was along Charleston. He knew there had been some debate previously including the Charleston Road section with those smaller properties. He asked was the City trying to build out from the Jewish Community Center (JCC) pedestrian corridor or was it traffic-focused. He had heard from executives that having a logo and business sign on Highway 101 was a priority, and there was a lot of competition for that. He asked where Staff was in envisioning graduated intensity if the City could get to the point of combining lots and driving a vision for this area.

Mr. Williams thought the Charleston area in front of the JCC was an area Staff wanted to consider for a pedestrian- and bike-friendly road environment, because it linked with the Charleston/Arastradero corridor at Fabian. He explained having a wholesale redevelopment that pushed back from the street would be necessary to create a pedestrian area. He stated Staff's discussions regarding signage highlighting businesses were relative to the north or the other side of the freeway, so it wasn't really in the discussion.

Vice Mayor Scharff was concerned that Staff was not considering the incentives necessary to make people combine properties. He stated a hotel was a big incentive. He felt there would have to be a large economic incentive. He thought the PAMF site was the last effort to combine small parcels, and thought they had paid twice the market value at times. He asked what Staff was doing to measure the incentives necessary to make this happen in terms of economic incentives. He was concerned that Staff thought anything that raised revenue could be done here. He asked if an automobile business was profitable enough on a per-acre basis for it to be

located there. He asked if it would be better to create incentives for a hotel, because that created revenue. He thought there were disparate goals.

Mr. Williams thought there were three choices. One was to try not to do this, in which case hopefully it would become an incubator space. One was to follow Staff's suggestion to provide direction and incentives for conversion to retail use. The third was to engage economic or marketing consultants to compile a real program for this area and formulate specific strategies to work with businesses and organizations to stimulate activity. He suggested the City could actively work with others to do something like that, even though it didn't have a redevelopment agency. He stated it would cost more and success was unknown; but it was an option if the Council wanted to go that way. He agreed the lively streetscape was amorphous at the current time. He thought the concept was to obtain a retail frontage, not like the Charleston Road streetscape but rather retail shops along the side streets.

Vice Mayor Scharff inquired if Staff was considering ground floor retail with offices above. He stated individual shops would not be enough economic incentive to change those buildings.

Mr. Williams suggested larger format retail and perhaps having office behind that helped provide economic incentive.

Vice Mayor Scharff asked if that would allow transfer of the FAR to have a hotel, office and retail together.

Mr. Williams stated that was in the mix.

Council Member Price asked the City Manager to comment on the success of Fourth Street in Berkeley, to describe the kinds of incentives offered and infusion of economic support, and indicate if it was under his leadership.

City Manager James Keene reported Fourth Street was a private property owner's vision and effort. He noted Denny Abrams personally assembled over 20+ years all of the properties along Fourth Street, and was able to unify the street and exert his vision and control in building the area around certain themes. He indicated the City played a supportive role.

Council Member Schmid wanted to stress that in south Palo Alto the survey said clearly retail growth was too slow. He indicated the strip along Charleston was the one place identified for a neighborhood serving regional retail. He thought that made sense in that it was a deeply underserved area. He commented the discussion had concerned consolidating parcels. He stated that had been done all around Palo Alto: East Palo Alto's

development of The Four Seasons in Whiskey Gulch, the Ikea across the street, and Mountain View's San Antonio Center and Charleston Plaza. He asked if these were developed from smaller parcels.

Mr. Williams didn't think many parcels were involved in the Charleston Plaza.

Council Member Schmid thought for decades Palo Alto had stepped back from big retail or commercial developments, and suggested it was an appropriate time to try to create some incentives in a place like East of San Antonio. He thought that made sense. He explained Charleston and San Antonio were the two east-west routes serving Palo Alto and Mountain View, and there were major developments along both. He noted the two streets met at the edge of a large parcel, which was a passageway. He suggested taking this parcel for development, and stated a traffic study could determine how a developer could make it into something attractive. He noted there was a garden store on the corner of this parcel, and asked if it was located on a Caltrans right-of-way.

Mr. Williams answered yes. He noted it was leased from Caltrans.

Council Member Schmid asked if that could be developed or if it was outside of the area.

Mr. Williams reported the City had rezoned that, but it was a Caltrans right-of-way and the long-term plan was to make that into the main entrance from San Antonio southbound onto the freeway. He noted any business would be gone by the time that happened.

Council Member Schmid inquired if there were any concrete plans to build that Highway 101 entry, because that would change the value of the parcel of land.

Mr. William referred the question to Jaime Rodriquez.

Transportation Official Jaime Rodriquez reported Staff had contacted the VTA (Valley Transit Authority) to include this as a project in the study of that interchange. He indicated the City had not advanced anything for that, but had put it in motion when funding was available. He stated there would be some sort of local match, and the City had to ask the VTA to help with the study. He said Staff was trying to get that going.

Council Member Schmid suggested getting that study underway might be more attractive to more people.

Council Member Shepherd thought this intersection was a challenge to everybody because of traffic from Costco. She noted weeds had grown along the roadside, there was no landscaping, and the pavement crumbled at the end. She felt Mountain View had done a beautiful job of putting together their big-box stores at the end of Charleston Road. She thought it appropriate to make this intersection work so that people could move through the area quickly, easily and without complications. She felt this was the way to go for retail, but zoning would be required. She was glad P&TC was exploring the different concepts of FAR and hotel and other options for that area. She remarked that if businesses wanted to move into the area, they would be willing to pay. She asked if there was a famous building on Industrial Way where something was invented, so that it could be identified.

Mr. Williams was not aware of anything on Industrial, just the Fairchild Building on Charleston.

Council Member Burt stated it was a viability issue of whether retail would ever go in there. He noted some prospective incentives listed, but it seemed very difficult to have any estimation of what incentives were needed without understanding the market rate for the current buildings and for rebuilt buildings. He asked if discussions with commercial real estate brokers had indicated whether this was close to being attractive as a redevelopment without a redevelopment agency.

Mr. Williams reported Staff had some discussions with commercial brokers and developers, and Staff felt exchanging the current buildings for a retail development was not likely to be a profitable venture. He indicated a mix of office space could make that worthwhile financially. He said a hotel was not discussed specifically.

Council Member Burt inquired whether Staff's proposals would include that and create something with enough incentive to stir redevelopment.

Mr. Williams stated it was Staff's intent to review a couple of mixes of uses within that overlay, and one of them would probably be a primary frontage of retail with office behind or above that or some combination of that.

Council Member Burt noted the elimination of redevelopment agencies. He explained larger retail development occurring in many cities had been subsidized by redevelopment agencies, and that subsidy was going away. He thought that would come into play to some degree. He indicated new development was not occurring anywhere as a result of the absence of redevelopment agencies. He felt this was creating a level playing field for Palo Alto.

Mr. Williams thought that was a unique perspective and seemed correct.

Mayor Yeh asked for questions concerning the Charleston Road subarea and the buildings marked A, B and C.

Council Member Schmid appreciated the comment that Staff was working to get the Fairchild Building into the historical inventory. He was shocked to read in the October memo that the Fairchild Building was not on the Palo Alto Historical Resources Inventory, and its status did not protect the building from demolition. He thought this was the most important building in the community and had defined Palo Alto as the center of Silicon Valley. He explained the City's Historical Ordinance protected hundreds of buildings, yet the most historical building in Palo Alto and Silicon Valley was not on the Historical Register.

Mr. Williams clarified that the Fairchild Building was on the State inventory. He indicated a project to demolish that building would require an Environmental Review, and the building would be considered a historic resource because it was on the State's inventory. He stated the building could not simply be demolished and replaced.

Council Member Schmid commented that Palo Alto did take the historical aspect seriously, yet it was not on the register.

Mayor Yeh asked for comment on the pedestrian bike network and improved circulation.

Council Member Schmid stated increasing densities of commercial activities created a barrier between homeowners and the Baylands. He knew the Council had not addressed the traffic issue, but mitigations for traffic generated by the size of development were appropriate to increase the connections between the people living in south Palo Alto and the Baylands. He thought there was a nexus between the developments being discussed and the bike and trail plans.

Council Member Shepherd asked whether the traffic study would be a comprehensive review or spot checks with old information.

Mr. Williams reported it would be a comprehensive review in conjunction with a review of the Comprehensive Plan. He said the traffic analysis would be performed with an updated model and would review city-wide traffic impacts. He indicated Staff would then breakdown that to the specific impacts for the Concept Plan Areas and subareas.

Council Member Shepherd wanted Staff to use current information since there had been quite a bit of development.

Planning and Transportation Commissioner Dan Garber reported the series of conversations regarding this part of the City was complex, as there was not much activity and the P&TC wanted to see activity. He noted some overall observations that the Commission was struggling with. First of all, as was mentioned in your questions and observations, he explained the area had high traffic; it was one of the few places in Palo Alto that the car was the means for moving through that site. There was little public transportation and it was not a walking neighborhood. He stated the further one moved to Highway 101 and Mountain View, the fewer opportunities there were for houses and walking to occur. He indicated the entire area was visually challenged, and there was no homogeneity of the sense of city or identity. He noted trying to find ways to bring that into the conversation to determine strategies was difficult. Finally, he said there was not any obvious underlying zoning strategy to this part of town; almost every zoning type could be found in this corner of Palo Alto, from residential to R&D to light industrial. He reported they were all there and sometimes they were back-to-back to each other. He noted it was very difficult to sort them out in a functional way so the map made sense. He reported there was a series of constraints that structured any set of solutions that might be imagined. First of all, he noted it was adjacent to Highway 101, which created a wall on the back side. He commented the adjacency to homes created a whole variety of things that could and could not be done on what would be the northwest side of all these parcels. He indicated there was a strong desire for the City not to create additional housing because of the lack of transit there, and the creation of more families that could not be served adequately by the infrastructure of the City. He said there was also a desire to support the historical use of much of the space for R&D, which was quickly drying up in the City and yet was part of the pride of what Palo Alto had been and continued to be a part. He stated the underlying problem that the Council had been addressing was no different from the one the Commission had been struggling with in its conversations as well, which was how to create change when there were very few levers to cause change. He said there were problems with the property sizes and how to get smaller properties to pull together to create larger properties that could actually influence density at one end of the spectrum. The areas of East Meadow/Fabian and West Bayshore were slightly easier in a sense, because the properties were larger and the Council could do more. He explained the transept of houses to Highway 101 allowed for things to be low in section and elevation against houses, then rise up moving closer to Highway 101. While mitigating the impacts of having that increased density, he said having the strong connection through Fabian Way and West Bayshore for automobiles kept that traffic away from the residential areas. He noted there is a certain

strategy that became obvious; as you moved towards Fabian Way, where Loral is, it became slightly more difficult to find physical or planning strategies. He stated the P&TC recognized in their conversations that one of the big things structuring their interest in uses was trying to find ways to support Loral and their use of property. He said the East of San Antonio subarea was also an extraordinarily difficult part of the City. He remarked all of those things added up to great opportunities, but in order to have some significant change, it was extraordinarily difficult to pull off. He agreed with Ms. Humble that the incentive of the existing property owners to keep the amount of square footage they currently have on their properties acted as a drag for that change. He thought the City would see in coming years a tremendous amount of creativity on behalf of property owners to find ways to keep that square footage and ways to increase the value of the property, which were two very difficult things to do. He noted that would be a series of challenges for the City to deal with. He explained the concept of transferring development rights was one of the few things the Commission had seized on as a tool to use through trading of properties between property owners, because presumably there would be the recognition by all parties that a trading, selling, balancing of the opportunities could be had on both sides. He indicated the same thing applied to the East of San Antonio subarea. He thought creating the opportunity for greater density closer to Highway 101, and keeping things lower against Charleston Road potentially could offset a property owner's desire to keep a lot of square footage along Charleston Road. He stated the great thing about Fourth Street in Berkeley was many buildings could be reused, which wasn't possible in Palo Alto. He said the Charleston Road subarea, parcels A, B and C were difficult areas in that they backed up onto residential and commercial and were adjacent to a variety of types of zoning. Because the Commission couldn't find a good way to cause change, its strategy became retain in place, don't attempt big changes and work with what it had.

Council Member Price inquired if the P&TC recommended the Council incorporate this into the Comprehensive Plan, and if the basic assumptions, premises and direction was appropriate given the constraints, difficulties and challenges.

Mr. Garber indicated the Commission didn't believe the City should do nothing. He stated this area was in desperate need of attention and could serve the City better both financially and visually and planning-wise.

Public Hearing opened at 8:47 P.M.

Dan McGanney, President of California Pacific Commercial Corporation, stated in 1956 his company acquired property just north of San Antonio

Road, and today owned seven parcels on East Meadow Circle and four parcels along Fabian Way. With buildings on the Circle, each more than 35 years old, he fully endorsed the City's strategy to encourage revitalization of East Meadow Circle by allowing increased density, which was tiered away from the adjacent single-family homes. Since participating in three neighborhood workshops and hosting two stakeholder meetings in 2009, Cal Pacific had been actively working with the City in preparation of a Concept Plan for its subarea. With Staff support, he requested both the economic consulting firm of Kaiser Marsden and the design firm of Friedman, Tonge and Sasaki to help him appreciate the complex issues associated with future development. He had also asked Jim Baer to assist him with understanding the process, so efforts to work collaboratively with the City would have value. Last week he forwarded correspondence to the Council identifying some of the key issues. He suggested Mr. Baer add his thoughts on the Concept Plan and comment on certain factors he believed were essential to East Meadow Circle's successful development.

Jim Baer indicated East Meadow Circle was an incredibly challenging set of parcels. He described the buildings as one story, virtually obsolete, serving as back office for Loral, not suitable for life sciences, and not suitable for software technology notwithstanding all the Google and Microsoft expansions a half mile away in Mountain View. He had asked Dray Kaiser and Associates, who had been consultants on economic development to the City and were major California analysts of redevelopment policy, not to be his advocate but to be his consultant, knowing they would have some wise things to say that didn't exceed the Council's or Staff's expectations. He indicated they would look at what the Council needed in terms of FAR and what the Council needed to create open space, parking, and an experience of attracting a collection of employees in a campus-type center, even if it was multiple users. He asked Council to acknowledge that this was a man who owned 50 percent of East Meadow Circle as his family had for 50 years. He reported most of the parcels were not next to residential, so they were the most capable of providing yield for gathering places and employment centers that work. He wanted to make one forceful comment about objecting to the notion of TDR: in downtown it worked where there were approximately 500 to 1,000 parcels buying and selling. He said as an example South of Forest Avenue had an RT50 zone and an RT35 zone. He indicated it had to do with how close to Alma the property was and how close towards the residences. He stated owners with property located next to commercial zones would build what was responsible in order to incentivize contemporary buildings that would attract users. He said he would give a 30-second answer if there was a question about the San Antonio Road retail and hotel.

Council Member Burt asked what about San Antonio Road.

Mr. Baer remarked that Mountain View's good success with box retailers has not been able to generate a hotel. He stated Google was the greatest expansion of commercial campus, and it was buying so many companies they couldn't get a hotel nearby. He reported Peter Paul Oto Hotels were building their 451st hotel in Palo Alto on El Camino Real. He said there were three developers in Palo Alto: Peter Paul, John McNellis and Chob Keenan, who had within the last five years owned and operated individually more square footage of retail than existed in the City of Palo Alto. He thought they were an economic resource team who understood and knew regional retail. He didn't know if it precisely fit the area. He felt Peter Paul and Oto Hotels would be an extraordinary resource to have a conversation with, and he was willing to facilitate that any way he could.

Phyllis C. Cassel stated she was from the League of Women Voters of Palo Alto speaking for Mary Alice Thornton, President. She stated the current East Meadow/Fabian Way/West Bayshore Area Concept Plan for all intents and purposes eliminated all housing development, and recommended removing the housing designation from permissible uses listed in the Zoning Code for this area. The League of Women Voters of Palo Alto noted that at the same time the City was removing the potential for housing, the City was resisting meeting the current Association of Bay Area Governments (ABAG) requirements on the basis that Palo Alto had no land available to build housing. She explained housing, schools, religious institutions and daycare centers had sprung up in this area, because owners were seeking to occupy long vacant buildings or sell for development lots that were of no interest to industrial users. She said there was not enough incentive to keep industry, and suggested some housing should be accommodated in this area especially as part of mixed use development. She indicated the East of San Antonio subarea was being proposed as a commercial area, which could lend itself to mixed uses with the proper incentives. She thought mixed use with housing created a lively pedestrian environment that the Report was seeking. She urged the Council to include housing in this current Plan along with other permitted uses.

Bob Moss stated VTA had a bus line that went down Meadow and Fabian; however, it canceled the bus line about 10 or 12 years ago. He explained Space Systems/Loral at one time had their own shuttle bus that ran from the basic campus down to the Caltrain stations, but Loral dropped that about 10 or 12 years ago. He suggested Loral might reinstate that bus line if the City asked them. He indicated the bus ran around the campus and prevented people from having to drive from building to building. Loral had been the leading builder of commercial spacecraft in the world for the last two years, building between 30 and 35 percent of all spacecraft. He recalled an article in the newspaper stating Loral had received a \$670

million contract to build additional spacecraft. He felt East Meadow Circle was important to keep as an R&D and office area for Loral and other companies. He thought allowing housing to be built on East Meadow and East Meadow Circle was a big mistake. He said Echelon was a disaster because housing was located next to office areas and areas where they could use hazardous materials. He explained there was a plume under the Campus for Jewish Life that ran almost to the Altair property, and extended from approximately the commercial area along San Antonio almost to the housing. He explained parking was at ground level and housing was elevated to avoid contamination from toxic materials. He stated the toxicity was not high, but enough to worry about. With regard to San Antonio, he believed some of those buildings were valuable and important. He indicated a mosque would be located next to the Media Center and a Community Center for Moslems was also located in that area. He said the Council should preserve those areas, not redevelop them.

Earl Caustin stated he lived on Louis Road just near East Meadow. He was confused by mention of whether or not that area would be zoned to allow schools. He asked the Council to have some more clarity with the public about how that land would be zoned. He said he had lived in that quiet, nice neighborhood for over 30 years, and he would not enjoy having a playground area for schools right behind his house. He was also quite concerned about the height of buildings immediately behind his land. He explained the 5-foot rise for the flood zone would provide a half story rise, such that a two-story building right behind his home would create a 2 1/2 story building. He urged the Council to protect the value and the comfort that he enjoyed in Palo Alto of his home, as it made these modifications to help the City of Palo Alto.

Patti Regehr indicated she lived on Greer, right in front of Barron Creek. She explained her house abutted Barron Creek and was lower than the creek. She said most of the houses were Eichler and had glass, and expressed concern about the bike path allowing riders and pedestrians to look into her backyard. She was concerned that people would use the bike path to access parking on her neighborhood streets. She proposed the bike path not be used by vehicles. She indicated another issue was noisy garbage pickups. She reiterated her concerns of privacy, parking and noise. She urged the Council to have a vision not only for economic prosperity but also for the community and neighborhoods adjacent to that.

Public Hearing closed at 9:04 P.M.

Council Member Shepherd asked Staff to respond to the League of Women Voters request to maintain housing in the East of San Antonio area.

Mr. Williams reported housing was one of the first topics considered as part of the community workshops. Staff wanted to focus new housing development around transit and transit corridors based on discussions concerning zoning changes and preserving industrial and commercial development. Staff also wanted to preserve and protect some of these business areas as potential revenue generators, incubators and job creators. He explained the issue of hazardous materials made housing problematic at each one of the subareas, particularly in the area south of San Antonio. He indicated services in those areas had not kept pace with existing housing; therefore; the overwhelming desire, from both professional and community perspectives, was to avoid housing. He stated there had been some discussion initially about senior housing or assisted living, but the Commission felt that was in potential conflict with these light industrial buildings.

Council Member Shepherd requested a simple review of a how a Conditional Use Permit (CUP) works. She asked if a school wanted to buy or lease a parcel, did a CUP reach out to the community for its opinion.

Mr. Williams explained the CUP was an application to Staff, Staff sent notice to all public within 600 feet of the site, allowed a few weeks for input, and then Staff determined whether to allow the use and, if so, the applicable conditions. At that point, there was an opportunity for the public within that 600 foot radius to request a hearing at the Planning and Transportation Commission (P&TC), and ultimately to appeal it to the City Council. He stated there was a full public review process associated with it. If there were no objections to the determination, then Staff's decision stood and there was no further process.

Vice Mayor Scharff wanted to follow up on the mention of an economic analysis. He asked Staff if they thought an analysis of the East of San Antonio subarea was worthwhile to determine what kind of densities were needed to stimulate economic change. He also requested Staff's opinion on approximate cost and whether Council should consider it.

Mr. Williams was hesitant to estimate the cost. He thought Staff would have to review that. He thought it would be enlightening to have more information on that and perhaps meet with a variety of consultants. He noted it would take additional time, but didn't think it was necessarily exclusive of the Council doing so.

Vice Mayor Scharff asked if it was premature to do that tonight.

Mr. Williams thought it was not premature to ask Staff to evaluate that and to report back on time and cost.

Mayor Yeh clarified that the CUP was not a previous requirement for some of the existing schools, if he understood correctly from the P&TC Minutes.

Mr. Williams stated that was correct. He noted schools had been permitted uses in some zones in the past and had been able to locate without going through the CUP process.

Mayor Yeh indicated if this were to move forward, there would be a different process necessary for new schools to open in the East Meadow Circle area.

Mr. Williams explained some of these areas had allowed school uses without a Use Permit and thought that was one of them. He stated all daycare had moved to CUPs in previous zoning changes, but private schools were generally permitted uses in these zones right now.

Mayor Yeh saw in the Minutes that there was some direction provided through revisions to the Bike Master Plan for the Barron Creek and Adobe Creek rights-of-way and was curious if that was Staff's recollection.

Mr. Williams knew that had been discussed and thought Staff's recommendation in the Bike Plan was to explore both of those. He said that was why it was noted the Commission wanted to be sure the City was consistent with the Bike Master Plan. He stated the bike path's appearance on the screen didn't necessarily mean it would happen; it simply helped Staff when approaching the Water District to discuss potential funding through grant programs. He explained applying for grants would be difficult if the path wasn't shown on a plan to indicate the Council's review. He noted the path would go through a feasibility study including outreach to the community to address any concerns. He said the path had to be designated before it could be discussed with the Water District.

Mayor Yeh asked if the noise issue would be reviewed in the EIR phase of the review of the Comprehensive Plan update. He assumed a particular proposal would be part of the consideration.

Mr. Williams answered correct. He thought it would be relevant to that proposal.

MOTION: Council Member Shepherd moved, seconded by Council Member Klein to accept the Planning and Transportation Commission (P&TC) and Staff recommendation to direct Staff to incorporate the Draft East Meadow Circle/Fabian Way Area Concept Plan into the Draft Comprehensive Plan Amendment and proceed with further analysis.

Council Member Shepherd stated Staff's slides indicating property owners and possible visions for the subareas were very helpful. The historic building on 91 Commercial Street told the story of this area, where Four Phase Systems started after it had been a dentist office, and now a preschool. This particular area was unfocused and the Comprehensive Plan didn't contain much information to illustrate Palo Alto's future. She commended Staff and Planning and Transportation for working with the landowners to make sure, if the TDR process occurred, it would work for the landowners in a way that would be beneficial to them and to the City.

Council Member Klein thanked Mr. Garber for an excellent philosophical overview. He thought Mr. Garber did a great job in locating the Council as to the opportunities and difficulties of this area of town. He stated the work on the East Meadow/Fabian/West Bayshore neighborhood made a lot of sense. He thought the Echelon Building was a big mistake for the community, that the community was in the process of losing light manufacturing, R&D buildings on East Meadow Circle and the adjacent areas, and that was going to be a loss for the community. He said the community's heartbeat had been R&D and innovation, and to lose one of the last places in town with a relatively inexpensive space of that kind would be unfortunate. He didn't think it was right for the City to provide housing because it could. He indicated the City had an obligation when it provided housing to do it right, and it was almost impossible to do it right in that area of town. He asked where the City would put another park, to say nothing of how the School District would have to serve them. He thought the direction the City was moving made a lot of sense; however, there were still problems to work out which was inherent. He didn't have any trouble moving forward with where the Council wanted to go on the East San Antonio neighborhood, but he was not sanguine about the chances of success and would be skeptical about expending a large amount of money on further studies. He felt the Council should take advantage of skilled citizens and consult with them to determine if any of these things are possible. He knew the advantage of setting high goals, but there were only so many goals the Council could set for itself and it had to make determinations as to what was most practical. At the moment he was not persuaded that the Council could convert this area into a retail area or hotels. He indicated the Council would have to get a substantial number of landowners to consolidate. He didn't think the zoning incentives would be sufficient, but he was willing to give it a try. He was not willing to see the limited Staff spend lots of effort trying to persuade a number of private citizens to do something they might not regard in their economic self-interest. He said they would have to find good incentives or find the equivalent of the fellow City Manager Keene mentioned who put together the Fourth Street proposal in Berkeley. He remarked Loral had become one

of the major economic players in the community, and many had taken a tour of Loral's facilities and knew that they did extraordinary work.

Vice Mayor Scharff had concerns about setting the incentives correctly so that the Council had a chance of this happening. He thought working with people in the community who had expertise in this area was the first way to go on this topic. He felt the community had a lot of expertise, and suggested the Council needed to follow up on that. He stated Staff should also review the issue of obtaining an economic analysis to evaluate and set the incentives properly.

Council Member Shepherd inquired if Vice Mayor Scharff was asking Staff to prepare a work up on an economic development study.

Vice Mayor Scharff answered he was asking that they regroup, as Mr. Williams suggested, discuss it and decide if this was worthwhile to present to Council. If Staff felt it was worthwhile, then they could work it up and decide cost and return to the Council. However, if Staff decided it wasn't worthwhile, then they didn't have to return to Council.

AMENDMENT: Vice Mayor Scharff moved, seconded by Council Member Burt to request Staff evaluate what economic incentives would have a reasonable likelihood to change the land use as envisioned in the East of San Antonio sub-area plan and if necessary return to Council with recommendations regarding this analysis.

Vice Mayor Scharff thought it was important that the Council move forward in a realistic way, and give Staff the flexibility to indicate they needed help to set the incentives correctly. If Staff didn't need help after talking to people in the community or felt it wasn't worthwhile, they didn't need to do that; however, if they did feel they needed that help, they should be able to present it to the Council. He thought that was the intent of this Motion.

Council Member Burt agreed with Vice Mayor Scharff that the Amendment was not stipulating that Staff had to return with a specific proposal. He felt it gave Staff a great deal of latitude and was very important. For the same concerns Council Member Klein expressed, he supported doing something like this. He stated it would not be good to change the Comprehensive Plan and adopt incentives without any idea if they would have an impact. He indicated the Council had to have an understanding of what incentives would be necessary to achieve the desired outcomes and, once the Council understood that, it could choose not to proceed. He said the Council had to have some sense of where that equation lay.

Mayor Yeh clarified that the language of the Amendment was correct from Vice Mayor Scharff's perspective, but he would change the last line to "regarding an economic analysis on the East of San Antonio subarea."

Council Member Klein agreed in general with Council Member Burt's comments. He wanted to make sure Staff didn't spend a lot on this. He asked if there was a cap or proposal that Staff regard this as a limited assignment.

Vice Mayor Scharff thought the Amendment needed to be changed slightly. He indicated it should read "to have Staff evaluate and if necessary return to Council." He stated the Council was leaving it up to Staff's discretion to determine what they had to do, and they knew they didn't have to return to Council if they didn't want to. He thought Staff could make that determination not to spend more time.

Council Member Klein felt the Council should tell them. He would like to hear Staff state they regarded this as a limited assignment and would not be spending hundreds of hours of work on this.

Mr. Williams stated Staff would not be spending hundreds of hours working on that aspect of it. He anticipated Staff would try to meet with realty and development people in the community and then determine an estimate, probably 40 to 80 hours of Staff time over the next six months.

Council Member Klein supported the proposed Amendment with that understanding.

Council Member Schmid asked the maker of the Amendment if he wanted to have an economic analysis. He stated an economic analysis could review generating jobs, generating revenue, generating tax revenue, increasing property values. He asked what was the focus or goal of the economic analysis.

Vice Mayor Scharff explained the economic analysis was simply that land out there was worth between \$90 and \$120 a foot and what kind of incentive was needed to increase the worth so that people would consolidate and build something else to have the desired transformation. He said it was a fairly simple economic analysis.

Council Member Schmid asked if he was looking at how to maximize the land value of these properties.

Vice Mayor Scharff stated the intent was not to maximize the land value, but to create the incentives, which was changing the land value from the

current use to what it would be to move it forward. He explained if the land was worth \$120 a foot, and it was zoned to something worth \$90 a foot, no one would make the change. y land, he meant the land with the current use on the building. He explained you had to move from the existing use and the existing revenue stream on that, and that created a value, and the value to tear it down would have to be more than the current value. He stated that was basically what kind of incentives the Council could provide to get people to combine lots.

Council Member Burt thought it was a good question, because the Council did not want an open-ended economic analysis. He described the economic analysis would evaluate the proposed incentives to determine whether they would have a reasonable likelihood of resulting in the land use changes envisioned by the specific plan over a significant period of time and, if those incentives would not result in that change, what incentives would.

Council Member Schmid saw the broad context of the Council's action as performing an element of the Comprehensive Plan. He asked how the value of a given area's transformation on the rest of the City was measured. He referenced the Staff Report's discussion of resource impacts in terms of how much revenue could be generated by new business in the area. He stated the numbers generated by the types of developments being discussed paled in comparison to the real revenue generated to the City, which was property taxes. He indicated the true value for Palo Alto for these types of developments are 1) offering jobs that bring young families to the City, and 2) inducing families to want to live in Palo Alto. He said that meant the quality of life of the City had to be improved, and that was why it was important to take into account things like traffic impacts and impacts on neighbors. He agreed an economic analysis was valuable, but thought it should be put into the context of what economic change had a big impact on the City, the property values and life. He stated it was not the square footage value of this property, but what it did to the land values to the City as a whole.

Council Member Price supported the proposed Amendment, as it made a lot of sense. She had a positive and hopeful attitude about the outcome of these efforts. She thought the Amendment was clearly stated and appropriate.

Mayor Yeh repeated the change of Staff evaluating the economic incentives proposed to have a reasonable likelihood to achieve the change in land use as envisioned in the East of San Antonio Subarea Plan and, if necessary, return to the Council with recommendations regarding this analysis.

Council Member Price thought there was a distinction between not only those proposed in the Plan but also those that may be appropriate to achieve the outcomes of the Draft Plan. She suggested "economic incentives proposed to evaluate the appropriate or various economic incentives that would have a reasonable likelihood." She wanted to make sure it was clear that it was a broader range in the intent of the Amendment.

Council Member Burt thought the Amendment was changed slightly from the Mayor's statement. He believed the Mayor had worded it in a way to capture both intents. He suggested "Staff to evaluate what economic incentives would have a reasonable likelihood" He stated that captured both the proposed incentives and prospective incentives. He felt an obligation to disagree with Council Member Schmid's comments. He noted they sat together on the Housing Subcommittee reviewing regional housing mandates, and was shocked by those statements. He said there were two things Palo Alto didn't lack: existing jobs and demand for housing. He explained there was a large jobs-housing imbalance, so the Council was not trying to create jobs in Palo Alto, and the City was being given housing mandates to correct that. He indicated the City was not trying to figure out ways to create new jobs that would drive demand for housing in Palo Alto. He didn't understand those statements, and wanted it on the record that was not his position and not a position the Council had taken.

AMENDMENT PASSED: 8-0, Holman Absent

Council Member Price felt the Draft Plan was an excellent report. She thanked the Planning and Transportation Commission for their thoughtful comments and members of the public who spoke. She thought the Council would be conscious of the impacts on the residential neighborhoods. She thought the way the Plan had been developed and the details and mechanisms identified would be an exciting opportunity. She felt this area had languished and, without structure and economic development, it would continue to languish, which the Council did not want for any neighborhood in Palo Alto. She looked forward to the traffic analysis and details regarding the transfer of intensity in various parcels. She felt the City would move forward and this would be an exciting opportunity to have some creative solutions. She was hopeful in the area of the economy. She supported the goals, mission and vision as outlined.

MOTION PASSED AS AMENDED: 8-0, Holman Absent

12. Adoption of Resolutions Approving, Authorizing and Directing the Refinancing of the Outstanding 2001 and 2002 Limited Obligation Improvement Bonds, City of Palo Alto University Avenue Area Off-Street Parking Assessment District.

Assistant Director of Administrative Services, Joe Saccio reminded the Council it had refunded Gas and Water Utility Bonds and refinanced some Golf Course Certificates of Participation. He stated he would present the rationale for refinancing the Bonds, as there was a slight departure from the traditional practice of refunding the Bonds by using an underwriter. He reported Staff met with Standard and Poor's and received a credit rating. He indicated the purpose of the meeting was to receive approval to move forward with refinancing approximately \$33.7 million of outstanding Assessment District Bonds, which were issued in 2001 and 2002. He noted the Bonds were paid through assessments on Downtown property owners, and were originally issued to build two garages on the S&L lot on Bryant Street and the garage on the R lot on High Street. He said the City was refinancing to realize a savings on debt service for property owners, lessees and the City. He stated the City participated in this District as a consequence of Proposition 218. He reported the first rationale for refinancing was the current environment of historically low interest rates. Staff thought there was a potential for significant savings. He indicated the traditional rule of thumb was 3 percent, and Staff believed the savings, in a new present value term, would be above 5 percent. The Report to the Council noted 6.1 percent, which was the consequence of an analysis done in mid-January. He stated a more recent analysis indicated it was possible to go well above 5 percent. He commented it was important to realize that the interest rate was determined at the point of sale on February 22, 2012. He noted the savings could move up or down; however, Staff thought it would be above the indicated threshold. He reported the 6 percent net present value savings translated into approximately \$236,000 per year for the next 20 years in annual debt service savings, or about 11 cents per square foot. He stated that was dependent on the rates at the time of the Bond sale. He indicated the City was required to maintain, and was maintaining, the current maturity date of 2030. He noted this was for the next 20 years. Whenever the City departed from the traditional method of refinancing, Staff preferred to call that to the Council's attention. In this case, he noted the City was using an underwriter instead of competitive bids for a variety of reasons. He commented land-secured bonds were normally very difficult to sell in the current bond market, because they had a certain niche. When the City last attempted to refund these Bonds, there was very little interest in that it didn't receive any competitive bids and the interest rates turned against the City. He explained when using an underwriter, the underwriter was aware of customers and retail institutions interested in these types of Bonds. He noted the call date of March 2, and said it was

advantageous to have an underwriter move swiftly. He reported residents had expressed interest in buying the City Bonds, and the only way to sell Bonds to the residents was by using an underwriter willing to make the Bond sale available to residents. Assuming the Council approved the recommendation, he stated Staff was pursuing three avenues to inform the public: a press release, an ad in three local newspapers, and a web site. He remarked the web site would allow residents to learn about the sale and provide instructions on buying bonds. He reported Staff met with Standard and Poor's and, as in the original issue, they gave the City a credit rating of BBB, one notch above investment grade (BBB-). He reported Staff was happy with this because assessment districts or land-secured financing did not normally receive ratings; however, Staff was hoping the evolution of the District would prove it was a vibrant downtown area with a lot of development. He explained Standard and Poor's had standard metrics for the rating, and concerns were a small district of only 213 parcels and the assessed value to lien for certain key properties was low. He explained the assessed value to lien ratio was low because of continuity in ownership as properties had not been sold to realize the full market value. Although Staff noted any kind of delinquency was rare, it didn't change the concerns. He stated the rating was for the District and not the City. Staff recommended the Council approve the resolutions listed in the Staff Report in order to move forward at a propitious moment in time to refinance the debt. He asked for questions, and noted that Bond Counsel from Jones Hall, Financial Advisor for Public Financial Management, and the Underwriter were all present for questions as well.

MOTION: Council Member Shepherd moved, seconded by Vice Mayor Scharff to accept Staff recommendation to approve the Resolutions authorizing Staff to refinance and reassess \$33,695,000 in outstanding 2001 and 2002 University Avenue Off-Street Parking Assessment District (Improvement) Bonds. The following approvals are necessary conditions for the proposed refinancing pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (the "Refunding Law"):

A. Resolution 9227 Declaring its Intention to Levy Reassessments and to Issue Refunding Bonds.

B. Resolution 9228 Adopting Reassessment Report, Confirming and Ordering the Reassessment by Summary Proceedings and Authorizing and Directing Related Actions.

C. Resolution 9229 Authorizing the Issuance of Refunding Bonds and Approval and Authorizing Related Documents and Actions.

Council Member Shepherd thanked Staff for their hard work and due diligence in preparing the Recommendation to take advantage of low interest rates. She thought the savings of approximately \$250,000 per year was indicative of Staff's good work. She stated refinancing would be good for Palo Alto and the Assessment District.

Vice Mayor Scharff thanked Staff for preparing the Recommendation prior to the deadline of March 2. He thought the Bonds were a good deal, because the rating agency underrated them and the risk would probably be less than the BBB rating. He inquired if Staff had an indication of the interest rate residents would receive.

Mr. Saccio reported the analysis in mid-January indicated the average coupon was approximately 4.5 percent, and the last analysis indicated it could be higher. He stated Staff had shared information with one or two people on the Parking Committee, and they thought it was a good yield.

Vice Mayor Scharff noted residents could receive a 4.5 percent tax-free return by investing in their community. He didn't know of any other investments with a 4.5 percent return, and supported the Motion.

Council Member Burt indicated the Agenda for the year included addressing the downtown parking shortfall. He asked who received the savings.

Mr. Saccio explained in triple-net leases, where taxes were passed on to the lessees, the lessees would receive the savings. If the property owner paid the assessment, the savings would go to the property owner.

Council Member Burt stated it was a return to the property owner; and inquired whether the savings could stay in the Assessment District to create additional parking downtown.

Mr. Saccio stated the benefits would accrue to the original property owners in the Assessment District and to no one else.

Mayor Yeh asked what the denomination would be for members of the public who were interested.

Mr. Saccio reported the minimum investment was \$5,000, with increments of \$5,000.

Vice Mayor Scharff asked if the City could invest in the Bonds, given the City's current rate of return was 2.6 percent or 2.1 percent.

Mr. Saccio indicated the current portfolio was earning approximately 2.6 percent. He noted Staff intended to return with an answer and to discuss the refinancing guidelines and debt policies.

Chris Lynch from Jones Hall explained federal tax law prohibited the City from owning its own bonds on a long-term basis.

MOTION PASSED: 8-0, Holman Absent

13. PUBLIC HEARING: Initiation of: (1) a Zone Change from CC-L (Community Commercial with a Landscape Combining District) to PF-D (Public Facility with a Site and Design Combining District) and (2) a Comprehensive Plan Amendment from Streamside Open Space to Major Institution / Special Facilities, for the Ronald McDonald House at 50 El Camino Real/520 Sand Hill Road.

Mayor Yeh advised he would not be participating in this Item as his wife was a Stanford University student.

Council Member Klein advised he would not be participating in this Item as his wife was a Stanford University faculty member.

Director of Planning and Community Environment, Curtis Williams indicated Amy French would make the presentation, and noted Russ Reich, Project Manager, was present.

Planning Manager, Amy French reported Staff requested the Council initiate requests for rezoning and Comprehensive Plan re-designation to support the expansion of the existing 47-room Ronald McDonald House at 520 Sand Hill Road, adjacent to this site. She stated the proposal was for the same zoning and land use designation as the current Ronald McDonald House, established in 1979 via a CUP approval. She indicated the Ronald McDonald House was associated with Lucille Packard Children's Hospital and provided services to young patients and their families during treatment. She noted representatives from the Ronald McDonald House were present. She said the 1.7-acre site was owned by Stanford University, and was to be created by a proposed lease-line boundary. She reported the site was significantly vegetated with oaks and eucalyptus, and an existing pedestrian bike path wound through the property roughly parallel with Sand Hill Road. She reported the site's current zoning was Community Commercial with a Landscaped Combining District, and proposed zoning was Public Facility with a Site and Design Combining District. She noted the existing Comprehensive Plan designation was stream-side, open space; and the proposed designation was Major Institution, Special Facilities. She stated following initiation the applicant would submit an application for Site and

Design Permit Review and CUP. She explained the Planning and Transportation Commission would review the applications and the Environmental Review document prior to final Council action on the rezoning and Comprehensive Plan designation, as well as the CUP and Site and Design Review. She indicated the Architectural Review Board would review the site and building design. She reported the proposed building was approximately 46,000 square foot; the applicant would share the plans; the building would provide approximately 68 new rooms and 79 parking spaces; and the new building would be approximately 1 foot taller than the existing Ronald McDonald House building. She said the building would not impinge upon the San Francisquito Creek stability area, as the proposed lease-line boundary was outside of the streamside slope protection area. She indicated the building as shown in concept plans was approximately 70 feet from Sand Hill Road, significantly beyond the site's 24-foot special setback along Sand Hill Road. She said the current sidewalk would be moved closer to Sand Hill Road; and trees would be relocated or removed to accommodate the new building and surface parking area; the existing signalized intersection at Sand Hill Road and London Plane Way would provide access to the project driveway. She indicated a traffic impact analysis would be prepared to ensure no adverse impacts from traffic or parking; and the analysis of the project's consistency with Comprehensive Plan Policies, Site and Design Review, CUP findings, and Environmental Review would be presented to the Planning and Transportation Commission for review and recommendation to Council.

Honey Meir-Levi, from the Barron Park Neighborhood, stated she would explain the genesis of the project, and then the architect would provide a detailed review of the architectural picture and the site plan analysis. She explained Ronald McDonald House was the community's home-away-home for critically ill children and their families. She reported over 90 percent of the young residents were facing a life-threatening illness; and their parents and families were facing financial impacts and the need to disrupt their family lives to find the advanced medical treatment their child needed. She commented they were seeing the demand for extended care grow due to the amazing medical advances of recent years. She noted the average length of stay was six nights in 2003 and 24 nights in 2011, with stays lasting one and two nights to a year or more. She remarked the needs of longer-term families were quite different from families who stayed six nights. She stated the House expansion, while meeting the specialized needs of these families, was also meeting the needs of the community as the Lucille Packard Children's Hospital expansion would increase the need for services. She indicated the greatest impact by far was the change in medicine. She reported they were seeing sick children who needed longer stays with much higher degrees of disruption to their families. She said previously only parents stayed at the House while their children stayed in

the hospital; today children, their siblings and parents stay at the House for many months. She explained the wait list expanded six years ago to the point that an expansion was necessary; therefore, they began the process of evaluating and planning for growth. She stated the wait list had continued to grow from 15 to 20 families to 30 to 40 families a night being turned away to hotels and waiting rooms. She indicated growing demand and needs determined expansion was critical to provide housing for desperately ill kids and their families. Not only was Ronald McDonald House the best equipped to support the families and assist them, but also instrumental in mitigating the impact of these families on the community. She noted the House provided a shuttle service to and from the hospital, marketing, and clothing shopping. She explained families arrived at Ronald McDonald House in May only to realize in October they would need winter clothing, and they were there to respond to those needs. She reported the House, using its own minivans and volunteers, kept families safe, healthy and off the roads; provided a trusted environment where doctors could release their patients early, freeing up beds for another ill child; and partnered with the hospital to enrich the families' experience and hold the family safe during this transition. She explained the current and planned facilities were specifically designed to bring together families; offer them privacy; offer them an extremely high level of cleanliness that their immunosuppressed children needed; and to support them through their tumultuous stay. She presented photos of the current building, the "pollywog" down to El Camino Real, and the building site. She noted it was a well-conceived building that tied into the current site. She reported the expansion would save \$1 million a year in annual operating costs over the cost on a per-room basis of the current building, due to economies of scale. She indicated the expansion was an exceedingly efficient use of land with communal kitchens, communal dining rooms, play rooms, playgrounds, minimal office space, and entire housing pods which could be converted into immunosuppressed wings. She said hard work was going to trip abatement, because so many families were unable to bring cars due to financial constraints.

Wei Wen Shau, Architect for Ronald McDonald House, presented a design solution for the needed expansion for the House. An aerial photograph indicated the most appropriate if not the best expansion of the house. He stated the proposed design continued the beauty and line from the existing House along Sand Hill Road to the London Plane Way to form a sense of urban street enclosures. He indicated both sides of Sand Hill Road would extend to a shopping center to the east. He noted there would be many functional spaces and a shared program between the new and existing facility. He said his first design concept would be to form a circulation spine, which would link both facilities through a so-called activities tree created by adjoining an existing outdoor meditation garden located under a

large oak tree. He commented that the concept should drive the design, and attempt to create a sense of community among guest families, as similar to a home setting as possible. He explained the proposed expansion would be designed with the same architectural features and vocabulary as the existing building with wood-frame construction on a concrete foundation. He believed this project would be a positive contribution to the community while adding interest to the skyline of the City.

Council Member Espinosa asked Staff to discuss zoning and possible uses for the property down to El Camino Real.

Senior Planner, Russ Reich asked if his question was possible future uses for the rest of the parcel or the part being rezoned.

Council Member Espinosa replied no.

Mr. Reich reported the current zoning was Community Commercial.

Council Member Espinosa inquired if that zoning applied all the way down to El Camino Real.

Mr. Reich responded yes, but it had a landscape overlay.

Council Member Espinosa asked what the required setback from San Francisquito was; if it became so narrow that there was a possibility of development closer to El Camino Real.

Mr. Reich indicated there was a 50-foot streamside bank stabilization area that came from the top of the bank. He stated Staff had not reviewed that question to determine how narrow the property became at that end. He reported there was a special 24-foot setback from Sand Hill. He said the property became narrow at that point and there wasn't a lot of opportunity for development.

Council Member Espinosa stated there was a likelihood of development at least partway. He thought lots from the curve on probably would not allow development. He understood this project was addressing a backlog, but was trying to understand the increased need that came with the additional growth of Children's Hospital. He inquired whether this project would address anticipated need or current overcapacity.

Ms. Meir-Levi responded they had partnered with Children's Hospital to bring in a medical strategic planning consulting firm. It was their considered opinion that, including the Children's Hospital's expansion, the

Ronald McDonald House expansion should add between 65 and 70 rooms. She stated the House expansion planned for 68 rooms.

Council Member Espinosa referenced correspondence from a member of the public raising concerns about the process and the California Environmental Quality Act (CEQA). He asked for the City Attorney's feedback on the appropriateness of tonight's discussion.

City Attorney, Molly Stump stated the process was appropriate in that the Council could initiate. It was one of the ways that these types of projects could move forward under City Ordinances. She stated CEQA would flow from the Council's decision. She had reviewed the comment and understood the commenter's perspective, but did not believe there was a problem.

Council Member Espinosa expressed concerns with families crossing San Antonio to reach the mall and hospital. He asked if there had been discussions, among Staff or with the applicant, regarding crossing improvements, especially for people with disabilities, at the previous and proposed sites. He knew the City was trying out new technology for accessibility at crossings.

Mr. Williams reported Staff was aware of those issues at those intersections and had alerted the Transportation Department, but had not studied that. He indicated they would study it as part of the circulation network with the project as it moved forward.

Public Hearing opened at 10:22 P.M.

Kate Yablonsky stated she was a social worker for the bone marrow transplant team at Lucille Packard Children's Hospital, and was present to offer her wholehearted support for the proposed expansion of the Ronald McDonald House. She hoped to convey the urgency and desperation of the need for more capacity at the Ronald McDonald House. She noted Lucille Packard Children's Hospital funds provided to assist families with the cost of hotels was quickly dwindling as it was close to the end of the month. Even with the discounts, the cost of local hotels was prohibitively expensive for more than one or two nights. She indicated she had been at Packard for over four years, and Ronald McDonald House had always been a scarce and precious resource.

Gloria Ramos introduced herself and her daughter, Ariana Ramos, who was 13 years old and had undergone a kidney transplant. She stated they were currently staying at the Ronald McDonald House, and had tried to stay at the Ronald McDonald House while locating a donor; however, the Ronald

McDonald House and nearby hotels were full. She reported they stayed in a hotel quite a distance from the hospital which they could afford. She said they had stayed at three different hotels before and after the transplant, and at the Ronald McDonald House for three weeks. She explained Ariana caught an infection and they had to move from the Ronald McDonald House, which was absolutely crushing. She said the Ronald McDonald House was phenomenal in providing opportunities for families to meet and share stories. She noted organizations provided meals for families staying there. The House had a computer room, weight room and activities for children. She explained the Ronald McDonald House and its Staff was a tremendous help and alleviated a lot of stress and frustration.

Ariana Ramos said the Ronald McDonald House provided activities for kids such as the click room and the Riley pets. She stated people provided lunch and dinner, and the House had shuttles and cares for trips to the hospital and shopping.

Gloria Ramos added an additional benefit was walking to the hospital.

Bri Carpano-Seoane reported she was the Family Services Director at the House, where she and her team provided services to the families and served the families daily. She explained when a family stayed at the House for six days, services such as massage therapy and scrapbooking seem sweet and nice; and when that stay is beyond six days or 20 days, the opportunity to provide community became a necessity. She stated what the House provided could not be duplicated in a hotel, nor in a sleep space shared with strangers. She said it was the opportunity to provide families with the services needed so they could focus on their children's well being.

Mike Baird stated he was a CPA with an office on Park Boulevard and a volunteer. He explained the click room mentioned earlier was a computer room for kids. He reported the House created a playroom and other areas for children to be involved in other interests. He noted it was amazing to see whole families engage in conversations with distant family members through Skype. He reported Ronald McDonald was affordable housing and was world-class healthcare. He stated the number one discussion and debate in America was quality healthcare and affordability, and Ronald McDonald House represented quality healthcare and affordability.

Bern Beecham stated he was present as a Board Member of the Ronald McDonald House Board and as a volunteer at the front desk every week. He referenced prior discussion of families turned away and Children's Hospital's future growth. He explained one of his tasks as a volunteer was to call families turned away, which was difficult. He indicated the Ronald McDonald House had negotiated rates with a few hotels; however, as the economy

slowly improved the number of hotel rooms was decreasing. He knew families couldn't afford even the discounted rates at hotels. He noted the Ronald McDonald House charged \$10 per night, but didn't turn away anyone who couldn't pay. He said the need was there for expansion and for the families served. He noted the Council had many decisions to make based on the facts of the issue and on how the proposal fit into zoning requirements. With regard to intersections and crossings, he noted the Ronald McDonald House provided shuttles to the hospital and shopping, and made it possible for families not to travel throughout Palo Alto, which was a benefit to the community overall. He looked forward to the Council approving the Staff Recommendation.

Christopher Dawes felt he couldn't add much to the good comments previously made. He appreciated the support behind the hospital renewal project. He noted the construction was well underway and Council Members would receive an invitation to the official groundbreaking in the fall. He stated it was scheduled to open for patient care in December 2016. He thought the project was very important to the hospital, patients and entire community; and was a great resource which would be utilized and valued. He strongly urged the Council to support the project.

Herb Borock commented two contradictory events were happening concurrently. First Staff's recommendation was to initiate a rezoning. Under that Agenda Item, he stated the Council couldn't rezone based on what a project might be or the kinds of information presented this evening. Second, he said the Council had treated this Item as if an applicant had applied for rezoning rather than a recommendation from Staff for rezoning. He noted Vice Mayor Scharff had given the applicant an opening statement of 10 minutes and Council Member Espinosa had asked a question of the applicant; however, there was no applicant on this Agenda Item. He explained there was a project that had been segmented into two parts: one part occurring tonight, and the other was the future Sight and Design Review and CUP. He noted there would then be an Environmental Review for the Council's action and for the applicant's action. He stated the only justification in the Staff Report was that the process would give the Ronald McDonald House the feasibility of moving quickly in order to avoid the need to commit resources to purchase other sites. He stated this was not moving forward quickly. He indicated the Ronald McDonald House had filed an application for rezoning on October 27 and paid fees; however, the application did not include the fees for an Environmental Assessment, a CUP, or the Architectural Review. He thought Staff should have told them they needed a Comprehensive Plan Amendment and suggested a Site and Design Review, at which point the Ronald McDonald House could have completed the application. He stated they would have already had the hearings before the Planning and Transportation Commission, the

Architectural Review Board, and possibly the City Council. He didn't think the main issue was not paying fees because the Council initiated the zoning. He thought they and Staff wanted to believe the Council's action tonight would approve the project before there was an Environmental Review or application. He believed it was a bad idea and the Council should provide clear direction to Staff that this was not the kind of report the Council should receive.

Public Hearing closed at 10:42 P.M.

Mr. Williams stated the Code was clear that a zoning change could be initiated by the City Council, by the Planning and Transportation Commission or by the applicant. He indicated the applicant had made application to the City in this case, and Staff felt it was appropriate to initiate that through the Council, because of the nature of the request, the public good being presented by this applicant, and prior discussions of alternative sites. Staff thought it was important to receive initial feedback to provide the applicant. He reported the Code was not clear regarding the initiation process, but was very clear about the zoning process proceeding through the Planning and Transportation Commission (P&TC) and then to the City Council. Staff felt it was within the parameters and intent of the Code to come before the Council for initiation of this application. Staff did advise the applicant that a Comprehensive Plan Amendment would be necessary, and indicated the Site and Design issue was a Staff recommendation. He indicated the applicant would want to obtain the whole package, including rezoning and Site and Design, because that was needed for action by the Council. He noted Site and Design would be performed when the Environmental Review was performed. He stated the Council and P&TC would have the whole package of Environmental Review, Site and Design, zoning change and Comprehensive Plan when the project was next presented.

MOTION: Council Member Price moved, seconded by Council Member Burt to accept Staff recommendation to initiate the rezone request from Community Commercial with a Landscape Combining District (CC(L)) to Public Facility with a Site and Design Combining District (PF(D)) and initiate the request for a Comprehensive Plan Amendment from Streamside Open Space to Major Institution/Special Facilities for 50 El Camino Real.

Council Member Price believed the Staff Report was clear in its presentation. She appreciated the applicant's and public's comments. She stated it was clear from the presentation that an expansion of Ronald McDonald House was necessary and overdue to meet the increasing needs for extended services for critically ill children and their families. She said it was important that children and families in these circumstances have easy

access to advanced medical treatment and to support. She indicated the Site Plan and Architecture and Design were well articulated and compatible with the existing building and site characteristics. She was sure there would be additional comments regarding the details of the design, but she was impressed and thought it would be a wonderful project. She commended the relationship between the outdoor space and the building. She stated it was wrenching and moving to hear these stories and experiences, and she could only imagine the extreme stress these families suffered in these circumstances. She explained this project and the details before the Council clearly illustrated the success, warmth and compassion of the program designed to meet the extreme needs of ill children and their families. She felt it was an impressive program, and Palo Alto was fortunate to have the program in the community. She said it provided hope and a caring environment and created a future for children and their families. She was pleased to make the Motion and stated it was an exciting opportunity to move forward.

Council Member Burt concurred with Council Member Price's statements. For those concerned about additional development within the community, he stated this project would likely demonstrate a net negative trip impact as people would be walking and taking a shuttle rather than driving. He felt it was an exceptional service, and it was important to recognize that. He said Ronald McDonald House was supported by volunteers and donors within the community and elsewhere as a basis of shared values. He thought taking this initiative to help support the Ronald McDonald House was the least the City could do, thought the Council wholeheartedly supported the Ronald McDonald House efforts, and he looked forward to the task ahead and the services to be provided.

Council Member Espinosa thanked everyone for attending. He was excited by the project and glad the site had worked out. He commented the proximity of housing to the hospital was important to the healing that takes place. He stated the Council was not approving a project tonight, was not usurping a process. He was glad the Council was able to publicly acknowledge that it was excited to identify this site which was perfect for the Ronald McDonald House.

Council Member Shepherd thanked the Ronald McDonald House supporters for sitting through a long meeting. She stated the stories touched her heart and reminded her of tours of Stanford Hospital and Children's Hospital. She felt Stanford had an ability to create community and it was felt in the hallways of the hospital. She indicated it was a very busy place and yet a very kind and exciting place to be. She was grateful this particular site was so close to Palo Alto and available to Palo Altans. She explained having this accommodation was an appropriate use of this particular property at this

particular site. She didn't take it lightly that the Council was moving property into the zoning category Public Facility, as it was intended for the highest and best use of the community. She couldn't think of a better or higher use for this site.

Council Member Schmid was delighted to participate in the initiation of this project, and looked forward to the detailed review by the Planning and Transportation Commission, Architectural Review Board and the Environmental Review.

Vice Mayor Scharff found the applicant's and former Mayor Beecham's stories moving. He stated it was a fantastic community asset and appreciated their work.

MOTION PASSED: 6-0 Klein, Yeh not participating, Holman Absent

Council Member Questions, Comments and Announcements

Council Member Shepherd reported that Project Safety Net was recognized in Western City Magazine. She also reported that she attended a recent Santa Clara Valley Transportation Authority (VTA) Policy Advisory Committee Meeting as an alternate. She said they announced 100 percent of their electrical needs in their yard were met by solar energy. She said the certified housing element requirement by the Metropolitan Transportation Commission will not be advocated by the VTA. There had been a proposal to redirect federal funds awarded to Palo Alto for the California Avenue Project. They would need an option to redirect those funds, and they have prepared two motions for the VTA board to redirect the funds to the Highway 101 project for sound walls.

ADJOURNMENT: The meeting was adjourned at 11:02 P.M.