

Special Meeting
March 12, 2012

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:00 P.M.

Present: Burt, Espinosa, Holman, Klein, Price, Scharff, Schmid, Shepherd, Yeh

Absent: None

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

Authority: Government Code Section 54957.6(a)

2. CONFERENCE WITH CITY ATTORNEY -- EXISTING LITIGATION

Subject: Charlot v. City of Palo Alto, Santa Clara County Superior Court, Case No. 110-CV-178617

Subject Authority: Government Code section 54956.9(a)

The City Council reconvened from the Closed Session at 7:00 P.M. and Mayor Yeh advised no reportable action.

SPECIAL ORDERS OF THE DAY

3. Community Presentation by Neighbors Abroad.

Joe Evans, Co-President of Neighbors Abroad, provided a brief demonstration of Neighbors Abroad's new website. He then recapped some recent Neighbors Abroad events. Palo Alto had six Sister Cities, all speak languages taught by

Palo Alto Schools. He explained that Neighbors Abroad was a volunteer organization and member of Sister Cities International. He reviewed the various activities of the organization such as student and adult exchanges, fundraisers, and various activities. Jim Newton, the Treasurer, for Neighbors Abroad gave a demonstration regarding the 2010-2011 expenditures.

4. Proclamation Welcoming the Tsuchiura Exchange Students.

Mayor Yeh read the Proclamation into the record.

Keith Bechtal spoke regarding the Tsuchiura Marathon.

5. Proclamation Honoring the 100th Anniversary of Girl Scouts USA.

Vice Mayor Scharff read the Proclamation into the record.

CITY MANAGER COMMENTS

Assistant City Manager, Pamela Antil spoke regarding an oak tree planting ceremony that was scheduled for March 19, 2012 at 1:30 pm at Homer and Cowper Streets. The Safe Routes to School Addison School Survey was scheduled to take place as part of the City's first Walk About on March 20, 2012 at Addison School. She stated that ten cities around the country would be selected to participate in the Green Lane Project which was funded by the Bikes Belong Foundation. Palo Alto has submitted a proposal to participate in this program that would help fund innovative bike programs.

MINUTES APPROVAL

MOTION: Council Member Shepherd moved, seconded by Council Member Price to approve the minutes of November 28, 2011.

MOTION PASSED: 9-0

ORAL COMMUNICATIONS

Irwin Dawid of 753 Alma said that regardless of whether the City wins the Greens Lane Bikes Belong Award, he appreciated the new bike corral. He said it looked very classy and that he loved the sign on top. He said that City Staff had done a good job with the bike parking.

Ray Dempsey said Palo Alto Comprehensive Plan established the physical boundaries of residential and business areas and set limits which ensured that business and housing remained compatible. He said that it encouraged commercial enterprise but not at the expense of the City's residential

neighborhoods. He suggested that the Council has the constitutional right and the legal obligation to seriously consider parking relief for the residents that boarder the downtown business area.

Eric Diesel said that Mr. Louis Lessor was the victim of elder abuse financial fraud. He said that he had Power of Attorney for Louis Lessor.

Omar Chatty stated he had a quick update on the Caltrain deaths that occurred recently. He said that there were four deaths this year, two of which were Palo Alto related. He said that was 20 dead since the beginning of 2011, 180 dead on Caltrain tracks since 1995. He urged the Council to do something about the deaths and asked the Council to have the Rail Committee explore safer electric non-congesting Bay Area Rapid Transit (BART). He said that BART would connect the regions together.

CONSENT CALENDAR

Staff requested Consent Item No. 10 be pulled at the contractor's request.

MOTION: Council Member Shepherd moved, seconded by Vice Mayor Scharff to pull Agenda Item No. 10 Approval of Change Order Fifteen in the Amount of \$278,710 to Flintco Construction for the Mitchell Park Library and Community Center Project to be heard at a later date.

Council Member Schmid asked about the process for the change order.

City Attorney, Molly Stump, said that item was not reflective of an agreement but rather a Staff recommendation to make a unilateral change order.

MOTION PASSED: 9-0

MOTION: Council Member Espinosa moved, seconded by Council Member Klein to approve Agenda Item Nos. 6-9.

6. Approval of Amendment Number 2 to the OPOWER Contract with the City of Palo Alto to add Website Portal and Related Web-based Services at no Cost in Addition to the Home Energy Reports.
7. Request to Cancel City Council Meeting of April 2, 2012 and Call a Special Council Meeting on April 23, 2012.
8. Approval of a Three Year Wastewater Enterprise Fund Contract with Casey Construction, Inc., in an Amount Not to Exceed \$2,070,505 for Wastewater Collection System Maintenance Services.

9. Recommendation by the CAO Committee to the City Council to Approve the Contract with Sherry Lund Associates for the Amount Not To Exceed \$35,050 to Complete the Four CAO Evaluations for the 2011-2012 Performance Review Cycle.
- ~~10. Approval of Change Order Fifteen in the Amount of \$278,710 to Flintco Construction for the Mitchell Park Library and Community Center Project.~~

MOTION PASSED FOR AGENDA ITEM NOS. 6-9: 9-0

AGENDA CHANGES, ADDITIONS AND DELETIONS

Mayor Yeh announced Staff requested Agenda Item Number 12 be continued to a future date to allow time to revise the City Managers Report to provide for coordination with other cities.

MOTION: Vice Mayor Scharff moved, seconded Council Member Shepherd to move Agenda Item Number 12 Approval of Final Park Design for El Camino Park and Approval of the Use of \$2,275,796 in Park Development Impact Fees to Fund the Design and Construction of the Improvements to a future date.

MOTION PASSED: 9-0

ACTION ITEMS

11. Public Hearing: Consideration of the Proposed Lytton Gateway Planned Community (PC), including: (1) Approval of a Mitigated Negative Declaration, (2) Adoption of a PC Ordinance Amending the Zoning Map of the City Of Palo Alto to Change the Zone Designations of 355 and 335 Alma, currently CDC-P and CDN-P to Allow a Mixed Use, Five-Story, 64-foot Tall Building (and an 84' Corner Tower Feature) on the former Shell Station Site, including Two Concessions under State Density Bonus Law (Building Height and Daylight Plane), and (3) Approval of a Resolution Amending the Comprehensive Plan Designation for a Portion of the Site (335 Alma) to Regional/Community Commercial (from Neighborhood Commercial), for the Project Located at 355 and 335 Alma Street. * Quasi-Judicial.

Curtis Williams, Director of Planning and Community Environment said that the background and context for this project was in late 2012 the Applicants met with Staff and presented a proposal for a two story 17,000 square foot office building that would have required architectural review, but would not have had to go through either the Planning and Transportation Commission or

the City Council. Staff felt that the site was under zoned and had been missing opportunities in a transit oriented location for mixed use and/or higher intensity. The project site was also constrained by the fact that transfer development rights were not permitted because of the proximity to a residential zone. The Applicant returned with the Planned Community (PC) zone and went through multiple reviews with the Architectural Review Board and the Planning and Transportation Commission. He said that the Planning and Transportation Commission felt five stories was appropriate. He stated that this is a Planned Community zone district and as such Council had a lot of discretion. He said that Council had discretion to determine the appropriate land use, intensity, development standards, and public benefits related to the project. He said that the project was a five story mixed use building immediately adjacent to the University Avenue Caltrain station with proposed ground floor retail or personal services, three floors of office space, and 14 rental units on the fifth floor. Of the 14 rental units 7 would be Below Market Rate units (BMR). There would be 130 parking stalls, 8 at the surface and the rest below grade. He said there was also a proposal to expand the capacity through attendant parking. The public benefits that were identified for the project included providing for rental housing with relatively small units averaging about 750 square feet. He said that four of the seven BMR units were above and beyond the Applicant's request for housing law concessions. There would be 1,500 square feet of subsidized ground floor retail or nonprofit use. He believed the Applicant would explain that point in more detail but that it would provide for a certain number of years that rates would be at 50 Percent of the market rate for ground floor retail. The proposal included three electric vehicle (EV) charging stations and Zip Car rental availability. Additionally, he said that the Applicants had offered \$60,000 for a downtown parking garage study. The Applicant had also proposed a series of improvements to the street tree canopy along both sides of Alma Street. He said that was something that was mentioned in the Comprehensive Plan. Finally, he stated there were a series of street and right of way improvements along Alma near the intersection with University that were proposed. The height was five stories, 64 feet generally, with an 84 foot high tower at the southeast corner. The height over 50 feet was entirely the residential floor. He said that a year and a half ago the Council had a discussion about housing policies, the Housing Element, and the Comprehensive Plan that essentially allowed Staff to explore the idea of exceeding the 50 foot height limit for development that was proximate to transit. Parking had become a primary issue with the project recently. The commercial development would require 213 spaces per Code if there were no adjustments or exceptions. He explained that there was a provision in the Code that exempted first floor one-to-one floor area ratio. He said that two thirds of the project, about 14,500 square feet, was located in the parking district. So for that area, that exemption reduced the parking by 58 stalls. The Applicant would have to pay into the assessment district as opposed to the in lieu parking fee district that

is used for construction. This left 155 commercial spaces still required. He stated that the Applicant requested a 30 Percent parking reduction on the remainder, which was based on provisions of the Code. The provisions allowed up to a 20 Percent reduction for transportation demand management measures and up to a 20 Percent reduction for proximity to transit. That request would reduce the parking requirement to 109 spaces. There were 14 residential spaces required, which resulted in 123 total spaces. The Applicant proposed 130 spaces and attendant parking. He stated that the project also preserved the five existing stalls along the Alma frontage. Staff recognized there was parking issues associated with the project. The project was set up as a Planned Community. Council had discretion to look at this apart from those adjustments or reductions. With respect to the transportation demand management program, the Applicant agreed to a number of measures associated with reducing the traffic and parking count at the site. The primary measure was providing Caltrain Go passes for all of the employees and residents of the site. The minimum cost of those for 70 employees is \$10,850, or \$155 per employee. The Applicant had proposed this for all employees for the lifetime of the project. The Applicant also proposed attendant parking, a valet type of service, which would allow tandem spaces in some portions of the parking lot. The Applicant suggested that would add an additional 34 spaces, which brought the potential vehicle parking to 164 spaces. The Applicant also offered that 14 of the private underground spaces would be made available to the public on nights and weekends. He said that Staff thought the Caltrain Go passes and the proximity to transit were significant. The Metropolitan Transportation Commission (MTC) did a survey in 2000 that the Applicant quoted in showed transit was more advantageous proximate to office use than to residential use. Part of that survey saw about a 42 Percent reduction in parking demand on the sites it studied. Mr. Alsman had provided Council with a document that challenged the City's California Environmental Quality Act (CEQA) analysis relative to the parking. Staff believed the document is legally defensible and adequate. He said the parking itself was not an environmental impact under the law and Staff disagrees that this project would have any significant impact on any particular neighborhood. He stated that there were already existing impacts and that the project would not help if it was under parked. He said that the issue was not an environmental issue in Staff's mind in terms of the deterioration of a physical character of neighborhoods. He said that parking was a valid issue for the Council in any Planned Community review. He explained that Staff was conducting some parking studies and discussions with neighborhoods to determine a more holistic approach which included future projects and provided more protection to residential neighborhoods. He stated that Staff's perspective was that this project was an appropriate intensity and location where the uses are appropriate. He noted that one of the first floor uses could also be financial services. He said Staff had heard concerns from some of the Council and the public about monitoring enforcement on a number of

provisions like the subsidized retail component, the BMR housing, the attendant parking, and parking availability to the public. Staff would try to craft conditions that agreements be developed with the City over those provisions and could come back to the Planning & Transportation Commission or Council. He stated that parking appeared to be the key issue. The alternatives included requiring more parking on the site or requiring parking funding either for neighborhood protection programs or that would help to construct garage space elsewhere in the downtown area.

Susan Fineberg, Planning and Transportation Commission, stated that on February 22, 2012, the Planning and Transportation Commission (PTC) voted five to two and approved the initial study and Mitigated Negative Declaration (MND) for the proposed project. She said that the PTC also voted to adopt the Resolution amending the Comprehensive Plan and to approve the PC Ordinance. She explained that the required legislative findings were made for the Resolution amending the Comprehensive Plan in Section 1 of the Resolutions in Council's packet. The required legislative findings for the PC Ordinance were stated in Section F of the PC Ordinance. She explained that the discussion at the February 22, 2012, meeting focused on the adequacy and the nature of the public benefits and parking. The height and intensity as proposed in the project on January 25, 2012, were supported by the majority of the PTC and were not subject to full discussion at the February 22, 2012, meeting. The minority opinion was from Commissioner Tanaka and herself. She said that Commissioner Tanaka expressed concerns about the adequacy of public benefits and parking. She said that her concern was related to the application of the Housing Density Bonus Laws in the absence of local implementation guidelines. Her other concern was about granting the exceptions for height in excess of the 50 foot height limit without having a Council policy approving this after CEQA review, which would inform the City about cumulative impacts and potentially required mitigations.

Judith Wasserman, Architectural Review Board Member, stated that in Palo Alto parking drives all development and that it would behoove Council to decide if that was a good thing or not. She said that the Architectural Review Board (ARB) reviewed the PC. The ARB reviewed the architecture, urban design, and all the things they would with a regular project knowing that this was a special case because it was a PC and that it needed to rise above the normal findings. She stated that in this case the ARB felt that it did and the project had unanimous approval. She said that the size, scale, and general uses of retail, office, and housing were appropriate for the site. She explained that there was an idea that "Palo Alto" would be put prominently on the building so it was visible by train riders. This would complement another project happening on Hamilton that may also have "Palo Alto" on it for the northbound trains. She said that was the gateway concept. She explained that when the ARB looked at projects it was very concerned with the

streetscape and the pedestrian experience at the street level. The ARB felt this project met the street quite well as the Lytton Avenue side was broken up into smaller units and the Alma side had some very nicely proportioned two story elements which worked well at the ground level. She thought this building was a good building and was appropriate for the location. She said that as Council did not have the ARB minutes she would explain the several conditions they had. She said that there was some landscaping at the intersection of the project in the northeast corner where the project intersects with some single family residences and there was some specific details regarding signage that the ARB had not seen. She said that there was also some lighting details that they were interested in as well as the bike rack selection. She said that the project had an attractive bike rack that the ARB hoped Public Works Department would approve. The main thing that ARB wanted to see was further development of the tower because the tower was the thing that would make the project special. She explained that would include providing further lighting details as there were some very interesting proposals for using lighting on the tower.

Council Member Holman asked about the ARB vote.

Amy French, Acting Assistant Director Planning, stated that in the Planning and Transportation Commission Report from January 2012, it said it was a three to one vote. She said that the member who was opposed, was opposed because he did not feel that the screening at the northeast corner of the project was especially helpful for the adjacent residential. She said that this was even though the adjacent residential owner said that it was not a problem and that the screening was fine.

Boyd Smith said he was a member of the Applicant team. He said that Mr. Williams had done a wonderful job summarizing the project. He said that he wanted to discuss the Transportation Demand Management (TDM) program. They had been in the public process for about 15 months. Resident neighbor groups were concerned about the impacts that the project may have on their on-street parking. He stated that they had done everything they could to be thoughtful and responsive to neighborhood concerns. He explained that they had met with representatives of Downtown North and Professorville and that it was clear that the representatives wanted a resident permit parking program. He said they increased the parking to 164 stalls through a very innovative commercial attendant parking program, which would be the first of its kind downtown. The Applicant opened 8 stalls in the private parking garage to the public every day and 14 stalls on nights and weekends. The Applicant agreed to provide up to \$250,000 to help fund the resident parking permit and to also contribute to the City Transportation Division so it could analyze and explore improving and expanding the existing parking infrastructure. He explained the valet type system would be run by a first class operator. He stated this

was an innovative, responsible, green answer to the neighbor's requests. The attendant parking allowed for the efficient use of the parking garage in a way that balances transportation policy land use and protected the residential neighbors from intrusive parking on their streets.

Elizabeth Hughes said she was the President of TDM Specialists, Inc. and Vice President of the Association for Commuter Transportation, Sacramento Valley Chapter. She explained that her industry practitioner experience was 12 years of customizing TDM plans for development projects and also implementing and managing commuter programs. She said that the 101 Lytton project was extremely well located to multiple options for transit, which was the reason why Transportation Demand Management would work very well at the location. Commercial projects that were not served by rail could achieve 20 to 30 Percent alternative mode use vehicle reductions. She explained that mixed use components added enhancements for TDM programs because they provided the amenities that support transit users. Near proximity to transit further enhanced vehicle trip reductions. She said the TDM premise was broken into three sections. First they looked at the infrastructure and physical measures that support TDM. Second, through the outreach and commuter program management they looked at the day to day communication and messaging and made sure they were reaching all the occupants of the project. Third, she explained that monitoring was an important feature to highlight the successes of the project and an opportunity to retool if there was ever any need to do so. She said that the 101 Lytton Avenue mixed use TDM was a tremendously progressive plan that contained 27 measures that were specifically designed for this unique project. She said that the Caltrain Go Pass was the first of its kind in Palo Alto for a mixed use project as it was typically an employer provided component for employees. The electric vehicle chargers and Zip Car played a dual role because they provided benefits not only to the occupants but also to the community at large. Attendant parking was a complementary and supporting car management strategy for this project. Key findings from the 2007 Palo Alto Climate Protection Plan identified that vehicles account for 40 Percent of total emissions in the city. She said that the TDM plan for the 101 Lytton project would ultimately reduce greenhouse gas emissions and support the City's climate action goals.

James Baersaid PC zones were a mix of policy and politics that were both difficult and complex. The project evolution showed that they increased the residential unit count. He said this was a Transit Oriented District (TOD) project, which was encouraged by the Planning & Transportation Commission (PTC) and Staff. He said that the project was a five story building with fifth floor residential because of the Comprehensive Plan Housing Element comments by the PTC to the City Council. The 34 attendant parking spaces were progressive because they were managed and monitored to the demand.

Parking was such a misunderstood issue. The project provided 164 parking spaces. Another benefit, which was unique to the assessment district in the downtown, which was that parcels were allowed a one-to-one Floor Area Ratio (FAR) exempt from onsite parking but must pay into the parking assessment district. He wanted to be clear that the parking issue was not from the PC zone. There were inquiries about whether the allocation of total dollars for public benefit and parking should focus more on parking. He stated that the only hard cost in the public benefits of significance was the fifth floor rental apartment units and BMR. He said that those were enormously expensive, and that nobody built rental rather than for sale projects because there was not significant return. He said that one of the questions Council would look at would be if it preferred the project to be a 50 story building that was not TOD because it would not have housing. Then Council could look at the allocation of very large dollars from housing to parking solutions. He said that the Applicants thought this was a great TOD project in that they provided 164 parking spaces when only 159 would be required.

Council Member Klein disclosed a meeting with Mr. Baer and Mr. Smith about a year ago. He had no information he could recall from that meeting.

Vice Mayor Scharff had several phone calls with Mr. Baer and one with Mr. Smith and he had no information to disclose from those conversations that was not disclosed in the Staff Report. He also sat on a Parking Committee with Commissioner Tanaka, who voted against the project based on parking. He spoke about the things being under-parked and stated that had influenced his thinking.

Council Member Burt received a phone call from Mr. Baer and did not learn any information that was not disclosed in the Staff Report.

Council Member Holman had a couple conversations with the public and learned that Mountain View allowed ten percent rather than 30 percent parking reduction.

Council Member Price had questions about the TDM program. Related to the issue of the commercial attendant parking she asked what had been the experience in other communities.

Ms. Hughes said that it had not always been a feature of a project that was without mixed use. They found that the valet parking tended to be more of a balanced car management feature rather than adding more parking. She said that added parking to the TDM plan or a project would reduce or erode the effectiveness of the TDM goals. She said that they found that the valet parking was a way to balance a situation. As this project was mixed use, this would help the residents, tenants, employees, and community at large.

Council Member Price said the issue of monitoring and reporting was analogous to a mitigation monitoring program. She asked to what extent the TDM program and Applicant would address inaccuracies in the plan.

Ms. Hughes said that in her professional experience the surveys done gave them more information than just what was going on and what was successful. She said that doing the survey year to year as a living document allowed them to retool based on the information about what people were looking for, what was working for them, and what they needed.

Council Member Price said in the Staff presentation there was a discussion of contribution to the City Transportation Division for downtown parking analysis improvements and expansion. Another element that was included in the presentation suggested the possibility of \$250,000 to fund a residential parking program. She questioned when that modification emerged in this project as an expansion of funding related to transportation.

Mr. Smith said that was a result of their meeting with the representatives of Downtown North and Professorville. He said that the increase in funding was a direct response to that meeting.

Council Member Price asked if City Staff was notified of the potential expansion of funding contribution.

Mr. Smith said that he did not believe they had been notified in time. The meeting was that morning, so that was a real time modification.

Council Member Price said one of her concerns was the parking and the degree to which the TDM program with all its elements could address the concerns.

Council Member Holman discussed policy issues this project brought to light. One was the 50 foot height limit, on which there was no Council directive. She said that the 50 foot height limit was a long standing City standard that had broad community interest. The second was parking. The third policy issue was the ongoing questions about the Density Bonus Law and how it would be applied. She asked why the Staff had not brought the project to the Council for policy direction.

Mr. Williams said projects go through the process and it would be difficult for Staff to take the project out of the process to take it to Council. He said that would have been nice to do, but he suspected the Council wanted to hear from the PTC on the project too. He said the other option would be to come first to Council, and that could be the first step in any Planned Community

going forward. He said that Council Member Holman had a good point, but that it was hard to do in the middle of a process.

Council Member Holman said that she was not advocating that the first step would be to come to Council. She said that it was a hindsight question. She asked if the Council could limit the occupancy load of the office component of a PC project as a condition of approval, or if the Staff could make it a condition of approval of the occupancy permit in a non-PC project.

Mr. Williams said there was one project where that happened, and that was the Development Agreement for 260 Homer. There was a cap on the number of workstations written into the leases. Over time that was another project that was well documented, but as far as monitoring he did not know how it would play out. He said that he did not know a reason why they could not do that legally.

Donald Larkin, Assistant City Attorney, said that he did not know any reason why there could not be limits on occupancy in a commercial building. He said that for housing the City was restricted in its ability to limit occupancy. However, he was not aware of similar case law around commercial buildings.

Council Member Holman said that it was not clear to her in response to a question at the Planning and Transportation Commission how this project would impact the jobs/housing imbalance in Palo Alto. She said that they were pushing back on MTC and Association of Bay Area Governments (ABAG), and that this project was heavy on office space, but light on housing. She questioned how that would impact the City's complexion.

Mr. Williams said that it did not help the jobs/housing imbalance. Palo Alto had tried to portray most recently with the Sustainable Community Strategy and ABAG responses that there needed to be a broader look at how jobs and housing interplay across the subregion than just focused within the boundaries of the City. He said that some of the Council would meet later in the week with the Regional Housing Mandate Committee and would talk about the latest version of the projections by ABAG. Those numbers essentially represent a jobs/housing balance of about four or five to one for Palo Alto. From the inception, Staff pushed for more housing on this project. The main reasons were: 1) it was difficult to find places for housing that were not in the middle of neighborhoods and more impacting; and 2) the Applicants were willing to do rental housing with relatively small units which had less impact on schools. He said that there seemed to be an opportunity with the project that the City had not come across often, but despite Staff's suggestions there were not many housing units suggested initially. The PTC pushed for more housing to get up to the 14 units that are now proposed.

Council Member Holman said she was liaison for two years to the Palo Alto Housing Corporation that previously was involved early on in the design of BMR housing programs. She stated that the Housing Corporation had not been involved as of late. The ordinance for the project did not indicate what units would be BMR. The description was that the majority would be the studios, not the one bedroom apartments. She questioned why the Housing Corporation was not involved earlier.

Mr. Williams said he would have to look at that. He had not understood that the Housing Corporation got involved until they got into the specifics of the BMR agreement. He said that at this point they usually understand how many units and what income levels they are targeted for, but when they come for the entitlements they do not usually know specifically which units are designated. The Applicant did show on the plan that five studios and two one bedrooms were designated BMR. He said that there could still be discussion about those units and their location. The units were spread out among the 14 units. He said that Council and the Housing Corporation could discuss that, but that it was really not their determination. It was more of how the program was administered and not how many of what kind of units there were.

Council Member Espinosa asked Mr. Williams what guidance was given to the Applicant from the City regarding parking. He had given his opinion before, but the City under-parked projects as policy in the smart growth environmental leadership context trying to lead to cultural change, which was a policy he did not agree with. He said that people drive and causing frustration so that people change was not good policy making. There were already problems in Professorville, University South and Downtown North. If the Applicant had been given clear instructions about parking expectations by Staff, that was important for him to understand in his decision making process.

Mr. Williams said Staff had provided guidance that parking reductions were appropriate because of the proximity to transit and the TDM. Staff did not guide the Applicant to the one-to-one exemption for first floor parking. He indicated that was a difficult provision to deal with, and that Staff understood it was in the Code. Once Staff concurred with the Applicant's legal interpretation of how that worked, it was difficult to request more parking because the Applicant seemed to have met those Code requirements. He said they told the Applicant that parking was an issue and that they had concerns and requested the Applicant find more parking.

Vice Mayor Scharff asked about the ground floor retail. The Staff Report stated one of the public benefits was that retail would create sales tax, a lively street scene, and those kinds of benefits. However, when he read the actual

public benefits, it said, "ground floor retail—personal service or financial service area." He asked the Applicant how it felt about deleting "personal service or financial service" and having only retail.

Mr. Baer said they were not comfortable because in that location was largely pedestrian driven, not destination driven, and that financial services and retail banking services for train riders was meaningful. He asked how Council would distinguish personal service from retail service.

Vice Mayor Scharff asked Staff to define what "retail" was versus "personal services." He asked if sales tax was charged on personal services.

Ms. French said personal services were in the nature of salons. Retail carried with it sales tax.

Vice Mayor Scharff said that the purpose of a PC was to grant exceptions because there was a public benefit. One public benefit from the Staff Report, was that retail would provide sales tax. He asked if there would be any traditional retail concept.

Mr. Baer said that they would be glad to eliminate the personal service component. He thought they limited in their application to Staff that the size of the financial service would be limited.

Vice Mayor Scharff asked what kind of retail would be included in the project.

Mr. Smith said that the Lytton piece would be well suited for traditional retail such as a coffee shop that would serve train passengers. He said that the Alma site was a tougher retail location based on discussions with brokers. The Planning Commission liked the idea of a financial institution on Alma Street.

Vice Mayor Scharff asked about the square footage.

Mr. Smith said that it was about 1,500 on Lytton and about 2,700 square feet along Alma.

Vice Mayor Scharff said that there was about 1,500 square feet on the ground floor that the Applicant would charge about 50 Percent of the market for retail. He said that he could understand that if it went to a non-profit. He questioned why it was 50 Percent for retail, how the tenant would be chosen, and why the City would subsidize a for profit retail business.

Mr. Smith said they presented the option to the PTC to have a nonprofit office or subsidized retail. The PTC chose the subsidized retail. They would be

happy to do a nonprofit office. He liked the retail component because it would bring foot traffic to the corner that was needed, so he thought retail was a better fit. He said that they were happy to do either one.

Vice Mayor Scharff said there were components to the project, an office component on the other three floors, ground floor retail, and a residential top floor. He said that nonprofit was an office use, at least most of them were an office use. Therefore, he questioned if the Applicant would be willing to put the nonprofit on another floor beside the ground floor.

Mr. Smith said they offered to the PTC to eliminate five apartments and put a nonprofit office on the fifth floor. They were reluctant to break up the floor plates on the second, third, and fourth floors. They thought this would likely bring a single tenant and for security and overall planning of the building they would like to maintain the second, third, and fourth floor as office.

Vice Mayor Scharff asked if the charging stations were the fast charging stations where a car could be charged in an hour, or if they were the ones that took longer.

Mr. Smith said that it was a combination. The ones on the street were fast chargers, called Level 3. The ones in the garage were Level 2. The thinking behind that was that the people who would park in the garage would tend to be there longer than the people parking on the street. It was two Level 3 charges and three Level 2 chargers.

Vice Mayor Scharff said he had questions for the Applicant related to parking. He asked how much they would pay into the parking district for the one-to-one exemption.

Mr. Baer said it was a proportion share of the total bond which covered a parking deficit of approximately 9,000 parking spaces. He pointed out that if they took only the TDM and proximately to transit deductions under the code and did not take the one-to-one, they were still providing more parking. He said they could eliminate the one-to-one exemption and still have exceeded the parking required of the project, 164 spaces rather than 159, because the 159 derived from the TDM and proximity to transit.

Vice Mayor Scharff said he disagreed because the Applicant was not entitled to any parking as far as he was concerned. The project was a PC, and it was whether or not the Council made that policy decision.

Mr. Baer said that he did not mean to use the word entitled and apologized if he had done so.

Vice Mayor Scharff asked Staff to explain how the parking worked since the City had given the Applicant a one-to-one exemption which meant the Applicant did not have to provide parking for approximately 14,400 square feet. He said that he understood the Applicant would have to pay into a parking district, but there was no new money in the parking district which would create no new parking spaces.

Mr. Williams said that was Staff's understanding of the situation. He said that it reduced the cost for other participants in the assessment district, but it would not pay into a fund that would be used to create additional parking.

Vice Mayor Scharff asked if Council had the option to tell the Applicant not to pay into the parking district and instead pay an in lieu fees for the 58 missing parking spaces.

Mr. Williams said that with Planned Community zoning Council had that option.

Vice Mayor Scharff confirmed there was no legal requirement for the Applicant to pay into the parking district and that Council could tell them to pay an In Lieu fee for the 58 spaces.

Mr. Williams said that there would be a legal obligation to pay into the assessment district if Council agreed with the way it was proposed.

Vice Mayor Scharff said that Council could do that and then the Applicant would not have the obligation or expense of paying into the parking district, but would pay the in lieu fee for 58 spaces.

Mr. Baer said that because the cost of In Lieu was so great in the revisions they did not take the 58 parking spaces that would have been exempt. He said that they only took the 10 Percent for location and proximity to transit and the 20 Percent for TDM.

Vice Mayor Scharff said he needed a clarification in procedure. He asked if it was right for the Applicant to answer questions, whether or not the question was addressed to the Applicant.

Mayor Yeh said that at a later point in the process the Applicant would be provided with a three minute rebuttal. If there was a question directed to the Applicant, the Applicant could be invited to speak at that point.

Vice Mayor Scharff said that he was confused because what Mr. Baer said did not seem to be the same as what Staff said related to the one-to-one. He said that he understood that they had taken the one-to-one and that was how

this arose, but the Applicant just stated that they had not taken the one-to-one.

Mr. Williams said that the Applicant took the one-to-one. He said that what Mr. Baer was suggesting was that if they did not take the one-to-one and just applied a 30 Percent reduction, it would get them to the 164 spaces. Council would have to allow the 30 Percent reduction. He explained the Applicant was providing 164 spaces, but at the time it was discussed originally there were not the additional 34 spaces. There have been seven plus spaces added and the potential 34 tandem attendant spaces would be included in that.

Vice Mayor Scharff stated that on the Staff Report with respect to attendant parking it said there would be 25 to 34 spaces, but the Applicant said there would be 34 spaces. He asked if there was a plan and if 34 spaces was the best case scenario.

Mr. Williams said that the Applicant represented 34 as the best case scenario. The Staff had not seen detailed plans to date.

Vice Mayor Scharff said that Code required a certain number of spaces the Applicant had to meet, but nothing in the Code said anything about attendant parking being a space. So when Staff says that the Applicant created 164 spaces, he disagreed. He said that they created 130 spaces and came up with the other 34 in a creative way, which he welcomed. However, he said that if the Applicant wanted to be technical, which he thought the Applicant did when it talked about taking different exemptions, then it had not created the spaces. He said that he was not sure how the Applicant got to 164 spaces under the Code, when the Code provided no ability to do attendant parking.

Mr. Williams said that Vice Mayor Scharff was correct and that it would only be allowed if the Council approved it as part of the PC.

Vice Mayor Scharff said the Applicant said it provided 34 spaces with the attendant parking, but the Staff Report said 25 to 34 spaces. He asked the Applicant if they had a commitment that it could do 34 spaces.

Mr. Smith said that he was not aware there was a range and that they could commit to 34 spaces.

Vice Mayor Scharff asked how the attendant parking would work.

Michelle Wendler of Wadree Design said they did the layout for the attendant parking and the facility. She said that if Council would look at middle level plan, it showed the green spaces as the attendant parking. She said that you would park in the drive aisle behind the spaces that were parked

perpendicular and then there would still be space in the drive aisle to drive behind. It was proposed to be filled from the bottom to the top. She said that was how it worked on one of the floors.

Vice Mayor Scharff asked how a person would retrieve his car.

Ms. Wendler said there were two levels. The first level was called stack parking. She said that tended to be very customer service oriented so those who parked first would not need to find the attendant except to move another car out of the way. She said that this was useful in this type of environment as opposed to a full valet where you have a drop off spot and a place for the cars to queue. In this case people would self-park and then when it got full the attendant would take the keys from those who park behind and give them a ticket.

Vice Mayor Scharff asked if the \$250,000 for the suggested residential parking program included the \$60,000 or in addition to.

Mr. Smith said the \$250,000 included the \$60,000.

Council Member Shepherd asked what retail nonprofit use there would be and if there would be a credit union or something similar.

Mr. Smith thought Mr. Baer had ideas of businesses that catered to the local community but they were open to suggestions.

Council Member Shepherd asked who paid the bill for the outdoor Electric Vehicle (EV) charging station.

Mr. Smith said it could be paid by the user.

Council Member Shepherd wanted to understand if it was hooked into the building's electrical.

Mr. Smith said that it was, but then said that Mr. Baer had a clarification.

Mr. Baer said that they met with one of the regional EV charging stations and it operated a billing system where the consumer would use a credit card or another card that was specifically designated for EV. The cost of the charging would be paid by the customer. The installation, which could be \$100,000, was paid for by the developer.

Council Member Shepherd confirmed that the power would be from the building owner but it may be separately metered. She said that she wanted to discuss the Go Passes. She knew there was a percentage calculated for trip

diversion by offering Go Passes and stated that VTA also offered Eco Passes. She asked if Eco Passes were discussed as they stop at the same spot. If Palo Alto got Bus Rapid Transit it would come up El Camino Real with many riders. Many people in Palo Alto ride Caltrain, specifically from the spot with all the Marguerite services, so she wanted to understand if they would be measuring usage or if the Applicant would be just offering Go Passes. She said that if Go Passes transformed into something else that might be very expensive and asked for the Applicant's thoughts.

Mr. Smith said they had discussed both the Eco Passes and the Go Passes. They thought the Go Passes were more significant and would be used more and would reduce the single vehicle use more than the Eco Pass. He said that he believed the language they agreed to with Mr. Rodriguez was over time if Go Passes evolved into something else the requirement would evolve with that as something comparable. He said that he believed there was language in the approval for the PTC that stated that would adapt as necessary.

Council Member Shepherd said she saw that, but was curious because Caltrain did not make money on Go Passes; it made money on its fare. She requested confirmation the Applicant would stay with the Caltrain Go Pass and not an Eco Pass with VTA.

Mr. Smith said they were open to discussion. He said that TDM was a tool they would use to try to figure out if that was the best option. He said that the solution might be a combination of Go Passes and Eco Passes.

Council Member Shepherd said that there were eight surface parking spaces and fourteen garage spaces on nights and weekends. She asked Staff if they would be subject to the two hour limit so they could circulate with shoppers.

Jaime Rodriguez, Chief Transportation Official, said that they had not discussed the level of signage as part of the project. He said that anything within the street extended into the two hour parking limit. He explained that when they reached the design stage they would work out the details inside the lot.

Council Member Shepherd said she wanted to make sure that they were used for the retail as opposed to the building parking. She indicated she had questions for Ms. Wasserman. This was a gateway design and a gateway project, so she thought this would be a significant piece. She asked what features they were looking for in the architectural review process.

Ms. Wasserman said that when you look at a gateway situation you look at something that was formally designed for that area, like the towers and palm trees in front of Stanford. She said that this was not a situation like that so

the Architectural Review Board looked for some kind of landmark, technically called an "event," that was different from the surroundings. She explained an event made one think that they had arrived at a special place. There was a proposal at one point that was a screening of redwood trees on glass. If that was visible from the street and the train it would be very exciting. If it disappeared into the glass and was not properly lit it would be a disappointment. That was the kind of thing the Architectural Review Board wanted to see come back because the project really was significant since Palo Alto had a limited number of gateways.

Council Member Shepherd clarified that after the project was approved by Council the Architectural Review Board would review the tower.

Ms. Wasserman said it was up to the Applicant to come back to the Architectural Review Board. She said that they approved it with conditions. She said that it could move forward through the process after Council's approval.

Council Member Schmid said he was struggling with the notion of public benefits, which were subjective. He said that the Chair of the Planning & Transportation Commission stopped a meeting and said that there needed to be a heartfelt discussion about public benefits instead of dealing with applications one at a time. In his four and a half years on the Council it had only once had a discussion that dealt with guiding principles and that was in May 2010 regarding the criteria for the preparation of the Housing Element Sites Inventory. They passed a Motion that said that generally building height was not to exceed 50 feet, but that Staff was to evaluate and return with exceptions within a quarter mile of fixed rail stations. He said that was a guiding principle for a public benefit that Council agreed on. Over the last 14 months the City discussed the Alma/Lytton site and had many detailed discussions and emerged with 14 housing units as a public benefit. ABAG and Regional Housing Needs Allocation (RHNA) asked for 2,700 housing units in the next eight years. 14 units were only one half of one percent of that figure. In order to reach 2,700, the City would have to repeat this process in 200 other places. He asked the Staff to evaluate how successful this policy would be in getting the City to its Housing Inventory number.

Mr. Williams said he was not sure how to respond to the question as it was made up of many different parts. He said that they were not expecting the over 50 foot height projects would provide all of those units. He said that the City would most likely achieve numbers by small increments in many different places. He hoped it would not be 200 different 14 unit projects, but he hoped that there would be more housing on this site, but there should be more specific planned approaches than dealing site by site.

Council Member Schmid asked if Mr. Williams would say that for this one target what they emerged with was disappointing on this ideal site.

Mr. Williams said they hoped to have had more housing.

Council Member Schmid said that at the end of each application there was a resource impact statement. This application stated that the project was likely to have Property Tax, Sales Tax, and Utility Users Tax in the range of \$70,000-\$90,000. The economists for the Stanford Project worked out a system which could judge the cost to the City of an increase in either workers or residences. So if the Stanford technique were applied to assess the cost of this project, what we end up with is a deficit of about \$190,000 per year over the life of the project. He said that did not sound like a positive public benefit. He asked the Staff if Council should take that into account in thinking about the impact on the City.

Mr. Williams said he would have to look at the Stanford study. He recalled that they also accounted for the income generators of people going to lunch and purchasing goods and services in the city, which was a positive that they had not considered here. He said that this was basically just what the fees and property tax revenue would be. What Council Member Schmid discussed would be a much more complex analysis. Staff had not thought to do that with a project that was primarily commercial and did not generate a lot of Transit Occupancy Tax (TOT) or sales tax. He said most non-residential projects seemed to be a plus in terms of property taxes and other revenue sources relative to a population that probably provides more in terms of buying goods and services than our need to service them.

Council Member Schmid said that his point was that as they started thinking in terms of public benefits and impacts on parking it was important to do a more sophisticated look at the impact on the General Fund. He stated that as we move forward that would be important in the Council's analysis, as it certainly was in the Stanford case.

Council Member Burt said the discussion had not taken the direction he had expected in terms of the question of costs to the community of residential versus office or workers increasing versus residents increasing. He did not think the Council could go through that debate in detail that night. He recalled a series of studies over the last decade which had consistently found that residents have more of a financial impact on the City than workers. He said that if that was the premise that some of his colleagues had, he did not think it was correct. He said that Palo Alto had argued to ABAG that transit use by office workers was a higher use than transit use by residents in the same proximity to the transit station. He wanted to return to the issue raised by Vice Mayor Scharff about the In Lieu fee. He said that he understood that

paying into the assessment district would reduce the payment of the rest of the participants already in the assessment district, that it essentially diluted what the participants paid.

Mr. Williams said that was correct, but that Mr. Larkin knew more details than he did.

Mr. Larkin said that was correct.

Council Member Burt confirmed that if the Applicant paid the In Lieu fee that those dollars would go into an In Lieu Fund and be dedicated toward creating new parking spaces downtown at a future date.

Mr. Williams said that was correct and that the In Lieu Fund was targeted toward construction.

Council Member Burt said that they had heard different arguments about to what degree TDM programs reduced the need for parking. He said that Council Member Espinosa was concerned that they were designed to essentially force people out of cars essentially, versus whether they would be programs that would reduce people's choice to drive and therefore have less need for parking spaces. He asked what the intention was of the TDM program; was it to choke off parking to force people to not drive or was it to provide initiatives so that people would drive less and use transit more.

Mr. Williams said the objective was to provide more choices and opportunities to use different modes of transportation.

Council Member Burt said that the community was concerned that TDM programs would not have the degree of impact on reducing the demand for parking that was stated in the proposal. He said that he would like the public to have access to the information and suggested there could be a range of studies provided so the community would have the opportunity to read them and judge them. He said that he hoped the studies included would be the ones that Staff identified as credible and reflecting a range of professional opinion.

Mr. Williams said Staff could post the studies.

Council Member Burt said that if the TDM was as successful at reducing parking demands as the Applicant believed it could through in lieu or onsite parking; it could be construed as a public benefit. If it was less successful there might be a need to mitigate the demand that was created. He would not want to see the dollars go into the assessment district to reduce the cost to others. He wanted parking increased in the downtown area, which was

certainly part of the solution to the problem. He said that some people thought added parking was a primary solution and others disagreed, but he did not think there was much debate that the City presently had a shortage of downtown parking. He stated that the site was formerly a gas station, which was ground floor retail. He asked if it was categorized that way.

Ms. French said the land use classification was considered automotive services.

Council Member Burt said that about two years ago Council readjusted the downtown retail boundaries, which were the areas that must have ground floor retail. The recommendations were made by downtown property owners and Staff. The lines were redrawn and the areas that were not good for retail were removed from the district and some areas that were identified as good for retail were added. He said that this project was outside of the boundaries for downtown retail, but that retail was so important to the project that it was considered a public benefit of the project. He explained that if the site was in the downtown retail district it would not be a public benefit at all, it would be a requirement for the project. He said that it seemed Council needed to reconsider the boundaries.

Mr. Williams said that generally Lytton was not a retail street, but this corner had that potential because it was proximate to the train station.

Council Member Burt said that they had bookended retail nodes around transit areas. He said that they should be part of what they are conceiving, and that if they were pushing for retail at the site then they ought to acknowledge that and not put categorize it as a public benefit whether it was part of the contiguous downtown retail or not. With respect to housing, he viewed this building site as one of the most valuable in downtown Palo Alto. He said that Council was considering having half of the top floor being affordable housing which was, by definition, penthouse housing. He said they would be moderately small penthouses, but they were still seven affordable housing penthouses. He questioned if the dollars spent creating the affordable housing at that site would be better spent creating more affordable housing in other areas that were not the gateway building of the downtown. He asked who would get the affordable units. He asked how they would select seven residents who would get penthouse apartments in a very high end building in one of the premier spots in the country.

Mr. Williams said that it would be worked through the BMR list like other BMR units.

Council Member Burt said that was a lottery. He stated that was not good policy. He would be interested in exploring other alternatives later on about

how that could be adjusted and rationalized better. He concurred with Council Member Shepherd's raising of the Eco Pass issue. He did not believe that Eco Passes were as widely utilized as Caltrain, but believed if residents and employees could have a choice between an Eco Pass and a Go Pass that was a better TDM system. He expected most people to choose Caltrain, but stated a choice would be better.

Council Member Klein said his questions fell into two categories. The first was the parking issue raised by Vice Mayor Scharff and again by Council Member Burt. He said he was confused with the talk of the various reductions. He requested clarification that the Council could throw out all of the reductions in the requirements if it wanted to since this was a PC application.

Mr. Williams said yes.

Council Member Klein stated that they were starting fresh as to how much parking should be required on the project.

Mr. Williams said yes and that he had portrayed it in the response as being an evaluation tool to compare to what typically would be required.

Council Member Klein asked if the assessment district and the one-to-one exclusion was Code.

Mr. Williams said that was Code but had not been used except for one other project. It really applied to sites that were vacant or had very little land on it. He explained the other project was 135 Hamilton, which was the vacant land at Hamilton and High Street.

Council Member Klein said that would be an exception to the idea that Council was starting fresh.

Mr. Williams said 135 Hamilton was not a PC.

Council Member Klein clarified he was talking about the Lytton project.

Mr. Williams said yes.

Council Member Klein said if it was Code then it was a matter of law that both Council and the Applicant had to obey.

Mr. Williams explained that was not true in a PC situation. In a PC situation Council could create its own zoning standards.

Council Member Klein said that meant the City was not required to have the Applicant pay into the assessment district. With respect to the public benefits, he could not make a clear delineation as to what he thought was appropriate public benefits without looking at what the Applicant was getting with the PC zoning compared to what it would have gotten through regular zoning. He asked if there was a chart along those lines.

Ms. French said the chart was in the Planning and Transportation Commission's Staff Report of February 22, 2012. She said it was titled Attachment D, Table 1.

Mr. Williams said it was an attachment to an e-mail of earlier that day. It was previously included in the PTC attachment, but that was not in Council's packet. He said that Council Member Price had the correct document in her hand. It compared what was proposed to what would be allowed under the existing zoning.

Council Member Klein said that was not quite what he had looked for, but that it would be helpful. He asked what the square footage was of the building that could have been built under the existing zoning, with no exceptions or variances.

Mr. Williams said that it was not one-to-one because a portion of the site was not zoned Downtown Community Commercial District, so what the Applicant proposed originally was a 17,000 square foot non-residential office building. There was potential for some mixed use as well with that, but that was not look at initially. The potential for mixed use would allow residential.

Council Member Klein said the chart did not answer all his questions. He assumed that the profit for the developer was in the office building.

Mr. Williams said that was a fair assumption.

Council Member Klein said under the PC application they would round up to 45,000 square feet in office space.

Mr. Williams stated they would have been able to build 17,000 square feet.

Council Member Klein confirmed the Applicant received an additional 28,000 square feet.

Mr. Williams said 49,000 square feet was proposed, so it would be more than an additional 28,000 square feet.

Council Member Klein asked if Mr. Williams included the ground floor retail space.

Mr. Williams said the ground floor retail was in addition to the 49,000 square feet of office space. 17,000 square feet was what the Applicant would have been able to do with no special approvals.

Council Member Klein explained the way he would analyze the project going forward was that if the Applicant got an additional 32,000 square feet then it could be multiplied by whatever was the appropriate profit per square foot to determine the potential profit of the developer. Then he would compare the profit to what he thought was the value of the public benefits. He asked if that was an improper way to look at the matter.

Mr. Williams said he thought that was a legitimate way to look at it.

Council Member Klein said he had to determine what he thought was the value of the public benefits. He agreed with Council Member Burt that the City would be building the "Taj Mahal" of Below Market Rate units when the value of the land was considered. He thought that if the City was to do something along those lines it would be far better off having the Applicant contribute cash to the Housing Fund. That money could be used more efficiently than to build the "penthouse" BMR's. He said he was not excited about the retail in the project. He did not think that was an exciting place for retail and we believed the City was right when it drew the retail district map. He stated that the public benefit idea was wrong for another reason. If the Applicant built the project and wanted to put in a coffee shop or things of that nature, he thought that they should do that on their own because they think it might enhance their building. He did not think it would enhance the community, so the idea of it being a public benefit did not strike him as valid. He said the idea of a nonprofit space was even more problematic since there was only enough space there for one very fortunate nonprofit. He felt that if the Applicant chose to make the space for a nonprofit, then that was the Applicant's own charitable decision. That was not necessarily a public benefit because the community was not choosing the nonprofit. He said that he did not like the idea that the City Council ought to choose which nonprofit because there were so many good nonprofits he would not know how to choose a subsidized rent on that basis.

Mayor Yeh said that the City recently refunded the downtown parking district bonds and part of the assessment on the ratings for the bonds was based on the current rate payers. He asked if Bond Counsel had reviewed the potential for an additional entity to be paying into diffusing the downtown parking bonds.

Mr. Williams said that they had not had a chance to review it. He said that the thought was that it was so minimal relative to the overall picture that they would not review it yet. He said that it likely would not have an impact, but it was something that could be run by them if the Council goes that direction.

Mayor Yeh stated that in general the importance of creating choices for residents or new employees on this site needed to be balanced out with the need for additional parking. He associated himself with colleagues who leaned more toward the Parking Fund and the ability to create additional parking spaces rather than further spreading the existing costs across more payers. He asked Staff if that was part of the discussion with the Applicant at any point during the entire process in terms of the In Lieu payments versus paying down the existing assessment district.

Mr. Williams said that they talked about the fact that one would help create spaces but the discussion centered more on what the Code called for, which was being part of the assessment district as opposed to paying in lieu fees.

Mayor Yeh said he understood the the Applicant had pointed that provision out to Staff. He clarified that the City Council had more policy leeway to be able to interpret and move forward on PC projects and that was the basis for including it up to this point within the application.

Mr. Williams said that was right and that Staff was very interested to hear Council's opinions even though the City might not have many more projects in that type of situation.

Mayor Yeh asked if there was an estimate of the per-unit cost for the affordable housing units. He stated that they had a figure that was used in other projects but he wanted to know about this particular site.

Mr. Williams he said that the per-unit cost ranged greatly in other projects. He suggested that the Applicant would have a better sense of what the cost was for actually constructing the units. He said that Staff only knew the income range the units would be eligible for and what the income of the persons living there would be, but not what the cost of the unit would be.

Mayor Yeh directed the question to the Applicant to see if there was an estimated range of per-unit cost for the seven affordable housing units.

Mr. Baer said he would answer and that he also had a related comment. When the City funded the purchase of land construction with underground parking and financing costs, \$500,000 per unit was not an exaggeration. For this project, not only was it \$500,000 for each of the seven BMR units, it was that much on which there would not be an adequate return for rental units.

He said that was why condos were built in mixed use projects and not rental units. He said that his comment related to the questions about if they had misallocated public benefit in a way rather than really looking at the issue both politically and policy based about parking. He said one of the questions when they came to the City with a transit oriented development project was to test and see whether this was a good location for a fifth floor of housing. He said that they would suggest removing the housing and revisiting if there would then be more funds available for parking fees including In Lieu fees. He stated that there would be 14 more parking spaces by getting rid of the 14 tenants. He apologized because that option was very difficult to present. He said that the "penthouse" units were extremely expensive due to underground parking, expensive land, an expensive steel building, and a separate elevator core. He stated this was really expensive for rental housing and the public benefit units were about \$500,000 each.

Mayor Yeh continued with Council Member Klein's questions and asked if Staff was comfortable doing the analysis. He asked if Staff were to take the delta for office space and look at market rates, if they would be able to review the public benefits and assign a range of estimated value for the public benefits compared to the estimated profits that would be gained through a PC proposal versus using the existing zoning.

Mr. Williams said Staff would not feel comfortable doing that; they probably would want to hire someone to do that. Without the Applicant's input on what all their costs were it would be speculative. He said that Staff could do a ballpark analysis of that and make that kind of comparison.

Public Hearing Opened at 10:03 p.m.

Irvin Dawid said he was a resident of Palo Alto and a representative of Sierra Club's Land Use and Cool City Committee teams. He expressed disappointment about the discussion and the Council's questions. He said this was a stellar transit oriented project and that Sierra Club normally would not comment on a predominantly office building. However they were speaking about this project because there were so many elements that would not just make it a gateway but would really give a meaning to the entrance of downtown Palo Alto. He was disappointed the discussion had centered on attempting to figure out what the appropriate amount of parking was and if the City was providing too much parking. He said that if a five story parking garage was built in that location there would still be a parking problem downtown, but that was another issue. He said that issue was that the City does not manage its parking correctly. The problem was that there was no pricing. He said that Council Member Espinosa was right, people want to park. He hoped that the \$60,000 would be used to provide a comprehensive parking study that would look at all parking strategies. He said that

residential parking permits were a strategy that the Sierra Club supported. He said that the evening's issue was not to fix the City's chronic parking problem but to approve a stellar TOD.

Ron Babiera stated he was with the Palo Alto Housing Corporation who supported the provision of below market rate units as public benefit requirements for the proposed project. The organization believed that BMR units were still greatly needed in Palo Alto and that every single BMR unit counted toward meeting the need for affordable housing in the City.

Tina Peak said that the proposed gateway building encompassed everything that was wrong with the planning process in the City. She said the building was massively sized and exceeded the current zoning for the parcel, which was for a two story building. The project also exceeded the 50 foot height limit which was supposed to be a hard limit for all Palo Alto buildings according to the City's current Comprehensive Plan. She said that there had been no environmental impact reports to support new expanded densities throughout the City. She stated that PC exemptions were in the current Comprehensive Plan for extraordinary exemptions, not for every office or residential building that developers bring before the Council. She said that citizens were fed the line that growth was good for our economy, for our community's livability, for the environment and that was not true. She said that in a finite City continuous growth was not good. It had negative effects which included crowded roads, packed parks, oversubscribed schools, and more air pollution. She stated that growth was not inevitable and that City Council needed to send this project back to the drawing board, or better to the chopping block so it could be brought down to size.

Lad Wilson said that he was most impacted by the project as he owned all the surrounding properties. He said that the block had been practicing mixed use for the last 50 years or more along with keeping in mind the primary environment that they provided which was that of a small neighborhood. He said he had easy access to all his questions and that he was intensely consulted on both the height of the building and the daylight plane issues. He said that he had access to the Lytton project group and to the Butler Company and everyone had been great with openness, communication, and full disclosure. He said the development was an infill mixed use project representing an investment in mass transportation. Since the project was occupying land near a rail link it would connect the existing vibrant downtown center of Palo Alto to cities of San Francisco and San Jose. Those incoming and outgoing commuters using 101 Lytton space more efficiently created public benefits. The public benefit was even more pronounced with the Lytton gateway project providing Caltrain Go Passes or the equivalent for all residents and employees for the life of the project. He encouraged the City Council to endorse the project because it incorporated a great transit element

that would greatly improve the block and provide services to the surrounding residents.

Harold Justman said he lived in the downtown area since 1998. He said that a significant number of homes in downtown Palo Alto either had no off-street parking or inadequate off-street parking. The inadequate off-street parking was often a result of a poorly constructed garage or one with shed doors that have to be dragged open and closed. In 1999, he rebuilt his house on Ramona Street. Prior to rebuilding it had no garage at all. He said he added a two car garage and also remodeled a duplex and added a two car garage. He said that was three properties since 1985 on Ramona Street that had added seven parking spaces which then freed up the driveway for tandem and guest parking for a total of 13 parking spaces. He said that residential homeowners in the downtown area could be part of the parking solution and he did not think it was a comprehensive analysis to always ask developers to solve the parking problem.

David Van Nata of Hanna & Van Nata explained he was an attorney for the development Applicant. He said they submitted a letter which hopefully Council received in its package in response to Mr. Alsman's letter regarding the Mitigated Negative Declaration. He wanted to point out that they felt that the Mitigated Negative Declaration adequately covered the parking issue as far as the Environmental Quality Act was concerned and in addition as stated by Staff, the parking issue in and of itself was not a physical attribute which was required to be covered under CEQA. He said they also had much discussion of the mitigation measures which he thought would be adequate for Council's findings in establishing that the CEQA matters were handled under the Mitigated Negative Declaration by making the appropriate findings with respect to those mitigation measures.

Mary Grace Bertsch said Russell Hancock asked her to speak tonight because he could not attend. She explained he wrote a memo and read it verbatim as follows: "My name is Russell Hancock and I live in the St. Claire Gardens neighborhood. In my professional life I am the President of Joint Venture Silicon Valley, but I am writing you today as a 25 year resident of Palo Alto to express my support for the project being proposed for 101 Lytton. In my view the project is a model of urban design and sustainability. It has the support of many disparate groups including the Sierra Club, the Palo Alto Housing Corporation, and The League of Women Voters. It has no opposition from its direct neighbors and has the endorsement of Palo Alto City Staff. In my view, which is widely shared by professionals in the field of urban planning and design, the 101 Lytton proposal is precisely what cities across our nation need to be doing in the face of climate change. The project situates housing, retail, and office space directly adjacent to transit and densifies in a place where density makes perfect sense. The developers are even providing

Caltrain passes to the residents and tenants. I urge you to move forward on the project.

Sally-Ann Rudd of 204 Cowper Street said she represented Downtown North and that for many years Downtown North was the overflow parking lot for the downtown parking district. She said that in recent years the use of PC zoning along Lytton Avenue had made the problem much worse. Successive PC zone projects resulted in large office buildings without providing enough parking for the people who work in them. She felt it was high time the neighborhood was offered relief in the form of a neighborhood permit parking program. Because there was unlimited free public parking in the surrounding neighborhood there was no incentive for people to use public transport. She said that if Council wanted to get people out of their cars and onto public transit it would have to choke off the supply of free parking. She said that Stanford University had successfully managed expansion and growth while at the same time enforcing a no new net trips policy as part of its General Use Permit. She urged Council to accept the developer's \$250,000 toward a residential permit parking program for Downtown South and North. She asked for the implementation of the parking permit program to be before April 2014 when this building was finished. She explained that by taking those steps Council would provide relief directly to people who were impacted by this project and others who had already been impacted by past projects within the downtown parking district adjoining Downtown North.

Joe Durand said he lived in Downtown North. He said that Lytton gateway masqueraded as a multi-use building but mixed use buildings were really about balance. He said that ideally they were a balance of housing, jobs, and parking resulting in no added traffic, housing, or parking burden. He understood there were lots of reasons why the City might want to compromise on this ratio, but a compromise seemed to him to be very different than what this project produced. He stated that the Lytton gateway would provide only 14 units of housing, half of which were studios that were not suited for families. There was perhaps 10 Percent retail space and really only one store that could generate sales tax. Additionally the project only provided about 60 Percent of the parking that was probably going to be required. He asked if the City could do better. He felt that the Lytton gateway project was not really multi-use and that there was no public benefit.

Mark Nanevicz said he lived in Downtown North for the past 22 years. He had been involved with the neighborhood association and the residential permit parking program which was approved by City Council over a decade ago but was tabled. He said that residents were told they would have the residential permits implemented after the parking garages were completed. He said that the parking lots were complete and still nothing had been done. He stated that it seemed like every time a giant project came along parking in the

residential neighborhoods becomes the big problem and the big push back. He wished the City would go ahead and implement a residential permit program.

An unidentified speaker read a letter from Stan Christensen that enthusiastically endorsed the 101 Lytton project. Mr. Christensen was a Palo Alto resident for over ten years and a Professor at Stanford in sustainable development. He felt this project embodied what TOD aims to be; dense, adequately parked, mixed use, and implemented progressive programs such as Caltrain Go Passes for all tenants and residents. Directly across the street from the downtown Caltrain station, this is an excellent opportunity for the City to solidify its commitment to sustainable development.

Richard Brand said that he was a member of the University South neighborhood group. He said that he opposed this project and that his opposition was on record. He agreed that transit was important, but thought this building was too big for the space. He was concerned with the lack of coordination between Staff and the PTC. He said that the public was frustrated because they do not understand what was going on. He stated that the City had a parking problem and everyone knows that. He had been to Council five times, there were meetings, Mr. Williams was working with his group and there was still no parking solution. He encouraged Council to focus on what the City needed and hold back on the exceptions to these projects that would further complicate the parking situation.

Matt Horton said he moved to downtown Palo Alto about 13 years ago. What attracted him to the City was that it was a great walkable community and he was able to work downtown and walk. He was pleased that he did not need to take his car to travel around. He said that one of the real benefits to having a train downtown was that it gave the City great opportunity for transit oriented development. He believed this project was a great opportunity for a beautiful transit oriented development. He said that he heard there was clearly a parking issue, but he recommended not trying to solve that on the back of one project. He hoped the Council would support the project.

Michael Griffin believed that the employees of the building would park their cars in the neighborhoods surrounding the project as parking was free and had no time limits posted. He said that made a mockery of transit oriented development and caused environmental damage to the neighborhoods with new traffic. He suggested that if the concept of transit oriented development was to force employees onto the train, then it made no sense to build an under-parked PC right next to a residential neighborhood offering free parking. He said that Council had already faced this problem with College Terrace. He proposed a residential parking permit system based on College Terrace for both the north and south sides of University Avenue. The Lytton

gateway PC should not be permitted. He said that the developers should pay the cost for the full implementation of a parking permit system. He believed that the PC public benefit should directly mitigate the environmental impact it visited upon the community, specifically in the neighborhoods that were adversely affected by the project. That means \$250,000 for the residential permit parking program and an additional \$60,000 for the study that was discussed.

Carl King thanked Council for its insightful questions. He questioned who paid for the attendant parking and asked that if the Applicant was, was it also committing to pay for that in perpetuity. He had asked Staff about how public benefits of PC's were tracked and their performance over time. Staff answered that they did not have that information. He said that he knew there were instances where in 800 High Street some of the public benefit went to restaurants, so he was very concerned about our ability to monitor the PC's over time.

Jackie Funk stated she was not a Palo Alto resident, but that she had traveled there and spent time in the area. She was interested in the availability and the connection with Caltrain. She said that as the price of gas continued to skyrocket to have a place where business was near public transportation is good. She liked that the project was near public transportation and that it offered a wonderful opportunity for a mix of retail, business, and housing.

Michael Wright said he had lived in downtown a block from the site for over 25 years and supported the Lytton project. He said that it was a nice looking building that would enhance the community. He liked the benefits of the retail space that would serve those who used public transit. He also liked the electric vehicle charging stations as a form of infrastructure which the City needed. He said that the controversy over parking had two separate issues. One was whether this project was providing sufficient parking for the people who work there. He said that from what he gathered, the developers obeyed all the rules and were consistent with the Code. He did not see why they should be denied. The second issue was separate and it was whether or not there was enough parking in Palo Alto. His perspective was that 25 years ago when he moved to downtown there were only two public garages and now there were nine.

Pat Markevitch said that she lived two blocks from the project. She said that the residents, downtown workers, train commuters, people who work at Stanford and pull bikes from their trunks to ride to campus, and the people who come to shop and eat in the restaurants all park in the neighborhoods. She asked if a study had been done on the PC site which was the Old Mill site in Mountain View. She asked how many of the people that lived near the San Antonio Station actually use the train and how many of them own cars and

use them instead of taking the train. She stated the Go Passes would only work if one lived and worked along the transit lines. She said that people still owned cars and would have to park them somewhere as transit was a nine to five solution. She explained that the highest concentration of cars in the neighborhood was from Alma to about Cowper and then it weakened as it got closer to Middlefield.

Michael Hodos echoed the earlier comment about the insightful questions from the Council. He said that there were two points that had not been raised that were worth mentioning. First, the Downtown Parking Working Group, which had 15 members comprised of the business community, the Professorville area, and the Staff had been working diligently to develop parking strategies that would meet the needs of the businesses and the adjacent residential neighborhoods. He believed that the line must be drawn so the City could get the parking situation under control. The second issue he raised was about the fund Council Members had mentioned for in lieu fees. All the in lieu fees went into the General Fund. He said that there was no tracking of how much of the in lieu fees were ever used for the purpose for which they were intended, which was to mitigate the problems caused by lack of parking. He urged the Council to direct the City Manager to recapture the In Lieu fees in the General Fund and redirect them to a dedicated fund used strictly for parking. He stated that they had been told that there was about \$100,000 in the General Fund of In Lieu fees, which was ridiculously low. He stated that the City of Mountain View had over a million dollars in its In Lieu Fund and would have almost \$1.5 million by the end of the calendar year.

Ken Alsman said there were a lot of people who would not speak who were concerned about the residential parking issues in the Professorville area. The environmental question he raised was common sense. CEQA was intended to provide information for decision makers and the public. To ignore the fact that there was a huge concern about parking in the neighborhood and say that it was not legally required was crazy. He said that in the assessment district, the current assessment based on numbers he received from the City was \$0.09 a square foot per month to the downtown property owners against \$5.00, \$6.00, or \$7.00 rents per month. That was less than 2 Percent.

Robert Moss said that with respect to public versus private benefits for PC's, he understood Council's pain, as he had tried for over 20 years to quantify it. Unfortunately the table that he had presented to the PTC was not included in the evening's packet. He stated that the public versus private benefits had changed because the project was modified so often. When he did the quantification, he came up with the following private benefits over \$25 million and public benefits less than \$3 million dollars over 20 years. He asked how the benefits could be quantified and suggested the BMR units should not be mostly studios. Secondly, they should be low income, not moderate income

housing. Third, parking must be dealt with on this project. He said that this project should fix the parking problem it created. He said that one of the easiest ways would be to remove a floor of offices, which would reduce the impact to parking, the disparity between public and private benefits, and the impacts to the community which would make it a more useful project. He said that \$250,000 was nice for having parking restrictions downtown and in the neighborhood but suggested they add more money in case that would be necessary.

Geoff Ball said that he would like to see limitations placed on visitor parking in Downtown North. He said that he worked for a while with a muni transit service. He explained there was great ridership to downtown San Francisco because parking was incredibly expensive there. He said he wanted the parking rate in downtown Palo Alto increased. Secondly, he wanted to see the data on the under parking collected, kept, and made visible to the public and the Council. He stated that the Planning Staff should be required to keep a database on the parking that could be used for decision making on future projects.

Joseph Rosas said that as a candidate for State Assembly whose district included Palo Alto, he brought insight gleaned from similar experiments in Silicon Valley. He said that with so many people losing their homes or underwater it reminded us that we need more affordable housing in the area. He said that 101 Lytton was beginning to look an awful lot like Santana Row in San Jose, which was a development that used a small amount of low cost housing as justification for its high end retail empire

Elaine Meyer said she was President of the University South Neighborhood Association. She opposed the rezoning of the PC because it gave the developer millions of dollars at the expense of the neighborhood. She said that the corner of Alma and Lytton did not need major reconstruction. She said that it was a reasonably well functioning intersection. She felt the changes were being misrepresented as public benefits were in fact mitigation for the project's impact. She questioned where the cars would park from this project. She stated that the parking loopholes were truly dysfunctional and the overburdened neighborhood would suffer further. She understood that the developer was offering \$250,000 for a parking study. She said that the City should be outraged by the attempted bribery. She stated that there should be balance between the added value of zoning and the value of the public benefits to the community.

Herb Borock stated that the Council should reject the project and direct Staff to process the Applicant's original proposal for a 17,000 square foot building that conformed to the zoning. Staff should process applications that conformed to zoning rather than becoming part of the Applicant's

development team. He stated that projects that go to the ARB because they conform to the zoning do not go to the Planning and Transportation Commission unless they have a site and design designation or the Applicant, Council, or Staff initiates a development prescreening process that was in the zoning code. If the Council wanted to consider this application, it should continue the meeting until the verbatim minutes of the ARB meeting was available and everyone had a chance to comment on them. The valet parking could easily turn into valet parking in the neighborhood as there were no guarantees that all cars would go into the building. He thought that the Eco Passes and Caltrain passes were only for employers, not for residents. Additionally he did not think that there was an alternative to paying the In Lieu fee for parking which was now over \$50,000 per space. He said that the office space in the Planned Community (PC) zone and the Commercial District (CD) zone were treated the same under the 1986 Downtown Study.

Owen Byrd said he lived at 483 Hawthorne and had lived downtown on and off since 1988. He said that done right density could help solve the City's housing shortage and make for a great place to live. He said that the project would cause Palo Alto to miss a once in a lifetime opportunity. He opposed the project because it was not big enough. He said that this was the most transit oriented site in town and should be at least 8 to 12, maybe 14 stories high. He said that it should not come with parking if the City was making a transition to a post automobile transportation system. He said that they had to build the urban form that would best deliver the environmental protections, the social justice solutions in terms of affordable housing, and the equity and opportunity that comes from having vital new development downtown. He had served on the PTC, on the CDBG Commission, had been a public interest advocate for land use, and had done development.

Public Hearing Closed at 10:51 p.m.

Mr. Baer said that there were two things they needed guidance on. First this project was supposed to be a transit oriented development that included housing. He said that was not inconsistent with what the PTC and City Council discussed when reviewing its Housing Element. If however, the perceived deficiency in parking in this political and policy environment was the major issue, then he suggested taking funds that would otherwise have been put into housing and put them into parking. He asked Council to give them that guidance. He explained that the cost of housing was probably in the \$5 million range. He stated this was a ground lease so the economics were not normal. He said that they could not say here was \$3 million of parking benefit if they are were providing \$5 million of housing on which they would not get an adequate return. He requested guidance as to if funds should be put into parking or to housing.

Council Member Price requested clarification related to residential parking programs. The number that was discussed ranged from \$250,000 to \$310,000 if the \$60,000 for the parking improvements feasibility study potential structure was included. She questioned what it would take for an appropriate residential parking program, not just the analysis, but the implementation and the annual cost for ongoing implementation.

Mr. Williams said that Staff was not prepared to answer her question, particularly with respect to the ongoing cost without more analysis. He said that their sense was to get things started up. There was \$100,000 to start the College Terrace program and that was used for a consultant to help do some analysis of how the programs worked and then for the installation of signage and some of the equipment associated with getting it started. There was a little left over to help subsidize the first year. He said that they would not need that consulting help again. He stated that they needed work in terms of outreaching with the neighborhood to determine what level of support there was, what the different varieties of ways to implement it were, and if it would be two hour parking throughout or what. Signs were another cost. He said that they worked with the Police Department and Administrative Services Department to try to define their costs and particularly the cost for the patrol vehicle. Some of the initial input for the permitting system led him to believe that the initial startup costs would be between \$50,000 and \$100,000. Perhaps more significant, depending on the level of enforcement you have are the ongoing costs. He thought that they ended up with a figure for the Professorville area for full time enforcement of approximately \$250,000 per year.

Mr. Rodriguez said \$250,000 per year over five years was about right.

Mr. Williams said that was a five year amortization cost. He stated that with College Terrace they did a program with less than half time enforcement, which seemed to be working well there. He said that they had to do a more detailed analysis but the startup costs were in the \$50,000 to \$100,000 range.

Council Member Price confirmed it was \$100,000 for the startup and requested clarification about the annual cost.

Mr. Williams said that the \$250,000 was for a full time Community Service Officer from the Police Department, the support necessary for processing the permits in the Administrative Services Department, and some of the amortized initial cost spread out over five years. He explained that was for a full time approach, but it could be that half time was all that would be necessary. He said that the cost was not insignificant, but depending on the

participation there would be permit fees and penalty revenue which could balance out.

Council Member Price clarified that the Eco Pass versus Caltrain Go Pass issue was not germane because there was a Clipper pass that already existed. She said that it was available for Caltrain, Muni, BART, AC Transit, SamTrans and the ferry, so no matter where you want to go and how you want to get there, there was a Clipper pass that was currently available and VTA was in phase one of using it as part of the monthly pass. She commented that in the discussions around the TDM program that there was a program that already existed that really utilized this concept. However, distinction between these different things was less germane and she wanted to make that point.

Council Member Burt stated he had questions. He asked Mr. Williams what the process would be if there were some significant changes to Council's recommendations on this project. He asked if it would return through the whole loop of the PTC and ARB.

Mr. Williams said that was largely up to the Council. He stated that if the design was fundamentally the same, it would seem the ARB would not need to see it again except for the elements they had previously requested. If the public benefits were a matter of deciding this one versus another it could be done at the level of the Council. He explained that where the Planning and Transportation Commission would get involved was if Council directed them to look at some alternative parking approaches or more than one option.

MOTION: Council Member Burt moved, seconded by Vice Mayor Scharff to: 1) request that Staff meet with Applicant to discuss means to reduce the amount of onsite affordable housing and potentially the overall housing element, to redirect the public benefits and the dollars that would result from that toward the housing fund and downtown parking in-lieu fund and on other measures that would reduce the impact of parking on adjacent neighborhoods; and 2) to discuss replacing subsidized retail with subsidized office to be provided to downtown serving non profits.

Council Member Burt clarified his position on the retail. He stated it was not an argument that this was a great retail spot. If Council thought it was such a good retail spot that it insisted it be part of a PC, then it should be part of the retail zoning rather than having to achieve that through a PC. He also said that the Applicant responded to the direction received from the process. He said that until a project got to the City Council, it did not have the public showing up. The project already went through the PTC meetings. Somehow the City has to try to get the public to participate earlier in the process. He said that if Council Meetings were where the community and the Council were coming down on their priorities then it was fair that the Applicant know that at

the outset. The Applicant was open to looking at other ways to address community concerns and he hoped that they could find a design that would work. He knew that this remained a large and tall building, but thought that it was a gateway building with the opportunity to have outstanding design. He stated he would trade off some concerns over height and mass for other values to the community.

Vice Mayor Scharff said that he seconded the Motion for discussion purposes. He agreed with much of what Council Member Burt said, but wanted clarification on some items. He felt the Motion was a good starting point. If the design was not changed he questioned why Council could not make some decisions that evening.

Council Member Burt answered that it would be bad process. He said that the Applicant came forward with good intentions and went to the neighborhood with a proposal on funding a downtown parking permit program. He said that there was not a City Council determination on that policy. That was part of the reason he had a broader description of the measures that would be used to reduce the overflow parking impacts. Second, he said that Council was looking at making very substantial changes to a project that went through the City's system for over a year. He thought that the Council did not make good decisions that way.

Vice Mayor Scharff said that Council received many e-mails on the PC and there was fear in the community and feelings that there were not benefits. He thought that was a struggle with the project. He said that the PC had to be a positive benefit. It was missing 103 parking spaces, which was a lot of parking spaces. That made the situation worse, not better. He found it hard to support a PC in which things would not get better. He said the Applicant needed to solve that issue. He said he gave the Applicant credit for the transit oriented development, but only 20 Percent. It went back to the 58 spaces in his mind. He could support a higher number, but he thought the Applicant needed to pay an In Lieu fee on the 58 spaces. He said that he did not believe the notion that the Applicant would not get a return. He recalled what Council Member Klein said about the office space increasing from 17,000 to 49,000 square feet. Office space was worth at least \$1,000 a square foot when it cost \$500-600 a square foot. He said that there was an extra value of \$15 to \$20 million for that extra square footage. He said that he did not believe that it was impossible to fully park the project. He felt it was really important to show the community that the Council would not make the parking issue worse by doing the PC. If the PC did not make the parking worse, then he thought it was valuable. One of the public benefits was having a large office building next to transit because it reduced trips, greenhouse gasses, and moved the City in the direction of getting people out of their cars. As Council Member Espinosa discussed, having a policy that punished people

for driving their cars was the wrong approach. He thought the right approach was to make transit more convenient and easier. He said that the office building near transit with TOD passes was great and where the City wanted to go. He also agreed with Council Member Burt, and thought he had heard it from Council Member Klein, that where the City ended up on the housing was that seven people would win the lottery and get "penthouse" studios. That was not a huge public benefit for the rest of Palo Alto. He thought they needed to take some of that money and put it into the Low Income Housing Fund. He said that he thought the nonprofit space for a downtown serving nonprofit should be moved to the 2,500 square feet where the financial institution would have gone. This was primarily because the Applicant did not want to break up floors two through four. He stated that if there would not be housing on floor five and the Applicant could do office space there, then there would be enough money to pay for the Housing Fund, fully park the project, and provide other community benefits.

Council Member Burt said he was not explicit on the amount of space for the downtown serving nonprofit. He would like to keep that open for the moment, but he concurred that it could be on the top floor.

Council Member Shepherd liked the direction the Motion was going. She wanted to make sure that the developer had some certainty so that when it came back with the approval of the initial study and Mitigated Negative Declaration, then the adoption of the Resolution for the Comprehensive Plan would not need to be addressed in this Motion.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND THE SECONDER to approve the Initial Study and Mitigated Negative Declaration for the proposed mixed use development at 335 and 355 Alma Street; and adopt a Resolution amending the Comprehensive Plan designation for a portion of the site (335 Alma) from neighborhood commercial to regional/community commercial.

Council Member Price said she was not really comfortable with the issue because if there was a substantial modification of the project then the Mitigated Negative Declaration and all of the work done would not relate to a vastly revised project. She said that if there were significant project modifications, then there would have to be additional work on the environmental issues. She stated that could not be shifted as it changed the definition of the project.

Mr. Williams said he understood what Council Member Price said. He said it sounded to him that what might substantively change is the loss of some or the entire housing component. The intent of the Motion was that housing became 10,000 square feet more of office it could change.

Vice Mayor Scharff said he thought that was a possibility.

Mr. Williams said if the office square footage increased, it would be more of a parking demand.

Mr. Larkin thought that if there was a substantial change to the project that would create additional environmental impacts, they would need to review the negative declaration and recirculate. There was no harm in approving it tonight with the understanding that if the project did come back significantly changed that it would start the ball rolling again.

Council Member Shepherd said that in that case, it seemed to her that there were some concerns in parts of the portion of Attachment A. She thought that having it be developed more specifically and returned to Council and possibly the PTC was a wise way to go. She stated she would support the Motion. She loved the idea of having a nonprofit in the building and believed that the Council needed to start thinking in that way. She said the City might lose some nonprofit space with Cubberley if the School District took it over and the Council would have to rethink what a public benefit was. She stated nonprofits were good servants to the community and that it would be a wise thing to do in an office space. She said that it was not important to her to have it at a retail level, which she thought would be more of an attraction for how the landowner and landlord want to integrate that into the viability of retail on the first floor. She appreciated the Zip Car and thought that was an innovative public benefit. With respect to the public benefits portion regarding the Go Passes, she said that the Clipper Card was really a different feature that might emulate an Eco Pass but was not the Eco Pass. She suggested researching that more. She said that when she heard Pat Markevitch talk about people taking their bicycle out of the back of their vehicle so they could ride to Stanford, she knew that the City subsidized Stanford with traffic overflow. She suggested thinking about hiring a transit manager for the downtown area. She said that she thought the City was in transition. She said that the mass of the building was not a concern to her. The project was in direct relationship to the train station and the whole area along Alma Street was an important area to look at as gateway projects. This type of development would not be imposed on the rest of Palo Alto community and yet at the same time solves the overflow parking so the neighborhoods could have their quality of life back. She looked forward to the Architectural Review Board working on a "wow" factor and she looked forward to finding new ways to incorporate more parking. She said that they could not handle the overflow unless they actually figured out how to get people either trip diverted to Caltrain or VTA or build more parking garages.

Council Member Klein stated that he would move a Substitute Motion, which incorporated part but not all that was on the floor and added several additional points. He thought that they needed to say as a matter of formality that they were continuing the item. Second, he thought that they should say that they wanted to reduce the size of the building by one floor. He said that he thought that was implicit in what they had said.

SUBSTITUTE MOTION: Council Member Klein moved, seconded by Council Member Schmid to request Staff meet with the Applicant to: 1) discuss the elimination of onsite affordable housing and potentially redirect public benefit dollars toward the Housing Fund, the Downtown Parking In Lieu Fund, and towards other measures to reduce parking in adjacent downtown neighborhoods, and 2) reduce the size of the building by one floor. Additionally to approve the Initial Study and Mitigated Negative Declaration (Attachment C) for the proposed mixed use development at 335 and 355 Alma Street; and Adopt a Resolution amending the Comprehensive Plan designation for a portion of the site (335 Alma) from neighborhood commercial to regional/community commercial. Furthermore, to continue this item to another Council meeting.

Council Member Burt said that it was not implicit and nothing in the original Motion spoke to it one way or another. What was in the Motion was an element of adding potentially the nonprofit on the fifth floor and less BMR on the project site. He said that there were parameters, but it was not an explicit direction.

Council Member Klein said his Substitute Motion said that Council was reducing the size of the building by one floor and would eliminate the requirement of subsidized retail. He said that he would leave that up to the Applicant regarding what it wanted to do.

Council Member Burt asked if Council Member Klein understood his original Motion to continue having subsidized retail.

Council Member Klein said yes.

Council Member Burt said it was to replace the subsidized retail with a subsidized office.

Council Member Klein said that it was not part of his Substitute Motion.

Council Member Klein said that he thought the main thing was to reduce the size of the building by one floor. He said that the profit in the building was on floors two through four, and that allowing the Applicant to have a fifth floor would increase their profit making ability that much more if it did not have

housing on it. He said that Council should recognize that they needed to reduce the scale of the building which would also reduce the amount of parking needed and in turn reduce the potential for overflow parking in the neighborhood. He said that further discussion was needed. He agreed with Council Member Burt who talked about process. He did not feel Council could make a final decision that evening. He said that the basic decision they could make was whether this should be a five story or a four story building. He stated that there had been confusion about if the project should just address the parking it would create. He thought it should go further than that as it was a PC which should have public benefits, not just park or house itself. That was what Council saw as the tradeoff for getting more than the existing zoning. He said that the two benefits that stood out for the City to obtain were funds for additional parking in the area and funds for affordable housing elsewhere in the community. The reason not to have housing at that project was because it was not cost effective. He thought more units could be built elsewhere as this was a very expensive property. This particular site would produce BMR units that were ridiculously expensive and he thought the money would be better used elsewhere. He also stated that the City Council should not get into the nonprofit business for the same reasons. It was very expensive space for a nonprofit and it would only be for one nonprofit. He stated that he saw many problems in choosing the one nonprofit. It sounded appealing, but if the Applicant wanted to do something for nonprofits it could do so on its own. He said that many other landlords had found spaces for nonprofits over the years.

Council Member Schmid thought the discussion of office space and private gain was very important. He said that the increase of office space by 32,000 square feet, if it was worth \$5.00 a square foot in the market would generate \$2 million a year, which at present value comes to a value of \$30 million dollars. He said that the public benefit should be a bigger participant in the PC. He said that the City Council deciding that evening if the money should go to nonprofit or retail was not appropriate. He said that he was upset about the loss of housing. He understood that they were expensive units and had been quoted in the Staff report at \$625,000 for a 500 square foot studio, but he did not want to have a precedent that there should be no BMR's in expensive neighborhoods. He saw this project as a big mixed use development near transit where housing was an appropriate use. He asked the maker of the Substitute Motion to accept a modification of at least continuing to look at BMR units.

Council Member Klein said that was inconsistent with reducing the size of the building by a story.

Council Member Schmid asked if Council Member Klein was suggesting just taking off the BMR's.

Council Member Klein said he suggested a substantial in lieu contribution to the Housing Fund.

Council Member Burt said that there were two differences in the Substitute Motion from the original Motion. One was to eliminate all the housing onsite and that being in the fifth floor. The second was to eliminate the subsidized nonprofit.

AMENDMENT TO SUBSTITUTE MOTION: Council Member Burt moved, seconded by Vice Mayor Scharff to direct Staff to explore with the Applicant shifting the former subsidized retail area to be designated as subsidized downtown serving non-profit on the ground floor.

Council Member Klein said that there was another major difference between the original Motion and his Substitute Motion and that was the elimination of the fifth floor.

Council Member Burt stated that he recognized and accepted that. He said that he did not think the housing added to the revenue for the developer. Market rental housing would be unlikely to add significant revenue for the developer and the dollars put into Below Market Rate at this site would be better spent in the Housing Fund to be used more efficiently at another location.

Vice Mayor Scharff said that he thought Council Member Klein made a good point about the profit being in the second through fourth floors. He stated this was marginal retail space and that Palo Alto had downtown serving nonprofits that had a really hard time finding office space. He said that was a real public benefit and it was important to look at. He thought they were losing the ability to consider the fifth floor for a large community benefit that would solve some real problems in terms of downtown parking.

Council Member Holman said she appreciated the intention but would not support the Amendment. She said that there were nonprofits at Cubberley that needed new locations too and she thought the Amendment was too narrow. She said she wanted a broader consideration of the nonprofits, not just that they were downtown serving. She questioned what downtown serving meant and how it would be identified. She said that she did not like losing retail sales tax dollars but that she was ok with subsidized nonprofit.

Council Member Schmid said he would not support the Amendment. He said that they were talking about the future of Alma Street. He thought a retail operation could be a valuable part of that long term development. He stated

that Council should not make a decision that evening about specifying how the space on the ground floor would be used.

Council Member Shepherd said she thought Council was starting to divine the project. She said that concerned her and that she would rather allow the Applicant to return with its thinking. She was not sure what would happen with the ground floor because she thought it was a new project without the fifth floor. She wanted to give more flexibility to the Applicant.

Council Member Holman said the City Council talked about not wanting to design a project at this hour, but that was exactly what they were doing by divining specific sections of the building for specific purpose. She said that allowing flexibility for consideration was fine, but trying to divine something that specific was not a good idea.

Vice Mayor Scharff said that they needed to speak to the nonprofit shortage. He said that the Chamber of Commerce was having a hard time finding anyplace downtown that it could afford. He said that they did not need to decide that evening that the Chamber of Commerce would be the tenant, but that was the kind of use necessary. He explained that the Chamber of Commerce had severe financial problems the last time it entered into a market rate lease. He hoped colleagues would think about why it was important to have that component for a nonprofit in the project.

Council Member Espinosa said he would not support the Amendment but that it was the only part of the original Motion he had a problem with. He said that for the same reasons Council Member Shepherd expressed, he would not support the Amendment.

Council Member Price said she thought the Council was getting too prescriptive. She said that she was a big proponent of nonprofits and the dilemmas they face in finding space, but that it was a bigger debate. She said that she would not support the Amendment.

Mayor Yeh said he agreed with the intention of the Amendment and if this project was considered a gateway location the kind of nonprofit that had been mentioned by the Vice Mayor made absolute sense because of proximity to public transportation and location within downtown in general.

AMENDMENT PASSED: 5-4 Espinosa, Holman, Klein, Schmid, no

AMENDMENT: Council Member Shepherd moved, seconded by Vice Mayor Scharff to have the Applicant explore the development of the fifth floor as office space and explain what community benefits they could provide in exchange for the fifth floor office space.

Mr. Williams said he thought they were here to make basic decisions and not to fine tune the project. He said he thought this was a basic decision and it was a competition between two very different visions.

Council Member Shepherd said that she was curious to see how this project would work with the adjustments made by Council Members Burt and Scharff. She asked Mr. Williams if the fifth floor was approximately 10,000 square feet.

Mr. Williams said the fifth floor was a little less than 10,000 square feet because there was equipment on that floor.

Council Member Shepherd said that it seemed to her that the square footage could enable the project to solve some of the concerns in the neighborhoods. She said that she did not want to eliminate that possibility. She said that the Applicant could choose to eliminate the floor and then it might have a building that had no net new parking for the downtown area. She wanted to keep the option available.

Vice Mayor Scharff said the flexibility was important and that the project could end up without a fifth floor, but that Council did not know what dollars could come from it and how the parking issue or some other community benefit could be impacted. He said that there could be a cash payment to the City which could solve other issues in the community that could not currently be addressed. The other point was that this was a great site for transit oriented development. He asked why not add the fifth floor if it made sense to do so. A PC meant that a project could provide benefits. It did not hurt the City or the Applicant to explore the fifth floor.

Council Member Holman said she would not support the Amendment. She said that fifth floor office created a different environmental impact. She was concerned about the environmental document and stated that some of the questions she sent in the day before were not answered. She thought the building at five floors was too big. She agreed it was a good location for a transit oriented office but this project was too large. She continued to have concerns about the ARB findings. She said that number 6 stated, "The design is compatible with approved improvements both on and off the site in that the proposed building as condition includes improvements necessary for the new mixed use development." She said that it did not address compatibility whatsoever. She thought this item should be continued to a time when the Council had fresh minds.

Council Member Klein said that eliminating the fifth floor brought the project under the 50 foot height limit. He said that he did not see the case for exceeding the 50 foot height limit. He said that Vice Mayor Scharff's

argument was dangerous. He said that having heard the testimony it was Council's place to make basic decisions such as if this was a four or five floor building.

Council Member Burt said he was not going to support the Amendment. He explained that a significant increase in the office would reopen both the parking and transportation impacts on the environmental analysis and having four floors of office was going too far on this site. He said that he had not ruled out consideration of exceeding 50 feet, but that he was concerned about the sequence. He said that they had not adopted that change in policy to date.

Council Member Espinosa said there were very few opportunities in the City for creative higher density work. He said he supported the Amendment. He commented broadly on the project, that while he had real concerns about parking and other issues that this was a building from his perspective he would love to work in. If there were housing, he would love to live there. He said that he hoped the first floor was as vibrant as possible and that they would really think about the kind of retail needed. He said it was the right kind of development from his perspective that the City had been talking about for this type of site. He thought the Applicant did a good job with scale and scope.

Council Member Price said she would support the Amendment for many of the reasons stated. She said that she liked the original project as proposed because Palo Alto needed affordable housing. This project met many of the City's goals and purposes. She said that on this Amendment it was responsible for Council to ask the Applicant to explore the fifth floor. She was also a proponent of having this site hold a building with five floors. She assumed that Council would have further discussion of the height limit. She said that the concepts as stated were solid.

Council Member Schmid said he was opposed to the size and scale of the building. He said that they had lost some of the mixed use and the project had become primarily office space. He said that while the original Amendment cut parking to some extent this increased it by a shift of probably 60 spaces, and there was no mention of the traffic impacts and implications.

Mayor Yeh asked about the 84 foot tower, which was taller than the five stories.

Vice Mayor Scharff said he thought the tower was the architectural element that made the building. He said that was what they heard from the ARB and he thought it should stay.

Council Member Klein said that he had a point of order. He asked if there would be a second round of discussion.

Mayor Yeh said his assumption was that there would be a subsequent Amendment related to the tower, or a whole round of discussion related to the tower as it related to the height. He said that was his concern and the reason he asked for clarification.

Council Member Burt said that the real problem was that Council Member Klein's Substitute Motion did not speak to the tower.

Mayor Yeh said that ultimately his concern was that they would be going back to the Substitute Motion and he would rather build that into the Amendment now.

Council Member Klein said that if someone wanted to make an Amendment in regard to the tower, it was one thing, but the fifth floor was a different thing. He said that they were talking specifically about the fifth floor.

Mayor Yeh said that he favored removing the fifth floor and retaining some form of the tower. He said that he was opposed to the Amendment.

AMENDMENT FAILED: 4-5 Burt, Holman, Klein, Schmid, Yeh no

INCORPORATED INTO THE SUBSTITUTE MOTION WITH THE CONSENT OF THE MAKER AND THE SECONDER to maintain the tower element in the project design, but in proportion with the four story building.

Council Member Holman said that the public benefits that had been described were pretty narrow. She said she had a language concern with the Substitute Motion being too prescriptive because it said to redirect public benefit dollars toward the Housing Fund and Downtown Parking In Lieu Fund and towards other measures to reduce parking. She asked if they were better off using the money in an In Lieu Fund. She said that if the intention was to try to solve parking problems or to come up with parking solutions, that was one thing, but the language was prescriptive. She said alternative language could be to "redirect public benefit dollars to varying means to alleviate downtown parking impacts."

Council Member Schmid confirmed that she was not proposing to take out the Housing Fund.

Council Member Klein said that he thought what Council Member Holman was saying was covered in the last clause of the sentence, "and towards other measures to reduce parking in downtown adjacent neighborhoods."

Council Member Holman said that it was "and" so if it was to explore those, that was not how she read it. She said that she had missed it.

INCORPORATED INTO THE SUBSTITUTE MOTION WITH THE CONSENT OF THE MAKER AND THE SECONDER to explore other public benefits beyond parking and housing.

Vice Mayor Scharff stated that as a point of clarification, it said "to request Staff to meet with the Applicant to discuss the means to reduce the amount of onsite affordable housing." He asked for confirmation that by doing away with the fifth floor, the Council eliminated onsite affordable housing. He said that he thought it should say, "to request staff to meet with the Applicant" and indicate that the housing was been eliminated.

Council Member Klein said yes.

Vice Mayor Scharff said that it should say "to eliminate the housing component," instead of "to reduce the amount of onsite affordable."

Council Member Espinosa said that the changes he wanted to make to the Substitute Motion had all either been addressed or were not relevant any longer. He said that he understood the "penthouse" issue in general, but needed to clarify his thinking as the housing option was eliminated. He said that he liked that even in expensive areas of town they had focused on the integration of affordable housing projects and BMR projects. He said that as they increasingly thought of higher density around the transit hubs in downtown they may have other expensive buildings which would call for high rents. He said that he needed additional information moving forward on how to reconcile that.

Council Member Shepherd said she thought this was a very new project. She asked if the 35 foot height limit at 335 Alma was now changed to 50 feet.

Mr. Williams said that did not happen until the Council changed the zoning. He said that the Comprehensive Plan designation did not determine the height.

Council Member Shepherd asked if the Applicant could build a building inside all the prescriptions Council made, what obligation was there to make any kind of contribution for parking and resolving the neighborhood issues. She asked if they could self-park all of their parking spots, possibly without a management team, what could come back. She asked if the Applicant could come back without asking the project to be a PC.

Mr. Williams said the Applicant could decide not to move forward with it as a PC and go back to the two story 17,000 square foot option.

Council Member Shepherd asked if they could stay inside the framework so that they would not have to do the tower. She confirmed they could still come back with a little over the 17,000 because of the height change to 335 Alma.

Mr. Williams said that was not correct, the height limit had not changed.

Council Member Shepherd confirmed that to come back with a PC the Applicant would make a contribution to the Housing Fund.

Mr. Williams said that the direction they had gotten was that in order to come back with the PC, Council expected to see some kind of contribution both to Housing Fund and to resolving the parking issues. He said that Staff would meet with the Applicant and explore the variety of options.

Council Member Shepherd asked if eliminating the fifth floor would change the look of the building.

Mr. Williams said that he did not believe the architectural design would change other than the fifth floor leaving and some modification to the tower. He said that he wanted to say that Staff had to explore, now that the housing portion was out and the Government Code provision concessions were out, there may be Variances required to do some of these things or Design Enhancement Exceptions or something. He said that the City Attorney needed to see if there were Variances associated with it, and then it would have to go through the Planning and Transportation Commission before it would return to the Council.

Council Member Shepherd said she would prefer more options for the Applicant.

Council Member Price said she would not support the Substitute Motion because she agreed with parts of it, particularly the issue related to reduction of parking in the downtown and having contributions toward that in terms of a feasibility study and/or residential parking program. She said that because of the location of the site and because those kinds of sites were not frequently available she believed that five stories made a lot of sense and she liked the original proposal with housing. She recognized the dollars toward the Housing Fund could be used for housing purposes but given the land costs and given the proximity to transit she stated she felt that five stories made sense.

Council Member Burt said he wanted to put two things in context because Council got wrapped up in looking at the proposal before them and suddenly that became the definition of the incremental increase of a PC. He said that historically when they looked at PC's the projects have been much smaller increases over permitted zoning than what was in the Substitute Motion. He said that they were still talking about going from a 17,000 square foot building up to a 53,000 square foot building with a significant architectural element above the 50 foot height limit. He said that if that had been the original proposal that would have been a conversation about how it was a big PC. He stated they had gotten trapped into thinking this was insignificant. He did not remember a PC that had this much of an incremental increase above the baseline zoning. He still thought for the reasons stated that at this location it was a reasonable thing to do. Second, he spoke to the housing portion. He thought that by allowing a large office PC at this location it was reasonable that they would look for a significant contribution to the Housing Fund to be able to provide affordable housing elsewhere as an offset to the office creation. He thought that would serve the affordable housing aspirations better than what had been proposed in this project. He stated that the housing had been well intentioned, but was not a good approach in the end.

Council Member Holman asked if the intention was to bring the project back to Council or to send it back to PTC or ARB.

Council Member Klein said his intention was to bring it back to Council, but as Mr. Williams said that may not be possible.

Council Member Holman said that she would rather see the project go to PTC. She thought the direction the project was going in was an improvement. As she stated earlier she had concerns about the environmental process and while the project would be smaller, there were still questions she had that did not all have to do with the size of the project. She was unable to support the Substitute Motion because of environmental analysis concerns. She said that this was a considerable increase in the allowable floor area ratio and she was not certain that four stories was the right size.

SUBSTITUTE MOTION AS AMENDED PASSED: 6-3 Holman, Price, Shepherd no

~~12. Approval Of Final Park Design for El Camino Park And Approval Of The Use Of \$2,275,796 In Park Development Impact Fees To Fund The Design And Construction Of The Improvements.~~

13. Consideration of a Recommendation by the CAO Committee to the City Council to Approve a Contract with Sherry Lund Associates for the

Amount of Not to Exceed \$6,000 to Secure Additional Input from the Direct Reports to the Four CAO's Performance Reviews.

Council Member Price said that earlier in the evening they had an item on consent which was related to the annual review cycle for Council Appointed Officers (CAO) and the item before the Council that evening was a result of the CAO meeting on February 28, 2012. There were concerns raised that it was important to explore the possibility and value of considering additional direct input from the direct reports, essentially a modified 360 degree element to the CAO performance reviews. She explained Attachment A was the proposal from Sherry Lund of Sherry Lund Associates, which described in detail what the direct input model would be. She said that they asked Ms. Lund also to explore the pros and cons of two options, one being the direct input from the direct reports and the other was a broader more extensive organizational employee survey. Based on Ms. Lund's examination of those options, Ms. Lund brought forward the possibility of modifying the City's performance review cycle to include input from the direct reports to the four CAO officers. That was what the Council had before it that evening. The vote of the CAO committee was three in favor of a modified 360 and one opposed. The general comments in favor were that having additional input had value onto itself and it gave the Council additional information that it could use in its evaluations. Concerns raised against this additional effort in terms of the evaluation cycle was the potential for additional services at this amount of money may not be a sufficient value added and would not provide enough related information to improve the quality of the evaluation cycle. She said that the proposal for Council's consideration was to approve a contract for the amount not to exceed \$6,000 to secure additional input from direct reports to the four CAO performance reviews.

MOTION: Council Member Price moved, seconded by Council Member Holman to: 1) conduct a modified 360 evaluation for the CAO's, 2) that the direct input model be added to the original performance evaluation cycle for an amount not to exceed \$6,000

Council Member Holman said that the one piece that was missing was getting input from the Staff of the CAO's and that was something Council could use as part of the CAO evaluations. On page one of the attachment Ms. Lund proposed soliciting feedback from the City Managers, City Attorneys, and City Auditors direct reports and all four of the City Clerk's Staff members. She said that she had understood that because the City Attorney and City Auditors offices were also so small that it would be their entire staffs as well. She asked Ms. Lund to speak to that.

Sherry Lund said that it would be the entire Staff for the City Auditor, City Attorney and City Clerk because they are so small. She said it was only with

the City Manager that it would be the direct reports only. She said that trying to include the next levels down you get into much bigger numbers and at that point you would be better off pursuing something like a broader organizational survey, which she did not recommend for this process.

Council Member Holman said that a clarification of the Motion would be that because it's stated differently in Ms. Lund's report that the feedback in the City Attorney, City Auditor, and City Clerk's office would be all the staff members.

Council Member Klein said that he was impressed by the arguments made by the minority in the CAO committee. For those reasons and because each year Council increased what it did in the review process plus a \$6,000 fee and the time of 25 or so people involved, he would not support the Motion.

Council Member Burt indicated that the report said "concerns were raised" and said that was a passive description. He asked who raised what concerns.

Council Member Price said Vice Mayor Scharff raised concerns about this request for additional services.

Council Member Burt asked Ms. Lund about the reasons not to do the 360 evaluation. He said that there were two bullets, but one that was left out was really the dilemma of having reports or subordinates be significant portions of a review for their boss. He said that had inherent pitfalls and asked that she speak to the tradeoffs of the potential pitfalls.

Ms. Lund said that she thought the biggest potential pitfall would not apply in this case, but generally that would be if the data was collected without any kind of filter. In this case she would speak to all the CAO's first. If there was someone on a performance plan you would not expect them to say wonderful things about their boss at that point. She said that sometimes people have expectations of their boss that by any kind of reasonable management standard were unrealistic. She thought the feedback had to be filtered and sometimes follow up questions had to be asked, so this was not a matter of simply collecting data. She thought that if it was handled properly the collection of the information would be fine. She said that how Staff was doing was the one direction out of the whole 360 spectrum that Councils' really did not have much visibility on. She thought that was the reason the whole question came up in the first place. It was important to determine a relatively simple, not terribly complex way of getting some kind of picture of how things were going from a management and leader perspective.

Council Member Burt said he thought he would support the Motion, but he did have some apprehension about if Council was trying to fix something that was

not broken. He said that they had added the mid-year reviews and the performance review process seemed to be functioning well so he was torn on if something needed to be added.

Council Member Schmid said he was supporting the Motion but shared the worry with his colleagues that they already had a complex set of information with nine very different people doing the assessment and the processing. He said that the final interviews were sometimes hard to focus because there was so many different things going on and this would add another layer. He thought it was important for the consultant to be aware of that issue. He said that he knew Ms. Lund told Council that the information would appear as a one to three page document, so he understood the processing was very important and that Ms. Lund would focus on making the final go round with the Council efficient and effective.

Council Member Espinosa addressed Council Member Burt's question by saying that they had talked about if there really was a problem that needed to be addressed. He said that he raised the issue about how this had come to Council before and failed. From his experience having participated in 360 reviews from several different levels, he found they were a valuable tool, not so much in the evaluation of whether someone is performing poorly, although it could definitely provide information about that, but especially about the coaching for issues that might arise or be forward looking. He said that it was helpful to find out what colleagues think about CAO's. He thought reaching down in this modified version in a very limited way to get a pulse of what was happening in each of the organizations could help the Council. He stated it was valuable information that they had a very difficult time garnering in any other way. He said that would be helpful in helping their leaders to be better leaders. He said that he did not think this was absolutely critical or that there was a Human Resources (HR) problem but he did think it could provide very valuable information.

Council Member Holman added she thought there was a good review process but that it was in an insular process. She agreed with Council Member Espinosa that this was helpful not just to Council but to the CAO's. She said it was instructive. Doing this kind of modified 360 could help preclude problems.

Vice Mayor Scharff said that in the CAO Committee he originally voted against this for many of the reasons that Council Member Klein stated and also because he felt it was in search of a problem that he did not perceive existed. Since the CAO Committee it occurred to him that Sherry Lund did an excellent job of taking feedback and channeling it in a positive way. He said he came to the conclusion that it was probably worth trying this and seeing how it went. He stated he would support the Motion.

Council Member Shepherd said that she had not agreed to do this the previous year, she said that this year it was better articulated. She said that the other part that got her attention this time was the question Council had to fill out about the leadership style and how the CAO's were leading. She said she did not know the answer to that question and that this information would give Council better texture for judging that.

Herb Borock said that there was one other way in which Council could get other feedback without any budgetary cost and that was making public the goals set for each of the Council Appointed Officers because there were about 65,000 members of the community that would then have the ability to give Council feedback on how the Council Appointed Officers were meeting their goals. He stated that from time to time Council had people coming before it giving opinions about one Council Appointed Officer or another but they do that without any context. Citizens do not know if the behavior they are commenting on was meeting the Council's goals or not. He suggested that when Council set the goals for the CAO's that they make them public. Then when Council came to its closed sessions for evaluation there would come a time for the public to give feedback at the meeting or in writing or by talking to Council Members individually.

Mayor Yeh said he would be supporting the Motion. He said that he had supported the 360 approach over the years and appreciated that this was brought back to Council.

MOTION PASSED: 8-1 Klein no

Council Member Questions, Comments and Announcements

Council Member Shepherd reported that the Bus Rapid Transit Policy Advisory Committee met the previous week. She had requested an information meeting with Staff to determine if Palo Alto could accommodate a dedicated bus lane to enable her to properly represent Palo Alto on the committee.

Vice Mayor Scharff said he attended the Housing Methodology Committee Meeting for Association of Bay Area Governments in the previous week. Palo Alto received a low allocation for the year. The jobs-housing imbalance was only a minimal factor in determining the allocation.

Council Member Burt announced that scheduled for the following day, March 13, 2012, was a High Speed Rail State Senate Committee hearing at the Mountain View Performing Arts Center at 7:00 pm. He encouraged the City Council Members and the public to attend.

Mayor Yeh stated the City of Tsuchiura gave Palo Alto a wooden replica of a sailboat that will be delivered for display in City Hall shortly.

ADJOURNMENT: The meeting was adjourned at 12:50 A.M.