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The City Council of the City of Palo Alto met on this date in the Council Chambers at 7:02 p.m.

Present: Barton, Beecham, Cordell, Drekmeier, Kishimoto, Klein, Morton, Mossar

Absent: Kleinberg

ORAL COMMUNICATIONS

Kathryn Carleton, 2350 Ross Road, invited everyone to a fundraiser party on September 15 to support Common Ground.

Patricia Becker, El Camino Way, spoke regarding Common Ground and asked for the Council's support.

Greg Kerber, Birch, spoke regarding misconduct with his arrest from the Police Department.

CONSENT CALENDAR

Council Member Cordell stated she would not participate in Item 4 due to a conflict of interest because she was employed by Stanford University.

Vice Mayor Klein stated he would not participate in Item 4 due to a conflict of interest because his wife was employed by Stanford University.

Council Member Mossar stated she would not participate in Item 4 due to a conflict of interest because her husband was employed by Stanford University.

Council Member Barton noted that Agenda Item No. 9 was pulled off the agenda at the request of staff.

MOTION: Council Member Morton moved, seconded by Beecham, to approve Consent Calendar Items 1 through 4 and Items 5 through 8, 10 & 11.

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9. ~~Resolution xxxx entitled "Resolution of the Council of the City of Palo Alto Declaring its Intention to Levy Reassessments and to Issue Refunding Bonds"~~

~~Resolution xxxx entitled "Resolution of the Council of the City of Palo Alto Adopting Reassessment Report, Confirming and Ordering the Reassessment by Summary Proceedings and Authorizing and Directing Related Actions"~~

- ~~Resolution xxxx entitled "Resolution of the Council of the City of Palo Alto Authorizing the Issuance of Refunding Bonds and Approving and Authorizing Related Documents and Actions"~~

10. Approval of a Contract with TruGreen LandCare in an Amount Not to Exceed \$250,000 for the 2007-2009 Stump Removal Project

11. Approval of Amendment One of Contract C04105673 with Philip Henry Architects, in the Amount of \$65,000 for Design of Infrastructure Maintenance for the Animal Services Center – Capital Improvement Program Project PE-04014
12. This Agenda Item No. Intentionally Not Used

MOTION PASSED for Items 1-3, 5-8, 10-12: 8-0, Kleinberg absent.

MOTION PASSED for Item 4: 5-0, Cordell, Klein, Mossar not participating, Kleinberg absent

AGENDA CHANGES, ADDITIONS, AND DELETIONS

REPORTS OF OFFICIALS

13. Approval of a Memorandum of Understanding Between the Cities of Sunnyvale, Mountain View, and Palo Alto for the Smart Station Materials Recovery Facility Processing System Equipment Replacement Project

Director of Public Works Glenn Roberts stated the City was in a thirty-year term agreement with the Cities of Sunnyvale and Mountain View to operate the SMaRT Station. The construction costs for this project had exceeded the original budget and it was necessary to supplement the cash reserves accumulated with additional financing. Sunnyvale had proposed to do it by issuing debt and had asked the two partner Cities to commit to help finance that debt over the remaining time of the agreement. This would cost the City \$220 thousand a year, which represents about one percent of our annual budget for our refuse fund. He stated the recommendation was for the Council to delegate authority to the City Manager to enter into a side letter to the original Master Agreement, agreeing to this debt financing and committing the City to pay those costs over the next 14 years.

Council Member Beecham stated this was tripling the initial estimate and he asked for more information.

Mr. Roberts stated the original numbers were under estimated and this increase could not have been anticipated. This contract was driven largely by the costs of the materials and equipment and there was nothing anyone could do to change those costs.

Council Member Beecham expressed concern that there were only two qualifying bids but they differed by a factor of 50 percent.

Mr. Roberts stated that was correct.

Council Member Beecham stated that it was difficult coming up with accurate costs on construction and this could have major policy impacts as well.

Council Member Drekmeier asked whether the share the City would pay was based on the percentage of refuse that was sent to the SMaRT Station.

Mr. Roberts stated it was based on the actual tonnages processed by the three Cities and the shares were divided accordingly.

Council Member Drekmeier asked whether the City would still pay the same fee if the amount of refuse was reduced.

Mr. Roberts stated the original agreement with the City was for thirty years. The original construction was debt financed and it was necessary to guarantee that those costs would be repaid. The City had a "put or pay" contract with the City of Sunnyvale to either send that much tonnage there or pay a penalty for the short fall of the tonnages not received.

Council Member Drekmeier asked whether there was capacity available to bring other Cities into this agreement and share the costs.

Director of Public Works for the City of Sunnyvale Marvin Rose stated there was excess capacity.

Council Member Morton stated that one of the reasons the City was diverting this elsewhere was because of sorting problems and because the SMaRT Station could handle all of the items that we wanted to divert from the landfill.

Mr. Roberts stated there were three elements that the City did differently than Sunnyvale and Mountain View. The first was the recyclables were sorted in one container and were processed by a waste management facility in San Leandro. This technology was not available when the SMaRT Station was originally designed and built.

Council Member Morton asked whether the City would be getting any more capabilities with this replacement.

Mr. Roberts stated no, the recyclables would have to be sorted already and would then be sorted a second time to search for more recyclables. The other differences would be in green waste.

Council Member Morton asked whether we would have to do this and whether the contract stated we would pay our contracted share of this.

Mr. Roberts stated he was correct.

Council Member Cordell asked whether Mountain View had agreed to sign the Memorandum of Understanding.

Mr. Roberts stated that he understood that they had agreed and had cash reserves to pay their portion in cash.

Council Member Cordell asked whether it was fair to say that the City did not really have a choice in the matter otherwise costs were going to escalate.

Mr. Roberts stated that was correct. Legally the Master Agreement gave Sunnyvale the right to do this and bill us for our share of the costs.

Council Member Cordell stated that if the City did what was intended to do with zero waste and were successful, Palo Alto would be penalized by not getting enough refuse to the SMaRT Station.

Mr. Roberts stated the Policy and Services Committee dealt with this issue and this would be coming to the Council in September.

Council Member Mossar asked that at the time this decision was made would the Environmental Service Center been more expensive than projected.

Mr. Roberts stated that was correct however, this kind of processing facility was not proposed in that plan.

MOTION: Council Member Mossar moved, seconded by Cordell, to approve staff recommendation to authorize the City Manager to sign the Memorandum of Agreement between the cities of Palo Alto and Mountain View to proceed with the Sunnyvale Materials Recovery and Transfer (SMaRT) Station Materials Recovery Facility (MRF) equipment replacement project including the funding mechanism for the project.

Mayor Kishimoto asked whether the City's garbage now was less than 21 percent.

Mr. Roberts stated that was proportional to our share of the total tonnage that went through the plant.

Mayor Kishimoto stated this partnership with Sunnyvale and Mountain View was a very valuable relationship and the three Cities should get together and work on the Zero Waste Policy.

MOTION PASSED: 8-0, Kleinberg absent.

PUBLIC HEARINGS

Council Member Barton stated he would not participate in Item 14 because he has a conflict of interest as his wife works for BUILD/BRIDGE.

14. PUBLIC HEARING: Tefra Hearing and Approval for Tax-Exempt Financing for Albert L. Schultz Jewish Community Center and 899 Charleston, LLC, a California Limited Liability Company Through the Association of Bay Area Governments (ABAG) Finance Authority for Nonprofit Corporations

Proposed Issuance by ABAG Finance Authority for Nonprofit Corporations of Bonds in an Aggregate Face Amount Not to Exceed \$160,000,000 (the "Bonds"). The Proceeds of the Bonds will be Loaned to Albert L. Schultz Jewish Community Center, a California Nonprofit Public Benefit Corporation (the "Borrower"), and Then Used to Finance or Refinance the Acquisition of Land and Construction, Installation and Equipping of a Mixed Use Community Center (the "Project"); and

Proposed Issuance by ABAG Finance Authority for Nonprofit Corporations of Bonds in an Aggregate Face Amount Not to Exceed \$180,000,000 (the "Bonds"). The Proceeds of the Bonds will be Loaned to 899 Charleston, LLC, a California Limited Liability Company (the "Borrower"), and Then Used to Finance or Refinance the Acquisition of Land and Construction, Installation and Equipping of a Continuing Care Retirement Community Consisting Initially of 182 Independent Living Units and 11 Memory Support Units, and to be Eventually Developed into 170 Independent Living Units, 12 Assisted Living Units, and 11 Memory Support Units (the "Project"). The Project will be Located at 901 San Antonio Road, California 94303.

Resolution 8737 entitled "Resolution of the Council of the City of Palo Alto Approving Associate Membership by the City of Palo Alto in the ABAG Finance Authority for Nonprofit Corporations and the Execution of an Associate Membership Agreements Relating to the Associate Membership of the City in the Authority"

Resolution 8738 entitled "Resolution of the Council of the City of Palo Alto Approving the Issuance of Variable Rate Demand Revenue Bonds by the ABAG Finance Authority for Nonprofit Corporations to Finance the Acquisition Construction, Installation and Equipping of a Cultural, Educational, Ethnical and Health Care Center and Certain Other Matters Relating Thereto"

Resolution 8739 entitled "Resolution of the Council of the City of Palo Alto Approving the Issuance of Variable Rate Demand Revenue Bonds

by the ABAG Finance Authority for Nonprofit Corporations to Finance the Acquisition, Construction, Installation and Equipping of a Continuing Care Retirement Community and Certain Other Matters Relating Thereto”

Deputy Director of Administrative Services Joe Saccio stated that any actions taken would not impose any financial or legal obligations on the part of the City or the ABAG Finance Authority. The Council was being asked to approve three resolutions: 1) to be a member of the ABAG Finance Authority; 2) an approval of a bond issue to build a community center; 3) an approval of a bond issue to build a retirement community.

Council Member Cordell asked for clarification that the City would have no liability but was still required to be a part of this.

Mr. Saccio stated that she was correct; there was a requirement and Federal Law. He stated the County was asked to do this and they were not available.

Council Member Cordell asked whether the County approved this.

Mr. Saccio stated that was correct.

Council Member Cordell asked for clarification that the Council was being asked to approve the Resolutions with no obligation.

City Attorney Gary Baum stated this was relatively common and the purpose was to ensure that there was a public purpose with a non-profit and the public had an opportunity to comment on it.

MOTION: Council Member Cordell moved, seconded by Beecham, to approve resolutions approving the tax-exempt financing through the ABAG Finance Authority for Nonprofit Corporations (ABAG Finance Authority) for the construction of the Albert L. Schultz Jewish Community Center and a new continuing care retirement community.

MOTION PASSED: 7-0 Kleinberg absent, Barton not participating

COUNCIL COMMENTS, ANNOUNCEMENTS, AND REPORTS FROM CONFERENCES

Mayor Kishimoto moved the Council Comments up before item 15 because of the Stanford conflicts.

Vice Mayor Klein reported his attendance at the Bay Area Water Supply and Conservation Agency (BAWSCA) meeting. He noted there were reports on water conservation in the Bay Area and an Environmental Impact Report (EIR) to upgrade the Hetch Hetchy system. He said one of the five Public

Hearings would be held in Palo Alto regarding the EIR on September 19, 2007.

Mayor Kishimoto appointed Vice Mayor Klein and Council Members Beecham and Mossar to a sub-committee to study the EIR on the Hetch Hetchy system and report recommendations to the full Council after the Council Summer break.

Mayor Kishimoto appointed the Finance Committee members to provide the ballot arguments on the Transient Occupancy Tax (TOT).

Mayor Kishimoto appointed Council Members Barton, Beecham Morton and Mossar to provide the ballot arguments for the advisory measure for an underground water reservoir under El Camino Park.

Mayor Kishimoto noted the Council approved the contracts for the Tour of California and stated there was a Press Conference on Wednesday July 25, 2007. She said the Promenade event on Friday, July 20, 2007 was fabulous and thanked the organizers.

Council Member Mossar noted she attended a Bay Conservation Development Commission (BCDC) meeting and reported on the Bay Water Trail.

Council Member Morton questioned the deadline for the final ballot language to be submitted to the City Clerk.

City Clerk Donna Rogers stated direct arguments needed to be submitted by August 15, 2007 and the rebuttal deadline is August 22, 2007.

15. PUBLIC HEARING: Review the Update to the Stanford Medical Center Area Plan and Related Planning Issues for the Expansion of the Stanford University Medical Center

Council Member Cordell stated she would not participate in this item due to a conflict of interest because she was employed by Stanford University.

Vice Mayor Klein stated he would not participate in this item due to a conflict of interest because his wife was employed by Stanford University.

Council Member Mossar stated she would not participate in this item due to a conflict of interest because her husband was employed by Stanford University.

City Manager Frank Benest stated the purpose of this meeting was to review and accept the draft Area Plan Update with recommended revisions from the 07/23/07

Planning and Transportation Commission (P&TC). The draft Area Plan would be modified based on the Environmental Impact Report (EIR) and the Development Agreement which were the key activities in phase two.

Assistant Director of Planning and Transportation Curtis Williams stated the draft Area Plan served as policy framework for the entitlement review that would be taken in phase two. Staff had asked to accept the draft, which would remain a draft until issues were worked through and more information became available. At the end of the process, there would be a final Area Plan. The P&TC had reviewed the Area Plan and had suggested revisions. He added that this was a joint EIR with the Shopping Center and the Medical Center combined. There would be group Development Agreements for both projects and this would be negotiated contracts between the City and the applicant.

Chief Operating Officer for Stanford Hospital and Clinics Mike Peterson stated the Medical Center renewal and replacement project was very important to the community. Stanford needed to be prepared for disaster planning which was included in the plan.

Chief Operating Officer for Lucile Packard Children Hospital Susan Flanagan stated the Area Plan was a cooperative effort between the City and the hospitals. The hospital had a "No Vacancy" sign up for the past several years and there was great need for bed expansion. The new standard across the country was single room care for the patients, which enhanced infection control, promoted privacy, allowed families to participate in the care of loved ones, and provided an overall improved environment for the patient to enhance healing.

Peer Review Consultant Marlene Berkoff stated that the Seismic Code was driving the need to do something in the near future. There was also need to be prepared for disasters or terrorism. She stated sizes of hospitals were an issue and there were by code, a number of things that were essential support spaces that had to be in a hospital. The building height was increased due to the equipment and with seismic requirements causing it to be mounted structurally. If the configuration was spread out, there would be more access points, which would need to be protected, and this would be a more secure building configuration.

Mr. Benest stated the next step would be phase two of the process development applications, which were due at the end of July. There would then be a notice of the EIR preparation in August and scoping meeting on September 24. In the fall, there would be a community issue meeting and would provide updates to the P&TC and to the Council in November. The

draft EIR would be completed for review by April of 2008 and then have public hearings with the Commission and the Council in September. Final consideration by the Council would be in December of 2008.

Planning & Transportation Commissioner Arthur Keller stated that Stanford Hospital and Clinics and Lucile Packard Children's Hospital were critical and provided a critical service to the community. There was a one-third increase to Stanford's Hospital beds and a two-thirds increase in Lucile Packard Children Hospital's beds. He stated the earlier the project alternatives were identified the easier it would be to evaluate them.

Mayor Kishimoto thanked the P&TC, the staff and Stanford for all of their hard work with this project.

Norman Beamer, 1005 University, stated the proposed expansion of the Stanford Hospital and Shopping Center would have significant impacts on the City including increased density and traffic congestion. He asked that the City insist on a commitment from Stanford to support an upstream retention basin as part of the longer-term solution to the 100-year flood problem of San Francisquito Creek.

Walt Hays, 355 Parkside Drive, stated he hoped the Council would listen to the expertise of the people who spoke on the hospital's development and construction and he did support the expansion of the Stanford Hospital.

Mark Sabin, 533 Alberta Avenue, Sunnyvale stated this was an aging population attending the hospital and expanding the hospital out instead of up was not a good solution.

Crystal Gamage, 1568 Channing, stated that Stanford Hospital was a valued community benefit and she did support the expansion of the hospital.

Douglas Moran, 790 Matadero Avenue, stated that Palo Alto was being asked to pay the share for very wealthy communities and he did not support this project.

David Haray, 622 Loma Verde Avenue, stated the only way the Medical Center would be able to pay for the replacement and renewal was through operations, borrowing or fundraising of Philanthropy. The Medical Center was going through a budgeting process, which would cause them to make tough choices while they continued to face pressures from reduced government and third party payers. He stated he did support the expansion.

Reg Rice, 2250 Tioga Drive, Menlo Park stated this was not a project supporting the development of a big corporation. This would be good for

children and anyone with physical problems and he supported the expansion.

Art Kraemer, 1116 Forest Avenue, stated that while he was a patient at Stanford he caught an infection from another patient with whom he was sharing a room. He was in large support of single rooms and the expansion.

Sally Probst, 735 Coastland Drive, stated it was the Council's responsibility to take care of the health, safety and welfare of the community and she supported the expansion.

Bob Harrington, 1802 Fulton Street, requested a 3D scale replica of the existing structure and a time-lapse style video to show the development plan, which should be publicly viewable. Due to disaster preparedness there needed to be emergency personnel residing close to the Medical Center and he did support the expansion.

Elaine Meyer, 609 Kingsley Avenue, stated that the hospital had been spending hundreds of thousands of dollars running ads for the hospital in the newspaper. She stated the public was unaware of what was being proposed with this expansion and this project should be postponed.

Betsy Allyn, Willmar Drive, stated that this issue was not only about Stanford's need for future hospitals. The University would work with the City for accommodations to several areas of public concern. She asked the City to deal with the issues early on to make them strong and non-negotiable.

Council Member Drekmeier asked whether there would be a 3D model available.

Director of Planning and Transportation Steve Emslie stated that it was being considered.

Council Member Drekmeier asked whether the EIR would look at greenhouse gas emissions.

Mr. Emslie stated it was a requirement to all EIRs and a recent opinion of the Attorney General.

Council Member Drekmeier stated there was housing approved on the campus through the General Use Permit (GUP) along Quarry Road and asked whether they would be counted towards this project.

Mr. Emslie stated there would not be any housing that was designated for the campus expansion going towards meeting this projects needs.

Council Member Morton asked how community character was defined and how it would be implemented with an issue like height.

Mr. Emslie stated the impact of the proposed height would be evaluated in terms of the visual impact and the Council could make changes to it.

Council Member Morton asked whether the Stanford's original ambiance as well as the impact on Palo Alto would be looked at.

Mr. Emslie stated the open space characteristics were on their list of concerns and would continue to provide the analysis and recommendation on any incursions of that character.

Council Member Morton asked to what extent these suggestions would come to into play.

Mr. Williams stated there would be a proposal from Stanford but they would analyze alternatives suggested by the Council, community, commission and staff that were identified as being potentially viable.

Council Member Morton asked whether that would also apply to parking.

Mr. Williams stated he was correct.

Council Member Morton expressed concern with what the capacity levels would be.

Mr. Emslie stated the peer reviewer would analyze and compare the basis for the expansion of the hospitals to other communities. The Council, P&TC, and the Architectural Review Board (ARB) would then have the background to evaluate the design decisions based on an independent analysis of the space.

Council Member Morton asked for the City to be clear in regards to what was expected of Stanford.

Mr. Emslie stated the staff believed that would be one of the benefits of doing a Development Agreement with the entities involved. This would give the City a regulatory framework, implementation, phasing, timing and all of the elements that go into the effective implementation and common understanding.

Mayor Kishimoto asked how peak capacity would be looked at.

Ms. Berkoff stated there would be many questions that were needed to be asked regarding peek times, peek seasons, and how many people were being turned away.

Mayor Kishimoto asked whether that would have to do with the surge capacity that they wanted to build as well.

Ms. Berkoff stated there were surge for peeks. There could also be major disaster situations where there would be temporary setups for people.

Mayor Kishimoto asked whether this issue also had to do with the regional network.

Ms. Berkoff stated that was correct.

Mayor Kishimoto asked whether they would also be looking at the increase in medical care costs.

Ms. Berkoff stated there were two parts of hospital costs: 1) the construction costs, which were a one-time cost and; 2) the operating costs, which were an everyday cost.

Council Member Morton asked whether statistics would be looked at regarding local usage, regional usage, out of area usage and turn aways.

Ms. Berkoff stated she had not seen the data. However, this would be done by use of zip codes, which were used by the patients.

Council Member Morton asked whether it was a usage pattern based on zip codes.

Ms. Berkoff stated he was correct. It was a complex utilization analysis based on zip code, admittance, diseases, or reasons.

Council Member Beecham added that this was odd for the Council to get a document like this. This was a guidance document to help provide an overview and context for what was happening with this project.

MOTION: Council Member Beecham moved, seconded by Morton, to accept the draft update of the Stanford University Medical Center (SUMC) Area Plan along with Attachment A and suggested modifications by Planning and Transportation Commissioner Arthur Keller.

Council Member Beecham stated this would provide adequate background for the project.

Council Member Morton thanked staff and Stanford for giving input to the community, which was enabling us to express our positions and to work out any compromises that would result in an acceptable project for both sides.

Council Member Barton stated the draft Area Plan helped us focus on what would be done there and what the elements of this project were and he did support this Motion.

Council Member Drekmeier expressed his concern regarding the growing population and having enough care capacity in this community. Stanford was required to do a Sustainable Development Plan, which would look at the maximum build out. This Plan would not come back to the Council and would be presented to the County, which would not look at how it would affect the community in regards to traffic and air quality. He added that this was a great project for the whole community, Stanford, Palo Alto and our neighbors and would have some costs in return.

Mayor Kishimoto asked for an amendment to include in the Motion to endorse in concept the policy directions, which were included in Attachment B.

Council Member Beecham stated he did not accept the amendment. There was a negotiation with Stanford on mitigations. Attachment B was some form of mitigation or requirement not required by the Comprehensive Plan (Comp. Plan) or our Ordinance. The document, which was accepted, lays out the Comp Plan requirements and our Ordinance and Attachment B goes beyond that. The EIR would lay out the impacts and a range of options and may include a number of these items. He stated it was premature to give a list of requirements that did not necessarily fit into the entire plan.

Mayor Kishimoto stated that Attachment B was not required but would be considered policy direction.

Council Member Morton asked the staff how Attachment B was viewed whether it would go into consideration in the next step.

Mr. Benest stated that was correct.

Council Member Morton asked if staff were going to consider them would it need to be added to the Motion.

Mayor Kishimoto asked the staff if it would make a difference whether they were adopted into the Motion.

Mr. Benest stated all comments made would be considered and it would not be beneficial at this time.

Mayor Kishimoto asked for clarification whether it was possible that mixed uses would not be used in that area

Mr. Benest stated it would be considered.

Mayor Kishimoto stated the question was how we mitigate the impacts. She added that the Comp. Plan would need to be integrated with the community and the quality of the work environment. She asked whether there would be parcelization here and what that would mean for right of ways and floor area ratio (FAR) calculations.

MOTION PASSED: 5-0, Kleinberg absent, Cordell, Klein, Mossar not participating.

REPORTS OF COMMITTEES AND COMMISSIONS

COUNCIL MATTERS

ADJOURNMENT: The meeting adjourned at 10:00 p.m.