

Special Meeting
July 17, 2006

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3. Resolution 8632 entitled “Resolution of the Council of the City of Palo Alto to Approve the Northern California Power Agency Green Power Project (NGPP) Third Phase Agreement and Participation by the City of Palo Alto in the NGPP for the Purchase of Renewable Electricity of up to 15 Average Megawatts of Energy Over 25 Years with an Estimated Cost of up to \$230 Million (in 2006 Dollars)” 5

4. Approval of Deferral of Repayment of the Arastradero Park Apartments Corporation (APAC) Existing Debt to the City; Modify the Repayment Terms to Reflect APAC’s New First Mortgage Loans and Expected Repayment Date in 2041; and Authorize the City Manager to Approve the Subordination Agreement for Refinancing a Loan Not to Exceed \$8 Million 5

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FINAL ADJOURNMENT: The meeting adjourned at 11:00 p.m. 12

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:03 p.m.

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

ORAL COMMUNICATIONS

Cathie Swan spoke regarding SEIU negotiations.

Inis Thiessen spoke regarding SEIU negotiations.

Greg Schultz spoke regarding SEIU negotiations.

Mike Brady spoke regarding SEIU negotiations.

Peter Kosiak spoke regarding SEIU negotiations.

Lynn Krug spoke regarding SEIU negotiations.

Phil Plymale spoke regarding SEIU negotiations.

CLOSED SESSION (began at 6:25 p.m.)

1. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Title: City Manager Frank Benest
City Attorney Gary M. Baum
City Auditor Sharon Erickson
City Clerk Donna Rogers

Authority: Government Code section 54957(b)(1)

2. CONFERENCE WITH LABOR NEGOTIATOR

Agency Negotiator: John Shannon

Unrepresented Employee: City Manager Frank Benest
City Attorney Gary M. Baum
City Auditor Sharon Erickson
City Clerk Donna Rogers

Authority: Government Code section 54957.6(a)

Mayor Kleinberg announced there was no reportable action taken.

ADJOURNMENT: The meeting adjourned at 7:25 p.m.

The City Council of the City of Palo Alto met on this date in the Council Chambers at 7:30 p.m.

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

STUDY SESSION

1. Municipal Services Center Site for Relocation of Palo Alto's Auto Dealers

Staff provided a review of the current issues related to the Palo Alto Auto Dealership. Two dealerships have either moved or gone out of business, leaving five remaining dealerships, generating \$1.9 million annually. Since 2000, the City had lost \$1.0 million in auto dealership revenues.

A Council Colleague's Memo dated April 7, 2005, gave staff direction to complete a preliminary analysis of converting the Municipal Services Center (MSC) site to create an "auto row".

Staff provided Council with an overview of the current MSC configuration including details of the operations at the City yard and the efficiencies related to one City yard. In addition, staff presented options for developing an auto row at the site.

The City Council asked staff questions related to the proposed options and the financial analyses. At the conclusion of the questions and discussion, Council determined creating an auto row at the MSC was not financially feasible and directed staff to continue working with the existing auto dealers on strategies for retaining their dealerships in Palo Alto.

No action required.

ORAL COMMUNICATIONS

Peter Beyer, 18661 Crabtree Avenue, Cupertino, spoke regarding the proposed Hookah Lounge.

Nick Perry, Wilkie Way, spoke regarding Palo Alto Intermodal Transportation Center.

CONSENT CALENDAR

MOTION: Council Member Morton moved, seconded by Barton, to approve Consent Calendar Items Nos. 2 through 4.

2. Resolution 8631 entitled "Resolution of the Council of the City of Palo Alto to Approve an Amendment to Contract Between the Board of Administration of the California Public Employees' Retirement System and the City Council, City of Palo Alto to Implement the Pre-Retirement Optional Settlement 2 Death Benefit for Local Fire Members"

Ordinance 1st Reading entitled "Ordinance of the Council of the City of Palo Alto Authorizing an Amendment to the Contract Between the Board of Administration of the California Public Employees' Retirement System and the City Council, City of Palo Alto to Implement the Pre-Retirement Optional Settlement 2 Death Benefit for Local Fire Members"

3. Resolution 8632 entitled "Resolution of the Council of the City of Palo Alto to Approve the Northern California Power Agency Green Power Project (NGPP) Third Phase Agreement and Participation by the City of Palo Alto in the NGPP for the Purchase of Renewable Electricity of up to 15 Average Megawatts of Energy Over 25 Years with an Estimated Cost of up to \$230 Million (in 2006 Dollars)"
4. Approval of Deferral of Repayment of the Arastradero Park Apartments Corporation (APAC) Existing Debt to the City; Modify the Repayment Terms to Reflect APAC's New First Mortgage Loans and Expected Repayment Date in 2041; and Authorize the City Manager to Approve the Subordination Agreement for Refinancing a Loan Not to Exceed \$8 Million

MOTION PASSED 9-0.

PUBLIC HEARINGS

5. Public Hearing – Resolution Confirming Weed Abatement Report and Ordering Cost of Abatement to be a Special Assessment of the Respective Properties Herein Described

Mayor Kleinberg presented opening remarks indicating it was the time and place for the public hearing ordering weed nuisance abated. Notice of the hearing was given in the time, manner and form provided for in Chapter 8.08 of the Palo Alto Municipal Code. She asked the City Clerk whether any written objections had been received.

City Clerk Donna Rogers said none had been received.

Mayor Kleinberg declared the Public Hearing opened at 9:38 p.m. and hearing no speakers closed the Public Hearing.

MOTION: Council Member Klein moved, seconded by Cordell, to accept the staff recommendation to hear and consider objections from affected property owners of proposed assessments related to completed weed abatement work and approve and/or modify the assessments for weed abatement.

Resolution 8633 entitled "Resolution of the Council of the City of Palo Alto Confirming Weed Abatement Report and Ordering Cost of Abatement to be a Special Assessment of the Respective Properties Herein Described"

MOTION PASSED 9-0.

COUNCIL BREAK: 9:40 to 9:50 p.m.

MOTION: Council Member Cordell moved, seconded by Mossar, to move Agenda Item No. 7 in front of Item No. 6.

MOTION PASSED 9-0.

COUNCIL MATTERS

7. Selection of Contract Police Auditor

Council Member Barton said a subcommittee member had contacted a reference from each of the three applicants. A summary of those contacts was put at Council's place.

Council Member Cordell thanked the subcommittee members for their hard work. All of the candidates were qualified; however, the OIR Group had an excellent track record and presented well at the interview.

MOTION: Council Member Cordell moved, seconded by Barton, to offer a contract to the OIR Group for the Contract Police Auditor.

Council Member Barton said each of the candidates was potentially qualified and brought something new to the table. He was struck by the professionalism of the OIR Group as well as the strength of their references.

Council Member Morton recalled the OIR Group had represented an ongoing relationship with the City of Oakland; however, when he spoke with the City Attorney of Oakland that was not their understanding. He expressed concern

about the travel expenses and inquired whether the expense would be in addition to the contract or included therein.

City Attorney Gary Baum said it would occur however the Council directed.

Council Member Morton said the Council should be made aware if the City intended to pay significant travel expenses as opposed to hiring someone locally.

Mr. Baum said travel expenses would be negotiated.

Mayor Kleinberg clarified it would be a one year experiment.

Council Member Barton recalled the OIR Group did not represent an ongoing relationship with the City Attorney's Office in Oakland. He believed they were doing work on a regular basis with the special assistant to Judge Felton Henderson, who was located in San Francisco.

MOTION PASSED 9-0.

Mr. Baum said the City's Attorney's Office would put together a contract and bring it to Council before the summer break. He inquired whether the Council preferred negotiations on the travel issue.

Council Member Cordell said the OIR Group had presented a maximum amount of approximately \$20,000.

Mayor Kleinberg asked whether the other applicants would be contacted.

Mr. Baum said his office would take care of it.

Mayor Kleinberg said that would be great.

Public Hearing

6. Review and Approval of an ordinance to establish a rezoning process and development standards emphasizing multi-family residential and mixed-use development for sites in proximity to the California Avenue Caltrain Station. The boundaries for the PTOD zoning district are generally Cambridge Avenue to the north, El Camino Real to the west, Caltrain rail line to the east, and Lambert Avenue to the south. Environmental Assessment: Comprehensive Plan Environmental Impact Report and Addendum

Ordinance 1st Reading entitled "Ordinance of the Council of the City of Palo Alto Adding a New Chapter

18.66 to the Palo Alto Municipal Code to Adopt Regulations Establishing a California Avenue Pedestrian Transit Oriented Development Combining District (PTOD)”

Director of Planning and Community Environment Steve Emslie said the genesis of the planned use initiation for putting a transit-oriented designation around the California Avenue Train Station stemmed from the Comprehensive Plan (Comp Plan) Zoning Ordinance Update (ZOU), which had been underway for several years. A major recommendation of the Comp Plan was the completion of the transit-oriented zone within 2000 feet of the California Avenue Area Transit Center. Adoption of the Pedestrian Transit-Oriented Development Combining District (PTOD) would not establish the land use regulations. A second subsequent step must occur: 1) properties within the described area of the PTOD (generally 2000 feet of the California Avenue Train Station) could apply for the transit-oriented designation; or 2) through initiation of a zone change by the Planning and Transportation Commission (P&TC) or the City Council. The PTOD would also apply to the Fry's site. The property was currently zoned residential and had been for a number of years. The commercial uses, including Fry's, were non-conforming. The City's adopted policies limited the amount of square footage to the existing amount, which was approximately 60,000 square feet, and prescribed the deadline for the removal of such non-conforming uses to be 2019. The PTOD provided for additional square footage, as well as allowed for the introduction of a mixed-use product.

Chief Planning and Transportation Official Curtis Williams said staff recommended the City Council adopt the proposed ordinance to establish a new Chapter 18.66 of the Zoning Ordinance, encompassing a rezoning process and specifying allowable uses and development standards for the PTOD Combining District. Staff further recommended the addition to Section 18.66.040(d)(4) of "traffic-reducing resident priority programs" as one of the examples of parking and traffic demand management (TDM) efforts. He noted, as part of the Council motion, emphasis be made that the addendum to the Environmental Impact Report (EIR) had been considered. The Comprehensive Plan was the basis for Transit-Oriented Residential Development, which was converted to PTOD because of the important link between mixed-uses, pedestrian and bicycle facilities, modes and improvements as well as the proximity to transit. On May 10, 2006, the P&TC recommended approval of the proposed PTOD ordinance, with minor changes to the prior draft, including adding a parcel at 411 Pepper Avenue. The P&TC review followed three prior meetings of the Commission, two Architectural Review Board (ARB) meetings, community outreach meetings with three of the immediate neighborhoods, and a meeting with the general public. He outlined the intent and benefits of the ordinance as described in the staff report (CMR:295:06). The general land uses prescribed in the PTOD

area included multi-family residential, mixed-use, live/work and potential hotel uses. He said staff had not lessened parking rates to accommodate the PTOD; however, information was available to make that argument. It had been stipulated if anyone requested adjusted parking rates, cumulative limits would be put in place. Moreover, the applicant would need to present TDM measures, which staff would monitor and report back at annual intervals during the first five years after the project was occupied. Staff felt the Fry's site was an integral part of the PTOD and would anchor the southern end of Park Boulevard. Other revenue generating uses included the California Avenue area, which was protected by the R-retail and pedestrian overlay. There was one auto dealership overlay site which could continue under its existing general manufacturing (GM) zoning or become part of a mixed-use project. One key component was the context-based design criteria that provided graphics and diagrams indicating to the applicant how certain features of the area should be developed, including circulation for pedestrian-oriented design and transition requirements.

Planning and Transportation Commissioner Phyllis Cassel said the Commission felt the need to add the word pedestrian, which was a key component in having a transit-oriented area. The P&TC discussed whether to require retail on the first floor along Park Boulevard; however, the majority of commissioners felt it should be worked into each application as they were received. Staff held a number of outreach meetings with neighborhood groups and worked on incorporating a view space from Colorado Avenue. The P&TC discussed noise issues and the Fry's site. A majority of the Commission voted in favor of the PTOD and approved presenting it to the Council.

MOTION: Council Member Mossar moved, seconded by Cordell, to hear the public testimony, close the public hearing, and continue the Council's questions, discussions and decision to the July 24, 2006 City Council meeting.

MOTION PASSED 9-0.

Mayor Kleinberg declared the Public Hearing opened at 10:27 p.m.

Terry Holzemer, 2581 Park Blvd., #1211, representing the Central Residential Association, encouraged the Council to examine and include the alternative option 'A' in the PTOD proposal, which would lower the housing density from the current 40 units per acre to 30 units.

Margot Goldberg, 159 California Avenue, expressed concern about the increase in motor traffic and crime. She could not understand why the concerns of the neighboring residents had been ignored.

Jake Schmidt, 3225 Ash Street, spoke on behalf of the management of El Camino Center. He endorsed the adoption of the PTOD as proposed by the staff and the P&TC. El Camino Center, which connected El Camino Real to Park Boulevard, including approximately 18 acres, should be included in the PTOD District. It was the only site within the proposed PTOD large enough to create a cohesive community in a new development with residential and commercial.

Brian Bayley, 2553 Emerson Street, encouraged the Council to adopt the PTOD but only with the provision that any project in the works or being considered for the area, including 195 Page Mill Road, follow the guidelines of the PTOD proposal. He did not want to see an overbuilt 'block style' building circumventing the intention of the District and the neighboring area.

Suzanne Bayley, 2553 Emerson Street, said when Agilent was built, it loomed over her neighborhood and the office lights shone in her backyard. She had been closely involved in the development at 195 Page Mill Road. She concurred with the comments of Mr. Bayley.

Carolynn Patten, 2535 Emerson Street, encouraged the Council to adopt the PTOD but only on a conditional basis with the premise all applicants currently in the queue abide by the ordinance.

Herb Borock, P.O. Box 632, believed there was evidence in the record to indicate the 195 Page Mill Road project and the zone change were one project under the California Environmental Quality Act (CEQA).

Jonathan Cranch, 2520 Emerson Street, said he wanted to see the PTOD apply to all projects being considered for the area.

Hannah Cranch, 2520 Emerson Street, encouraged the Council to adopt the PTOD making sure all projects in the area were subject to the same stipulations.

Debbie Kullman, 2536 Emerson Street, was encouraged when the P&TC and staff met with them about the PTOD project as well as the existing projects. She concurred with the comments of the last two speakers.

Denny Petrosian, 443 Ventura Avenue, #2, did not believe the area was a PTOD District but rather an auto destination oriented district designed to allow Fry's to overturn the residential zonings. She urged the Council to remove Fry's from the PTOD in order to carefully examine the issues at stake.

Peter Lockhart, 405 Olive Avenue, expressed support for the PTOD and the proposed boundaries in its entirety.

Ione Hartley, 153 California Avenue, expressed support for the PTOD and would like the maximum units per acre be reduced from 40 to 30. It was a better level for the large amount of space.

Robert Moss, 4010 Orme Street, believed the PTOD process had been successful in general. He was concerned about including the Fry's site. In order to redevelop the site to mixed-use, it would require demolishing the existing building. He did not believe Fry's would return if they had to temporarily move elsewhere. He favored lowering the baseline in order to obtain more Below Market Rate (BMR) units, with preference given to City employees.

Harold Hohbach, 29 Lowery Drive, Atherton, believed some of the context-based guidelines were misplaced, such as putting the GM zone next to the CalTrain station. Sound reverberated through all the units making it difficult to minimize the noise.

Steve Raney, 1487 Pitman Avenue, complimented the Council for the climate protection efforts and wanted to tie-in those efforts to the PTOD. It was a cost effective way to reduce carbon dioxide emissions compared to typical South Bay real estate residential development. Palo Alto was the nation's leader in traffic reducing resident priority having already added a similar policy to Stanford West and the Mayfield Agreement.

Lena Tsakmaki, 2550 Emerson Street, expressed support for the PTOD with the stipulation projects in the pipeline be subject to the same guidelines.

Edie Keating expressed support for the PTOD. She encouraged the Council to retain the maximum density of housing. She biked regularly down Park Boulevard from East Meadow Drive and took Caltrain to San Francisco, another city with mixed-use projects in place.

Council Member Morton said he leased an office within 2000 square feet of the proposed development. As a month-to-month renter, he had no financial interest and was not conflicted.

Mayor Kleinberg closed the Public Hearing at 11:00 p.m.

~~**MOTION:** Council Member xxx moved, seconded by xxx to accept staff recommendation to adopt the ordinance as recommended by the Planning and Transportation Commission (P&TC), to establish a new Chapter 18.66 of the Zoning Ordinance, encompassing a rezoning process and specifying allowable uses and development standards for the Pedestrian and Transit Oriented Development (PTOD) Combining District. Staff further recommends the addition to Section 18.66.040(d)(4) of "traffic-reducing resident priority programs" as one of the examples of parking and traffic~~

demand measures.

~~MOTION PASSED: 9-0.~~

FINAL ADJOURNMENT: The meeting adjourned at 11:00 p.m.