



# City of Palo Alto

## City Council Staff Report

(ID # 5107)

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**Report Type: Consent Calendar**

**Meeting Date: 2/2/2015**

**Summary Title: SUMC Annual Report**

**Title: Approval of Stanford University Medical Center Annual Report and Compliance with the Development Agreement**

**From: City Manager**

**Lead Department: Planning and Community Environment**

### **Recommendation**

Staff recommends that the City Council:

1. Find that the Stanford University Medical Center (SUMC) Parties (Stanford Hospitals & Clinics, Lucile Packard Children's Hospital, and Stanford University) have complied in good faith with the terms and conditions of the Development Agreement for the 2013-2014 reporting period; and
2. Find that the SUMC Parties are not in default with the terms and conditions of the Agreement.
3. Accept the City's Annual Accounting Report regarding the funds received by the SUMC Parties as required under Section 12(d) of the Development Agreement. (Attachment C.)

### **Executive Summary**

The City Council is required to review the Development Agreement between the SUMC Parties and the City of Palo Alto on an annual basis to ascertain compliance with the terms of the agreement. The SUMC Parties have submitted the annual report for the 2013-2014 period summarizing construction activities and other actions taken to fulfill the obligations of the Agreement. Of particular note, the SUMC has achieved a 34.4% alternative transportation mode split which exceeds the Alternative Mode Share target of 33% for 2021. Also, as described in the supplement to the annual report, the SUMC Parties have paid approximately \$32.5 million in public benefit fees to the City since June 6, 2011, although no required payments were made by Stanford in this reporting period. During the past year, the City Council reviewed and approved the revised Infrastructure project funding proposal allocating future use of the SUMC Infrastructure and Sustainability funds to a prioritized list of projects through FY2018.

## **Background**

On June 6, 2011, the City Council approved Comprehensive Plan amendments, zoning changes, a conditional use permit, annexation and design applications for the Stanford University Medical Center Facilities Renewal and Replacement Project (the “Projects”). The Projects include the construction of a new Stanford Hospital and clinics buildings, an expansion of the Lucile Packard Children’s Hospital, construction of new School of Medicine buildings, renovation of the existing Hoover Pavilion, construction of a new medical office building and parking garage at Hoover Pavilion, roadway improvements along Welch Road and Durand Way, and SUMC design guidelines. A Development Agreement (the “Agreement”) vesting these approvals was entered into between the SUMC Parties and the City and was effective on June 6, 2011 and continues for thirty (30) years from the effective date. The Agreement requires annual City Council review of the SUMC Parties compliance. This report covers the SUMC Parties activities during 2013-2014, the third year of the Agreement.

## **Discussion**

As described in Section 12, “Periodic Review of Compliance,” the City Council is to review the Agreement annually to ascertain the SUMC Parties’ compliance with the terms of the Agreement. Section 12 also includes the reporting requirement for the SUMC Parties and the City to demonstrate good faith compliance with the Agreement. The attached 2013-14 Annual Report (Annual Report) dated July 3, 2014 (Attachment A) from SUMC describes the SUMC Parties’ activities related to implementation of the Agreement.

### Construction Activities

Construction activities during this period included:

- Hoover Pavilion Renovation- Site work and renovation of the exterior and interior features of the building have been completed and in December 2012, Hoover Pavilion re-opened providing modern medical office and clinics to the SUMC community. The renovation project is considered to be complete.
- Hoover Pavilion Parking Garage- Site work and construction for the new 1,084-stall parking garage was completed in the Fall of 2013. It is now open for use by patients and staff.
- Hoover Medical Office Building- Construction is underway for the construction of the medical office building, to be located adjacent to Quarry Road and the existing City of Palo Alto electrical sub-station. Grading and excavation permits were issued in March 2014, followed by the core and shell building permit in May 2014. Tenant improvement plans for the building are currently under review by the City.
- Welch Road Utilities Project- This project involves the replacement and installation of utilities to support the New Stanford Hospital and the Lucille Packard Children’s Hospital expansion. The project was considered to be complete in 2013. Two-way automobile traffic currently operates on Welch Road.

- Lucile Packard Children’s Hospital- Site preparation efforts at LPCH have been completed during the reporting period including mass excavation, installation of shoring walls, and utility line relocation. Construction of the hospital expansion is underway.
- New Stanford Hospital- Site preparation and excavation activities are underway at the area surrounding the site of the New Stanford Hospital (NSH). Substantial project progress has been made since the 2013 issuance of the Office of Statewide Health Planning & Development (OSHPD) foundation permit and core and shell permit for the NSH and the City’s issuance of the building permit for the New Stanford Hospital Garage.
- School of Medicine Building- This project involves the replacement of the Stanford University School of Medicine building with new state-of-the-art facilities. The School of Medicine development is not yet underway.

No new square footage has been constructed during this reporting period. Approximately 133,731 square feet of floor area has been demolished on the main and children’s hospital sites, as well as the Hoover Pavilion site.

#### Compliance with Development Agreement Obligations

In addition to the construction summary and the summary of net new square footage added within the past year, the Annual Report also summarizes the SUMC Parties’ progress in meeting the terms described in Section 5 of the Agreement, “SUMC Parties’ Promises.” This section of the Annual Report describes the SUMC Parties’ obligations with respect to the following items:

- Health Care Benefits;
- Fiscal Benefits;
- Traffic Mitigation and Reduced Vehicle Trips;
- Pedestrian, Bicycle and Automobile Linkages;
- Infrastructure, Sustainable Neighborhoods & Communities, Affordable Housing, and
- Climate Change.

The Annual Report summarizes the activities within the reporting year. The obligations are further summarized in Table 1: Development Agreement, Section 5 – SUMC Parties’ Promises (Attachment B). City staff has reviewed the information within the Annual Report and has determined that it is complete and correct.

#### Traffic Mitigation and Reduced Vehicle Trips

The SUMC Parties have made substantial progress in meeting the traffic and alternative transportation obligations of the Agreement. Specifically, they have accomplished the following:

- Purchased annual CalTrain Go Passes for all eligible employees as of January 1, 2012, three years ahead of the September 1, 2015 requirement as stated in the Agreement;
- Purchased additional shuttle buses for the Marguerite Shuttle service which now includes five renewable diesel-electric hybrid buses and three all-electric buses;

- Hired a Transportation Demand Management (TDM) coordinator on March 13, 2012, three years ahead of the September 1, 2015 requirement as stated in the Agreement, and
- Achieved a 34.4% alternative transportation mode split during this reporting year for the hospital employees, meaning 34.4% of employees are using alternative modes to get to work rather than driving alone. This figure decreased from the last monitoring period because the calculation methodology is different from years past. The new weighted survey analysis methodology is more accurate and intended to be more representative of the general Hospital employee population. The past year’s mode split were recalculated using the new methodology and is shown in the table below.

Year	Past Methodology	New Methodology
2012	39%	32.5%
2013	40.9%	33.4%
2014	N/A	34.4%

The 34.4% mode split exceeds the Alternative mode share targets for 2018 and 2021.

The SUMC Parties and City staff will continue to monitor the TDM program throughout the term of the Agreement and will report annually to the Council.

Supplement to the Annual Report

In addition to the SUMC Parties’ submittal of the Annual Report, City staff is to prepare a supplement to the Annual Report (the “Supplement”), as described in Section 12(d) of the Agreement. The supplement is to include an accounting of the funds received from the SUMC Parties to satisfy the obligation outlined in Section 5 of the Agreement, a description of the account balances, and a summary and description of expenditures from the funds. The Supplement is contained in Attachment C.

In summary, the SUMC Parties have contributed \$32,533,666 in public benefit funds as of June 30, 2014. Interest income during the reporting period was \$760,834. The SUMC Parties will pay an additional \$11.7M upon issuance of the first hospital occupancy permit, expected in early 2018.

During the reporting period, the City has committed funds for the following:

- \$131,459 under the “Community Health & Safety” cost center for the Project Safety Net Program. Project Safety Net Program is specifically identified in the Agreement as a community health program that would be an appropriate program for the use of this fund. Funds spent during the reporting period were allocated to salaries/benefits for Project Safety Net staff and other expenses relating to the operation of the program.

- \$1.2 million under the “Expansion Cost Mitigation” cost center for City Capital Projects, specifically the implementation of the Bicycle & Pedestrian Transportation Plan which is included on the approved prioritized list of infrastructure projects.

General Fund Sales and Use Tax revenues in calendar year 2013 resulting from construction-related activities were approximately \$413,713 based on the City Auditor’s review of the Construction Sales & Use Tax Monitoring Report submitted by SUMC on June 30, 2014. The City Auditor submitted a letter to SUMC (Attachment D) noting a minor discrepancy in the Construction Sales & Use Tax Monitoring report due to a jurisdiction coding issue. The City will be working with SUMC to resolve the discrepancy. Total General Fund Sales and Use Tax revenues from 2011 to 2013 now total \$485,437.

#### Residential Affordable Housing Fund – Return of Maybell Loan

In April 2014, the Palo Alto Housing Corporation returned \$720,220, which staff deposited in the Residential Housing Fund. This amount was for the Maybell project that was overturned by voters. The funds originally came from the Stanford University Medical Center Development Agreement funding to be used for affordable housing. The \$720,220 will remain in the Residential Affordable Housing Fund until an appropriate affordable housing project is identified and the funds are approved by the City Council for use on the project. In 2013, Council also approved a \$2.6 million short-term loan for Maybell out of the Stanford funds. This loan was not needed, consequently the funds were not transferred to the housing fund and they remain part of the Stanford funds.

#### Future Use of Development Agreement Funds

On September 9, 2013, City Council approved a recommendation from the Policy and Services Committee to establish a process for allocating the SUMC funds to future projects. Based on those motions, staff generated an infrastructure project funding proposal for Infrastructure Committee review. On March 3, 2014, the Infrastructure Committee recommended that Council approve the infrastructure project funding plan that allocates existing and potential future City funding to a prioritized project list. Funding sources to fund the prioritized project list include the SUMC Infrastructure and Sustainability funds. On June 9, 2014 (ID#4889), Council reviewed and approved the revised Infrastructure project funding proposal allocating future use of the SUMC Infrastructure and Sustainability funds to a prioritized list of projects through FY2018.

The Policy and Services Committee discussed the Health and Safety Funds at their September 9, 2014 and October 22, 2014 meetings. They received an update on the Project Safety Net Program, which was allocated \$2 million of the Health and Safety Funds by Council on May 13, 2013. They also received input on and discussed establishing the review committee, guiding principles, goals and objectives, pace of fund disbursement and formulating the definition of health and safety needs in order to set funding priorities for the unallocated \$2 million in funding. The discussion will continue in early 2015.

## **Resource Impact**

There are no negative impacts from the Agreement that affect the City's General Fund. As summarized above, the City has received approximately \$34.5M in public benefit payments, interest and unrealized gains and approximately \$485,437 in construction sales taxes since the start of the project based on the City Auditor's review of the Construction Sales & Use Tax Monitoring Report submitted by SUMC on June 30, 2014.

## **Policy Implications**

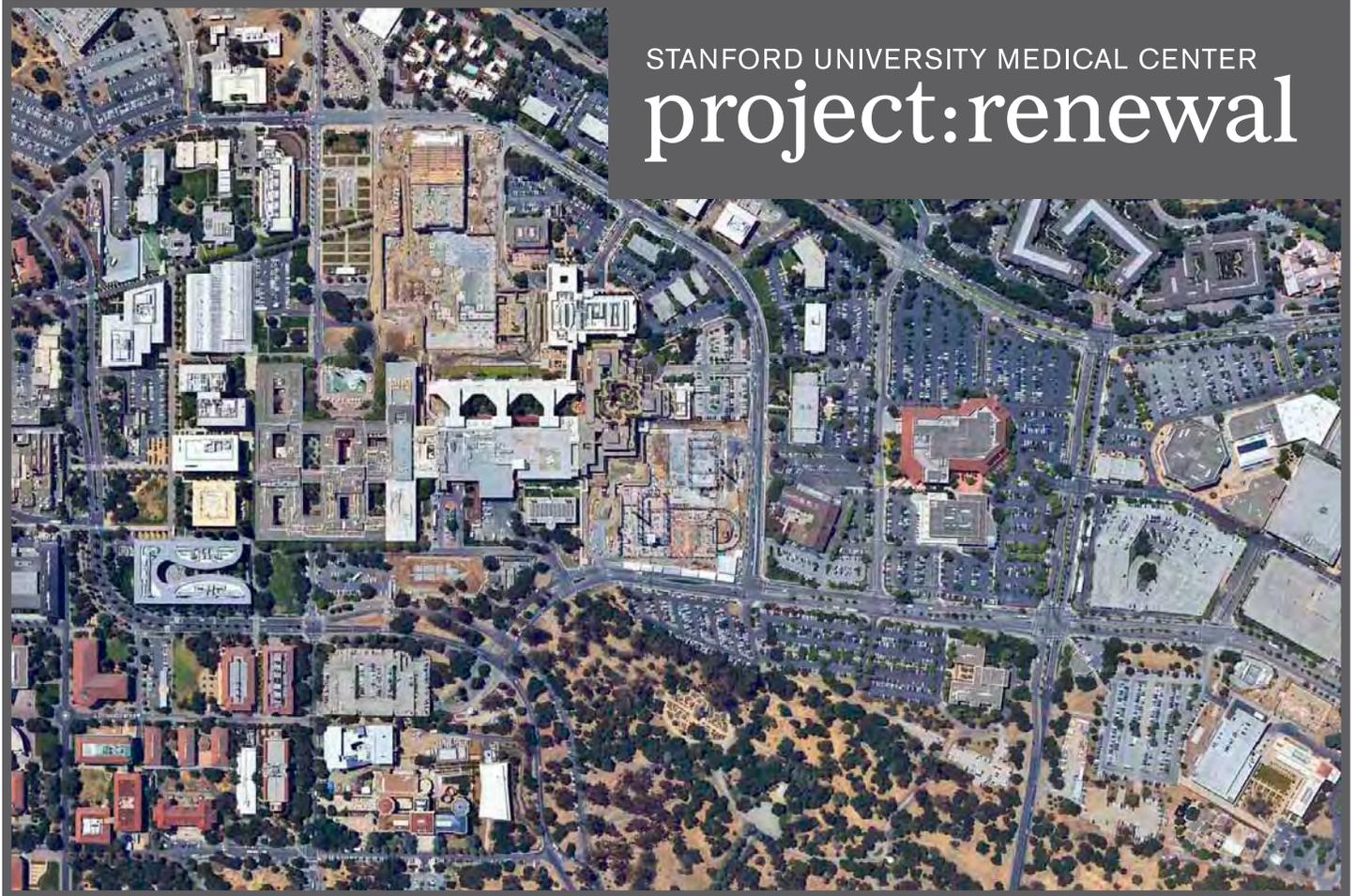
This report does not represent any changes to existing City policies.

## **Environmental Review**

Finding Stanford University's compliance with the Terms of the Agreement is not a project under the California Environmental Quality Act, and no environmental assessment for the annual compliance review is required. An environmental impact report for the entire SUMC project was prepared and certified by the City Council prior to approval of the Development Agreement.

### **Attachments:**

- Attachment A: 2013-14 SUMC Annual Report (PDF)
- Attachment B: Table 1 - Development Agreement, Section 5 (PDF)
- Attachment C: SUMC Annual Report Supplement FY2014 (PDF)
- Attachment D: City Auditor Letter to SUMC regarding Construction Sales & Use Tax Monitoring Report Q1Q4\_2013 (PDF)



# 2013-14 ANNUAL REPORT

PREPARED FOR THE CITY OF PALO ALTO | JULY 3, 2014

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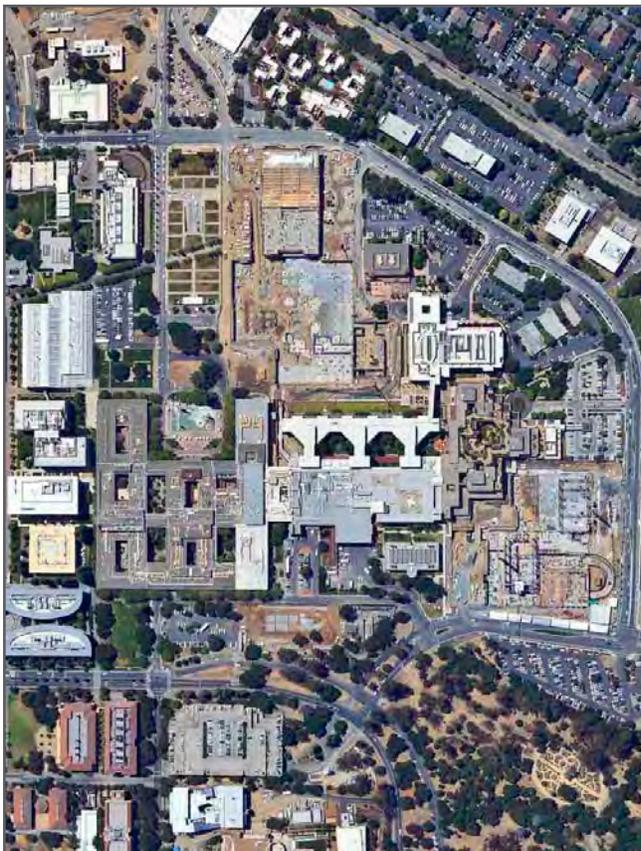
## EXECUTIVE SUMMARY

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On June 6, 2011, the Stanford University Medical Center—comprised of Stanford Hospital and Clinics, Lucile Packard Children’s Hospital, and Stanford University—entered into a Development Agreement with the City of Palo Alto, committing to provide a range of community benefits in exchange for vested development rights to develop and use the SUMC Project facilities in accordance with the approvals granted by the City, and a streamlined process for obtaining subsequent project approvals. The SUMC Renewal and Replacement Project (“Renewal Project”)—driven by a growing demand for healthcare services, state-mandated seismic safety requirements, and the need to replace outmoded facilities with modern, technologically advanced spaces—holds the potential to transform the way that healthcare is delivered and research is conducted.

Today, three years after the execution of the Development Agreement, SUMC Renewal Project activities are continuing apace. Construction activity is well underway on both the Lucile Packard Children’s Hospital expansion site and the New Stanford Hospital site, following OSHPD foundation permit issuance. Meanwhile, Welch Road utilities upgrades and roadway surface improvements have been completed, and the new roadway has reopened to two-way traffic. And on the Hoover Pavilion site, the new Hoover Parking Garage (PS-9) has been completed, and ground has been broken for the new Hoover Medical Office Building.

Against this backdrop, SUMC submits its third Annual Report in compliance with Section 12(c) of the Development Agreement, and looks forward to continued collaboration with the City of Palo Alto in advancing the goals of both the Stanford University Medical Center and the broader community.



## BACKGROUND AND PURPOSE

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The Palo Alto City Council's unanimous approval of the entitlements for the Stanford University Medical Center Renewal and Replacement Project in July 2011 has paved the way for a historic investment in new and replacement facilities at SUMC. The project approvals—including new zoning for the Project sites, a conditional use permit, architectural review approval, and the execution of a Development Agreement—allows for the construction of approximately 1.3 million net new square feet of hospital facilities, clinics, medical offices, and medical research spaces, and will enable the hospitals to optimize the delivery of healthcare services to patients, and maintain their position as leading providers of world-class healthcare.

In order to facilitate this important replacement and expansion work, SUMC entered into a Development Agreement with the City of Palo, which includes a comprehensive package of community benefits and voluntary mitigation measures. In exchange for these benefits, the City has vested for a period of 30 years SUMC's rights to develop and use the property in accordance with the project approvals, and will streamline the process for obtaining subsequent approvals.

The terms of the Development Agreement (Section 12(c)) provide for a periodic review of compliance, and require that SUMC submit an Annual Report to the City of Palo Alto's Director of Planning and Community Environment each year within 30 days of the anniversary of the agreement effective date (June 6, 2011). The Annual Report is to summarize the progress on the Renewal Project, including a list of net new square footage for which a certificate of occupancy has been received, and a description of the steps that SUMC has taken to comply with the obligations listed in the Development Agreement. With this report, SUMC fulfills these requirements. Within 45 days of receipt of this Annual Report, the City will prepare a Supplement to the Annual Report, to provide an accounting of the City's expenditures from each of the City Funds and how they were used.



## 2013-2014 SUMMARY OF PROGRESS

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The Renewal Project continues to steadily progress, with construction activities for both Hospitals now well underway. In the section to follow, SUMC provides an overview of central goals for the project elements that presently are under construction or nearing construction, a synopsis of progress to date, as well as a preview of near-term upcoming activities.

### HOOVER PAVILION SITE

One of the first phases of the Renewal Project was the renovation of Hoover Pavilion to accommodate modern medical offices and clinics. Renovation of the 1931 building began in Summer 2011, and included structural improvements, the installation of modern mechanical and plumbing systems, and the restoration of many of the building's original historic architectural details, including the reconstruction of the decorative finial that sits atop the Pavilion tower. In December 2012, the Hoover Pavilion reopened its doors and now houses community physicians, Stanford Hospital clinics, and the Stanford Health Library.

Meanwhile, other significant development milestones have been reached on the Hoover Pavilion site. Construction of the Hoover Garage (PS-9) completed in Fall 2013, and the garage is now open and serving patients, visitors, and staff. The transformation of the Hoover landscape has also been completed; the site now includes varied landscaped spaces, including a lawn parterre, Redwood grove, and Oak grove. The groves feature fifteen mature trees which have been transplanted from other locations on the Hoover site, many of which had been boxed and stored offsite during construction.

Most recently, construction of a new medical office and clinic building has commenced on the Hoover site, on Quarry Road immediately west of the Hoover Pavilion, and northwest of the parking garage. City of Palo Alto grading and excavation permits were issued in March 2014, followed by the core and shell building permit in May 2014. Since that time, excavation and shoring work has completed, and foundation and underslab utility work is currently underway. Tenant improvement plans for the building are currently under City of Palo Alto review.



## 2013-2014 SUMMARY OF PROGRESS

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### WELCH ROAD UTILITIES

The Welch Road Utilities Project (WRUP) laid the groundwork for the New Stanford Hospital and the Lucile Packard Children's Hospital Expansion, and has been a vital step in ensuring the underlying functionality of the new medical facilities. Work involved the replacement of existing underground utility services along Welch and Quarry Roads—including water, gas, electrical, and telecommunications infrastructure—as well as the construction of new utilities to serve the new hospital facilities once they are built. This effort also included the widening of Welch Road, one of the main arteries into the medical center campus, and the construction of several roadway surface improvements such as sidewalks, crosswalks, planted medians, street lighting, and two new signalized intersections.

The WRUP work at Welch and Quarry Roads began in Fall 2011, and completed in July 2013. Underground utilities have been replaced and rerouted, and roadway surface improvements are complete. New plantings of trees, grasses, and groundcovers in sidewalk planting strips and in medians offer the beginnings of a vibrant corridor that will grow and mature with time. After nearly two years of construction work, during which time Welch Road operated as a one-lane, one-way road open only to westbound traffic, Welch Road has now reopened to two-way traffic.



## 2013-2014 SUMMARY OF PROGRESS

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### LUCILE PACKARD CHILDREN'S HOSPITAL

In response to growing community needs for specialized pediatric and obstetric care, Lucile Packard Children's Hospital is opening an expanded facility. The new hospital, to be located adjacent to the current Packard Children's Hospital, will provide patients and doctors with the most modern clinical advancements and technology, while also creating a more patient- and family-centered environment of care, with additional single-patient rooms and more spaces for families to be with their child during treatment and recovery.

The Packard Children's expansion will feature a new entrance lobby, public concourse with dining, three floors of nursing units, and new patient rooms. Spaces have been designed with an attention to natural light and views, and the exterior grounds—more than 3.5 acres of outdoor areas and gardens—will provide a park-like setting for patients, families, and visitors.

The Packard expansion completed its major site clearing activities in 2011 and 2012, and was issued a foundation permit by the Office of Statewide Health Planning and Development (OSHPD) in November 2012; this was followed by issuance of an OSHPD core and shell permit in November 2013. Since permit issuance, mass excavation and shoring work has completed, and foundation and perimeter wall work has been underway, along with concrete pours for the parking garage deck and walls. Two tower cranes have been delivered to the site, and steel erection has recently begun.



## 2013-2014 SUMMARY OF PROGRESS

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### NEW STANFORD HOSPITAL

Stanford Hospital and Clinics is constructing new and replacement hospital facilities that will usher in a new era of advanced patient care. Growth in patient volumes and rapidly changing medical technology have rendered much of the existing midcentury hospital infrastructure inadequate, while new seismic safety requirements have accelerated the need to construct replacement facilities.

The New Stanford Hospital will substantially increase capacity, and will also address a rapidly advancing medical landscape. High-tech spaces such as Surgery, Radiology, and Intensive Care will be replaced to accommodate the latest advances in medical technology, while still retaining the flexibility to adapt to future innovations. Facilities will feature new patient rooms, an enlarged Level-1 trauma center and Emergency Department, and new surgical, diagnostic, and treatment rooms. And foremost, the new facility will create a healing environment responsive to the needs of patients, visitors, and staff. Upper-level pavilions will feature light-filled patient rooms, and a mid-level garden floor will offer dining, conference, and educational facilities, as well as social and spiritual support spaces.

Preparation work for the New Stanford Hospital has been underway since late 2011, and many significant project-enabling activities are now complete. Site clearing activities began in November 2012 and continued into February 2013, first with the demolition of PS-3, the existing Hospital's patient and visitor parking structure, followed by the demolition of the medical office buildings at 1101 Welch. Patient and visitor parking has been relocated to the PS-4 underground structure during this time, and a temporary valet parking lot has been constructed near the Hospital entrance.

Significant project progress has been made since the 2013 issuance of the OSHPD foundation permit and core and shell permit for the New Stanford Hospital and the issuance of the City of Palo Alto building core and shell permit for the New Stanford Hospital Garage. Foundation work has been underway on the Hospital site, including the installation of seismic base isolators, and steel delivery to the site has recently begun. Meanwhile, construction of the Garage has progressed swiftly, with three levels of the garage now rising above grade.



## 2013-2014 SUMMARY OF PROGRESS

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### SCHOOL OF MEDICINE

The Stanford University School of Medicine will replace its outmoded research buildings with new state-of-the-art facilities designed to support contemporary translational research. The new facilities will accommodate 21st century medical advancements and enable the development of new medical innovations. The new buildings will feature integrated laboratory suites, with easier access between labs and support facilities, enabling transparency, flexibility, and collaboration. The new facilities will be surrounded by landscaped areas and tree-lined walkways.

The School of Medicine development is not yet underway. In the interim, part of the site that will ultimately be developed is currently in use as a temporary valet parking area for Hospital patients and visitors.



## 2013-2014 SUMMARY OF PROGRESS

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### NET NEW SQUARE FOOTAGE

The following table summarizes the net new square footage for which a certificate of occupancy has been issued.

PROJECT COMPONENT	GROSS SQUARE FOOTAGE
NEW STANFORD HOSPITAL	
1101 Welch demolished	(40,100)
<b>Total</b>	<b>(40,100)</b>
LUCILE PACKARD CHILDREN'S HOSPITAL EXPANSION	
701 Welch demolished	(56,300)
703 Welch demolished	(23,500)
<b>Total</b>	<b>(79,800)</b>
SCHOOL OF MEDICINE	
None	0
HOOVER PAVILION	
Misc. shops and storage demolished	(13,831)
<b>Total</b>	<b>(13,831)</b>

## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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This section of the Annual Report summarizes the steps that SUMC has taken to comply with their obligations in Section 5 of the Development Agreement.

### HEALTH CARE BENEFITS

SUMC provides certain intrinsic benefits to the community, as both a global leader in medical care and research, and as a community healthcare services provider. The Renewal Project enables SUMC to continue its important work, and the addition of more beds for adults and children will help to alleviate overcrowding. Additionally, the new hospital facilities will provide critical emergency preparedness and response resources for the community in the event of an earthquake, pandemic, or other major disaster.

#### ***Section 5(a)(ii). Fund for Healthcare Services***

The Hospitals have designated the amount of \$3 million for Healthcare Services which will increase to \$5.6 million by December 31, 2025. No further action is required until 2026. This amount will be reconciled with the construction tax use payments as described in Development Agreement Section 5(b)(ii)(C).

#### ***Section 5(a)(iii). Fund for Community Health and Safety Programs***

SUMC has contributed a single lump-sum payment of \$4 million to establish a Community Health and Safety Program Fund for the City of Palo Alto. This fund is to be distributed to selected community health programs that benefit residents of the City, including the Project Safety Net Program, a community-based mental health plan for youth well-being in Palo Alto. A joint committee is to be established to evaluate proposals regarding the other specific programs to receive funding, composed of two representatives selected by the SUMC Parties and two representatives selected by the City; this committee shall make annual recommendations to the City Council regarding proposed disbursements from the Community Health and Safety Program Fund, and the City Council shall use its reasonable discretion to decide whether to accept, reject, or modify the joint committee recommendations.

SUMC provided the entire required contribution to the Community Health and Safety Program Fund on August 25, 2011. No further action is required by the SUMC to comply with this Development Agreement provision. As required by Development Agreement Section 12(d), the City will provide yearly Supplements to the Annual Report to provide an accounting of the City's expenditures from this fund, and the purposes for which the expenditures were used.

## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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### PALO ALTO FISCAL BENEFITS

The SUMC Renewal Project brings considerable fiscal benefits to the City of Palo Alto. The project is expected to generate at least \$8.1 million in sales and use tax revenues for the City, and multiple mechanisms have been put into place to ensure that this target is met. The Development Agreement also provides for further fiscal benefits to the City, including a payment by SUMC to fund the City's operating deficit, and the payment of utility user taxes and school fees.

#### ***Sections 5(b)(i) and 5(b)(ii). Payment of Sales and Use Taxes***

As required by the Development Agreement, the SUMC submitted its annual Construction Sales and Use Tax monitoring report to the City on June 30, 2014. The SUMC parties will continue to submit such a report annually during the construction period for the Renewal Project so that the City can determine the share of construction use taxes that it has received as a result of the Renewal Project. Each year, within 60 days of receiving the monitoring report, the City will provide its determination of the amount of construction use taxes that it has received as a result of the Renewal Project during the preceding calendar year. In August 2026, the SUMC and the City will conduct a reconciliation process to confirm that the City has received at least \$8.1 million in construction use taxes as a result of the Project, as further described in Development Agreement Section 5(b)(ii).

To date, SUMC has taken the following steps to maximize the City's allocation of sales and use taxes associated with Project construction and operation. Documentation of each of these items is included in the 2013 construction use tax monitoring report already submitted.

- The SUMC Parties have obtained all permits and licenses necessary to maximize the City's allocation of construction use taxes derived from the project, including California Seller's Permits and Use Tax Direct Pay Permits. Copies of permits and licenses are attached to the 2013 monitoring report.
- SUMC has designated and required all contractors and subcontractors to designate the project site as the place of sale of all fixtures furnished or installed as part of the project.
- SUMC has designated and required all contractors and subcontractors to designate the project site as the place of use of all materials used in the construction of the project.
- SUMC has required all contractors and subcontractors to allocate the local sales and use taxes derived from their contracts directly to the city. SUMC has used best efforts to require contractors and subcontractors to complete and file any forms required by the State Board of Equalization to effect these designations.
- Both Hospitals have obtained use tax direct pay permits from the State of California for their existing facilities in order to increase the City tax allocation for the Hospitals' purchases. The Hospitals will maintain the use tax direct pay permit for the life of the project.
- Finally, SUMC has assisted the City in establishing and administering a Retail Sales and Use Tax Reporting District for the Renewal Project, to enable the City to track the generation, allocation, reporting and payment of sales and use taxes derived from the Project.

## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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### ***Section 5(b)(iii). Funding of Operating Deficit***

In order to assure that City costs associated with the Renewal Project do not exceed revenues to the City resulting from construction and operation of the project, SUMC has provided to the City a single lump sum payment in the amount of \$2,417,000. This payment was made on August 25, 2011. No further action is required by the SUMC to comply with this Development Agreement provision.

### ***Section 5(b)(iv). Payment of Utility User Tax***

SUMC will pay the City a utility user tax at a minimum rate of 5 percent of all electricity, gas, and water charges allocable to new construction completed as part of the project for the life of the project. This rate may be increased by the City as provided by Section 2.35.100(b) of the Municipal Code. No new construction has yet been completed for the SUMC Renewal Project, so this requirement has not yet been triggered.

### ***Section 5(b)(v). School Fees***

SUMC will pay to the City—who is then to forward to the Palo Alto Unified School District—school fees upon issuance of each building permit from the City or OSHPD, in the amount that is generally applicable to non-residential development at the time of payment based upon net new square footage, as defined in the Development Agreement.

School fees were paid in 2012 for LPCH and SHC in the amounts of \$188,815 and \$153,802, respectively. These fees were paid in advance of issuance of building permits, as OSHPD policy now prohibits the issuance of building permits for new construction without certification from the appropriate school district that all required fees have been paid. In July 2013, additional school fees were paid in the amount of \$7,051 to account for additional program square footage for the New Stanford Hospital and Garage. In May 2014, an additional payment of school fees in the amount of \$16,119 was made to account for the incremental square footage associated with the Hoover Medical Office Building, beyond the 60,000 square feet originally planned.



## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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### TRAFFIC MITIGATION AND REDUCED VEHICLE TRIPS

SUMC has taken a number of steps to mitigate the potential traffic impacts projected at full project buildout. Already, SUMC provides a robust transportation demand management program, offering a variety of incentives for employees to forego driving alone to work. As the Renewal Project moves forward, SUMC will take the following actions outlined below.

#### ***Section 5(c)(ii). Menlo Park Traffic Mitigation***

SUMC has agreed to contribute to the City of Menlo Park a total of \$3,699,000 for use in connection with traffic mitigation, infrastructure enhancements, and the promotion of sustainable neighborhoods and communities and affordable housing. This contribution is to be made in three equal payments; the first payment of \$1,233,000 was made on August 19, 2011. The second payment of \$1,233,000 was made on December 5, 2012, following the November 2012 issuance of the first Hospital foundation permit. The final payment will be made within 30 days from issuance of the first Hospital occupancy permit.

#### ***Section 5(c)(iii). East Palo Alto Voluntary Mitigation***

SUMC has contributed a single lump sum payment of \$200,000 to East Palo Alto to be used for roadway and traffic signal improvements on University Avenue. This payment was made on August 19, 2011. No further action is required by the SUMC to comply with this Development Agreement provision. In the event that the SUMC does not meet alternative transportation mode goals specified in the Development Agreement by 2025 and is assessed a \$4 million payment under Development Agreement section 5(c)(ix)(B), the City will be required to remit \$150,000 of such payment to the City of East Palo Alto.

#### ***Section 5(c)(iv). Contributions to AC Transit***

The Hospitals have committed to offering the following contributions to AC Transit within 30 days from issuance of the first Hospital occupancy permit:

- The Hospitals will contribute a one-time payment of \$250,000 to AC Transit to be used for capital improvements to the U-Line to increase capacity (Section 5(c)(iv)(A)).
- The Hospitals will offer to make annual payments to AC Transit in a reasonable amount, not to exceed \$50,000, to be used for operating costs of the U-Line to maintain a load factor for bus service to SUMC of less than 1 (Section 5(c)(iv)(B)).
- In order to encourage Hospital employees living in the East Bay to use public transit for their commute, the Hospitals have committed to using best efforts to lease 75 parking spaces at the Ardenwood Park and Ride lot, or an equivalent location, at a cost not to exceed \$45,000 per year (Section 5(c)(iv)(C)).

These offers have not yet been made to AC Transit because the first Hospital occupancy permit has not yet been issued.

#### ***Section 5(c)(v). Opticom Payments***

Within 30 days from issuance of the first Hospital occupancy permit, the Hospitals will pay \$11,200 to the City of Palo Alto to be used for the installation of Opticom traffic control systems at the following seven intersections: El Camino Real/Palm Drive/University Avenue; El Camino Real/Page Mill Road; Middlefield Road/Lytton Road; Junipero Serra/Page Mill Road; Junipero Serra/Campus Drive West; Galvez/Arboretum; and the Alpine/280 Northbound ramp. This payment has yet not been made because the first Hospital occupancy permit has not yet been issued.

## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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### ***Section 5(c)(vi). Caltrain GO Passes***

The Development Agreement requires that the hospitals purchase annual Caltrain GO Passes for all existing and new Hospital employees who work more than 20 hours per week at a cost of up to \$1.8 million per year, beginning on September 1, 2015. This obligation is to continue for a period of 51 years.

Hospital management accelerated the purchase of the annual GO Pass for Hospital employees, and began providing free GO Passes to employees commencing on January 1, 2012. Further details regarding the GO Pass purchase can be found in the SUMC Alternative Mode Share report, which was submitted to the City on May 30, 2014.

### ***Section 5(c)(vii). Marguerite Shuttle Service***

The Hospitals will fund the reasonable costs, in an approximate amount of \$2 million for the purchase of additional shuttle vehicles for the Marguerite shuttle service, as and when required to meet increased demand for shuttle service between the project sites and the Palo Alto Intermodal Transit Station. In addition, the Hospitals will fund as annual payments the reasonable costs, in an approximate amount of \$450,000 per year, to cover the net increase in operating costs for the Marguerite Shuttle. Demand for the Marguerite shuttle increased in 2012, and the Hospitals funded the purchase of two additional shuttles to meet this increased demand.

### ***Section 5(c)(viii). Transportation Demand Management Coordinator***

The Development Agreement requires that the Hospitals employ an onsite qualified Transportation Demand Management (TDM) Coordinator for SUMC, commencing on September 1, 2015, and continuing through the life of the Renewal Project.

Because the Hospitals accelerated the purchase of the Caltrain GO Pass, the Hospitals also accelerated the hiring of the TDM Coordinator. This position was filled in March 2012, and the TDM Coordinator has been working to raise awareness among SUMC commuters about alternative transportation options and commute incentive programs. This individual is also responsible for providing alternative commute planning assistance and responses to customer inquiries, writing and editing electronic and print communications, and coordinating and staffing outreach events, such as free transit pass distributions and employee fairs; and providing alternative transportation information at new employee orientations when requested.

### ***Section 5(c)(ix). Monitoring of TDM Programs***

The Hospitals are required to submit annual monitoring reports showing the current number of employees employed over 20 hours per week; the number of employees using an alternative transportation mode as documented by a study or survey to be completed by the Hospitals using a method mutually agreeable to the City, and the efforts used by the Hospitals to attempt to achieve the Alternative Mode Targets identified in the Development Agreement. The Development Agreement specifies payments to be made in the event that such targets are not met during particular time periods. SUMC submitted its 2014 Alternative Mode Share Report to the City on May 30, 2014; this report shows an alternative mode split of 34.4% for the Hospitals. As noted in the report, the 2014 mode split was calculated using a different methodology from years past; the new weighted survey analysis methodology is intended to ensure that the number of alternative transit users is not overstated in commute survey results, and that the commute statistics are representative of the general Hospital employee population. This mode split exceeds the Alternative Mode Share targets for 2018 and 2021.

## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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### LINKAGES

To further encourage use of Caltrain, bus, and other transit services, and to enhance and encourage use of pedestrian and bicycle connections between SUMC and Palo Alto, SUMC has funded or will fund the following specific infrastructure improvements.

#### ***Section 5(d)(i). Intermodal Transit Fund***

SUMC has provided to the City one lump sum payment of \$2.25 million for improvements to enhance the pedestrian and bicycle connection from the Palo Alto Intermodal Transit Center to the existing intersection of El Camino Real and Quarry Road. Up to \$2 million of this amount is to be used by the City for the development of an attractive, landscaped passive park/green space with a clearly marked and lighted pedestrian pathway, benches, and flower borders. SUMC paid the entire required amount for the Intermodal Transit Fund on August 25, 2011. No further action is required by the SUMC to comply with this Development Agreement provision. As required by Development Agreement Section 12(d), the City will provide yearly Supplements to the Annual Report to provide an accounting of the City's expenditures from this fund, and the purposes for which the expenditures were used. The City is required to construct the improvements prior to issuance of the Hospital Occupancy Permit.

#### ***Section 5(d)(ii). Quarry Road Fund***

SUMC has provided to the City one lump sum payment of \$400,000 for improvements to and within the public right-of-way to enhance the pedestrian and bicycle connection from the west side of El Camino Real to Welch Road along Quarry Road, including urban design elements and way finding, wider bicycle lanes, as necessary, on Quarry Road, enhanced transit nodes for bus and/or shuttle stops, and prominent bicycle facilities. SUMC paid the entire required amount for the Quarry Road Fund on August 25, 2011. No further action is required by the SUMC to comply with this Development Agreement provision. As required by Development Agreement Section 12(d), the City will provide yearly Supplements to the Annual Report to provide an accounting of the City's expenditures from this fund, and the purposes for which the expenditures were used. The City is required to construct the improvements prior to issuance of the Hospital Occupancy Permit.

#### ***Section 5(d)(iii). Stanford Barn Connection***

SUMC will construct up to \$700,000 of improvements to enhance the pedestrian connection between SUMC and the Stanford Shopping Center from Welch Road to Vineyard Lane, in the area adjacent to the Stanford Barn. The SUMC is required to construct these improvements prior to issuance of the first Hospital Occupancy permit.

## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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### INFRASTRUCTURE, SUSTAINABLE NEIGHBORHOODS AND COMMUNITIES, AND AFFORDABLE HOUSING

#### ***Section 5(e). Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing***

SUMC will contribute a total amount of \$23.2 million toward City of Palo Alto infrastructure, sustainable neighborhoods and communities, and affordable housing. The Development Agreement requires this amount to be contributed in three equal payments. The first payment, in the amount of \$7,733,333, was made on August 25, 2011; the second payment of \$7,733,333 was made on December 5, 2012, following the November 2012 issuance of the first Hospital foundation permit; and the final payment is to be made within 30 days from issuance of the first Hospital occupancy permit. As required by Development Agreement Section 12(d), the City will provide yearly Supplements to the Annual Report to provide an accounting of the City's expenditures from this fund, and the purposes for which the expenditures were used.

The City will use \$1,720,488 of these funds in the same manner as funds collected under the City's housing fee ordinance.

### CLIMATE CHANGE

#### ***Section 5(f). Climate Change Fund***

SUMC will contribute a total amount of \$12 million toward City projects and programs for a sustainable community, including programs identified in the City's Climate Action Plan, carbon credits, and investments in renewable energy and energy conservation. The Development Agreement requires this amount to be contributed in three equal payments. The first payment, in the amount of \$4 million, was made on August 25, 2011; the second payment of \$4 million was made on December 5, 2012, following the November 2012 issuance of the first Hospital foundation permit; and the final payment is to be made within 30 days from issuance of the first Hospital occupancy permit. As required by Development Agreement Section 12(d), the City will provide yearly Supplements to the Annual Report to provide an accounting of the City's expenditures from this fund, and the purposes for which the expenditures were used.

### SATISFACTION OF CONDITIONS OF APPROVAL

SUMC will satisfy all Conditions of Approval by the dates and within the time periods required by the project approvals, and has taken several steps in order to ensure that this requirement is met (Section 5(h)). The Conditions of Approval encompass conditions imposed by the Architectural Review Board, mitigation measures enumerated in the Mitigation Monitoring and Reporting Program, and conditions attached to the Conditional Use Permit.

In order to implement, monitor, and report on the implementation of this diverse array of conditions, SUMC, with input from City planning staff, has created two Excel spreadsheet tracking and reporting tools. These spreadsheets serve as a centralized repository for compliance monitoring information and documentation, and are updated by the SUMC project teams on a regular basis, and reviewed by the City.

# CONCLUSION

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As the Renewal Project completes its third year, SUMC looks forward to continued engagement with the City of Palo Alto as the project continues to forge ahead.



Table 1: Development Agreement, Section 5 - SUMC Parties' Promises **2013-14**

DA Section	Description	Summary	Activity	Complies?
<b>Health Care Benefits</b>				
5(a)(ii)	Fund for Healthcare Services	Financial assistance for Palo Alto residents	Establishment of \$3M SUMC fund	Yes
5(a)(iii)	Fund for Community Health and Safety Programs	\$4M fund for selected community health programs for Palo Alto residents	Payment of \$4M on 8/25/11 to establish City fund	Yes
<b>Fiscal Benefits</b>				
5(b)(i), (ii)	Payment of Sales and Use Taxes	Activities to maximize sales and use taxes paid to the City	General Fund sales and use tax revenues in calendar year 2013 resulting from construction related activities were approximately \$413,713 based on the 2014 City Auditor's review of the Construction Sales & Use Tax Monitoring Report submitted by SUMC on June 30, 2014.	Ongoing
5(b)(iii)	Funding of Operating Deficit	\$2.417M fund to address long-term deficits	Payment of \$2.417M on 8/25/11 to establish fund. (B11)	Yes
5(b)(iv)	Payment of Utility Users Tax	5% tax on all electricity, gas and water charges on new construction.	No new construction completed; tax is not applicable at this time.	NA
5(b)(v)	School Fees	Payment of PAUDS fees for net new square footage	\$342,617 fee paid for LPCH and NSH expansion in 2012. \$7,051 fee paid for NSH and NSH Garage expansion in July 2013.	Yes

Table 1: Development Agreement, Section 5 - SUMC Parties' Promises

2013-14

DA Section	Description	Summary	Activity	Complies?
			\$16,119 fee paid for Hoover Medical Office Building expansion in May 2014.	
<b>Traffic Mitigation and reduced Vehicle Trips</b>				
5(c)(ii)	Menlo Park Traffic Mitigation	\$3.7M payment for traffic mitigation, infrastructure, sustainable neighborhoods, affordable housing	First of three \$1.23M payments made on 8/19/11. Second payment of \$1.23M made on 12/5/12. Final Payment to be made within 30 days from issuance of the first Hospital Occupancy Permit.	Yes
5(c)(iii)	East Palo Alto Voluntary Mitigation	\$200K for Roadway and single improvements on University Ave.	\$200K payment made on August 19, 2011.	Yes
5(c)(iv)	Contributions to AC Transit	U-line capital improvements, low load factor ratios, parking spaces at Ardenwood Park & Ride	No activity. Payment to be made within 30 days from issuance of the first Hospital Occupancy Permit.	NA
5(c)(v)	Opticom Payments	\$11,200 payment for Opticom traffic control system at 7 intersections	No activity. Payment to be made within 30 days from issuance of the first Hospital Occupancy Permit.	NA
5(c)(vi)	CalTrain Go Passes	SUMC purchase of passes for all hospital employees working >20hrs/week	Go Passes have been purchased per DA. (January 1, 2012)	Yes

Table 1: Development Agreement, Section 5 - SUMC Parties' Promises

2013-14

DA Section	Description	Summary	Activity	Complies?
5(c)(vii)	Marguerite Shuttle Service	Purchase of additional shuttles to meet demand	Purchased additional shuttle buses for the Marguerite Shuttle service which now includes five renewable diesel-electric hybrid buses and three all-electric buses.	Yes
5(c)(viii)	SUMC Transportation Demand Management (TDM) Coordinator	SUMC hires coordinator to promote alternative transportation options	TDM Coordinator has been hired. (March 2012)	Yes
5(c)(ix)	Monitoring of TDM Programs	Yearly report regarding alternative transit mode use	2014 Alternative Mode Share Report submitted on May 30, 2014 indicates 34.4% of SUMC employees using alt modes.	Yes
<b>Linkages</b>				
5(d)(i)	Intermodal Transit Fund	\$2.25M payment to improve pedestrian linkages to PA Intermodal Transit Center	Payment of \$2.25M on 8/25/11 to establish City fund. (C11)	Yes
5(d)(ii)	Quarry Road Fund	\$400K payment to improve pedestrian linkages along Quarry Road	Payment of \$400K on 8/25/11 to establish City fund. (D11)	Yes
5(d)(iii)	Stanford Barn Connection	SUMC budgets up to \$700K for pedestrian connections in the vicinity of barn	No activity. Improvements must be made prior to first hospital occupancy.	NA

Table 1: Development Agreement, Section 5 - SUMC Parties' Promises

2013-14

DA Section	Description	Summary	Activity	Complies?
<b>Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing</b>				
5(e)	Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing Fund	\$23.2M payment for these uses	First of three \$7.3M payments made on 8/19/11. (E11) Second payment of \$7.3M made on 12/5/12. (E13) Final Payment to be made within 30 days from issuance of the first Hospital Occupancy Permit.	Yes
<b>Climate Change (F11, F13)</b>				
5(f)	Climate Change Fund	\$12M payment for climate change-related projects and programs	First of three \$4M payments made on 8/19/11. (F11) Second payment of \$4M made on 12/5/12. (F13) Final Payment to be made within 30 days from issuance of the first Hospital Occupancy Permit.	Yes



## 2013-14 Annual Report Supplement

Prepared by the City of Palo Alto

December 19, 2014

### Background and Purpose

On June 6, 2011, the City Council approved Comprehensive Plan amendments, zoning changes, a conditional use permit, annexation and design applications for the Stanford University Medical Center Facilities Renewal and Replacement Project (the "Projects"). The Projects include the construction of a new Stanford Hospital and clinics buildings, an expansion of the Lucile Packard Children's Hospital, construction of new School of Medicine buildings, renovation of the existing Hoover Pavilion, construction of a new medical office building and parking garage at Hoover Pavilion, roadway improvements along Welch Road and Durand Way, and SUMC design guidelines. A Development Agreement (the "Agreement") vesting these approvals was entered into between the SUMC Parties and the City and was effective on June 6, 2011 and continues for thirty (30) years from the effective date. The Agreement requires an annual report, prepared by SUMC that outlines the activities of the preceding year and the efforts to fulfill the obligations of the Agreement.

Per the requirements of sections 12(a) and 12(c) of the Agreement, The City of Palo Alto is to prepare a supplement to the annual report that contains an accounting of the funds described in the Section 5 of the Agreement ("SUMC Parties' Promises") including the fund balances and expenditures and the purposes for which the expenditures were used.

This annual report supplement covers the period during the third year of the Agreement: June 6, 2013 through June 6, 2014. Accounting for the funds outlined in the attachment extends through the end of the City's Fiscal Year 2014, June 30, 2014.

### Public Benefit Fund Accounting

Attachment A to this report contains a spreadsheet of the funds received and the use of those funds pursuant to the Agreement as of June 30, 2014. In summary, SUMC have paid approximately \$32.5 million in public benefit fees to the city. The first payment of \$20,800,333 on August 11, 2011 was for the following funds:

- Fund for Community Health and Safety, Project Safety Net (Section 5(a)(iii));

- Fund for SUMC Project Operating Deficit (Section 5(b)(iii));
- Fund for Pedestrian and Bicycle Connections from Intermodal Transit Center to El Camino Real/Quarry Road Intersection (Section 5(d)(i));
- Fund for Public Right of Way Improvements to Enhance Pedestrian and Bicycle Connections on Quarry Road (Section 5(d)(ii));
- Fund for Infrastructure, Sustainable Neighborhoods and Communities and Affordable Housing (Section 5(e)), and
- Fund for Sustainable Programs Benefit (Section 5(f)(i))

An additional \$11,733,333 payment was made on December 5, 2012 for the following funds:

- Fund for Infrastructure, Sustainable Neighborhoods and Communities and Affordable Housing (Section 5(e)), and
- Fund for Sustainable Programs Benefit (Section 5(f)(i))

The specific funding amounts as shown on the spreadsheet are consistent with Section 5 of the Agreement. These funds have been assigned a unique cost center number for accounting purposes. The spreadsheet also contains the investment earnings and the earnings allocation to the various cost centers.

#### Public Benefit Fund Expenditures

Expenditures during FY 14 through June 30, 2014, as shown on the spreadsheet, were made from the following funds:

**Fund for Community Health and Safety, Project Safety Net:** \$131,458.78 was utilized for the Project Safety Net program which is specifically identified in the Agreement as a community health program that would be an appropriate program for the use of this fund. Funds spent during the reporting period were allocated to salaries/benefits for Project Safety Net staff and other expenses relating to the operation of the program.

**Fund for Expansion Cost Mitigation (SUMC Project Operating Deficit):** \$1.2 million under the “Expansion Cost Mitigation” cost center for City Capital Projects, specifically for the implementation of the Bicycle & Pedestrian Transportation Plan which is included on the approved prioritized list of infrastructure projects.

#### Residential Affordable Housing Fund – Return of Maybell Loan

The Palo Alto Housing Corporation returned \$720,220, which staff deposited in the Residential Housing Fund. This amount was for the Maybell project that was overturned by voters. The funds originally came from the Stanford University Medical Center Development Agreement funding to be used for affordable housing. The \$720,220 will remain in the Residential Affordable Housing Fund until an appropriate affordable housing project is identified and the funds are approved by the City Council for use on the project. In 2013, Council also approved a \$2.6 million short-term loan for Maybell out of the

Stanford funds. This loan was not needed, consequently the funds were not transferred to the housing fund and they remain part of the Stanford funds.

No other expenditures were made during the reporting period from the other funds as part of the Agreement.

City of Palo Alto  
Stanford Medical Center Development Agreement (Fund 260)  
Fiscal Year 2013-14 Audited Balances

	Expansion Cost Mitigation	Intermodal Transit	Quarry Road Improvements	Infrastructure & Afford Housing	Climate Change & Sustainability	Community Health & Safety	Total FY 2014 Actuals
cost centers	26000000	60260010	60260020	60260030	60260040	80260010	
<b>Beginning Balance 07/01/13</b>	2,567,768.65	1,997,653.49	424,951.37	14,062,796.84	8,238,569.15	4,059,176.75	31,350,916.26
<b>Revenues:</b>							
Revenues From Stanford	-	-	-	-	-	-	-
Transfer from HIL-Residential	-						-
Interdepartment Service						3,190.86	3,190.86
Investment Earnings	760,834.41						760,834.41
Allocate to categories	(760,834.41)						(760,834.41)
Allocated Investment Earnings	34,665.70	50,629.95	10,770.27	356,417.49	208,804.14	99,546.87	760,834.41
<b>Total Revenues</b>	<b>34,665.70</b>	<b>50,629.95</b>	<b>10,770.27</b>	<b>356,417.49</b>	<b>208,804.14</b>	<b>102,737.73</b>	<b>764,025.27</b>
<b>Expenditures:</b>							
Temp Salaries/Benefits						40,724.21	40,724.21
Contract Services for 27 University		-		-			-
Contract Services						82,817.62	82,817.62
Other expenses						7,916.95	7,916.95
Transfer to Capital Projects	1,200,000.00						1,200,000.00
Transfer to HIL-Residential				-			-
Transfer to HIL-Commercial				-			-
<b>Total Expenditures</b>	<b>1,200,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131,458.78</b>	<b>1,331,458.78</b>
FY 2014 Revenues less Exp	(1,165,334.30)	50,629.95	10,770.27	356,417.49	208,804.14	(28,721.05)	(567,433.51)
<b>Net total 06/30/2014</b>	<b>1,402,434.35</b>	<b>2,048,283.44</b>	<b>435,721.64</b>	<b>14,419,214.33</b>	<b>8,447,373.28</b>	<b>4,030,455.70</b>	<b>30,783,482.75</b>
<b>Less: Unrealized Gain/Loss</b>	<b>16,883.14</b>	<b>13,134.62</b>	<b>2,794.07</b>	<b>92,463.21</b>	<b>54,168.78</b>	<b>26,689.18</b>	<b>206,133.00</b>
<b>Reserve for Encumbrances</b>						<b>19,804.00</b>	<b>19,804.00</b>
<b>Net total available 06/30/2014</b>	<b>1,385,551.21</b>	<b>2,035,148.82</b>	<b>432,927.57</b>	<b>14,326,751.12</b>	<b>8,393,204.50</b>	<b>3,983,962.52</b>	<b>30,557,545.75</b>
<b>Future Revenues from Stanford:</b>							
Estimated January 2018-1st hospital occupancy permit				7,733,333.00	4,000,000.00		

# City of Palo Alto

Office of the City Auditor

August 19, 2014

Mr. Matt Pearson

Director of Finance and Operations, Planning Design and Construction Department

Stanford University Medical Center

66 Willow Place

Menlo Park, CA 94025

**Subject: Construction Sales & Use Tax Monitoring Report Q1 2013 – Q4 2013**

Dear Mr. Pearson:

Thank you for submitting the Construction Sales & Use Tax Monitoring Report for Q1 2013 – Q4 2013 on June 30, 2014. This letter represents our response to the report, as required in the Stanford University Medical Center Development Agreement with the City of Palo Alto, Section 5(b)(ii)(B). The Development Agreement states that the City is to provide its determination of the amount of construction use taxes that it has received in the preceding calendar year, along with documentation of the basis for the City's determination.

We determined the amount of taxes received by reviewing tax information from the State Board of Equalization for the accounts listed in your report. The California Revenue and Taxation Code, Section 7056, requires that sales and use tax data remain confidential. As such, the City may not disclose information on individual businesses and their tax amounts in providing information on the determination of the amount of construction use taxes received in the preceding calendar year.

We noted the following differences in local tax for calendar years 2011 through 2013.

Calendar Year	Local Tax Per Stanford	Local Tax per City	Net Difference
2011	\$10,624	\$10,624	\$0
2012	\$57,207	\$61,100	(\$3,893)
2013	\$417,385	\$413,713	\$3,672
Total	\$485,216	\$485,437	(\$221)

P.O. Box 10250  
Palo Alto, CA 94303  
650.329.2667  
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Mr. Matt Pearson

Director of Finance and Operations, Planning Design and Construction Department

August 19, 2014

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The net difference is primarily comprised of offsetting taxes for the following accounts:

Local tax per Stanford less than local tax per City

102-152826 Preston Pipelines

019-684123 Redwood City Electric

102-155817 Vance Brown

Local tax per Stanford more than local tax per City

021-836959 Gonsalves & Santucci

We recommend that you request that Gonsalves & Santucci file amended tax returns for the third and fourth quarters of 2013 with the State Board of Equalization. The detail in your report shows that their tax returns were coded to tax area code 43998, Santa Clara County, instead of tax area code 43006, City of Palo Alto. The City of Palo Alto has not received any taxes for these two quarters.

If you have any questions, please contact Lisa Wehara, Performance Auditor, at 650-329-2570 or email [lisa.wehara@cityofpaloalto.org](mailto:lisa.wehara@cityofpaloalto.org).

Sincerely,



Harriet Richardson

City Auditor