



# City of Palo Alto

## City Council Staff Report

(ID # 8999)

---

**Report Type: Consent Calendar**

**Meeting Date: 6/11/2018**

**Summary Title: SUMC Annual Report 2016-2017**

**Title: Accept the Stanford University Medical Center (SUMC) Annual Report for Fiscal Year 2016-2017 and Find the SUMC Parties in Compliance With the Development Agreement**

**From: City Manager**

**Lead Department: Planning and Community Environment**

### **Recommendation**

Staff recommends that the City Council:

1. Review the Stanford University Medical Center (SUMC) Annual Report for Fiscal Year 2016-2017 and find that the Stanford 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; and
2. Find that the SUMC Parties are not in default with the terms and conditions of the Agreement.
3. Accept the City of Palo Alto's (City) Annual Report Supplement 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 FY 2016-2017 Annual Report that summarizes the construction activities and other actions taken to fulfill the obligations of the Development Agreement. Of note, the SUMC Parties report achieving a 39.1% alternative transportation mode split which exceeds the Alternative Mode Share target of 30.0% for 2018. The SUMC Parties have paid approximately \$32.5 million in public benefit fees to the City since June 6, 2011 through the FY 2016-2017 reporting period. City Council reviewed and approved use of the existing SUMC contributed funds for a wide variety of capital projects and partial funding of Project Safety Net operations.

## 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; the Agreement was deemed 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 the FY 2016-2017 reporting period, the sixth year of the Agreement. Last year’s SUMC Annual Report and compliance documentation can be found in the following documents:

- **Fiscal Year 2015-2016**

<https://www.cityofpaloalto.org/civicax/filebank/documents/60896>

To obtain the latest information regarding the Stanford University Medical Center project construction, members of the public may wish to visit the Stanford-hosted website (<http://www.sumcrenewal.org>) and sign up for the 10-day Look Ahead weekly email notifications (<http://www.sumcrenewal.org/contact-us/?signup=1>).

## Discussion

As described in Development Agreement Section 12, “Periodic Review of Compliance,” the City Council is to review the Agreement annually in order 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 FY 2016-2017 SUMC Annual Report, dated July 6, 2017 (Attachment A), describes the SUMC Parties’ activities related to implementation of the Agreement and is summarized below along with notable activities from prior reporting periods.

### Construction Activities and Net New Square Footage

The SUMC Annual Report summarizes the construction activities within the reporting period, as well as provides a summary of net new square footage added within the past year.

Construction activities during this reporting period included:

- **Lucile Packard Children’s Hospital (LPCH)** – Substantial construction progress continued during the FY 2016-2017 reporting period and LPCH anticipated opening for patient care in late 2017.
- **New Stanford Hospital (NSH)** - Substantial construction progress continued during the FY 2016-2017 reporting period. NSH is anticipated to complete construction in 2019.

- **School of Medicine (SOM) Buildings-** The School of Medicine commenced site preparation and other activities during the FY 2016-2017 reporting period for the new Biomedical Innovations Building.

Construction activities in past reporting periods 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 a 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 Fall 2013. It is now open for use by patients and staff.
- **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 construction portion of this project was considered to be largely complete in 2013 and two-way automobile traffic currently operates on Welch Road. The SUMC Parties and the City are currently in the process of finalizing easements and maintenance agreements.
- **Hoover Medical Office Building “Neuroscience Health Center”** – Site work and construction for the building was completed in October 2015 and the Neuroscience Health Center opened in January 2016.

As discussed in past reporting periods, a total of approximately 133,731 square feet of floor area was demolished at the Stanford Hospital, Lucille Packard Children’s Hospital, and Hoover Pavilion sites and only the opening of the Neuroscience Health Center at the Hoover Pavilion site represents net new square footage that has received occupancy permits. During the FY 2016-2017 reporting period, none of the aforementioned sites received occupancy permits for net new floor area.

#### Compliance with Development Agreement Obligations

The SUMC Annual Report also summarizes the SUMC Parties’ progress in meeting terms described in Section 5 of the Agreement, “SUMC Parties’ Promises,” including with respect to the following obligation items:

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

City staff reviewed this information within the SUMC Annual Report and determined that it is complete and correct. A summary of the obligations and staff-confirmed status can be found in Table 1: Development Agreement, Section 5 – SUMC Parties’ Promises (Attachment B).

### 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:

- Annually purchasing CalTrain Go Passes for all eligible employees as of January 1, 2012, which was three years ahead of the September 1, 2015 requirement in the Agreement;
- Previously purchasing shuttle buses for the Marguerite Shuttle service, as well as ongoing annual payments to cover the net increase in operating costs for the Marguerite Shuttle service;
- Hiring and maintaining a Transportation Demand Management (TDM) coordinator position since March 13, 2012, three years ahead of the September 1, 2015 requirement as stated in the Agreement, and
- Achieving another increase in the alternative transportation mode split from 31.9% in the FY 2015-2016 reporting period to 39.1% of hospital employees using alternative modes to get to work rather than driving alone in the FY 2016-2017 reporting period.

The 39.1% mode split exceeds the alternative mode share target for 2018 of 30.0%. It is anticipated that the SUMC Parties will continue to meet or exceed the alternative mode share targets for 2021 (33.0%) and 2025 (35.1%), especially with the implementation of Development Agreement-required pedestrian, bicycle, and transit linkage improvements that are planned for completion in 2018-2019.

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

### Supplement to the Annual Report

As described in Section 12(d) of the Agreement, City staff is required to prepare a supplement to the Annual Report (the "Supplement") (Attachment C). The Supplement is to include an accounting of the funds received from the SUMC Parties to satisfy the obligations outlined in Section 5 of the Agreement, a description of the account balances, and a summary and description of expenditures from the funds.

The SUMC Parties have paid approximately \$32.5 million in public benefit fees to the City since June 6, 2011. There were no required new payments from the SUMC Parties during the FY 2016-2017 reporting period. Payments made in late 2017 will be reflected in the next annual report. There was a loss of investment earnings in FY 2016-2017 of \$ ( - 38,520) due to the recognition of unrealized losses across the city's investments as reported in the FY 2016-2017 comprehensive annual financial report (CAFR)

During the FY 2016-2017 reporting period, the City authorized transfers to the Capital Improvement plan and Operating expenditures for the following:

- \$441,000 under the “Intermodal Transit Center” cost center for a Temporary Park Connection between the Transit Center and El Camino Real (PL-16000).
- \$359,000 under the “Quarry Road Improvements” cost center for completion of enhancements to the pedestrian and bicycle connection from the west side of El Camino Real to Welch Road, including urban design elements and wider bicycle lanes the public right-of-way (PL-16000).
- \$10,350,000 under the “Infrastructure and Affordable Housing” cost center for the Charleston/Arastadero Corridor Project (PE-13011), the new Public Safety Building (PE-15011), and the replacement of Fire Station 3 (PL-15003).
- \$1,200,000 under the “Climate Change & Sustainability” cost center for the implementation of the Bicycle & Pedestrian Transportation Plan (PL-04010).
- \$85,000 under the “Community Health & Safety” cost center for partial funding of Project Safety Net Program operations (Actual is \$30,033).

General Fund Sales and Use Tax revenues in calendar year 2016 resulting from construction-related activities totaled \$883,767, based on the City Auditor’s review of the Construction Sales & Use Tax Monitoring Report submitted by Stanford Medicine on June 30, 2017. The City Auditor submitted a letter to Stanford Medicine noting that local tax for the project for calendar years 2011 through 2016 totaled \$2,896,941, which was \$6,102 more than what was listed in the Construction Sales & Use Tax Monitoring Report.

#### Future Use of Development Agreement Funds

The funds received by the City as a result of the Development Agreement represent a significant portion of future funding for implementation of the City’s Infrastructure Plan. Over the course of the 2018-2022 CIP, transfers to the Capital Improvement Fund totaling \$18.8 million are anticipated. This funding will support a variety of ongoing and new projects including the Bicycle and Pedestrian Transportation Plan (PL-04010), the New Public Safety Building (PE-15011), the reconstruction of Fire Station 3 (PE-15003) and Fire Station 4 (PE-18004), the New Downtown Garage (PE-15007), and the Charleston Arastradero Corridor Improvements Project (PE-13011).

For additional information about the future use of development agreement funds, please refer to the following:

- Fiscal Year 2018 Adopted Operating Budget document, Special Revenue Funds section:
  - <https://www.cityofpaloalto.org/civicax/filebank/documents/61330>; and
- Fiscal Year 2018 Adopted Capital Improvement Budget document:
  - <https://www.cityofpaloalto.org/civicax/filebank/documents/61331>.

## **Resource Impact**

There are no impacts to the City's FY 2018 budget as a result of issuing this FY 2016-2017 Annual Report for the SUMC Development Agreement. As stated above, the SUMC Parties have paid approximately \$32.5 million in public benefit fees to the City since June 6, 2011 through the FY 2016-2017 reporting period.

## **Policy Implications**

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

## **Environmental Review**

Finding the SUMC Parties in compliance with the Terms of the Agreement is not a project under the California Environmental Quality Act and no environmental assessment is required for the annual compliance review. 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: SUMC Annual Report 2016-2017
- Attachment B: Table 1-Development Agreement
- Attachment C: (PART 1) SUMC Annual Report Supplement FY2016\_17
- Attachment C: (PART 2) SUMC Annual Report Supplement FY2016\_17 Attachment A





# 2016-17 ANNUAL REPORT

PREPARED FOR THE CITY OF PALO ALTO | JULY 6, 2017

# CONTENTS

---

<b>EXECUTIVE SUMMARY</b>	<b>1</b>
<b>BACKGROUND AND PURPOSE</b>	<b>2</b>
<b>2016-2017 SUMMARY OF PROGRESS</b>	<b>3</b>
LUCILE PACKARD CHILDREN'S HOSPITAL	3
NEW STANFORD HOSPITAL	4
SCHOOL OF MEDICINE	5
NET NEW SQUARE FOOTAGE	6
<b>COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS</b>	<b>7</b>
HEALTH CARE BENEFITS	7
SECTION 5(a)(ii). FUND FOR HEALTHCARE SERVICES	7
SECTION 5(a)(iii). FUND FOR COMMUNITY HEALTH AND SAFETY PROGRAMS	7
PALO ALTO FISCAL BENEFITS	8
SECTIONS 5(b)(i) AND 5(b)(ii). PAYMENT OF SALES AND USE TAXES	8
SECTION 5(b)(iii). FUNDING OF OPERATING DEFICIT	9
SECTION 5(b)(iv). PAYMENT OF UTILITY USER TAX	9
SECTION 5(b)(v). SCHOOL FEES	9
TRAFFIC MITIGATION AND REDUCED VEHICLE TRIPS	10
SECTION 5(c)(ii). MENLO PARK TRAFFIC MITIGATION	10
SECTION 5(c)(iii). EAST PALO ALTO VOLUNTARY MITIGATION	10
SECTION 5(c)(iv). CONTRIBUTIONS TO AC TRANSIT	10
SECTION 5(c)(v). OPTICOM PAYMENTS	11
SECTION 5(c)(vi). CALTRAIN GO PASSES	11
SECTION 5(c)(vii). MARGUERITE SHUTTLE SERVICE	11
SECTION 5(c)(viii). TRANSPORTATION DEMAND MANAGEMENT COORDINATOR	11
SECTION 5(c)(ix). MONITORING OF TDM PROGRAMS	12
LINKAGES	13
SECTION 5(d)(i). INTERMODAL TRANSIT FUND	13
SECTION 5(d)(ii). QUARRY ROAD FUND	13
SECTION 5(d)(iii). STANFORD BARN CONNECTION	14
INFRASTRUCTURE, SUSTAINABLE NEIGHBORHOODS AND COMMUNITIES, AND AFFORDABLE HOUSING	14
SECTION 5(e).	14
CLIMATE CHANGE	14
SECTION 5(f). CLIMATE CHANGE FUND	14
SATISFACTION OF CONDITIONS OF APPROVAL	15
SECTION 5(h). SATISFACTION OF ALL CONDITIONS OF APPROVAL	15
<b>CONCLUSION</b>	<b>16</b>



## EXECUTIVE SUMMARY

---

On June 6, 2011, the Stanford University Medical Center parties (now Stanford Medicine)—comprised of Stanford Hospital and Clinics (now Stanford Health Care), 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 Stanford Medicine Renewal and Replacement Project (“Renewal Project”) facilities in accordance with the approvals granted by the City, and a streamlined process for obtaining subsequent project approvals. The 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, six years after the execution of the Development Agreement, the Hospital projects are moving closer to completion, with the first Hospital occupancy permit anticipated to be issued in late 2017. Meanwhile, the School of Medicine is beginning the first phase of development of its replacement facilities.

Against this backdrop, Stanford Medicine submits its 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 Stanford Medicine and the broader community.





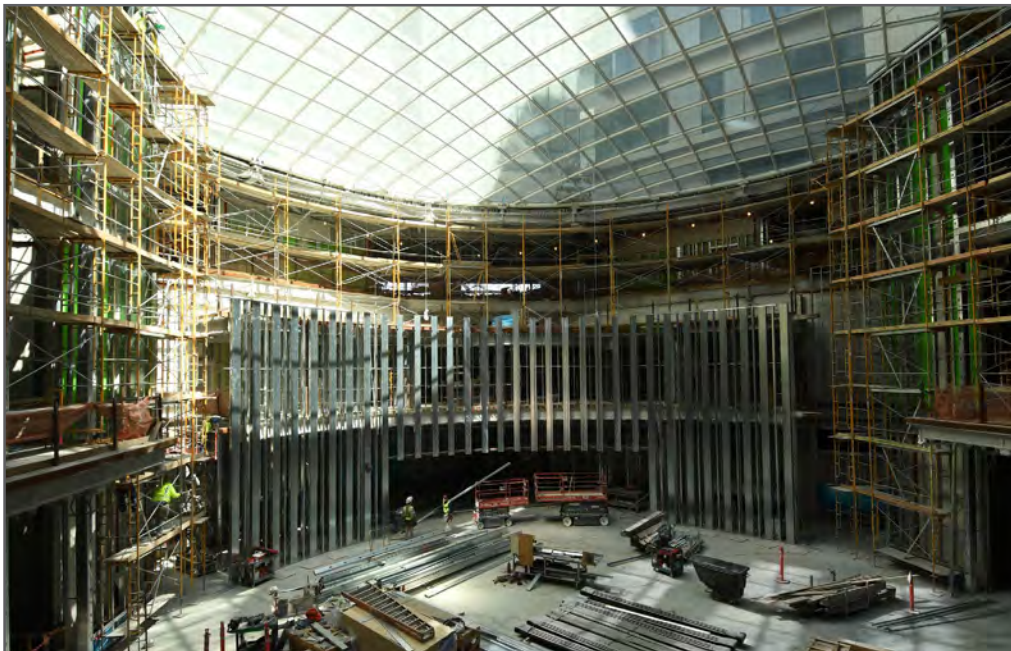
## BACKGROUND AND PURPOSE

---

The Palo Alto City Council's unanimous approval of the entitlements for the Stanford Medicine Renewal and Replacement Project in July 2011 has paved the way for a historic investment in new and replacement facilities for Stanford Medicine. The project approvals—including new zoning for the Renewal Project sites, a conditional use permit, architectural review approval, and the execution of a Development Agreement—allow 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, the Stanford Medicine parties entered into a Development Agreement with the City of Palo Alto, which includes a comprehensive package of community benefits and additional development conditions. In exchange for these benefits, the City has vested for a period of 30 years Stanford Medicine's rights to develop and use the property in accordance with the project approvals, and agreed to 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 Stanford Medicine 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 Stanford Medicine's 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 Stanford Medicine has taken to comply with the obligations listed in Section 5 of the Development Agreement. With this report, Stanford Medicine 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 balances and expenditures from each of the City Funds and how they were used.



## 2016-2017 SUMMARY OF PROGRESS

---

The Renewal Project continues to progress, with construction activities for both Hospitals moving closer to completion, and site preparation work for the first of the new School of Medicine facilities now underway. The section to follow 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.

### 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.

In the past year, significant construction progress has been made on the LPCH expansion project—the exterior enclosure of the building has been completed, and interior finish construction has been underway. Installation of medical equipment and furniture is currently in progress, and all patient rooms are now substantially complete. LPCH anticipates licensure by the State Department of Public Health in late 2017; this will constitute issuance of an occupancy permit for purposes of the Development Agreement.





## 2016-2017 SUMMARY OF PROGRESS

---

### NEW STANFORD HOSPITAL

Stanford Health Care 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.

Substantial progress has been made on the New Stanford Hospital project over the past year. The exterior enclosure for the Hospital is now nearly complete, and interior finish construction and elevator installation are underway. Site grading is also underway at the perimeter of the building, including the Promenade area. Meanwhile, at the adjacent New Stanford Hospital Garage, interior construction of the rooftop pavilions has been underway. A temporary Certificate of Occupancy issued by the City in 2014 allows for contractor parking while construction continues.



## 2016-2017 SUMMARY OF PROGRESS

---

### 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 received architectural review approval for the first phase of its development (Biomedical Innovations Building 1, or “BMI-1”) from the City of Palo Alto in March 2017. Since that time, site preparation activities have commenced, including the relocation of one large protected-status oak from the project site to the Kaplan Lawn across South Pasteur Drive. Excavation is currently underway for a new tunnel which will connect the future BMI-1 to the existing network of School of Medicine tunnels and central loading dock. Applications for site utilities, grading, and building permits are currently under City of Palo Alto review.



## 2016-2017 SUMMARY OF PROGRESS

---

### NET NEW SQUARE FOOTAGE

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

<b>PROJECT COMPONENT</b>	<b>GROSS SQUARE FOOTAGE</b>
<b>NEW STANFORD HOSPITAL</b>	
1101 Welch demolished	(40,100)
<b>Total</b>	<b>(40,100)</b>
<b>LUCILE PACKARD CHILDREN'S HOSPITAL EXPANSION</b>	
701 Welch demolished	(56,300)
703 Welch demolished	(23,500)
<b>Total</b>	<b>(79,800)</b>
<b>SCHOOL OF MEDICINE</b>	
None	0
<b>HOOVER PAVILION</b>	
Misc. shops and storage demolished	(13,831)
Stanford Neuroscience Health Center (Hoover MOB)	91,605
<b>Total</b>	<b>77,774</b>



## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

---

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

### HEALTH CARE BENEFITS

In addition to the health care funds listed below, Stanford Medicine 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 Stanford Medicine 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 use tax payments as described in Development Agreement Section 5(b)(ii)(C), and will be spent between 2026 and 2036.

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

Stanford Medicine 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 Stanford Medicine 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.

Stanford Medicine provided the entire required contribution to the Community Health and Safety Program Fund on August 25, 2011. No further action is required by Stanford Medicine 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

---

### PALO ALTO FISCAL BENEFITS

The Stanford Medicine 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 Stanford Medicine 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, Stanford Medicine submitted its annual Construction Sales and Use Tax monitoring report to the City on June 30, 2017. The Stanford Medicine 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 or soon thereafter, Stanford Medicine 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 Renewal Project, as further described in Development Agreement Section 5(b)(ii).

To date, Stanford Medicine has taken the following steps detailed below 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 2016 construction use tax monitoring report already submitted.

- Stanford Medicine has 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 2016 monitoring report.
- Stanford Medicine 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.
- Stanford Medicine 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.
- Stanford Medicine has required all contractors and subcontractors to allocate the local sales and use taxes derived from their contracts directly to the City. Stanford Medicine 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, Stanford Medicine 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

---

### ***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, Stanford Medicine 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 Stanford Medicine to comply with this Development Agreement provision.

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

Stanford Medicine 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. The 5 percent utility user tax is currently being paid by Stanford Medicine.

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

Stanford Medicine 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. 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. In November 2015, additional school fees in the amount of \$461.16 were paid to account for incremental square footage for the New Stanford Hospital Garage.



## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

---

### TRAFFIC MITIGATION AND REDUCED VEHICLE TRIPS

Stanford Medicine has taken a number of steps to mitigate the potential traffic impacts projected at full project buildout. Already, Stanford Medicine 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, Stanford Medicine will take the following actions outlined below.

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

Stanford Medicine 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, currently anticipated in late 2017.

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

Stanford Medicine 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 Stanford Medicine to comply with this Development Agreement provision. In the event that Stanford Medicine 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 offer to 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 the Medical Center 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)). No action is required at this time; however, since May 2014, a 100-space park-and-ride facility on Kaiser Drive at Campus Drive in Fremont (0.9 mile from Ardenwood Park & Ride) has been under lease for the use of Stanford University and Hospital commuters.

These offers are anticipated to be made to AC Transit in late 2017, upon issuance of the first Hospital occupancy permit.

## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

---

### ***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 is anticipated to be made in late 2017, upon issuance of the first Hospital occupancy permit.

### ***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 approximately \$1.8 million per year, beginning on September 1, 2015. This obligation is expected 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 Alternative Mode Share report, which was submitted to the City on May 31, 2017.

### ***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 three new hybrid shuttles to meet this increased demand. Since this time, the Hospitals have funded as annual payments the reasonable costs of the net increase in operating costs for the Marguerite Shuttle.

### ***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 Stanford Medicine, 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, filling this position in March 2012. The TDM Coordinator (TDM Program Manager) is responsible for analyzing, developing, and implementing programs to advance the Hospitals' TDM objectives. Specifically, the position supports the Hospitals' TDM program by raising awareness among commuters about alternative transportation options and Stanford's commute incentive programs; providing alternative commute planning assistance and responses to customer inquiries; writing and editing electronic and print communications; coordinating and staffing outreach events, such as free transit pass distributions and employee fairs; and providing alternative transportation information and resources at new employee orientations.



## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

---

### *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 Hospitals; 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. Stanford Medicine submitted its 2016-17 Alternative Mode Share Report to the City on May 31, 2017; this report shows an alternative mode split of 39.1% for the Hospitals. This mode split exceeds the Alternative Mode Share target for 2025.





## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

---

### LINKAGES

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

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

Stanford Medicine 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. Stanford Medicine paid the entire required amount for the Intermodal Transit Fund on August 25, 2011. No further action is required by Stanford Medicine 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 first Hospital Occupancy Permit, currently anticipated to be issued in late 2017.

The City commenced work in February 2017 on a temporary path with associated lighting, landscaping / green space, benches, and flower borders from the transit center to the existing crosswalk at the intersection of El Camino Real and Quarry Road; this scope is anticipated to be completed in July 2017. Available funds remaining after this work is completed may be applied to the construction of permanent improvements in the future.

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

Stanford Medicine 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. Stanford Medicine paid the entire required amount for the Quarry Road Fund on August 25, 2011. No further action is required by Stanford Medicine 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 first Hospital Occupancy Permit, currently anticipated to be issued in late 2017.

The City has developed a design for bicycle enhancements along Quarry Road, but as agreed to with Stanford Medicine, is delaying implementation of these improvements until planned utility trenching to the Medical Center (anticipated for Summer 2017) is complete.

## COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

---

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

Stanford Medicine will construct up to \$700,000 of improvements to enhance the pedestrian connection between the Main Medical Campus and the Stanford Shopping Center from Welch Road to Vineyard Lane, in the area adjacent to the Stanford Barn. Stanford Medicine is required to construct these improvements prior to issuance of the first Hospital Occupancy permit, currently anticipated to be issued in late 2017. Stanford Medicine received architectural review approval for the proposed pedestrian improvements on the Barn property in April 2017, and a building permit was issued in June 2017. Construction of the improvements is expected to be completed in Fall 2017.

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

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

Stanford Medicine 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, currently anticipated for late 2017. 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***

Stanford Medicine 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, currently anticipated for late 2017. 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

---

## SATISFACTION OF CONDITIONS OF APPROVAL

### *Section 5(h). Satisfaction of All Conditions of Approval*

Stanford Medicine 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, Stanford Medicine, 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 Stanford Medicine project teams on a regular basis, and reviewed by the City.





# CONCLUSION

---

As the Renewal Project completes its sixth year, Stanford Medicine 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

FY 2016-17

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 August 25, 2011 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 2016 resulting from construction-related activities totaled \$883,767, based on the City Auditor's review of the Construction Sales & Use Tax Monitoring Report submitted by Stanford Medicine on June 30, 2017. The City Auditor submitted a letter to Stanford Medicine noting that local tax for the project for calendar years 2011 through 2016 totaled \$2,896,941, which was \$6,102 more than what was listed in the Construction Sales & Use Tax Monitoring Report.	Ongoing

Table 1: Development Agreement, Section 5 - SUMC Parties' Promises **FY 2016-17**

DA Section	Description	Summary	Activity	Complies?
5(b)(iii)	Funding of Operating Deficit	\$2.417M fund to address long-term deficits	Payment of \$2.417M on August 25, 2011 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.	Utilities confirmed that billing accounts were created when new meters were set for new construction and the Utility Users Tax has been paid through the normal billing process for each site.	Yes
5(b)(v)	School Fees	Payment of PAUSD 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. \$16,119 fee paid for Hoover Medical Office Building expansion in May 2014. \$461.16 fee paid to account for incremental square footage for the New Stanford Hospital Garage.	Yes

#### Traffic Mitigation and Reduced Vehicle Trips

DA Section	Description	Summary	Activity	Complies?
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 August 19, 2011. Second payment of \$1.23M made on December 5, 2012. Final Payment to be made within 30 days from issuance of the first Hospital Occupancy Permit.	Yes. Also, payments made in late 2017 will be reflected in the next annual report.



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

FY 2016-17

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 action required at this time—Forthcoming contribution payment to be made within 30 days from issuance of the first Hospital Occupancy Permit. Also, since May 2014, SUMC Parties have leased a park-and-ride facility near the Ardenwood Park & Ride.	NA in FY 2016-2017. Also, payments made in late 2017 will be reflected in the next annual report.

DA Section	Description	Summary	Activity	Complies?
5(c)(v)	Opticom Payments	\$11,200 payment for Opticom traffic control system at 7 intersections	No action required at this time – Forthcoming payment to be made within 30 days from issuance of the first Hospital Occupancy Permit.	NA in FY 2016-2017. Also, payments made in late 2017 will be reflected in the next annual report.
5(c)(vi)	CalTrain Go Passes	SUMC purchase of passes for all hospital employees working >20hrs/week	Go Passes have been purchased per the Development Agreement since January 1, 2012.	Yes

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

FY 2016-17

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 23 all-electric buses. Additional all-electric buses are anticipated to come online in the next reporting period.	Yes
<b>DA Section</b>	<b>Description</b>	<b>Summary</b>	<b>Activity</b>	<b>Complies?</b>
5(c)(viii)	SUMC Transportation Demand Management (TDM) Coordinator	SUMC hires coordinator to promote alternative transportation options	TDM Coordinator was hired in March 2012. This position has since been elevated to a TDM Program Manager position.	Yes
5(c)(ix)	Monitoring of TDM Programs	Yearly report regarding alternative transit mode use	2017 Alternative Mode Share Report indicates that 39.1% of SUMC employees are using alternative 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 August 25, 2011 to establish City fund. (C11)	Yes



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

FY 2016-17

5(d)(ii)	Quarry Road Fund	\$400K payment to improve pedestrian linkages along Quarry Road	Payment of \$400K on August 25, 2011 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 action required at this time – SUMC is required to construct these improvements prior to the issuance of the first Hospital Occupancy permit.	NA in FY 2016-2017. Also, completion of the connection construction will be reflected in the next annual report.
<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 August 19, 2011. (E11) Second payment of \$7.3M made on December 5, 2012. (E13) Final Payment to be made within 30 days from issuance of the first Hospital Occupancy Permit.	Yes. Also, payments made in late 2017 will be reflected in the next annual report.
<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 August 19, 2011. (F11) Second payment of \$4M made on December 5, 2012. (F13) Final Payment to be made within 30 days from issuance of the first Hospital Occupancy Permit.	Yes. Also, payments made in late 2017 will be reflected in the next annual report.





## 2016-2017 Annual Report Supplement

Prepared by the City of Palo Alto

May 29, 2018

### 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.

### Public Benefit Fund Accounting

This annual report supplement covers the period during the sixth year of the Agreement: June 6, 2016 through June 6, 2017. Accounting for the funds outlined in Attachment A extends through the end of the City’s Fiscal Year 2017, June 30, 2017.

In summary, the SUMC Parties have paid approximately \$32.5 million in public benefit fees to the City since June 6, 2011 through the FY 2016-2017 reporting period. There were no required new payments from the SUMC Parties during the FY 2016-2017 reporting period. Payments made in late 2017 will be reflected in the next annual report.

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 accounts in Attachment A are consistent with Section 5 of the Agreement. These funds have been assigned a unique cost center number for accounting purposes. Attachment A also contains the investment earnings and the earnings allocation to the various cost centers.

#### Public Benefit Fund Expenditures

Expenditures and other activity occurred in the following funds in Fiscal Year 2016-2017 through June 30, 2017:

**Fund for Intermodal Transit and Fund for Quarry Road Improvements:** \$441,000 from the Fund for Intermodal Transit and \$359,000 from the Fund for Quarry Road Improvements was transferred, per the June 20, 2016 (ID 6838) Council discussion regarding concept plans and proceeding with final construction documents for both the Temporary Park Connection and the Quarry Road Improvements.

**Fund for Infrastructure and Affordable Housing:** \$10,350,000 was transferred to capital projects from this fund: \$1.55 million for the Charleston/Arastadero Corridor Project, \$2.8 million for the construction of the new Public Safety Building, and \$6.0 million for the replacement of Fire Station 3.

**Fund for Community Health and Safety, Project Safety Net:** \$85,000 was allocated for continued work of the Project Safety Net (PSN) collaborative which strives to develop and implement a mental health plan for Palo Alto youth (actual expenditure, \$33,033). The 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.

**Fund for Climate Change & Sustainability:** \$1,200,000 was transferred for the implementation of the Bicycle & Pedestrian Transportation Plan.

**Fund for Expansion Cost Mitigation:** Funds are held in this category for the purpose of assuring that City costs associated with the project do not exceed revenues to the City. There was a loss of investment earnings in FY 2016-2017 of \$ (38,520) due to recognition of unrealized losses on investments.



ATTACHMENT A  
City of Palo Alto

## AUDITED BALANCES

## Stanford Medical Center Development Agreement (Fund 260)

## Jul 2016- June 30, 2017, Audited Balances

	Expansion Cost Mitigation	Intermodal Transit	Quarry Road Improvements	Infrastructure & Afford Housing	Climate Change & Sustainability	Community Health & Safety	Total FY 2017 Actuals	FY 2017 Budget
cost centers	26000000	60260010	60260020	60260030	60260040	80260010		
Beginning Balances, 7/1/2016	2,774,337.68	2,158,358.52	364,035.63	13,023,121.63	5,099,904.92	2,723,056.17	26,142,814.56	
<b>Revenues:</b>								
Revenues From Stanford	-	-	-	-	-	-	-	-
Transfer from Housing Residential (repayment of 2014 advances for Maybell)				-				-
Investment Earnings / Unrealized gain (loss) (up to June 2017)	(191,047.59)						(191,047.59)	662,800.00
Allocate to categories	191,047.59						191,047.59	
Allocated Investment Earnings	(38,520.27)	(23,844.65)	(69.92)	(37,114.94)	(54,148.20)	(37,349.61)	(191,047.59)	-
Total Revenues	(38,520.27)	(23,844.65)	(69.92)	(37,114.94)	(54,148.20)	(37,349.61)	(191,047.59)	662,800.00
<b>Expenditures:</b>								
Temp Salaries/Benefits						(28,178.83)	(28,178.83)	(28,279.16)
Contract Services						(2,759.33)	(2,759.33)	(214,502.80)
Supplies Expenses						(1,465.51)	(1,465.51)	-
Other expenses						(629.50)	(629.50)	-
Transfer to Capital Projects		(441,000.00)	(359,000.00)	(10,350,000.00)	(1,200,000.00)		(12,350,000.00)	(12,350,000.00)
Total Expenditures	-	(441,000.00)	(359,000.00)	(10,350,000.00)	(1,200,000.00)	(33,033.17)	(12,383,033.17)	(12,592,781.96)
FY 2017 Revenues less Exp	(38,520.27)	(464,844.65)	(359,069.92)	(10,387,114.94)	(1,254,148.20)	(70,382.78)	(12,574,080.76)	(11,929,981.96)
<b>Fund Balance 6/30/2017, Audited Balances</b>	<b>2,735,817.41</b>	<b>1,693,513.87</b>	<b>4,965.72</b>	<b>2,636,006.69</b>	<b>3,845,756.72</b>	<b>2,652,673.39</b>	<b>13,568,733.80</b>	
<b>Less: Unrealized Gain/(Loss), 6/30/17</b>	-	-	-	-	-	-	-	
Reserve for Encumbrances, 6/30/2017 (ZFIR44)	-	-	-	-	-	(35,031.43)	(35,031.43)	
Interest Receivable, 6/30/17	(18,776.27)	(11,622.81)	(34.08)	(18,091.26)	(26,393.93)	(18,205.65)	(93,124.00)	
Scheduled Remaining Operating Transfer for FY2017	-	-	-	-	-	-	-	
<b>Fund Balance Available 6/30/2017 Audited Balances</b>	<b>2,717,041.14</b>	<b>1,681,891.06</b>	<b>4,931.64</b>	<b>2,617,915.43</b>	<b>3,819,362.79</b>	<b>2,599,436.32</b>	<b>13,440,578.37</b>	
<b>Future Revenues from Stanford:</b>								
Estimated January 2018-1st hospital occupancy permit				7,733,333.00	4,000,000.00			
Estimated January 2018 - Opticom Payment					11,200.00			