

Ordinance No. ____

Ordinance of the Council of the City of Palo Alto Approving The First
Amendment to the Stanford University Medical Center Development
Agreement Dated June 6, 2011

The Council of the City of Palo Alto does ORDAIN as follows:

SECTION 1. Findings and Determinations

A. The City of Palo Alto (City) and Stanford Hospital and Clinics, Lucile Salter Packard Children’s Hospital, and the Board of Trustees of the Leland Stanford Junior University (“SUMC Parties”) are parties to a certain Development Agreement dated June 6, 2011 (the "SUMC Development Agreement" or "Agreement"), concerning the replacement, retrofit, and enhancement of Stanford University Medical Center facilities in Palo Alto,

B. Section 65868 of the California Government Code and section 8(b) of Palo Alto Resolution No. 7104 (June 8, 1992) provide that a development agreement may be amended by mutual consent of the parties to the agreement.

C. Pursuant to these provisions, Section 15 of the Agreement provides that the City and SUMC Parties may amend the Agreement from time to time by mutual consent.

D. Section 5, subdivision (c)(ix) of the Agreement, Monitoring of TDM Programs, sets forth a series of transportation demand management (TDM) program targets for the share of employees using alternative modes of travel (“Alternative Mode Share Targets”). These provisions include penalties for failure to meet the Alternative Mode Share Targets.

E. Section 18, subdivision (c), of the Agreement, Force Majeure, provides that performance of an obligation under the Agreement may be excused during any period of “permitted delay” caused by events beyond the reasonable control of a party.

F. On June 10, 2022, SUMC Parties provided a notice of intent to claim a permitted delay in compliance with the Alternative Mode Share Targets as a result of the COVID-19 pandemic.

G. The City and SUMC Parties wish to adopt the First Amendment to the Agreement (“Amendment”) in light of the SUMC Parties’ claim of permitted delay.

H. The City Council, as the planning agency pursuant to Government Code Section 65867, has given notice of intention to consider the Amendment and has conducted a public hearing on the Amendment.

I. The City Council that the provisions of the Agreement and the Amendment are consistent with City’s Comprehensive Plan.

SECTION 2. The City Council hereby approves the First Amendment to the Development Agreement between the City of Palo Alto and Stanford Hospital and Clinics, Lucile Salter Packard Children’s Hospital, and the Board of Trustees of the Leland Stanford Junior University, a copy of which is attached hereto as Exhibit "A", and authorizes the Mayor to execute the Agreement on behalf of the City.

SECTION 3. The City Clerk is directed to cause a copy of the development agreement to be recorded with the County Recorder not later than ten (10) days after it becomes effective.

SECTION 4. Because the amendment implements a permitted delay contemplated by the Agreement, and because the permitted delay will not result in any new, significant environmental impacts, the City Council finds that the potential environmental impacts of the Amendment were adequately studied and addressed in the Final Environmental Impact Report for the Stanford University Medical Center Facilities Renewal and Replacement Project, which was certified by Resolution No. 9168.

SECTION 5. This ordinance shall be effective upon the thirty-first (31st) day after its adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of Planning and Development Services

This document is recorded for the benefit of the City of Palo Alto and is entitled to be recorded free of charge in accordance with Section 6103 of the Government Code.

After Recordation, mail to:

Office of the City Attorney
City of Palo Alto
250 Hamilton Ave
Palo Alto, CA 94301

AMENDMENT TO DEVELOPMENT AGREEMENT

This AMENDMENT TO THE DEVELOPMENT AGREEMENT (“Amendment”) is entered into as of this __ day of _____, 2023, by and between the CITY OF PALO ALTO, a chartered city and municipal corporation of the State of California (“City”); STANFORD HEALTH CARE, formerly known as Stanford Hospital and Clinics, a California nonprofit public benefit corporation (“SHC”); LUCILE SALTER PACKARD CHILDREN’S HOSPITAL AT STANFORD, a California nonprofit public benefit corporation (“LPCH”); and THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY, a body having corporate powers under the laws of the State of California (“University,” and together with SHC and LPCH, collectively, the “SUMC Parties”).

RECITALS

THIS AMENDMENT is entered into on the basis of the following facts, understandings, and intentions of the parties:

A. City and the SUMC Parties entered into that certain Development Agreement, dated June 6, 2011, and recorded in the Official Records of Santa Clara County on _____ as Document Number _____ (“Development Agreement”).

B. On June 13, 2022, the SUMC Parties provided City, under Section 18(c) of the Development Agreement, with notice of an intent to claim a Permitted Delay (“Notice”) toward achievement of (1) all applicable interim alternative mode share targets and (2) the 2025 alternative mode share target of 35.1 percent, both of which are identified in Section 5(c)(ix) of the Development Agreement. The SUMC Parties’ Notice explained why the ongoing COVID-19 pandemic has caused the Hospitals to be unable to achieve, on schedule, the interim and 2025 alternative mode share targets.

C. City and the SUMC Parties wish to amend the Development Agreement as set forth in this Amendment to adjust the timing of the SUMC Parties’ obligations under Section 5(c)(ix) of the Development Agreement, to align with the anticipated period of Permitted Delay resulting from the COVID-19 pandemic.

D. All proceedings necessary for the valid adoption and execution of this Second Amendment have taken place in accordance with California Government Code sections 65864 through 65869.5, the California Environmental Quality Act, and City Resolution No. 7104 (June 8, 1992).

E. The City Council has given notice of intention to consider this Amendment and conducted a public hearing on this Amendment, and the City Council has found that the Development Agreement, as amended by this Amendment, is consistent with the City's Comprehensive Plan.

AGREEMENT

NOW, THEREFORE, City and the SUMC Parties agree as follows:

1. Updated Requirement for Monitoring of TDM Programs. Section 5(c)(ix) of the Development Agreement is amended and restated in its entirety to read as follows:

(ix) Monitoring of TDM programs.

The City and the SUMC Parties acknowledge that because use of transit by employees of the Hospitals is voluntary and may be influenced by a number of factors outside of the reasonable control of the Hospitals, such as gasoline prices, costs and availability of alternative transit, housing costs and availability, and personal preferences of employees, the Hospitals cannot guarantee the results of their TDM programs. However, the Hospitals shall monitor the success of their TDM programs from the date of the Initial Project Approvals through the Life of the Project. The following interim targets shall be used to measure the progress toward meeting the desired mode split by 2026. These interim targets assume that in the early phases of implementation, there may be larger shifts to alternative modes than the shifts that may occur in later phases of the TDM program enhancement. For purposes of calculating alternative mode share, any mode that does not constitute driving in a single-occupant vehicle to and from the work site shall be considered an "Alternative Mode," including working remotely from home.

Target Year	Alternative Mode Share	Percent Change
EIR Baseline (2006)	22.9%	NA
2018	30 %	7.1 %
2024	33 %	+3 %
2026	35.1 %	+2.1 %

Excluding the period from 2022 through 2023, during which time this provision shall not apply, if the applicable interim target is not met for any two consecutive years prior to 2026, the Hospitals shall provide alternative transportation funding to the City in Annual Payments in the amount of One Hundred Seventy-Five Thousand Dollars (\$175,000) per year. For payments made after January 1, 2025, the amount of the payment shall be adjusted to reflect the change in the San Francisco Area Consumer Price Index between January 1, 2025 and the date on which

the Annual Payment is due. The alternative transportation funding must be used by the City for local projects and programs that encourage use of alternative transportation mode uses or otherwise reduce peak period traffic trips in the intersections impacted by the Project as identified in the Project EIR, including but not limited to citywide and regional transportation systems and solutions. The City of Palo Alto should consider transportation systems and solutions that also help to reduce traffic in the City of Menlo Park.

(A) Submission of Reports.

The Hospitals shall submit annual reports showing the current number of employees employed over 20 hours per week; the number of employees using an alternative mode share as documented by a study or survey to be completed by the Hospitals using a method mutually agreeable to the City and Hospitals; and the efforts used by the Hospitals to attempt to achieve the Alternative Mode targets.

(B) 2026 Mode Split Penalty.

If the annual report for 2026 does not demonstrate that the Hospitals have substantially achieved the Thirty Five and One-Tenth Percent (35.1%) target modal split for alternative transportation modes, the Hospitals shall make a lump sum payment of Four Million Dollars (\$4.0 million), as adjusted to reflect the change in the San Francisco Area Consumer Price Index from January 1, 2025 to January 1, 2026, to the City for local projects and programs that encourage and improve use of alternative transportation mode uses or otherwise reduce peak period traffic trips in the intersections impacted by the Project as identified in the Project EIR, including but not limited to regional transportation systems or solutions. The City shall identify capital projects and program enhancements for which the funds may be applied. Sample projects may include contributions towards regional transportation projects of interest to the City and that are identified within the Valley Transportation Authority-Valley Transportation Plan or other local planning documents. The City of Palo Alto should consider transportation systems and solutions that also help to reduce traffic in the City of Menlo Park. If required, said Four Million Dollar (\$4,000,000) payment, as adjusted for inflation, shall constitute funds to be used by the City to offset trips by Hospital employees through citywide trip reduction. The Four Million Dollar (\$4,000,000) payment, as adjusted for inflation, shall not relieve the SUMC Parties of any of their other obligations under this Agreement, including but not limited to their obligations to continue to attempt to achieve the 35.1% target modal split through implementation of the GO Pass or substantially similar program, or a substitute program mutually agreed upon by the SUMC Parties and the City's Director of Planning and Community Environment, which shall continue pursuant to the terms of this Agreement for fifty-one (51) years from commencement of the GO Pass program. Further, the Hospitals shall continue to implement an enhanced TDM program, monitor modal splits by Hospital employees, and strive to maximize use of alternative commute modes by Hospital employees. In addition, the Hospitals shall continue to meet with the City on a regular basis to identify potential improvements to the enhanced TDM program. The City shall keep all payments received from the Hospitals pursuant to this Section 5(c)(ix) in a separate account (the "TDM Fund"), to be used only for the purposes described in this Section 5(c)(ix). The City shall deliver an annual report of disbursements from the TDM Fund in accordance with Section 12 below.

4. Full Force and Effect. As amended by this Amendment, the Development Agreement shall remain in full force and effect.

5. Counterparts. This Amendment may be executed in any number of identical counterparts, and each counterpart shall be deemed to be an original document. All executed counterparts together shall constitute one and the same document, and any counterpart signature pages may be detached and assembled to form a single original document.

[Signatures on following page]

IN WITNESS WHEREOF, this Amendment has been duly executed by the parties as of the day and year first above written.

CITY OF PALO ALTO:

Attest:

By: _____
Hon. Lydia Kou, Mayor

City Clerk

Approved:

Ed Shikada, City Manager

Approved as to Content:

Jonathan Lait, Director of Planning and Community Environment

Approved as to Form:

Assistant City Attorney

STANFORD HEALTH CARE (formerly STANFORD HOSPITAL AND CLINICS)

By: _____
David Entwistle, President and Chief Executive Officer

LUCILE SALTER PACKARD CHILDREN’S HOSPITAL AT STANFORD

By: _____
Paul A. King, President and Chief Executive Officer

THE BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY

By: _____
Robert C. Reidy, Vice President of Land, Buildings & Real Estate