



CITY OF
**PALO
ALTO**

City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Planning and Development Services

Meeting Date: November 27, 2023

Report #: 2310-2166

TITLE

SECOND READING: Adoption of an Ordinance Amending the Stanford University Medical Center (SUMC) Development Agreement Adjusting the Timeline for Achieving the SUMC Alternative Mode Share Targets. Zoning District: HD (Hospital District). Environmental Review: Project is Consistent with the 2011 Certified Environmental Impact Report (EIR) for the SUMC Facilities Renewal and Replacement Project. (FIRST READING: October 23, 2023 PASSED 4-2-1, Lythcott-Haims and Tanaka No, Veenker Recused)

RECOMMENDATION

Approve on second reading the attached ordinance amending the SUMC development agreement in accordance with the City Council's prior action.

BACKGROUND

On October 23, 2023, City Council heard SUMC Development Agreement Amendment Number 1 for a first reading of a draft ordinance and adoption of an associated draft resolution.¹ In a vote 4-2-1 (Lythcott-Haims and Tanaka No, Veenker Recused), City Council took the following actions:

1. Found the proposed amendment to the SUMC Development Agreement consistent with the Certified EIR for the SUMC Facilities Renewal and Replacement Project;
2. Adopted an Ordinance approving Amendment No. 1 to the SUMC Development Agreement; and modify language as follows: to extend the second interim target year to 2024 and the final target year to 2026;
3. Adopted a Resolution updating Mitigation Measure TR-2.3 to be Consistent with the Development Agreement Amendment Number 1; and
4. Prioritized use of any payments to the City for trip reduction in the Northwest commercial areas of the City, meaning the hospital area and the shopping center areas.²

¹ City Council City Manager Report # 2306-1690, October 23, 2023:

<https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplatelD=13044>.

² City Council Draft Action Minutes, October 23, 2023: <https://www.cityofpaloalto.org/Departments/City-Clerk/Citys-Meeting-Agendas/Meeting-Agendas-and-Minutes>.

In summary, City Council approved an adjustment to the timeline for which SUMC would need to meet the alternative transportation mode share targets in the original SUMC Development Agreement Section 5(ix) Monitoring of TDM Programs as follows:

- SUMC proposed adjusting the 2021 target (33% of SUMC employees using alternative transportation modes) to be achieved in 2024. This would be reported in the SUMC Alternative Mode Share Report FY 2023-2024 that would be submitted to the City in June 2024. This was accepted by City Council.
- SUMC proposed adjusting the 2025 target (35.1% of SUMC employees using alternative transportation modes) to be achieved in 2028. This would be reported in the SUMC Alternative Mode Share Report FY 2027-2028 that would be submitted to the City in June 2028. However, City Council did not accept this adjustment. Instead, City Council proposed adjusting the 2025 target to be achieved in 2026, which would be reported in the SUMC Alternative Mode Share Report FY 2025-2026 that would be submitted to the City in June 2026.

City Council also approved the proposed spending flexibility for any potential future \$175,000 Annual Payment and the inclusion of a cost escalator using the Consumer Price Index for any potential future \$175,000 Annual Payment or \$4,000,000 Mode Split Penalty Payment.

Given that amendments to any Development Agreement requires City Council approval by ordinance, a second reading action on the associated draft ordinance (Attachment A) is required.

ANALYSIS

Staff updated the draft Ordinance (Attachment A) to reflect City Council action on October 23, 2023. The updates pertain to the removal of new terms “Second Interim Target Year” and “Final Target Year” that SUMC proposed as additions to the existing SUMC Development Agreement Section 1 Definitions. The updates also reflect City Council’s proposed adjustments to the 2021 and 2025 alternative transportation mode target dates to now be 2025 and 2026, respectively.

City Council action on this second reading completes review of the SUMC Development Agreement Amendment application filed on September 7, 2022. If the second reading is approved by City Council, City staff will make SUMC Development Agreement Amendment Number 1 available for execution by the City and SUMC and final recordation with Santa Clara County.

If SUMC Development Agreement Amendment Number 1 is not executed by any party, then the original SUMC Development Agreement will remain in effect and the SUMC Development Agreement Amendment Number 1 documents will become moot. At the time this report was prepared, SUMC had indicated its acceptance for Council’s directed action.

FISCAL/RESOURCE IMPACT

This action has no fiscal impact. As previously discussed on October 23, 2023, due to the claim by SUMC of a “Permitted Delay” under SUMC Development Agreement Section 18(c) Force Majeure,

the City deferred seeking the \$175,000 Annual Payments that are otherwise due for Fiscal Year 2021-2022 and Fiscal Year 2022-2023. Therefore, it could appear that the resource impact of approving the SUMC Development Agreement Amendment Number 1 would be \$350,000 not being available for City expenditure on alternative transportation programs in accordance with SUMC Development Agreement Section 5(c)(ix). However, SUMC Development Agreement Amendment Number 1 adjusts the timeframe for achievement of the alternative mode share targets. The two \$175,000 Annual Payments would not be due and there would be no resource impact to the City as a result; the \$175,000 Annual Payments and the \$4,000,000 Lump Payment, both with the CPI cost escalator, would only be due if SUMC missed applicable target years in the future.

STAKEHOLDER ENGAGEMENT

City staff coordinated with SUMC prior to and subsequent to the October 23, 2023 City Council meeting. Noticing for this item has been conducted in a manner consistent with the municipal code regulations.

ENVIRONMENTAL REVIEW

Staff analyzed if the SUMC Development Agreement Amendment Number 1 would substantially change the SUMC Project, as well as if the amendment would result in any new potentially significant environmental impacts or a substantial increase in any previously identified potential environmental impacts. The adjustments to the alternative transportation mode share target timeline did not substantially change the SUMC Project; all original project components and mitigation measures would remain in effect. The SUMC Development Agreement, SUMC Facilities Renewal and Replacement Project Environmental Impact Report, and MMRP analyzed and anticipated that some circumstances might be beyond the control of SUMC or the City. The proposed adjustments to the alternative transportation mode share target timeline do not relieve SUMC of their requirements to implement their TDM Program activities on an ongoing basis, nor increase previously identified transportation impacts or greenhouse gas emissions.

ATTACHMENTS

Attachment A: Draft Ordinance – SUMC Development Agreement Amendment Number 1

APPROVED BY:

Jonathan Lait, Planning and Development Services Director