



Fiscal Year 2021-2022 Annual Report Supplement

Prepared by the City of Palo Alto

March 2, 2023

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 SUMC Annual Report Supplement covers the period during the eleventh year of the Agreement: June 6, 2021 through June 6, 2022. Accounting for the funds outlined extends through the end of the City’s FY 2022.

The specific funding accounts reported in this SUMC Annual Report Supplement are consistent with Section 5 of the Agreement. These funds have been assigned a unique cost center number for

accounting purposes. This SUMC Annual Report Supplement also contains the investment earnings and the earnings allocation to the various cost centers.

In summary, the SUMC Parties have paid approximately \$44.3 million in public benefit fees to the City since June 6, 2011 through the FY 2021-2022 reporting period. There were no required new payments from the SUMC Parties during the FY 2021-2022 reporting period.

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 Expansion Cost Mitigation (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 Climate Change - Sustainable Programs Benefit (Section 5(f)(i)).

The second payment of \$11,733,333 payment on December 5, 2012 was for the following funds:

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

The third payment and final payment of \$11,744,533 on December 12, 2017 was for the following funds:

- Fund for Infrastructure, Sustainable Neighborhoods and Communities and Affordable Housing (Section 5(e));
- Fund for Climate Change -Sustainable Programs Benefit (Section 5(f)(i)); and
- Fund for Community Health and Safety, Project Safety Net (Section 5(a)(iii)).

Public Benefit Fund Expenditures

Expenditures and other activity occurred in the following funds in Fiscal Year 2021-2022 through June 30, 2022:

- \$500,000 under “Expansion Cost Mitigation” for Rail Grade Separation (PL-17001),
- \$775,000 under “Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing” for \$750,000 replacement of Fire Station Four (PE-18004) and \$25,000 University Avenue Streetscape Update (PE-21004), and
- \$1,250,000 under “Community Health and Safety” for \$1.2 million Charleston/Arastradero Corridor Project (PE-13011) and \$50,000 to the General Fund allocated to local non-profits through the Human Services Resource Allocation Process (HSRAP).

In FY 2021, [CMR# 11877](#) was approved by the City Council to expense \$500,000 for PF-01003 (Building System Improvements) from the Community Health and Safety Funds. In error, this was processed to expense from the Cost Expansion Finds. As part of the FY 2022 year-end clean-up, an adjustment was made to correct this.

The Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing Fund contained an original contribution of \$1,720,488 for support of affordable housing. SUMC funding supported the Stevenson House project in FY 2013 and the remaining affordable housing funds were fully exhausted in FY 2020 to support the Wilton Court Housing Project.

City of Palo Alto

Stanford Medical Center Development Agreement (Fund 260)

Fiscal Year Ended June 30, 2022

AUDITED BALANCES

	Expansion Cost Mitigation	Intermodal Transit	Quarry Road Improvements	Infrastructure & Afford Housing	Climate Change & Sustainability	Community Health & Safety	Total FY 2022 Actuals	FY 2022 Budget
cost centers	26000000	60260010	60260020	60260030	60260040	80260010		
Beginning Balances, 7/1/2021	1,849,832	1,261,292	-	9,641,087	2,905,643	2,913,283	18,571,136	
Adjustment: To correct transfer from Expansion Cost Mitigation to Community Health & Safety CMR#11877	500,000					(500,000)		
Revenues:								
Revenues From Stanford	-	-	-	-	-	-	-	-
Transfer from Housing Residential (repayment of 2014 advances for Maybell)				-			-	
Investment Earnings / Unrealized gain (loss)	(1,124,563)						(1,124,563)	370,300
Allocate to categories	1,124,563						1,124,563	
Allocated Investment Earnings	(129,642)	(88,395)	-	(621,363)	(203,636)	(81,526)	(1,124,563)	-
Total Revenues	370,358	(88,395)	-	(621,363)	(203,636)	(581,526)	(1,124,563)	370,300
Expenditures:								
Temp Salaries/Benefits						-	-	
Contract Services							-	
Supplies Expenses							-	-
Other expenses							-	-
Transfer to Capital Projects	(500,000)	-		(775,000)	-	(1,250,000)	(2,525,000)	(2,525,000)
Total Expenditures	(500,000)	-	-	(775,000)	-	(1,250,000)	(2,525,000)	(2,525,000)
FY 2022 Revenues less Exp	(129,642)	(88,395)	-	(1,396,363)	(203,636)	(1,831,526)	(3,649,563)	(2,154,700)
Fund Balance Available as of 6/30/2022	1,720,190	1,172,897	-	8,244,724	2,702,007	1,081,756	14,921,573	