



City Council Supplemental Report

CITY OF
**PALO
ALTO**

From: Jonathan Lait, Planning and Development Services Director

Meeting Date: April 17, 2023

Item Number: 6

Report #:2304-1292

TITLE

Stanford University Medical Center (SUMC) Annual Report to Council for Fiscal Year 2021-2022 - Supplemental Report

DISCUSSION

Following discussion with SUMC after the publication of the SUMC Annual Report to Council Fiscal Year 2021-2022 (CMR #2303-1129), staff determined that the published text in the staff recommendation and the Executive Summary may have mischaracterized the SUMC Parties' current compliance with the requirements of the Development Agreement. As a result, staff wish to modify the staff recommendation and the Executive Summary as set forth below. In addition, staff wish to correct a clerical error in Attachment C. The remainder of the report (CMR #2303-1129) remains unchanged. For clarity, the limited modifications are provided in underline/strikeout format.

RECOMMENDATION

Staff recommends that the City Council:

1. Review the Stanford University Medical Center (SUMC) Annual Report for Fiscal Year 2021-2022, and find that Stanford Hospitals & Clinics, Lucile Packard Children's Hospital, and Stanford University (SUMC Parties) have complied in good faith with the terms and conditions of the SUMC Development Agreement;
2. Find that the SUMC Parties are not in default with the terms and conditions of the Agreement in all sections, ~~with the exception of alternative mode share targets, for which the SUMC Parties have claimed a permitted delay due to the effects of the COVID19 Pandemic;~~ and
3. Accept the City of Palo Alto's (City) Annual Report Supplements regarding the funds received from the SUMC Parties, as required under Section 12(d) of the Development Agreement (Attachment E).

EXECUTIVE SUMMARY

The City Council is required to review the SUMC Development Agreement (the “Agreement”) to confirm compliance with the Agreement’s terms. The Agreement is between Stanford Hospital and Clinics, Lucile Packard Children’s Hospital, Stanford University (SUMC Parties), and the City of Palo Alto. The City also uses this Annual Report to Council to provide information on the City’s compliance obligations, such as providing the required summary and description of how the City expended funds provided by SUMC per the Agreement. As documented in this Annual Report to Council, both SUMC and the City are in compliance with the terms of the Agreement for the reporting period Fiscal Year 2021-2022, with the exception of alternative mode share targets. In regard to the achievement of the alternative mode share milestone targets, however, SUMC was not able to meet the specific target outlined in the Agreement. This was due to the effect of the COVID-19 pandemic on SUMC employee use of alternative transportation modes, such as Caltrain and other public transit systems. The failure to meet alternative mode share targets is not itself a default under the Agreement, as the Agreement contemplates the payment of fees in the event the targets cannot be achieved. In addition, As received by the City on June 14, 2022, the SUMC Parties asserted a permitted delay under the Force Majeure provision of the Agreement. The SUMC Parties and City staff are actively engaged in discussing an amendment to the Agreement to address this issue. In the meantime, the City has deferred any action to collect from the SUMC Parties a \$175,000 payment provided for in the Agreement.

ATTACHMENT C

SUMC Development Agreement, Section 5 - SUMC Parties’ Promises FY 2021-2022

Traffic Mitigation and Reduced Vehicle Trips				
DA Section	Description	Summary	Activity	Complies?
5(c)(ix)	Monitoring of TDM Programs	Yearly report regarding alternative transit mode use	The SUMC parties found that the alternative mode share milestone target of 33% outlined in SUMC DA Section 5(c)(ix) was not met for 2022, nor was it above the previous 2018 milestone target of 30%; the alternative mode share rate for SUMC decreased to 19.9% in FY 2021-2022 between use of	<u>Yes, complies</u> - SUMC timely submitted their annual Alternative Mode Share report for FY 2021-2022. Monitoring in FY 2021-2022 identified that SUMC missed the alternative mode share target of 33% for two consecutive years. As received by the City on June 14, 2022, the SUMC Parties asserted a permitted delay under the Force Majeure provision of the Agreement. The SUMC

			alternative modes versus driving alone, largely due to ongoing pandemic conditions.	Parties and City staff are actively engaged in developing an amendment to the Agreement in order to resolve this issue.
--	--	--	---	---

APPROVED BY:

Jonathan Lait, Planning and Development Services Director