



# CITY COUNCIL COMMUNITY DEVELOPMENT AGENCY MINUTES

Tuesday, October 14, 2008 at 7:00 p.m.  
701 Laurel Street, Menlo Park, CA 94025  
Menlo Park City Council Chambers

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**ROLL CALL** – Cohen, Robinson, Boyle, Cline, Fergusson

## PLEDGE OF ALLEGIANCE

### A. Public Comment

Marilu Serrano spoke regarding the Ravenswood City School District.

### B. Study Session

G. Rojas spoke to the purpose of the study session format, which is to be more of a dialogue format on the issues.

### **B1: User Fee Study Presentation, Results Orientation** ([Staff Report# 08-152](#))

C. Augustine advised that in March 2006, the City Council identified a cost allocation and fee/rate study as a priority project for the 2006-2007 budget. The user fee study required time-consuming data collection from all departments. The user fee study is now complete and departments have set about the task of examining the resulting full cost of services, along with other factors, in developing recommendations for changes to the City's user fees. Staff will begin to develop a framework for a cost recover/subsidization policy, which will enable decision makers to establish the cost recovery goals of the city and facilitate informed budget choices.

C. Wohlford of Wohlford Consulting gave a PowerPoint presentation to the Council. He provided a basic project orientation, explained the concepts and methodologies used, the results and how to understand them. Included in the presentation were the project objectives, determination of the full cost of services, user fee definitions, common fee concepts, recent history of user fees, fee setting (pricing) considerations, fees vs. taxes, and the comparison issues and limitations. Discussed was the fee study technology including cost-based methodology overview, building fee methodology overview, simplified conceptual approach (single hypothetical fee), subsidy (gap) analysis, cost-recovery performance methodology overview, simple cost recovery analysis, what is included in full cost and quality control processes. The meaning of "results", the nature of revenue results, citywide results summary, and citywide annual full cost results was reviewed. The next steps will be:

- City staff will develop recommended fees for the Council's consideration
- City Council will set the final fee levels and establish the implementation date
- Departments will update fee schedules and reprogram electronic permit systems
- New fees will go into effect on the designated date
- Council may set an overall cost-recovery policy to guide future staff action

Council concerns/comments:

Heyward Robinson:

- Competitive pricing
- Efficiency in services
- How was the time it takes to do a task calculated
- There are a number of ways to use the data and the focus is to get the fees more in line with costs. It can also be used as a management tool in terms of can we provide the service more efficiently.

John Boyle:

- Would it be possible to somehow flag items where our costs are more than X% higher than other cities? That would allow the staff to ask questions as to why. Will the Council be provided with that data?
  - Wohlford advised that fees will be different due to the many factors and the activities have been looked at and evaluated.
- Why is the depreciation of capital expenses not built into the fees?
  - Equipment was annualized and that amount was put into the expenditures and would include the realistic portion of the capital expenditure with the fees. Every line item of the budget was gone through and equipment is included.

Rich Cline:

- Is there a real look at every piece of work being done for efficiency?
  - The process that staff goes through was done. Staff has outlined problems that they see in terms of efficiency. Staff tends to empathize with the customers.
- For long-term can this be created so that it is modular so it can be revisited so that the entire study does not have to be redone?
  - In between studies, an inflator should be included. Generally a 3-5 year time frame in between studies would be recommended.

Kelly Fergusson:

- How is the level of service used as a management tool? If the city were to augment staffing in areas, can the City just extrapolate the current findings?
  - If you were to bring in additional staff to complete a task, it would actually lower the overhead cost per person. The drawback is that staff could potentially spend more time on a specific task. It does not have a huge impact on overall costs; it has less than a one percent impact.

Public comment:

Morris Brown asked questions about specific fees.

J. Boyle asked about the subsidization and when it would come to the Council.

G. Rojas advised that subsidy of fees is significant and he believes that the Council needs to see the fees first and then decide what they want to subsidize and at what rate. C. Augustine advised that past practices will be brought forward as well as staff's recommendation on subsidizing. The goal would be to establish a subsidy policy.

R. Cline asked what a subsidization policy would be. He would need more information on the programs before he could make a decision on subsidizing. C. Augustine advised that there is an enormous amount of data and it will be brought to the Council for a discussion. It will include programs and activities that will be discussed.

K. Fergusson stated that slide #13 was helpful; it has four categories and shows one at total subsidization, no subsidization and two categories in between.

H. Robinson verified that when it comes back to Council the actual detail would be included. C. Augustine advised that it will come back with all of the data and the recommended fee schedule. H. Robinson asked about the amount of cost recovery at the child's center and have those rates been raised. C. Augustine advised that the last increase was March 2007. H. Robinson asked if the cost recovery could be phased in over a period of years.

**B2: Council review and discussion of a potential policy on Public Benefit Contributions from development projects ([Staff Report# 08-153](#))**

K. Steffens stated that the purpose for tonight is to bring the question to the Council: should a new policy be established on Public Benefit Contributions from development projects. Every program he looked at is customized to each agency. The session will end with a series of questions for the Council.

There was a Council subcommittee in 2006 that looked into this and on August 25, 2006 it was brought to the City Council and no action was taken to adopt a policy. Examples of other agencies were provided to give the Council ideas on how it has been done, but ultimately it would need to be customized for Menlo Park.

A PowerPoint presentation was presented outlining the three general approaches found during the research of other communities. Case-by-Case Negotiations is the most common practice currently employed by cities because each development proposal is unique as to the type of development, zoning area affected, and economics of the project. It was difficult to find sample policies for Case-by-Case Negotiations. The advantages of the case-by-case negotiations include maximum flexibility in considering the unique circumstances of proposed developments, current economic conditions and the actual impacts of a project when arriving at a public benefit package. Density Bonus Programs are also done in some jurisdictions and is the next most common approach being used by cities in the research sample. Density bonuses typically have a maximum limit to ensure that developments are not out of scale with surrounding properties. There are several disadvantages for density bonus programs. Defined Contribution Programs was the most difficult to obtain written policies on from other jurisdictions. With this method, added density is permitted in exchange for payment into a public amenity fund.

A major area that a comprehensive public benefit must address is quantifying the amount of public benefit that is expected. It seems generally accepted from the research that public contributions are required when properties receive entitlements above the current allowable density or height as defined by the general plan or zoning ordinance. Most methods attempt to link the amount of benefits to the value of entitlements received in the form of added density.

John Boyle:

- Some of the desires might change from year to year; how often are the policies changed?
  - Not very frequently because it is built into the Zoning Ordinance
- CEQA implications – If there is a density bonus – is there an EIR requirement with increases in density

Public comments:

Elizabeth Lasinsky – Encouraged the Council to come up with a unique program that reflects what the community wants. By doing it ahead of time it encourages both good development and planning. It is a good way to bring the community together.

Chuck Kinney – This is the beginning of something important. Sustainable Menlo Park can be a benefit to the Council and the community. There are ways and means to provide input to bring forward a policy that would best work in Menlo Park.

Steve Elliott, Stanford University – There are pros and cons to the methods described by staff. It seems that it is most practical to use the case-by-case method, as each project is different. It is hard to do a one size fits all method.

Matt Henry – Menlo Park is a divided city; there is one part East and another West with very distinct and different cultures. When he hears “for the community” he is never sure which community is being talked about. It may be an advantage to one side of the city but could be a disadvantage to the other side of the community. He would urge the Council to take the blinders off and consider what is good for one side is not always good for the other side. Don’t get fixated and assume you know what each side wants. If something is to be done in this area, let the community have a say.

Questions for the Council:

What are the concerns with the current approach? What are the downsides to the current approach?

Heyward Robinson:

- Not clear why we have public benefit
- Other communities have other goals that they were trying to obtain
- Think about what community we are – where do we fit? Each benefit may be in a different stage of build out.
- Different parts of downtown may be at different stages and there may be a need for different policies for the different areas
- Problem with current system is it is wide-open; there are no rules or guidelines and there is no value attached
- Beginning to touch on the core values

- Creating a policy that is case-by-case with guidelines; trying to recognize what would be a public benefit, but other things such as green buildings may not want to be over-emphasized

#### Kelly Fergusson

- She believes a policy on this is needed.
- Does not want to see divisiveness
- Looking forward to goal setting in January as there will be clues as to what the public benefits might be
- Predictability in land values is a downside to case-by-case
- Different locations in the city have different values

#### Rich Cline

- Inconsistent set of values in the community regarding what is a good project
- In an effort to define the value it could potentially separate the community
- There are rules in place; but there are needs/wants that may be more current than the rules in place
- There are people who own land who are looking for ways to develop projects
- How can you go spot to spot to spot and be fair?
- The first thing would be to determine what the terms of the entire community are
- Have a community input process
- There needs to be set guidelines; people will not know what to expect

#### John Boyle

- The uncertainty that business owners face is a challenge – it makes it difficult to even determine if they want to move forward with a project
- Not knowing what does the Council or community wants is a problem
- The problem is that it is difficult to come up with guidelines that are appropriate for every situation
- This may not apply to Menlo Park
- With only 1-2 per year, it may be trying to put a large solution to a small problem
- Very loose guidelines with case-by-case; that would not require CEQA
- Something that gives general expectations to give an applicant an idea of what the city is thinking about

#### Andy Cohen

- Sees a range of possibilities
- Curious if it was an experiment in Palo Alto
- We are a small city but in a larger region that is under immense pressure
- Something is needed but it should not be iron-clad
- East of 101 is unique and the Council must hear what they have to say

What would a different policy allow the city to do and what would it look like

#### Rich Cline:

- To have a list that could be updated that could be public and reviewed by the community
- Over time an evolution on how to sit down and negotiate with developers before you get into discussions about terms
- What are beneficial uses
- There should be weighted process for which community is impacted the most
- There should be an understanding that there are certain benefits that the city wants
- Get something set up and see how it works

#### Heyward Robinson

- Evident that there is a need for a public benefit policy for Phase II of the El Camino Real Project
- Is it one policy for the region or guidelines for certain types of development in certain areas
- Recognize that there has not been a lot of real planning east of 101 and it consists of a residential community but also an industrial community
- There are property owners that want to do things – Is there a public benefit policy that can be interim

- The Bohannon project would have to be done on a case-by-case since there is currently no policy
- Trying to keep the benefit near the project itself should be a guiding principal
- East of 101 – there is a need for a supermarket in that area and has been identified as a need
- A policy may take time, but it does need to move forward with the development of guidelines / framework
- Public benefit is above what is already included in the fees

John Boyle

- Concurs that Phase II downtown – use a density bonus mechanism as part of the output
- Maybe should work on a list of what kinds might qualify as a public benefit; there are some clear black and white items, but there could be items that are grey
- The public benefit discussion begins to overlap with gross floor calculations
- Defining what is considered a public benefit needs to be identified
- There are some soft things that might be considered a public benefit

Kelly Fergusson

- Envisions a page in the policy manual regarding public benefit and that Menlo Park negotiates for public benefit

Andy Cohen

- A specific neighborhood was focused and Belle Haven deserves that type of consideration
- We need the guidelines; they may be flexible, but any developer would like to have an idea of what the city wants

G. Rojas understands that there is consensus in moving forward to begin evaluating the information to bring back an outline based on what was heard tonight. He suggested bringing it to the goal setting in January to determine if it is a priority project of the Council.

A. Heineck understands Council's desire to have the proposals for the El Camino Phase II Project include public benefit items.

J. Boyle and R. Cline – subcommittee for the RFP for the El Camino Phase II Project had interviews today and they were all outstanding firms. They are not ready to make a recommendation.

C. **Adjournment** – Adjourned at 11:11 p.m.

Margaret S. Roberts, MMC  
City Clerk

Approved at the Council meeting of November 18, 2008