



## CITY COUNCIL SPECIAL AND REGULAR MEETING AGENDA

Tuesday, November 19, 2013  
6:00 P.M.  
701 Laurel Street, Menlo Park, CA 94025  
City Council Chambers

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### 6:00 P.M. CLOSED SESSION (1<sup>st</sup> floor Council Conference Room, Administration Building)

#### Public Comment on these items will be taken prior to adjourning to Closed Session

**CL1.** Closed Session pursuant to Government Code Section §54957 to conference with labor negotiators regarding labor negotiations with the Police Officers Association (POA), American Federation of State, County and Municipal Employees (AFSCME), and Service Employees International Union (SEIU)

Attendees: Alex McIntyre, City Manager, Starla Jerome-Robinson, Assistant City Manager, Bill McClure, City Attorney, Gina Donnelly, Human Resources Director, Drew Corbett, Finance Director, and Charles Sakai, Labor Attorney

**CL2.** Closed Session pursuant to Government Code Section §54957:  
Public Employee Performance Evaluation - City Manager

### 7:00 P.M. REGULAR SESSION

**ROLL CALL** – Carlton, Cline, Keith, Ohtaki, Mueller

#### PLEDGE OF ALLEGIANCE

#### REPORT FROM CLOSED SESSION

#### ANNOUNCEMENTS

**A. PRESENTATIONS AND PROCLAMATIONS – None**

**B. COMMISSION/COMMITTEE VACANCIES, APPOINTMENTS AND REPORTS**

**C. PUBLIC COMMENT #1 (Limited to 30 minutes)**

Under “Public Comment #1”, the public may address the Council on any subject not listed on the agenda and items listed under the Consent Calendar. Each speaker may address the Council once under Public Comment for a limit of three minutes. Please clearly state your name and address or political jurisdiction in which you live. The Council cannot act on items not listed on the agenda and, therefore, the Council cannot respond to non-agenda issues brought up under Public Comment other than to provide general information.

**D. CONSENT CALENDAR – None**

**E. PUBLIC HEARINGS – None**

**F. REGULAR BUSINESS**

- F1.** Review of the El Camino Real/Downtown Specific Plan, including potential direction for changes ([Staff report # 13-176](#))
- F2.** Consider state and federal legislative items, including decisions to support or oppose any such legislation, and items listed under Written Communication or Information Item: **None**

**G. CITY MANAGER'S REPORT – None**

**H. WRITTEN COMMUNICATION – None**

**I. INFORMATIONAL ITEMS**

- I1.** Quarterly financial review of General Fund operations as of September 30, 2013 ([Staff report # 13-173](#))
- I2.** Review of the City's Investment Portfolio as of September 30, 2013 ([Staff report # 13-174](#))
- I3.** Quarterly review of Economic Development ([Staff report # 13-175](#))

**J. COUNCILMEMBER REPORTS**

**K. PUBLIC COMMENT #2 (Limited to 30 minutes)**

Under "Public Comment #2", the public if unable to address the Council on non-agenda items during Public Comment #1, may do so at this time. Each person is limited to three minutes. Please clearly state your name and address or jurisdiction in which you live.

**L. ADJOURNMENT**

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## COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: November 19, 2013  
Staff Report #: 13-176

Agenda Item #: F-1

**REGULAR BUSINESS:**                    **Review of the El Camino Real/Downtown Specific Plan, Including Potential Direction for Changes**

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### RECOMMENDATION

The City of Menlo Park is conducting the first ongoing review of the El Camino Real/Downtown Specific Plan. Staff recommends that the City Council:

- Consider public comment;
- Review the recommendations of the Planning Commission;
- Take into account relevant staff analysis; and
- Provide direction on whether changes to the Specific Plan are to be undertaken and, if so, on the scope of any such actions.

Depending on the results of the initial review, potential modifications to the Specific Plan may be formally presented for Planning Commission recommendation and City Council action at subsequent meetings. Any such modifications may require additional review under the California Environmental Quality Act (CEQA).

### BACKGROUND

#### Vision Plan and Specific Plan Development

Between 2007 and 2012, the City conducted an extensive long-range planning project for the El Camino Real corridor and the Downtown area. The commencement of this project represented a reaction to a number of high-visibility vacant parcels and several requests for development-specific General Plan and Zoning Ordinance Amendments, resulting in the desire for an approach that would instead be comprehensive, long-term, and community-focused. The planning process acknowledged from the beginning that Menlo Park is a community with diverse and deeply-held opinions regarding development, but proposed that a deliberate and transparent process would provide the best option for a positive outcome.

The project started with a visioning project (Phase I: 2007-2008) to identify the core values and goals of the community and to define the structure of the second phase of planning. The culmination of the first phase of work was the City Council's unanimous acceptance of the Vision Plan in July 2008. The Vision Plan established 12 overarching

goals for the project area, which served as the foundation for the subsequent Specific Plan. The Specific Plan process (Phase II: 2009-2012) was an approximately \$1.69 million planning project informed by review of an Environmental Impact Report (EIR) and Fiscal Impact Analysis (FIA). The Specific Plan had as a key objective the establishment of a comprehensive, action-oriented set of rules, which would establish much greater clarity and specificity with regard to development, with both respect to rights as well as requirements.

Both the Vision Plan and Specific Plan benefited from extensive community involvement, with excellent attendance at workshops and related events, as well as regular public review by a diverse Oversight and Outreach Committee. In total, the Vision Plan and/or Specific Plan were an agendized topic of discussion at over 90 public meetings over five years, including at least 28 City Council sessions and 18 Planning Commission sessions. The development of the Vision Plan and Specific Plan was promoted by numerous citywide newsletters/postcards, in addition to promotions at the downtown block parties, updates to the Chamber of Commerce, newspaper coverage, and regular email alerts. Each phase of the project was guided by a consulting firm with technical expertise in the required tasks. Both consultants were chosen through public selection processes, which included opportunities for the public to review the proposals, attend the consultant interviews, and consider the firms' relevant clients and projects.

Both the Planning Commission and City Council elected to significantly expand their respective reviews of the Draft Specific Plan in Summer-Fall 2011, in order to provide clear direction on improvements and refinements to the Plan. Among other topics, Floor Area Ratio (FAR) thresholds (and associated development feasibility), land use regulations, and building height and massing requirements were publicly discussed in detail during this and other phases. The impact of such standards and guidelines on key opportunity parcels were a particular area of focus throughout the Specific Plan process, and were subject to advanced visualization techniques (photomontages, massing models, and artistic renderings) in order to clearly relay what buildings could look like. At the Draft Specific Plan stage, the City Council (acting on the Planning Commission's recommendation) specifically lowered overall building height by one full story (from 60 to 48 feet in the Station Area West (SA W) district and along Alma Street and for parking garages in the Downtown from 48 to 38 feet). In addition, the Council lowered the façade heights by one full story (from 48 feet to 38 feet) in the Station Areas (SA E and SA W) and the ECR SE district and directed changes to the upper floor controls for several zoning districts, in order to proactively address potential concerns with bulk and visual character.

After those and other changes were made, the Specific Plan process culminated with the City Council's unanimous approval of the Plan and related actions in June 2012, following a unanimous recommendation for approval from the Planning Commission. The 356-page Specific Plan, filled with extensive new standards, guidelines, and illustrations, primarily replaced two zoning districts that together constituted slightly more than two pages of text in the Zoning Ordinance (which itself was last comprehensively revised in 1967).

Full information on the Vision and Specific Plan projects (including staff reports, meeting video, environmental and fiscal review documents, analysis memos, and workshop presentations and summaries) is available on the City's web site at:

<http://www.menlopark.org/specificplan>. The Vision Plan Goals and Specific Plan Guiding Principles represent the objectives of the overall planning process, and are included for reference as Attachments A and B, respectively. The goals and principles work together and in balance; individual objectives should not be viewed in isolation.

The Specific Plan itself includes a requirement for ongoing review, first occurring after one year and then at two-year intervals. This requirement (including the Planning Commission's recently completed review and recommendations) is the focus of the Analysis section of this report.

### **Housing Element and Overall General Plan**

Shortly prior to the approval of the Specific Plan, the City initiated a process to update the Housing Element of the General Plan in compliance with State law and a Court Order. The Housing Element is one of seven State-mandated elements of the City's General Plan, and provides goals, policies, and implementation programs for the planning and development of housing throughout the City. Housing element law requires local governments to adequately plan to meet their existing and projected housing needs including their share of the regional housing need. The updated Housing Element was adopted in May 2013 and certified by the State Housing and Community Development Department (HCD) in June 2013, and includes "Implement the Recently Adopted El Camino Real/Downtown Specific Plan" as a key policy/program. As a result, the 680 housing units projected for the Specific Plan area help address the City's requirements under the Regional Housing Needs Allocation (RHNA) process.

In June 2013, the City also initiated the update to the Housing Element for the 2014-2022 planning period. Two key components of the current Housing Element Update involve implementing programs related to transitional and supportive housing and reasonable accommodation citywide. Depending on how these items are addressed, there may be a need to modify the Specific Plan in order to comply with State law and allow the Housing Element to be eligible for certification. In addition, the Housing Element update, along with the El Camino Real/Downtown Specific Plan itself, is currently projected to feed into a comprehensive update of the overall General Plan, commencing in fall 2013. With the Specific Plan in place, the focus of the General Plan Update will be the general M-2 zoned area of the City.

### **500 El Camino Real Proposal**

In November 2012, Stanford University submitted an initial application for redevelopment of the parcels addressed 300-550 El Camino Real (known collectively as "500 El Camino Real") with a mixed-use project primarily consisting of office (including a portion that could be general office or medical/dental office) and residential uses, which was intended to be consistent with the Specific Plan. These parcels, totaling 8.43 acres,

were considered priority opportunity sites during both the Vision Plan and Specific Plan projects. The Planning Commission conducted a study session for this project on January 28, 2013, which provided an opportunity for the Commission and the public to become more familiar with the proposal and to identify potential questions and concerns. At this meeting and in written comments before and since, members of the public have expressed serious concerns and/or categorical opposition to the proposal.

While the applicant was considering revisions to the project in response to the study session feedback, the City Council requested that consideration of the proposal and its review process be added to the April 16, 2013 Council agenda. The staff report for this meeting described a range of options that the Council could pursue, including minor or major revisions to the Specific Plan itself, as well as consideration of a moratorium. At the April 16 meeting, the City Council formed a subcommittee consisting of Council Members Carlton and Keith, charged with:

- Providing a framework for discussing the issues related to the 500 El Camino Real project;
- Facilitating the productive communication of information between neighborhood representatives and the applicant, regarding project refinement that balanced the needs of the applicant and those of the greater Menlo Park community prior to the submittal of a revised project proposal; and
- Assisting with developing a timeline for review of the Specific Plan.

The subcommittee met 18 times. The subcommittee met with neighborhood representatives, the Silicon Valley Bicycle Coalition, representatives from environmental groups, representatives from Stanford University and City staff. The subcommittee's final report was presented to and accepted by the full Council on August 27, 2013, and established the following requirements for a revised proposed project submittal from Stanford:

- Stanford will eliminate all medical office. All office will be general office;
- Stanford will make a substantial contribution to the cost of design and construction of a pedestrian-bike undercrossing at Middle Avenue. The amount will be negotiated/determined through the project approval process with the goal of ensuring there will be sufficient funding to construct the undercrossing in a timely manner;
- Stanford will participate in a City working group regarding the design of the Middle Avenue plaza, undercrossing and vehicular access to the site; and
- Stanford will fund a neighborhood cut through traffic study as scoped by the City.

The Council concurrently authorized transportation consultant work on the primary plan review and traffic engineering analysis, and the neighborhood cut-through analysis noted above, and this work is currently underway.

## ANALYSIS

### Ongoing Review Requirement

The approved Specific Plan requires the following as part of Chapter G (“Implementation”):

#### *Ongoing Review of Specific Plan*

*The Specific Plan constitutes a significant and complex revision of the existing regulations, and there may be aspects of the plan that do not function precisely as intended when applied to actual future development proposals and public improvement projects. In order to address such issues comprehensively, as well as to consider the policy-related implications of various Plan aspects, the Specific Plan recommends that the City conduct an initial review of the Specific Plan one year after adoption. In addition, the Specific Plan recommends that the City conduct an ongoing review every two years after the initial review. Such reviews should be conducted with both the Planning Commission and City Council, and should incorporate public input. Any modifications that result from this review should be formally presented for Planning Commission review and City Council action. Minor technical modifications would generally be anticipated to be covered by the current Program EIR analysis, while substantive changes not covered by the Program EIR would require additional review.*

In the Draft Specific Plan (April 2010), this requirement had been recommended as a one-time “Near-Term Review,” within a two- to four-year timeframe. However, during the review of the Draft Final Specific Plan (April 2012), the Planning Commission recommended that this be changed to an ongoing review, conducted every two years. As part of the final approvals of the Specific Plan (June 2012), the City Council endorsed this recommendation, with a modification to start the initial review in one year. In remarks associated with this action, Council Members did not direct the scope of the initial review, although the topic of “Public Benefit” and associated density/intensity thresholds were discussed as a potential particular focus. As a reminder, the Specific Plan established a two-tier framework for density (FAR) and intensity (dwelling units/acre):

- **Base:** Intended to inherently address community goals, such as: encourage redevelopment of underutilized parcels, activate train station area and increase transit use, and enhance downtown vibrancy and retail sales. These standards were established through the iterative Community Workshop and Commission/Council review process, wherein precedent photographs, photomontages, sections, and sketches were evaluated for preferences, and simultaneously assessed for basic financial feasibility.
- **Public Benefit Bonus:** Absolute maximums subject to provision of negotiated public benefit, which can take the form of a Development Agreement. As part of the revisions from the Draft Specific Plan, greater specificity was provided on the structure of this review process. In particular, a public study session is required

prior to a full application, and has to be informed by appropriate fiscal/economic analysis. The list of recommended public benefits was also expanded with public suggestions, and a process was established for the City Council to review and revise the list (see Specific Plan page E17) over time.

As described by the Specific Plan, the ongoing review is neither explicitly focused nor limited in scope. However, the term “review” itself provides some guidance, in contrast to more expansive terms like “reconsider,” “reopen,” or “reenact.” In addition, the reference to whether the Specific Plan is functioning as intended implies that aspects that were clearly discussed (and in many cases, modified from initial drafts) during earlier reviews should not necessarily be reviewed in perpetuity.

From the perspective of staff, many comments of opposition received in response to the initial 500 El Camino Real proposal are in conflict with basic principles of the Specific Plan (for example, the general concept of redeveloping underutilized infill parcels with moderate-scale mixed-use buildings, in an area conducive to transit/walking/bicycling), and as such should not strictly be a focus of this review. However, in remarks associated with the August 27, 2013 meeting on the 500 El Camino Real proposal, some City Council Members relayed that the Specific Plan ongoing review may fully consider any topic. Options for Specific Plan modifications are discussed in more detail in a subsequent section.

### **Maximum Allowable Development and Recent/Current Development Proposals**

The Specific Plan establishes a maximum allowable net new development cap, which is intended to reflect likely development over the Specific Plan’s intended 20- to 30-year timeframe. Development in excess of either/both of these thresholds would require amending the Specific Plan and conducting additional environmental review. Specifically, the approved Specific Plan states the following as part of Chapter G (“Implementation”):

#### **Maximum Allowable Development**

*The Specific Plan establishes the maximum allowable net new development as follows:*

- *Residential uses: 680 units; and*
- *Non-residential uses, including retail, office and hotel: 474,000 Square Feet.*

*The Specific Plan divides the maximum allowable development between residential and non-residential uses as shown, recognizing the particular impacts from residential development (e.g., on schools and parks) while otherwise allowing market forces to determine the final combination of development types over time.*



*The Planning Division shall at all times maintain a publicly available record of:*

- *The total amount of allowable residential units and non-residential square footage under the Specific Plan, as provided above;*
- *The total number of residential units and non-residential square footage for which entitlements and building permits have been granted;*
- *The total number of residential units and non-residential square footage removed due to building demolition; and*
- *The total allowable number of residential units and non-residential square footage remaining available.*

*The Planning Division shall provide the Planning Commission and City Council with yearly informational updates of this record. After the granting of entitlements or building permits for 80 percent or more of either the maximum residential units or maximum non-residential square footage, the Community Development Director will report to the City Council. The Council would then consider whether it wished to consider amending the Plan and completing the required environmental review, or the Council could choose to make no changes in the Plan. Any development proposal that would result in either more residences or more commercial development than permitted by the Specific Plan would be required to apply for an amendment to the Specific Plan and complete the necessary environmental review.*

The following table represents a summary of applications with square footage implications that have been submitted since the Specific Plan became effective:

<u>Project</u>	<u>Address</u>	<u>Description</u>	<u>Entitlement Status</u>	<u>Building Permit Status</u>	<u>Net New Res. Units</u>	<u>Net New Non-Res. SF</u>	<u>Notes</u>
Marriott Residence Inn	555 Glenwood Avenue	Conversion of a senior citizens retirement living center to a 138-room limited-service, business-oriented hotel	Approved	Issued 11/12/13	0	71,921	No new square footage will be constructed, but the net new vehicle trips associated with the conversion are considered equivalent to the listed square footage.
Mermaid Inn	727 El Camino Real	Comprehensive renovation of an existing hotel, including an eight-room expansion	Approved	n/a	0	3,497	
500 El Camino Real	300-550 El Camino Real	Construction of a new mixed-use office, residential, and retail development	Proposed	n/a	170	181,568	Existing active square footage needs to be verified.

<u>Project</u>	<u>Address</u>	<u>Description</u>	<u>Entitlement Status</u>	<u>Building Permit Status</u>	<u>Net New Res. Units</u>	<u>Net New Non-Res. SF</u>	<u>Notes</u>
612 College	612 College Avenue	Demolition of a residence and a warehouse building, and construction of four new residential units	Proposed	n/a	3	-743	
1300 El Camino Real	1258-1300 El Camino Real, 550-580 Oak Grove Avenue, and 540-570 Derry Lane	Construction of a new mixed-use office, residential, and retail development	Proposed	n/a	216	110,046	The approved 1300 El Camino Real project and abandoned Derry Lane Mixed-Use proposal are accounted for differently (both assumptions subject to detailed CEQA review); existing active square footage needs to be verified; proposal shown at the Public Benefit Bonus level, but could ultimately occur at lower Base level
<b>Total Entitlements Approved</b>					<b>0</b>	<b>75,418</b>	
<i>Percentage of Specific Plan Maximum Allowable Development</i>					<i>0%</i>	<i>16%</i>	
<b>Total Entitlements Proposed</b>					<b>389</b>	<b>290,871</b>	
<i>Percentage of Specific Plan Maximum Allowable Development</i>					<i>57%</i>	<i>61%</i>	
<b>Total Entitlements Approved and Proposed</b>					<b>389</b>	<b>366,289</b>	
<i>Percentage of Specific Plan Maximum Allowable Development</i>					<i>57%</i>	<i>77%</i>	
<b>Total Building Permits Issued</b>					<b>0</b>	<b>71,921</b>	
<i>Percentage of Specific Plan Maximum Allowable Development</i>					<i>0%</i>	<i>15%</i>	
<b><u>Specific Plan Maximum Allowable Development</u></b>					<b><u>680</u></b>	<b><u>474,000</u></b>	

This table does not include applications that only affect the exterior aesthetics of an existing structure. For example, an architectural refresh of the exterior of the building at 1143 Crane Street was approved in April 2013, as part of a new restaurant use, but no square footage changes were made. In addition, the table does not include proposals that have not yet submitted a complete project application.

### ***Proportion of Maximum Allowable Development***

The potential for a relatively small number of projects to account for a significant percentage of the Maximum Allowable Development thresholds was discussed by the City Council prior to adoption of the Specific Plan. As noted at the time by staff, because the thresholds are based on net new development, it should not be surprising if a project on a large and primarily vacant site would represent a large proportion of the Maximum Allowable Development. Conversely, more modest projects that propose redevelopment of sites with currently-active uses will typically result in smaller net new development totals. As different types and scales of projects are reviewed, the expectation is that the overall Plan area redevelopment should average out in accordance with the projections. This effect is illustrated by the project list above, with the 500 El Camino Real project (which is on a relatively large 8.43-acre site with relatively few active uses) naturally accounting for a larger share of the total net new development than the 727 El Camino Real and 612 College Avenue proposals (which are on smaller sites with existing buildings that occupy a larger proportion of those parcels).

As noted in the preceding table, the revised 1300 El Camino Real project has a unique history. Specifically, when the Specific Plan EIR process commenced in late 2009, the applicants for two separate mixed-use projects at 1300 El Camino Real (from Sand Hill Property Company) and at Derry Lane (from O'Brien at Derry Lane, LLC) stated that these projects would continue their independent and previously-initiated project and environmental review processes. As such, both were considered "background" development for the purposes of the Specific Plan EIR, which meant that the impacts of these and other proposals were fully considered alongside any Specific Plan impacts as part of the required cumulative analysis. While the Derry Lane project was ultimately abandoned without comprehensive project/CEQA approvals, the original 1300 El Camino Real proposal was approved (including a project-level EIR), prior to the Specific Plan approvals. Both sites have since been sold to a completely different entity, Greenheart Land Company, which is proposing a comprehensively-revised development on the combined sites (including 1258 El Camino Real, not previously proposed as part of either project). At this point, staff is proceeding under the assumption that the revised project may account for the approved 1300 El Camino Real project as part of the new project-level CEQA review, but the abandoned Derry Lane project will not be a factor except potentially in any new cumulative analysis. Both assumptions are subject to verification as the CEQA review for the revised 1300 El Camino Real project proceeds.

In any event, aside from the 500 El Camino Real and 1300 El Camino Real sites, there are not many obviously large and vacant development opportunities within the Specific Plan area, which should mean that many future proposals would likely be of a scale similar to the 727 El Camino Real and 612 College Avenue proposals. In addition, the redevelopment of high-profile vacant and underutilized parcels was a key objective of the Specific Plan, so the fact that a significant portion of the Maximum Allowable Development (in particular for the non-residential category) has been proposed for near-

term development should not be seen as unexpected or having a negative impact on overall development levels in the Plan area.

### ***Project Review Experiences***

In remarks associated with the one-year initial review requirement, City Council Members expressed the intent that experiences with the review of discrete projects would inform the subsequent Specific Plan review. With regard to the one large project that has been fully reviewed and approved, the Marriott Residence Inn project at 555 Glenwood Avenue, staff believes the Specific Plan functioned well by establishing the framework for review of a modest Public Benefit Bonus FAR in recognition of the projected \$669,000 in annual net new revenues associated with this project, and by providing a program-level EIR that accurately described the project's share of potential environmental impacts. The 612 College Avenue proposal has not yet been publicly considered, but staff believes it may generally provide a positive example of smaller-scale infill redevelopment. In addition, the approved Marriott Residence Inn (138 net new hotel rooms) and the Mermaid Inn projects (a comprehensive renovation plus eight net new rooms) together provide evidence that there is market interest in hotel development within the overall Specific Plan area, as previously projected, and are expected to contribute positively to the City's General Fund through Transient Occupancy Tax (TOT) and other revenue. The Mermaid Inn project review did result in one Planning Commission recommendation regarding future proposals to renovate/expand existing structures that do not currently meet certain Specific Plan standards. This recommendation is discussed in the Planning Commission Review and Recommendation section.

The 500 El Camino Real project, as the largest net new development proposal, has consistently drawn a high level of interest. This focus can positively affect the overall Specific Plan review by possibly providing discrete examples of broader issues, although it is also potentially limited by the fact that only a small portion of the standard project review process has yet been conducted for the proposal. Staff believes that many issues/concerns with the project could be fully resolved through the standard architectural control and environmental review processes. For example, many initial comments have related to a concern with the perception of bulk and stylistic compatibility, which can be vetted through the discretionary Architectural Control review requirement. Similarly, a significant number of initial comments have stated that the project will have traffic impacts, but the required project-specific review has not yet occurred. Such project-specific traffic analysis may result in project changes, if the results are inconsistent with the Specific Plan's program-level EIR. Overall, the Specific Plan clearly envisions the redevelopment of these sites with modulated, mixed-use buildings with façade (street side) heights of two to three stories and overall maximum heights of four to five stories, which staff believes makes it difficult to determine that this is an unanticipated outcome that alone justifies significant changes to the Specific Plan.

### **Options for Specific Plan Modifications**

The City Council may consider a range of options, from making limited/no changes to the Specific Plan, to embarking on a completely new multi-year community planning project. General implications of likely options (listed in order from less- to more-intense) are discussed in more detail in Attachment C and summarized in the table below. However, the Council should note that procedural requirements may be more or less complex, depending on the final substance of any direction. All time estimates should be considered absolute minimums, which can be easily affected by internal staff resource constraints, as well as the availability and interest of applicable consultants.

	<b><u>Interpretation/Clarification Memorandums</u></b>	<b><u>Minor Modifications to the Specific Plan</u></b>	<b><u>Major Modifications to the Specific Plan</u></b>
<b><u>Description</u></b>	Clarity enhancements, realized through working documents that supplement but do not alter the Plan	Changes that are primarily text-based and which do not revise fundamental principles of the Plan	Changes that would affect graphics and/or revisit core principles of the Plan
<b><u>Example</u></b>	Specifying parking rate that may be applied to for “all suites” and/or “business” hotels; clarifying how maximum setback and building break requirements interact	Modifying a use from “permitted” to “conditional”	Altering height or FAR regulations
<b><u>Minimum Timeline</u></b>	Ongoing	3-6 months	6-12 months
<b><u>CEQA Review</u></b>	Most likely not required	Analysis required, but appears unlikely to generate new impacts	Analysis required at a higher level of detail; impacts and/or mitigations could change
<b><u>Moratorium</u></b>	Not applicable	May be considered, but does not appear strictly necessary due to likely project review timelines	May be considered, as some projects could otherwise move forward prior to completion of changes
<b><u>Resource Implications</u></b>	Modest, but not insignificant	Moderate	Significant

As the Council considers potential changes to the Specific Plan, staff recommends keeping in mind:

- What is the basis for the proposed change? In particular, based on the projects that have been approved and/or proposed since the Specific Plan was adopted, why is the change warranted?
- How would the change support the overall project objectives (Vision Plan Goals + Specific Plan Guiding Principles)? A modification may appear to enhance one goal/principle when viewed in isolation, but not when considered in relation to all objectives.
- Within the Specific Plan itself, would the change have any ripple effects for other aspects of the Plan? Many elements are interrelated, and what appears to be a small positive change in one area could have negative consequences for another part of the Specific Plan.
- Was the change previously considered during the Specific Plan development process? If so, is there substantive new information justifying the change?
- Could the change affect the Housing Element, the pending General Plan update or other City plans/projects?

## **Planning Commission Review and Recommendations**

### ***Commission Review Process***

The Planning Commission conducted its review of the Specific Plan as part of the five regular meetings on September 9, September 23, October 7, October 28, and November 4, 2013. Other planning-related items (e.g., use permits) were included on all of these agendas, but the Specific Plan review constituted the majority of each meeting.

The Commission did not make any formal actions at the first three meetings, but considered public comment (on September 9 and 23), and took a number of informal (or “straw”) votes, with the intent of guiding future discussion. The straw votes should be considered brief communications intended as summary expressions of discussion milestones, as well as helpful statements to the public, Council, and others, and are available in Attachment D.

At the October 28, 2013 meeting, the Planning Commission considered a process/content recommendation prepared by the Chair. At the start of this meeting, the Planning Commission considered review options relating to individual Commissioner absences and recusals. The Planning Commission opted to conduct a detailed review of all elements of the Chair’s process/content recommendation that could be addressed at the October 28, 2013 meeting (i.e., everything except for Section D “Middle Plaza & ECR SE Zone”), and to defer other topics to the November 4, 2013 meeting. The Planning Commission specified that the topics addressed on October 28 would not be reopened on November 4. At the November 4 meeting, the Planning Commission completed its review of the Specific Plan, and the consolidated recommendations are considered below.

## **Commission Recommendations**

The complete set of topics reviewed by the Planning Commission is included as Attachment E. The attachment includes detailed voting records (note: some Commissioners' votes did not clearly distinguish between the "not support" and "indifferent" categories, but these may be clarified at the Commission meeting of November 18 and reported to Council at the November 19 meeting), as well as brief staff summaries of discussion around certain topics that did not result in a vote. The Planning Commission's full discussions can be viewed on the web as part of the City's meeting video system. In addition, the Chair and individual Commissioners may make public comments at the November 19 meeting to enhance the information in this report. Overall, the Planning Commission's discussion was robust and wide-ranging, which is difficult to summarize, but which signifies the diligence with which Commissioners approached the topic.

The following discussion focuses on the recommendations that had majority support of the Planning Commission voting on each item. Topics are grouped by the revision or other process that staff believes they would require. The wording is taken directly from the Chair's recommended process/content although some phrasing was changed during the meeting (and is shown in ~~strikethrough~~ and underline format). Numbering is retained to enable cross-referencing with Attachment E.

### Interpretation/Clarification Memorandums

One Planning Commission recommendation can likely be addressed through a memorandum.

#### **PC Recommendation #1**

##### ***B. SCOPE OF PC ARCHITECTURAL CONTROL***

***3. Text for Specific Plan on building remodeling and architectural control:*** *Specific Plan proposals for building remodeling or changes to site layout (e.g. parking) will be evaluated in terms of potential implications for the attainment of Plan goals, especially with regard to future neighboring development. Examples include pedestrian and bicycle connectivity, shared public spaces, building access and parking. Remodeling proposals not meeting all Plan criteria should be presented to the Planning Commission for early feedback.*

***Comment:*** *This text is motivated by recent experience with remodeling to the Mermaid Inn on ECR, for which the PC has tentatively approved (some changes required) remodeling without meeting the Plan sidewalk width standard. All such projects should be scrutinized carefully for precedents and opportunities.*

As noted, this recommendation derives from the project review process for a proposal at 727 El Camino Real (Mermaid Inn). This project proposed a comprehensive

architectural update and modest square footage expansion to an existing motel. As part of this project, the existing front-left building wall was proposed to remain at a distance of 1.3 - 2.6 feet from the property line, where the Specific Plan requires a setback of seven to 12 feet for new construction (in order to achieve a wider sidewalk, among other objectives). Staff noted that this wall was an existing structural element, and that requiring removal of it (along with two existing parking spaces that are also partly within the front setback) as part of an architectural refresh project would be unusual from a precedent perspective, and could affect the project such that the applicant might not pursue any improvements whatsoever (in which case neither the sidewalk would be widened, nor would the aesthetics of the building be enhanced).

The Planning Commission ultimately approved the 727 El Camino Real project, and noted that this Specific Plan recommendation does not dictate the ultimate action on such renovation/expansion projects. Rather, the Planning Commission requested that this topic be identified early on as a potential issue for applicants, and that the Commission be provided with additional detail to assist with decision-making on such proposals. Staff believes that these objectives could be addressed through an Interpretation/Clarification Memorandum.

#### Modest Modifications to the Specific Plan or Interpretation/Clarification Memorandums

Two Planning Commission recommendations could be addressed by modifying the text of the Specific Plan itself, or through an advisory-type memorandum.

#### **PC Recommendation #2**

##### ***C. PUBLIC BENEFIT AND ARCHITECTURAL CONTROL THRESHOLDS; PUBLIC BENEFIT CATEGORIES***

*1. Eliminate LEED certification as a potential public benefit.*

***Comment:*** *LEED certification is not an appropriate public benefit category. High levels of LEED certification or the equivalent may be considered as supporting attainment of the Plan vision principle of healthy environment and sustainability.*

#### **PC Recommendation #3**

##### ***D. MIDDLE PLAZA & ECR SE ZONE***

***Add Plan text which:***

***1. Eliminates a role for High Speed Rail in Middle Avenue tunnel design or construction. Revise text on Specific Plan page D45 (third paragraph) to read: "The rail crossing itself should consider High Speed Rail improvements, but may be undertaken at any time." (exact wording may be refined)***



Staff believes these recommendations are clear and would not be major modifications to the Specific Plan. However, the changes do not necessarily appear to be critical to the functioning of the Plan. The list of possible Public Benefit Bonus elements on page E17 of the Specific Plan does include “Platinum LEED Certified Buildings”, but it is framed as one of many options that “could be considered.” Nothing about this list necessarily obligates the Planning Commission and/or City Council to grant a bonus for a project including such elements. Similarly, the Burgess Park Linkage/Open Space Plaza text on page D45 of the Specific Plan does currently state that the rail crossing “should be undertaken in conjunction with High Speed Rail improvements,” but the use of the term “should” (instead of “shall”) allows for alternate outcomes without any changes to the Plan.

In both cases, the changes could be undertaken as a Modest Modification to the Specific Plan, or they could be effectively addressed through Interpretation/Clarification Memorandums. The former has the advantage of clarity; however, it also requires staff time and City resources that may be better spent on individual project review or other tasks.

#### Capital Improvement Plan (CIP)

Several Planning Commission recommendations can be considered on an ongoing basis through the existing CIP process. By way of example, the Council previously directed that the following projects commence in the current 2013-2014 fiscal year:

- El Camino Real/Ravenswood NB Right Turn Lane
- El Camino Real Lane Reconfiguration Alternatives Study

Full details on these projects are included as part of the March 26, 2013 City Council staff report on the CIP. Among other objectives, initiation of these projects at the current time is intended to proactively address cumulative growth that the City expects to occur in the coming decades.

#### **PC Recommendation #4**

##### **G. INFRASTRUCTURE**

##### ***Implementation recommendations for City Council action***

**1. Infrastructure goals.** *The City Council should identify major infrastructure goals to be pursued immediately in support Plan implementation including: a) design and construction of a Middle Avenue bicycle/pedestrian tunnel and plaza; b) Downtown parking garage (location/size TBA based on parking study). As partial or complete funding becomes available for a) or b), funding goals and priorities should be adjusted accordingly.*

**Comment:** *A downtown parking garage has been recommended in the Specific Plan as a priority goal for implementation and is essential to Downtown development realizing*

*Plan goals. A garage will take years to design and build whose planning should therefore be pursued immediately. Middle Avenue improvements and funding are uncertain and so is addressed here and below in the context of ECR SE.*

Initial work for both projects is already included in the current Five-Year CIP, adopted in June 2012:

- Caltrain Bike/Pedestrian Undercrossing Design: Commencement in FY 2017-18 (\$500,000)
- Downtown Parking Structures – A Feasibility Study: Non-Funded Projects List (\$75,000)

Either or both projects could be moved up at the direction of the City Council, which considers the recommendations of City Commissions prior to CIP action each year. Any such changes will require acknowledgement of how other CIP projects might be affected (i.e., other projects may need to be moved back).

With regard to the undercrossing, since the adoption of the Five-Year CIP, the City Council has also accepted the report of the 500 El Camino Real subcommittee, which memorialized an agreement with the applicant to make a substantial contribution to the cost of design and construction of this improvement. Provided the 500 El Camino Real project review process moves forward, this will effectively expedite the undercrossing project itself (although the construction activity itself is dependent on a number of factors outside of the control of the 500 El Camino Real applicant, as discussed later).

With regard to downtown parking structures, the Specific Plan recommends (on p. G26) that the City construct one of the two planned parking garages in the short term, although “short term” is not defined. This project could be expedited from the current CIP timeline, although, the City Council may wish to consider the historical precedents with parking changes downtown, as well as other projects already planned. In other downtown projects, relatively simple timing/signage projects that did not change the number of parking spaces have generated a high level of community interest and questions; it is likely that a parking structure project would see an even higher level of public involvement. In addition, given that pilot projects for streetscape improvements have already been prioritized for the coming fiscal year (see PC Recommendation #9), staff believes it may be prudent to review the results of such trial installations (including associated community evaluations) before initiating another significant downtown project.

## **PC Recommendation #5**

### **G. INFRASTRUCTURE**

**2. Revenue generation A.** *The City Council should aggressively pursue revenue generation directed to funding of major Plan infrastructure goals improvements using a combination of financial instruments determined to be most effective over time, are fair*

*to property owners and developers, and are relevant to changing economic conditions. **Such means may include, but are not limited to new building square footage assessment (e.g. \$x/floor area); public benefit contributions; bond measures and other means identified already in the Specific Plan.***

The Specific Plan's Section G.4 "Financing Methods for Public Improvements" provides an overview of funding and financing alternatives for public space and facility improvements included in the Specific Plan. This section notes that "approval of the Specific Plan would not bind the City to specific financing methods and phasing decisions, which would be future individual actions of the City Council."

In general, Section G.4 is consistent with the Planning Commission recommendation above, in that it lists a variety of infrastructure funding measures that can be considered at the time a particular improvement is implemented. The Commission's recommendation doesn't necessarily require any actions at this time, but can be considered as a statement of strong intent, as individual CIP projects are evaluated.

#### **PC Recommendation #6**

#### **H. TRAFFIC & MOBILITY**

*1. City Council should direct the creation of an effective and financially efficient **Transportation Management Association** open to all offices, businesses and residences in the entire Plan area. The TMA mandate should include coordination, monitoring, reporting and improvement of Transportation Demand Management programs for participating businesses, offices and residences.*

**Comment:** *A TMA can be instituted during the time that initial Specific Plan area projects are built out. Pending TMA creation, the city should pursue TMA goals using internal resources.*

A Transportation Management Association (TMA) is a non-profit organization that provides its members the opportunity to collaborate and combine resources to develop a Transportation Demand Management (TDM) program to reduce commute vehicle trips. While large employers typically have the resources and employment base to offer programs and incentives to encourage employees to consider transportation alternatives to driving alone, small or local businesses may not have the resources to provide an expansive, effective program. A TMA can provide management services, information and resources for TDM strategies, such as flexible work schedule support, guaranteed ride home services, carpool matching assistance programs, and shuttle services. A TMA would require initial City investment for both staffing and programs to establish the agency. Afterwards, it could be adapted to an ongoing non-profit entity to maintain and/or grow employer participation. The cost is unknown at this time and would depend on how many programs are included within the TMA and the overall structure expected by the participating agencies. The City would need to absorb the cost for a period of time until the number of businesses included in the TMA provides for

a cost effective program. In order for the City to run the TMA, additional staff would be necessary.

While a TMA would provide Menlo Park-specific resources and services, the City and other County and regional agencies provide many TDM program elements and support today. The City of Menlo Park has a shuttle program, managed by the Transportation Systems Management (TSM) Coordinator, which supports four local shuttle routes:

- Willow Road Commuter Shuttle
- Marsh Road Commuter Shuttle
- Mid-Day Shuttle
- Shopper's Shuttle (Wednesdays and Saturdays)

All four of these routes are free to riders, and are funded through grants provided by City/County Association of Governments of San Mateo County (C/CAG), Metropolitan Transportation Commission (MTC), and the Shuttle Fees paid by new development in the City. A significant benefit of a TMA includes shuttles to connect to mass transit. The El Camino-Downtown Specific Plan area is all within close proximity to the Caltrain station, thus the shuttles are not as necessary for this area.

The Peninsula Congestion Relief Alliance of San Mateo County (Alliance) is a transportation demand management agency funded by C/CAG, the San Mateo County Transportation Authority, the Bay Area Air Quality Management District and MTC. The Alliance provides shuttles between Caltrain and BART stations and many large employers in San Mateo County; subsidized transit passes; carpool, vanpool and school pool matching services and incentive programs; an emergency ride home program; subsidized bicycle parking; and information and resources to reduce the number of single occupant vehicles.

If the City initiates a project to consider implementation of a TMA this will take time and some projects may move through the approval process prior to having the TMA established. In that case, staff believes that individual projects could still be reviewed and approved with a conditional requirement that states that membership in a district-wide TMA is required if any such TMA is adopted, and that such membership would constitute compliance with the standard TDM (Transportation Demand Management) requirement.

### **PC Recommendation #7**

#### **H. TRAFFIC & MOBILITY**

**2. Specific Plan project development along El Camino Real should be accompanied by significant bicycle and pedestrian connectivity and safety improvements, particularly with respect to a potential pedestrian/bike tunnel location; ECR north/south mobility; and ECR east/west crossings. ~~In addition to crossing, bike lane designs or controls described in the Plan, further options representing best practices or safety models should be considered, including four-way crossings.~~**

As noted earlier, the City Council has already initiated the El Camino Real Lane Reconfiguration Alternatives Study, which will help proactively address many of this corridor's mobility challenges. In addition, the 500 El Camino Real subcommittee's agreement on that project's contribution to the Caltrain bicycle/pedestrian undercrossing is facilitating a positive outcome on that improvement. These existing positive steps can potentially be supplemented through additional CIP projects (again, keeping in mind how any such projects may affect other City priorities). In addition, some individual development projects may ultimately be required to implement certain bicycle and pedestrian improvements, if such improvements are directly adjacent or otherwise inherently linked with the proposal. For example, if a project requires changes to an intersection in order for access to the project to function adequately, the Specific Plan's requirements for pedestrian crossing treatments at that location may become the project's obligation.

### PC Recommendation #8

#### **H. TRAFFIC & MOBILITY**

**3.** *The Specific Plan should include provisions for: a) in-lieu parking fees to be applied to TMA funding; b) unbundling of commercial, in addition to residential, parking; c) ability for parking fees to applied as employee parking "cash-out."*

**Comment:** *Recent experience of Palo Alto and San Mateo to finance parking options show that provisions a) and b) need to be in place before projects are permitted. Provision c) has been shown effective in some cities at reducing parking demand by motivating cost-effective behavior rather than building additional parking stalls.*

This recommendation appears to confuse a few aspects of the Specific Plan. To clarify: in-lieu parking fees are permitted in the "Downtown Shared/Unbundled Parking Area," which corresponds to the boundaries of the historical parking plaza assessment district. However, based on current downtown parking occupancy rates, this is effectively not allowed until new parking supply is added (i.e., a downtown parking garage would need to be initiated before any in-lieu fees could be paid). In all other areas of the Specific Plan, developments are required to provide on-site parking as described in Section F.8 "Parking Standards." There is an allowance to conduct a shared parking study that may reduce the overall parking rate for a mixed-use project, but the resulting parking requirement still must be met (the City has also historically allowed a subset of parking to be provided in "landscape reserve," but this still requires the parking to be fully designed and, if needed, constructed at a later date). Outside of the downtown, there is no allowance whatsoever for in-lieu fees to be paid to meet a development's parking requirement. Adding such a provision to the Specific Plan would be a major modification, and may have unintended consequences.

With regard to unbundling of parking (the renting or selling of parking spaces separately, rather than automatically including them with building space), the Specific Plan does introduce this concept (on p. F30) and "recommends" it for residential

developments. However, the Plan does not actually specify how such a policy would be implemented. In addition, the Plan does not allow unbundling to result in a lower parking rate; although the spaces can be used/priced differently, the minimum parking requirement still has to be built. Currently, if a developer were to propose unbundling of parking for a residential project, the details of that particular implementation (e.g., would all spaces be unbundled, or just a portion; would unused spaces be turned over to car share services, or offered to the general public for rental; etc.) could be determined through the project review process. However, establishing a new Plan-wide implementation process for unbundling of parking (and/or expanding the allowance to non-residential projects) would likely constitute a new CIP project. In either case, staff believes that parking spillover would need to be considered in detail before any approval; for any particular project, if on-site parking requires a fee, but on-street or other public spaces are available within a walkable distance, parking impacts may result.

With regard to parking cash-out programs, these are already mentioned as one potential TDM (Transportation Demand Management) strategy (p. F31). The funding for such a strategy is not specified, in order to give developments flexibility.

### **PC Recommendation #9**

#### ***I. DOWNTOWN***

*1. The City Council should fund and implement pilot projects for the Downtown Paseo and sidewalk extension.*

*Comment: The pilot projects represent the fundamental starting point for public space improvements to activate the Downtown and should not be delayed.*

The current CIP (2013-2018) already has the following project proposed to commence in the 2014-2015 fiscal year:

***Downtown Streetscape Improvements:*** *The project will consist of planning and implementation of improvements in the downtown area per the Specific Plan considering the Chestnut Paseo and Santa Cruz Avenue Sidewalk and the development of new streetscape plans. The project will be comprised of four components which will consist of meeting with Downtown businesses and customers for an early implementation of a pilot sidewalk widening project. The second component will include development of the pilot plans for implementation of other elements of the specific plan. The third component will be the implementation of the pilot plan and the fourth component will be development of a master plan for the downtown area.*

As a result, staff believes this recommendation is already in the process of being addressed, and no changes are needed.

## 500 El Camino Real Project Review

A number of Planning Commission recommendations are linked directly with the project review process for the 500 El Camino Real proposal. In some cases, staff believes they are revisiting topics that have already been explored by the City Council subcommittee, which has resulted in a number of agreements. In other cases, the Commission's requests may have legal or logistical challenges that would need to be explored in much more detail.

### **PC Recommendation #10**

#### ***D. MIDDLE PLAZA & ECR SE ZONE***

*2. Makes design and construction of tunnel and plaza, and a bicycle/pedestrian tunnel, simultaneous with earliest ECR SE building(s) design and construction.*

### **PC Recommendation #11**

#### ***D. MIDDLE PLAZA & ECR SE ZONE***

*4. Sets default funding for plaza and tunnel design and construction to be provided by ECR SE developer(s) and/or owner in whole, as negotiated with City Council and/or designated group. Such funding may count toward public benefit as relevant.*

***Comment:*** *Partial funding as a negotiation outcome is addressed under INFRASTRUCTURE.*

As noted in the Background section, the City Council has accepted the report of the 500 El Camino Real subcommittee, which included the following requirement for a revised project submittal:

- Stanford will make a substantial contribution to the cost of design and construction of a pedestrian-bike undercrossing at Middle Avenue. The amount will be negotiated/determined through the project approval process with the goal of ensuring there will be sufficient funding to construct the undercrossing in a timely manner

The Council subcommittee has established the parameters regarding the applicant's contribution to this improvement, with the goal of constructing the improvement in a timely manner. Staff believes the Planning Commission's recommendation reinforces the spirit of this subcommittee's agreement, but exceeds what has already been established.

The Planning Commission's recommendation regarding construction timing is somewhat in keeping with the Council's intent to construct the undercrossing in a timely manner, but exceeds it by requiring that the improvement be built simultaneous with the earliest new buildings in this vicinity. The undercrossing project would affect private land

not owned by the 500 El Camino Real applicant, and would require actions by numerous public agencies that may or may not grant such approvals in a timely manner. As such, staff believes requiring the 500 El Camino Real applicant to construct the undercrossing within a certain timeframe is not feasible, nor is it clearly linked to any particular impact of that proposal.

The expectation that the applicant's contribution shall represent the full cost of the undercrossing also exceeds the subcommittee's agreement. The 500 El Camino Real applicant has also raised the question of whether a requirement for full funding lacks the legally required proportional relationship between government exactions and project impacts. In addition, the statement that such funding "may count toward public benefit as relevant" seems problematic in that it seems to imply that the 500 El Camino Real project should propose a project at the higher Public Benefit Bonus levels (instead of the lower Base levels currently proposed).

### **PC Recommendation #12**

#### ***D. MIDDLE PLAZA & ECR SE ZONE***

***6. Provides flexible criteria for ECR SE building breaks, maximum front setbacks and retail parking siting to facilitate optimal Plaza design and retail parking access.***

During the Planning Commission's discussion, the Commissioners who voted for this recommendation stated that the multiple uses programmed for the Middle Avenue Plaza space (park patrons, bicyclists, vehicles, etc.) may be so challenging that accommodating them all may require adjustments to other requirements of the Plan.

The 500 El Camino Real subcommittee also established the following requirement as part of its project review:

- Stanford will participate in a City working group regarding the design of the Middle Avenue plaza, undercrossing and vehicular access to the site

Staff continues to believe this will effectively address the challenges of designing the Middle Avenue plaza. In the absence of any detailed design analysis that finds there is no way to achieve a successful plaza without modifying other Specific Plan standards, staff believes it would be premature to provide an allowance for such modifications (which themselves could have unanticipated impacts).

### **IMPACT ON CITY RESOURCES**

#### **Overall Specific Plan**

The Specific Plan is projected to result in a fiscally positive impact to the City, resulting in over \$2.1 million of new General Fund net revenue on an annual basis (in 2009 dollars). The FIA (Fiscal Impact Analysis) associated with the Plan notes that the projected revenue would be primarily from hotel-related Transient Occupancy Tax



(TOT), while operational expenses from two new public parking garages would be a primary cost driver, and that there were some scenarios where the Plan's costs could come out greater than the revenues. With regard to actual developments since the Specific Plan was adopted, a proposal for 138 new hotel rooms at 555 Glenwood Avenue (Marriott Residence Inn) was approved in March 2013, with this project alone projected to generate \$669,000 in annual net new revenue. In addition, a comprehensive renovation project at 727 El Camino Real (Mermaid Inn), including the addition of eight new hotel rooms, was approved in September 2013 and should also result in some level of additional TOT revenue. Concurrently, the City has proceeded deliberately with regard to public parking garages, with the initial step ("Downtown Parking Structures – A Feasibility Study") listed as part of the Capital Improvement Plan's Non-Funded Projects, which are not projected to occur within the next five years. In combination, the approval of two projects that significantly improve the number and quality of hotel rooms in the Plan area and the deferral of parking structure operational costs should result in the Specific Plan generating positive annual revenues to the City General Fund for the foreseeable future. Over time, staff believes the overall FIA conclusions of significant, recurring revenues should also continue to hold true.

### **Project Review**

Individual applicants are required to pay planning permit fees, based on the City's Master Fee Schedule, to fully cover the cost of staff time spent on the review of the project. Applicants are also required to bear the cost of any associated environmental review, such as a detailed traffic analysis. For such environmental review, an applicant deposits money with the City, and the City pays the consultants and independently manages the consultant's work.

### **Impact Fees**

If an individual project is approved, the applicant is required to pay applicable standard fees, some of which are briefly summarized below. In general, such fees are based on net new development (e.g., the square footage and/or dwelling unit count of active existing uses may be deducted), although this may vary by fee. Such fees are also generally considered to account for the impacts of development (as opposed to representing extra benefits).

- **Transportation Impact Fee (TIF)**  
The TIF is intended to defray the cost of certain transportation improvements required to serve development within the city of Menlo Park. Many (although not all) of the EIR transportation mitigations were already part of the TIF program, which means that payment of the TIF is considered as representing an individual development's proportional responsibility for mitigating those particular impacts. Developers may receive a TIF credit in consideration for certain facilities or improvements constructed or paid for by the developer.

- El Camino Real/Downtown Specific Plan Preparation Fee  
The Specific Plan Preparation Fee was adopted in conjunction with the approval of the Plan and, as allowed by State law, the cost of preparation, adoption, and administration of the Specific Plan (including the preparation of the EIR).
- Building Construction Street Impact Fee  
The Building Construction Street Impact Fee is intended to recover the cost of repairing damage to streets caused by construction-related vehicle traffic.

In addition to City fees, school impact fees will need to be paid to the Menlo Park City School District and the Sequoia Union High School District. Greater specificity on projected fees will be provided as review proceeds for individual projects.

### **Modifications to the Specific Plan**

Staff believes the work required for Interpretation/Clarification Memorandums to the Specific Plan could likely be absorbed within the Community Development Department budget, although it would affect somewhat the Planning Division's ability to address other projects and plans. This is related to the fact that the in-progress One-Year Review has well exceeded its projected workload; the time spent on this task has been significant and resulted in some loss of productivity on other Planning projects, especially in light of recent staffing challenges.

The work required for minor or major modifications to the Specific Plan would require consideration of a budget adjustment for technical consultant services, as well as more formal direction from the Council on how the revisions relate to other obligations of the Planning Division.

### **POLICY ISSUES**

The multi-year Vision Plan and Specific Plan processes resulted in extensive policy clarifications and changes related to land use and transportation issues, as described in detail in the El Camino Real/Downtown Specific Plan. In particular, the adopted Specific Plan is intended to embody the following Guiding Principles (described in more detail in Attachment B):

- Enhance Public Space
- Generate Vibrancy
- Sustain Menlo Park's Village Character
- Enhance Connectivity
- Promote Healthy Living and Sustainability

The City Council always has the discretion to change policies and principles. As previously noted, Menlo Park is a community with diverse and deeply-held opinions regarding development, and as a result there will probably always be some amount of disagreement on these topics. However, the Vision Plan and Specific Plan processes represent by far the broadest and most inclusive community planning that the City has

ever undertaken, with unprecedented levels of outreach and participation. In general, the best policies will be the ones coming out of comprehensive, community-oriented processes like those. By contrast, making significant policy changes in later, more isolated contexts are more likely to result in compromises that effectively please no one.

## **ENVIRONMENTAL REVIEW**

### **Specific Plan Program EIR**

The Specific Plan process included detailed review of projected environmental impacts through a program Environmental Impact Report (EIR), as required by the California Environmental Quality Act (CEQA). In compliance with CEQA requirements, the Draft EIR was released in April 2011, with a public comment period that closed in June 2011. The Final EIR, incorporating responses to Draft EIR comments, as well as text changes to parts of the Draft EIR itself, was released in April 2012, and certified along with the final Plan approvals in June 2012.

The Specific Plan EIR identifies no impacts or less-than-significant impacts in the following categories:

- Aesthetic Resources;
- Geology and Soils;
- Hydrology and Water Quality;
- Land Use Planning and Policies;
- Population and Housing; and
- Public Services and Utilities.

The EIR identifies potentially significant environmental effects that, with mitigation, would be less than significant in the following categories:

- Biological Resources;
- Cultural Resources; and
- Hazards and Hazardous Materials.

The EIR identifies potentially significant environmental effects that will remain significant and unavoidable in the following categories:

- Air Quality;
- Greenhouse Gases and Climate Change;
- Noise; and
- Transportation, Circulation and Parking.

The Final EIR actions included adoption of a Statement of Overriding Considerations, which is a specific finding that the project includes substantial benefits that outweighs its significant, adverse environmental impact.

As required by CEQA, the Specific Plan EIR included identification of a reasonable range of alternatives to the project. In general, alternatives should 1) attain most of the basic objectives of the project and avoid/lessen significant effects, 2) be feasible, and 3) include a “no project” alternative. The Specific Plan EIR alternatives were identified by comparing current densities/intensities of the existing Zoning Ordinance and Draft Specific Plan to identify reduced intensity options. The analysis determined that no alternative would have fully eliminated any significant and unavoidable impact. The No Project Alternative would have lessened Air Quality, Noise, and Transportation impacts, but performed the same or worse with regard to Greenhouse Gases and Climate Change and addressed the fewest number of project objectives (vibrancy, pedestrian improvements, housing opportunities, etc.).

### **Project-Level Review under the Specific Plan**

As specified in the Specific Plan EIR and the CEQA Guidelines, program EIRs provide the initial framework for review of discrete projects. For example, larger projects (of the scale of the 500 El Camino Real proposal) are required to be analyzed with regard to whether they would have impacts not examined in the program EIR. Staff anticipates this will take the form of an expanded checklist that analyzes the project in relation to each environmental category in appropriate detail. In particular, traffic and transportation impacts are known to be a key area of interest for many projects, and can require detailed analysis and discussion. Depending on the results of such analysis, the City could determine that the program EIR adequately considered the project, or the City could determine that additional environmental review is required. This type of detailed project-specific CEQA review will be available in advance of consideration of final project actions.

In addition, all projects (including those considered exempt under CEQA Guidelines) must incorporate feasible mitigation measures included in the Specific Plan EIR’s Mitigation Monitoring Program. Examples of such mitigations include:

- Payment of fees for transportation improvements (some of which are included in the City’s TIF program and some of which would require additional fees for the Specific Plan area);
- Incorporation of Transportation Demand Management (TDM) programs;
- Surveys and avoidance programs for special-status animal species; and
- Training programs and protection measures for archaeological resources.

### **CEQA Requirements for Potential Changes to the Specific Plan**

As noted earlier, potential changes to the Specific Plan would require consideration under CEQA, although it is difficult to describe that process without understanding the nature and extent of the changes. In general, modifications that reduce the potential for impacts can be processed somewhat more expeditiously under CEQA, although the analysis still has to fully explain the basis for such determinations. In addition, while many “downscaling”-type changes may result in fewer/lesser absolute impacts for a

number of impact categories, they can also potentially result in greater impacts for categories like Greenhouse Gases and Climate Change, which have impact thresholds expressed in ratios. Again, a fuller understanding of a proposed set of changes is necessary to provide more certainty.

## **DISCUSSION FRAMEWORK/MEETING STRUCTURE**

### **Conflicts of Interest**

Vice Mayor Mueller has an individual conflict of interest with regard to aspects of the Specific Plan that uniquely apply to the ECR SE zoning district (including but not limited to the 500 El Camino Real proposal). However, Vice Mayor Mueller can take part in discussions/direction that are limited to regulations that apply only to other geographic areas. In addition, Vice Mayor Mueller may participate in discussions/direction that relate to plan-wide regulations, although this can potentially be difficult to distinguish, depending on the topic (a requirement can appear to be broad, but may effectively apply only to a limited area). Staff's process recommendation has been structured to allow all Council Members to participate as fully as possible, although it is up to Vice Mayor Mueller to determine how he wishes to take part in the overall discussion.

### **Meeting Procedure**

The following represents the staff recommendation for a meeting structure. The Mayor ultimately has the discretion to guide the meeting, reflecting the intent of the overall Council.

- Staff Presentation
- Planning Commission Chair Presentation
- Council Clarification-Type Questions of Staff
  - Questions not relating to the ECR SE district
  - Questions relating to ECR SE district (Vice Mayor Mueller recused)
- Public Comment (due to the difficulty in anticipating the content of comments, it's generally recommended that Vice Mayor Mueller recuse himself from the entirety of this section)
- Council Discussion/Direction
  - Identification of Topics
    - Topics not relating to the ECR SE district
    - Topics relating to ECR SE district (Vice Mayor Mueller recused)
  - Direction
    - Recommendations not relating to the ECR SE district
    - Recommendations relating to the ECR SE district (Vice Mayor Mueller recused)

## **Staff Recommendation**

As noted previously, staff believes that most if not all issues and/or concerns with individual projects can be fully resolved through the standard Architectural Control and Environmental Review processes. With regard to public improvements, the existing Capital Improvement Plan (CIP) process already provides the mechanism to initiate planned projects, such as the downtown sidewalk extensions or parking garages. The City Council should strongly consider all of the Planning Commission's infrastructure-related recommendations, keeping in mind how they may affect other priorities. With respect to changes to the Specific Plan itself, staff recommends pursuing the "Interpretation/Clarification Memorandums" process option (for the staff-recommended topics discussed in Attachment C as well as the Planning Commission recommendations that fall under that category), and not pursuing either the "Minor Modifications" or "Major Modifications" options.

As staff has noted previously, Menlo Park is a community with diverse and deeply-held opinions regarding development, and as a result there will probably always be some amount of disagreement on these topics. However, by considering public input deliberately and carefully, thinking through the implications of potential changes, and by basing recommendations on fact, the City Council can build on the success of the Vision Plan and Specific Plan.

## **PUBLIC NOTICE**

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting, as well as sending an email notification through the City's project page, which is available at the following address: <http://www.menlopark.org/specificplan>. This page provides up-to-date information about the Specific Plan, allowing interested parties to stay informed of its progress. The page allows users to sign up for automatic email bulletins, notifying them when content is updated and meetings are scheduled. The project list currently has 1,054 subscribers. In addition, although not legally required, a notice was published in the local newspaper (note: the notice was for the original projected City Council review date of November 12, 2013; although that meeting was subsequently cancelled, the notice relayed to the public that the item was pending).

## **ATTACHMENTS**

- A. Vision Plan Excerpt – Vision Statement and Goals
- B. Specific Plan Excerpt – Guiding Principles
- C. Expanded Discussion of Options for Specific Plan Modifications
- D. Planning Commission "Straw" Votes
- E. Planning Commission – Annotated Chair's Process/Content Recommendation

**AVAILABLE FOR REVIEW AT CITY OFFICES AND ON THE PROJECT WEB PAGE**

- [El Camino Real/Downtown Specific Plan](#)
- [Final Environmental Impact Report \(EIR\)](#)
- [Fiscal Impact Analysis \(FIA\)](#)
- [El Camino Real/Downtown Vision Plan](#)
- [Planning Commission Meeting Information](#)
  - [September 9, 2013](#)
    - [Staff Report](#)
    - [Approved Minutes](#)
  - [September 23, 2013](#)
    - [Staff Report](#)
    - [Approved Minutes](#)
  - [October 7, 2013](#)
    - [Staff Report](#)
    - [Approved Minutes](#)
  - [October 28, 2013](#)
    - [Staff Report](#)
    - [Draft Minutes](#)
  - [November 4, 2013](#)
    - [Staff Report](#)

Report prepared by:  
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**EL CAMINO REAL/DOWNTOWN SPECIFIC PLAN  
CITY COUNCIL  
NOVEMBER 19, 2013**

**El Camino Real/Downtown Vision Plan  
Excerpt: Vision Statement and Goals**

**Vision Statement**

Downtown Menlo Park and the El Camino Real corridor through Menlo Park will continue to be known for the vitality and diverse range of activities that are available. It will become a place where people live, work and shop and a place that provides services and offers cultural opportunities. A unique identity can be created for the Vision Plan Area that builds on the attributes and opportunities that exist as community assets in the Vision Plan Area today. Those Menlo Park assets include:

- Santa Cruz Avenue: Menlo Park's "Main Street" is an intimately-scaled street with fairly wide sidewalks and a rhythm of storefronts that is conducive to pedestrian activity. City-owned parking plazas are accessible via a series of similarly-scaled cross streets and augment the on-street parking provided on Santa Cruz Avenue.
- The Menlo Park Train Station: Rail and bus service connects Menlo Park's downtown to the region; the station provides the opportunity for Menlo Park residents to access job opportunities elsewhere on the Peninsula as well as to bring visitors to existing and expanded opportunities in downtown Menlo Park.
- Menlo Park's Independently-owned Businesses: The range of services and goods provided by local businesses and merchants has been identified by several community members as a major contributor to the small town, or village, character in Menlo Park. One-of-a-kind retail businesses and services contribute greatly to making a downtown unique.
- Strategic Opportunities for Near-term Change: Vacancies and underutilization of the Plan Area's larger parcels, particularly those with the exposure that El Camino Real provides, offer the opportunity to envision future uses that are different than those that formerly occupied those key sites.
- City-owned Parking Plazas: These areas are integral to the health of businesses and merchants in the Downtown. However, the parking plazas are also the largest areas of City-owned land in the Plan Area, outside of public streets. A comprehensive redesign of these areas could provide the potential for a more efficient configuration and greater number of parking spaces, as well as shade trees in conjunction with plazas or small park spaces that could be components of a coordinated downtown pedestrian network.
- Future Railroad Conditions: Although precise determinations of future activities on the Caltrain tracks are unknown at this time, alterations or expansion of the tracks to accommodate high speed rail or future Caltrain needs seems likely. Acknowledging that such changes may occur provides

the opportunity for the Vision Plan to propose ways to expand east-west connectivity across the tracks for bicyclists and pedestrians, in addition to vehicles, in conjunction with future track changes.

- Other Unique Community Assets: Menlo Park also contains a number of additional community assets, both in and outside of the Vision Plan Area. Allied Arts Guild, an architecturally unique complex, is located near the Vision Plan Area. Fremont Park, Menlo Park Presbyterian Church, Burgess Park and the Menlo Park Civic Center are also important community assets located just outside the Vision Plan Area. The Park Theater, now vacant, is located in the Vision Plan Area and is considered by some community members to be a significant cultural asset. The numerous trees of the city are also considered by many to be an important community asset.

## Goals

1. Vision Plan Area Character: Maintain a village character unique to Menlo Park.
2. East-West Connectivity: Provide greater east-west, town-wide connectivity.
3. El Camino Real Circulation: Improve circulation and streetscape conditions on El Camino Real.
4. Neighborhood Context: Ensure that El Camino Real development is sensitive to and compatible with adjacent neighborhoods.
5. Vacant and Underutilized Parcels on El Camino Real: Revitalize underutilized parcels and buildings.
6. Train Station Area: Activate the train station area.
7. Santa Cruz Avenue Pedestrian Character: Protect and enhance pedestrian amenities on Santa Cruz Avenue.
8. Downtown Vibrancy: Expand shopping, dining and neighborhood services to ensure a vibrant downtown.
9. Housing: Provide residential opportunities in the Vision Plan Area.
10. Open Space: Provide plaza and park spaces.
11. Pedestrian and Bicycle Circulation: Provide an integrated, safe and well-designed pedestrian and bicycle network.
12. Parking: Develop parking strategies and facilities that meet the commercial and residential needs of the community.

**EL CAMINO REAL/DOWNTOWN SPECIFIC PLAN  
CITY COUNCIL  
NOVEMBER 19, 2013**

**El Camino Real/Downtown Specific Plan  
Excerpt: Guiding Principles**

**Enhance Public Space**

The Specific Plan establishes an expansive "public realm", an integrated network of public spaces, including widened sidewalks, plazas and parks, that invites strolling and public gathering and allows for community life, identity and sense of place. The plan's comprehensive public space network supports a more active, vibrant downtown and healthier living by encouraging walking, biking and social gathering.

**Generate Vibrancy**

The Specific Plan acknowledges the community's desire for a more active, vibrant downtown and station area, with a mix of retail, residential and offices uses that complement and support one another and bring vitality, including increased retail sales, to the area. In addition, the Specific Plan establishes standards and guidelines that encourage development of underutilized and vacant land on El Camino Real while ensuring a building character that is modulated and in keeping with Menlo Park's small-town character. The Specific Plan focuses on creating new connected places of activity and social life that enhance community life and contribute to a vibrant downtown.

**Sustain Menlo Park's Village Character**

The Specific Plan recognizes and builds upon the unique qualities of downtown Menlo Park and El Camino Real, in particular its small town character of lower-scale buildings and diverse and local neighborhood-serving businesses. The Specific Plan accommodates future development in ways that complement the area's existing character, using design controls and guidelines to regulate building form and scale.

**Enhance Connectivity**

The Specific Plan enhances connectivity and walkability throughout the plan area. The plan provides a north-south connection with a wider, more comfortable and continuous sidewalk on the east side of El Camino Real. The plan integrates downtown, the Caltrain station area and the Civic Center with one another through widened sidewalks on Santa Cruz Avenue, Alma Street and El Camino Real. East/west connectivity is enhanced with a number of intersection improvements along El Camino Real, including

enhanced crosswalks and new and improved grade-separated pedestrian/bicycle crossings of the railroad tracks.

### **Promote Healthy Living and Sustainability**

The Specific Plan recognizes and promotes healthy living and activity by encouraging walking, biking and access to transit as alternatives to vehicular use, supported by widened sidewalks and new bicycle facilities; enhanced public spaces; development intensity focusing on the station area; and a greater mix and diversity of uses. The Specific Plan takes a comprehensive approach to sustainability and carbon emissions reduction, utilizing standards integrated with best practices and guidelines for both public and private improvements. The Specific Plan also encourages development sensitive to the character of Menlo Park.

V:\STAFFRPT\CC\2013\111913 - ECR-D Specific Plan - Initial Review\111913 - ECR-D Specific Plan - Initial Review - ATT B - Specific Plan guiding principles.doc

**EL CAMINO REAL/DOWNTOWN SPECIFIC PLAN  
CITY COUNCIL  
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**Expanded Discussion of Options for Specific Plan Modifications**

***Interpretation/Clarification Memorandums***

As noted in the Specific Plan's "Ongoing Review" section, the Plan was a significant and complex revision of the regulations that previously applied to these areas of Menlo Park, and there may be unanticipated consequences in how different requirements interact with each other or with different development sites. As review of the relatively limited number of project applications has proceeded, staff has noted several topics that may warrant formal interpretation/clarification:

- **Hotel Parking Rate:** Specific Plan Table F2 establishes a single parking rate for hotels of 1.25 spaces per room. During review of both the 555 Glenwood Avenue and 727 El Camino Real proposals, staff has determined that these hotel uses are materially distinct from the Specific Plan's listed hotel rate. In particular, these hotel types do not offer facilities that are accessible by non-guests, such as a conference center, restaurant, bar, or independent health club facility. As a result, for these projects, the Transportation Manager has applied a blended rate from the Institute of Transportation Engineers (ITE) publication, Parking Generation (Fourth Edition). Specifically, the All Suites Hotel (ITE Code 311) and Business Hotel (ITE Code 312) rates have been combined for a rate of 0.80 spaces per hotel room. The continued application of this rate for a similar limited-service hotel use does not require any change to the Specific Plan (the Transportation Manager is allowed to approve a rate for a use type not listed in Table F2), but a more formal, written clarification may benefit potential applicants proposing similar hotel types.
- **Rear Setback:** Specific Plan Figure E7 clearly relays setback requirements for front and corner side setbacks. However, in districts where a rear setback applies (for example, the ECR SW and ECR NE-R districts, which adjoin lower-density residential districts and which have such setbacks to provide an appropriate transition), a parcel's orientation may make it unclear where the rear setback applies. For example, an initial concept for the 612 College Avenue proposal made an incorrect assumption as to the location of the rear of the property, as the parcel's primary usable front is located perpendicular to the Specific Plan area boundary. That proposal has since been corrected, but a general memorandum and basic summary graphic could help relay that the rear setback always applies to the boundary between a Specific Plan parcel and an adjacent residential area.
- **Housing Element-Related Changes:** The recent Housing Element update included an Affordable Housing Overlay (AHO), which applies to certain R-4-S district parcels, as well as the entire Specific Plan area. Because the Housing

Element and AHO section of the Zoning Ordinance were adopted after the Specific Plan, they can generally be presumed to apply regardless of the fact that the Plan itself does not mention them, but applicants and the public may benefit by a more explicit acknowledgement of this fact. Depending on the results of the next Housing Element update (currently in progress), similar memos or more substantive Specific Plan changes could be required.

- **Maximum Setback:** For many districts, the Specific Plan includes both minimum and maximum setbacks, in order to help establish the character of a street and neighborhood. Concurrently, the Specific Plan requires building breaks and other modulation requirements that explicitly require buildings to have breaks/recesses that provide general visual relief and which can also serve as usable open space. Some applicants (in particular for larger projects) and members of the public have questioned whether the maximum setback effectively requires that all elements of a structure be located in a continuous line, in a way that actually prevents variation of building form and the development of plazas or similar active, recessed spaces. Staff does not believe this to be the case, given the concurrent requirements for building breaks and similar modulations, but a set of case studies (ideally, based on actual projects) showing how these various regulations interact would help provide greater clarity.

Staff believes such clarity enhancements could be accomplished without changing the Specific Plan itself, and would take the form of interpretation/clarification memorandums. Such memos could be prepared on an ongoing basis by staff, to be publicly considered by the Planning Commission and (if accepted) incorporated as part of the Specific Plan project page as working documents. Staff expects that this type of interpretation/clarification memorandum would not require CEQA review, as they would not formally amend the Specific Plan itself, although this assumption would need to be reviewed in more detail as such memos proceed.

### ***Modest Modifications to the Specific Plan***

The Specific Plan was adopted by resolution of the City Council, following review/recommendation by the Planning Commission. Specific Plan amendments can be conducted following the same general procedure. General Plan and/or Zoning Ordinance amendments could be required at the same time, although the Specific Plan was generally designed to be a comprehensive set of regulations and guidelines. Any changes to the Specific Plan are required to be evaluated with regard to the California Environmental Quality Act (CEQA). City Council Resolutions require a majority action of the Council Members present and eligible to vote.

It is difficult for staff to provide specificity on review process requirements and timelines without a fuller understanding of what Specific Plan changes might be desired. However, staff generally believes that modest modifications to the Specific Plan could be conducted relatively efficiently. Specifically, modest changes would be those that are primarily text-based and which do not revise fundamental principles of the Plan. For example, a use that is currently designated as permitted could be changed to

conditionally permitted, which would require Use Permit review and approval for any such uses. Similarly, the process by which Public Benefit Bonus level projects are reviewed could be clarified or enhanced.

These types of changes would require some level of CEQA consideration, but if findings can be made that the actions are within the scope of the project covered by the El Camino Real/Downtown Specific Plan Program EIR, there should not be extensive CEQA noticing or circulation requirements.

Staff believes that modest modifications could potentially occur within an approximately three- to five-month timeframe. This process would include:

- Refinement of the Commission/Council's direction (wording, etc.)
- Draft revisions of the Specific Plan document
- Planning Commission meeting (with public notice)
- City Council meeting (with public notice)
- Final revisions of the Specific Plan document, including web posting and printing

During this time, development proposals would remain under consideration, with the existing Specific Plan in effect. The City Council could implement a moratorium (discussed more below) to preclude any action on proposals while the Plan changes were under review, although staff does not generally believe this would be necessary for larger and more complex projects which will require additional time for detailed analysis of technical requirements and would effectively limit the ability of the City to act on such proposals before modest Plan revisions could be acted upon. At the August 27 Council meeting, Stanford University representatives acknowledged that this would be the case for the 500 El Camino Real project proposal. However, absent a moratorium, review of smaller projects could proceed.

### ***Major Modifications to the Specific Plan (Including Moratorium)***

Potential Specific Plan changes that would affect graphics and/or revisit core principles of the Plan would require a more extensive process. Examples of such major changes could include:

- Modifying height, FAR, or massing/modulation regulations; or
- Removing a significant number of parcels from the Specific Plan entirely and applying some sort of replacement Zoning District.

Again, it is difficult for staff to project how long such a process would take in the absence of guidance about what changes might ultimately be directed. However, most major Plan revision scenarios would likely require specialized services for graphics and potentially additional environmental review. Such a process could also include an iterative, public process that allows for more careful and comprehensive consideration of options, which would appear appropriate given that the Specific Plan itself was developed through a community-oriented, transparent process. In general, staff believes

that major modifications to the Specific Plan could take between six and 12 months to complete, at a minimum, and would likely affect other plans/projects, with regard to staff and Commission/Council resources.

As noted previously, until any potential Specific Plan changes are completed, the current Specific Plan would remain in effect, and review of pending proposals would proceed. The estimated timeframe for major Plan modifications could conceptually allow for both smaller and larger projects to be reviewed and acted upon prior to the Plan changes being made. As a result, the Council could consider enacting a moratorium to preclude any action on subject applications. Moratoriums require a four-fifths vote by the City Council and are subject to timing and other procedural requirements.

With regard to the possibility of removing a significant number of parcels from the Specific Plan, staff believes this scenario would likely be more complex than other major Plan modification options. The project area remained the same throughout the entire Vision Plan and Specific Plan processes, with conceptual opportunity sites distributed throughout the Plan area. A complete removal of a significant number of parcels from the Plan would require significant technical revisions, and could even result in new environmental impacts depending on the attributes of the replacement zoning. For example, the C-4 (ECR) zoning that was preempted by the Specific Plan did not require any front setback, in contrast to the current regulations that require a 10- to 20-foot setback in order to provide a significantly expanded sidewalk. Similarly, without the Specific Plan, the requirement for LEED Silver (“green building”) certification would no longer apply, which could result in new and unanticipated impacts.



**EL CAMINO REAL/DOWNTOWN SPECIFIC PLAN  
CITY COUNCIL  
NOVEMBER 19, 2013**

**Planning Commission “Straw Votes”**

The Commission did not make any formal actions at the meetings on September 9, September 23, and October 7, 2013, but took a number of informal (or “straw”) votes, with the intent of guiding future discussion:

*September 9, 2013*

1. Leaving aside the question of control/uses, do you believe the Specific Plan’s overall building parameters (e.g., FAR, densities) are generally acceptable, with the potential for some interpretations or refinements?  
*Straw vote tally: 5-0-2, with Commissioners Bressler, Eiref, Ferrick, Kadvany, and Riggs in favor and Commissioners Onken and Strehl abstaining;*
2. Do you believe another form of project control is needed to achieve the Plan’s valued outcomes, above and beyond the current Architectural Control and Environmental Review requirements?  
*Straw vote tally: 4-3, with Commissioners Bressler, Eiref, Ferrick, and Kadvany in favor and Commissioners Onken, Riggs, and Strehl in opposition; and*
3. Do you think additional review of, and potential revisions to, the Plan’s use regulations is warranted?  
*Straw vote tally: 7-0.*

*September 23, 2013*

1. Shall the Planning Commission recommend that the City Council investigate an objective formula and/or fee approach for public benefit with the intent of providing funding for infrastructure improvements in the Specific Plan area?  
*Straw vote tally: 7-0.*

*October 7, 2013*

1. The Planning Commission recommends that City Council lower the thresholds for the Public Benefit Bonus, in order to create a flexible process to negotiate public benefits.  
*Straw vote tally: 3-3, with Commissioners Bressler, Kadvany, and Onken in favor, Commissioners Ferrick, Riggs, and Strehl in opposition, and Commissioner Eiref absent;*
2. The Architectural Control process for the ECR SE district needs to provide the Planning Commission with the opportunity to reach satisfaction with the design and layout of the Middle Avenue plaza.  
*Straw vote tally: 4-0, with Commissioners Bressler, Ferrick, Kadvany, and Riggs*

*in favor, Commissioners Onken and Strehl recused, and Commissioner Eiref absent; and*

3. The Planning Commission should have the power to modify the requirements for building breaks in the ECR SE district in order to facilitate the successful design of the Middle Avenue plaza.

*Straw vote tally: 2-2, with Commissioners Bressler and Kadvany in favor, Commissioners Ferrick and Riggs in opposition, Commissioners Onken and Strehl recused, and Commissioner Eiref absent.*

The straw votes should be considered brief communications intended as summary expressions of discussion milestones, as well as helpful statements to the public, Council, and others.

**Draft recommendation topics for Specific Plan review October 28, 2013  
(Text and comments are open to revision and additions on 10/28. Revised 10/28)**

Votes and notes added by staff, and some minor formatting changes made, after 10/28/13 and 11/4/13 meetings. Where multiple vote categories are noted for individual Commissioners, it is because the distinction between "Not Support" and "Indifference" was unclear. Those may be clarified/corrected as part of the 11/18/13 Planning Commission review of these votes.

**DOCUMENT PURPOSE, ORGANIZATION AND USE**

This document includes draft text which may be used by the Planning Commission to make recommendations to the City Council on a range of Specific Plan modifications and Plan implementation recommendations. The approach is for commissioners to express their views on all issues (allowing for recusals) in the manner of a questionnaire, to be completed through PC public meeting discussions.

When completed, a single comprehensive motion can be used procedurally to acknowledge the tallies as representing Commission views. This process will be more efficient than separate motions in addressing many Plan topics and to communicate competing views. The same information will be conveyed as by making separate motions. Unavoidable commissioner absences can be addressed by recording tallies across multiple meetings. Topics may be added, and wording or numeric changes may be made through meeting discussion.

The document begins with several concepts which are of potential help in framing policy issues associated with the Specific Plan. As definitions they are policy neutral, taking their force from particular recommendations which may or may not be supported by the Commission as a whole.

**CONTENTS:**

**A. PROPOSED DEFINITIONS TO BE ADDED TO THE SPECIFIC PLAN:** *Scale, Vibrancy, Vision Principles, Intrinsic Benefit*

**B. SCOPE OF PC ARCHITECTURAL CONTROL:** *Scale; Vision Principles; Remodeling*

**C. PUBLIC BENEFIT AND ARCHITECTURAL CONTROL THRESHOLDS; PUBLIC BENEFIT CATEGORIES:**

*LEED category; base FAR for public benefit; Architectural Control findings; Architectural Control authority.*

**D. MIDDLE PLAZA & ECR SE ZONE:** *role of HSR; tunnel; plaza design; funding; PC role; design flexibility; panhandle; easement.*

**E. USES AND CONDITIONAL USES [TBA]:** *office FAR percentage*

**F. BUILDING PARAMETERS [TBA]:** *open space; front setbacks*

**G. INFRASTRUCTURE:** *infrastructure priorities; revenue generation a priority; revenue mechanism \$x/sq ft.*

**H. TRAFFIC & MOBILITY:** *TMA formation; bike/ped improvement priority; financing provisions*

**I. DOWNTOWN:** *pilot projects*

**A. DEFINITIONS TO BE ADDED TO THE SPECIFIC PLAN**

**The following definitions should be added as explanatory text to the Specific Plan.**

*Scale* refers to the perceived size of building and building elements in relation to the human figure and in relation to one another. Buildings, or building elements, which are “out of scale” are not large or small in an absolute sense, but are disproportionate relative to other buildings, or to how the buildings are likely to be experienced from surrounding, adjacent or nearby spaces. Scale is multi-dimensional, influenced by design parameters including building height, massing, setbacks, articulation, and form; and the spaces created around and between buildings including roadways, parking areas, sidewalks, driveways and publically accessible spaces generally. For El Camino Real and Station Area zones, *Human Scale* is a goal parallel to “village character,” the latter being relevant mainly to Downtown and Downtown Adjacent zones.

*Vibrancy* refers to combined office, residential and retail activities through which people interact as consumers, workers and residents, in numbers sufficient to stimulate multiple uses and the enjoyment of publically accessible spaces in a given area. Vibrancy is influenced by balancing building design with access, building uses over days of the week and times of day, and the roles created for publically shared areas including sidewalks and parking.

*Vision Principles* refers to Specific Plan goals associated with *connectivity, vibrancy, public space, village character and healthy lifestyle and sustainability.*

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>			X			-	-
<b>not support</b>	X	X			X	-	-
<b>indifferent</b>				X		-	-
*absent/recused							

*Intrinsic Benefit* refers to the extent to which vision principles are achieved by site uses and building designs for particular projects. Attainment of Plan parameters are necessary but not necessarily sufficient for projects to be judged by the Planning Commission to be of significant Intrinsic Benefit.

Voting only undertaken once, for the overall concept, so the box below is not filled in.

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>	-	-	-	-	-	-	-
<b>not support</b>	-	-	-	-	-	-	-
<b>indifferent</b>	-	-	-	-	-	-	-

**Comment:** These definitions are used in the recommendations to follow. They are essential for clarifying several Specific Plan policy choices.

(END DEFINITIONS)

**B. SCOPE OF PC ARCHITECTURAL CONTROL**

**1. Text for Specific Plan on Scale and Architectural Control:** While providing specific guidance, Specific Plan parameters for building criteria define a design envelope providing flexibility for building design at larger scales. This flexibility should make it possible to maintain qualities of human proportion and scale across the variety of Plan zones and building limits. However, as building or site scale increases, particularly for buildings three stories or more, or sites one-half acre or more in size, applicants are expected to control the effects of scale on building aesthetics. Plan criteria should not be maximized (e.g. façade or building heights) or minimized (e.g. story setbacks, articulation, open space) without regard for their influence at larger scales on building appearance and the quality of public or private open spaces. Applicants proposing larger projects are encouraged to present schematic plans to the Planning Commission, with opportunity for public comment, and for feedback on massing, building forms, articulation, setbacks, building heights and other design parameters. Architectural Control for Plan proposals includes consideration of the effects of design choices on the perception of building scale and its influence on attractiveness and civic appeal.

**Comment:** Commissioners believe that this statement clarifies control which is implicit but unclearly expressed in Architectural Control today. The draft text applies to all buildings and Plan zones, but is relevant primarily to larger scale projects not possible through earlier zoning criteria excluding Planned Development.

**Additional comment** (as needed):

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>			X			-	-
<b>not support</b>	X	X		X	X	-	-
<b>indifferent</b>						-	-

(ARCHITECTURAL CONTROL continued below)

**2. Text for Specific Plan on Vision Principles and Architectural Control:** Planning Commission architectural control includes consideration of a project’s contribution to attaining the five Plan vision principles, in the context of project goals and site features or character. While not all sites or projects are expected to have significant opportunities for influencing each vision goal, all projects should be guided in part by how vision principles are supported by project design and land use. Architectural control includes consideration of vision principles for sites with unique or significant design opportunities. As part of Architectural Control, evaluation of a project with respect to Plan Vision Principles may be included as findings summarizing a project’s Intrinsic Benefits.

**Comment:** The vision principles summarize qualitative “bottom lines” for how projects are expected to contribute to attaining Plan goals through site use, land use and building design. The text clarifies that these higher-level criteria are as important in architectural control as Plan technical requirements.

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>			X			-	-
<b>not support</b>		X		X		-	-
<b>indifferent</b>	X				X	-	-

**3. Text for Specific Plan on building remodeling and architectural control:** Specific Plan proposals for building remodeling or changes to site layout (e.g. parking) will be evaluated in terms of potential implications for the attainment of Plan goals, especially with regard to future neighboring development. Examples include pedestrian and bicycle connectivity, shared public spaces, building access and parking. Remodeling proposals not meeting all Plan criteria should be presented to the Planning Commission for early feedback.

**Comment:** This text is motivated by recent experience with remodeling to the Mermaid Inn on ECR, for which the PC has tentatively approved (some changes required) remodeling without meeting the Plan sidewalk width standard. All such projects should be scrutinized carefully for precedents and opportunities.

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>	X		X	X		-	-
<b>not support</b>		X				-	-
<b>indifferent</b>					X	-	-

**Additional comments** (as needed):

(END ARCHITECTURAL CONTROL)

**C. PUBLIC BENEFIT AND ARCHITECTURAL CONTROL THRESHOLDS; PUBLIC BENEFIT CATEGORIES**

1. Eliminate LEED certification as a potential public benefit.

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>		X	X	X	X	-	-
<b>not support</b>						-	-
<b>indifferent</b>	X					-	-

**Comment:** LEED certification is not an appropriate public benefit category. High levels of LEED certification or the equivalent may be considered as supporting attainment of the Plan vision principle of healthy environment and sustainability.

2. The *maximum* public benefit threshold defined by **base FAR** for all **El Camino Real zones and the Station Area East zone** will be **1.1**.

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>			X			-	-
<b>not support</b>	X	X		X	X	-	-
<b>indifferent</b>						-	-

**Comment:** A maximum 1.1 FAR threshold is a more equitable standard across the ECR zones expecting larger development projects. The City Council or designated group can decide on a project specific basis what type and scale of public benefit is appropriate for different projects and zones, including none. There is no intrinsic reason why ECR zones with higher maximum development levels should have higher benefit thresholds in advance of project application. A 1.1 maximum should be sufficient to stimulate development under economic conditions expected for the near future and which differ from those assumed in earlier Plan economic analysis. The Downtown and Station Area West zones are excluded because of the retail orientation, parcel types and much higher base FAR.

Voting only undertaken once, so the box below is not filled in.

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>	-	-	-	-	-	-	-
<b>not support</b>	-	-	-	-	-	-	-
<b>indifferent</b>	-	-	-	-	-	-	-

**Additional comments** (as needed):

(PUBLIC BENEFIT/THRESHOLDS continued below)

**3. Text to add to Specific Plan on *Public Benefit, Intrinsic Benefit and Architectural Control findings*.** For projects **approved above public benefit thresholds**, the Planning Commission will make findings addressing the project’s Intrinsic Benefits relevant to potential Public Benefits to be subsequently negotiated according to Plan guidance. The Planning Commission may judge to what extent a project’s Intrinsic Benefits, if any, is relevant to the determination of an appropriate public benefit negotiated as part of project approval.

	KF	HR	JK	JO	KS	VB*	BE*
<b>Support</b>						-	-
<b>not support</b>		X				-	-
<b>indifferent</b>	X		X	X	X	-	-

**Comment:** The Planning Commission may make findings that the intrinsic benefits of a project do or do not warrant that additional negotiated public benefit for the project should be pursued.

**Additional comments** (as needed):

**(END PUBLIC BENEFIT/THRESHOLDS)**



**D. MIDDLE PLAZA & ECR SE ZONE**

*Add Plan text which:*

**1. Eliminates a role for High Speed Rail in Middle Avenue tunnel design or construction. Revise text on Specific Plan page D45 (end of third paragraph) to read: “The rail crossing itself should consider High Speed Rail improvements, but may be undertaken at any time.” (exact wording may be refined).**

	KF	HR	JK	JO*	KS*	VB	BE
<b>support</b>	X	X	X	-	-	X	X
<b>not support</b>				-	-		
<b>indifferent</b>				-	-		

**2. Makes design and construction of tunnel and plaza, and a bicycle/pedestrian tunnel, simultaneous with earliest ECR SE building(s) design and construction.**

	KF	HR	JK	JO*	KS*	VB	BE
<b>support</b>	X	X	X	-	-	X	X
<b>not support</b>				-	-		
<b>indifferent</b>				-	-		

**3. Includes plaza design goals to: prioritize plaza placement, access and public space quality over Middle Avenue vehicular access; places the plaza at ground level, and with safe and well-coordinated access to/through the tunnel.**

	KF	HR	JK	JO*	KS*	VB	BE
<b>support</b>	-	-	-	-	-	-	-
<b>not support</b>	-	-	-	-	-	-	-
<b>indifferent</b>	-	-	-	-	-	-	-

Item skipped without a formal vote. Some Commissioners stated that they believed the earlier “straw” vote had settled this question. Other comments were varied, with some noting that this was unnecessary because of existing Architectural Control discretion, and some stating that it might be too “weak.”

**4. Sets default funding for plaza and tunnel design and construction to be provided by ECR SE developer(s) and/or owner in whole, as negotiated with City Council and/or designated group. Such funding may count toward public benefit as relevant.**

**Comment:** Partial funding as a negotiation outcome is addressed under INFRASTRUCTURE.

	KF	HR	JK	JO*	KS*	VB	BE
<b>support</b>			X	-	-	X	X
<b>not support</b>	X	X		-	-		
<b>indifferent</b>				-	-		

**5. Provides for Planning Commission approval of Middle Avenue plaza and tunnel design, and vehicular access, along with ECR SE architectural control.**

	KF	HR	JK	JO*	KS*	VB	BE
<b>support</b>	-	-	-	-	-	-	-
<b>not support</b>	-	-	-	-	-	-	-
<b>indifferent</b>	-	-	-	-	-	-	-

Item skipped without a formal vote. Some Commissioners noted that this had already been the subject of a consensus “straw” vote. Staff highlighted text from Specific Plan p. D45 that already states that the plaza design “should be part of development review with the City when Stanford University chooses to redevelop the land,” so no changes are explicitly needed. However, staff did note that the tunnel (undercrossing) design would be a separate project and approval process, as it extends across another property and publicly-owned lands.

6. Provides flexible criteria for ECR SE building breaks, maximum front setbacks and retail parking siting to facilitate optimal Plaza design and retail parking access.

	KF	HR	JK	JO*	KS*	VB	BE
<b>support</b>			X	-	-	X	X
<b>not support</b>	X	X		-	-		
<b>indifferent</b>				-	-		

7. Recommends city and ECR SE property owner/developer to work with Cortana Corporation as property owner to determine potential role of “panhandle” property located inside Middle Avenue development area.

	KF	HR	JK	JO*	KS*	VB	BE
<b>support</b>	-	-	-	-	-	-	-
<b>not support</b>	-	-	-	-	-	-	-
<b>indifferent</b>	-	-	-	-	-	-	-

Item skipped without a formal vote.

8. Defers abandonment of Cambridge Avenue easement to a future date when potential city need for the easement is certain.

	KF	HR	JK	JO*	KS*	VB	BE
<b>support</b>	-	-	-	-	-	-	-
<b>not support</b>	-	-	-	-	-	-	-
<b>indifferent</b>	-	-	-	-	-	-	-

Item skipped without a formal vote. Staff clarified that there is not an easement at Cambridge Avenue, nor had one previously been adopted.

**Additional comments** (as needed):

(END MIDDLE AVENUE)

**E. USES AND CONDITIONAL USES [TBA]**

1. For Zones \_\_\_\_\_: **limit total office use to be no greater than 25%**

	KF	HR	JK	JO	KS	VB*	BE*
<b>Support</b>						-	-
<b>not support</b>	X	X		X	X	-	-
<b>indifferent</b>			X			-	-

**Comment:** The Downtown zone is inappropriate for reduced office space because of ground retail orientation and typical site configurations.

**F. BUILDING PARAMETERS [TBA]**

1. Exclude *balconies and areas not at ground level* from the definition and calculation of **open space for El Camino Real and the Downtown Adjacent zones**. Open space requirements should be separately summarized in a Plan document matrix organized by zone.

	KF	HR	JK	JO	KS	VB*	BE*
<b>Support</b>						-	-
<b>not support</b>	X	X		X	X	-	-
<b>indifferent</b>			X			-	-

**Comment:** Open space requirements vary appropriately by zone because of varying parcel dimensions, setbacks and building types. This text brings Plan open space requirements in line with those of the current General Plan.

2. For Zones \_\_\_\_\_: allow **front setback of greater than \_\_\_\_\_ feet** subject to Planning Commission approval.

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>						-	-
<b>not support</b>	X	X	X	X	X	-	-
<b>indifferent</b>			X			-	-

**Comment:**

**G. INFRASTRUCTURE**

*Implementation recommendations for City Council action*

**1. Infrastructure goals.** The City Council should identify major infrastructure goals to be pursued immediately in support Plan implementation including: *a) design and construction of a Middle Avenue bicycle/pedestrian tunnel and plaza; b) Downtown parking garage* (location/size TBA based on parking study). As partial or complete funding becomes available for *a) or b)*, funding goals and priorities should be adjusted accordingly.

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>	X	X	X	X	X	-	-
<b>not support</b>						-	-
<b>indifferent</b>						-	-

**Comment:** A downtown parking garage has been recommended in the Specific Plan as a priority goal for implementation and is essential to Downtown development realizing Plan goals. A garage will take years to design and build whose planning should therefore be pursued immediately. Middle Avenue improvements and funding are uncertain and so is addressed here and below in the context of ECR SE.

**2. Revenue generation A.** The City Council should aggressively pursue revenue generation directed to funding of major Plan infrastructure goals improvements using a combination of financial instruments determined to be most effective over time, are fair to property owners and developers, and are relevant to changing economic conditions. **Such means may include, but are not limited to new building square footage assessment (e.g. \$x/floor area); public benefit contributions; bond measures and other means identified already in the Specific Plan.**

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>	X	X	X	X	X	-	-
<b>not support</b>						-	-
<b>indifferent</b>						-	-

**Comment:** A downtown parking garage has been recommended in the Specific Plan as a priority goal for implementation and is essential to Downtown development realizing Plan goals. A garage will take years to design and build whose planning should therefore be pursued immediately. Middle Avenue improvements and funding are uncertain and also addressed in the context of ECR SE.

**(INFRASTRUCTURE continued below)**

**3. Revenue generation B.** The City Council should institute a new and remodeled building square footage assessment at a rate of **\$x / square foot of new floor area** for all Specific Plan zones to be directed toward Plan parking infrastructure and Middle Ave plaza and tunnel design and construction. The initial rate \$x/sq ft will be determined by the City Council working with Menlo Park staff.

	KF	HR	JK	JO	KS	VB*	BE*
<b>support</b>			X			-	-
<b>not support</b>	X	X		X	X	-	-
<b>indifferent</b>						-	-

**Comment:** This particular funding mechanism has been recommended in public comment as more efficient, fair and transparent compared to public benefit.

**(END INFRASTRUCTURE)**

**H. TRAFFIC & MOBILITY [TBA]**

1. City Council should direct the creation of an effective and financially efficient **Transportation Management Association** open to all offices, businesses and residences in the entire Plan area. The TMA mandate should include coordination, monitoring, reporting and improvement of Transportation Demand Management programs for participating businesses, offices and residences.

	KF	HR	JK	JO	KS	VB*	BE*
support	X	X	X	X	X	-	-
not support						-	-
indifferent						-	-

2. Specific Plan project development along El Camino Real should be accompanied by significant bicycle and pedestrian connectivity and safety improvements, particularly with respect to a potential pedestrian/bike tunnel location; ECR north/south mobility; and ECR east/west crossings. In addition to crossing, bike lane designs or controls described in the Plan, further options representing best practices or safety models should be considered, including four-way crossings.

	KF	HR	JK	JO	KS	VB*	BE*
support	X	X	X	X	X	-	-
not support						-	-
indifferent						-	-

**Comment:** A TMA can instituted during the time that initial Specific Plan area projects are built out. Pending TMA creation, the city should pursue TMA goals using internal resources.

3. The Specific Plan should include provisions for: *a)* in-lieu parking fees to be applied to TMA funding; *b)* unbundling of commercial, in addition to residential, parking; *c)* ability for parking fees to applied as employee parking “cash-out.”

	KF	HR	JK	JO	KS	VB*	BE*
support	X	X	X	X	X	-	-
not support						-	-
indifferent						-	-

**Comment:** Recent experience of Palo Alto and San Mateo to finance parking options show that provisions *a)* and *b)* need to be in place before projects are permitted. Provision *c)* has been shown effective in some cities at reducing parking demand by motivating cost-effective behavior rather than building additional parking stalls.

**I. DOWNTOWN [TBA]**

1. The City Council should fund and implement pilot projects for the Downtown Paseo and sidewalk extension.

	KF	HR	JK	JO	KS	VB*	BE*
support		X	X	X	X	-	-
not support						-	-
indifferent	X					-	-

**Comment:** The pilot projects represent the fundamental starting point for public space improvements to activate the Downtown and should not be delayed.

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## ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: November 19, 2013  
Staff Report #: 13-173

Agenda Item #: I-1

**INFORMATIONAL ITEM:**            **Quarterly Financial Review of General Fund Operations as of September 30, 2013**

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### RECOMMENDATION

This is an informational item and does not require Council action.

### BACKGROUND

In order to provide timely information to Council and the public, the City's Finance Department prepares a quarterly report on General Fund operations. The report provides a review of General Fund revenues and expenditures for the most recently completed quarter of the current fiscal year. These results are presented alongside results from the same time period for the previous year, with material differences being explained in the appropriate section of the staff report.

### ANALYSIS

#### Overview

The report itself, which is included as Attachment A, was developed to apprise Council of the year-to-date status of the General Fund. Information included in this staff report is intended to highlight some of the critical elements of Attachment A and supplement that information with explanations of significant differences between first quarter results from fiscal years 2013-14 and 2012-13.

It is important to note that the budget-to-actual comparisons shown reflect actual transactions of the first quarter of each year as compared to the adjusted budget as it stood on September 30th of each year. The one major budget revision typically recorded in the first quarter of each year is the carry-over of expenditure commitments funded in the prior year's budget, also known as encumbrances. For fiscal year 2012-13, General Fund encumbrances from the prior year amounted to an additional \$272,551 for the expenditure budget. In the current fiscal year, \$388,033 in commitments has been carried forward.

## Revenues

The table below shows a summary of first quarter budget-to-actual revenues for fiscal years 2013-14 and 2012-13:

	2013-14 Adopted Budget 9/30/2013	Actual 09/30/2013	% of Budget	2012-13 Adopted Budget 9/30/2012	Actual 09/30/2012	% of Budget
Property Tax	\$13,955,000	\$100,342	0.72%	\$13,658,000	\$64,280	0.47%
Sales Tax	6,331,400	848,665	13.40%	6,330,000	789,907	12.48%
Transient Occupancy Tax	3,743,000	0	0.00%	3,326,000	0	0.00%
Utility Users' Tax	1,184,620	116,480	9.83%	1,180,500	119,368	10.11%
Franchise Fees	1,812,300	86,797	4.79%	1,873,500	85,652	4.57%
Charges for Services	7,795,222	1,838,162	23.58%	6,370,600	1,900,642	29.83%
Licenses and Permits	4,459,465	1,578,124	35.39%	4,266,465	619,449	14.52%
Interest Income	410,000	325,810	79.47%	390,000	(28,591)	-7.33%
Rental Income	367,712	27,127	7.38%	380,018	19,805	5.21%
Intergovernmental Revenue	741,704	219,203	29.55%	911,263	204,533	22.45%
Fines & Forfeitures	1,319,980	257,395	19.50%	1,085,200	206,842	19.06%
Operating Transfers In/ Other Revenue	429,444	883,364	205.70%	418,123	107,571	25.73%
<b>Total Revenues:</b>	<b>\$42,549,847</b>	<b>\$6,281,469</b>	<b>14.76%</b>	<b>\$40,189,669</b>	<b>\$4,089,458</b>	<b>10.18%</b>

Through the first quarter of fiscal year 2013-14, General Fund revenues are well above revenues received through the same time period in 2012-13. In total, the percentage of budgeted revenues actually received as of September 30th was 14.76 percent for the current year, as opposed to 10.18 percent for the prior year. This increase, however, was driven predominantly by one-time revenues (\$772,000 sale of property proceeds from the Hamilton Avenue sale) and timing issues (\$800,000 in permitting revenue from Facebook was received in the first quarter of 2013-14, whereas in 2012-13 it was received in the second quarter).

Further, because of the timing of when several of our major revenue sources are remitted to the City, first quarter results often do not reveal much information about what revenues in total will be by the end of the fiscal year. For example, only a small portion of property tax is remitted in the first quarter (supplemental and transfer taxes), as the largest source of property tax, the secured tax, does not begin to be remitted until the second quarter. For transient occupancy tax, which is remitted quarterly, there is no revenue received in the first quarter, as taxes for July through September are not due to the City until the end of October. And while a material portion of sales tax has been remitted, what the City has received are revenue advances from the State, which are not based on actual activity. As such, a year-over-year comparison cannot be made until the State reconciles its advances based on actual activity, which does not happen for the first time this fiscal year until the second quarter.

For the other major revenue sources that are remitted on a timely basis such that a year-over-year comparison of first quarter results is applicable, a brief discussion of the variances is discussed below.

Charges for Services are down 3 percent from the first quarter of fiscal year 2012-13. This is entirely the result of timing issues related to when planning fee revenues are received. Overall, activity in Community Development and Community Services is still at a high level, and through the first quarter revenue estimates for 2013-14 remain on target. Significant increases in Community Services include recreation fee revenues (up \$135,000), facility rentals (up \$41,000), and child care fees (up \$35,000).

License and Permit revenues are up significantly over the first quarter of fiscal year 2012-13; however, as previously noted, this is predominantly the result of the City receiving its \$800,000 payment from Facebook in the first quarter as opposed to the second quarter, which is when it was received last fiscal year. Excluding that payment, first quarter revenues are 17.4% of the total budgeted amount, which exceeds the first quarter results from last fiscal year. This increase is driven by building permits, which are up over \$150,000.

While Interest Income appears to be up significantly in the first quarter, that amount does not reflect cash earned on the City's investment portfolio and instead is the annual first quarter adjustment to reverse prior year unrealized gains/losses required for fiscal year-end reporting. Specifically, this transaction reverses the unrealized loss that had to be booked to close out fiscal year 2012-13. Actual returns on the City's investment portfolio through the first quarter were comparable year-over-year, as annualized returns were 0.58 percent as of September 30, 2013, and 0.59 percent as of September 30, 2012.

The final item of note is in the Operating Transfers In/Other Revenue category. Revenues are up significantly in this area due to the City receiving its share of the sale proceeds (\$772,000) from the sale of the Hamilton Avenue property. Excluding that revenue, this category is tracking closely to the first quarter of the previous fiscal year.

### **Expenditures**

Through the first quarter, General Fund operating expenditures are up \$221,437, or 2.55%, over the previous year. This increase is expected, as the 2013-14 adjusted budget is \$2.5 million higher than the previous year. Further, actual expenditures in 2013-14 are tracking slightly lower to budget in comparison to last year (20.8% vs. 21.6%) through the first quarter. It is important to note, however, that while total expenditures for the current year are only 20.8% of budget (through 25% of the fiscal year), first quarter results shown in the table below only include payroll through mid-September, which makes these results artificially low. This is the case for both fiscal years, so the year-over-year comparison is still applicable; however, the 20.8% value cannot be used to estimate actual expenditures for the entire fiscal year.

	2013-14 Adjusted Budget 9/30/2013	Actual 09/30/2013	% of Budget	2012-13 Adjusted Budget 9/30/2012	Actual 09/30/2012	% of Budget
Police	14,904,924	3,224,914	21.64%	14,707,833	3,148,296	21.41%
Public Works	5,566,311	1,177,994	21.16%	5,311,333	1,205,190	22.69%
Community Services	7,328,584	1,625,280	22.18%	7,080,558	1,538,257	21.73%
Library	2,109,769	519,915	24.64%	2,042,465	501,577	24.56%
Community Development	3,514,042	583,338	16.60%	2,987,249	540,938	18.11%
Administrative Services	6,757,144	1,129,465	16.72%	5,608,113	1,127,779	20.11%
Operating Transfers Out	2,554,600	638,650	25.00%	2,464,328	616,082	25.00%
<b>Total Expenditures:</b>	<b>\$42,735,373</b>	<b>\$8,899,556</b>	<b>20.82%</b>	<b>\$40,201,879</b>	<b>\$8,678,119</b>	<b>21.59%</b>

As demonstrated in the table above, Public Works, Community Development, and Administrative Services are currently tracking below where they were through the first quarter of fiscal year 2012-13, and the Police Department, Community Services, and Library are only slightly ahead (less than 0.5%) of last year's budget-to-actual ratio through the first quarter. Based on total expenditures through the first quarter, General Fund operating expenditures are on track to be within budgeted amounts for the fiscal year.

**IMPACT ON CITY RESOURCES**

There is no impact on City resources.

**POLICY ISSUES**

The quarterly budget-to-actual report is presented to facilitate better understanding of General Fund operations and the overall state of the City's current fiscal affairs by the public and the Council.

**ENVIRONMENTAL REVIEW**

This report is not subject to the California Environmental Quality Act (CEQA).

**PUBLIC NOTICE**

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

**ATTACHMENTS**

- A. Comparative General Fund Budget-to-Actual Report as of September 30, 2013

Report prepared by:  
*Drew Corbett*  
 Finance Director

City of Menlo Park - General Fund  
 Budget-to-Actual Report, FY 2013-14  
 As of September 30, 2013

ATTACHMENT A

A	B	C	D	E	(E-C)/C	G	H	(H-G)/G	G/C	G/D	H/E	
	Adjusted Budget as of 6/30/13	Un-Audited Actual FY 2012-13	2012-13 Budget 9/30/2012	2013-14 Budget 9/30/2013	% Budget Change 9/30/13 to Un-Audited Actual FY 12-13	Actual YTD 09/30/2012	Actual YTD 09/30/2013	% Actual Change	% of Actual YTD 9/30/2013 to Audited Actual FY 12-13	% Actual-to- Budget 9/30/2012	% Actual-to- Budget 9/30/2013	Notes
Property Tax	\$13,853,000	\$15,731,889	\$13,658,000	\$13,955,000	-11.29%	\$64,280	\$100,342	56.10%	0.41%	0.47%	0.72%	
Sales Tax	6,280,000	6,043,870	6,330,000	6,331,400	4.76%	789,907	848,665	7.44%	13.07%	12.48%	13.40%	(1)
Transient Occupancy Tax	3,326,000	3,468,256	3,326,000	3,743,000	7.92%	0	0	0.00%	0.00%	0.00%	0.00%	
Utility Users' Tax	1,165,499	1,095,256	1,180,500	1,184,620	8.16%	119,368	116,480	-2.42%	10.90%	10.11%	9.83%	(2)
Franchise Fees	1,873,500	1,765,216	1,873,500	1,812,300	2.67%	85,652	86,797	1.34%	4.85%	4.57%	4.79%	
Charges for Services	7,080,246	7,088,160	6,370,600	7,795,222	9.98%	1,900,642	1,838,162	-3.29%	26.81%	29.83%	23.58%	
Licenses and Permits	4,326,465	4,447,630	4,266,465	4,459,465	0.27%	619,449	1,578,124	154.76%	13.93%	14.52%	35.39%	
Interest Income	390,000	221,974	390,000	410,000	84.71%	(28,591)	325,810	-1239.55%	-12.88%	-0.76%	79.47%	
Rental Income	362,018	346,076	380,018	367,712	6.25%	19,805	27,127	36.97%	5.72%	5.21%	7.38%	
Intergovernmental Revenue	838,130	866,288	911,263	741,704	-14.38%	204,533	219,203	7.17%	23.61%	22.45%	29.55%	
Fines & Forfeitures	991,400	998,259	1,085,200	1,319,980	32.23%	206,842	257,395	24.44%	20.72%	19.06%	19.50%	
Operating Transfers In/ Other Revenue	420,123	1,178,628	418,123	429,444	-63.56%	107,571	883,364	721.19%	9.13%	25.73%	205.70%	
<b>Total Revenues:</b>	<b>\$40,906,381</b>	<b>\$43,251,502</b>	<b>\$40,189,669</b>	<b>\$42,549,847</b>	<b>-1.62%</b>	<b>\$4,089,458</b>	<b>\$6,281,469</b>	<b>53.60%</b>	<b>9.46%</b>	<b>10.18%</b>	<b>14.76%</b>	
Police	14,462,753	13,809,281	14,707,833	14,904,924	7.93%	3,148,296	3,224,914	2.43%	22.80%	21.41%	21.64%	
Public Works	5,535,335	5,100,813	5,311,333	5,566,311	9.13%	1,205,190	1,177,994	-2.26%	23.63%	22.69%	21.16%	
Community Services	7,079,105	6,810,373	7,080,558	7,328,584	7.61%	1,538,257	1,625,280	5.66%	22.59%	21.73%	22.18%	
Library	2,042,465	2,011,143	2,042,465	2,109,769	4.90%	501,577	519,915	3.66%	24.94%	24.56%	24.64%	
Community Development	3,197,249	2,774,032	2,987,249	3,514,042	26.68%	540,938	583,338	7.84%	19.50%	18.11%	16.60%	
Administrative Services	5,898,280	5,315,024	5,608,113	6,757,144	27.13%	1,127,779	1,129,465	0.15%	21.22%	20.11%	16.72%	
Operating Transfers Out	6,252,894	6,336,897	2,464,328	2,554,600	-59.69%	616,082	638,650	3.66%	9.72%	25.00%	25.00%	(3)
<b>Total Expenditures:</b>	<b>\$44,468,081</b>	<b>\$42,157,563</b>	<b>\$40,201,879</b>	<b>\$42,735,373</b>	<b>1.37%</b>	<b>\$8,678,119</b>	<b>\$8,899,556</b>	<b>2.55%</b>	<b>20.58%</b>	<b>21.59%</b>	<b>20.82%</b>	
Preliminary addition/draw on General Fund Reserves	<b>(\$3,561,700)</b>	<b>\$1,093,939</b>	<b>(\$12,210)</b>	<b>(\$185,526)</b>		<b>(\$4,588,661)</b>	<b>(\$2,618,087)</b>					
Carry-over encumbrances and Reappropriations from prior year subtracted from adjusted budget.	272,551		272,551	388,033								
Net addition to/draw on General Fund Reserves	<b>(\$3,289,149)</b>		<b>\$260,341</b>	<b>\$202,507</b>								
Net Operating Revenue	<b>(\$3,289,149)</b>		<b>\$260,341</b>	<b>\$202,507</b>								

NOTES:

- (1) State of California sales tax advances for July and August increased 7.49% over same period last year. These advances are adjusted once actual sales tax receipts are received by the State.
- (2) Utility Users' Tax in prior year reflects a refund for Tyco property (\$13,500) in Electric UUT.
- (3) 2012-13 Adjusted Budget and Un-audited Actual reflects Comprehensive Planning Fund Activity.

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## ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: November 19, 2013  
Staff Report #: 13-174

Agenda Item #: I-2

**INFORMATIONAL ITEM:**            **Review of the City's Investment Portfolio as of September 30, 2013**

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### RECOMMENDATION

This is an informational item and does not require Council action.

### BACKGROUND

The City's investment policy requires a quarterly investment report to the Council, which includes all financial investments of the City and provides information on the investment type, value, and yield for all securities. The report also provides Council an update on the cash balances of the City's various funds.

### ANALYSIS

#### **Investment Portfolio as of September 30, 2013**

Various reports are prepared monthly by Cutwater Asset Management, the City's investment advisory firm, and are attached to this staff report. The "Recap Of Securities Held" confirms that the historical (book) value of the total portfolio at the end of September was over \$83.5 million. The portfolio includes the General Fund, Water Fund, Special Revenue Funds, Successor Agency Funds, Capital Projects Fund, and funds for debt service obligations. Funds are invested in accordance with the City Council policy on investments using safety, liquidity and yield as selection criteria. Approximately \$34.5 million (41.3 percent) is invested in the State investment pool, the Local Agency Investment Fund (LAIF). LAIF is considered a safe investment and it provides the liquidity of a money market fund. Of the remaining \$49 million, \$19.5 million (23.4 percent) is invested in short-term Federal agency issues (U.S. Instrumentality), \$4 million (4.8 percent) is in U.S. Treasury securities, and \$25.5 million (30.5 percent) is in medium-term corporate notes. All the mentioned securities are prudent short-term investments, since they generally bear a higher interest rate than LAIF, provide investment diversification, and remain secure investment instruments.

At the end of September, the fair value (market value) of the City's securities was over \$130,696 less than the amortized historical cost, which is referred to as an unrealized loss. This is a decrease from the end of the previous quarter's unrealized loss of \$281,000. Fair value fluctuates from one period to another depending on the supply and demand for bonds and securities at a particular point in time. Therefore, there is often a difference between the historical cost (the value at the time of purchase) and the fair value (the value of the same security at a specific date), creating an unrealized gain or loss. Since the City's portfolio is fairly short-term in nature and the City generally holds the securities to maturity in order to avoid market risk, the information on the unrealized gains or losses is reported in the Comprehensive Annual Financial Report but does not represent an actual cash loss to the City.

### **Current Market Conditions**

The U.S. economy continues to grow at a slow but steady pace. The real Gross Domestic Product (GDP) grew at an annual rate 2.5 percent during the second quarter of 2013. This compares favorably against the 1.1 percent GDP growth recorded in the first quarter of the year. The increase of the GDP during the second quarter was due, in part, to increases in private inventory investment, personal consumption expenditures, exports, and fixed investments.

The Federal Open Market Committee (FOMC) met in July, September, and October to discuss monetary policy. Even though the economy saw significant improvement over the second quarter of 2013, the FOMC is concerned about the rate of inflation and the continued high unemployment, which decreased to 7.3 percent. In light of the modest economic recovery, the FOMC is still determined that the federal funds rate remain at the current near-zero level at least through 2015. The FOMC anticipates this rate to be appropriate while the unemployment rate remains above 6.5 percent. It will continue purchasing additional agency mortgage-backed securities at a pace of \$40 billion per month and longer-term Treasury securities at a pace of \$45 billion per month. It is still anticipated that these actions will continue to put downward pressure on longer-term interest rates, support mortgage markets, and help improve other financial conditions. However, while mortgage markets and other financial conditions have seen slight improvements, rates on long-term Treasuries have increased over the last year, while short-term Treasury rates have declined. The FOMC will continue to monitor the market and will discuss appropriate policy actions when it meets again beginning on December 17<sup>th</sup>.

### **Investment Yield**

The annualized rate of return for the City's portfolio shown on the performance summary as of September 30, 2013, prepared by Cutwater, is 0.58 percent, net of fees. This rate of return is higher than the rate of the 2-year Treasury-Note (12-month trailing) of 0.29 percent and the rate of return earned through LAIF over the past quarter of 0.26 percent.

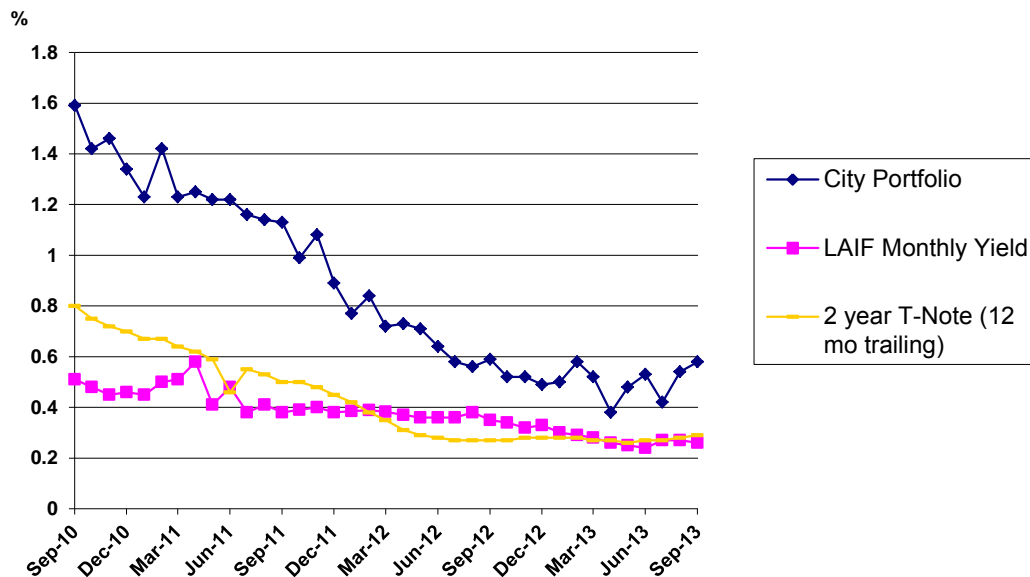


Over the third quarter of 2013, investment yields continued to decrease for short-term bonds and increase for long-term bonds despite the FOMC monetary policy. The same is true over the past year as interest rates increased, with longer-term securities of over two years increasing while short-term securities decreased. While investment opportunities in long-term Treasuries have improved compared to last year, they continue to be unattractive compared to agency securities and corporate bonds. The short-term Treasuries offer yields almost equal to what is available with LAIF. The difference can be seen by the change in U.S. Treasuries rates:

Term	September 30, 2012	June 30, 2013	September 30, 2013
3-month	0.09	0.03	0.01
6-month	0.13	0.09	0.03
2-year	0.23	0.27	0.32
5-year	0.63	1.39	1.38
10-year	1.63	2.49	2.61
30-year	2.82	3.50	3.69

As previously stated, almost 41.5 percent of the portfolio resides in the City's LAIF account, yielding 0.26 percent for the quarter ending September 30, 2013. Since the City does not need all of its funds to be liquid, investments in U.S. Treasury, agency, corporate notes, and commercial paper are made in an effort to enhance yields. The difference between the yields earned in the City's portfolio and those earned from LAIF have been decreasing significantly over the last four years. Since the City no longer holds any of the higher yielding investments purchased before 2009, the portfolio's yields will not be significantly higher than the yields earned from LAIF. Considering that the federal funds rate will remain low at least through 2015, this trend will continue for some time.

### Comparative Rates of Return



Fees paid to Cutwater (totaling \$9,821 for the quarter ended September 30, 2013) are deducted from investment earnings before calculating the City’s net rate of return. Staff continues to work with the City’s investment advisors to meet the City’s investment objectives and rearrange the portfolio for maximum yield while providing safety for the principal amount.

### Investment Transactions in the Third Quarter

Staff, with the assistance of Cutwater, continues to evaluate the purchase new long-term investments as others are called or matured or as the City does not require as much liquidity. However, since there were not any securities in the City’s portfolio that were called or matured during the third quarter, the City did not purchase any new investments during that time. Given that long-term securities carry higher yields and it is expected the federal funds rate will continue at its current level through 2015, there will be minimal exposure to interest rate risk should the City decide to invest in longer-term instruments as cash is available and/or other investments reach maturity.

The average number of days to maturity in the City’s portfolio decreased during the third quarter. The average number of days to maturity of the City’s portfolio as of September 30, 2013 was 480 days as compared to 521 days as of June 30, 2013. The average life of securities in LAIF’s portfolio as of September 30, 2013 was 239 days.

### Cash and Investments by Fund

Overall, the City’s investment portfolio decreased by over \$2.8 million in the third quarter of 2013. The schedule below lists the change in cash balance by fund type.

Fund/Fund Type	Cash Balance	Cash Balance	Difference	%
	as of 09/30/13	as of 06/30/13		Change
General Fund	23,024,131	25,640,070	(2,615,939)	-10.20%
Bayfront Park Maintenance Fund	670,199	696,913	(26,714)	-3.83%
Recreation -in-Lieu Fund	1,365,467	1,169,076	196,391	16.80%
Other Expendable Trust Funds	1,427,754	1,066,776	360,978	33.84%
Transportation Impact Fee Fund	4,024,108	2,761,898	1,262,210	45.70%
Garbage Service Fund	870,145	863,087	7,058	0.82%
Parking Permit Fund	2,941,019	2,947,807	(6,788)	-0.23%
BMR Housing Fund	5,967,281	5,992,745	(25,464)	-0.42%
Measure A Funds	983,033	862,088	120,945	14.03%
Storm Water Management Fund	212,384	271,980	(59,596)	-21.91%
Successor Agency Funds	2,601,344	2,647,899	(46,555)	-1.76%
Measure T Funds	288,085	291,045	(2,960)	-1.02%
Other Special Revenue Funds	9,924,455	9,739,612	184,843	1.90%
Capital Project Fund- General	10,452,330	11,472,684	(1,020,354)	-8.89%
Water Operating & Capital	15,166,031	14,525,421	640,610	4.41%
Debt Service Fund	425,987	1,832,234	(1,406,247)	-76.75%
Internal Service Fund	3,185,241	3,585,207	(399,966)	-11.16%
Total Portfolio of all Funds	83,528,992	86,366,542	(2,837,550)	-3.29%

Cash and investment holdings in the General Fund decreased due to normal operations during the past quarter. Throughout the fiscal year, the negative net cash outlays for operations are offset by property tax revenues, received in December and April of every fiscal year. The General Capital Projects Fund decreased due to expenditures related to capital improvement projects. The most significant expenses were almost \$551,000 spent for the Street Resurfacing Program and over \$451,000 spent on the Downtown Irrigation Replacement Project. The Transportation Impact Fee Fund cash balance increased due to payment of over \$1.2 million from Facebook. The transportation impact fee is required to be paid on large projects by applicants prior to the issuance of a building permit.

The City's Municipal Water Funds increased due collection of water service fees which are offset by normal operating costs. Water fees are higher during the third quarter of the year due to the drier months, which require more water usage for landscaping needs. The City's Debt Service Funds decreased because of the semi-annual debt service payment for the City's general obligation bonds' principal and interest payments that were due on July 31, 2013. The decrease in the Internal Service Funds is due to remittance of the annual workers' compensation and general liability insurance premiums that are payable during the third quarter of 2013.

## IMPACT ON CITY RESOURCES

Due to the liquidity of LAIF accounts, the City has more than sufficient funds available to meet its expenditure requirements for the next six months.

## **POLICY ISSUES**

The City and the Successor Agency funds are invested in full compliance with the City's Investment Policy and State Law, which emphasize the following criteria, in the order of importance: safety, liquidity, and yield.

## **ENVIRONMENTAL REVIEW**

This report is not subject to the California Environmental Quality Act (CEQA).

## **PUBLIC NOTICE**

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

## **ATTACHMENTS**

- A. Cutwater Investment Reports for the period of September 1, 2013 – September 30, 2013

Report prepared by:  
*Geoffrey Buchheim*  
*Financial Services Manager*



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**Cutwater Asset Management**  
1900 Sixteenth Street, Suite 200  
Denver, CO 80202  
Tel: 303 860 1100  
Fax: 303 860 0016

## CITY OF MENLO PARK

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Report for the period September 1, 2013 - September 30, 2013

Please contact Accounting by calling the number above or email [camreports@cutwater.com](mailto:camreports@cutwater.com) with questions concerning this report.

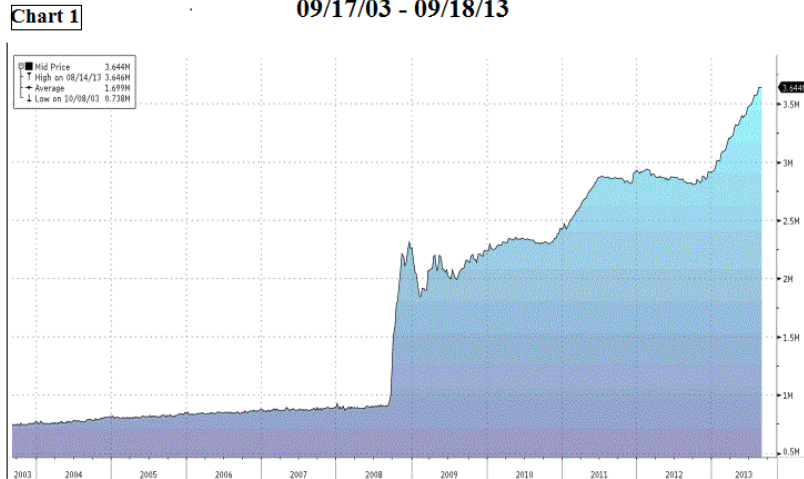
( This report was prepared on October 4, 2013 )

# Fixed Income Market Review

## September 30, 2013

### U.S. Federal Reserve Balance Sheet

09/17/03 - 09/18/13

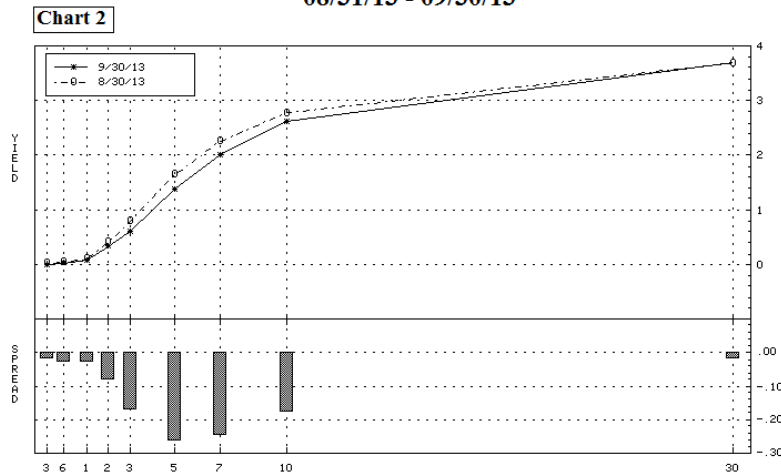


**Economic Indicators & Monetary Policy** – The Federal Reserve decided not to reduce its asset purchase program of \$85 billion per month at September’s Federal Open Market Committee (FOMC) meeting. Economists expected some level of tapering to occur at this meeting with the Federal Reserve balance sheet at record levels and vastly approaching \$4 trillion. (See Chart 1) U.S. Federal Reserve Chairman Ben Bernanke believes “conditions in the job market today are still far from what all of us would like to see” in order to begin paring back on asset purchases. Economists now expect the Federal Reserve to begin tapering at December’s FOMC meeting.

U.S. nonfarm payrolls increased by 169,000 in August compared to an expected rise of 180,000. This followed a 104,000 revised gain in July that had been previously reported as an increase of 162,000. The unemployment rate fell to 7.3 percent in August as workers left the workforce with a participation rate of only 63.2 percent, the lowest level since August 1978. U.S. retail sales only grew 0.2 percent in August as the largest part of the economy struggles to gain strength. This was the smallest gain in four months and less than the 0.5 percent advance that economists expected. Excluding auto purchases, retail sales grew 3.3 percent from last August.

### Treasury Yield Curves

08/31/13 - 09/30/13



At the September 17<sup>th</sup>/18<sup>th</sup> FOMC meeting, policy-makers kept the federal funds target rate at a range of zero to 0.25 percent. The FOMC also decided to maintain its \$85 billion in monthly bond purchases to “promote a stronger economic recovery.” Policy-makers are expected to hold the benchmark rate near zero as long as unemployment is above 6.5 percent and the inflation outlook remains below 2.5 percent. The Committee believes that downside risks have diminished in the economy, “but the recent tightening of financial conditions observed” since the end of April “could slow the pace of improvement in the economy and labor market.” The next FOMC meeting is scheduled for October 29<sup>th</sup>/30<sup>th</sup> with only two meetings remaining in 2013.

**Yield Curve & Spreads** – U.S. Treasury yields declined in September after the Federal Reserve decided not to taper its asset purchases of \$85 billion per month as well as political unrest that resulted in the first partial shutdown for the U.S. government in 17 years.

At the end of September, the 3-month Treasury bill yielded 0.005 percent, 6-month Treasury bill yielded 0.03 percent, 2-year Treasury note yielded 0.32 percent, 5-year Treasury note yielded 1.38 percent, 10-year Treasury note yielded 2.61 percent, and the 30-year Treasury yielded 3.69 percent. (See Chart 2)

**Additional Information**  
**September 30, 2013**

The opinions expressed above are those of Cutwater Asset Management and are subject to change without notice. All statistics represent month-end figures unless otherwise noted.

A current version of the investment adviser brochure for Cutwater Investor Services Corp., in the form of the Firm's ADV Part 2A, is available for your review. Please contact our Client Service Desk at 1-800-395-5505 or mail your request to:

Cutwater Investor Services Corp.  
Attention: Client Services  
113 King Street  
Armonk, NY 10504

A copy of the brochure will be sent to you either by mail or electronically at your option.

In addition, a copy of the most recent version of the Firm's complete Form ADV can be downloaded from the SEC website at [www.adviserinfo.sec.gov/](http://www.adviserinfo.sec.gov/).

**City of Menlo Park  
Activity and Performance Summary  
for the period September 1, 2013 - September 30, 2013**

**Amortized Cost Basis Activity Summary**

<b>Beginning Amortized Cost Value</b>	83,627,270.88
Additions	
Contributions	0.00
Interest Received	125,724.37
Accrued Interest Sold	0.00
Gain on Sales	0.00
<b>Total Additions</b>	<b>125,724.37</b>
Deductions	
Withdrawals	676,242.02
Fees Paid	3,269.50
Accrued Interest Purchased	0.00
Loss on Sales	0.00
<b>Total Deductions</b>	<b>(679,511.52)</b>
Accretion (Amortization) for the Period	(46,054.01)
<b>Ending Amortized Cost Value</b>	<b>83,027,429.72</b>
Ending Fair Value	82,896,734.07
Unrealized Gain (Loss)	(130,695.65)

**Detail of Amortized Cost Basis Return**

	Interest Earned	Accretion (Amortization)	Realized Gain (Loss)	Total Income
<b>Current Holdings</b>				
Cash and Equivalents	7,728.00	0.00	0.00	7,728.00
U.S. Treasury	2,859.94	(77.35)	0.00	2,782.59
U.S. Instrumentality	23,653.36	(7,129.48)	0.00	16,523.88
Corporate	54,944.69	(35,928.24)	0.00	19,016.45
<b>Sales and Maturities</b>				
U.S. Instrumentality	0.00	(2,918.94)	0.00	(2,918.94)
<b>Total</b>	<b>89,185.99</b>	<b>(46,054.01)</b>	<b>0.00</b>	<b>43,131.98</b>

**Annualized Comparative Rates of Return**

	Twelve Month Trailing	Six Month Trailing	For the Month
Fed Funds	0.13 %	0.10 %	0.09 %
Overnight Repo	0.12 %	0.06 %	0.05 %
3 Month T-Bill	0.06 %	0.03 %	0.01 %
6 Month T-Bill	0.09 %	0.06 %	0.02 %
1 Year T-Note	0.14 %	0.13 %	0.12 %
2 Year T-Note	0.29 %	0.32 %	0.40 %
5 Year T-Note	0.98 %	1.21 %	1.59 %

**Summary of Amortized Cost Basis Return for the Period**

	Total Portfolio	Excl. Cash Eq.
Interest Earned	89,185.99	81,457.99
Accretion (Amortization)	(46,054.01)	(46,054.01)
Realized Gain (Loss) on Sales	<u>0.00</u>	<u>0.00</u>
Total Income on Portfolio	43,131.98	35,403.98
Average Daily Historical Cost	83,739,541.01	49,042,461.68
Annualized Return	0.63%	0.88%
Annualized Return Net of Fees	0.58%	0.80%
Annualized Return Year to Date Net of Fees	0.50%	0.73%
Weighted Average Effective Maturity in Days	480	817



**City of Menlo Park  
Activity and Performance Summary  
for the period September 1, 2013 - September 30, 2013**

**Fair Value Basis Activity Summary**

<b>Beginning Fair Value</b>	83,296,861.08
Additions	
Contributions	0.00
Interest Received	125,724.37
Accrued Interest Sold	0.00
<b>Total Additions</b>	125,724.37
Deductions	
Withdrawals	676,242.02
Fees Paid	3,269.50
Accrued Interest Purchased	0.00
<b>Total Deductions</b>	(679,511.52)
Change in Fair Value for the Period	153,660.14
<b>Ending Fair Value</b>	82,896,734.07

**Detail of Fair Value Basis Return**

	<b>Interest Earned</b>	<b>Change in Fair Value</b>	<b>Total Income</b>
<b>Current Holdings</b>			
Cash and Equivalents	7,728.00	0.00	7,728.00
U.S. Treasury	2,859.94	3,632.00	6,491.94
U.S. Instrumentality	23,653.36	102,317.22	125,970.58
Corporate	54,944.69	50,795.51	105,740.20
<b>Sales and Maturities</b>			
U.S. Instrumentality	0.00	(3,084.59)	(3,084.59)
<b>Total</b>	<b>89,185.99</b>	<b>153,660.14</b>	<b>242,846.13</b>

**Annualized Comparative Rates of Return**

	<b>Twelve Month Trailing</b>	<b>Six Month Trailing</b>	<b>For the Month</b>
Fed Funds	0.13 %	0.10 %	0.09 %
Overnight Repo	0.12 %	0.06 %	0.05 %
3 Month T-Bill	0.11 %	0.10 %	0.12 %
6 Month T-Bill	0.20 %	0.19 %	0.24 %
1 Year T-Note	0.29 %	0.30 %	0.61 %
2 Year T-Note	0.27 %	0.26 %	2.07 %
5 Year T-Note	-1.55 %	-3.46 %	15.33 %

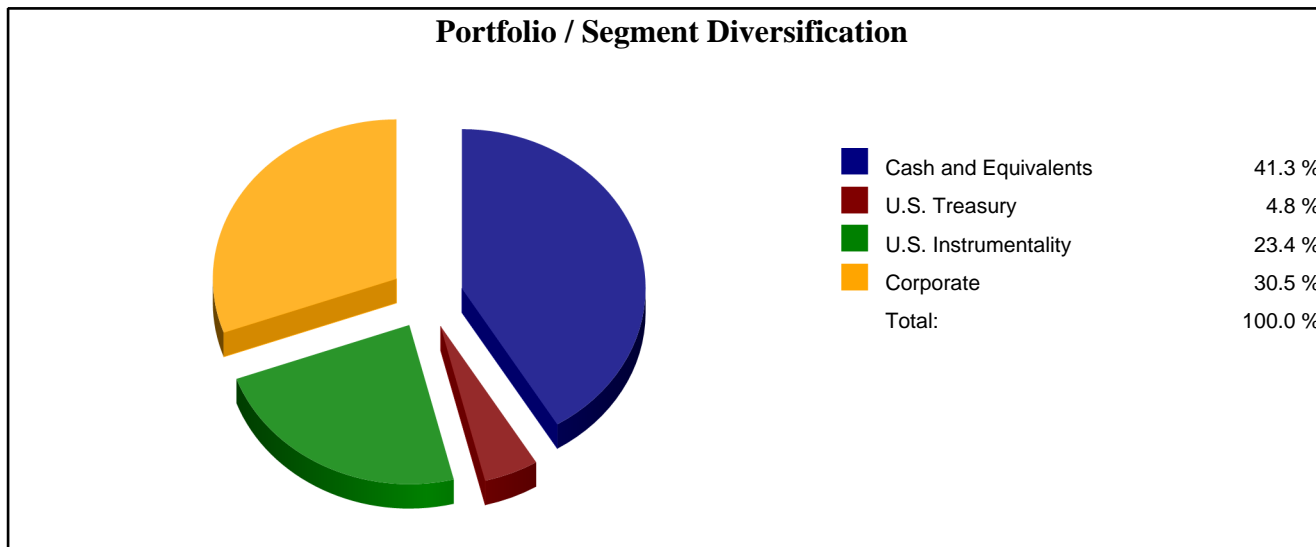
**Summary of Fair Value Basis Return for the Period**

	<b>Total Portfolio</b>	<b>Excl. Cash Eq.</b>
Interest Earned	89,185.99	81,457.99
Change in Fair Value	<u>153,660.14</u>	<u>153,660.14</u>
Total Income on Portfolio	242,846.13	235,118.13
Average Daily Historical Cost	83,739,541.01	49,042,461.68
Annualized Return	3.53%	5.83%
Annualized Return Net of Fees	3.48%	5.75%
Annualized Return Year to Date Net of Fees	0.04%	(0.16%)
Weighted Average Effective Maturity in Days	480	817

**City of Menlo Park  
Recap of Securities Held  
September 30, 2013**

	Historical Cost	Amortized Cost	Fair Value	Unrealized Gain (Loss)	Weighted Average Final Maturity (Days)	Weighted Average Effective Maturity (Days)	% Portfolio/Segment	Weighted Average Yield *	Weighted Average Market Duration (Years)
Cash and Equivalents	34,497,079.33	34,497,079.33	34,497,079.33	0.00	1	1	41.30	0.27	0.00
U.S. Treasury	4,011,796.88	4,013,098.81	4,031,640.00	18,541.19	381	381	4.80	0.85	1.03
U.S. Instrumentality	19,547,093.74	19,434,363.67	19,330,423.77	(103,939.90)	1,145	1,032	23.40	0.96	2.64
Corporate	25,473,021.85	25,082,887.91	25,037,590.97	(45,296.94)	721	721	30.50	0.88	1.92
<b>Total</b>	<b>83,528,991.80</b>	<b>83,027,429.72</b>	<b>82,896,734.07</b>	<b>(130,695.65)</b>	<b>507</b>	<b>480</b>	<b>100.00</b>	<b>0.65</b>	<b>1.25</b>

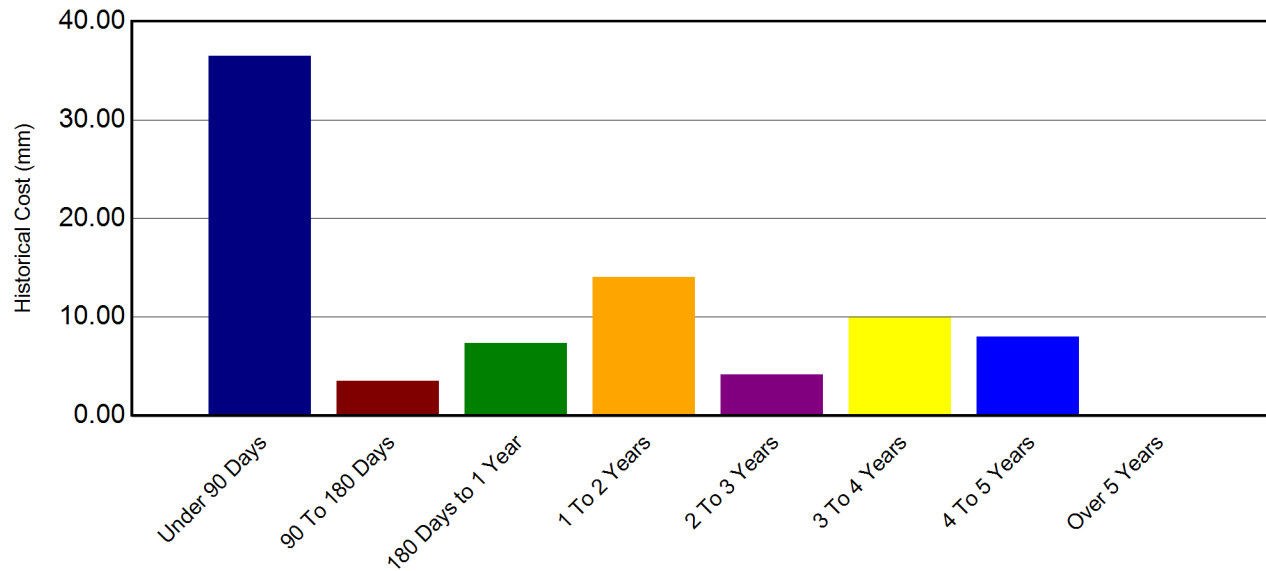
\* Weighted Average Yield is calculated on a "yield to worst" basis.



**City of Menlo Park  
Maturity Distribution of Securities Held  
September 30, 2013**

Maturity	Historical Cost	Percent
Under 90 Days	36,482,860.58	43.68 %
90 To 180 Days	3,542,045.00	4.24 %
180 Days to 1 Year	7,377,601.88	8.83 %
1 To 2 Years	14,052,711.85	16.82 %
2 To 3 Years	4,153,158.75	4.97 %
3 To 4 Years	9,931,093.74	11.89 %
4 To 5 Years	7,989,520.00	9.56 %
Over 5 Years	0.00	0.00 %
	<b>83,528,991.80</b>	<b>100.00 %</b>

**Maturity Distribution**



**City of Menlo Park  
Securities Held  
September 30, 2013**

CUSIP/ Description	Purchase Date	Rate/ Coupon	Maturity/ Call Date	Par Value/ Shares	Historical Cost/ Accrued Interest Purchased	Amortized Cost/ Accretion (Amortization)	Fair Value/ Change In Fair Value	Unrealized Gain (Loss)	Interest Received	Interest Earned	Total Accrued Interest	% Port Cost	Yield
<b><u>Cash and Equivalents</u></b>													
LAIF - City 98-19-22	09/30/13	0.271V		34,497,079.33	34,497,079.33	34,497,079.33	34,497,079.33	0.00	0.00	7,728.00	23,367.38	41.30	0.27
					0.00	0.00	0.00						
<b>TOTAL (Cash and Equivalents)</b>				34,497,079.33	34,497,079.33	34,497,079.33	34,497,079.33	0.00	0.00	7,728.00	23,367.38	41.30	
					0.00	0.00	0.00						
<b><u>U.S. Treasury</u></b>													
912828PL8	12/15/10	0.750	12/15/13	2,000,000.00	1,985,781.25	1,999,027.00	2,002,890.00	3,863.00	0.00	1,229.51	4,426.23	2.38	0.99
T-Note					0.00	389.20	(938.00)						
912828RB8	08/25/11	0.500	08/15/14	1,000,000.00	1,003,046.88	1,000,892.18	1,003,359.00	2,466.82	0.00	407.61	638.59	1.20	0.40
T-Note					0.00	(84.17)	117.00						
912828QX1	08/25/11	1.500	07/31/16	1,000,000.00	1,022,968.75	1,013,179.63	1,025,391.00	12,211.37	0.00	1,222.82	2,527.17	1.22	1.02
T-Note					0.00	(382.38)	4,453.00						
<b>TOTAL (U.S. Treasury)</b>				4,000,000.00	4,011,796.88	4,013,098.81	4,031,640.00	18,541.19	0.00	2,859.94	7,591.99	4.80	
					0.00	(77.35)	3,632.00						
<b><u>U.S. Instrumentality</u></b>													
31398A3G5	09/28/11	1.500	09/08/14	1,500,000.00	1,535,565.00	1,511,304.12	1,516,774.50	5,470.38	11,250.00	1,875.00	1,437.50	1.84	0.69
FNMA					0.00	(991.59)	(697.50)						
3136G0KG5	Call	06/05/12	06/04/15	2,000,000.00	2,001,400.00	2,000,472.43	2,004,508.00	4,035.57	0.00	1,041.67	4,062.50	2.40	0.59
FNMA			06/04/14		0.00	(57.61)	1,942.00						
3133XWNB1	09/28/11	2.875	06/12/15	1,500,000.00	1,606,845.00	1,548,881.78	1,563,790.50	14,908.72	0.00	3,593.75	13,057.29	1.92	0.92
FHLB					0.00	(2,369.07)	(1,045.50)						
3134G3MK3	Call	02/24/12	02/24/16	2,000,000.00	2,010,200.00	2,002,037.21	2,004,866.00	2,828.79	0.00	1,666.67	2,055.56	2.41	0.74
FHLMC			02/24/14		0.00	(418.60)	(620.00)						
3136FT3C1	Call	03/05/12	12/05/16	2,000,000.00	1,996,500.00	1,997,659.27	1,992,622.00	(5,037.27)	0.00	1,666.66	6,444.44	2.39	1.04
FNMA			03/05/14		0.00	60.48	13,018.00						
3135G0VM2	Call	04/03/13	03/14/17	1,000,000.00	1,000,700.00	1,000,332.75	986,618.00	(13,714.75)	3,750.00	625.00	354.17	1.20	0.68
FNMA			03/14/14		0.00	(60.87)	7,983.00						
3128MBFA0	01/23/13	6.000	04/01/17	1,303,587.42	1,386,283.74	1,372,708.35	1,378,788.77	6,080.42	6,517.93	6,517.94	6,517.94	1.66	2.95
FHLMC					0.00	(1,622.55)	443.22						
3135G0PP2	04/18/13	1.000	09/20/17	2,000,000.00	2,005,000.00	2,000,000.00	1,985,550.00	(14,450.00)	10,000.00	1,666.67	611.11	2.40	1.00
FNMA					0.00	(612.90)	20,726.00						
3137EADN6	01/22/13	0.750	01/12/18	2,000,000.00	1,984,380.00	1,986,547.53	1,949,690.00	(36,857.53)	0.00	1,250.00	3,291.67	2.38	0.91
FHLMC					0.00	258.04	21,060.00						
3137EADN6	02/15/13	0.750	01/12/18	2,000,000.00	1,980,960.00	1,983,382.50	1,949,690.00	(33,692.50)	0.00	1,250.00	3,291.67	2.37	0.95
FHLMC					0.00	318.75	21,060.00						

**City of Menlo Park  
Securities Held  
September 30, 2013**

CUSIP/ Description	Purchase Date	Rate/ Coupon	Maturity/ Call Date	Par Value/ Shares	Historical Cost/ Accrued Interest Purchased	Amortized Cost/ Accretion (Amortization)	Fair Value/ Change In Fair Value	Unrealized Gain (Loss)	Interest Received	Interest Earned	Total Accrued Interest	% Port Cost	Yield
3136G1KN8 FNMA	Call 05/03/13	1.500	04/24/18 04/24/15	2,000,000.00	2,039,260.00 750.00	2,031,037.73 (1,633.56)	1,997,526.00 18,448.00	(33,511.73)	0.00	2,500.00	13,083.33	2.44	0.50
<b>TOTAL (U.S. Instrumentality)</b>				19,303,587.42	19,547,093.74 750.00	19,434,363.67 (7,129.48)	19,330,423.77 102,317.22	(103,939.90)	31,517.93	23,653.36	54,207.18	23.40	

**Corporate**

36962G4X9 GE Capital	02/02/12	2.100	01/07/14	1,500,000.00	1,531,845.00 0.00	1,504,426.68 (1,355.11)	1,507,062.00 (1,792.50)	2,635.32	0.00	2,625.00	7,350.00	1.83	0.99
931142DA8 Wal-Mart	07/26/11	1.625	04/15/14	1,000,000.00	1,020,000.00 0.00	1,003,943.66 (603.62)	1,007,803.00 444.00	3,859.34	0.00	1,354.17	7,493.06	1.22	0.88
478160AX2 Johnson & Johnson	05/20/11	1.200	05/15/14	1,000,000.00	998,830.00 0.00	999,757.64 32.18	1,005,474.00 (221.00)	5,716.36	0.00	1,000.00	4,533.33	1.20	1.24
36962GX41 GE Capital	12/14/11	5.650	06/09/14	750,000.00	818,760.00 0.00	769,007.44 (2,271.81)	777,733.50 (2,120.25)	8,726.06	0.00	3,531.25	13,183.33	0.98	1.86
94974BET3 Wells Fargo	10/22/12	3.750	10/01/14	2,000,000.00	2,122,880.00 0.00	2,063,259.80 (5,199.44)	2,064,992.00 (4,032.00)	1,732.20	0.00	6,250.00	37,500.00	2.54	0.56
084664AT8 Berkshire Hathaway F	10/23/12	4.850	01/15/15	3,000,000.00	3,284,850.00 0.00	3,164,821.07 (10,498.16)	3,166,680.00 (7,236.00)	1,858.93	0.00	12,125.00	30,716.67	3.93	0.56
713448BX5 PEPSICO Inc	09/21/12	0.750	03/05/15	1,000,000.00	1,005,430.00 0.00	1,003,154.86 (182.01)	1,003,244.00 2,765.00	89.14	3,750.00	625.00	541.67	1.20	0.53
717081DA8 Pfizer Inc	04/22/13	5.350	03/15/15	3,000,000.00	3,272,700.00 0.00	3,208,859.83 (11,822.25)	3,204,927.00 (3,456.00)	(3,932.83)	80,250.00	13,375.00	7,133.33	3.92	0.53
36962G5Z3 GE Capital	10/02/12	1.625	07/02/15	1,013,000.00	1,032,236.87 0.00	1,025,255.59 (575.38)	1,027,986.32 2,424.11	2,730.73	0.00	1,371.77	4,069.59	1.24	0.92
36962G4P6 GE Capital	09/21/12	1.000V	09/23/15	725,000.00	724,369.98 0.00	724,585.35 17.23	729,142.65 24.65	4,557.30	1,812.50	604.17	161.11	0.87	1.03
594918AG9 MICROSOFT CORP	07/26/11	1.625	09/25/15	1,000,000.00	1,003,400.00 0.00	1,001,617.35 (67.01)	1,023,295.00 1,101.00	21,677.65	8,125.00	1,354.16	270.83	1.20	1.54
38259PAC6 GOOGLE INC	10/16/12	2.125	05/19/16	1,000,000.00	1,053,370.00 0.00	1,039,121.72 (1,221.28)	1,036,614.00 3,279.00	(2,507.72)	0.00	1,770.84	7,791.67	1.26	0.62
459200GX3 IBM Corp	11/09/12	1.950	07/22/16	2,000,000.00	2,076,820.00 0.00	2,058,283.12 (1,705.85)	2,059,902.00 6,402.00	1,618.88	0.00	3,250.00	7,475.00	2.49	0.89
084670BD9 Berkshire Hathaway	02/02/12	1.900	01/31/17	1,500,000.00	1,528,050.00 0.00	1,518,720.49 (461.10)	1,529,443.50 12,493.50	10,723.01	0.00	2,375.00	4,829.17	1.83	1.51
88579YAE1 3M Company	12/19/12	1.000	06/26/17	2,000,000.00	2,014,560.00 0.00	2,012,036.27 (264.72)	1,966,366.00 21,954.00	(45,670.27)	0.00	1,666.67	5,277.78	2.41	0.84
037833AJ9	05/20/13	1.000	05/03/18	2,000,000.00	1,984,920.00	1,986,037.04	1,926,926.00	(59,111.04)	0.00	1,666.66	8,222.22	2.38	1.16

**City of Menlo Park  
Securities Held  
September 30, 2013**

CUSIP/ Description	Purchase Date	Rate/ Coupon	Maturity/ Call Date	Par Value/ Shares	Historical Cost/ Accrued Interest Purchased	Amortized Cost/ Accretion (Amortization)	Fair Value/ Change In Fair Value	Unrealized Gain (Loss)	Interest Received	Interest Earned	Total Accrued Interest	% Port Cost	Yield
APPLE INC					944.44	250.09	18,766.00						
<b>TOTAL (Corporate)</b>				24,488,000.00	25,473,021.85	25,082,887.91	25,037,590.97	(45,296.94)	93,937.50	54,944.69	146,548.76	30.50	
					944.44	(35,928.24)	50,795.51						

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<b>GRAND TOTAL</b>				<b>82,288,666.75</b>	<b>83,528,991.80</b>	<b>83,027,429.72</b>	<b>82,896,734.07</b>	<b>(130,695.65)</b>	<b>125,455.43</b>	<b>89,185.99</b>	<b>231,715.31</b>	<b>100.00</b>	
					<b>1,694.44</b>	<b>(43,135.07)</b>	<b>156,744.73</b>						

V = variable rate, current rate shown, average rate for Cash & Equivalents

**City of Menlo Park**  
**GASB 40 - Deposit and Investment Risk Disclosure**  
**September 30, 2013**

CUSIP	Type	Coupon	Maturity Date	Call Date	S&P Rating	Moody Rating	Par Value / Shares	Historical Cost	% Portfolio Hist Cost	Market Value	% Portfolio Mkt Value	Weighted Avg Mkt Dur (Yrs)
<b><u>LAIF</u></b>												
	Cash and Equivalents	0.271	01/30/3100				34,497,079.33	34,497,079.33	41.30	34,497,079.33	41.61	0.00
<b>ISSUER TOTAL</b>							34,497,079.33	34,497,079.33	41.30	34,497,079.33	41.61	0.00
<b><u>FNMA</u></b>												
3136G0KG5	U.S. Instrumentality	0.625	06/04/2015	06/04/2014	AA+	Aaa	2,000,000.00	2,001,400.00	2.40	2,004,508.00	2.42	0.68
31398A3G5	U.S. Instrumentality	1.500	09/08/2014		AA+	Aaa	1,500,000.00	1,535,565.00	1.84	1,516,774.50	1.83	0.93
3136FT3C1	U.S. Instrumentality	1.000	12/05/2016	03/05/2014	AA+	Aaa	2,000,000.00	1,996,500.00	2.39	1,992,622.00	2.40	3.11
3135G0VM2	U.S. Instrumentality	0.750	03/14/2017	03/14/2014	AA+	Aaa	1,000,000.00	1,000,700.00	1.20	986,618.00	1.19	3.40
3135G0PP2	U.S. Instrumentality	1.000	09/20/2017		AA+	Aaa	2,000,000.00	2,005,000.00	2.40	1,985,550.00	2.40	3.88
3136G1KN8	U.S. Instrumentality	1.500	04/24/2018	04/24/2015	AA+	Aaa	2,000,000.00	2,039,260.00	2.44	1,997,526.00	2.41	4.37
<b>ISSUER TOTAL</b>							10,500,000.00	10,578,425.00	12.66	10,483,598.50	12.65	2.74
<b><u>FHLMC</u></b>												
3134G3MK3	U.S. Instrumentality	1.000	02/24/2016	02/24/2014	AA+	Aaa	2,000,000.00	2,010,200.00	2.41	2,004,866.00	2.42	0.40
3128MBFA0	U.S. Instrumentality	6.000	04/01/2017		AA+	Aaa	1,303,587.42	1,386,283.74	1.66	1,378,788.77	1.66	1.78
3137EADN6	U.S. Instrumentality	0.750	01/12/2018		AA+	Aaa	4,000,000.00	3,965,340.00	4.75	3,899,380.00	4.70	4.19
<b>ISSUER TOTAL</b>							7,303,587.42	7,361,823.74	8.81	7,283,034.77	8.79	2.69
<b><u>GE Capital</u></b>												
36962G4X9	Corporate	2.100	01/07/2014		AA+	A1	1,500,000.00	1,531,845.00	1.83	1,507,062.00	1.82	0.27
36962GX41	Corporate	5.650	06/09/2014		AA+	A1	750,000.00	818,760.00	0.98	777,733.50	0.94	0.68
36962G5Z3	Corporate	1.625	07/02/2015		AA+	A1	1,013,000.00	1,032,236.87	1.24	1,027,986.32	1.24	1.73
36962G4P6	Corporate	1.000	09/23/2015		AA+	A1	725,000.00	724,369.98	0.87	729,142.65	0.88	1.96
<b>ISSUER TOTAL</b>							3,988,000.00	4,107,211.85	4.92	4,041,924.47	4.88	1.02
<b><u>T-Note</u></b>												
912828PL8	U.S. Treasury	0.750	12/15/2013		AA+	Aaa	2,000,000.00	1,985,781.25	2.38	2,002,890.00	2.42	0.21
912828RB8	U.S. Treasury	0.500	08/15/2014		AA+	Aaa	1,000,000.00	1,003,046.88	1.20	1,003,359.00	1.21	0.87
912828QX1	U.S. Treasury	1.500	07/31/2016		AA+	Aaa	1,000,000.00	1,022,968.75	1.22	1,025,391.00	1.24	2.77
<b>ISSUER TOTAL</b>							4,000,000.00	4,011,796.88	4.80	4,031,640.00	4.86	1.03
<b><u>Pfizer Inc</u></b>												
717081DA8	Corporate	5.350	03/15/2015		AA	A1	3,000,000.00	3,272,700.00	3.92	3,204,927.00	3.87	1.42
<b>ISSUER TOTAL</b>							3,000,000.00	3,272,700.00	3.92	3,204,927.00	3.87	1.42

**City of Menlo Park**  
**GASB 40 - Deposit and Investment Risk Disclosure**  
**September 30, 2013**

CUSIP	Type	Coupon	Maturity Date	Call Date	S&P Rating	Moody Rating	Par Value / Shares	Historical Cost	% Portfolio Hist Cost	Market Value	% Portfolio Mkt Value	Weighted Avg Mkt Dur (Yrs)
<b><u>Berkshire Hathaway Finance Cor</u></b>												
084664AT8	Corporate	4.850	01/15/2015		AA	Aa2	3,000,000.00	3,284,850.00	3.93	3,166,680.00	3.82	1.25
<b>ISSUER TOTAL</b>							3,000,000.00	3,284,850.00	3.93	3,166,680.00	3.82	1.25
<b><u>Wells Fargo</u></b>												
94974BET3	Corporate	3.750	10/01/2014		A+	A2	2,000,000.00	2,122,880.00	2.54	2,064,992.00	2.49	0.97
<b>ISSUER TOTAL</b>							2,000,000.00	2,122,880.00	2.54	2,064,992.00	2.49	0.97
<b><u>IBM Corp</u></b>												
459200GX3	Corporate	1.950	07/22/2016		AA-	Aa3	2,000,000.00	2,076,820.00	2.49	2,059,902.00	2.48	2.73
<b>ISSUER TOTAL</b>							2,000,000.00	2,076,820.00	2.49	2,059,902.00	2.48	2.73
<b><u>3M Company</u></b>												
88579YAE1	Corporate	1.000	06/26/2017		AA-	Aa2	2,000,000.00	2,014,560.00	2.41	1,966,366.00	2.37	3.64
<b>ISSUER TOTAL</b>							2,000,000.00	2,014,560.00	2.41	1,966,366.00	2.37	3.64
<b><u>APPLE INC</u></b>												
037833AJ9	Corporate	1.000	05/03/2018		AA+	Aa1	2,000,000.00	1,984,920.00	2.38	1,926,926.00	2.32	4.44
<b>ISSUER TOTAL</b>							2,000,000.00	1,984,920.00	2.38	1,926,926.00	2.32	4.44
<b><u>FHLB</u></b>												
3133XWNB1	U.S. Instrumentality	2.875	06/12/2015		AA+	Aaa	1,500,000.00	1,606,845.00	1.92	1,563,790.50	1.89	1.66
<b>ISSUER TOTAL</b>							1,500,000.00	1,606,845.00	1.92	1,563,790.50	1.89	1.66
<b><u>Berkshire Hathaway</u></b>												
084670BD9	Corporate	1.900	01/31/2017		AA	Aa2	1,500,000.00	1,528,050.00	1.83	1,529,443.50	1.84	3.22
<b>ISSUER TOTAL</b>							1,500,000.00	1,528,050.00	1.83	1,529,443.50	1.84	3.22
<b><u>GOOGLE INC</u></b>												
38259PAC6	Corporate	2.125	05/19/2016		AA	Aa2	1,000,000.00	1,053,370.00	1.26	1,036,614.00	1.25	2.55
<b>ISSUER TOTAL</b>							1,000,000.00	1,053,370.00	1.26	1,036,614.00	1.25	2.55



**City of Menlo Park**  
**GASB 40 - Deposit and Investment Risk Disclosure**  
**September 30, 2013**

CUSIP	Type	Coupon	Maturity Date	Call Date	S&P Rating	Moody Rating	Par Value / Shares	Historical Cost	% Portfolio Hist Cost	Market Value	% Portfolio Mkt Value	Weighted Avg Mkt Dur (Yrs)
<b><u>MICROSOFT CORP</u></b>												
594918AG9	Corporate	1.625	09/25/2015		AAA	Aaa	1,000,000.00	1,003,400.00	1.20	1,023,295.00	1.23	1.96
<b>ISSUER TOTAL</b>							1,000,000.00	1,003,400.00	1.20	1,023,295.00	1.23	1.96
<b><u>Wal-Mart</u></b>												
931142DA8	Corporate	1.625	04/15/2014		AA	Aa2	1,000,000.00	1,020,000.00	1.22	1,007,803.00	1.22	0.54
<b>ISSUER TOTAL</b>							1,000,000.00	1,020,000.00	1.22	1,007,803.00	1.22	0.54
<b><u>Johnson &amp; Johnson</u></b>												
478160AX2	Corporate	1.200	05/15/2014		AAA	Aaa	1,000,000.00	998,830.00	1.20	1,005,474.00	1.21	0.62
<b>ISSUER TOTAL</b>							1,000,000.00	998,830.00	1.20	1,005,474.00	1.21	0.62
<b><u>PEPSICO Inc</u></b>												
713448BX5	Corporate	0.750	03/05/2015		A-	A1	1,000,000.00	1,005,430.00	1.20	1,003,244.00	1.21	1.42
<b>ISSUER TOTAL</b>							1,000,000.00	1,005,430.00	1.20	1,003,244.00	1.21	1.42

**GRAND TOTAL**

**82,288,666.75      83,528,991.80      100.00      82,896,734.07      100.00      1.25**

Highlighted totals are issuers representing 5.00% or more of the portfolio's market value

**City of Menlo Park  
Securities Purchased  
September 1, 2013 - September 30, 2013**

**NOTE: There is no activity for the period.**

**City of Menlo Park**  
**Securities Sold and Matured**  
**September 1, 2013 - September 30, 2013**

CUSIP/ Description	Sale or Maturity Date	Rate/ Coupon	Maturity/ Call Date	Par Value/ Shares	Historical Cost	Amortized Cost at Sale or Maturity / Acct/ (Amort)	Sale/ Maturity Price	Fair Value at Sale or Maturity / Chg.In Fair Value	Realized Gain (Loss)	Accrued Interest Sold	Interest Received	Interest Earned	Yield
<b><u>Cash and Equivalents</u></b>													
LAIF - City 98-19- 228	09/13/2013	0.271V		500,000.00	500,000.00	500,000.00	100.00	500,000.00	0.00	0.00	0.00	0.00	0.27
						0.00		0.00					
<b>TOTAL (Cash and Equivalents)</b>				500,000.00	500,000.00	500,000.00		500,000.00	0.00	0.00	0.00	0.00	
						0.00		0.00					
<b><u>U.S. Instrumentality</u></b>													
3128MBFA0 FHLMC	09/01/2013	6.000	04/01/2017	53,787.15	57,199.27	53,787.15	100.00	53,787.15	0.00	0.00	268.94	0.00	2.95
						(2,918.94)		(3,084.59)					
<b>TOTAL (U.S. Instrumentality)</b>				53,787.15	57,199.27	53,787.15		53,787.15	0.00	0.00	268.94	0.00	
						(2,918.94)		(3,084.59)					
<b>GRAND TOTAL</b>				553,787.15	557,199.27	553,787.15		553,787.15	0.00	0.00	268.94	0.00	
						(2,918.94)		(3,084.59)					

V = variable rate, current rate shown, average rate for Cash & Equivalents

**City of Menlo Park  
Transaction Report  
for the period September 1, 2013 - September 30, 2013**

Date	CUSIP	Transaction	Sec Type	Description	Maturity	PAR Value/Shares	Principal	Interest	Transaction Total	Balance
09/01/2013	3128MBFA0	Paydown	INS	FHLMC	04/01/2017	53,787.15	53,787.15	6,786.87	60,574.02	60,574.02
09/05/2013	713448BX5	Interest	COR	PEPSICO Inc	03/05/2015	1,000,000.00	0.00	3,750.00	3,750.00	64,324.02
09/08/2013	31398A3G5	Interest	INS	FNMA	09/08/2014	1,500,000.00	0.00	11,250.00	11,250.00	75,574.02
09/13/2013		Sold	CE	LAIF - City 98-19-22		500,000.00	500,000.00	0.00	500,000.00	575,574.02
09/14/2013	3135G0VM2	Interest	INS	FNMA	03/14/2017	1,000,000.00	0.00	3,750.00	3,750.00	579,324.02
09/15/2013	717081DA8	Interest	COR	Pfizer Inc	03/15/2015	3,000,000.00	0.00	80,250.00	80,250.00	659,574.02
09/20/2013	3135G0PP2	Interest	INS	FNMA	09/20/2017	2,000,000.00	0.00	10,000.00	10,000.00	669,574.02
09/23/2013	36962G4P6	Interest	COR	GE Capital	09/23/2015	725,000.00	0.00	1,812.50	1,812.50	671,386.52
09/25/2013	594918AG9	Interest	COR	MICROSOFT CORP	09/25/2015	1,000,000.00	0.00	8,125.00	8,125.00	679,511.52
<b>Portfolio Activity Total</b>									<b>679,511.52</b>	

<b>Net Contributions:</b>	<b>0.00</b>
<b>Net Withdrawals:</b>	<b>676,242.02</b>

<b>Fees Charged:</b>	<b>3,269.50</b>
<b>Fees Paid:</b>	<b>3,269.50</b>

**City of Menlo Park  
Securities Bid and Offer  
for the period 9/1/2013 - 9/30/2013**

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Trans	Settle	Description	Call Date	Broker	Par Value	Discount	Price	YTM/YTC	Competitive Bids
No Activity this period									

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**City of Menlo Park  
Upcoming Cash Activity  
for the next 45 days**

Date	Transaction	CUSIP	Description	Coupon	Maturity Date	Next Call Date	Par / Shares	Principal	Interest	Transaction Total
10/01/2013	Interest	94974BET3	Wells Fargo	3.750	10/01/2014		2,000,000.00	0.00	37,500.00	37,500.00
10/15/2013	Estimated Paydown	3128MBFA0	FHLMC	6.000	04/01/2017		1,303,587.42	26,981.56	6,517.94	33,499.50
10/15/2013	Interest	931142DA8	Wal-Mart	1.625	04/15/2014		1,000,000.00	0.00	8,125.00	8,125.00
10/24/2013	Interest	3136G1KN8	FNMA	1.500	04/24/2018	04/24/2015	2,000,000.00	0.00	15,000.00	15,000.00
11/03/2013	Interest	037833AJ9	APPLE INC	1.000	05/03/2018		2,000,000.00	0.00	10,000.00	10,000.00

# END OF REPORTS



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For any questions concerning this report please contact accounting either by phone or email to [camreports@cutwater.com](mailto:camreports@cutwater.com).

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# Office of Economic Development

Quarterly Update Q3



November 2013

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## Business Leader Profile

### Holiday Celebration is a Gift of Service

Menlo Park's vibrant business community is anchored by exceptional individuals who are working not only for the success of their business, but also for the enrichment of the community as a whole. Therefore, I intend to dedicate the first article in every Economic Development Quarterly Newsletter to highlighting the work of folks in Menlo Park who enhance our shared experience.

For this edition of the Update, I sat down with Brian Flegel. Brian is the latest generation of leadership in the Menlo Park institution, [Flegels' Interior Design & Distinctive Home Furnishings](#). Flegel's will soon celebrate 60 years of serving Menlo Park since first opening their doors in 1954. Brian's grandfather, Art, and later father, Mark, built the business to reflect the ideals of class and beautiful design that have become Menlo Park hallmarks. But their contributions go much further.

All three generations of Flegels have served their community on the Chamber of Commerce Board of Directors, individually choosing to augment their service in different ways. Art (pictured below sitting) played Santa Claus at downtown holiday celebrations for years, and supported efforts to establish Menlo Park's vibrant business community. Mark (standing left) is a Rotarian, and a strong supporter of the US Navy Fleet Week and the Peninsula Volunteers.

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#### IN THIS ISSUE:

- Business Leader Profile
- Sales Tax Report
- Vacancy Report
- Specific Plan Review

#### RESOURCES:

[Menlo Park Office of Economic Development](#)

[Menlo Park Community Development](#)

**TOP 25 SALES TAX GENERATORS:**

- [Acclarent](#)
- [Als Roofing Supply](#)
- [Automatic Rain Company](#)
- [Beltramos Wine & Liquor](#)
- [Chevron Service Stations](#)
- [CVS Pharmacy](#)
- [DM Figley Company](#)
- [Draegers Supermarkets](#)
- [Flegel's Home Furnishings](#)
- [OfficeMax](#)
- [Pacific Biosciences](#)
- [Safeway Stores](#)
- [Sand Hill Resort & Hotel](#)
- [Sharon Heights Golf Country Club](#)
- [Shell Service Stations](#)
- [Shell Service Stations](#)
- [Staples Office Superstore](#)
- [Stanford Park Hotel and Restaurant](#)
- [Trader Joe's](#)
- [Triplepoint Capital](#)
- [Tyco Electronics Corporation](#)
- [Walgreen's Drug Stores](#)
- Willow Cove Service Stations

**VACANCY REPORT:**

Menlo Park's Retail vacancy remains stable at 1.3% in Q3, compared to 1.2% in Q2. This vacancy rate is well below the county average of 3.1%. According to [Terranomics](#) retail report for San Mateo County, tenants are increasingly looking to locate in high quality, mixed-use or freestanding projects, rather than the traditional strip mall. This is good news for Menlo Park, since retail in the city is dominated by small, freestanding stores. Additionally, the El Camino Real/Downtown Specific Plan provides the framework for



Brian (standing right) grew up here but, like many enlightened Californians, headed east to New England for education; eventually migrating back in 2006. "It was only going to be temporary, but returning home after being gone for a while, I was reminded of all of the aspects of Menlo Park that make this such a wonderful community," Brian explained. "There is a rare openness to new ideas and possibilities. It makes it easy to affect positive change for companies and the community alike. It is why Menlo Park enjoys a wonderfully rich business legacy." It was this commitment to affecting positive change that led Brian to participate in a grass-roots effort that evolved into the Annual Block Party event. Brian has chaired the Chamber Block Party Planning Committee all but one year since its inception in 2007.

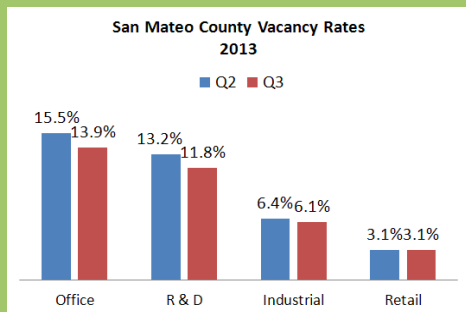
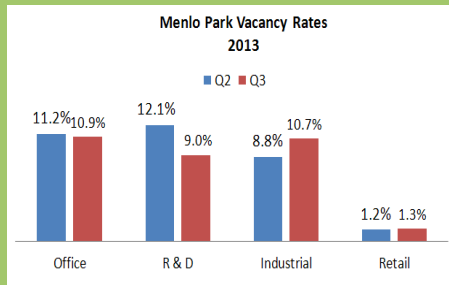
This year, when Vice Mayor Ray Mueller proposed a holiday celebration as a way to support our downtown merchants and celebrate community through the holiday season, the entire City Council was excited about the idea and really wanted to rekindle the lost tradition. Brian saw an opportunity to follow in his grandfather's footsteps and agreed to help. "I was thrilled when Brian and the Chamber wanted to partner with us" said Vice Mayor Mueller. "Brian and Fran have done such a great job with the summer block party and, I know they will repeat that success with The Holiday Tree Lighting. Our partnership with the Chamber works, because of people like Brian Flegel and Fran Dehn!"



Holiday Celebration Committee from left to right: Brian Flegel (Flegel's Interior Design & Furnishings), Council Member Kirsten Keith, Fran Dehn (President / CEO of the Chamber of Commerce), Dexter Chow (Owner Cheeky Monkey), Matt Milde (Community Services Department)

The Holiday Tree Lighting will take place December 6th, 5-7:30 pm. All are welcome to come and enjoy holiday treats, music & caroling, a holiday movie sing-along, a visit from Santa and, of course, a spectacular tree lighting. Brian hopes it will inspire all of the shops downtown to decorate for the holidays and add to the community legacy that enticed him to make Menlo Park his home

future high quality, mixed use developments that retailers prefer.



Vacancy Date Source: Terranomics and Cassidy / Turley

Retail is not the only space in high demand in Menlo Park. Research and Development (R&D) vacancies dropped from 12.1% in Q2 to 9% in Q3. Although Menlo Park's 2.3% quarter over quarter decrease in R&D vacancy is only slightly larger than San Mateo County's 2% decrease, Cassidy/Turley's Q3 market report names Menlo Park as the largest of the County's R&D submarkets. Key R&D lease transactions during Q3 include Boston Scientific's 28,589 sq ft expansion in Bohannon Industrial Park, and BioPharmX's 10,800 sq ft relocation/expansion at 1098 Hamilton Ct.

The office market in San Mateo County is also strong and growing rapidly. This quarter's performance reflects the highest single quarter gains in sq. ft. occupancy growth in two years. Q3 Office vacancy in Menlo Park stands at 10.9% compared to the County average of 13.9%. Demand for creative space from tech users, especially near public transportation amenities, is driving most projects going forward in the County.

Industrial vacancy rates in Menlo Park and San Mateo County remain relatively flat in Q3. While on the surface it appears Menlo Park's industrial vacancy rates increased 2.1%, Cassidy Turley characterizes this increase as relatively flat due to building conversions/demolitions and minor space givebacks.

## Sales Tax Report

Sales tax revenue for Q2 2013 continues to provide evidence for cautious optimism, while highlighting growing markets in Menlo Park. Numbers for Q2 2013 show Menlo Park's sales tax revenue is up 2.4% compared to Q2 2012, with Restaurants and Electronic Equipment seeing the largest gains. Our increased sales tax revenue tracks with San Mateo's County's 2.3%, and the State of California's 2.7% increase. The Annualized Change in Sales Tax Cash Receipts Chart below shows Menlo Park's economy is continuing its upward climb, slightly surpassing California and San Mateo County. The increasing success of Menlo Park restaurants is reflective of the overall strength of the restaurant market. According to the Bureau of Economic analysis, U.S. Retail and Food Service Sales were up 5.4% from Q2 2012 to Q3 2013.



Looking ahead to the holiday season, ShopperTrak, a leading provider of shopper insight and analytics, forecasts National Retail Revenue in November and December to rise 2.4% over 2012. Menlo Park's strengthening restaurant market, coupled with low retail vacancy, indicates the local economy is prepared to meet the retail and restaurant demands of the upcoming holiday season.

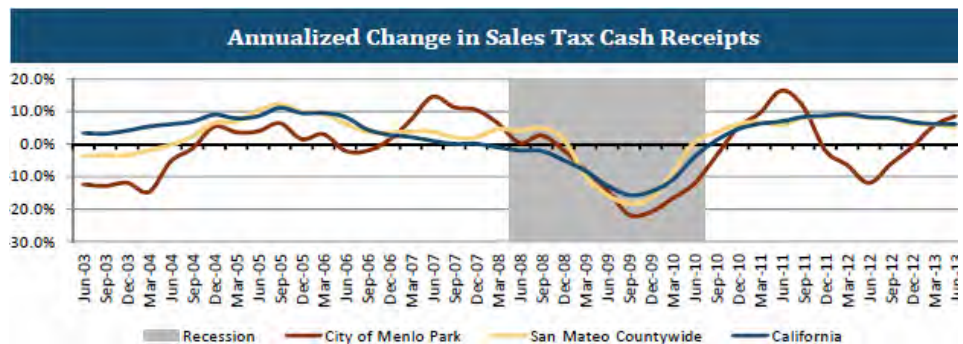


Chart Courtesy of MuniServices

## Specific Plan Review

Bad traffic is a good thing. Eric Dumbaugh, an associate professor at the School of Urban and Regional Planning at Florida Atlantic University, published findings last year that state, "as per capita delay went up, so did GDP per capita. Every 10 percent increase in traffic delay per person was associated with a 3.4 percent increase in per capita GDP."

Dunbaugh's findings capture the intuitive inverse relationship between increased traffic and low unemployment. Here in Menlo Park we are seeing that first hand. According to Inrix, an organization that monitors and reports on traffic congestion nationwide, San Francisco-Oakland and San Jose rank 3rd and 5th respectively as the most congested areas in the Country. Our vacancy rates, as detailed elsewhere in this update, are declining and our 4.3% unemployment rate is the lowest it has been since 2006. By comparison, San Mateo County's rate is 5.3% and the National rate is 7.3%.

Bottom line, more people working is good for the economy, but bad for traffic congestion. And the situation is only going to get worse, hopefully. So, what can be done? There are really 2 options, economic decline or better land use planning. In Menlo Park, we can stymie economic growth and start to decline. After all, traffic in

Detroit isn't bad, but the scars of the recession are all too fresh for most of us to embrace economic decline.

Fortunately for us, we do have an opportunity to support better land use planning in Menlo Park that locates jobs and new homes near public transit. The Menlo Park El Camino Real/Downtown Specific Plan does just that. It streamlines development that will accommodate over 1,300 new jobs and 680 homes near public transit in our downtown. This is important for Menlo Park as we seek to address the potential for worse traffic, while also planning for increased economic growth. The next generation of jobs and workers is coming, but interestingly enough they are different.



They don't like or at least rely on the automobile. I know, it sounds weird to me too. I own 2 cars, 2 trucks and a motorcycle. I am firmly a part of the problem, but as Dumbaugh also states in his findings:

[U]rban environments are precisely what is sought by the millennial generation. 88 percent of millennials report that they would prefer to live in urban environments, and they are already driving less and riding transit more than their Gen X and boomer counterparts. Indeed, many millennials view driving as a vice, with 55 percent indicating that they have made a deliberate effort to reduce the amount of driving that they do. They are also leading a surge in cycling in cities like Seattle, Minneapolis, Denver, and Washington, D.C., all of which have seen their share of bike commuting double over the last decade.

According to what I am hearing from potential employers, Dumbaugh is correct. I recently met with a Menlo Park property owner who was lamenting the loss of a tech tenant, because their property didn't feel "tech" enough. "The company wanted to be closer to public transit and a downtown."



The City of Menlo Park is currently engaged in a review of the El Camino Real/Downtown Specific Plan. The Plan is a product of 5 years of public input and deliberation. It was

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approved in July of 2012 and has positioned Menlo Park perfectly to take advantage of the current upswing in the economy. Unfortunately, the scale of early development proposals, and neighborhood fear of increased traffic congestion has reinvigorated the age old debate between allowing development and limiting growth.

The Planning Commission recently completed 5 public hearings in reviewing the Plan and the City Council will review the results of the Commission's work at the City Council's next meeting on November 19th. At issue is whether the plan should be revised and if so will the revisions trigger a new environmental impact report (EIR). A new EIR would delay development, prolonging the blighted condition of the vacant car lots on El Camino Real.

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