



CITY COUNCIL SPECIAL AND REGULAR MEETING AGENDA

Tuesday, May 13, 2014
6:45 P.M.

701 Laurel Street, Menlo Park, CA 94025
City Council Chambers

6:45 P.M. CLOSED SESSION (1st 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) 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

7:00 P.M. REGULAR SESSION

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

PLEDGE OF ALLEGIANCE

REPORT FROM CLOSED SESSION

ANNOUNCEMENTS

SS. STUDY SESSION

SS1. Review and generally affirm the proposal from MidPen for a \$3.2 million loan from the Below Market Rate Fund for an affordable senior housing development at 1221-1275 Willow Road ([Staff report #14-068](#))

A. PRESENTATIONS AND PROCLAMATIONS

A1. Proclamation for Public Works Week (May 18-24, 2014)

A2. Proclamation for Diana Sunshine and Josh Becker and Las Lomas School District Measure S school bond campaign chairs

B. COMMISSION/COMMITTEE VACANCIES, APPOINTMENTS AND REPORTS

B1. Environmental Quality Commission quarterly report on the status of their 2-year work plan

B2. Housing Commission quarterly report on the status of their 2-year work plan

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

D1. Adopt a resolution giving preliminary approval of the Engineer’s Report for the Menlo Park Landscaping District for fiscal year 2014-15 which proposes an increase of 2.99 percent to the tree portion of the assessment and no increase to the sidewalk portion of the assessment; adopt a Resolution of Intent to order the levy and collection of assessments for the Menlo Park Landscaping District for Fiscal Year 2014-15; and set the date for the Public Hearing for June 17, 2014 ([Staff report #14-081](#))

D2. Adopt a resolution to amend and replace Resolution No. 6165 which conditionally approved vacation and abandonment of a portion of Louise Street ([Staff report #14-084](#))

D3. Waive the reading and adopt ordinances amending the Zoning Ordinance to address Housing Element Implementation Programs related to Secondary Dwelling Units and Accessory Buildings and Structures ([Staff report #14-082](#))

D4. Accept Council minutes for the meeting of April 29, 2014 (continued from May 6, 2014 Council meeting) ([Attachment](#))

E. PUBLIC HEARING – Continued from the April 29, 2014 Council meeting

E1. Adopt a resolution amending the City’s Master Fee Schedule to incorporate proposed changes in fees to become effective July 14, 2014 for the Community Development Department and provide guidance regarding potential fee reductions or waivers for secondary dwelling units ([Staff report #14-085](#))

F. REGULAR BUSINESS

F1. Request for City Council to consider adoption of a resolution or introduction of an ordinance regarding the use of Automated License Plate Readers and neighborhood surveillance cameras ([Staff report #14-083](#))

F2. Approve a modification to the Fiscal Year 2013-14 budget to appropriate \$30,000 from the Capital Improvement Program Fund Balance for the Santa Cruz Avenue Enhanced On-Street Seating Pilot Program as well as the design for the Santa Cruz Avenue Enhanced On-Street Seating Pilot Program ([Staff report #14-087](#))

F3. Discuss and provide direction regarding the following pieces of legislation: a) HR 29 (Gomez) Relative to outsourcing public services, b) AB 2126 (Bonta) Meyers-Milias-Brown Act: mediation, c) AB 1522 (Gonzalez) Employment: paid sick days, d) AB 2378 (Perea) Worker’s Comp: temp disability payments, and e) AB 1690 (Gordon) Local Planning: Housing Elements ([Staff report #14-086](#))

G. CITY MANAGER’S REPORT – None

H. WRITTEN COMMUNICATION – None

I. INFORMATIONAL ITEMS

11. Quarterly financial review of General Fund operations as of March 31, 2014 ([Staff report #14-080](#))
12. Review of the City's Investment Portfolio as of March 31, 2014 ([Staff report #14-079](#))
13. Consultant selection for professional analyses of the potential impacts related to the proposed ballot initiative which would amend the Menlo Park El Camino Real/ Downtown Specific Plan ([Staff report #14-088](#))
14. 2014 Q2 Economic Development Update ([Staff report #14-089](#))
15. 2014 Menlo Park Economic Development Strategic Plan Phase 1: Economic Trends Report ([Staff report #14-090](#))

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

Agendas are posted in accordance with Government Code Section 54954.2(a) or Section 54956. Members of the public can view electronic agendas and staff reports by accessing the City website at <http://www.menlopark.org/AgendaCenter> and can receive e-mail notification of agenda and staff report postings by subscribing to the [Notify Me](#) service on the City's homepage. Agendas and staff reports may also be obtained by contacting the City Clerk at (650) 330-6620. Copies of the entire packet are available at the library for viewing and copying. (Posted: 05/08/2014)

At every Regular Meeting of the City Council, in addition to the Public Comment period where the public shall have the right to address the City Council on the Consent Calendar and any matters of public interest not listed on the agenda, members of the public have the right to directly address the City Council on any item listed on the agenda at a time designated by the Mayor, either before or during the Council's consideration of the item.

At every Special Meeting of the City Council, members of the public have the right to directly address the City Council on any item listed on the agenda at a time designated by the Mayor, either before or during consideration of the item.

Any writing that is distributed to a majority of the City Council by any person in connection with an agenda item is a public record (subject to any exemption under the Public Records Act) and is available for inspection at the Office of the City Clerk, Menlo Park City Hall, 701 Laurel Street, Menlo Park, CA 94025 during regular business hours. Members of the public may send communications to members of the City Council via the City Council's e-mail address at city.council@menlopark.org. These communications are public records and can be viewed by any one by clicking on the following link: <http://ccin.menlopark.org>

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ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: May 13, 2014
Staff Report #: 14-068

Agenda Item #: SS-1

STUDY SESSION: Review and Generally Affirm the Proposal from MidPen for a \$3.2 million loan from the Below Market Rate Fund for an Affordable Senior Housing Development at 1221-1275 Willow Road

RECOMMENDATION

Staff recommends that the City Council generally affirm the proposal from MidPen for a loan of \$3.2 million from the Below Market Rate (BMR) Housing Fund to support an affordable senior housing development at 1221-1275 Willow Road.

BACKGROUND

Below Market Rate (BMR) Housing Program, Guidelines, and Fund

The BMR Housing Fund is comprised primarily of commercial development in-lieu fees and has a balance of approximately \$11.8 million in total funds and \$5.5 million in uncommitted funds as of March 31, 2014. A summary of the fund balance as of March 30, 2014 is included as Attachment A.

The primary purpose of the BMR Housing Program is to increase the supply and assist in the development of housing that is affordable to very low-, low-, and moderate-income households. The BMR Housing Program is contained within the Zoning Ordinance. The BMR Housing Program Guidelines provide direction on the implementation of the program and use of the BMR Fund. The Guidelines list the following uses of the Fund:

- Provision of below market rate financing for homebuyers;
- Purchase of land or air rights for resale to developers at a reduced cost to facilitate housing development for very low-, low- or moderate-income households;
- Reduction of interest rates for construction loans or permanent financing, or assistance with other costs associated with development or purchase of very low-, low- or moderate-income housing;
- Rehabilitation of uninhabitable structures for very low-, low- or moderate-income housing;
- On-site and off-site improvement costs for production of affordable housing;

- Reduction of purchase price to provide units that are very low-, low- or moderate-cost; and
- Rent subsidies to reduce the cost of rent for households with limited incomes.

In addition to these approved uses listed in the Guidelines, City Council approved additional uses on April 26, 2005, subject to approval by the Council for specific proposals. They include:

- Funding for the purchase and rehabilitation of existing apartment buildings for low-income tenants;
- Funding for the purchase of existing housing units to resell as BMR units to moderate-income households;
- Funding the purchase of BMR units until the units can be sold; and
- Funding loans to BMR unit owners to cover costs arising from repairs in the common areas of condominium projects.

In the near future, staff will be bringing to Council additional BMR Guidelines changes. These changes will establish clear policy and criteria for the allocation of funds from the BMR fund prioritizing non-profit development of workforce rental housing affordable to low and very-low income households on sites the City has determined to be viable for Low Income Housing Tax Credits (LIHTC) funding. Per the Settlement Agreement and Housing Element, the City will accomplish this by setting aside a substantial portion of the uncommitted BMR fund balance and future BMR fees received by the City for such development.

Also per the Settlement Agreement, in July of 2013, the City of Menlo Park announced the availability of approximately \$3.2 million in BMR funds for new affordable rental housing projects in Menlo Park, as a final step in completing the requirements of the lawsuit brought against the City by area housing non-profits through a Notice of Funding Availability (NOFA). The purpose of the funds is to support the acquisition, rehabilitation or new construction of housing providing long term affordability. The funding is intended to fill the financing gap between the projected total development costs and other available funding sources.

One proposal meeting the NOFA qualifications and demonstrating their ability to design, build, and manage affordable housing was received by the November 1, 2013 deadline from MidPen Housing. The MidPen project proposed for Willow Road on the site of Mid Pen's existing development known as the Gateway Apartments has now been presented to the Belle Haven community in a series of meetings (see Attachment C for summary of outreach) and is ready to be considered for conditional commitment of this funding from the City.

ANALYSIS

Since it was founded in 1970, MidPen has achieved recognition as a leading non-profit sponsor and developer of affordable housing. MidPen has constructed or rehabilitated

more than 7,400 residential units for low-income families, seniors, farm workers, and physically, mentally or developmentally disabled people throughout Northern California with developments in Alameda, Contra Costa, Monterey, Napa, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, and Yuba Counties. 1,500 of Mid Pen’s apartment homes are located in San Mateo County. MidPen has a strong track record of leveraging local funds to raise additional funding, compete successfully for low income housing tax credits, and complete projects in a timely way.

MidPen’s proposed project would develop Menlo Gateway Senior Housing, a 90-unit new construction, affordable senior housing development at the 1200 block of Willow Road in Menlo Park. The proposed development would include a net increase of 42 affordable units at this location. MidPen’s proposal states that the project would be transformative to both current residents and the neighborhood due to its location along the prominent Willow Road corridor.

The current Menlo Gateway Apartments is a 130 unit, 100% affordable, apartment complex on the 1200 and 1300 blocks of Willow Road in the Belle Haven neighborhood of Menlo Park. The proposed project would represent the first phase of a plan to revitalize the entire complex (originally built in the 1960’s and “lightly rehabbed” in 1987) and would focus on the 1200 block only, with the potential of increasing the number of units from 48 to 90. This block is where many of the complex’s senior residents currently live. The project will be composed of one and two bedroom units. Residential apartments will include a kitchen, dining/living area, bathroom, and bedroom(s). Kitchens, which are proposed to be I-shaped or Pullman style, will include a refrigerator, range, sink with garbage disposal and abundant cabinets. All units are proposed to be adaptable for walkers and wheel chairs. Laundry is provided communally. Social services are proposed to include a small gym or card room, as determined by a resident survey. The apartments would be available to seniors 62 years of age and older. Units would be targeted at 30% of Area Median Income (AMI), or those classified as Extremely Low Income, to 45% AMI, or those considered Low Income (see proposed unit matrix below). The way that current residents’ rents are calculated would remain the same.

Unit Type	Quantity	AMI	Max income	Rent net of utilities (2014)
1 br	8	30%	\$26,580	\$584
1br	77	45%	\$39,870	\$896
2br	1	30%	\$29,910	\$697
2br	3	45%	\$44,865	\$1071
2br Mgr unit	1	na	na	na

Income restrictions and rental rate restrictions would apply to all units, consistent with applicable Tax Credit regulatory agreements. MidPen proposes that existing tenants will be relocated during construction at no cost to them. Leasing protocol for any resulting available units would be consistent with the City of Menlo Park’s BMR Fund Guidelines, Sections 7 (BMR Waiting List for Rental and For-Purchase Units) and 11 (Requirements for BMR Rental Developments).

MidPen states that the design will embrace the R-4-S zoning district design standards and guidelines, ensuring that new building is of high-quality, enhances the neighborhood, and contributes to a healthy environment. Many of the R-4-S standards and guidelines correspond to MidPen's field tested Building Guidelines. New development on the site would follow the R-4-S compliance review process similar to the one St. Anton pursued on Haven Avenue in October 2013 and that Greenheart is pursuing on Hamilton Avenue in May 2014. See Attachment D for current and proposed site plans.

In addition to providing additional affordable housing, MidPen expects to address several existing challenges with the site's current design and physical condition, including the separation of the two housing blocks and problematic vehicular and pedestrian circulation patterns. Currently, the management office is on the 1300 block while the services space is on the 1200 block, with a considerable distance in between. Part of the revitalization will include creating dedicated space for on-site management and supportive services on both blocks. These community areas will be sufficiently sized and equipped to meet the needs of the residents and to facilitate MidPen's array of service programs. Redevelopment will allow one block to serve seniors and the other block to serve families; by having each block serve a specific population, MidPen will be able to provide more specialized service attention.

As a part of their proposal, MidPen is requesting the City abandon a portion of the frontage road controlled by the City on the 1200 block of the complex to modify access and circulation and to provide continuous sidewalk in the public right of way along Willow Road. This request is in response to concerns from MidPen regarding non-resident pedestrian and vehicular traffic traveling through the site. Although there are existing precedents of vacation and abandonment of the frontage Road along Willow Road, several policy issues impact this request, including whether a partial abandonment or a license agreement is more appropriate given utilities requirements, title concerns, and long-term future use of the right-of-way. The proposed design would also remove direct access from Newbridge to Ivy along the frontage road. The removal of this access would require further circulation analysis to determine if any unanticipated impacts are created. According to MidPen, the vacation and abandonment will allow for a public pedestrian route that is integrated with the rest of Willow Road, and a site layout reconfiguration that will greatly benefit residents, staff and the neighborhood, and create clearly delineated boundaries between public and private realms. City staff have not determined all of the specifics related to the vacation and abandonment request and whether any significant issues would be identified. If Council decides to proceed forward with the proposal, then further information would be researched and provided to Council for consideration of the request.

MidPen's intention on the 1200 block is to demolish the existing wall, and construct a public sidewalk approximately where the current wall is. Next to the new sidewalk would be a new property boundary – likely a decorative fence – that would maintain security for the site, as well as a landscape buffer. Approximately 775 feet of linear frontage would be affected. Staff has concerns that this may require a community engagement

process to determine the look of the decorative fence and its integration with any portion of the wall that might remain. Staff also has concerns about the overall cost of these infrastructure improvements and who would bear those costs.

The project's estimated cost is \$31 million, according to the NOFA submission. The current preliminary per unit costs are estimated at \$347,000/unit. These cost estimates are typical for developments of similar scale in the South and West Bay Region. The project is estimated to generate approximately \$17,000,000 in tax credits, depending on pricing and tax rates at time of sale. Thus far, MidPen has received a commitment of \$400,000 in San Mateo County Affordable Housing Funds (AHF) and will continue to seek County support as it becomes available. MidPen has also applied for \$2 million in HOME/CDBG from the County for the Gateway Senior project. County Staff has not recommended the project for funding in this round as they decided to prioritize projects that have city financing commitments and are ready to apply for tax credits in July, 2014. City funding is one of the most important criteria for County funding. MidPen expects the County to have another funding cycle this year and that, with a City financing commitment, Gateway will be well positioned for an additional County commitment. In addition to County funding, MidPen has also recently applied for \$890,000 in Federal Home Loan Bank Affordable Housing Program funds.

Forty two of the 90 units would count toward the City's Regional Housing Needs Assessment (RHNA) requirements and would represent 18% progress on the Very Low Income allotment of 233 units by 2022. Forty four of the new units would be reserved for current tenants. Based on the City's contribution to the project, a minimum of nine units would be dedicated to the Menlo Park live/work BMR requirement. The complete preliminary proposal from MidPen is included as Attachment B. The actual number of units subject to the Menlo Park live/work requirement will be determined as a part of negotiating the final loan commitment.

If Council is supportive of moving forward, the next step in the process will be a regular agenda item requesting that Council conditionally commit funding for the project. Along with anticipated funding commitments from the County, this will allow MidPen to compete for housing tax credits in March of 2015. Firm commitment of the funds would follow a similar course as that currently being followed for the CORE residential project at the VA Campus.

IMPACT ON CITY RESOURCES

The City's BMR Fund has adequate uncommitted funds to cover the \$3.2 million allocated for this project through the NOFA. As a part of the proposal, MidPen has indicated that the project would be more competitive in the California Tax Credit Allocation process if the existing City loan (approximately \$4 million in Redevelopment funds) were to be "modified and extended" as a part of the funding package. Complicating this request is the dissolution of the RDA, although at this time staff believes that as the housing Successor Agency the City can make all decisions regarding the loan without the necessity for State Department of Finance or Oversight

Board approval. The final structure of the soft loan from the City would be determined once the City's conditions (if any) have been met and would return to Council for final approval.

POLICY ISSUES

Below-market-rate units at the deepest affordability levels are the most challenging to finance, and the most critical among Bay Area housing needs and no new senior housing has been built in Menlo Park in many years. This project is well-positioned given MidPen's ownership of the site. To finance these units in any other location in Menlo Park would require a greater level of subsidy for land acquisition.

The proposal from MidPen is consistent with the City's BMR policy and guidelines. Per the anticipated Low Income Housing Tax Credit Regulatory Agreements, tenants will not be accepted unless their household income levels are below 45% AMI. A pro rata share of no less than nine units will be leased according to the City of Menlo Park's BMR Fund Guidelines, Sections 7 and 11.

Benefits of the project include new development of an older housing complex along an important community gateway; the project helps meet a pressing and long-term housing need; it utilizes an opportunity site included in the Housing Element; and the \$3.2 million commitment of BMR funds to leverage a 90-unit affordable rental project is quite reasonable based on cost per unit. Additionally, MidPen has a strong track record of development and operation of affordable rental housing.

An additional benefit of the project to the community is the progress it would represent toward meeting RHNA goals with all 90 units restricted to 30% and 45% AMI translating to 18% progress on the 233 Very Low Income units needed per the proposed Menlo Park RHNA for 2014-2022 for the 42 new units. Demonstrated progress on the City's RHNA allocation can position the City for a share of State funds for transportation improvements.

Several additional policy issues related to the proposed project remain to be resolved, including:

- MidPen's request for right of way abandonment and the impacts and implications of options under this request
- Potential circulation issues around the site given the current proposed conceptual configuration
- Infrastructure changes impacting the existing wall and sidewalk along Willow Road and the cost of the proposed changes.

Options, along with the pros and cons for these issues, will come to Council in the coming months as the details of the project are determined.

ENVIRONMENTAL REVIEW

Study session items are not subject to the California Environmental Quality Act (CEQA). The appropriate CEQA determination will occur when the City Council acts on the funding commitment request at a future meeting.

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. BMR Fund Status
- B. MidPen Proposal
- C. MidPen Senior Housing Outreach Summary
- D. Existing and Proposed Site Plans
- E. Location Map

Report prepared by:
Starla Jerome-Robinson
Assistant City Manager

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**BELOW MARKET RATE HOUSING RESERVE
BALANCE SHEET
6/30/13 AND 3/31/14**

	6/30/2013	3/31/2014
ASSETS		
BMR Housing Reserve Cash	5,949,007	8,001,193
BMR Accounts Receivable	0	0
BMR Interest Receivable	20,304	0
PAL Loans Receivable	2,092,562	2,018,627
Other Loans Receivable	1,849,047	1,849,047
Real Estate Held for Resale	733,597	0
TOTAL ASSETS	10,644,517	11,868,867
LIABILITIES		
Accounts Payable	14,613	0
TOTAL LIABILITIES	14,613	0
FUND BALANCE		
Designated for PAL Loans	2,389,438	2,463,373
Designated for Neighborhood Stabilization Program	0	-
Designated for Habitat for Humanity Neighborhood Revitalization Program	650,000	650,000
Designated for Foreclosure Prevention Program	0	-
Designated for Housing Project	0	-
Designated for Notice of Funding Availability (NOFA)	3,200,000	3,200,000
Undesignated	4,390,466	5,555,494
TOTAL FUND BALANCE	10,629,904	11,868,867
TOTAL LIABILITIES AND FUND BALANCE	10,644,517	11,868,867

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Gateway Senior Housing

Project Description

I. MidPen Housing

Developer Experience

For more than forty years, MidPen Housing (“MidPen”) has been one of the largest, most trusted developers and owners of high-quality affordable rental housing in Northern California. We have played a leading role in the growth of the affordable housing industry in California, consistently setting new standards for best practices in development, property management, and resident services.

MidPen operates through three distinct non-profit companies that work closely together to manage corporate activities and partnerships, while furthering its mission to provide safe, affordable housing of high quality. MidPen has extensive experience in the development of affordable housing. Since it was founded in 1970, MidPen has achieved recognition as a leading non-profit sponsor and developer of affordable housing. MidPen has constructed or rehabilitated more than 7,400 residential units for low-income families, seniors, farm workers, and physically, mentally or developmentally disabled people throughout Northern California with developments in Alameda, Contra Costa, Monterey, Napa, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, and Yuba Counties. 1,500 of our apartment homes are located in San Mateo County. MidPen has a strong track record of leveraging local funds to raise additional funding sources, compete successfully for low income housing tax credits, and complete projects in a timely way.

Management Experience

MidPen Housing established an affiliated management company in 1981. Today, MidPen Property Management Corporation manages 6,397 units at over 90 properties, which are located from Fairfield to Monterey and house over 14,000 residents. MidPen Property Management both manages MidPen’s properties and offer fee-based management for other affordable housing communities. MidPen Management has a staff of approximately 200 employees. Our seasoned leadership team provides extensive experience in all aspects critical to exceptional property management including compliance, operations, training, facility maintenance and community relations.

Service Provider Experience

MidPen Resident Services Corporation provides and coordinates onsite support programs to help residents advance. Some of these programs include: computer and vocational training, tutoring and other afterschool programs, financial literacy classes, health and wellness programs and community referrals. With an annual investment of

\$5 million, an in-house staff of 65 and 300 service provider partners, MidPen Resident Services Corporation leads the affordable housing industry with its programs and services by helping over 7,000 MidPen residents each year.

II. Project Overview

MidPen Housing is proposing to develop Gateway Senior Housing, a 90-unit new construction affordable senior housing development at 1221-1275 Willow Road in Menlo Park (between Newbridge Street and Ivy Drive). The project is located on a prominent corridor and would be transformative for current site residents as well as the neighborhood. Gateway Senior Housing has a critical role to play in preserving and expanding the supply of affordable housing.

The current Gateway Apartments is a 130-unit apartment complex on the 1200 and 1300 blocks of Willow Road in the Belle Haven neighborhood of Menlo Park. The property was originally built in the 1960s. MidPen Housing, a regional non-profit developer, has owned and managed the property since 1987. The property is 100% low-income housing, serving both senior and family populations with units ranging from studios to 3-bedrooms. MidPen intends to redevelop the property in light of its physical and functional needs. Gateway's redevelopment is a valuable opportunity to increase the supply of affordable housing in Menlo Park given the scarcity and high cost of available land.

The Gateway Senior Housing project would increase the total number of units on that block from 48 units to 90 units, one of which would be an on-site manager's unit. This block is where many of the current senior residents live. The apartments would be available to seniors 62 years of age and older. Units will be targeted at 30-45% of Area Median Income (please see proposed unit matrix below). The way that current residents' rents are calculated would remain the same.

Unit Type	AMI %	Unit Quantity	Maximum Income (2014)	Rent Net of Utilities (2014)
1 br	30%	8	\$26,580	\$584
1 br	45%	77	\$39,870	\$896
2 br	30%	1	\$29,910	\$697
2 br	45%	3	\$44,865	\$1,071
2 br manager unit	n/a	1	n/a	n/a

III. Need for Senior Housing

This project would serve the critical local and regional needs for affordable senior housing. MidPen develops senior housing with a strong services component in order to support residents as they age in place and help them to live independently as long and successfully as possible. The 2007-2014 Housing Element identified that though the City has long had the goal of expanding housing opportunities for the elderly (in the

1992 Housing Element, the last Housing Element prior to the current version), no new housing for seniors has been developed since 1992 (p.66). According to the Housing Element, 25% of senior households in Menlo Park were extremely low income, while 17% were very low income, and approximately 68% of senior renters are cost burdened (p.71, p.80), demonstrating the need for affordable senior housing so that Menlo Park seniors can age in place. Staff at the Senior Center indicated that housing is the primary concern voiced by seniors; they want to stay in the community and live independently as long as possible but have limited options available to do so.

IV. Gateway Senior Housing Goals

Goals of the project include:

- 1) Increase the supply of high-quality, permanently affordable senior housing in Menlo Park
- 2) Preserve and enhance existing resident community bonds
- 3) Create community gathering space that supports resident health and social activities
- 4) Design building(s) and landscaping to compliment the surrounding neighborhood
- 5) Improve security and access

V. Design and Amenities

The building type will be appropriate to and maximize use of the infill site. The height will be two and three stories. There will be a large common area and leasing office near the primary entry to create a welcoming presence for residents and guests. The building will be elevator served and the apartments will be accessible in order to promote independent living.

The design will embrace the R-4-S design standards and guidelines. MidPen recognizes the intent of the standards and guidelines to ensure that new building is of high-quality, enhances the neighborhood, and contributes to a healthy environment. Many of the R-4-S standards and guidelines correspond to MidPen's field tested Building Guidelines.

In addition to providing additional affordable housing, MidPen expects to address several existing challenges with the site's current design and physical condition, including the separation of the two housing blocks and problematic vehicular and pedestrian circulation patterns. Currently, the management office is on the 1300 block while the services space is on the 1200 block, with a considerable distance in between. Part of the revitalization will include creating dedicated space for on-site management and supportive services on both blocks. These community areas will be sufficiently sized and equipped to meet the needs of the residents and to facilitate MidPen's array of service programs. Redevelopment will allow one block to serve seniors and the other block to serve families; by having each block serve a specific population, MidPen will be able to provide more specialized service attention.

One of the property's most significant challenges is with circulation, especially with non-resident vehicle and pedestrian traffic through the site. We are proposing reconfiguration of Frontage Road at the 1200 block to allow us to address circulation and access, and create distinct public and private circulation routes. There are existing precedents of vacation and abandonment of Frontage Road along Willow Road, to allow for a distinct public sidewalk, including the neighboring property 1283 Willow Road. Vacation and abandonment will allow for provision of a public pedestrian route that is integrated with the rest of Willow Road, and a site layout reconfiguration that will greatly benefit residents, staff and the neighborhood, and create clearly delineated boundaries between public and private realms. The intention on the 1200 block is to demolish the wall, and construct a public sidewalk approximately where the current wall is. Next to the new sidewalk would be a new property boundary – likely a decorative fence – that would maintain security for the site, as well as a landscape buffer.

Gateway Senior Housing will have dedicated spaces for on-site management and resident services, whose programs will be tailored specifically to our senior population. These community areas will be sufficiently sized and equipped to meet the needs of the residents and to facilitate MidPen's array of service programs. The design will incorporate programmed landscape areas (i.e. walking area, picnic/BBQ areas, tai chi, etc.) that we have found to be effective in encouraging our senior residents to spend time outside. Community spaces will include additional small flexible spaces that can be used for a wide array of activities and adapt as residents' needs evolve. These spaces can be used for activities that promote health and wellness for our residents, such as our balance therapy program. We have distributed a survey to residents to get their feedback on the type of open space and community space they would like to see in the new community. We have held resident meetings and meetings with interested community members to get input that will inform our design (see Community Outreach Summary).

V. Financing Plan

The property currently has a mortgage held by California Housing Finance Agency (CalHFA) and a soft loan held by the City of Menlo Park. Other financing includes a Mod Rehab rental assistance contract covering all 130 units, administered by the Housing Authority. Key to revitalization is the conversion of the current Mod Rehab contract to a Project Based Section 8 contract. MidPen and the San Mateo County Housing Authority are in the process of evaluating how best to go about this conversion; the Housing Authority is a committed partner in this process. The current proforma assumes that the 1200 block would have 44 project based vouchers based on the existing senior population at the site.

The financing plan for the redevelopment assumes restructuring/refinancing the existing mortgage with CalHFA to remove it from the 1200 block site, so that the loan is secured only by the 1300 block site. This will enable to the 1200 block to secure 9% tax credits. MidPen will also be working with the City of Menlo Park on a modification of its

existing loan; it is assumed that the existing City funds would roll over as part of the financing for the redevelopment.

Thus far, MidPen has received a commitment of \$400,000 in San Mateo County Affordable Housing Funds (AHF). In addition, at the request of the Housing Community Development Committee (HCDC) members, any AHF funds returned to the County will be split between the Gateway Senior Housing project and the University Avenue Senior Housing project. This request was made by the committee to emphasize that these are very worthy projects meriting additional County support. MidPen has also applied for \$2 million in HOME/CDBG from the County for the Gateway Senior project. County Staff has not recommended the project for funding in this round as they decided to prioritize projects that have city financing commitments and are ready to apply for tax credits in Round 2 2014 (July). City funding is one of the most important criteria for County funding. We expect that the County will have another funding cycle this year and that, with a City financing commitment, Gateway will be well positioned for an additional County commitment. In addition to County funding, MidPen has also recently applied for \$890,000 in Federal Home Loan Bank Affordable Housing Program funds. The financing plan also assumes seller take back financing and a commitment of existing replacement and operating reserves. MidPen will continue to apply for County funding in future rounds and plans to apply for tax credits in 2015.

VI. City of Menlo Park Funding Request

MidPen requested the full amount available in the NOFA of \$3.2 million. This amount represents approximately 10% of the project’s anticipated cost. If we apply the 10% figure pro rata to the development’s 89 low-income units, it yields 9 units available for a Menlo Park live/work preference. All 42 additional affordable units will create benefit to the City with respect to its Housing Element.

Gateway Senior Housing’s first priority will be to house the senior households that currently reside at Gateway. These consist of approximately 44 households who are currently Menlo Park residents.

VII. Timeline

The current timeline is summarized below.

<u>Milestone</u>	<u>Target Completion Date</u>
Start of Community Outreach Process	01/2014
County of San Mateo AHF Funding Award	02/2014
Conceptual Design Finalized	04/2014
City of Menlo Park BMR Funds Award	05-06/2014

Schematic Design	09/2014
R-4-S Compliance Review (Design Review)	11/2014
TCAC Application	03/2015
TCAC Award	06/2015
Building Permits	12/2015
Construction Financing Closing	12/2015
Construction Start	12/2015
Construction Completion	12/2016
Initial Occupancy	12/2016
Conversion to Permanent Financing	05/2017

Gateway Senior Housing

Community Outreach Summary

Overview

MidPen has begun community outreach on the Gateway Senior Housing project, following up on initial outreach work done as part of the Housing Element update process in 2013. During Spring of 2013, we had several meetings, including a property tour of Gateway with community members. Starting in early 2014, we began meeting again with interested community members. We also held two resident meetings and a neighborhood meeting in March and April which are described in further detail below. MidPen has participated in the Belle Haven Vision and Action Plan meetings in 2013 and 2014. We intend to have further resident meetings and outreach to interested community members as our design progresses beyond conceptual design.

Meetings Held for Gateway Senior Housing

Individual and small group meetings (4/30/2013, 1/30/2014, 1/31/2014, 2/6/2014)

Tour of Gateway with neighbors and Council Member Keith on 5/15/2013

Resident Meeting on 3/18/2014

Resident Meeting on 3/24/2014

Community Meeting on 4/3/2014

What We Heard

Housing Element Process:

- Priority for senior housing given the real need (fixed incomes, overcrowding in multi-generational households)
- Importance of management and services
- Importance of security

We listened and focused on senior housing with a strong services component and a secure-access site.

Targeted Outreach to Stakeholders:

- Want to see a redeveloped property that is clean, attractive, with no loitering
- Want the redeveloped property to be a nice entrance to the community, both in terms of architecture and landscape
- Want to see examples of MidPen properties that are comparable to what is being proposed (we provided a list of examples and offered to arrange a tour)

- Heard from the Senior Center that housing is the major concern for seniors in the community; they want to live independently and they want to stay in the community and don't have many options

Resident Meetings:

We held two well-attended resident meetings, one on March 18th that had over 85 residents in attendance and one on March 24th that had over 40 in attendance. The first meeting provided an overview of the revitalization plans and the temporary relocation that will occur during construction. The second meeting was focused on getting input to incorporate into the design. At this meeting, we distributed a survey to residents to get their input on the types of community amenities and other features they would like to see in the redeveloped community. We had a discussion with residents about what they like about where they live and what they would improve. Some feedback from this conversation that we will incorporate into the design is below.

- Community: Preserve and enhance the strong sense of neighborliness currently enjoyed by residents. Many residents emphasized how they enjoy their neighbors.
- Outdoor Space: The openness of the current site helps support the social network. Through the resident survey, we will get a better sense of the kinds of open space that they would prefer. Some options include gardens, barbeque and picnic areas, and walking paths.
- Design for Aging in Place: They would like to see accessible homes and common areas for seniors to live independently as long as possible.
- Security: Consider a perimeter fence around the site
- Willow Road: Provide buffer from traffic and noise; but should be attractive

Community Meeting:

On April 3rd, we held a community meeting to discuss our Gateway Senior Housing plans at the Senior Center in Belle Haven. In terms of outreach for this meeting, in addition to reaching out to individuals, we mailed flyers to our neighboring properties within a 300' radius of the property, posted flyers at local businesses on Willow Road, made an announcement about the meeting at the Public Safety meeting on 3/26 and the meeting information went out in the blast that Patricia Maciel sent out on 3/28.

The purpose of this meeting was to solicit input from the community as we begin the design process. We plan to have additional community meetings to solicit further input as the design takes shape. Attendees included neighbors who abut the property, a number of Gateway residents and other community members. At the meeting, we gave an overview of the Gateway Senior Housing project and shared a preliminary conceptual site plan and sections. Representatives from MidPen's development, property management and resident services departments were there as well as our architect (Mithun). Below is a summary of the feedback we heard.

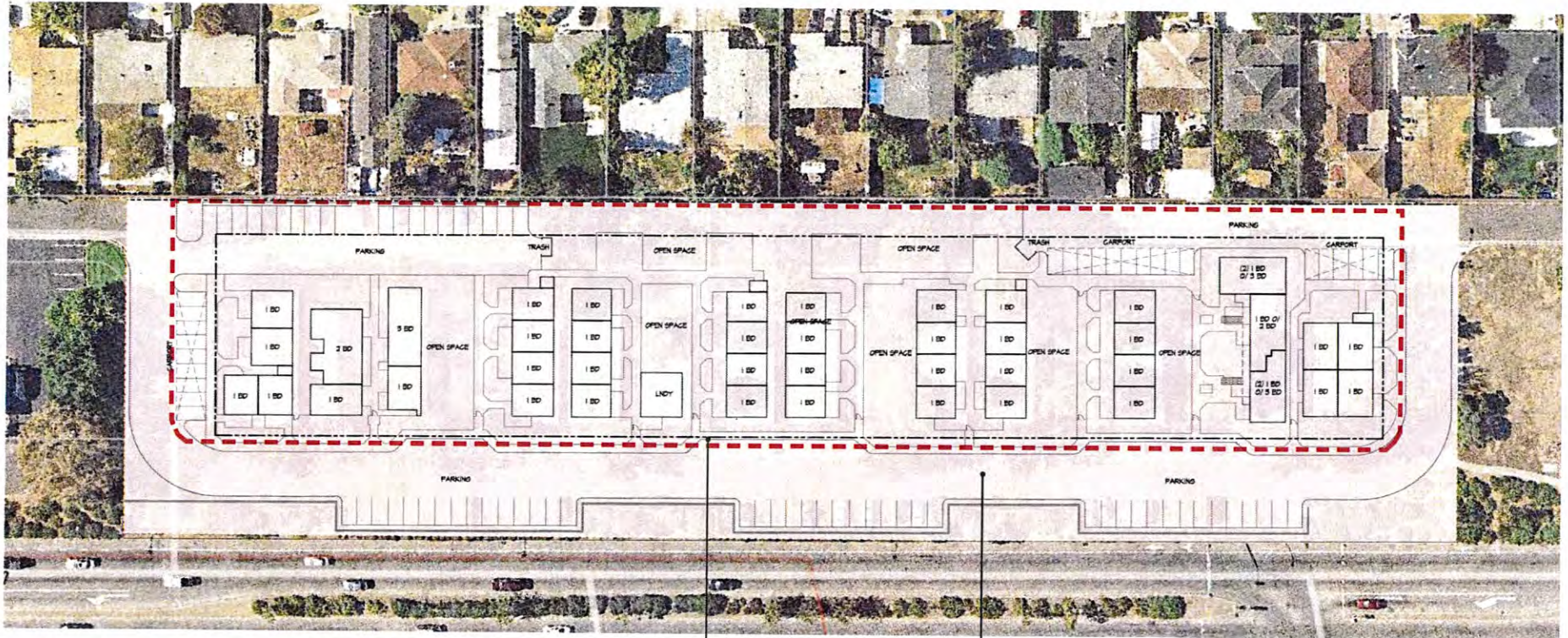
- This would be an improvement from the current condition
- Please take into consideration our privacy (our architect noted that the design is two and three stories and the three story portion of the building is sited as far from the single family homes as possible)
- Request for secured site
- Accessibility is important to seniors. They want to be able to request ground floor units or upper floors depending on their needs.

Future Outreach

As our plans progress, we will meet with our residents and check in with interested community members. We also plan to have a presentation to seniors at the Senior Center during lunch once we have incorporated feedback from our resident survey and have more material to get their input on.

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Current Site Plan

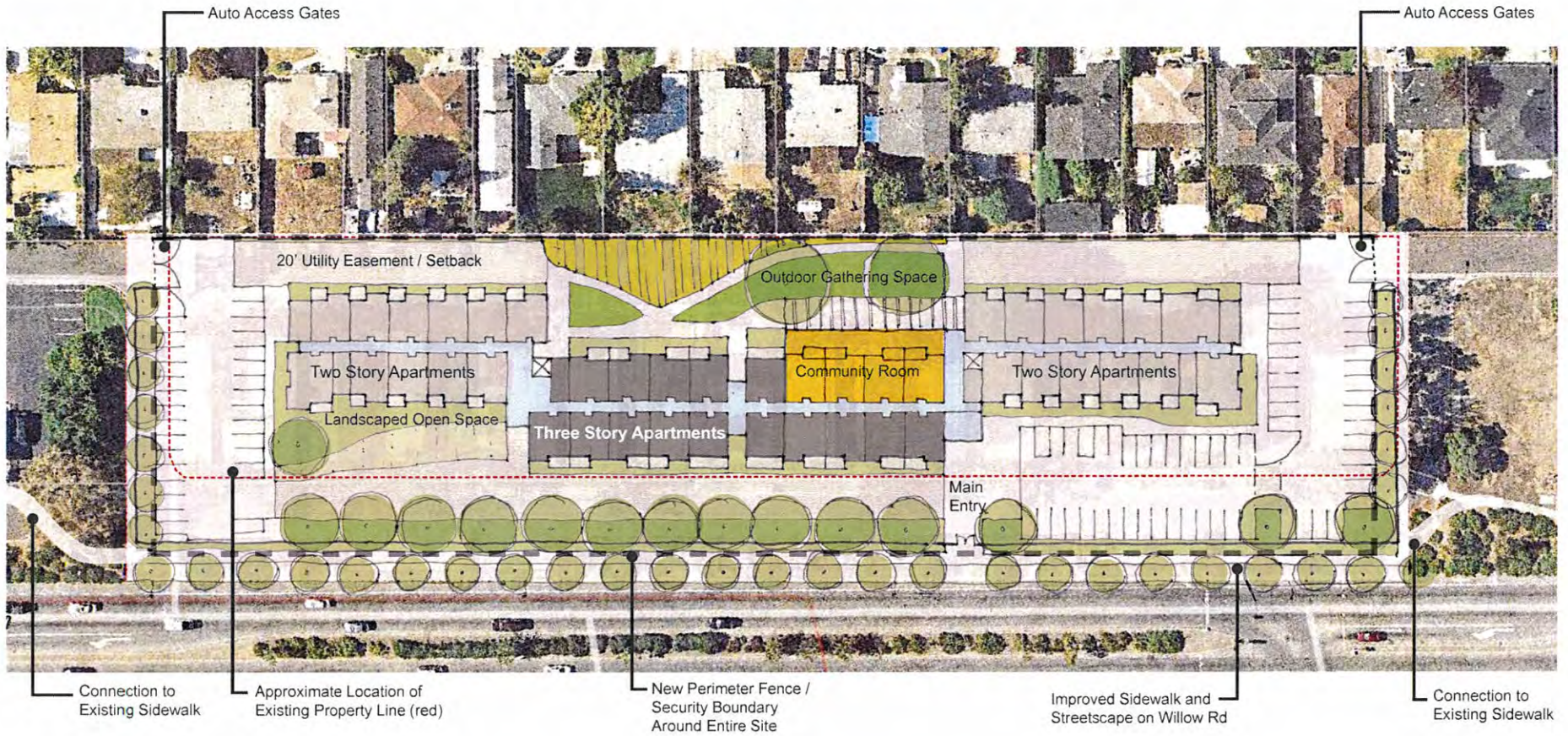


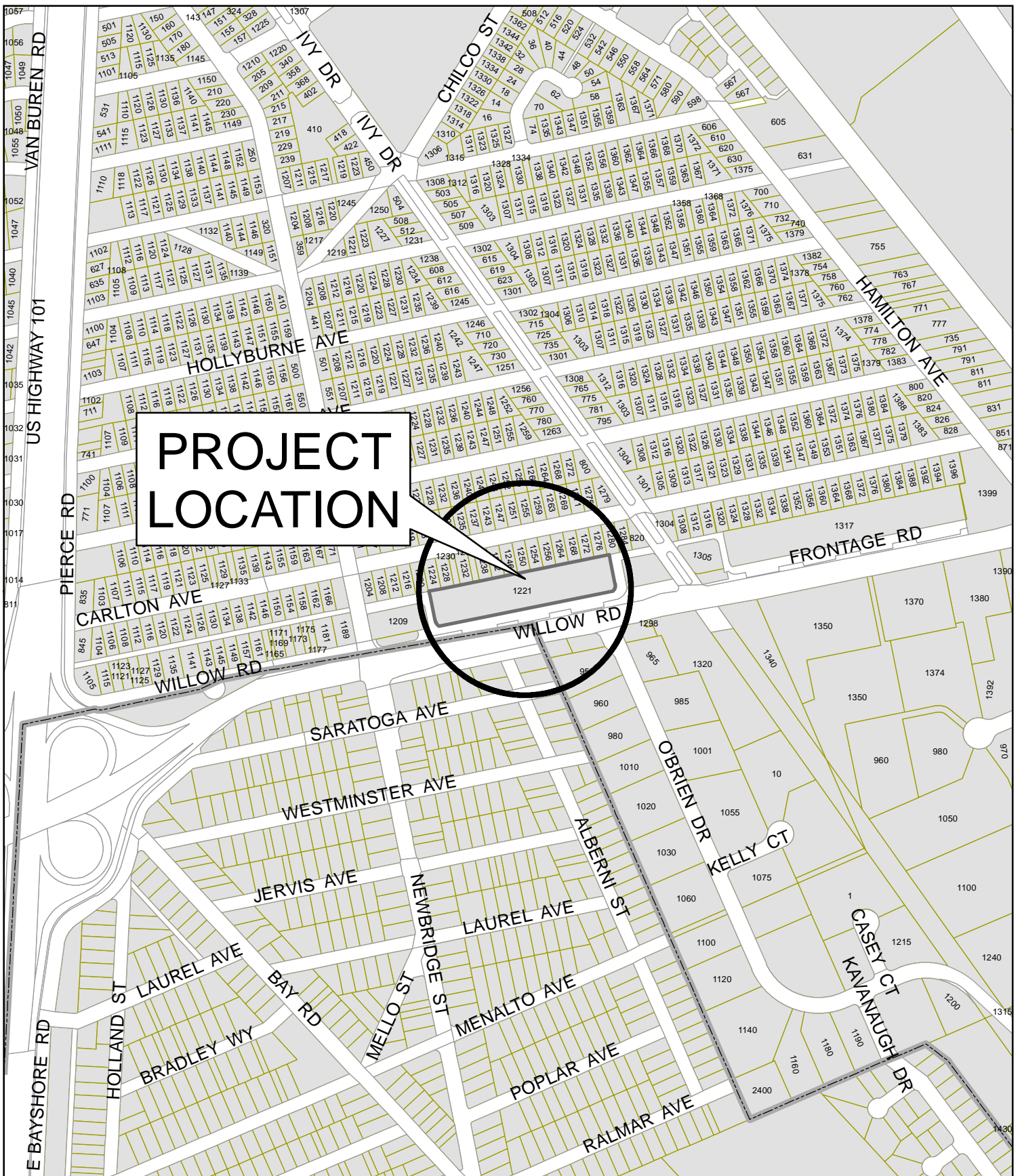
Note: Conceptual Illustration Only.

Existing Property Line

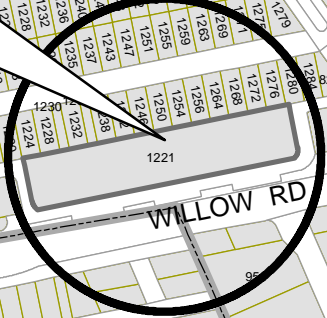
Existing Frontage Road

Proposed Conceptual Site Plan





**PROJECT
LOCATION**

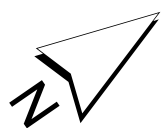


CITY OF MENLO PARK

LOCATION MAP

1221, 1227, 1229, 1233, 1235, 1239, 1243,
1247, 1253, 1255, 1263, 1271, 1275 WILLOW ROAD

DRAWN: EAS CHECKED: EAS DATE: 06/13/14 SCALE: 1" = 500' SHEET: 1



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PUBLIC WORKS DEPARTMENT

Council Meeting Date: May 13, 2014
Staff Report #: 14-081

Agenda Item #: D-1

CONSENT CALENDAR:

Adopt a Resolution Giving Preliminary Approval of the Engineer's Report for the Menlo Park Landscaping District for Fiscal Year 2014-15 which Proposes an Increase of 2.99 percent to the Tree Portion of the Assessment and No Increase to the Sidewalk Portion of the Assessment; Adopt a Resolution of Intent to Order the Levy and Collection of Assessments for the Menlo Park Landscaping District for Fiscal Year 2014-15; and Set the Date for the Public Hearing for June 17, 2014

RECOMMENDATION

Staff recommends that the City Council:

1. Adopt a Resolution giving preliminary approval of the Engineer's Report for the City of Menlo Park Landscaping District for Fiscal Year 2014-15, which proposes an increase of 2.99% to the tree portion of the assessment and no increase to the sidewalk portion of the assessment (Attachment A);
2. Adopt a Resolution of Intention to order the levy and collection of assessments for the City of Menlo Park Landscaping District for Fiscal Year 2014-15 pursuant to the Landscaping and Lighting Act of 1972 (Attachment B); and;
3. Set the date for the Public Hearing for June 17, 2014.

BACKGROUND

The Landscaping Assessment District provides funding for the maintenance of trees, street sweeping and sidewalks throughout Menlo Park.

Tree Maintenance

Between 1960 and 1982, the City had one three-person tree crew to care for City parks, medians, and street trees. At that time, the tree crew trimmed trees as requested by residents. There was no specific, long-term plan to address tree maintenance. As the

trees grew, it took considerably more time per tree to provide proper care and the City's one tree crew was unable to maintain all the trees in proper condition.

The voters approved Measure N in 1982 as an advisory measure to the City Council regarding formation of the City of Menlo Park Landscaping District. The District was formed in 1983 to provide proper street-tree maintenance. Programmatic changes have occurred over the past 29 years to address new regulations and maintain the existing tree canopy. Proper care of the tree canopy continues to be identified as a priority by property owners, the Environmental Quality Commission and the Council.

In 1998, the City identified concerns that a significant number of City trees, of which over 80 percent were considered to be mature, would decline and fail at roughly the same time unless proactive measures were taken to stagger removal of the older trees with establishment of new, younger trees. In addition, the tree maintenance trimming and evaluation schedule had slipped from once every five years to once every seven years due to cost. The City proposed an increase in the District fees, which was approved per Proposition 218 requirements. The additional funds raised were used to bring back the tree trimming/evaluation schedule to once every five years. In addition, in 2008-09 a reforestation program was implemented with a portion of the District funds.

City Tree-Damaged Sidewalk Repair

Prior to 1990, property owners and the City split the cost of repairing sidewalks damaged by City trees. The City entered into individual agreements with approximately 200 individual property owners each year to conduct these repairs. The annual cost was a financial burden to some residents on fixed incomes, and burdensome for the City to administer.

An assessment for the repair of sidewalks and parking strips was established in 1990 to make the program more cost-effective and less of a financial burden for property owners, and to streamline staff's processing of tree-damaged sidewalk repair. Staff has been able to address the tripping hazards through new technologies in sidewalk sawcutting, resulting in the sidewalk assessment only having been raised once since its establishment.

Street Sweeping

Street sweeping is performed throughout the City for aesthetic, water quality and health reasons, as well as compliance with storm water regulations. Street sweeping work has been performed by contract services since 1992.

Engineer's Report Requirements

For each fiscal year the assessments will be levied, the City Council must direct the preparation of an Engineer's Report, budgets, and proposed assessments. On January 28, 2014, the City Council adopted Resolution No. 6192 describing the improvements

and directing the preparation of an Engineer's Report for the Landscaping District for FY 2014-15. In addition, Council approved an agreement with SCI Consulting Group to prepare that report.

The Engineer's Report establishes the foundation and justification for the continued collection of the landscape assessments for FY 2014-15. SCI Consulting Group has reviewed the report in context with recent court decisions and legal requirements for benefit assessments. The assessments proposed are fully compliant with recent court decisions and the requirements of Proposition 218.

The purpose of this staff report is to obtain Council's preliminary approval of the Engineer's Report, state the intention of the Council to order the levy and collection of assessments, give preliminary approval of the 2.99 percent increase to the tree portion of the assessment, and set a public hearing for June 17, 2014, regarding the proposed assessments.

ANALYSIS

Approval of Engineer's Report

SCI Consulting Group has completed the preliminary Engineer's Report (Attachment C) for the Landscaping District, which includes the District's proposed FY 2014-15 budget. The budget covers tree maintenance, a portion of the cost of the City's street sweeping program, and the sidewalk repair program. The report describes in detail the method used for apportioning the total assessment among properties within the District. This method involves identifying the benefit received by each property in relation to a single-family home (Single Family Equivalent or SFE).

Expenses for the program are covered by revenue from property tax assessments, contributions from the City (primarily from the General Fund), and unspent funds from prior years.

Program Budgets

Tree Maintenance Assessments

Table I shows the proposed budget for street tree maintenance expenses and revenues for FY 2014-15. The 2.99 percent increase represents a \$2.20 annual increase in a typical single family property.

Table I Tree Maintenance Assessments Proposed FY 2014-15 Budget	
Projected Beginning Fund Balance	\$241,229
Estimated Revenues:	
Tree Assessment Revenue (2.99% increase)	\$562,575
General Fund Contribution	<u>214,000</u>
	\$776,575
Estimated Expenses:	
Street Tree Maintenance	\$641,826
Debris Removal (Street Sweeping)	211,889
Administration & County Collection of Assessment Fees	<u>94,378</u>
	\$948,093
Projected Ending Fund Balance	\$69,711

Staff estimates that tree maintenance expenditures will exceed revenues by approximately \$171,518 in FY 2014-15, which will result in a FY 2014-15 ending fund balance of approximately \$69,711. The tree portion of the assessment was last increased in FY 2009-10 by 5 percent from \$57.39 per SFE to \$60.26. The proposed increase of 2.99 percent to the tree maintenance portion of the assessment will help in balancing the budget of revenues meeting expenditures and getting the City to a tree maintenance trimming and evaluation schedule of once every five years. In addition, the contract with West Coast Arborists, Inc., the City's current tree service company will expire in November 2014 and staff has sent out request for proposals. It is anticipated that there will be an increase in cost for these services due to the cost for these services has not increased in the past two years.

The General Fund contribution towards tree maintenance will be \$214,600 for FY 2014-15. Proposition 218 stipulates that only the "special benefits" received by a parcel can be charged through an assessment district, with "general benefits" being funded by other sources. The Engineer's Report determined that 75 percent of the benefits received are special benefits, and 25 percent are general benefits. The proposed General Fund contribution of \$214,000 will meet the City's remaining obligation.

Sidewalk Repair Assessments

The Council authorizes sidewalk repair program funding in the amount of \$300,000 per year as part of the City's capital improvement program. Table II shows the proposed budget for sidewalk, curb, gutter and parking strip repair and replacement expenses and revenues for FY 2014-15.

Table II Sidewalk Repair Assessments Proposed FY 2014-15 Budget	
Projected Beginning Fund Balance	\$184,816
Estimated Revenues:	
Sidewalk Assessment Revenue (no rate increase)	\$196,316
General Fund CIP Contribution for sidewalk repair	<u>120,000</u>
	\$316,316
Estimated Expenses:	
Sidewalk, Curb, Gutter, Parking Strip Repair/Replacement	\$300,000
Administration & County Collection of Assessment Fees	<u>20,655</u>
	\$320,655
Projected Ending Fund Balance	\$180,477

Staff estimates that the sidewalk repair program will have budgeted expenses that exceed revenues by approximately \$4,339 in FY 2014-15. The projected FY 2014-15 ending fund balance is approximately \$180,477. Recently, staff was able to address minor tripping hazards as part of the annual sidewalk repair program by implementing a horizontal sawcutting method of removal that leaves a smooth uniform surface. This approach reduces the need for complete concrete removal, better efficiency and budget control. Therefore, staff is not recommending any increase to the sidewalk repair assessments for FY 2014-15.

Table III Annual Tree Assessment Rates Proposed FY 2014-15 (2.99% increase from FY 2013-14)		
Property Type	Properties with Trees	Properties without Trees
Single-family	\$62.06 per Parcel	\$31.03 per Parcel
R-2 Zone, in use as single-family	\$62.06 per Parcel	\$31.03 per Parcel
Condominium/ Townhouse	\$55.85 per Unit \$279.27 max. per Project	\$27.93 per Unit \$139.64 max. per Project
Other Multi-family	\$49.65 per Unit \$248.24 max. per Project	\$24.82 per Unit \$124.12 max. per Project
Commercial	\$62.06 per 1/5 acre \$310.30 max. per Project	\$31.03 per 1/5 acre \$155.15 max. per Project
Industrial	\$62.06 per 1/5 acre \$310.30 max. per Project	\$31.03 per 1/5 acre \$155.15 max. per Project
Parks, Educational	\$62.06 per Parcel	\$31.03 per Parcel
Miscellaneous, Other	\$0.00 per Parcel	\$0.00 per Parcel

Table IV	
Property Type	Annual Sidewalk Assessment Rates Proposed FY 2014-15 (no increase from FY 2013-14)
Properties with Improvements	
Sidewalks, curbs, gutters	\$28.70 per Parcel
Parking strips and gutters	\$28.70 per Parcel
Curbs and/or gutters only	\$19.23 per Parcel
No improvements	\$9.47 per Parcel
Miscellaneous, Other	\$0.00 per Parcel
Properties without Improvements	
Parcels with or without improvements	\$9.47 per Parcel
Miscellaneous, Other	\$0.00 per Parcel

* All assessment amounts are rounded to the penny.

Assessment Process

If the Council approves the attached resolutions, staff will publish legal notice of the assessment Public Hearing at least ten days prior to the hearing, which is tentatively scheduled for June 17, 2014. Once the assessments are confirmed and approved, the levies will be submitted to the County Auditor/Controller for inclusion onto the property tax roll for FY 2014-15.

Assessments are subject to an annual adjustment based on the Engineering News Record Construction Cost Index (CCI) for the San Francisco Bay Area. The maximum annual adjustment cannot exceed 3 percent. Any change in the CCI in excess of 3 percent is cumulatively reserved and can be used to increase the assessment rate in years in which the CCI is less than 3 percent. The change in the CCI from December 2012 to December 2013 was 5.25 percent.

The maximum authorized assessment rate for fiscal year 2014-15 (based on accumulated unused CCI increases excess reserves from prior years) are \$98.46 per single family equivalent (SFE) benefit unit for tree maintenance and \$43.96 per single family equivalent (SFE) benefit unit for sidewalk maintenance without another ballot proceedings. The estimated budget in the Engineer's Report proposes an increase to assessments for the tree portion for 2014-15 to increase by 2.99 percent from FY 2013-14 at the rate of \$60.26 per SFE to \$62.06 per SFE and \$28.70 per SFE for sidewalk maintenance (same as FY 2013-14). Both amounts are less than the maximum authorized assessment rate.

IMPACT ON CITY RESOURCES

Funding for the entire tree-maintenance, street sweeping and sidewalk-repair programs under the assessment district comes from a variety of sources, including the carryover of unspent funds from prior years, annual tax assessment revenues, and contributions

from the General Fund. If the Council does not order the levy and collection of assessments, the impact on City resources would be \$758,891 (the total amount of the proposed tree and sidewalk assessments).

Staff recommends increasing the tree maintenance assessment rate but not sidewalk repair assessment rate. The current estimated fund balances for both the tree and sidewalk programs are sufficient to maintain current services levels through FY 2014-15.

POLICY ISSUES

The recommendation is consistent with the Council's and the Environmental Quality Commission's emphasis on the importance of preserving and maintaining mature trees.

ENVIRONMENTAL REVIEW

An environmental review is not required.

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. Resolution of Preliminary Approval of the Engineer's Report
- B. Resolution of Intention to Order the Levy and Collection of Assessments
- C. Engineer's Report dated May 2014

Report prepared by:
Eren Romero
Business Manager

Ruben Niño
Assistant Public Works Director

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RESOLUTION NO.

RESOLUTION OF PRELIMINARY APPROVAL OF THE ENGINEER'S
REPORT FOR THE CITY OF MENLO PARK LANDSCAPING DISTRICT
FOR FISCAL YEAR 2014-15

WHEREAS, on the twenty-eighth day of January, 2014, the Menlo Park City Council did adopt Resolution No. 6192, describing improvements and directing preparation of the Engineer's Report for the City of Menlo Park Landscaping District (District) for Fiscal Year 2014-15, pursuant to provisions of Article XIID of the California Constitution and the Landscaping and Lighting Act of 1972, in said City and did refer the proposed improvements to SCI Consulting Group and did therein direct SCI Consulting Group to prepare and file with the Clerk of said City a report, in writing, all as therein more particularly described, under and in accordance with Section 22565, *et. seq.*, of the Streets and Highways Code and Article XIID of the California Constitution; and

WHEREAS, said SCI Consulting Group prepared and filed with the City Clerk of said City a report in writing as called for in Resolution No. 6192 and under and pursuant to said Article and Act, which report has been presented to this Council for consideration; and

WHEREAS, said Council has duly considered said report and each and every part thereof, and finds that each and every part of said report is sufficient, and that neither said report, nor any part thereof, should be modified in any respect.

NOW, THEREFORE, BE IT RESOLVED THAT IT IS HEREBY FOUND, DETERMINED, and ORDERED, as follow:

1. That the plans and specifications for the existing improvements and the proposed new improvements to be made within the District or within any zone thereof, contained in said report, be, and they are hereby, preliminarily approved;
2. That the Engineer's estimate of the itemized and total costs and expenses of said improvements, maintenance, and servicing thereof, and of the incidental expenses in connection therewith, contained in said report be, and each of them is hereby, preliminarily approved;
3. That the diagram showing the exterior boundaries of the District referred to and described in said Resolution No. 6192 and also the boundaries of any zones therein and the lines and dimensions of each lot or parcel of land within said District as such lot or parcel of land is shown on the County Assessor's maps for the fiscal year to which the report applies, each of which lot or parcel of land has been given a separate number upon said diagram, as contained in said report be, and it is hereby, preliminarily approved;

4. That the proposed continued assessment of the total amount of the estimated costs and expenses of the proposed improvements upon the several lots or parcels of land in said District in proportion to the estimated benefits to be received by such lots or parcels, respectively, from said improvements including the maintenance or servicing, or both, thereof, and of the expenses incidental thereto, as contained in said report be, and they are hereby, preliminarily approved; and
5. That said report shall stand as the Engineer's Report for the purpose of all subsequent proceedings to be had pursuant to said Resolution No. 6192.

I, Pamela I. Aguilar, City Clerk of Menlo Park, do hereby certify that the above and foregoing Council Resolution was duly and regularly passed and adopted at a meeting by said Council on the thirteen of May, 2014, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this thirteen of May, 2014.

Pamela I. Aguilar
City Clerk

RESOLUTION NO.

RESOLUTION OF INTENTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK TO ORDER THE CONTINUATION AND COLLECTION OF ASSESSMENTS FOR THE CITY OF MENLO PARK LANDSCAPING DISTRICT FOR FISCAL YEAR 2014-15 PURSUANT TO THE LANDSCAPING AND LIGHTING ACT OF 1972

WHEREAS, pursuant to Resolution No. 6192 describing improvements and directing the preparation of the Engineer's Report for Fiscal Year 2014-15 for the City of Menlo Park Landscaping District, adopted on January 28, 2014, by the City Council of Menlo Park; and

WHEREAS pursuant to provisions of Article XIID of the California Constitution and the Landscaping and Lighting Act of 1972, SCI Consulting Group for said City has prepared and filed with the City Clerk of this City the written report called for under and in accordance with Section 22565, *et. seq.*, of the Streets and Highways Code and Article XIID of the California Constitution; and

WHEREAS, by said Resolution No. 6192, which said report has been submitted and preliminarily approved by this Council in accordance with said Article and Act.

NOW, THEREFORE, BE IT RESOLVED, THAT IT IS HEREBY FOUND, DETERMINED, and ORDERED, as follows:

1. In its opinion, the public interest and convenience require, and it is the intention of this Council, to order the continuation and collection of assessments for Fiscal Year 2014-15 pursuant to the provisions of Article XIID of the California Constitution and the Landscaping and Lighting Act of 1972, Part 2, Division 15 of the Streets and Highways Code of the State of California, for the construction or installation of the improvements, including the maintenance or servicing, or both, thereof, more particularly described in Exhibit A hereto attached and by reference incorporated herein;
2. The cost and expense of said improvements, including the maintenance or servicing, or both, thereof, are to be made chargeable upon the assessment district designated as "City of Menlo Park Landscaping District" (District) the exterior boundaries of which District are the composite and consolidated area as more particularly described on a map thereof on file in the office of the Clerk of said City, to which reference is hereby made for further particulars. Said map indicates by a boundary line the extent of the territory included in the District and of any zone thereof and the general location of said District;
3. Said Engineer's Report prepared by SCI Consulting Group, preliminarily approved by this Council, and on file with the Clerk of this City, is hereby referred to for a full and detailed description of the improvements, the boundaries of the

assessment district and any zones therein, and the proposed assessments upon assessable lots and parcels of land within the District;

4. The authorized maximum assessment rates for the District include an annual adjustment by an amount equal to the annual change in the Engineering News Record Index, not to exceed 2.99 percent per year, plus any uncaptured excesses. Assessment rates for the tree portion of the assessment are proposed to increase during Fiscal Year 2014-15 by 2.99% over the Fiscal Year 2013-14 assessments. The maximum authorized assessment rate for street tree maintenance for Fiscal Year 2014-15 is \$98.46 per single family equivalent benefit unit, and the proposed assessment rate per single family equivalent benefit unit to be continued to Fiscal Year 2014-15 is \$62.06, which is the same rate as that levied in Fiscal Year 2013-14 and is less than the maximum authorized rate. Including the authorized annual adjustment, the maximum authorized assessment rate for sidewalk repairs for Fiscal Year 2014-15 is \$43.94 per single family equivalent benefit unit, and the proposed assessment rate per single family equivalent benefit unit to be continued to Fiscal Year 2013-14 is \$28.70, which is the same rate as that levied in Fiscal Year 2014-15 and is less than the maximum authorized rate;
5. Notice is hereby given that Tuesday, the seventeenth day of June, 2014, at the hour of 7:00 o'clock p.m., or as soon thereafter, in the regular meeting place of said Council, Council Chambers, Civic Center, 701 Laurel Street, Menlo Park, California, be, and the same are hereby appointed and fixed as the time and place for a Public Hearing by this Council on the question of the continuation and collection of the proposed assessment for the construction or installation of said improvements, including the maintenance and servicing, or both, thereof, and when and where it will consider all oral statements and all written protests made or filed by any interested person at or before the conclusion of said hearing, against said improvements, the boundaries of the assessment district and any zone therein, the proposed diagram or the proposed assessment, to the Engineer's estimate of the cost thereof, and when and where it will consider and finally act upon the Engineer's Report;
6. The Clerk of said City is hereby directed to give notice of said Public Hearing by causing a copy of this resolution to be published once in *The Daily News*, a newspaper circulated in said City, and by conspicuously posting a copy thereof upon the official bulletin board customarily used by the City for the posting of notices, said posting and publication to be had and completed at least ten (10) days prior to the date of public hearing specified herein; and
7. The Office of the Assistant Public Works Director of said City is hereby designated as the office to answer inquiries regarding any protest proceedings to be had herein, and may be contacted during regular office hours at the Civic Center, 701 Laurel Street, Menlo Park, California, 94025, or by calling (650) 330-6740.

I, Pamela I. Aguilar, City Clerk of Menlo Park, do hereby certify that the above and foregoing Council Resolution was duly and regularly passed and adopted at a meeting by said Council on the thirteen day of May, 2014, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this thirteen day of May, 2014.

Pamela I. Aguilar
City Clerk

Exhibit A

City of Menlo Park Landscaping District

Maintaining and servicing of street trees, including the cost of repair, removal or replacement of all or any part thereof, providing for the life, growth, health, and beauty of landscaping, including cultivation, trimming, spraying, fertilizing, or treating for disease or injury, the removal of trimmings, rubbish, debris, and other solid waste, and water for the irrigation thereof, and the installation or construction, including the maintenance and servicing thereof, of curbs, gutters, sidewalks, and parking strips.



CITY OF MENLO PARK
LANDSCAPING ASSESSMENT DISTRICT
ENGINEER'S REPORT

FISCAL YEAR 2014-15

MAY, 2014

PURSUANT TO THE LANDSCAPING AND LIGHTING ACT OF 1972 AND
ARTICLE XIID OF THE CALIFORNIA CONSTITUTION

ENGINEER OF WORK:
SCIconultingGroup
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CITY OF MENLO PARK

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INTRODUCTION

ASSESSMENT BACKGROUND

Between 1960 and 1982, the City of Menlo Park had one three-person crew to care for approximately 9,000 City trees. As the trees grew, it took considerably more time per tree to provide proper care. Consequently one tree crew was unable to perform the necessary work to maintain all of the street trees in proper condition. The Landscape Assessment District was originally formed in 1983 for the purpose of levying annual special assessments in order to properly maintain street trees in the City of Menlo Park. Currently, there are approximately 11,000 street trees that are maintained by the assessments.

Prior to 1990, property owners and the City would split the cost of repairing sidewalks damaged by City trees. The City would annually enter into an agreement with approximately 200 individual property owners. The one-time cost was a financial burden to some residents on fixed incomes. In order to make the program more cost-effective and less of a financial burden for property owners, an assessment for repair of sidewalks/parking strips due to City street-tree related damages was established in 1990.

The increased cost of the necessary work made the assessment amounts levied in Fiscal Year 1997-98 insufficient for adequately maintaining the City's street trees, curbs, gutters and sidewalks. An increase in the assessments was required to provide funding for continued tree maintenance and sidewalk repairs. However, with the passage of Proposition 218 on November 6, 1996, assessments can only be raised after the City conducts an assessment ballot proceeding and the ballots submitted in opposition to the assessments do not exceed the ballots in favor of the assessments. (Each ballot is weighted by the amount of assessment for the property it represents.)

ASSESSMENT PROCESS

In 1998, the City conducted an assessment ballot proceeding for increased tree maintenance and sidewalk repair assessments pursuant to the requirements of Article XIII D of the California Constitution (Proposition 218) and the Landscaping and Lighting Act of 1972. The proposed tree maintenance assessments for fiscal year 1998-99 were \$64.28 per single family equivalent unit and the proposed sidewalk repair assessments were \$28.70 per single family equivalent. The proposed maximum assessments also included an annual assessment cost escalator tied to the annual change in the Engineering News Record Construction Cost Index for the San Francisco Bay Area ("ENR Index"). These proposed assessments were supported by 73% of assessment ballots received from property owners (with each ballot weighted by the amount of assessments it represented). Therefore, on June 16, 1998 by its Resolution Number 4840-D, the City Council levied the new assessments.

ENGINEER'S REPORT AND CONTINUATION OF ASSESSMENTS

In each subsequent year for which the assessments will be continued, the City Council must direct the preparation of an Engineer's Report, budgets and proposed assessments

for the upcoming fiscal year. After the Engineer's Report is completed, the City Council may preliminarily approve the Engineer's Report and proposed assessments and establish the date for a public hearing on the continuation of the assessments. This Report was prepared pursuant to the direction of the Council.

The maximum authorized assessment rate, as increased each year by the change in the ENR Index, is the maximum assessment rate that can be levied in the given fiscal year without approval from property owners in another assessment ballot proceeding. In fiscal year 1998-99, the assessments were levied at the maximum rate for that fiscal year. Since this first fiscal year after the ballot proceeding, the assessments have been levied below the maximum authorized rate.

From December 2012 to December 2013, the ENR Index increased 5.25 percent. The maximum amount assessments can be increased annually is the ENR Index plus any uncaptured excess reserved from prior years, to a maximum increase of up to 3%.

Based on accumulated excess reserves from prior years, the maximum authorized rates for fiscal year 2014-15 are \$98.46 for trees and \$43.96 for sidewalks without another ballot proceeding. (No additional ballot proceeding is required because the maximum authorized assessment rates, including the annual adjustments in these rates, were approved in the 1998 ballot proceeding. The actual rate levied in any given fiscal year can be revised up, with an annual maximum increase of 3%, or down, by any amount that does not cause the actual rates levied to exceed the maximum authorized assessment rates.)

The City reduced the assessment rate for tree maintenance in fiscal year 2000-01 and increased the assessment rate in fiscal years 2002-03, and 2005-06 through 2009-10. In other fiscal years it was not necessary to increase the rate, due to sufficient reserve funds carried forward from prior fiscal years, combined with general benefit contributions. For fiscal year 2014-15 the proposed assessments for tree maintenance are proposed to increase by 2.99% from fiscal year 2013-14, and the assessments for sidewalk maintenance are still not proposed to increase. The proposed rates are \$62.06 per Single Family Equivalent (SFE) for tree maintenance and \$28.70 per SFE for sidewalk repairs.

If the Council approves this Engineer's Report and the continuation of the assessments by resolution, a notice of assessment levies must be published in a local newspaper at least 10 days prior to the date of the public hearing. The resolution preliminarily approving the Engineer's Report and establishing the date for a public hearing is used for this notice.

Following the minimum 10 day time period after publishing the notice, a public hearing is held for the purpose of allowing public testimony about the proposed continuation of the assessments. This hearing is currently scheduled for June 10, 2014. At this hearing, the Council will consider approval of a resolution confirming the continuation of the assessments for fiscal year 2014-15. If so confirmed and approved, the assessments will be submitted to the County Auditor/Controller for inclusion on the property tax roll for Fiscal Year 2014-15.

LEGAL ANALYSIS

PROPOSITION 218

This assessment is consistent with Proposition 218, The Right to Vote on Taxes Act, which was approved by the voters of California on November 6, 1996, and is now Article XIII C and XIII D of the California Constitution. Proposition 218 provides for benefit assessments to be levied to fund the cost of providing services, improvements, as well as maintenance and operation expenses to a public improvement which benefits the assessed property.

Proposition 218 describes a number of important requirements, including a property-owner balloting, for the formation and continuation of assessments, and these requirements are satisfied by the process used to establish this assessment.

The original assessment existed prior to the passage of Proposition 218. Although the original assessment is also consistent with Proposition 218, the California judiciary has generally referred to pre-Proposition 218 assessments as "grandfathered assessments" and held them to a lower standard than post Proposition 218 assessments.

SILICON VALLEY TAXPAYERS ASSOCIATION, INC. V SANTA CLARA COUNTY OPEN SPACE AUTHORITY

In July of 2008, the California Supreme Court issued its ruling on the Silicon Valley Taxpayers Association, Inc. v. Santa Clara County Open Space Authority ("SVTA vs. SCCOSA"). This ruling is the most significant court case in further legally clarifying the substantive assessment requirements of Proposition 218. Several of the most important elements of the ruling included further emphasis that:

- Benefit assessments are for special, not general, benefit
- The services and/or improvements funded by assessments must be clearly defined
- Special benefits are directly received by and provide a direct advantage to property in the assessment district

DAHMS V. DOWNTOWN POMONA PROPERTY

On June 8, 2009, the 4th Court of Appeal amended its original opinion upholding a benefit assessment for property in the downtown area of the City of Pomona. On July 22, 2009, the California Supreme Court denied review. On this date, Dahms became good law and binding precedent for assessments. In Dahms the Court upheld an assessment that was 100% special benefit (i.e., 0% general benefit) on the rationale that the services and improvements funded by the assessments were directly provided to property in the assessment district. The Court also upheld discounts and exemptions from the assessment for certain properties.

BONANDER V. TOWN OF TIBURON

On December 31, 2009, the 1st District Court of Appeal overturned a benefit assessment approved by property owners to pay for placing overhead utility lines underground in an area of the Town of Tiburon. The Court invalidated the assessments on the grounds that the assessments had been apportioned to assessed property based in part on relative costs within sub-areas of the assessment district instead of proportional special benefits.

BEUTZ V. COUNTY OF RIVERSIDE

On May 26, 2010 the 4th District Court of Appeal issued a decision on the Steven Beutz v. County of Riverside ("Beutz") appeal. This decision overturned an assessment for park maintenance in Wildomar, California, primarily because the general benefits associated with improvements and services were not explicitly calculated, quantified and separated from the special benefits.

GOLDEN HILL NEIGHBORHOOD ASSOCIATION V. CITY OF SAN DIEGO

On September 22, 2011, the San Diego Court of Appeal issued a decision on the Golden Hill Neighborhood Association v. City of San Diego appeal. This decision overturned an assessment for street and landscaping maintenance in the Greater Golden Hill neighborhood of San Diego, California. The court described two primary reasons for its decision. First, like in *Beutz*, the court found the general benefits associated with services were not explicitly calculated, quantified and separated from the special benefits. Second, the court found that the City had failed to record the basis for the assessment on its own parcels.

COMPLIANCE WITH CURRENT LAW

This Engineer's Report is consistent with the requirements of Article XIIC and XIID of the California Constitution and with the *SVTA* decision because the Improvements to be funded are clearly defined; the Improvements are directly available to and will directly benefit property in the Assessment District; and the Improvements provide a direct advantage to property in the Assessment District that would not be received in absence of the Assessments.

This Engineer's Report is consistent with *Beutz*, *Dahms* and *Greater Golden Hill* because the Improvements will directly benefit property in the Assessment District and the general benefits have been explicitly calculated and quantified and excluded from the Assessments. The Engineer's Report is consistent with *Bonander* because the Assessments have been apportioned based on the overall cost of the Improvements and proportional special benefit to each property.

PLANS & SPECIFICATIONS

Following is a description of the Services that are provided for the benefit of property in the Assessment District. Prior to the residential development in Menlo Park, the Level of Service on these improvements was effectively zero. The formula below describes the relationship between the final level of improvements, the baseline level of service (pre-development) had the assessment not been instituted, and the enhanced level of improvements funded by the assessment.

Final Level of Service	=	Baseline Level of Service (≈zero, pre-development)	+	Enhanced Level of Service
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The City of Menlo Park maintains street trees, sidewalks, curbs, gutters, and parking strips throughout the City.

The proposed improvements to be undertaken by the City of Menlo Park and financed by the levy of the annual assessment provide special benefit to Assessor Parcels within the District as defined in the Method of Assessment herein. The said improvements consist of maintaining, trimming, disease treatment, and replacement of street trees; street sweeping to remove debris; and the repair and replacement of damaged sidewalks, curbs, gutters, and parking strips damaged by street trees throughout the City of Menlo Park.

METHOD OF ASSESSMENT

This section of the Engineer's Report includes an explanation of the benefits to be derived from the maintenance, repair, and replacement of street trees, sidewalks, curbs, gutters, and parking strips throughout the City, and the methodology used to apportion the total assessment to properties within the Landscaping Assessment District.

The Landscaping Assessment District consists of all Assessor Parcels within the boundaries of the City of Menlo Park as defined by the County of San Mateo tax code areas. The method used for apportioning the assessment is based upon the proportional special benefits to be derived by the properties in the Landscaping Assessment District over and above general benefits conferred on real property or to the public at large. The apportionment of special benefit is a two-step process: the first step is to identify the types of special benefit arising from the improvements and the second step is to allocate the assessments to property based on the estimated relative special benefit for each type of property.

DISCUSSION OF BENEFIT

In summary, the assessments can only be levied based on the special benefit to properties. This benefit is received by property over and above any general benefits and such benefit is not based on any one property owner's use of the amenities or a property owner's specific demographic status. With reference to the requirements for assessment, Section 22573 of the Landscaping and Lighting Act of 1972 states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

Article XIID, Section 4 of the California Constitution has confirmed that assessments must be based on the special benefit to property:

"No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel."

The following benefit categories summarize the types of special benefit to residential, commercial, industrial and other lots and parcels resulting from the installation, maintenance and servicing of landscaping and lighting improvements to be provided with the assessment proceeds. These categories of special benefit are derived from the statutes passed by the California Legislature and other studies which describe the types of special benefit received by property from maintenance and improvements such as those within by the District. These types of special benefit are summarized as follows:

- A. PROXIMITY TO IMPROVED LANDSCAPED AREAS WITHIN THE ASSESSMENT DISTRICT.
- B. ACCESS TO IMPROVED LANDSCAPED AREAS WITHIN THE ASSESSMENT DISTRICT.
- C. IMPROVED VIEWS WITHIN THE ASSESSMENT DISTRICT.
- D. ENHANCED ENVIRONMENT BECAUSE OF THE VIGOROUS STREET TREE PROGRAM FOR OWNERS OF PROPERTY IN THE LANDSCAPING ASSESSMENT DISTRICT.
- E. INCREASED SAFETY AGAINST TRIPPING AND OTHER HAZARDS CAUSED BY CRACKED OR DAMAGED SIDEWALKS, CURBS AND GUTTERS.
- F. ENHANCED DESIRABILITY OF THE PROPERTY.
- G. REDUCED LIABILITY FOR LANDSCAPE MAINTENANCE.

In this case, the recent the SVTA v. SCCOSA decision provides enhanced clarity to the definitions of special benefits to properties in three distinct areas:

- Proximity
- Expanded or improved access
- Views

The SVTA v. SCCOSA decision also clarifies that a special benefit is a service or improvement that provides a direct advantage to a parcel and that indirect or derivative advantages resulting from the overall public benefits from a service or improvement are general benefits. The SVTA v. SCCOSA decision also provides specific guidance that landscaping improvements are a direct advantage and special benefit to property that is proximate to landscaping that is improved by an assessment:

The characterization of a benefit may depend on whether the parcel receives a direct advantage from the improvement (e.g. proximity to a park) or receives an indirect, derivative advantage resulting from the overall public benefits of the improvement (e.g. general enhancement of the district's property values).

Proximity, improved access and views, in addition to the other special benefits listed above further strengthen the basis of these assessments.

BENEFIT FACTORS

The special benefits from the Improvements are further detailed below:

PROXIMITY TO IMPROVED LANDSCAPED AREAS WITHIN THE ASSESSMENT DISTRICT

Only the specific properties within close proximity to the Improvements are included in the Assessment District. Therefore, property in the Assessment District enjoys unique and valuable proximity and access to the Improvements that the public at large and property outside the Assessment District do not share.

In absence of the assessments, the Improvements would not be provided and the landscaping areas in the Assessment District would be degraded due to insufficient funding for maintenance, upkeep and repair. Therefore, the assessments provide Improvements that are over and above what otherwise would be provided. Improvements that are over and above what otherwise would be provided do not by themselves translate into special benefits, but when combined with the unique proximity and access enjoyed by parcels in the Assessment District, they provide a direct advantage and special benefit to property in the Assessment District.

ACCESS TO IMPROVED LANDSCAPED AREAS WITHIN THE ASSESSMENT DISTRICT

Since the parcels in the Assessment District are nearly the only parcels that enjoy close access to the Improvements, they directly benefit from the unique close access to improved landscaping areas that are provided by the Assessments. This is a direct advantage and special benefit to property in the Assessment District.

IMPROVED VIEWS WITHIN THE ASSESSMENT DISTRICT

The City, by maintaining these landscaped areas, provides improved views to properties in the Assessment District. The properties in the Assessment District enjoy close and unique proximity, access and views of the Improvements; therefore, the improved and protected views provided by the Assessments are another direct and tangible advantage that is uniquely conferred upon property in the Assessment District. The Landscaping Assessment District provides funding to maintain and protect these public resources and facilities of the City. For example, the assessments provide funding to trim and maintain the street trees to maintain them in a healthy condition. This benefits properties by maintaining and improving the public resources in the community.

In order to allocate the proposed assessments, the Engineer begins by identifying the types of special benefit arising from the maintenance, repair, and replacement of the aforementioned facilities and that would be provided to property within the District. These types of special benefit are as follows:

ENHANCED ENVIRONMENT BECAUSE OF THE VIGOROUS STREET TREE PROGRAM FOR OWNERS OF PROPERTY IN THE LANDSCAPING ASSESSMENT DISTRICT.

Residential properties benefit from the enhanced environment provided by a vigorous program to install and maintain the street trees at a level beyond that followed by other cities throughout the County. The increased use of street trees provides an atmosphere of beauty beyond the norm. The improvements to the trees will be available to residents and guests of properties within the District.

Non-residential properties also will benefit from these improvements in many ways. The use of street trees softens the environment making it more pleasant for employees during commute time and at breaks from their work. These improvements, therefore, enhance an employer's ability to attract and keep quality employees. The benefits to employers ultimately flow to the property because better employees improve the employment

prospects for companies and enhanced economic conditions benefit the property by making it more valuable.

INCREASED SAFETY AGAINST TRIPPING AND OTHER HAZARDS CAUSED BY CRACKED OR DAMAGED SIDEWALKS, CURBS AND GUTTERS.

An aggressive inspection program identifies hazardous conditions in sidewalks, curbs and gutters caused by street trees and allows for these conditions to be repaired on a timely basis. Timely repair of hazardous conditions greatly improves the overall safety of the environment, thereby providing for safer use of property.

ENHANCED DESIRABILITY OF THE PROPERTY

The assessments will provide funding to improve the City's street tree program, raising the quality to a more desired level, and to ensure that the sidewalks, curbs, and gutters remain operable, safe, clean and well maintained. Such improved and well-maintained facilities enhance the overall desirability of property. This is a benefit to residential, commercial and industrial properties.

REDUCED LIABILITY FOR LANDSCAPE MAINTENANCE

The assessments will reduce the liability for landscape maintenance to street trees and other improvements. This is a benefit to residential, commercial and industrial properties.

GENERAL VS. SPECIAL BENEFIT

Article XIII D of the Constitution specifies that only special benefits are assessable and that the City must separate the general benefits from the special benefits conferred on any parcel. The complete analysis of special benefits and their allocation are found elsewhere in this report. For the Landscaping Assessment District, the City has identified a general benefit and has separated it from the special assessments.

The City's maintenance of street trees and sidewalk facilities provides a general benefit to the community and to the general public to some degree. The measure of this general benefit is the enhancement of the environment and safety provided to the greater public at large. This general benefit can be measured by the proportionate amount of time that the City's sidewalks and street trees are used and enjoyed by the greater public at large¹. It is reasonable to assume that approximately 1/4 or 25% of the usage and enjoyment of the improvements is by the greater public. Therefore, approximately 25% of the benefits conferred by the improvements are general in nature.

¹ . The greater public at large is generally defined as those who are not residents, property owners, customers or employees within the City, and residents who do not live in close proximity to the improvements.

The City's total budget for maintenance and improvement of its trees and sidewalk facilities is \$1,268,748. Of this total budget amount, the City will contribute \$120,000 from sources other than the assessments for sidewalk repair and \$214,000 for street tree maintenance. These contributions by the City equate to approximately 26.3% of the total budget for maintenance, and when combined with the reserve funds carried forward from Fiscal Year the previous fiscal year, more than offset the cost of the general benefits resulting from the improvements.

In the 2009 Dahms case, the court upheld an assessment that was 100% special benefit on the rationale that the services funded by the assessments were directly provided within the assessment district. It is also important to note that the improvements and services funded by the assessments in Pomona are similar to the improvements and services funded by the Assessments described in this Engineer's Report and the Court found these improvements and services to be 100% special benefit. Also similar to the assessments in Pomona, the Assessments described in this Engineer's Report fund improvements and services directly provided within the Assessment District and every benefiting property in the Assessment District enjoys proximity and access to the Improvements. Therefore, Dahms establishes a basis for minimal or zero general benefits from the Assessments. However, in this Report, the general benefit is more conservatively estimated and described, and then budgeted so that it is funded by sources other than the Assessment.

METHOD OF ASSESSMENT

The second step in apportioning assessments is to determine the relative special benefit for each property. This process involves determining the relative benefit received by each property in relation to a single family home, or, in other words, on the basis of Single Family Equivalents (SFE). This SFE methodology is commonly used to distribute assessments in proportion to estimated special benefit and is generally recognized as providing the basis for a fair and appropriate distribution of assessments. For the purposes of this Engineer's Report, all properties are designated a SFE value, which is each property's relative benefit in relation to a single family home on one parcel. The "benchmark" property is the single family detached dwelling which is one Single Family Equivalent, or one SFE.

As stated previously, the special benefits derived from the assessments are conferred on property and are not based on a specific property owner's use of the improvements, on a specific property owner's occupancy of property, or the property owner's demographic status such as age or number of dependents. However, it is ultimately people who enjoy the special benefits described above, use and enjoy the City's trees and sidewalks, and control property values by placing a value on the special benefits to be provided by the improvements. In other words, the benefits derived to property are related the average number of people who could potentially live on, work at or otherwise could use a property, not how the property is currently used by the present owner. Therefore, the number of people who could or potentially live on, work at or otherwise use a property is an indicator of the relative level of benefit received by the property.

ASSESSMENT APPORTIONMENT - STREET TREES

PROPERTIES WITH STREET TREES

All improved residential properties that represent a single residential dwelling unit and have a street tree on or fronting the property are assigned 1.0 SFE. All single-family houses with tree(s) and those units in R-2 zones that are being used as single family dwellings (with trees) are included in this category.

Properties with more than one residential unit are designated as multi-family residential properties. These properties benefit from the improvements in proportion to the number of dwelling units that occupy each property and the relative number of people who reside in multi-family residential units compared to the average number of people who reside in a single-family home. The population density factors for the County of San Mateo are depicted below. The SFE factors for condominium, townhouse, and multi-family parcels, as derived from relative dwelling unit population density, are also shown below.

FIGURE 1 – RESIDENTIAL ASSESSMENT FACTORS

<i>Total Population</i>	<i>Occupied Households</i>	<i>Persons per Household</i>	<i>SFE Factor- Single Family Residential</i>	<i>SFE Factor- Condominium/ Townhouse</i>	<i>SFE Factor- Multi-Family Residential</i>
717,041	257,849	2.74	1.0	0.9	0.8

Source: 2003 Census, San Mateo County

The SFE factor for condominium, townhouse, and multi-family parcels is based on the ratio of average persons per household for the property type versus the average persons per household for a single family residential home. Multi-family units are assessed at 0.80 per unit up to a maximum of 4.0 SFE per parcel (maximum of 5 units multiplied by 0.80). Condominium and townhouse parcels are assessed at 0.90 per unit, up to a maximum of 4.5 SFEs per development (maximum of 5 units multiplied by 0.90).

SFE values for commercial and industrial land uses are based on the equivalence of special benefit on a land area basis between single-family residential property and the average commercial/industrial property. The average size of a parcel for a single-family home in the District is approximately 0.18 acres, and such single-family property has an SFE value of 1.0. Using the equivalence of benefit on a land area basis, improved commercial and industrial parcels of approximately 0.20 acres or less would also receive an SFE benefit factor of 1.0. Commercial and industrial parcels in excess of a fifth of an acre in size are assigned 1.0 SFE per 0.20 acre or portion thereof, and the maximum benefit factor for any commercial/industrial parcel is 5.0 SFE.

Vacant parcels are also benefited from the street tree improvement and maintenance program. An example of a benefit is enhancement of the visual appeal that will accrue to a

vacant parcel from the presence or proximity of the community's street trees based on its future potential use. Undeveloped property also benefits from the installation and maintenance of street trees, because if the property is developed during the year, the street trees will be available to the developed property. The relative benefit to vacant property is determined to be generally equal to the benefit to a single-family home property. Therefore, vacant property with street tree(s) are assessed 1 SFE.

PROPERTIES WITHOUT STREET TREES

The special benefit factors conferred on property can be defined by the benefits conferred to properties with and without street trees. The types of benefits conferred to all property in the community include protection of views, screening, and resource values and enhanced desirability of the property. A higher level of special benefits is conferred directly on parcels with street trees because these parcels obtain additional benefits from well-maintained, healthy trees fronting the property. The types of special benefits that are increased for properties with street trees include enhanced levels of safety, desirability, unique proximity, access and views of resources and facilities from healthy trees on the property. Therefore, individual properties without street trees but in close proximity to parcels with street trees receive a direct benefit from the street trees and should pay 50% of the rate for a similar property with street trees. Such properties are assigned an SFE benefit factor that is 50% of that for a similar property with street trees.

ASSESSMENT APPORTIONMENT - SIDEWALK PROGRAM

The benefits to property for sidewalks, curbs, gutters and parking strips are closely related to a parcel's proximity to these improvements and the parcel's proximity to street trees. Street trees are the most common cause of sidewalk problems. Therefore, the highest benefit from the proposed sidewalk improvements is to properties with street trees and sidewalks, curbs and gutters, or street trees and parking strips and gutters, because without the maintenance work, these improvements would degrade more quickly, which would affect the parcel's appearance and safety. It is estimated that 1/3 of the special benefits are conferred to property with street trees and sidewalks or parking strips. Another 1/3 of the special benefits are conferred to property with street trees and curbs and gutters. Special benefit factors are also conferred on property without street trees or adjoining sidewalk, curb, gutter and/or parking strip improvements that are in close proximity to these types of improvements. It is estimated that the remaining 1/3 of the special benefit factors from the Sidewalk Program are conferred to these parcels that are in close proximity to the improvements but that do not have improvements directly adjacent to their property.

Consequently, properties with street trees and sidewalks or parking strips and curbs and gutters or valley gutters are assigned a benefit factor of 1 SFE. Properties with street trees, curbs and gutters are assigned a benefit factor of 0.67 SFE. If there are street trees but no improvements along the frontage of a parcel, or no street trees on a parcel, its benefit is 1/3 or 0.33 SFE.

ASSESSMENT APPORTIONMENT - OTHER PROPERTIES

Improved, publicly owned parcels that are used for residential, commercial or industrial purposes are assessed at the rates specified previously. Other improved public property; institutional property and properties used for educational purposes, typically generate employees on a less consistent basis than other non-residential parcels. Moreover, many of these parcels provide some degree of on-site amenities that serve to offset some of the benefits from the District. Therefore, these parcels, with or without street trees, receive minimal benefit and are assessed an SFE factor of 1 for street tree assessments and an SFE factor of 1 for sidewalks, curbs and gutter assessments.

All properties that are specially benefited have been assessed. Agricultural parcels without living units, public right-of-way parcels, well, reservoir or other water rights parcels, unimproved open space parcels, watershed parcels and common area parcels generally provide recreational, open space and/or scenic benefits to the community. As such, they tend to provide similar benefits as provided by the improvements in the District. Any benefits they would receive from the landscaping maintenance are generally offset by the equivalent benefits they provide. Moreover, these parcels typically do not generate employees, residents or customers. Such parcels are, therefore, not specially benefited and are not assessed.

APPEALS AND INTERPRETATION

Any property owner who feels that the assessment levied on the subject property is in error as a result of incorrect information being used to apply the foregoing method of assessment, may file a written appeal with the Assistant Public Works Director of the City of Menlo Park or his or her designee. Any such appeal is limited to correction of an assessment during the then current or, if before July 1, the upcoming fiscal year. Upon the filing of any such appeal, the Assistant Public Works Director or his or her designee will promptly review the appeal and any information provided by the property owner. If the Assistant Public Works Director or his or her designee finds that the assessment should be modified, the appropriate changes shall be made to the assessment roll. If any such changes are approved after the assessment roll has been filed with the County of San Mateo for collection, the Assistant Public Works Director or his or her designee is authorized to refund to the property owner the amount of any approved reduction. Any dispute over the decision of the Assistant Public Works Director or his or her designee shall be referred to the City Council of the City of Menlo Park and the decision of the City Council of the City of Menlo Park shall be final.

FIGURE 2 – TREE MAINTENANCE ASSESSMENTS

<i>Property Type</i>	<i>2014-15 Assessment Rates</i>	
<i>Parcels with Trees</i>		
Single Family	\$62.06	(per Parcel)
R-2 Zone, in use as single family	\$62.06	(per Parcel)
Condominium/Townhouse	\$55.85	(per Unit, \$279.27 max. per Project)
Other Multi-family	\$49.65	(per Unit, \$248.24 max. per Project)
Commercial	\$62.06	(per 1/5 acre, \$310.30 max. per Project)
Industrial	\$62.06	(per 1/5 acre, \$310.30 max. per Project)
Parks, Educational	\$62.06	(per Parcel)
Miscellaneous, Other	\$0.00	(per Parcel)
<i>Parcels without Trees</i>		
Single Family	\$31.03	(per Parcel)
R-2 Zone, in use as single family	\$31.03	(per Parcel)
Condominium/Townhouse	\$27.93	(per Unit, \$139.64 max. per Project)
Other Multi-family	\$24.82	(per Unit, \$124.12 max. per Project)
Commercial	\$31.03	(per 1/5 acre, \$155.15 max.)
Industrial	\$31.03	(per 1/5 acre, \$155.15 max.)
Parks, Educational	\$31.03	(per Parcel)
Miscellaneous, Other	\$0.00	(per Parcel)

FIGURE 3 – SIDEWALK, CURB, GUTTER, PARKING STRIP ASSESSMENTS

<i>Property Type</i>	<i>2014-15 Assessment Rates</i>	
<i>Parcels with Trees</i>		
Sidewalks, curbs, gutters	\$28.70	(per Parcel)
Parking strips and gutters	\$28.70	(per Parcel)
Curbs and/or gutters only	\$19.23	(per Parcel)
No improvements	\$9.47	(per Parcel)
Miscellaneous, Other	\$0.00	(per Parcel)
<i>Parcels without Trees</i>		
Parcels with or without improvements	\$9.47	(per Parcel)
Miscellaneous, Other	\$0.00	(per Parcel)

Note: All total combined tree and sidewalk assessment amounts are rounded to the lower even penny.

ASSESSMENT

WHEREAS, on January 28, 2014 the City Council of the City of Menlo Park, County of San Mateo, California, pursuant to the provisions of the Landscaping and Lighting Act of 1972 and Article XIID of the California Constitution (collectively "the Act"), adopted its Resolution Initiating Proceedings for the Levy of Assessments within the Landscaping Assessment District;

WHEREAS, said Resolution directed the undersigned Engineer of Work to prepare and file a report presenting an estimate of costs, a diagram for the assessment district and an assessment of the estimated costs of the improvements upon all assessable parcels within the assessment district, to which Resolution and the description of said proposed improvements therein contained, reference is hereby made for further particulars;

NOW, THEREFORE, the undersigned, by virtue of the power vested in me under said Act and the order of the City Council of said City of Menlo Park, hereby make the following assessment to cover the portion of the estimated cost of said improvements, and the costs and expenses incidental thereto to be paid by the assessment district.

The amount to be paid for said improvements and the expense incidental thereto, to be paid by the Landscaping Assessment District for the fiscal year 2014-15 is generally as follows:

FIGURE 4 – SUMMARY COST ESTIMATE

	<i>F.Y. 2014-15 Budget</i>
Street Tree Program	\$641,826
Street Sweeping	\$211,889
Sidewalk Program	\$300,000
Incidental Expenses	\$115,033
TOTAL BUDGET	\$1,268,748
Plus:	
Projected Fund Balance	\$250,188
Less:	
City Contribution for General Benefits	(\$334,000)
Contribution from Carry-Over Fund Balances	(\$426,045)
NET AMOUNT TO ASSESSMENTS	\$758,891

As required by the Act, an Assessment Diagram is hereto attached and made a part hereof showing the exterior boundaries of said Landscaping Assessment District. The distinctive number of each parcel or lot of land in the said Landscaping Assessment District is its Assessor Parcel Number appearing on the Assessment Roll.

And I do hereby assess and apportion said net amount of the cost and expenses of said improvements, including the costs and expenses incidental thereto, upon the parcels and lots of land within said Landscaping Assessment District, in accordance with the special benefits to be received by each parcel or lot, from the improvements, and more particularly set forth in the Cost Estimate and Method of Assessment hereto attached and by reference made a part hereof.

The assessment is made upon the parcels or lots of land within the Landscaping Assessment District in proportion to the special benefits to be received by the parcels or lots of land, from said improvements.

The assessment is subject to an annual adjustment tied to the Engineering News Record (ENR) Construction Cost Index for the San Francisco Bay Area, with a maximum annual adjustment not to exceed 3%. Any change in the ENR in excess of 3% shall be cumulatively reserved as the "Unused ENR" and shall be used to increase the maximum authorized assessment rate in years in which the ENR is less than 3%. The maximum authorized assessment rate is equal to the maximum assessment rate in the first fiscal year the assessment was levied adjusted annually by the minimum of 1) 3% or 2) the change in the ENR plus any Unused ENR as described above. The initial, maximum assessment rate balloted and established in Fiscal Year 1998-99 was \$64.28 per single family equivalent benefit unit for tree maintenance, and \$28.70 per single family equivalent benefit unit for sidewalk maintenance.

Based on the preceding annual adjustments, the maximum assessment rate for Fiscal Year 2013-14 was \$95.59 for tree maintenance and \$42.68 for Sidewalk maintenance. The change in the ENR from December 2012 to December 2013 was 5.25%. Therefore, the maximum authorized assessment rate for Fiscal Year 2014-15 has been increased by 3.00%, from \$95.59 to \$98.46 per single family equivalent benefit unit for tree maintenance, and from \$42.68 to \$43.96 per single family equivalent benefit unit for sidewalk maintenance. However, the estimate of cost and budget in this Engineer's Report proposes assessments for fiscal year 2014-15 at the rate of \$62.06 per single family equivalent benefit unit for tree maintenance, which is an increase of 2.99% over the previous fiscal year, and is less than the maximum authorized assessment rate. The proposed assessment rate for fiscal year 2014-15 for sidewalk maintenance is \$28.70 per single family equivalent benefit unit, which is also less than the maximum authorized assessment rate and is the same rate that was assessed in the previous fiscal year.

Property owners in the Assessment District, in an assessment ballot proceeding, approved the initial fiscal year benefit assessment for special benefits to their property including the

ENR adjustment schedule. As a result, the assessment may continue to be levied annually and may be adjusted by up to the maximum annual ENR adjustment without any additional assessment ballot proceeding. In the event that in future years the assessments are levied at a rate less than the maximum authorized assessment rate, the assessment rate in a subsequent year may be increased up to the maximum authorized assessment rate without any additional assessment ballot proceeding.

Each parcel or lot of land is described in the Assessment Roll by reference to its parcel number as shown on the Assessor's Maps of the County of San Mateo for the fiscal year 2014-15. For a more particular description of said property, reference is hereby made to the deeds and maps on file and of record in the office of the County Recorder of said County.

I hereby place opposite the Assessor Parcel Number for each parcel or lot within the Assessment Roll, the amount of the assessment for the fiscal year 2014-15 for each parcel or lot of land within the said Landscaping Assessment District.

May 8, 2014

Engineer of Work



By _____
John W. Bliss, License No. C52091



FIGURE 5 – ENGINEER’S COST ESTIMATE, FISCAL YEAR 2014-15
2014-15
CITY OF MENLO PARK LANDSCAPING ASSESSMENT DISTRICT
ENGINEER’S COST ESTIMATE

A. Tree Maintenance		
Salaries & Benefits	\$322,110.00	
Operating Expense	\$31,756.29	
Fixed Assets & Capital Outlay	\$4,500.00	
Vehicle & Equipment Maintenance	\$18,200.00	
Professional Services (Tree Spraying, Tree Trimming, Misc.)	\$265,260.00	
Subtotal - Tree Maintenance		\$641,826.29
B. Debris Removal		
Salaries & Benefits	\$64,752.00	
Operating Expense	\$2,137.00	
Street Sweeping Contract	\$145,000.00	
Subtotal - Debris Removal		\$211,889.00
C. Sidewalk, Curb, Gutter, Parking Strip Repair/Replacement		
Construction Costs	\$222,600.00	
Design & Inspection	\$77,400.00	
Subtotal - S/W,C,G, & PS Repair/Replace		\$300,000.00
Subtotal Tree/Debris/Reforestation/Sidewalk		\$1,153,715.29
D. Incidentals		
Indirect Costs & Administration	\$100,033.00	
County Collection Fees	\$15,000.00	
Subtotal - Incidentals		\$115,033.00
Total Cost		\$1,268,748.29

Projected Fund Balance	\$250,187.55
Tree Maintenance Ending Fund Balance	(\$241,229.00)
Less General Fund Contribution	(\$214,000.00)
Sidewalk Fund Ending Balance	(\$184,816.00)
Less General Fund CIP Contribution to Sidewalk Fund	(\$120,000.00)
Net to Assessment	\$758,890.84

Revenue

Single Family Equivalent Benefit Units - Trees	9,065.01
Single Family Equivalent Benefit Units - Sidewalks	6,840.29

	2014/15	2013/14
Assessment Rate for Tree Fund/ SFE	\$62.06	\$60.26
Assessment Rate for Sidewalk Fund/ SFE	\$28.70	\$28.70

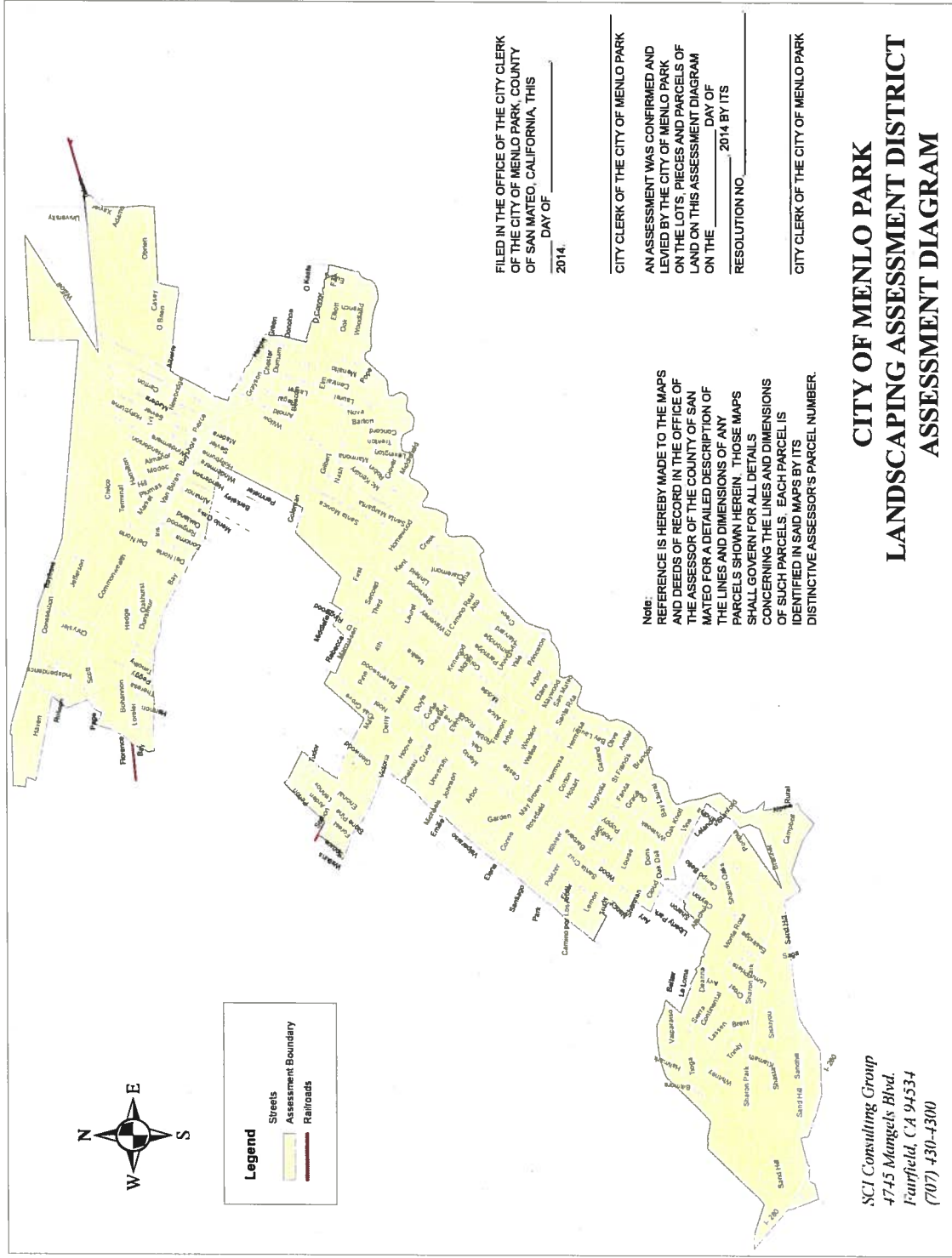
Revenue for Tree Fund	\$562,574.52
Revenue for Sidewalk Fund	\$196,316.32
Total Revenue *	\$758,890.84

* Total revenue is slightly less than SFEs times the assessment rate because all combined assessments are rounded down to the even penny.

ASSESSMENT DIAGRAM

The Landscaping Assessment District includes all properties within the boundaries of the City of Menlo Park.

The boundaries of the Landscaping Assessment District are displayed on the following Assessment Diagram.



APPENDIX A – ASSESSMENT ROLL, FY 2014-15

Reference is hereby made to the Assessment Roll in and for the assessment proceedings on file in the office of the City Clerk of the City of Menlo Park, as the Assessment Roll is too voluminous to be bound with this Engineer's Report.



PUBLIC WORKS DEPARTMENT

Council Meeting Date: May 13, 2014
Staff Report #: 14-084

Agenda Item #: D-2

CONSENT CALENDAR: **Adoption of a Resolution to Amend and Replace Resolution No. 6165 Which Conditionally Approved Vacation and Abandonment of a Portion of Louise Street**

RECOMMENDATION

Staff recommends that the City Council adopt a resolution (Attachment A) to amend and replace previously approved Resolution No. 6165 which conditionally approved the vacation and abandonment of a portion of Louise Street.

BACKGROUND

On September 11, 2012, the property owners of 1017 Louise Street and 1024 Louise Street jointly applied for abandonment and vacation of the terminus of Louise Street between their parcels. The terminus of Louise Street includes an unimproved section of public street right-of-way approximately 53 feet long by 60 feet wide that terminates at the rear of the properties located at 1825 and 1833 Santa Cruz Avenue.

On August 20, 2013, the City Council conditionally approved the vacation and abandonment of this portion of Louise Street after a lengthy process which was opposed by the owner of 1825 Santa Cruz Avenue. The conditions of abandonment included requiring open space deed restrictions over the area to be abandoned and the granting/reservation of pedestrian access easements across the abandoned area to serve the properties at 1825 and 1833 Santa Cruz Avenue. However, the conditions of abandonment effectively eliminated any vehicular access to these properties from the terminus of Louise Street.

Subsequently, Sam Sinnott, property owner of 1825 Santa Cruz Avenue filed a lawsuit against the City of Menlo Park, the Applicants and certain other parties asserting various causes of action seeking to invalidate the vacation and abandonment and to enforce rights to access Louise Street from his property, and in the alternative seeking damages for the alleged taking of property rights.

In the months following the filing of the lawsuit, the parties have been in discussions in an effort to settle the lawsuit. The City Attorney has been involved in those discussions and has been advised that Mr. Sinnott and the other defendants have reached a

settlement agreement. As a part of the settlement, they have requested that the City modify the original conditions of Abandonment to also include a vehicular access easement for the benefit of 1825 Santa Cruz Avenue.

ANALYSIS

Given that the legal proceedings have precluded any opportunity by the parties to satisfy the original conditions of abandonment, Resolution No. 6165 (Attachment B) has not been recorded and the vacation and abandonment has not been completed.

As noted above, the parties have requested that the City modify the original conditions of abandonment to include a vehicular easement over the area of Abandonment to provide vehicular access to the property at 1825 Santa Cruz Avenue from the terminus of Louise Street. This requires the City Council to amend and replace Resolution No. 6165. The area of Louise Street to be abandoned is shown in Attachments C-1 and C-2.

The proposed vehicular easement would be 20 feet in width allowing for a paved driveway 16 feet in width as shown on Attachment D. Due to the configuration of the parcels and the area to be abandoned, the majority of the driveway easement would fall within the area that would revert to the property owners of 1024 Louise Street, with a smaller portion of the vehicular easement falling within the area of to revert to the property owners of 1017 Louise Street. Staff has no objection to the proposed vehicular easement as shown on Attachment D. However, Mr. Sinnott will be required to obtain an Encroachment Permit to construct the portion of the driveway within the remaining right-of-way and to protect the City's shallow storm drain main coming out of the Louise Street Pump Station. The vehicular access easement to Louise Street would not change the Zoning Ordinance provisions establishing the Santa Cruz frontage as the "front" of the property for purposes of zoning rules, including set backs, fence/wall regulations, etc., but would allow the property to have a Louise Street address to avoid confusion to the future owners and occupants of the 1825 Santa Cruz Avenue parcel.

The parties to the litigation along with the owners of 1833 Santa Cruz have reached agreement on the location and legal descriptions for the driveway easement to serve 1825 Santa Cruz (Attachment D) and the pedestrian easement to serve 1833 Santa Cruz (Attachment E) and propose to record an Easement & Maintenance Agreement establishing the easements and related rights and obligations, including maintenance responsibilities.

To modify the originally approved conditions of abandonment, the previously approved Resolution of Abandonment (Resolution No. 6165) must be amended. Staff proposes that Resolution No. 6165 be amended and replaced in its entirety with a new Resolution (Attachment A) subject to the following conditions:

- The property owners of 1024 Louise Street shall provide documentation satisfactory to the City Attorney that they hold the underlying fee title from the Richter and Barbieri heirs for the portion of abandonment area along their

frontage. Such condition shall be satisfied prior to recordation of the Resolution vacating and abandoning the portion of Louise Street.

- The property owners of 1017 Louise Street and 1024 Louise Street shall each record a Deed Restriction for Open Space against the abandoned portion of Louise Street that reverts to their respective ownership, ensuring that the abandoned area will continue to remain as dedicated open space for the aesthetic benefit of the neighborhood except for those portions to be improved with driveways and other improvements serving 1024 Louise Street and 1825 Santa Cruz Avenue as shown in the Conceptual Driveway and Abandonment Plan (Attachment F). Furthermore, said deed restrictions will document the lot line determinations (for the purposes of building setbacks and lot width/depth measurements) and restrict the Floor Area Limit (FAL) and Building Coverage calculations to the net lot size (excluding the abandoned areas). Said Deed Restrictions shall be approved as to form and content by the City Attorney and recorded concurrently with the Resolution abandoning the portion of Louise Street.
- The adjacent property owners of 1017 Louise Street shall record a pedestrian access easement against the abandoned portion of Louise Street, ensuring that the property owners of 1833 Santa Cruz Avenue continue to enjoy pedestrian access to Louise Street from their property. The Pedestrian Access Easement shall be granted for the benefit of the property located at 1833 Santa Cruz Avenue, providing a pathway a minimum of 5 feet in width between the property at 1833 Santa Cruz Avenue and the new right-of-way boundary at the terminus of Louise Street as shown on Attachment E. Said easement shall be subject to approval of the City Attorney to be recorded concurrently with the Resolution abandoning the portion of Louise Street.
- The adjacent property owners of 1017 Louise Street and 1024 Louise Street shall record a pedestrian and vehicular access easement against the abandoned portion of Louise Street, ensuring that the property owners of 1825 Santa Cruz Avenue will have pedestrian and vehicular access to Louise Street from their property as shown on Attachment D. The Pedestrian and Vehicular Access Easement shall be granted for the benefit of the property located at 1825 Santa Cruz Avenue, including an improved driveway measuring 16 feet in width between the property at 1825 Santa Cruz Avenue and the new right-of-way boundary at the terminus of Louise Street. Said easement shall be subject to approval of the City Attorney to be recorded concurrently with the Resolution abandoning the portion of Louise Street.
- The lawsuit filed by Mr. Sinnott shall be dismissed with prejudice concurrently with recording of the Resolution abandoning the portion of Louise Street.

With these revised conditions in place, the parties have indicated that they can move forward in settling the lawsuit and implementing the vacation and abandonment. Staff recommends that the City Council approve the Resolution attached as Attachment A.

IMPACT ON CITY RESOURCES

There is no direct impact on City resources associated with the actions in this staff report. The fee for staff time to review and process the abandonment has been paid by the applicants.

POLICY ISSUES

The recommendation does not represent any change to existing City policy.

ENVIRONMENTAL REVIEW

The proposed street abandonment is Categorically Exempt under Class 5, minor alterations in land use, of the current State of California Environmental Quality Act (CEQA) Guidelines.

PUBLIC NOTICE

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

ATTACHMENTS

- A. Resolution amending and replacing Resolution No. 6165 to vacate and abandon a portion of Louise Street
- B. Resolution to Abandon a portion of Louise Street (No. 6165)
- C. Areas to be abandoned (C-1 and C-2)
- D. Plat showing vehicular access easement for 1825 Santa Cruz
- E. Plat showing pedestrian easement for 1833 Santa Cruz
- F. Conceptual Driveway and Abandonment Plan

Report prepared by:
Roger Storz
Senior Civil Engineer

RESOLUTION NO.

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK
AMENDING AND REPLACING RESOLUTION NO. 6165 TO VACATE AND
ABANDON A PORTION OF LOUISE STREET**

WHEREAS, on March 5, 2013, the City Council of the City of Menlo Park passed and adopted Council Resolution No. 6125 (“Resolution of Intention”) declaring the intention of said City Council to abandon a portion of Louise Street; and

WHEREAS, on April 16, 2013, the City Council of the City of Menlo Park passed and adopted Council Resolution No. 6140 (“Amended Resolution of Intention”) declaring the intention of said City Council to abandon a portion of Louise Street; and

WHEREAS, the Planning Commission of the City of Menlo Park held a meeting on this subject on May 7, 2013, to consider the aforementioned proposed Abandonment and reported to the City Council that said proposed Abandonment conforms with the City’s General Plan; and

WHEREAS, notice of Public Hearing was duly made by publication and posting as required by law and proof thereof is on file with the City Clerk of the City of Menlo Park; and

WHEREAS, said Public Hearing was held before the City Council of the City of Menlo Park regarding the foregoing matter on July 16, 2013 and on August 20, 2013; and

WHEREAS, on August 20, 2013, the City Council of the City of Menlo Park passed and adopted Council Resolution No. 6165 conditionally vacating and abandoning a portion of Louise Street; and

WHEREAS, said conditions of abandonment were not satisfied and Resolution No. 6165 was not recorded, such that the abandonment was never completed; and

WHEREAS, it is the intention that this Resolution amend and replace Resolution No. 6165 in its entirety; and

WHEREAS, the City Council of the City of Menlo Park adopts the finding that all affected public utilities have been contacted and have no objections to the abandonment so long as a Public Utility Easement is reserved over the entirety of the area to be vacated and abandoned; and

WHEREAS, the City Council of the City of Menlo Park adopts the finding that the portion of Louise Street proposed for vacation and abandonment is not necessary for present or prospective public street purposes; and

WHEREAS, the City Council of the City of Menlo Park adopts the finding that pursuant to Section 892 of the Streets and Highways Code of the State of California, the portion of Louise Street proposed for abandonment is not useful as a non-motorized transportation facility; and

WHEREAS, the City Council of the City of Menlo Park adopts the finding that the proposed abandonment is compatible with the City’s General Plan and is exempt under current CEQA/California Environmental Quality Act Guidelines and the City of Menlo Park’s Environmental Review and Implementing Procedures; and

WHEREAS, the City Council finds that the public convenience and necessity require that the City reserve from the abandonment a Public Utility Easement over the entire area to be abandoned to the full extent permitted by law and that the vacation and abandonment be subject to the conditions set forth below:

1. This Resolution vacating and abandoning the portion of Louise Street shall not be recorded until the property owners of 1024 Louise Street have provided documentation satisfactory to the City Attorney that they hold the underlying fee title from the Richter and Barbieri heirs for the portion of abandonment area along their frontage.
2. The property owners of 1017 Louise Street and 1024 Louise Street shall each record a Deed Restriction for Open Space against the abandoned portion of Louise Street that reverts to their respective ownership, ensuring that the abandoned area will continue to remain as dedicated open space for the aesthetic benefit of the neighborhood except for those portions to be improved with driveways and other improvements serving 1024 Louise Street and 1825 Santa Cruz Avenue as shown in the Conceptual Driveway and Abandonment Plan recorded with such deed restrictions. Furthermore, said deed restrictions will document the lot line determinations (for the purposes of building setbacks and lot width/depth measurements) and restrict the Floor Area Limit (FAL) and Building Coverage calculations to the net lot size (excluding the abandoned areas). Said Deed Restrictions shall be approved as to form and content by the City Attorney and recorded concurrently with this Resolution.
3. The adjacent property owners of 1017 Louise Street shall record a pedestrian access easement against the abandoned portion of Louise Street, ensuring that the property owners of 1833 Santa Cruz Avenue continue to enjoy pedestrian access to Louise Street from their property. The Pedestrian Access Easement shall be granted for the benefit of the property located at 1833 Santa Cruz Avenue, providing a pathway a minimum of 5 feet in width between the property at 1833 Santa Cruz Avenue and the new right-of-way boundary at the terminus of Louise Street. Said easement shall be subject to approval of the City Attorney to be recorded concurrently with this Resolution.
4. The adjacent property owners of 1017 Louise Street and 1024 Louise Street shall record a pedestrian and vehicular access easement against the abandoned portion of Louise Street, ensuring that the property owners of 1825 Santa Cruz Avenue will have pedestrian and vehicular access to Louise Street from their property. The Pedestrian and Vehicular Access Easement shall be granted for the benefit of the property located at 1825 Santa Cruz Avenue, including an improved driveway measuring 16 feet in width between the property at 1825 Santa Cruz Avenue and the new right-of-way boundary at the terminus of Louise Street. Said easement shall be subject to approval of the City Attorney to be recorded concurrently with this Resolution.
5. The lawsuit filed by Mr. Sinnott shall be dismissed with prejudice concurrently with recording of the Resolution abandoning the portion of Louise Street.

6. It shall be conclusively determined that the parties have satisfied Conditions 1 through 5 above, upon the recordation of this Resolution with the approval of the City Attorney.

NOW, THEREFORE, the City of Menlo Park, acting by and through its City Council, having considered and been fully advised in the matter and good cause appearing therefore,

BE IT HEREBY RESOLVED by the City Council of the City of Menlo Park

The portion of Louise Street described in EXHIBIT A attached hereto is vacated and abandoned pursuant to the provisions of the "Public Streets, Highways, and Service Easements Vacation Law" (Section 8300 et. Seq., of the Streets and Highways Code) while reserving a Public Utilities Easement over the entire Abandonment area as shown in EXHIBIT A attached hereto and incorporated herein by reference and made a part hereof, and that this Resolution amends and replaces Resolution No. 6165 in its entirety.

I, PAMELA I. AGUILAR, City Clerk of the City of Menlo Park, do hereby certify that the above and foregoing Council Resolution was duly and regularly passed and adopted at a meeting by said Council on the thirteenth day of May, 2014 by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS THEREOF, I have hereunto set my hand and affixed the Official Seal of the City of Menlo Park on this thirteenth day of May, 2014.

Pamela Aguilar
City Clerk

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RESOLUTION NO. 6165**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK
TO ABANDON A PORTION OF LOUISE STREET**

WHEREAS, on March 5, 2013, the City Council of the City of Menlo Park passed and adopted Council Resolution No. 6125 (“Resolution of Intention”) declaring the intention of said City Council to abandon a portion of Louise Street; and

WHEREAS, on April 16, 2013, the City Council of the City of Menlo Park passed and adopted Council Resolution No. 6140 (“Amended Resolution of Intention”) declaring the intention of said City Council to abandon a portion of Louise Street; and

WHEREAS, the Planning Commission of the City of Menlo Park held a meeting on this subject on May 7, 2013, to consider the aforementioned proposed Abandonment and has reported to the City Council that said proposed Abandonment conforms with the City’s General Plan; and

WHEREAS, a Public Hearing was held before the City Council of the City of Menlo Park regarding the foregoing matter on August 20, 2013; and

WHEREAS, notice of said Public Hearing was duly made by publication and posting as required by law and proof thereof is on file with the City Clerk of the City of Menlo Park; and

WHEREAS, the City Council of the City of Menlo Park adopts the finding that all affected public utilities have been contacted and have no objections to the Abandonment so long as a Public Utility Easement is reserved; and

WHEREAS, the City Council of the City of Menlo Park adopts the finding that the portion of Louise Street proposed for abandonment is not necessary for present or prospective public street purposes; and

WHEREAS, the City Council of the City of Menlo Park adopts the finding that pursuant to Section 892 of the Streets and Highways Code of the State of California, the portion of Louise Street proposed for abandonment is not useful as a nonmotorized transportation facility; and

WHEREAS, the City Council of the City of Menlo Park adopts the finding that the proposed Abandonment is compatible with the City’s General Plan and is exempt under current CEQA/California Environmental Quality Act Guidelines and the City of Menlo Park’s Environmental Review and Implementing Procedures; and

WHEREAS, the City Council finds that the public convenience and necessity require that the City reserve from the Abandonment a Public Utility Easement over the entire Abandonment area to the full extent permitted by law and that the Abandonment be subject to the conditions set forth below:

1. Property owners of 1024 Louise Street to secure Fee Title from Richter and Barbieri heirs for portion of Abandonment area along their frontage.
2. Property owners of 1024 Louise Street and 1017 Louise Street to provide Pedestrian Access Easements from Louise Street through the Abandonment area to properties located at 1825 Santa Cruz Avenue and 1833 Santa Cruz Avenue to the satisfaction of the Public Works Director. Said Pedestrian Access Easements to be recorded concurrently with the approved Abandonment.

3. Property owners of 1024 Louise Street and 1017 Louise Street to provide Open Space Deed Restrictions over Abandonment area to the satisfaction of the Public Works Director. Said Deed Restrictions to be recorded concurrently with the approved Abandonment.

NOW, THEREFORE, the City of Menlo Park, acting by and through its City Council, having considered and been fully advised in the matter and good cause appearing therefore,

BE IT HEREBY RESOLVED by the City Council of the City of Menlo Park

The portion of Louise Street is abandoned pursuant to the provisions of the "Public Streets, Highways, and Service Easements Vacation Law" (Section 8300 et. Seq., of the Streets and Highways Code) while reserving a Public Utilities Easement over the entire Abandonment area as shown in EXHIBIT A attached hereto and incorporated herein by reference and made a part hereof.

I, PAMELA I. AGUILAR, Acting City Clerk of the City of Menlo Park, do hereby certify that the above and foregoing Council Resolution was duly and regularly passed and adopted at a meeting by said Council on the twentieth day of August, 2013 by the following votes:

AYES: Carlton, Cline, Keith, Ohtaki

NOES: None

ABSENT: None

ABSTAIN: None

RECUSED: Mueller

IN WITNESS THEREOF, I have hereunto set my hand and affixed the Official Seal of the City of Menlo Park on this twentieth day of August, 2013.

Pamela I. Aguilar
Acting City Clerk



LANDS OF
POLLS/SCHELBERG
APN 071-111-170

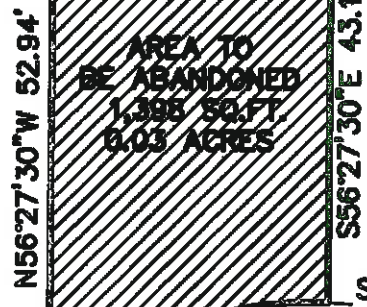
LANDS OF
SINNOTT FAMILY TRUST
APN 071-111-160

N33°30'00"E 30.00'
N33°30'00"E 30.00'

POINT OF
BEGINNING

LOT 6

LANDS OF COMER
1017 LOUISE ST.
APN 071-111-210
EXISTING AREA
14,758 SQ.FT.
0.34 ACRES
PROPOSED AREA:
16,156 SQ.FT.
0.37 ACRES



AREA TO
BE ABANDONED
1,395 SQ.FT.
0.03 ACRES

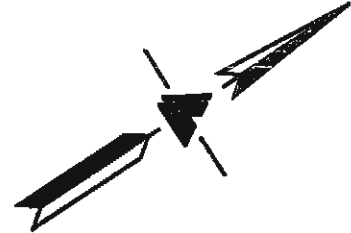
LOT 1

LANDS OF HUBLY
APN 071-111-280

N56°27'30"W 52.94'
S56°27'30"E 43.16'
S37°07'30"W
(TANGENT)
S08°09'50"W
15.81'
R=32.00'
L=16.17'
D=28°57'40"

TRACT NO. 506
BELLE ACRES
21 MAPS 21

LOUISE
STREET (60')



SCALE: 1" = 20'



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3017 DOUGLAS BLVD, # 300
ROSEVILLE, CA 95661
(P) (916) 866-1333
(F) (916) 787-7383

WWW.LEABRAZE.COM

PLAT TO ACCOMPANY LEGAL
DESCRIPTION FOR
STREET ABANDONMENT
LOUISE STREET
MENLO PARK, CALIFORNIA
SAN MATEO COUNTY JOB #2120555

DRAWN BY: MT

MARCH 2013

PAGE 79

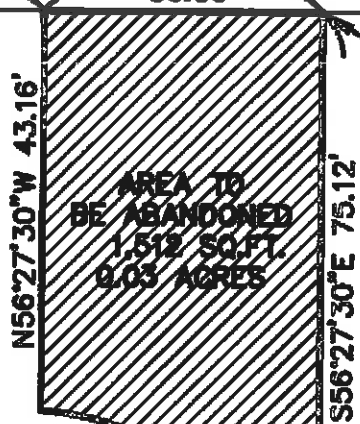


LANDS OF
POLS/SCHELBERG
APN 071-111-170

LANDS OF
SINNOTT FAMILY TRUST
APN 071-111-160

LOT 6
LANDS OF COMER
APN 071-111-210

LOT 1



R=32.00'
L=48.26'
D=86°25'00"

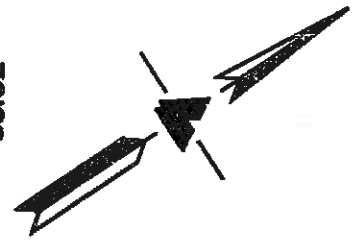
POINT OF BEGINNING

LANDS OF HUBLY
1024 LOUISE ST.
APN 071-111-280
EXISTING AREA
10,228 SQ.FT.
0.23 ACRES
PROPOSED AREA
11,740 SQ.FT.
0.27 ACRES

TRACT NO. 506
BELLE ACRES
21 MAPS 21

LOUISE STREET (60')

(TANGENT)
N56°27'30"W
38.52'



SCALE: 1" = 20'

LANDS OF ALBRIGHT
APN 71-111-290

LEA & BRAZE ENGINEERING, INC.
CIVIL ENGINEERS • LAND SURVEYORS

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PLAT TO ACCOMPANY LEGAL
DESCRIPTION FOR
STREET ABANDONMENT
LOUISE STREET
MENLO PARK, CALIFORNIA
SAN MATEO COUNTY JOB #2120555

DRAWN BY: MT

MARCH 2013



LANDS OF
POLS/SCHELBERG
APN 071-111-170

LANDS OF
SINNOTT
FAMILY TRUST
APN 071-111-160

POINT OF
BEGINNING

N33°30'00"E
20.15'

POINT OF
COMMENCEMENT

N33°30'00"E
27.52'

LOT 6

LOT 1

LANDS OF COMER
APN 071-111-210

N49°24'25"W
29.58'

VEHICULAR
ACCESS
EASEMENT
885 SQ.FT.

S49°24'25"E
33.98'

N38°28'03"W
9.10'

S38°28'03"E
12.21'

N56°30'00"W
5.84'

(TANGENT)
S55°03'21"W

LANDS OF HUBLY
APN 071-111-280

AREA OF
LOUISE STREET
TO BE
ABANDONED

R=32.00'
L=18.98'
D=33°59'22"

LOUISE
STREET (60')

TRACT NO. 506
BELLE ACRES
21 MAPS 21



SCALE: 1" = 20'



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PLAT TO ACCOMPANY LEGAL
DESCRIPTION FOR
VEHICULAR ACCESS EASEMENT
LOUISE STREET

MENLO PARK, CALIFORNIA

SAN MATEO COUNTY JOB #2120555

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LANDS OF
POL/SCHLBERG
APN 071-111-170

LANDS OF
SINNOTT
FAMILY TRUST
APN 071-111-160



POINT OF BEGINNING
N33°30'00"E 5.57'
N33°30'00"E 5.04'

POINT OF COMMENCEMENT

LOT 6

5.00' PEDESTRIAN EASEMENT
233 SQ.FT.

AREA OF LOUISE STREET TO BE ABANDONED

LOT 1

LANDS OF COMER
APN 071-111-210

LANDS OF HUBBLY
APN 071-111-280

S63°40'48"E 45.64'
N63°40'48"W 47.82'
(TANGENT)
S12°11'31"W

S08°09'50"W 2.99'
R=32.00'
L=2.25'
D=04°01'41"

TRACT NO. 506
BELLE ACRES
21 MAPS 21

LOUISE STREET (60')



SCALE: 1" = 20'



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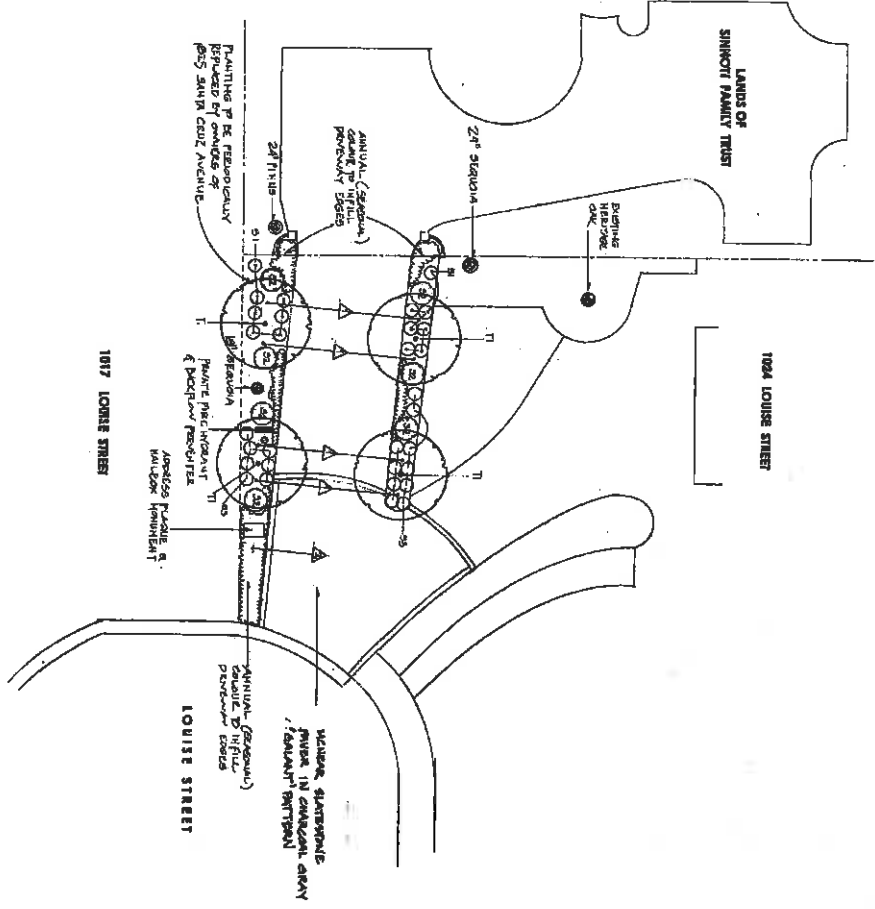
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PLAT TO ACCOMPANY LEGAL
DESCRIPTION FOR
PEDESTRIAN EASEMENT
LOUISE STREET

MENLO PARK, CALIFORNIA
SAN MATEO COUNTY JOB #2120555

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LANDSCAPE RENOVATIONS: CONCEPTUAL PLAN 2

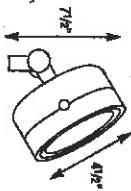
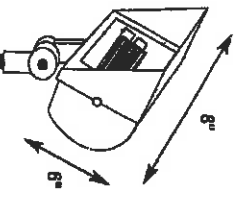
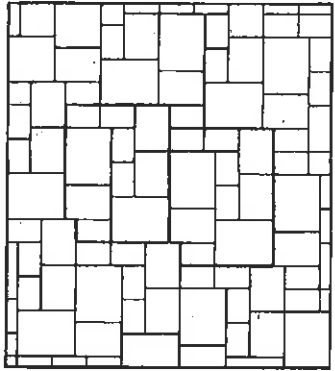
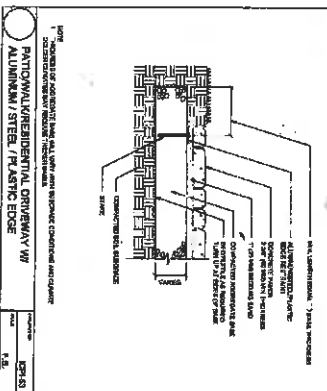


PLANTING KEY:

- 6. GARDEN, CONTAINER BED, ORN. & SPECIES: DOMESTIC NAME:
- 1. 4" x 4" x 4" from Michigan production "Vera Glee" (the catalog)
- 2. 1.4 5g Chicago Ferns (the catalog)
- 3. 2. 20g central from the maintenance "Star Snow" (the catalog)
- 4. 1.5 15g. Asian Ridge "Aster" (the catalog)

PLANT REFERENCES:

- 1. www.hort.com
- 2. www.orchard.com
- 3. www.finegarden.com
- 4. www.garden.com
- 5. www.garden.com
- 6. www.garden.com
- 7. www.garden.com
- 8. www.garden.com
- 9. www.garden.com
- 10. www.garden.com



LIGHTS:

- ▲ 8.0015 SQUARE
- ▲ 1.00100-7-2W-LED

NOTES:

- 1. All materials to be installed by a licensed contractor.
- 2. All materials to be installed by a licensed contractor.
- 3. All materials to be installed by a licensed contractor.
- 4. All materials to be installed by a licensed contractor.
- 5. All materials to be installed by a licensed contractor.
- 6. All materials to be installed by a licensed contractor.
- 7. All materials to be installed by a licensed contractor.
- 8. All materials to be installed by a licensed contractor.
- 9. All materials to be installed by a licensed contractor.
- 10. All materials to be installed by a licensed contractor.

SCALE: 1/8" = 1'-0"	LICENSE: CZ7HIC66891	CONCEPTUAL DRIVEWAY & ABANDONMENT LANDS OF SINNOT FAMILY TRUST Louise Street Menlo Park, CA 94025	<p>WILLIAM A. JONSON, A.P.L.D. LANDSCAPE DESIGNER & CONTRACTOR PO Box 51344 Palo Alto California 94302 Telephone (650) 595-2860 www.WilliamJonson.com</p>
DRAWN: 1/11/14			
PROJECT: 12-7-13			
SHEET: A0.6			



COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: May 13, 2014
Staff Report #: 14-082

Agenda Item #: D-3

CONSENT CALENDAR: **Waive the Reading and Adopt Ordinances Amending the Zoning Ordinance to Address Housing Element Implementation Programs Related to Secondary Dwelling Units and Accessory Buildings and Structures**

RECOMMENDATION

Staff recommends that the City Council complete actions related to the adoption of the Housing Element by waiving the full reading of, and adopting the following two ordinances:

1. Ordinance of the City Council of the City of Menlo Park, Amending the Zoning Ordinance Pertaining to Secondary Dwelling Units and Associated Sections (Attachment A); and
2. Ordinance of the City Council of the City of Menlo Park, Amending the Zoning Ordinance Pertaining to Accessory Buildings and Accessory Structures and Associated Sections (Attachment B).

BACKGROUND

On April 1, 2014, the City Council conducted a public hearing to consider and take action on the Housing Element and associated implementation programs. After reviewing the Planning Commission recommendation and written correspondence from the public, receiving public comment, and deliberating on the items, the Council voted unanimously to adopt the resolutions for the Negative Declaration (environmental review) for the Housing Element and associated Zoning Ordinance amendment and the Housing Element. These resolutions became effective immediately. Since that meeting, staff has received notification that the Housing Element has been certified by the State Housing and Community Development Department, becoming the first jurisdiction in the Bay Area to have a certified Housing Element for the 2015-2023 planning period.

At the same meeting on April 1, the City Council introduced three ordinances pertaining to several Housing Element implementation programs and critical to the certification of the Housing Element. The programs relate to 1) an emergency shelter for the homeless

overlay, 2) transitional and supportive housing and residential care facilities, and 3) procedures for reasonable accommodation. The Council also discussed, but continued two Zoning Ordinance amendments pertaining to secondary dwelling units and accessory buildings and accessory structures.

On April 29, 2014, the City Council formally adopted the three ordinances that were introduced on April 1. These ordinances will become effective on April 30, 2014. Separately, the Council deliberated on the proposed modifications to the secondary dwelling unit and accessory building and accessory structures ordinances. In addition to the written public comment provided in the staff report on the item, three members of the public spoke at the meeting on the item. The primary concern raised by the individuals was the reduction of the minimum lot size for a secondary dwelling unit, and the potential impacts, primarily parking, to the Belle Haven community. The Council recognized the current parking conditions in the neighborhood and believed that it may be best to address the current parking issues before allowing additional dwelling units in the area. The Council also suggested two other modifications to the secondary dwelling unit based upon issues that were previously raised. The following modifications to the proposed ordinance were recommended by the Council:

- **Size:** No change to the minimum lot size for a secondary dwelling unit without a use permit. The minimum lot size remains 6,000 square feet, which makes a majority of the lots in the Belle Haven neighborhood not eligible for a secondary dwelling unit as a permitted use.
- **Tenancy:** The Council added specific criteria to the secondary dwelling unit tenancy requirement in an effort to provide predictability to both the property owner and neighbors during the tenancy registration renewal process.
- **Conversion of Accessory Buildings:** The Council added a clause to the conversion of accessory buildings section of the ordinance to give flexibility in extending the proposed conversion process without potential delay between the sunset and implementation of a new ordinance.

The Council also recommended minor edits to the accessory buildings and accessory structure ordinance. The revisions are “clean up” items for clarity and consistency in application of the development standards and the definitions of accessory building and accessory structure. The Council voted 4-1 to introduce the two ordinances with the proposed modifications noted above.

ANALYSIS

The final version of the two ordinances introduced on April 29, 2014 are included as Attachments A and B. The adoption of the ordinances would serve to implement Housing Element Programs H4.E (Modify Secondary Dwelling Unit Development and Permit Process) and Program H4.F (Establish a Process and Standards to Allow the Conversion of Accessory Buildings and Structures to a Secondary Dwelling Unit). If the Council takes action to adopt the ordinances on May 13, 2014, they will become effective after 30 days, or on June 13, 2014.

IMPACT ON CITY RESOURCES

There is no direct impact on City resources associated with adoption of these ordinances. The setting of the fees for secondary dwelling units, the accessory building conversion process and the tenancy registration process is a policy discussion for the City Council to determine whether to pursue full cost recovery or not. The amounts of the fees are not part of the formal Zoning Ordinance amendments, but staff will be presenting the City Council with options for potential fee reductions or waivers as part of the Master Fee Schedule discussion.

POLICY ISSUES

The recommended action is consistent with the City Council's actions and approvals at its meeting of April 29, 2014 and would serve to implement programs of the adopted Housing Element.

ENVIRONMENTAL REVIEW

On April 1, 2014, the City Council considered and adopted the Negative Declaration prepared for the Housing Element and the associated implementation programs.

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting. In addition to the agenda posting, an email update was sent to subscribers of the project page for the proposal, which is available at the following address: <http://www.menlopark.org/athome>. The project page allows interested parties to subscribe to email updates, and provides up-to-date information about the project, as well as links to previous staff reports and other related documents.

ATTACHMENTS

- A. Ordinance of the City Council of the City of Menlo Park Amending Title 16 [Zoning] Pertaining to Secondary Dwelling Units
- B. Ordinance of the City Council of the City of Menlo Park Amending Title 16 [Zoning] Pertaining to Accessory Buildings and Accessory Structures

Report prepared by:

Deanna Chow

Senior Planner

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ORDINANCE NO.**ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MENLO PARK AMENDING CHAPTER 16.79 [SECONDARY DWELLING UNITS], CHAPTER 16.04 [DEFINITIONS], CHAPTER 16.10 [R-E RESIDENTIAL ESTATE DISTRICT], CHAPTER 16.12 [R-E-S RESIDENTIAL ESTATE SUBURBAN DISTRICT], CHAPTER 16.14 [R-1-S SINGLE FAMILY SUBURBAN RESIDENTIAL DISTRICT], CHAPTER 16.15 [R-1-S (FG) SINGLE FAMILY SUBURBAN RESIDENTIAL DISTRICT (FELTON GABLES)], CHAPTER 16.16 [R-1-U SINGLE FAMILY URBAN RESIDENTIAL DISTRICT], AND CHAPTER 16.17 [R-1-U (LM) SINGLE FAMILY URBAN RESIDENTIAL DISTRICT (LORELEI MANOR)] OF TITLE 16 [ZONING] OF THE MENLO PARK MUNICIPAL CODE**

The City Council of the City of Menlo Park does ordain as follows:

SECTION 1: The City Council of the City of Menlo Park hereby finds and declares as follows:

- a. The City desires to amend Chapter 16.79 [Secondary Dwelling Units] to provide the ability to create additional housing throughout the City to accommodate varying housing needs.
- b. The City desires to amend Chapter 16.04 [Definitions] for the purpose of clarifying what is meant by cooking provisions in the definition of secondary dwelling units.
- c. The City desires to amend Chapter 16.10 [R-E Residential Estate District], Chapter 16.12 [R-E-S Residential Estate Suburban District], Chapter 16.14 [R-1-S Single Family Suburban Residential District], Chapter 16.15 [R-1-S (FG) Single Family Suburban Residential District (Felton Gables)], Chapter 16.16 [R-1-U Single Family Urban Residential District], and Chapter 16.17 [R-1-U (LM) Single Family Urban Residential District (Lorelei Manor) to enumerate a secondary dwelling unit as a permitted use, subject to meeting certain criteria, and to remove secondary dwelling units as a conditional use in all single-family zoning districts for consistency with the requirements of Chapter 16.79 [Secondary Dwelling Units].
- d. The Planning Commission held a duly noticed public hearing on March 10, 2014 to review and consider the proposed amendments to Chapter 16.79 [Secondary Dwelling Units], Chapter 16.04 [Definitions], 16.10 [R-E Residential Estate District], Chapter 16.12 [R-E-S Residential Estate Suburban District], Chapter 16.14 [R-1-S Single Family Suburban Residential], Chapter 16.15 [R-1-S (FG) Single Family Suburban Residential

District (Felton Gables)], Chapter 16.16 [R-1-U Single Family Urban Residential District], and Chapter 16.17 [R-1-U (LM) Single Family Urban Residential District (Lorelei Manor)] of Title 16 [Zoning], at which all interested persons had the opportunity to appear and comment.

- e. The City Council held duly noticed public hearings on April 1, 2014 and April 29, 2014 to review and consider the proposed amendments to Chapter 16.79 [Secondary Dwelling Units], Chapter 16.04 [Definitions], 16.10 [R-E Residential Estate District], Chapter 16.12 [R-E-S Residential Estate Suburban District], Chapter 16.14 [R-1-S Single Family Suburban Residential District], Chapter 16.15 [R-1-S (FG) Single Family Suburban Residential District (Felton Gables)], Chapter 16.16 [R-1-U Single Family Urban Residential District], and Chapter 16.17 [R-1-U (LM) Single Family Urban Residential District (Lorelei Manor)] of Title 16 [Zoning], at which all interested persons had the opportunity to appear and comment.
- f. After due consideration of the proposed amendments to Chapter 16.79 [Secondary Dwelling Units], Chapter 16.04 [Definitions], 16.10 [R-E Residential Estate District], Chapter 16.12 [R-E-S Residential Estate Suburban District], Chapter 16.14 [R-1-S Single Family Suburban Residential District], Chapter 16.15 [R-1-S (FG) Single Family Suburban Residential District (Felton Gables)], Chapter 16.16 [R-1-U Single Family Urban Residential District], and Chapter 16.17 [R-1-U (LM) Single Family Urban Residential District (Lorelei Manor)] of Title 16 [Zoning], public testimony, staff reports, and the Planning Commission recommendation, the City Council finds that the proposed ordinance is appropriate.

SECTION 2: Chapter 16.79 [Secondary Dwelling Units] is hereby amended to Title 16 [Zoning] to read as follows:

Chapter 16.79

SECONDARY DWELLING UNITS

Sections:

- 16.79.010 Purpose.
- 16.79.020 Permitted use.
- 16.79.030 Conditional use.
- 16.79.040 Development regulations.
- 16.79.045 Conversion of accessory buildings.
- 16.79.050 Mitigation monitoring.

16.79.010 Purpose.

The purpose of this chapter is to set forth criteria and regulations to control the development of secondary dwelling units within the single-family residential zoning districts.

16.79.020 Permitted use.

A secondary dwelling unit developed within the main dwelling or structurally attached to the main dwelling as defined in Section 16.04.145 Buildings, structurally attached, or a secondary dwelling unit detached from the main dwelling, are permitted in a single-family residential zoning district, subject to the provisions set forth in Section 16.79.040.

16.79.030 Conditional use.

A secondary dwelling unit that is either attached or detached and requesting modification to the development regulations, except for items (2) density and (3) subdivision, as established in Chapter 16.79.040.

16.79.040 Development regulations.

Development regulations for a secondary dwelling unit are as follows:

- (1) Minimum lot area: 6,000;
- (2) Density: No more than one (1) secondary dwelling unit may be allowed on any one (1) lot;
- (3) Subdivision: A lot having a secondary dwelling unit may not be subdivided in a manner that would allow for the main dwelling and secondary dwelling unit to be located on separate lots that do not meet the minimum lot area, width and/or depth required by the single-family zoning district in which the lot is located;
- (4) Minimum yards:
 - (a) Structurally attached secondary dwelling units: Secondary dwelling units developed within the main dwelling or structurally attached to the main dwelling as defined in Section 16.04.145 Buildings, structurally attached, shall comply with all minimum yard requirements for the main dwelling established by the single-family zoning district in which the lot is located;
 - (b) Detached secondary dwelling units: Detached secondary dwelling units shall comply with all minimum yard requirements for the main dwelling established by the single-family zoning district in which the lot is located, with the exception that the minimum rear yard is 10 feet. Furthermore, the interior side and rear yards may be reduced to five (5) feet, subject to written approval of the owner(s) of the contiguous property abutting the portion of the encroaching structure. If the contiguous interior side or rear property line is an alley, the

minimum setback is five (5) feet. The provision of 16.62.020(1) shall not apply to a detached secondary dwelling unit.

- (5) Unit size:
 - (a) The square footage of all levels of the secondary dwelling unit shall not exceed 640 square feet, except buildings complying with all aspects of the disabled access requirements for kitchens, bathrooms, and accessible routes established in the California Building Code for adaptable residential dwelling units shall have a maximum square footage of 700 square feet. The maximum square footage does not include the square footage of an attached accessory building for which there is no internal connection to the secondary dwelling unit;
 - (b) Secondary dwelling units shall be limited to studio or one-bedroom units and one bathroom.
- (6) Height: The maximum total height is 17 feet.
- (7) Daylight Plane: A daylight plane shall begin at a horizontal line 9 feet, 6 inches above the average natural grade at a line 3 feet from the side property lines and shall slope inwards at a 45 degree angle. There are no permitted intrusions into the daylight plane. Average natural grade means the average of the highest and lowest points of the natural grade of the portion of the lot directly below a line three feet from the side property lines.
- (8) Parking: One (1) off-street parking space, in addition to the required parking for the main dwelling unit, that may be provided in the following configurations and areas in addition to the areas allowed for the main dwelling:
 - (a) In tandem, meaning one car located directly behind another car, including a single-car driveway leading to two required parking spaces for the main dwelling;
 - (b) Within required interior side yards;
 - (c) Within required front yards if no more than 500 square feet of the required front yard is paved for motor vehicle use (inclusive of the main residence driveway and parking areas) and a minimum setback of 18 inches from the side property lines is maintained.

The required off-street parking can be provided in either a covered or uncovered space, but all covered parking shall comply with the setback requirements of the main dwelling, if the parking is attached, or the accessory building regulations, if the parking is detached.
- (9) Consistency: All secondary dwelling units shall comply with all applicable development regulations for the single-family zoning district in which the lot is located and building code requirements set forth in Title 12 Building and Construction of the Municipal Code unless otherwise provided for in this section;

- (10) Aesthetics: The secondary dwelling unit shall have colors, materials, textures and architecture similar to the main dwelling.
- (11) Tenancy: Either the main dwelling or the secondary dwelling unit shall be occupied by the property owner when both units are occupied as dwellings units. If a property owner does not occupy one of the dwelling units, the property owner may apply for a non-tenancy status for a term of one (1) year through a registration process established by the Community Development Director. To be eligible for the registration process, a property owner must have lived at the subject property for a minimum of two (2) years of the previous five (5) years from the date of application. The property owner may renew the registration annually, not to exceed four (4) years in total, subject to the review and approval of the Community Development Director, pursuant to the following criteria and process established by the Community Development Director.
 - 1) The application for the registration and renewal(s) shall be accompanied by a fee, set by the City Council.
 - 2) The application for registration and renewal shall state the reason for the request and provide supporting documentation. The registration shall be approved for any of the following reasons: 1) temporary job relocation, with the intent to return, 2) relocation for school (e.g. mid-year career change), and 3) physically unable to live in the house.
 - 3) The application shall provide a property management plan that includes the name and contact information to address issues or concerns about the use of the property should they arise. The plan should also include information about parking, including 1) a site plan with the parking layout for the property, 2) how parking will be assigned between tenants, and 3) an action plan that demonstrates how parking issues will be resolved effectively and efficiently between tenants if tandem parking is provided.
 - 4) A use permit is required for non-tenancy status longer than four (4) years or for waiver of the requirement that the owner reside in the unit for not less than two (2) of the previous five (5) years prior to the date of application or for a reason other than those stated in item 2 above.

16.79.045 Conversion of accessory buildings.

- (1) An accessory building may be eligible to convert into a secondary dwelling unit, subject to meeting criteria as outlined in Section 16.79.045(2) and approval of an administrative permit per Chapter 16.82.
- (2) Eligibility: The following criteria must be met in order to be eligible for the conversion of an accessory building:
 - (a) The accessory building must have received building permits and commenced construction prior to June 13, 2014. Other supporting

documentation to show the building was legally built may be substituted for a building permit subject to review by the Community Development Director.

- (b) The property owner shall have one (1) year from June 13, 2014 to submit a complete administrative permit application, including all applicable fees and plans, to qualify for the conversion process.
 - (c) The accessory building must be upgraded to meet the Building Code requirements based on the change of occupancy at the time of the conversion.
 - (d) The accessory building must meet all of the development regulations of Section 16.79.040, with the exception of minimum yards, which shall be established in the administrative permit.
- (3) All or any portion of an accessory building that meets the eligibility criteria as provided in this Section 16.79.045 may be demolished and reconstructed to meet the Building Code requirements based on the change of occupancy at the time of conversion. The secondary dwelling unit that replaces the accessory building may retain the setbacks and the footprint of the legally constructed accessory building. The existing setbacks and footprint of the accessory building must be evidenced by valid building permits or other supporting documentation subject to review by the Community Development Director. Nothing in this Section shall be deemed to authorize the expansion of the footprint or reduction of the setbacks beyond that evidenced by a valid building permit or other supporting documentation subject to review by the Community Development Director or to allow the continuation of any other nonconformity.
- (4) This section 16.97.045 shall sunset in its entirety and no longer be effective one (1) year from June 13, 2014 for any administrative permit application not received by said date. The City Council, by resolution, may extend the effective date without further public hearings by the Planning Commission and City Council.

16.79.050 Mitigation Monitoring.

All second unit development shall comply, at a minimum, with the Mitigation Monitoring and Report Program (MMRP) established through Resolution No. 6149 associated with the Housing Element Update, General Plan Consistency Update, and Zoning Ordinance Amendments Environmental Assessment prepared for the Housing Element adopted on May 21, 2013.

SECTION 3: Section 16.04.295 [Dwelling unit, secondary] of Chapter 16.04 [Definitions] of Title 16 [Zoning] is hereby amended to for clarity and for consistency with implementation of Chapter 16.79 [Secondary Dwelling Units] as follows:

16.04.295 Dwelling unit, secondary. A “secondary dwelling unit” means a dwelling unit on a residential lot which provides complete independent living facilities for one or more persons, and shall include permanent provisions for living, sleeping, eating, cooking, and sanitation independent of the main dwelling existing on the residential lot. For purposes of a secondary dwelling unit, permanent provisions for eating and cooking include the following: 1) permanent range, 2) counters, 3) refrigerator, and 4) sink.

SECTION 4: Sections 16.10.010 [Permitted uses] and 16.10.020 [Conditional uses] of Chapter 16.10 [R-E Residential Estate District] of Title 16 [Zoning] are hereby amended to add secondary dwelling units as a permitted use and delete secondary dwelling units as a conditional use for consistency with Chapter 16.79 [Secondary Dwelling Units] as follows:

16.10.010 Permitted uses. The following uses are permitted in the R-E district:

- (1) Single family dwellings;
- (2) Secondary dwelling units in accordance with Chapter 16.79;
- (3) Accessory buildings.

16.10.020 Conditional uses. Conditional uses allowed in the R-E district, subject to obtaining a use permit or, in the case of home occupations, a home occupation permit are as follows:

- (1) Public utilities in accordance with Chapter 16.76;
- (2) Private schools and churches in accordance with Chapter 16.78;
- (3) Child day care centers in accordance with Chapter 16.78;
- (4) Home occupations in accordance with Section 16.04.340.

SECTION 5: Sections 16.12.010 [Permitted uses] and 16.12.020 [Conditional uses] of Chapter 16.12 [R-E-S Residential Estate Suburban District] of Title 16 [Zoning] are hereby amended to add secondary dwelling units as a permitted use and delete secondary dwelling units as a conditional use for consistency with Chapter 16.79 [Secondary Dwelling Units] as follows:

16.12.010 Permitted uses. The following uses are permitted in the R-E-S district:

- (1) Single family dwellings;
- (2) Accessory buildings.

16.12.020 Conditional uses. Conditional uses allowed in the R-E-S district, subject to obtaining a use permit or, in the case of home occupations, a home occupation permit are as follows:

- (1) Public utilities in accordance with Chapter 16.76;
- (2) Private schools and churches in accordance with Chapter 16.78;
- (3) Child day care centers in accordance with Chapter 16.78;
- (4) Home occupations in accordance with Section 16.04.340.

SECTION 6: Sections 16.14.010 [Permitted uses] and 16.14.020 [Conditional uses] of Chapter 16.14 [R-1-S Single Family Suburban Residential District] of Title 16 [Zoning] are hereby amended to add secondary dwelling units as a permitted use and delete secondary dwelling units as a conditional use for consistency with Chapter 16.79 [Secondary Dwelling Units] as follows:

16.14.010 Permitted uses. The following uses are permitted in the R-1-S district:

- (1) Single family dwellings;
- (2) Secondary dwelling unit in accordance with Chapter 16.79;
- (3) Accessory buildings.

16.14.020 Conditional uses. Conditional uses allowed in the R-1-S district, subject to obtaining a use permit or, in the case of home occupations, a home occupation permit are as follows:

- (1) Public utilities in accordance with Chapter 16.76;
- (2) Private schools and churches in accordance with Chapter 16.78;
- (3) Child day care centers in accordance with Chapter 16.78;
- (4) Home occupations in accordance with Section 16.04.340.

SECTION 7: Sections 16.15.010 [Permitted uses] and 16.15.020 [Conditional uses] of Chapter 16.15 [R-1-S (FG) Single Family Suburban Residential District (Felton Gables)] of Title 16 [Zoning] are hereby amended to add secondary dwelling units as a permitted use and delete secondary dwelling units as a conditional use for consistency with Chapter 16.79 [Secondary Dwelling Units] as follows:

16.15.010 Permitted uses. The following uses are permitted in the R-1-S (FG) district:

- (1) Single family dwellings;
- (2) Secondary dwelling unit in accordance with Chapter 16.79;
- (3) Accessory buildings.

16.15.020 Conditional uses. Conditional uses allowed in the R-1-S (FG) district, subject to obtaining a use permit or, in the case of home occupations, a home occupation permit are as follows:

- (1) Public utilities in accordance with Chapter 16.76;
- (2) Private schools and churches in accordance with Chapter 16.78;
- (3) Child day care centers in accordance with Chapter 16.78;
- (4) Home occupations in accordance with Section 16.04.340.

SECTION 8: Sections 16.16.010 [Permitted uses] and 16.16.020 [Conditional uses] of Chapter 16.16 [R-1-U Single Family Urban Residential] of Title 16 [Zoning] are hereby amended to add secondary dwelling units as a permitted use and delete secondary dwelling units as a conditional use for consistency with Chapter 16.79 [Secondary Dwelling Units] as follows:

16.16.010 Permitted uses. The following uses are permitted in the R-1-U district:

- (1) Single family dwellings;
- (2) Secondary dwelling unit in accordance with Chapter 16.79;
- (3) Accessory buildings.

16.16.020 Conditional uses. Conditional uses allowed in the R-1-U district, subject to obtaining a use permit or, in the case of home occupations, a home occupation permit are as follows:

- (1) Public utilities in accordance with Chapter 16.76;
- (2) Private schools and churches in accordance with Chapter 16.78;
- (3) Child day care centers in accordance with Chapter 16.78;
- (4) Home occupations in accordance with Section 16.04.340.

SECTION 9: Sections 16.17.010 [Permitted uses] and 16.17.020 [Conditional uses] of Chapter 16.17 [R-1-U (LM) Single Family Urban Residential (Lorelei Manor)] of Title 16 [Zoning] are hereby amended to add secondary dwelling units as a permitted use and delete secondary dwelling units as a conditional use for consistency with Chapter 16.79 [Secondary Dwelling Units] as follows:

16.17.010 Permitted uses. The following uses are permitted in the R-1-U (LM) district:

- (1) Single family dwellings;
- (2) Secondary dwelling unit in accordance with Chapter 16.79;
- (3) Accessory buildings.

16.17.020 Conditional uses. Conditional uses allowed in the R-1-U (LM) district, subject to obtaining a use permit or, in the case of home occupations, a home occupation permit are as follows:

- (1) Public utilities in accordance with Chapter 16.76;
- (2) Private schools and churches in accordance with Chapter 16.78;
- (3) Child day care centers in accordance with Chapter 16.78;
- (4) Home occupations in accordance with Section 16.04.340.

SECTION 10: A Negative Declaration was prepared that considered the environmental impacts of the adoption of the proposed modifications to the secondary dwelling unit ordinance and associated consistency amendments for the identified areas. The Negative Declaration determined that any potential environmental impacts were less than significant.

SECTION 11: If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

SECTION 12: This Ordinance shall become effective 30 days after the date of its adoption, and is applicable to any building permit application received after the date of adoption of this Ordinance. Within 15 days of its adoption, the Ordinance shall be posted in three public places within the City of Menlo Park, and the Ordinance, or a summary of the Ordinance prepared by the City Attorney shall be published in the local newspaper used to publish official notices for the City of Menlo Park prior to the effective date.

INTRODUCED on the twenty-ninth day of April, 2014.

PASSED AND ADOPTED as an Ordinance of the City of Menlo Park at a regular meeting of the City Council of the City of Menlo Park on the thirteenth day of May, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Ray Mueller
Mayor

ATTEST:

Pamela Aguilar
City Clerk

ORDINANCE NO.

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MENLO PARK AMENDING CHAPTER 16.68 [BUILDINGS], CHAPTER 16.04 [DEFINITIONS], CHAPTER 16.10 [R-E RESIDENTIAL ESTATE DISTRICT], CHAPTER 16.12 [R-E-S RESIDENTIAL ESTATE SUBURBAN DISTRICT], CHAPTER 16.14 [R-1-S SINGLE FAMILY SUBURBAN RESIDENTIAL DISTRICT], CHAPTER 16.15 [R-1-S (FG) SINGLE FAMILY SUBURBAN RESIDENTIAL DISTRICT (FELTON GABLES)], CHAPTER 16.16 [R-1-U SINGLE FAMILY URBAN RESIDENTIAL DISTRICT], CHAPTER 16.17 [R-1-U (LM) SINGLE FAMILY URBAN RESIDENTIAL (LORELEI MANOR)], CHAPTER 16.18 [R-2 LOW DENSITY RESIDENTIAL DISTRICT], CHAPTER 16.20 [R-3 APARTMENT DISTRICT], CHAPTER 16.22 [R-4 HIGH DENSITY RESIDENTIAL DISTRICT], CHAPTER 16.23 [R-4-S HIGH DENSITY RESIDENTIAL, SPECIAL DISTRICT], CHAPTER 16.24 [R-3-A GARDEN APARTMENT DISTRICT], CHAPTER 16.26 [R-3-C APARTMENT-OFFICE DISTRICT], CHAPTER 16.28 [R-L-U RETIREMENT LIVING UNIT DISTRICT], CHAPTER 16.48 [OSC OPEN SPACE AND CONSERVATION DISTRICT], CHAPTER 16.50 [FP FLOOD PLAIN DISTRICT], CHAPTER 16.67 DAYLIGHT PLANES, AND CHAPTER 16.72 [OFF-STREET PARKING] OF TITLE 16 [ZONING] OF THE MENLO PARK MUNICIPAL CODE

The City Council of the City of Menlo Park does ordain as follows:

SECTION 1: The City Council of the City of Menlo Park hereby finds and declares as follows:

- a. The City desires to amend Section 16.68.030 [Accessory buildings and/or structures] of Chapter 16.68 [Buildings] of Title 16 [Zoning] to more clearly differentiate accessory buildings from secondary dwelling units and accessory buildings from accessory structures, and amend related sections pertaining to daylight planes and off-street parking.
- b. The Planning Commission held duly a noticed public hearing on March 10, 2014 to review and consider the proposed amendments to Chapter 16.68 [Buildings], 16.04 [Definitions], Chapter 16.10 [R-E Residential Estate District], Chapter 16.12 [R-E-S Residential Estate Suburban District], Chapter 16.14 [R-1-S Single Family Suburban Residential District], Chapter 16.15 [R-1-S (FG) Single Family Suburban Residential District (Felton Gables)], Chapter 16.16 [R-1-U Single Family Urban Residential District], Chapter

16.17 [R-1-U (LM) Single Family Urban Residential (Lorelei Manor)], Chapter 16.18 [R-2 Low Density Residential District], Chapter 16.20 [R-3 Apartment District], Chapter 16.22 [R-4 High Density Residential District], Chapter 16.23 [R-4-S High Density Residential, Special District], Chapter 16.24 [R-3-A Garden Apartment District], Chapter 16.26 [R-3-C Apartment-Office District], Chapter 16.28 [R-L-U Retirement Living Unit District], Chapter 16.48 [OSC Open Space and Conservation District], Chapter 16.50 [FP Flood Plain District], Chapter 16.67 Daylight Planes, and Chapter 16.72 [Off-Street Parking] of Title 16 [Zoning], at which all interested persons had the opportunity to appear and comment.

- c. The City Council held a duly noticed public hearings on April 1, 2014 and April 29, 2014 to review and consider the proposed amendments to Chapter 16.68 [Buildings], 16.04 [Definitions], Chapter 16.10 [R-E Residential Estate District], Chapter 16.12 [R-E-S Residential Estate Suburban District], Chapter 16.14 [R-1-S Single Family Suburban Residential District], Chapter 16.15 [R-1-S (FG) Single Family Suburban Residential District (Felton Gables)], Chapter 16.16 [R-1-U Single Family Urban Residential District], Chapter 16.17 [R-1-U (LM) Single Family Urban Residential (Lorelei Manor)], Chapter 16.18 [R-2 Low Density Residential District], Chapter 16.20 [R-3 Apartment District], Chapter 16.22 [R-4 High Density Residential District], Chapter 16.23 [R-4-S High Density Residential, Special District], Chapter 16.24 [R-3-A Garden Apartment District], Chapter 16.26 [R-3-C Apartment-Office District], Chapter 16.28 [R-L-U Retirement Living Unit District], Chapter 16.48 [OSC Open Space and Conservation District], Chapter 16.50 [FP Flood Plain District], Chapter 16.67 Daylight Planes, and Chapter 16.72 [Off-Street Parking] of Title 16 [Zoning], at which all interested persons had the opportunity to appear and comment.
- d. After due consideration of the proposed amendments to Chapter 16.68 [Buildings], 16.04 [Definitions], Chapter 16.10 [R-E Residential Estate District], Chapter 16.12 [R-E-S Residential Estate Suburban District], Chapter 16.14 [R-1-S Single Family Suburban Residential District], Chapter 16.15 [R-1-S (FG) Single Family Suburban Residential District (Felton Gables)], Chapter 16.16 [R-1-U Single Family Urban Residential District], Chapter 16.17 [R-1-U (LM) Single Family Urban Residential (Lorelei Manor)], Chapter 16.18 [R-2 Low Density Residential District], Chapter 16.20 [R-3 Apartment District], Chapter 16.22 [R-4 High Density Residential District], Chapter 16.23 [R-4-S High Density Residential, Special District], Chapter 16.24 [R-3-A Garden Apartment District], Chapter 16.26 [R-3-C Apartment-Office District], Chapter 16.28 [R-L-U Retirement Living Unit District], Chapter 16.48 [OSC Open Space and Conservation District], Chapter 16.50 [FP Flood Plain District], Chapter 16.67 Daylight Planes, and Chapter 16.72 [Off-Street Parking] of Title 16 [Zoning], public testimony, staff reports, and the Planning Commission recommendation, the City Council finds that the proposed ordinance is appropriate.

SECTION 2: Section 16.68.030 [Accessory buildings and/or structures] of Chapter 16.68 [Buildings] of Title 16 [Zoning] is hereby amended to read as follows:

16.68.030 Accessory buildings and accessory structures.

- (1) **Purpose.** The purpose of this section is to set forth regulations to control the development of accessory buildings and accessory structures to ensure their orderly development and compatibility of such uses with surrounding uses and properties, and to minimize impacts associated with such buildings and structures, which are purely ancillary and/or ornamental to the main building or use of the site.
- (2) **Requirements generally.** Unless otherwise provided for in a specific zoning district, requirements for accessory buildings and accessory structures in all zoning districts shall be stated in this section; except in non-residential zoning districts, accessory structures not meeting the development regulations may be permitted through approval of a use permit, architectural control, or other discretionary process as part of the project development, or through the approval of the Community Development Director provided the proposed accessory structure is consistent with the use of the site, is compatible with the site and surrounding land uses, and does not add gross floor area.
- (3) **Development Regulations.** Development regulations for accessory buildings (living and non-living space) and accessory structures are as follows:

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Accessory Buildings and Accessory Structures

Size	Building	The combined square footage of all levels of all accessory buildings and accessory structures shall not exceed 25 percent of the square footage of all levels of the main building or 700 square feet, whichever is greater. The size may be increased subject to a use permit and recordation of a condition and covenant relative to the use of the building.
	Structure	
Minimum Yard (Front)	Building	An accessory building shall be located on the rear half of the lot, except in the R-4-S zoning district where the minimum front setback is 50 feet. A use permit may be requested to modify the front setback requirement, so long as the minimum setback established for the main building as established by the zoning district in which the building is located is maintained.
	Structure	Minimum setback established for the main building as established by the zoning district in which it is located.
Minimum Yard (Side, Interior)	Building; Non-Living Space	Minimum 3 feet; 5 feet if abutting an alley
	Building; Living Space	Minimum setback established for the main building as established by the zoning district in which it is located. The minimum setback may be decreased subject to a use permit and recordation of a condition and covenant relative to the use of the building.
	Structure	Front half of lot: Minimum setback established for the main building as established by the zoning district in which it is located. Rear half of lot: Minimum 3 feet; 5 feet if abutting an alley
Minimum Yard (Side, Corner)	Building	Setback of adjacent lot
	Structure	Setback of adjacent lot
Minimum Yard (Rear)	Building; Non-Living Space	Minimum 3 feet; 5 feet if abutting an alley
	Building; Living Space	Minimum 10 feet; 5 feet if abutting an alley. The minimum setback may be decreased subject to a use permit and recordation of a condition and covenant relative to the use of the building.
	Structure	Minimum 3 feet, 5 feet if abutting an alley
Separation Between Buildings	Building	Minimum 10 feet from any dwelling on lot or adjacent lot, unless attached to a secondary dwelling unit
	Structure	None
Height	Building	Overall height – 14 feet See also Daylight Plane
	Structure	
Daylight Plane	Building	A daylight plane shall begin at a horizontal line 9 feet, 6 inches above the average natural grade at a line three feet from the side property lines and shall slope inwards at a 45 degree angle. There are no permitted intrusions into the daylight plane. Average natural grade means the average of the highest and lowest points of the natural grade of the portion of the lot directly below a line three feet from the side property lines.
	Structure	

SECTION 3: Section 16.04.110 [Building and/or structure, accessory] of Chapter 16.04 [Definitions] of Title 16 [Zoning] is hereby amended as follows:

16.04.110 Building, accessory. "Accessory building" means a subordinate detached building, the use of which is incidental to that of the main building or buildings and/or the use of the land on the same lot or building site, and shall not include any building providing an area for cooking or permanent sleeping quarters. An accessory building may be attached to a secondary dwelling unit. For the purpose of an accessory building, an area containing four (4) or more plumbing fixtures, regardless of the intended use of the space, shall be defined and regulated as "living space" in the accessory building. Water supplied to washing machines and water heaters is not considered a plumbing fixture for the purposes of this section. In no case shall the "living space", as defined by this section for the purpose of minimum yard requirements, be used as a dwelling unit. An accessory building that was legally permitted and constructed with four (4) or more plumbing fixtures prior to June 13, 2014 shall not be subject to the limitations set forth in Section 16.68.030 pertaining to minimum yard requirements. The addition of plumbing fixtures would be subject to the minimum yard requirements.

SECTION 4: Section 16.04.665 [Structure, accessory] is hereby added to Chapter 16.04 [Definitions] of Title 16 [Zoning] as follows:

16.04.665 Structure, accessory.

"Accessory structure" means a separate and subordinate structure, which is open in nature and the use of which is incidental to that of the main building or buildings and/or use of the land on the same lot or building site. Examples of such structures include, but are not limited to arbors, trellises, play structures, built-in barbeques, outdoor fireplaces, and water features. Unenclosed ground mounted mechanical equipment and fences/walls are not considered accessory structures.

SECTION 5: Section 16.10.010 [Permitted uses] of Chapter 16.10 [R-E Residential Estate District] of Title 16 [Zoning] is hereby amended as follows:

16.10.010 Permitted uses. The following uses are permitted in the R-E district:

- (1) Single family dwellings;
- (2) Secondary dwelling units;
- (3) Accessory buildings;
- (4) Accessory structures.

SECTION 6: Section 16.12.010 [Permitted uses] of Chapter 16.12 [R-E-S Residential Estate Suburban District] of Title 16 [Zoning] is hereby amended as follows:

16.12.010 Permitted uses. The following uses are permitted in the R-E district:

- (1) Single family dwellings;
- (2) Secondary dwelling units;
- (3) Accessory buildings;
- (4) Accessory structures.

SECTION 7: Section 16.14.010 [Permitted uses] of Chapter 16.14 [R-1-S Single Family Suburban Residential District] of Title 16 [Zoning] is hereby amended] as follows:

16.14.010 Permitted uses. The following uses are permitted in the R-1-S district:

- (1) Single family dwellings;
- (2) Secondary dwelling units;
- (3) Accessory buildings;
- (4) Accessory structures.

SECTION 8: Section 16.15.010 [Permitted uses] of Chapter 16.15 [R-1-S (FG) Single Family Suburban Residential District (Felton Gables)] of Title 16 [Zoning] is hereby amended as follows:

16.15.010 Permitted uses. The following uses are permitted in the R-1-S (FG) district:

- 1) Single family dwellings;
- (2) Secondary dwelling units;
- (3) Accessory buildings;
- (4) Accessory structures.

SECTION 9: Section 16.16.010 [Permitted uses] of Chapter 16.16 [R-1-U Single Family Urban Residential District] of Title 16 [Zoning] is hereby amended as follows:

16.16.010 Permitted uses. The following uses are permitted in the R-1-U district:

- 1) Single family dwellings;
- (2) Secondary dwelling units;
- (3) Accessory buildings;
- (4) Accessory structures.

SECTION 10: Section 16.17.010 [Permitted uses] of Chapter 16.17 [R-1-U (LM) Single Family Urban Residential (Lorelei Manor) District] of Title 16 [Zoning] is hereby amended as follows:

16.17.010 Permitted uses. The following uses are permitted in the R-1-U (LM) district:

- 1) Single family dwellings;
- (2) Secondary dwelling units;

- (3) Accessory buildings;
- (4) Accessory structures.

SECTION 11: Section 16.18.010 [Permitted uses] of Chapter 16.18 [R-2 Low Density Apartment District] of Title 16 [Zoning] is hereby amended as follows:

16.18.010 Permitted uses. The following uses are permitted in the R-2 district:

- (1) Single-family dwellings;
- (2) Duplexes and projects of three or more dwelling units;
- (3) Accessory buildings;
- (4) Accessory structures.

SECTION 12: Section 16.20.010 [Permitted uses] of Chapter 16.20 [R-3 Apartment District] of Title 16 [Zoning] is hereby amended as follows:

16.20.010 Permitted uses.

The following uses are permitted in the R-3 (Apartment) district:

- (1) Single-family dwellings;
- (2) Duplexes;
- (3) Three or more units on lots 10,000 square feet or more;
- (4) Accessory buildings;
- (5) Accessory structures.

SECTION 13: Section 16.22.010 [Permitted uses] of Chapter 16.22 [R-4 High Density Residential District] of Title 16 [Zoning] is hereby amended as follows:

16.22.020 Permitted Uses. The following uses are permitted in the R-4 District:

- (1) Single-family dwellings;
- (2) Duplexes;
- (3) Accessory buildings;
- (4) Accessory structures.

SECTION 14: Section 16.23.020 [Permitted uses] of Chapter 16.23 [R-4-S High Density Residential, Special District] of Title 16 [Zoning] is hereby amended as follows:

16.10.010 Permitted uses. The following uses are permitted in the R-4-S district:

- (1) Multiple dwellings;
- (2) Accessory Buildings;
- (3) Accessory Structures.

SECTION 15: Section 16.28.010 [Permitted uses] of Chapter 16.28 [R-L-U Retirement Living Units District] of Title 16 [Zoning] is hereby amended as follows:

16.28.010 Permitted uses. The only permitted use in the R-L-U zoning district is accessory structures.

SECTION 16: Section 16.48.030 [Permitted uses] of Chapter 16.48 [OSC Open Space and Conservation District] of Title 16 [Zoning] is hereby amended as follows:

16.48.030 Permitted uses. The only permitted use in the OSC zoning district is accessory structures.

SECTION 17: Section 16.50.030 [Permitted uses] of Chapter 16.50 [FP Flood Plain District] of Title 16 [Zoning] is hereby amended as follows:

16.50.010 Permitted uses. The following uses are permitted in the FP district:

- (1) Agricultural uses;
- (2) Accessory buildings;
- (3) Accessory structures;
- (4) Extraction of chemicals from sea water;
- (5) Dredging.

SECTION 18: Sections 16.67.010 [Daylight planes in R-E, R-E-S and R-2 zoning districts] and 16.67.020 [Daylight planes in R-1-A and R-1-U zoning districts] of Chapter 16.67 [Daylight Planes] of Title 16 [Zoning] are hereby amended as follows:

16.67.010 Daylight planes in R-E, R-E-S and R-2 zoning districts. Daylight planes for the main dwelling unit are established for each lot as follows:

- (A) Daylight plane: A daylight plane shall begin at a horizontal line at a certain distance directly above each side setback line of each lot and shall slope inwards at a 45 degree angle. The distance between the side setback line and the horizontal line directly above it shall be 19 feet, 6 inches above the grade of the side setback line. For an addition to an existing structure, such distance shall be the higher of:
 - (1) 19 feet, 6 inches above the grade of the side setback line; or
 - (2) 18 feet above the underside of the actual first floor, measured at the side wall, or 20 feet, 6 inches above the grade of the sidewall, whichever is lower.

16.67.020 Daylight planes in R-1-S and R-1-U zoning districts. Daylight planes for the main dwelling unit are established for each lot as follows:

- (A) Daylight plane: A daylight plane shall begin at a horizontal line at a certain distance directly above each side setback line of each lot and shall slope inwards at a 45 degree angle. The distance between the side setback line and the horizontal line directly above it shall be as follows:
 - (1) Single-story development: 12 feet, 6 inches above the grade of the side setback line;
 - (2) Development of two or more stories: 19 feet, 6 inches above the grade of the side setback line. For an addition to an existing structure, such distance shall be the higher of:
 - (a) 19 feet, 6 inches above the grade of the side setback line; or

- (b) 18 feet above the underside of the actual first floor, measured at the side wall, or 20 feet, 6 inches above the grade of the side wall, whichever is lower.

SECTION 19: Section 16.15.020 [Development regulations] of Chapter 16.15 [R-1-S (FG) Single Family Suburban Residential (Felton Gables) District] of Title 16 [Zoning] is hereby amended as follows:

16.15.020 Development regulations. Development regulations in the R-1-S (FG) district shall be the same as those in the R-1-S district except for the following:

- (1) Daylight plane: A daylight plane for the main dwelling unit shall begin at each side property line, shall extend directly upwards above the natural grade of each side property line for a distance of 20 feet minus the width of the adjacent required yard, and shall then slope inwards towards the interior of the lot at a 34-degree angle. As used in this section, the natural grade of a side property line is the average grade of the highest and lowest points of the natural grade of the lot at the side property line. No portion of the structure shall intrude beyond the daylight plane except for dormers and gables as provided below and chimneys, vents, antennae, flues, and solar collectors.

Gables and dormers may intrude into the daylight plane of a lot that is 10,000 square feet or less. The permitted intrusion shall decrease on an even gradient from 10 feet in the case of a 5 foot required side setback to no permitted intrusion in the case of an 8 foot required side setback. Thus the permitted intrusion will be 6 feet, 8 inches in the case of a 6 foot required side setback, 5 feet in the case of a 6.5 foot required side setback, and 3 feet, 4 inches in the case of a 7 foot required side setback. Calculations of the permitted intrusion shall include fractional computations when necessary to maintain the even gradient. Gables and dormers may intrude into the daylight plane on one side of a lot only. The gable or dormer must not extend beyond a triangle described as follows:

- (a) The base of the triangle is the line formed by the intersection of the building wall with the daylight plane;
- (b) The aggregate length of the bases of all triangles intruding into a daylight plane shall not exceed 30 feet; and
- (c) The triangle must be entirely within the maximum building height.

SECTION 20: Section 16.17.030 [Development regulations] of Chapter 16.17 [R-1-U (LM) Single Family Urban Residential (Lorelei Manor) District] of Title 16 [Zoning] is hereby amended as follows:

16.17.030 Development regulations. Development regulations in the R-1-U (LM) district are as follows:

- (11) Daylight Plane: A daylight plane for the main dwelling unit shall begin a minimum of 5 feet from the side property line and extend directly upwards from the grade of the property for a distance of 15 feet, 6 inches (vertical plane), and then slope inwards towards the interior of the lot at a 45-degree angle. The vertical plane may be extended to a maximum height of 19 feet, 6 inches above grade subject to written approval of the owner(s) of contiguous property abutting the extended vertical plane or a use permit in accordance with Chapter 16.82. No portion of the structure shall intrude beyond the daylight plane except for dormers and gables as provided below and chimneys, vents, flues and eave overhangs. Solar collectors and antennae may intrude subject to written approval of the owner(s) of contiguous property abutting the intrusion or a use permit in accordance with Chapter 16.82;

Gables and dormers may intrude into the daylight plane. The permitted intrusion shall decrease on an even gradient from 10 feet in the case of a 5 foot required above ground side yard to no permitted intrusion at an 8 foot required above ground side yard. Calculation of the permitted intrusion shall include fractional computation when necessary to maintain the even gradient. The intrusion shall be measured along the uppermost horizontal roofline of the gable or dormer. The gable or dormer intrusion must not extend beyond a triangle in the plane of the building face described as follows:

- (a) The base of the triangle is the line formed by the intersection of the building wall with the daylight plane;
- (b) The aggregate length of the bases of all triangles intruding into the daylight planes must not exceed 30 feet, of which no more than 12 feet may occur at an interior side yard;
- (c) The triangle is limited to a maximum peak height of 24 feet above grade;

SECTION 21: Section 16.72.020[R district uses] of Chapter 16.72 [Off-street Parking] of Title 16 [Zoning] is hereby amended as follows:

Section 16.72.020 R district uses. R district parking uses are as follows:

- (1) Dwellings: Two spaces per unit, not in any required front or side yard, at least one of which shall be in a garage or carport, unless otherwise specified. However, when required parking is provided in a detached garage or carport, the parking space may be located in the interior side yard, but not closer than three feet from the property line. Any garage or carport entrance fronting on any lot line, except an alley, shall be a minimum of 20 feet from such line. For alleys, the minimum setback for an entrance facing an alley is five feet.

SECTION 22: A Negative Declaration was prepared that considered the environmental impacts of the adoption of the proposed modifications to the accessory building and/or structure ordinance and associated consistency amendments for the identified area. The Negative Declaration determined that any potential environmental impacts were less than significant.

SECTION 23: If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

SECTION 24: This Ordinance shall become effective 30 days after the date of its adoption, and is applicable to any building permit application received after the date of adoption of this Ordinance. Within 15 days of its adoption, the Ordinance shall be posted in three public places within the City of Menlo Park, and the Ordinance, or a summary of the Ordinance prepared by the City Attorney shall be published in the local newspaper used to publish official notices for the City of Menlo Park prior to the effective date.

INTRODUCED on the 29th day of April, 2014.

PASSED AND ADOPTED as an Ordinance of the City of Menlo Park at a regular meeting of the City Council of the City of Menlo Park on the 13th day of May, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Ray Mueller
Mayor

ATTEST:

Pamela Aguilar
City Clerk

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**CITY COUNCIL
SPECIAL AND REGULAR MEETING
DRAFT MINUTES**

Tuesday, April 29, 2014
6:00 P.M.

701 Laurel Street, Menlo Park, CA 94025
City Council Chambers

Mayor Mueller called the Closed Session to order at 6:07 p.m. Councilmember Keith was absent.

6:00 P.M. CLOSED SESSION (1st 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 §54946.8 to meet with real property negotiators, City Attorney Bill McClure, City Manager Alex McIntyre, and Assistant City Manager Starla Jerome-Robinson regarding potential sale of real property commonly known as 1467 Chilco Street, Menlo Park, to the Menlo Park Fire Protection District, including but not limited to instructions regarding sales price and other terms of sale

CL2. Closed Session pursuant to Government Code Section §54957 to conference with labor negotiators regarding labor negotiations with the Police Officers Association (POA) 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

7:00 P.M. REGULAR SESSION

Mayor Mueller called the Regular Session to order at 7:12 p.m. with all members present.

Mayor Mueller led the pledge of allegiance.

At this time, Mayor Mueller called Agenda Items A1 through A3 out of order.

A1. Proclamation honoring the Menlo Park Farmer's Market ([proclamation](#))([presentation](#))
Founder Margaret Carney and members of the Live Oaks Lions Club accepted the proclamation. Mayor Mueller also acknowledged the recent passing of Frank Carney and asked the audience to stand to express appreciation for the contributions of Mr. Carney.

A2. Presentation of Environmental Quality Awards ([presentation](#))
EQC Commissioner Deborah Martin gave a brief presentation. On behalf of the commission, Mayor Mueller presented the following awards:

- Climate Action Winner - Tom Arnold, CEO and Founder of Gridium
- Sustainable Lifestyle Winner - Carolee Hazard, Menlo Park resident (not present)

A3. Presentation of New City Website Reveal

Assistant to the City Manager Clay Curtin presented an orientation of the new City website and responded to Council questions.

ANNOUNCEMENTS – None

REPORT FROM CLOSED SESSION

There was no reportable action from the Closed Session held earlier this evening.

SS. STUDY SESSION

SS1. Review of the Downtown Parking Program ([presentation](#))

Transportation Manager Jesse Quirion made a presentation. Bill Hurrell, Vice President of CDM Smith, assisted with the presentation in regards to benchmarking to other communities.

Staff and Mr. Hurrell responded to Council questions and discussion ensued regarding signage and parking enforcement.

Public Comment:

- Penelope Huang spoke regarding the need for an employee parking, perhaps requiring a parking structure
- Fran Dehn, Menlo Park Chamber of Commerce, spoke regarding the need to create a welcoming retail experience

SS2. Discuss participation in Alameda County Regional Renewable Energy Procurement (R-REP) Project that could potentially provide solar power (Photovoltaic Panels) to five city facilities, and provide general direction on financing, review process, and installation of solar carports ([Staff report #14-066](#))([presentation](#))

Environmental Programs Manager Rebecca Fotu made a presentation.

There was consensus among Council to participate in the Alameda County R-REP Project.

A. PRESENTATIONS AND PROCLAMATIONS

A1. Proclamation honoring the Menlo Park Farmer's Market

This item was called earlier in the meeting.

A2. Presentation of Environmental Quality Awards

This item was called earlier in the meeting.

A3. Presentation of New City Website Reveal

This item was called earlier in the meeting.

B. COMMISSION/COMMITTEE VACANCIES, APPOINTMENTS AND REPORTS

B1. Library Commission quarterly report on the status of their 2 Year Work Plan

Library Commission Chair Jacqueline Cebrian reported on the following commission activities: researching meeting spaces, creating library focus groups, and promoting e-services

B2. Consider applicants for appointment to fill two vacancies on the Planning Commission, two vacancies on the Parks and Recreation Commission, and one vacancy on the Housing Commission ([Staff report #14-062](#))

ACTION: Councilmember Keith nominated Andrew Combs, Councilmember Cline nominated Ben Eiref, Mayor Mueller nominated Michael Meyer, and Councilmember Ohtaki nominated Elizabeth Youngblood for the Planning Commission.

ACTION: With a majority of votes, Ben Eiref (unanimous) and Andrew Combs (Mueller, Carlton, Keith) were appointed to the Planning Commission, each to four-year terms expiring April 2018.

ACTION: Mayor Pro Tem Carlton nominated Thomas Stanwood and Councilmember Cline nominated Elidia Tafoya for the Parks and Recreation Commission.

ACTION: By acclamation Thomas Stanwood and Elidia Tafoya are appointed to the Parks and Recreation Commission, each to four-year terms expiring April 2018.

ACTION: Because Housing Commission incumbent Sally Cadigan is seeking reappointment and there are no other applicants, by acclamation Ms. Cadigan is reappointed to the Housing Commission for a four-year term expiring April 2018.

B3. Provide information from Bicycle and Transportation Commissions about a potential commission merger

Bicycle Commission Chair Greg Klingsporn and Transportation Commission Chair Bianca Walser presented information.

Public/Commissioner Comment:

- Philip Mazzara, Transportation Commissioner, spoke against a merger
- Penelope Huang, Transportation Commissioner, spoke against a merger
- Maurice Shiu, Transportation Commissioner, spoke in favor of a merger and for a Complete Streets Commission
- Adina Levin, Transportation Commissioner, spoke in favor of a merger and for a Complete Streets Commission
- Michael Meyer, Transportation Commissioner, spoke in favor of a merger and for a Complete Streets Commission

A majority of the Council were in favor of the Commissions remaining separate and provided direction to staff. The City Clerk was directed to proceed with appointments to both the Bicycle Commission and Transportation Commission.

C. PUBLIC COMMENT #1

- Commissioners Robert Bernardo and Jim Tucker, San Mateo County Harbor District, shared information regarding activities and accomplishments of the District
- Mary Kuechler spoke against the proposed well at Sharon Heights Golf Club
- Elizabeth Houck expressed concern regarding spraying of Round-Up in the city
- Steve Schmidt spoke regarding rodent and plant issues and asked city staff to stop using pesticides. He also spoke against the proposed well at Sharon Heights Golf Club.

D. CONSENT CALENDAR

D1. Waive the reading and adopt **Ordinances 1002, 1003 & 1004** amending the zoning ordinance to include housing element implementation programs related to an emergency shelter for the homeless overlay, definitions pertaining to transitional and supportive housing and residential care facilities, and procedures for reasonable accommodation ([Staff report #14-061](#))

D2. Consider removal of on-street parking for new SamTrans bus stops ([Staff report #14-064](#))

D3. Accept minutes for the Council meetings of April 1, 2014 and April 22, 2014 ([Attachment](#))

ACTION: Motion and second (Cline/Keith) to approve all items on the Consent Calendar passes unanimously.

E. PUBLIC HEARINGS

- E1.** Adopt a resolution amending the City's Master Fee Schedule to incorporate proposed changes in fees to become effective immediately, July 1, 2014, or as required by statute for the following departments: Community Services and the Menlo Park Municipal Water District ([Staff report #14-060](#))
Council waived hearing a staff presentation.

Mayor Mueller opened the Public Hearing. There was no public comment.

ACTION: Motion and second (Cline/Keith) to close the Public Hearing passes unanimously.

ACTION: Motion and second (Keith/Cline) to adopt **Resolution 6193** amending the City's Master Fee Schedule to incorporate proposed changes in fees to become effective immediately, July 1, 2014, or as required by statute for the following departments: Community Services and the Menlo Park Municipal Water District passes unanimously.

ACTION: Motion and second (Cline/Ohtaki) to re-open the Public Hearing in respect to Community Development fees and continue the Public Hearing on the Community Development portion of the Master Fee Schedule to the May 13, 2014 Council meeting passes unanimously.

F. REGULAR BUSINESS

- F1.** Adopt a resolution authorizing the City of Menlo Park to become a member of the Western Riverside Council of Governments Joint Powers Authority and consenting to the inclusion of properties within the City of Menlo Park in the California HERO Program provided through WRCOG for financing of renewable energy and energy and water efficiency improvements ([Staff report #14-065](#))([presentation](#))
Council waived hearing a staff presentation. John Law of Renovate America was present.

Staff and Mr. Law responded to Council questions, and discussion ensued regarding homeowner education regarding the program.

Public Comment:

- John Law, Renovate America, spoke in support of Menlo Park becoming a member of the JPA and being included in the HERO Program.
- Elizabeth Houck expressed concern regarding staff time that will be spent on this program

ACTION: Motion and second (Cline/Keith) to adopt **Resolution 6194** authorizing the City of Menlo Park to become a member of the Western Riverside Council of Governments Joint Powers Authority and consenting to the inclusion of properties within the City of Menlo Park in the California HERO Program provided through WRCOG for financing of renewable energy and energy and water efficiency improvements with Councilmember Ohtaki's friendly amendment (Carlton seconds) to include adequate disclaimers and references in the City's program marketing materials, particularly disclosures regarding the risk to loans backed by Fannie Mae and Freddie Mac, and that these should be presented in layman's language passes unanimously.

- F2.** Consider and introduce ordinances to amend Chapter 16.79 (secondary dwelling units), Section 16.68.030 related to accessory buildings and accessory structures, and associated sections of Title 16 (Zoning) pertaining to secondary dwelling units and accessory structures and accessory buildings ([Staff report #14-067](#))([presentation](#))
Council waived hearing a staff presentation.

Public Comment:

- Harry Bims spoke regarding parking and driveways ([handout](#))
- Sheryl Bims spoke regarding the negative impacts of secondary dwelling units on the Belle Haven neighborhood and parking issues
- Rose Bickerstaff spoke in support of the previous speakers regarding parking issues on private lots

ACTION: Motion and second (Cline/Ohtaki) to introduce ordinances to amend Chapter 16.79 (Secondary Dwelling Units), Section 16.68.030 related to accessory buildings and accessory structures, and associated sections of Title 16 (Zoning) pertaining to secondary dwelling units and accessory structures and accessory buildings, with the following modifications as outlined below; passes 4-1 (Mueller dissents):

Accessory Buildings and Accessory Structures

- 1) Minor revisions to “clean up” items for clarity and consistency:
 - a. Clarification to accessory building and accessory structures regarding square footage calculation, and
 - b. Clarification of what is an accessory building and accessory structure

Secondary Dwellings

- 1) Maintain existing minimum lot size of 6,000 square feet for a secondary dwelling unit without a use permit
- 2) Addition of specific criteria to the registration process in the tenancy section.
- 3) Addition of a clause to give flexibility in extending the conversion process after the one-year time limit in the conversion of accessory building section.

G. CITY MANAGER’S REPORT – None

H. WRITTEN COMMUNICATION – None

I. INFORMATIONAL ITEMS – None

J. COUNCILMEMBER REPORTS

Councilmember Ohtaki asked staff to schedule an update in June regarding the right-turn at El Camino Real and Ravenswood. He also reported that ABAG is willing to make a presentation at a future meeting regarding

J1. Resident request to agendize well in Nealon Park to be considered in Water Program presentation scheduled for the June 3, 2014 City Council meeting
There was consensus by Council to add this item to the June 3rd Council meeting.

J2. Resident request to agendize prohibition of Round Up at City Parks presently under review by the Environmental Quality Commission
There was consensus by Council to add this item to a future meeting date to be determined.

K. PUBLIC COMMENT #2

- Elizabeth Houck expressed concern regarding Item J1 being placed on the agenda with the Water Program presentation.

L. ADJOURNMENT at 12:48 a.m. on April 30, 2014.

Pamela Aguilar
City Clerk

DRAFT



COMMUNITY DEVELOPMENT DEPARTMENT

Council Meeting Date: May 13, 2014
Staff Report #: 14-085

Agenda Item #: E-1

PUBLIC HEARING: **Adopt a Resolution Amending the City's Master Fee Schedule to Incorporate Proposed Changes in Fees to Become Effective July 14, 2014 for the Community Development Department and Provide Guidance Regarding Potential Fee Reductions or Waivers for Secondary Dwelling Units**

RECOMMENDATION

Staff recommends City Council adopt a resolution amending the City's Master Fee Schedule to incorporate proposed changes in fees to become effective July 14, 2014 for the Community Development Department. In addition, staff is seeking direction regarding potential fee reductions or waivers for secondary dwelling units.

BACKGROUND

The Master Fee Schedule reflects fees charged by all City departments. It is amended annually so that fees reflect current costs to provide services, to bring fees closer to full cost recovery targets, to add new fees when applicable for new City services, and/or to eliminate fees for discontinued services.

On April 29, 2014, the City Council conducted a public hearing on the Master Fee Schedule and continued the hearing regarding fees for the Community Development Department to May 13, 2014 due to the timing of action of the Housing Element related ordinances.

The City imposes different categories of fees with different requirements regarding how fees are set or changed. Community Development Department fees are typically process fees for property development and include fees for building and use permits, variances, building inspections, map applications, and planning services. These fees cannot exceed the reasonable cost of providing the service. Any new fee or increase to existing fees in this category can be effective no sooner than sixty days after approval by City Council.

ANALYSIS

At this time, the recommended fee changes for Community Development include one revision to an existing fee and the establishment of three new fees. In addition, staff is seeking direction regarding potential fee waivers or reductions for secondary dwelling units and a potential new General Plan Maintenance fee as discussed below.

Change to Existing Fee: Zoning Compliance Letters

Zoning compliance letters typically are requested when commercial or multi-family properties are sold or refinanced. (These letters typically are not requested for single-family residential properties). Staff received approximately 20 requests in the past year. Staff has found that the typical letter requires more research of historic records and analysis than is currently accounted for in the existing fee of \$400. Staff is recommending an increase to \$500 for the upcoming fiscal year as shown the table below. Staff would continue to evaluate the level of effort to determine whether the fee should be adjusted again next fiscal year.

Fee Title	Current Fee	Proposed Fee	Change %
Zoning Compliance Letter – per parcel	400.00	500.00	25%
Compliance Review (e.g., R-4-S, Emergency Shelter, etc.)	N/A	800.00 deposit	New
Reasonable Accommodation Review	N/A	100.00	New
Secondary Dwelling Unit Registration			
Initial registration	N/A	100.00	New
Annual renewal (up to limit established in Zoning Ordinance) – per year	N/A	50.00	New

New Fees: Housing Element Implementation Ordinances

As part of the Council’s adoption of the three Housing Element implementation ordinances on April 29, 2014, there are three new fees that should be included in the master fee schedule: compliance reviews, reasonable accommodation review and secondary dwelling unit registration. The proposed fees are listed in the table above.

Currently, the staff is utilizing the Mitigation and Condition Monitoring fee for compliance reviews for the R-4-S zoning district (e.g. St. Anton on Haven, Greenheart on Hamilton, Greystar on Haven), given the need to comply with the Mitigation Measures contained in the Housing Element Environmental Assessment. The fee is an \$800 deposit with invoices sent for staff time spent beyond the deposit. Staff is recommending keeping the same deposit amount, but creating a distinct fee category that would also be applicable to the new compliance review for any proposed emergency shelters. With a deposit and invoicing, the City would be able to recover 100% of the costs.

For the new Reasonable Accommodation Review, staff is proposing a flat fee of \$100. This is a new type of permit, for which the City has no experience processing. Staff does not anticipate a high volume of requests. Given the nature of the permit request for persons with disabilities seeking equal access to housing under Federal and State law, staff is proposing a relatively nominal fee that is not geared toward full cost recovery. As staff gains experience processing such requests, staff will report back during future annual reviews of the Master Fee schedule.

For the secondary Dwelling Unit Registration, again this is a new fee. The proposed fee includes an amount for the initial registration (\$100) and then an annual renewal amount (\$50 per year). If someone opts for the registration process to be able to rent out the main dwelling and the secondary dwelling unit for the maximum of five years, then the total registration fee would be \$300. Staff believes that these proposed fees would be close to providing for full cost recovery with sensitivity towards ensuring that the fee does not deter someone from obtaining the registration. As staff processes such requests, staff will monitor the amount of time spent to determine whether adjustments to the fees would be warranted while balancing these two factors.

Direction on Fees: Secondary Dwelling Units

Housing Element Programs H4.E and H4.F identify that the City will consider potential fee reductions or waivers as a means of encouraging the creation of secondary dwelling units. With the creation of more secondary dwelling units, the City is able to then point to a track record of being able to rely on secondary dwelling units to meet its Regional Housing Needs Allocation (RHNA) numbers in future cycles.

There are multiple types of fees that the City charges, but can be summarized as follows:

- **Processing fees for discretionary permits:** Fees are intended to recover the cost for staff time spent during reviews involving public input (e.g., Administrative Permits and Use Permits).
- **Processing fees for ministerial permits:** Fees are intended to recover the cost for staff time spent reviewing construction drawings and inspecting projects.
- **Pass through fees:** Fees that the City collects which are then passed through to the State or city consultants/contractors. These fees would generally not be good candidates for reduction.

- **Impact fees:** Fees for infrastructure; examples of impact fees include the building construction street impact fee and the transportation impact fee. Reductions of these fees may require a more extensive process than an amendment to the master fee schedule.

In addition, there are various services provided by other districts, such as fire (one provider), sanitary (two providers), water (three providers), and schools. The City has no control over these fees.

As part of East Palo Alto's updated to its Secondary Dwelling Unit requirements, East Palo Alto surveyed a number of cities including Menlo Park. The results of the survey are included as Attachment B. The City of Menlo Park's current fees are generally in line with other surveyed jurisdictions, except for the City of East Palo Alto, which has higher fees. The exact amount of fees varies depending on the specifics of the proposal. As shown in the table, the City fees for a 500 square foot secondary dwelling unit are approximately \$5,000 with additional fees of approximately \$2,500 charged by other districts.

As a policy matter, the City Council should consider whether to reduce or waive a variety of fees applicable to secondary dwelling units. The City Council User Fee Cost Recovery Policy provides the following categories for cost recovery:

- Low Cost Recovery = 0-30%
- Mid Cost Recovery = 30-70%
- High Cost Recovery = 70-100%

If the Council is interested in reducing fees for Secondary Dwelling Units, it would be helpful if the Council identified which of the three cost recovery levels it is seeking to achieve for secondary dwelling units over the next fiscal year. In addition, it would be helpful to receive feedback as to whether the focus of any fee reductions or waivers should be on processing fees versus pass through or impact fees. Council could also provide feedback as to whether it is interested in subcategories under certain fee types specific to secondary dwelling units. Two examples related to Administrative Permits and Use Permits are provided below.

The proposed Zoning Ordinance amendment that the Council introduced on May 6, 2014 and that is being considered for adoption at the May 13, 2014 Council meeting identifies a process for the conversion of existing accessory buildings to secondary dwelling units through an Administrative Permit. The current fee for an Administrative Permit reviewed by the Community Development Director is a flat amount of \$1,100. The Council could consider a reduction and/or waiver of this fee specific to secondary dwelling units.

In addition, the Secondary Dwelling Unit chapter of the Zoning Ordinance allows for exceptions to various requirements through a Use Permit reviewed by the Planning Commission. The current fee for a Use Permit is a deposit of \$1,500. Fees for use permits vary depending on the scope of the project, but the fee almost always exceeds

the deposit amount. The Council could decide to create a flat fee option specific for secondary dwelling units to eliminate the potential variability and then provide guidance whether the flat fee should be further reduced or waived.

If the City Council would like to consider fee reductions and or waivers, the Council should provide feedback and then staff will return with a specific recommendation. If the Council is interested in the fee reductions/waivers, staff would recommend that the fees be re-evaluated each year as part of the annual Master Fee Schedule update to determine the effectiveness of the reductions/waivers. Staff also would recommend that any waivers or reductions sunset and revert to the standard fees at the end of each fiscal year unless re-authorized by the City Council. This will minimize the potential misperceptions in the future that the City either is imposing new fees or raising fees.

General Plan Maintenance Fee

Staff would also like to utilize this opportunity to introduce the concept of imposing a General Plan maintenance fee in order to achieve cost recovery for the cost of updating and maintaining the General Plan over the long term. Other cities impose such a fee at building permit applications for example. Staff intends to research and then present recommendations to the City Council at a future meeting.

IMPACT ON CITY RESOURCES

The estimated annual net increase in General Fund revenue from the revisions to the Zoning Compliance Letter fee is \$2,000. The other proposed fees are new and are not expected to have a high volume. Thus the revenue impact is expected to be minimal. The staff report also identifies potential fee reductions or waivers for secondary dwelling units.

POLICY ISSUES

The fee changes proposed in this report are in compliance with the Cost Recovery / Subsidization Policy adopted by Council on March 9, 2010. In addition, the report raises several policy questions that will require further consideration by the City Council.

ENVIRONMENTAL REVIEW

Adoption of a Master Fee Schedule is categorically exempt under current California Environmental Quality Act guidelines.

PUBLIC NOTICE

Published legal notice on April 16, 2014 in the local newspaper.

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

ATTACHMENTS

- A. Resolution Amending City Fees and Charges
- B. Secondary Dwelling Unit Fee Comparisons to other Jurisdictions

Report prepared by:

Justin Murphy

Development Services Manager

Report reviewed by:

Arlinda Heineck

Community Development Director

RESOLUTION NO.

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK
AMENDING CITY FEES AND CITY CHARGES**

WHEREAS, under the provisions of the City of Menlo Park Municipal Code Section 1.25.010, fees and charges assessed by the City of Menlo Park may be amended or modified upon the adoption of a Resolution by the City Council; and

WHEREAS, the City Council of the City of Menlo Park considers that said amended fees, as per Staff Report #14-085 dated May 13, 2014 are appropriate and should be adopted.

The City Council of the City of Menlo Park makes the following findings:

1. User fee services are those performed by the City on behalf of a private citizen or group with the assumption that the costs of services benefiting individuals, and not society as a whole, should be borne by the individual receiving the benefit. However, in some circumstances, it is reasonable to set fees at a level that does not reflect the full cost of providing service but to subsidize the service.
2. A listing of the fee changes proposed for City services was available to the public for at least ten days preceding the Public Hearings on May 13, 2014, at which time the fees were adopted.

NOW, THEREFORE, BE IT RESOLVED that the Master Fee Schedule last amended April 29, 2014, is hereby amended to take effect on July 14, 2014; and

BE IT FURTHER RESOLVED that the City Manager is authorized to waive, modify or amend fees on any matter in his/her reasonable discretion, provided that said fees may not be increased and if he/she does so, he/she shall so advise the City Council.

PASSED AND ADOPTED at a regular meeting of the Menlo Park City Council on the thirteenth day of May, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of the City of Menlo Park this thirteenth day of May, 2014.

Pamela Aguilar
City Clerk

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Jurisdiction Name: Menlo Park

Assumption	400 Sq. Ft. Garage Conversion	500 Sq. Ft. Attached Second Unit	500 Sq. ft. Detached Second Unit
Water Fee (assuming Muni Water)*	No Fee	No Fee	No Fee
Building Fees			
Plan Check	\$812.40	\$1,026	\$987.50
Permit Fee (inspection)	\$748.40	\$1,037.25	\$933.50
	In this scenario, it is assumed that a new one-car garage (230 sf) is built; the plan review fee would be \$596.39 and the permit fee would be \$441.71	If the new second unit addition or new second unit building is located west of Alameda de las Pulgas, a geo technical fee would also apply. The fee would be \$875.00	
Engineering Fees			
Plan Check	\$700	\$700	\$700
Inspection	\$500	\$500	\$500
Planning Fees**			
	N/A	N/A	N/A
Traffic Impact Fees	N/A	\$646.64	\$646.64
The following fees would be assessed by agencies outside the jurisdiction of the City.			
School Impact Fees***		1600	1600
Sewer Fee (West Bay Sanitary District)			
Fire Review (Menlo Park Fire Protection District)	981	981	981
Total Fees	\$4,779.90	\$7,365.25	\$7,165.25

* Assumes that existing water line is capable of handling additional square footage and/or dwelling unit; no upgrades needed beyond extension

** Assumes no discretionary planning review is required. If a use permit is required, the application fee would require a \$1,500 deposit.

*** Menlo Park City School District, Ravenswood School District, Las Lomas School District, Redwood City School District, Sequoia Union High School District

Jurisdiction: East Palo Alto

Fee	400 Sq. Ft. Garage Conversion	500 Sq. Ft. Attached Second Unit	500 Sq. ft. Detached Second Unit
Assumption	\$20,000 Building Valuation	\$40,000 Building Valuation	\$60,000 Building Valuation
School Impact Fees	0	\$3.20 per sf 1600	\$3.20 per sf \$1,600.00
Sewer Fee	125 inspection fee; 800 Review fee; 3,625 connection fee second unit can share the lateral of the house	125 inspection fee; 800 Review fee; 3,625 connection fee second unit can share the lateral of the house	125 inspection fee; 800 Review fee; 3,625 connection fee second unit can share the lateral of the house
Sewer Fee Subtotal	4550	4550	4550
Fire Review	\$241	\$241	\$241
Sprinkler Review Fee	740	740	740
Building Fees	\$2,025	\$2,810	\$3,200
Engineering Fees	4274 (If encroachment permit fee)	\$4,274 (If encroachment permit fee required)	\$4,274 (If encroachment permit fee)
Planning Fees	\$1,500	\$1,500	\$1,500
Water Fees	0	1968	1968
Impact Fees	0		
	\$13,330	\$17,683.00	\$18,073.00

No encroachment fee	\$9,056	\$13,409.00	\$13,799.00
No water fee	\$9,056	\$11,441.00	\$11,831.00
If no sewer fee	\$4,506	\$6,891.00	\$13,523.00

Jurisdiction Name: Palo Alto

Fee	400 Sq. Ft. Garage Conversion	500 Sq. Ft. Attached Second Unit	500 Sq. ft. Detached Second Unit
Assumption	\$20,000 Building Valuation	\$40,000 Building Valuation	\$60,000 Building Valuation
School Impact Fees	0	\$3.20 per sf 1600	\$3.20 per sf \$1,600.00
Sewer Fee	0	0	0
Fire Review	\$75	\$75	\$75
Building Fees	\$1,489	\$2,370	\$2,924
Engineering Fees	0	\$113	\$149
Planning Fees	\$4,021	\$4,021	\$4,021
Water Fees	0	0	0
Impact Fees			
	\$5,585	\$8,179.00	\$8,769.00

Jurisdiction Name: San Bruno

Fee	400 Sq. Ft. Garage Conversion	500 Sq. Ft. Attached Second Unit	500 Sq. ft. Detached Second Unit
Assumption	\$37,000 Building Valuation	\$92,500 Building Valuation	\$92,500 Building Valuation
School Impact Fees	0	\$2.97 per s.f. paid to school district	
		1485	\$1,485.00
Sewer Fee		Depends, if increase in capacity, \$3,495	
		3,495	3,495
Fire Review	N/A	N/A	N/A
Building Fees	\$1,822	\$3,138	\$3,138
Engineering Fees		Depends, estimate \$350	
		350	350
Planning Fees			
Staff level	\$188	\$925	\$925.00
Water Fees	0	Depends, if increase in capacity, \$1502	
		1502	1502
Impact Fees			
	\$2,010	\$10,895	\$10,895.00

Jurisdiction Name: Saratoga

Fee	400 Sq. Ft. Garage Conversion	500 Sq. Ft. Attached Second Unit	500 Sq. ft. Detached Second Unit
Assumption	\$40,000 Building Valuation	\$125,000 Building Valuation	\$125,000 Building Valuation
School Impact Fees	0	\$2.80 sq. ft.	\$2.80 sq. ft.
		1400	\$1,400.00
Sewer Fee	\$1,120	\$1,120	\$1,120
Fire Review	\$0	\$0	\$100
Building Fees	\$1,620	\$3,700	\$3,700
Engineering Fees	\$0	\$0	\$1,000
Planning Fees	\$520	\$520	\$520
Water Fees	\$0	\$0	\$0
Impact Fees	\$0	\$0	\$0
	\$3,260	6740	\$7,840.00

Jurisdiction Name: SUNNYVALE, CA

Fee	400 Sq. Ft. Garage Conversion	500 Sq. Ft. Attached Second U	500 Sq. ft. Detached Second Unit
Assumption	\$20,000 Building Valuation	\$40,000 Building Valuation	\$60,000 Building Valuation
School Impact Fees*	N/A (less than 500 SF)	1750	1750
	N/A (less than 500 SF)	Average of 3.50 per sq. ft.	Average of 3.50 per sq. ft.
Sewer Fee	\$1,296 (Assumption: Existing house has 1 or 2 bedrooms)	\$2,091	\$2,091
Fire Review	N/A	N/A	N/A
Building Fees	\$ 1,067.21	\$ 1,945.10	\$ 2,252.96
Engineering Fees			
Building Permit Clearance Fees	\$422	\$422	\$422
Planning Fees**			
No Design Review	\$ -	\$ -	\$ -
Staff Level Design Review	\$ 150.50	\$ 150.50	\$ 150.50
PC level Design Review	\$ 408.50	\$ 408.50	\$ 408.50
Water Fees	\$145 (Assumption: Existing house has 1 or 2 bedrooms)	\$389	\$389
Traffic Impact Fees	\$ 1,317.00	\$ 1,317.00	\$ 1,317.00
	\$ 4,233.71	\$7,900.60	\$8,241.46

* Sunnyvale School District/Fremont Union High School District; Cupertino Union School District/Fremont Union High School District; or Santa Clara Unified School District

**Design Review Required if there is an addition >20% increase in gross floor area (includes garage). Requires PC review if over 45% FAR or results in >3600 s.f.

**Site must provide all required parking for main home (2 covered and 2 driveway spaces) plus one uncovered space for the Second Unit



POLICE DEPARTMENT

Council Meeting Date: May 13, 2014
Staff Report #: 14-083

Agenda Item #: F-1

REGULAR BUSINESS: Request for City Council to consider adoption of a resolution or introduction of an ordinance regarding the use of Automated License Plate Readers and neighborhood surveillance cameras

RECOMMENDATION

Staff requests that the City Council consider whether to adopt a resolution or introduce an ordinance regarding the use of Automated License Plate Readers and neighborhood surveillance cameras in the City of Menlo Park.

BACKGROUND

On September 24, 2013, the City Council approved the purchase and installation of mobile Automated License Plate Readers (ALPRs), mounted on three police vehicles. Council also approved the purchase and installation of four fixed neighborhood surveillance cameras, in the Belle Haven neighborhood. The recommendations for this technology came from public input at numerous meetings with the Belle Haven community, regarding an increase in gang violence in the area in 2012.

During the September 24, 2013 meeting, some council members raised privacy concerns regarding the use of the technology. The then Mayor Pro Tem Mueller made a motion to create a Council Subcommittee to explore these privacy concerns and provide direction to staff regarding the drafting of an ordinance and/or resolution for consideration by the City Council. Mayor Pro Tem Mueller and Councilmember Keith were appointed to the subcommittee.

The subcommittee met on several occasions with the Police Chief, Commander and City Attorney. Existing laws, regulations and privacy protections were discussed along with the draft police department policy on the use of ALPRs and neighborhood surveillance cameras. At the conclusion of these discussions, the subcommittee decided to have the City Attorney draft both a resolution and an ordinance to be presented to the full Council for consideration. The subcommittee members recommend that Council adopt an ordinance.

ANALYSIS

The City Attorney has drafted both a resolution of the City Council adopting policies and procedures for the operation of ALPRs and a public safety camera system; and an ordinance of the City Council adding chapter 2.56 [Public Safety Information] to Title 2 of the Menlo Park Municipal Code. The draft copies of both documents are attached.

Resolution

The attached draft resolution includes the procedures for the use, storage, and dissemination of the Automated License Plate Reader equipment. The resolution addresses the privacy concerns discussed by the Council Subcommittee along with the specific retention periods requested by members of the Subcommittee. The resolution also outlines the allowed and prohibited uses of the above mentioned equipment.

If the Council adopts this resolution, it would take effect immediately upon adoption.

Ordinance

The attached draft ordinance also includes the same procedures for the use, storage, and dissemination of the Automated License Plate Reader equipment as set forth in the Resolution. The ordinance addresses the same privacy concerns discussed by the Council Subcommittee along with the specific retention periods requested by members of the Subcommittee. The ordinance also outlines the allowed and prohibited uses of the above mentioned equipment.

If the Council prefers to enact an ordinance rather than the resolution, the Council would introduce the ordinance, which would be considered a first reading and the ordinance would then return to the Council for a second reading and adoption and would then be in effect 30 days after adoption.

IMPACT ON CITY RESOURCES

As the equipment has already been approved and purchased, there is no further impact on City Resources.

POLICY ISSUES

The decision whether to adopt a resolution or enact an ordinance that would then be codified in the City's Municipal Code is a policy matter for determination by the City Council. It should be noted that generally policies regulating internal matters are typically adopted by resolution and policies regulating third party behaviors are typically adopted by Ordinance. In either case, the proposed action is consistent with City policy, department policy and State law.

ENVIRONMENTAL REVIEW

Not Applicable – Activity is not a project as defined by Section 15378 of the CEQA Guidelines.

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. Draft Resolution of the City Council of the City of Menlo Park Adopting Policies and Procedures for the Operation of ALPR's and the Public Safety Camera System
- B. Draft Ordinance of the City Council adding chapter 2.56 [Public Safety Information] to Title 2 of the Menlo Park Municipal Code.

Report prepared by:
Dave Bertini
Police Commander

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RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK
ADOPTING POLICIES AND PROCEDURES FOR THE OPERATION OF
AUTOMATED LICENSE PLATE READERS (“ALPRs”) AND PUBLIC
SAFETY CAMERA SYSTEM**

WHEREAS, the Menlo Park Police Department has acquired Automated License Plate Readers (ALPRs) to be installed on one or more Police Department vehicles to be used by the Department to convert data associated with vehicle license plates for official law enforcement purposes, including identifying stolen and wanted vehicles, stolen license plates and missing persons, and to gather information related to active warrants, homeland security, electronic surveillance, suspect interdiction and stolen property recovery; and

WHEREAS, the City of Menlo Park plans to operate a public safety neighborhood surveillance camera system in fixed locations for the purpose of creating a safer environment for all those who live, work and visit the City, which cameras may be used for the purpose of detecting and deterring crime, to help emergency services personnel maintain public order, to help manage emergency response situations during natural and man-made disasters, to monitor pedestrian and vehicle traffic activity, to assist in the preparation of traffic reports, and to assist City officials in prosecuting and/or defending civil or administrative actions; and

WHEREAS, the City Council is concerned about protecting the privacy of its residents and visitors with respect to the retention and use of data obtained by ALPRs and neighborhood surveillance cameras.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Menlo Park does hereby approve and adopt the following policies regarding the retention and use of data obtained by ALPRs and public safety camera system owned and/or operated by the City of Menlo Park:

1. Definitions

For the purposes of this Resolution, the following words and phrases shall have the meanings ascribed to them in this Section:

- A. “Automated License Plate Reader” or “ALPR” means technology, also known as License Plate Recognition, which provides automated detection of license plates.
- B. “Data” means information gathered by the Automated License Plate Reader in the form of license plates and metadata (location and time license plate was viewed).
- C. “Public Safety Camera System” means cameras that record images only and not sound and that are placed in strategic fixed locations within the City at the direction of the Chief of Police and with the approval of the City Council for the purpose of detecting and deterring crime, to help emergency services personnel maintain public order, to help manage emergency response situations during natural and man-made disasters, to monitor

pedestrian and vehicle traffic activity, to assist in the preparation of traffic reports, and to assist City officials in prosecuting and/or defending civil or administrative actions.

- D. "Recordings" means the recorded images, without sound, recorded by the Public Safety Camera System.

2. Automated License Plate Reader Data Use

- A. Data will be securely transmitted to the Northern California Regional Intelligence Center ("NCRIC") as part of a multi-jurisdictional public safety program created to assist local, state, federal and tribal public safety agencies and critical infrastructure locations with the collection, analysis, and dissemination of criminal threat information, provided NCRIC has executed an agreement with the City agreeing to comply with the retention/destruction provisions set forth in this section.
- B. Data transmitted to NCRIC from the Police Department shall be kept no more than six months, and then destroyed, unless retention of specific identified license plate data is necessary for an active criminal case or pursuant to a valid court order.
- C. Data may only be accessed by law enforcement personnel who are approved to access the data and who have undergone required NCRIC training for legitimate law enforcement purposes only, such as when the data relates to a specific criminal investigation or department-related civil or administrative action.
- D. Data may be accessed by other NCRIC agencies that have executed a Memorandum of Understanding with NCRIC, but only for legitimate law enforcement purposes and by authorized/trained personnel and only in compliance with all policies, procedures and reporting requirements of NCRIC.
- E. Data may be released to other non-NCRIC authorized and verified law enforcement officials and agencies for legitimate law enforcement purposes, with approval of the Chief of Police or Police Commander, provided any such official and/or agency has executed an agreement with the City agreeing to comply with the terms and provisions of Sections 2 and 3 of this Resolution.
- F. All data and images gathered are for official use of the Police Department and because such data may contain confidential California Law Enforcement Telecommunications Systems ("CLETS") information, it is not open to public view or inspection.

3. Prohibited Use of Automated License Plate Reader and Data

- A. ALPR shall not be used to invade the privacy of individuals, to look into private areas or areas where the reasonable expectation of privacy exists, nor shall they be used to harass,

intimidate or discriminate against any individual or group, nor for any purpose not specifically authorized by this Resolution.

- B. Unauthorized access, possession or release of data is a violation of Police Department policy and various federal and state criminal statutes. Any employee, who accesses, possesses or releases data, from the ALPR database without authorization or in violation of this Resolution and such additional policies established by the Police Department, may face department discipline up to and including termination, criminal prosecution and/or civil liability.

4. Automated License Plate Reader Auditing and Reporting

- A. NCRIC will give a quarterly report to the Police Department which shall indicate the number of license plates captured by the ALPR in the City of Menlo Park, how many of those license plates were “hits” (on an active wanted list), the number of inquiries made by Menlo Park personnel along with the justifications for those inquiries, and information on any data retained beyond six months and the reasons for such retention in compliance with Section 2B of this Resolution.
- B. Following receipt of the NCRIC report described in subsection 4A., above, the Police Department shall provide an information report to the City Council.
- C. ALPR system audits will be randomly conducted by the California Department of Justice and in conjunction with yearly CLETS audits.

5. Public Safety Camera System Data Use

- A. Public safety camera recordings may only be used for the purpose of criminal investigations, detecting and deterring crime, to help emergency services personnel maintain public order, to help manage emergency response situations during natural and man-made disasters, to monitor pedestrian and vehicle traffic activity, to assist in the preparation of traffic accident reports, and to assist City officials in prosecuting and/or defending civil or administrative actions.
- B. Recordings will be made in a professional, ethical and legal manner.
- C. All recordings will be stored by the Police Department in a secure area with access restricted to authorized persons, and shall not be accessible by third parties without express permission.
- D. Recordings not otherwise needed for reasons in subsection A. shall be retained for a period of up to 90 days and then erased or recorded over as limited by the storage capacity of the cameras.

- E. Any recordings needed as evidence in a criminal or civil case proceeding or for another reason specified in subsection 5A. shall be collected and booked in accordance with current Police Department evidence procedures.
- F. Recordings may only be released to other authorized and verified law enforcement officials and agencies for legitimate law enforcement purposes as specified in subsection A. with approval of the Chief of Police or Police Commander, provided such official or agency executes an agreement with the City agreeing to comply with the terms and provisions of Sections 5 and 6 of this Resolution, or with a valid court order.
- G. Except as required by a valid court order or other lawful process, recordings do not constitute public records and will not be disclosed to the public.
- H. Facial recognition and cognitive security software may only be used to review recordings from the Public Safety Camera System with the approval of the Chief of Police or Police Commander in specific criminal investigations or specific threats to public safety.

6. Prohibited Use of Public Safety Camera System and Data

The Public Safety Camera System will not be used to invade the privacy of individuals, to look into private areas or areas where the reasonable expectation of privacy exists. The Public Safety Camera System shall not be used to harass, intimidate or discriminate against any individual or group, nor for any purpose not authorized by this Resolution.

7. Public Safety Camera System Auditing and Reporting

The Chief of Police or his/her designee will conduct an annual review of the Public Safety Camera System, its use, effectiveness and adherence to policy, including frequency and purpose for use of facial recognition or cognitive security software and frequency and purpose for retention of recordings beyond 90 days, and will provide an annual information report to the City Council regarding such review.

BE IT FURTHER RESOLVED by the City Council of the City of Menlo Park that the Police Department is directed to adopt policies to be included in its policy manual consistent with the provisions of this Resolution, which policies may be more restrictive, but not less restrictive, than the policies set forth in this Resolution.

BE IT FURTHER RESOLVED by the City Council of the City of Menlo Park that this Resolution shall be applicable to and be binding upon the use of ALPRs and any public safety camera systems operated by the City of Menlo Park and the policies set forth herein may not be amended, modified or waived, except with the approval of the City Council of the City of Menlo Park.

I, PAMELA AGUILAR, City Clerk of the City of Menlo Park, do hereby certify that the above and foregoing Resolution was duly and regularly passed and adopted at a meeting by said City Council on May 13, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City Council on this 13th day of May, 2014.

PAMELA AGUILAR
City Clerk

DRAFT

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ORDINANCE NO.

**ORDINANCE OF THE CITY COUNCIL OF THE CITY OF
MENLO PARK ADDING CHAPTER 2.56 [PUBLIC SAFETY
INFORMATION] TO TITLE 2 [ADMINISTRATION AND
PERSONNEL] OF THE MENLO PARK MUNICIPAL CODE**

The City Council of the City of Menlo Park does ordain as follows:

SECTION 1. FINDINGS AND DETERMINATIONS. The City Council of the City of Menlo Park hereby finds and declares as follows:

- A. The Menlo Park Police Department has acquired Automated License Plate Readers to be installed on one or more Police Department vehicles to be used by the Police Department to convert data associated with vehicle license plates for official law enforcement purposes, including identifying stolen and wanted vehicles, stolen license plates and missing persons, and to gather information related to active warrants, homeland security, electronic surveillance, suspect interdiction and stolen property recovery.
- B. The City of Menlo Park plans to operate a Public Safety Camera System for the purpose of creating a safer environment for all those who live, work and visit the City, which cameras may be used for detecting and deterring crime, to help safeguard against potential threats to the public, to help manage emergency response situations during natural and man-made disasters and to assist City officials in providing services to the community.
- C. The City Council is concerned about protecting the privacy of its residents with respect to the retention and use of data obtained by Automated License Plate Readers and the Public Safety Camera System and desires to add Chapter 2.56 [Public Safety Information] to Title 2 [Administration and Personnel] of the Menlo Park Municipal Code to address the use and retention of this information.

SECTION 2. ADDITION OF CODE. Chapter 2.56 [Public Safety Information] is hereby added to Title 2 [Administration and Personnel] of the Menlo Park Municipal Code to read as follows:

Chapter 2.56

PUBLIC SAFETY INFORMATION

Sections:

- 2.56.010 Purpose
- 2.56.020 Definitions
- 2.56.030 Automated License Plate Reader Data Use
- 2.56.040 Prohibited Use of Automated License Plate Reader and Data
- 2.56.050 Automated License Plate Reader Auditing and Reporting
- 2.56.060 Public Safety Camera System Data Use
- 2.56.070 Prohibited Use of Public Safety Camera System and Data
- 2.56.080 Public Safety Camera System Auditing and Reporting
- 2.56.090 Adoption of Department Policies

2.56.010 Purpose

The purpose of this Chapter is to provide for the proper use of data and recordings gathered by the City through the use of Automated License Readers and the Public Safety Camera System.

2.56.020 Definitions

For the purposes of this Chapter, the following words and phrases shall have the meanings ascribed to them in this Section:

- A. "Automated License Plate Reader" or "ALPR" means technology, also known as License Plate Recognition, which provides automated detection of license plates.
- B. "Data" means information gathered by the Automated License Plate Reader in the form of license plates and metadata (location and time license plate was viewed).
- C. "Public Safety Camera System" means cameras that record images only and not sound and that are placed in strategic fixed locations within the City at the direction of the Chief of Police and with the approval of the City Council for the purpose of detecting and deterring crime, to help emergency services personnel maintain public order, to help manage emergency response situations during natural and man-made disasters, to monitor pedestrian and vehicle traffic activity, to assist in the preparation of traffic reports, and to assist City officials in prosecuting and/or defending civil or administrative actions.
- D. "Recordings" means the recorded images, without sound, recorded by the Public Safety Camera System.

2.56.030 Automated License Plate Reader Data Use

- A. Data will be securely transmitted to the Northern California Regional Intelligence Center (“NCRIC”) as part of a multi-jurisdictional public safety program created to assist local, state, federal and tribal public safety agencies and critical infrastructure locations with the collection, analysis, and dissemination of criminal threat information, provided NCRIC has executed an agreement with the City agreeing to comply with the retention/destruction provisions set forth in this section.
- B. Data transmitted to NCRIC from the Police Department shall be kept no more than six months, and then destroyed, unless retention of specific identified license plate data is necessary for an active criminal case or pursuant to a valid court order.
- C. Data may only be accessed by law enforcement personnel who are approved to access the data and who have undergone required NCRIC training for legitimate law enforcement purposes only, such as when the data relates to a specific criminal investigation or department-related civil or administrative action.
- D. Data may be accessed by other NCRIC agencies that have executed a Memorandum of Understanding with NCRIC, but only for legitimate law enforcement purposes and by authorized/trained personnel and only in compliance with all policies, procedures and reporting requirements of NCRIC.
- E. Data may be released to other non-NCRIC authorized and verified law enforcement officials and agencies for legitimate law enforcement purposes, with approval of the Chief of Police or Police Commander, provided any such official and/or agency has executed an agreement with the City agreeing to comply with the terms and provisions of Sections 2.56.030 and 2.56.040.
- F. All data and images gathered are for official use of the Police Department and because such data may contain confidential California Law Enforcement Telecommunications Systems (“CLETS”) information, it is not open to public view or inspection.

2.56.040 Prohibited Use of Automated License Plate Reader and Data

- A. ALPR shall not be used to invade the privacy of individuals, to look into private areas or areas where the reasonable expectation of privacy exists, nor shall they

be used to harass, intimidate or discriminate against any individual or group, nor for any purpose not specifically authorized by this Chapter.

- B. Unauthorized access, possession or release of data is a violation of Police Department policy and various federal and state criminal statutes. Any employee, who accesses, possesses or releases data, from the ALPR database without authorization or in violation of this Chapter and such additional policies established by the Police Department, may face department discipline up to and including termination, criminal prosecution and/or civil liability.

2.56.050 Automated License Plate Reader Auditing and Reporting

- A. NCRIC will give a quarterly report to the Police Department which shall indicate the number of license plates captured by the ALPR in the City of Menlo Park, how many of those license plates were “hits” (on an active wanted list), the number of inquiries made by Menlo Park personnel along with the justifications for those inquiries, and information on any data retained beyond six months and the reasons for such retention in compliance with Section 2.56.030B.
- B. Following receipt of the NCRIC report described in subsection A., above, the Police Department shall provide an information report to the City Council.
- C. ALPR system audits will be randomly conducted by the California Department of Justice and in conjunction with yearly CLETS audits.

2.56.060 Public Safety Camera System Data Use

- A. Public safety camera recordings may only be used for the purpose of criminal investigations, detecting and deterring crime, to help emergency services personnel maintain public order, to help manage emergency response situations during natural and man-made disasters, to monitor pedestrian and vehicle traffic activity, to assist in the preparation of traffic accident reports, and to assist City officials in prosecuting and/or defending civil or administrative actions.
- B. Recordings will be made in a professional, ethical and legal manner.
- C. All recordings will be stored by the Police Department in a secure area with access restricted to authorized persons, and shall not be accessible by third parties without express permission.

- D. Recordings not otherwise needed for reasons in subsection A. shall be retained for a period of up to 90 days and then erased or recorded over as limited by the storage capacity of the cameras.
- E. Any recordings needed as evidence in a criminal or civil case proceeding or for another reason specified in subsection A. shall be collected and booked in accordance with current Police Department evidence procedures.
- F. Recordings may only be released to other authorized and verified law enforcement officials and agencies for legitimate law enforcement purposes as specified in subsection A. with approval of the Chief of Police or Police Commander, provided such official or agency executes an agreement with the City agreeing to comply with the terms and provisions of Sections 2.56.060 and 2.76.070, or with a valid court order.
- G. Except as required by a valid court order or other lawful process, recordings do not constitute public records and will not be disclosed to the public.
- H. Facial recognition and cognitive security software may only be used to review recordings from the Public Safety Camera System with the approval of the Chief of Police or Police Commander in specific criminal investigations or specific threats to public safety.

2.56.070 Prohibited Use of Public Safety Camera System and Data

The Public Safety Camera System will not be used to invade the privacy of individuals, to look into private areas or areas where the reasonable expectation of privacy exists. The Public Safety Camera System shall not be used to harass, intimidate or discriminate against any individual or group, nor for any purpose not authorized by this Chapter.

2.56.080 Public Safety Camera System Auditing and Reporting

- A. The Chief of Police or his/her designee will conduct an annual review of the Public Safety Camera System, its use, effectiveness and adherence to policy, including frequency and purpose for use of facial recognition or cognitive security software and frequency and purpose for retention of recordings beyond 90 days, and will provide an annual information report to the City Council regarding such review.

2.56.90 Adoption of Department Policies

The Police Department is directed to adopt policies to be included in its policy manual consistent with the provisions of this Chapter, which policies may be more restrictive, but not less restrictive, than the policies set forth in this Chapter.

SECTION 3. CALIFORNIA ENVIRONMENTAL QUALITY ACT DETERMINATION. The City Council hereby finds that this ordinance is not subject to the provisions of the California Environmental Quality Act (“CEQA”) because the activity is not a project as defined by Section 15378 of the CEQA Guidelines. The ordinance has no potential for resulting in physical change to the environment either directly or indirectly.

SECTION 4. SEVERABILITY. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

SECTION 5. EFFECTIVE DATE AND PUBLISHING. This Ordinance shall become effective 30 days after the date of its adoption. Within 15 days of its adoption, the Ordinance shall be posted in three public places within the City of Menlo Park, and the Ordinance, or a summary of the Ordinance prepared by the City Attorney shall be published in the local newspaper used to publish official notices for the City of Menlo Park prior to the effective date.

INTRODUCED on the ____ day of _____, 2014.

PASSED AND ADOPTED as an Ordinance of the City of Menlo Park at a regular meeting of the City Council of the City of Menlo Park on the ____ day of _____, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Pamela Aguilar
City Clerk

Ray Mueller
Mayor



OFFICE OF THE CITY MANAGER

Council Meeting Date: May 13, 2014
Staff Report #: 14-087

Agenda Item #: F-2

REGULAR BUSINESS: **Approve a Modification to the Fiscal Year 2013-14 Budget to Appropriate \$30,000 from the Capital Improvement Program Fund Balance for the Santa Cruz Avenue Enhanced On-Street Seating Pilot Program as well as the Design for the Santa Cruz Avenue Enhanced On-Street Seating Pilot Program**

RECOMMENDATION

Staff recommends that the City Council approve:

1. A modification to the Fiscal Year 2013-14 Budget to appropriate \$30,000 from the Capital Improvement Program Fund Balance for the Santa Cruz Avenue Enhanced On-Street Seating Pilot
2. The design for the Santa Cruz Avenue Enhanced On-Street Seating Pilot Program

BACKGROUND

During the 2014 City Council Goal Setting meeting, the City Council discussed enhancing opportunities for outdoor seating as a valuable tool for increasing vibrancy on Santa Cruz Avenue and supporting local merchants. Mayor Mueller suggested that staff consider this type of outdoor seating enhancement following a personal visit to Carlsbad, CA. Staff researched examples in other cities as well for developing the recommended plan. Mountain View's Outdoor Café Program has provided valuable insights for developing the proposed pilot program.

On March 25th, Mayor Mueller and Vice Mayor Carlton hosted a meeting at City Hall with a number of downtown Merchants who were interested in discussing opportunities for improving downtown. The discussion included additional public events, capital improvement projects and enhanced outdoor seating opportunities. The Merchants were supportive of the concept of an outdoor seating pilot program and liked the Mountain View model as well.

On April 21st, Mayor Mueller and City Staff hosted the first Quarterly Small Business Roundtable. Vice Mayor Carlton as well as Council Members Keith and Ohtaki also welcomed over 35 representatives from small businesses in Menlo Park. Menlo Park

Chamber of Commerce President/CEO Fran Dehn was in attendance as well and is supportive of the concept. Ms. Dehn regularly works directly with the City to develop strategies for enhancing the retail experience. A number of downtown business representatives attended and also shared their support for the concept of the downtown seating enhancement program.

ANALYSIS

Currently, \$80,000 has been budgeted in the FY 14-15 Capital Improvement Program (CIP) Budget for enhancing outdoor seating. This CIP Budget item was established as a result of the stated goals of the El Camino Real/Downtown Specific Plan. Specifically, (1) enhancing pedestrian amenities along Santa Cruz Avenue and (2) expanding shopping, dining and neighborhoods services. We are seeking \$30,000 from that future appropriation to accelerate the project.

The Specific Plan allows for public improvement pilot programs as “the basis for the review and consideration of a permanent installation.” This pilot program will provide the City with the opportunity to assess the level of public interest in similar permanent improvements on Santa Cruz Ave., while also supporting the City Council’s goal of providing escalated public space enhancements.

As staff considered potential locations for this pilot program, it became clear that the logical choice was parking area in front of the Left Bank Brasseries. Left Bank has obtained the proper outdoor seating permit and has established a track record of compliance with the conditions of their permit. The pilot program will have a *de minimis* effect on parking. As attachment A illustrates it will require the removal of only one 1-hour space, one 15-minute space and some motorcycle parking that is rarely used. The intersection of Santa Cruz and Doyle is controlled with stop signs reducing the speed of vehicular traffic and providing an additional margin of safety for the public.

If approved by the City Council, City Staff will formalize an agreement with The Left Bank Brasseries to provide the planters that will be used to section off the seating area, soil and trees if deemed desirable. The Left Bank Brasseries has agreed to provide tables and chairs for the area as well as install and maintain landscaping consistent with their existing landscaping in the planters. Staff has also made it clear that the planters and any landscaping in them belong to the City and may be removed at the end of the pilot program for use in other locations.

Staff will report back to the City Council with an assessment of the pilot program and recommendations for further permanent seating enhancements.

IMPACT ON CITY RESOURCES

There is no expected net fiscal impact to the Capital Improvement Program Fund as a result of this action. There is an equivalent amount of funding in the Downtown Streetscape Improvement Project (Specific Plan) slated for next fiscal year. These

funds will not be necessary if this appropriation is approved and can be administratively returned to fund balance during the year end closing process.

The appropriation of \$30,000 will allow for the scope of work necessary to complete the pilot program. The planters will be delivered and setup by the company that the City is purchasing them from. Staff will likely amend an existing contract with one of our landscaping contractors for installation of the soil and trees.

POLICY ISSUES

The pilot program has been developed in line with the goals and policies of the El Camino Real/Downtown Specific Plan as well as the City Council's goals for enhancing vibrancy Downtown and expediting public improvements.

ENVIRONMENTAL REVIEW

Council approval of this project includes a finding that it is categorically exempt under Class 4 (Section 153014 "Minor Alterations to Land") of the current CEQA Guidelines.

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

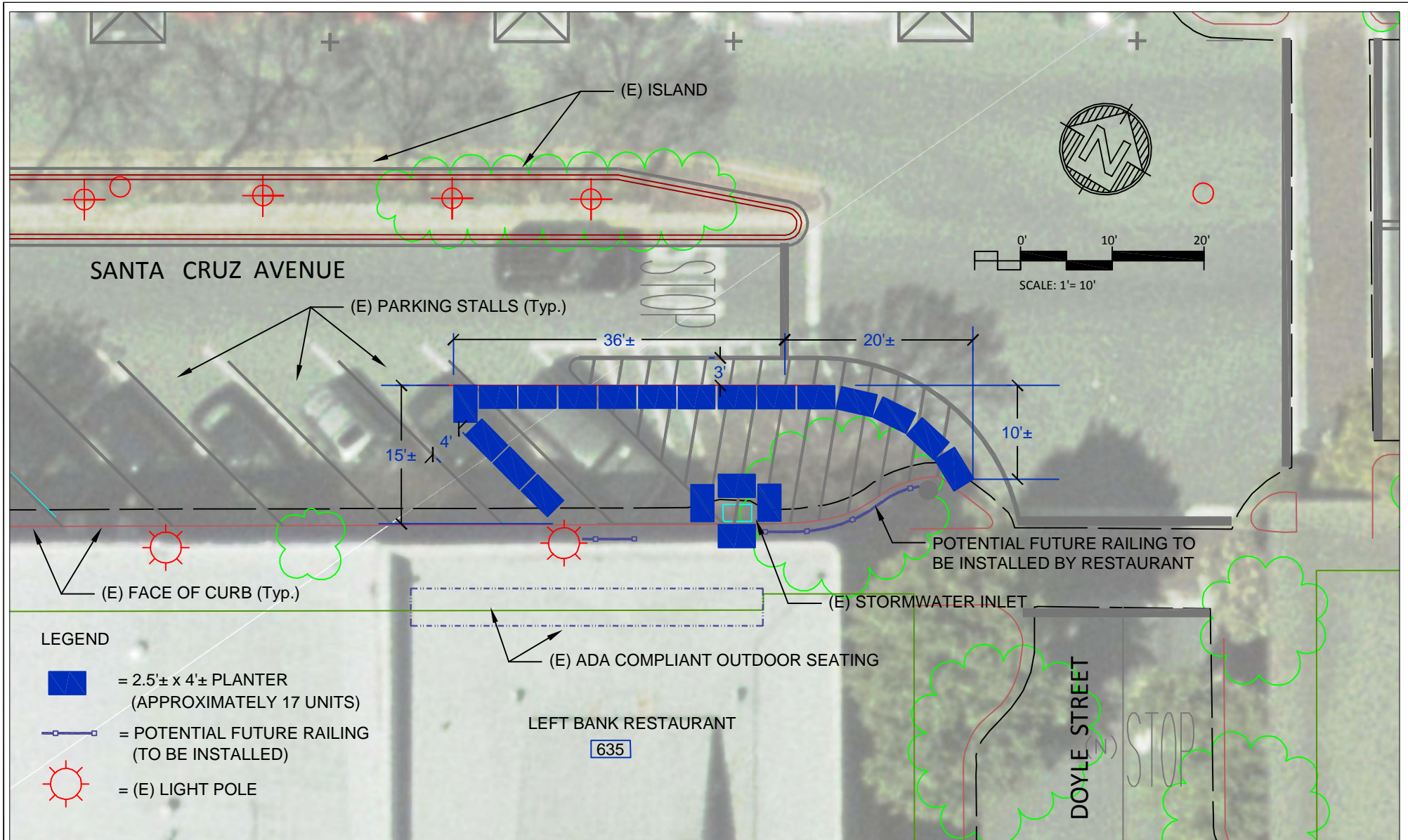
- A. Santa Cruz Avenue Enhanced On-Street Seating Pilot Program Design
- B. Example Railing Detail
- C. Example Planter Detail

Report prepared by:

Jim Cogan

Economic Development Manager

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DATE: 08-08-14
 SCALE: AS SHOWN
 DRAWN BY: RAD
 DESIGNED BY: RAD
 CHECKED BY: RAD
 SURVEYED BY: RAD

APPROVED: FERNANDO G. BRAVO, P.E., ENGINEERING SERVICES MANAGER
 CITY OF MENLO PARK

04366
 R.C.E. #

NO.	BY	DATE	REVISIONS

CITY OF MENLO PARK
ENGINEERING DIVISION
 701 LAUREL STREET, MENLO PARK, CA 94025-3483
 PHONE (650) 330-8740 FAX (650) 327-6497

PILOT ON-STREET SEATING PLAN (PLANTERS)
LEFT BANK RESTAURANT
635 SANTA CRUZ AVENUE

SHEET **1**
 OF 1 SHEETS
 PROJ. NAME
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EXAMPLE RAILING DETAIL



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EXAMPLE PLANTER DETAIL



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OFFICE OF THE CITY MANAGER

Council Meeting Date: May 13, 2014
Staff Report #: 14-086

Agenda Item #: F-3

REGULAR BUSINESS:

Discuss and Provide Direction Regarding the Following Pieces of Legislation: a) HR 29 (Gomez) Relative to outsourcing public services, b) AB 2126 (Bonta) Meyers-Milias-Brown Act: mediation, c) AB 1522 (Gonzalez) Employment: paid sick days, d) AB 2378 (Perea) Worker's Comp: temp disability payments, and e) AB 1690 (Gordon) Local Planning: Housing Elements

RECOMMENDATION

Staff recommends that the City Council discuss and provide direction regarding the following pieces of legislation:

- a) HR 29 (Gomez) Relative to outsourcing public services.
- b) AB 2126 (Bonta) Meyers-Milias-Brown Act: mediation.
- c) AB 1522 (Gonzalez) Employment: paid sick days.
- d) AB 2378 (Perea) Worker's Comp: temp disability payments.
- e) AB 1690 (Gordon) Local planning: housing elements.

BACKGROUND

Several pieces of legislation have been brought to our attention and we believe City Council input will better allow us to effectively respond to each. Currently, the only guideline for responding to legislation is the City Council Procedures Manual, Appendix B - Legislative Policy Guide (Attachment A), last updated in September 2005. In the past, staff has brought legislative items to the City Council for its consideration on an as needed or as requested basis.

ANALYSIS

Four pieces of legislation included for discussion in this report involve personnel or labor related issues. The other item is related to local planning and housing element law. Each bill, its current status, and impacts are summarized below. The official summary and full bill text for each are included as Attachments B through F.

HR 29 – Recommended Position: OPPOSE

(Gomez D) Relative to outsourcing public services. (Amended: 4/3/2014)
Status: 4/3/2014-Read. Amended. Adopted. (Ayes 44. Noes 22. Page 4332.)
Location: 4/3/2014-A. ADOPTED

This legislation aims at restricting local ability to contract out for services. This resolution does not have the force of law, but legislators that are asked to vote on this are committing themselves to a pledge to vote on such future bills. Not only is this resolution harmful in its content but this resolution is designed to frame future votes before legislators know the details of actual legislation and local impacts. The League of California Cities has stated an OPPOSE position.

The legislation has already been adopted by the legislature, but as a resolution, will not go to the Governor's desk for signature. This is seen as a precursor to future legislation that may further curtail local agency flexibility and further reduce local control.

AB 2126 – Recommended Position: OPPOSE

(Bonta D) Meyers-Milias-Brown Act: mediation. (Amended: 3/26/2014)
Status: 4/30/2014-In committee: Set, first hearing. Referred to APPR. suspense file.
Location: 4/30/2014-A. APPR. Suspense File

The Meyers-Milias-Brown Act requires the governing body of a local public agency to meet and confer in good faith regarding wages, hours, and other terms and conditions of employment with representatives of a recognized employee organization. The Act requires, if a tentative agreement is reached and the governing body adopts the tentative agreement, that the parties prepare jointly a non-binding written memorandum of understanding of the agreement.

Under existing law, if representatives of the public employee agency and the recognized employee organization fail to reach agreement, the parties may agree together upon the appointment of a mutually agreeable mediator, and it would provide that fact finding can be requested for any dispute over any matter within the scope of representation where there is an obligation to meet and confer. AB 2126 impairs local control by forcing mediation and expanding the scope of fact-finding. The League of California Cities has stated an OPPOSE position.

AB 1522 – Recommended Position: OPPOSE

(Gonzalez D) Employment: paid sick days. (Amended: 3/28/2014)
Status: 4/30/2014-In committee: Set, first hearing. Referred to APPR. suspense file.
Location: 4/30/2014-A. APPR. Suspense File

Existing law authorizes employers to provide their employees paid sick leave. This bill would enact the Healthy Workplaces, Healthy Families Act of 2014 to provide that an employee who works in California for 7 or more days in a calendar year is entitled to paid sick days, to be accrued at a rate of no less than one hour for every 30 hours worked. An employee would be entitled to use accrued sick days beginning on the 90th

calendar day of employment. By mandating new levels of sick leave, this undermines local control and the integrity of the collective bargaining process.

While it intends to exempt specified employees covered by collective bargaining agreements, the proposed language in Labor Code Section 245.5 is narrowly written in regards to what collective bargaining agreements must include; as a result, most employees covered by collective bargaining agreements would still be affected by this bill. It also requires employers to track employees' accrual of sick leave even after they have separated from service. This will serve as an added administrative burden as employers will need to retain records of their employees for a subsequent five years. This is likely to severely restrict the use of temporary and seasonal employees. This loss of flexibility will increase costs and reduce efficiencies in delivering core services to the public. The League of California Cities has stated an OPPOSE position.

AB 2378 – Recommended Position: OPPOSE

(Perea D) Workers' comp.: temporary disability payments. (Introduced: 2/21/2014)

Status: 5/7/2014-In committee: Set, first hearing. Referred to APPR. suspense file.

Location: 5/7/2014-A. APPR. Suspense File

Existing law establishes a workers' compensation system, administered by the Administrative Director of the Division of Workers' Compensation, to compensate an employee for injuries arising out of and in the course of his or her employment. Existing law requires that aggregate disability payments for a single injury occurring on or after certain dates be limited, as provided.

This bill would provide that the above-specified leaves of absence without loss of salary are payable in addition to the maximum aggregate disability payments for a single injury that is applicable to all workers. The bill would make these provisions applicable to all claims, regardless of the date of injury. The bill would also make related findings and declarations. This bill contains other existing laws. The League of California Cities has stated an OPPOSE position.

AB 1690 – Recommended Position: SUPPORT

(Gordon D) Local planning: housing elements. (Introduced: 2/13/2014)

Status: 5/7/2014-Do pass.

Location: 4/30/2014-A. L. GOV.

Existing law requires that the housing element of a community's general plan contain a program that sets forth a schedule of actions during the planning period that the local government is undertaking, or intends to undertake, to implement the policies and achieve the goals and objectives of the housing element through the utilization of appropriate federal and state financing and subsidy programs, and the utilization of moneys in a low- and moderate-income housing fund, as specified. Existing law also requires the program to accommodate at least 50% of the very low and low-income housing need on sites designated for residential use and for which nonresidential uses or mixed-uses are not permitted, as specified.

This bill would instead require the program to accommodate at least 50% of the very low and low-income housing need on sites designated for residential use or mixed-uses. The League of California Cities has stated a SUPPORT position.

Last year, the City Council authorized then-Mayor Peter Ohtaki to work with Assemblyman Gordon to craft this legislation.

IMPACT ON CITY RESOURCES

There is no immediate impact on City resources by taking a position on this legislation.

POLICY ISSUES

Currently the only guideline for responding to legislation is the City Council Procedures Manual Appendix B dated September 2005. Staff will return at a later date with a comprehensive update to this policy that could include a legislative platform, similar to the League of California Cities' model, which could be reviewed and revised by the City Council on an annual basis.

ENVIRONMENTAL REVIEW

Environmental review is not required.

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. City Council Procedures Manual, Appendix B: Legislative Policy Guide
- B. HR 29 Bill Text & Analysis
- C. AB 2126 Bill Text & Analysis
- D. AB 1522 Bill Text & Analysis
- E. AB 2378 Bill Text & Analysis
- F. AB 1690 Bill Text & Analysis

Report prepared by:

Clay J. Curtin

Assistant to the City Manager

APPENDIX B

LEGISLATIVE POLICY GUIDE

The City Council of Menlo Park believes:

- *In conducting the business of government with openness, respect, and civility, and including the involvement of all stakeholders in establishing goals and in solving problems.*
- *The vitality of cities is dependent upon their fiscal stability and local autonomy, and that local self-governance is the cornerstone of democracy.*

Therefore:

- The City supports legislation that reflects the need to conduct the public's business in public.
- The City opposes legislation that mandates costly and unnecessary procedures.
- The City supports the use of the general plan as a guide to meeting community planning needs, and opposes mandatory review or approval by another level of government and legislation that restricts the land use authority of cities.
- The City emphasizes efficiency and effectiveness to achieve the best possible use of city resources and believes the state should implement fiscal and legislative reforms in order to allow local government to adequately finance its service responsibilities, with accountability to the taxpayers for its programs.
- The City supports additional funding for local transportation and other critical unmet infrastructure needs and enhanced autonomy for local transportation decision-making.
- The City supports strategic alliances with counties, schools, other cities and local agencies, nonprofit and civic organizations and business and professional associations.

September 2005

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AMENDED IN ASSEMBLY APRIL 3, 2014

AMENDED IN ASSEMBLY MARCH 13, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

House Resolution

No. 29

Introduced by Assembly Member Gomez

(Coauthors: Assembly Members Alejo, Ammiano, Atkins, Bloom, Bocanegra, Bonilla, Bonta, Bradford, Buchanan, Campos, Chau, Chesbro, Dababneh, Dickinson, Fong, Frazier, Gatto, Gonzalez, Hall, Roger Hernández, Holden, Jones-Sawyer, Lowenthal, Nazarian, Pan, John A. Pérez, Quirk, Rendon, Ridley-Thomas, Rodriguez, Skinner, Stone, Ting, Weber, Wieckowski, Williams, and Yamada)

February 4, 2014

House Resolution No. 29—Relative to outsourcing public services.

1 WHEREAS, Public services and assets are the fabric that binds
2 our communities together. They are also a ladder to the middle
3 class; and

4 WHEREAS, Faced with severe budget problems in the wake
5 of the Great Recession, state and local governments across America
6 are handing over control of public services and assets to
7 corporations that promise to operate them better, faster, and
8 cheaper; and

9 WHEREAS, Outsourcing these services and assets often fails
10 to keep these promises, and too often it undermines transparency,
11 accountability, and shared prosperity and competition - the
12 underpinnings of democracy itself; and

13 WHEREAS, Outsourcing means that taxpayers have less say
14 over how future tax dollars are spent and have no ability to vote

1 out executives who make decisions that could harm the public
2 interest; and

3 WHEREAS, Outsourcing means taxpayers are often
4 contractually limited to a single for-profit corporation; and

5 WHEREAS, Outsourcing frequently means that wages and
6 benefits for public service workers fall and the local economy
7 suffers while corporate profits rise. The Center for American
8 Progress Action Fund has found that of the 5.4 million people
9 working for federal service contractors in 2008, an estimated 80
10 percent earned below the living wage for their city or region.
11 For-profit corporations are three times more likely than the public
12 sector to employ workers at poverty-threshold wages; and two
13 million private sector employees working for federal contractors
14 earn less than \$12 an hour - too little to support a family. That is
15 more low wage workers than are employed by McDonald's and
16 WalMart combined; and

17 WHEREAS, Outsourcing means that taxpayers often no longer
18 know how their tax dollars are being spent. Meetings and records
19 that used to be open to the public can become proprietary
20 information when corporations take over; and

21 WHEREAS, The Taxpayer Empowerment Agenda is one model
22 that may help ensure transparency, accountability, shared
23 prosperity, and competition in the operation of public services and
24 assets; and

25 WHEREAS, Planks in the Taxpayer Empowerment Agenda
26 would require governments to post information about their
27 contracts online and require contractors to open their books to the
28 public, ensure that governments have the capacity to adequately
29 oversee contracts, to cancel contracts that fail to deliver on their
30 promises, prohibit law breaking companies from getting
31 government contracts, require contractors to pay their employees
32 living wages and benefits, require competitive bidding on contracts
33 that guarantee company profits at the expense of taxpayers; and

34 WHEREAS, Recent polling shows that taxpayers oppose the
35 outsourcing of public services and assets to for-profit companies
36 and support these common sense controls to ensure that their
37 interests are protected; now, therefore, be it

38 *Resolved by the Assembly of the State of California, That the*
39 *Assembly opposes outsourcing of public services and assets, which*
40 *harms transparency, accountability, shared prosperity, and*

1 competition, and supports processes that give public service
2 workers the opportunity to develop their own plan on how to
3 deliver cost-effective, high-quality services; and be it further

4 *Resolved*, That the Assembly urges local officials to become
5 familiar with the provisions of the Taxpayer Empowerment
6 Agenda; and be it further

7 *Resolved*, That the Assembly intends to introduce and advocate
8 for responsible outsourcing legislation; and be it further

9 *Resolved*, That the Chief Clerk of the Assembly transmit copies
10 of this resolution to the author for appropriate distribution.

O

Date of Hearing: April 2, 2014

ASSEMBLY COMMITTEE ON PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL
SECURITY

Rob Bonta, Chair

HR 29 (Gomez) - As Amended: March 13, 2014

SUBJECT : Relative to outsourcing public services.

SUMMARY : Resolves that the California State Assembly opposes outsourcing of public services and assets, urges local officials to become familiar with the provisions of the Taxpayer Empowerment Agenda, and intends to introduce and advocate for responsible outsourcing legislation. Specifically, this bill :

- 1) Makes a number of findings about the problems associated with outsourcing public services and assets, including that taxpayers often no longer know how their tax dollars are being spent, and the Taxpayer Empowerment Agenda which could be one model that may help ensure transparency, accountability, shared prosperity, and competition in the operation of public services and assets.
- 2) Resolves that the California State Assembly opposes outsourcing of public services and assets, which harms transparency, accountability, shared prosperity, and competition, and supports processes that give public service workers the opportunity to develop their own plan on how to deliver cost-effective, high-quality service; urges local officials to become familiar with the provisions of the Taxpayer Empowerment Agenda; and, intends to introduce and advocate for responsible outsourcing legislation.

FISCAL EFFECT : Unknown.

COMMENTS : According to the author, "HR 29 would simply seek to affirm the Assembly's opposition to the outsourcing of public services and assets. HR 29 would also provide support for plans that reduce outsourcing, restore transparency and accountability to the provision of state services, and empower public sector workers to deliver cost-effective, high-quality services for our state's taxpayers."

In July of 2013, In the Public Interest (ITPI) released the Taxpayer Empowerment Agenda intended to reign in predatory

contracting and help local governments reclaim control of their public services and assets. The Taxpayer Empowerment Agenda is built on four principles: transparency, accountability, shared prosperity and competition. The agenda consists of 11 legislative proposals that are intended to "give taxpayers a say on how their public dollars are spent, allow for scrutiny of how those dollars are spent, and prevents taxpayers from being stuck with a monopoly run by a single corporation for decades."

Supporters state, "Since the start of the Great Recession, many states have turned over critical public services to corporations with promises to save money, only to discover that contracts have lacked transparency and basic accountability for taxpayers, that workers are receiving lower wages and fewer benefit when they need them most, and that the quality of work is often much lower than promised, resulting in further costs. The Taxpayer Empowerment Agenda is a series of specific recommendations, including that information about state contracts are publically available, that companies that avoid paying taxes or break the law cannot receive contracts, that contracting companies pay a living wage, and that savings for taxpayers, rather than corporate profits, are guaranteed. The Agenda is a win-win-win for California, for taxpayers and for workers, both public and private."

Opponents state that they have "grave concerns about this resolution which would have legislators take a form of pledge that would potentially restrict their votes on future legislation consistent with the political agenda of an outside national organization. Such efforts undermine the democratic process and representative government and do constituents a disservice by preempting legislators' ability to make an informed decision about the specific impacts of legislation. Local governments have a long history of addressing service delivery challenges with creativity, self-reliance, and innovation. Local elected officials are held accountable for these carefully thought out financial decisions."

Opponents conclude, "The Great Recession has placed great strain on municipalities and their ability to provide a full range of services for their residents. This has been compounded by recent state take-aways including the loss of redevelopment and expanding pension and retiree health care obligations. Further limiting the ability to consider alternative methods of providing services after objective review would do a grave

disservice to our communities."

REGISTERED SUPPORT / OPPOSITION :

Support

American Federation of State, County and Municipal Employees
(Sponsor)
Association for Los Angeles Deputy Sheriffs
California Association of Professional Employees
California Professional Firefighters
Glendale city Employees Association
In the Public Interest
Los Angeles Alliance for a New Economy
Los Angeles Deputy Probation Officers Union
Los Angeles Police Protective League
Organization of SMUD Employees
Professional Engineers in California Government
Riverside Sheriffs' Association
San Bernardino Public Employees Association
San Luis Obispo County Employees Association
Working Partnerships USA

Opposition

California Bus Association
California Chamber of Commerce
California Contract Cities Association
California Refuse Recycling Council
California Special Districts Association
Charles Abbott Association, Inc.
City of Artesia
City of Brentwood
City of Burbank
City of Claremont
City of Concord
City of Daly City
City of Diamond Bar
City of Downey
City of Fort Bragg
City of Indian Wells
City of La Canada Flintridge
City of La Mirada
City of La Verne
City of Lakeport
City of Lakewood
City of Lathrop
City of Livermore
City of Merced
City of Morgan Hill
City of Monterey
City of Napa
City of Norwalk
City of Oroville

City of Pomona
City of Rancho Cordova
City of Redding
City of Riverside
City of Rosemead
City of Sacramento
City of Salinas
City of San Carlos
City of San Mateo
City of San Rafael
City of Scotts Valley
City of Signal Hill
City of Soledad
City of Tulare
City of Vacaville
City of Walnut
City of West Covina
City of Whittier
El Monte/South El Monte Chamber of Commerce
Greater Merced Chamber of Commerce
League of California Cities
Los Angeles County Business Federation
Los Angeles County Division of the League of California Cities
Marin County Council of Mayors and Council Members
Marin Sanitary Service
Southwest California Legislative Council
Town of Danville
Town of Ross
Zanker Road Resource Management

Analysis Prepared by : Karon Green / P.E., R. & S.S. / (916)
319-3957

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AMENDED IN ASSEMBLY MARCH 26, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL**No. 2126**

Introduced by Assembly Member Bonta
(Principal coauthor: Senator Beall)

February 20, 2014

An act to amend ~~Section 3505.2~~ *Sections 3505.2 and 3505.4* of the Government Code, relating to public employment.

LEGISLATIVE COUNSEL'S DIGEST

AB 2126, as amended, Bonta. Meyers-Milias-Brown Act: mediation.

The Meyers-Milias-Brown Act requires the governing body of a local public agency to meet and confer in good faith regarding wages, hours, and other terms and conditions of employment with representatives of a recognized employee organization. The act requires, if a tentative agreement is reached and the governing body adopts the tentative agreement, that the parties prepare jointly a non binding written memorandum of understanding of the agreement. Under existing law, if representatives of the public employee agency and the recognized employee organization fail to reach agreement, the parties may agree together upon the appointment of a mutually agreeable mediator.

This bill instead would permit either party to request mediation and would require the parties to agree upon a mediator. If the parties cannot agree upon a mediator, the bill would authorize either party to request the board to ~~mapoint a mediation~~ *appoint a mediator*. The bill would require the board to appoint a mediator within 5 days after receipt of the party's request, as prescribed.

The Meyers-Milias-Brown Act requires the Public Employment Relations Board to determine in disputed cases whether a particular

item is within or without the scope of representation. Existing law requires the governing body of a local public agency, or those boards, commissions, administrative officers, or other representatives as may be properly designated by law or by a governing body, to meet and confer in good faith regarding wages, hours, and other terms and conditions of employment with representatives of recognized employee organizations. Existing law authorizes an employee organization to request that the parties' differences be submitted to a factfinding panel not sooner than 30 days or more than 45 days following the appointment or selection of a mediator pursuant to the parties' agreement to mediate or a mediation process required by a public agency's local rules. Existing law authorizes an employee organization, if the dispute was not submitted to a mediation, to request that the parties' differences be submitted to a factfinding panel not later than 30 days following the date that either party provided the other with a written notice of a declaration of impasse. Existing law prohibits an employee organization's procedural right to request a factfinding panel from being waived expressly or voluntarily.

This bill would authorize differences under these provisions to include those differences that arise from any dispute over any matter within the scope of representation as to which an obligation to meet and confer exists, and are not limited to negotiations after impasse after collective bargaining for a new or successor memorandum of understanding. The bill would limit the criteria that the factfinders would be required to consider to those criteria that the factfinders deem relevant to the dispute. The bill would authorize an employee organization to voluntarily waive the right to request a factfinding panel, in writing. The bill would include legislative findings and declarations that certain of these amendments are clarifying and declaratory of existing law.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 3505.2 of the Government Code is
- 2 amended to read:
- 3 3505.2. If after a reasonable period of time, representatives of
- 4 the public agency and the recognized employee organization fail
- 5 to reach agreement, either the public agency or the recognized
- 6 employee organization or recognized employee organizations may

1 request mediation. Within five days of a request by one of the
2 parties, both of the parties shall agree upon the appointment of a
3 mediator mutually agreeable to the parties. If the parties fail to
4 agree upon the selection of a mediator within five days, either
5 party may request that the board appoint a mediator. No later than
6 five days after the receipt of either party's request, the board shall
7 appoint a mediator in accordance with the rules prescribed by the
8 board. Costs of mediation shall be divided one-half to the public
9 agency and one-half to the recognized employee organization or
10 recognized employee organizations.

11 *SEC. 2. Section 3505.4 of the Government Code is amended*
12 *to read:*

13 3505.4. (a) (1) The employee organization may request that
14 the parties' differences be submitted to a factfinding panel not
15 sooner than 30 days, but not more than 45 days, following the
16 appointment or selection of a mediator pursuant to the parties'
17 agreement to mediate or a mediation process required by a public
18 agency's local rules. If the dispute was not submitted to mediation,
19 an employee organization may request that the parties' differences
20 be submitted to a factfinding panel not later than 30 days following
21 the date that either party provided the other with a written notice
22 of a declaration of impasse. Within five days after receipt of the
23 written request, each party shall select a person to serve as its
24 member of the factfinding panel. The Public Employment Relations
25 Board shall, within five days after the selection of panel members
26 by the parties, select a chairperson of the factfinding panel.

27 (2) *For purposes of paragraph (1), differences between the*
28 *parties that are subject to a request by the employee organization*
29 *for submission to a factfinding panel may include differences that*
30 *arise from any dispute over any matter within the scope of*
31 *representation as to which an obligation to meet and confer exists*
32 *under Section 3505 and are not limited to negotiations after*
33 *impasse after collective bargaining for a new or successor*
34 *memorandum of understanding.*

35 (b) Within five days after the board selects a chairperson of the
36 factfinding panel, the parties may mutually agree upon a person
37 to serve as chairperson in lieu of the person selected by the board.

38 (c) The panel shall, within 10 days after its appointment, meet
39 with the parties or their representatives, either jointly or separately,
40 and may make inquiries and investigations, hold hearings, and

1 take any other steps it deems appropriate. For the purpose of the
 2 hearings, investigations, and inquiries, the panel shall have the
 3 power to issue subpoenas requiring the attendance and testimony
 4 of witnesses and the production of evidence. Any state agency, as
 5 defined in Section 11000, the California State University, or any
 6 political subdivision of the state, including any board of education,
 7 shall furnish the panel, upon its request, with all records, papers,
 8 and information in their possession relating to any matter under
 9 investigation by or in issue before the panel.

10 (d) In arriving at their findings and recommendations, the
 11 factfinders shall consider, weigh, and be guided by all the following
 12 criteria *that the factfinders deem to be relevant to the dispute*:

- 13 (1) State and federal laws that are applicable to the employer.
- 14 (2) Local rules, regulations, or ordinances.
- 15 (3) Stipulations of the parties.
- 16 (4) The interests and welfare of the public and the financial
 17 ability of the public agency.
- 18 (5) Comparison of the wages, hours, and conditions of
 19 employment of the employees involved in the factfinding
 20 proceeding with the wages, hours, and conditions of employment
 21 of other employees performing similar services in comparable
 22 public agencies.
- 23 (6) The consumer price index for goods and services, commonly
 24 known as the cost of living.
- 25 (7) The overall compensation presently received by the
 26 employees, including direct wage compensation, vacations,
 27 holidays, and other excused time, insurance and pensions, medical
 28 and hospitalization benefits, the continuity and stability of
 29 employment, and all other benefits received.
- 30 (8) Any other ~~facts~~ *factors*, not confined to those specified in
 31 paragraphs (1) to (7), inclusive, which are normally or traditionally
 32 taken into consideration in making the findings and
 33 recommendations.

34 (e) The procedural right of an employee organization to request
 35 a factfinding panel ~~cannot be expressly or voluntarily waived~~ *may*
 36 *be voluntarily waived, in writing, by the organization.*

37 *SEC. 3. The Legislature finds and declares that the amendments*
 38 *made by this act to subdivisions (a) and (d) of Section 3505.4 of*

1 *the Government Code are clarifying and declaratory of existing*
2 *law.*

O

Date of Hearing: April 30, 2014

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Mike Gatto, Chair

AB 2126 (Bonta) - As Amended: March 26, 2014

Policy Committee:

PERSSVote:5-1

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY

This bill amends the Meyers-Miliias-Brown Act (MMBA) to allow either party in a dispute to request mediation, and clarifies certain aspects of the fact-finding process the parties can invoke with respect to an impasse. Specifically, this bill:

- 1) Allows either the public agency or the employee organization to request mediation if they fail to reach agreement instead of requiring both parties to agree to mediation, and requires that the parties agree upon the appointment of a mediator within five days of the request.
- 2) Specifies that if the parties fail to agree on the appointment of a mediator, either party may request the Public Employment Relations Board (PERB) to appoint a mediator, and requires PERB to appoint the mediator within five days of receiving the request.
- 3) Allows the parties to submit to a fact-finding panel any differences that arise from any dispute over any matter within the scope of representation as to which an obligation to meet and confer exists and are not limited to negotiations conducted after an impasse arises; allows an employee organization to voluntarily waive its right to request a fact-finding panel.
- 4) Allows the fact-finding panel, when arriving at its findings and recommendations, to be guided by those specified criteria that the panel deems relevant to the dispute.

FISCAL EFFECT

- 1) Based on PERB estimates of staffing necessary to administer the provisions of this bill, the fiscal impact of administration is approximately \$800,000 (GF).
- 2) Though the bill is not keyed a local mandate, there could be substantial state mandated reimbursement of local costs. The amount would depend on the number of requests for mediation. Reimbursable costs could be in the millions of dollars. PERB staff raised the possibility of exceeding 100 additional mediation cases annually. The Commission on State Mandates has approved a test claim for any local government subject to the jurisdiction of PERB that incurs increased costs as a result of a mandate, meaning their costs are eligible for reimbursement.

COMMENTS

- 1) Purpose. According to the author and co-sponsors, this bill conforms the mediation provisions of MMBA to those provisions of the Educational Employment Relations Act (EERA), the Dills Act and the Higher Education Employer-Employee Relations Act, thereby requiring mediation when requested by either party.

The bill also resolves certain ambiguities that have arisen following the implementation the fact-finding process created by AB 646 (Atkins), Chapter 680, Statutes of 2011.

- 2) Impasse determination by the PERB. Supporters assert AB 2126 is intended to conform MMBA impasse procedures to the EERA and others. Unlike the EERA, however, the bill does not include a provision requiring PERB to determine that an impasse exists prior to granting a request for mediation. PERB has raised the concern that, without this language, application of the existing rules and procedures for impasse determinations and mediation requests under EERA to the MMBA could result in significant litigation.
- 3) Fact-finding clarification. According to supporters, doubt has arisen as to whether the statutory fact-finding process can be invoked over impasse on any issue within the scope of representation, or whether the process is limited to disputes over the negotiation of a memorandum of understanding. This

ambiguity has resulted in several instances of litigation.

The amendments reflect the PERB's current construction of the fact-finding provisions in the MMBA and are intended to resolve the instances of litigation and clarify the precise scope of differences in a dispute that may be submitted to fact-finding.

- 4) Opposition. Several local governments and associations oppose AB 2126, arguing it runs contrary to the central premise of the MMBA - that local public agencies are permitted to enact their own reasonable rules and regulations governing employee relations. Opponents assert that the current standard of mutual consent for requesting mediation fosters constructive bargaining between the parties, and allowing either party to claim impasse undermines good faith collaboration and consultation. Opponents argue the additional demand on mediation services will further increase dispute resolution costs to local governments.
- 5) Previous legislation. The mediation request provisions of this bill are similar to provisions included in AB 537 (Bonta), Chapter 785, Statutes of 2013, and AB 646 (Atkins), Chapter 680, Statutes of 2011. Those provisions, however, were deleted from AB 537 and AB 646 prior to passage. AB 616 (Bocanegra) also addressed mediation provisions in the MMBA. AB 616 was held by the Senate Committee on Appropriations.

Analysis Prepared by : Joel Tashjian / APPR. / (916) 319-2081

AMENDED IN ASSEMBLY MARCH 28, 2014

AMENDED IN ASSEMBLY MARCH 13, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1522

Introduced by Assembly Member Gonzalez

(Principal coauthor: Assembly Member Levine)

(Coauthors: Assembly Members *Alejo*, Ammiano, Bonta, Campos, Dickinson, Hernández, Lowenthal, Rendon, Stone, Ting, Wieckowski, and Williams)

(Coauthor: Senator Hueso)

January 16, 2014

An act to amend Section 226 of, and to add Article 1.5 (commencing with Section 245) to Chapter 1 of Part 1 of Division 2 of, the Labor Code, relating to employment.

LEGISLATIVE COUNSEL'S DIGEST

AB 1522, as amended, Gonzalez. Employment: paid sick days.

Existing law authorizes employers to provide their employees paid sick leave.

This bill would enact the Healthy Workplaces, Healthy Families Act of 2014 to provide that an employee who works in California for 7 or more days in a calendar year is entitled to paid sick days, to be accrued at a rate of no less than one hour for every 30 hours worked. An employee would be entitled to use accrued sick days beginning on the 90th calendar day of employment. The bill would authorize an employer to limit an employee's use of paid sick days to 24 hours or 3 days in each calendar year. The bill would require an employer to provide paid sick days, upon the request of the employee, for diagnosis, care, or

treatment of health conditions of the employee or an employee’s family member, or for leave related to domestic violence, sexual assault, or stalking. The bill would prohibit an employer from discriminating or retaliating against an employee who requests paid sick days. The bill would require employers to satisfy specified posting and notice and recordkeeping requirements. The bill would define terms for those purposes and make conforming changes.

This bill would require the Labor Commissioner to administer and enforce these requirements, including the promulgation of regulations, and the investigation, mitigation, and relief of violations of these requirements. The bill would authorize the Labor Commissioner to impose specified administrative fines for violations and would authorize an aggrieved person, the commissioner, the Attorney General, or an entity a member of which is aggrieved to bring an action to recover specified civil penalties against an offender, as well as attorney’s fees, costs, and interest.

The bill would specify that it does not apply to employees covered by a collective bargaining agreement that provides for paid sick days, nor lessen any other obligations of the employer to employees. The bill would not apply to employees in the construction industry covered by a collective bargaining agreement if the agreement contains specified terms and *was either entered into before January 1, 2015, or expressly waives the requirements of the bill in clear and unambiguous terms.* The bill would apply to certain public authorities established to deliver in-home supportive services, except where a collective bargaining agreement provides for an incremental wage increase sufficient to satisfy the bill’s requirements for accrual of sick days.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares the following:
- 2 (a) Nearly every worker in the State of California will at some
- 3 time during the year need some time off from work to take care
- 4 of his or her own health or the health of family members.
- 5 (b) Many workers in California do not have any paid sick days,
- 6 or have an inadequate number of paid sick days, to care for their
- 7 own health or the health of family members.

1 (c) Low-income workers are significantly less likely to have
2 paid sick time than other workers.

3 (d) Providing workers time off to attend to their own health care
4 and the health care of family members will ensure a healthier and
5 more productive workforce in California.

6 (e) Paid sick days will have an enormously positive impact on
7 the public health of Californians by allowing sick workers paid
8 time off to care for themselves when ill, thus lessening their
9 recovery time and reducing the likelihood of spreading illness to
10 other members of the workforce.

11 (f) Paid sick days will allow parents to provide personal care
12 for their sick children. Parental care ensures children's speedy
13 recovery, prevents more serious illnesses, and improves children's
14 overall mental and physical health.

15 (g) Providing paid sick days is affordable for employers and
16 good for business.

17 (h) Employers who provide paid sick days enjoy greater
18 employee retention and reduce the likelihood of employees coming
19 to work sick. Studies have shown that costs of decreased
20 productivity caused by sick workers exceed the costs of employee
21 absenteeism.

22 (i) Many adults have significant elder care responsibilities
23 requiring them to take time off from work or to work reduced
24 hours.

25 (j) Employees frequently lose their jobs or are disciplined for
26 taking sick days to care for sick family members or to recover
27 from their own illnesses.

28 (k) Workers whose jobs involve significant contact with the
29 public, such as service workers and restaurant workers, are very
30 unlikely to have paid sick days. Often, these workers have no
31 choice but to come to work when they are ill, thereby spreading
32 illness to coworkers and customers.

33 (l) Domestic violence and sexual assault affect many persons
34 without regard to age, race, national origin, sexual orientation, or
35 socioeconomic status.

36 (m) Domestic violence is a crime that has a devastating effect
37 on families, communities, and the workplace. It impacts
38 productivity, effectiveness, absenteeism, and employee turnover
39 in the workplace. The National Crime Survey estimates that

1 175,000 days of work each year are missed due to domestic
2 violence.

3 (n) Survivors of domestic violence and sexual assault may be
4 vulnerable at work when trying to end an abusive relationship
5 because the workplace may be the only place where the perpetrator
6 knows to contact the victim. Studies show that up to one-half of
7 domestic violence victims experience job loss. Forty percent
8 reported on-the-job harassment. Nearly 50 percent of sexual assault
9 survivors lose their jobs or are forced to quit in the aftermath of
10 the assaults.

11 (o) Affording survivors of domestic violence and sexual assault
12 paid sick days is vital to their independence and recovery.

13 SEC. 2. In enacting this act, it is the intent of the Legislature
14 to do the following:

15 (a) Ensure that workers in California can address their own
16 health needs and the health needs of their families by requiring
17 employers to provide a minimum level of paid sick days including
18 time for family care.

19 (b) Decrease public and private health care costs in California
20 by enabling workers to seek early and routine medical care for
21 themselves and their family members and to address domestic
22 violence or sexual assault.

23 (c) Protect employees in California from losing their jobs while
24 they use sick days to care for themselves or their families.

25 (d) Provide economic security to employees in California who
26 take time off from work for reasons related to domestic violence
27 or sexual assault.

28 (e) Safeguard the welfare, health, safety, and prosperity of the
29 people of and visitors to California.

30 SEC. 3. Section 226 of the Labor Code is amended to read:

31 226. (a) An employer shall, semimonthly or at the time of each
32 payment of wages, furnish to each employee, either as a detachable
33 part of the check, draft, or voucher paying the employee's wages,
34 or separately if wages are paid by personal check or cash, an
35 accurate itemized statement in writing showing (1) gross wages
36 earned, (2) total hours worked by the employee, unless the
37 employee's compensation is solely based on a salary and the
38 employee is exempt from payment of overtime under subdivision
39 (a) of Section 515 or an applicable order of the Industrial Welfare
40 Commission, (3) the number of piece-rate units earned and the

1 applicable piece rate if the employee is paid on a piece-rate basis,
2 (4) all deductions, provided that all deductions made on written
3 orders of the employee may be aggregated and shown as one item,
4 (5) net wages earned, (6) the inclusive dates of the period for which
5 the employee is paid, (7) the name of the employee and only the
6 last four digits of his or her social security number or an employee
7 identification number other than a social security number, (8) the
8 name and address of the legal entity that is the employer and, if
9 the employer is a farm labor contractor, as defined in subdivision
10 (b) of Section 1682, the name and address of the legal entity that
11 secured the services of the employer, (9) paid sick leave accrued
12 and used pursuant to Article 1.5 (commencing with Section 245),
13 and (10) all applicable hourly rates in effect during the pay period
14 and the corresponding number of hours worked at each hourly rate
15 by the employee and, beginning July 1, 2013, if the employer is a
16 temporary services employer as defined in Section 201.3, the rate
17 of pay and the total hours worked for each temporary services
18 assignment. The deductions made from payment of wages shall
19 be recorded in ink or other indelible form, properly dated, showing
20 the month, day, and year, and a copy of the statement and the
21 record of the deductions shall be kept on file by the employer for
22 at least three years at the place of employment or at a central
23 location within the State of California. For purposes of this
24 subdivision, "copy" includes a duplicate of the itemized statement
25 provided to an employee or a computer-generated record that
26 accurately shows all of the information required by this subdivision.

27 (b) An employer that is required by this code or a regulation
28 adopted pursuant to this code to keep the information required by
29 subdivision (a) shall afford current and former employees the right
30 to inspect or copy records pertaining to their employment, upon
31 reasonable request to the employer. The employer may take
32 reasonable steps to ensure the identity of a current or former
33 employee. If the employer provides copies of the records, the actual
34 cost of reproduction may be charged to the current or former
35 employee.

36 (c) An employer who receives a written or oral request to inspect
37 or copy records pursuant to subdivision (b) pertaining to a current
38 or former employee shall comply with the request as soon as
39 practicable, but no later than 21 calendar days from the date of the
40 request. A violation of this subdivision is an infraction.

1 Impossibility of performance, not caused by or a result of a
2 violation of law, shall be an affirmative defense for an employer
3 in any action alleging a violation of this subdivision. An employer
4 may designate the person to whom a request is made under this
5 subdivision.

6 (d) This section does not apply to an employer of a person
7 employed by the owner or occupant of a residential dwelling whose
8 duties are incidental to the ownership, maintenance, or use of the
9 dwelling, including the care and supervision of children, or whose
10 duties are personal and not in the course of the trade, business,
11 profession, or occupation of the owner or occupant.

12 (e) (1) An employee suffering injury as a result of a knowing
13 and intentional failure by an employer to comply with subdivision
14 (a) is entitled to recover the greater of all actual damages or fifty
15 dollars (\$50) for the initial pay period in which a violation occurs
16 and one hundred dollars (\$100) per employee for each violation
17 in a subsequent pay period, not to exceed an aggregate penalty of
18 four thousand dollars (\$4,000), and is entitled to an award of costs
19 and reasonable attorney's fees.

20 (2) (A) An employee is deemed to suffer injury for purposes
21 of this subdivision if the employer fails to provide a wage
22 statement.

23 (B) An employee is deemed to suffer injury for purposes of this
24 subdivision if the employer fails to provide accurate and complete
25 information as required by any one or more of items (1) to (10),
26 inclusive, of subdivision (a) and the employee cannot promptly
27 and easily determine from the wage statement alone one or more
28 of the following:

29 (i) The amount of the gross wages or net wages paid to the
30 employee during the pay period or any of the other information
31 required to be provided on the itemized wage statement pursuant
32 to items (2) to (4), inclusive, (6), (9), and (10) of subdivision (a).

33 (ii) Which deductions the employer made from gross wages to
34 determine the net wages paid to the employee during the pay
35 period. Nothing in this subdivision alters the ability of the employer
36 to aggregate deductions consistent with the requirements of item
37 (4) of subdivision (a).

38 (iii) The name and address of the employer and, if the employer
39 is a farm labor contractor, as defined in subdivision (b) of Section

1 1682, the name and address of the legal entity that secured the
2 services of the employer during the pay period.

3 (iv) The name of the employee and only the last four digits of
4 his or her social security number or an employee identification
5 number other than a social security number.

6 (C) For purposes of this paragraph, “promptly and easily
7 determine” means a reasonable person would be able to readily
8 ascertain the information without reference to other documents or
9 information.

10 (3) For purposes of this subdivision, a “knowing and intentional
11 failure” does not include an isolated and unintentional payroll error
12 due to a clerical or inadvertent mistake. In reviewing for
13 compliance with this section, the factfinder may consider as a
14 relevant factor whether the employer, prior to an alleged violation,
15 has adopted and is in compliance with a set of policies, procedures,
16 and practices that fully comply with this section.

17 (f) A failure by an employer to permit a current or former
18 employee to inspect or copy records within the time set forth in
19 subdivision (c) entitles the current or former employee or the Labor
20 Commissioner to recover a seven-hundred-fifty-dollar (\$750)
21 penalty from the employer.

22 (g) The listing by an employer of the name and address of the
23 legal entity that secured the services of the employer in the itemized
24 statement required by subdivision (a) shall not create any liability
25 on the part of that legal entity.

26 (h) An employee may also bring an action for injunctive relief
27 to ensure compliance with this section, and is entitled to an award
28 of costs and reasonable attorney’s fees.

29 (i) This section does not apply to the state, to a city, county, city
30 and county, district, or to any other governmental entity, except
31 that if the state or a city, county, city and county, district, or other
32 governmental entity furnishes its employees with a check, draft,
33 or voucher paying the employee’s wages, the state or a city, county,
34 city and county, district, or other governmental entity shall use no
35 more than the last four digits of the employee’s social security
36 number or shall use an employee identification number other than
37 the social security number on the itemized statement provided with
38 the check, draft, or voucher.

39 SEC. 4. Article 1.5 (commencing with Section 245) is added
40 to Chapter 1 of Part 1 of Division 2 of the Labor Code, to read:

Article 1.5. Paid Sick Days

1
2
3 245. This article shall be known and may be cited as the
4 Healthy Workplaces, Healthy Families Act of 2014.
5 245.5. As used in this article:
6 (a) “Employee” does not include the following:
7 (1) An employee covered by a valid collective bargaining
8 agreement if the agreement expressly provides for the wages, hours
9 of work, and working conditions of employees, and expressly
10 provides for paid sick days or a paid leave or paid time off policy
11 that permits the use of sick days for those employees, final and
12 binding arbitration of disputes concerning the application of its
13 paid sick days provisions, premium wage rates for all overtime
14 hours worked, and regular hourly rate of pay of not less than 30
15 percent more than the state minimum wage rate.
16 (2) An employee in the construction industry covered by a valid
17 collective bargaining agreement if the agreement expressly provides
18 for the wages, hours of work, and working conditions of
19 employees, premium wage rates for all overtime hours worked,
20 and regular hourly pay of not less than 30 percent more than the
21 state minimum wage rate, and the agreement either (A) was entered
22 into before January 1, 2015, or (B) expressly waives the
23 requirements of this article in clear and unambiguous terms. For
24 purposes of this subparagraph, “employee in the construction
25 industry” means an employee performing onsite work associated
26 with construction, including work involving alteration, demolition,
27 building, excavation, renovation, remodeling, maintenance,
28 improvement, repair work, and any other work as described by
29 Chapter 9 (commencing with Section 7000) of Division 3 of the
30 Business and Professions Code, and other similar or related
31 occupations or trades.
32 (b) “Employer means any person employing another under any
33 appointment or contract of hire and includes the state, political
34 subdivisions of the state, and municipalities.
35 (c) “Family member” means any of the following:
36 (1) A child, which for purposes of this article means a biological,
37 adopted, or foster child, stepchild, legal ward, or a child to whom
38 the employee stands in loco parentis. This definition of a child is
39 applicable regardless of age or dependency status.

1 (2) A biological, adoptive, or foster parent, stepparent, or legal
2 guardian of an employee or the employee’s spouse or registered
3 domestic partner, or a person who stood in loco parentis when the
4 employee was a minor child.

5 (3) A spouse.

6 (4) A registered domestic partner.

7 (5) A grandparent.

8 (6) A grandchild.

9 (7) A sibling.

10 (d) “Health care provider” has the same meaning as defined in
11 paragraph (6) of subdivision (c) of Section 12945.2 of the
12 Government Code.

13 (e) “Paid sick days” means time that is compensated at the same
14 wage as the employee normally earns during regular work hours
15 and is provided by an employer to an employee for the purposes
16 described in Section 246.5.

17 246. (a) An employee who works in California for seven or
18 more days in a calendar year is entitled to paid sick days as
19 specified in this section.

20 (b) (1) An employee shall accrue paid sick days at the rate of
21 not less than one hour per every 30 hours worked, beginning at
22 the commencement of employment or the operative date of this
23 article, whichever is later.

24 (2) An employee who is exempt from overtime requirements
25 as an administrative, executive, or professional employee under a
26 wage order of the Industrial Welfare Commission is deemed to
27 work 40 hours per workweek for the purposes of this section,
28 unless the employee’s normal workweek is less than 40 hours, in
29 which case the employee shall accrue paid sick days based upon
30 that normal workweek.

31 (c) An employee shall be entitled to use accrued paid sick days
32 beginning on the 90th calendar day of employment, after which
33 day the employee may use paid sick days as they are accrued.

34 (d) Accrued paid sick days shall carry over to the following
35 calendar year. However, an employer may limit an employee’s
36 use of paid sick days to 24 hours or three days in each calendar
37 year.

38 (e) An employer is not required to provide additional paid sick
39 days pursuant to this section if the employer has a paid leave policy
40 or paid time off policy and the employer makes available an

1 amount of leave that satisfies the accrual requirements of this
2 section and that may be used for the same purposes and under the
3 same conditions as specified in this section.

4 (f) (1) Except as specified in paragraph (2), an employer is not
5 required to provide compensation to an employee for accrued,
6 unused paid sick days upon termination, resignation, retirement,
7 or other separation from employment.

8 (2) If an employee separates from an employer and is rehired
9 by the employer within one year, previously accrued and unused
10 paid sick days shall be reinstated. The employee shall be entitled
11 to use those previously accrued and unused paid sick days and to
12 accrue additional paid sick days upon rehiring.

13 (g) An employer may lend paid sick days to an employee in
14 advance of accrual, at the employer’s discretion and with proper
15 documentation.

16 246.5. (a) Upon the oral or written request of an employee,
17 an employer shall provide paid sick days for the following
18 purposes:

19 (1) Diagnosis, care, or treatment of an existing health condition
20 of, or preventive care for, an employee or an employee’s family
21 member.

22 (2) For an employee who is a victim of domestic violence, sexual
23 assault, or stalking, the purposes described in subdivision (c) of
24 Section 230 and subdivision (a) of Section 230.1.

25 (b) An employer shall not require as a condition of using paid
26 sick days that the employee search for or find a replacement worker
27 to cover the days during which the employee uses paid sick days.

28 (c) (1) An employer shall not deny an employee the right to
29 use sick days, discharge, threaten to discharge, demote, suspend,
30 or in any manner discriminate against an employee for using sick
31 days, attempting to exercise the right to use sick days, filing a
32 complaint with the department or in a court alleging a violation of
33 this article, cooperating in an investigation or prosecution of an
34 alleged violation of this article, or opposing any policy or practice
35 or act that is prohibited by this article.

36 (2) There shall be a rebuttable presumption of unlawful
37 retaliation if an employer denies an employee the right to use sick
38 days, discharges, threatens to discharge, demotes, suspends, or in
39 any manner discriminates against an employee within 90 days of
40 any of the following:

1 (A) The filing of a complaint by the employee with the Labor
2 Commissioner or in a court alleging a violation of this article.

3 (B) The cooperation of an employee with an investigation or
4 prosecution of an alleged violation of this article.

5 (C) Opposition by the employee to a policy, practice, or act that
6 is prohibited by this article.

7 247. (a) An employer shall give each employee written notice
8 of the requirements of this article in English, ~~Spanish, Chinese,~~
9 *the languages set forth in subdivision (b) of Section 1632 of the*
10 *Civil Code*, and any other language spoken by at least 5 percent
11 of the employees. The written notice shall state the following:

12 (1) That an employee is entitled to accrue, request, and use paid
13 sick days.

14 (2) The amount of paid sick days provided for by this article.

15 (3) The terms of use of paid sick days.

16 (4) That retaliation or discrimination against an employee who
17 requests paid sick days or uses paid sick days, or both, is prohibited
18 and that an employee has the right under this article to file a
19 complaint or bring a civil action against an employer who retaliates
20 or discriminates against the employee.

21 (b) In each workplace of the employer, the employer shall
22 display a poster in a conspicuous place containing all the
23 information specified in subdivision (a). The Labor Commissioner
24 shall create a poster containing this information and make it
25 available to employers.

26 (c) An employer who willfully violates the notice and posting
27 requirements of this section is subject to a civil penalty of not more
28 than one hundred dollars (\$100) per each offense.

29 247.5. An employer shall keep for at least five years records
30 documenting the hours worked and paid sick days accrued and
31 used by an employee. An employer shall allow the Labor
32 Commissioner access to these records with appropriate notice and
33 at a mutually agreeable time to monitor compliance with this
34 article. An employer shall make these records available to an
35 employee pursuant to Section 226. If an employer does not
36 maintain adequate records pursuant to this section, it shall be
37 presumed that the employee is entitled to the maximum number
38 of hours accruable under this article, unless the employer can show
39 otherwise by clear and convincing evidence.

1 248. The Labor Commissioner shall coordinate implementation
2 and enforcement of this article and promulgate guidelines and
3 regulations for those purposes.

4 248.5. (a) The Labor Commissioner shall enforce this article,
5 including investigating an alleged violation, and ordering
6 appropriate temporary relief to mitigate the violation or to maintain
7 the status quo pending the completion of a full investigation or
8 hearing.

9 (b) If the Labor Commissioner, after a hearing that contains
10 adequate safeguards to ensure that the parties are afforded due
11 process, determines that a violation of this article has occurred, he
12 or she may order any appropriate relief, including reinstatement,
13 backpay, the payment of sick days unlawfully withheld, and the
14 payment of an additional sum in the form of an administrative
15 penalty to an employee or other person whose rights under this
16 article were violated. If paid sick days were unlawfully withheld,
17 the dollar amount of paid sick days withheld from the employee
18 multiplied by three, or two hundred fifty dollars (\$250), whichever
19 amount is greater, shall be included in the administrative penalty.
20 In addition, if a violation of this article results in other harm to the
21 employee or person, such as discharge from employment, or
22 otherwise results in a violation of the rights of the employee or
23 person, the administrative penalty shall include a sum of fifty
24 dollars (\$50) for each day or portion thereof that the violation
25 occurred or continued.

26 (c) Where prompt compliance by an employer is not
27 forthcoming, the Labor Commissioner may take any appropriate
28 enforcement action to secure compliance, including the filing of
29 a civil action. In compensation to the state for the costs of
30 investigating and remedying the violation, the commissioner may
31 order the violating employer to pay to the state a sum of not more
32 than fifty dollars (\$50) for each day or portion of a day a violation
33 occurs or continues for each employee or other person whose rights
34 under this article were violated. These funds shall be allocated to
35 the Labor Commissioner to offset the costs of implementing and
36 enforcing this article.

37 (d) An employee or other person may report to the Labor
38 Commissioner a suspected violation of this article. The
39 commissioner shall encourage reporting pursuant to this
40 subdivision by keeping confidential, to the maximum extent

1 permitted by applicable law, the name and other identifying
2 information of the employee or person reporting the violation.
3 However, the commissioner may disclose that person's name and
4 identifying information as necessary to enforce this article or for
5 other appropriate purposes, upon the authorization of that person.

6 (e) The Labor Commissioner, the Attorney General, a person
7 aggrieved by a violation of this article, or an entity a member of
8 which is aggrieved by a violation of this article may bring a civil
9 action in a court of competent jurisdiction against the employer
10 or other person violating this article and, upon prevailing, shall be
11 entitled to such legal or equitable relief as may be appropriate to
12 remedy the violation, including reinstatement, backpay, the
13 payment of sick days unlawfully withheld, the payment of an
14 additional sum as liquidated damages in the amount of fifty dollars
15 (\$50) to each employee or person whose rights under this article
16 were violated for each day or portion thereof that the violation
17 occurred or continued, plus, if the employer has unlawfully
18 withheld paid sick days to an employee, the dollar amount of paid
19 sick days withheld from the employee multiplied by three; or two
20 hundred fifty dollars (\$250), whichever amount is greater; and
21 reinstatement in employment or injunctive relief; and further shall
22 be awarded reasonable attorney's fees and costs, provided,
23 however, that any person or entity enforcing this article on behalf
24 of the public as provided for under applicable state law shall, upon
25 prevailing, be entitled only to equitable, injunctive, or restitutionary
26 relief, and reasonable attorney's fees and costs.

27 (f) In an administrative or civil action brought under this article,
28 the Labor Commissioner or court, as the case may be, shall award
29 interest on all amounts due and unpaid at the rate of interest
30 specified in subdivision (b) of Section 3289 of the Civil Code.

31 (g) The remedies, penalties, and procedures provided under this
32 article are cumulative.

33 249. (a) This article does not limit or affect any laws
34 guaranteeing the privacy of health information, or information
35 related to domestic violence or sexual assault, regarding an
36 employee or employee's family member. That information shall
37 be treated as confidential and shall not be disclosed to any person
38 except to the affected employee, or as required by law.

1 (b) This article shall not be construed to discourage or prohibit
2 an employer from the adoption or retention of a paid sick days
3 policy more generous than the one required herein.

4 (c) This article does not lessen the obligation of an employer to
5 comply with a contract, collective bargaining agreement,
6 employment benefit plan, or other agreement providing more
7 generous sick days to an employee than required herein.

8 (d) This article establishes minimum requirements pertaining
9 to paid sick days and does not preempt, limit, or otherwise affect
10 the applicability of any other law, regulation, requirement, policy,
11 or standard that provides for greater accrual or use by employees
12 of sick days, whether paid or unpaid, or that extends other
13 protections to an employee.

14 249.5. (a) A public authority established under Section 12301.6
15 of the Welfare and Institutions Code shall comply with this article
16 for individuals who perform domestic services comprising in-home
17 supportive services under Article 7 (commencing with Section
18 12300) of Chapter 3 of Part 3 of Division 9 of the Welfare and
19 Institutions Code.

20 (b) A public authority may satisfy this article by entering into
21 a collective bargaining agreement that provides an incremental
22 hourly wage adjustment in an amount sufficient to satisfy the
23 accrual requirements of Section 246.

O

Date of Hearing: April 30, 2014

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Mike Gatto, Chair

AB 1522 (Gonzalez) - As Amended: March 28, 2014

Policy Committee:		Labor and
Employment	Vote:	5-1
	Judiciary	6-3

Urgency:	No	State Mandated Local Program:
No	Reimbursable:	No

SUMMARY

This bill requires employees, who meet certain criteria, to be paid sick days, as specified. Specifically, this bill:

- 1) Provides that an employee who works in California for seven or more days in a calendar year is entitled to paid sick days as specified in this bill.
- 2) Provides that an employee shall accrue paid sick days at the rate of not less than one hour per every 30 hours worked, as specified, and entitles an employee to use accrued paid sick days beginning on the 90th calendar day of employment.
- 3) Requires paid sick days to carry over to the following calendar year, but authorizes an employer to limit an employee's use of paid sick days to 24 hours or three days in each calendar year.
- 4) Excludes an employee covered by a valid collective bargaining agreement that expressly provides for paid sick days or similar policy as well as an employee in the construction industry covered by a valid collective bargaining agreement, as specified.
- 5) Requires a public authority to comply with the requirements of the bill for individuals who perform in-home supportive services, except that the public authority may satisfy these requirements by entering into a collective bargaining agreement that provides an incremental hourly wage adjustment in an amount sufficient to satisfy the accrual requirements of

this bill.

- 6) Requires employers to provide paid sick days for diagnosis, care, or treatment of an existing health condition of, or preventative care for, an employee or an employee's family member, as well as for an employee who is a victim of domestic violence, sexual assault or stalking, as specified.
- 7) Specifies that an employer is not required to provide additional paid sick days if the employer has a paid leave policy or paid time off policy that meets the accrual requirements and other purposes, as specified.
- 8) Provides that there shall be a rebuttable presumption of unlawful retaliation if any employer denies an employee the right to use paid sick days or takes other specified adverse action within 90 days of specified protected activities by the employee.
- 9) Requires an employer to provide each employee with written notice of these requirements and retain records for five years documenting an employee's hours worked and paid sick days accrued and used, as specified.
- 10) Requires the Labor Commissioner to coordinate implementation and enforcement; promulgate guidelines and regulations; establish administrative procedures, enforcement actions, and administrative penalties, as specified.
- 11) Specifies the bill establishes minimum standards do not preempt, limit or otherwise affect the applicability of any other law, regulation, requirement, policy, or standard that provides for greater accrual or use of sick days or that extends other protections to an employee.

FISCAL EFFECT

- 1) Initial costs of \$1.2 million (special funds) to the Department of Industrial Relations associated with training, rulemaking, investigation and enforcement of complaints. Ongoing costs of \$1.1 million to DIR for ongoing investigation and enforcement of wage and retaliation claims.
- 2) Potential costs of \$500,000 to \$800,000 (GF) to the Attorney

General for investigation and prosecution of statutory violations, to the extent the bill leads to increased civil action.

- 3) Major costs to state and local governments in California, for example, employee-related costs related to in-home supportive services (IHSS). There are an estimated 385,485 providers that average 1,261 hours of work annually. Divided by the accrual rate of 30 hours specified in this bill, a provider would accrue approximately 42 days of sick leave annually. Providers make an average wage of \$12.33. Assuming this hourly wage adjustment, multiplied by days accrued on an annual basis, multiplied by the estimated 385,485 providers, the cost of the annual accrued time would be approximately \$200 million. The bill authorizes a limitation of three days per year. Assuming this is applied, annual costs for IHSS providers is approximately \$14.3 million. These costs are paid with combined county, state, and federal funds. The state share is 32.5% or \$4.6 million.

This bill proposes to address these costs, in part, by allowing a public authority to enter into a collective bargaining agreement that provides an hourly wage adjustment in an amount sufficient to satisfy the accrual requirement (paid sick leave at the rate of no less than one hour for every 30 hours worked), essentially money instead of sick leave.

COMMENTS

1) Purpose. According to the author, nearly 40 million private-sector workers do not have paid sick time. Taking unpaid sick time leaves workers vulnerable to losing their jobs. Parents with unpaid sick leave are twice as likely to send a sick child to school and five times as likely to take a child or family member to the emergency room because of the inability to take time off during the day. This bill seeks to reduce the impact illness has on the state's working families. The bill is substantially similar to prior legislation but is more limited as it requires employers to provide a minimum of three sick days, rather than up to nine days.

2) Background . Existing law provides employees the opportunity to take both paid and unpaid leave from work without fear of discharge or discrimination for a number of specified

purposes, including personal and family sick leave. Current law does not, however, generally require employers to provide paid sick leave. In 2006, San Francisco voters approved Proposition F, the first law in the nation that requires employers to provide sick leave. The measure provides for five to nine sick days, however, a recent study found that the average level of use was three paid sick days during the previous year.

3)Opponents , including the California Chamber of Commerce, have raised concerns over requirements to amend existing leave policies. Further, they contend that new posting and notice requirements and additional penalties for noncompliance, put employers at risk of litigation. The opposition also has raised concern over the private right of action provision. They contend that under this provision, a union may file a lawsuit against an employer on behalf of an employee, thereby significantly expanding the scope and threat of civil litigation against small and large employers.

4)Previous legislation

- a) AB 400 (Ma) was substantially similar to this bill except that it limited the use of paid sick days to 40 hours per year or five days (for small businesses) and 72 hours per year or nine days for other businesses. The bill was held on this committee's Suspense File in May 2011.
- b) AB 1000 (Ma), similar to AB 400 of 2011, was held on this committee's Suspense File in May 2009.
- c) AB 2716 (Ma), similar to AB 1000, was held in the Senate Appropriations Committee.

Analysis Prepared by : Misty Feusahrens / APPR. / (916)
319-2081

ASSEMBLY BILL**No. 2378**

Introduced by Assembly Member Perea
(Coauthors: Assembly Members Ian Calderon, Dababneh, Frazier,
Gonzalez, and Wieckowski)

February 21, 2014

An act to amend Section 4656 of the Labor Code, relating to workers' compensation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2378, as introduced, Perea. Workers' compensation: temporary disability payments.

Existing law establishes a workers' compensation system, administered by the Administrative Director of the Division of Workers' Compensation, to compensate an employee for injuries arising out of and in the course of his or her employment. Existing law requires that aggregate disability payments for a single injury occurring on or after certain dates be limited, as provided.

Existing law provides that whenever any member of the Department of Justice falling within the state peace officer/firefighter class is disabled by injury arising out of and in the course of his or her duties, he or she shall become entitled, regardless of his or her period of service with the Department of Justice to a leave of absence while so disabled without loss of salary, in lieu of disability payments under this chapter, for a period not exceeding one year. Existing law also provides that certain peace officers, firefighters, and other specified state and local public employees are entitled to a leave of absence without loss of salary while disabled by injury or illness arising out of and in the course of employment.

This bill would provide that the above-specified leaves of absence without loss of salary are payable in addition to the maximum aggregate disability payments for a single injury that is applicable to all workers. The bill would make these provisions applicable to all claims, regardless of the date of injury. The bill would also make related findings and declarations.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) Under current law, the courts are compelled to liberally
- 4 construe the workers’ compensation statutes with the purpose of
- 5 extending related benefits for the protection of workers injured in
- 6 the course of their employment, so long as the intent of the
- 7 Legislature, as expressed in a particular statute, is not supplanted.
- 8 (b) With the enactment of Assembly Bill 338 of the 2007–08
- 9 Regular Session (AB 338), the Legislature expressly intended to
- 10 ameliorate what was then the unintended consequence of unfairly
- 11 penalizing an injured employee who returned to work that resulted
- 12 from the two-year limit that was placed on aggregate disability
- 13 payments for certain single injuries causing temporary disability.
- 14 (c) As introduced, the clearly stated purpose of AB 338 was to
- 15 alleviate the penalty to injured workers pursuant to Section 4656
- 16 of the Labor Code by increasing the maximum number of weeks
- 17 of temporary disability payments for which an injured worker may
- 18 be eligible, while also extending the time period of eligibility.
- 19 (d) In enacting AB 338, the Legislature adopted a consensus
- 20 solution that more closely upholds the purpose of the workers’
- 21 compensation system, which, by design, encourages and supports
- 22 injured workers in their efforts to return to work.
- 23 (e) Article 6 (commencing with Section 4800) and Article 7
- 24 (commencing with Section 4850) of Chapter 2 of Part 2 of Division
- 25 4 of the Labor Code, both of which govern industrially injured
- 26 firefighters and other local public safety officers, provide for a
- 27 leave of absence for up to one year without a loss of salary in lieu
- 28 of temporary disability payments or maintenance allowance

1 payments while the public safety officer or firefighter is recovering
2 from a disability arising out of and in the course of his or her duties.

3 (f) The Legislature, in enacting AB 338, did not intend to limit
4 or reduce the amount of payments made to a public safety officer
5 or firefighter during his or her period of temporary disability.

6 (g) In January 2013, California’s Court of Appeal, First District,
7 Division 4, issued a ruling in *County of Alameda v. Workers’*
8 *Compensation Appeals Board (Knittel)* (2013) 213 Cal.App.4th
9 278, which linked the limitations on temporary disability indemnity
10 payments established by Section 4656 of the Labor Code and the
11 payments provided under Article 6 (commencing with Section
12 4800) and Article 7 (commencing with Section 4850) of Chapter
13 2 of Part 2 of Division 4 of the Labor Code.

14 (h) Knittel starkly contradicts a longstanding, prevailing
15 authority on this issue, including several Workers’ Compensation
16 Appeals Board decisions, that determined that the leave of absence
17 afforded under Article 6 (commencing with Section 4800) and
18 Article 7 (commencing with Section 4850) of Chapter 2 of Part 2
19 of Division 4 of the Labor Code is not a temporary disability
20 indemnity benefit, and, therefore does not count against an
21 industrially injured public safety officer’s allowable number of
22 compensable weeks of temporary disability indemnity payments.

23 (i) In rendering Knittel, the court attributed this new
24 interpretation aggregating both the temporary disability indemnity
25 payments and the salary in lieu payments to public safety officers
26 (Article 6 (commencing with Section 4800) and Article 7
27 (commencing with Section 4850) of Chapter 2 of Part 2 of Division
28 4 of the Labor Code) to the subtleties of the language changes
29 found in AB 338.

30 (j) This interpretation has also disenfranchised and potentially
31 created a disability bias against the small number of public safety
32 officers and firefighters who suffer severe industrial injuries as a
33 matter of course and rely upon the in lieu of salary payments in
34 addition to the temporary disability indemnity afforded to all
35 workers under the California system.

36 (k) It is imperative that the Legislature abrogate the holding in
37 Knittel and restore the Legislature’s intent to limit aggregate
38 temporary disability indemnity payments under Section 4656 of
39 the Labor Code for a single injury causing temporary disability
40 without disturbing the in-lieu payments afforded under Article 6

1 (commencing with Section 4800) and Article 7 (commencing with
2 Section 4850) of Chapter 2 of Part 2 of Division 4 of the Labor
3 Code.

4 SEC. 2. Section 4656 of the Labor Code is amended to read:

5 4656. (a) Aggregate disability payments for a single injury
6 occurring prior to January 1, 1979, causing temporary disability
7 shall not extend for more than 240 compensable weeks within a
8 period of five years from the date of the injury.

9 (b) Aggregate disability payments for a single injury occurring
10 on or after January 1, 1979, and prior to April 19, 2004, causing
11 temporary partial disability shall not extend for more than 240
12 compensable weeks within a period of five years from the date of
13 the injury.

14 (c) (1) Aggregate disability payments for a single injury
15 occurring on or after April 19, 2004, causing temporary disability
16 shall not extend for more than 104 compensable weeks within a
17 period of two years from the date of commencement of temporary
18 disability payment.

19 (2) Aggregate disability payments for a single injury occurring
20 on or after January 1, 2008, causing temporary disability shall not
21 extend for more than 104 compensable weeks within a period of
22 five years from the date of injury.

23 (3) Notwithstanding paragraphs (1) and (2), for an employee
24 who suffers from the following injuries or conditions, aggregate
25 disability payments for a single injury occurring on or after April
26 19, 2004, causing temporary disability shall not extend for more
27 than 240 compensable weeks within a period of five years from
28 the date of the injury:

- 29 (A) Acute and chronic hepatitis B.
- 30 (B) Acute and chronic hepatitis C.
- 31 (C) Amputations.
- 32 (D) Severe burns.
- 33 (E) Human immunodeficiency virus (HIV).
- 34 (F) High-velocity eye injuries.
- 35 (G) Chemical burns to the eyes.
- 36 (H) Pulmonary fibrosis.
- 37 (I) Chronic lung disease.

38 (d) (1) *The employee benefits specified in Article 6 (commencing*
39 *with Section 4800) and Article 7 (commencing with Section 4850),*
40 *are payable in addition to the maximum aggregate disability*

1 *payments established in this section. This subdivision applies to*
2 *all claims, regardless of date of injury.*
3 *(2) In enacting this subdivision, it is the intent of the Legislature*
4 *to abrogate the holding in County of Alameda v. Workers'*
5 *Compensation Appeals Board (Knittel) (2013) 213 Cal.App.4th*
6 *278.*

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Date of Hearing: May 7, 2014

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Mike Gatto, Chair

AB 2378 (Perea) - As Introduced: February 21, 2014

Policy Committee: Insurance
Vote:11-2

Urgency: No State Mandated Local Program:
No Reimbursable: No

SUMMARY

This bill provides that, for specified state and local firefighters and peace officers who are entitled to a leave of absence for up to one year with full pay as a result of on-the-job disability, that the year of pay does not offset any portion of those employees' right to up to 104 or 240 weeks of temporary disability (TD) benefits, and abrogates a contrary court finding.

FISCAL EFFECT

- 1) Assuming four officers per year receive an additional year of TD benefits as a result of this bill, state costs of about \$220,000 (State Compensation Insurance Fund). Employee costs for affected departments are funded through GF/special funds. Given small numbers and the random nature of disability claims, an exact projection of these costs is not possible.
- 2) Applying similar assumptions to local public safety and firefighters to which similar benefits apply, cities and counties will incur increased costs of approximately \$3 million (local funds) to provide an additional year of TD to approximately 50 officers. These costs are not state-reimbursable.

COMMENTS

- 1) Purpose . The author states this bill restores a critical disability eligibility for firefighters and law enforcement officers. The author claims the bill is not intended to create

any new benefits nor impose any significant additional cost on local governments that they haven't been paying for many years, but that it simply allows firefighters and peace officers to take up to a year's paid leave of absence before receiving temporary disability, as they have been in the past.

2)4800 and 4850 time . These provisions of law grant special benefits to Department of Justice, California Highway Patrol, and Department of Fish and Wildlife (Labor Code sections 4800 and 4800.5) and local public safety and firefighters (section 4850). These sections provide for a year of leave at full salary if the individual is injured or becomes ill on the job before temporary disability kicks in. State law limits temporary disability payments to a maximum of 104 weeks (2 years), with exceptions for certain injuries that extend for up to 240 weeks. The issue addressed by the bill is whether the 4800 and 4850 time should count towards the maximum period of TD.

Because the majority of individuals do not reach 104 weeks of temporary disability, but transition to permanent disability instead, it is an issue that affects relatively few people.

3)The Knittel Case. The findings and declarations in the bill provide that the bill is needed to overrule a Court of Appeal decision that has the effect of denying public safety employees benefits the Legislature intended to provide them. The court held in this case that the termination of disability payments after 104 total weeks, including 4850 time, was allowable, citing the Labor Code section 4656 (c) (2), which states "Aggregate disability payments for a single injury occurring on or after January 1, 2008, causing temporary disability shall not extend for more than 104 compensable weeks within a period of five years from the date of injury." The court ruled that the 4850 benefits had to count toward the aggregate 104-week limit because benefits received pursuant to 4850 were provided for a temporarily disabling condition.

4)Support . This bill is co-sponsored by the California Professional Firefighters and the California Labor Federation, and supported by other labor organizations.

5)Opposition . Local public employers and their coalitions oppose this bill, including the California Joint Powers Insurance Authority, the League of California Cities, and the Los

Angeles County Board of Supervisors, among others. They argue keeping 4850 time plus 52 weeks of temporary disability benefits is an appropriate balance when considering public sector costs, and that persons injured for longer than two years are unlikely to return to work, which frees up the employee to take a disability retirement, and frees up the public agency to replace that employee with a new hire.

Analysis Prepared by : Lisa Murawski / APPR. / (916) 319-2081

ASSEMBLY BILL**No. 1690****Introduced by Assembly Member Gordon**

February 13, 2014

An act to amend Section 65583.2 of the Government Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

AB 1690, as introduced, Gordon. Local planning: housing elements.

Existing law requires that the housing element of a community's general plan contain a program that sets forth a schedule of actions during the planning period that the local government is undertaking, or intends to undertake, to implement the policies and achieve the goals and objectives of the housing element through the utilization of appropriate federal and state financing and subsidy programs, and the utilization of moneys in a low- and moderate-income housing fund, as specified. Existing law also requires the program to accommodate at least 50% of the very low and low-income housing need on sites designated for residential use and for which nonresidential uses or mixed-uses are not permitted, as specified.

This bill would instead require the program to accommodate at least 50% of the very low and low-income housing need on sites designated for residential use or mixed-uses.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 65583.2 of the Government Code is
2 amended to read:
3 65583.2. (a) A city’s or county’s inventory of land suitable
4 for residential development pursuant to paragraph (3) of
5 subdivision (a) of Section 65583 shall be used to identify sites that
6 can be developed for housing within the planning period and that
7 are sufficient to provide for the jurisdiction’s share of the regional
8 housing need for all income levels pursuant to Section 65584. As
9 used in this section, “land suitable for residential development”
10 includes all of the following:
11 (1) Vacant sites zoned for residential use.
12 (2) Vacant sites zoned for nonresidential use that allows
13 residential development.
14 (3) Residentially zoned sites that are capable of being developed
15 at a higher density.
16 (4) Sites zoned for nonresidential use that can be redeveloped
17 for, and as necessary, rezoned for, residential use.
18 (b) The inventory of land shall include all of the following:
19 (1) A listing of properties by parcel number or other unique
20 reference.
21 (2) The size of each property listed pursuant to paragraph (1),
22 and the general plan designation and zoning of each property.
23 (3) For nonvacant sites, a description of the existing use of each
24 property.
25 (4) A general description of any environmental constraints to
26 the development of housing within the jurisdiction, the
27 documentation for which has been made available to the
28 jurisdiction. This information need not be identified on a
29 site-specific basis.
30 (5) A general description of existing or planned water, sewer,
31 and other dry utilities supply, including the availability and access
32 to distribution facilities. This information need not be identified
33 on a site-specific basis.
34 (6) Sites identified as available for housing for above
35 moderate-income households in areas not served by public sewer
36 systems. This information need not be identified on a site-specific
37 basis.

1 (7) A map that shows the location of the sites included in the
2 inventory, such as the land use map from the jurisdiction’s general
3 plan for reference purposes only.

4 (c) Based on the information provided in subdivision (b), a city
5 or county shall determine whether each site in the inventory can
6 accommodate some portion of its share of the regional housing
7 need by income level during the planning period, as determined
8 pursuant to Section 65584. The analysis shall determine whether
9 the inventory can provide for a variety of types of housing,
10 including multifamily rental housing, factory-built housing,
11 mobilehomes, housing for agricultural employees, emergency
12 shelters, and transitional housing. The city or county shall
13 determine the number of housing units that can be accommodated
14 on each site as follows:

15 (1) If local law or regulations require the development of a site
16 at a minimum density, the department shall accept the planning
17 agency’s calculation of the total housing unit capacity on that site
18 based on the established minimum density. If the city or county
19 does not adopt a law or regulations requiring the development of
20 a site at a minimum density, then it shall demonstrate how the
21 number of units determined for that site pursuant to this subdivision
22 will be accommodated.

23 (2) The number of units calculated pursuant to paragraph (1)
24 shall be adjusted as necessary, based on the land use controls and
25 site improvements requirement identified in paragraph (5) of
26 subdivision (a) of Section 65583.

27 (3) For the number of units calculated to accommodate its share
28 of the regional housing need for lower income households pursuant
29 to paragraph (2), a city or county shall do either of the following:

30 (A) Provide an analysis demonstrating how the adopted densities
31 accommodate this need. The analysis shall include, but is not
32 limited to, factors such as market demand, financial feasibility, or
33 information based on development project experience within a
34 zone or zones that provide housing for lower income households.

35 (B) The following densities shall be deemed appropriate to
36 accommodate housing for lower income households:

37 (i) For incorporated cities within nonmetropolitan counties and
38 for nonmetropolitan counties that have micropolitan areas: sites
39 allowing at least 15 units per acre.

- 1 (ii) For unincorporated areas in all nonmetropolitan counties
2 not included in clause (i): sites allowing at least 10 units per acre.
- 3 (iii) For suburban jurisdictions: sites allowing at least 20 units
4 per acre.
- 5 (iv) For jurisdictions in metropolitan counties: sites allowing
6 at least 30 units per acre.
- 7 (d) For purposes of this section, metropolitan counties,
8 nonmetropolitan counties, and nonmetropolitan counties with
9 micropolitan areas are as determined by the United States Census
10 Bureau. Nonmetropolitan counties with micropolitan areas include
11 the following counties: Del Norte, Humboldt, Lake, Mendocino,
12 Nevada, Tehama, and Tuolumne and such other counties as may
13 be determined by the United States Census Bureau to be
14 nonmetropolitan counties with micropolitan areas in the future.
- 15 (e) A jurisdiction is considered suburban if the jurisdiction does
16 not meet the requirements of clauses (i) and (ii) of subparagraph
17 (B) of paragraph (3) of subdivision (c) and is located in a
18 Metropolitan Statistical Area (MSA) of less than 2,000,000 in
19 population, unless that jurisdiction's population is greater than
20 100,000, in which case it is considered metropolitan. Counties,
21 not including the City and County of San Francisco, will be
22 considered suburban unless they are in a MSA of 2,000,000 or
23 greater in population in which case they are considered
24 metropolitan.
- 25 (f) A jurisdiction is considered metropolitan if the jurisdiction
26 does not meet the requirements for "suburban area" above and is
27 located in a MSA of 2,000,000 or greater in population, unless
28 that jurisdiction's population is less than 25,000 in which case it
29 is considered suburban.
- 30 (g) For sites described in paragraph (3) of subdivision (b), the
31 city or county shall specify the additional development potential
32 for each site within the planning period and shall provide an
33 explanation of the methodology used to determine the development
34 potential. The methodology shall consider factors including the
35 extent to which existing uses may constitute an impediment to
36 additional residential development, development trends, market
37 conditions, and regulatory or other incentives or standards to
38 encourage additional residential development on these sites.
- 39 (h) The program required by subparagraph (A) of paragraph (1)
40 of subdivision (c) of Section 65583 shall accommodate 100 percent

1 of the need for housing for very low and low-income households
2 allocated pursuant to Section 65584 for which site capacity has
3 not been identified in the inventory of sites pursuant to paragraph
4 (3) of subdivision (a) on sites that shall be zoned to permit
5 owner-occupied and rental multifamily residential use by right
6 during the planning period. These sites shall be zoned with
7 minimum density and development standards that permit at least
8 16 units per site at a density of at least 16 units per acre in
9 jurisdictions described in clause (i) of subparagraph (B) of
10 paragraph (3) of subdivision (c) and at least 20 units per acre in
11 jurisdictions described in clauses (iii) and (iv) of subparagraph (B)
12 of paragraph (3) of subdivision (c). At least 50 percent of the very
13 low and low-income housing need shall be accommodated on sites
14 designated for residential use ~~and for which nonresidential uses~~
15 ~~or mixed-uses are not permitted.~~

16 (i) For purposes of this section and Section 65583, the phrase
17 “use by right” shall mean that the local government’s review of
18 the owner-occupied or multifamily residential use may not require
19 a conditional use permit, planned unit development permit, or other
20 discretionary local government review or approval that would
21 constitute a “project” for purposes of Division 13 (commencing
22 with Section 21000) of the Public Resources Code. Any subdivision
23 of the sites shall be subject to all laws, including, but not limited
24 to, the local government ordinance implementing the Subdivision
25 Map Act. A local ordinance may provide that “use by right” does
26 not exempt the use from design review. However, that design
27 review shall not constitute a “project” for purposes of Division 13
28 (commencing with Section 21000) of the Public Resources Code.
29 Use by right for all rental multifamily residential housing shall be
30 provided in accordance with subdivision (f) of Section 65589.5.

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Date of Hearing: May 7, 2014

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
K.H. "Katcho" Achadjian, Chair
AB 1690 (Gordon) - As Introduced: February 13, 2014

SUBJECT : Local planning: housing elements.

SUMMARY : Deletes the requirement that a local government, when it fails to identify adequate sites in its housing element and must adopt a rezoning program, rezone at least 50% of its affordable housing sites on land designated for residential use and for which nonresidential uses or mixed-uses are not permitted, and instead, requires the program to accommodate at least 50% of the affordable housing need on sites designated for residential use or mixed-uses.

EXISTING LAW :

- 1) Requires every city and county to prepare and adopt a general plan containing seven mandatory elements, including a housing element.
- 2) Requires a jurisdiction's housing element to identify and analyze existing and projected housing needs, identify adequate sites with appropriate zoning to meet the housing needs of all income segments of the community, and ensure that regulatory systems provide opportunities for, and do not unduly constrain, housing development.
- 3) Requires cities and counties located within the territory of a metropolitan planning organization (MPO) to revise their housing elements every eight years following the adoption of every other regional transportation plan. Cities and counties in rural non-MPO regions must revise their housing elements every five years.
- 4) Requires, prior to each housing element revision, that each council of governments (COG), in conjunction with the Department of Housing and Community Development (HCD), prepare a regional housing needs assessment (RHNA) and allocate to each jurisdiction in the region its fair share of the housing need for all income categories. Where a COG does not exist, HCD determines the local share of the region's housing need.

- 5) Divides the RHNA into the following income categories:
- a) Very low-income (50% or lower of area median income);
 - b) Low-income (80% or lower of area median income);
 - c) Moderate-income (between 80% and 120% of area median income); and,
 - d) Above moderate-income (exceeding 120% area median income).
- 6) Requires housing elements to include an inventory of land suitable for residential development that identifies enough sites that can be developed for housing within the planning period to accommodate the jurisdiction's entire share of the RHNA.
- 7) Requires that, where the inventory of sites does not identify adequate sites to accommodate the need for groups of all household income levels, rezoning of those sites, including adoption of minimum density and development standards, is required by a specified deadline.
- 8) Requires the rezoning program to accommodate 100 % of the need for housing for very low- and low-income households for which site capacity has not been identified in the inventory of sites. These sites must:
- a) Be zoned to permit owner-occupied and rental multifamily residential use by-right during the planning period;
 - b) Be zoned with minimum density and development standards that permit between 16 and 20 units per acre, depending on the jurisdiction; and,
 - c) Accommodate at least 50% of the very low- and low-income housing need on sites designated for residential use and for which nonresidential uses or mixed-uses are not permitted.

FISCAL EFFECT : None

COMMENTS :

1) Purpose of this bill . This bill deletes the requirement that a local government, when it fails to identify adequate sites in its housing element and must adopt a rezoning program, rezone at least 50% of its affordable housing sites on land designated for residential use and for which nonresidential uses or mixed-uses are not permitted, and instead, requires the program to accommodate at least 50% of the affordable housing need on sites designated for residential use or mixed-uses.

This bill is author-sponsored.

2) Background . Every local government is required to prepare a housing element as part of its general plan. The housing element process starts when HCD determines the number of new housing units a region is projected to need at all income levels (very low-, low-, moderate-, and above-moderate income) over the course of the next housing element planning period to accommodate population growth and overcome existing deficiencies in the housing supply. This number is known as the RHNA. The COG for the region, or HCD for areas with no COG, then assigns a share of the RHNA number to every city and county in the region based on a variety of factors.

In preparing its housing element, a city or county must show how it plans to accommodate its share of the RHNA. The housing element must include an inventory of sites already zoned for housing. When a local government's housing element does not identify adequate sites to accommodate the need for groups of all household income levels, it must rezone those sites by a specific deadline during the planning period. This rezoning program has to accommodate 100% of the RHNA need for very low- and low-income households, for which site capacity has not been identified, on sites that are zoned to permit owner occupied and rental multifamily use by-right during the planning period. These zones must allow for, depending on the jurisdiction, between 16 and 20 units per acre. At least 50% of the very low- and low-income housing need must be accommodated on sites designated for residential use and for which nonresidential uses or mixed-uses are not permitted.

3) Author's statement . According to the author, "Under existing law, a jurisdiction must plan to accommodate at-least 50% of its low-income and very low-income housing needs assessment

(RHNA) on "sites designated for residential use and for which nonresidential uses or mixed-uses are not permitted" [GOV 65583.2(h)]. As jurisdictions, particularly built-out urban communities, add more zoning designations and overlays this type of restrictive segregation of use is increasingly rare.

"The intention of this restriction was ostensibly to ensure that at-least on these few sites housing could be built without having to compete against other uses. Conventionally, low-income and very low-income housing has been largely built by non-profit housing agencies that are singularly focused on residential construction.

"However, many of these agencies have gotten quite good at building mixed-use projects and at building housing into larger mixed-use planned unit developments (PUDs) and in mixed-use priority development areas (PDAs). And while commercial lenders may (anecdotally) be more wary of mixed-use affordable housing projects, the issue is market-relative. Mixed-use projects may not make sense in every community, particularly in more rural settings, but they do make sense and have been successful in the urban areas of this state where most future growth will be concentrated (and where commercial construction markets have remained most competitive, and commercial occupancy rates are highest). This bill allows local agencies additional flexibility on how best to plan in their communities.

"From a state perspective, encouraging mixed-use development (and more broadly encouraging housing in higher-density communities near public transit and job-centers) is critical to California's smart growth goals. In addition to furthering SB 375's goals of building walkable and transit-friendly communities, planning for these low-income and very-low income units on mixed-use sites (particularly as part of transit-oriented developments, or TODs) is now necessary to ensure competitiveness for federal transit funds.

"Integrating commercial uses into a low-income or very low-income project can also provide benefits from a development perspective. In a strong commercial real estate market, making a portion of a project commercial (like ground floor retail) can help offset construction costs increasing the affordability of residential units. A commercial component can also make a project more attractive to a

community, like a food desert, starved for services.

"The most direct benefit of accommodating more low-income and very-low income residents in mixed-use projects is that they are less likely to be isolated from jobs and services. AB 1690 will allow local cities and counties the option of planning for growth in a way that better integrates new low- and very low-income housing into communities."

4)Concerns . A joint letter dated April 29, 2014, from the California Rural Legal Assistance Foundation and the Western Center on Law & Poverty raises several concerns with the bill, including that the bill, in its present form, "would remove the modest and reasonable balance struck between promoting mixed-used development and facilitating affordable housing development." The groups are hopeful that continued discussions with the author will yield a result that advances the shared goal of increased affordable housing.

5)Arguments in support . Supporters argue that California's communities have a wide variety of land use needs and that many communities are utilizing mixed-used properties to help create walkable and sustainable communities, and that this bill furthers these goals.

6)Arguments in opposition . None on file.

7)Double-referral . This bill was heard by the Housing and Community Development Committee on April 30, 2014, and passed with a 7-0 vote.

REGISTERED SUPPORT / OPPOSITION :

Support

California Building Industry Association
California State Association of Counties
Housing Leadership Council of San Mateo
League of California Cities

Concerns

California Rural Legal Assistance Foundation
Western Center on Law & Poverty

Opposition

Analysis Prepared by : Debbie Michel / L. GOV. / (916)
319-3958

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ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: May 13, 2014
Staff Report #: 14-080

Agenda Item #: I-1

INFORMATIONAL ITEM: **Quarterly Financial Review of General Fund Operations as of March 31, 2014**

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 third quarter results from fiscal years 2013-14 and 2012-13.

Budget-to-actual comparisons shown reflect actual transactions through the third quarter of each year as compared to the adjusted budget as it stood on March 31st each year. Budget adjustments that were approved by Council on March 4th as part of the mid-year update have been incorporated into this report.

Revenues

The table on the following page shows a summary of third quarter budget-to-actual revenues for fiscal years 2013-14 and 2012-13:

	2013-14 Adopted Budget 3/31/2014	2013-14 Adjusted Budget 3/31/2014	Actual 3/31/2014	% of Budget	2012-13 Adjusted Budget 3/31/2013	Actual 3/31/2013	% of Budget
Property Tax	\$13,955,000	\$14,715,000	\$9,150,548	62.19%	\$13,853,000	\$9,016,668	65.09%
Sales Tax	6,331,400	6,136,400	4,375,767	71.31%	6,280,000	3,802,175	60.54%
Transient Occupancy Tax	3,743,000	4,100,000	2,063,727	50.33%	3,326,000	1,512,843	45.49%
Utility Users' Tax	1,184,620	1,135,000	753,706	66.41%	1,165,499	696,150	59.73%
Franchise Fees	1,812,300	1,812,300	743,917	41.05%	1,873,500	713,532	38.09%
Charges for Services	7,795,222	7,595,222	5,713,095	75.22%	7,080,246	5,437,055	76.79%
Licenses and Permits	4,459,465	6,559,465	4,971,881	75.80%	4,326,465	3,860,169	89.22%
Interest Income	410,000	260,000	570,996	219.61%	390,000	291,098	74.64%
Rental Income	367,712	367,712	72,590	19.74%	362,018	70,804	19.56%
Intergovernmental Revenue	741,704	841,717	629,312	74.77%	838,130	527,273	62.91%
Fines & Forfeitures	1,319,980	1,149,980	828,319	72.03%	991,400	752,611	75.91%
Operating Transfers In/ Other Revenue	429,444	1,201,266	1,096,448	91.27%	420,123	1,559,920	371.30%
Total Revenues:	\$42,549,847	\$45,874,062	\$30,970,306	67.51%	\$40,906,381	\$28,240,298	69.04%

Through the third quarter of fiscal year 2013-14, General Fund revenues are nearly \$31 million, which is a 9.7 percent increase over the same time period in 2012-13. This increase is driven by several major revenue sources, including sales tax, transient occupancy tax, and development permitting activity.

Property tax represents the largest source of General Fund revenue, and the budget was increased at mid-year to account for the City receiving a full share of Excess Educational Revenue Augmentation Fund (ERAF) revenue. Because of the uncertainty around this revenue source, only a 50% share was included in the adopted budget; however, the City learned in early 2014 that it would be receiving a full share. Based on remittances through March 31st, property tax revenues are expected to meet or exceed adjusted budget estimates.

Sales tax is tracking well above last fiscal year's amount through March 31st, as revenues are up over 15 percent. Shortly after the sales tax projection had been reduced at mid-year due to insufficient funds being available to pay the Triple Flip obligation owed the City, several one-time transactions increased remittances significantly. Based on this, sales tax revenues for fiscal year 2013-14 are expected to exceed adjusted budget estimates; however, this is not indicative of an expected increase in the sales tax baseline going forward.

The transient occupancy tax (TOT) projection was increased at mid-year based on revenues received through December 31, 2013. Since that adjustment, there is nothing new to report because the City receives its TOT remittances quarterly, with revenues for activity through March 31st not being due to the City until the end of April. Overall, TOT revenues are up 36 percent over the same period from last fiscal year. This is largely the result of the 20 percent increase in the TOT rate (10 percent to 12 percent effective January 1, 2013), as well as strong occupancy and room rates. Revenue in this area remains on track to meet adjusted budget estimates.

Charges for services are up 5 percent, or \$276,000, over the third quarter of fiscal year 2012-13 and are on track to meet adjusted estimates, which were revised downward slightly at mid-year. One notable area of increase includes reimbursable revenue, which is up \$148,000 due to additional events in the City requiring a police presence and a new standardized billing rate for service rendered.

License and permit revenues are up significantly due to development activity in the City. The estimate for this revenue source was increased \$2.1 million at mid-year, and based on results through March 31st, revenues in this area appear to be on track to meet adjusted estimates. It is important to note that revenues in this category, particularly permitting revenues, lead expenditures, which means that revenues collected now will be followed by corresponding expenditures. Due to the timing of permitting activity, many of these expenditures will be budgeted in fiscal year 2014-15.

While interest income appears to be up significantly in the third quarter, this is due to an adjustment to reverse the prior year's "unrealized loss" required for fiscal year-end reporting. As of March 31, 2013, the annualized rate of return for the City's portfolio is 0.51 percent, net of fees. This is a 0.01 percent decrease from same period last year. Additional information on the City's investment portfolio is included in staff report #14-079, which is also on the May 13, 2014 Council agenda.

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 third quarter of the previous fiscal year.

Expenditures

As expected, through the third quarter General Fund operating expenditures are up \$826,000, or 3 percent, over the previous year. A year-over-year increase in total expenditures was budgeted, as the current year's operating budget as of the third quarter is nearly 9 percent above the previous year's operating budget. In fact, in comparison to last fiscal year, expenditures are tracking slightly lower to budget this year (68.2% vs.64.4%) through the third quarter. It is important to note, however, that while total expenditures for the current year are only 64.4 percent of budget (through 75% of the fiscal year), due to the lag in when payroll expenditures get incorporated into the City's general ledger, third quarter results shown in the table below only include payroll through mid-March. This is the case for both fiscal years, so the year-over-year comparison is still applicable.

	2013-14 Adopted Budget 3/31/201	2013-14 Adjusted Budget 3/31/2014	Actual 3/31/2014	% of Budget	2012-13 Adjusted Budget 3/31/2013	Actual 3/31/2013	% of Budget
Police	14,860,547	15,065,189	10,504,322	69.73%	14,462,753	10,262,209	70.96%
Public Works	5,550,916	5,642,673	3,675,362	65.14%	5,528,334	3,626,925	65.61%
Community Services	7,309,436	7,376,748	5,115,144	69.34%	7,080,106	4,844,750	68.43%
Library	2,109,769	2,114,569	1,511,794	71.49%	2,042,465	1,455,527	71.26%
Community Development	3,369,769	4,614,041	2,101,040	45.54%	3,197,249	1,951,872	61.05%
Administrative Services	6,682,574	6,934,606	3,723,779	53.70%	5,898,280	3,731,209	63.26%
Operating Transfers Out	2,464,328	2,554,600	1,915,950	75.00%	2,464,328	1,848,246	75.00%
Total Expenditures:	\$42,347,339	\$44,302,426	\$28,547,391	64.44%	\$40,673,515	\$27,720,738	68.15%

As demonstrated in the table above, four departments (Police, Public Works, Community Development and Administrative Services) are tracking lower to budget in comparison to fiscal year 2012-13. Based on total expenditures through the third quarter, total General Fund operating expenditures are on track to be below budgeted amounts for the fiscal year. Final estimates for fiscal year 2013-14 General Fund operating expenditures will be incorporated into the soon-to-be released fiscal year 2014-15 recommended budget.

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 March 31, 2014

Report prepared by:
Drew Corbett
 Finance Director

City of Menlo Park - General Fund
Budget-to-Actual Report, FY 2013-14
As of March 31, 2014

A	B	C	D	E	(E-C)/C	G	H	(H-G)/G	G/C	G/D	H/E
	Adjusted Budget as of 6/30/2013	Audited Actual 2012-13	2012-13 Budget 3/31/2013	2013-14 Budget 3/31/2014	% of Budget 3/31/14 to Audited Actual 2012-13	Actual 3/31/2013	Actual 3/31/2014	% Actual Change	% of Actual 3/31/13 to Audited Actual 2012-13	% Actual-to- Budget 3/31/2013	% Actual-to- Budget 3/31/2014
Property Tax	\$13,853,000	\$15,731,889	\$13,853,000	\$14,715,000	-6.46%	\$9,016,668	\$9,150,548	1.48%	57.31%	65.09%	62.19%
Sales Tax	6,280,000	6,043,870	6,280,000	6,136,400	1.53%	3,802,175	4,375,767	15.09%	62.91%	60.54%	71.31%
Transient Occupancy Tax	3,326,000	3,468,256	3,326,000	4,100,000	18.22%	1,512,843	2,063,727	36.41%	43.62%	45.49%	50.33%
Utility Users' Tax	1,165,499	1,095,256	1,165,499	1,135,000	3.63%	696,150	753,706	8.27%	63.56%	59.73%	66.41%
Franchise Fees	1,873,500	1,765,216	1,873,500	1,812,300	2.67%	713,532	743,917	4.26%	40.42%	38.09%	41.05%
Charges for Services	7,080,246	7,088,160	7,080,246	7,595,222	7.15%	5,437,055	5,713,095	5.08%	76.71%	76.79%	75.22%
Licenses and Permits	4,326,465	4,447,630	4,326,465	6,559,465	47.48%	3,860,169	4,971,881	28.80%	86.79%	89.22%	75.80%
Interest Income	390,000	221,974	390,000	260,000	17.13%	291,098	570,996	96.15%	131.14%	-5.29%	219.61%
Rental Income	362,018	346,076	362,018	367,712	6.25%	70,804	72,590	2.52%	20.46%	19.56%	19.74%
Intergovernmental Revenue	838,130	866,288	838,130	841,717	-2.84%	527,273	629,312	19.35%	60.87%	62.91%	74.77%
Fines & Forfeitures	991,400	998,259	991,400	1,149,980	15.20%	752,611	828,319	10.06%	75.39%	75.91%	72.03%
Operating Transfers In/ Other Revenue	420,123	1,386,961	420,123	1,201,266	-13.39%	1,559,920	1,096,448	-29.71%	112.47%	371.30%	91.27%
Total Revenues:	\$40,906,381	\$43,459,835	\$40,906,381	\$45,874,062	5.56%	\$28,240,298	\$30,970,306	9.67%	64.98%	69.04%	67.51%
Police	14,462,753	13,809,282	14,462,753	15,065,189	9.09%	10,262,209	10,504,322	2.36%	74.31%	70.96%	69.73%
Public Works	5,535,335	5,100,811	5,528,334	5,642,673	10.62%	3,626,925	3,675,362	1.34%	71.10%	65.61%	65.14%
Community Services	7,079,105	6,810,375	7,080,106	7,376,748	8.32%	4,844,750	5,115,144	5.58%	71.14%	68.43%	69.34%
Library	2,042,465	2,011,143	2,042,465	2,114,569	5.14%	1,455,527	1,511,794	3.87%	72.37%	71.26%	71.49%
Community Development	3,197,249	2,774,032	3,197,249	4,614,041	66.33%	1,951,872	2,101,040	7.64%	70.36%	61.05%	45.54%
Administrative Services	5,898,280	5,315,022	5,898,280	6,934,606	30.47%	3,731,209	3,723,779	-0.20%	70.20%	63.26%	53.70%
Operating Transfers Out	6,252,894	6,545,230	2,464,328	2,554,600	-60.97%	1,848,246	1,915,950	3.66%	28.24%	75.00%	75.00%
Total Expenditures:	\$44,468,081	\$42,365,895	\$40,673,515	\$44,302,426	4.57%	\$27,720,738	\$28,547,391	2.98%	65.43%	68.15%	64.44%
Preliminary addition/draw on General Fund Reserves	(\$3,561,700)	\$1,093,940	\$232,866	\$1,571,636		\$519,560	\$2,422,915				
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	(\$3,289,149)		\$505,417	\$1,959,669							
Net Operating Revenue	(\$3,289,149)		\$505,417	\$1,959,669							

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ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: May 13, 2014

Staff Report #: 14-079

Agenda Item #: I-2

INFORMATIONAL ITEM: **Review of the City's Investment Portfolio as of March 31, 2014**

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 March 31, 2014

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 March was over \$93.7 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, yield and liquidity as selection criteria. Approximately \$40 million (42.7 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 \$53.7 million, \$21.2 million (22.6 percent) is invested in short-term Federal agency issues (U.S. Instrumentality), \$2 million (2.1 percent) is in U.S. Treasury securities, \$25.5 million (27.2 percent) is in medium-term corporate notes, and almost \$5 million (5.4 percent) is in commercial paper. 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 March, the fair value (market value) of the City's securities was over \$86,659 less than the amortized historical cost, which is referred to as an unrealized loss. This is an improvement from the end of the previous quarter's unrealized loss of \$156,210. 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 saw improvement during the fourth quarter of 2013, but slowed in January and February 2014. The slowdown during this time period was primarily due to harsh winter conditions but, fortunately, the economy rallied in March, with the inflation outlook remaining below 2.5 percent and the unemployment rate remaining at 6.7 percent. The Federal Open Market Committee (FOMC) met in January and March to discuss monetary policy. Undeterred by the slight slowdown in the beginning of 2014, the FOMC has reduced its pace of asset purchases from \$65 billion per month to \$55 billion per month, and if it continues to taper at the current rate, the asset purchases would end later this year. However, during its meeting in March, the FOMC decided that despite the progress the economy has been making towards recovery, the previously stated 6.5 percent unemployment threshold to raise interest rates should be replaced with a new set of qualitative standards to inform the Fed on when higher rates may be appropriate. The committee members agreed that the 6.5 percent employment threshold is outdated. Therefore, the federal funds rate will remain at the current near-zero level for some time, even after the economy gets back to normal and the unemployment rate drops below 6.5 percent. It is 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, these actions will also result in very few attractive investment opportunities for the City. The FOMC continues to monitor the market and has discussed appropriate policy actions based on these conditions.

Investment Yield

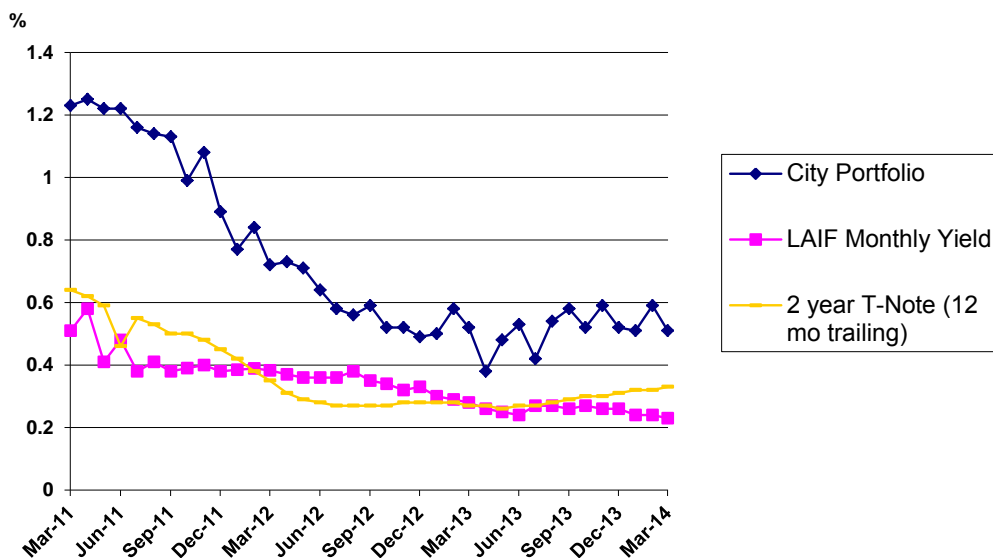
The annualized rate of return for the City's portfolio shown on the performance summary as of March 31, 2014, prepared by Cutwater, is 0.51 percent, net of fees. This rate of return is higher than the rate of the 2-year Treasury-Note (12-month trailing) of 0.33 percent and the rate of return earned through LAIF over the past quarter of 0.23 percent.

Over the first quarter of 2014, investment yields decreased for most short-term and long-term bonds. However, over the past year, interest rates increased for long-term securities while short-term securities experienced modest decreases.

Treasury Yields			
Term	March 31, 2013	December 31, 2013	March 31, 2014
3-month	0.07	0.07	0.06
6-month	0.10	0.09	0.05
2-year	0.24	0.38	0.41
5-year	0.76	1.74	1.74
10-year	1.85	3.03	2.73
30-year	3.10	3.97	3.55

As previously stated, almost 42.7 percent of the portfolio resides in the City’s LAIF account, yielding 0.23 percent for the quarter ending March 31, 2014. 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 more constant over the last year. The City’s ability to earn a higher yield than LAIF is due to the priorities of the investment portfolios. Since 2009, LAIF’s highest priority has been liquidity while the City’s priorities have been safety (protection of the principal) and yield. More liquid securities tend to have lower rates of return.

Comparative Rates of Return



Fees paid to Cutwater (totaling \$10,717 for the quarter ended March 31, 2014) 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 First Quarter

Staff, with the assistance of Cutwater, continues to evaluate the purchase of new investments as others are called or matured, if the City does not require the liquidity. During the first quarter, staff re-invested funds from a corporate bond that matured and two agency bonds that were called. These funds were reinvested in another corporate bond and three more callable agency bonds. Staff has been purchasing certain callable securities because they offering higher yields than normal securities due to the possibility of being called. In addition, some of the callable securities that were purchased have a step-up feature. If the bond is not called after one year, the rate increases to one that is higher than what is currently available on the market. Therefore the bonds are likely to be called and will provide the City with a short-term investment at a slightly higher yield during the callable period. With interest rates expected to remain at their current low level for quite some time, purchasing short-term securities is a prudent investment to position the City to capitalize when interest rates do begin to rise. With that said, once rates start increasing, they are expected to do so only incrementally over a period of time. Therefore, if the bonds are not called, the portfolio will still contain securities that are earning a higher rate of interest, thereby reducing interest rate risk.

Investments that matured, were called, or purchased during the period of January 1, 2014 through March 31, 2014 are shown in the schedule below:

<u>Date</u>	<u>Transaction</u>	<u>Description</u>	<u>Term</u>	<u>% Yield</u>	<u>Principal</u>
01/07/2014	Maturity	GE Capital	2.0 yrs	0.99	\$1,500,000
01/07/2014	Purchase	IBM Corp	3.0 yrs	1.03	\$1,500,000
02/24/2014	Call	FHLMC Callable	2.0 yrs	0.74	\$2,000,000
02/24/2014	Purchase	FHLB Callable	3.0 yrs	0.50	\$1,000,000
03/03/2014	Purchase	FHLB Callable	3.0 yrs	0.63	\$1,000,000
03/05/2014	Call	FNMA Callable	2.0 yrs	1.04	\$2,000,000
03/06/2014	Purchase	FHLB Callable	4.0 yrs	0.50	\$2,000,000

The average number of days to maturity in the City's portfolio decreased during the first quarter. The average number of days to maturity of the City's portfolio as of March 31, 2014 was 414 days as compared to 430 days as of December 31, 2013. The average life of securities in LAIF's portfolio as of December 31, 2013 was 185 days.

Cash and Investments by Fund

Overall, the City's investment portfolio increased by over \$3.1 million in the first quarter of 2014. The schedule below lists the change in cash balance by fund type.

Fund/Fund Type	Cash Balance as of 03/31/14	Cash Balance as of 12/31/13	Difference	% Change
General Fund	25,252,609	22,427,383	2,825,226	12.60%
Bayfront Park Maintenance Fund	637,054	651,828	(14,774)	-2.27%
Recreation -in-Lieu Fund	1,374,728	1,318,624	56,104	4.25%
Other Expendable Trust Funds	1,287,334	1,363,420	(76,086)	-5.58%
Transportation Impact Fee Fund	4,013,489	4,047,994	(34,505)	-0.85%
Garbage Service Fund	1,023,312	942,209	81,103	8.61%
Parking Permit Fund	3,266,499	3,233,353	33,146	1.03%
BMR Housing Fund	8,001,193	7,396,120	605,073	8.18%
Measure A Funds	866,685	957,490	(90,805)	-9.48%
Storm Water Management Fund	244,480	278,369	(33,889)	-12.17%
Successor Agency Funds	3,195,773	2,418,251	777,522	32.15%
Measure T Funds	289,841	288,976	865	0.30%
Other Special Revenue Funds	11,206,723	11,457,938	(251,215)	-2.19%
Capital Project Fund- General	13,265,673	13,231,334	34,339	0.26%
Water Operating & Capital	14,775,907	15,469,931	(694,024)	-4.49%
Debt Service Fund	1,166,041	1,454,303	(288,262)	-19.82%
Internal Service Fund	3,843,096	3,615,871	227,225	6.28%
Total Portfolio of all Funds	93,710,435	90,553,394	3,157,041	3.49%

Cash and investment holdings in the General Fund increased by over \$2.8 million. This was the result of receiving \$1.6 million for Excess ERAF funds in January and over \$1.2 million during the quarter for business license taxes. In January 2014, the BMR unit on Sage Street was sold and in February 2014, the unit on Hollyburne also sold. These sales resulted in an increase in cash in the BMR Housing Fund. The Successor Agency Fund increased by the second semi-annual payment for the 2013-14 fiscal year to cover the former Community Development agencies obligations. This payment was offset by the semi-annual deposit to BNY Mellon for debt service obligations for the former Community Development Agency's Series 2006 Bonds. In Other Special Revenue Funds, the Landfill Post Closure Fund decreased by over \$215,000 for payments related to the Gas Flare at Bedwell Park capital improvement project.

The City's Municipal Water Funds decreased due to payments in January to SFPUC for water service during the previous quarter. Water costs continue to be higher due to the dry months during the fourth quarter of 2013, which required more water usage for landscaping needs. The City's Debt Service Funds decreased semi-annual debt service payment on interest for the City's general obligation bonds that was due on January 31, 2014. The next debt service payment is due July 31, 2014. The increase in the Internal Service Funds is due to collection of internal services charges from departments, offset by normal operating costs.

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 March 1, 2014 – March 31, 2014

Report prepared by:
Geoffrey Buchheim
Financial Services Manager



CITY OF MENLO PARK

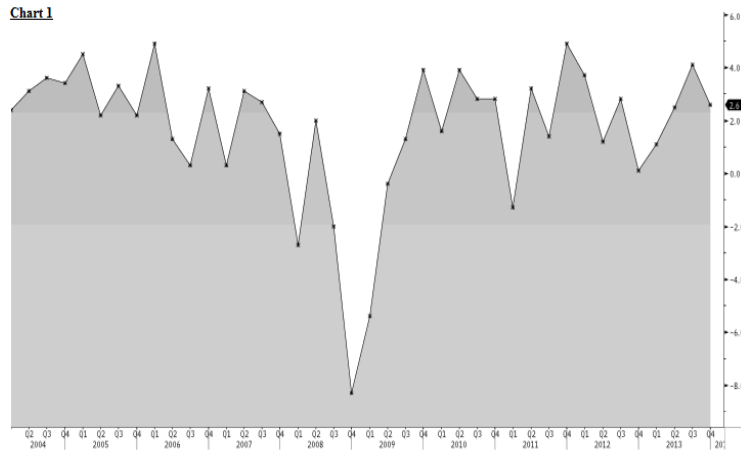
Report for the period March 1, 2014 - March 31, 2014

Please contact Accounting by calling the number above or email camreports@cutwater.com with questions concerning this report.

(This report was prepared on April 8, 2014)

Fixed Income Market Review March 31, 2014

U.S. Gross Domestic Product
01/01/04 - 12/31/13

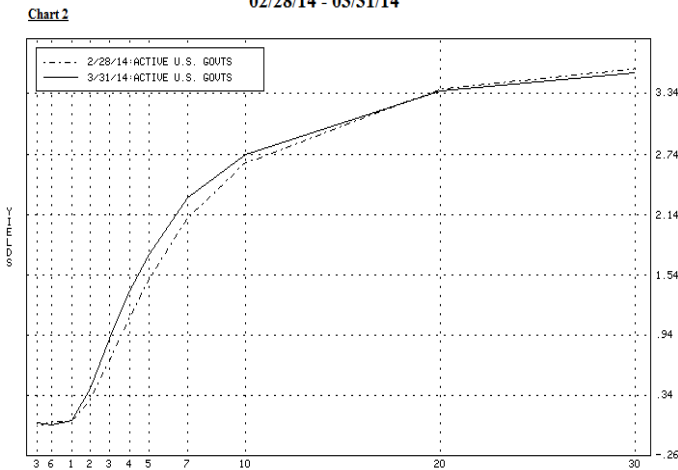


Economic Indicators & Monetary Policy – The final release of the fourth quarter Gross Domestic Product (GDP) was revised to 2.6 percent in March from the second reading of 2.4 percent. The improvement in GDP reflected signs of strength in the U.S. economy at the end of last year. Consumer spending advanced at a 3.3 percent pace in the fourth quarter, which was the most since the fourth quarter of 2010.¹ (See Chart 1)

Consumer confidence improved in March, as the Conference Board Consumer Confidence index reached its highest level in more than six years. The Conference Board’s index increased to 82.3, which greatly exceeded analyst estimates of 78.5 and surpassed the February reading of 78.3.

Although the extreme weather conditions this year forced a number of economic indicators to decline in January and February, many indicators recovered in March. Non-farm payrolls increased by 175,000, a gain of more than 60,000 from the previous month, and retail sales increased by 0.3 percent, following a 0.6 percent drop the month before. The labor force participation rate, however, remained very low at 63percent.

Treasury Yield Curves
02/28/14 - 03/31/14



The Federal Open Market Committee (FOMC) continued tapering the asset purchase program at the March 19 meeting, reducing the monthly asset purchases by the expected amount of \$10 billion. The FOMC currently purchases \$55 billion per month of U.S. Treasury and mortgage-backed securities and if it continues to taper at the current rate, the asset purchases would end later this year.

The FOMC also stated that an unemployment rate of 6.5 percent will no longer be used as an indicator for the timing regarding tightening monetary policy. According to the statement from the March meeting, the FOMC continues to “seek maximum employment and price stability”.² Following Janet Yellen’s first press conference as Chair of the FOMC, the theme of the markets was volatility as investors began to speculate on the timing of the end of the quantitative easing program.

Yield Curve & Spreads – After a relatively flat month of February, the treasury yield curve steepened in March.

At the end of February, the 3-month Treasury bill yielded 0.06 percent, 6-month Treasury bill yielded 0.05 percent, 2-year Treasury note yielded 0.41 percent, 5-year Treasury note yielded 1.74 percent, 10-year Treasury note yielded 2.73 percent, and the 30-year Treasury yielded 3.55 percent. (See Chart 2)

Additional Information

March 31, 2014

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/.

¹"Fewer Firings a Sign U.S. to Regain Growth Momentum." Bloomberg Finance LP. March 27, 2014

² Press Release, Federal Open Market Committee Minutes from March 19.

**City of Menlo Park
Activity and Performance Summary
for the period March 1, 2014 - March 31, 2014**

Amortized Cost Basis Activity Summary

Beginning Amortized Cost Value	93,475,798.50
Additions	
Contributions	0.00
Interest Received	126,586.92
Accrued Interest Sold	5,000.00
Gain on Sales	2,028.23
Total Additions	133,615.15
Deductions	
Withdrawals	572,635.79
Fees Paid	3,569.19
Accrued Interest Purchased	0.00
Loss on Sales	0.00
Total Deductions	(576,204.98)
Accretion (Amortization) for the Period	(42,904.10)
Ending Amortized Cost Value	92,990,304.57
Ending Fair Value	92,903,645.81
Unrealized Gain (Loss)	(86,658.76)

Detail of Amortized Cost Basis Return

	Interest Earned	Accretion (Amortization)	Realized Gain (Loss)	Total Income
Current Holdings				
Cash and Equivalents	8,089.83	0.00	0.00	8,089.83
Commercial Paper	0.00	1,550.00	0.00	1,550.00
U.S. Treasury	1,712.71	(482.10)	0.00	1,230.61
U.S. Instrumentality	21,158.97	(5,893.57)	0.00	15,265.40
Corporate	53,882.19	(36,000.21)	0.00	17,881.98
Sales and Maturities				
U.S. Instrumentality	222.22	(2,078.22)	2,028.23	172.23
Total	85,065.92	(42,904.10)	2,028.23	44,190.05

Annualized Comparative Rates of Return

	Twelve Month Trailing	Six Month Trailing	For the Month
Fed Funds	0.09 %	0.08 %	0.08 %
Overnight Repo	0.06 %	0.06 %	0.08 %
3 Month T-Bill	0.04 %	0.04 %	0.04 %
6 Month T-Bill	0.06 %	0.06 %	0.06 %
1 Year T-Note	0.12 %	0.12 %	0.13 %
2 Year T-Note	0.33 %	0.35 %	0.40 %
5 Year T-Note	1.37 %	1.52 %	1.64 %

Summary of Amortized Cost Basis Return for the Period

	Total Portfolio	Excl. Cash Eq.
Interest Earned	85,065.92	76,976.09
Accretion (Amortization)	(42,904.10)	(42,904.10)
Realized Gain (Loss) on Sales	<u>2,028.23</u>	<u>2,028.23</u>
Total Income on Portfolio	44,190.05	36,100.22
Average Daily Historical Cost	93,990,822.57	53,537,832.77
Annualized Return	0.55%	0.79%
Annualized Return Net of Fees	0.51%	0.72%
Annualized Return Year to Date Net of Fees	0.53%	0.76%
Weighted Average Effective Maturity in Days	414	722

**City of Menlo Park
Activity and Performance Summary
for the period March 1, 2014 - March 31, 2014**

Fair Value Basis Activity Summary

Beginning Fair Value	93,496,598.54
Additions	
Contributions	0.00
Interest Received	126,586.92
Accrued Interest Sold	5,000.00
Total Additions	131,586.92
Deductions	
Withdrawals	572,635.79
Fees Paid	3,569.19
Accrued Interest Purchased	0.00
Total Deductions	(576,204.98)
Change in Fair Value for the Period	(148,334.67)
Ending Fair Value	92,903,645.81

Detail of Fair Value Basis Return

	Interest Earned	Change in Fair Value	Total Income
Current Holdings			
Cash and Equivalents	8,089.83	0.00	8,089.83
Commercial Paper	0.00	1,700.00	1,700.00
U.S. Treasury	1,712.71	(3,711.00)	(1,998.29)
U.S. Instrumentality	21,158.97	(62,135.65)	(40,976.68)
Corporate	53,882.19	(81,795.48)	(27,913.29)
Sales and Maturities			
U.S. Instrumentality	222.22	(2,392.54)	(2,170.32)
Total	85,065.92	(148,334.67)	(63,268.75)

Annualized Comparative Rates of Return

	Twelve Month Trailing	Six Month Trailing	For the Month
Fed Funds	0.09 %	0.08 %	0.08 %
Overnight Repo	0.06 %	0.06 %	0.08 %
3 Month T-Bill	0.10 %	0.10 %	0.12 %
6 Month T-Bill	0.16 %	0.13 %	0.18 %
1 Year T-Note	0.28 %	0.25 %	0.44 %
2 Year T-Note	0.39 %	0.51 %	-1.00 %
5 Year T-Note	-1.90 %	-0.33 %	-9.69 %

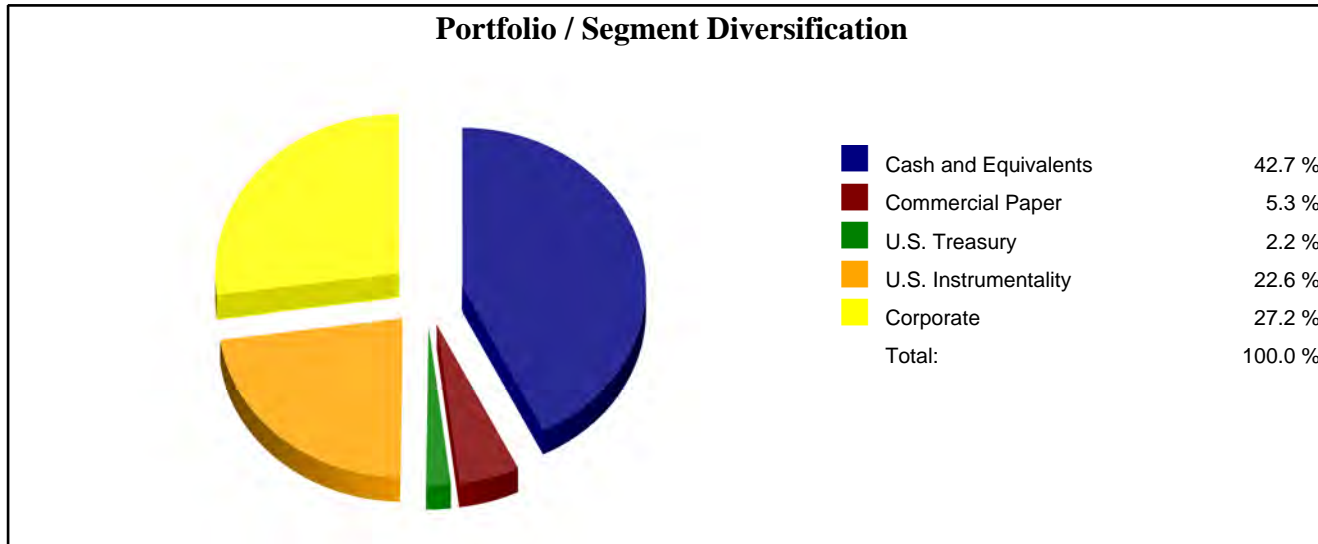
Summary of Fair Value Basis Return for the Period

	Total Portfolio	Excl. Cash Eq.
Interest Earned	85,065.92	76,976.09
Change in Fair Value	<u>(148,334.67)</u>	<u>(148,334.67)</u>
Total Income on Portfolio	(63,268.75)	(71,358.58)
Average Daily Historical Cost	93,990,822.57	53,537,832.77
Annualized Return	(0.79%)	(1.57%)
Annualized Return Net of Fees	(0.84%)	(1.65%)
Annualized Return Year to Date Net of Fees	0.83%	1.28%
Weighted Average Effective Maturity in Days	414	722

**City of Menlo Park
Recap of Securities Held
March 31, 2014**

	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	40,043,312.38	40,043,312.38	40,043,312.38	0.00	1	1	42.73	0.24	0.00
Commercial Paper	4,989,076.39	4,994,176.39	4,995,780.00	1,603.61	116	116	5.32	0.37	0.00
U.S. Treasury	2,026,015.63	2,011,241.37	2,022,852.00	11,610.63	499	499	2.16	0.71	1.35
U.S. Instrumentality	21,200,878.33	21,063,626.13	20,965,453.08	(98,173.05)	1,058	1,024	22.62	0.83	2.67
Corporate	25,451,151.85	24,877,948.30	24,876,248.35	(1,699.95)	606	606	27.16	0.89	1.62
Total	93,710,434.58	92,990,304.57	92,903,645.81	(86,658.76)	422	414	100.00	0.56	1.07

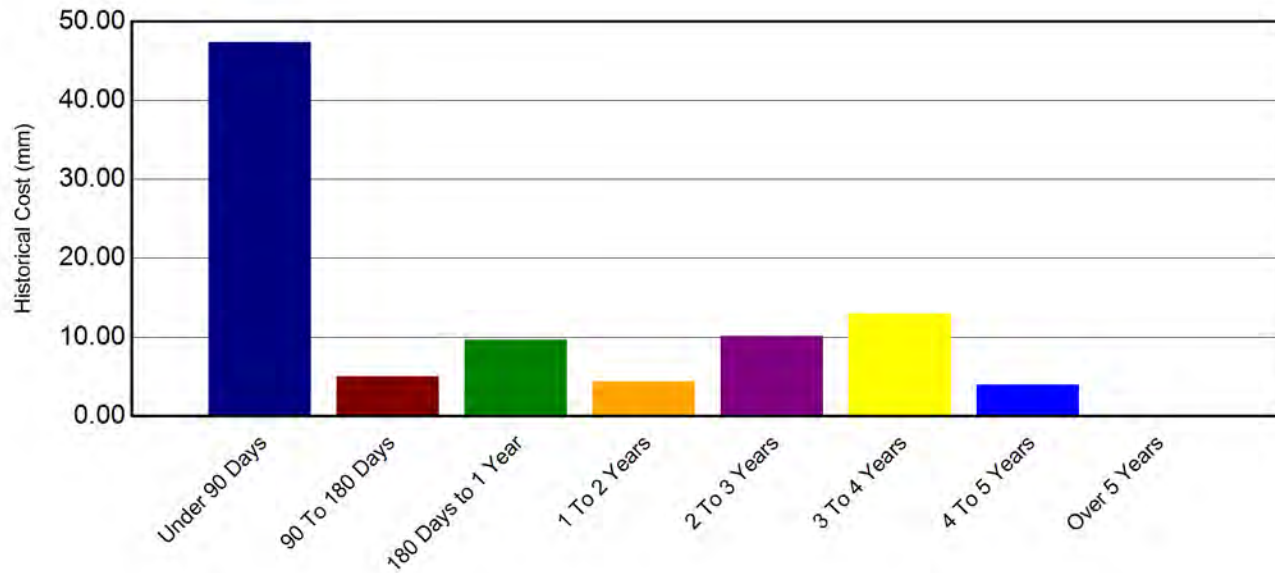
* Weighted Average Yield is calculated on a "yield to worst" basis.



**City of Menlo Park
Maturity Distribution of Securities Held
March 31, 2014**

Maturity	Historical Cost	Percent
Under 90 Days	47,378,316.27	50.56 %
90 To 180 Days	5,031,674.38	5.37 %
180 Days to 1 Year	9,685,860.00	10.34 %
1 To 2 Years	4,366,851.85	4.66 %
2 To 3 Years	10,191,883.75	10.88 %
3 To 4 Years	13,031,668.33	13.91 %
4 To 5 Years	4,024,180.00	4.29 %
Over 5 Years	0.00	0.00 %
	93,710,434.58	100.00 %

Maturity Distribution



**City of Menlo Park
Securities Held
March 31, 2014**

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	
Cash and Equivalents														
LAIF - City 98-19-22	03/31/14	0.236V		40,043,312.38	40,043,312.38	40,043,312.38	40,043,312.38	0.00	0.00	8,089.83	24,977.15	42.73	0.24	
					0.00	0.00	0.00							
TOTAL (Cash and Equivalents)				40,043,312.38	40,043,312.38	40,043,312.38	40,043,312.38	0.00	0.00	8,089.83	24,977.15	42.73		
					0.00	0.00	0.00							
Commercial Paper														
83365SF24	12/20/13	0.000	06/02/14	2,500,000.00	2,496,013.89	2,498,493.06	2,499,242.50	749.44	0.00	0.00	0.00	2.66	0.36	
Societe Generale NA					0.00	753.48	580.00							
06737JJG1	12/20/13	0.000	09/16/14	2,500,000.00	2,493,062.50	2,495,683.33	2,496,537.50	854.17	0.00	0.00	0.00	2.66	0.38	
Barclays US Funding					0.00	796.52	1,120.00							
TOTAL (Commercial Paper)				5,000,000.00	4,989,076.39	4,994,176.39	4,995,780.00	1,603.61	0.00	0.00	0.00	5.32		
					0.00	1,550.00	1,700.00							
U.S. Treasury														
912828RB8	08/25/11	0.500	08/15/14	1,000,000.00	1,003,046.88	1,000,381.56	1,001,602.00	1,220.44	0.00	428.18	621.55	1.07	0.40	
T-Note					0.00	(86.97)	(273.00)							
912828QX1	08/25/11	1.500	07/31/16	1,000,000.00	1,022,968.75	1,010,859.81	1,021,250.00	10,390.19	0.00	1,284.53	2,486.19	1.09	1.02	
T-Note					0.00	(395.13)	(3,438.00)							
TOTAL (U.S. Treasury)				2,000,000.00	2,026,015.63	2,011,241.37	2,022,852.00	11,610.63	0.00	1,712.71	3,107.74	2.16		
					0.00	(482.10)	(3,711.00)							
U.S. Instrumentality														
31398A3G5	09/28/11	1.500	09/08/14	1,500,000.00	1,535,565.00	1,505,288.48	1,509,289.50	4,001.02	11,250.00	1,875.00	1,437.50	1.64	0.69	
FNMA					0.00	(1,024.64)	(1,425.00)							
3136G0KG5	Call	06/05/12	0.625	06/04/15	2,000,000.00	2,001,400.00	2,000,122.91	2,001,456.00	1,333.09	0.00	1,041.67	4,062.50	2.14	0.59
FNMA					0.00	(59.53)	(400.00)							
3133XWNB1	09/28/11	2.875	06/12/15	1,500,000.00	1,606,845.00	1,534,509.43	1,547,667.00	13,157.57	0.00	3,593.75	13,057.29	1.71	0.92	
FHLB					0.00	(2,448.04)	(2,679.00)							
3130A0RF9	Call	02/27/14	0.500V	02/13/17	1,000,000.00	1,000,000.00	998,390.00	(1,610.00)	0.00	416.67	666.67	1.07	0.50	
FHLB					0.00	194.44	0.00	(879.00)						
3130A13Q9	Call	03/03/14	0.625V	03/03/17	1,000,000.00	1,000,000.00	995,834.00	(4,166.00)	0.00	486.11	486.11	1.07	0.63	
FHLB					0.00	0.00	(4,166.00)							
3135G0VM2	04/03/13	0.750	03/14/17	1,000,000.00	1,000,700.00	1,000,000.00	993,383.00	(6,617.00)	3,750.00	625.00	354.17	1.07	0.75	
FNMA					0.00	(26.38)	(4,540.00)							
3128MBFA0	01/23/13	6.000	04/01/17	985,265.55	1,047,768.33	1,030,068.07	1,035,815.58	5,747.51	4,926.33	4,926.33	4,926.33	1.12	2.31	
FHLMC					0.00	(1,267.22)	(692.65)							

**City of Menlo Park
Securities Held
March 31, 2014**

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	
3130A0GF1 FHLB	Call	12/19/13	0.500V	06/19/17	2,000,000.00	1,999,000.00	1,999,080.59	1,994,132.00	(4,948.59)	2,500.00	833.33	333.33	2.13	0.98
				09/19/14		0.00	24.25	(6,300.00)						
3135G0PP2 FNMA	04/18/13	1.000	09/20/17	2,000,000.00	2,005,000.00	2,000,000.00	1,987,270.00	(12,730.00)	10,000.00	1,666.67	611.11	2.14	1.00	
					0.00	0.00	(7,812.00)							
3137EADN6 FHLMC	01/22/13	0.750	01/12/18	2,000,000.00	1,984,380.00	1,988,112.97	1,954,662.00	(33,450.97)	0.00	1,250.00	3,291.67	2.12	0.91	
					0.00	266.64	(10,356.00)							
3137EADN6 FHLMC	02/15/13	0.750	01/12/18	2,000,000.00	1,980,960.00	1,985,316.25	1,954,662.00	(30,654.25)	0.00	1,250.00	3,291.67	2.11	0.95	
					0.00	329.37	(10,356.00)							
3130A0XL9 FHLB	Call	03/06/14	0.500V	03/06/18	2,000,000.00	2,000,000.00	2,000,000.00	1,995,886.00	(4,114.00)	0.00	694.44	694.44	2.13	0.50
				06/06/14		0.00	0.00	(4,114.00)						
3136G1KN8 FNMA	Call	05/03/13	1.500	04/24/18	2,000,000.00	2,039,260.00	2,021,127.43	1,997,006.00	(24,121.43)	0.00	2,500.00	13,083.33	2.18	0.50
				04/24/15		0.00	(1,688.02)	(8,416.00)						
TOTAL (U.S. Instrumentality)					20,985,265.55	21,200,878.33	21,063,626.13	20,965,453.08	(98,173.05)	32,426.33	21,158.97	46,296.12	22.62	
						194.44	(5,893.57)	(62,135.65)						

Corporate

931142DA8 Wal-Mart	07/26/11	1.625	04/15/14	1,000,000.00	1,020,000.00	1,000,281.69	1,000,442.00	160.31	0.00	1,354.17	7,493.06	1.09	0.88	
					0.00	(623.74)	(1,172.00)							
478160AX2 Johnson & Johnson	05/20/11	1.200	05/15/14	1,000,000.00	998,830.00	999,952.81	1,000,959.00	1,006.19	0.00	1,000.00	4,533.33	1.07	1.24	
					0.00	33.24	(785.00)							
36962GX41 GE Capital	12/14/11	5.650	06/09/14	750,000.00	818,760.00	755,225.15	757,279.50	2,054.35	0.00	3,531.25	13,183.33	0.87	1.86	
					0.00	(2,347.54)	(3,339.75)							
94974BET3 Wells Fargo	10/22/12	3.750	10/01/14	2,000,000.00	2,122,880.00	2,031,716.56	2,034,138.00	2,421.44	0.00	6,250.00	37,500.00	2.27	0.56	
					0.00	(5,372.75)	(6,998.00)							
084664AT8 Berkshire Hathaway	10/23/12	4.850	01/15/15	3,000,000.00	3,284,850.00	3,101,132.25	3,105,999.00	4,866.75	0.00	12,125.00	30,716.67	3.51	0.56	
					0.00	(10,848.09)	(11,982.00)							
713448BX5 PEPSICO Inc	09/21/12	0.750	03/05/15	1,000,000.00	1,005,430.00	1,002,050.66	1,003,162.00	1,111.34	3,750.00	625.00	541.67	1.07	0.53	
					0.00	(188.08)	(1,015.00)							
717081DA8 Pfizer Inc	04/22/13	5.350	03/15/15	3,000,000.00	3,272,700.00	3,137,138.15	3,134,811.00	(2,327.15)	80,250.00	13,375.00	7,133.33	3.49	0.53	
					0.00	(12,216.33)	(15,390.00)							
36962G5Z3 GE Capital	10/02/12	1.625	07/02/15	1,013,000.00	1,032,236.87	1,021,764.95	1,026,817.32	5,052.37	0.00	1,371.77	4,069.59	1.10	0.92	
					0.00	(594.56)	(2,546.68)							
36962G4P6 GE Capital	09/21/12	1.000V	09/23/15	725,000.00	724,369.98	724,689.87	729,748.03	5,058.16	1,812.50	604.17	161.11	0.77	1.03	
					0.00	17.80	(216.05)							
594918AG9 Microsoft	07/26/11	1.625	09/25/15	1,000,000.00	1,003,400.00	1,001,210.78	1,017,642.00	16,431.22	8,125.00	1,354.16	270.83	1.07	1.54	
					0.00	(69.25)	(2,414.00)							
38259PAC6 Google	10/16/12	2.125	05/19/16	1,000,000.00	1,053,370.00	1,031,712.61	1,032,706.00	993.39	0.00	1,770.84	7,791.67	1.12	0.62	
					0.00	(1,261.99)	(2,190.00)							

**City of Menlo Park
Securities Held
March 31, 2014**

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
459200GX3 IBM Corp	11/09/12	1.950	07/22/16	2,000,000.00	2,076,820.00	2,047,934.32	2,058,110.00	10,175.68	0.00	3,250.00	7,475.00	2.22	0.89
084670BD9 Berkshire Hathaway	02/02/12	1.900	01/31/17	1,500,000.00	1,528,050.00	1,515,923.18	1,535,242.50	19,319.32	0.00	2,375.00	4,829.17	1.63	1.51
459200HC8 IBM Corp	01/07/14	1.250	02/06/17	1,500,000.00	1,509,975.00	1,509,230.86	1,507,806.00	(1,424.86)	0.00	1,562.50	2,864.58	1.61	1.03
88579YAE1 3M Company	12/19/12	1.000	06/26/17	2,000,000.00	2,014,560.00	2,010,430.25	1,992,180.00	(18,250.25)	0.00	1,666.67	5,277.78	2.15	0.84
037833AJ9 Apple Inc	05/20/13	1.000	05/03/18	2,000,000.00	1,984,920.00	1,987,554.21	1,939,206.00	(48,348.21)	0.00	1,666.66	8,222.22	2.12	1.16
TOTAL (Corporate)				24,488,000.00	25,451,151.85	24,877,948.30	24,876,248.35	(1,699.95)	93,937.50	53,882.19	142,063.34	27.16	

GRAND TOTAL				92,516,577.93	93,710,434.58	92,990,304.57	92,903,645.81	(86,658.76)	126,363.83	84,843.70	216,444.35	100.00	
					194.44	(40,825.88)	(145,942.13)						

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

City of Menlo Park
GASB 40 - Deposit and Investment Risk Disclosure
March 31, 2014

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)
<u>LAIF</u>												
	Cash and Equivalents	0.236	01/30/3100				40,043,312.38	40,043,312.38	42.73	40,043,312.38	43.10	0.00
ISSUER TOTAL							40,043,312.38	40,043,312.38	42.73	40,043,312.38	43.10	0.00
<u>FNMA</u>												
3136G0KG5	U.S. Instrumentality	0.625	06/04/2015	06/04/2014	AA+	Aaa	2,000,000.00	2,001,400.00	2.14	2,001,456.00	2.15	0.17
31398A3G5	U.S. Instrumentality	1.500	09/08/2014		AA+	Aaa	1,500,000.00	1,535,565.00	1.64	1,509,289.50	1.62	0.44
3135G0VM2	U.S. Instrumentality	0.750	03/14/2017		AA+	Aaa	1,000,000.00	1,000,700.00	1.07	993,383.00	1.07	2.91
3135G0PP2	U.S. Instrumentality	1.000	09/20/2017		AA+	Aaa	2,000,000.00	2,005,000.00	2.14	1,987,270.00	2.14	3.40
3136G1KN8	U.S. Instrumentality	1.500	04/24/2018	04/24/2015	AA+	Aaa	2,000,000.00	2,039,260.00	2.18	1,997,006.00	2.15	3.90
ISSUER TOTAL							8,500,000.00	8,581,925.00	9.16	8,488,404.50	9.14	2.17
<u>FHLB</u>												
3133XWNB1	U.S. Instrumentality	2.875	06/12/2015		AA+	Aaa	1,500,000.00	1,606,845.00	1.71	1,547,667.00	1.67	1.18
3130A0RF9	U.S. Instrumentality	0.500	02/13/2017	05/13/2014	AA+	Aaa	1,000,000.00	1,000,000.00	1.07	998,390.00	1.07	2.82
3130A13Q9	U.S. Instrumentality	0.625	03/03/2017	06/03/2014	AA+	Aaa	1,000,000.00	1,000,000.00	1.07	995,834.00	1.07	2.88
3130A0GF1	U.S. Instrumentality	0.500	06/19/2017	09/19/2014	AA+	Aaa	2,000,000.00	1,999,000.00	2.13	1,994,132.00	2.15	3.16
3130A0XL9	U.S. Instrumentality	0.500	03/06/2018	06/06/2014	AA+	Aaa	2,000,000.00	2,000,000.00	2.13	1,995,886.00	2.15	3.81
ISSUER TOTAL							7,500,000.00	7,605,845.00	8.12	7,531,909.00	8.11	2.84
<u>FHLMC</u>												
3128MBFA0	U.S. Instrumentality	6.000	04/01/2017		AA+	Aaa	985,265.55	1,047,768.33	1.12	1,035,815.58	1.11	1.54
3137EADN6	U.S. Instrumentality	0.750	01/12/2018		AA+	Aaa	4,000,000.00	3,965,340.00	4.23	3,909,324.00	4.21	3.70
ISSUER TOTAL							4,985,265.55	5,013,108.33	5.35	4,945,139.58	5.32	3.25
<u>Berkshire Hathaway</u>												
084664AT8	Corporate	4.850	01/15/2015		AA	Aa2	3,000,000.00	3,284,850.00	3.51	3,105,999.00	3.34	0.78
084670BD9	Corporate	1.900	01/31/2017		AA	Aa2	1,500,000.00	1,528,050.00	1.63	1,535,242.50	1.65	2.75
ISSUER TOTAL							4,500,000.00	4,812,900.00	5.14	4,641,241.50	5.00	1.43
<u>IBM Corp</u>												
459200GX3	Corporate	1.950	07/22/2016		AA-	Aa3	2,000,000.00	2,076,820.00	2.22	2,058,110.00	2.22	2.25
459200HC8	Corporate	1.250	02/06/2017		AA-	Aa3	1,500,000.00	1,509,975.00	1.61	1,507,806.00	1.62	2.79
ISSUER TOTAL							3,500,000.00	3,586,795.00	3.83	3,565,916.00	3.84	2.48

City of Menlo Park
GASB 40 - Deposit and Investment Risk Disclosure
March 31, 2014

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)
<u>Pfizer Inc</u>												
717081DA8	Corporate	5.350	03/15/2015		AA	A1	3,000,000.00	3,272,700.00	3.49	3,134,811.00	3.37	0.94
ISSUER TOTAL							3,000,000.00	3,272,700.00	3.49	3,134,811.00	3.37	0.94
<u>GE Capital</u>												
36962GX41	Corporate	5.650	06/09/2014		AA+	A1	750,000.00	818,760.00	0.87	757,279.50	0.82	0.19
36962G5Z3	Corporate	1.625	07/02/2015		AA+	A1	1,013,000.00	1,032,236.87	1.10	1,026,817.32	1.11	1.24
36962G4P6	Corporate	1.000	09/23/2015		AA+	A1	725,000.00	724,369.98	0.77	729,748.03	0.79	1.47
ISSUER TOTAL							2,488,000.00	2,575,366.85	2.75	2,513,844.85	2.71	0.99
<u>Societe Generale NA</u>												
83365SF24	Commercial Paper	0.000	06/02/2014		A-1	P-1	2,500,000.00	2,496,013.89	2.66	2,499,242.50	2.69	0.00
ISSUER TOTAL							2,500,000.00	2,496,013.89	2.66	2,499,242.50	2.69	0.00
<u>Barclavs US Funding</u>												
06737JJG1	Commercial Paper	0.000	09/16/2014		A-1	P-1	2,500,000.00	2,493,062.50	2.66	2,496,537.50	2.69	0.00
ISSUER TOTAL							2,500,000.00	2,493,062.50	2.66	2,496,537.50	2.69	0.00
<u>Wells Fargo</u>												
94974BET3	Corporate	3.750	10/01/2014		A+	A2	2,000,000.00	2,122,880.00	2.27	2,034,138.00	2.19	0.49
ISSUER TOTAL							2,000,000.00	2,122,880.00	2.27	2,034,138.00	2.19	0.49
<u>T-Note</u>												
912828RB8	U.S. Treasury	0.500	08/15/2014		AA+	Aaa	1,000,000.00	1,003,046.88	1.07	1,001,602.00	1.08	0.38
912828QX1	U.S. Treasury	1.500	07/31/2016		AA+	Aaa	1,000,000.00	1,022,968.75	1.09	1,021,250.00	1.10	2.29
ISSUER TOTAL							2,000,000.00	2,026,015.63	2.16	2,022,852.00	2.18	1.35
<u>3M Company</u>												
88579YAE1	Corporate	1.000	06/26/2017		AA-	Aa2	2,000,000.00	2,014,560.00	2.15	1,992,180.00	2.14	3.17
ISSUER TOTAL							2,000,000.00	2,014,560.00	2.15	1,992,180.00	2.14	3.17
<u>Apple Inc</u>												
037833AJ9	Corporate	1.000	05/03/2018		AA+	Aa1	2,000,000.00	1,984,920.00	2.12	1,939,206.00	2.09	3.96
ISSUER TOTAL							2,000,000.00	1,984,920.00	2.12	1,939,206.00	2.09	3.96

City of Menlo Park
GASB 40 - Deposit and Investment Risk Disclosure
March 31, 2014

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)
Google												
38259PAC6	Corporate	2.125	05/19/2016		AA	Aa2	1,000,000.00	1,053,370.00	1.12	1,032,706.00	1.11	2.08
ISSUER TOTAL							1,000,000.00	1,053,370.00	1.12	1,032,706.00	1.11	2.08
Microsoft												
594918AG9	Corporate	1.625	09/25/2015		AAA	Aaa	1,000,000.00	1,003,400.00	1.07	1,017,642.00	1.10	1.47
ISSUER TOTAL							1,000,000.00	1,003,400.00	1.07	1,017,642.00	1.10	1.47
PEPSICO Inc												
713448BX5	Corporate	0.750	03/05/2015		A-	A1	1,000,000.00	1,005,430.00	1.07	1,003,162.00	1.08	0.92
ISSUER TOTAL							1,000,000.00	1,005,430.00	1.07	1,003,162.00	1.08	0.92
Johnson & Johnson												
478160AX2	Corporate	1.200	05/15/2014		AAA	Aaa	1,000,000.00	998,830.00	1.07	1,000,959.00	1.08	0.12
ISSUER TOTAL							1,000,000.00	998,830.00	1.07	1,000,959.00	1.08	0.12
Wal-Mart												
931142DA8	Corporate	1.625	04/15/2014		AA	Aa2	1,000,000.00	1,020,000.00	1.09	1,000,442.00	1.08	0.04
ISSUER TOTAL							1,000,000.00	1,020,000.00	1.09	1,000,442.00	1.08	0.04

GRAND TOTAL	92,516,577.93	93,710,434.58	100.00	92,903,645.81	100.00	1.07
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Highlighted totals are issuers representing 5.00% or more of the portfolio's market value

**City of Menlo Park
Securities Purchased
March 1, 2014 - March 31, 2014**

CUSIP/Description		Purchase Date	Rate/Coupon	Maturity/ Call Date	Par Value/ Shares	Unit Cost	Principal Cost	Accrued Interest Purchased	Yield
<u>U.S. Instrumentality</u>									
3130A13Q9	Call	03/03/2014	0.625V	03/03/2017	1,000,000.00	100.000	1,000,000.00	0.00	0.63
FHLB				06/03/2014					
3130A0XL9	Call	03/06/2014	0.500V	03/06/2018	2,000,000.00	100.000	2,000,000.00	0.00	0.50
FHLB				06/06/2014					
TOTAL (U.S. Instrumentality)					3,000,000.00		3,000,000.00	0.00	
GRAND TOTAL					3,000,000.00		3,000,000.00	0.00	

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

City of Menlo Park
Securities Sold and Matured
March 1, 2014 - March 31, 2014

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
<u>Cash and Equivalents</u>													
LAIF - City 98-19- 228	03/03/2014	0.236V		500,000.00	500,000.00	500,000.00	100.00	500,000.00	0.00	0.00	0.00	0.00	0.24
						0.00		0.00					
LAIF - City 98-19- 228	03/14/2014	0.236V		900,000.00	900,000.00	900,000.00	100.00	900,000.00	0.00	0.00	0.00	0.00	0.24
						0.00		0.00					
TOTAL (Cash and Equivalents)				1,400,000.00	1,400,000.00	1,400,000.00		1,400,000.00	0.00	0.00	0.00	0.00	
						0.00		0.00					
<u>U.S. Instrumentality</u>													
3128MBFA0 FHLMC	03/01/2014	6.000	04/01/2017	44,618.06	47,448.52	44,618.06	100.00	44,618.06	0.00	0.00	223.09	0.00	2.31
						(2,086.28)		(2,320.54)					
3136FT3C1 FNMA	03/05/2014	1.000	12/05/2016	2,000,000.00	1,996,500.00	1,997,971.77	100.00	2,000,000.00	2,028.23	5,000.00	0.00	222.22	1.04
						8.06		(72.00)					
TOTAL (U.S. Instrumentality)				2,044,618.06	2,043,948.52	2,042,589.83		2,044,618.06	2,028.23	5,000.00	223.09	222.22	
						(2,078.22)		(2,392.54)					
GRAND TOTAL				3,444,618.06	3,443,948.52	3,442,589.83		3,444,618.06	2,028.23	5,000.00	223.09	222.22	
						(2,078.22)		(2,392.54)					

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

**City of Menlo Park
Transaction Report
for the period March 1, 2014 - March 31, 2014**

Date	CUSIP	Transaction	Sec Type	Description	Maturity	PAR Value/Shares	Principal	Interest	Transaction Total	Balance
03/01/2014	3128MBFA0	Paydown	INS	FHLMC	04/01/2017	44,618.06	44,618.06	5,149.42	49,767.48	49,767.48
03/03/2014		Sold	CE	LAIF - City 98-19-22		500,000.00	500,000.00	0.00	500,000.00	549,767.48
03/03/2014	3130A13Q9	Bought	INS	FHLB	03/03/2017	1,000,000.00	1,000,000.00	0.00	(1,000,000.00)	(450,232.52)
03/05/2014	3136FT3C1	Call	INS	FNMA	12/05/2016	2,000,000.00	2,000,000.00	5,000.00	2,005,000.00	1,554,767.48
03/05/2014	713448BX5	Interest	COR	PEPSICO Inc	03/05/2015	1,000,000.00	0.00	3,750.00	3,750.00	1,558,517.48
03/06/2014	3130A0XL9	Bought	INS	FHLB	03/06/2018	2,000,000.00	2,000,000.00	0.00	(2,000,000.00)	(441,482.52)
03/08/2014	31398A3G5	Interest	INS	FNMA	09/08/2014	1,500,000.00	0.00	11,250.00	11,250.00	(430,232.52)
03/14/2014		Sold	CE	LAIF - City 98-19-22		900,000.00	900,000.00	0.00	900,000.00	469,767.48
03/14/2014	3135GOVM2	Interest	INS	FNMA	03/14/2017	1,000,000.00	0.00	3,750.00	3,750.00	473,517.48
03/15/2014	717081DA8	Interest	COR	Pfizer Inc	03/15/2015	3,000,000.00	0.00	80,250.00	80,250.00	553,767.48
03/19/2014	3130A0GF1	Interest	INS	FHLB	06/19/2017	2,000,000.00	0.00	2,500.00	2,500.00	556,267.48
03/20/2014	3135G0PP2	Interest	INS	FNMA	09/20/2017	2,000,000.00	0.00	10,000.00	10,000.00	566,267.48
03/23/2014	36962G4P6	Interest	COR	GE Capital	09/23/2015	725,000.00	0.00	1,812.50	1,812.50	568,079.98
03/25/2014	594918AG9	Interest	COR	Microsoft	09/25/2015	1,000,000.00	0.00	8,125.00	8,125.00	576,204.98
Portfolio Activity Total									576,204.98	

Net Contributions:	0.00
Net Withdrawals:	572,635.79

Fees Charged:	3,569.19
Fees Paid:	3,569.19

**City of Menlo Park
Securities Bid and Offer
for the period 3/1/2014 - 3/31/2014**

Trans	Settle	Description	Call Date	Broker	Par Value	Discount	Price	YTM/YTC	Competitive Bids
BUY	03/03/2014	FHLB .625 03/03/2017	06/03/14	RBC	1,000,000		100.000	.625%/1.25%	JPM - FHLMC 1.75% 9/2015 @ .22% MS - FNMA .50% 9/2015 @.22%
BUY	03/06/2014	FHLB .5 03/06/2018	06/06/14	RBC	2,000,000		100.000		MS - FNMA .375% 3/16/15 @ .14% WSF - FHLB .375% 3/13/15 @ .15%

**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
04/01/2014	Interest	94974BET3	Wells Fargo	3.750	10/01/2014		2,000,000.00	0.00	37,500.00	37,500.00
04/15/2014	Estimated Paydown	3128MBFA0	FHLMC	6.000	04/01/2017		985,265.55	35,851.83	4,926.33	40,778.16
04/15/2014	Maturity	931142DA8	Wal-Mart	1.625	04/15/2014		1,000,000.00	1,000,000.00	8,125.00	1,008,125.00
04/24/2014	Interest	3136G1KN8	FNMA	1.500	04/24/2018	04/24/2015	2,000,000.00	0.00	15,000.00	15,000.00
05/03/2014	Interest	037833AJ9	Apple Inc	1.000	05/03/2018		2,000,000.00	0.00	10,000.00	10,000.00
05/15/2014	Maturity	478160AX2	Johnson & Johnson	1.200	05/15/2014		1,000,000.00	1,000,000.00	6,000.00	1,006,000.00
05/15/2014	Estimated Paydown	3128MBFA0	FHLMC	6.000	04/01/2017		985,265.55	35,250.92	4,747.07	39,997.99

END OF REPORTS



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Armonk, NY 10504
Tel: 866 766 3030
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Colorado Office
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For any questions concerning this report please contact accounting either by phone or email to camreports@cutwater.com.

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OFFICE OF THE CITY MANAGER

Council Meeting Date: May 13, 2014
Staff Report #: 14-088

Agenda Item #: I-3

INFORMATIONAL ITEM: Consultant Selection for Professional Analyses of the Potential Impacts Related to the Proposed Ballot Initiative which would Amend the Menlo Park El Camino Real/Downtown Specific Plan

RECOMMENDATION

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

BACKGROUND

On February 19, 2014, the City received a notice of intent to place an initiative on the ballot for voter consideration that would modify the El Camino Real/Downtown Specific Plan. Pursuant to state law, the City has prepared and released the title and summary of the proposed measure.

The proponents of the initiative had 180 days to collect signatures following release of the ballot title and summary. The City Clerk has been notified that the proponents plan to submit the signatures. In order for the petition to qualify for the budget, the proponents are required to gather at least 10% of registered voter signatures for a regular election or 15% for a special election. According to the San Mateo County Elections Office, there are 17,803 registered voters in the City of Menlo Park. Staff will work with the County Elections Office to validate the signatures.

On March 18, 2014, the City Council approved an appropriation of \$150,000 and authorized the City Manager to execute agreements, not to exceed a total of \$150,000, with various consultants to provide professional and objective analyses of the potential impacts related to the proposed Ballot Initiative. This action was taken in compliance with California Elections Code Section 9212, which allows the City Council to “refer the proposed initiative measure to any city agency or agencies for a report on any or all of the [impacts]” of the proposed initiative.

The Elections Code also requires that “[t]he report shall be presented to the legislative body within the time prescribed by the legislative body, but no later than 30 days after the elections official certifies to the legislative body the sufficiency of the petition.” Currently, Staff anticipates presenting the Ballot Initiative review to the City Council on July 15th.

Staff and the City Council agreed that in order to maintain the objectivity of this review, it must be conducted by a consultant or consultant team without prior experience working in Menlo Park. The City Council assigned a Subcommittee, consisting of Mayor Ray Mueller and Council Member Rich Cline, to aid staff in scoping the review and selection of the consultant. Finding a consultant with the appropriate qualifications without experience working in Menlo Park proved to be a greater challenge than originally anticipated.

ANALYSIS

Staff and the Subcommittee have met to develop the scope for the review. Ultimately, staff selected Lisa Wise Consulting, Inc. (LWC) as the appropriate consultant to perform the ballot initiative review. LWC's lead role on dozens housing element updates and housing impact analyses, expertise in development finance and pro forma analysis and decades of experience in land development code defines their holistic approach to evaluating land use policy and formulating effective strategies.

LWC established an office in San Francisco in 2010 and is familiar with regional land use dynamics, but it has not yet undertaken work in the City of Menlo Park. As such, they bring an objectivity that will serve well the efforts to analyze impacts of the proposed ballot initiative. They also understand the importance of such a tight timeline to complete the project.

Staff has negotiated a cost of \$126,886 for the Ballot Initiative review, which is within the appropriation approved by the City Council. There is an additional optional task that would provide a site analysis for the types of projects that might be possible should the Ballot initiative pass. The cost for this optional task is \$3,408. If staff determines that this option is appropriate then the total cost for the project will be \$130,294.

IMPACT ON CITY RESOURCES

Given the timeliness and turnaround needed, the City is paying a premium for expedited studies. However, Staff has honed the scope of work to remain well within the budget approved by Council and is using the same consultant for the entire scope of work in order to achieve the economy of scale necessary to accomplish this work within the time and budget constraints. Staff will need to provide consultants with information and support that may require reprioritizing other workload.

POLICY ISSUES

The preparation of objective information on potential impacts of the proposed ballot initiative would not represent a change in policy direction.

ENVIRONMENTAL REVIEW

Ballot Initiatives are exempt from CEQA, but the reports will analyze potential impacts on the detailed environmental review that was completed for the 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.

ATTACHMENTS

None

Report prepared by:

Alex D. McIntyre

City Manager

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Office of Economic Development

Quarterly Update Q2 2014



May 2014

IN THIS ISSUE:

- Cheeky Monkey "Oh My Kids Love that Place"
- Tax Revenue Report
- Top 25 Sales Tax Generators
- Vacancy Report
- "Man You Gotta Come Check this Out"
- Quarterly Small Business Roundtable

RESOURCES:

[Menlo Park Office of Economic Development](#)

[Menlo Park Community Development](#)

[Menlo Park Chamber of Commerce](#)

[Silicon Valley Economic Development Alliance \(SVEDA\)](#)

Cheeky Monkey "Oh My Kids Love that Place!"

"If I'm good, can we please go to Cheeky Monkey!?"

If you live or work in Menlo Park and are a parent of young children then you have likely heard that same negotiation or at least a variation. Though I don't live in Menlo Park, my 7 and 4 year old sons have their favorite sections of Cheeky Monkey and toys that they look forward to adopting. So do I, if I'm being completely honest. This weekend, the hard to find Star Wars action figure and Pokemon dragon were an easy price to pay to keep little fingers from touching the exotic cars at the [100 OCT car show](#).

In this issue of the Menlo Park Economic Development Quarterly Update, I wanted to highlight the great folks behind [Cheeky Monkey](#). Dexter and Anna Chow, tech refugees, they purchased Cheeky Monkey in 2002. After three years of owning a Menlo Park business, the strong community and involvement of residents drew Anna and Dexter to make Menlo Park their home in 2005. They live here with their two children Gabriel age 11 and Lia age 8. In 2007, they expanded Cheeky Monkey to the Store's current footprint.

Dexter is active with the [Menlo Park Chamber of Commerce](#), serving as a Board Member and member of the Downtown Block Party Planning Committee. He chaired the Downtown businesses subcommittee of the Chamber of Commerce and is looking forward to reenergizing the group



now that the upturn in the

economy has helped fill vacant storefronts. Anna is on the Board for the [Menlo Park Library Foundation](#) and is a PTO volunteer. Another way Anna and Dexter give back to Menlo Park is through donating toys and gift cards to Menlo Park schools, children's causes and youth sports.

As parents themselves, Dexter and Anna understand that not all toys are created equal. They have built a reputation for Cheeky Monkey as the store where you can find quality toys with good play value that engage children's imaginations. They prioritize toys that help children learn and grow while having fun? On their website, they have "FUNdamentals" categories, which assign ratings based upon 8 development categories: Independent Play, Cooperative Play, Develops Motor Skills, Visual Learning, Creative Play, Language Development, Logical Thought and Learning through Music. Furthering their commitment to play-based education, they offer weekly programs like page to play events for parents and younger children.

There is one other thing that sets Cheeky Monkey apart and that is the staff. They are friendly, knowledgeable and take their time to help you get just the right toy. They are trained in the FUNdamentals and are eager to assist customers. In an era when good customer service is hard to find, Cheeky Monkey is a step above. It is just one more of the ways that Dexter and Anna seek to build community through their business.

So the next time that you negotiate a trip to Cheeky Monkey with your children to ensure their good behavior, you can be confident that you are getting the better end of the deal through supporting business owners who contribute to our community. In addition, your kids might learn something without even knowing it.

TOP 25 SALES TAX GENERATORS:

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

Tax Revenue Report

Tax Revenue

Menlo Park's tax revenues continue to show that the local economy is strong and growing. As can be seen in the Annualized Change in Sales Tax Cash Receipts figure below, sales tax revenue is up over 15% and is tracking well above last fiscal year's amount. While this increase in revenue is welcomed, it is the result of several one-time transactions and is not indicative of an expected increase in the sales tax baseline going forward. These spikes are evidence of the volatility of sales tax as a revenue source. Every jurisdiction in the State is wrestling with how to address this volatility. Menlo Park takes an active role in marketing any retail vacancies and working to identify opportunities to attract destination retailers. The City Council has prioritized the development of additional large community events that support local merchants.

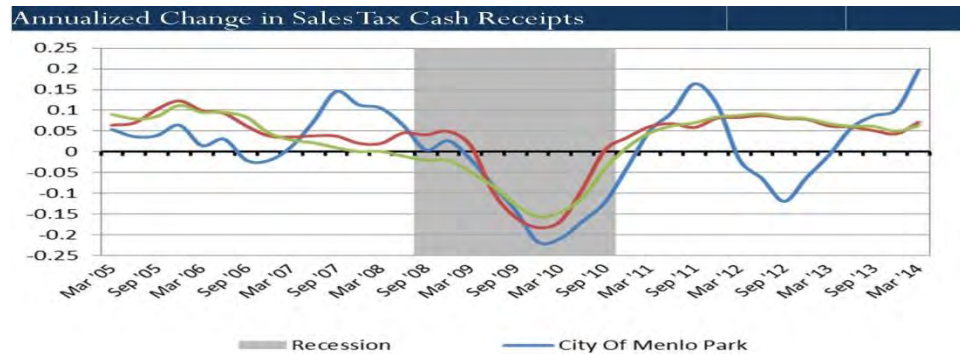


Figure courtesy of [Muni Services](#)

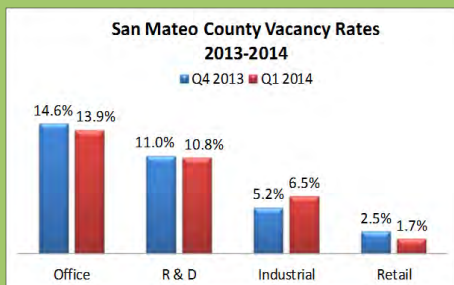
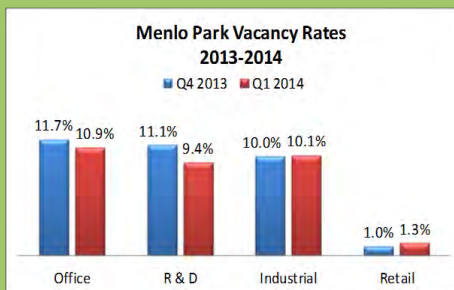
VACANCY REPORT

R&D

According to [Cassidy Turley](#), Menlo Park was the big winner this quarter in terms of R&D occupancy. Menlo Park experienced over 60,000 square feet of positive net absorption in Q1 2014 which lowered the vacancy rate below the county average of 10.8% to 9.4%. This is a significant decrease from the City's Q4 2013 vacancy rate of 11.1%. Some of the key lease transactions that contributed to this net absorption were the expansion of Avalanche Biotech at 1035 O'Brien Drive (10,309 SF) and the sublease of Food Product Design at Kavanaugh Industrial Park (12,000 SF).

Industrial

Industrial vacancy rates county-wide took a hard hit in Q1 2014, but Menlo Park remained stable. The County vacancy rate rose from 5.2% in Q4 2013 to 6.5% in Q1 2014. Compared to the rest of the county, Menlo Park posted minimal losses, going from a 10% vacancy rate in Q4 2013 to 10.1% in Q1 2014. The large drop in industrial occupancy can be attributed to the vast amount of sublease space that hit the market and slow deal activity in Q1.



Retail

Menlo Park's retail vacancy rates remained relatively flat this quarter coming in around 1.3%, and is still lower than the county average of 1.7%. The City of Menlo Park continues to market the few available vacant storefronts, partnering with the brokerage

Property Tax

Property tax represents the largest source of General Fund revenue, and the budget was increased at mid-year to account for the City receiving a full share of Excess Educational Revenue Augmentation Fund (ERAF) revenue. Based on remittances through March 31st, property tax revenues are expected to meet or exceed adjusted budget estimates. The current availability of financing and investment interest in Menlo Park is good for the City's property tax outlook. For example, just one of the 35 large projects in the City's development queue could result in an additional \$130,000/year in property tax. The City is working diligently to move projects through the process to ensure that we do not lose out on the current lending window.

TOT

Where the City is seeing more sustainable increases in revenue is in the transient occupancy tax (TOT). Overall, TOT revenues are up 36% over the same period from last fiscal year. This is largely the result of the voter-approved 20 percent increase in the TOT rate (10% to 12%) effective January 1, 2013. The City is also seeing a significant increase in revenue from license and permitting fees due to increased development activity. However, revenues in this area are usually followed by corresponding, but beneficial, expenditures budgeted for the fiscal year 2014-2015. There is one new Marriott hotel that is in the development process currently at 555 Glenwood Ave. and the [Mermaid Inn](#) is in the final stages of a renovation that will add eight new rooms to our inventory. The City is working with additional hoteliers to identify locations for new hotels.

Strengthening and Expanding our Market

Menlo Park is fortunate to have a number of competitive strengths as we work to diversify our tax base and stabilize revenues. This is the hub of Silicon Valley and the City is working with Innovation sector to capitalize on the addition of Facebook and other technology leaders to further diversify our tax base. In addition, Menlo Park has a very strong life sciences sector. It is critical as we update the General Plan that we create opportunities that will allow businesses in this sector to stay and grow in Menlo Park. Sales tax revenues from this sector are less volatile than other sale tax contributors. This stability is evidenced by the fact that businesses such as [Acclarent](#) and [Pacific Biosciences](#) are top 25 sales tax generator stalwarts.

"Man You Gotta Come Check this Out"

That is almost word for word what I overheard one gentlemen say on his cell phone as he was attending the 100 OCT Cars & Croissants event Saturday May 3rd. When organizer and [100 OCT](#) Founder, Benoît Boningue contacted me about filling Downtown Menlo Park with dream rides like the new Maserati Ghibli S Q4 or the Ferrari F60 and more Lamborghinis than you can shake a stick at (please don't body work on these cars is horrendously expensive), I was excited. In the last 2 months exotic car owners and enthusiasts have traveled from around the Bay Area to gather in Menlo Park from 9-noon the first Saturday of the month. This event is a pilot to see if it continues to have a positive impact on downtown merchants as we seek to expand the customer base of Downtown Menlo Park. So far, a lot of downtown merchants have shared with me that Cars & Croissants draws the kind of foot traffic they need to be successful.



Speaking of successful, the Menlo Park [Off The Grid \(OTG\)](#) Food Truck Market kicked off in February and has been an unmitigated success. The OTG Market fills an underutilized portion

community to identify and attract tenants and investment that will strengthen Menlo Park's position as a destination retail location.

Office

The good news is that office vacancy in Menlo Park has decreased since last quarter and remains lower than the San Mateo County average. In the past quarter Menlo Park's office vacancy rate has gone from 11.7% in Q4 2013 to 10.9 % in Q1 2014, which is below the county's average of 13.9%. While these are both wins for Menlo Park compared to San Mateo County cities, our vacancy rate is double that of neighboring Santa Clara County cities like Mountainview (5.9%) and Palo Alto (3.5%).

The demand for office space is accelerating rapidly, as evidenced by the fact that current asking price for office space rivals that of the dot com boom in 2001. So why does Menlo Park have higher vacancy rates than neighboring cities? Two trends that help explain the demand versus occupancy paradigm has to do with the type of companies that are fueling the demand, and the quality of office space available to them. In San Mateo County organically grown companies looking to expand are driving growth and it is essential that Menlo Park be able to provide them space to originate and grow. But these companies are not just looking for any space. As the millennials take over the workforce, downtown Class A office space close to amenities and public transit is in high demand but low supply. Mountain View and Palo Alto have lower vacancy rates because they provide what companies are looking for. Because they provide higher density office space near public transit and downtown, workers can commute by Caltrain, and then walk to local retailers and restaurants during lunch or after work. In Menlo Park, the lack of Class A office space near public transit and downtown amenities continues to be critically important.

of the Caltrain Parking Lot on Merrill St. Wednesday evenings from 5-9pm. It continues to generate 900-1000 visitors to Downtown. OTG patrons don't just stay at the Market, they patronize other businesses. OTG even encourages visitors to stay Downtown and to spend money with creative slogans like, "[o]ur food isn't dry, but our event is so consider keeping the night going at your local merchants." The strategy seems to be working. [Left Bank](#) has reported such an uptick in Wednesday night business that they have had to add a server to handle the increase in customers.



Thanks to the great partnership between the [Menlo Park Chamber of Commerce](#) and the [City of Menlo Park](#), the Downtown Block Party will once again kick off the Summer Concert Series this June 18th 5-9pm. This event is a labor of love for the members of the planning committee who work tirelessly to make this a can't-miss event in Menlo Park. Thanks to the continued dedication of the Menlo Park Chamber of Commerce Board of Directors and President/CEO Fran Dehn we will be partying in the street.

A month later the Menlo Park Chamber of Commerce will do it all again with the 28th Annual [Connoisseurs' Marketplace](#), July 19-20. It's true what they say, there ain't no party like a Chamber of Commerce Party, because a Chamber of Commerce Party...complies with all of the conditions of their permits.

There truly are cool things happening in Menlo Park and we hope that you will come check them out!

Quarterly Small Business Roundtable

On April 21st, Mayor Ray Mueller hosted the City's first Small Business Roundtable meeting. He was joined by Vice Mayor Catherine Carlton, Council Member Kirsten Keith and Council Member Peter Ohtaki. City Manager Alex McIntyre, Assistant City Manager Starla Jerome-Robinson and the Office of Economic Development Staff welcomed nearly 40 representatives from Menlo Park small businesses, including Menlo Park Chamber of Commerce President/CEO Fran Dehn.

The intent of the Roundtable was to create an informal forum where small businesses could connect, communicate and brain storm solutions for problems they face. One of the biggest issues discussed by attendees was ways they could collaborate with each other and the City to increase vibrancy and foot traffic Downtown. Other issues addressed included the varying parking needs of businesses, and ways the City could better communicate with local business owners.

The Roundtable was also an opportunity for the City to share tools and resources with small business. John Emmons from the [San Mateo Small Business Development Center \(SMSBDC\)](#) gave a presentation on the counseling, courses and resources they offer to small business in San Mateo County.



Mayor Ray Mueller shared his vision for the Roundtable, "I want this group to be a

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collaborative effort with our small businesses. We are working to increase foot traffic and introduce new customers to Menlo Park through community events and pilot programs that enhance the retail experience, like our on-street seating pilot program. It's about supporting our local merchants anyway we can."

A number of the businesses represented at the Roundtable are located Downtown and were supportive of the City's efforts. They also offered candid recommendations for improvements in City processes and suggestions for enhancing downtown public spaces.

If you would like to know more about the Small Business Roundtable, please contact Economic Development Manager Jim Cogan at (650)330-6614 or via email at jccogan@menlopark.org.

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OFFICE OF THE CITY MANAGER

Council Meeting Date: May 13, 2014
Staff Report #: 14-090

Agenda Item #: I-5

INFORMATIONAL ITEM: 2014 Menlo Park Economic Development Strategic Plan Phase 1: Economic Trends Report

RECOMMENDATION

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

BACKGROUND

On February 25, 2014, the City Council held an Economic Development Study Session to review a presentation on the Economic Trends Report, solicit public comment and provide general direction on the next steps in updating the Economic Development Strategic Plan. Staff has worked with the consultant BAE Urban Economics to finalize the Economic Trends Report, Attachment A. Per City Council direction, the report was presented to the City Council Economic Development Subcommittee on May 6th for final revision and is now being presented to Council as an informational item.

The Subcommittee provided direction regarding the appropriate next steps in revising the Economic Development Strategic Plan. Staff was directed to schedule stakeholder meetings and utilize consulting services to draft goals, strategies and identify economic development best practices that have been successful in other cities with similar strengths and challenges.

These goals and strategies will be presented to the Subcommittee and Commissions for input and refinement. Staff will work with the Consultant to prepare the final draft of the Economic Development Strategic Plan for Council approval.

ATTACHMENTS

A. Economic Trends Report

Report prepared by:
Jim Cogan
Economic Development Manager

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bae urban economics

Menlo Park Economic Development Strategic Plan
Phase 1: Economic Trends Report
April 2014



bae urban economics

April 30, 2014

Mr. Jim Cogan
Economic Development Manager
City of Menlo Park
701 Laurel St.
Menlo Park, CA 94025

Dear Jim:

Enclosed please find our final Background Economic Trends Report for the City of Menlo Park.

This report summarizes the findings from our data analysis, business survey, and interviews with stakeholders. It provides additional detail and analysis that expands upon the topics covered in our earlier presentation to the City Council.

We look forward to discussing any questions or comments regarding the report, and working with you and others in Menlo Park on the next steps in the creation of the Economic Development Strategic Plan.

Sincerely,



Ron Golem
Principal

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EXECUTIVE SUMMARY

Purpose and Approach of the Economic Trends Report

This Economic Trends Report has been prepared as the first phase in the City of Menlo Park's creation of an Economic Development Strategic Plan, and is intended to inform the next phase of work. The next phase of development involves the creation of the Plan through a broad participatory process in order to generate widespread community engagement and support.

The report was developed through analysis of a broad range of published and unpublished federal and State data (many of which were only available through 2012), as well as private data sources. It was complemented by primary survey research and interviews with Menlo Park businesses and other stakeholders.

This summary highlights key points from the full analysis outlined in subsequent sections of the report. Each section contains a more detailed analysis accompanied by figures that illustrates key points. The source data tables used for the analysis are contained in the appendices to this report.

Overview of Opportunities and Challenges

The data analysis, survey, and stakeholder interviews conducted for this report highlight that Menlo Park occupies an enviable position as one of the top tier economies of Bay Area and California communities. Menlo Park is an upscale community with a highly educated workforce. It has a strong economic base that has grown substantially since 2007, has several emerging subsectors, and has created considerably more jobs than the City has employed residents. The City provides competitive advantages for attraction of start-ups and a range of high tech firms, strong real estate market conditions generating substantial interest in various types of new development, and a Downtown that has the ingredients to become an active and contemporary retail environment.

For all its advantages, Menlo Park grapples with multiple challenges related to the economic and fiscal performance of some of its real estate markets, and planning and entitlements. These challenges include a Downtown has not achieved a tenant mix that can draw high volumes of customers comparable to Downtowns in other similarly sized cities in the region. The City has not been able to regenerate its taxable sales base to offset the impact of losing its remaining car dealerships more than a decade ago or the loss of other generators of non-retail taxable sales. The City's residential inventory has limited housing choices that can attract younger tech workers and address the need for affordable housing. There is a perception in the development community that the City's entitlement and permitting processes are more challenging than other area cities and that this can make choosing a Menlo Park location risky. Additionally, the City has faced challenges financing and implementing the El Camino Real/Downtown Specific Plan in an expeditious manner.

Economic Trends

Menlo Park's economy has performed in an outstanding manner through the recent financial crisis and recession, with a gain of nearly 13 percent in private sectors jobs from 2007 to 2012. This was much higher than the increase of approximately two percent for San Mateo and Santa Clara Counties (the "Combined Counties"), a slight decrease for the nine-county Bay Area; and the nearly four percent decrease in the State.

The Professional, Scientific and Technical Services sector contains more than 9,000 of Menlo Park's approximately 28,000 jobs (one-third), which is much higher than the below 15 percent share in the Combined Counties. This broad-ranging sector includes professional service firms, scientific research and development (e.g. SRI International, the City's second largest employer firm), computer design and social media firms (e.g. Facebook, the City's largest employer), and advertising firms. Slightly more than half of all jobs in Menlo Park (14,000) are in the three sectors that capture most "high-tech" and biotech jobs (Professional, Scientific and Technical Services; Manufacturing; and Information). The three sectors that capture most "high-tech" firms, including those in biotech (Professional, Scientific and Technical Services; Manufacturing; and Information), contain more than 14,000 jobs, or slightly more than half of all jobs in Menlo Park.

The fastest growing sectors between 2007 and 2012 on a percentage basis included: Information; Professional, Scientific and Technical Services; Management and Administration; Education and Health Care; and Leisure and Hospitality. These growing sectors more than offset sectors with substantial declines in jobs, including: Finance; Wholesale Trade; Manufacturing; and Construction.

A comparison of the concentration of total jobs by sector in Menlo Park, relative to the Combined Counties (Location Quotients) shows that Menlo Park has a far higher concentration of jobs in the Professional and Scientific and Technical Services and Finance sectors, and a slightly higher concentration in the Manufacturing sector. However, Menlo Park has proportionally fewer jobs in the Information Sector, and in all other sectors it lags both the Combined Counties. More detailed analysis by individual sector and sub-sector is contained in the report.

Reflecting its large number of jobs, Menlo Park has a job to employed residents ratio of 1.82 (versus the Combined Counties at 1.09). The job to employed residents ratio in Menlo Park that is second only to Palo Alto, which has 2.78 jobs to each employed resident. Interestingly, though, of the 15,450 employed Menlo Park residents in 2010, only 3,440 residents work in the City (including more than 2,000 residents who work at home).

The M-2 area east of US-101 contains 48 percent of Menlo Park's jobs. It has the largest share of Menlo Park jobs in Professional, Scientific & Technical Services (58 percent); Manufacturing (78 percent); Information (80 percent); and Transportation, Warehouse and Utilities (96 percent).

Between 2007 and 2012, Manufacturing jobs in the M-2 area fell by 34 percent, while Professional, Scientific and Technical Services jobs grew by 283 percent, displacing Manufacturing as the largest sector (with most of this shift due to the decline of Sun Microsystems and the relocation of Facebook). By comparison, the El Camino Real/Downtown area has approximately 17 percent of Menlo Park's jobs, and has been relatively stable in the number of jobs by sector, compared to the M-2 area.

Demographic and Labor Force Trends

Menlo Park's population grew by nearly 10 percent between 2000 and 2014, similar to the Combined Counties. However, unlike the region, much of Menlo Park's growth has occurred from an increase in household size, from an average of 2.41 to 2.55 persons, rather than an increase in total households.

The City has seen a substantial demographic shift, with a greater than 25 percent increase in the under-18 population (versus 5.7 percent for the Combined Counties). The 2.1 percent increase in the 65 and older population, less than the Combined Counties, indicates that older residents are leaving, and the turnover in housing stock is attracting younger households with children based on Menlo Park's attractiveness as a place to live and the quality of its schools. The rapid growth in families with children has both impacted local school districts, as well as created support for more family-oriented retail.

During this same period, Menlo Park saw a more than 20 percent *decrease* in its population between 25 and 34 years of age, which covers much of the Millennial generation (ages 18 to 33). This is a more rapid decrease than the Combined Counties, and may reflect a combination of children raised in Menlo Park choosing to live elsewhere (or not being able to afford to live in the City) and the greater preference of Millennials for urban environments over suburban ones. Since technology firms are increasingly drawn to where their workforce prefers to live, making Menlo Park more attractive to Millennials represents a consideration for future economic development.

Fiscal Trends

On an inflation-adjusted basis, the total tax revenues, including property taxes, sales taxes, transient occupancy taxes, and other taxes (e.g. utility taxes, franchise fees) collected by Menlo Park in 2013 were lower than in 2004. Although some sources have grown (such as property taxes, particularly as the economy has recovered)¹, transient occupancy taxes from new hotels and sales tax revenues

¹ The dissolution of redevelopment agencies, while reducing the City's *total* property tax receipts and having a significant impact on the City's ability to fund improvements in the Project Area, *increases* property tax receipts for the General Fund, as the City's share of tax increment funds that formerly went into the redevelopment agency now go into the General Fund (of course, the City no longer has the portion of tax increment that now goes to the County, schools, etc.)

(particularly non-retail, or business-to-business sales taxes) have been flat and in current (non-inflation adjusted dollars) were less in 2013 than they were in 2004. The City has been able to balance its budget through a combination of substantial increases in various charges for services (76 percent growth from 2004 to 2013) and growth in revenues from licenses and permits (66 percent growth for the same period), combined with reductions in staffing levels and other cost controls. The City, as is true for all cities in California, continues to experience increases in costs considerably above the Consumer Price Index (averaging four percent in recent years) due to increases in medical and pension costs for employees, among other factors. With growth in property taxes from existing properties that do not sell or redevelop limited to two percent per year by Proposition 13, and flat sales tax revenues (the two largest revenue sources for most cities), Menlo Park needs to look to new revenue sources to secure a sustainable fiscal future.

Another objective for economic development beyond job creation is to attract new economic activity that can increase the City's fiscal revenues and enable it to continue to provide a high level of services to residents and companies. All new development generates an increase in property tax revenues; new retailers and companies with business to business sales (including high-tech manufacturers) can generate increased sales tax revenues; and new lodging projects generate additional transient occupancy taxes, which can be quite substantial for larger, upscale properties.

The City actively seeks to attract new businesses that will generate taxable sales, particularly high-tech companies. However, it is extremely difficult to restrict tenants in new developments to those that generate business to business sales because of the objections of developers and their investors and lenders. Overly restrictive policies can discourage tenants and developers. Other cities in California have adopted incentives to attract business that generate substantial taxable sales by providing rebates from a portion of the new sales tax receipts.

Real Estate Market Conditions

Silicon Valley is currently the strongest real estate market in the US, due to the tremendous job growth in high-tech sectors. Menlo Park has benefitted from this market.

Current rents for Class A office space in Menlo Park are \$6.40 per square foot per month (full service); this is equivalent to top of the market Class A high-rise office space in San Francisco. Vacancy rates for office space in Menlo Park at 10.9 percent is considerably higher than Palo Alto (3.9 percent) or Mountain View (4.5 percent), however reportedly a large portion of this space is being held off the market by developers and owners looking at redevelopment opportunities. There is currently approximately one million square feet of new office space in the development pipeline in Menlo Park.

Menlo Park's industrial space, with average rents at \$0.73 per square foot per month, and vacancy rates at 10.7 percent, does not perform as well as Mountain View (\$1.15 per square foot per month

and 1.1 percent vacancy) or Palo Alto (\$1.18 per square foot per month and 1.6 percent vacancy). These lower rates and higher vacancies reflect a higher proportion of older, economically obsolescent space, and reportedly vacancy rates are impacted by developers/owners keeping space off the market in anticipation of future redevelopment opportunities.

The lodging market in the region is performing very strongly due to the growth in new jobs and office space (a demand driver for lodging). Menlo Park has a very small lodging market with only slightly more than 400 rooms, and only 284 of those are full-service hotel properties that appeal to business travelers (Stanford Park Hotel and Rosewood Sand Hill). The upscale select-service category, very popular in Northern Silicon Valley but not represented in Menlo Park, experienced 82 percent occupancy in 2013 and an Average Daily Rate of \$181, with projections that rates will increase in 2014 by eight percent and occupancy by one percent. These are favorable market conditions for new projects. Menlo Park has two approved hotel projects (Menlo Gateway and the Marriott Residence Inn, with the latter now under construction) that when built will more than double its inventory of business-oriented hotels. The El Camino Real/Downtown Specific Plan provides for another hotel Downtown, and it is likely that there is sufficient market support for one or more hotels, particularly in the upscale select-service category.

The other significant real estate opportunity for Menlo Park is in new residential development. The City has seen extremely low levels of new-unit construction since 2000, with permits issued for a total of only 174 units from January 2000 through November 2013, all of them single-family (detached and attached). The current economic cycle has seen a boom in construction of new multifamily residential units, and Menlo Park currently has approximately 1,000 units in the development pipeline. Current market rents are comparable to new development in San Francisco, with 1-bedroom units projected to rent at \$3,400 per month and up, and 2-bedroom units projected to rent for \$4,400 per month and up.

Retail space in Menlo Park is generally leased, with limited current vacancy. Recent proposals for new restaurant developments in the Downtown area have the potential to increase Downtown's attractiveness for additional restaurants. Ground floor retail in proposed new mixed-use developments also have the potential for developers to attract new types of high quality family-oriented retail that can shift perceptions about the City's potential as a retail setting.

Local Business Community Perspectives

Primary research for this report included a survey targeted at all 1,751 businesses with a location in Menlo Park (including more than 600 home-based businesses), and interviews with local businesses and business representatives, including retailers, developers, and other businesses.

A total of 143 survey responses were received, providing valuable insight from a broad range of businesses that represents a response rate of eight percent (the rate for home-based businesses

was quite low, at under two percent, for all other businesses it was 12 percent), providing valuable insight on issues important to the City's business community. The survey asked a series of questions about business plans and perceptions and recommendations for City action. A selection of key findings include:

- Most firms (55 percent) are experiencing some level of growth of up to nine percent per year; while nearly a quarter (23 percent) are experiencing rapid growth of more than 10 percent a year, which is likely to lead to near-term demand for additional space.
- Most firms (76 percent) plan to stay where they are, in the same space. Only a few currently plan to expand in their current location (six percent); or move to another City (five percent).
- One-third of firms plan to expand their workforce. Given that most firms plan to stay where they are, this will mean more intensive utilization of existing space.
- The largest portion of businesses, nearly half, felt that City services in general work well or are acceptable. However, this rating fell considerably for planning and entitlement approval and building permits and inspections, with 37 percent or more identifying a need for improvement.
- For a series of question on enhancing City-business communications, one-third selected either of two alternatives to create an economic development or small business commission; and 24 percent selected small business events or promotions.

The interviews provided more insights into local businesses' thinking on key issues and how the City might address them. A selection of the findings from the interviews includes:

- **Downtown.** While Menlo Park's Downtown lags the more active downtowns in a number of Peninsula and Valley cities, Menlo Park has the right ingredients for success and is attracting visionary, revitalization-oriented retail developers looking to buy and renovate buildings. The popularity of Palo Alto and limited space there is causing retailers to look at Menlo Park opportunities. The City's affluent demographics are key, and the recent El Camino Real / Downtown Specific Plan calls for the right actions, including significant upgrades of the tired Downtown streetscape. Priorities, besides public improvements, include more dining (and more sidewalk dining), and focusing on local- and family-oriented retail rather than national tenants.
- **Parking.** Downtown's current two-hour parking limit is seen as a disincentive to shoppers who wish to park once and visit multiple stores (especially if one of those visits is for a meal). More flexibility for shoppers is desired. Employee parking is another issue, as currently employees game the parking regulations by moving their cars every two hours. A more active program to manage employee parking is needed.
- **M-2 Area Redevelopment.** There is strong interest in redeveloping this area because the current zoning does not match market demand. The economics of new development require four- to six-story buildings. In order for the City to retain rapidly growing start-ups and other companies, it is important to have buildings that can be rapidly developed (with entitlements in place). Developers felt that the City would receive more benefits by focusing on meeting the

space needs of rapidly growing firms, rather than trying to keep older industrial spaces as low-cost start-up oriented space, particularly since developers and venture capital firms have established incubators in the area.

- **Planning and Permitting.** While obtaining entitlements and permits is challenging in all area communities, Menlo Park is considered to present even more of a challenge, to the extent that brokers are cautioning clients on the City's greater permitting risks compared to other locations. The City is also seen as unable to complete permitting on a timely basis even for uses that it finds acceptable, and does not give consideration to the severe financial burdens permit delays can cause. The City's planning staff received praise for its professionalism and ability, but are seen as being hampered by insufficient staffing; excessive, conflicting, and overlapping rules; and too many items requiring Planning Commission action rather than staff review. Sidewalk dining permitting challenges is a particular source of frustration.

Opportunities and Challenges

Consideration of economic development opportunities and challenges can help to identify potential strategies and actions that address them. Below is a list that is intended to inform the second phase of the Economic Development Strategic Plan:

Opportunities

- Rapid growth in total employment, including in emerging subsectors such as advertising and public relations, can create opportunities to further diversify the City's economic base to lessen the effects of economic cycles.
- A competitive advantage in key sectors (Professional, Scientific, and Technical Services; Manufacturing; Financial Activities; and Information) provides the opportunity to attract a variety of high-tech start ups, and emerging, rapidly growing firms.
- The growth of biotech uses, including medical device manufacturing, provides an opportunity to expand the life sciences sector, attract companies seeking to leverage innovations from this sector, and expand manufacturing and other R&D activities.
- Expansion of employment in Menlo Park and in nearby communities supports existing proposed and planned lodging projects, and creates the potential for additional projects and the fiscal benefits that they generate.
- Downtown has the right ingredients to become a more attractive retail destination for Menlo Park residents and workers, and interested developers, waiting for City investments in Downtown improvements and approval of new development to help catalyze these factors.
- The City's success in attracting firms that generate business to business sales taxes, and its diverse high-tech base, creates an opportunity to further enhance this revenue source, within the constraints of what are viable strategies that will not discourage new firms or new development.

- The recent El Camino Real/Downtown Specific Plan, and the upcoming General Plan Update, including its focus on the M-2 area, create the opportunity for a variety of new developments that can enhance Menlo Park’s desirability and economic base.
- Creating a more interesting suburban environment, with a range of mixed-use housing and expanded retail choices including destination restaurants (and “cool” activities such as Off the Grid) presents an opportunity to further attract firms who rely upon Millennials for their core workforce, and to help counter the attractiveness of San Francisco to employers who need this workforce.

Challenges

- Enhancing its fiscal base to offset the loss of certain revenue sources, and enable the City to be able to continue to provide a high level of services, with a particular focus on how to counteract a more than decade-long decline in taxable retail and non-retail sales.
- Addressing entitlement and permitting delays (especially for smaller businesses seeking to meet market demand for sidewalk dining, etc.) to avoid discouraging interest from the types of high-tech tenants and retailers that are targets for the City.
- Finding the right balance between ensuring appropriate uses and high quality projects, creating broad-based resident support for new projects that are a good fit for the City, and addressing challenges that delay project implementation.
- Refining the Downtown parking program to balance the need to ensure parking availability with the need to give shoppers flexibility for visits of varying length.
- Formulating a financing plan to implement planned public improvements (including in the Downtown), and create incentives to encourage building renovation that were lost with the elimination of redevelopment agencies (e.g. façade improvement programs).
- Finding the right balance between preservation of inexpensive space in the M-2 area with the demand for newer, denser development that is needed to attract rapidly growing tech firms to Menlo Park.
- Providing and fine-tuning staff and other resources in economic development and related functions to implement an active attraction program, engage existing City businesses, provide a high level of assistance to firms involved in City processes, and get the word out about the full range of opportunities in the City.

Next Steps

Based on discussions with staff, the recommended approach for the second phase of the Economic Development Strategic Plan would involve staff preparation, with stakeholder meetings, of economic development goals and strategies for Commission and City Council review. Rather than create a working group, this approach would create draft goals and strategies through work by staff, including

a consultant, and two stakeholder meetings with representatives of all the economic sectors in the City and other public stakeholders. The draft goals and strategies created by staff and vetted through the stakeholder meetings would be reviewed by the City's existing Commissions.

Following the development of the goals and strategies and their vetting, the draft Economic Development Strategic Plan would be formulated, with a complete set of implementing actions spelled out that identify responsible parties, timeframes, and required resources.

The Council should be given an opportunity to provide input at each step in the preparation of the Plan to guide the subsequent work. When the draft Plan is presented to Council, it should address those items identified by Council in its earlier review, and following final revisions be ready for adoption.

INTRODUCTION

Overview of the Economic Development Strategic Planning Process

The Menlo Park Economic Development Strategy is a City of Menlo Park initiative to sustain and enhance the local economy. The process to develop the Strategy draws on the City's unique strengths to identify both opportunities and challenges, and will set forth strategies to retain jobs, support innovation, strengthen downtown, and create a framework for considering future land uses.

Menlo Park thrives along with the global technology industry, leading to a number of unique opportunities as well as challenges. For Menlo Park, the challenge is not in attracting enough jobs to employ the resident workforce, as would be common today in many other communities. Instead, the discussion in Menlo Park focuses on what kinds of jobs to retain and grow, in order to continue to support and enhance the community and its residents' quality of life. This challenge can best be expressed as "finding the right balance" so that the community continues to prosper. Part of this process is to balance land uses, as well as the fiscal implications of those uses and the businesses that occupy them, to the benefit of the City's General Fund.

The Economic Development planning process will take a phased approach, as follows:

- **Phase 1: Evaluate Economic Trends** through data analysis, a business survey, and stakeholder interviews (the subject of this report)
- **Phase 2: Identify Economic Opportunities and Challenges** for increased vitality
- **Phase 3: Formulate the Strategic Plan** including goals, policies, and actions

The Menlo Park Economic Development Strategy will be completed during 2014. Its formulation is occurring in advance of an anticipated General Plan Update, with the intent of incorporating recommendations into the subsequent General Plan Update.

Methodology

This Economic Trends Report was developed by analyzing published and unpublished data, and conducting a series of primary research tasks. Data sources used include the decennial U.S. Census, American Community Survey, Census Transportation Planning Products (CTPP), the State of California Employment Development Department (EDD) Quarterly Census of Employment and Wages (QCEW), State Board of Equalization (SBOE) data regarding taxable retail sales, real estate market data published by private sources, and additional demographic data from Nielsen Marketplace. The analysis contained in this report was completed in January 2014 and reflects the most the most current information available from each source at the time of analysis, however, due to the lag in government collection and publication of economic data, much of the most currently available information dates back to 2012.

To provide context for this Economic Trends Report, data describing Menlo Park is compared to the cities of Palo Alto and Mountain View. In addition, to provide comparison to Silicon Valley, Menlo Park data is compared to a region comprising San Mateo and Santa Clara Counties (the “Combined Counties”). To provide an even broader regional context, this report also provides data for the overall Bay Area as a benchmark, and for selected topics the State of California.

In addition to the data analysis, this report includes the findings from two direct research tasks. In early 2014, BAE and City staff prepared and executed a business survey, which consisted of a direct mailing to every business located in the City with a business license on record with the City. The mailing directed recipients to an online survey form. A second follow-up mailing was sent to each business located in Downtown Menlo Park. The survey generated more than 100 responses, which are tabulated and analyzed herein (see Appendix F for detailed results). The second direct research task consisted of a series of business interviews, including local retailers, real estate brokers, chamber of commerce representatives, and real estate developers. A list of the interviewees is included in Appendix G.

Report Organization

This report covers Phase 1 of the process to develop the Menlo Park Economic Development Strategy. The following chapters describe demographic, economic, and real estate market trends to provide a baseline understanding of Menlo Park’s strengths, weaknesses, and opportunities. The City’s recent budget trends are also included to provide information regarding fiscal issues. Business and stakeholder feedback obtained through a survey and selected interviews is also summarized, and conclusions regarding the City’s challenges and opportunities are provided. Appendices to this report provide additional detailed data.

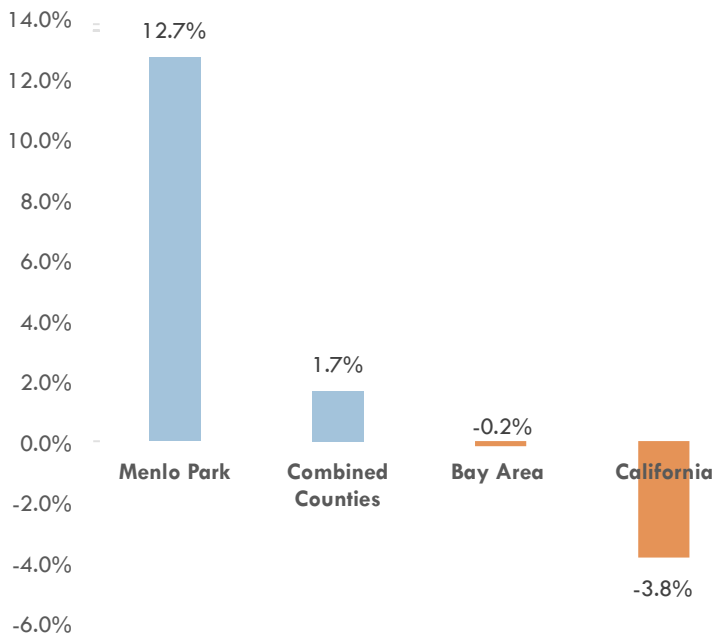
ECONOMIC TRENDS

This chapter presents an overview of Menlo Park’s economy, as well as trends for key industry sectors. The primary data source for most employment data in this report is the Quarterly Census of Employment and Wages (QCEW), as provided by the California Economic Development Department (CA EDD). For Menlo Park, this data was obtained directly from EDD on a confidential, firm-by-firm basis, so that the analysis could be conducted in detail for just businesses located within the City; this detailed data also allows for analysis by subarea such as for the M-2 area.

Overview of Employment Growth and Composition

Menlo Park experienced relatively strong employment growth between 2007 and 2012, with private-sector employment² increased from just less than 23,000 wage and salary jobs to nearly 29,000, an increase of 12.7 percent. In contrast, the Combined Counties showed only a slight increase (1.7 percent) in employment, while Bay Area employment was flat and California had a decline of 3.8 percent over the five-year period. The overall growth in Menlo Park was particularly notable due to the impacts of the 2008-2011 recession on the larger geographies.

Figure 1: Employment Growth for the Private Sector 3Q 2007 – 3Q 2012

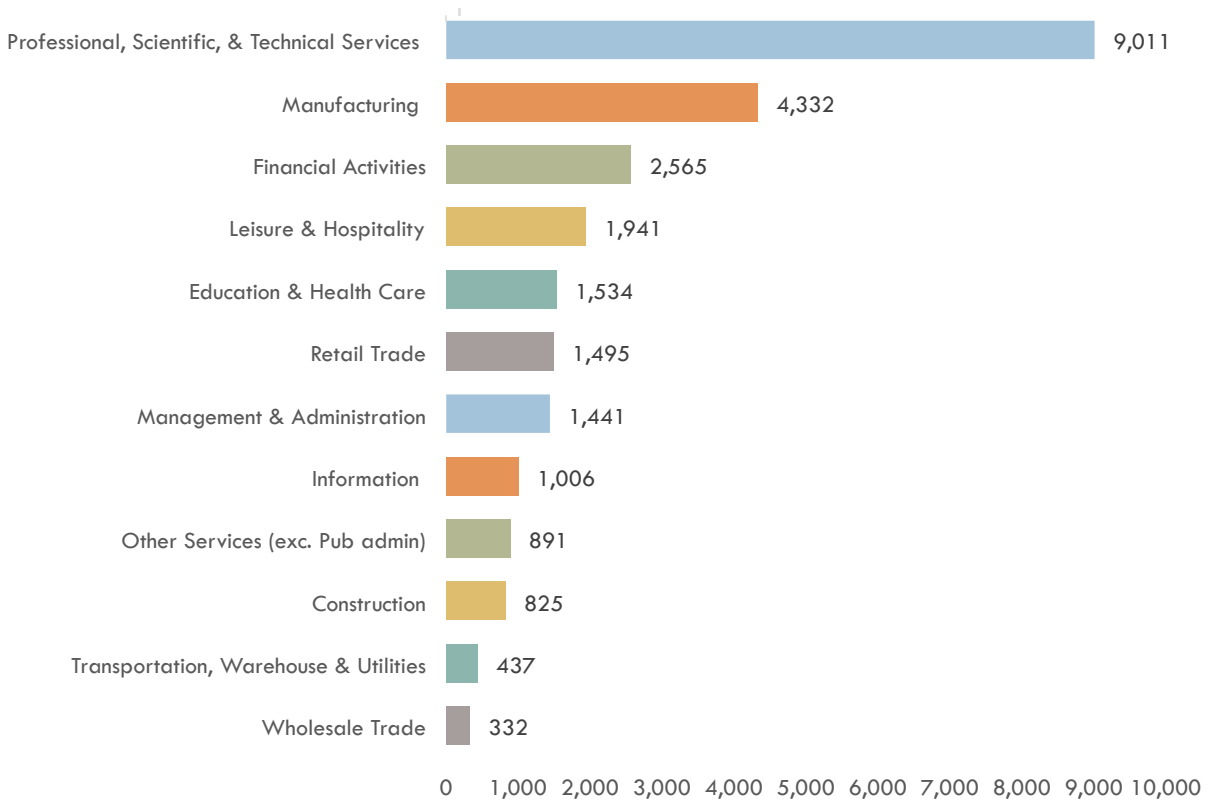


Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

² Due to insufficient data reporting for public sector employment in Menlo Park in 2007, the employment trends discussion here is limited to private-sector employment.

The employment data analyzed in this report is coded by a categorization utilized by the federal government and economists known as North American Industry Classification System (NAICs)³. As of the Third Quarter of 2012 (3Q 2012), the last period for which data is available, Menlo Park had approximately 28,000 private sector wage and salary jobs, with an employment mix strongly linked to Silicon Valley technology sectors. Menlo Park’s composition of employment was dominated by sectors including Professional/Technical Services, Manufacturing, and Financial Activities.

Figure 2: Composition of Menlo Park Private Sector Employment, 3Q 2012



Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

The Professional/Technical Services sector contained one-third of the City’s total employment in 3Q 2012, making this the clearly dominant industry grouping in Menlo Park⁴. Manufacturing accounted for an additional 15 percent of employment. Financial Activities, which include the cluster of venture

³ Detailed data on employment trends by sector are presented in

Appendix A.

⁴ Professional, scientific, and technical services includes law firms, accountants, architects, engineers, designers (including computer system design), management consultants, scientific research and development, and advertising firms.

capital firms in Menlo Park, comprised the 3rd largest sector, with nine percent of the City's employment in 3Q 2012. The "high tech" economy is not represented in any single NAICS category, but rather cuts across multiple sectors, including Professional, Scientific & Technical Services (e.g. Facebook), Manufacturing, Financial Activities (i.e. venture capital), and Information.

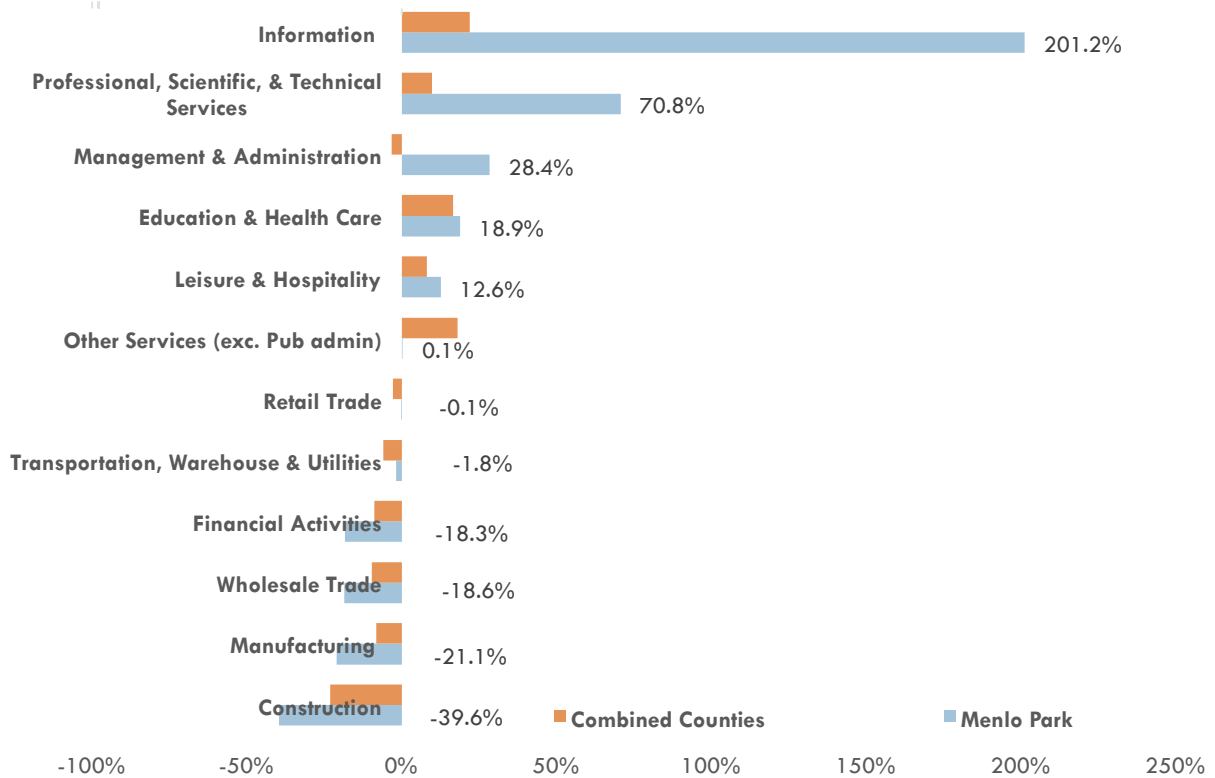
In comparison, for the Combined Counties and the Bay Area, the Professional/Scientific/Technical Services sector accounted for less than 15 percent of employment, and Financial Activities accounted for only four or five percent of employment. Menlo Park and the Combined Counties had similar proportions of Manufacturing jobs, with both geographies placing well ahead of the Bay Area in this sector.

Due to the predominance of Professional/Technical, Manufacturing, and Financial, other sectors in Menlo Park had smaller concentrations compared to the Combined Counties and the Bay Area. As shown in the Appendix, these less-concentrated sectors in Menlo Park included Education and Health Care, Leisure and Hospitality, and Retail Trade. Notably, while Menlo Park's proportion of employment in the Information sector matched the overall Bay Area, it lagged the concentration found in the Combined Counties, suggesting some potential room to grow this sector in Menlo Park.

Employment Growth by Industry Sector

As shown in Figure 3, Menlo Park key sectors showing large percentage gains included Professional/Scientific/Technical Services and Information, more than making up for job losses in Manufacturing and Financial activities. It is interesting to also note that Menlo Park's employment grew differently than the Combined Counties; Menlo Park grew by more than 200 percent in the Information sector, compared to less than 25 percent for the Combined Counties. Menlo Park also grew by 70 percent in Professional, Scientific, and Technical Services, due in large part to the arrival and growth of Facebook. In contrast, employment in the Combined Counties grew by only 10 percent in this sector.

Figure 3: Growth by Sector, Menlo Park vs. Combined Counties, 3Q 2007–3Q 2012



Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

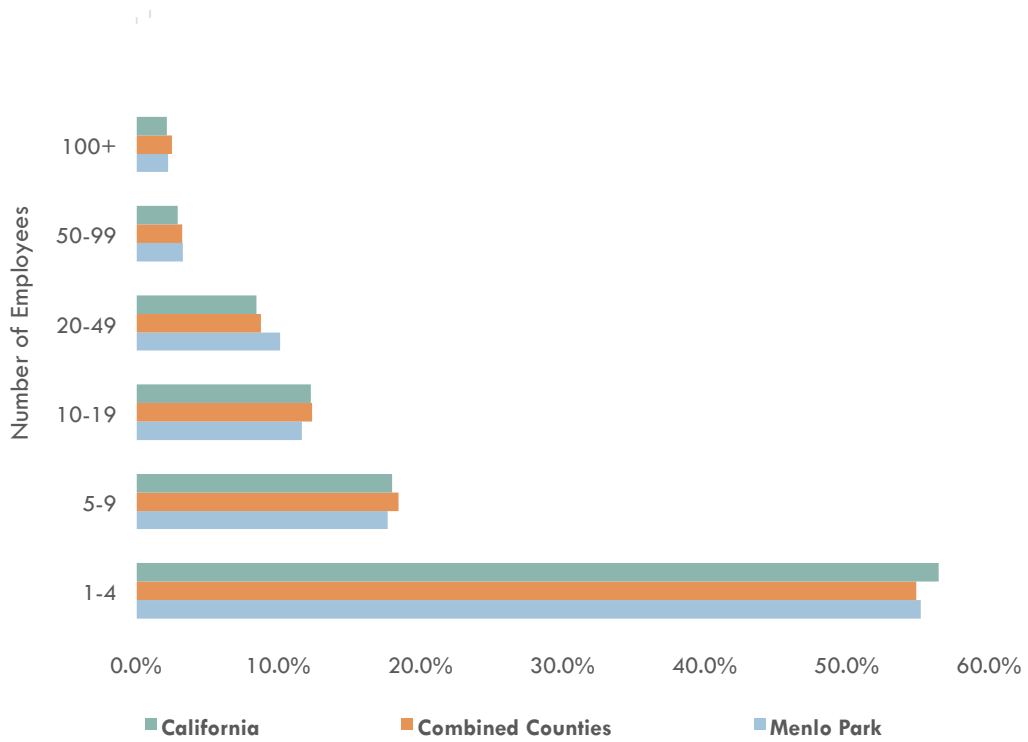
Establishment Size

Distribution of Small and Larger Employers

Menlo Park’s establishment sizes follow similar patterns as the Combined Counties and the state. There are approximately 1,600 private business establishments⁵ in Menlo Park; more than 55 percent have one to four employees, and another 18 percent have five to nine employees. Just over two percent of Menlo Park’s private business establishments have 100 or more employees.

⁵ An establishment is defined as an economic unit that produces goods or services, usually at a single physical location, and engaged in one or predominantly one activity. A firm is a legal business, either corporate or otherwise, and may consist of one or more establishments. (from <http://www.bls.gov/bdm/sizeclassqanda.htm#q4>)

Figure 4: Private Establishments in Menlo Park by Number of Employees, 2011



Sources: U.S. Census Zip Code and County Business Patterns, 2011; BAE, 2014.

One concern for the City is in how successful it is in attracting startup firms. As noted above, the City's proportion of small establishments does not indicate a deficit in the number of such firms; if the City were having difficulty attracting such firms, the proportion of smaller establishments in Menlo Park would be less than found in the region or the state.

Largest Employers

Menlo Park's largest employers cover a broad range of industries, including various high tech sectors, government (two large Federal agencies), biotech, and retail. These large employers represent slightly more than one-quarter of wage and salary employment in Menlo Park. The largest employer by a wide margin is Facebook, which is continuing to rapidly add more employees in Menlo Park and according to City staff, now has considerably more employees.

Table 1: Top Ten Employers in Menlo Park, 2012

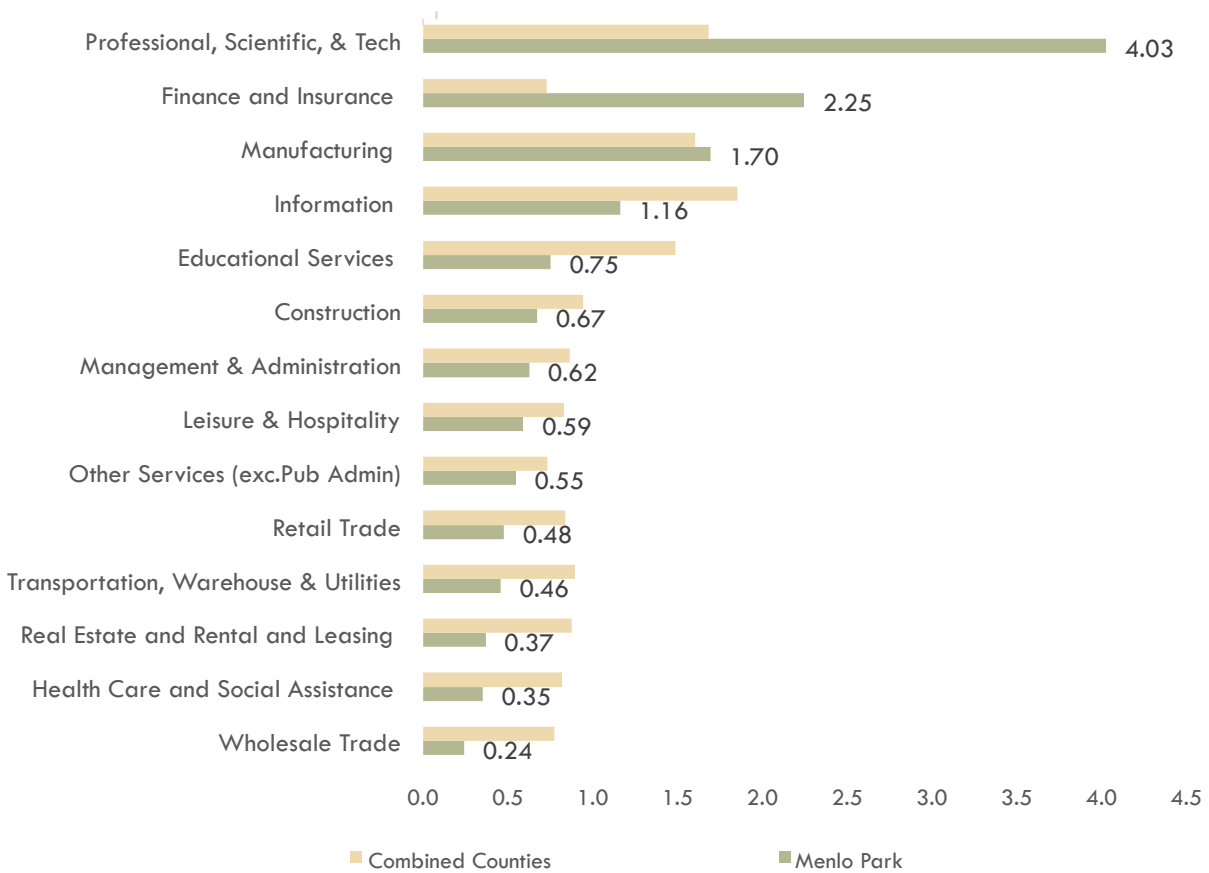
	Name of Employer	Number of Employees
1	Facebook	2,885
2	SRI International	1,421
3	Menlo Park VA Medical Center	837
4	TE Corporation	747
5	SHR Hotel LLC	458
6	US Geological Survey	454
7	E * Trade Financial Corporation	370
8	Evale Inc.	328
9	Pacific Biosciences of California	300
10	Safeway Stores	264

Sources: City of Menlo Park 2013; California Employment Development Department, 2014; BAE, 2014.

Specialization and Competitive Advantage

Economists use several metrics to identify key industry sectors within a regional economy. One common metric, known as the Location Quotient (LQ), measures the relative concentration of an industry sector within a local economy compared to a larger benchmark economy.⁶ If the local concentration of total jobs in that industry sector divided by the larger economy’s concentration is higher than 1.0, it means that the industry has a more substantial local presence than would otherwise be expected, indicating a specialization for the local economy, and likely a competitive advantage. Expressed another way, if a local economy has more jobs in a sector than would be expected (as found in the larger comparison economy), this presence indicates a local strength. LQs for Menlo Park compared to California are shown below.

Figure 5: Location Quotients Compared to Combined Counties and California, 2012



⁶ For comparison purposes of this analysis, the larger benchmark economy is the State of California, with the Statewide LQ shown next to the bars for Menlo Park and the Combined Counties.

As indicated, Menlo Park has high location quotients (LQs) for sectors related to high tech. Menlo Park has extremely high concentrations of employment in Professional/Scientific/Technical Services, and Finance, which includes venture capital firms. Menlo Park's professional, scientific, and technical services sector has an extremely high Location Quotient, at 4.03. Finance has a location quotient of 2.25. Manufacturing (at 1.70) and Information (at 1.16) are both also above 1.0 and register as local specializations.

For all the sectors above except Information, Menlo Park has a higher Location Quotient than the Combined Counties, indicating that Menlo Park's concentration in these sectors stands out even in relation to Silicon Valley.

During the 2007 through 2012 period, Menlo Park has seen dramatic shifts in the Location Quotients for these four key sectors, especially for Professional/Scientific/Technical Services, which increased from 2.89 in 2007, to 4.03⁷. This increase is due largely to the rapid rise of Facebook, which has been classified in this sector by EDD. The Information sector jumped from 0.41 to 1.16, but still lags the Combined Counties. Finance, while still very high, declined modestly from 2.61 to 2.25 over the five-year period. Manufacturing declined from 2.17 to 1.70 in this period, during which Sun Microsystems was in decline and ultimately bought out by Oracle.

These metrics indicate that Menlo Park has a strong competitive position within the larger Silicon Valley economy, even as that economy shifts its focus from manufacturing to more of a service orientation.

⁷ See Appendix A.

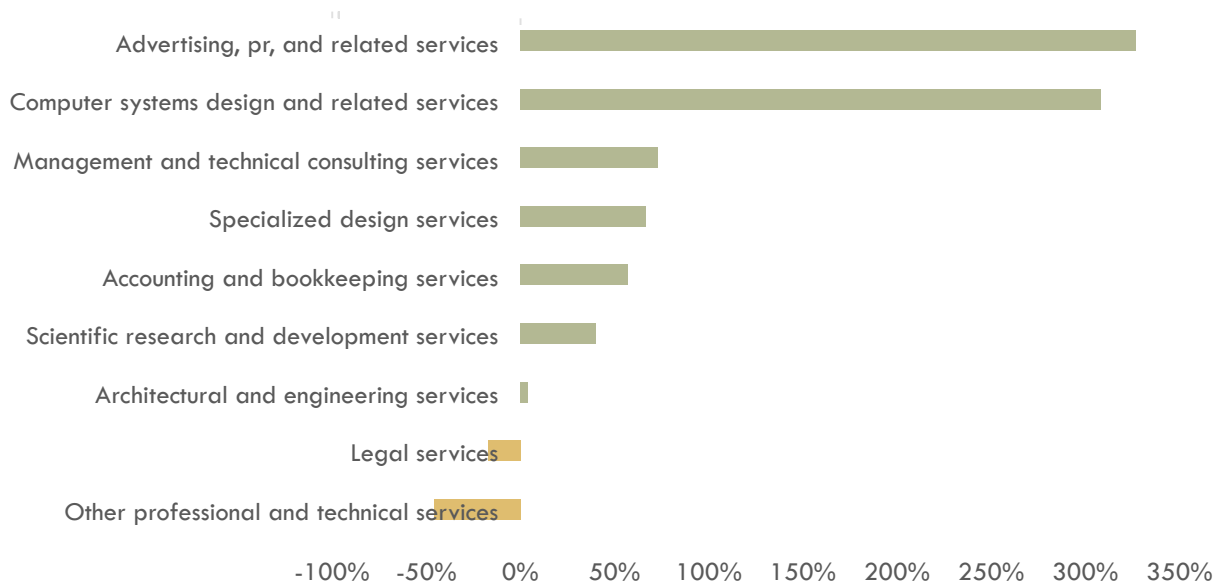
A Closer Look at Menlo Park’s Key Sectors

Professional/Scientific/Technical Services

This sector, which is Menlo Park’s largest, fastest-growing, and also highest LQ, has increased rapidly. This broad sector includes a range of companies; examples in Menlo Park include Facebook, ETAK, Inc. (a GIS-related company), Arista Networks, and law firms such as Latham & Watkins and Orrick, Herrington & Sutcliffe. As shown in Figure 6, several subsectors grew very rapidly, while others were shrinking during the five year period analyzed. The overall net gain in employment was 3,717 jobs, with an increase of 3,943 in the growing subsectors, offset by a loss of 226 jobs in the shrinking subsectors.

An interesting aspect shown in this breakdown is the rapid growth of Advertising and related services, which is not necessarily a highly visible subsector. This finding suggests there may be more opportunities to build on this subsector, which although still relatively small in absolute numbers of jobs, is clearly thriving in Menlo Park.

Figure 6: Percent Growth in Prof/Scientific/Tech Services by Subsector, Menlo Park, 2007 - 2012



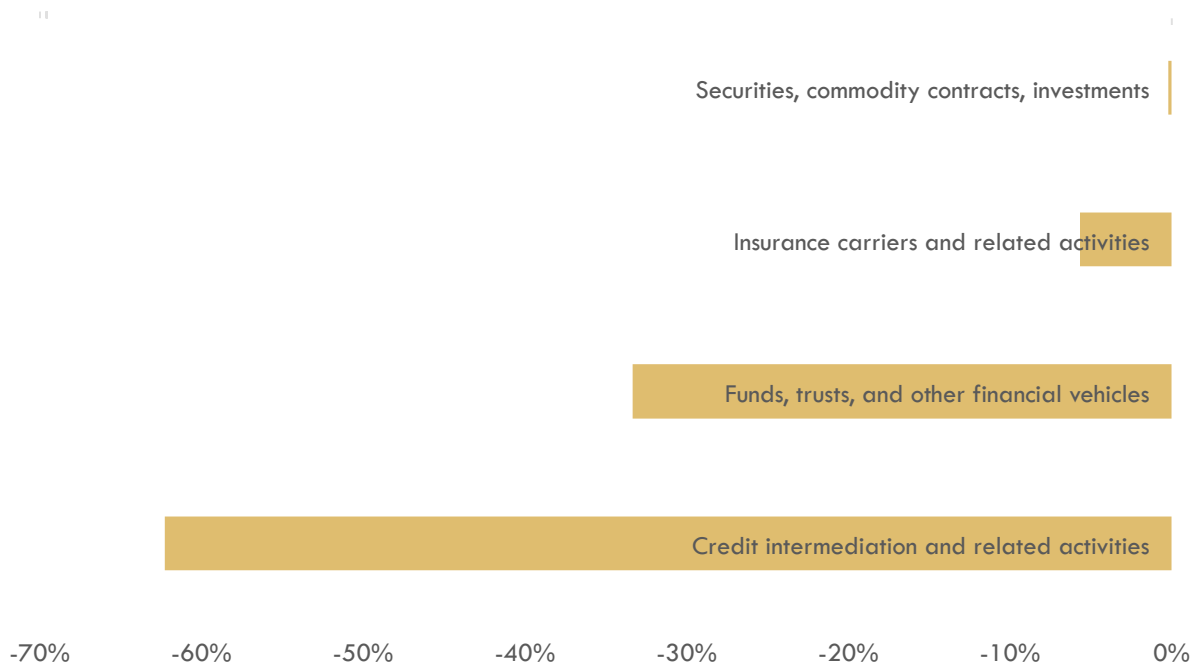
Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

Financial Activities

The Finance sector has a very strong presence in Menlo Park. As previously noted, Menlo Park’s high employment in this sector reflects the historic concentration of venture capital firms on Sand Hill Road and Middlefield Road. Some examples of firms in this sector with a presence in Menlo Park include Merrill Lynch, Kleiner Perkins Caufield & Byers, Citigroup Global Markets, Morgan Stanley & Co., and Sequoia Capital Operations, LLC.

Overall employment declined by 370 jobs (18 percent) in this sector between 2007 and 2012, reflecting the impact of the economic downturn on the venture capital industry. None of the subsectors for Finance had an increase in jobs during the period analyzed. While the 2012 LQ is still very high, meaning very strong competitive advantage for Menlo Park (at 2.25), it has dropped since 2007. As part of the next phase of economic development planning, Menlo Park should investigate ways to support this sector, because the presence of these financial firms is key to both the City’s and the region’s place as the global center for financing the innovation economy.

Figure 7: Percent Growth in Finance & Insurance by Subsector, Menlo Park, 2007 – 2012



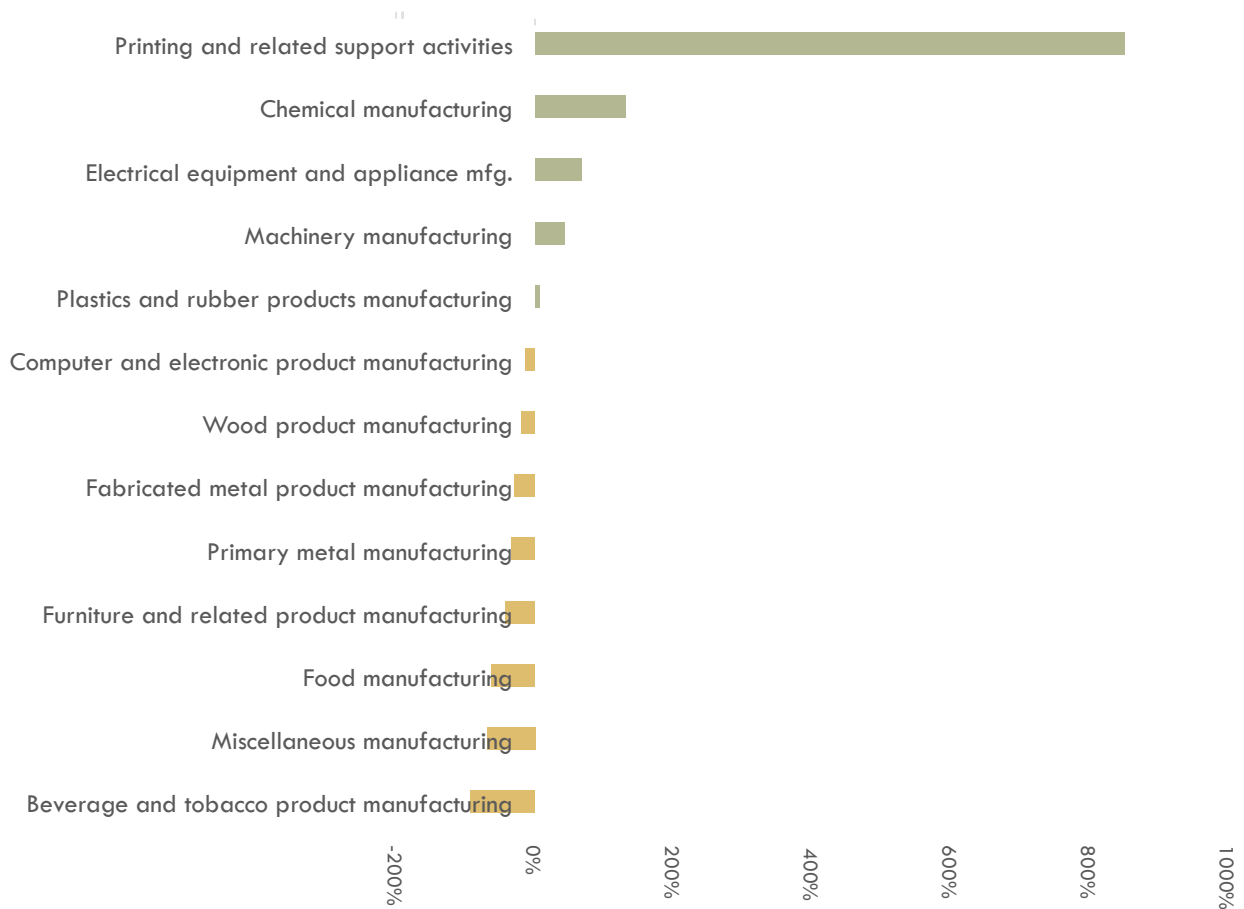
Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

Manufacturing

In addition to Sun Microsystems, which was still at its Willow Road campus in 2012 but has since left, other manufacturing firms in Menlo Park include Pentair, CS Bio, Medina Medical, Abbott Vascular, Infolmage, Inc., L-3 Communications, and TE Connectivity. The Manufacturing sector in Menlo Park lost 1,181 jobs overall between 3Q 2007 and 3Q 2012. Much of this decline is due to job losses at Sun Microsystems.

Despite the overall decline, however, several Manufacturing subsectors showed employment gains over the five-year period: printing and related support activities; chemical manufacturing, which includes some biotech activities; electrical equipment and appliance manufacturing; and machinery manufacturing. These four subsectors combined showed an increase of 296 jobs, while other sectors lost 1,465 jobs. It should be noted that the entire Silicon Valley showed a dip in manufacturing jobs during the same period. Since this sector had a Location Quotient of 1.7 in 2012, in Menlo Park, showing relative strength and competitive advantages, the City may want to consider economic development strategies to reinforce this sector, particularly in the subsectors showing growth, due to its potential to generate business to business sales taxes for the City.

Figure 8: Percent Growth in Manufacturing by Subsector, Menlo Park 2007 - 2012

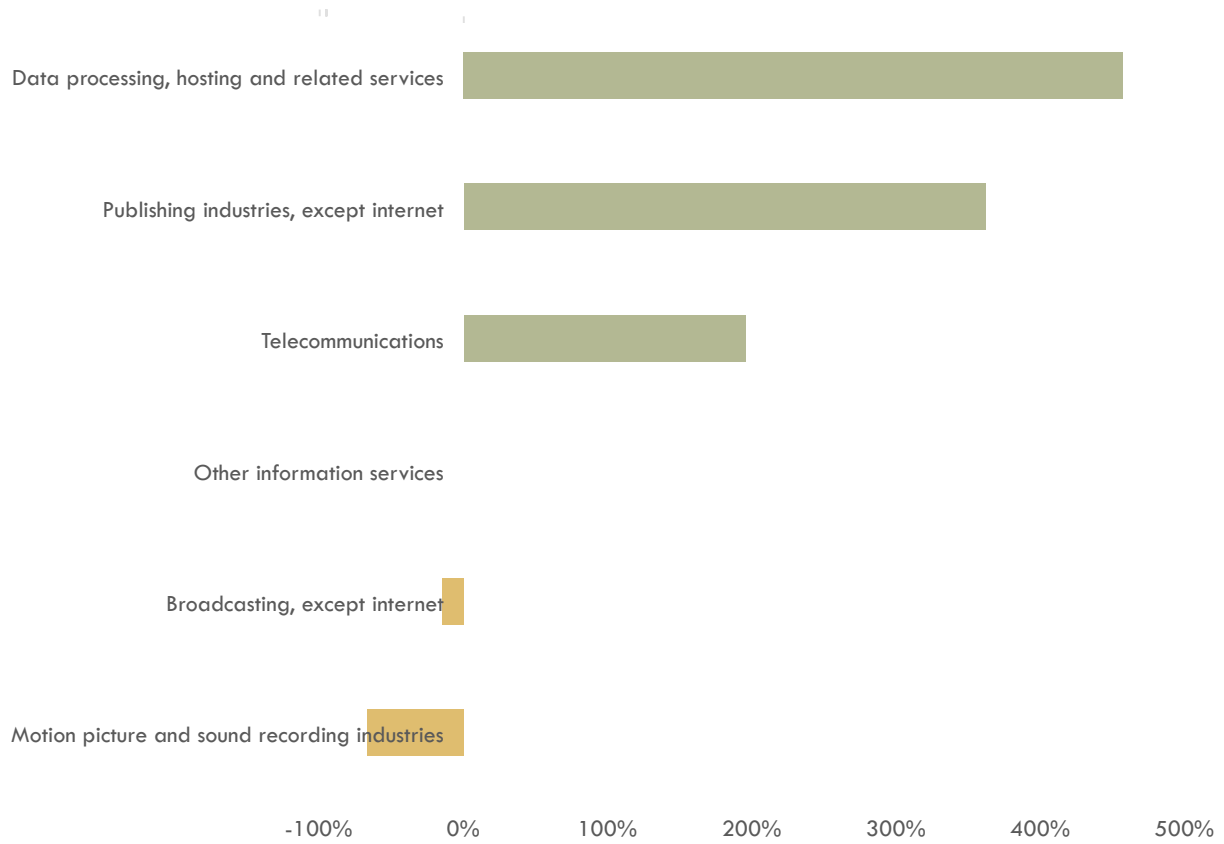


Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

Information

Examples of Menlo Park firms in the Information sector include Comcast, Intuit, ReputationDefender, and BoardVantage. This sector experienced overall growth during the period analyzed, with a net gain of 672 jobs (increase of 690 jobs in growing subsectors offset by loss of 18 jobs). On a relative basis, this sector improved its competitive advantage, shifting from an LQ of only 0.41 in 2007, to 1.16 by 2012 compared to the California benchmark. As noted previously, however, there is room to grow further, due to the higher concentration of these jobs in other surrounding Silicon Valley communities.

Figure 9: Percent Growth in Information Sector by Subsector, Menlo Park, 2007 – 2012



Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

Relationship of Jobs to Residents

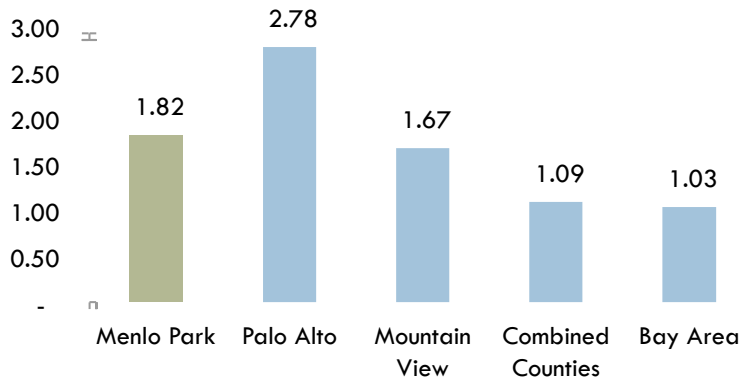
From a city's perspective, when considering economic development strategies, it is important to look at the relationships between the number and types of jobs in the location, and the number and commute patterns of residents of the same location. This kind of analysis starts to connect what the city's economic base (jobs) looks like vis-à-vis its workforce, in order to evaluate city land use and economic development policies. For cities that have a low ratio of jobs to residents, policies often then align towards efforts to attract more jobs, so that the city's residents can work close to home. This is the situation found in many farther-flung "bedroom communities" which first develop to provide suburban housing, and then mature to the point where residents want to stop commuting so far to their jobs and ask the city to try to attract suitable employment within the community.

In other cases, more similar to Menlo Park, the community has developed as both a job center and as a residential community. In these cases, there may be enough total jobs to theoretically employ everyone who lives there, but the actual pattern of who works and lives where, is still not well-balanced (due to mismatches between types of jobs and types/skill levels of residents). In these cases, strategies can evolve which both seek to attract jobs fitting residents' needs, as well as strategies to broaden the housing supply to attract additional populations that are already working in the community but commute in from elsewhere due to high housing costs.

Ratio of Total Jobs to Total Employed Residents in Menlo Park

An analysis of Menlo Park's total number of jobs compared to its total number of residents who work at various locations, indicates that the City has an estimated 1.82 jobs for each employed resident. Mountain View has a similar ratio, at 1.67 jobs per employed persons, while Palo Alto's ratio is exceptionally high at 2.78. These ratios indicate that all three cities have strong employment sectors requiring substantial in-commuting as they attract workers from throughout the Bay Area. In comparison, analysis of larger geographic regions shows how this relationship begins to balance itself; the Combined Counties have a ratio of 1.09 jobs to employed residents, and the Bay Area has a ratio of 1.03 jobs to employed residents.

Figure 10: Ratio of Jobs to Employed Residents, 2012



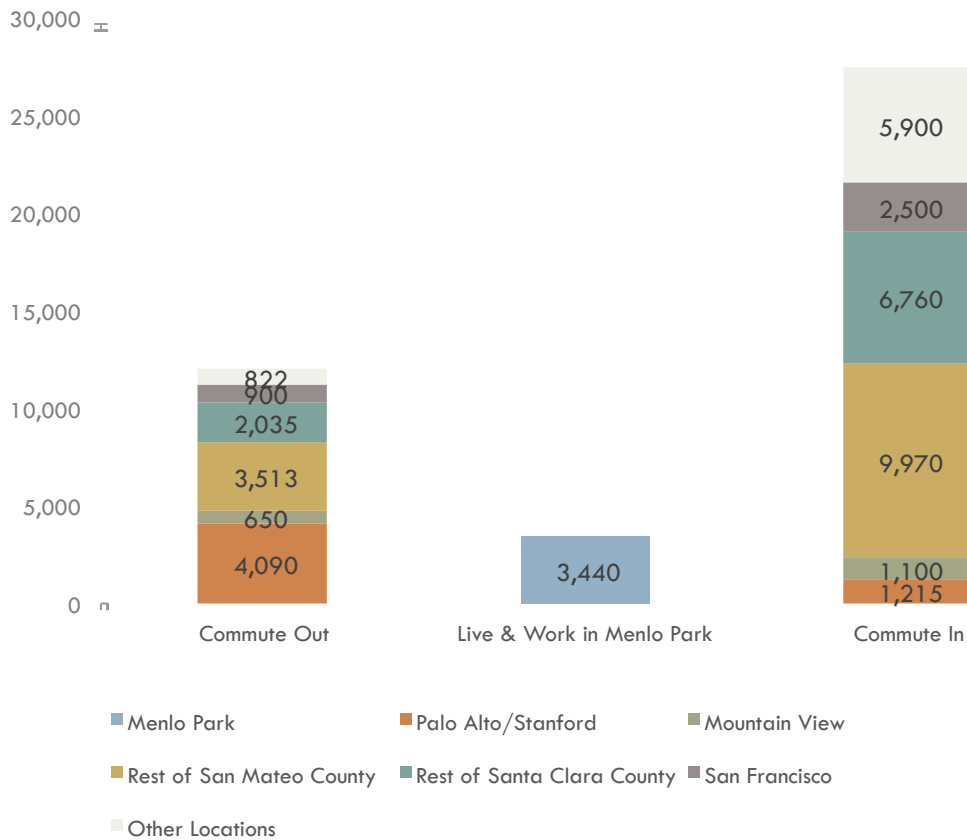
Commute Patterns

Even though Menlo Park has more jobs than employed residents, most Menlo Park residents commute to workplaces outside the City. Of the 15,450 Menlo Park residents who worked in 2010, just 22 percent (3,440 residents) stayed in Menlo Park for work; the other 12,010 residents commuted out to locations as shown in

Figure 11. Interestingly, more Menlo Park residents commute out to work in Palo Alto/Stanford than in their own city.

Analyzed in the other direction, of the 30,890 jobs in Menlo Park, just 11 percent were held by the same 3,440 residents mentioned above; the remaining 27,450 Menlo Park workers commuted in from residences elsewhere. Economic development strategies could seek to address these cross-commute flows to reduce traffic congestion by seeking to attract jobs, such as those in professional and scientific services, life sciences, and other high tech which match the education and skills of Menlo Park residents. Conversely, some cities also seek to reduce in-commuting by building additional housing that is lower cost, matching some of the in-commuting from elsewhere with less expensive housing supply.

Figure 11: Commute Flows Out and In to Menlo Park, 2010



Sources: Census Transportation Planning Package, 2006-2010; ACS, 2006-2010; BAE, 2014

Working At Home

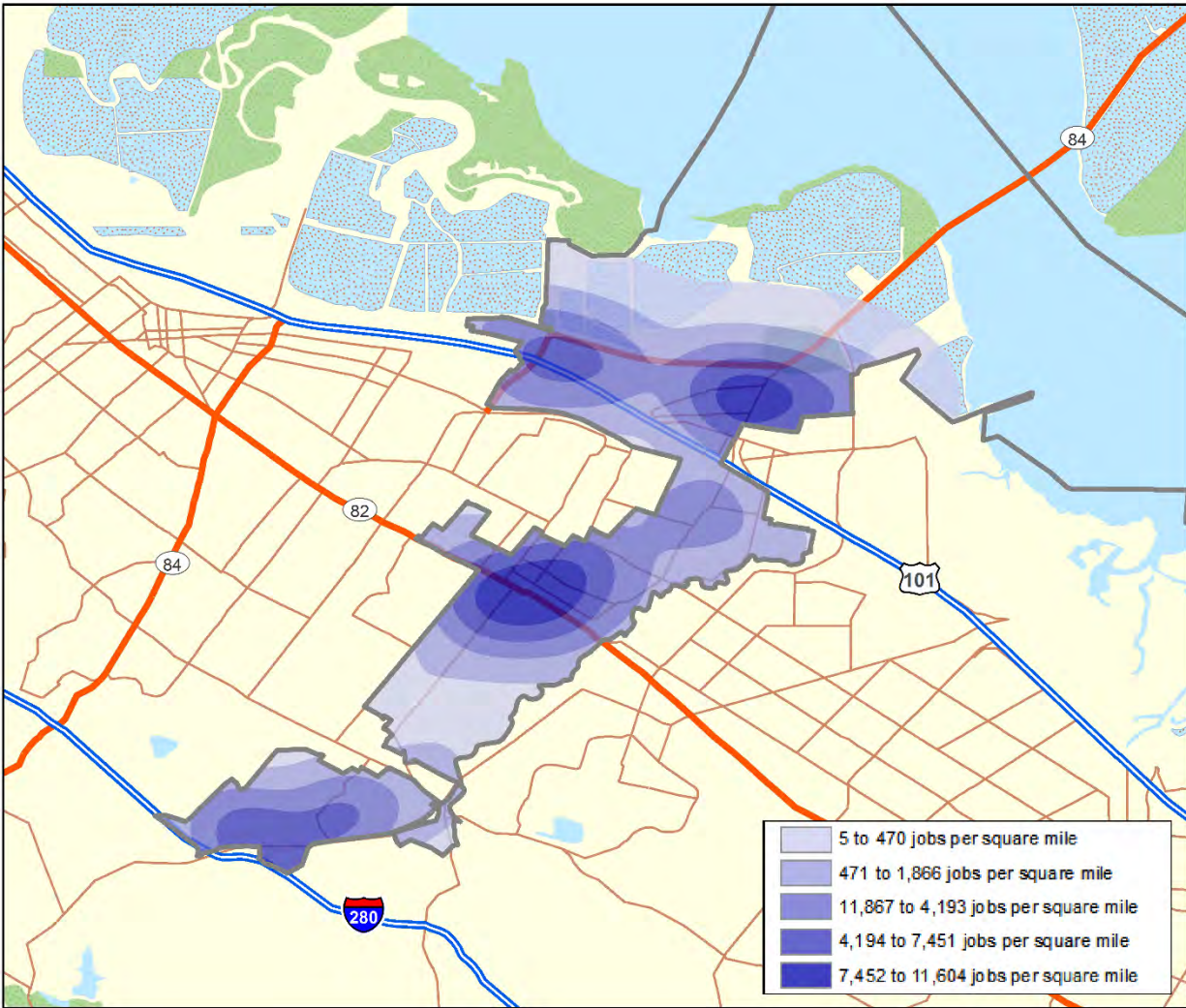
As shown in Appendix B, Menlo Park has a high proportion of employed residents who work from their homes, at 7.4 percent. In contrast, only 4.9 percent of the Combined Counties’ employed residents and 5.8 percent of the Bay Area’s employed residents work at home. This indicates that of the Menlo Park residents who remain in the City to work each day, rather than commuting elsewhere, approximately one-third work at home. The higher rate of persons who work at home in Menlo Park may suggest a non-visible home-based start-up segment, and recommend further exploration to develop strategies, potentially including promotional events, resource fairs, and networking events which would support and help these firms to grow within Menlo Park.

Employment by Location

Menlo Park has three primary employment nodes, including west Menlo Park along Sand Hill Road near I-280, the El Camino Real/Downtown area, and the industrial M-2 area located primarily east of

U.S. 101. The Downtown and M-2 area, at their densest, contain more than 7,400 jobs per square mile.

Figure 12: Employment Density for All Jobs, Menlo Park



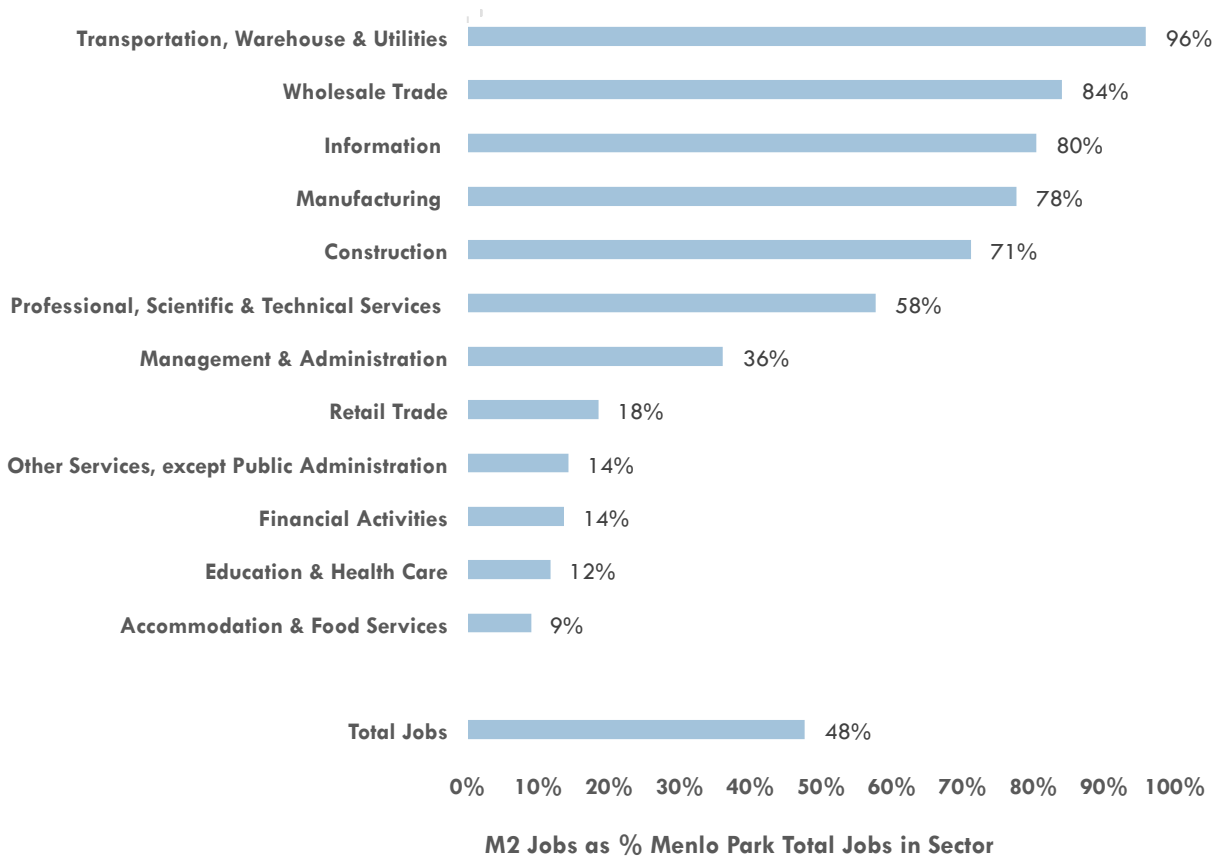
Notes: Based on 2011 data. Includes most wage and salary employment.

Source: ESRI; Longitudinal Employer-Household Dynamics, OnTheMap, U.S. Census Bureau; BAE, 2014.

Composition of Employment in the M-2 Planning Area

The M-2 area plays an important role in Menlo Park's economy; overall, as of Q3 2012, the M-2 area contained 48 percent of Menlo Park's total employment, and had a majority of City's jobs in transportation, wholesale, manufacturing, construction, and professional, scientific, and technical services. The M-2 area also has substantial employment in management of companies and administrative support services.

Figure 13: M-2 Area Jobs as Percent of Total in Menlo Park by Sector, 3Q 2012



Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

Employment trends in this subarea over the 2007 through 2012 period mirror overall City trends, with a shift from manufacturing jobs to information and professional, scientific, and technical services. Manufacturing employment declined by 34 percent, or 1,763 jobs, to 3,362 jobs over the five-year period. Information jobs grew by 283 percent, or 598 jobs, to 809 jobs in 2012, while professional, technical, and scientific services grew 148 percent from 2,097 to 5,193 jobs, displacing manufacturing as the largest sector.⁸ The loss in manufacturing employment was due in large part to the decline at Sun Microsystems; however EDD data shows a substantial number of jobs in this sector in the area as of 3Q 2012. The growth in professional, scientific, and technical services employment is due largely to Facebook’s appearance and rapid growth. As Facebook

⁸ See

Appendix A for details.

continues to grow, it increases the share of jobs in professional, scientific, and technical services for this subarea of Menlo Park.

The Economic Development Strategic Plan and the General Plan Update, which includes a focus on the M-2 area specifically, need to carefully consider changes to this area to allow development that fits the evolving Menlo Park and regional economy. One key issue is consideration of the varying level of fiscal benefits generated by different uses.

Composition of Jobs and Businesses in El Camino Real/Downtown Area

A thriving downtown can be a key element in enhancing the economic vitality of a city, by providing an attractive place for residents and workers to gather, shop, and dine, which in turn can attract new businesses seeking to locate in a city with a high quality of life. Recognizing the importance of the downtown area, the City of Menlo Park recently completed the El Camino Real/Downtown Specific Plan; per the Plan, “the overall intent of the El Camino Real/Downtown Specific Plan is to preserve and enhance community life, character and vitality through public space improvements, mixed use infill projects sensitive to the small-town character of Menlo Park and improved connectivity.” The Specific Plan Area includes the core Downtown as well as nearby areas along the El Camino Real corridor.

The El Camino Real/Downtown Area, with 4,526 jobs as of third quarter 2012, accounts for approximately 17 percent of Menlo Park’s private sector wage and salary jobs.⁹ Unlike the M-2 area or the City overall, the number of jobs has not changed significantly over the 2007 through 2012 period, showing a decline of only 145 jobs, or three percent. The only sector with a large increase in the number of jobs over the period (218 jobs added, to reach 840 in third quarter 2012) was professional, scientific, and technical services, mirroring citywide trends. Financial activities showed a five-year decline of 252 jobs to 394 in 2012, and jobs in accommodation and food services, which includes hotels and restaurants, declined by 245 jobs to 839 over the same period.

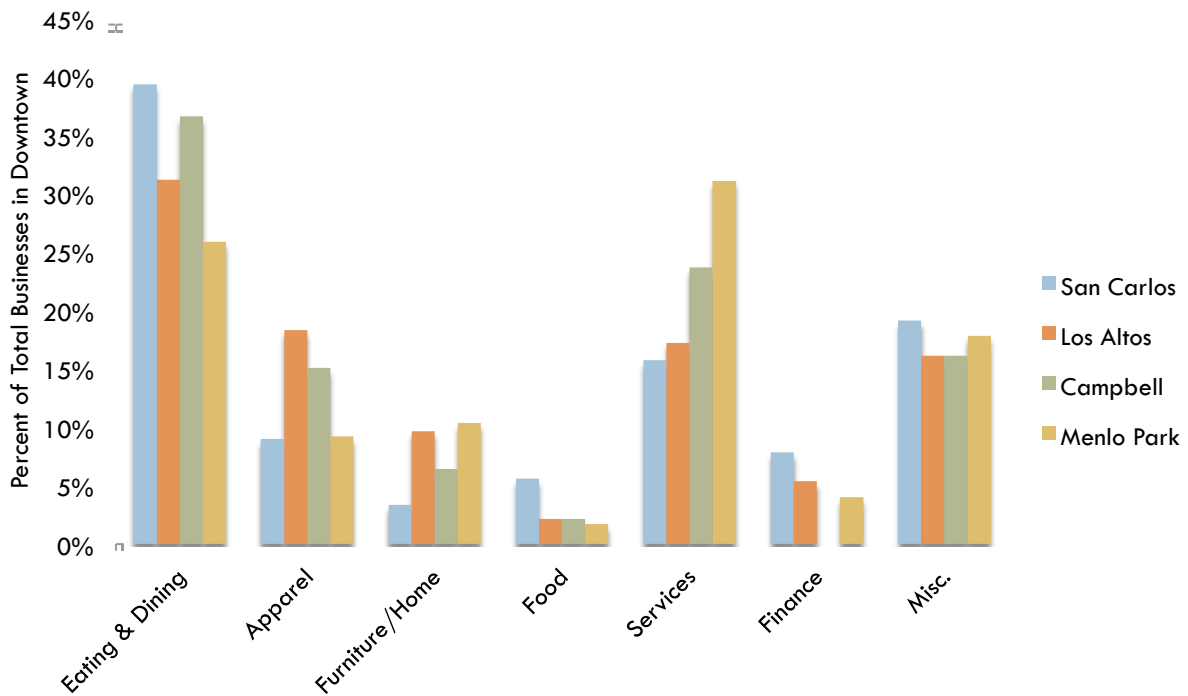
To provide further context on the mix and quality of businesses in Downtown Menlo Park, BAE evaluated Menlo Park and several comparison Peninsula/Valley downtowns through site visits and a review of available downtown business directories. The comparison downtowns, based on similar population size of approximately 30,000 to 40,000 residents, were San Carlos, Los Altos, and Campbell. Relative to these other cities, Menlo Park has more Downtown retail and services overall (see Appendix E). As shown below, on a proportional basis, Menlo Park has less eating & dining places, and more service businesses

⁹ See

Appendix A for details.

Downtown site visits indicate Menlo Park restaurants tend to be somewhat more chain/franchise-oriented than the comparison cities, with fewer dinner service restaurants, considerably less sidewalk dining, and less clustering of restaurants. Menlo Park’s Downtown has longer but narrower streets and more side street frontage, which impacts merchant visibility. Additionally, El Camino Real separates the eastern end of the Downtown from the main part of Downtown, and the comparison downtowns have more streetscape improvements such as modern landscaping and lighting (these are in the City’s Specific Plan, but have not yet been funded and implemented).

Figure 14: Comparison of Downtown Business Mix by Category



Sources: Menlo Park Business Directory, Other business directories, BAE, 2014.

DEMOGRAPHIC AND LABOR FORCE TRENDS

The strength of a local economy like Menlo Park is also affected by its residents and labor force. This chapter provides an overview of Menlo Park’s demographic and labor force trends, based on data from the US Census (2000 and 2010), the American Community Survey, and Nielsen MarketPlace, a private vendor of demographic estimates and projections. For benchmarking purposes, Menlo Park is compared to Palo Alto and Mountain View; San Mateo and Santa Clara County combined (the “Combined Counties”); and the nine-county Bay Area.¹⁰ Detailed data tables for the following analysis are found in Appendix B.

Population and Household Trends

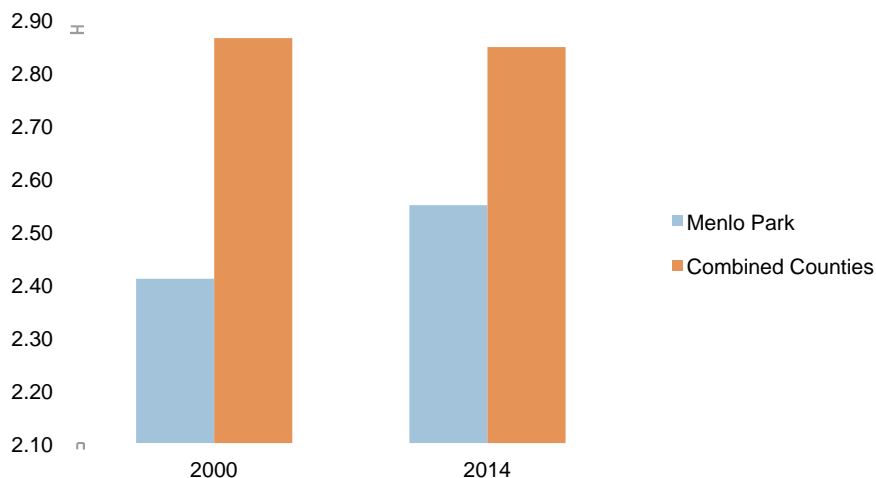
Population and Household Growth

Menlo Park’s population is estimated to have grown by nearly ten percent, from 30,785 to 33,764, between 2000 and 2014. Mountain View grew at a slightly faster rate, from 70,708 residents in 2000 to 77,934 residents in 2014. This population growth rate is similar to the larger region; the Combined Counties and the Bay Area grew by 10.0 percent over the same period. In contrast, Palo Altos’ population grew by 16.2 percent between 2000 and 2014.

Unlike the region, Menlo Park’s growth has come in large part due to an increase in household size rather than an increase in the total number of households. Between 2000 and 2014 the number of households grew by only 4.9 percent, from 12,387 to 13,000 households, while average household size grew from 2.41 to 2.55 persons per household. Palo Alto and Mountain View also experienced an increase in household size. In contrast, average household size declined slightly over the same period for the Combined Counties and the overall Bay Area. However, the average household size in Menlo Park, 2.55 persons per household, is still below the averages for the Combined Counties or the Bay Area (2.85 and 2.68, respectively).

¹⁰ The Bay Area as defined here consists of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

Figure 15: Average Household Size, 2000-2014



Sources: US Census, 2000; Nielsen Marketplace, 2014; BAE, 2014

Age Distribution

Following regional and national trends, since 2000 Menlo Park and the other comparison geographies have all seen an increase in their median age, and a very large jump in the 55 to 64 population as the Baby Boom generation ages.

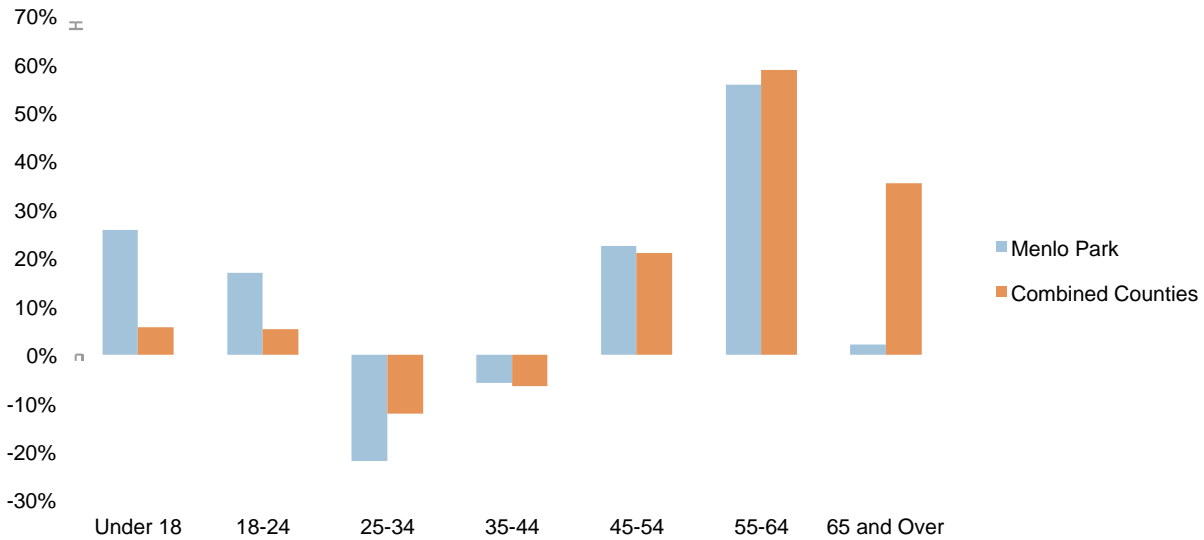
Menlo Park, however, has seen a substantial increase in the under-18 population and an unusually small increase in the 65+ population since 2000. While the overall population increased by less than 10 percent, the under-18 population increased by over 25 percent, and the 65 and older population increased by only 2.1 percent. These trends are in marked contrast to regional trends; for the under-18 population only increased by 5.7 percent for the Combined Counties and by only 1.7 percent for the Bay Area even as their overall population grew by 10 percent over the same period.

Both Menlo Park and the Combined Counties saw a noticeable decrease in population between the ages of 25-34, which includes Millennials ranging from recent college grads to the prime age range for family formation. Menlo Park saw an even greater decrease of more than 20 percent in this population. Potential factors could include children raised in Menlo Park choosing to live elsewhere (or not being able to afford to remain in Menlo Park), as well as the noted preference of many in this age range for more lively urban environments, such as San Francisco.

Unlike the Combined Counties or the Bay Area, Palo Alto and Mountain View also have seen the same strong influx of children as Menlo Park. This increase indicates that these communities are attracting families with children, testing their school districts' ability to cope with increased enrollment while still providing high quality schools that are likely attracting these families (see discussion of standardized test scores by school district below). The limited increase in Menlo Park's

elderly population (a trend not shared with the other two comparison cities) despite the overall aging of the region's population indicates that the housing stock in the area is turning over as younger families seek housing in the City.

Figure 16: Age Distribution Trends, 2000-2014

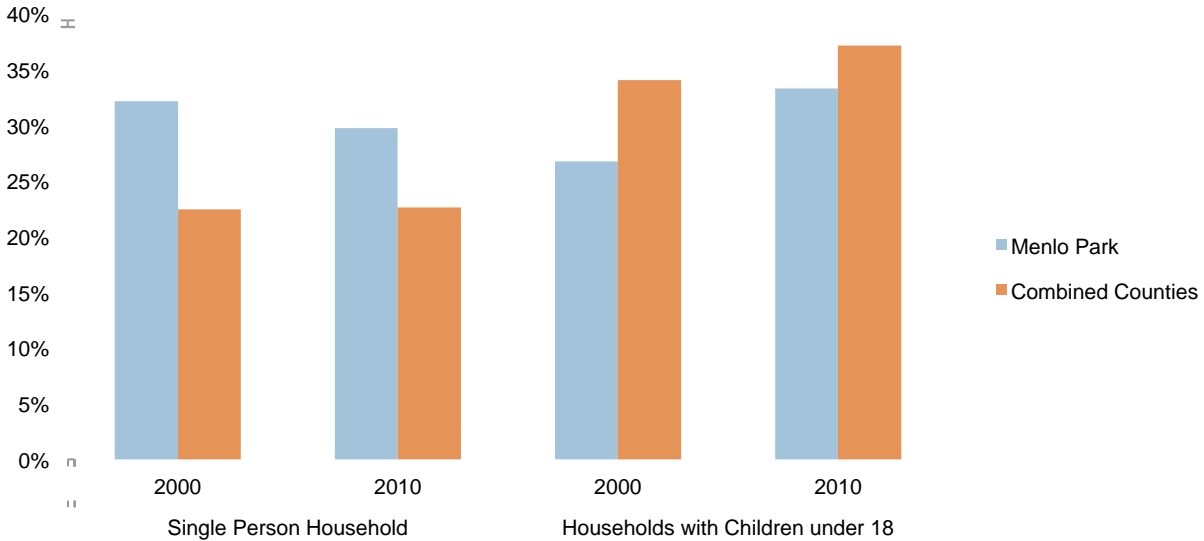


Sources: U.S. Census, 2000; Nielsen Marketplace, 2014; BAE, 2014

Household Composition

Changes in Menlo Park's age distribution and household size are reflected in the changes in household composition. From 2000 to 2014 there was a decline in the number of single-person households in the City and an increase in the number of families with children. Palo Alto and Mountain View, which along with Menlo Park both showed an increase in average household size and the number of children, also saw this decline in single-person households and increase in families with children. This is in contrast to the Combined Counties and the Bay Area, where average household size remained fairly constant and the number of children under 18 increased at a much slower pace (slower than overall population growth rather than greater). All three cities appear to be attracting households with children.

Figure 17: Household Composition, 2000 - 2010



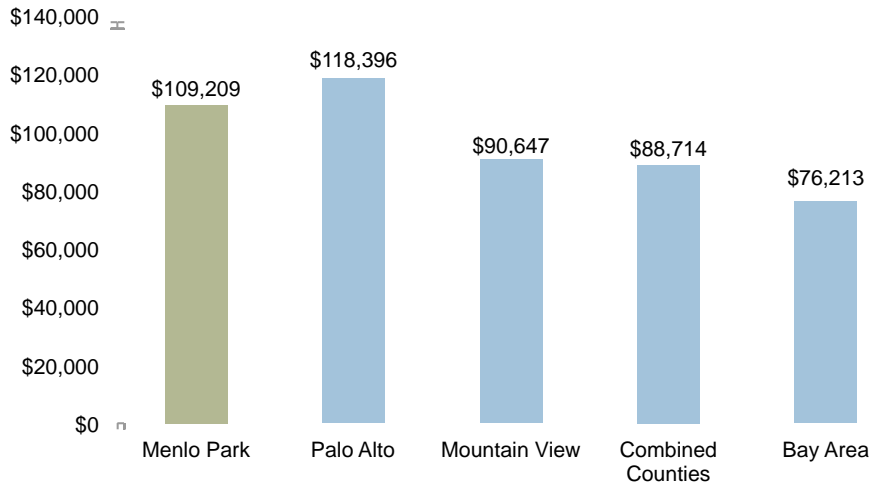
Sources: US Census, 2000, 2010; BAE, 2014

Household Income and Poverty

Menlo Park has very high income levels relative to the larger region. The median annual income for Menlo Park households was reported in 2012 as \$109,209, in contrast to only \$88,714 for the Combined Counties and \$76,213 for the Bay Area. Over one-quarter of Menlo Park households have annual incomes of \$200,000 or more. Palo Alto has an even higher median household income; Mountain View's is slightly above the Combined County's. Per capita annual incomes largely follow the same pattern, with Menlo Park and Palo Alto both more than 50 percent above the Combined Counties and the Bay Area. As an affluent community, Menlo Park provides considerable potential for local consumer expenditures to bolster the City's retail and commercial sectors.

As would be expected, the relative proportion of the population in poverty for these geographies is inversely proportional to their income levels. Menlo Park's strong economy and high incomes are reflected in the City's low poverty rates. Only 5.6 percent of the population falls below the federally-defined poverty level, in contrast to 9.7 percent in the Combined Counties and 11.5 percent in the Bay Area. Similarly, only 2.1 percent of families with children are below the poverty level in Menlo Park, with over twice as many are below the threshold in the Combined Counties and the Bay Area.

Figure 18: Median Household Income, 2010-2012



Source: ACS, 2010-2012; BAE, 2014

Educational Attainment

One major asset for the City's potential future economic growth is the City's extremely well-educated workforce. Over two-thirds of the City's adults 25 and older have a bachelor's degree or higher, compared with less than half in the Combined Counties and the Bay Area. Palo Alto and Mountain View also have extremely high proportions of well-educated persons.

Menlo Park is covered by multiple K-8 school districts. The largest part of the City is in the Menlo Park City School District, whose schools have excellent standardized test scores: the most recent Academic Performance Indices (APIs) for all the schools in this district are well over 900 (state average is 778). The Las Lomas Elementary School District, which covers a portion of Menlo Park, also has high API scores. The Redwood City Elementary School District, which covers a small part of Menlo Park has lower test scores overall near the statewide average, although the district's school located in Menlo Park has a much lower score, at 662. The Ravenswood City School District, which covers a portion of Menlo Park east of 101 along with East Palo Alto, has a range of API scores with an average of 709, but their school in Menlo Park has a score of only 661.

Menlo Park is entirely within the Sequoia Union High School District; the High School serving Menlo Park, Menlo-Atherton High, has an API of 819, reflecting the mixed student body attracted from the various elementary school districts.

The presence of schools with high test scores covering much of the City is likely one of the attractors causing an increase in families with children in the City, resulting in a higher-skilled and better-educated resident work force. Successful efforts to improve the Redwood City and Ravenswood City

Elementary School Districts schools in Menlo Park with test scores below State averages would enhance the attractiveness of those areas for new residential development and the economic vitality of Menlo Park.

Labor Force and Unemployment

The labor force and unemployment data summarizes trends from 2000 through October 2013, the most current data available at the time of analysis. This covers a time period from the peak of the dot-com “bubble” through a regional recession and recovery and then through the 2008 financial crisis, national recession and into the current recovery period. Throughout this period, Menlo Park, Palo Alto, and Mountain View, cities at the heart of Silicon Valley, have consistently had lower unemployment rates than the Combined Counties or the Bay Area. In 2000, unemployment in Menlo Park was estimated at only 2.3 percent,¹¹ with Palo Alto and Mountain View at even lower rates. At that time unemployment was 3.0 percent in the Combined Counties and 3.5 percent in the Bay Area. In the “crash” that followed, unemployment increased in all these geographies, with Menlo Park peaking at 4.7 percent in 2003, still below the Combined Counties at 7.6 percent and the Bay Area at 7.2 percent. By 2006, rates had again declined, but not to 2000 levels. Rates decreased again by 2006/2007, but not down to 2000 levels, and then reached new highs in 2010, at 7.1 percent for Menlo Park, 10.3 percent for the Combined Counties, and 11.8 percent for the Bay Area. With the gradual recovery since 2010, by October 2013 unemployment had declined to 4.1 percent in Menlo Park, with rates of 6.0 percent and 6.7 percent, respectively, for the Combined Counties and the Bay Area.

Even with this limited recovery, however, some of the decline in unemployment is due to a shrinking labor force, indicating that persons previously employed have given up looking for work. Menlo Park, the other two cities, the Combined Counties, and the Bay Area, all actually have fewer employed residents in October 2013 than they did 13 years previously, even as the overall population grew. Menlo Park’s labor force size is the same as in 2000, while the overall labor force size has declined for the two other cities, and the Combined Counties. If the regional economy continues its recovery, some of those who previously left the labor force (or who never entered it) may seek employment.

¹¹An area is typically considered to have full employment with unemployment at approximately five percent, a rate that allows for fluidity in the labor market as workers move from job to job and new companies start up and others close.

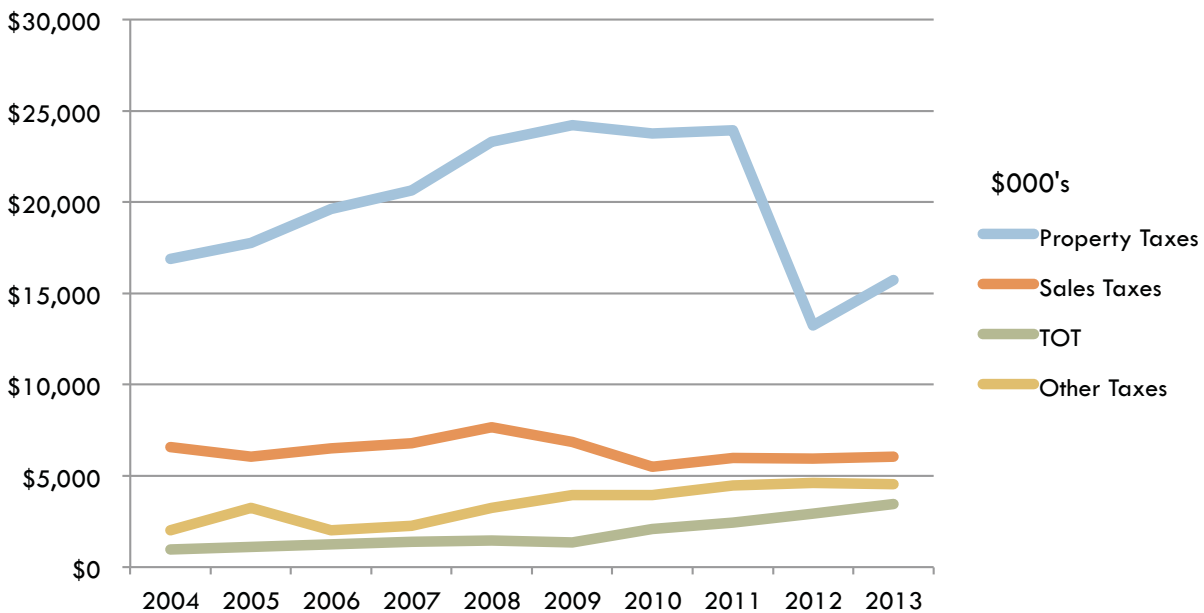
FISCAL TRENDS

Overview of Menlo Park City Budget

One of the key goals for economic development is creating a strong economic base that generates sufficient tax and other revenues for City government to be able to fully fund the cost of public services. This is particularly important since Proposition 13's limit of two percent annual growth in property tax revenues until a property is sold limits the growth of this revenue source below the rate of increase in municipal service costs in recent years that has been driven by rapidly increasing medical and pension costs, among other factors.

Figure 19 shows the 10-year trend in current (inflated) dollars for the primary tax revenues collected by the City. Property tax revenues grew during the boom of the 2000's, then flattened out when the recession hit. The downward spike in 2012 is related to the elimination of redevelopment agencies, which meant that the City no longer collected property tax increment that otherwise would have gone to other taxing agencies (the City did receive a portion of this tax increment back to its General Fund, based on its share of base one percent property tax proceeds). The loss of redevelopment also meant that certain costs were shifted back onto the City's General Fund. With the economic recovery, property tax revenues have once again begun a strong increase.

Figure 19: Menlo Park Revenue Trends, 2004 - 2013 Current Dollars (\$000's)



See narrative for explanation of 2012 dip in property tax revenues.

Source: City of Menlo Park Comprehensive Annual Financial Report, for Fiscal Year Ended June 30, 2013; BAE, 2014.

Sales taxes, both retail and non-retail, after their steep decline early in the 2000's, followed the economic cycle over the decade. With the recession and other factors they have not yet recovered to their 2004 level in nominal dollars. However, given the 23 percent increase in the Consumer Price Index during this period, the value of the City's sales tax receipts in constant (inflation-adjusted) dollars has declined considerably over this time period. This is due to several factors, including the loss of business-to-business sales taxes with the decline of Sun Microsystems, as well as the City's loss of automobile dealers; this is discussed in more detail in the next section of this report.

Two other types of tax sources have grown over this time period. The first is Transient Occupancy Taxes from hotel rooms, which increased considerably with the opening of the Rosewood Sand Hill Hotel. The other represents all other taxes, including utility users taxes, franchise fees, and the City's share of other taxes collected at the County and the State level.

From a General Fund perspective, the City has been able to support revenues by increasing revenues from licenses and permits, which grew from \$2.9 million in 2004 to \$4.8 million in 2013, along with various charges for services, which grew from \$7.5 million in 2004 to \$13.2 million in 2013.

Figure 19 illustrates how even in a prosperous community such as Menlo Park, economic development is needed to help grow the City's fiscal base to sustain current and future operations.

Taxable Sales Trends

An important indicator of economic vitality within a city is the level of sales activity, in retail as well as in other sectors. Strong taxable sales in turn also enhance the fiscal vitality of a city, generating sales tax revenues for the General Fund.

In California, the State Board of Equalization (SBOE) publishes reports which track taxable sales by city, county and the state overall. The report covers most sales of tangible goods in the state to consumers/end users, but excludes nontaxable items, primarily food for consumption at home and prescription drugs. For larger cities such as Menlo Park, SBOE reports taxable sales by major retail store category, except where confidentiality rules prohibit disclosure. While retail establishments generate most taxable sales in California, taxable sales also occur elsewhere; for example, when service-oriented establishments sell physical goods (e.g., hair care products sold by a beauty salon) or when a manufacturer sells directly to the public.

Taxable Retail Sales

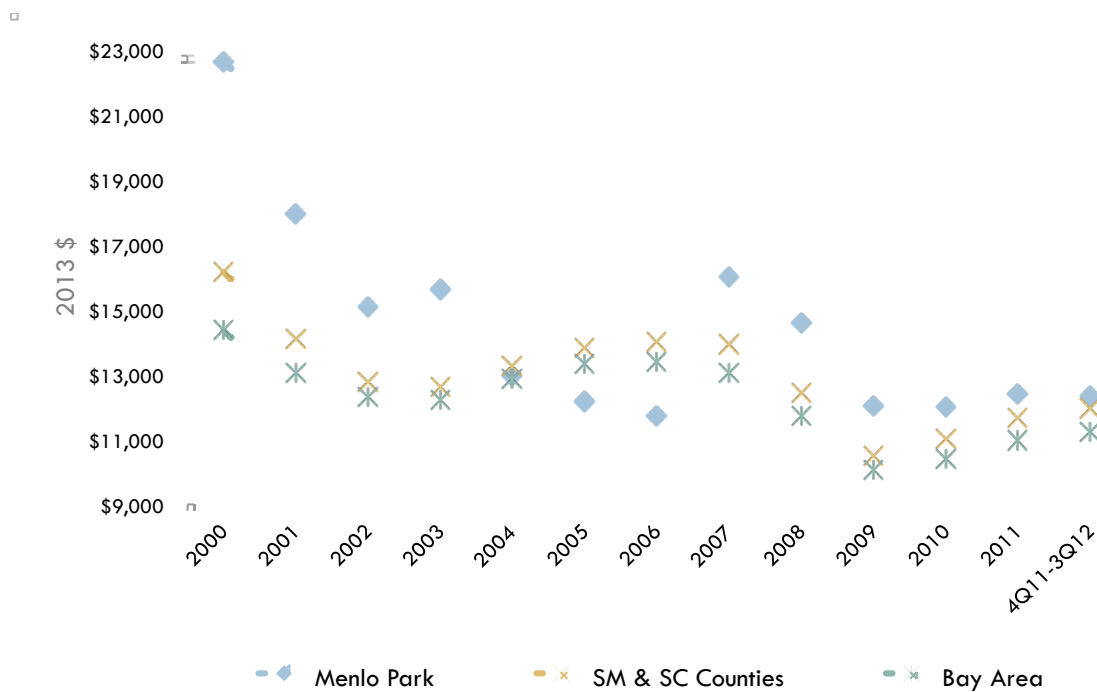
A basic metric to show the relative strength of a city's retail overall sector is to divide retail sales by population, to get a per-capita metric that can be compared to other locales. This approach would account for any sales growth linked to population growth, equalizing different points in time and/or different geographic areas. As shown in Figure 20, Menlo Park has experienced a dramatic decline

in taxable retail sales since 2000, with a decline from almost \$23,000 per capita in 2000, to just under \$12,300 per capita in 2012 (all data in 2013 inflation-adjusted dollars). Much of this decline is related to the loss of auto dealers on El Camino Real, who were strong retail sales tax generators.

Menlo Park began the prior decade at a slightly higher level of per capita sales than the larger region, but more recently that lead has been largely eliminated. For the most recent four quarters available, per capital taxable retail sales in Menlo Park were \$12,348, only slightly above the Combined Counties at \$11,943 and the Bay Area at \$11,230. Compared with nearby cities, Mountain View is at \$13,065, and has tracked over time in the same general range as Menlo Park. In contrast, Palo Alto has consistently been a regional retail powerhouse due to the combination of its vibrant Downtown and the Stanford Shopping Center, with per capita sales of \$20,864, nearly 70 percent higher than Menlo Park.

Given Menlo Park’s high income levels and net in-commute of workers, the City might be expected to outperform the region with respect to retail sales. The current levels, especially in contrast to Palo Alto’s per capita retail sales, are an indicator that Menlo Park residents and workers are spending retail dollars elsewhere that could instead be captured in the City.

Figure 20: Per-Capita Taxable Retail Sales Trends, 2000 – 2012



Sources: 2000 & 2010 U.S. Census; CA Dept. of Finance; State Board of Equalization; U.S. Bureau of Labor Statistics; BAE, 2014.

Figure 21: Current Per-Capita Taxable Retail Sales Comparison, 4Q2011 – 3Q2012



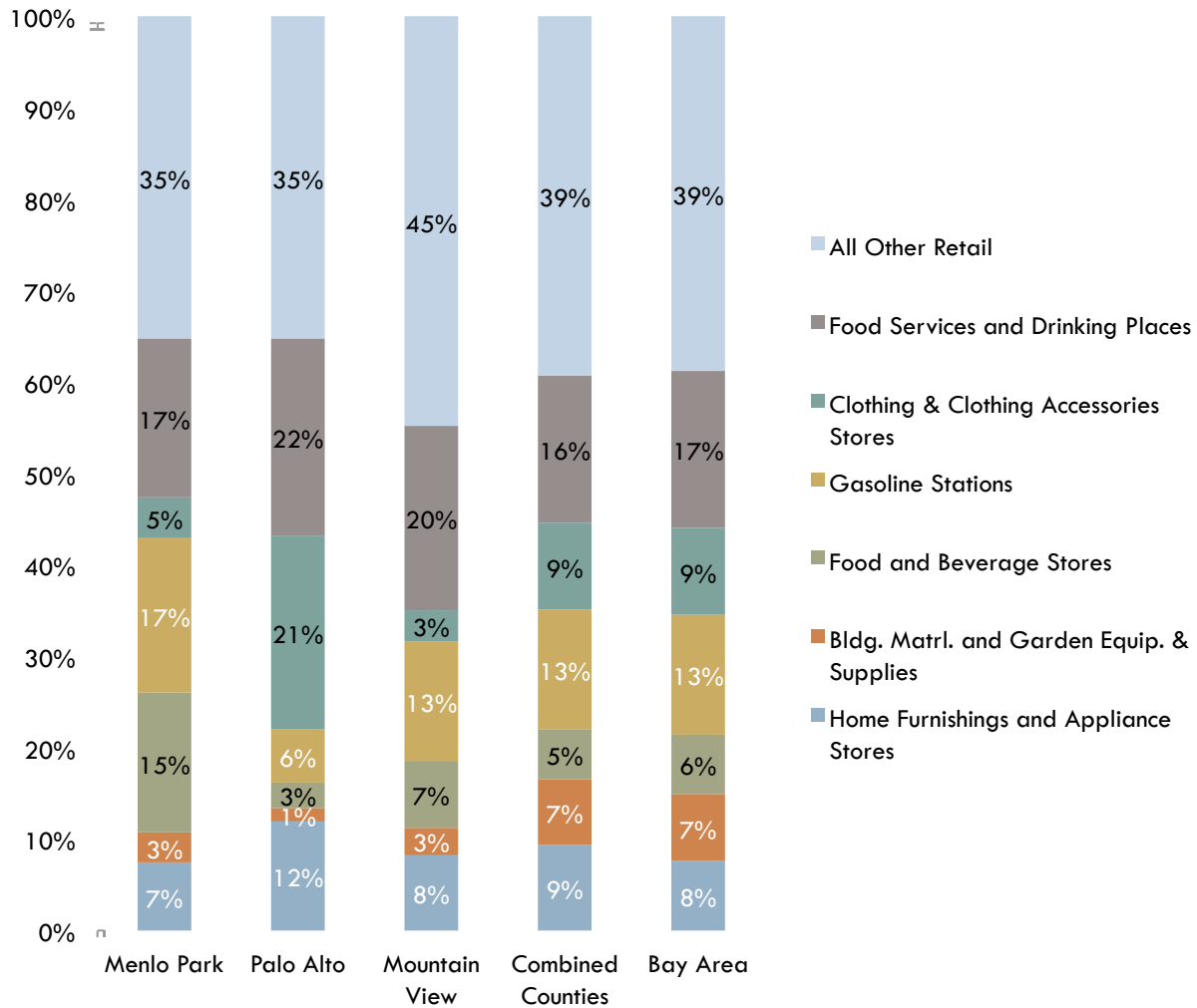
Note: Sales have been adjusted to 2013 dollars using the Bay Area Consumer Price Index,

Sources: 2000 & 2010 U.S. Census; CA Dept. of Finance; State Board of Equalization; U.S. Bureau of Labor Statistics; BAE, 2014.

Menlo Park's mix of retail sales by category is somewhat different from the Combined Counties and the Bay Area. As shown in Figure 22, Menlo Park has an unusually high percentage of taxable retail sales in the categories of local-serving food and beverage stores and service stations.¹² The proportion of Menlo Park's sales in clothing and clothing accessory stores is low, especially in comparison to Palo Alto. Sales in the other retail group category are high in part due to the OfficeMax warehouse in Menlo Park, which SBOE places in this category.

¹² While the State Board of Equalization normally provides motor vehicle-related retail and general merchandise stores as separate categories, these categories are not available for Menlo Park due to disclosure rules and have been combined with other retail. To maintain comparability, these categories are included with other retail for the comparison geographies.

Figure 22: Taxable Retail Sales by Major Category, 4Q 2011 – 3Q 2012



Notes: Data shown are for 4th Quarter 2011 through 3rd Quarter 2012.

Sources: State Board of Equalization; BAE, 2014.

Historic trend data document Menlo Park’s rapid decline in taxable auto-related sales, from \$186 million in 2000 to only \$41 million in 2005, after which data are not available (see Appendix C). The home furnishings and appliances category and eating and drinking/food services have also declined substantially since 2000. Although sales in the general merchandise sector may not be declining, based on 2008 data (also most recent available), it appears that the City has limited sales in this store category.

With low apparel store-related sales, and low and declining motor vehicle, home furnishings and appliance store and restaurant sales, Menlo Park shows significant weakness as a retail destination, especially when compared to Palo Alto. These finding indicate that Menlo Park residents and workers are going elsewhere in the region for these kinds of shopping. In contrast, Palo Alto serves

as a strong retail destination for residents of Menlo Park and other nearby communities; this current advantage, and Palo Alto's proximity, may limit any effort by Menlo Park to enhance its retail base.

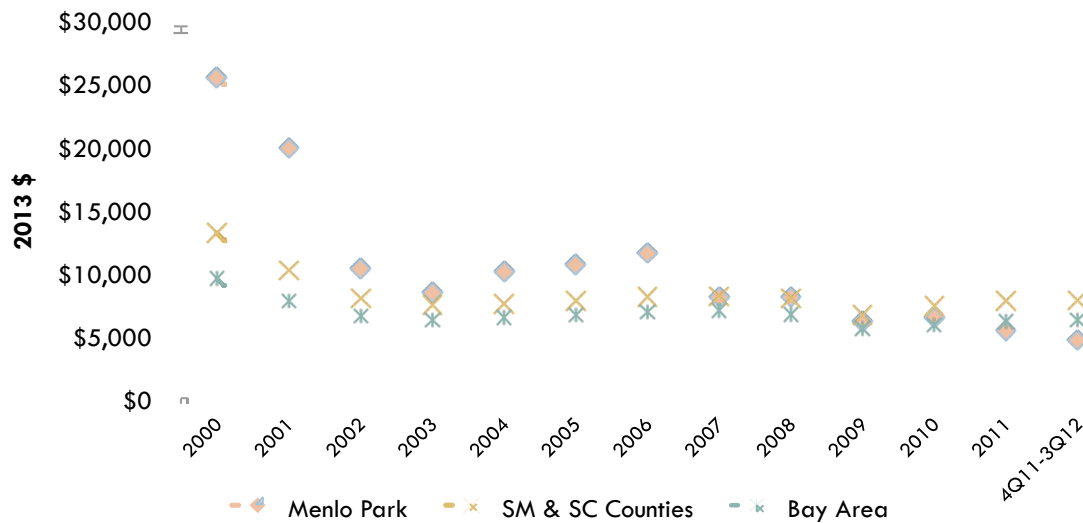
Taxable Sales from Non-Retail Sources

Not all sales tax is generated by retail stores or restaurants; while services themselves are not taxable, physical items sold by service businesses, such as parts used by auto repair shops or cosmetic items purchased at beauty salons, are subject to sales tax in California. Additionally, some manufacturers and wholesalers also sell directly to end users who then pay sales tax, and businesses such as computer manufacturers are required to pay use taxes on their own products if they are used internally by the company in the course of their business.

Non-retail taxable sales are an indicator of economic activity beneficial to a city both fiscally and more generally, and Bay Area cities with high tech firms often show strong non-retail taxable sales. For example, Cupertino benefits from substantial sales tax revenue generated by Apple, and Los Gatos gets sales tax revenue from Netflix.

Menlo Park has also experienced a dramatic decline in non-retail taxable sales since 2000, going from higher per capita sales than Palo Alto, Mountain View, and the Combined Counties to lower levels than those areas (see Figure 23). Per capita non-retail taxable sales in the City declined from over \$25,000 per capita in 2000 to only \$4,600 per capita in 2012.

Figure 23: Per Capita Non-Retail Taxable Sales, 2000 - 2012



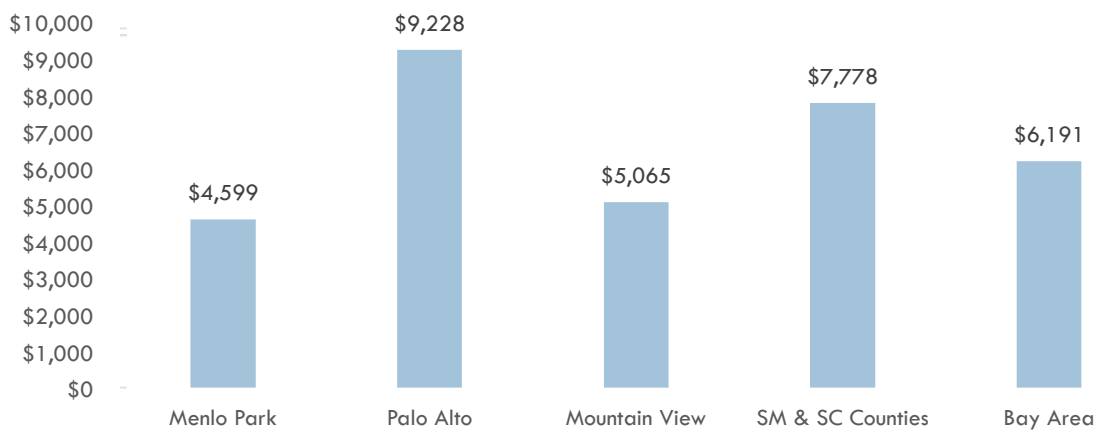
Notes: All sales adjusted to 2013 dollars.

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; U.S. Bureau of Labor Statistics; BAE, 2014.

Currently, non-retail per capita taxable sales in Menlo Park are below the Bay Area and Combined Counties, as shown in Figure 24. Much of the decline is likely due to the loss of Sun, and to the loss of other business-to-business sales previously occurring in Menlo Park.

New companies with strong business-to-business sales could potentially reverse this decline in fiscal revenues for Menlo Park, including a range of high-tech firms that make goods that generate taxable sales, as well as medical device manufacturers. Further analysis is needed to identify target companies and sectors that would increase non-retail taxable sales revenues.

Figure 24: Annual Per Capita Non-Retail Taxable Sales, 4Q 2011 – 3Q 2012



Notes: All sales adjusted to 2013 dollars.

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; U.S. Bureau of Labor Statistics; BAE, 2014.

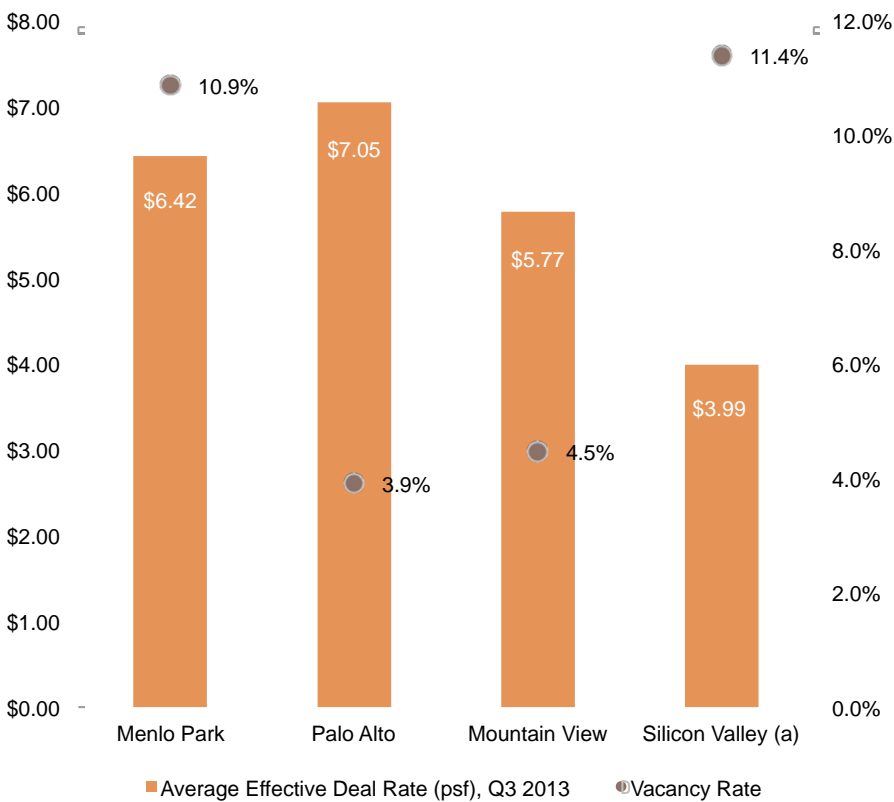
REAL ESTATE MARKET CONDITIONS

This chapter provides an overview of real estate market conditions in Menlo Park, and highlights current market conditions for office, industrial, retail, hotel, and residential markets.

Office Market

Menlo Park has relatively high average asking rents for office space (\$6.40+ per square foot per month), and has modest vacancy rates, with a rate of 10.9 percent as of third quarter 2013 (most analysts consider a rate of approximately 10 percent as representing a healthy office market). Reportedly, a large portion of Menlo Park’s vacant space is largely due to developers/owners holding space off the market for future improvements. There are currently approximately one million square feet of new office space in the development pipeline in Menlo Park.

Figure 25: Office Asking Rental and Vacancy Rates, Q3 2013



(a) Silicon Valley includes Santa Clara County, Fremont, and Menlo Park.

Sources: Cassidy Turley; BAE, 2014

The Silicon Valley office market¹³ contains an estimated 67 million square feet of office space.¹⁴ At the end of third quarter 2013, the office vacancy rate was 11.4 percent. Vacancy rates have been trending downward in the Silicon Valley office market, from 18.3 percent in third quarter 2010. Menlo Park's office vacant rate peaked at 15.6 percent in fourth quarter 2010, declined to 11.1 percent in fourth quarter 2011, but has been relatively stable since then.

While Menlo Park's office vacancy rate is similar to Silicon Valley overall, Palo Alto and Menlo Park have extremely healthy office markets; Palo Alto, with 8.9 million square feet, has a vacancy rate of only 3.9 percent, and Mountain View, with 3.6 million square feet, has a vacancy rate of only 4.5 percent. These low vacancy rates reflect the preference of companies for the northern end of Silicon Valley and locations in or near Palo Alto.

Overall, the Silicon Valley office market has seen significant recovery in 2013, with net absorption of more than 1.7 million square feet of space in the first three quarters. Palo Alto and especially Mountain View have been significant beneficiaries of this trend, with 131,142 square feet net absorption in Palo Alto and 234,433 square feet net absorption in Mountain View over the same period. In contrast, Menlo Park, with nearly the same total inventory as Mountain View¹⁵, had net absorption of only 72,241 square feet of office space through three quarters of 2013. All three of these cities show higher average asking rents than Silicon Valley overall, but interestingly, Menlo Park's asking rents are above Palo Alto and Mountain View's.

Cassidy Turley reports that within Silicon Valley, office space in or near Caltrain stations and various downtown areas is in high demand; in Menlo Park, the downtown office vacancy rate in third quarter 2013 was only 3.0 percent, compared with the City overall at 10.9 percent.¹⁶ Palo Alto and Mountain View also had lower vacancy rates downtown than elsewhere in each city.

Given the high demand for office space near Caltrain and in or near Downtown, additional office development in the area could enhance the City's employment base, as well as generate additional customers for Downtown retailers and other businesses. In fact, the recently adopted El Camino Real/Downtown Specific Plan calls for increased development density near Caltrain, and for a total of approximately 330,000 square feet of retail and commercial development including office uses in the Plan Area.

¹³ Defined here as Santa Clara County, Fremont, and Menlo Park.

¹⁴ As inventoried by Cassidy Turley, a major commercial brokerage firm active in the area. Details found in Appendix D.

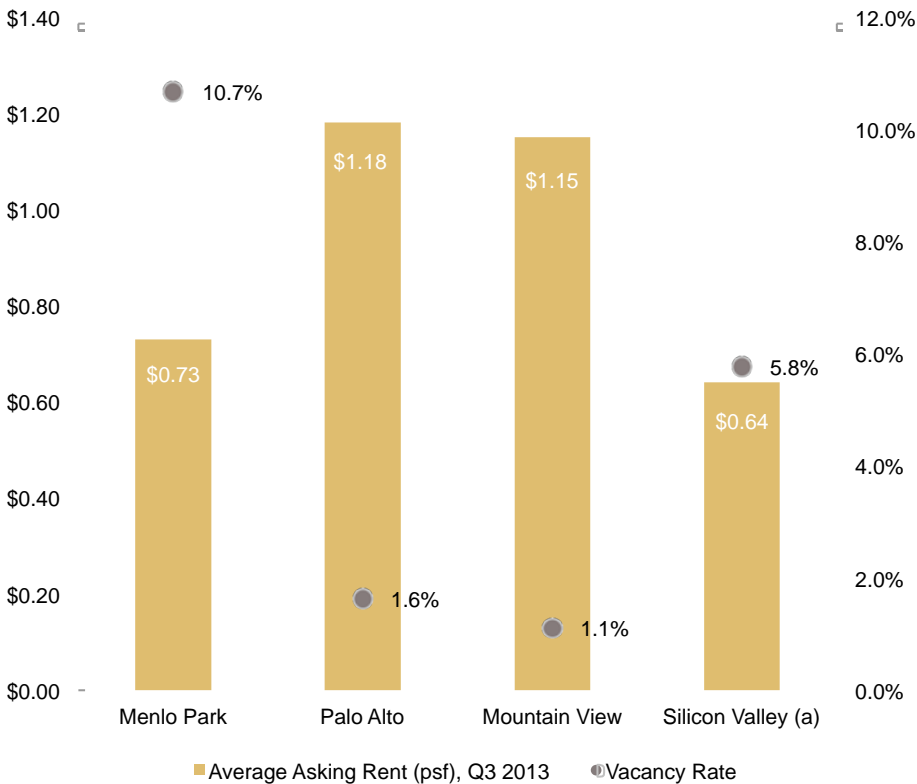
¹⁵ Total office inventory totals 3.5 million square feet in Menlo Park and 3.6 million square feet in Mountain View, according to third quarter 2013 estimates from Cassidy Turley.

¹⁶ *Office Report, Silicon Valley, Third Quarter 2013*, Cassidy Turley Commercial Real Estate Services.

Industrial Market

Menlo Park has lower rents and higher vacancy rates than its peer cities of Palo Alto and Mountain View, with an industrial vacancy rate of 10.9 percent as of third quarter 2013, compared to less than two percent in the peer cities and 5.8 percent for Silicon Valley overall.

Figure 26: Industrial Rental and Vacancy Rates, Q3 2013



(a) Includes all of Santa Clara County, Menlo Park, and Fremont and Newark, per Cassidy Turley.

Sources: Cassidy Turley; BAE, 2014.

In third quarter 2013, the Silicon Valley industrial market¹⁷ totaled approximately 69 million square feet of space¹⁸; the reported overall vacancy rate of only 5.8 percent indicates a strong overall market for industrial space in the region, given that most analysts consider ten percent vacancy to be a balanced market.

¹⁷ Defined here as Menlo Park, all of Santa Clara County, Fremont and Newark. This is slightly different than the Cassidy Turley definition. See notes in Appendix D for details.

¹⁸ See Appendix D for detailed information.

Menlo Park had 2.3 million square feet of industrial space, or approximately 3.3 percent of the Silicon Valley total. In contrast to the office market (where Palo Alto has considerably more space than Menlo Park), Palo Alto has a very limited supply of less than 600,000 square feet of industrial space. Mountain View has slightly more industrial space than Menlo Park.

Menlo Park also showed slight negative net industrial space absorption in the first three quarters of 2013, even as Silicon Valley overall had 736,191 square feet net positive absorption over the period. Silicon Valley's vacancy rate has been declining since second quarter 2012, while Menlo Park still had an industrial vacancy rate of over 15 percent as recently as first quarter 2013.¹⁹ Despite higher vacancy rates, Menlo Park asking rents for industrial space are on par with Silicon Valley overall; industrial space in Palo Alto and Mountain View commands higher rents. As with office space, some experts in local Menlo Park real estate believe that some of the industrial space may be held off the market for potential redevelopment, accounting for a higher than expected vacancy rate.

No inventory has been added to the market recently, with Cassidy Turley reporting no new industrial space being completed in 2012 or the first three quarters of 2013; however, several projects are in the pipeline elsewhere in the region that would increase inventory.

Lodging Market

Menlo Park's limited hotel sector provides overnight accommodations to serve business travelers and out-of-town friends and relatives visiting area resident, with a more limited focus on tourism (e.g., attendees to Stanford football games). There are currently seven hotels operating within the City, with a total of slightly more than 400 rooms (see Table 2). These hotels cover a broad range from small economy independents such as the Mermaid Inn to upscale hotels such as the Stanford Park Hotel and the Rosewood Sand Hill, a luxury chain hotel. Menlo Park's current lodging market is bifurcated between the 284 upscale rooms of the latter two hotels, and the remaining economy motel-type properties.

¹⁹ *Industrial Report, San Mateo County, Third Quarter 2013 and Manufacturing Report, Silicon Valley, Third Quarter 2013*, Cassidy Turley Commercial Real Estate Services.

Table 2: Hotels in Menlo Park

<u>Name</u>	<u>Address</u>	<u>STR Category</u>	<u>Open Date</u>	<u>Rooms</u>
Stanford Park Hotel	100 El Camino Real	Independents	1984-06-01	163
Red Cottage Inn & Suites	1704 El Camino Real	Independents	1970-06-01	35
Best Western Plus Riviera	15 El Camino Real	Upper Midscale Chains	1988-06-01	37
Menlo Park Inn	1315 El Camino Real	Independents	1962-06-01	30
Mermaid Inn	727 El Camino Real	Independents	na	39
Rosewood Sand Hill	2825 Sand Hill Rd.	Luxury Chains	2009-04-01	121
Stanford Inn	115 El Camino Real	na	na	13
<u>Approved, but not yet under construction</u>				
Residence Inn by Marriott	555 Glenwood Ave.	Upscale Chain		138
Menlo Gateway	Independence & Constitution Dr.	na		235

Sources: STR; EDD; City of Menlo Park; BAE, 2014.

Compared to Palo Alto and Mountain View, Menlo Park has a small room inventory; Palo Alto has approximately 1,800 hotel rooms and Mountain View has approximately 1,600 rooms, based on recent information from STR, a vendor providing information on lodging industry trends. While the large inventory in surrounding areas may be a constraint, Menlo Park may have the opportunity to expand its hotel inventory to serve the City's needs. In fact, two additional hotels have been approved. One of these approved hotels, the conversion of an existing building to a Marriott Residence Inn Hotel Downtown. The other approved hotel as part of the Menlo Gateway project, which will provide the City with its first hotel adjacent to the US-101 corridor. These two projects would almost double the City's room count, and also provide additional mid-range lodging options. Additionally the El Camino Real/Downtown Specific Plan provides for the long-term possibility of another hotel in the Downtown area.

The two new approved hotels, along with any future additions, will provide more convenient lodging in Menlo Park, as well as providing a net fiscal benefit to the City. The City's hotels are also employment generators. As of third quarter 2012, there were approximately 600 jobs at hotels in Menlo Park. This is considerably more than in 2007, due to the opening in 2009 of the City's luxury hotel, the Rosewood Sand Hill near I-280. These factors, and the pending and future development of office space in Menlo Park, Palo Alto, and Mountain View suggest that there is additional potential for hotel properties, particularly in the select-service and extended stay categories. This could represent an important potential fiscal opportunity for the City due to the substantial amount of Transient Occupancy Taxes generated by even a medium-sized mid-scale property.

Residential Market

Residential development can be a key factor in an area's economic vitality; a lack of nearby housing appropriate and affordable for local workers can lead to long commutes, congested highways, and a

lower quality of life, as well as difficulties for job recruitment if potential workers can find similar jobs in desirable areas with a broader range of housing choices. In the long-term, the viability of a location as an employment center can be affected by whether it is seen as a desirable place to work, live, and play with a broad range of housing choices and high quality retail, dining, and entertainment.

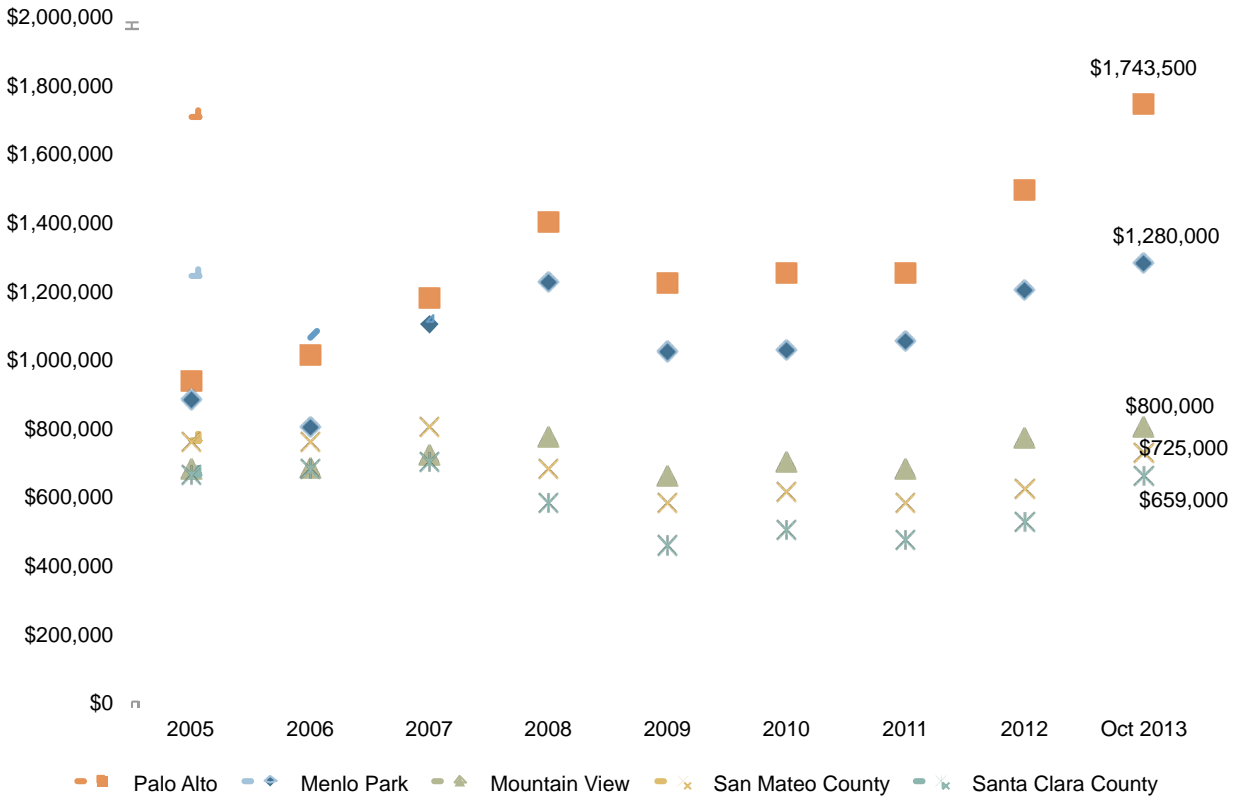
Menlo Park is part of one of the most expensive housing markets in the U.S. According to the National Association of Home Builders/Wells Fargo Housing Opportunity Index, the San Francisco-San Mateo- Redwood City Metropolitan Division ranks as the least affordable metropolitan area in the country for for-sale housing and the San Jose-Sunnyvale-Santa Clara Metropolitan Area ranks 217th out of 223 in affordability.²⁰

Menlo Park's home prices are even higher than average for this high cost region, and homes in the City held their value better during the recent recession. As of October 2013, the median home sale price reported in Menlo Park was \$1.28 million (see Figure 27). Menlo Park's home values are lower than Palo Alto (median of \$1.74 million), but above Mountain View (median of \$800,000). The desirability of all three of these communities is shown by home values above the region; the median for San Mateo County was only \$725,000 and Santa Clara County was only \$659,000. Menlo Park, along with Palo Alto and Mountain View showed smaller declines during the recession than the two counties, and Menlo Park and Palo Alto have shown particularly strong gains over the long run, with the October 2013 median value for Menlo Park at 145 percent of the 2000 figure, and Palo Alto at 186 percent of that period.

While these high home values indicate strong demand for housing in the City, they also point out a potential lack of affordable housing for workers at all but the highest income levels. The high levels of in-commuting from lower-cost communities (e.g., Alameda County) are also in part a result of housing costs within Menlo Park and many nearby communities.

²⁰ National Association of Homebuilders web site, http://www.nahb.org/reference_list.aspx?sectionID=135, accessed 2-13-2014.

Figure 27: Home Sale Price Trends, 2005-2013



Sources: DataQuick; BAE, 2013

Menlo Park’s rental housing is also expensive relative to the region. American Community Survey data for the 2010 through 2012 period, rents in the City were approximately 12 percent above the Combined Counties and 25 percent above the Bay Area overall (see Appendix D). Interviews with developers indicate that market rents for new multifamily rental residential proposed in Menlo Park are likely to exceed \$3,400 per month for 1-bedroom and \$4,400 per month for 2-bedroom units.

Menlo Park has seen extremely low levels of new-unit construction since 2000, with permits issued for a total of only 174 units from January 2000 through November 2013 (also in Appendix D). All of these units were single-family homes (including both detached and attached unit types). Larger numbers of units were permitted earlier in the period with well over half of the permits issued prior to 2006.

Palo Alto and Mountain View saw considerably more housing construction; Palo Alto permitted 2,243 units over the same period, and Mountain View permitted 3,007. Unlike Menlo Park, nearly 40 percent of the units in Palo Alto and 55 percent of the units in Mountain View were multifamily.

Since 2000, the Bay Area has undergone a strong shift toward more multifamily housing construction, reflecting a combination of changes in the housing market since the last recession, as well as the preferences of the Millennial Generation (ages 18 to 33). The Combined Counties show an even higher proportion of multifamily units than Palo Alto or Mountain View as part of the housing construction mix over the 2000 through November 2013 period, with 62 percent of the permitted units in multifamily structures. For the Bay Area, approximately half of the units were multifamily. For both the Combined Counties and the Bay Area, multifamily construction in 2013 has achieved or exceeded the levels of 2000, while the number of single-family units permitted in 2013 is only half of the number from 2000 for the Combined Counties and only 35 percent for the Bay Area.

Approximately 1,000 new units in a mix of building types are currently in the development pipeline in Menlo Park, as the city both increases its housing production and reflects the regional shift toward more multifamily housing.

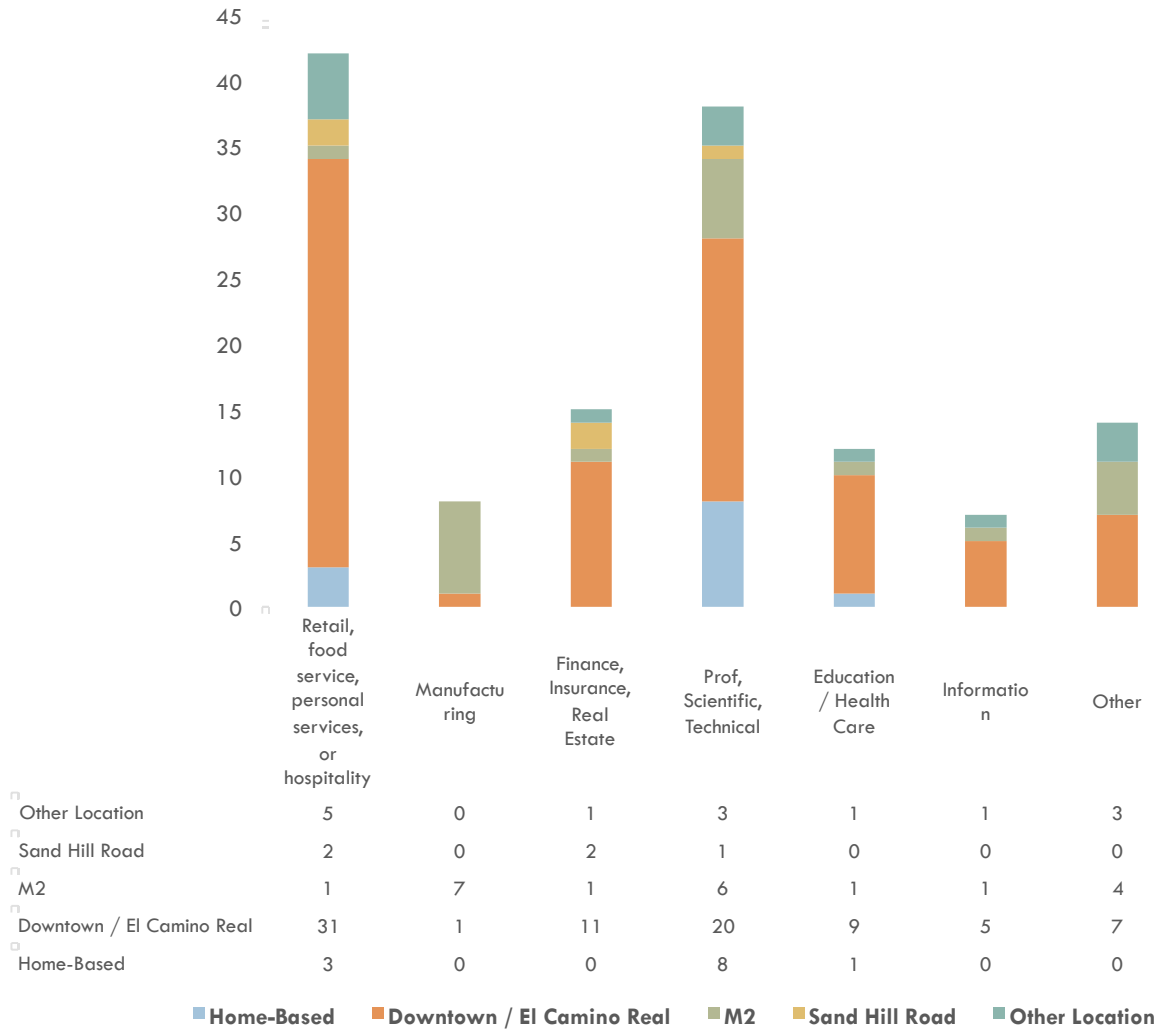
LOCAL BUSINESS COMMUNITY PERSPECTIVES

To obtain local business input into economic development issues, City staff and BAE conducted a web-based survey open to all Menlo Park businesses, as well as 13 in-depth interviews with local business leaders, developers, and other stakeholders. The following provides a summary of findings from the business survey, as well as highlights of the follow up in-depth interviews.

Business Survey

A business survey to query about opportunities and challenges for economic development in Menlo Park was developed and administered during late 2013/early 2014. The survey instrument included a series of questions to identify current plans for expansion, relocation, or other changes to the current business; factors behind the decision to locate and remain in Menlo Park; factors that could affect a decision to relocate to another City; and other issues of concern identified by the City. The survey was originally sent by the City to all 1,751 firms with a Menlo Park address and business license, each of these businesses was also contacted a second time via a follow-up mailing to encourage participation. Additional outreach was made to Downtown businesses by hand delivery of a survey invitation. The graph below provides detail on the industry and location of the 143 survey responses received (response rate of 8 percent, which averages a very low response rate for home-based businesses and a response rate of 12 percent for all other businesses). It should be noted that this response rate affects the margin of error for answers to complex questions with a number of choices, nonetheless it provides valuable insights into the thinking of local businesses and their near-term plans. Detailed survey results can be found in Appendix F.

Figure 28: Industry and Location of Survey Respondents



Near-Term Business Plans

Respondents were asked to describe their business location and plans for the near term. The key findings were as follows:

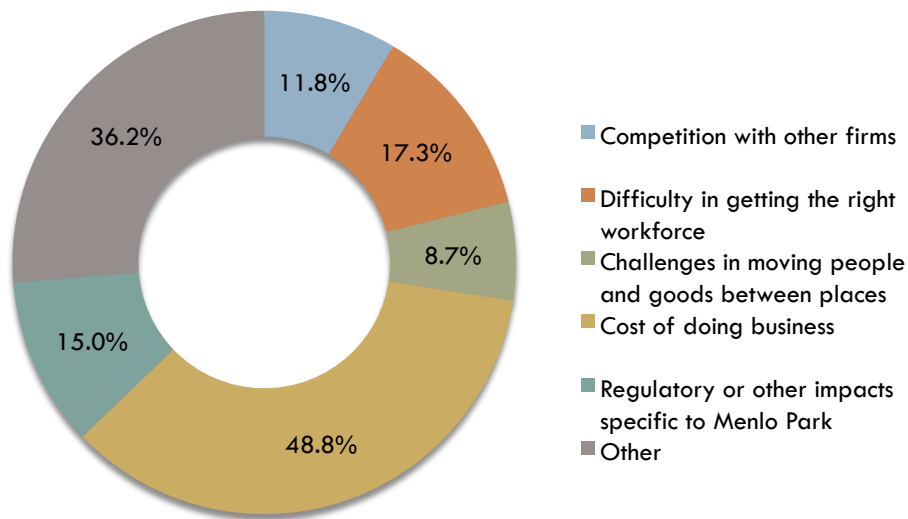
- Most responding firms (80 percent) have only a single location
- 82 percent have been in business for six or more years
- Most firms (55 percent) are experiencing growth of zero to nine percent per year
- A significant number (23 percent) are experiencing strong growth of 10 percent per year or more. These firms are most likely to experience near-term space needs.
- Most firms (76 percent) plan to stay where they are, in the same space.
- Only a few plan to expand (six percent), move elsewhere in Menlo Park (three percent), or move to another City (five percent)

- One-third of firms plan to expand their workforce. Since most also plan to stay in the same space, this means greater utilization of existing space (less square feet per person)

Most Significant Issues

Just under one-half of respondents identified the “cost of doing business” as their most significant issue (see Figure 29). “Other” was next biggest response, at 36 percent of respondents. Of the 46 “Other” responses, 15 identified various parking-related issues; four identified City permitting issues, and the remainder were a variety of firm- or site-specific issues.

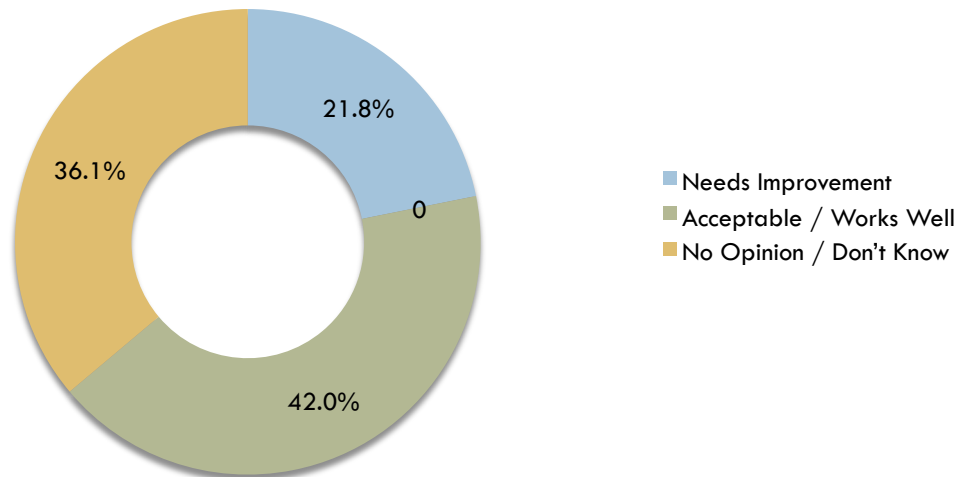
Figure 29: Most Significant Issue



Satisfaction with City Services

Slightly less than half of the survey respondents felt that City services in general (excluding planning, permitting, and code enforcement which are discussed separately) work well or are acceptable. The second most common response was “don’t know” or “no opinion.” This left only 22 percent seeing a need for improvement, which can be considered a positive assessment given the typically large proportion of respondents who have limited awareness or interaction with the full range of City services. For a comparable question about code enforcement, similar responses were received (see Appendix F).

Figure 30: Satisfaction with City Services, except Planning, Permitting, & Code Enforcement



For planning and entitlements, however, more respondents (41 percent) identified a need for improvement. Similarly, 37 percent identified a need for improvement for building permits & inspections

Figure 31: Survey Responses: Planning and Entitlement Approval Process

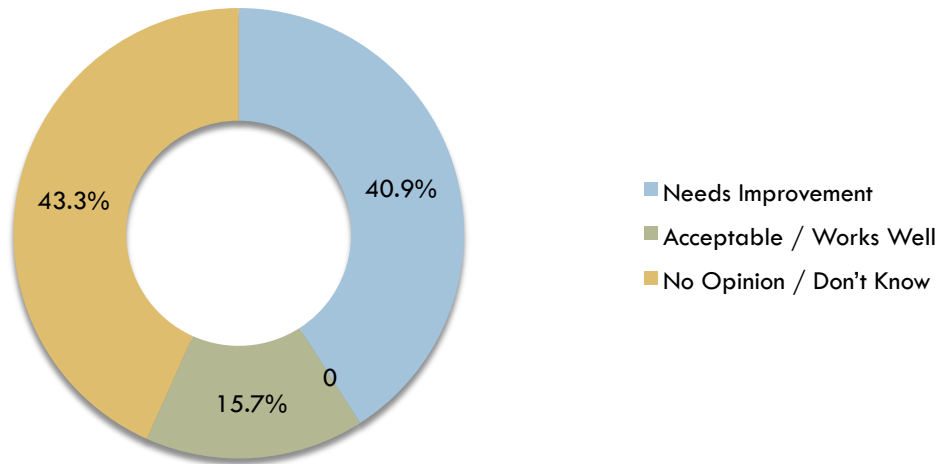
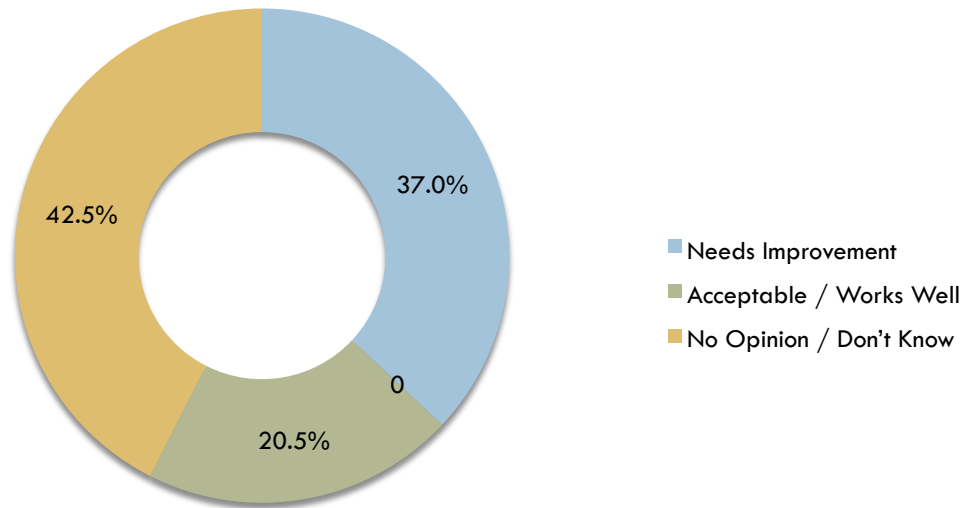


Figure 32: Survey Responses: Building Permits and Inspections



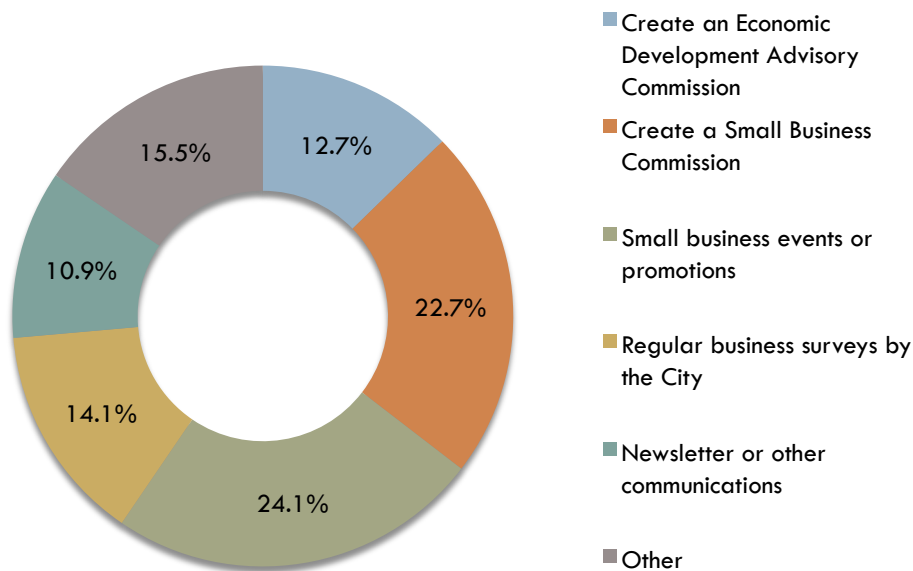
Future City Economic Development Programs

To attract and retain start-up firms, 54 percent of respondents stated that the City should support the creation of affordable, flexible space, and 23 percent stated that the City should support the creation of affordable incubators or accelerators. To enhance Downtown retail, 40 percent of respondents said the City should attempt to attract more dining establishments, 26 percent suggested more entertainment uses, and 15 percent were in favor of more apparel stores.

Enhancing City/Business Communications

Respondents were queried regarding possible steps the City could take to improve city-business communications. Twenty-four percent of respondents selected small business events or promotions, and slightly more than one-third selected “establishing a city commission.” Thirteen percent of all respondents mentioned an Economic Development Advisory Commission and 23 percent mentioned a small business commission. Only 16 percent of respondents selected each of the remaining options for enhancing communications, which included surveys, newsletters, and other.

Figure 33: Measures to Enhance City/Business Communications



Stakeholder Interviews

Interviews were conducted with 13 local business leaders, developers, retailers, community representatives, and others familiar with retail and development on the Peninsula and in Silicon Valley to provide deeper insight into challenges and opportunities for Menlo Park (a list of the interviewees is contained in Appendix G: Interview Participants). Interview guides were prepared to structure the conversations, with a focus on perceptions of the City, potential challenges and opportunities, and actions that the City might consider to enhance economic development. Interviewees were also asked to share their experiences working in other communities as well as Menlo Park, and how that shapes their perspective. The interviews are intended to complement the survey by providing expert opinions and a deeper insight into various matters, but they do not necessarily capture all dimensions of a particular issue.

The interviews covered a broad range of topics. The four topics most frequently raised in the interviews were:

- Downtown's competitive position, its strengths and challenges, and opportunities to enhance its vitality;
- Parking issues, particularly in the Downtown area, and potential new approaches;
- The M-2 area and the range of choices the City faces in planning its future; and
- Planning and permitting challenges for new projects in the City.

Downtown

For this discussion, Downtown is defined as Santa Cruz Avenue and El Camino Real area properties, as defined in the City's recently adopted Specific Plan. Downtown's challenges have been a concern to the City and retailers for some time, and its overall activity, tenant mix, and foot traffic lags Palo Alto and other Valley downtown areas. The interviews highlighted these challenges and provided additional insight into them. At the same time, the Downtown area possesses significant advantages, has the potential to be very successful, and appears to be in the early stages of revitalization.

Palo Alto's Downtown, approximately 1.5 miles from Santa Cruz Avenue, has become a regional destination with a wide range of dining, entertainment, retail, office (including venture capital firms), and other uses. While it is currently a preferred location for retailers looking to open new stores in the area, there is currently little available space in Downtown Palo Alto, and retailers interested in the area are beginning to look at other locations. While Downtown Menlo Park has limited available space, what is available is at a considerably lower cost than Downtown Palo Alto. As a related example, one of the recently opened restaurants in Downtown Menlo Park is the second location for a restaurateur with another location in San Mateo County. Menlo Park was not on the list of communities being considered, however after not being able to find a suitable site in other cities, a site became available at an acceptable rent in Menlo Park, leading to a decision to open in the City.

Downtown Menlo Park has strong potential because of the affluent demographics of its residents and adjacent residential neighborhoods that provide customers, along with a substantial number of strong tenants. The interviews identified at least two developers who are currently seeking to buy Downtown buildings in order to take advantage of the opportunity to renovate them and retenant them with new retailers who are able to attract Menlo Park residents. The recent El Camino Real/Downtown Specific Plan is cited as a plus for Downtown revitalization because it will provide additional parking while maintaining much of the current surface parking; will result in extensive streetscape improvements, including sidewalk widening, to address the dated appearance of Downtown and better integrate properties on side streets; and new retail development along El Camino Real will allow developers to bring in new retailers that should increase interest in the Downtown. These factors suggest that the Downtown may be in the beginning stages of transformation that can be enhanced by City actions.

There do remain a number of challenges that will need to be addressed. A lack of activity, particularly in the evenings, and compared to other Valley downtowns was noted by several interviewees, along with the Downtown's current tired appearance, lack of signage, and parking and permitting challenges. Many properties were identified as being in long-term ownership and in need to renovation, with owners who are not interested in investments to enhance their properties and not necessarily motivated to find the strongest retailers, who instead tend to take the first tenant that appears. As noted earlier, Downtown's retail mix needs to be refreshed and updated.

Potential strategies identified by the interviewees, in addition to implementing the Specific Plan improvements as soon as possible, including focusing on attracting more local- and family-oriented retail, rather than trying to attract national tenants or compete directly with Downtown Palo Alto. Attracting more restaurants, particularly places that serve dinner, and expanding sidewalk dining, is important for creating activity and attracting more people Downtown who will then be exposed to other retail options.

Parking

Parking, particularly in the Downtown area, was identified as a challenge because of the current restrictions that limit parking to two hours. Retailers commented that this works against shoppers parking once and visiting multiple retailers (particularly if the visit includes a meal). The requirement that shoppers have to return to their car within two hours was seen as an incentive for them to go elsewhere. The two hour parking requirement was also seen as contributing to retail employees gaming parking, moving their cars every two hours to avoid tickets, particularly because the high cost of parking permits for retailers (stated as being a multiple of other cities in the area).

There were a several suggestions by interviewees, including allowing a longer stay by visitors, and setting up pay station machines to allow visitors to decide after they park how much time they wish to stay. A small fee for parking was seen as less of a disincentive to shopping Downtown than the

fear of receiving a parking ticket for staying too long. Arrangements should be made to concentrate retail employee parking, while ensuring it remains free given modest retail pay – for example, in one of the new parking structures,

The M-2 Area

The M-2 Area is home to nearly half of all jobs in Menlo Park, and is also the location for rapidly growing companies such as Facebook and Intuit, as well as Menlo Park's cluster of biotech and medical device manufacturers (with the latter being significant sales tax generators). With a strategic location bounded by US-101 and CA-84, it is experiencing significant market interest in redevelopment. Existing properties range from 1960's industrial spaces serving non-high-tech tenants; 1980's and newer flex buildings housing a range of start-ups; older campuses serving firms as diverse as Facebook (East Campus) and TE Connectivity; and newer Class A R&D office buildings serving companies such as Intuit, Facebook (its West Campus now under construction); along with currently approved (Menlo Gateway) and proposed new developments (Commonwealth Corporate Center). The M-2 Area will be a focus for the City's upcoming General Plan Update.

Interviewees noted that the current zoning standards for the M-2 area do not match market demand, and that the economics of new development require the ability to build four to six-story buildings. It is important to have space available, and buildings that can be rapidly developed (i.e. with entitlements in place) in order to have the ability to attract rapidly growing high tech firms.

City staff and others have expressed an interest in both attracting and nurturing start-up firms, with the goal of capturing the next generation of leading high-tech firms and working to keep them in Menlo Park. There is also interest in attracting firm that have entered a stage of rapid growth, such as the City was able to do with Facebook. Interviewees noted that between some of the M-2 property owners operate incubators (such as Tarleton Properties for bioscience firms), as well as venture capital firms located in Menlo Park. Developers who were interviewed felt that there was more value for the City in focusing on further along, rapidly growing companies, who create more jobs, value, and overall fiscal benefits for the City than smaller start-up firms. Without larger available spaces, the City will not be able to hold onto those start-ups that do grow rapidly, making this a higher priority than trying to preserve existing older, lower cost industrial space to attract start-ups looking for lower rent.

Planning and Permitting

The challenges of obtaining project entitlements, particularly in communities that are interested in ensuring quality development and preventing adverse impacts, often leads to complaints about the complexity, challenges, and risks of obtaining entitlements. While interviewees noted that obtaining entitlements and permits is difficult in most area communities because of resident concerns about impacts from development, it is even more of a challenge in Menlo Park, to the extent that is an impediment to the City's growth and goals for revitalization of certain areas. One interviewee noted that commercial real estate brokers are counseling their clients looking at Menlo Park locations that permitting risks are greater than in other cities.

A number of interviewees were careful to note their respect for the professionalism and ability of City planning staff, and attributed the challenges to a combination of insufficient staffing; excessive rules and overlapping and conflicting rules from previous “fixes”; and occasional inflexible application of existing rules. Another perception raised by interviewees is that the City is unable to complete permit processing on a timely basis even for uses that are acceptable. Too many matters were seen as requiring Planning Commission review as opposed to staff review, more so than in other communities. City staff noted the demand for residents for substantial home renovations requiring review increases in tandem with market demand for new commercial development (i.e. when the economy is good, companies need more space and homeowners also want to remodel their homes), creating a cyclical burden for staff.

Interviewees expressed a belief that the City does not sufficiently consider the financial cost to applicants of permit delays, which is a big impediment for small businesses and can even affect their viability. Setting and meeting timelines for planning approvals and permit processing was mentioned by multiple interviewees. The challenges and time required to obtain sidewalk dining permits is another source of frustration, including due to lost revenue.

Interviewees recognize there are divergent views on new development, and that there is a need to bring together the perspectives of the business community and residents to create broader agreement on what should be allowed.

CURRENT MENLO PARK ECONOMIC DEVELOPMENT INITIATIVES

The City is currently in the process of developing and implementing a range of economic development initiatives. This includes the recent El Camino Real/Downtown Specific Plan, which includes streetscape improvements and new mixed-use development that will attract new retailers and tenants and help activate the Downtown area. The upcoming General Plan Update will have a focus on the M-2 area, and seek to ensure that start-ups and growing firms in information, manufacturing, bioscience, and medical device manufacturing can be sustained.

City Economic Development staff is conducting targeted outreach to local businesses in Menlo Park and other communities to increase the visibility of the City and attract new businesses. This work has included providing direct assistance to two new restaurants in working through the City's approval process and helping resolve permitting issues (interviews with stakeholders expressed support for expanding this role so that Economic Development staff can serve as an "ombudsperson" for all businesses in the City in navigating approvals). Attracting an Off The Grid food truck event Downtown is a new event to attract residents and workers Downtown for dining. Staff also prepares a Quarterly Economic Update to share information on recent trends and increase awareness of new businesses.

The City also participates in the Silicon Valley Economic Development Alliance, a project of the Joint Venture Silicon Valley, that is a partnership of local economic development partnerships. It exists to advance local city and regional economic development goals, and link businesses to local and regional resources. This includes a "one-stop concierge" to provide firms with information, industry partnership events, and promotional events.

This report is intended to serve as a resource guide to inform creation of an Economic Development Strategic Plan in the next round of work, as discussed in the next section. The Strategic Plan will outline a full range of strategies, programs, and actions that will serve as a future workplan for City economic development activities.

SUMMARY OF ECONOMIC DEVELOPMENT OPPORTUNITIES & CHALLENGES

The data analysis, survey, and stakeholder interviews conducted for this report highlight that Menlo Park occupies an enviable position that places its economy in the top tier of Bay Area and California communities: an upscale, highly educated workforce; a strong economic base that has grown substantially over the last few years and has created many more jobs than the City has employed residents; home to a cross-section of high tech firms, including a marquee name; and strong real estate market conditions generating substantial interest in new development.

For all its advantages, Menlo Park grapples with several economic challenges: a Downtown that has yet to establish itself as a vibrant gathering place as have a number of other Peninsula and Valley communities; regeneration of its taxable sales base to offset the impact of losing its remaining car dealerships more than a decade ago; a lack of a broader range of housing choices that can attract younger tech workers and address the need for affordable housing; and processes and disagreements that can stymie new development.

Fuller consideration of these opportunities and challenges can help to identify potential strategies and actions that address them. Below is a list that is intended to inform Phase 2 of the Economic Development Strategic Plan, described in the following section.

Opportunities

Menlo Park has a number of opportunities for which the next phase of the Economic Development Strategic Plan can identify strategies to fully realize the potential, including but not limited to:

- Rapid growth in total employment, including in emerging subsectors such as advertising and public relations, can create opportunities to further diversify the City's economic base to lessen the effects of economic cycles.
- A competitive advantage in key sectors (Professional, Scientific, and Technical Services; Manufacturing; Financial Activities; and Information) provides the opportunity to attract a variety of high-tech start ups, and emerging, rapidly growing firms.
- The growth of biotech uses, including medical device manufacturing, provides an opportunity to expand the life sciences sector, attract companies seeking to leverage innovations from this sector, and expand manufacturing and other R&D activities.
- Expansion of employment in Menlo Park and in nearby communities supports existing proposed and planned lodging projects, and creates the potential for additional projects and the fiscal benefits that they generate.

- Downtown has the right ingredients to become a more attractive retail destination for Menlo Park residents and workers, and interested developers, waiting for City investments in Downtown improvements and approval of new development to help catalyze these factors.
- The City's success in attracting firms that generate business to business sales taxes, and its diverse high-tech base, creates an opportunity to further enhance this revenue source, within the constraints of what are viable strategies that will not discourage new firms or new development.
- The recent El Camino Real/Downtown Specific Plan, and the upcoming General Plan Update, including its focus on the M-2 area, create the opportunity for a variety of new developments that can enhance Menlo Park's desirability and economic base.
- Creating a more interesting suburban environment, with a range of mixed-use housing, expanded retail choices including destination restaurants (and cool" activities such as Off the Grid) presents an opportunity to further attract firms who rely upon Millennials for their core workforce, and help counter the attractiveness of San Francisco to employers who need this workforce.

Challenges

Menlo Park has several challenges that should be addressed through the Economic Development Strategic Plan, including:

- Enhancing its fiscal base to offset the loss of certain revenue sources, and enable the City to be able to continue to provide a high level of services, with a particular focus on how to counteract a more than decade-long decline in taxable retail and non-retail sales.
- Addressing entitlement and permitting delays (especially for smaller businesses seeking to meet market demand for sidewalk dining, etc.) to avoid discouraging interest from the types of high-tech tenants and retailers that are targets for the City.
- Finding the right balance between ensuring appropriate uses and high quality projects, creating broad-based resident support for new projects that are a good fit for the City, and addressing challenges that delay project implementation.
- Refining the Downtown parking program to balance the need to ensure parking availability with the need to give shoppers flexibility for visits of varying length.
- Formulating a financing plan to implement planned public improvements (including in the Downtown), and create incentives to encourage building renovation that were lost with the elimination of redevelopment agencies (e.g. façade improvement programs).
- Finding the right balance between preservation of inexpensive space in the M-2 area with the demand for newer, denser development that is needed to attract rapidly growing tech firms to Menlo Park.
- Providing and fine-tuning staff and other resources in economic development and related functions to implement an active attraction program, engage existing City businesses, provide a

high level of assistance to firms involved in City processes, and get the word out about the full range of opportunities in the City.

Next Steps

This Economic Trends Report sets the stage for Council consideration of Phase 2 of the Economic Development Strategic Plan. Based on discussions with staff, the recommended approach for the second phase of the Economic Development Strategic Plan would involve staff preparation, with stakeholder meetings, of economic development goals and strategies for Commission and City Council review.

This approach would provide a more structured opportunity for representatives of Menlo Park businesses and the community to participate in the development of goals and strategies. Rather than create a working group, draft goals and strategies would be prepared through work by staff, including a consultant, and two stakeholder meetings with representatives of all the economic sectors in the City and other public stakeholders. The draft goals and strategies created by staff and vetted through the stakeholder meetings would be reviewed by the City's existing Commissions.

The final steps after development and deliberation of goals and strategies would include:

- **Prepare the Economic Development Strategic Plan Document and Implementing Actions.** Based on the research, deliberations, and stakeholder and other input, the draft Economic Development Strategic Plan would be formulated, with a complete set of implementing actions spelled out that identifies responsible parties, timeframes, and required resources.
- **Submit to City Council for Adoption.** The Council should be given an opportunity to provide input at each step in the preparation of the Plan to guide the subsequent work. When the draft Plan is presented to Council, it should be address those items identified by the Council in its earlier review, and following final revisions be ready for adoption.

APPENDIX A: DETAILED EMPLOYMENT DATA

Appendix A-1: Private Sector Employment Trends, 3Q 2007 - 3Q 2012

	Private Sector Employment		
	3rd Quarter	3rd Quarter	% Change, 2007-2012
Menlo Park	22,985	25,898	12.7%
San Mateo & Santa Clara Counties	1,125,067	1,143,662	1.7%
Bay Area	2,898,495	2,893,703	-0.2%
California	13,337,681	12,825,081	-3.8%

Notes:

The Quarterly Census of Employment and Wages (QCEW) program publishes a quarterly count of employment and wages reported by employers covering 98 percent of U.S. wage and salaried jobs, available at the county, MSA, state and national levels by industry. Data are derived from the quarterly tax reports submitted to State workforce agencies by employers, subject to State UI laws and from Federal agencies subject to the Unemployment Compensation for Federal Employees program.

(a) Represents average monthly employment for the 3rd quarter of that year.

Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

Appendix A-2: Employment Trends, 3Q 2007 - 3Q 2012

Industry Sector	Menlo Park					San Mateo & Santa Clara Counties				
	3rd Quarter 2007 (a)		3rd Quarter 2012 (b)		% Change 2007-2012	3rd Quarter 2007 (a)		3rd Quarter 2012 (b)		% Change 2007-2012
	Jobs	% Private	Jobs	% Private		Jobs	% Private	Jobs	% Private	
Natural Resources & Mining	na		42	0.2%	na	6,721	0.6%	5,617	0.5%	-16.4%
Construction	1,365	5.9%	825	3.2%	-39.6%	66,295	5.9%	51,029	4.5%	-23.0%
Manufacturing	5,492	23.9%	4,332	16.7%	-21.1%	196,797	17.5%	180,672	15.8%	-8.2%
Wholesale Trade (c)	408	1.8%	332	1.3%	-18.6%	51,846	4.6%	46,849	4.1%	-9.6%
Retail Trade	1,496	6.5%	1,495	5.8%	-0.1%	119,153	10.6%	115,728	10.1%	-2.9%
Transportation, Warehouse & Utilities (c)	445	1.9%	437	1.7%	-1.8%	40,126	3.6%	37,710	3.3%	-6.0%
Information	334	1.5%	1,006	3.9%	201.2%	57,975	5.2%	70,719	6.2%	22.0%
Financial Activities	3,141	13.7%	2,565	9.9%	-18.3%	59,061	5.2%	53,836	4.7%	-8.8%
Finance and Insurance	2,761	12.0%	2,376	9.2%	-13.9%	36,714	3.3%	34,015	3.0%	-7.4%
Real Estate and Rental and Leasing	380	1.7%	189	0.7%	-50.3%	22,347	2.0%	19,821	1.7%	-11.3%
Professional, Scientific, and Technical Services	5,276	23.0%	9,011	34.8%	70.8%	151,232	13.4%	166,148	14.5%	9.9%
Management & Administration	1,122	4.9%	1,441	5.6%	28.4%	90,830	8.1%	87,795	7.7%	-3.3%
Education & Health Care	1,290	5.6%	1,534	5.9%	18.9%	128,865	11.5%	150,319	13.1%	16.6%
Educational Services	331	1.4%	444	1.7%	34.1%	31,280	2.8%	38,701	3.4%	23.7%
Health Care and Social Assistance	959	4.2%	1,090	4.2%	13.7%	97,585	8.7%	111,618	9.8%	14.4%
Leisure & Hospitality	1,724	7.5%	1,941	7.5%	12.6%	111,462	9.9%	120,387	10.5%	8.0%
Arts, Entertainment, and Recreation	400	1.7%	335	1.3%	-16.3%	17,593	1.6%	18,405	1.6%	4.6%
Accommodation and Food Services	1,324	5.8%	1,606	6.2%	21.3%	93,869	8.3%	101,982	8.9%	8.6%
Other Services, except Public Administration	890	3.9%	891	3.4%	0.1%	44,681	4.0%	52,690	4.6%	17.9%
Unclassified	na		88	0.3%		23	0.0%	4,163	0.4%	
Total Private Sector Employment	22,985	100.0%	25,898	100.0%	12.7%	1,125,067	100.0%	1,143,662	100.0%	1.7%
Government (d)	492		2,234		na (e)	109,392		100,809		-7.8%
Total, All Employment (f)	23,477		28,174		na (e)	1,234,459		1,244,471		0.8%

Notes:

The Quarterly Census of Employment and Wages (QCEW) program publishes a quarterly count of employment and wages reported by employers covering 98 percent of U.S. wage and salaried jobs, available at the county, MSA, state and national levels by industry. Data are derived from the quarterly tax reports submitted to State workforce agencies by employers, subject to State UI laws and from Federal agencies subject to the Unemployment Compensation for Federal Employees (UCFE) program. Cells shown as "na" represent data suppressed due to BLS and EDD disclosure rules.

(a) Represents average monthly employment for the 3rd quarter of 2007.

(b) Represents average monthly employment for the 3rd quarter of 2012.

(c) For Solano County for 2007, employment in Wholesale Trade and Utilities were estimated based on 2nd quarter data, since 3rd quarter data were suppressed for these sectors.

(d) Government employment includes all covered local, state and Federal workers, not just those in public administration. For example, all public school staff are in the Government category.

(e) For Menlo Park, 2007 does not include state and Federal employment. As a result, growth percentages for government employment and total employment would be overstated and are not displayed.

(f) Totals may not sum from parts due to independent rounding.

Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

Appendix A-2, continued: Employment Trends, 3Q 2007 - 3Q 2012

Industry Sector	Bay Area					California				
	3rd Quarter 2007 (a)		3rd Quarter 2012 (b)		% Change 2007-2012	3rd Quarter 2007 (a)		3rd Quarter 2012 (b)		% Change 2007-2012
	Jobs	% Private	Jobs	% Private		Jobs	% Private	Jobs	% Private	
Natural Resources & Mining	24,884	0.9%	23,794	0.8%	-4.4%	467,132	3.5%	488,423	3.8%	
Construction	198,433	6.8%	146,243	5.1%	-26.3%	910,187	6.8%	606,907	4.7%	33.3%
Manufacturing	348,278	12.0%	314,757	10.9%	-9.6%	1,466,834	11.0%	1,263,395	9.9%	13.9%
Wholesale Trade (c)	129,355	4.5%	118,297	4.1%	-8.5%	719,878	5.4%	678,465	5.3%	5.8%
Retail Trade	338,766	11.7%	319,603	11.0%	-5.7%	1,674,276	12.6%	1,550,292	12.1%	7.4%
Transportation, Warehouse & Utilities (c)	98,683	3.4%	92,554	3.2%	-6.2%	489,689	3.7%	472,468	3.7%	3.5%
Information	114,424	3.9%	123,907	4.3%	8.3%	475,166	3.6%	428,292	3.3%	9.9%
Financial Activities	206,706	7.1%	176,494	6.1%	-14.6%	897,980	6.7%	776,489	6.1%	13.5%
Finance and Insurance	147,122	5.1%	121,397	4.2%	-17.5%	614,055	4.6%	522,824	4.1%	14.9%
Real Estate and Rental and Leasing	59,584	2.1%	55,097	1.9%	-7.5%	283,925	2.1%	253,665	2.0%	10.7%
Professional, Scientific, and Technical Services	330,573	11.4%	367,304	12.7%	11.1%	1,059,422	7.9%	1,106,696	8.6%	-4.5%
Management & Administration	253,621	8.8%	246,389	8.5%	-2.9%	1,206,221	9.0%	1,140,210	8.9%	5.5%
Education & Health Care	367,856	12.7%	417,962	14.4%	13.6%	1,618,098	12.1%	1,822,985	14.2%	-12.7%
Educational Services	70,481	2.4%	83,698	2.9%	18.8%	243,996	1.8%	291,960	2.3%	-19.7%
Health Care and Social Assistance	297,375	10.3%	334,264	11.6%	12.4%	1,374,102	10.3%	1,531,025	11.9%	-11.4%
Leisure & Hospitality	339,289	11.7%	362,100	12.5%	6.7%	1,582,043	11.9%	1,624,676	12.7%	-2.7%
Arts, Entertainment, and Recreation	55,788	1.9%	59,232	2.0%	6.2%	260,712	2.0%	266,133	2.1%	-2.1%
Accommodation and Food Services	283,501	9.8%	302,868	10.5%	6.8%	1,321,331	9.9%	1,358,543	10.6%	-2.8%
Other Services, except Public Administration	147,532	5.1%	173,182	6.0%	17.4%	718,746	5.4%	805,783	6.3%	-12.1%
Unclassified	88	0.0%	11,116	0.4%		52,001	0.4%	59,993	0.5%	
Total Private Sector Employment	2,898,495	100.0%	2,893,703	100.0%	-0.2%	13,337,681	100.0%	12,825,081	100.0%	-3.8%
Government (d)	419,892		393,820		-6.2%	2,306,721		2,148,489		-6.9%
Total, All Employment (f)	3,318,387		3,287,523		-0.9%	15,644,402		14,973,570		-4.3%

Notes:

The Quarterly Census of Employment and Wages (QCEW) program publishes a quarterly count of employment and wages reported by employers covering 98 percent of U.S. wage and salaried jobs, available at the county, MSA, state and national levels by industry. Data are derived from the quarterly tax reports submitted to State workforce agencies by employers, subject to State UI laws and from Federal agencies subject to the Unemployment Compensation for Federal Employees (UCFE) program. Cells shown as "na" represent data suppressed due to BLS and EDD disclosure rules.

(a) Represents average monthly employment for the 3rd quarter of 2007.

(b) Represents average monthly employment for the 3rd quarter of 2012.

(c) For Solano County for 2007, employment in Wholesale Trade and Utilities were estimated based on 2nd quarter data, since 3rd quarter data were suppressed for these sectors.

(d) Government employment includes all covered local, state and Federal workers, not just those in public administration. For example, all public school staff are in the Government category.

(e) For Menlo Park, 2007 does not include state and Federal employment. As a result, growth percentages for government employment and total employment would be overstated and are not displayed.

(f) Totals may not sum from parts due to independent rounding.

Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

Appendix A-3: Distribution of Establishments by Number of Employees, Menlo Park, 2011

Major Industry Group	Distribution of Establishments by Employment Class Size						
	1-4	5-9	10-19	20-49	50-99	100-249	250+
Natural Resources & Mining	75.0%	25.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Construction	63.4%	14.1%	5.6%	12.7%	1.4%	1.4%	1.4%
Manufacturing	30.4%	17.9%	21.4%	17.9%	5.4%	7.1%	0.0%
Wholesale Trade	66.0%	13.2%	9.4%	5.7%	3.8%	1.9%	0.0%
Retail Trade	42.7%	25.0%	16.9%	10.5%	3.2%	1.6%	0.0%
Transportation, Warehousing, & Utilities	18.2%	36.4%	22.7%	13.6%	0.0%	9.1%	0.0%
Information	50.0%	17.9%	14.3%	8.9%	3.6%	3.6%	1.8%
Financial Activities	57.8%	16.0%	11.1%	11.1%	3.6%	0.0%	0.3%
Professional, Scientific, and Technical Services	64.5%	13.4%	8.7%	6.1%	4.2%	2.5%	0.6%
Management & Administration	42.3%	23.1%	14.1%	16.7%	2.6%	0.0%	1.3%
Education & Health Care	59.5%	20.5%	7.4%	7.4%	3.7%	1.6%	0.0%
Leisure & Hospitality	37.5%	19.1%	20.6%	18.4%	2.2%	1.5%	0.7%
Other Services, except Public Administration	62.3%	18.9%	8.5%	6.6%	0.9%	2.8%	0.0%
Unclassified	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Private Sector Employment	55.1%	17.6%	11.6%	10.1%	3.3%	1.8%	0.4%

Notes: Based on Zip Code 94025, which encompasses almost all businesses in Menlo Park, but also includes some areas nearby but outside the City. This is the best available proxy for Menlo Park from available data.

Source: Zip Code Business Patterns, 2011; BAE, 2014

Appendix A-4: Percentage Distribution of Private Sector Establishments by Number of Employees, Combined Counties and California

COMBINED COUNTIES

Major Industry Group	Distribution of Establishments by Employment Class Size						
	1-4	5-9	10-19	20-49	50-99	100-249	250+
Natural Resources & Mining	69.0%	12.1%	13.8%	3.4%	1.7%	0.0%	0.0%
Construction	63.5%	16.5%	10.2%	6.9%	1.8%	0.7%	0.3%
Manufacturing	39.3%	18.9%	16.2%	14.0%	5.6%	3.6%	2.3%
Wholesale Trade	53.6%	18.1%	12.6%	8.3%	3.9%	2.1%	1.5%
Retail Trade	42.3%	24.8%	15.1%	10.7%	4.4%	2.4%	0.4%
Transportation, Warehousing, & Utilities	49.0%	19.5%	12.3%	11.3%	4.2%	2.4%	1.3%
Information	46.2%	12.4%	12.2%	12.6%	7.6%	4.4%	4.6%
Financial Activities	67.1%	17.2%	9.0%	4.7%	1.2%	0.7%	0.2%
Professional, Scientific, and Technical Services	68.3%	13.2%	8.0%	6.1%	2.4%	1.3%	0.7%
Management & Administration	51.3%	16.1%	11.6%	10.2%	5.0%	3.6%	2.3%
Education & Health Care	52.8%	23.1%	12.1%	7.3%	2.6%	1.6%	0.5%
Leisure & Hospitality	33.9%	19.5%	23.4%	16.7%	5.0%	1.1%	0.4%
Other Services, except Public Administration	65.0%	19.0%	8.7%	5.2%	1.4%	0.6%	0.1%
Unclassified	96.4%	3.1%	0.5%	0.0%	0.0%	0.0%	0.0%
Total Private Sector Employment	54.8%	18.4%	12.3%	8.7%	3.2%	1.7%	0.8%

STATE OF CALIFORNIA

Major Industry Group	Number of Establishments						
	1-4	5-9	10-19	20-49	50-99	100-249	250-499
Natural Resources & Mining	58.2%	16.1%	10.5%	8.3%	4.2%	1.6%	1.2%
Construction	65.3%	16.1%	9.6%	6.2%	1.8%	0.8%	0.2%
Manufacturing	40.1%	18.3%	15.6%	14.2%	6.1%	4.0%	1.7%
Wholesale Trade	55.2%	19.1%	12.7%	8.4%	2.7%	1.4%	0.5%
Retail Trade	46.1%	23.6%	14.8%	9.2%	3.7%	2.1%	0.4%
Transportation, Warehousing, & Utilities	52.6%	16.9%	12.6%	10.3%	4.0%	2.4%	1.2%
Information	59.4%	11.8%	10.8%	9.6%	4.2%	2.5%	1.6%
Financial Activities	67.1%	16.2%	9.4%	4.8%	1.3%	0.7%	0.4%
Professional, Scientific, and Technical Services	71.2%	13.4%	7.9%	4.8%	1.5%	0.8%	0.4%
Management & Administration	54.4%	15.4%	11.0%	9.7%	4.5%	3.2%	1.9%
Education & Health Care	52.8%	21.9%	12.6%	7.4%	2.7%	1.8%	0.7%
Leisure & Hospitality	40.6%	16.5%	19.7%	16.7%	4.9%	1.2%	0.4%
Other Services, except Public Administration	62.9%	19.6%	10.0%	5.5%	1.3%	0.5%	0.1%
Unclassified	97.4%	2.2%	0.4%	0.0%	0.0%	0.0%	0.0%
Total Private Sector Employment	56.4%	18.0%	12.2%	8.4%	2.9%	1.5%	0.6%

Notes: QCEW not used as it includes establishments with no employment, which are likely to be businesses that were not functioning for the time period covered.

Source: County Business Patterns 2011; BAE, 2014

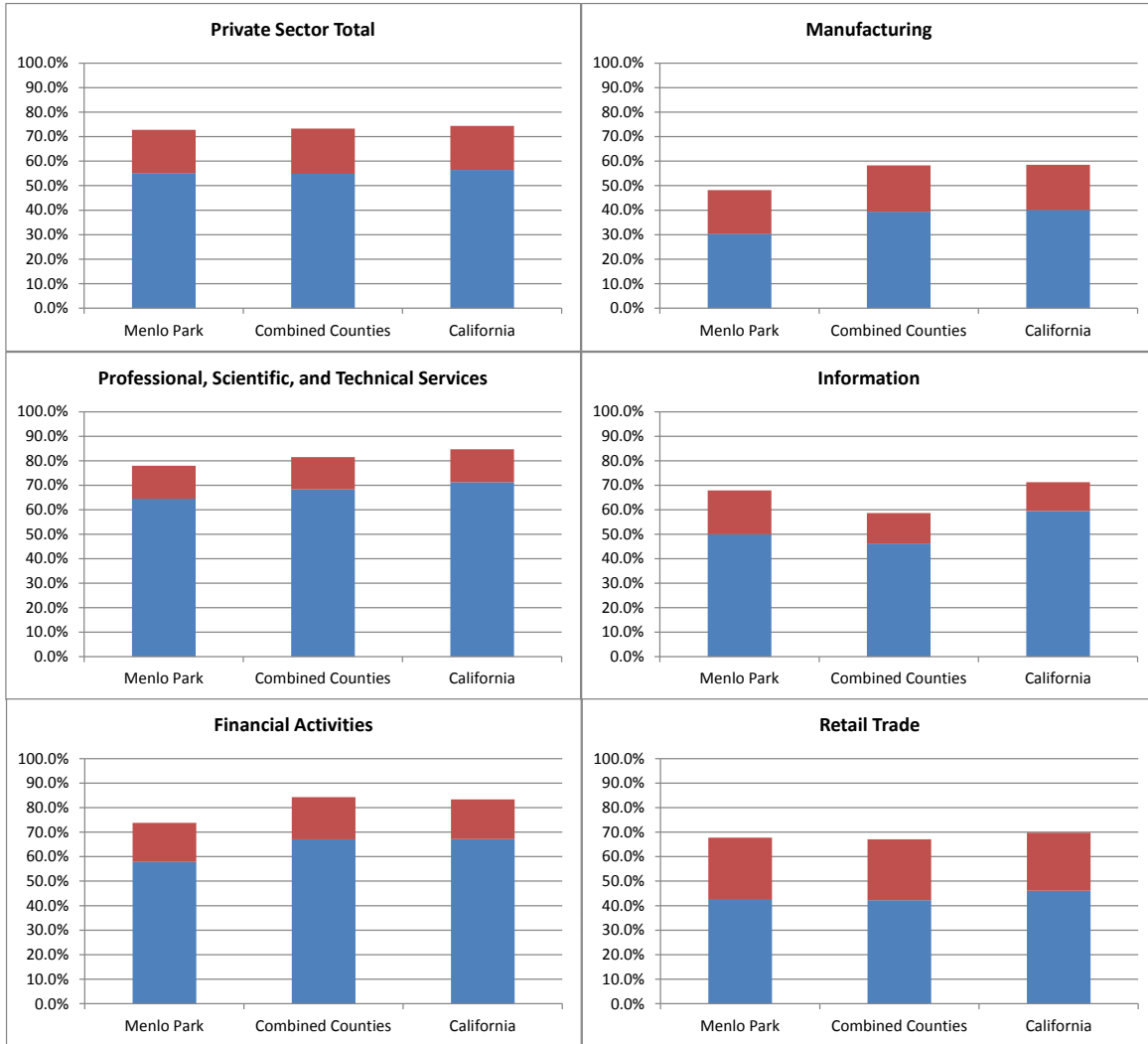
Appendix A- 5: Distribution of Private Sector Establishments by Number of Employees

Major Industry Group	Number of Establishments									Total Establishments	
	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000+		
MENLO PARK											
Natural Resources & Mining	3	1	-	-	-	-	-	-	-	-	4
Construction	45	10	4	9	1	1	1	-	-	-	71
Manufacturing	17	10	12	10	3	4	-	-	-	-	56
Wholesale Trade	35	7	5	3	2	1	-	-	-	-	53
Retail Trade	53	31	21	13	4	2	-	-	-	-	124
Transportation, Warehousing, & Utilities	4	8	5	3	-	2	-	-	-	-	22
Information	28	10	8	5	2	2	-	1	-	-	56
Financial Activities	192	53	37	37	12	-	1	-	-	-	332
Professional, Scientific, and Technical Services	231	48	31	22	15	9	1	-	1	-	358
Management & Administration	33	18	11	13	2	-	1	-	-	-	78
Education & Health Care	113	39	14	14	7	3	-	-	-	-	190
Leisure & Hospitality	51	26	28	25	3	2	1	-	-	-	136
Other Services, except Public Administration	66	20	9	7	1	3	-	-	-	-	106
Unclassified	8	-	-	-	-	-	-	-	-	-	8
Total Private Sector	879	281	185	161	52	29	5	1	1	1,594	
COMBINED COUNTIES											
Number of Establishments											
Total Establishments											
Natural Resources & Mining	40	7	8	2	1	-	-	-	-	-	58
Construction	3,014	784	486	330	86	33	12	2	2	2	4,749
Manufacturing	1,180	566	486	420	168	109	43	14	13	13	2,999
Wholesale Trade	2,011	679	473	310	146	80	27	19	10	10	3,755
Retail Trade	2,961	1,739	1,057	750	305	167	27	2	-	-	7,008
Transportation, Warehousing, & Utilities	661	263	166	153	56	32	8	7	3	3	1,349
Information	816	219	215	222	135	78	42	24	15	15	1,766
Financial Activities	4,741	1,212	636	330	85	46	10	3	3	3	7,066
Professional, Scientific, and Technical Services	7,598	1,464	891	682	262	147	49	15	11	11	11,119
Management & Administration	1,863	587	420	369	180	132	41	26	17	17	3,635
Education & Health Care	4,572	2,002	1,045	632	222	139	19	9	19	19	8,659
Leisure & Hospitality	2,336	1,342	1,609	1,147	345	79	20	5	1	1	6,884
Other Services, except Public Administration	3,282	960	440	262	69	30	4	2	1	1	5,050
Unclassified	188	6	1	-	-	-	-	-	-	-	195
Total Private Sector	35,263	11,830	7,933	5,609	2,060	1,072	302	128	95	64,292	
STATE OF CALIFORNIA											
Number of Establishments											
Total Establishments											
Natural Resources & Mining	1,567	433	283	223	112	42	21	6	4	4	2,691
Construction	42,712	10,516	6,308	4,044	1,164	504	107	19	7	7	65,381
Manufacturing	15,428	7,045	5,981	5,463	2,327	1,546	415	147	75	75	38,427
Wholesale Trade	31,740	11,001	7,286	4,812	1,565	782	185	69	31	31	57,471
Retail Trade	48,957	25,058	15,714	9,817	3,960	2,213	405	19	3	3	106,146
Transportation, Warehousing, & Utilities	11,754	3,777	2,820	2,311	901	537	155	72	37	37	22,364
Information	12,230	2,434	2,224	1,982	863	522	193	82	44	44	20,574
Financial Activities	63,846	15,436	8,965	4,595	1,269	682	200	93	43	43	95,129
Professional, Scientific, and Technical Services	81,142	15,286	9,031	5,439	1,678	915	248	82	81	81	113,902
Management & Administration	24,881	7,049	5,043	4,440	2,044	1,443	523	216	131	131	45,770
Education & Health Care	60,045	24,944	14,327	8,465	3,040	2,006	406	197	248	248	113,678
Leisure & Hospitality	39,371	15,967	19,129	16,155	4,717	1,192	207	85	49	49	96,872
Other Services, except Public Administration	43,182	13,478	6,900	3,809	860	377	53	28	10	10	68,697
Unclassified	2,156	48	9	1	-	-	-	-	-	-	2,214
Total Private Sector	479,011	152,472	104,020	71,556	24,500	12,761	3,118	1,115	763	849,316	

Notes: City based on Zip Code 94025, which encompasses almost all businesses in Menlo Park, but also includes some areas nearby but outside the City. This is the best available proxy for Menlo Park from available data. QCEW not used as it includes establishments with no employment, which are likely to be businesses that were not functioning for the time period covered.

Source: Zip Code and County Business Patterns, 2011; BAE, 2014

Appendix A-6: Extremely Small Establishments as Percent of All Establishments for Key Sectors



■ 1 to 4 employees ■ 5 to 9 employees

Note: Includes most private sector wage and salary employment.

Sources: Zip Code Business Patterns, 2011; BAE 2014.

Appendix A- 7: Location Quotients by Sector, 2007 and 2012

Menlo Park	Location Quotient			
	Menlo Park		Combined Counties	
	2007	2012	2007	2012
Professional, Scientific, and Technical Services	2.89	4.03	1.69	1.68
Finance and Insurance	2.61	2.25	0.71	0.73
Manufacturing	2.17	1.70	1.59	1.60
Information	0.41	1.16	1.45	1.85
Educational Services	0.79	0.75	1.52	1.49
Construction	0.87	0.67	0.86	0.94
Management & Administration	0.54	0.62	0.89	0.86
Leisure & Hospitality	0.63	0.59	0.84	0.83
Other Services, except Public Administration	0.72	0.55	0.74	0.73
Retail Trade	0.52	0.48	0.84	0.84
Transportation, Warehouse & Utilities	0.53	0.46	0.97	0.90
Real Estate and Rental and Leasing	0.78	0.37	0.93	0.88
Health Care and Social Assistance	0.40	0.35	0.84	0.82
Wholesale Trade	0.33	0.24	0.85	0.77
Natural Resources & Mining	na	0.04	0.17	0.13

Note:

Location quotient as defined here is the concentration of the industry in the locality divided by the concentration for the same industry in the state. A location quotient greater than 1.0 indicates local strength in that industry sector compared to California. Based on 3rd quarter data for both years.

Sources: CA EDD and US BLS, Quarterly Census of Employment and Wages, 2007 and 2012; BAE 2014.

Appendix A- 8: Ratio of Jobs to Employed Residents

	Menlo Park	Palo Alto	Mountain View	SM & SC Counties	Bay Area
Jobs	28,868	83,740	67,661	1,307,713	3,495,774
Employed Residents	15,884	30,118	40,420	1,198,440	3,382,604
Ratio of Jobs to Employed Residents	1.82	2.78	1.67	1.09	1.03

Notes:

Universe consists of workers 16 years and over. Estimate from American Community Survey (ACS) 2010-2012 3-year data, based on a survey conducted continuously over the three-year period.

Sources: ACS, 2010-2012, Tables B08406 and C08128; BAE, 2014.

Appendix A-9: Commute Flows for Menlo Park

Menlo Park Residents by Place of Work

Place of Work	Employed Persons	
	Number	Percentage
San Mateo County	6,953	45.0%
Menlo Park	3,440	22.3%
Redwood City	1,250	8.1%
San Mateo	330	2.1%
South San Francisco	305	2.0%
Foster City	210	1.4%
Atherton	155	1.0%
Santa Clara County (a)	6,775	43.9%
Palo Alto/Stanford	4,090	26.5%
San Jose	820	5.3%
Mountain View	650	4.2%
Sunnyvale	405	2.6%
Santa Clara	390	2.5%
San Francisco	900	5.8%
<u>All Other Locations</u>	<u>822</u>	<u>5.3%</u>
Total (b)	15,450	100%

Menlo Park Workers by Place of Residence

Place of Residence	Employed Persons	
	Number	Percentage
San Mateo County	13,410	43.4%
Menlo Park	3,440	11.1%
Redwood City	2,880	9.3%
San Mateo	1,440	4.7%
East Palo Alto	990	3.2%
Santa Clara County	9,075	29.4%
San Jose	2,990	9.7%
Sunnyvale	1,450	4.7%
Palo Alto/Stanford	1,215	3.9%
Mountain View	1,100	3.6%
Alameda County	3,635	11.8%
Fremont	1,160	3.8%
San Francisco	2,500	8.1%
Other Bay Area Locations	890	2.9%
<u>All Other Locations</u>	<u>1,375</u>	<u>4.5%</u>
Total (b)	30,885	100.0%

Notes:

The American Community Survey (ACS) data used for the most recent Census Transportation Planning Package (CTPP) uses demographic estimates based on statistical sampling conducted between 2006-2010. Data is reported for workers age 16 and over. This is the most recent commute flow data available.

(a) Data captures total Menlo Park residents working in incorporated cities, towns and Census Designated Places in Santa Clara County. Persons working in other unincorporated areas of Santa Clara County are included in "All Other Locations."

(b) Totals may not match employed residents in other tables because this table was derived from the ACS 2006-2010 rather than the 2010-2012 three-year ACS data used in other tables.

Sources: 2006-2010 Census Transportation Planning Package; ACS, 2006-2010; BAE, 2014.

Appendix A-10: Working at Home

Resident Workers	Menlo Park		Palo Alto		Mountain View	
	Number	Percent	Number	Percent	Number	Percent
Worked at Home	1,172	7.4%	2,377	7.9%	1,755	4.3%
Worked Outside of Home	14,712	92.6%	27,741	92.1%	38,665	95.7%
Total	15,884	100.0%	30,118	100.0%	40,420	100.0%

Resident Workers	SM & SC Counties		Bay Area	
	Number	Percent	Number	Percent
Worked at Home	59,042	4.9%	194,661	5.8%
Worked Outside of Home	1,139,398	95.1%	3,187,943	94.2%
Total	1,198,440	100.0%	3,382,604	100.0%

Notes:

Figures reflect employed residents 16 years and over.

Sources: ACS, 2010-2012; BAE, 2014.

Appendix A- 11: Private Sector Employment Comparison, M-2 Planning Area and Citywide, 3Q 2012

	M-2		Menlo Park		M-2 as % of City
	Number	% of Total	Number	% of Total	
Natural Resources & Mining	na	na	42	0.2%	na
Construction	587	4.7%	825	3.2%	71%
Manufacturing	3,362	27.2%	4,332	16.7%	78%
Wholesale Trade	279	2.3%	332	1.3%	84%
Retail Trade	276	2.2%	1,495	5.8%	18%
Transportation, Warehouse & Utilities	419	3.4%	437	1.7%	96%
Information	809	6.5%	1,006	3.9%	80%
Financial Activities	349	2.8%	2,565	9.9%	14%
Professional, Scientific & Technical Services	5,193	42.0%	9,011	34.7%	58%
Management & Administration	520	4.2%	1,441	5.6%	36%
Education & Health Care	179	1.4%	1,534	5.9%	12%
Arts, Entertainment, and Recreation	na	na	335	1.3%	na
Accommodation & Food Services	144	1.2%	1,606	6.2%	9%
Other Services, except Public Administration	127	1.0%	891	3.4%	14%
Unclassified	na	na	88	0.3%	na
Total Private Sector Employment (a)	12,365	100.0%	25,940	100.0%	48%

Notes:

Based on commercial and industrial areas in Menlo Park east of 101, along with the industrial area west of 101 and north of the rail line toward the Dumbarton Bridge. The Quarterly Census of Employment and Wages (QCEW) program publishes a quarterly count of employment and wages reported by employers covering 98 percent of U.S. wage and salaried jobs, available at the county, MSA, state and national levels by industry. Data are derived from the quarterly tax reports submitted to State workforce agencies by employers, subject to State UI laws and from Federal agencies subject to the Unemployment Compensation for Federal Employees (UCFE) program. Cells shown as "na" represent data suppressed due to BLS and EDD disclosure rules. Represents average monthly employment for the 3rd quarter of 2012.

(a) Totals include suppressed sectors.

Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

Appendix A- 12: Employment Trends in M-2 Planning Area, 3Q 2007 – 3Q 2012

	<u>Employment (a)</u>		<u>Employment (b)</u>		<u>Change, 2007-2012</u>	
	<u>Number</u>	<u>% of Total</u>	<u>Number</u>	<u>% of Total</u>	<u>Number</u>	<u>% Change</u>
Natural Resources & Mining	na	na	na	na	na	na
Construction	1,050	9.3%	587	4.7%	(463)	-44%
Manufacturing	5,125	45.4%	3,362	27.2%	(1,763)	-34%
Wholesale Trade	319	2.8%	279	2.3%	(40)	-13%
Retail Trade	393	3.5%	276	2.2%	(117)	-30%
Transportation, Warehouse & Utilities	397	3.5%	419	3.4%	22	6%
Information	211	1.9%	809	6.5%	598	283%
Financial Activities	782	6.9%	349	2.8%	(433)	-55%
Professional, Scientific & Technical Services	2,097	18.6%	5,193	42.0%	3,096	148%
Management & Administration	445	3.9%	520	4.2%	75	17%
Education & Health Care	166	1.5%	179	1.4%	13	8%
Arts, Entertainment, and Recreation	146	1.3%	na	na	na	na
Accommodation & Food Services	122	1.1%	144	1.2%	22	18%
Other Services, except Public Administration	na	na	127	1.0%	na	na
Unclassified	na	na	na	na	na	na
Total Private Sector Employment (c)	11,295	100.0%	12,365	100.0%	1,070	9%

Notes:

Based on commercial and industrial areas in Menlo Park east of 101, along with the industrial area west of 101 and north of the rail line toward the Dumbarton Bridge. The Quarterly Census of Employment and Wages (QCEW) program publishes a quarterly count of employment and wages reported by employers covering 98 percent of U.S. wage and salaried jobs, available at the county, MSA, state and national levels by industry. Data are derived from the quarterly tax reports submitted to State workforce agencies by employers, subject to State UI laws and from Federal agencies subject to the Unemployment Compensation for Federal Employees (UCFE) program. Cells shown as "na" represent data suppressed due to BLS and EDD disclosure rules.

(a) Represents average monthly employment for the 3rd quarter of 2007.

(b) Represents average monthly employment for the 3rd quarter of 2012.

(c) Totals include suppressed sectors.

Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

Appendix A-13: Private Sector Employment in the El Camino Real/Downtown Area, 3Q 2007-3Q 2012

	Employment (a)		Employment (b)		Change, 2007-2012	
	Number	% of Total	Number	% of Total	Number	% Change
Natural Resources & Mining	na	na	na	na	na	na
Construction	154	3.3%	158	3.5%	4	2%
Manufacturing	42	0.9%	na	na	na	na
Wholesale Trade	26	0.6%	na	na	na	na
Retail Trade	843	18.0%	880	19.4%	37	4%
Transportation, Warehouse & Utilities	na	na	na	na	na	na
Information	60	1.3%	90	2.0%	30	51%
Financial Activities	646	13.8%	394	8.7%	(252)	-39%
Professional, Scientific & Technical Services	622	13.3%	840	18.6%	218	35%
Management & Administration	180	3.8%	158	3.5%	(22)	-12%
Education & Health Care	658	14.1%	703	15.5%	45	7%
Arts, Entertainment, and Recreation	61	1.3%	na	na	na	na
Accommodation & Food Services	1,084	23.2%	839	18.5%	(245)	-23%
Other Services, except Public Administration	272	5.8%	294	6.5%	na	na
Unclassified	na	na	na	na	na	na
Total Private Sector Employment (c)	4,671	100.0%	4,526	100.0%	(145)	-3%

Notes:

Based on Census Blocks containing the El Camino/Downtown Specific Plan Area; is slightly larger than that area toward the Dumbarton Bridge. The Quarterly Census of Employment and Wages (QCEW) program publishes a quarterly count of employment and wages reported by employers covering 98 percent of U.S. wage and salaried jobs, available at the county, MSA, state and national levels by industry. Data are derived from the quarterly tax reports submitted to State workforce agencies by employers, subject to State UI laws and from Federal agencies subject to the Unemployment Compensation for Federal Employees (UCFE) program. Cells shown as "na" represent data suppressed due to BLS and EDD disclosure rules.

- (a) Represents average monthly employment for the 3rd quarter of 2007.
- (b) Represents average monthly employment for the 3rd quarter of 2012.
- (c) Totals include suppressed sectors.

Sources: U.S. Department of Labor, Bureau of Labor Statistics QCEW Program; California Employment Development Department, 2014; BAE, 2014.

APPENDIX B: DETAILED DEMOGRAPHIC DATA

Appendix B-1: Population and Household Trends 2000-2014

	<u>2000</u>	<u>2014</u>	<u>Change 2000-2014</u>
<u>Menlo Park</u>			
Population	30,785	33,764	9.7%
Households	12,387	13,000	4.9%
Average Household Size	2.41	2.55	
<u>Palo Alto</u>			
Population	58,598	68,104	16.2%
Households	25,216	27,922	10.7%
Average Household Size	2.30	2.42	
<u>Mountain View</u>			
Population	70,708	77,934	10.2%
Households	31,242	33,745	8.0%
Average Household Size	2.25	2.30	
<u>Santa Clara & San Mateo Counties</u>			
Population	2,389,746	2,628,651	10.0%
Households	819,966	907,855	10.7%
Average Household Size	2.87	2.85	
<u>Bay Area (a)</u>			
Population	6,783,760	7,464,456	10.0%
Households	2,466,019	2,727,454	10.6%
Average Household Size	2.69	2.68	

Notes:

(a) Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

Sources: US Census, 2000, 2010; Nielsen Marketplace, 2014; BAE, 2014.

Appendix B-2: Age Distribution, 2000-2014

Menlo Park Age Cohort	2000		2014		% Change 2000-2014
	Number	Percent	Number	Percent	
Under 18	6,737	21.9%	8,468	25.1%	25.7%
18-24	1,896	6.2%	2,217	6.6%	16.9%
25-34	5,345	17.4%	4,174	12.4%	-21.9%
35-44	5,344	17.4%	5,035	14.9%	-5.8%
45-54	4,100	13.3%	5,022	14.9%	22.5%
55-64	2,474	8.0%	3,854	11.4%	55.8%
65 and Over	<u>4,889</u>	<u>15.9%</u>	<u>4,994</u>	<u>14.8%</u>	<u>2.1%</u>
Total	30,785	100.0%	33,764	100.0%	9.7%

Median Age 37.4 39.0

Palo Alto Age Cohort	2000		2014		% Change 2000-2014
	Number	Percent	Number	Percent	
Under 18	12,406	21.2%	15,056	22.1%	21.4%
18-24	2,882	4.9%	4,888	7.2%	69.6%
25-34	8,524	14.5%	7,175	10.5%	-15.8%
35-44	10,466	17.9%	9,215	13.5%	-12.0%
45-54	9,361	16.0%	10,950	16.1%	17.0%
55-64	5,819	9.9%	8,706	12.8%	49.6%
65 and Over	<u>9,140</u>	<u>15.6%</u>	<u>12,114</u>	<u>17.8%</u>	<u>32.5%</u>
Total	58,598	100.0%	68,104	100.0%	16.2%

Median Age 40.2 42.5

Mountain View Age Cohort	2000		2014		% Change 2000-2014
	Number	Percent	Number	Percent	
Under 18	12,696	41.2%	16,192	20.8%	27.5%
18-24	5,884	19.1%	4,717	6.1%	-19.8%
25-34	17,421	56.6%	14,654	18.8%	-15.9%
35-44	13,276	43.1%	13,756	17.7%	3.6%
45-54	8,889	28.9%	11,170	14.3%	25.7%
55-64	5,126	16.7%	8,476	10.9%	65.4%
65 and Over	<u>7,416</u>	<u>24.1%</u>	<u>8,969</u>	<u>11.5%</u>	<u>20.9%</u>
Total	70,708	100.0%	77,934	100.0%	10.2%

Median Age 34.6 37.5

SM and SC Counties Age Cohort	2000		2014		% Change 2000-2014
	Number	Percent	Number	Percent	
Under 18	578,502	24.2%	611,251	23.3%	5.7%
18-24	211,983	8.9%	223,078	8.5%	5.2%
25-34	411,262	17.2%	361,115	13.7%	-12.2%
35-44	419,582	17.6%	392,540	14.9%	-6.4%
45-54	321,274	13.4%	388,859	14.8%	21.0%
55-64	198,531	8.3%	315,271	12.0%	58.8%
65 and Over	<u>248,612</u>	<u>10.4%</u>	<u>336,537</u>	<u>12.8%</u>	<u>35.4%</u>
Total	2,389,746	100.0%	2,628,651	100.0%	10.0%

Median Age 34.8 38.0

Bay Area Age Cohort	2000		2014		% Change 2000-2014
	Number	Percent	Number	Percent	
Under 18	1,601,858	23.6%	1,629,137	21.8%	1.7%
18-24	595,173	8.8%	644,458	8.6%	8.3%
25-34	1,120,919	16.5%	1,060,487	14.2%	-5.4%
35-44	1,172,570	17.3%	1,072,274	14.4%	-8.6%
45-54	964,638	14.2%	1,093,367	14.6%	13.3%
55-64	571,095	8.4%	950,610	12.7%	66.5%
65 and Over	<u>757,507</u>	<u>11.2%</u>	<u>1,014,123</u>	<u>13.6%</u>	<u>33.9%</u>
Total	6,783,760	100.0%	7,464,456	100.0%	10.0%

Median Age 35.6 38.7

Source: U.S. Census; Nielsen Marketplace; BAE, 2014.

Appendix B-3: Household Composition, 2000-2010

Household Type	Menlo Park		Palo Alto		Mountain View		SM & SC County		Bay Area (a)	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Single Person	3,979	3,672	8,209	7,982	11,133	10,961	183,735	194,725	637,575	680,925
2+ Persons w/o Child <18										
Married Couple	3,144	2,931	6,568	6,832	7,117	7,141	225,726	222,977	597,346	639,283
Other Family	677	550	1,164	1,060	1,938	1,716	64,880	61,693	149,931	183,530
Non-Family	1,271	1,082	2,361	1,995	4,111	3,408	66,615	62,588	225,000	234,135
2+ Persons w/Child(ren) <18										
Married Couple	2,595	3,232	5,660	7,143	5,373	6,665	219,791	242,773	618,030	623,824
Other Family	704	860	1,201	1,442	1,481	1,993	56,413	74,988	229,163	239,335
Non-Family	17	20	53	39	89	73	2,806	2,297	8,974	6,991
Total	12,387	12,347	25,216	26,493	31,242	31,957	819,966	862,041	2,466,019	2,608,023

Household Type	Menlo Park		Palo Alto		Mountain View		SM & SC County		Bay Area (a)	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Single Person	32%	30%	33%	30%	36%	34%	22%	23%	26%	26%
2+ Persons w/o Child <18										
Married Couple	25%	24%	26%	26%	23%	22%	28%	26%	24%	25%
Other Family	5%	4%	5%	4%	6%	5%	8%	7%	6%	7%
Non-Family	10%	9%	9%	8%	13%	11%	8%	7%	9%	9%
2+ Persons w/Child(ren) <18										
Married Couple	21%	26%	22%	27%	17%	21%	27%	28%	25%	24%
Other Family	6%	7%	5%	5%	5%	6%	7%	9%	9%	9%
Non-Family	0.1%	0.2%	0.2%	0.1%	0.3%	0.2%	0.3%	0.3%	0.4%	0.3%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

(a) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

Sources: US Census 2000 SF1 Tables P18 & P19; U.S. Census 2010 SF1 Tables P18 & P20; BAE, 2014.

Appendix B-4: Educational Attainment

Educational Attainment	Menlo Park	Palo Alto	Mountain View	SM & SC Counties	Bay Area
Less than 9th Grade	1,087	760	2,790	118,563	347,838
9th to 12th Grade, No Diploma	859	568	2,288	104,434	297,369
High School Graduate (incl. Equivalency)	2,135	2,316	5,913	282,045	885,623
Some College, No Degree	2,426	3,747	7,312	312,762	987,077
Associate Degree	968	2,159	2,368	124,783	362,835
Bachelor's Degree	7,124	13,204	15,979	452,835	1,281,282
Graduate/Professional Degree	<u>8,584</u>	<u>24,011</u>	<u>17,357</u>	<u>337,628</u>	<u>853,591</u>
Total	23,183	46,765	54,007	1,733,050	5,015,615
Population 25+ with Bachelor's Degree or Higher	15,708	37,215	33,336	790,463	2,134,873
Less than 9th Grade	4.7%	1.6%	5.2%	6.8%	20.1%
9th to 12th Grade, No Diploma	3.7%	1.2%	4.2%	6.0%	17.2%
High School Graduate (incl. Equivalency)	9.2%	5.0%	10.9%	16.3%	51.1%
Some College, No Degree	10.5%	8.0%	13.5%	18.0%	57.0%
Associate Degree	4.2%	4.6%	4.4%	7.2%	20.9%
Bachelor's Degree	30.7%	28.2%	29.6%	26.1%	73.9%
Graduate/Professional Degree	<u>37.0%</u>	<u>51.3%</u>	<u>32.1%</u>	<u>19.5%</u>	<u>49.3%</u>
Total	100.0%	100.0%	100.0%	100.0%	289.4%
Population 25+ with Bachelor's Degree or Higher	67.8%	79.6%	61.7%	45.6%	42.6%

Notes:

Based on population age 25 or greater. Estimate from American Community Survey (ACS) 2010-2012 3-year data, based on on a survey conducted continuously over the three-year period.

Sources: ACS, 2010-2012; BAE, 2013.

Appendix B-5: Academic Performance Index, 2013

<u>School Districts</u>	<u>API 2013</u>	<u>Address</u>
Menlo Park City School District	944	
Encinal School	930	195 Encinal Ave, Atherton, CA 94027
Laurel School	927	95 Edge Rd, Atherton, CA 94027
Oak Knoll School	961	1895 Oak Knoll Ln, Menlo Park, CA 94025
Hillview Middle School	950	1100 Elder Ave, Menlo Park, CA 94025
Las Lomitas Elementary School District	958	
Las Lomitas Elementary	943	299 Alameda De Las Pulgas, Atherton, CA 94025
La Entrada Middle School	964	2200 Sharon Road, Menlo Park Ca 94025
Ravenswood City School District	709	
Belle Haven Elementary School	661	415 Ivy Dr, Menlo Park, CA 94025
Edison-Brentwood Elementary	782	2086 Clarke Ave, East Palo Alto, CA 94303
Cesar Chavez	640	2450 Ralmar Ave, East Palo Alto, CA 94303
Green Oaks Academy	715	2450 Ralmar Ave, East Palo Alto, CA 94303
Costaño School	765	2695 Fordham St, East Palo Alto, CA 94303
Los Robles Dual Immersion Magnet Academy	675	2450 Ralmar Ave, East Palo Alto, CA 94303
Ronald McNair Middle Schools	621	2033 Pulgas Ave, East Palo Alto, CA 94303
Willow Oaks School	741	620 Willow Road, East Palo Alto, CA 94303
East Palo Alto Charter School	822	1286 Runnymede Street, East Palo Alto, CA 94303
Redwood City Elementary School District	783	
Garfield Elementary	662	3600 Middlefield Rd, Menlo Park, CA 94025
Clifford Elementary	818	225 Clifford Ave, Redwood City, CA 94062
Roy Cloud Elementary	862	3790 Red Oak Way, Redwood City, CA 94061
Hoover Elementary	737	701 Charter St Redwood City, CA 94063
Selby Lane Elementary	730	170 Selby Ln, Atherton, CA 94027
Adelante Spanish Immersion	839	3150 Granger Way, Redwood City, CA 94061
Fair Oaks Elementary	741	2950 Fair Oaks Avenue, Redwood City, CA 94063
Henry Ford Elementary	836	2498 Massachusetts Avenue, Redwood City, CA 94061
John Gill Elementary	699	555 Ave Del Ora, Redwood City, CA 94062
Hawes Elementary	728	909 Roosevelt Ave, Redwood City, CA 94061
Orion Alternative School	854	815 Allerton Street, Redwood City, CA 94063
Roosevelt Elementary	801	2223 Vera Avenue, Redwood City, CA 94061
Taft Elementary	750	903 10th Avenue, Redwood City, CA 94063
Kennedy Middle	746	2521 Goodwin Avenue, Redwood City, CA 94061
McKinley School of Technology	741	400 Duane St, Redwood City, CA 94062
North Star Academy	996	400 Duane St, Redwood City, CA 94062
Sequoia Union High School District	801	
Carlmont High	878	1400 Alameda De Las Pulgas, Belmont, CA 94002
Sequoia High	801	1201 Brewster Ave, Redwood City, CA 94062
Woodside High	758	199 Churchill Ave, Woodside, CA 94062
Menlo-Atherton High	819	555 Middlefield Rd, Atherton, CA 94027
Aspire East Palo Alto Phoenix Academy	819	1039 Garden Street, East Palo Alto, CA 94303
California Average	778	

Notes:

(a) The Academic Performance Index (API) is a score between 200 and 1000 determined by STAR test results for all students in a school district. A score of 800 is considered a minimum goal for all schools.

Source: California Department of Education; BAE, 2014

Appendix B-6: Annual Household and Per Capita Income

Income Category	Menlo Park	Palo Alto	Mountain View	SM & SC Counties	Bay Area
Less than \$15,000	4.9%	6.2%	7.4%	7.0%	9.0%
\$15,000-\$24,999	3.7%	4.9%	6.6%	6.2%	7.6%
\$25,000-\$34,999	6.8%	3.7%	5.9%	6.3%	7.0%
\$35,000-\$49,999	7.3%	6.8%	9.4%	9.5%	10.3%
\$50,000-\$74,999	12.0%	13.2%	13.2%	14.3%	15.5%
\$75,000-\$99,999	10.6%	8.2%	10.7%	12.0%	12.0%
\$100,000-\$149,999	18.9%	16.1%	18.1%	18.8%	17.5%
\$150,000-\$199,999	9.5%	11.6%	10.5%	10.4%	9.2%
\$200,000 or more	<u>26.3%</u>	<u>29.4%</u>	<u>18.1%</u>	<u>15.4%</u>	<u>12.0%</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Median HH Income	\$109,209	\$118,396	\$90,647	\$88,714	\$76,213
Per Capita Income	\$63,575	\$71,873	\$52,905	\$41,434	\$38,785

Notes:

Estimate from American Community Survey (ACS) 2010-2012 3-year data, based on a survey conducted continuously over the three-year period. All incomes adjusted to 2012 dollars.

Sources: ACS, 2010-2012; BAE, 2014.

Appendix B-7: Poverty Status

	Population with Income Below Poverty Level		Families with Children with Income Below Poverty Level	
	Number	Percent	Number	Percent
Menlo Park	1,787	5.6%	149	2.1%
Palo Alto	3,296	5.1%	269	1.6%
Mountain View	6,997	9.3%	762	4.3%
SM & SC Counties	244,341	9.7%	29,052	4.8%
Bay Area	818,586	11.5%	97,400	5.8%

Notes:

Estimate from American Community Survey (ACS) 2010-2012 3-year data, based on a survey conducted continuously over the three-year period.

Sources: American Community Survey, 2010-2012, Table B17001 and C17010; BAE, 2014.

Appendix B-8: Labor Force and Employment Trends, 2000 – October 2013

Year	Menlo Park			Palo Alto			Mountain View		
	Labor Force	Employment	Unemployment Rate	Labor Force	Employment	Unemployment Rate	Labor Force	Employment	Unemployment Rate
2000	16,900	16,500	2.3%	34,700	34,100	1.6%	45,400	44,400	2.2%
2001	16,600	16,100	3.1%	34,300	33,400	2.7%	45,100	43,500	3.7%
2002	16,000	15,300	4.6%	32,000	30,600	4.5%	42,400	39,800	6.1%
2003	15,600	14,900	4.7%	30,500	29,200	4.5%	40,400	38,000	6.1%
2004	15,300	14,700	3.9%	29,900	28,900	3.4%	39,400	37,600	4.7%
2005	15,300	14,800	3.4%	29,800	28,900	2.8%	39,500	37,900	3.9%
2006	15,500	15,000	2.9%	30,200	29,400	2.3%	39,900	38,600	3.3%
2007	15,700	15,200	3.0%	30,900	30,100	2.5%	40,900	39,500	3.4%
2008	15,800	15,200	3.9%	31,600	30,600	3.1%	42,000	40,100	4.4%
2009	15,700	14,600	6.8%	31,000	29,200	5.8%	41,700	38,300	8.1%
2010	15,700	14,600	7.1%	31,200	29,400	5.9%	41,900	38,500	8.2%
2011	16,100	15,100	6.4%	31,800	30,200	5.3%	42,600	39,500	7.3%
2012	16,600	15,700	5.4%	32,700	31,200	4.5%	43,600	40,900	6.2%
Oct 2013	16,900	16,200	4.1%	33,500	32,400	3.4%	44,500	42,400	4.7%
Change, 2000-Oct 2013	0	-300		-1,200	-1,700		-900	-2,000	

Year	San Mateo and Santa Clara Counties			Bay Area		
	Labor Force	Employment	Unemployment Rate	Labor Force	Employment	Unemployment Rate
2000	1,338,900	1,298,400	3.0%	3,737,600	3,611,600	3.5%
2001	1,332,300	1,269,600	4.7%	3,754,600	3,584,100	4.8%
2002	1,271,400	1,175,100	7.6%	3,679,400	3,435,600	7.1%
2003	1,219,700	1,127,200	7.6%	3,588,900	3,346,800	7.2%
2004	1,187,800	1,116,900	6.0%	3,525,300	3,324,600	6.0%
2005	1,178,000	1,118,800	5.0%	3,502,200	3,328,900	5.2%
2006	1,188,500	1,138,200	4.2%	3,518,500	3,368,400	4.5%
2007	1,214,800	1,161,000	4.4%	3,581,000	3,419,600	4.7%
2008	1,243,500	1,173,400	5.6%	3,663,300	3,450,700	6.2%
2009	1,249,800	1,123,600	10.1%	3,674,500	3,310,000	11.0%
2010	1,256,800	1,127,100	10.3%	3,679,700	3,291,500	11.8%
2011	1,277,500	1,159,500	9.2%	3,721,500	3,362,600	10.7%
2012	1,305,300	1,202,200	7.9%	3,786,600	3,471,600	9.1%
Oct 2013	1,322,900	1,243,600	6.0%	3,810,400	3,570,600	6.7%
Change, 2000-Oct 2013	-16,000	-54,800		72,800	-41,000	

Note: Data not seasonally adjusted. Labor force data are for workers by place of residence, not by place of work.

Sources: CA EDD; BAE, 2014.

APPENDIX C: TAXABLE SALES DETAIL

Appendix C-1: Taxable Sales by Category, 4Q 2011 – 3Q 2012

Sales in 2013 \$000 (a) (b) (c)	Menlo Park	Palo Alto	Mountain View	SC & SM Counties	Bay Area
Motor Vehicle and Parts Dealers	#	\$207,968	\$94,667	\$4,770,671	\$11,958,307
Home Furnishings and Appliance Stores	\$29,773	\$163,330	\$81,072	\$2,844,824	\$6,192,054
Bldg. Matrl. and Garden Equip. & Supplies	\$13,272	\$19,796	\$29,559	\$2,175,665	\$5,953,496
Food and Beverage Stores	\$61,110	\$38,242	\$71,665	\$1,650,731	\$5,286,271
Gasoline Stations	\$67,813	\$79,571	\$128,254	\$3,988,476	\$10,709,861
Clothing & Clothing Accessories Stores	\$18,031	\$289,190	\$33,817	\$2,878,735	\$7,720,341
General Merchandise Stores	#	\$160,536	\$213,811	\$3,710,535	\$9,818,759
Food Services and Drinking Places	\$69,530	\$293,937	\$197,483	\$4,892,802	\$13,988,445
Other Retail Group (c)	\$141,066	\$112,803	\$131,577	\$3,439,905	\$9,780,925
Retail Stores Total	\$400,594	\$1,365,374	\$981,904	\$30,352,344	\$81,408,460
All Other Outlets	\$149,194	\$603,892	\$380,681	\$19,768,283	\$44,881,919
Total Taxable Sales	\$549,788	\$1,969,265	\$1,362,585	\$50,120,627	\$126,290,378

Sales per Capita in 2013 \$ (d)	Menlo Park	Palo Alto	Mountain View	SC & SM Counties	Bay Area
Motor Vehicle and Parts Dealers	#	\$3,178	\$1,260	\$1,877	\$1,650
Home Furnishings and Appliance Stores	\$918	\$2,496	\$1,079	\$1,119	\$854
Bldg. Matrl. and Garden Equip. & Supplies	\$409	\$302	\$393	\$856	\$821
Food and Beverage Stores	\$1,884	\$584	\$954	\$650	\$729
Gasoline Stations	\$2,090	\$1,216	\$1,706	\$1,569	\$1,477
Clothing & Clothing Accessories Stores	\$556	\$4,419	\$450	\$1,133	\$1,065
General Merchandise Stores	#	\$2,453	\$2,845	\$1,460	\$1,354
Food Services and Drinking Places	\$2,143	\$4,491	\$2,628	\$1,925	\$1,930
Other Retail Group (c)	\$4,348	\$1,724	\$1,751	\$1,353	\$1,349
Retail Stores Total	\$12,348	\$20,864	\$13,065	\$11,943	\$11,230
All Other Outlets	\$4,599	\$9,228	\$5,065	\$7,778	\$6,191
Total Taxable Sales	\$16,947	\$30,091	\$18,130	\$19,721	\$17,421
Population	32,441	65,443	75,157	2,541,491	7,249,144

(a) Retail sales have been adjusted to 2013 dollars based on the Bay Area Consumer Price Index, U.S. Bureau of Labor Statistics for the cities and county, and the CA Consumer Price Index, from the CA Dept. of Industrial Relations (and based on data from the U.S. Bureau of Labor Statistics) for the state.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Group.

(d) Per capita sales calculated based on sales divided by population as estimated by the CA State Dept. of Finance.

Sources: State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2014.

Appendix C-2: Menlo Park Taxable Retail Sales Trends, 2000-2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales in 2013 \$000 (a) (b) (c)									
Motor Vehicles and Parts	\$185,532	\$160,207	\$148,164	\$112,634	\$81,263	\$40,991	#	#	#
Home Furnishings and Appliances	\$85,826	\$65,640	\$49,370	\$37,110	\$38,272	\$39,794	\$38,756	\$38,463	\$31,222
Building Materials	\$21,499	\$16,076	\$11,558	\$10,420	\$10,576	\$11,287	\$13,198	\$9,887	\$10,017
Food Stores	\$56,113	\$56,349	\$51,940	\$50,083	\$50,115	\$48,406	\$47,124	\$46,247	\$50,282
Service Stations	\$42,701	\$37,035	\$30,371	\$30,895	\$36,915	\$45,975	\$51,927	\$54,849	\$60,633
Apparel Stores	\$8,686	\$7,654	\$6,882	\$6,946	\$5,295	\$6,488	\$6,845	\$8,493	\$11,191
General Merchandise Stores	\$8,426	\$6,284	\$9,555	\$10,190	\$11,107	\$12,168	\$12,858	\$13,761	\$13,210
Eating and Drinking Places	\$106,310	\$92,942	\$85,384	\$83,220	\$86,786	\$88,676	\$89,007	\$85,996	\$79,580
Other Retail Stores	\$181,041	\$110,801	\$70,106	\$136,127	\$74,601	\$75,359	\$97,904	\$234,314	\$198,503
Retail Stores Total	\$696,135	\$552,987	\$463,330	\$477,626	\$394,931	\$369,143	\$357,618	\$492,011	\$454,640
Sales per Capita in 2013 \$ (d)									
Motor Vehicles and Parts	\$6,027	\$5,193	\$4,813	\$3,683	\$2,664	\$1,350	#	#	#
Home Furnishings and Appliances	\$2,788	\$2,128	\$1,604	\$1,213	\$1,255	\$1,311	\$1,271	\$1,252	\$1,000
Building Materials	\$698	\$521	\$375	\$341	\$347	\$372	\$433	\$322	\$321
Food Stores	\$1,823	\$1,827	\$1,687	\$1,638	\$1,643	\$1,595	\$1,546	\$1,505	\$1,611
Service Stations	\$1,387	\$1,201	\$987	\$1,010	\$1,210	\$1,515	\$1,703	\$1,785	\$1,943
Apparel Stores	\$282	\$248	\$224	\$227	\$174	\$214	\$224	\$276	\$359
General Merchandise Stores	\$274	\$204	\$310	\$333	\$364	\$401	\$422	\$448	\$423
Eating and Drinking Places	\$3,453	\$3,013	\$2,773	\$2,721	\$2,845	\$2,921	\$2,919	\$2,798	\$2,550
Other Retail Stores	\$5,881	\$3,592	\$2,277	\$4,451	\$2,445	\$2,483	\$3,211	\$7,624	\$6,361
Retail Stores Total	\$22,613	\$17,926	\$15,050	\$15,617	\$12,946	\$12,161	\$11,729	\$16,010	\$14,569
Population	30,785	30,848	30,786	30,583	30,507	30,355	30,489	30,732	31,207

(a) Retail sales have been adjusted to 2013 dollars based on the Bay Area Consumer Price Index, U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009-2011 data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.

(d) Per capita sales calculated based on sales divided by population. 2000 and 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2014.

Appendix C-3: Menlo Park Taxable Retail Sales Trends, 2009-2012

Sales in 2013 \$000 (a) (b) (c)

	2009	2010	2011	4Q11-3Q12
Motor Vehicle and Parts Dealers	#	#	#	#
Home Furnishings and Appliance Stores	\$23,757	\$23,633	\$26,244	\$29,773
Bldg. Matrl. and Garden Equip. & Supplies	\$12,540	\$12,769	#	\$13,272
Food and Beverage Stores	\$59,518	\$57,877	\$60,862	\$61,110
Gasoline Stations	\$49,498	\$56,401	\$66,425	\$67,813
Clothing & Clothing Accessories Stores	\$16,261	\$19,401	\$18,608	\$18,031
General Merchandise Stores	#	#	#	#
Food Services and Drinking Places	\$71,635	\$70,538	\$70,958	\$69,530
Other Retail Group	\$148,219	\$143,386	\$142,680	\$141,066
Retail Stores Total	\$381,428	\$384,004	\$385,777	\$400,594

Sales per Capita in 2013 \$ (d)

	2009	2010	2011	4Q11-3Q12
Motor Vehicle and Parts Dealers	#	#	#	#
Home Furnishings and Appliance Stores	\$750	\$738	\$815	\$918
Bldg. Matrl. and Garden Equip. & Supplies	\$396	\$399	#	\$409
Food and Beverage Stores	\$1,878	\$1,807	\$1,890	\$1,884
Gasoline Stations	\$1,562	\$1,761	\$2,063	\$2,090
Clothing & Clothing Accessories Stores	\$513	\$606	\$578	\$556
General Merchandise Stores	#	#	#	#
Food Services and Drinking Places	\$2,261	\$2,203	\$2,204	\$2,143
Other Retail Group	\$4,677	\$4,477	\$4,431	\$4,348
Retail Stores Total	\$12,037	\$11,990	\$11,980	\$12,348

Population 31,688 32,026 32,201 32,441

(a) Retail sales have been adjusted to 2013 dollars based on the Bay Area Consumer Price Index, U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE mad some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009-2011 data presented in a separ table due to major change in categorization scheme, such that data are not fully comparable with earlier years.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Group.

(d) Per capita sales calculated based on sales divided by population. 2000 and 2010 population from U.S. Census; estimates for other years from CA State Dept. of Fina

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2014.

Appendix C-4: Total Taxable Sales Trends

Taxable Retail Sales in 2013 \$000 (a)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	4Q11-3Q12
Menlo Park	\$696,135	\$552,987	\$463,330	\$477,626	\$394,931	\$369,143	\$357,618	\$492,011	\$454,640	\$381,428	\$384,004	\$398,746	\$400,594
Palo Alto	\$2,118,295	\$1,682,240	\$1,474,330	\$1,425,571	\$1,480,056	\$1,511,757	\$1,504,063	\$1,448,430	\$1,334,019	\$1,173,869	\$1,250,439	\$1,328,826	\$1,365,374
Mountain View	\$1,368,395	\$1,147,919	\$1,046,081	\$1,022,779	\$1,071,347	\$1,078,735	\$1,135,813	\$1,150,909	\$1,073,216	\$983,345	\$1,000,643	\$986,032	\$981,904
SM & SC Counties	\$38,576,068	\$33,743,591	\$30,628,572	\$30,211,972	\$31,814,785	\$33,119,358	\$33,688,408	\$33,784,385	\$30,505,967	\$26,032,641	\$27,513,243	\$29,348,992	\$30,352,344
Bay Area	\$97,295,800	\$89,023,390	\$84,510,965	\$83,956,634	\$88,584,600	\$91,867,538	\$92,389,814	\$90,868,392	\$82,533,056	\$71,334,509	\$74,304,864	\$78,833,518	\$81,408,460

Other Taxable Sales in 2013 \$000 (a)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	4Q11-3Q12
Menlo Park	\$781,686	\$611,816	\$317,578	\$255,700	\$306,508	\$322,139	\$350,998	\$246,045	\$250,499	\$192,986	\$204,501	\$172,290	\$149,194
Palo Alto	\$779,189	\$598,114	\$526,452	\$474,651	\$517,490	\$554,222	\$645,432	\$714,332	\$646,379	\$596,432	\$554,677	\$586,728	\$603,892
Mountain View	\$1,823,427	\$1,100,711	\$592,862	\$442,692	\$432,151	\$421,438	\$430,494	\$428,421	\$448,985	\$391,542	\$435,313	\$389,383	\$380,681
SM & SC Counties	\$31,242,812	\$24,309,488	\$18,971,130	\$17,721,091	\$17,854,939	\$18,429,942	\$19,220,665	\$19,507,340	\$19,443,254	\$16,284,703	\$18,255,384	\$19,418,196	\$19,768,283
Bay Area	\$64,162,089	\$52,812,879	\$44,702,415	\$42,702,285	\$44,055,118	\$45,385,324	\$47,255,452	\$48,227,013	\$46,739,096	\$39,126,121	\$41,258,050	\$43,850,401	\$44,881,919

Total Taxable Sales in 2013 \$000 (a)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	4Q11-3Q12
Menlo Park	\$1,477,820	\$1,164,802	\$780,907	\$733,326	\$701,439	\$691,283	\$708,615	\$738,056	\$705,139	\$574,414	\$588,506	\$571,036	\$549,788
Palo Alto	\$2,897,484	\$2,280,354	\$2,000,782	\$1,900,222	\$1,997,546	\$2,065,979	\$2,149,495	\$2,162,762	\$1,980,398	\$1,770,302	\$1,805,115	\$1,915,555	\$1,969,265
Mountain View	\$3,191,822	\$2,248,630	\$1,638,942	\$1,465,471	\$1,503,498	\$1,500,173	\$1,566,307	\$1,579,329	\$1,522,201	\$1,374,887	\$1,435,956	\$1,375,415	\$1,362,585
SM & SC Counties	\$69,818,880	\$58,053,079	\$49,599,702	\$47,933,064	\$49,669,724	\$51,549,300	\$52,909,073	\$53,291,724	\$49,949,221	\$42,317,344	\$45,768,627	\$48,767,188	\$50,120,627
Bay Area	\$161,457,888	\$141,836,269	\$129,213,381	\$126,658,920	\$132,639,718	\$137,252,862	\$139,645,266	\$139,095,406	\$129,272,152	\$110,460,630	\$115,562,914	\$122,683,918	\$126,290,378

(a) Retail sales have been adjusted to 2013 dollars based on the Bay Area Consumer Price Index, U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. In 2009, SBOE made a major change to their classification scheme, such that data are not fully comparable with earlier years.

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2014.

Appendix C-5: Per Capita Taxable Sales Trends

Per Capita in 2013 \$ (a) (b)

Taxable Retail Sales	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	4Q11-3Q12
Menlo Park	\$22,613	\$17,926	\$15,050	\$15,617	\$12,946	\$12,161	\$11,729	\$16,010	\$14,569	\$12,037	\$11,990	\$12,383	\$12,348
Palo Alto	\$36,150	\$28,005	\$24,577	\$23,810	\$24,703	\$24,896	\$24,552	\$23,596	\$21,457	\$18,487	\$19,416	\$20,490	\$20,864
Mountain View	\$19,353	\$16,148	\$14,752	\$14,378	\$15,090	\$15,273	\$16,086	\$16,117	\$14,893	\$13,457	\$13,510	\$13,214	\$13,065
SM & SC Counties	\$16,142	\$14,070	\$12,765	\$12,600	\$13,268	\$13,808	\$14,002	\$13,921	\$12,422	\$10,493	\$11,005	\$11,662	\$11,943
Bay Area	\$14,341	\$13,027	\$12,303	\$12,197	\$12,847	\$13,313	\$13,359	\$13,048	\$11,735	\$10,054	\$10,391	\$10,967	\$11,230

Other Taxable Sales	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	4Q11-3Q12
Menlo Park	\$25,392	\$19,833	\$10,316	\$8,361	\$10,047	\$10,612	\$11,512	\$8,006	\$8,027	\$6,090	\$6,385	\$5,350	\$4,599
Palo Alto	\$13,297	\$9,957	\$8,776	\$7,928	\$8,637	\$9,127	\$10,536	\$11,637	\$10,396	\$9,393	\$8,613	\$9,047	\$9,228
Mountain View	\$25,788	\$15,484	\$8,361	\$6,223	\$6,087	\$5,967	\$6,097	\$5,999	\$6,230	\$5,358	\$5,877	\$5,218	\$5,065
SM & SC Counties	\$13,074	\$10,136	\$7,906	\$7,391	\$7,446	\$7,684	\$7,989	\$8,038	\$7,917	\$6,564	\$7,302	\$7,716	\$7,778
Bay Area	\$9,457	\$7,728	\$6,508	\$6,204	\$6,389	\$6,577	\$6,833	\$6,925	\$6,645	\$5,515	\$5,770	\$6,100	\$6,191

Total Taxable Sales	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	4Q11-3Q12
Menlo Park	\$48,005	\$37,759	\$25,366	\$23,978	\$22,993	\$22,773	\$23,242	\$24,016	\$22,596	\$18,127	\$18,376	\$17,733	\$16,947
Palo Alto	\$49,447	\$37,962	\$33,354	\$31,738	\$33,340	\$34,023	\$35,088	\$35,233	\$31,853	\$27,881	\$28,028	\$29,537	\$30,091
Mountain View	\$45,141	\$31,632	\$23,112	\$20,602	\$21,176	\$21,240	\$22,183	\$22,116	\$21,123	\$18,815	\$19,388	\$18,433	\$18,130
SM & SC Counties	\$29,216	\$24,206	\$20,671	\$19,991	\$20,714	\$21,492	\$21,990	\$21,959	\$20,340	\$17,056	\$18,307	\$19,377	\$19,721
Bay Area	\$23,799	\$20,756	\$18,811	\$18,400	\$19,235	\$19,890	\$20,192	\$19,972	\$18,380	\$15,569	\$16,161	\$17,067	\$17,421

Population	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	4Q11-3Q12
Menlo Park	30,785	30,848	30,786	30,583	30,507	30,355	30,489	30,732	31,207	31,688	32,026	32,201	32,441
Palo Alto	58,598	60,069	59,987	59,873	59,915	60,723	61,260	61,385	62,173	63,496	64,403	64,853	65,443
Mountain View	70,708	71,087	70,912	71,134	70,999	70,629	70,609	71,410	72,063	73,074	74,066	74,618	75,157
SM & SC Counties	2,389,748	2,398,331	2,399,443	2,397,766	2,397,856	2,398,584	2,406,023	2,426,904	2,455,732	2,481,022	2,500,093	2,516,709	2,541,491
Bay Area	6,784,348	6,833,626	6,869,180	6,883,559	6,895,600	6,900,602	6,915,872	6,964,364	7,033,325	7,094,889	7,150,739	7,188,284	7,249,144

(a) Retail sales have been adjusted to 2013 dollars based on the Bay Area Consumer Price Index, U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. In 2009, SBOE made a major change to their classification scheme, such that data are not fully comparable with earlier years

(b) Per capita sales calculated based on sales divided by population. 2000 and 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; U.S. Bureau of Labor Statistics; BAE, 2014.

APPENDIX D: REAL ESTATE MARKET CONDITIONS

Appendix D-1: Silicon Valley Office Market Overview

Summary, 3Q 2013	<u>Menlo Park</u>	<u>Palo Alto</u>	<u>Mountain View</u>	<u>Silicon Valley (a)</u>
Inventory	3,510,003	8,863,939	3,561,333	67,073,788
Occupied Stock	3,128,406	8,517,375	3,402,219	59,434,094
Vacant Stock	381,597	346,564	159,114	7,639,694
Vacancy Rate	10.9%	3.9%	4.5%	11.4%
Inventory (% Silicon Valley)	5.2%	13.2%	5.3%	100.0%
Asking Rents, 2012-2013 (b)				
Average Asking Rent (psf), Q3 2012	\$7.08	\$5.27	\$4.02	\$2.87
Average Asking Rent (psf), Q3 2013	\$6.03	\$5.54	\$3.89	\$2.91
% Change 2012 - 2013	-14.8%	5.1%	-3.2%	1.4%
Average Effective Deal Rate				
Average Effective Deal Rate (psf), Q3 2012	\$4.18	\$5.04	\$5.09	\$3.87
Average Effective Deal Rate (psf), Q3 2013	\$6.42	\$7.05	\$5.77	\$3.99
% Change 2011-2012	53.6%	39.9%	13.4%	3.1%
Net Absorption, 2012-2013				
Net Absorption 2012	(1,813)	4,655	130,835	2,441,987
Net Absorption, YTD 2013	72,241	131,142	234,433	1,731,894
New Activity (c)				
New Construction, 2012	-	98,549	70,232	2,155,755
New Construction, YTD 2013	58,963	-	181,882	1,161,548

Notes:

(a) Silicon Valley includes Santa Clara County, Fremont, and Menlo Park.

(b) Average asking rents reflect full service leases.

(c) New office construction activity based on properties tracked by Cassidy Turley.

Sources: Cassidy Turley; BAE, 2014.

Appendix D-2: Menlo Park and Silicon Valley Industrial Market Overview

Summary, 3Q 2013	<u>Menlo Park</u>	<u>Palo Alto</u>	<u>Mountain View</u>	<u>Silicon Valley (a)</u>
Inventory	2,290,960	583,702	2,733,405	69,251,110
Occupied Stock	2,046,491	574,202	2,703,011	65,251,855
Vacant Stock	244,469	9,500	30,394	3,999,255
Vacancy Rate	10.7%	1.6%	1.1%	5.8%
Inventory (% Silicon Valley)	3.3%	0.8%	3.9%	100.0%
Asking Rents, 2012-2013 (b)				
Average Asking Rent (psf), Q3 2012	\$0.67	\$1.05	\$1.09	\$0.67
Average Asking Rent (psf), Q3 2013	\$0.73	\$1.18	\$1.15	\$0.64
% Change 2012 - 2013	8.6%	12.4%	5.5%	-4.5%
Net Absorption, 2012-2013				
Net Absorption 2012	(82,861)	2,120	(83,203)	294,788
Net Absorption, YTD 2013	(35,978)	(1,500)	40,356	736,191
New Activity (c)				
New Construction, 2012	0	0	0	0
New Construction, YTD 2013	0	0	0	0

Notes:

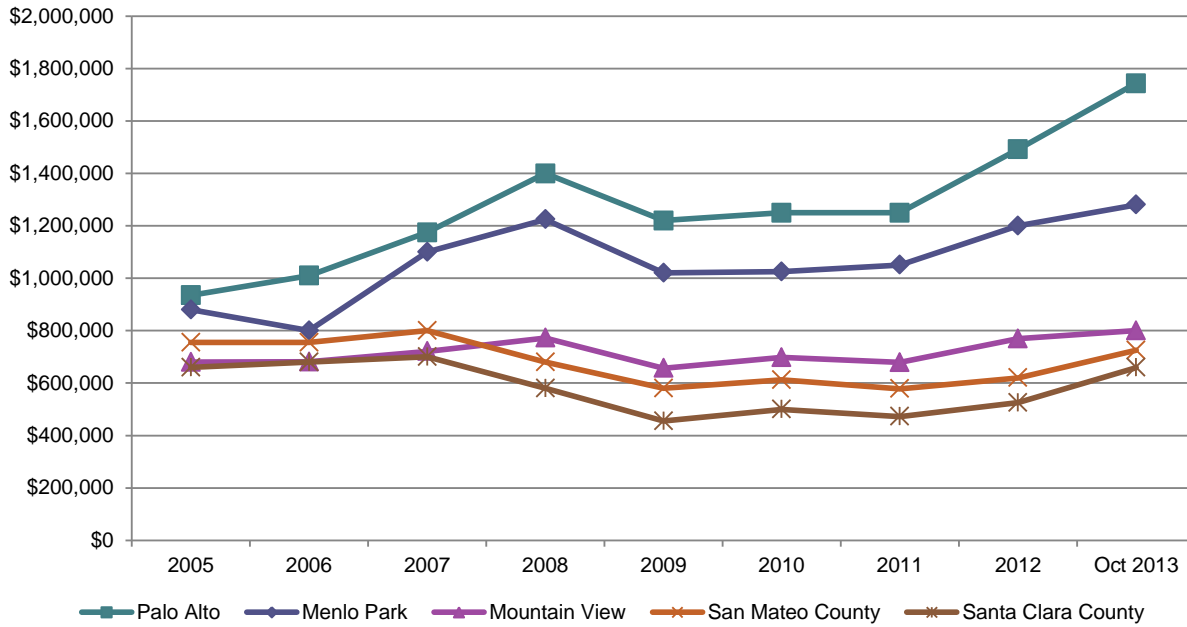
(a) As defined by Cassidy Turley, Menlo Park is part of the San Mateo County industrial market, for the purposes of analysis here, it has been combined with all of Cassidy Turley's Silicon Valley industrial market, which includes all of Santa Clara County as well as the Fremont and Newark submarkets.

(b) Average asking rents reflect triple net (NNN) leases. For these data points only, the Silicon Valley numbers exclude Menlo Park.

(c) New office construction activity based on properties tracked by Cassidy Turley.

Sources: Cassidy Turley; BAE, 2014.

Appendix D- 3: Detail on Housing Price Trends, 2005 - 2013



	Median Sale Price									
	2005	2006	2007	2008	2009	2010	2011	2012	Oct 2013	
Menlo Park	\$880,000	\$800,000	\$1,100,000	\$1,224,500	\$1,020,000	\$1,025,000	\$1,050,500	\$1,200,000	\$1,280,000	
Palo Alto	\$935,000	\$1,010,000	\$1,175,000	\$1,400,000	\$1,220,000	\$1,250,000	\$1,250,000	\$1,492,000	\$1,743,500	
Mountain View	\$680,000	\$681,000	\$721,000	\$772,000	\$656,500	\$698,000	\$678,500	\$769,250	\$800,000	
San Mateo County	\$755,000	\$755,000	\$800,000	\$680,000	\$580,000	\$612,000	\$578,000	\$620,000	\$725,000	
Santa Clara County	\$660,000	\$680,000	\$700,000	\$580,000	\$455,000	\$500,000	\$472,500	\$525,000	\$659,000	

Sources: Dataquick; BAE, 2013.

Appendix D-4: Residential Building Permit Activity, 2000-2013

Menlo Park	2000	2001	2002	2003	2004	2005	2006 (a)	2007 (a)	2008	2009 (a)	2010 (a)	2011	2012	2013 YTD (b)
Building Type (#)														
Single-Family	38	14	13	18	25	2	16	10	8	8	12	0	9	1
Multi-Family	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	38	14	13	18	25	2	16	10	8	8	12	0	9	1
Building Type (%)														
Single-Family	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%
Multi-Family	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%

Palo Alto	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 YTD (b)
Building Type (#)														
Single-Family	94	92	88	58	53	82	132	195	102	55	146	82	89	104
Multi-Family	0	3	44	52	60	81	90	291	125	0	35	54	18	18
Total	94	95	132	110	113	163	222	486	227	55	181	136	107	122
Building Type (%)														
Single-Family	100.0%	96.8%	66.7%	52.7%	46.9%	50.3%	59.5%	40.1%	44.9%	100.0%	80.7%	0.0%	83.2%	85.2%
Multi-Family	0.0%	3.2%	33.3%	47.3%	53.1%	49.7%	40.5%	59.9%	55.1%	0.0%	19.3%	0.0%	16.8%	14.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%

Mountain View	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 YTD (b)
Building Type (#)														
Single-Family	121	118	25	90	35	81	151	267	101	90	27	63	86	108
Multi-Family	0	231	0	2	120	2	12	104	104	68	10	260	350	381
Total	121	349	25	92	155	83	163	371	205	158	37	323	436	489
Building Type (%)														
Single-Family	100.0%	33.8%	100.0%	97.8%	22.6%	97.6%	92.6%	72.0%	49.3%	57.0%	73.0%	19.5%	19.7%	22.1%
Multi-Family	0.0%	66.2%	0.0%	2.2%	77.4%	2.4%	7.4%	28.0%	50.7%	43.0%	27.0%	80.5%	80.3%	77.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Comb. Counties	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 YTD
Building Type (#)														
Single-Family	3,801	2,329	2,680	3,276	3,123	2,660	2,460	2,537	1,199	821	961	1,182	1,680	1,907
Multi-Family	4,857	4,926	3,129	5,075	2,926	3,484	4,490	2,380	3,162	639	3,290	2,601	4,619	4,849
Total	8,658	7,255	5,809	8,351	6,049	6,144	6,950	4,917	4,361	1,460	4,251	3,783	6,299	6,756
Building Type (%)														
Single-Family	43.9%	32.1%	46.1%	39.2%	51.6%	43.3%	35.4%	51.6%	27.5%	56.2%	22.6%	31.2%	26.7%	28.2%
Multi-Family	56.1%	67.9%	53.9%	60.8%	48.4%	56.7%	64.6%	48.4%	72.5%	43.8%	77.4%	68.8%	73.3%	71.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Bay Area	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 YTD
Building Type (#)														
Single-Family	15,840	12,445	13,879	15,272	14,198	13,941	9,966	8,617	4,155	3,775	3,573	3,709	5,232	5,545
Multi-Family	10,648	10,193	7,824	12,063	10,924	11,366	13,036	7,972	7,764	1,706	5,751	6,010	10,251	11,538
Total	26,488	22,638	21,703	27,335	25,122	25,307	23,002	16,589	11,919	5,481	9,324	9,719	15,483	17,083
Building Type (%)														
Single-Family	59.8%	55.0%	63.9%	55.9%	56.5%	55.1%	43.3%	51.9%	34.9%	68.9%	38.3%	38.2%	33.8%	32.5%
Multi-Family	40.2%	45.0%	36.1%	44.1%	43.5%	44.9%	56.7%	48.1%	65.1%	31.1%	61.7%	61.8%	66.2%	67.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes:

(a) Data for Menlo Park for 2006-2009 and 2010 represent Census "estimates with imputation" figures as "reported only" data were unavailable.
 (b) 2013 YTD includes January through November.

Sources: U.S. Census Bureau, Building Permit Trends, 2000-2012 BAE, 2013.

Appendix D-5: Median Gross Monthly Rent, 2010-2012

	<u>Gross Rent</u>	<u>As % of Bay Area</u>
Menlo Park	\$1,712	122.6%
Palo Alto	\$1,897	135.9%
Mountain View	\$1,551	111.1%
SM & SC Counties	\$1,525	109.2%
Bay Area	\$1,396	100.0%

Notes:

Estimate from American Community Survey (ACS) 2010-2012
3-year data, based on on a survey conducted continuously over the
three-year period.

Sources: American Community Survey, 2010-2012, Tables B25063
and B25064; BAE, 2014.

APPENDIX E: DOWNTOWN COMPARISONS

Appendix E-1: Downtown Retail Mix Comparison, February 2014

	Menlo Park		Los Altos		Campbell		San Carlos	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Eating & Dining	45	25.9%	29	31.2%	34	36.6%	35	39.3%
Apparel	16	9.2%	17	18.3%	14	15.1%	8	9.0%
Furniture/Home	18	10.3%	9	9.7%	6	6.5%	3	3.4%
Food	3	1.7%	2	2.2%	2	2.2%	5	5.6%
Services	54	31.0%	16	17.2%	22	23.7%	14	15.7%
Finance	7	4.0%	5	5.4%	0	0.0%	7	7.9%
Misc.	31	17.8%	15	16.1%	15	16.1%	17	19.1%
Total	174	100.0%	93	100.0%	93	100.0%	89	100.0%

Notes:

San Carlos is for Laurel St. only. Los Altos does not include peripheral office, services (Main & State Sts. only). Los Altos, Campbell, Menlo Park per Downtown website inventories. Does not include vacant spaces (3 observed in San Carlos). Does not include office, either ground floor or upper story. Does not include the following retail categories: building/garden; general merchandise; auto and gas

Sources: Field observations; Menlo Park Business Directory; other business directories; BAE, 2014.

APPENDIX F: SURVEY RESPONSE DETAIL

The following tables display detailed responses from 143 businesses who participated in the City of Menlo Park business survey conducted in January and February 2014. Survey invitations were sent by the City to each firm with a Menlo Park business license and a Menlo Park address: 1,751 firms (including 624 home-based businesses). Percentages are based on number of respondents for each individual question (not all respondents answered every question). Open-ended survey responses to Question 14 are included, followed by “Other” responses to individual questions (open-ended responses are not matched to individual survey responses in order to preserve confidentiality).

1. Which category best describes your business? Please select one.

Categories	Percent
Retail, food service, personal services, or hospitality	31.5%
Manufacturing (includes high tech manufacturing)	5.5%
Information (including social media and Internet)	4.8%
Finance, insurance, or real estate (includes venture capital)	10.3%
Professional, scientific, technical, or support services	26.0%
Educational or health care services	8.2%
Utilities (includes alternative energy)	0.0%
Other (please specify)	13.7%
Total	100.0%

2a. How many years has your business been in operation?

Years in Business	Percent
1-5 years	18.2%
6-10 years	14.6%
11-15 years	13.9%
16-20 years	13.9%
21 or more years	39.4%
Total	100.0%

2b. How many locations does your business have?

Number of Locations	Percent
1	79.6%
2	11.7%
3-10	5.8%
10-100	1.5%
100 or more	1.5%
Total	100.0%

3. Where in Menlo Park is your business located? Please select the answer that is closest to your location, even if it is not exact.

Business Location	Percent
My business is home-based (includes any location in the City)	9.5%
Downtown / El Camino Real	61.3%
Industrial areas east of Highway 101	15.3%
Sand Hill Road / southwest Menlo Park	3.6%
Other (please specify):	10.2%
Total	100.0%

4. Approximately how many square feet of space does your business occupy in Menlo Park? Please select the category that best captures the approximate amount.

Square Feet	Percent
0 to 5,000 square feet (this category Includes all home-based businesses)	76.6%
5,001 square feet to 10,000 square feet	12.4%
10,001 square feet to 25,000 square feet	7.3%
More than 25,000 square feet	3.6%
Total	100%

5. What are your plans for your facility in Menlo Park within the next 12 to 24 months? Please select the one that best matches your plans.

Answer Options	Percent
Remain in our current location in the same amount of space.	76.3%
Remain in our current location but expand the amount of space.	5.9%
Move or consider moving to another location in Menlo Park	3.0%
Keep our current location in Menlo Park, and add another one elsewhere	1.5%
Close or consider closing our location in Menlo Park and relocating to another city	5.2%
Don't know or unsure	5.2%
Other (please specify)	3.0%
Total	100%

6. If considering another location, what factors are influencing this decision? Please select all that apply.

Answer Options	Percent
Business conditions (whether improving or worsening)	32.0%
Unable to find the type of space we need in Menlo Park	16.0%
Seeking lower cost space	8.0%
Better access to the type of workers that we need	0.0%
Other (please specify)	44.0%
Total	100.0%

7. How would you describe the current rate of growth for your business? Please select the answer that best matches your situation.

Answer Options	Percent
Our business is experiencing a decrease in its size	11.8%
Our business is stable or experiencing moderate growth, less than 10% increase per year	55.1%
Our business is experiencing strong growth, 10% or more increase per year	15.4%
Our business is experiencing rapid growth, 20% or more increase per year	7.4%
Don't know / don't wish to answer	10.3%
Total	100.0%

8. Does your business plan to increase its workforce within the next year for its location in Menlo Park? Please select the answer that best matches your plans.

Answer Options	Percent
Yes	32.6%
No	54.1%
Don't know/don't wish to answer	13.3%
Total	100.0%

9. What are the most significant issue(s) facing business in Menlo Park? Please select all those you consider to be of the highest importance.

Answer Options	Percent
Competition with other firms	11.8%
Difficulty in getting the right workforce	17.3%
Challenges in moving people and goods between places	8.7%
Cost of doing business (including regional, State, or federal regulations)	48.8%
Regulatory or other impacts specific to a location in Menlo Park	15.0%
Other (please specify)	36.2%
Total	100.0%

10. What should the City do to attract new start-up businesses and encourage them to remain in the City as they expand? Please select all that apply.

Answer Options	Percent
Support the availability of flexible, affordable space	54.1%
Support the creation of incubators or accelerators	22.6%
Develop partnerships with research / educational institutions	12.8%
There is nothing the City can do to assist start-up businesses	3.8%
Don't know/No answer	18.0%
Other (please specify)	38.3%
Total	100.0%

11. Which types of new retail in the Downtown / El Camino Real area would help attract more local spending by residents and businesses? Please select up to three choices below:

Answer Options	Percent
Dining (all types, including gathering places such as Philz Coffee)	39.7%
Entertainment	25.8%
Apparel (all types)	14.8%
Home décor / lifestyle	6.6%
Other (please specify)	13.1%
Total	100.0%

12. How would you rate the need for improvement in the following services provided by the City or other agencies? For each item, please mark the answer that best matches your opinion, or indicate no opinion/don't know.

Answer Options	Needs Improvement	Acceptable	Works Well	No opinion/Don't Know
Planning and entitlement approval process	40.9%	9.4%	6.3%	43.3%
Building permit process, including inspections	37.0%	11.8%	8.7%	42.5%
Code enforcement process	20.8%	17.6%	11.2%	50.4%
All other City services	21.8%	28.6%	13.4%	36.1%

13. Which of the following action would you like to see the City do to enhance business opportunities and communication in Menlo Park? Please select all that apply.

Answer Options	Percent
Create an Economic Development Advisory Commission with appointed members to address issues important to Menlo Park businesses	12.7%
Create a Small Business Commission focused on the particular needs of small businesses in Menlo Park	22.7%
Small business events or promotions to increase small business visibility	24.1%
Create or coordinate workforce programs to help businesses find workers	5.5%
Regular surveys by the City to gather input from Menlo Park businesses	14.1%
Newsletter or other communications (print or electronic)	10.9%
Other (please specify)	10.0%
Total	100.0%

APPENDIX G: INTERVIEW PARTICIPANTS

David Bohannon, David D. Bohannon Organization
Fran Dehn, Menlo Park Chamber of Commerce
Brian Flegel, Flegel's Furniture
Paul Kermoyan, City of Cupertino
Chris Moore, LB Steak and Left Bank Restaurants
Ray Mueller, Mayor, City of Menlo Park, Economic Development Subcommittee
Peter Ohtaki, Councilmember, City of Menlo Park, Economic Development Subcommittee
Roxy Rapp, Rapp Development
Melanie Roth, Refuge Restaurant
Mark Sawicki, formerly with City of San Carlos
Lisa Taggert, Fleet Feet Store
Amanda Tevis, Intrinsic Ventures
Rich Truempler, The Sobrato Organization

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