

TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

**DEPARTMENT: PLANNING AND
COMMUNITY ENVIRONMENT**

DATE: NOVEMBER 2, 2009

CMR: 417:09

TYPE OF REPORT: CONSENT

**SUBJECT: ANNUAL PUBLIC REVIEW OF COMPLIANCE OF
DEVELOPMENT AGREEMENT WITH STANFORD UNIVERSITY
FOR THE SAND HILL ROAD CORRIDOR PROJECTS**

EXECUTIVE SUMMARY

The Development Agreement with Stanford University for the Sand Hill Road Corridor Projects adopted in 1997 requires City Council review of Stanford's compliance with the agreement on an annual basis. This report covers activities during the period from 2007 – 2009.

RECOMMENDATION

Staff recommends that the City Council:

1. Find that Stanford University has complied in good faith with the terms and conditions of the development agreement for the 2007-2009 reporting period.
2. Direct staff to issue a Certificate of Compliance to the University, according to the provision of Section 10(a) of the Agreement, stating that:
 - a. The Agreement remains in effect, and
 - b. Stanford University is not in default.

BACKGROUND

In June 1997, the City Council approved Comprehensive Plan amendments, zoning changes and design applications for the Sand Hill Road Corridor Projects (Projects). The Projects include the Stanford West Apartments (Apartments), Senior Housing, Shopping Center modifications and a set of roadway modifications, including the widening of Sand Hill Road to four lanes from Santa Cruz Avenue to Arboretum Road and a two-lane extension from Arboretum Road to El Camino Real. A development agreement vesting these approvals was entered into between Stanford and the City and was effective on August 14, 1997. The development agreement requires annual City Council review of Stanford's compliance. This report covers Stanford's 2007-2009 activities.

DISCUSSION

The attached September 9, 2009 memo (Attachment A) from Stanford Management Company describes Stanford's 2007-09 activities related to implementation of the development agreement. Construction related to the Sand Hill Road Corridor Projects was completed during earlier reporting periods. Post-construction activities include:

- Stanford West Apartments are now in their eight year of occupancy and the number of Below Market Rate (BMR) units remains at 105 units in accordance with the Agreement. The on-site retail store and the Children's Creative Learning Center, a child care center at the Stanford West Apartments, also continues operations with Stanford continuing to subsidize the store to offset the on-going loss from operations.
- The Classic Residence Senior Housing by Hyatt is now operating on its fourth year with independent living units occupancy stabilized at 99%. The Health Care Center, with 38 assisted living units, 24 memory support units and 4 skilled nursing units, is also operating at high occupancy levels. The community recently received a Canopy award for outstanding landscape management practices and continues to work with the City of Palo Alto to reduce its utilization of nonrenewable resources.
- The Roads phase of the Sand Hill Road Project is now completed. Stanford continues to maintain private street improvements and landscaping within portions of Sand Hill Road, El Camino Real, Quarry Road, and Arboretum Road consistent with the Agreement.

Simon Property Group, the lessee and operator of the Stanford Shopping Center, withdrew their application to expand the Stanford Shopping Center on April 2009. The expansion would have required amending the Sand Hill Road Corridor Projects Development Agreement.

The terms of the Sand Hill Road Corridor Projects Development Agreement shall continue through August 14, 2012 or until earlier terminated by mutual consent of the parties involved in the Agreement.

RESOURCE IMPACT

There are no impacts from the development agreement compliance program that affects the General Fund.


POLICY IMPLICATIONS

This report does not represent any changes to existing City policies.

ENVIRONMENTAL REVIEW

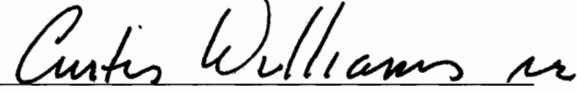
Issuance of the Certificate of Compliance and consent to an Assignment and Assumption Agreement are not projects under the California Environmental Quality Act, and no environmental assessment is required.

PREPARED BY:



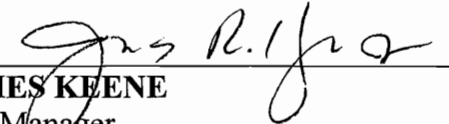
ROLAND RIVERA
Senior Planner

DEPARTMENT HEAD:



CURTIS WILLIAMS
Director of Planning and Community Environment

CITY MANAGER APPROVAL:



JAMES KEENE
City Manager

ATTACHMENT

Attachment A: September 9, 2009 memo from Jim Inglis

cc: Stanford Management Company (Jim Inglis)
Stanford Management Company (Bill Phillips)
Stanford Management Company (Jean Snider)
Stanford University (Larry Horton)
City of Menlo Park (Arlinda Heineck)
County of Santa Clara (Jody Hall Esser)
County of San Mateo (Lisa Grote)



STANFORD UNIVERSITY

September 9, 2009

Roland Rivera
City of Palo Alto
Department of Planning and Community Environment
250 Hamilton Avenue
P.O. Box 10350
Palo Alto, CA 94303

RE: Sand Hill Road Corridor Projects Annual Report – August 2007-July 2009

Dear Roland:

Pursuant to your request of August 10, 2009, and consistent with the 1997 *Development Agreement* between the City of Palo Alto and Stanford University for the Sand Hill Road Corridor Project, this report is submitted to the City as part of the City's annual review of the project. This report covers the two year period, August 1, 2007 to July 31, 2009.

Stanford continues to be in compliance with the terms of the 1997 Development Agreement.

CONSTRUCTION

Construction relating to the Sand Hill Road Corridor Project, including the Stanford Shopping Center, Senior Housing, Stanford West Apartments and the Roadway portion of the Project, was completed during earlier reporting periods.

POST-CONSTRUCTION

Stanford Shopping Center

- The Stanford Shopping Center ("SSC") was sold to Simon Properties Group ("SPG") in 2003. On November 17, 2003, the City Council approved the Assignment and Assumption Agreement transferring SSC performance responsibilities under the 1997 Development Agreement from Stanford to SPG Center, LLC.

Roadway Project

- Stanford continues to maintain the Project's private street improvements consistent with the Agreement. Stanford also continues to maintain the landscaping within portions of the Sand Hill Road, El Camino Real, Quarry Road and Arboretum Road public rights of way consistent with the Agreement.

STANFORD REAL ESTATE OFFICE

2755 Sand Hill Road, Suite 100 • Menlo Park, CA 94025 • T: 650.926.0300 • F: 650.854.9268

Stanford West Apartments

- The Stanford West Apartments completed their eighth year of operation and entered their ninth year during the reporting period.
- In accordance with the terms of the Development Agreement, the Below Market Rate ("BMR") units remain at 105 units. A detailed BMR report is submitted to the Palo Alto Housing Corporation each year consistent with the Agreement.
- The on-site retail store remained open during the reporting period. The store is located adjacent to the Community Building and is open seven days a week; weekdays 7 am to 7 pm; weekends 10 am to 5 pm. The store first opened June 2, 2002. Stanford continues to subsidize the store to offset the on-going losses from store operations.
- The Children's Creative Learning Center ("CCLC") operates a child care center at Stanford West on a site located between the Village Green and Governor's Lane. Consistent with the Development Agreement, the CCLC's annual rent is \$1 per year.

Senior Housing (Classic Residence by Hyatt in Palo Alto)

- Classic Residence by Hyatt in Palo Alto celebrated its third and fourth anniversaries during the reporting period. The community is comprised of 388 independent living units and a Health Care Center with 38 assisted living units, 24 memory support units and 4 skilled nursing units. The average age of the residents is 81. Occupancy of the independent living units has stabilized at 99%. Health Care Center occupancy has increased and is currently 97% in assisted living, 71% in memory support and 70% in skilled nursing.
- The community recently received a Canopy award for outstanding landscape management practices.
- Classic Residence by Hyatt's staff is working with the City of Palo Alto to reduce its utilization of nonrenewable resources.
- Utility poles in the Village Green area of the community were recently removed. Services provided by those above-ground utilities were relocated underground. Other utilities in the community had been placed underground previously.

Enclosed is a check (No. 1051490; September 3, 2009) in the amount of \$2,000.00, as payment for costs incurred by the City as part of its annual review of the Agreement.

Sincerely,



Jim Inglis
Director of Design and Construction