



CITY OF
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**CITY OF PALO ALTO
CITY COUNCIL
Special Meeting
Monday, March 11, 2024
Council Chambers & Hybrid
5:30 PM**

Agenda Item

6. Stanford University Medical Center (SUMC) Annual Report to Council for Fiscal Year 2022-2023



CITY OF
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City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Planning and Development Services

Meeting Date: March 11, 2024

Report #:2312-2463

TITLE

Stanford University Medical Center (SUMC) Annual Report to Council for Fiscal Year 2022-2023

RECOMMENDATION

Staff recommends that the City Council:

1. Review the Stanford University Medical Center (SUMC) Annual Report for Fiscal Year 2022-2023, and find that Stanford Hospitals & Clinics, Lucile Packard Children's Hospital, and Stanford University (SUMC Parties) have complied in good faith with the terms and conditions of the SUMC Development Agreement;
2. Find that the SUMC Parties are not in default with the terms and conditions of the Agreement in all sections; and
3. Accept the City of Palo Alto's (City) Annual Report Supplements regarding the funds received from the SUMC Parties, as required under Section 12(d) of the Development Agreement (Attachment E).

EXECUTIVE SUMMARY

The City Council is required to annually review the SUMC Development Agreement ("Agreement") to confirm compliance with the Agreement's terms. The Agreement is between Stanford Hospital and Clinics, Lucile Packard Children's Hospital, Stanford University (SUMC Parties or SUMC), and the City of Palo Alto. SUMC prepared their SUMC Annual Report for Fiscal Year (FY) 2022-2023 to discuss how they met their compliance obligations during the reporting time period (Attachment A). The City prepared this Annual Report to Council to discuss both SUMC's and the City's compliance activities during the FY 2022-2023 reporting period, as well as disseminate the City's required Supplement to the Annual Report. The Supplement contains an accounting of the funds received from SUMC and expenditures of those funds during the reporting period.

As documented in this Annual Report to Council, both SUMC and the City are in compliance with the terms of the Agreement for the reporting period FY 2022-2023.

BACKGROUND

On June 6, 2011, the Council approved Comprehensive Plan amendments, zoning changes, a conditional use permit, SUMC design guidelines, annexation, and architectural review applications for the Stanford University Medical Center Facilities Renewal and Replacement Project (the “Projects”). The Projects include the construction of the new Stanford Hospital and Clinics buildings, an expansion of the Lucile Packard Children’s Hospital (LPCH), construction of new School of Medicine (SOM) buildings, renovation of the existing Hoover Pavilion, construction of a new medical office building and parking garage at Hoover Pavilion, and roadway improvements along Welch Road and Durand Way. The Agreement, vesting these approvals, became effective on June 6, 2011 and continues for 30 years from the effective date.

This Annual Report to Council is for the FY 2022-2023 reporting period, which is the 12th year of the Agreement. The FY 2021-2022 annual report found SUMC and the City to be in compliance with the Agreement.¹ Previous annual reports and compliance documentation can be found via the weblinks in Attachment B.

ANALYSIS

Agreement Section 12, “Periodic Review of Compliance,” requires City Council to confirm SUMC Parties’ compliance with the terms of the Agreement. Discussion items in this report are intended to guide City Council through the many aspects that SUMC and City staff monitor and track throughout the year to ensure compliance.

The SUMC Annual Report for FY 2022-2023 (Attachment A) describes the activities related to Agreement implementation and ongoing annual progress toward meeting the following obligations in Section 5 of the Agreement, “SUMC Parties’ Promises:”

- Health Care Benefits;
- Fiscal Benefits;
- Traffic Mitigation and Reduced Vehicle Trips;
- Linkages (Pedestrian, Bicycle, and Transit);
- Infrastructure, Sustainable Neighborhoods & Communities, Affordable Housing; and
- Climate Change.

Staff prepared a summary of the Section 5 obligations and the compliance status (Attachment C).

Agreement Section 12 also includes the requirement for demonstration of good faith compliance with the Agreement. Toward this end, SUMC timely submitted all the reports required of the SUMC Parties for FY 2022-2023.

Construction Activities and Net New Square Footage

¹ The SUMC Annual Report to Council Fiscal Year 2021-2022 went before City Council at their April 17, 2023 meeting, see Consent Calendar Item 6 at the following meeting weblink: <https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateld=1115>.

SUMC discusses their construction activities for FY 2022-2023 in the SUMC Annual Report (Attachment A). City staff reviewed the information regarding SUMC net new square footage in the report and determined this information is complete and correct. A summary of construction activities and tracking of square footage demolished and added can be found in Attachment D.

Traffic Mitigation and Reduced Vehicle Trips

SUMC implemented all required transportation demand management (TDM) obligations in FY 2022-2023, such as purchasing Caltrain Go Passes, funding the AC Transit U-Line, and administering other activities. Summaries of these activities can be found in Attachments A and C.

Despite continuing to implement all TDM programs, as well as enhancing communications and promotions, SUMC found that they did not meet the alternative mode share milestone targets outlined in the Agreement for FY 2022-2023. However, the SUMC alternative mode share rate had increased to 25.6% from 19.9% in FY 2021-2022.

To clarify, not meeting the alternative mode share targets during a reporting period is not itself a default under the Agreement, as the Agreement outlines next steps if a target was not achieved, such as the payment of fees, and contains a Force Majeure clause.

Amendment to Development Agreement

An application to amend the Agreement, submitted by SUMC on September 7, 2022,² was approved by the City Council and executed on December 28, 2023 (Development Agreement Amendment Number 1). The amendment modified language to provide clarity on how to implement the existing alternative transportation mode share targets with respect to the SUMC claim of the applicability of Force Majeure.³ The amendment also included an updated timeline for SUMC to meet the alternative mode share targets. For more information about the amendment, please refer to the City Council reports for October 23, 2023 and November 27, 2023.⁴

² Anticipating the ongoing influence of the COVID-19 pandemic on its ability to achieve the alternative transportation mode share targets, SUMC proposed an amendment to the original Development Agreement. SUMC suggested that the amendment language would provide clarity as to how to implement the existing alternative transportation mode share targets and penalty payments as written in Section 5(c)(ix), given their claim of the applicability of Section (18)(c) Force Majeure in the Development Agreement.

³ Development Agreement Section 18(c) Force Majeure provides that performance by SUMC or the City is excused during any period of "Permitted Delay," such as when a performance delay occurs due to circumstances beyond the reasonable control of a party to the SUMC Development Agreement. Examples of circumstances beyond reasonable control of a party include (a), acts of god, including without limitation earthquakes, floods, fire, and other natural calamities, (b) civil commotion; (c) riots or terrorist acts; (d) strikes or other forms of material labor disputes; (e) shortages of materials or supplies; and (f) vandalism.

⁴ The City Council October 23, 2023 Action Item 5 staff report and meeting minutes can be found online here: <https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateld=13044>. The Council November 27, 2023 Consent Calendar Item 13 staff report and meeting minutes can be found online here: <https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateld=13307>

Construction Sales and Use Tax Monitoring Report

SUMC submitted the annual Construction Sales & Use Tax Monitoring Report on June 30, 2023 for the preceding calendar year. The City sent its required response. Based upon the City's review of the annual Construction Sales and Use Tax Monitoring Report, revenues for calendar years 2011 through 2022 have totaled \$5,467,628. This annual reporting assists in the process of ensuring that the City receives no less than \$8.1 million in construction sales and use tax revenue by December 31, 2025.

Section 5(b)(ii) of the Agreement discusses how SUMC and the City should address any surplus or shortfall in the amount of construction sales and use tax received by the City. Discussion and final reconciliation of any surplus or shortfall in the revenue amount that the City received would occur in and after August 2026. Given the annual decline in construction sales and use tax revenue since calendar year 2020 to present, it is possible that there might be a shortfall relative to the \$8.1 million required. In that case, SUMC would make a payment to relieve that shortfall in FY 2026-2027 from the Fund for Healthcare Services, as discussed under Development Agreement Section 5(a)(ii). After this reconciliation, SUMC would commence activity in the Fund for Healthcare Services for 10 years from 2026 to 2036. This activity would be reported in the SUMC Annual Report for each fiscal year.

Supplement to the Annual Report

Section 12 of the Agreement requires the City to prepare a Supplement to the Annual Report, which is included in this report as Attachment E. This Supplement is to contain an accounting of the funds received from SUMC, including:

- Description of the account balances for each of the funds maintained by the City under Section 5 of the Agreement;
- Expenditures from each of the funds; and
- Purposes for which the expenditures were used.

Section 12 specifies preparation of the Supplement within 45-days of the June and July receipt of the annual reports by SUMC, but there is no penalty for not doing so. After the close of the Fiscal Year, the City conducts an annual audit of the funds in Fall/Winter to demonstrate good faith in implementing the Agreement.

FISCAL/RESOURCE IMPACT

There are no fiscal or resource impacts resulting from City Council review of the SUMC Agreement to confirm compliance with its terms. Planning for use of SUMC funds occurs separately during the City's Annual budgeting process.

STAKEHOLDER ENGAGEMENT

Staff did not perform specific community outreach related to preparation of this annual report. Community members and policy makers were extensively involved in the crafting of the Agreement and all other associated project enabling entitlements. Also, subsequent related

project entitlements continue to be processed through the City's standard review processes, as discussed in the Agreement and other entitlements.

ENVIRONMENTAL REVIEW

Reviewing and making findings regarding SUMC and City compliance with the Agreement is not a project under the California Environmental Quality Act and no environmental assessment is required for the annual compliance review. An environmental impact report for the entire SUMC project was prepared and certified by the City Council prior to approval of the Agreement.

ATTACHMENTS

Attachment A: SUMC Annual Report Fiscal Year 2022-2023

Attachment B: Weblinks to Prior SUMC Annual Reports

Attachment C: SUMC Development Agreement Section 5 Compliance Table

Attachment D: SUMC Construction Activities and Net New Square Footage Summary

Attachment E: Supplement to the Annual Report Fiscal Year 2022-2023

APPROVED BY:

Jonathan Lait, Planning and Development Services Director

STANFORD UNIVERSITY MEDICAL CENTER
project:renewal



Image Courtesy of Nearmap US Inc, 2023

2022-23 ANNUAL REPORT

PREPARED FOR THE CITY OF PALO ALTO | JULY 6, 2023

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EXECUTIVE SUMMARY

On June 6, 2011, the Stanford University Medical Center parties (now Stanford Medicine)—comprised of Stanford Hospital and Clinics (now Stanford Health Care), Lucile Packard Children’s Hospital, and Stanford University—entered into a Development Agreement with the City of Palo Alto, committing to provide a range of community benefits in exchange for vested development rights to develop and use the Stanford Medicine Renewal and Replacement Project (“Renewal Project”) facilities in accordance with the approvals granted by the City, and a streamlined process for obtaining subsequent project approvals. The Renewal Project—driven by a growing demand for healthcare services, state-mandated seismic safety requirements, and the need to replace outmoded facilities with modern, technologically advanced spaces—is transforming the way that healthcare is delivered and research is conducted.

Today, twelve years after the execution of the Development Agreement, the Lucile Packard Children’s Hospital Expansion and the new Stanford Hospital are now open for patient care, and the School of Medicine has completed the first phase of development of its replacement facilities, with its BioMedical Innovations building open for research. Interior renovations within the 1989 portion of the preexisting Stanford Hospital facility have now commenced, and are expected to continue for the next several years, bringing the facility up to modern healthcare standards.

Against this backdrop, Stanford Medicine submits its Annual Report in compliance with Section 12(c) of the Development Agreement, and looks forward to continued collaboration with the City of Palo Alto in advancing the goals of both Stanford Medicine and the broader community.



BACKGROUND AND PURPOSE

The Palo Alto City Council’s unanimous approval of the entitlements for the Stanford Medicine Renewal and Replacement Project in July 2011 has paved the way for a historic investment in new and replacement facilities for Stanford Medicine. The project approvals—including new zoning for the Renewal Project sites, a conditional use permit, architectural review approval, and the execution of a Development Agreement—allow for the construction of approximately 1.3 million net new square feet of hospital facilities, clinics, medical offices, and medical research spaces, and are enabling the Hospitals to optimize the delivery of healthcare services to patients, and maintain their position as leading providers of world-class healthcare.

In order to facilitate this important replacement and expansion work, the Stanford Medicine parties entered into a Development Agreement with the City of Palo Alto, which includes a comprehensive package of community benefits and additional development conditions. In exchange for these benefits, the City has vested for a period of 30 years Stanford Medicine’s rights to develop and use the property in accordance with the project approvals, and agreed to streamline the process for obtaining subsequent approvals.

The terms of the Development Agreement (Section 12(c)) provide for a periodic review of compliance, and require that Stanford Medicine submit an Annual Report to the City of Palo Alto’s Director of Planning and Community Environment each year within 30 days of the anniversary of the agreement effective date (June 6, 2011). The Annual Report is to summarize Stanford Medicine’s progress on the Renewal Project, including a list of net new square footage for which a certificate of occupancy has been received, and a description of the steps that Stanford Medicine has taken to comply with the obligations listed in Section 5 of the Development Agreement. With this report, Stanford Medicine fulfills these requirements. Within 45 days of receipt of this Annual Report, the City will prepare a Supplement to the Annual Report, to provide an accounting of the City’s balances and expenditures from each of the City Funds and how they were used.



2022-2023 SUMMARY OF PROGRESS

The Renewal Project has reached key milestones in recent years, with the opening of the Lucile Packard Children’s Hospital expansion in 2017 and the opening of the New Stanford Hospital in 2019, and most recently the opening of the School of Medicine’s BioMedical Innovations building in 2020¹ . While the COVID-19 pandemic changed the pace of progress on the Renewal Project, as Stanford Medicine focused resources on pandemic response, including launching clinical trials for therapeutic treatments for COVID-19 and establishing community testing and vaccination sites, it has also highlighted the importance of modern, state-of-the-art facilities to support Stanford Medicine’s research and patient care.

The section to follow provides an overview of central goals for the project elements that presently are under construction or nearing construction, a synopsis of progress to date, as well as a preview of near-term upcoming activities.

LUCILE PACKARD CHILDREN’S HOSPITAL

In response to growing community needs for specialized pediatric and obstetric care, Lucile Packard Children’s Hospital opened an expanded facility in late 2017. The new Main building, located adjacent to the preexisting Lucile Packard Children’s Hospital (West building), provides patients and doctors with the most modern clinical advancements and technology, while also creating a more patient- and family-centered environment of care, with additional single-patient rooms and more spaces for families to be with their child during treatment and recovery.

The LPCH Main building features a new entrance lobby, public concourse with dining, three floors of nursing units, and new patient rooms. Spaces have been designed with an attention to natural light and views, and the exterior grounds—more than 3.5 acres of outdoor areas and gardens—provide a park-like setting for patients, families, and visitors.

¹ Temporary certificate of occupancy was issued in 2020; final certificate of occupancy was issued in 2021.



2022-2023 SUMMARY OF PROGRESS

LPCH is currently planning for improvements to its preexisting West building which will modernize its infrastructure and provide a more comfortable patient experience. These improvements include a redesigned main lobby entry and drop-off for the West Building; plans were formally submitted to the City for Architectural Review in Summer 2022 and are currently under staff review.

STANFORD HEALTH CARE

Stanford Health Care is constructing new and replacement hospital facilities to usher in a new era of advanced patient care. Growth in patient volumes and rapidly changing medical technology have rendered much of the existing midcentury hospital infrastructure inadequate, while new seismic safety requirements have accelerated the need to construct replacement facilities.

In November 2019, Stanford Health Care's first phase of facilities renewal completed as the New Stanford Hospital received its license from the State Department of Public Health and opened to patient care. With the new Stanford Hospital now complete, Stanford Health Care has begun a series of renovations within its preexisting facilities, including the conversion of shared patient rooms into private rooms within the 1989 portion of the Hospital; this renovation work is proceeding in phases over the next several years. In addition, to enable the conversion of shared patient rooms to private rooms, Stanford Health Care is also planning an addition to the preexisting Hospital of approximately 37,000 square feet. This proposed addition received Architectural Review approval in March 2022, and a City grading / excavation permit was issued in June 2022. Grading activity is ongoing.



2022-2023 SUMMARY OF PROGRESS

SCHOOL OF MEDICINE

The Stanford University School of Medicine is replacing its outmoded research buildings with new state-of-the-art facilities designed to support contemporary translational research. The new facilities will accommodate 21st century medical advancements and enable the development of new medical innovations, featuring integrated laboratory suites, with easier access between labs and support facilities, enabling transparency, flexibility, and collaboration.

The first phase of School of Medicine development (BioMedical Innovations Building 1, or “BMI-1”) is now complete, having received a certificate of occupancy in Spring 2021, and features four above-grade floors of research labs and light-filled gathering places, and a lower basement level for utility support, as well as a connective tunnel to other nearby research facilities. Building interiors were designed for best practices for laboratory design safety and space allocation, with a flexible template to maximize efficient use of space and ease of renovation. The four above-grade floors provide space for a mix of disciplines, basic and clinical research, wet and dry labs, and leading-edge translational studies.



2022-2023 SUMMARY OF PROGRESS

BLAKE WILBUR DRIVE ROADWAY EXTENSION

As required by the 2011 Project Approvals, a new link roadway will be established between Sand Hill Road and Welch Road; this roadway will connect Durand Way to Blake Wilbur Drive, and will provide an important automobile, bicycle, and pedestrian connection in the vicinity of the Medical Center. Specifically, it will serve as an uncongested route for emergency vehicles accessing the medical campus via Sand Hill Road, and will provide improved access to both the Main Medical Campus and the outer Welch medical office buildings. The scope includes two travel lanes in each direction, Class II bicycle lanes, sidewalks with planter strips including new tree plantings and bioretention areas, new signal poles, and underground utilities. The roadway design was approved at the schematic level by the Architectural Review Board in 2011, but design development and construction were not immediately able to advance as the impacted site was under third-party lease until 2020. Design work resumed in 2020, and staff-level Architectural Review approval for the roadway improvements was issued in late 2021. Grading and Street Work permits were issued in Spring 2023. Construction activities are ongoing and are anticipated to be complete in Fall 2023.



2022-2023 SUMMARY OF PROGRESS

NET NEW SQUARE FOOTAGE

The following table summarizes the net new square footage for which a certificate of occupancy has been issued².

PROJECT COMPONENT	GROSS SQUARE FOOTAGE
STANFORD HEALTH CARE	
1101 Welch demolished	(40,100)
500 Pasteur	719,266
Total	679,166
LUCILE PACKARD CHILDREN'S HOSPITAL EXPANSION	
701 Welch demolished	(56,300)
703 Welch demolished	(23,500)
Lucile Packard Children's Hospital Expansion	446,088
Total	366,288
SCHOOL OF MEDICINE	
BioMedical Innovations building	196,921
Partial decant of Boswell, Grant, Alway, Lane, Edwards	(22,614)
Total	174,307
HOOVER PAVILION	
Miscellaneous shops and storage demolished	(13,831)
Stanford Neuroscience Health Center (Hoover MOB)	91,605
Total	77,774

² The square footage figure for the New Stanford Hospital has been adjusted by 5 sf from that reported in the 2021-22 Annual Report to account for a typographical error.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

This section of the Annual Report summarizes the steps that Stanford Medicine has taken to comply with its obligations under Section 5 of the Development Agreement.

HEALTH CARE BENEFITS

In addition to the health care funds listed below, Stanford Medicine provides certain intrinsic benefits to the community, as both a global leader in medical care and research, and as a community healthcare services provider. The Renewal Project enables Stanford Medicine to continue its important work, and the addition of more beds for adults and children will help to alleviate overcrowding. Additionally, the new hospital facilities provide critical emergency preparedness and response resources for the community in the event of an earthquake, pandemic, or other major disaster.

Section 5(a)(ii). Fund for Healthcare Services

The Hospitals have designated the amount of \$3 million for Healthcare Services, which will increase to \$5.6 million by December 31, 2025. No further action is required until 2026. This amount will be reconciled with the construction use tax payments as described in Development Agreement Section 5(b)(ii)(C), and will be spent between 2026 and 2036.

Section 5(a)(iii). Fund for Community Health and Safety Programs

Stanford Medicine has contributed a single lump-sum payment of \$4 million to establish a Community Health and Safety Program Fund for the City of Palo Alto. This fund is to be distributed to selected community health programs that benefit residents of the City, including the Project Safety Net Program, a community-based mental health plan for youth well-being in Palo Alto. A joint committee is to be established to evaluate proposals regarding the other specific programs to receive funding, composed of two representatives selected by Stanford Medicine and two representatives selected by the City; this committee shall make annual recommendations to the City Council regarding proposed disbursements from the Community Health and Safety Program Fund, and the City Council shall use its reasonable discretion to decide whether to accept, reject, or modify the joint committee recommendations.

Stanford Medicine provided the entire required contribution to the Community Health and Safety Program Fund on August 25, 2011. No further action is required by Stanford Medicine to comply with this Development Agreement provision, though in the past year Stanford Medicine has engaged with City staff to establish the joint committee to evaluate proposals for programs to receive funding. Based on this engagement, the City intends to use the remaining funds to support the Psychiatric Emergency Response Team (PERT), which will be operated in partnership with the Santa Clara County Behavioral Health Services Department. As required by Development Agreement Section 12(d), the City will provide yearly Supplements to the Annual Report to provide an accounting of the City's expenditures from this fund, and the purposes for which the expenditures were used.

PALO ALTO FISCAL BENEFITS

The Stanford Medicine Renewal Project brings considerable fiscal benefits to the City of Palo Alto. The project was expected to generate \$8.1 million in sales and use tax revenues for the City, and multiple mechanisms have been put into place to ensure that this target is met. The Development Agreement also provides for further fiscal benefits to the City, including a payment by Stanford Medicine to fund the City's operating deficit, and the payment of utility user taxes and school fees.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

Sections 5(b)(i) and 5(b)(ii). Payment of Sales and Use Taxes

As required by the Development Agreement, Stanford Medicine submitted its annual Construction Sales and Use Tax monitoring report to the City on June 30, 2023. The Stanford Medicine parties will continue to submit such a report annually during the construction period for the Renewal Project so that the City can determine the share of construction use taxes that it has received as a result of the Renewal Project. Each year, within 60 days of receiving the monitoring report, the City will provide its determination of the amount of construction use taxes that it has received as a result of the Renewal Project during the preceding calendar year. In August 2026 or soon thereafter, Stanford Medicine and the City will conduct a reconciliation process to confirm that the City has received at least \$8.1 million in construction use taxes as a result of the Renewal Project, as further described in Development Agreement Section 5(b)(ii).

To date, Stanford Medicine has taken the following steps detailed below to maximize the City's allocation of sales and use taxes associated with Project construction and operation. Documentation of each of these items is included in the 2022 construction use tax monitoring report already submitted.

- Stanford Medicine has obtained all permits and licenses necessary to maximize the City's allocation of construction use taxes derived from the project, including California Seller's Permits and Use Tax Direct Pay Permits.
- Stanford Medicine has designated and required all contractors and subcontractors to designate the project site as the place of sale of all fixtures furnished or installed as part of the project.
- Stanford Medicine has designated and required all contractors and subcontractors to designate the project site as the place of use of all materials used in the construction of the project.
- Stanford Medicine has required all contractors and subcontractors to allocate the local sales and use taxes derived from their contracts directly to the City. Stanford Medicine has used best efforts to require contractors and subcontractors to complete and file any forms required by the State Board of Equalization to effect these designations.
- Both Hospitals have obtained use tax direct pay permits from the State of California for their existing facilities in order to increase the City tax allocation for the Hospitals' purchases. The Hospitals will maintain the use tax direct pay permit for the life of the project.
- Finally, Stanford Medicine has assisted the City in establishing and administering a Retail Sales and Use Tax Reporting District for the Renewal Project, to enable the City to track the generation, allocation, reporting and payment of sales and use taxes derived from the Project.

Section 5(b)(iii). Funding of Operating Deficit

In order to assure that City costs associated with the Renewal Project do not exceed revenues to the City resulting from construction and operation of the project, Stanford Medicine has provided to the City a single lump sum payment in the amount of \$2,417,000. This payment was made on August 25, 2011. No further action is required by Stanford Medicine to comply with this Development Agreement provision.

Section 5(b)(iv). Payment of Utility User Tax

Stanford Medicine will pay the City a utility user tax at a minimum rate of 5 percent of all electricity, gas, and water charges allocable to new construction completed as part of the project for the life of the project. This rate may be increased by the City as provided by Section 2.35.100(b) of the Municipal Code. The 5 percent utility user tax is currently being paid by Stanford Medicine.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

Section 5(b)(v). School Fees

Stanford Medicine will pay to the City—which is then to forward to the Palo Alto Unified School District—school fees upon issuance of each building permit from the City or OSHPD, in the amount that is generally applicable to non-residential development at the time of payment based upon net new square footage, as defined in the Development Agreement.

School fees were paid in 2012 for LPCH and SHC in the amounts of \$188,815 and \$153,802, respectively. In July 2013, additional school fees were paid in the amount of \$7,051 to account for additional program square footage for the New Stanford Hospital and Garage. In May 2014, an additional payment of school fees in the amount of \$16,119 was made to account for the incremental square footage associated with the Hoover Medical Office Building, beyond the 60,000 square feet originally planned. In November 2015, additional school fees in the amount of \$461.16 were paid to account for incremental square footage for the New Stanford Hospital Garage. In May 2022, school fees in the amount of \$22,641 were paid to Palo Alto Unified School District to account for Stanford Health Care's planned addition to the 1989 portion of the preexisting hospital.

TRAFFIC MITIGATION AND REDUCED VEHICLE TRIPS

Stanford Medicine has taken a number of steps to mitigate the potential traffic impacts projected at full project buildout. Stanford Medicine provides a robust transportation demand management program, offering a variety of incentives for employees to forego driving alone to work. As required by the Development Agreement, Stanford Medicine has taken the additional actions outlined below.

Section 5(c)(ii). Menlo Park Traffic Mitigation

Stanford Medicine agreed to contribute to the City of Menlo Park a total of \$3,699,000 for use in connection with traffic mitigation, infrastructure enhancements, and the promotion of sustainable neighborhoods and communities and affordable housing. This contribution has been made in three equal payments; the first payment of \$1,233,000 was made on August 19, 2011. The second payment of \$1,233,000 was made on December 5, 2012, following the November 2012 issuance of the first Hospital foundation permit. The final payment in the amount of \$1,233,000 was made on December 14, 2017, within 30 days from issuance of the first Hospital occupancy permit. No further action is required by Stanford Medicine to comply with this Development Agreement provision.

Section 5(c)(iii). East Palo Alto Voluntary Mitigation

Stanford Medicine has contributed a single lump sum payment of \$200,000 to East Palo Alto to be used for roadway and traffic signal improvements on University Avenue. This payment was made on August 19, 2011. No further action is required by Stanford Medicine to comply with this Development Agreement provision. In the event that Stanford Medicine does not meet the alternative transportation mode goals specified in the Development Agreement in the required timeframe, including any period of permitted delay, and is assessed a \$4 million payment under Development Agreement section 5(c)(ix)(B), the City will be required to remit \$150,000 of such payment to the City of East Palo Alto.

Section 5(c)(iv). Contributions to AC Transit

The Hospitals committed to the following actions within 30 days from issuance of the first Hospital occupancy permit, and have fulfilled these commitments as outlined below:

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

- The Hospitals agreed to offer a one-time payment of \$250,000 to AC Transit to be used for capital improvements to the U-Line to increase capacity (Section 5(c)(iv)(A)). As required, the Hospitals offered to contribute \$250,000 to AC Transit for capital improvements to the U Line; this offer was accepted, and the payment was made on January 5, 2018.
- The Hospitals agreed to offer to make annual payments to AC Transit in a reasonable amount, not to exceed \$50,000, to be used for operating costs of the U-Line to maintain a load factor for bus service to the Medical Center of less than 1 (Section 5(c)(iv)(B)). The Hospitals are making annual payments to AC Transit for purposes of U-Line operating costs.
- In order to encourage Hospital employees living in the East Bay to use public transit for their commute, the Hospitals committed to using best efforts to lease 75 parking spaces at the Ardenwood Park and Ride lot, or an equivalent location, at a cost not to exceed \$45,000 per year (Section 5(c)(iv)(C)). The Hospitals continue to meet this requirement, and currently lease 100 parking spaces in Newark (35263 Fircrest Drive). However, the Fircrest-Ardenwood route that provided service to these spaces was suspended in December 2020 due to the pandemic reducing demand and resulting low ridership. East Bay riders continue to be served by the U Line and DB Express which continue to have capacity to service current demand.

Section 5(c)(v). Opticom Payments

Within 30 days from issuance of the first Hospital occupancy permit, the Hospitals committed to pay \$11,200 to the City of Palo Alto to be used for the installation of Opticom traffic control systems at the following seven intersections: El Camino Real/Palm Drive/University Avenue; El Camino Real/Page Mill Road; Middlefield Road/Lytton Road; Junipero Serra/Page Mill Road; Junipero Serra/Campus Drive West; Galvez/Arboretum; and the Alpine/280 Northbound ramp. However, since the time that this commitment was made, the City determined that Opticom systems are outdated, and proposed the purchase and installation of the ATMS.now Emergency.now package, which would allow coordinated prioritization at all City-maintained traffic signals. Agreement to this change in traffic signal priority system is documented in a letter dated December 12, 2017 from the City Manager to the SUMC Parties, which was accepted and agreed to by the SUMC Parties by countersigned letter. The required payment was made on December 12, 2017, within 30 days of issuance of the first Hospital occupancy permit.

Section 5(c)(vi). Caltrain GO Passes

The Development Agreement requires that the Hospitals purchase annual Caltrain GO Passes for all existing and new Hospital employees who work more than 20 hours per week at a cost of up to approximately \$1.8 million per year, beginning on September 1, 2015. This obligation is expected to continue for a period of 51 years.

Hospital management accelerated the purchase of the annual GO Pass for Hospital employees, and began providing free GO Passes to employees commencing on January 1, 2012. Annual passes were purchased again for all existing and new eligible employees for 2023.

Section 5(c)(vii). Marguerite Shuttle Service

The Hospitals will fund the reasonable costs, in an approximate amount of \$2 million, for the purchase of additional shuttle vehicles for the Marguerite shuttle service, as and when required to meet increased demand for shuttle service between the project sites and the Palo Alto Intermodal Transit Station. In addition, the Hospitals will fund as annual payments the reasonable costs, in an approximate amount of \$450,000 per year, to cover the net increase in operating costs for the Marguerite Shuttle. Demand

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

for the Marguerite shuttle increased in 2012, and the Hospitals funded the purchase of three new hybrid shuttles to meet this increased demand. Since this time, the Hospitals have funded as annual payments the reasonable costs of the net increase in operating costs for the Marguerite Shuttle.

Section 5(c)(viii). Transportation Demand Management Coordinator

The Development Agreement requires that the Hospitals employ an onsite qualified Transportation Demand Management (TDM) Coordinator for Stanford Medicine, commencing on September 1, 2015, and continuing through the life of the Renewal Project.

Because the Hospitals accelerated the purchase of the Caltrain GO Pass, the Hospitals also accelerated the hiring of the TDM Coordinator, filling this position in March 2012. The TDM Coordinator is responsible for overseeing the analysis, development, and implementation of programs to advance the Hospitals' TDM objectives. Specific duties that are carried out in collaboration with Stanford Transportation include raising awareness among commuters about alternative transportation options and Stanford's commute incentive programs; providing alternative commute planning assistance and responses to customer inquiries; writing and editing electronic and print communications; coordinating and staffing outreach events, such as free transit pass distributions and employee fairs; and providing alternative transportation information and resources at new employee orientations.

The Hospitals also established a new role, Transportation/TDM Director, that is in addition to the previously established TDM Coordinator role, to lead the effort of increasing the use of alternative transportation among Hospital employees.

Section 5(c)(ix). Monitoring of TDM Programs

The Hospitals are required to submit annual monitoring reports showing the current number of employees employed over 20 hours per week; the number of employees using an alternative transportation mode as documented by a study or survey to be completed by the Hospitals using a method mutually agreeable to the City and the Hospitals; and the efforts used by the Hospitals to attempt to achieve the Alternative Mode Targets identified in the Development Agreement. The Development Agreement specifies



COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

payments to be made in the event that such targets are not met during particular time periods. Stanford Medicine submitted its 2023 Alternative Mode Share Report to the City on May 31, 2023; this report shows an alternative mode split of 25.6% for the Hospitals, representing an increase of 5.7 percentage points in the alternative mode share relative to the Fall 2021 results (19.9%).

Stepping away from the most impactful times of the pandemic, on-campus Hospital staff have begun shifting back to alternative modes of transportation. In previous years where the pandemic had a pronounced impact on daily life, a continual shift was observed from alternative modes to single-occupancy vehicles. This change in behavior was attributed to reduced levels of transit service at the time and perceived health risks of public transportation. Further exacerbating these issues was the inability for staff to work remotely as they primarily occupy roles which require direct patient interface or otherwise require physical presence. Now that the pandemic is in a different phase, transit service levels have increased and safety concerns on public transit have reduced. However, this transition back to alternative modes of transportation is still ongoing and, as such, the Hospitals are excused from achieving, on schedule, the alternative mode share targets of this section of the Development Agreement.

Due to the pandemic-induced circumstances noted above and as allowed by the Development Agreement, Stanford Medicine has filed a Notice of Intent to Claim a Permitted Delay with the City which establishes that due to the ongoing COVID-19 pandemic the Hospitals are unable to meet the alternative mode share targets on schedule. The Hospitals expect that the period of permitted delay will extend through a period ending one year after the May 11, 2023 expiration of the United States Secretary of Health and Human Services' determination that a public health emergency exists due to the COVID-19 pandemic. This anticipated period of permitted delay accounts for an end to the current public health emergency, and the gradual return of commuter confidence in alternative transit. During this period, other related obligations would continue to be met, including but not limited to implementing an enhanced TDM program, monitoring progress toward meeting the alternative mode share targets, providing annual reports to the City, striving to maximize use of alternative commute modes by Hospital employees, and meeting with the City on a regular basis to identify potential improvements to the enhanced TDM program. Stanford Medicine has filed an application for an amendment to the Development Agreement to modify the alternative mode share target dates to account for the pandemic.

Stanford Medicine remains committed to increasing its alternative mode share, and enabling employees to travel safely to work using alternative modes.

LINKAGES

To further encourage use of Caltrain, bus, and other transit services, and to enhance and encourage use of pedestrian and bicycle connections between Stanford Medicine and downtown Palo Alto, Stanford Medicine has funded the following specific infrastructure improvements.

Section 5(d)(i). Intermodal Transit Fund

Stanford Medicine has provided to the City one lump sum payment of \$2.25 million for improvements to enhance the pedestrian and bicycle connection from the Palo Alto Intermodal Transit Center to the existing intersection of El Camino Real and Quarry Road. Up to \$2 million of this amount is to be used by the City for the development of an attractive, landscaped passive park/green space with a clearly marked and lighted pedestrian pathway, benches, and flower borders. Stanford Medicine paid the entire required

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

amount for the Intermodal Transit Fund on August 25, 2011. No further action is required by Stanford Medicine to comply with this Development Agreement provision. As required by Development Agreement Section 12(d), the City will provide yearly Supplements to the Annual Report to provide an accounting of the City's expenditures from this fund, and the purposes for which the expenditures were used.

In Summer 2017, prior to issuance of the first Hospital Occupancy Permit, the City completed a temporary path with associated lighting, landscaping / green space, benches, and flower borders from the transit center to the existing crosswalk at the intersection of El Camino Real and Quarry Road. Available funds remaining (approximately \$1.69 million) will be applied to the construction of permanent improvements in the future.

Section 5(d)(ii). Quarry Road Fund

Stanford Medicine has provided to the City one lump sum payment of \$400,000 for improvements to and within the public right-of-way to enhance the pedestrian and bicycle connection from the west side of El Camino Real to Welch Road along Quarry Road, including urban design elements and way finding, wider bicycle lanes, as necessary, on Quarry Road, enhanced transit nodes for bus and/or shuttle stops, and prominent bicycle facilities. Stanford Medicine paid the entire required amount for the Quarry Road Fund on August 25, 2011. No further action is required by Stanford Medicine to comply with this Development Agreement provision. As required by Development Agreement Section 12(d), the City will provide yearly Supplements to the Annual Report to provide an accounting of the City's expenditures from this fund, and the purposes for which the expenditures were used. The City was required to construct the improvements prior to issuance of the first Hospital Occupancy Permit, but as agreed to with Stanford Medicine, delayed implementation of these improvements until utility trenching to the Medical Center was complete. In late 2018, the City completed these improvements, including enhanced crosswalks and bicycle striping and signage.

Section 5(d)(iii). Stanford Barn Connection

Stanford Medicine agreed to construct up to \$700,000 of improvements to enhance the pedestrian connection between the Main Medical Campus and the Stanford Shopping Center from Welch Road to Vineyard Lane, in the area adjacent to the Stanford Barn prior to issuance of the first Hospital Occupancy permit. Construction of the improvements completed in November 2017, in advance of issuance of the first Hospital Occupancy permit. No further action is required by Stanford Medicine to comply with this Development Agreement provision.

INFRASTRUCTURE, SUSTAINABLE NEIGHBORHOODS AND COMMUNITIES, AND AFFORDABLE HOUSING

Section 5(e). Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing Fund

Stanford Medicine agreed to contribute a total amount of \$23.2 million toward City of Palo Alto infrastructure, sustainable neighborhoods and communities, and affordable housing. As required by the Development Agreement, this contribution has been made in three equal payments. The first payment, in the amount of \$7,733,333, was made on August 25, 2011; the second payment of \$7,733,333 was made on December 5, 2012, following the November 2012 issuance of the first Hospital foundation permit; and the final payment of \$7,733,333 was made on December 12, 2017, within 30 days from issuance of the

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

first Hospital occupancy permit. No further action is required by Stanford Medicine to comply with this Development Agreement provision. As required by Development Agreement Section 12(d), the City will provide yearly Supplements to the Annual Report to provide an accounting of the City's expenditures from this fund, and the purposes for which the expenditures were used.

The City will use \$1,720,488 of these funds in the same manner as funds collected under the City's housing fee ordinance.

CLIMATE CHANGE

Section 5(f). Climate Change Fund

Stanford Medicine agreed to contribute a total amount of \$12 million toward City projects and programs for a sustainable community, including programs identified in the City's Climate Action Plan, carbon credits, and investments in renewable energy and energy conservation. As required by the Development Agreement, this contribution has been made in three equal payments. The first payment, in the amount of \$4 million, was made on August 25, 2011; the second payment of \$4 million was made on December 5, 2012, following the November 2012 issuance of the first Hospital foundation permit; and the final payment of \$4 million was made on December 12, 2017, within 30 days from issuance of the first Hospital occupancy permit. No further action is required by Stanford Medicine to comply with this Development Agreement provision. As required by Development Agreement Section 12(d), the City will provide yearly Supplements to the Annual Report to provide an accounting of the City's expenditures from this fund, and the purposes for which the expenditures were used.

SATISFACTION OF CONDITIONS OF APPROVAL

Section 5(h). Satisfaction of All Conditions of Approval

Stanford Medicine will satisfy all Conditions of Approval by the dates and within the time periods required by the project approvals, subject to modifications allowed by the Development Agreement, and has taken several steps in order to ensure that this requirement is met (Section 5(h)). The Conditions of Approval encompass conditions imposed by the Architectural Review Board, mitigation measures enumerated in the Mitigation Monitoring and Reporting Program, and conditions attached to the Conditional Use Permit.

In order to implement, monitor, and report on the implementation of this diverse array of conditions, Stanford Medicine, with input from City planning staff, has created two Excel spreadsheet tracking and reporting tools. These spreadsheets serve as a centralized repository for compliance monitoring information and documentation, and are updated by the Stanford Medicine project teams on a regular basis, and reviewed by the City.

CONCLUSION

As the Renewal Project completes its twelfth year, Stanford Medicine looks forward to continued engagement with the City of Palo Alto as the project continues to progress.



Stanford University Medical Center (SUMC) Annual Reports

Prior Fiscal Year Annual Reports:

- Fiscal Year 2011-2012
<http://www.cityofpaloalto.org/civicax/filebank/documents/31976>
- Fiscal Year 2012-2013
<https://www.cityofpaloalto.org/civicax/filebank/documents/39991>
- Fiscal Year 2013-2014
<http://www.cityofpaloalto.org/civicax/filebank/documents/45631>
- Fiscal Year 2014-2015
<http://www.cityofpaloalto.org/civicax/filebank/documents/51645>
- Fiscal Year 2015-2016
<https://www.cityofpaloalto.org/civicax/filebank/documents/60896>
- Fiscal Year 2016-2017
<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=49142.31&BlobID=65285>
- Fiscal Years 2017-2018, 2018-2019, and 2019-2020
<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2021/11-november/20211101pccs-amended.pdf>
- Fiscal Year 2020-2021
<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220321/20220321pccsm-amended-linked-revised.pdf>
- Fiscal Year 2021-2022
<https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateId=1115>
April 17, 2023 City Council Consent Calendar Item 6

Health Care Benefits				
DA Section	Description	Summary	Activity	Complies?
5(a)(ii)	Fund for Healthcare Services	Financial assistance for Palo Alto residents	SUMC establishment of a \$3M fund that will grow to \$5.6M by December 31, 2025. Fund will be used in even increments over a ten-year period from 2026-2036 to assist Palo Alto residents who have self-payment responsibilities beyond their financial means, as described in Section 5(a)(ii).	Yes, complies – No activity required in FY 2022-2023. SUMC will commence activity in the Fund for Healthcare Services for 10 years from 2026 to 2036. This activity will be reported in the SUMC Annual Report for each fiscal year.
5(a)(iii)	Fund for Community Health and Safety Programs	\$4M fund for selected community health programs for Palo Alto residents	First and only payment of \$4M on August 25, 2011 to establish City fund. There were no expenditures from this fund during the reporting period FY 2022-2023.	Yes, complies - Fund activity and balances in FY 2022-2023 reported in Attachment E.
Fiscal Benefits				
DA Section	Description	Summary	Activity	Complies?
5(b)(i), (ii)	Payment of Sales and Use Taxes	Activities to maximize sales and use taxes paid to the City	SUMC contributes to General Fund Sales and Use Tax revenues via construction-related activities. The City reviews the Construction Sales & Use Tax Monitoring Report that is submitted by SUMC on June 30 of each year.	Yes, complies - SUMC timely submitted the Construction Sales & Use Tax Monitoring Report for the previous calendar year.

			<p>The City submits a letter to SUMC each year that notes local tax received from SUMC project activities for the year. Based upon the City's review of the annual Construction Sales and Use Tax Monitoring Report, revenues for calendar years 2011 through 2022 have totaled \$5,467,628.</p>	<p>The City sent their required response. This annual reporting assists in the process of ensuring that the City would receive no less than \$8.1M in construction sales and tax revenue by December 31, 2025. Section 5(b)(ii) of the Agreement discusses how SUMC and the City should address any surplus or shortfall in the amount of construction sales and use tax received by the City. Discussion and final reconciliation of any surplus or shortfall in the revenue amount that the City received would occur in and after August 2026. Given the annual decline in construction sales and use tax revenue since calendar year 2020 to present, it is possible that there might be a shortfall relative to the \$8.1 million required. In that case, SUMC would</p>
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				make a payment to relieve that shortfall in FY 2026-2027 from the Fund for Healthcare Services, as discussed under Development Agreement Section 5(a)(ii)
5(b)(iii)	Funding of Operating Deficit / Expansion Cost Mitigation	\$2.417M fund to assure City costs associated with the project do not exceed revenues resulting from construction and operation of the project.	Payment of \$2.417M on August 25, 2011 to establish fund. There were no expenditures from this fund during the reporting period FY 2022-2023.	Yes, complies -Fund activity and balances in FY 2022-2023 reported in Attachment E.
5(b)(iv)	Payment of Utility Users Tax	5% tax on all electricity, gas, and water charges on new construction	Utilities confirmed that billing accounts were created in past fiscal years when new meters were set for new construction, including NSH, NSH Garage, LPCH, and BMI, and the Utility Users Tax is paid through the normal billing process for each site.	Yes, complies.
5(b)(v)	School Fees	Payment of PAUSD fees for net new square footage	\$342,617 fee paid for LPCH and NSH expansion in 2012. \$7,051 fee paid for NSH and NSH Garage expansion in July 2013. \$16,119 fee paid for Hoover Medical Office	Yes, complies - SUMC made payments to PAUSD for all net new square footage for which school

			Building expansion in May 2014. \$461.16 fee paid to account for incremental square footage for the New Stanford Hospital Garage. Additional PAUSD school fees were paid in FY 2021-2022 for the Nursing Pod Extension project due to OSHPD requiring these payments prior to issuance of a construction shoring permit.	fees apply at the time permit receipt. Staff will reconfirm SUMC payment of PAUSD school fees for the Nursing Pod Extension project when the City issues this permit in a future fiscal year.
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Traffic Mitigation and Reduced Vehicle Trips				
DA Section	Description	Summary	Activity	Complies?
5(c)(ii)	Menlo Park Traffic Mitigation	\$3,699,000 payment for traffic mitigation, infrastructure, sustainable neighborhoods, affordable housing	First of three \$1.23M payments made on August 19, 2011. Second payment of \$1.23M made on December 5, 2012. Third and final payment of \$1.23M made on December 14, 2017, which was within 30 days from issuance of the first Hospital Occupancy Permit (LPCH).	Yes, complies - SUMC made all required payments to Menlo Park, including the last and final payment in FY 2017-2018.
5(c)(iii)	East Palo Alto Voluntary Mitigation	\$200K for roadway and signal improvements on University Ave.	\$200K payment made on August 19, 2011.	Yes, complies.

5(c)(iv)	Contributions to AC Transit	U-line capital improvements, low load factor ratios, parking spaces at Ardenwood Park & Ride	<p>\$250K payment made to AC Transit on January 5, 2018.</p> <p>SUMC is also invoiced by AC Transit for payments throughout the year that total over the \$50K per year discussed in the SUMC Development Agreement. Payments to AC Transit are required for the life of the project.</p> <p>Since May 2014 and until April 30, 2018, SUMC Parties leased a park-and-ride facility on Kaiser Drive near the Ardenwood Park & Ride. SUMC used an interim temporary facility through FY 2019-2020. In FY 2020-2021 and FY 2021-2022, and FY 2022-2023, SUMC leased 100 parking spaces in Newark (35263 Fircrest Drive).</p>	Yes, complies.
5(c)(v)	Opticom Payments	\$11,200 payment for Opticom traffic control system at 7 intersections	<p>\$11.2K payment made to the City in FY 2017-2018 within 30 days from issuance of the first Hospital Occupancy Permit (LPCH). As the City has upgraded systems, the City and SUMC agreed through a letter exchange that the payment could be used for the new coordinated prioritization signaling at City-maintained traffic signals.</p>	Yes, complies.

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

5(c)(vi)	Caltrain Go Passes	SUMC purchase of passes for all existing and new hospital employees working >20hrs/week	Go Passes have been purchased per the Development Agreement since January 1, 2012, including for FY 2022-2023.	Yes, complies.
5(c)(vii)	Marguerite Shuttle Service	Purchase of additional shuttles to meet demand	Since 2011, SUMC purchased additional shuttle buses for the Marguerite Shuttle service which now includes five renewable diesel-electric hybrid buses and 23 all-electric buses. Additional all-electric buses also came online in FY 2017-2018. Shuttles were running in FY 2022-2023.	Yes, complies.
5(c)(viii)	SUMC Transportation Demand Management (TDM) Coordinator	SUMC hires coordinator to promote alternative transportation options	TDM Coordinator was hired in March 2012. This position has since been elevated to a TDM Program Manager position and the position remains filled.	Yes, complies.
5(c)(ix)	Monitoring of TDM Programs	Yearly report regarding	The SUMC parties found that the alternative mode share milestone target of 33% outlined in SUMC DA Section 5(c)(ix) was not met for FY 2022-2023, nor was it above the	Yes, complies - SUMC timely submitted their annual Alternative Mode Share report for FY

		<p>alternative transit mode use</p>	<p>2018 milestone target of 30%. The FY 2022-2023 alternative mode share rate rose to 25.6% from 19.9% in FY 2021-2022.</p>	<p>2022-2023. A failure to meet the alternative mode share targets during a reporting period is not itself a default under the Agreement, as the Agreement outlines next steps if a target was not achieved, such as the payment of fees, and contains a Force Majeure clause. SUMC filed a Development Agreement amendment application on September 7, 2022. At the close of the FY 2022-2023 reporting period, SUMC's application was still under active review. Subsequently in FY 2023-2024, the SUMC Parties and City Council reached mutual agreement regarding an updated timeline for SUMC to meet the alternative mode share targets.</p>
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Linkages				
DA Section	Description	Summary	Activity	Complies?
5(d)(i)	Intermodal Transit Fund	\$2.25M payment to improve pedestrian linkages to PA Intermodal Transit Center	First and only payment of \$2.25M on August 25, 2011 to establish City fund. City constructed temporary improvements prior to the issuance of the first Hospital Occupancy Permit (LPCH) to serve the linkage goal and functional requirements. There were no expenditures from this fund during the reporting period FY 2022-2023.	Yes, complies -Fund activity and balances in FY 2022-2023 reported in Attachment E.
5(d)(ii)	Quarry Road Fund	\$400K payment to improve pedestrian linkages along Quarry Road	First and only payment of \$400K on August 25, 2011 to establish City fund. City constructed the improvements prior to the issuance of the first Hospital Occupancy Permit (LPCH) to serve the linkage goal and functional requirements.	Yes, complies - As of FY2019, there is no longer a fund balance in this category.
5(d)(iii)	Stanford Barn Connection	SUMC budgets up to \$700K for connections in the vicinity of barn	SUMC constructed the Stanford Barn Connection prior to the issuance of the first Hospital Occupancy Permit (LPCH) to serve the linkage goal and facilities are fully operational.	Yes, complies.

Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing				
DA Section	Description	Summary	Activity	Complies?
5(e)	Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing Fund	\$23.2M payment for these uses	<p>First of three \$7,733,333 payments made on August 19, 2011. Second payment of \$7,733,333 made on December 5, 2012. The third and final payment of \$7,733,333 made on December 12, 2017, which was within 30 days from issuance of the first Hospital Occupancy Permit (LPCH). There were no expenditures from this fund during the reporting period FY 2022-2023.</p> <p>Of the funds in the Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing Fund, \$1,720,488 was to be used for support of affordable housing. SUMC funding supported the Stevenson House project in FY 2013 and the remaining affordable housing funds were fully exhausted in FY 2020 to support the Wilton Court Housing Project.</p>	Yes, complies -Fund activity and balances in FY 2022-2023 reported in Attachment E.

Climate Change				
DA Section	Description	Summary	Activity	Complies?
5(f)	Climate Change – Sustainability Programs Benefit Fund	\$12M payment for climate change-related projects and programs	First of three \$4M payments made on August 19, 2011. Second payment of \$4M made on December 5, 2012. The third and final payment of \$4M made on December 12, 2017, which was within 30 days from issuance of the first Hospital Occupancy Permit (LPCH). There were expenditures from this fund during the reporting period FY 2022-2023.	Yes, complies -Fund activity and balances in FY 2022-2023 reported in Attachment E.

Stanford University Medical Center (SUMC) **FY 2022-2023 Construction Activities and Net New Square Footage Summary**

Overall, at the Main SUMC site, SUMC is entitled to construct and use up to 3,534,090 total square feet of hospital/clinic and research buildings, as well as associated facilities and infrastructure improvements, including up to 1,265,272 net new square feet. Overall, at the Hoover Pavilion site, SUMC is entitled to construct and use up to 153,343 total square feet of medical office/clinic buildings, as well as associated facilities, including up to 46,169 net new square feet of medical/office buildings.

SUMC Construction Activities FY 2022-2023

SUMC did not add any new square footage in FY 2022-2023, but continued to remove square footage from occupancy in portions of the 1959 Stone Complex. Whereas SUMC had removed 18,472 square feet from occupancy by FY 2021-2022, the total removed from occupancy is 22,614 square feet by FY 2022-2023. This suspension of use provides a temporary option to prevent exceedance of the total occupied square footage allowed in their entitlements. While not triggered in the FY 2022-2023 monitoring period, there are provisions in the SUMC entitlements to have a three-year period (or up to five years with Planning Director approval) whereby SUMC is allowed to exceed the total occupied existing and net new building square footage. This provision is important for ensuring that SUMC can maintain existing operations while also efficiently transfer new uses, equipment, and operations over to the new facilities.

Past SUMC Construction Activities

A total of approximately 133,731 square feet of floor area was previously demolished at the Stanford Hospital, Lucile Packard Children's Hospital (LPCH), and Hoover Pavilion sites.

New floor area across the SUMC sites reported in previous Fiscal Years include the following:

- The new Neuroscience Health Center at the Hoover Pavilion site represents 91,605 new square feet.
- Lucile Packard Children's Hospital (LPCH) Expansion added 446,088 new square feet.
- The New Stanford Hospital (NSH) garage added 29,744 new square feet. The NSH project added 689,522 new square feet. These two new buildings therefore represent 719,266 new square feet for NSH.
- The School of Medicine (SOM) added 196,921 square feet through completion of the Biomedical Innovation Building (BMI).

SUMC Net New Square Footage Summary

As reported in the SUMC Annual Report FY 2022-2023 (Attachment A), the following table summarizes the net new square footage for which a certificate of occupancy has been issued.

PROJECT COMPONENT	GROSS SQUARE FOOTAGE
STANFORD HEALTH CARE	
1101 Welch demolished	(40,100)
500 Pasteur	719,266
Total	679,166
LUCILE PACKARD CHILDREN'S HOSPITAL EXPANSION	
701 Welch demolished	(56,300)
703 Welch demolished	(23,500)
Lucile Packard Children's Hospital Expansion	446,088
Total	366,288
SCHOOL OF MEDICINE	
BioMedical Innovations building	196,921
Partial decant of Boswell, Grant, Alway, Lane, Edwards	(22,614)
Total	174,307
HOOVER PAVILION	
Miscellaneous shops and storage demolished	(13,831)
Stanford Neuroscience Health Center (Hoover MOB)	91,605
Total	77,774



Supplement to the Annual Report

Fiscal Year 2022-2023

Prepared by the City of Palo Alto

February 8, 2024

Background and Purpose

On June 6, 2011, the Council approved Comprehensive Plan amendments, zoning changes, a conditional use permit, SUMC design guidelines, annexation, and architectural review applications for the Stanford University Medical Center Facilities Renewal and Replacement Project (the “Projects”). The Projects include the construction of the new Stanford Hospital and Clinics buildings, an expansion of the Lucile Packard Children’s Hospital (LPCH), construction of new School of Medicine (SOM) buildings, renovation of the existing Hoover Pavilion, construction of a new medical office building and parking garage at Hoover Pavilion, and roadway improvements along Welch Road and Durand Way. The SUMC Development Agreement vesting these approvals became effective on June 6, 2011 and continues for thirty (30) years from the effective date.

Per the requirements of Sections 12(a) and 12(d) of the Agreement, the City of Palo Alto is to prepare a Supplement to the Annual Report. This Supplement is to contain an accounting of the funds received from SUMC, including:

- a description of the account balances for each of the funds maintained by the City under Section 5 of the Agreement;
- the expenditures from each of the funds; and
- the purposes for which the expenditures were used.

Fund Accounting

This SUMC Annual Report Supplement covers the period during the 12th year of the Agreement: June 6, 2022 through June 6, 2023. Accounting for the funds outlined extends through the end of the City’s FY 2022-2023.

The specific fund accounts reported in this Supplement are consistent with Section 5 and Sections 12(a), 12(c), and 12(d) of the Agreement. Each fund has been assigned a unique cost center number for accounting purposes. Along with expenditures, this Supplement also shows investment earnings and the allocation of earnings across funds.

In summary, SUMC has paid approximately \$44.3 million in public benefit fees to the City since June 6, 2011 through the FY 2022-2023 reporting period. There were no required new payments from the SUMC Parties during the FY 2022-2023 reporting period.

The first payment of \$20,800,333 on August 11, 2011 was for the following funds:

- Fund for Community Health and Safety Programs, Project Safety Net (Section 5(a)(iii));
- Fund for Expansion Cost Mitigation (Section 5(b)(iii));
- Fund for Pedestrian and Bicycle Connections from Intermodal Transit Center to El Camino Real/Quarry Road Intersection (Section 5(d)(i));
- Fund for Public Right of Way Improvements to Enhance Pedestrian and Bicycle Connections on Quarry Road (Section 5(d)(ii));
- Fund for Infrastructure, Sustainable Neighborhoods and Communities and Affordable Housing (Section 5(e)), and
- Fund for Climate Change - Sustainable Programs Benefit (Section 5(f)(i)).

The second payment of \$11,733,333 payment on December 5, 2012 was for the following funds:

- Fund for Infrastructure, Sustainable Neighborhoods and Communities and Affordable Housing (Section 5(e)) and
- Fund for Climate Change - Sustainable Programs Benefit (Section 5(f)(i)).

The third payment and final payment of \$11,744,533 on December 12, 2017 was for the following funds:

- Fund for Infrastructure, Sustainable Neighborhoods and Communities and Affordable Housing (Section 5(e));
- Fund for Climate Change -Sustainable Programs Benefit (Section 5(f)(i)); and
- Fund for Community Health and Safety, Project Safety Net (Section 5(a)(iii)).

Fund Expenditures

Regarding use of SUMC funds during the Fiscal Year 2022-2023 reporting period, the City authorized the following transfer:

- \$2,400,000 under the “Climate Change and Sustainability” fund for Bicycle and Pedestrian Transportation Plan Implementation (PL-04010).

Agreement Section 5(a)(iii) requires that a joint committee make annual recommendations to the City Council regarding proposed disbursements from the Community Health and Safety Program Fund, and the City Council may use reasonable discretion to accept, reject, or modify these recommendations. The joint committee includes SUMC representatives and City staff from the City Manager’s Office, Office of Transportation, Administrative Services, and Public Works departments. Projects using Community Health and Safety funds must gain mutual support from members of the joint committee and approval from the City Council. The joint committee met in FY 2022-2023 and supported use of the Community Health and Safety funds toward the City’s

Psychiatric Emergency Response Team (PERT). Given that PERT was currently funded by a Santa Clara County grant through June 2023, no Community Health and Safety funds were disbursed in the FY 2022-2023 reporting period.

The Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing Fund contained an original contribution of \$1,720,488 for support of affordable housing. SUMC funding supported the Stevenson House project in FY 2013 and the remaining affordable housing funds were fully exhausted in FY 2020 to support the Wilton Court Housing Project.

City of Palo Alto

Stanford Medical Center Development Agreement (Fund 260)

Fiscal Year Ended June 30, 2023

AUDITED BALANCES

	Expansion Cost Mitigation	Intermodal Transit	Quarry Road Improvements	Infrastructure & Afford Housing	Climate Change & Sustainability	Community Health & Safety	Total FY 2023 Actuals	FY 2023 Budget
cost centers	26000000	60260010	60260020	60260030	60260040	80260010		
Beginnig Fund Balances, 7/1/2022	1,720,190	1,172,897	-	8,244,724	2,702,007	1,081,756	14,921,573	
Revenues:								
Revenues From Stanford	-	-	-	-	-	-	-	-
Investment Earnings / Unrealized gain (loss)	154,668						154,668	275,300
Allocate to categories	(154,668)						(154,668)	
Allocated Investment Earnings	21,248	14,488	-	101,840	3,730	13,362	154,668	-
Total Revenues	21,248	14,488	-	101,840	3,730	13,362	154,668	275,300
Expenditures:								
Transfer to Capital Projects		-			(2,400,000)		(2,400,000)	(2,400,000)
Total Expenditures	-	-	-	-	(2,400,000)	-	(2,400,000)	(2,400,000)
FY 2023 Revenues less Exp	21,248	14,488	-	101,840	(2,396,270)	13,362	(2,245,332)	(2,124,700)
Ending Fund Balances, 6/30/2023	1,741,438	1,187,384	-	8,346,564	305,737	1,095,118	12,676,241	

Past and Future Use of Funds

The SUMC funds received by the City are utilized for Operations, as well as support implementation of the City's Capital Infrastructure Plan. For additional information about the recent past, current, and future use of SUMC funds, please refer to the following:

- Fiscal Year 2023 Adopted Operating Budget document, Special Revenue Funds section;
- Fiscal Year 2023 Adopted Capital Improvement Budget document;
- Fiscal Year 2024 Adopted Operating Budget Document, Special Revenue Funds section; and the
- Fiscal Year 2024 Capital Improvement Budget document.¹

As outlined above, the SUMC Parties have already paid approximately \$44.3 million in public benefit fees to the City since June 6, 2011 through the FY 2022-2023 reporting period. Future fund contributions are not anticipated at this time. However, the City is to receive no less than \$8.1 million in Construction Sales & Use Tax revenue by December 31, 2025. Revenues for calendar years 2011 through 2022 have totaled \$5,467,628. Section 5(b)(ii) of the Agreement discusses how SUMC and the City should address any surplus or shortfall in the amount of construction sales and use tax received by the City. Discussion and final reconciliation of any surplus or shortfall in the revenue amount that the City received would occur in and after August 2026. Given the annual decline in construction sales and use tax revenue since calendar year 2020 to present, it is possible that there might be a shortfall relative to the \$8.1 million required. In that case, SUMC would make a payment to relieve that shortfall in FY 2026-2027 from the Fund for Healthcare Services, as discussed under Development Agreement Section 5(a)(ii). After this reconciliation, SUMC would commence activity in the Fund for Healthcare Services for 10 years from 2026 to 2036. This activity would be reported in the SUMC Annual Report for each fiscal year.

¹ Fiscal Year 2023 Adopted Operating Budget document, Special Revenue Funds section:
https://www.cityofpaloalto.org/files/assets/public/v/1/administrative-services/city-budgets/fy-2023-city-budget/adopted-fy23/operating-budget_final-4.pdf.

Fiscal Year 2023 Adopted Capital Improvement Budget document:
https://www.cityofpaloalto.org/files/assets/public/v/1/administrative-services/city-budgets/fy-2023-city-budget/adopted-fy23/operating-budget_final-4.pdf.

Fiscal Year 2024 Adopted Operating Budget Document, Special Revenue Funds section:
<https://www.cityofpaloalto.org/files/assets/public/v/1/administrative-services/city-budgets/fy-2024-city-budget/adopted/fy-24-palo-alto-adopted-operating-budget-book.pdf>.

Fiscal Year 2024 Capital Improvement Budget document:
<https://www.cityofpaloalto.org/files/assets/public/v/1/administrative-services/city-budgets/fy-2024-city-budget/adopted/palo-alto-adopted-capital-budget-book.pdf>.