



City of Palo Alto City Council Staff Report

(ID # 11987)

Report Type: Consent Calendar

Meeting Date: 11/1/2021

Title: Accept the Stanford University Medical Center (SUMC) Annual Report for Fiscal Years 2017-2018, 2018-2019 and 2019-2020 and Find the SUMC Parties in Compliance With the Development Agreement

From: City Manager

Lead Department: Planning and Development Services

Recommendation

Staff recommends that the City Council:

1. Review the Stanford University Medical Center (SUMC) Annual Reports for Fiscal Years 2018 through 2020, 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 Development Agreement;
2. Find that the SUMC Parties are not in default with the terms and conditions of the Agreement; 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 C).

Executive Summary

The City Council is required to review the SUMC Development Agreement (the "Agreement") to ascertain compliance with the terms of the Agreement. The Agreement is between Stanford Hospital and Clinics, Lucile Packard Children's Hospital, and Stanford University (SUMC Parties) and the City of Palo Alto.

The SUMC Parties submitted Annual Reports for Fiscal Year 2018, Fiscal Year 2019, and Fiscal Year 2020 that summarize the construction activities and other actions taken to fulfill the Agreement obligations. The SUMC Parties have paid approximately \$44.3 million in public benefit fees to the City since June 6, 2011 through the FY 2020 reporting period. City Council reviewed and approved use of the funds contributed by SUMC for a wide variety of capital projects.

Background

On June 6, 2011, the City Council approved Comprehensive Plan amendments, zoning changes, a conditional use permit, annexation and design applications for the Stanford University Medical Center Facilities Renewal and Replacement Project (the “Projects”). The Projects include the construction of a 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, roadway improvements along Welch Road and Durand Way, and SUMC design guidelines. A Development Agreement (the “Agreement”) vesting these approvals was deemed effective on June 6, 2011 and continues for thirty (30) years from the effective date.

This report covers activities by the SUMC Parties for FY 2018, FY 2019, and FY 2020, which are the seventh, eighth, and ninth years of the Agreement. The last annual report prepared was for Fiscal Year 2016-2017.¹ Previous annual reports and compliance documentation can be found in Attachment D. The Agreement specifies that the City annually review the parties’ compliance. Due to staffing issues and conflicting priorities on the City’s part, this report reflects a multiyear review. Staff has taken steps needed to return to annual reporting for the City Council.

Discussion

Development Agreement Section 12, “Periodic Review of Compliance,” requires City Council to ascertain SUMC Parties’ compliance with the terms of the Agreement. The discussion items below 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 Reports for FY 2018, FY 2019, and FY 2020 (Attachment A) describe 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 staff-confirmed compliance status (Attachment B).

Development Agreement Section 12 also includes the requirement for demonstration of good faith compliance with the Agreement. Toward this end, SUMC has timely submitted all the

¹ City Council Report, 06/11/2018 (SUMC Annual Report, Fiscal Year 2016-2017):
<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=49142.31&BlobID=65285>

reports required of the SUMC Parties for FY 2018 through FY 2020. In this timeframe, City staff and SUMC have also prioritized:

- Work in the field to help accelerate the ability of the Hospitals and other SUMC buildings to receive occupancy approvals,
- Processing of applications that increase site improvement operational performance,
- Rapid processing of SUMC applications pertaining to COVID-19 pandemic response, and
- Maintaining all records necessary to complete the City's obligations for the annual review.

Construction Activities and Net New Square Footage

Detailed information on SUMC construction activities for FY 2018, FY 2019, and FY 2020 can be found in the SUMC Annual Reports (Attachment A).

To summarize construction activities during these years:

- In FY 2018, the Lucile Packard Children's Hospital (LPCH) Expansion project opened for patient care in late 2017.
- In FY 2019, no new buildings gained occupancy, but construction continued on the New Stanford Hospital Garage, New Stanford Hospital, and the School of Medicine Biomedical Innovations Building.
- In FY 2020:
 - The New Stanford Hospital Garage opened for administrative uses, parking and circulation operation, and
 - The New Stanford Hospital opened for patient care in late 2019.

A total of approximately 133,731 square feet of floor area was previously demolished at the Stanford Hospital, Lucile Packard Children's Hospital, and Hoover Pavilion sites. 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 New Stanford Hospital (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) Biomedical Innovation Building (BMI) received a temporary certificate of occupancy in November 2019, during FY 2020. However, final inspection approval by the City did not occur during FY 2020. Therefore, inclusion of the SOM BMI net floor area in the Annual Report tracking will occur in a future fiscal year.

City staff reviewed the information in the SUMC Annual Reports regarding construction activities and net new square footage. Staff determined that they are complete and correct,

with the exception of a minor typo in the table in Attachment A reporting 719,261 new square feet for New Stanford Hospital Garage and New Stanford Hospital, which is five square feet less than what is officially documented as 719,266 new square feet in the permit plans. This will be corrected in the FY 2021 SUMC Annual Report.

Traffic Mitigation and Reduced Vehicle Trips

The SUMC Parties have made substantial progress in meeting the traffic and alternative transportation obligations of the Agreement. Specifically, they have accomplished the following:

- Annually purchasing Caltrain Go Passes for all eligible employees as of January 1, 2012, which was three years ahead of the September 1, 2015 requirement in the Agreement;
- Previously purchasing shuttle buses for the Marguerite Shuttle service, as well as ongoing annual payments to cover the net increase in operating costs for the Marguerite Shuttle service;
- Providing annual payment to AC Transit to maintain a load factor of less than 1.0 on the U-Line;
- Hiring and maintaining a Transportation Demand Management (TDM) coordinator position since March 13, 2012, three years ahead of the September 1, 2015 requirement as stated in the Agreement, and subsequently elevating the position to a TDM Program Manager position, and
- Maintaining a rate of over 33.8% of employees using an alternative mode to get to work instead of driving alone in FY 2018 and FY 2019.

The alternative mode share rate of 38.1% in FY 2018 and 33.8% in FY 2019 exceeds the alternative mode share target for 2018 of 30.0% and 2021 target of 33.0%. Pedestrian, bicycle, and transit linkage improvement projects were implemented during this time. Staff anticipates the SUMC Parties will be able to meet or exceed the alternative mode share targets for 2021 (33.0%) and 2025 (35.1%) after all shelter-in-place restrictions and other pandemic-related commuting factors lift for the majority of SUMC employees.

On March 27, 2020, the City conditionally approved a one-year delay in the submittal of two reports; the FY 2020 Alternative Mode Share Report and Mitigation Measure TR 2.3 Enhanced Stanford University Transportation Demand Management Program (TDM) report. Conditional approval of this delay is consistent with the procedures in Section 6(p) of the Stanford University Medical Center (SUMC) Development Agreement and no additional environmental review was required. The reasons for the conditional approval included:

1. The SUMC Parties have attained mode share targets in past reporting years;
2. Stanford collects key performance information for the SUMC Alternative Mode Share Report via a survey regularly administered in the April/May timeframe. Staff anticipated the survey responses in April/May 2020 would not reflect normal SUMC staff operations due to the shelter-in-place directives, hospital surge efforts, and other atypical commute and working parameters associated with the COVID-19 pandemic; and

3. The FY 2019-2020 reporting year was not a milestone target year identified in the SUMC Development Agreement Section 5(c)(ix).

The SUMC Parties maintained all TDM requirements in FY 2020 until Santa Clara County issued COVID-19 pandemic shelter-in-place orders in March 2020. The SUMC Parties and City staff will continue to monitor the TDM program throughout the term of the Agreement and will continue reporting to City Council.

Construction Sales and Use Tax Monitoring Report

SUMC submitted the annual Construction Sales & Use Tax Monitoring Report on June 30 of 2018, 2019, and 2020 for the previous calendar year. The City Auditor sent their required response for each year. Based upon the City Auditor's review of the annual Construction Sales and Use Tax Monitoring Report submitted by SUMC, revenues for calendar years 2011 through 2019 have totaled \$5,256,026. The City Auditor submitted a letter to Stanford Medicine noting that this amount was \$10,216 less than what was listed by SUMC. Reconciliation that ensures that the City would receive no less than \$8.1M in construction sales and tax revenue by December 31, 2025 would occur starting in August 2026.

Supplement to the Annual Report

Section 12 requires the City to prepare a Supplement to the Annual Report. The Supplement is to include an accounting of the funds received from the SUMC Parties to satisfy the obligations outlined in Section 5 of the Agreement, a description of the account balances, and a summary and description of expenditures from the funds for each Fiscal Year (Attachment C). Section 12 of the Agreement mentions 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 in order to demonstrate good faith in implementing the Agreement.

The SUMC Parties have already paid the City approximately \$44.3 million in public benefit fees since June 6, 2011 through the FY 2020 reporting period. This sum includes the approximately \$11.7 million third and final payment by SUMC during the FY 2018 reporting period.

Regarding fund usage during the FY 2018, FY 2019, and FY 2020 reporting periods, the City authorized transfers for the following:

- In FY 2018, the remaining \$4,966 balance for "Quarry Road Improvements" was transferred for Quarry Road Improvements and Transit Center Access (PL-16000).
- In FY 2018, \$545,034 under "Intermodal Transit Center" was transferred for Quarry Road Improvements and Transit Center Access (PL-16000), including enhancements to the pedestrian and bicycle connection from the west side of El Camino Real to Welch Road, urban design elements, and wider bicycle lanes in the public right-of-way.

- In FY 2018, \$5,200,000 under “Climate Change & Sustainability” was transferred for the implementation of the Bicycle and Pedestrian Plan-Implementation Project (PL-04010).
- In FY 2019, \$11,200 under “Community and Health Safety” was transferred to pilot traffic signal preemption for emergency vehicles (PL-19000). This funding was received in FY 2018 as part of Opticom Payments discussed in Section 5(c)(v) of the Development Agreement and placed in the “Community Health & Safety” cost center. As the City has upgraded systems, the City and SUMC agreed through a letter exchange that the \$11,200 payment could be used for the new coordinated prioritization signaling at City-maintained traffic signals.
- In FY 2020, \$900,000 under “Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing” was transferred for the new Public Safety Building (PE-15001).

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.

Future Use of Development Agreement Funds

The funds received by the City as a result of the SUMC Development Agreement represent funding for Operations and a significant portion of funding for implementation of the City’s Capital Infrastructure Plan. For additional information about the recent past, current, and future use of Agreement funds, please refer to the following:

- Fiscal Year 2021 Adopted Operating Budget document, Special Revenue Funds section:
 - <https://www.cityofpaloalto.org/civicax/filebank/documents/79371>
- Fiscal Year 2021 Adopted Capital Improvement Budget document:
 - <https://www.cityofpaloalto.org/civicax/filebank/documents/78470>
- City Council Report 11877: Community and Economic Recovery Plan, including amendments to the FY 2021 Capital Improvement Plan:
 - <https://www.cityofpaloalto.org/civicax/filebank/documents/79901>
- Fiscal Year 2022 Adopted Operating Budget document, Special Revenue Funds section:
 - https://www.cityofpaloalto.org/files/assets/public/administrative-services/city-budgets/fy-2022-city-budget/adopted-budgets/operating-budget_web.pdf; and
- Fiscal Year 2022 Adopted Capital Improvement Budget document:
 - <https://www.cityofpaloalto.org/files/assets/public/administrative-services/city-budgets/fy-2022-city-budget/adopted-budgets/capital-budget-book-web.pdf>.

Resource Impact

There are no impacts to the City’s budget resulting from this review of the SUMC Annual Reports for FY 2018, FY 2019, and FY 2020. As stated 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 2020 reporting period. Future fund contributions are not anticipated.

Policy Implications

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

Environmental Review

Finding the SUMC Parties in compliance with the Terms of 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:

- **Attachment9.a:** Attachment A-1: SUMC Annual Report Fiscal Year 2017-2018
- Attachment9.b: Attachment A-2: SUMC Annual Report Fiscal Year 2018-2019
- Attachment9.c: Attachment A-3: SUMC Annual Report Fiscal Year 2019-2020
- Attachment9.d: Attachment B: SUMC Development Agreement, Section 5 - SUMC Parties' Promises
- Attachment9.e: Attachment C-1: Fiscal Year 2017-2018 Supplement
- Attachment9.f: Attachment C-2: Fiscal Year 2018-2019 Supplement
- Attachment9.g: Attachment C-3: Fiscal Year 2019-2020 Supplement
- Attachment9.h: Attachment D: Weblinks to Prior SUMC Annual Reports



2017-18 ANNUAL REPORT

PREPARED FOR THE CITY OF PALO ALTO | JULY 6, 2018

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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—holds the potential to transform the way that healthcare is delivered and research is conducted.

Today, seven years after the execution of the Development Agreement, the Lucile Packard Children’s Hospital Expansion is now open for patient care, and the new Stanford Hospital is anticipated to open for patient care in late 2019. Meanwhile, the School of Medicine has begun the first phase of development of its replacement facilities.

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 will enable 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.



2017-2018 SUMMARY OF PROGRESS

The Renewal Project continues to progress, with a major milestone reached in late 2017 with the opening of the Lucile Packard Children's Hospital Expansion. The New Stanford Hospital continues to progress, and construction of the first new School of Medicine facility has begun. 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 has opened an expanded facility. The new hospital expansion, located adjacent to the current Packard Children's Hospital, 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 Packard Children's expansion 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.

Significant construction progress was made on the LPCH expansion project throughout 2017, and on December 4, 2017 the new facility received its license from the State Department of Public Health; this constituted issuance of an occupancy permit for purposes of the Development Agreement. On December 9, 2017, the Packard Children's expansion opened for patient care, and more than 90 pediatric patients were moved from the existing Hospital to the new facility. Certain areas of the new Hospital remain under construction, including the surgical suites (scheduled to open Summer 2018), the Bass Center for Childhood Cancer and Blood Diseases on the 5th floor, and the Betty Irene Moore Children's Outpatient Heart Center on the 1st floor (both anticipated to complete in Fall 2019). In addition, certain exterior site work is ongoing, including the installation of final landscaping and paving; this work is scheduled to complete in Fall 2018.



2017-2018 SUMMARY OF PROGRESS

NEW STANFORD HOSPITAL

Stanford Health Care is constructing new and replacement hospital facilities that will 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.

The New Stanford Hospital will substantially increase capacity, and will also address a rapidly advancing medical landscape. High-tech spaces such as Surgery, Radiology, and Intensive Care will be replaced to accommodate the latest advances in medical technology, while still retaining the flexibility to adapt to future innovations. Facilities will feature new patient rooms, an enlarged Level-1 trauma center and Emergency Department, and new surgical, diagnostic, and treatment rooms. And foremost, the new facility will create a healing environment responsive to the needs of patients, visitors, and staff. Upper-level pavilions will feature light-filled patient rooms, and a mid-level garden floor will offer dining, conference, and educational facilities, as well as social and spiritual support spaces.

Substantial progress has been made on the New Stanford Hospital project over the past year. The exterior enclosure for the Hospital is complete, and interior finish construction is progressing, with installation of drywall, ceilings, tile flooring, and light fixtures underway. Kitchen equipment is being delivered and installed, and medical equipment delivery is in its early stages. Outside the Hospital, site work continues, with installation of underground utilities in the vicinity of the entry plaza underway, and site improvement work on North Pasteur progressing. Meanwhile, at the adjacent New Stanford Hospital Garage, interior construction of the rooftop pavilions and the rooftop landscape installation is nearly complete. A temporary Certificate of Occupancy issued by the City in 2014 allows for contractor parking while construction continues.



2017-2018 SUMMARY OF PROGRESS

SCHOOL OF MEDICINE

The Stanford University School of Medicine will replace its outmoded research buildings in the City of Palo Alto with new state-of-the-art facilities designed to support contemporary fundamental and translational research. The new facilities will accommodate 21st century biomedical research leading to advancements in medical sciences, new discoveries and medical innovations, ultimately enhancing human health. The new buildings will feature integrated laboratory suites, with easier access between labs and support facilities, enabling transparency, flexibility, and collaboration. The new facilities will be surrounded by landscaped areas and tree-lined walkways.

The first phase of School of Medicine development (BioMedical Innovations Building 1, or “BMI-1”) is now underway, following City building permit issuance in December 2017. Excavation for the basement level and tunnel connection to the existing network of School of Medicine tunnels has completed, foundations have been poured, and structural steel erection is progressing. Meanwhile, offsite utilities work associated with the project is also underway, with trenching for high-voltage power from the City of Palo Alto electrical substation on Quarry Road to the project site occurring in phases through Summer 2018.



2017-2018 SUMMARY OF PROGRESS

NET NEW SQUARE FOOTAGE

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

PROJECT COMPONENT	GROSS SQUARE FOOTAGE
NEW STANFORD HOSPITAL	
1101 Welch demolished	(40,100)
Total	(40,100)
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	
None	0
HOOVER PAVILION	
Misc. shops and storage demolished	(13,831)
Stanford Neuroscience Health Center (Hoover MOB)	91,605
Total	77,774

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

This section of the Annual Report summarizes the steps that Stanford Medicine has taken to comply with their 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 will 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. 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

PALO ALTO FISCAL BENEFITS

The Stanford Medicine Renewal Project brings considerable fiscal benefits to the City of Palo Alto. The project is 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.

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, 2018. 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 2017 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. Copies of permits and licenses are attached to the 2017 monitoring report.
- 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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.

Section 5(b)(v). School Fees

Stanford Medicine will pay to the City—who 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.



COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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. Already, 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.

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 alternative transportation mode goals specified in the Development Agreement by 2025 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.



COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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:

- 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 have commenced 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)). From May 2014 to April 30, 2018, a 100-space park-and-ride facility on Kaiser Drive at Campus Drive in Fremont (0.9 mile from Ardenwood Park & Ride) was under lease for the use of Stanford University and Hospital commuters, thus satisfying this requirement ahead of schedule. On March 27, 2018, Stanford was provided with 30-days' notice to vacate the facility, and immediately commenced a search for replacement parking facilities. An equivalent temporary East Bay park and ride solution has been secured in the vicinity of Ardenwood, and is already in use by SUMC commuters from the East Bay. The Hospitals are currently in the process of securing a long-term location.

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 has determined that Opticom systems are outdated, and proposes 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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. Further details regarding the GO Pass purchase can be found in the Alternative Mode Share report, which was submitted to the City on May 31, 2018.

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 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 (TDM Program Manager) is responsible for analyzing, developing, and implementing programs to advance the Hospitals' TDM objectives. Specifically, the position supports the Hospitals' TDM program by 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.

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 payments to be made in the event that such targets are not met during particular time periods. Stanford Medicine submitted its 2018 Alternative Mode Share Report to the City on May 31, 2018; this report shows an alternative mode split of 38.1% for the Hospitals. This mode split exceeds the Alternative Mode Share target for 2025.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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 or will fund 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 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 is required to construct the improvements prior to issuance of the first Hospital Occupancy Permit, currently anticipated to be issued in late 2017.

The City has developed a design for bicycle enhancements along Quarry Road, but as agreed to with Stanford Medicine, is delaying implementation of these improvements until planned utility trenching to the Medical Center (currently underway) is complete.

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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

INFRASTRUCTURE, SUSTAINABLE NEIGHBORHOODS AND COMMUNITIES, AND AFFORDABLE HOUSING

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

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 first Hospital occupancy permit. 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. 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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.

Note that, as authorized by Development Agreement Section 6(p), the Lucile Packard Children's Hospital requested changes in timing of performance for three Conditions of Approval otherwise required to be complete prior to Hospital occupancy; these requests were conditionally approved by the City, and the three affected Conditions are anticipated to be satisfied no later than December 21, 2018, as agreed to by the City and the SUMC Parties.



CONCLUSION

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





2018-19 ANNUAL REPORT

PREPARED FOR THE CITY OF PALO ALTO | JULY 5, 2019

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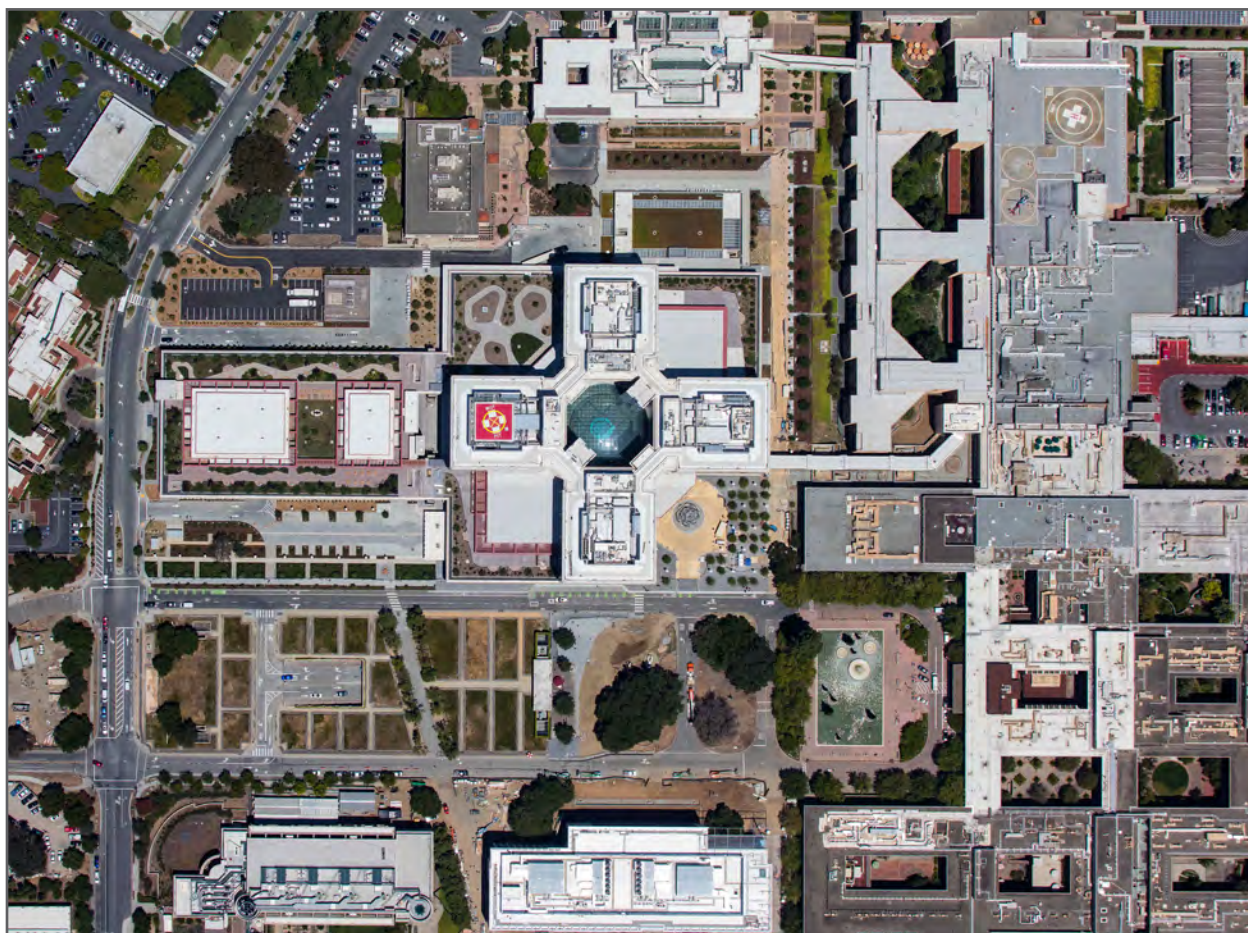
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EXECUTIVE SUMMARY

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—holds the potential to transform the way that healthcare is delivered and research is conducted.

Today, eight years after the execution of the Development Agreement, the Lucile Packard Children’s Hospital Expansion is now open for patient care, and the new Stanford Hospital is anticipated to open for patient care in late 2019. Meanwhile, the School of Medicine has begun the first phase of development of its replacement facilities, with its BioMedical Innovations building anticipated to be complete in Fall 2019.

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 will enable 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.



2018-2019 SUMMARY OF PROGRESS

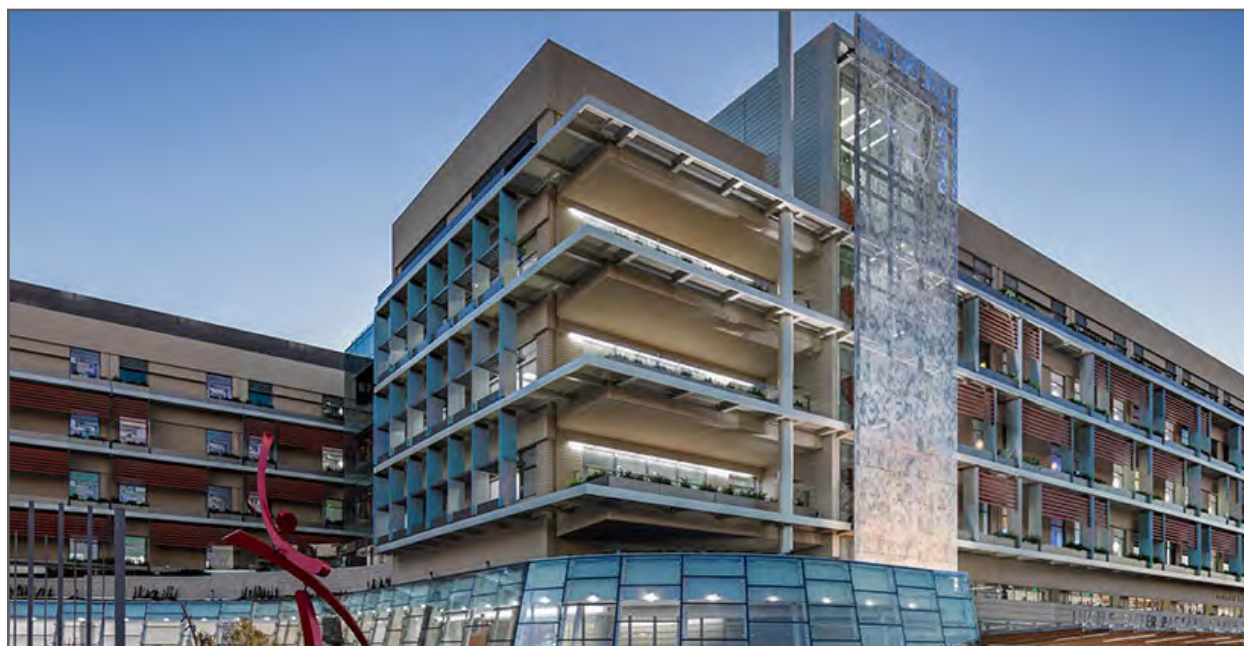
The Renewal Project continues to progress, with a major milestone reached in late 2017 with the opening of the Lucile Packard Children's Hospital Expansion. The New Stanford Hospital is nearing completion, and construction of the first new School of Medicine facility is also nearing completion. The section 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 hospital, located adjacent to the preexisting Packard Children's Hospital, 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 Packard Children's expansion 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.

In December 2017 the new facility received its license from the State Department of Public Health; this constituted issuance of an occupancy permit for purposes of the Development Agreement. Certain areas of the new Hospital remain under construction, including the Bass Center for Childhood Cancer and Blood Diseases on the 5th floor, and the Betty Irene Moore Children's Outpatient Heart Center on the 1st floor (both anticipated to complete in Fall 2019).



2018-2019 SUMMARY OF PROGRESS

NEW STANFORD HOSPITAL

Stanford Health Care is constructing new and replacement hospital facilities that will 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.

The New Stanford Hospital will substantially increase capacity, and will also address a rapidly advancing medical landscape. High-tech spaces such as Surgery, Radiology, and Intensive Care will be replaced to accommodate the latest advances in medical technology, while still retaining the flexibility to adapt to future innovations. Facilities will feature new patient rooms, an enlarged Level-1 trauma center and Emergency Department, and new surgical, diagnostic, and treatment rooms. And foremost, the new facility will create a healing environment responsive to the needs of patients, visitors, and staff. Upper-level pavilions will feature light-filled patient rooms, and a mid-level garden floor will offer dining, conference, and educational facilities, as well as social and spiritual support spaces.

Substantial progress has been made on the New Stanford Hospital project over the past year. Interior finish work is underway, including painting and flooring and lighting installation. Furniture installation has now begun as well, including patient beds and lounge seating; medical equipment installation is also in progress. Outside the Hospital, landscaping work is nearing completion, and exterior art installation is underway, including the centerpiece of the arrival plaza, a 28' tall sculpture consisting of three nested geodesic spheres and a series of LED lights that subtly change color and luminosity. Meanwhile, at the adjacent New Stanford Hospital Garage, interior construction of the rooftop pavilions and the rooftop landscape installation is complete; a Certificate of Occupancy for the Garage is anticipated in Summer 2019.



2018-2019 SUMMARY OF PROGRESS

SCHOOL OF MEDICINE

The Stanford University School of Medicine will replace 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. The new buildings will feature integrated laboratory suites, with easier access between labs and support facilities, enabling transparency, flexibility, and collaboration. The new facilities will be surrounded by landscaped areas and tree-lined walkways.

The first phase of School of Medicine development (BioMedical Innovations Building 1, or “BMI-1”) is underway, with substantial completion anticipated in Summer 2019. Interior finish work is currently in progress, including installation of millwork and lab casework. On the exterior, terra cotta and metal panel installation is underway, and site work continues along Pasteur Drive.



2018-2019 SUMMARY OF PROGRESS

NET NEW SQUARE FOOTAGE

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

PROJECT COMPONENT	GROSS SQUARE FOOTAGE
NEW STANFORD HOSPITAL	
1101 Welch demolished	(40,100)
Total	(40,100)
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	
None	0
HOOVER PAVILION	
Misc. shops and storage demolished	(13,831)
Stanford Neuroscience Health Center (Hoover MOB)	91,605
Total	77,774

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

This section of the Annual Report summarizes the steps that Stanford Medicine has taken to comply with their 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 will 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. 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

PALO ALTO FISCAL BENEFITS

The Stanford Medicine Renewal Project brings considerable fiscal benefits to the City of Palo Alto. The project is 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.

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, 2019. 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 2018 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. Copies of permits and licenses are attached to the 2018 monitoring report.
- 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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.

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.

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. Already, 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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 alternative transportation mode goals specified in the Development Agreement by 2025 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:

- 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 have commenced 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)). From May 2014 to April 2018, a 100-space park-and-ride facility on Kaiser Drive at Campus Drive in Fremont (0.9 mile from Ardenwood Park & Ride) was under lease for the use of Stanford University and Hospital commuters, thus satisfying this requirement ahead of schedule. In March 2018, Stanford was provided with 30-days' notice to vacate the facility, and immediately commenced a search for replacement parking facilities. An equivalent temporary East Bay park and ride solution was secured in the vicinity of Ardenwood, and is in use by SUMC commuters from the East Bay. The Hospitals are in the process of securing a long-term location.

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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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. Further details regarding the GO Pass purchase can be found in the Alternative Mode Share report, which was submitted to the City on May 31, 2019.

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 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. In September 2018, the position was vacated, and the Senior Operations Manager of the Hospitals' Parking & Access department is currently assuming the responsibilities of this position with support from the TDM team at P&TS. The Senior Operations Manager is currently responsible for overseeing the analysis, development, and implementation of programs to advance the Hospitals' TDM objectives while the TDM Coordinator position remains open. Specific duties that are carried out in collaboration with P&TS 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.

Upon opening of the New Stanford Hospital, there will be a new Transportation Hub, which will serve as an alternative transportation information center available to both staff and patients. The Transportation Hub will incorporate a monitor screen ("Transit Screen") that will display all mobility options in the area, at a glance, in real time. In conjunction with opening the Hub, the Hospitals are recruiting new TDM personnel to carry out the work currently overseen by the Senior Operations Manager.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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 payments to be made in the event that such targets are not met during particular time periods. Stanford Medicine submitted its 2019 Alternative Mode Share Report to the City on May 31, 2019; this report shows an alternative mode split of 33.8% for the Hospitals. This mode split exceeds the Alternative Mode Share target for 2021.



COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

INFRASTRUCTURE, SUSTAINABLE NEIGHBORHOODS AND COMMUNITIES, AND AFFORDABLE HOUSING

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

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 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

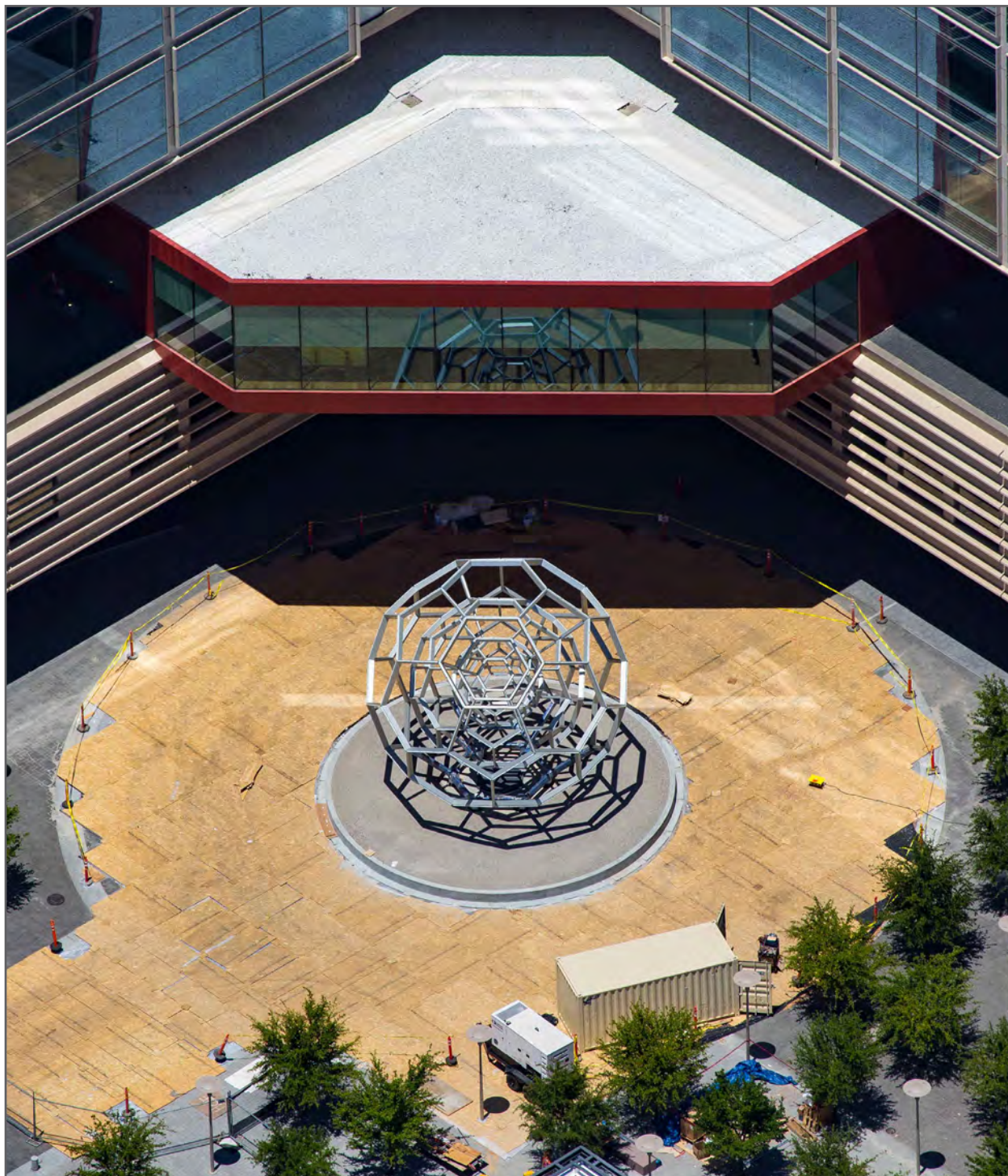
In order to implement, monitor, and report on the implementation of this diverse array of conditions, Stanford Medicine, with input from City planning staff, has created two Excel spreadsheet tracking and reporting tools. These spreadsheets serve as a centralized repository for compliance monitoring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

Note that, as authorized by Development Agreement Section 6(p), the Lucile Packard Children's Hospital requested changes in timing of performance for three Conditions of Approval otherwise required to be complete prior to Hospital occupancy; these requests were conditionally approved by the City, and the three affected Conditions were satisfied by December 21, 2018, as agreed to by the City and the SUMC Parties.



CONCLUSION

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





2019-20 ANNUAL REPORT

PREPARED FOR THE CITY OF PALO ALTO | JULY 6, 2020

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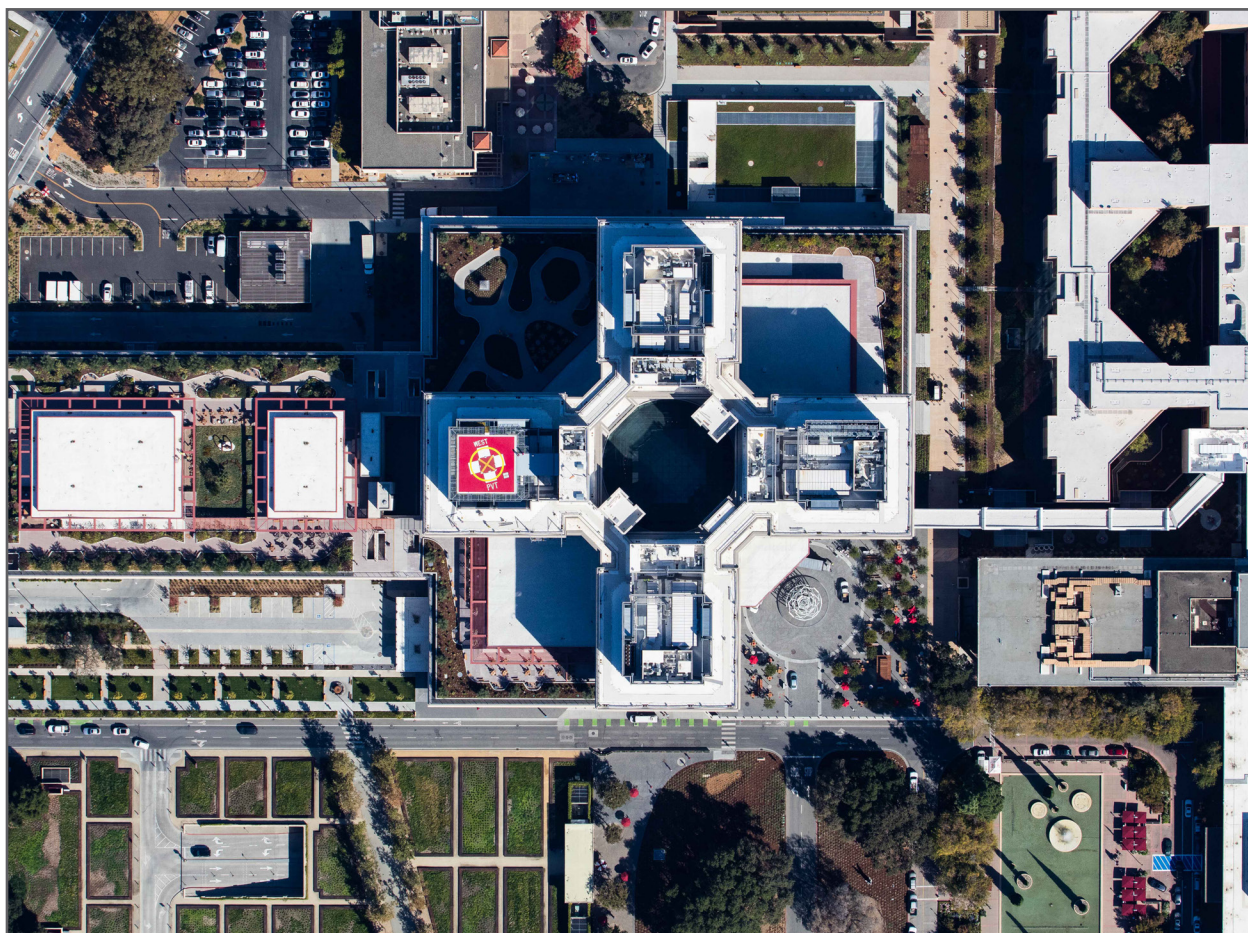
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EXECUTIVE SUMMARY

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, nine 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. Meanwhile, the School of Medicine has nearly completed the first phase of development of its replacement facilities, with its BioMedical Innovations building anticipated to receive certificate of occupancy in Fall 2020.

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 will enable 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.



2019-2020 SUMMARY OF PROGRESS

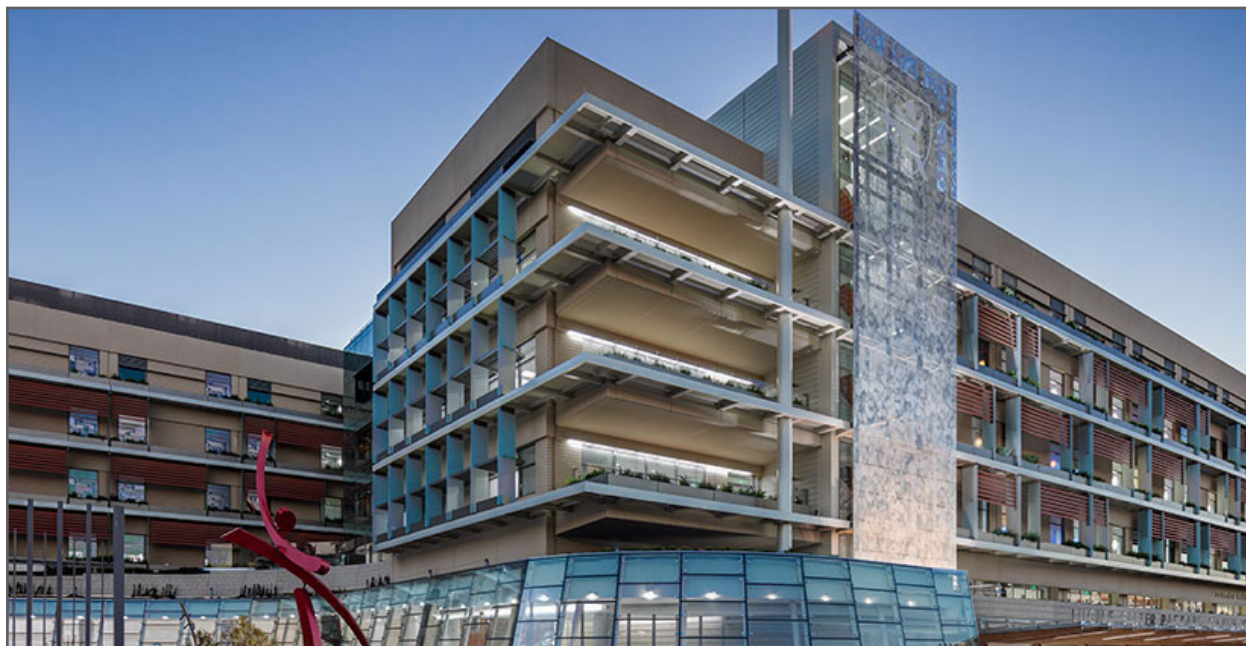
The Renewal Project continues to progress, with its most recent major milestone reached in late 2019 with the opening of the New Stanford Hospital. The construction of the first new School of Medicine facility is also nearing completion. The section to follow provides an overview of central goals for 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.

In December 2017, the new facility received its license from the State Department of Public Health; this constituted issuance of an occupancy permit for purposes of the Development Agreement. In Winter 2019, additional shelled spaces within the Main building were completed and opened to patient care, including the Bass Center for Childhood Cancer and Blood Diseases on the 5th floor, and the Betty Irene Moore Children's Outpatient Heart Center on the 1st floor.



2019-2020 SUMMARY OF PROGRESS

NEW STANFORD HOSPITAL

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. The facility features an advanced interventional platform that combines surgical, procedural and imaging technologies to improve the precision of medical care. The interventional platform brings together 20 operating rooms (ORs), 2 hybrid ORs, 8 interventional, radiology and image-guidance rooms, 3 MRIs, 3 CTs and 1 intra-operative MRI. Here multiple surgical and procedural specialists—cardiologists, gastroenterologists, surgeons, radiologists and pulmonologists—are brought together into one common area. The space is further integrated with a centralized pre-operative and post-operative prep and recovery that allows for coordinated patient care throughout the surgical process.

An expanded Emergency Department at the new Hospital serves adults and trauma patients in private and semi-private patient bays, with imaging next door for expediency. Larger patient treatment areas provide space for families. Pediatric patients seeking emergency services are now treated in a new pediatric emergency department at the preexisting Stanford Hospital. As the only Level-1 Trauma Center between San Francisco and San Jose, the new Stanford Hospital is built to withstand the strongest earthquake and designed for readiness in the event of disaster. The parking structure connected to the Emergency Department converts to a triage and treatment center in the event of a large-scale emergency.

At the center of the new Stanford Hospital is a floor dedicated to providing support and comfort to patients, families, and caregivers, featuring a Family Resource Center, Stanford Health Library, interfaith chapel, and rooftop gardens. The new Stanford Hospital places value on the healing qualities of art and nature. Captivating murals and large-scale art pieces displayed throughout the hospital inspire healing and hope. Four acres of gardens surround the new hospital, providing patients, visitors and staff with access to natural settings, light and open space, all proven to help promote health and well-being.

With the new Stanford Hospital now complete, Stanford Health Care is beginning a series of renovations within its existing facilities, including the conversion of shared patient rooms into private rooms; this renovation work is planned to proceed in phases over the next several years.



2019-2020 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. The new buildings will feature integrated laboratory suites, with easier access between labs and support facilities, enabling transparency, flexibility, and collaboration. The new facilities will be surrounded by landscaped areas and tree-lined walkways.

The first phase of School of Medicine development (BioMedical Innovations Building 1, or “BMI-1”) 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. BMI-1 is now substantially complete, with a certificate of occupancy anticipated in Fall 2020.



2019-2020 SUMMARY OF PROGRESS

NET NEW SQUARE FOOTAGE

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

PROJECT COMPONENT	GROSS SQUARE FOOTAGE
NEW STANFORD HOSPITAL	
1101 Welch demolished	(40,100)
500 Pasteur ¹	719,261
Total	679,161
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
HOOVER PAVILION	
Misc. shops and storage demolished	(13,831)
Stanford Neuroscience Health Center (Hoover MOB)	91,605
Total	77,774

¹ Final gross floor area calculations for 500 Pasteur are currently under City review as a revision to Building Permit #12000-00444.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

This section of the Annual Report summarizes the steps that Stanford Medicine has taken to comply with their 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 Stanford Medicine welcomes the opportunity to participate in the joint committee to evaluate proposals for programs to receive funding. 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

PALO ALTO FISCAL BENEFITS

The Stanford Medicine Renewal Project brings considerable fiscal benefits to the City of Palo Alto. The project is 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.

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, 2020. 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 2019 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. Copies of permits and licenses are attached to the 2019 monitoring report.
- 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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.

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.

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. Already, 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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 alternative transportation mode goals specified in the Development Agreement by 2025 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:

- 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 have commenced 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)). From May 2014 to April 2018, a 100-space park-and-ride facility on Kaiser Drive at Campus Drive in Fremont (0.9 mile from Ardenwood Park & Ride) was under lease for the use of Stanford University and Hospital commuters, thus satisfying this requirement ahead of schedule. In March 2018, Stanford was provided with 30-days' notice to vacate the facility, and immediately commenced a search for replacement parking facilities. An equivalent temporary East Bay park and ride solution was secured in the vicinity of Ardenwood, and has been in use by Stanford Medicine commuters from the East Bay. The Hospitals have now secured a long-term location on Fircrest Street in Newark, and the new facility will open to Stanford Medicine commuters in July 2020.

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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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 2020.

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 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. In September 2018, the position was vacated, and while the position was vacant the Senior Operations Manager of the Hospitals' Transportation Services department fulfilled the responsibilities of this position with support from the TDM team at Stanford Transportation. In October 2019, the Transportation Demand Management Coordinator position was filled again. 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.

In addition, the TDM Coordinator is responsible for overseeing the Transportation Hub within the new Stanford Hospital. The Transportation Hub serves as an alternative transportation information center available to both staff and patients, and includes a monitor screen (Transit Screen) that displays all mobility options in the area at a glance, in real time.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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 payments to be made in the event that such targets are not met during particular time periods.

Due to the COVID-19 pandemic, the annual commute survey was not performed in Spring 2020, as doing so would have generated unrepresentative data, and would have distracted staff from more immediate needs. The Hospitals requested an extension of time for this TDM monitoring and reporting requirement, as allowed by Section 6(p) of the Development Agreement, and the City granted this request on March 27, 2020, with the condition that the Hospitals confirm that the TDM programs outlined in the prior Alternative Mode Share Report were maintained up until the start of the COVID-19 pandemic; the Hospitals provided such confirmation on April 3, 2020.



COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

INFRASTRUCTURE, SUSTAINABLE NEIGHBORHOODS AND COMMUNITIES, AND AFFORDABLE HOUSING

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

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 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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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 ninth year, Stanford Medicine looks forward to continued engagement with the City of Palo Alto as the project continues to forge ahead.



SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2017-2018
FY 2018-2019
FY 2019-2020

DA Section	Description	Summary	Activity	Complies?
Health Care Benefits				
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 2017-2018, FY-2018-2019, or FY 2019-2020.
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. No joint committee between City Council and SUMC established to date to evaluate other proposals/programs to receive funding, so no there were no expenditures from this fund other than on Project Safety Net, as already specified in the Development Agreement. .	Yes, complies - Fund activity and balances in FY 2017-2018, FY-2018-2019, and FY 2019-2020 reported in Attachment C.
Fiscal Benefits				
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 Auditor reviews the Construction Sales & Use Tax Monitoring Report submitted by Stanford Medicine on	Yes, complies - SUMC submitted the Construction Sales & Use Tax Monitoring Report on June 30 of each year for

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2017-2018
FY 2018-2019
FY 2019-2020

DA Section	Description	Summary	Activity	Complies?
			June 30 of each year. The City Auditor submits a letter to Stanford Medicine each year that notes local tax received from SUMC project activities for the year. Based upon the City Auditor's review of the annual Construction Sales and Use Tax Monitoring Report submitted by SUMC, revenues for calendar years 2011 through 2019 have totaled \$5,256,026.	the previous calendar year. The City Auditor sent their required response each year. Reconciliation that ensures that the City would receive no less than \$8.1M in construction sales and tax revenue by December 31, 2025 would occur starting in August 2026.
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. No expenditures from this fund during the reporting period FY 2017-2018, FY-2018-2019, or FY 2019-2020.	Yes, complies -Fund activity and balances in FY 2017-2018, FY-2018-2019, and FY 2019-2020 reported in Attachment C.
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 when new meters were set for new construction, including NSH, NSH Garage, LPCH, and BMI, and the Utility Users	Yes, complies.

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2017-2018
FY 2018-2019
FY 2019-2020

DA Section	Description	Summary	Activity	Complies?
			Tax has been paid through the normal billing process for each site.	
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 Building expansion in May 2014. \$461.16 fee paid to account for incremental square footage for the New Stanford Hospital Garage.	Yes, complies - SUMC made payments to PAUSD for all net new square footage for which school fees apply at the time permit receipt.

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	\$200K payment made on August 19, 2011.	Yes, complies.

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2017-2018
FY 2018-2019
FY 2019-2020

		improvements on University Ave.		
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 over 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. Subsequently, SUMC used an interim temporary facility through FY 2019-2020.</p>	Yes, complies. Also, a long-term facility was also secured soon after the close of FY 2019-2020.
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).</p> <p>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

FY 2017-2018
FY 2018-2019
FY 2019-2020

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 2017-2018, FY-2018-2019, and FY 2019-2020.	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 2017-2018, FY-2018-2019, and FY 2019-2020.	Yes, complies.

DA Section	Description	Summary	Activity	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.

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2017-2018
FY 2018-2019
FY 2019-2020

5(c)(ix)	Monitoring of TDM Programs	Yearly report regarding alternative transit mode use	<p>The alternative mode share rate of 38.1% in FY 2017-2018 and 33.8% in FY 2018-2019 exceeds the alternative mode share target for 2018 of 30.0% and 2021 target of 33.0%.</p> <p>Through conditional approval by the City, the Alternative Mode Share Report was delayed for FY 2019-2020 due to the COVID-19 pandemic and Santa Clara County shelter-in-place orders altering commute patterns at the time the annual mode share survey would have been issued in the March/April 2020 timeframe.</p>	Yes, complies - all interim targets have been met or exceeded in FY 2017-2018 and FY-2018-2019. One-year delay conditionally approved for FY 2019-2020. The annual mode share survey was released in March 2021 in order to provide the required Alternative Mode Share Report for FY 2020-2021.
Linkages				
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.	Yes, complies -Fund activity and balances in FY 2017-2018, FY-2018-2019, and FY 2019-2020 reported in Attachment C.
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	Yes, complies -Fund activity and balances in FY 2017-2018, FY-2018-2019, and FY 2019-2020 reported in Attachment C.

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2017-2018
FY 2018-2019
FY 2019-2020

			Permit (LPCH) to serve the linkage goal and functional requirements.	
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				
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).</p> <p>The City expended affordable housing funds on 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. The SUMC contribution to affordable housing is now exhausted in accordance with Section 5(e)(ii).</p>	Yes, complies. -Fund activity and balances in FY 2017-2018, FY-2018-2019, and FY 2019-2020 reported in Attachment C.

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2017-2018
FY 2018-2019
FY 2019-2020

Climate Change				
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).	Yes, complies -Fund activity and balances in FY 2017-2018, FY-2018-2019, and FY 2019-2020 reported in Attachment C.



Fiscal Year 2017-2018 Annual Report Supplement

Prepared by the City of Palo Alto

October 12, 2021

Background and Purpose

On June 6, 2011, the City Council approved Comprehensive Plan amendments, zoning changes, a conditional use permit, annexation and design applications for the Stanford University Medical Center Facilities Renewal and Replacement Project (the “Projects”). The Projects include the construction of a new Stanford Hospital and clinics buildings, an expansion of the Lucile Packard Children’s Hospital, construction of new School of Medicine buildings, renovation of the existing Hoover Pavilion, construction of a new medical office building and parking garage at Hoover Pavilion, roadway improvements along Welch Road and Durand Way, and SUMC design guidelines. A Development Agreement (the “Agreement”) vesting these approvals was entered into between the SUMC Parties and the City and was effective on June 6, 2011 and continues for thirty (30) years from the effective date. The Agreement requires an annual report, prepared by SUMC that outlines the activities of the preceding year and the efforts to fulfill the obligations of the Agreement.

Per the requirements of sections 12(a) and 12(c) of the Agreement, The City of Palo Alto is to prepare a supplement to the annual report that contains an accounting of the funds described in the Section 5 of the Agreement (“SUMC Parties’ Promises”) including the fund balances and expenditures and the purposes for which the expenditures were used.

Public Benefit Fund Accounting

This annual report supplement covers the period during the seventh year of the Agreement: June 6, 2017 through June 6, 2018. Accounting for the funds outlined in Attachment C-1 Part 2 extends through the end of the City’s Fiscal Year 2018, June 30, 2018.

In summary, the SUMC Parties have paid approximately \$44.3 million in public benefit fees to the City since June 6, 2011 through the FY 2017-2018 reporting period.

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

- Fund for Community Health and Safety, Project Safety Net (Section 5(a)(iii));
- Fund for SUMC Project Operating Deficit (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)).

The specific funding accounts in Attachment C-1 Part 2 are consistent with Section 5 of the Agreement. These funds have been assigned a unique cost center number for accounting purposes. Attachment C-1 Part 2 also contains the investment earnings and the earnings allocation to the various cost centers.

Public Benefit Fund Expenditures

Expenditures and other activity occurred in the following funds in Fiscal Year 2018 through June 30, 2018:

Fund for Quarry Road Improvements: The remaining \$4,966 balance was transferred for Quarry Road Improvements and Transit Center Access (PL-1600).

Fund for Intermodal Transit Center: \$545,034 was transferred for Quarry Road Improvements and Transit Center Access (PL-1600).

Climate Change and Sustainability: \$5,200,000 was transferred for the implementation of the Bicycle & Pedestrian Transportation Plan (PL-04010).

Attachment C-1 - Part 2 Fiscal Year 2017-2018

City of Palo Alto

Stanford Medical Center Development Agreement (Fund 260)

Fiscal Year Ended June 30, 2018

AUDITED BALANCES

	Expansion Cost Mitigation	Intermodal Transit	Quarry Road Improvements	Infrastructure & Afford Housing	Climate Change & Sustainability	Community Health & Safety	Total FY 2018 Actuals	FY 2018 Budget
cost centers	26000000	60260010	60260020	60260030	60260040	80260010		
Beginning Balances, 7/1/2017	2,735,817.41	1,693,513.97	4,965.62	2,636,006.69	3,845,756.72	2,652,673.39	13,568,733.80	
Revenues:								
Revenues From Stanford	-	-	-	7,733,333.00	4,000,000.00	11,200.00	11,744,533.00	11,744,533.00
Investment Earnings / Unrealized gain (loss)	69,383.76						69,383.76	210,510.00
Allocate to categories	(69,383.76)						(69,383.76)	
Allocated Investment Earnings	9,702.94	4,073.24	(0.00)	36,776.26	9,383.53	9,447.79	69,383.76	-
Total Revenues	9,702.94	4,073.24	(0.00)	7,770,109.26	4,009,383.53	20,647.79	11,813,916.76	11,955,043.00
Expenditures:								
Temp Salaries/Benefits						-	-	
Contract Services							-	(35,031.43)
Supplies Expenses							-	-
Other expenses							-	(122.15)
Transfer to Capital Projects		(545,034.38)	(4,965.62)	-	(5,200,000.00)		(5,750,000.00)	(5,750,000.00)
Total Expenditures	-	(545,034.38)	(4,965.62)	-	(5,200,000.00)	-	(5,750,000.00)	(5,785,153.58)
FY 2018 Revenues less Exp	9,702.94	(540,961.14)	(4,965.62)	7,770,109.26	(1,190,616.47)	20,647.79	6,063,916.76	6,169,889.42
Fund Balance as of 6/30/2018	2,745,520.35	1,152,552.83	(0.00)	10,406,115.95	2,655,140.25	2,673,321.18	19,632,650.56	
Less: Reserve for Unrealized Gain	-	-	-	-	-	-	-	
Reserve for Encumbrances, 6/30/2018	-	-	-	-	-	(45,031.00)	(45,031.00)	
Fund Balance Available as of 6/30/2018	2,745,520.35	1,152,552.83	(0.00)	10,406,115.95	2,655,140.25	2,628,290.18	19,587,619.56	



Fiscal Year 2018-2019 Annual Report Supplement

Prepared by the City of Palo Alto

October 12, 2021

Background and Purpose

On June 6, 2011, the City Council approved Comprehensive Plan amendments, zoning changes, a conditional use permit, annexation and design applications for the Stanford University Medical Center Facilities Renewal and Replacement Project (the “Projects”). The Projects include the construction of a new Stanford Hospital and clinics buildings, an expansion of the Lucile Packard Children’s Hospital, construction of new School of Medicine buildings, renovation of the existing Hoover Pavilion, construction of a new medical office building and parking garage at Hoover Pavilion, roadway improvements along Welch Road and Durand Way, and SUMC design guidelines. A Development Agreement (the “Agreement”) vesting these approvals was entered into between the SUMC Parties and the City and was effective on June 6, 2011 and continues for thirty (30) years from the effective date. The Agreement requires an annual report, prepared by SUMC that outlines the activities of the preceding year and the efforts to fulfill the obligations of the Agreement.

Per the requirements of sections 12(a) and 12(c) of the Agreement, The City of Palo Alto is to prepare a supplement to the annual report that contains an accounting of the funds described in the Section 5 of the Agreement (“SUMC Parties’ Promises”) including the fund balances and expenditures and the purposes for which the expenditures were used.

Public Benefit Fund Accounting

This annual report supplement covers the period during the eighth year of the Agreement: June 6, 2018 through June 6, 2019. Accounting for the funds outlined in Attachment C-2 Part 2 extends through the end of the City’s Fiscal Year 2019, June 30, 2019.

In summary, the SUMC Parties have paid approximately \$32.5 million in public benefit fees to the City since June 6, 2011 through the FY 2018-2019 reporting period. There were no required new payments from the SUMC Parties during the FY 2018-2019 reporting period.

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

- Fund for Community Health and Safety, Project Safety Net (Section 5(a)(iii));
- Fund for SUMC Project Operating Deficit (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)).

The specific funding accounts in Attachment C-2 Part 2 are consistent with Section 5 of the Agreement. These funds have been assigned a unique cost center number for accounting purposes. Attachment C-2 Part 2 also contains the investment earnings and the earnings allocation to the various cost centers.

Public Benefit Fund Expenditures

Expenditures and other activity occurred in the following funds in Fiscal Year 2019 through June 30, 2019:

Fund for Community Health and Safety: \$11,200 for the Emergency Vehicle Traffic Signal Preemption System (PL-19000). Note that this funding was received in FY 2018 as part of Opticom Payments discussed in Section 5(c)(v) of the Development Agreement and placed in the “Community Health & Safety” cost center. As the City has upgraded systems, the City and SUMC agreed through a letter exchange that the \$11,200 payment could be used for the new coordinated prioritization signaling at City-maintained traffic signals.

Attachment C-2 - Part 2 Fiscal Year 2018-2019

City of Palo Alto

AUDITED BALANCES

Stanford Medical Center Development Agreement (Fund 260)

Fiscal Year Ended June 30, 2019

	Expansion Cost Mitigation	Intermodal Transit	Quarry Road Improvements	Infrastructure & Afford Housing	Climate Change & Sustainability	Community Health & Safety	Total FY 2019 Actuals	FY 2019 Budget
cost centers	26000000	60260010	60260020	60260030	60260040	80260010		
Beginning Balances, 7/1/2018	2,745,520.35	1,152,552.83	(0.00)	10,406,115.95	2,655,140.25	2,673,321.18	19,632,650.56	
Revenues:								
Revenues From Stanford	-	-	-	-	-	-	-	-
Investment Earnings / Unrealized gain (loss)	860,649.62						860,649.62	295,676.00
Allocate to categories	(860,649.62)						(860,649.62)	
Allocated Investment Earnings	120,425.91	50,554.07	(0.00)	456,440.25	116,461.60	116,767.80	860,649.62	-
Total Revenues	120,425.91	50,554.07	(0.00)	456,440.25	116,461.60	116,767.80	860,649.62	295,676.00
Expenditures:								
Temp Salaries/Benefits						-	-	
Contract Services							-	(45,031.43)
Supplies Expenses							-	-
Other expenses							-	-
Transfer to Capital Projects				-	-	(11,200.00)	(11,200.00)	(11,200.00)
Total Expenditures	-	-	-	-	-	(11,200.00)	(11,200.00)	(56,231.43)
FY 2019 Revenues less Exp	120,425.91	50,554.07	(0.00)	456,440.25	116,461.60	105,567.80	849,449.62	239,444.57
Fund Balance as of 6/30/2019	2,865,946.26	1,203,106.90	(0.00)	10,862,556.20	2,771,601.85	2,778,888.98	20,482,100.18	
Less: Reserve for Encumbrances, 6/30/2019	-	-	-	-	-	-	-	
Reserve for Unrealized Gain - Investment	(15,549.38)	(6,527.54)	0.00	(58,935.52)	(15,037.51)	(15,077.05)	(111,127.00)	
Fund Balance Available as of 6/30/2019	2,850,396.88	1,196,579.36	(0.00)	10,803,620.67	2,756,564.34	2,763,811.93	20,370,973.18	



Fiscal Year 2019-2020 Annual Report Supplement

Prepared by the City of Palo Alto

October 12, 2021

Background and Purpose

On June 6, 2011, the City Council approved Comprehensive Plan amendments, zoning changes, a conditional use permit, annexation and design applications for the Stanford University Medical Center Facilities Renewal and Replacement Project (the "Projects"). The Projects include the construction of a new Stanford Hospital and clinics buildings, an expansion of the Lucile Packard Children's Hospital, construction of new School of Medicine buildings, renovation of the existing Hoover Pavilion, construction of a new medical office building and parking garage at Hoover Pavilion, roadway improvements along Welch Road and Durand Way, and SUMC design guidelines. A Development Agreement (the "Agreement") vesting these approvals was entered into between the SUMC Parties and the City and was effective on June 6, 2011 and continues for thirty (30) years from the effective date. The Agreement requires an annual report, prepared by SUMC that outlines the activities of the preceding year and the efforts to fulfill the obligations of the Agreement.

Per the requirements of sections 12(a) and 12(c) of the Agreement, The City of Palo Alto is to prepare a supplement to the annual report that contains an accounting of the funds described in the Section 5 of the Agreement ("SUMC Parties' Promises") including the fund balances and expenditures and the purposes for which the expenditures were used.

Public Benefit Fund Accounting

This annual report supplement covers the period during the ninth year of the Agreement: June 6, 2019 through June 6, 2020. Accounting for the funds outlined in Attachment C-3 Part 2 extends through the end of the City's Fiscal Year 2020, June 30, 2020.

In summary, the SUMC Parties have paid approximately \$44.3 million in public benefit fees to the City since June 6, 2011 through the FY 2019-2020 reporting period. There were no required new payments from the SUMC Parties during the FY 2019-2020 reporting period.

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

- Fund for Community Health and Safety, Project Safety Net (Section 5(a)(iii));
- Fund for SUMC Project Operating Deficit (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)).

The specific funding accounts in Attachment C-3 Part 2 are consistent with Section 5 of the Agreement. These funds have been assigned a unique cost center number for accounting purposes. Attachment C-3 Part 2 also contains the investment earnings and the earnings allocation to the various cost centers.

Public Benefit Fund Expenditures

Expenditures and other activity occurred in the following funds in Fiscal Year 2020 through June 30, 2020:

Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing: \$900,000 was transferred for the new Public Safety Building (PE-15001).

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.

Attachment C-3 - Part 2 Fiscal Year 2019-2020

City of Palo Alto

Stanford Medical Center Development Agreement (Fund 260)

Fiscal Year Ended June 30, 2020

AUDITED BALANCES

	Expansion Cost Mitigation	Intermodal Transit	Quarry Road Improvements	Infrastructure & Afford Housing	Climate Change & Sustainability	Community Health & Safety	Total FY 2020 Actuals	FY 2020 Budget
cost centers	26000000	60260010	60260020	60260030	60260040	80260010		
Beginning Balances, 7/1/2019	2,865,946.26	1,203,106.90	(0.00)	10,862,556.20	2,771,601.85	2,778,888.98	20,482,100.18	
Revenues:								
Revenues From Stanford	-	-	-	-	-	-	-	-
Investment Earnings / Unrealized gain (loss)	863,157.23						863,157.23	324,700.00
Allocate to categories	(863,157.23)						(863,157.23)	
Allocated Investment Earnings	126,327.73	53,031.62	(0.00)	439,138.41	122,169.13	122,490.34	863,157.23	-
Total Revenues	126,327.73	53,031.62	(0.00)	439,138.41	122,169.13	122,490.34	863,157.23	324,700.00
Expenditures:								
Temp Salaries/Benefits						-	-	
Contract Services							-	
Supplies Expenses							-	
Other expenses							-	
Transfer to Capital Projects		-		(900,000.00)	-		(900,000.00)	(900,000.00)
Total Expenditures	-	-	-	(900,000.00)	-	-	(900,000.00)	(900,000.00)
FY 2020 Revenues less Exp	126,327.73	53,031.62	(0.00)	(460,861.59)	122,169.13	122,490.34	(36,842.77)	(575,300.00)
Fund Balance as of 6/30/2020	2,992,273.99	1,256,138.51	(0.00)	10,401,694.61	2,893,770.98	2,901,379.32	20,445,257.41	
Less: Reserve for Encumbrances, 6/30/2020	-	-	-	-	-	-	-	
Reserve for Unrealized Gain - Investment	(78,695.16)	(33,035.75)	0.00	(273,558.83)	(76,104.58)	(76,304.68)	(537,699.00)	
Fund Balance Available as of 6/30/2020	2,913,578.84	1,223,102.76	(0.00)	10,128,135.78	2,817,666.40	2,825,074.64	19,907,558.41	

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>