

Jim K.

**CITY OF PALO ALTO**  
**Memorandum**

**TO: HONORABLE CITY COUNCIL**

**FROM: CITY MANAGER**

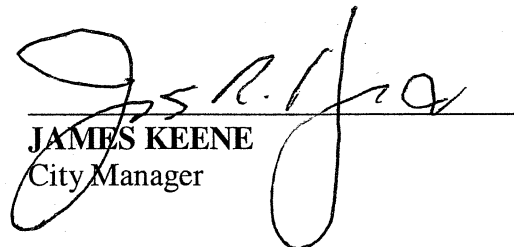
**DATE: JANUARY 18, 2010**

**SUBJECT: Stanford Development Agreement Revised Proposal for Stanford University Medical Center Facilities Renewal and Replacement Project**

Stanford Hospital and Clinics (SHC) today delivered the attached revised proposal outlining Development Agreement terms for the pending Stanford University Medical Center Facilities Renewal and Replacement Project. The City Council is scheduled to review the proposal on January 31, 2011. The Final Environmental Impact Report for the project is expected to be complete by early February, and project entitlements will then be considered by the Planning and Transportation Commission and Council, culminating with final action by Council in April. A detailed calendar of meetings will be provided to Council at the meeting on the 31<sup>st</sup>.

Staff expects that Stanford Hospital and Clinics will release a statement to the press regarding the proposal tomorrow morning. The City Manager will also issue a press release outlining the Council's upcoming deliberations and the City's continuing efforts to assure that community benefits are sufficient to address community needs and impacts.

Please let me know if you have any questions.

  
**JAMES KEENE**  
City Manager

Attachment: Revised Development Agreement Proposal, dated January 18, 2011



January 18, 2011

City Manager James Keene  
City of Palo Alto  
250 Hamilton Avenue  
Palo Alto, CA 94301

Dear City Manager Keene:

Stanford Hospital and Clinics, Lucile Packard Children's Hospital and Stanford University submit the following revised proposal for a Development Agreement to vest entitlements for the Stanford University Medical Center Renewal and Replacement Project. This revised proposal represents an increase of almost \$49M in community benefits and voluntary mitigation over that offered in the previous letter to you dated June 15, 2009. Included in this increase are \$10 million in expanded transit demand management (TDM), over \$25 million in additional GO Pass support and \$12 million toward programs addressing Climate Change and sustainable communities. See Exhibit A for a summary comparison of the components of the two proposals.

In arriving at this revised proposal, we have considered our discussions with City staff over the past six months and the substantial input received from members of the public, the Planning and Transportation Commission and the City Council during sessions devoted to reviewing the City's Draft Environmental Impact Report (DEIR) for the Projects. As always, we have considered carefully the expected impacts, including positive impacts, of the Project on local residents, City services, and City revenues. Also, we considered the growing economic challenges facing the Hospitals' funding of Project construction, and, in that regard, this proposal's flexibility is limited, in total, to the dollar value of the Additional Offered Community Benefits identified below.

In addition to the principles that guided our selection of community benefits, the items and associated dollar amounts identified in this proposal are based upon our current best estimates of the cost of Project construction and Project mitigation. These are difficult economic times and there is a limit to the amount of money the Hospitals can commit to providing benefits to the City, over and above what is a reasonable and fair mitigation of Project impacts. Although now far better defined, we still do not know precisely all of what may be required by the City as a "mitigation" nor whether the City will change its existing regulations in a way which increases the cost of the Hospitals' Project.

This proposal is based on the Development Agreement Conditions and Understandings set out in the last part of this letter, as well as upon the following essential assumptions:

- The Project is approved by the City substantially as described in the current version of the Project application and as presented to the Architectural Review Board as the "Tree Preservation Alternative," including the applicants' proposed Comprehensive Plan amendments, zoning, jurisdictional boundary change, and architectural review approvals.
- The City does not enact new regulations or modify existing regulations that would apply to the Project prior to approval of the Development Agreement.
- The City does not impose, through the zoning ordinance, conditions of approval or other means, requirements other than those currently required by the City's Municipal Code or those that constitute feasible mitigation measures that will reduce the Project's significant environmental impacts. This means that the Project is approved without application of mitigation measures or conditions of approval which do not address a corresponding significant impact on the environment. Examples of zoning provisions, mitigation measures or conditions that do not address a significant environmental impact, and should not be required, include: inclusionary zoning provisions; requirements to construct and/or dedicate to SUMC employee housing at the Quarry Road sites; housing fees beyond the amount that would be required of a commercial developer, as identified below in this proposal and offered by the Hospitals; potential construction of a street connection between Pasteur Drive and Roth Way; provision for major onsite transit centers; a pathway through the Stanford Arboretum; intersection improvements at the El Camino Real/Quarry Road intersection; provision of enhanced sidewalks along Quarry Road; and non-voluntary participation in the Palo Alto Green program.
- The term of the Development Agreement will be for 30 years. Obligations in the Development Agreement that are for "the life of the Project" are for 51 years.

The following deal points are presented for consideration as a conceptual basis for a negotiated Development Agreement. Of course, these deal points can be changed at any time up and until the Development Agreement is final and signed by the parties.

### **Health Care**

#### Health Care: Ongoing Direct and Indirect Hospitals Community Benefit.

The Agreement will recognize that the most important community benefit will be the applicants' investment in seismically safe, state-of-the-art facilities that will enable the Hospitals to continue to provide high-quality patient care and the School of Medicine to perform research leading to ground-breaking technologies and treatments.

Advancements in medicine that have taken place at the Stanford University Medical Center include pioneering achievements in transplantation medicine, advancements in cancer care through the introduction of the linear accelerator and the cyberknife, leadership in prenatal diagnosis and

treatment, discovery of the protein that appears to be the root cure of type I diabetes, and discovery of the link between exercise and increased "good" cholesterol levels.

In addition to world-renowned medical breakthroughs, in 2009 the benefits provided by the Hospitals equated to the following:

- 36,559 inpatients admitted
- 48,744 emergency department visits
- 4,759 babies delivered
- \$262.6 million in uncompensated medical services, charity care, and community programs.

It is important to emphasize that the Hospitals served 64% of the Palo Alto residents who required hospitalization in 2009. The addition of more beds for adults and children will alleviate overcrowding and allow the two Hospitals to serve patients who currently must be turned away.

The Hospitals also provide the only Level 1 Trauma Center between San Francisco and San Jose. The Trauma Center and the Emergency Department ensure critical community emergency preparedness and response resources for the community in the event of an earthquake, pandemic, or other major disaster. The expansion of the Emergency Department and the associated facilities needed to support the ED services will solve the critical problem of a woefully undersized facility for the volume of people seeking care. In the last year, the Emergency Department had to be closed 283 times due to lack of facilities.

Health Care: Additional Offered Community Benefits. The Hospitals propose to fund the following new programs specifically to benefit residents of Palo Alto. Each of these funding obligations will commence at issuance of the first grading permit for the Project.

- A total over 10 years of \$3 million for in-patient and out-patient services at Stanford Hospital and Clinics and Lucile Packard Children's Hospital for residents of Palo Alto who have a self-payment responsibility beyond their financial means. This program is in addition to the Hospitals' charity policies and in addition to any coverage by the new federal Health Care and Education Reconciliation Act. The Hospitals will maintain and distribute this fund in equal annual amounts over 10 years, with annual reporting to the City of Palo Alto as the fund is paid out. The reporting will

be in a form that complies with all applicable privacy laws and policies.

- \$4 million to be contributed to the City for community health, wellness, and/or safety programs within the City of Palo Alto. The Hospitals will work with the City to assist in selecting possible community programs or services to receive funding.

### **Palo Alto Fiscal Benefits**

Palo Alto Fiscal Benefits: Direct and Indirect Hospitals Community Benefits. The Hospitals provide a positive economic benefit to Palo Alto and the surrounding area. Project construction will provide additional jobs, increase spending, and bring immediate added revenues to the City of Palo Alto. The Fiscal Impact Report prepared by CBRE Consulting estimates that construction spending and associated use taxes will bring \$8.3 million to the City's general fund as the Project is built out.

In addition, the Hospitals will pay Community Facilities and Citywide Transportation Impact Fees as follows:

- \$6.2 million in Community Facilities Fees for parks, community centers and libraries.
- \$2.2 million in Citywide Transportation Impact Fees for public facilities and services that relieve citywide traffic congestion caused by new development projects, including advanced transportation management and information systems, expanded shuttle transit services, and bicycle and pedestrian improvements. *Although applicants are permitted to receive a credit against this fee for providing facilities and programs otherwise covered by the fee, in this case the Hospitals will not seek credit for funding the numerous improvements to transit, pedestrian and bicycle linkages described below or set forth in the Final EIR as mitigation. This offer is conditioned upon our understanding that payment of the fee in this amount will constitute the Project's entire fair share contribution to the following transportation mitigation measures: TR 2.1 (contribution to traffic adaptive signal technology in Palo Alto); TR 2.2 (contribution to Everett undercrossing in Palo Alto); and TR 7.2 (contribution to Palo Alto Crosstown Shuttle).*

Palo Alto Fiscal Benefits: Additional Offered Community Benefits. To further enhance fiscal benefits to the City, the Hospitals and School of Medicine propose the following:

- Upon approval of the applicants' entitlements, the Hospitals will obtain a use tax direct payment permit from the State of California in order to increase, on an ongoing basis, the local tax allocation for the Hospitals' purchases. The Hospitals will maintain the use tax direct payment permit for the life of the Project, assuming the State continues to administer the use tax direct payment permit program or a substantially equivalent program. The estimated total value of this benefit over the 30-year Development Agreement period is \$750,000.
- CBRE's fiscal impact report forecasts an operating surplus of \$8.4 million for the City for this Project over its 30-year Development Agreement period. However, in order to avoid any question about revenue neutrality, the Hospitals and School of Medicine offer to contribute to the City, upon issuance of the first permits for the Project, the sum of \$1.1 million to cover fully the City-forecasted potential operating deficit from servicing the Project.

### **Reduced Vehicle Trips**

Reduced Vehicle Trips: Direct and Indirect Hospitals Community Benefit.  
The Hospitals provide a robust program to minimize commuting by way of drive-alone vehicles, which currently includes the following components:

- Incentives to refrain from driving or to participate in carpools, including payments to employees who agree not to drive to work of \$282 in "Clean Air Cash" or other credit for participating in a carpool program, complimentary parking for carpools, reserved parking spaces for carpools and vanpools, online ride matching, pretax payroll deduction for transit passes, emergency rides home, free car rental vouchers, Zipcar car sharing credits, and other gifts and rewards.
- Stanford University runs a free, comprehensive Marguerite Shuttle system, supported in part by payments from the Hospitals, that connects the Hospitals to local transit, Caltrain, and local shopping and dining.
- The Hospitals provide an Eco Pass to their employees, which allow free use of VTA buses and light rail, the Dumbarton Express, the Highway 17 Express, and the Monterey-San Jose Express.
- The Hospitals provide free use of the U-Line Stanford Express that connects BART and the ACE train, and the Ardenwood Park & Ride to Stanford.

- Stanford also provides extensive alternative transportation support, such as the transportation website, transit pass sales, alternative transportation information at new employee orientation, regular e-mail updates to Commute Club members and parking permit holders, one-on-one commute planning assistance, and a commute cost and carbon emissions calculator.
- The Hospitals also provide services to bicyclists. These services are designed to increase bicycle commuting and include maps, clothes lockers and showers, bike lockers, safety education, and commute planning.

As described above, in connection with this Project the Hospitals also will be paying \$2.2 million in Citywide Transportation Impact Fees for public facilities and services that relieve citywide traffic congestion caused by new development projects, including advanced transportation management and information systems, expanded shuttle transit services, and bicycle and pedestrian improvements

To mitigate traffic in Menlo Park beyond that which will be reduced by the voluntary transportation demand proposals noted below, the Hospitals propose the following:

- Contribute fair-share costs of improvements, including Traffic Adaptive Signal Technology, at Menlo Park intersections identified in the Final EIR. The intersections offered by this proposal, are Middlefield Road/Willow Road, Sand Hill Circle and Sand Hill/I-280, Sand Hill Road/Sharon Park Drive, Middlefield Road/Ringwood Ave, Middlefield Road/Ravenswood Ave, Marsh Road/Bay Road, Marsh Road/US 101 SB ramp, Marsh Road/US 101 NB ramp and Willow Road/Bay Road. The fair-share contribution for Traffic Adaptive Signal Technology in Menlo Park totals \$72,500 and is based on a total of up to 9-10 intersections and a fair-share percentage of 5% of the cost of \$145,000 per intersection.
- Contribute up to \$183,000 toward the fair-share cost of one pedestrian/bike Caltrain undercrossing. This fair share contribution is based upon a fair share percentage of 5% of the cost of \$3,647,000.
- Contribute annually to Menlo Park's shuttle fee program based on the number of SUMC Project trips passing through Menlo Park. As 51% of the SUMC Project's trips pass through Menlo Park, the fee

is based on 51% of added and occupied square footage beyond the square footage needed for right-sizing, or a total of \$46,340 per annum, upon completion and occupancy of the Project's applicable components.

- Contribute up to \$14,100 as the fair share contribution to the City of Menlo Park's planned improvements at the Willow Road/ Bayfront Expressway intersection.
- Contribute up to \$225,000 as the fair share contribution to the City of Menlo Park's planned improvements at the Bayfront Expressway/ University Avenue intersection.
- Contribute up to \$289,000 as a contribution to the City of Menlo Park's planned improvements at the Willow Road/Middlefield Road intersection. This intersection will not be significantly impacted by the SUMC Project; nevertheless, the SUMC Project sponsors will voluntarily contribute to the City of Menlo Park's planned intersection improvements.
- Contribute up to \$6,400 installation of an Opticom system at 4 Menlo Park signals: Middlefield Road/Willow Road, Middlefield Road/Ravenswood Ave, Willow Road/Bayfront Expressway, and Bayfront Expressway/University Avenue.

To mitigate traffic in Palo Alto beyond that which will be reduced by the voluntary transportation demand proposals noted below, the Hospitals propose the following:

- Contribute up to \$30,000 as the fair share contribution to a traffic signal at Alpine Road/ I-280 NB ramp.
- Contribute up to \$11,200 for installation of an Opticom system at 7 Palo Alto, Santa Clara County and San Mateo County signals: El Camino Real/Palm Dr/University Ave, El Camino Real/Page Mill, Middlefield Road/Lytton, Junipero Serra/Page Mill, Junipero Serra/ Campus Drive West, Galvez/Arboretum, Alpine/280 NB ramp.

Reduced Vehicle Trips: Additional Offered Community Benefits. To further minimize commute trips in drive-alone vehicles, the Hospitals propose to provide the following benefits, as voluntary mitigation, for the life of the Project:



- The Hospitals will purchase annual Caltrain Go Passes (free train passes) for all existing and new Hospital employees who work more than 20 hours per week at a cost of up to \$1.8 million per year, assuming Caltrain continues to offer the Go Pass program at its current cost (plus cost of living adjustments) or Caltrain offers a substantially equivalent program at essentially the same cost. While the Hospitals cannot guarantee a specific level of Caltrain ridership, if Caltrain ridership by Hospital employees reaches the same level as has been achieved by University employees, this program would result in offsetting all peak-hour trips from the Project's new employment. If the GO Pass program is no longer available in its current form, then the SUMC Project sponsors will contribute the amount of funding that they would have paid toward purchase of GO Passes, in an amount not to exceed \$1.8 million per year, toward one or more similar programs to encourage use of transit by SUMC employees. The program or programs shall be mutually agreed upon by the SUMC Project Sponsors and the City's Director of Planning and Community Environment.
- The Hospitals will fund expansion of increased Marguerite service to and from the train station to support GO Pass users by purchasing additional shuttles at a total capital cost of up to \$2.0 million, and by funding annual operating costs of providing increased shuttle service in an amount of up to \$450,000 per year in order to accommodate the increase in demand for shuttle services resulting from increased Caltrain ridership by Hospital employees.
- The Hospitals will provide an onsite Transportation Demand Management Coordinator for the life of the Project at an estimated annual cost of \$100,000.
- The Hospitals will offer to contribute to AC Transit \$250,000 (one time) to address capital costs associated with potential capacity issues on the U-Line.
- The Hospitals will offer to contribute to AC Transit and U-Line to address potential operation/capacity issues, an estimated annual amount for the life of the Project of \$50,000.
- To motivate East Bay commuters to use AC Transit and other transit options from the East Bay to the Project, the Hospitals will use best efforts to lease parking spaces at Ardenwood Park and Ride at an estimated annual cost for the life of the Project of \$45,000.

- The total value of these benefits over the life of the Project is \$126 million.

In addition, the Hospitals will monitor the success of their TDM programs. The following interim targets will be used to measure the progress toward meeting the desired mode split in 2025. These interim targets assume that in the early phases of implementation, there may be larger shifts to alternative modes than the shifts that may occur in later phases of the TDM program enhancement.

Target Year	Alternative Mode Share*	Percent Change
EIR Baseline (2006)	22.9 %	NA
Project Approval Baseline (2011)		
2018	30 %	7.1%
2021	33 %	+3 %
2025	35.1 %	+2.1 %

**\*Includes single-occupancy vehicle trip reduction via stay-at-home alternatives, e.g. telecommuting.**

If the Hospitals do not meet the applicable interim targets for any two consecutive years prior to 2025, the Hospitals will provide alternative transportation funding to the City of Palo Alto in the amount of \$175,000 per year until the hospitals achieve the applicable interim mode split target. The alternative transportation funding must be used by the City of Palo Alto for local projects and programs that encourage citywide use of alternative transportation mode uses.

If by 2025, the hospitals have not demonstrated substantial compliance with the 35.1% modal split for alternative transportation modes, the Hospitals will make a lump sum payment of \$4.0 million to the City of Palo Alto for local projects and programs that encourage and improve citywide use of alternative transportation mode uses.

## **Linkages**

Linkages: Additional Offered Community Benefits. To further encourage use of Caltrain, bus and other transit services, and to enhance and encourage use of pedestrian and bicycle connections between the Hospitals and downtown Palo Alto, the Hospitals propose to fund the following improvements:

- \$2.25 million for improvements to enhance the pedestrian and bicycle connection from the Palo Alto Intermodal Transit Center to the existing intersection at El Camino Real and Quarry Road, with up to \$2.0 million of that amount going to the development of an attractive, landscaped passive park/green space with a clearly marked and lighted pedestrian pathway, benches, and flower borders. This amount will be paid to the City of Palo Alto upon issuance of the first grading permit for the Project, and the City will be responsible for constructing these improvements.
- \$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. This amount will be paid to the City of Palo Alto upon issuance of the first grading permit for the Project, and the City will be responsible for constructing those improvements.
- Up to \$700,000 for improvements to enhance the pedestrian connection between the Medical Center and the Stanford Shopping Center going from Welch Road to Vineyard Lane, in the area adjacent to the Stanford Barn. The Hospitals will be responsible for constructing these improvements prior to completion of the hospital portion of the Project.

## **Housing**

Housing: Additional Offered Community Benefits. The Hospitals are exempt from the City's housing impact requirements under Section 16.47 of the Palo Alto Municipal Code. Like other exempt entities (churches, schools and City facilities), hospitals provide needed services to the community, and therefore are not expected to also provide community services in the form of affordable housing. Nevertheless, in recognition of the need for City subsidies to promote and accommodate affordable housing

and sustainable neighborhood and community development, the Hospitals propose to provide payment to the City in the amount of \$23.2 million.

The Agreement will provide that the fee be paid in three equal payments: the first, upon receiving full and complete Project entitlements; the second, upon approval of foundation permits for construction of the first hospital buildings; and the last payment will be upon issuance of occupancy permits for the first constructed of the hospital buildings.

### **City Services**

City Services: Direct and Indirect Hospitals Community Benefits. The Fiscal Impact Report prepared by CBRE Consulting concludes that revenues generated by the Project will more than offset the City's on-going cost of providing services. In addition, as indicated in the Fiscal Benefits section, the Hospitals and School of Medicine propose to contribute \$1.1 million to cover the City consultant's forecasted potential operating deficit from servicing the Project.

### **Climate Change**

Climate Change: Ongoing Direct and Indirect Hospitals Community Benefit. As demonstrated in the Project Application, the Water Supply Assessment, and at numerous City Council, Planning & Transportation Commission and Architectural Review Board meetings over the last three years, the Project will be built to the highest green building and sustainable standards consistent with Office of Statewide Health Planning and Development (OSHPD) requirements. Furthermore, the robust voluntary Reduced Vehicle Trips mitigation proposed above goes further than any other significant City project in addressing the Hospitals' carbon footprint.

Climate Change: Additional Offered Community Benefit. The Hospitals propose to contribute \$12 million to the City for use in projects and programs (including carbon credits) for a sustainable community. These could include programs identified in the City's Climate Action Plan and investments in renewable energy and energy conservation. The Agreement will provide that \$12 million will be paid in three equal payments: the first upon receiving full and complete Project entitlements; the second, upon approval of foundation permits for construction of the first Hospital buildings; and the last payment will be upon issuance of occupancy permits for the first constructed of the Hospital buildings. The foregoing proposal assumes there will be no non-voluntary requirement to participate in Palo Alto Utilities' Palo Alto Green Program.

### **School Fees**

School Fees: Direct and Indirect Hospitals Community Benefits. The Hospitals will pay School Fees to the Palo Alto Unified School District in the amount of \$616,170, based upon the currently applicable School Fee and the current projected building square footage. The applicable fee for each new or expanded building will be due and payable prior to receiving a building permit from the City of Palo Alto. The Hospitals propose that, for buildings subject to OSHPD jurisdiction, school fees will be due within five days of issuance of a building permit from OSHPD.

### **Development Agreement Conditions and Understandings**

The proposal is based on our understanding that the Development Agreement will apply only to development of the Project, and not to any other property owned by Stanford or any other project proposed by the Hospitals or Stanford. In addition, we have based our proposal on the following anticipated benefits of entering into a Development Agreement:

#### **Project Approvals, City Regulations**

The Agreement will vest the applicants' right to construct, use and occupy the Project in accordance with (a) approvals for the Project granted by the City, specified in the Agreement and acceptable to the Hospitals and Stanford, including amendments to the Comprehensive Plan and zoning ordinance, a conditional use permit, a jurisdictional boundary change, and architectural review approvals (collectively "Project Approvals"); (b) the ordinances, rules, regulations, and official policies of the City in force and effect on the date of approval of the Development Agreement as modified by the Project Approvals ("Applicable Rules"); and (c) such other ministerial and discretionary approvals that are necessary or desirable for the economic and efficient construction, use and occupancy of the Project that may be granted subsequent to the execution of this Agreement ("Subsequent Approvals"). Through incorporation of the Project Approvals, the Agreement will specify the permitted uses of the property, the density or intensity of use, the maximum height and size of proposed buildings, and provisions (if any) for reservation or dedication of land for public purposes.

The City will agree to grant all Subsequent Approvals, whether ministerial or discretionary, subject only to its reasonable determination that the application for the requested Subsequent Approval is complete and consistent with the Project Approvals, Applicable Rules, and any new City rules, regulations, and policies which do not conflict with the Project

Approvals and Applicable Rules. The City will agree not to impose any requirement or condition on Subsequent Approvals or development or operation of the Project other than those required by the Project Approvals, Applicable Rules, and any new City rules, regulations, and policies which do not conflict with the Project Approvals and City Regulations. The Agreement will provide that the parties will cooperate and diligently work to implement all Project Approvals and to expeditiously review and act upon all requests for Subsequent Approvals. From and after approval, each Subsequent Approval shall be vested under this Agreement to the same extent as the Project Approvals.

The City will agree to allow the SUMC Parties to connect to the City's sanitary sewers, storm drains, water service, gas service and electrical service and shall issue all permits and authorization necessary for such connection and service, subject to limited exceptions required by law. The Agreement will provide that the SUMC Parties will have priority for sanitary sewer treatment capacity over other unbuilt residential, commercial or industrial development and over new commercial space built or approved subsequent to Development Agreement approval; the SUMC Parties also will have priority for storm drain capacity over other unbuilt commercial development; and new commercial development built or approved subsequent to Development Agreement approval.

### **Annexation**

The City will agree to annex the property described in the Project Approvals.

### **Project Design**

The Agreement will include the Design Guidelines for the Project as an attachment. For those portions of the Project that have not yet received architectural review approval by the time the City approves the Development Agreement, the Design Guidelines will be the exclusive design criteria applicable to the Project components, and the exercise of the City's architectural review discretion will be limited to determining whether a proposal is substantially consistent with the Design Guidelines. If architectural review approval or any other type of site or design approval is needed for Subsequent Approvals, the decisions shall be made by the Director of Planning and Community Environment, after recommendation by the Architectural Review Board, subject only to appeal to the City Council (pursuant to Section 18.77.070 of the Municipal Code).

### **Public Improvements, Fees and Exactions**

The Agreement will describe the public improvements (if any), fees, dedications and exactions required by the Project Approvals or otherwise required under the Development Agreement, and the Agreement will provide that no other public improvements, fees, dedications or exactions will be required. The Agreement will allow the Hospitals and School of Medicine to connect to the City's sanitary sewers, storm drains, water service, gas service and electrical service. The Agreement will grant the Project priority for sanitary sewer treatment capacity over unbuilt development.

### **Inspections**

The Agreement will describe protocols and procedures for Subsequent Approvals and inspections, including agreed upon turn around times.

### **Phasing Schedule**

The Agreement will confirm that the applicants are not required to initiate or complete development of the Project, or any portion thereof, or to initiate or complete the Project components within any period of time or in any particular order. The Agreement will acknowledge that the applicants may develop the Project components in such order and at such rate and times as they deem appropriate within the exercise of their sole and subjective business judgment. The applicants also may choose, in their discretion, to phase the Project.

### **Project Modification**

The Agreement will provide a process and standard of review for future City consideration of applicant-proposed modifications to the Project, including to Project phasing if the applicants so choose, with the objective of expedited review of project modifications and City approval of such modifications if no new or substantially more severe environmental impacts would result. Potential modifications will include those required by OSHPD during its review of applicable Project components.

### **No Moratorium or Inconsistent Subsequent Rules**

The Agreement will provide that neither the right to develop nor the timing of development will be affected or limited by a phasing schedule, growth control ordinance, moratorium or suspension of rights, whether adopted by the City Council or a vote of the citizens through the initiative process except as required by supervening federal or state law, order, rule or regulation. If a moratorium negatively affects timing of the Project, the applicants may elect to extend the term of the Development Agreement for the duration of the moratorium plus ten years. The Agreement also will provide that the City will not apply regulations, ordinances, rules or policies that conflict with, or are more restrictive than, the rules that apply on the effective date, unless such rules are necessary to protect against conditions that create a substantial and demonstrable risk to the physical health or safety of residents or users of the site, or if they are mandated by federal or state statute.

### **Term of Agreement**


The term of the Agreement will commence as of the Effective Date and continue 30 years from the Effective Date, or until earlier terminated by mutual consent of the parties, except as to those obligations that expressly extend for the life of the Project, which is defined to be 51 years.

### **Other**

The Agreement will include provisions addressing annual review, amendment, dispute resolution, remedies and notices.

Thank you for considering this revised proposal, and we look forward to discussing these terms with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Peterson". The signature is fluid and cursive, with the first name "Michael" being more prominent.

Michael J. Peterson  
Vice President, Special Projects  
Stanford Hospital & Clinics



## Exhibit A

<b>SUMC City Manager Letter Offer Comparison</b>		
	<b>June 15, 2009</b>	<b>January 2011</b>
<b>HEALTH CARE</b>		
In-patient and out-patient services	\$3,000,000	\$3,000,000
Community health programs	\$4,000,000	\$4,000,000
<b>TOTAL HEALTH CARE</b>	<b>\$7,000,000</b>	<b>\$7,000,000</b>
<b>REDUCED VEHICLE TRIPS</b>		
4 new shuttles	\$2,000,000	\$2,000,000
Shuttle operations over 51 years	\$22,950,000	\$22,950,000
GO Pass over 51 years	\$65,412,600	\$90,907,500
	\$90,362,600	\$115,857,500
TDM Coordinator	\$0	\$5,100,000
AC Transit and U Line-Capital	\$0	\$250,000
AC Transit and U Line-Operating	\$0	\$2,550,000
East Bay Transit options - Ardenwood Lease	\$0	\$2,295,000
		\$10,195,000
<b>TOTAL REDUCED VEHICLE TRIPS</b>	<b>\$90,362,600</b>	<b>\$126,052,500</b>
<b>LINKAGES</b>		
Improvements to enhance the pedestrian and bicycle connection	\$2,250,000	\$2,250,000
Improvements to the public ROW to enhance the ped/bike connection	\$400,000	\$400,000
Improvements to enhance ped connection between SUMC/SSC/Welch	\$700,000	\$700,000
<b>TOTAL LINKAGES</b>	<b>\$3,350,000</b>	<b>\$3,350,000</b>
<b>HOUSING</b>		
Housing Impact fee	\$23,060,490	\$23,230,920
<b>TOTAL HOUSING</b>	<b>\$23,060,490</b>	<b>\$23,230,920</b>
<b>CLIMATE CHANGE/SUSTAINABLE COMMUNITIES</b>		
Defined Contribution	\$0	\$12,000,000
<b>TOTAL CLIMATE CHANGE/SUSTAINABLE COMMUNITIES</b>	<b>\$0</b>	<b>\$12,000,000</b>
<b>FISCAL</b>		
Upfront Contribution	\$0	\$1,100,000
Use Tax Direct Payment Permit	\$750,000	\$750,000
<b>TOTAL FISCAL</b>	<b>\$750,000</b>	<b>\$1,850,000</b>
<b>TOTAL</b>	<b>\$124,523,090</b>	<b>\$173,483,420</b>