

November 11, 2024

Emily Kallas  
Planning & Development Services  
City of Palo Alto  
250 Hamilton Avenue, 5<sup>th</sup> Floor  
Palo Alto, CA 94301

**Re: Conditional Use Permit Amendment Application for Stanford Hospital (300 Pasteur Drive)**  
**Applicant: Stanford Health Care**  
**Address: 300 Pasteur Drive**  
**Zoning District: Hospital District**  
**APN: 142-23-048; 142-23-017**

Dear Emily,

Stanford Health Care (“SHC”) has prepared the enclosed materials in support of its application to amend the Conditional Use Permit approved in connection with the Stanford University Medical Center Facilities Renewal and Replacement Project (City Council Action No. 2011-03) to update the maximum number of licensed inpatient beds designated for SHC.

### **Background**

Stanford Health Care, together with Lucile Packard Children’s Hospital (“LPCH”) and the Stanford University School of Medicine (known collectively as “Stanford Medicine”), have over the past decade-plus been engaged in a facilities renewal and replacement project known as the Stanford University Medical Center Renewal Project (“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, the Renewal Project scope includes new hospital, clinic, research, and laboratory facilities, as well as the renovation of existing hospital and clinic facilities.

In order to facilitate this important work, in 2011 the Stanford Medicine parties 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 and a streamlined process for obtaining subsequent project approvals. The Renewal Project approvals allow for approximately 1.31 million square feet of net new development on the main Stanford Medicine campus and Hoover Medical Campus over a 30-year period.

Over the past several years, Stanford Medicine has reached key Renewal Project milestones, including the opening of the new Stanford Hospital at 500 Pasteur Drive and the LPCH expansion (Main building); the opening of new laboratory and research space for the School of Medicine; the renovation of the Hoover Pavilion, and construction of the Neuroscience Health Center. Transportation and utilities infrastructure has also been developed to support these improvements, including along Welch Road, where new underground utilities have been installed to connect the new facilities to Stanford University’s highly efficient Central Utility Plant; and a new link road has been constructed between Sand Hill Road and Welch Road. Parking facilities have also been constructed to support the new hospitals and clinics.

For Stanford Health Care, three of the key Renewal Project goals were to meet existing and projected demand for patient care (including relieving inpatient bed shortages), to achieve timely compliance with state seismic safety requirements (including replacement of the original 1959 Hospital in its entirety), and to provide modern, state-of-the-art facilities designed to deliver high-quality health care services.

Accordingly, SHC planned and constructed the new Hospital at 500 Pasteur Drive, which provides 368 patient beds in a state-of-the-art, seismically compliant facility.<sup>1</sup>

This new bed inventory at 500 Pasteur Drive in turn enabled SHC to begin the necessary extensive renovations of its preexisting acute care facilities in order to bring these into compliance with State seismic safety requirements—as planned and studied in the Renewal Project Environmental Impact Report (EIR)—while maintaining 600 licensed inpatient beds across all SHC facilities. Specifically, SHC was able to begin a series of renovations within its 1980’s-era facilities, which includes sequential renovation of the three existing nursing towers, known as D, E, and F—removing each tower from service for roughly two years, one tower at a time. These renovations are also resulting in the conversion of existing semiprivate patient rooms to all private patient rooms. Two new additions are also planned to the building, which were designed with the intent of bringing SHC to its original target of 600 private, seismically compliant beds by January 1, 2030. This work is tracking for completion prior to the State’s deadline.

An important element of seismic compliance context is that under current State legislation, the existing beds in the original 1950s buildings must be removed from inpatient care by January 1, 2030. Removal of these beds from acute care service has been part of the Renewal Project plan since its inception; however, until 2030, while renovations continue in other areas of the hospital, the beds are expected to remain in use.

The Conditional Use Permit approved in connection with the Renewal Project identifies a maximum of 600 beds for SHC, in alignment with the Renewal Project EIR, which assumed 600 licensed inpatient beds for SHC in its analysis. Under current circumstances, as described further below, SHC is seeking to adjust this maximum figure to correspond to existing usage authorized by the State of California.

### **Current Context: Increased Demand for Inpatient Care**

Since late 2020, the demand for inpatient care at SHC has grown, and the sources of additional community demand have been outside of SHC’s control, driven primarily by patients coming in through the Emergency Department (ED), as well as by transfer requests. Admissions from the ED have increased from 47% of total admissions to now over 60% of total admissions. At times, due to the increased demand coming from the ED, SHC must deny transfer requests—including strokes, tumors, and medical emergencies—that have few other options in this area. This also reduces the capacity available for treating local high acuity patients in such areas as cardiac surgery, cancer, and transplants—services that SHC is uniquely positioned to provide.

ED visits have also increased substantially beyond the volumes that were seen at the time of the Renewal Project application and approvals—from 48,744 annual visits in 2009 to 75,391 annual visits in 2023, amplifying the effects of the increased admission rate from the ED.

The reasons for the growth in demand for inpatient care are multifold. Outside of SHC, there is a diminished capacity in the Bay Area health care ecosystem to meet the growing demand for emergency services and inpatient care, and consequently, SHC has been meeting an outsized proportion of the regional need for these services. With the recent downgrading of the trauma center at Regional Medical Center in San Jose, and with ongoing financial struggles of some community hospitals and potential future closures, the demand for inpatient care at SHC is expected to continue to grow. In addition, the lack of post-acute care in the Bay Area has impacted SHC, as there are limited post-acute care facilities that patients can be sent to, resulting in longer hospital stays. Finally, labor actions and staffing shortages at nearby hospitals also have an impact on SHC, resulting in additional patients turning to SHC.

---

<sup>1</sup> At the time the original Renewal Project application was made, SHC was licensed by the State to operate 613 beds, but due to spatial constraints was only able to keep approximately 450 beds operational.

## **COVID-19 Public Health Emergency Space Waivers & Program Flexibility**

During the COVID-19 Public Health Emergency (PHE), the State of California granted hospitals the ability to use space flexibly to accommodate additional community demand and allowed inpatient care to occur outside of licensed spaces. For SHC, this meant that decommissioned patient care units—which were coming offline for construction—could be quickly reactivated to meet community demand. It also meant that beds which were removed from the license when the new Hospital opened—specifically second beds in rooms that were previously licensed as “doubles”—could be brought back into service.

The ability to flexibly deploy semiprivate / double rooms, particularly in the 1959 buildings, which were generally excluded from the Hospital’s major renovation program, was critical throughout the pandemic period, and allowed SHC to quickly and flexibly meet community demand.

Upon the expiration of the PHE and the associated space waivers from the State, SHC received “program flexibility” approval from the California Department of Public Health (CDPH) to continue using these same spaces and beds that were in use throughout the PHE. This flexibility granted by the State has allowed SHC to continue to meet the growing community demand for inpatient care, particularly that coming in through the Emergency Department, which increased by nearly 30% year over year.

## **Proposed Solution & Next Steps**

During this upcoming period of ongoing seismic compliance construction and renovation, in order to support the increased community demand for inpatient care, SHC seeks to request that its semiprivate beds (approximately 70 in total) be reinstated to the hospital license, rather than continuing to rely on CDPH program flexibility for their use. This will afford SHC the same capacity that has been available and utilized throughout the pandemic period and continuing today, and will provide the certainty that is needed in order to plan ahead to address current patient volumes.

To this end, SHC respectfully asks that the City amend Section 3(2)(a) of the Conditional Use Permit so that the first bulleted item reads as follows: “New Stanford Hospital Buildings (1,100,000 gsf; not to exceed total of ~~600~~ 670 beds for combined existing and new Stanford Hospital facilities).”

SHC’s request to increase its licensed bed count to 670 is intended to enable a continuation of the same level of care at the same capacity level available today while the organization works toward achieving full compliance with State seismic safety requirements prior to the January 1, 2030 deadline. To meet the community demand for inpatient care beyond that date, SHC is exploring multiple potential solutions and locations for facilities. In the meantime, SHC has taken steps to create incremental capacity by developing an active transfer program to its community hospital in Pleasanton, scheduling more outpatient surgeries in network locations, and operating an inpatient unit at Sequoia Hospital in Redwood City.

## **Description of Proposed Use and Consistency with Zoning Code**

As outlined below, the proposed Conditional Use Permit amendment meets the requirements of Section 18.76.010 of the Municipal Code:

- **The use will not be detrimental or injurious to property or improvements in the vicinity, and will not be detrimental to the public health, safety, general welfare, or convenience.** The proposed increase in licensed inpatient beds will not be detrimental or injurious to property or improvements in the vicinity, and will not be detrimental to the public health, safety, general welfare, or convenience. On the contrary, this use will support public health, safety, and general welfare by providing within the City, on a continuing basis, the inpatient capacity needed to meet

current community demand. With waivers and program flexibility granted by the State of California, the proposed licensed bed count identified in this amendment is already in place, and no changes to existing conditions will occur.

- **The use will be located and conducted in a manner in accord with the Palo Alto Comprehensive Plan and the purposes of the Zoning title of the Municipal Code.** The use will be consistent with all provisions of the Palo Alto Comprehensive Plan and Zoning Ordinance. The use will support the approved buildout of the Stanford University Medical Center, and therefore advances the following Palo Alto Comprehensive Plan policy, among others:

**Policy B-7.6:** Support the approved buildout of the SUMC and assist Stanford Medical Center in responding to changes in the delivery of health care services. Work with the Center to plan for changing facility needs within the context of City of Palo Alto planning goals and policies, as well as the goals and policies of other relevant jurisdictions.

The use is located within the Hospital (HD) zoning district, which expressly is designed to accommodate medical and educational uses, including Stanford Hospital.

SHC anticipates that this proposed amendment would be exempt from California Environmental Quality Act (CEQA) review under at least two categorical exemptions. First, the Class 1 categorical exemption covers the operation and minor alteration of existing facilities, provided the activity involves negligible or no expansion of use. (14 Cal. Code Regs. § 15301.) Second, the Class 2 categorical exemption is for the replacement or reconstruction of existing structures and facilities, including, but not limited to, schools and hospitals where earthquake-resistant structures are provided that do not increase capacity more than 50 percent. (14 Cal. Code Regs. § 15302.)

Both categorical exemptions cover the proposed Conditional Use Permit amendment, as it seeks to maintain SHC's existing capacity to provide care while moving forward with its reconstruction program to provide earthquake-resistant structures. This change would not constitute an expansion of use or an increase in capacity, as the proposed amendment simply would add to the Conditional Use Permit beds that already are in use under State authorization. As discussed, the beds that would be relicensed have been used in recent years under space waivers issued by the State during the COVID-19 Public Health Emergency and subsequent program flexibility approvals by CDPH. For CEQA purposes, the proposed amendment should be judged relative to these on-the-ground conditions under which more than 600 inpatient beds are in use. If the City would like, we are available to provide additional documentation to support application of these categorical exemptions to the proposed amendment.

In support of this application, we have enclosed the following materials:

1. Signed Conditional Use Permit application
2. Floor plans identifying locations of proposed relicensed beds;
3. Current FAR and parking tables identifying consistency with Project Approvals.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Molly Swenson  
Director, Land Use & Licensing  
Planning, Design + Construction  
Stanford Medicine