



City of Palo Alto City Council Staff Report

(ID # 13832)

Meeting Date: 3/21/2022

Title: Accept the Stanford University Medical Center (SUMC) Annual Report for Fiscal Year 2020-2021 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 Year 2020-2021, 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, Stanford University (SUMC Parties), and the City of Palo Alto.

The SUMC Parties submitted an Annual Report for Fiscal Year 2020-2021 that summarizes 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 Fiscal Year 2020-2021 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 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 Fiscal Year 2020 - 2021, which is the tenth year of the Agreement. The last annual report prepared was for Fiscal Years 2017-2018, 2018-2019, and 2019-2020.¹ Previous annual reports and compliance documentation can be found via the weblinks in Attachment D. The Agreement specifies that the City annually review the parties’ compliance.

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 2020-2021 (Attachment A) describes the activities related to Agreement implementation and ongoing annual progress toward meeting the following obligations in Section 5 of the Agreement, “SUMC Parties’ Promises:”

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

Staff prepared a summary of the Section 5 obligations and the staff-confirmed compliance status (Attachment B).

¹ City Council Report, 11/01/21 (SUMC Annual Report, Fiscal Years 2017-2018, 2018-2019, and 2019-2020): <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2021/11-november/20211101pccs-amended.pdf>

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 reports required of the SUMC Parties for Fiscal Year 2020-2021. In this timeframe, City staff and SUMC have also:

- Processed applications that represent the next phase of SUMC development, including remodeling of Nursing Pod D;
- Rapidly processed SUMC applications pertaining to COVID-19 pandemic response; and
- Maintained all records necessary to complete the City's annual review.

Construction Activities and Net New Square Footage

Detailed information on SUMC construction activities for Fiscal Year 2020-2021 can be found in the SUMC Annual Report (Attachment A).

To summarize construction activities during this year:

- In Fiscal Year 2020-2021, the School of Medicine (SOM) Biomedical Innovation Building (BMI) received final certificate of occupancy in Spring 2021. Note that BMI received a temporary certificate of occupancy during Fiscal Year 2019-2020, but could not be tracked that year, pending receipt of final occupancy.

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

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

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

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

In Fiscal Year 2020-2021, the School of Medicine (SOM) Biomedical Innovation Building (BMI) added 196,921 square feet. With the occupancy of this new floor area, SUMC removed occupancy of some portions of the 1959 Stone Complex in Fiscal Year 2020-2021 in order to prevent exceedance of the total occupied square footage allowed in their entitlements. While not triggered in the current Fiscal Year monitoring period, there are provisions in the SUMC

entitlements to have a three-year time period (or up to five years with Planning Director approval) whereby SUMC is allowed to exceed the total occupied existing and net new building square footage. This provision is important for ensuring that SUMC can maintain existing operations while also efficiently transfer new uses, equipment, and operations over to the new facilities.

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.

Traffic Mitigation and Reduced Vehicle Trips

The SUMC Parties had made substantial progress in meeting the traffic and alternative transportation obligations of the Agreement. Specifically, they 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.
- 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.

SUMC achieved their 2021 alternative mode share milestone target of 33% for employee trips early and every year between 2013 and 2019. The alternative mode share rate was 38.1% in FY 2018 and 33.8% in FY 2019. 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. 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 was 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 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.

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

In Fiscal Year 2020-2021, the SUMC parties found that the alternative mode share milestone target of 33% outlined in SUMC DA Section 5(c)(ix) was not met for 2021, nor was it above the previous 2018 milestone target of 30%. The alternative mode share rate for SUMC decreased to 28.8% between use of alternative modes versus driving alone, largely due to ongoing pandemic conditions.

SUMC is in the process of analyzing which alternative modes were most significantly reduced during the pandemic and identifying potential Transportation Demand Management (TDM) enhancements to their existing TDM program that might recover their previous high use of alternative transportation modes. The City is awaiting a brief memo from SUMC that outlines this analysis, the identified current challenges to meeting the alternative mode share milestone targets, and future actions that will be undertaken in Fiscal Year 2021-2022.

Learning the forthcoming alternative mode share rate for Fiscal Year 2021-2022 will be important. If the 2022 alternative mode share rate is less than the target 33% rate, then SUMC DA Section 5(c)(ix) calls for SUMC to provide a \$175,000 payment to the City for alternative transportation funding. The City would need to use the payment to support local projects and programs that encourage use of alternative transportation modes or otherwise reduce peak period traffic trips in the intersections impacted by the project.

Construction Sales and Use Tax Monitoring Report

SUMC submitted the annual Construction Sales & Use Tax Monitoring Report on June 30, 2021. The City sent its required response. Based upon the City's review of the annual Construction Sales and Use Tax Monitoring Report, revenues for calendar years 2011 through 2020 have totaled \$5,335,541. This annual reporting assists in the process of ensuring that the City would receive no less than \$8.1M in construction sales and use tax revenue by December 31, 2025.

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 2020-2021 reporting period. This sum includes the

approximately \$11.7 million third and final payment by SUMC during the FY 2017-2018 reporting period.

Regarding fund usage during the Fiscal Year 2020-2021 reporting period, the City authorized transfers for the following:

- \$1,150,000 under “Expansion Cost Mitigation” for Rail Grade Separation (PL-17001), University Avenue Streetscape Upgrade (PE-21004), and Building Systems Improvements (PF-01003).
- \$800,000 under “Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing” for 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>.

In accordance with SUMC Development Agreement Section 5(a)(iii), City staff is in the process of setting up a meeting with the SUMC Parties to establish a joint committee to evaluate proposals regarding specific programs to receive funding from the Community Health and Safety Programs Fund for Fiscal Year 2021-2022. The fund is to be used for selected community health programs that benefit residents of the City. The joint committee may choose to

coordinate its efforts with the City's Human Relations Commission, and the City's representatives on the committee may be members of the Human Relations Commission. The joint 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.

Resource Impact

There are no impacts to the City's budget resulting from this review of the SUMC Annual Reports for Fiscal Year 2020-2021. 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.

Stakeholder Engagement

Community members and policy makers were extensively involved in the crafting of the SUMC Development Agreement and all other associated project enabling entitlements. Also, subsequent related project entitlements continue to be processed through the City's standard review processes, as discussed in the Development Agreement and other entitlements. For example, the proposed Nursing Pod Extension project Major Architectural Review application at 300 Pasteur Drive recently went for review before the Architectural Review Board.²

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:

- **Attachment5.a:** Attachment A: SUMC Annual Report FY 2020-2021
- **Attachment5.b:** Attachment B: SUMC Development Agreement, Section 5 - SUMC Parties' Promises
- **Attachment5.c:** Attachment C: Fiscal Year 2020-2021 Supplement
- **Attachment5.d:** Attachment D: Weblinks to Prior SUMC Annual Reports

² 300 Pasteur: 21PLN00235 - SUMC Nursing Pod Extension (1st Formal) Major Architectural Review Staff Report for February 3, 2022 (<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/architectural-review-board/2022/arb-02.03.2022-300-pasteur.pdf>).

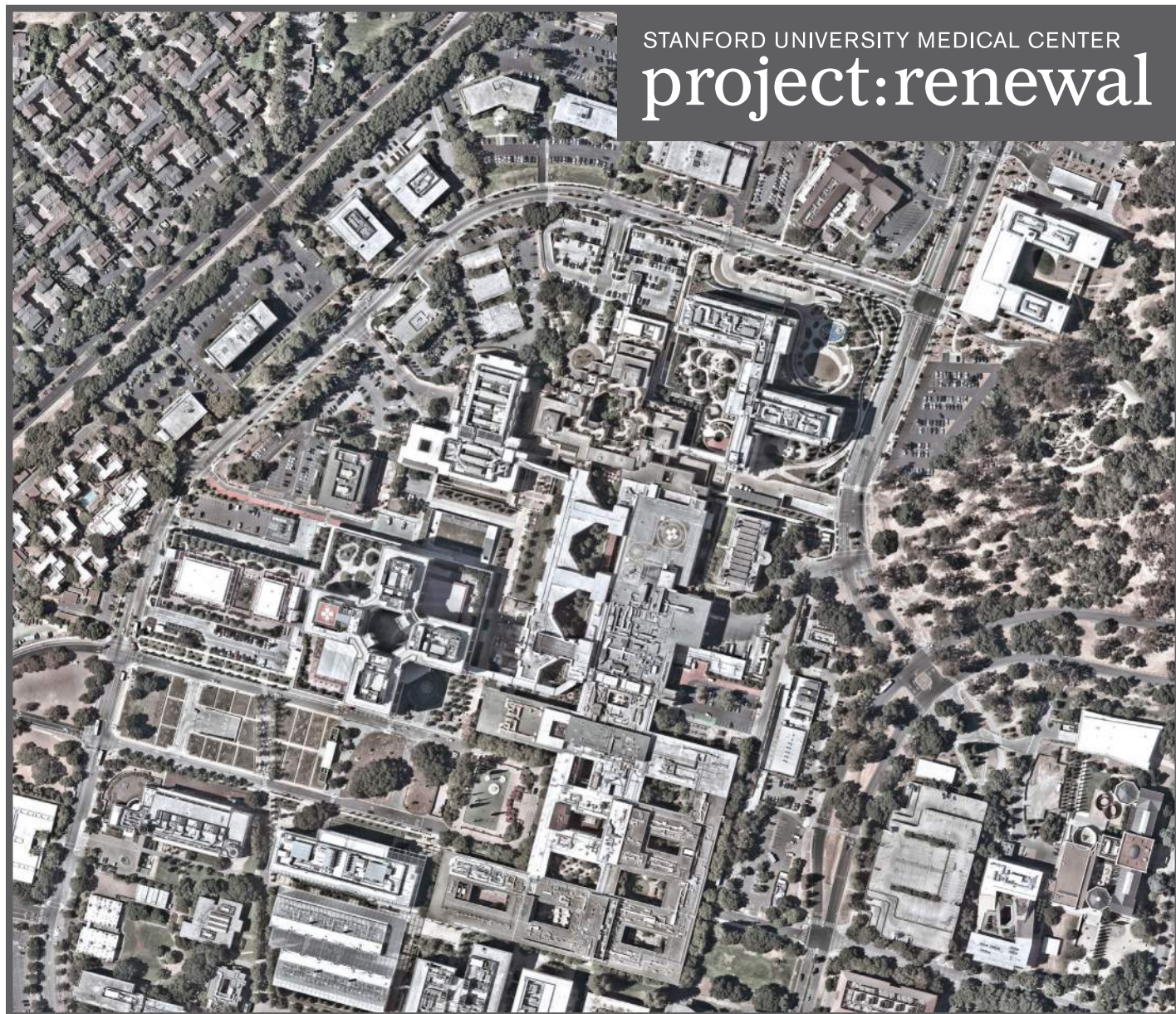


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2020-21 ANNUAL REPORT

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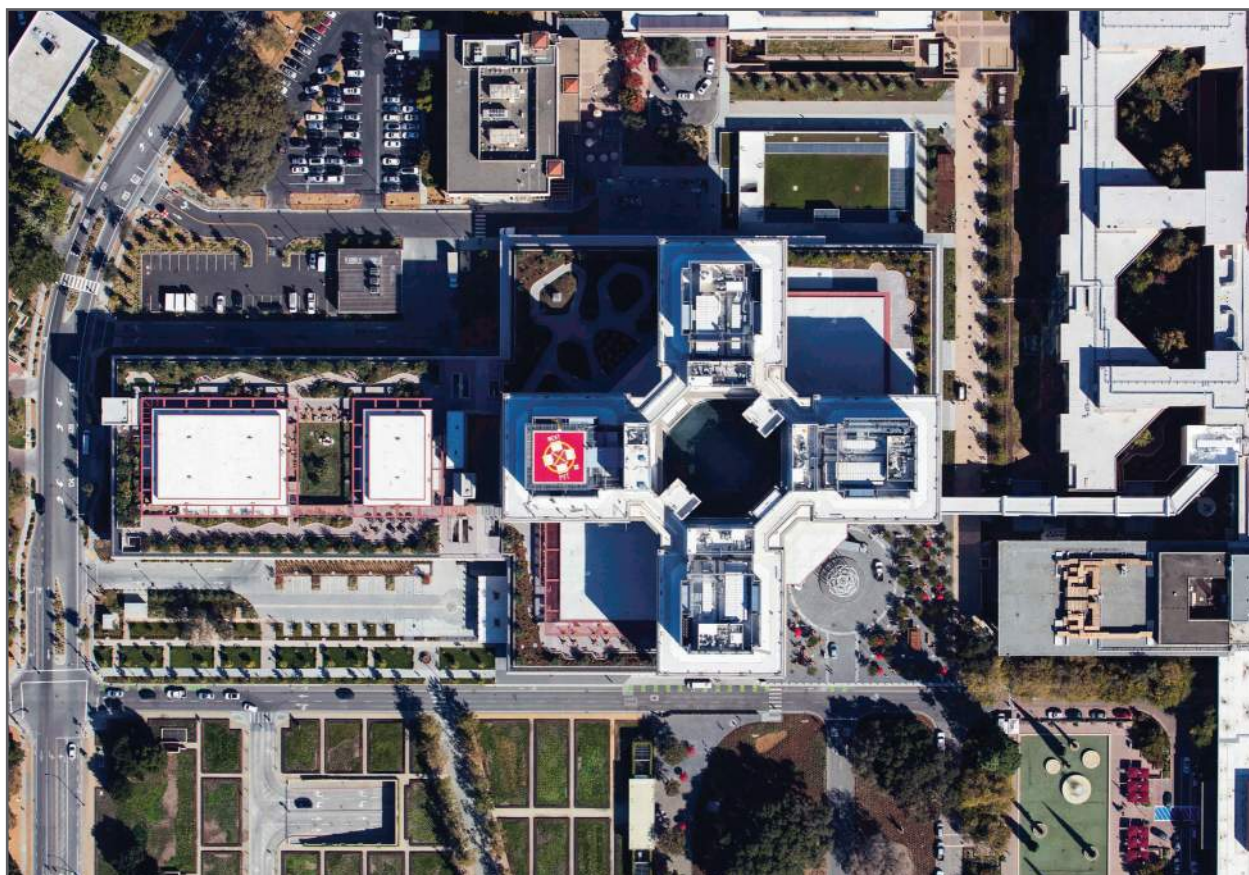
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EXECUTIVE SUMMARY

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

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

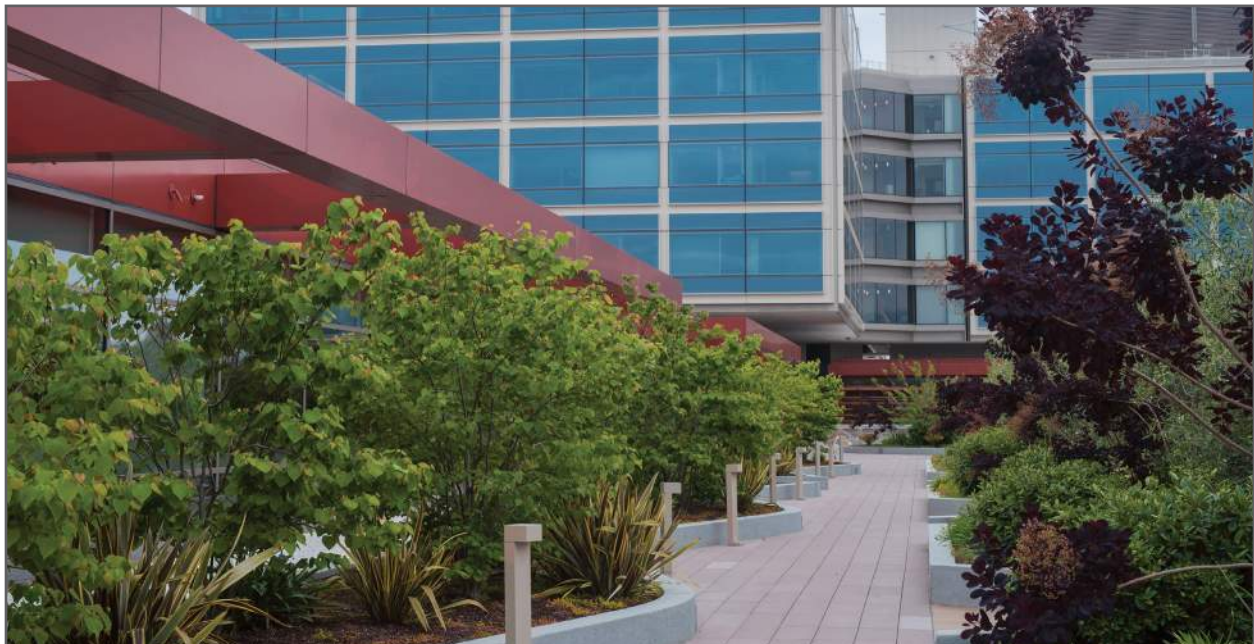


BACKGROUND AND PURPOSE

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

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

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



2020-2021 SUMMARY OF PROGRESS

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

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

LUCILE PACKARD CHILDREN'S HOSPITAL

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

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

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



2020-2021 SUMMARY OF PROGRESS

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.

STANFORD HEALTH CARE

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

In November 2019, Stanford Health Care's first phase of facilities renewal completed as the New Stanford Hospital received its license from the State Department of Public Health and opened to patient care. With the new Stanford Hospital now complete, Stanford Health Care has begun a series of renovations within its preexisting facilities, including the conversion of shared patient rooms into private rooms within the 1989 portion of the Hospital; this renovation work is planned to proceed in phases over the next several years. In addition, to continue to maintain its current 600-bed count upon conversion of existing shared patient rooms to private rooms, Stanford Health Care is proposing an addition to the preexisting Hospital of approximately 38,000 square feet. This proposed addition was brought before the Architectural Review Board for preliminary feedback in April 2021, and Stanford Health Care anticipates submitting a Major Architectural Review application for this scope in Summer 2021.



2020-2021 SUMMARY OF PROGRESS

SCHOOL OF MEDICINE

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

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



2020-2021 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
STANFORD HEALTH CARE	
1101 Welch demolished	(40,100)
500 Pasteur ²	719,266
Total	679,166
LUCILE PACKARD CHILDREN'S HOSPITAL EXPANSION	
701 Welch demolished	(56,300)
703 Welch demolished	(23,500)
Lucile Packard Children's Hospital Expansion	446,088
Total	366,288
SCHOOL OF MEDICINE	
BioMedical Innovations building	196,921
Partial decant of 1959 Stone Complex	(8,640)
Total	188,281
HOOVER PAVILION	
Miscellaneous shops and storage demolished	(13,831)
Stanford Neuroscience Health Center (Hoover MOB)	91,605
Total	77,774

² Final gross floor area calculation as confirmed under 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 its obligations under Section 5 of the Development Agreement.

HEALTH CARE BENEFITS

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

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

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

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

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

Stanford Medicine provided the entire required contribution to the Community Health and Safety Program Fund on August 25, 2011. No further action is required by Stanford Medicine to comply with this Development Agreement provision, though 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.

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.

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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

As required by the Development Agreement, Stanford Medicine submitted its annual Construction Sales and Use Tax monitoring report to the City on June 30, 2021. 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 2020 construction use tax monitoring report already submitted. Note that in 2020, as identified in the construction use tax monitoring report, Stanford Medicine did not have active construction projects which qualified for participation in the program, and instead reported only self-accruals associated with owner purchases; however, in 2021, with the commencement of Stanford Health Care's interior renovations at the preexisting Hospital, contractor participation in the program has resumed and will be reflected in the next annual monitoring report.

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

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

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

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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. Stanford Medicine provides a robust transportation demand management program, offering a variety of incentives for employees to forego driving alone to work. As required by the Development Agreement, Stanford Medicine has taken the additional actions outlined below.

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

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

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

Stanford Medicine has contributed a single lump sum payment of \$200,000 to East Palo Alto to be used for roadway and traffic signal improvements on University Avenue. This payment was made on August 19, 2011. No further action is required by Stanford Medicine to comply with this Development Agreement provision. In the event that Stanford Medicine does not meet 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 are making annual payments to AC Transit for purposes of U-Line operating costs.
- In order to encourage Hospital employees living in the East Bay to use public transit for their commute, the Hospitals committed to using best efforts to lease 75 parking spaces at the Ardenwood Park and Ride lot, or an equivalent location, at a cost not to exceed \$45,000 per year (Section 5(c)(iv)(C)). The Hospitals continue to meet this requirement, and currently lease 100 parking spaces in Newark (35263 Fircrest Drive). However, the Fircrest-Ardenwood route that provided service to these spaces was suspended in December 2020 due to the pandemic reducing demand and resulting low ridership. East Bay riders continue to be served by the U Line and DB Express.

Section 5(c)(v). Opticom Payments

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

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

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

Hospital management accelerated the purchase of the annual GO Pass for Hospital employees, and began providing free GO Passes to employees commencing on January 1, 2012. Annual passes were purchased again for all existing and new eligible employees for 2021.

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

COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

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 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.

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 2021 Alternative Mode Share Report to the City on May 28, 2021; this report shows an alternative mode split of 28.8% for the Hospitals, representing a significant drop in alternative mode share since the start of the COVID-19 pandemic. The shift from alternative modes to single-occupancy vehicles among on-campus Hospital staff is consistent with generally observed changes in transit behavior during the pandemic, with the key difference that the Hospitals' on-campus employees largely do not have the ability to perform work remotely, as they primarily occupy roles which require direct patient interface or otherwise require physical presence. Given reductions in transit service and concerns over the safety of public transportation during the pandemic, the reduction of 5 percentage points in the Hospitals' alternative mode share from the most recent reporting year can be more easily understood. Stanford Medicine remains committed to increasing its alternative mode share, and enabling employees to travel safely to work using alternative modes.

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.

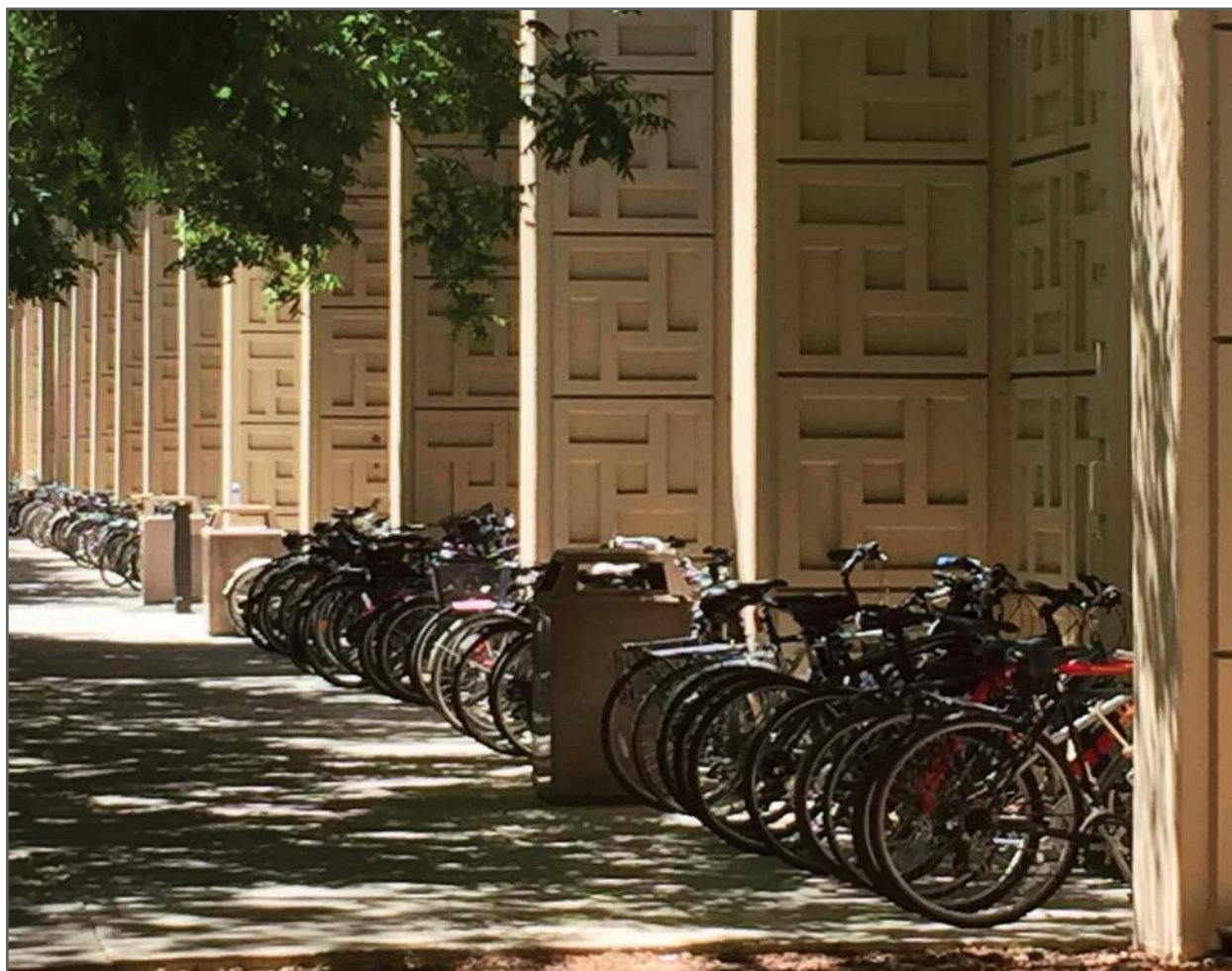
COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

INFRASTRUCTURE, SUSTAINABLE NEIGHBORHOODS AND COMMUNITIES, AND AFFORDABLE HOUSING

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

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



COMPLIANCE WITH DEVELOPMENT AGREEMENT OBLIGATIONS

CLIMATE CHANGE

Section 5(f). Climate Change Fund

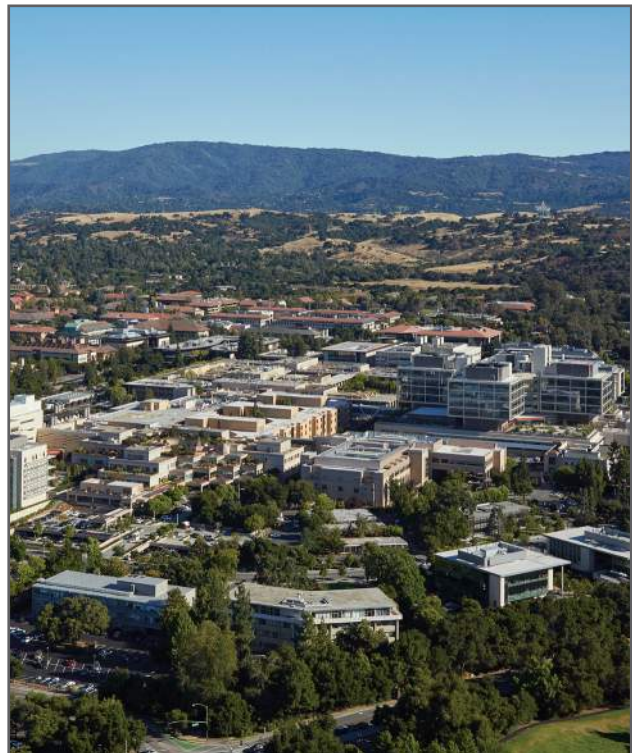
Stanford Medicine agreed to contribute a total amount of \$12 million toward City projects and programs for a sustainable community, including programs identified in the City's Climate Action Plan, carbon credits, and investments in renewable energy and energy conservation. As required by the Development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

SATISFACTION OF CONDITIONS OF APPROVAL

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

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

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



CONCLUSION

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



SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2020-2021

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 2020-2021.
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 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 reviews the Construction Sales & Use Tax Monitoring Report that is submitted by SUMC on June 30 of each year. The City submits a letter to SUMC each year	Yes, complies - SUMC timely submitted the Construction Sales & Use Tax Monitoring Report for the previous calendar year. The City sent their required

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2020-2021

DA Section	Description	Summary	Activity	Complies?
			that notes local tax received from SUMC project activities for the year. Based upon the City's review of the annual Construction Sales and Use Tax Monitoring Report, revenues for calendar years 2011 through 2020 have totaled \$5,335,541.	response. This annual reporting assists in the process of ensuring that the City would receive no less than \$8.1M in construction sales and tax revenue by December 31, 2025.
5(b)(iii)	Funding of Operating Deficit / Expansion Cost Mitigation	\$2.417M fund to assure City costs associated with the project do not exceed revenues resulting from construction and operation of the project.	Payment of \$2.417M on August 25, 2011 to establish fund. There were expenditures from this fund during the reporting period FY 2020-2021.	Yes, complies -Fund activity and balances in FY 2020-2021 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 in past fiscal years when new meters were set for new construction, including NSH, NSH Garage, LPCH, and BMI, and the Utility Users Tax has been paid through the normal billing process for each site.	Yes, complies.

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2020-2021

DA Section	Description	Summary	Activity	Complies?
5(b)(v)	School Fees	Payment of PAUSD fees for net new square footage	\$342,617 fee paid for LPCH and NSH expansion in 2012. \$7,051 fee paid for NSH and NSH Garage expansion in July 2013. \$16,119 fee paid for Hoover Medical Office 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 improvements on University Ave.	\$200K payment made on August 19, 2011.	Yes, complies.

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2020-2021

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. SUMC used an interim temporary facility through FY 2019-2020 and leased 100 parking spaces in Newark (35263 Fircrest Drive) in FY 2020-2021.</p>	Yes, complies.
5(c)(v)	Opticom Payments	\$11,200 payment for Opticom traffic control system at 7 intersections	<p>\$11.2K payment made to the City in FY 2017-2018 within 30 days from issuance of the first Hospital Occupancy Permit (LPCH).</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.
5(c)(vi)	Caltrain Go Passes	SUMC purchase of passes for all	Go Passes have been purchased per the Development Agreement since January 1, 2012, including for FY 2020-2021.	Yes, complies.

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2020-2021

		existing and new hospital employees working >20hrs/week		
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 2020-2021.	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.
5(c)(ix)	Monitoring of TDM Programs	Yearly report regarding	SUMC timely submitted the Alternative Mode Share Report for FY 2020-2021. The SUMC parties found that the alternative mode share milestone target of 33%	Yes, complies - SUMC timely submitted their report. Monitoring in FY 2021-2022 will identify if

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2020-2021

		alternative transit mode use	outlined in SUMC DA Section 5(c)(ix) was not met for 2021, nor was it above the previous 2018 milestone target of 30%; the alternative mode share rate for SUMC decreased to 28.8% between use of alternative modes versus driving alone, largely due to ongoing pandemic conditions.	SUMC missed the alternative mode share target of 33% for two consecutive years.
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 2020-2021 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 Permit (LPCH) to serve the linkage goal and functional requirements.	Yes, complies -Fund activity and balances in FY 2020-2021 reported in Attachment C.
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	Yes, complies.

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2020-2021

			the linkage goal and facilities are fully operational.	
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	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).	Yes, complies. -Fund activity and balances in FY 2020-2021 reported in Attachment C. 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). There were expenditures from this fund during the reporting period FY 2020-2021.
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	Yes, complies -Fund activity and balances in FY 2020-2021 reported in Attachment C.

SUMC Development Agreement, Section 5 - SUMC Parties' Promises

FY 2020-2021

			final payment of \$4M made on December 12, 2017, which was within 30 days from issuance of the first Hospital Occupancy Permit (LPCH).	
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Fiscal Year 2020-2021 Annual Report Supplement

Prepared by the City of Palo Alto

January 24, 2022

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 tenth year of the Agreement: June 6, 2020 through June 6, 2021. Accounting for the funds outlined in Attachment C-3 Part 2 extends through the end of the City’s Fiscal Year 2021, June 30, 2021.

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 2020-2021 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 Expansion Cost Mitigation (Section 5(b)(iii));
- Fund for Pedestrian and Bicycle Connections from Intermodal Transit Center to El Camino Real/Quarry Road Intersection (Section 5(d)(i));
- Fund for Public Right of Way Improvements to Enhance Pedestrian and Bicycle Connections on Quarry Road (Section 5(d)(ii));
- Fund for Infrastructure, Sustainable Neighborhoods and Communities and Affordable Housing (Section 5(e)), and
- Fund for Climate Change - Sustainable Programs Benefit (Section 5(f)(i)).

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

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

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

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

The specific funding accounts in Attachment C 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 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 2020-2021 through June 30, 2021:

- \$1,150,000 under “Expansion Cost Mitigation” for Rail Grade Separation (PL-17001), University Avenue Streetscape Upgrade (PE-21004), and Building Systems Improvements (PF-01003).
- \$800,000 under “Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing” for 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		
City of Palo Alto						AUDITED BALANCES		
Stanford Medical Center Development Agreement (Fund 260)								
Fiscal Year Ended June 30, 2021								
	Expansion Cost Mitigation	Intermodal Transit	Quarry Road Improvements	Infrastructure & Afford Housing	Climate Change & Sustainability	Community Health & Safety	Total FY 2021 Actuals	FY 2021 Budget
cost centers	26000000	60260010	60260020	60260030	60260040	80260010		
Beginning Balances, 7/1/2020	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	
Revenues:								
Revenues From Stanford	-	-	-	-	-	-	-	-
Investment Earnings / Unrealized gain (loss)	75,878.80						75,878.80	370,300.00
Allocate to categories	(75,878.80)						(75,878.80)	
Allocated Investment Earnings	7,558.13	5,153.44	(0.00)	39,391.99	11,872.01	11,903.22	75,878.80	-
Total Revenues	7,558.13	5,153.44	(0.00)	39,391.99	11,872.01	11,903.22	75,878.80	370,300.00
Expenditures:								
Temp Salaries/Benefits						-	-	
Contract Services							-	
Supplies Expenses							-	-
Other expenses							-	-
Transfer to Capital Projects	(1,150,000.00)	-		(800,000.00)	-		(1,950,000.00)	(1,950,000.00)
Total Expenditures	(1,150,000.00)	-	-	(800,000.00)	-	-	(1,950,000.00)	(1,950,000.00)
FY 2021 Revenues less Exp	(1,142,441.87)	5,153.44	(0.00)	(760,608.01)	11,872.01	11,903.22	(1,874,121.20)	(1,579,700.00)
Fund Balance as of 6/30/2021	1,849,832.12	1,261,291.96	(0.00)	9,641,086.60	2,905,642.99	2,913,282.54	18,571,136.21	
Less: Reserve for Unrealized Gain - Investment	(28,767.36)	(19,614.78)	0.00	(149,931.79)	(45,186.63)	(45,305.44)	(288,806.00)	
Fund Balance Available as of 6/30/2021	1,821,064.76	1,241,677.18	(0.00)	9,491,154.82	2,860,456.36	2,867,977.10	18,282,330.21	

Stanford University Medical Center (SUMC) Annual Reports

Prior Fiscal Year Annual Reports:

- Fiscal Year 2011-2012
<http://www.cityofpaloalto.org/civicax/filebank/documents/31976>
- Fiscal Year 2012-2013
<https://www.cityofpaloalto.org/civicax/filebank/documents/39991>
- Fiscal Year 2013-2014
<http://www.cityofpaloalto.org/civicax/filebank/documents/45631>
- Fiscal Year 2014-2015
<http://www.cityofpaloalto.org/civicax/filebank/documents/51645>
- Fiscal Year 2015-2016
<https://www.cityofpaloalto.org/civicax/filebank/documents/60896>
- Fiscal Year 2016-2017
<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=49142.31&BlobID=65285>
- Fiscal Years 2017-2018, 2018-2019, and 2019-2020
<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2021/11-november/20211101pccs-amended.pdf>