



# PLANNING COMMISSION STAFF REPORT

FOR THE PLANNING COMMISSION  
MEETING OF SEPTEMBER 24, 2012  
AGENDA ITEM E2

<b>LOCATION:</b>	<b>312 and 313 Constitution Drive</b>	<b>APPLICANT:</b>	<b>Facebook, Inc.</b>
<b>EXISTING USE:</b>	<b>Vacant Land and Two Vacant Office Buildings</b>	<b>OWNER:</b>	<b>Giant Properties, LLC</b>
<b>PROPOSED USE</b>	<b>Office</b>	<b>APPLICATION:</b>	<b>Study Session for Rezoning, Conditional Development Permit, Lot Merger, Heritage Tree Removal Permits, Below Market Rate Housing Agreement, Development Agreement, and Environmental Review</b>

**EXISTING ZONING:** **M-2 (General Industrial)**

**PROPOSED ZONING:** **M-2-X (General Industrial, Conditional Development)**

## PROPOSAL

The applicant is requesting a study session to review the Facebook West Campus project proposal and requested land use entitlements. The West Campus proposal has been refined since the Planning Commission reviewed the Environmental Impact Report and Fiscal Impact Analysis for the Facebook Campus Project (inclusive of both the East Campus and the West Campus projects). The land uses, gross floor area, and vehicular access points of the proposal have remained the same, but the layout of the buildings and the parking have been revised.

On June 28, 2012, the City received a preliminary application on behalf of Facebook Incorporated to initiate review of the Facebook West Campus, which is the second phase of the Facebook Campus project. Staff has been working with the applicant since

that time to provide feedback on initial design concepts and on August 27, 2012, the applicant submitted project plans and associated reports required for project analysis. Select project plan sheets are included as Attachment B and the project description letter is included as Attachment C. The project plans reflect the design of the architectural firm of Gehry Partners, LLP, which is the architect of record for the project. Gehry's previous work includes many well-known buildings, including the Guggenheim Museum in Spain, the Experience Music Project in Seattle and the Walt Disney Concert Hall in Los Angeles.

The approximately 22-acre West Campus is located at the intersection of Willow Road and Bayfront Expressway and includes two vacant office buildings. The site is currently addressed 312 and 313 Constitution Drive, with the anticipation that the address will be updated to a Bayfront Expressway address in the near future to better reflect the location of the project site. This second phase of the Facebook Campus Project proposes demolition of the existing two vacant office buildings and associated site improvements. Subsequently, the applicant seeks to construct an approximately 433,555-square-foot building on top of surface parking that would include approximately 1,540 parking spaces. The entitlement process for the West Campus includes the following review and permit actions:

- **Rezoning from M-2 to M-2-X and Conditional Development Permit:** to permit the structure to exceed the 35-foot building height maximum in the M-2 zone;
- **Lot Merger:** to combine the two legal lots that comprise the project site;
- **Heritage Tree Removal Permits:** to permit the removal of 141 heritage trees that would conflict with the proposed structure and site improvements;
- **Below Market Rate (BMR) Housing Agreement:** to pay in-lieu fees associated with the City's BMR Housing Program;
- **Development Agreement:** to provide public benefits and adequate development controls in exchange for vested rights in West Campus Project approvals;
- **Environmental Review:** an Environmental Impact Report (EIR) was prepared and certified by the City Council on May 29, 2012 that analyzed the potential environmental impacts associated with both the East Campus and West Campus components of the project. Given that there have been refinements to the project design since the environmental review was completed, additional environmental review will be conducted to determine whether the proposed project results in environmental impacts that were not already identified in the EIR. At this point, staff anticipates that an addendum to the previously certified EIR will be required as part of the project review process; and
- **Adopt a Statement of Overriding Considerations and Mitigation Monitoring and Reporting Program:** which includes specific findings that the West Campus Project includes substantial benefits that outweigh its significant, and adverse environmental impacts, and establishes responsibility and timing for implementation of all required mitigation measures.

## BACKGROUND

As indicated previously, the Facebook Campus Project includes two project sites inclusive of the East Campus and West Campus. The Project is being processed in phases, with the East Campus entitlements recommended for approval by the Planning Commission in May of 2012, and subsequently approved by the City Council in May and June of 2012. The 56.9 acre East Campus is located at 1601 Willow Road and was previously occupied by Oracle (formally Sun Microsystems). The site is currently developed with nine buildings, which contain approximately 1,035,840 square feet. As part of the project approvals in May and June, the City Council took the following actions:

- **Approved an Amended and Restated Conditional Development Permit (CDP):** the Council approved an amended and restated CDP to convert the existing employee cap of 3,600 employees to a vehicular trip cap. The vehicular trip cap specifies a maximum of 2,600 trips during the AM Peak Period from 7:00 a.m. to 9:00 a.m. and the PM Peak Period from 4:00 p.m. to 6:00 p.m. and a maximum of 15,000 daily trips. The trip cap will allow approximately 6,600 employees to occupy the East Campus;
- **Approved Heritage Tree Removal Permits:** to authorize removal of one heritage tree on the East Campus and seven heritage trees on the West Campus to facilitate construction of improvements to the existing undercrossing of Bayfront Expressway;
- **Approved a Development Agreement:** to provide public benefits and adequate development controls in exchange for vested rights in East Campus Project approvals;
- **Certified the Environmental Impact Report:** which analyzes the potential environmental impacts of the proposed Project inclusive of the East Campus and West Campus; and
- **Adopted the Statement of Overriding Considerations and Mitigation Monitoring and Reporting Program:** which includes specific findings that the East Campus Project includes substantial benefits that outweigh its significant, and adverse environmental impacts, and establishes responsibility and timing for implementation of all required mitigation measures.

As part of the review of the Facebook Campus Project, a Fiscal Impact Analysis was prepared, which projected the potential changes in fiscal revenues and service costs directly associated with development of the proposed Project, inclusive of both the East Campus and West Campus. The FIA also explores a number of related topics, including indirect revenues/costs from potential induced housing demand, as well as one-time/non-recurring revenues (such as impact fees), and potential additional opportunities for fiscal benefits.

Review and action on the East Campus entitlements is complete and subsequent project review will focus on the review and permit approvals required for the West Campus component of the Facebook Campus Project. As part of the initiation of project

review for the West Campus, the City Council reviewed the preliminary draft permitting schedule at its meeting on September 11, 2012. The City Council did not request any changes to the schedule, which is included as Attachment D. The schedule anticipates that the Planning Commission will discuss the project at two meetings, including this study session. The second meeting would be a public hearing in February 2013 to make a recommendation to the City Council on all of the necessary actions associated with the project.

## **ANALYSIS**

### Site Location

The subject project site is located at 312 and 313 Constitution Drive (fronting on Bayfront Expressway), between Willow Road and the TE Connectivity campus, which is accessed from the intersection of Chilco Street and Constitution Drive. As indicated previously, the site address is anticipated to be changed soon to better reflect the location of the project site. The properties to the north of the project site are zoned FP (Flood Plain District) and M-2-X (General Industrial, Conditional Development District) and consist of the Ravenswood Area of the South Bay Salt Pond Restoration Project and the Facebook East Campus, respectively. The properties to the west are zoned M-2 and M-2-X and occupied by TE Connectivity. The properties to the south are predominantly zoned residential, along with some properties zoned M-1 (Light Industrial), U (Unclassified), and C-2-S (Neighborhood Commercial District, Special). These properties are developed with single-family residences, industrial uses, the Dumbarton Rail Corridor, and locally-serving commercial uses, respectively. Finally, the properties to the east of the project site are zoned U and M-2, and developed with the Dumbarton Rail Corridor and a self-storage facility, respectively.

### Project Description

The proposed project includes redevelopment of an approximately 22-acre site located at the intersection of Willow Road and Bayfront Expressway. The project site currently includes two legal parcels. The existing development on the western portion of the site includes two vacant office buildings totaling 127,246 square feet, a surface parking lot, landscape features, a basketball court and a guard house. The eastern portion of the site includes no improvements and minimal vegetation.

Proposed redevelopment of the project site includes demolition of the existing structures and associated site improvements. Subsequently, the applicant seeks to construct an approximately 433,555-square-foot building on top of surface parking that would include approximately 1,540 parking spaces. The proposed structure would span across the two existing parcels that compose the project site, which would require that the parcels be merged as part of the project. The proposed project is consistent with the M-2 (General Industrial District) zone requirements, except for the height of the structure, which would exceed the 35-foot maximum height limit in the M-2 zone. As such, a rezoning to M-2-X (General Industrial, Conditional Development) plus approval

of a Conditional Development Permit (CDP) would be required to exceed the height limit. In the M-2 zone, the construction of a new structure to house a permitted use requires use permit approval. In this case, the CDP takes the place of the required use permit.

### Design and Site Layout

The proposed project would include development of a single building above at-grade parking. The parking level would be open around the perimeter and the majority of parking spaces would be covered by the proposed structure. The height of the parking level would measure approximately 18 feet. The Zoning Ordinance requires one space per 300 square feet of gross floor area, which equates to a requirement for a total of 1,446 parking space for the proposed project. The project plans identify the provision of 1,540 parking spaces, inclusive of 26 accessible spaces and 125 parking spaces for energy efficient vehicles, none of which would be located in landscape reserve.

The proposed single-story office building would be located above the parking level and would include approximately 433,555 square feet of gross floor area, some of which would be utilized for circulation elements in the garage and roof levels, as well as security control stations. The roof deck would be located at approximately 46 feet above grade. The building is of a linear design and spans approximately 1,565 feet along the Bayfront Expressway frontage and approximately 303 feet along the Willow Road frontage. The proposed structure, inclusive of all rooftop mechanical screening, would measure approximately 73 feet in height. Though the project plans do include site sections, they do not include elevation drawings. Elevations will be included when the Planning Commission reviews the project again in February 2013.

The interior of the office is designed to house approximately 2,800 employees and includes open office space, as well as numerous amenity and support spaces. These distinct spaces include conference rooms, employee lounges, a large cafeteria, café spaces, laundry service, and general offices services. The interior is designed to provide natural daylighting from large window openings at the building's perimeter and skylight roof openings. Two public lobbies would be located along the north side of the building (proximate to Bayfront Expressway) and a third employee-only entry lobby would be provided near the center of the building. The lobby spaces would serve as security check points at ground level and reception lounge spaces at the office level.

The office level would be moderately screened by trees and partially covered terraces that are directly accessible from inside the building and via a pedestrian ramp from the ground. The roof is designed as an active and usable space, and would have extensive landscaped garden spaces with trees, paved gathering area and outdoor dining spaces, as well as an approximately one-half mile walking path. The roof top would also include mechanical enclosures to house the heating, ventilation and air conditioning (HVAC) equipment and emergency generators. The building design intends to create opportunities for flexible indoor/outdoor working environments, while maintaining a

strong visual connection to the surrounding landscape and the Don Edwards San Francisco Bay National Wildlife Refuge.

The main vehicular access point to the project site would be along Bayfront Expressway. This entrance would be signaled under the proposed project and the existing curb cut would be moved approximately 250 feet to the west. Secondary and emergency access points are proposed at the northwest corner of the project site along Bayfront Expressway and at the southeast corner of the project site along Willow Road. Both of the secondary access driveways would allow right-turns only for private vehicles. The secondary access point on Willow Road is also designed to provide a left-turn in option for emergency response vehicles traveling northbound on Willow Road. In addition, the connection between the East Campus and West Campus would be further enhanced via additional improvements to an existing undercrossing of Bayfront Expressway that links the campuses. As part of the East Campus component of the project, Facebook is upgrading the existing undercrossing by making improvements to allow Facebook employees and members of the public to utilize the undercrossing via bicycle or foot to bypass the at-grade crossing of Bayfront Expressway. As part of the West Campus component of the project, the undercrossing would be further improved to allow for use by the Facebook people-mover system, in addition to bicycle and pedestrian use. To ensure bicyclists and pedestrian safety in the undercrossing, traffic control devices would be installed on both sides of the undercrossing for controlling ingress/egress of the people-mover system into the undercrossing.

### Trees and Landscaping

The applicant submitted an arborist report for the project site as part of the environmental review process for the Facebook Campus Project. The arborist report details the species, size, and conditions of all trees on site. The arborist report identified a total of 624 trees (the project plans currently indicate that there are 623 trees on site), 233 of which are identified as heritage trees. As is described in the arborist report and shown on the Tree Disposition Plan (sheet WL.1 of the plan set), the majority of the heritage trees on site are in poor health. As part of the project proposal, the applicant seeks to remove a total of 141 heritage trees, 34 of which are in good health and the remaining 107 of which are in poor health. The applicant is required to apply for heritage tree removal permits for all 141 trees, which will be reviewed by the City Arborist or a consulting arborist who will provide a recommendation regarding the removal of the requested trees.

As illustrated on the project plans, the site will be heavily landscaped with trees and water-efficient ground level plantings. Additional terrace level and rooftop gardens would help create a landscaped hillside appearance that would blend the building into the surrounding landscape. The seasonal wetland proposed at the east end of the site would combine seasonal variety and would also help the site comply with stormwater management requirements. The proposed plant palette includes a diversity of plants that would provide improved site aesthetics and ecological value. The applicant is

working with local environmental stakeholders, as well as ecological consulting firm H.T. Harvey and Associates to ensure that the plant palette is suitable for the project site.

### Below Market Rate (BMR) Housing Agreement

The applicant is proposing to pay the in lieu fee to comply with the City's Below Market Rate (BMR) housing requirements. Based on the current fee schedule and calculating a credit for the existing buildings, the fee is estimated to be \$4,505,805. The BMR Agreement regarding the payment of fees would need to be reviewed by the Housing Commission with the City Council being the final decision making authority.

### Development Agreement

The project sponsor is requesting a legally binding Development Agreement in conjunction with the requested land use entitlements. The Development Agreement would define the long-term land use intentions, specific terms and conditions for the development, and public benefits that would apply, should the West Campus component of the Project be approved. Under State law (California Government Code Sections 6584-65869.5), development agreements enable the City to grant a longer-term approval in exchange for demonstrable public benefits.

The City Council adopted Resolution No. 4159 in January 1990, establishing the procedures and requirements for the consideration of Development Agreements. The resolution contains specific provisions regarding the form of applications for development agreements, minimum requirements for public notification and review, standards for review, findings and decisions, amendments and cancellation of agreements by mutual consent, recordation of the agreements, periodic review, and modification or termination of an agreement. The City has previously entered into three Development Agreements, most recently with Facebook for the East Campus component of the Facebook Campus Project, and prior to that with the Bohannon Development Company for the Menlo Gateway Project, and with Sun Microsystems for what is now the Facebook East Campus site. Resolution No. 4159, The Facebook East Campus Development Agreement, the Bohannon Development Company Development Agreement, and the Sun Microsystems Development Agreement are available for review on the City's web site, and upon request at City offices.

A Development Agreement is not something that the City can require an applicant to apply for, but is something that an applicant may choose to apply for if they are seeking vested rights in approvals and/or a project element that is non-standard or diverges from Zoning Ordinance or General Plan requirements. For the Menlo Gateway project, the applicant sought an increase to the maximum allowed office Floor Area Ratio (FAR) from 45 percent to 100 percent office with a total FAR of 137.5 percent, and for the Facebook East Campus project, the applicant sought a doubling of the standard employee density of one employee per every 300 square feet of gross floor area to approximately one employee per every 150 square feet of gross floor area. Similar to

the East Campus component of the Facebook Campus Project, the applicant seeks a doubling of the standard employee density for the West Campus proposal.

On October 18, 2011, the Council appointed a Development Agreement subcommittee for the Facebook East Campus project, comprised of Council Members Keith and Cline, to provide assistance and general guidance to the negotiating team. At its meeting on September 11, 2012, the Council confirmed that this same subcommittee would be utilized to assist and guide the development of the Facebook West Campus Development Agreement. The core City negotiating team for the Facebook West Campus Development Agreement includes the City Manager, City Attorney, Development Services Manager and Public Works Director. The two-member Council Subcommittee will meet with the City Manager and City Attorney on an as needed basis after the Council meeting on October 30, 2012, where the Council will provide direction on the Development Agreement parameters.

At the conclusion of negotiation, the negotiating team will present a term sheet for consideration by the full Council. Prior to finalization of the Development Agreement, the Planning Commission will have an opportunity to make a recommendation to the City Council.

#### *Public Benefits*

As noted earlier, the Development Agreement provides a mechanism for the City to grant a longer-term approval in exchange for demonstrable public benefits. In contrast to standard conditions of approval (such as payment of impact fees) or mitigation measures required through the EIR process (such as construction of intersection improvements), public benefits that are defined through the Development Agreement do not have to be directly correlated to a project's impacts or follow a standard formula. For the purposes of this discussion, public benefit is typically viewed as a distinct topic than those inherent attributes of the project that may be considered positive, such as the projected sales tax revenue, although the characteristics of the overall project should be understood and considered as part of the detailed discussion of public benefit options. The concept of public benefit is linked with the overall development proposal, in particular the size and scope of the project.

One purpose of the September 24, 2012 Planning Commission meeting is to provide an opportunity for the public and Commission to identify potential public benefit ideas for the Council to consider when it provides parameters for negotiating the Development Agreement. Staff will provide the Commission's public benefit recommendations to the City Council at its meeting on October 30, 2012, during which the Council will formally establish the Development Agreement parameters for the West Campus project. In addition, the City will be conducting an outreach meeting on October 18, 2012 at the Senior Center located in the Belle Haven neighborhood to provide information about the project and solicit input on public benefit ideas. The establishment of public benefit recommendations will be used to guide the negotiation, but it should be understood that some or many of the ideas may not ultimately be achievable.

## Correspondence

Staff has not received any items of correspondence on this study session item.

## Recommendation

The proposal is before the Planning Commission as a study session item in order for the Commission to become familiar with the project, understand project challenges, raise questions and provide feedback to the applicant and staff. The Commission may wish to comment on or discuss the following topics:

- Is the proposed design of the building appropriate for the proposed use and location?
- Are there any fundamental issues or concerns regarding the site plan, circulation and parking, and/or landscaping?
- Is there any additional information that the Planning Commission would like the applicant to provide beyond what would typically be provided as part of a complete submittal?
- What parameters should guide the Development Agreement negotiations? What public benefits should the project provide given the scope of the project?

At the meeting, no formal action will be taken by the Planning Commission. A public hearing for the Planning Commission to consider the requested land use entitlements has been tentatively scheduled in February 2013, as presented in Attachment D.

## **ENVIRONMENTAL REVIEW**

An Environmental Impact Report (EIR) was prepared and certified by the City Council on May 29, 2012 that analyzed the potential environmental impacts associated with both the East Campus and West Campus components of the project. Given that there have been refinements to the project design since the environmental review was completed, additional environmental review will be conducted to determine whether the proposed project results in environmental impacts that were not already identified in the EIR. At this point, staff anticipates that an addendum to the previously certified EIR will be required as part of the project review process.

The previously certified EIR analyzed the potential impacts of the Project across a wide range of impact areas. The EIR evaluated 16 topic areas as required by the California Environmental Quality Act (CEQA), as well as one additional topic area specific to the project site (Wind). The 16 required topic areas include: Aesthetics, Agricultural Resources, Air Quality, Biological Resources, Cultural Resources, Geology and Soils, Greenhouse Gas Emissions, Hazards and Hazardous Materials, Hydrology and Water Quality, Land Use, Mineral Resources, Noise, Population and Housing, Public Services, Transportation, and Utilities. Given the phased nature of the Project, these topic areas were analyzed separately for both the East and West Campuses, and then collectively for the entire Project proposal. The EIR concluded that there were no impacts

associated with Agricultural and Mineral Recourse and impacts related to Geology and Soils, Greenhouse Gas Emissions, Land Use, Population and Housing, Public Services, and Wind were less than significant and required no mitigation measures. Impacts associated with Aesthetics, Biological Resources, Cultural Resources, Hazards and Hazardous Materials, Hydrology and Water Quality, and Utilities were less than significant with the incorporation of mitigation measures. Finally, the EIR determined that there were significant and unavoidable impacts related to Air Quality, Noise, and Transportation.

Although the certified EIR analyzed development on both campuses, and staff believes the proposed project would not result in environmental impacts that were not already identified, the current review of a detailed development proposal will require Planning Commission and City Council consideration of a Statement of Overriding Considerations and a Mitigation Monitoring and Reporting Program. The Statement of Overriding Considerations and Mitigation Monitoring and Reporting Program adopted by the City Council in May of 2012 were only applicable to the East Campus, as applications for required land use entitlements for the West Campus component of the project had not yet been submitted.

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## **PUBLIC NOTICE**

Public notification consisted of publishing a notice in the local newspaper and notification by mail of owners and occupants in the area within a quarter mile of both sites and the Belle Haven Homeowners' Association. In addition, the Facebook Campus project page is available at the following web address: [http://www.menlopark.org/projects/comdev\\_fb.htm](http://www.menlopark.org/projects/comdev_fb.htm). This page provides up-to-date information about the project, allowing interested parties to stay informed of its progress. The page allows users to sign up for automatic email bulletins, notifying them when content is updated.

## **ATTACHMENTS**

- A. Location Map
- B. Select Project Plan Sheets, Received August 27, 2012
- C. Project Description Letter
- D. Facebook West Campus, Preliminary Draft Permitting Schedule

**Note:** Attached are reduced versions of maps and diagrams submitted by the applicants. The accuracy of the information in these drawings is the responsibility of the applicants, and verification of the accuracy by City Staff is not always possible. The original full-scale maps, drawings and exhibits are available for public viewing at the Community Development Department.

**EXHIBITS TO BE PROVIDED AT MEETING**

None

**AVAILABLE FOR REVIEW AT CITY OFFICES AND ON THE CITY WEBSITE**

- Staff Report for the City Council meeting of September 11, 2012

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