



## SAND HILL PROPERTY COMPANY

PROJECT DESCRIPTION

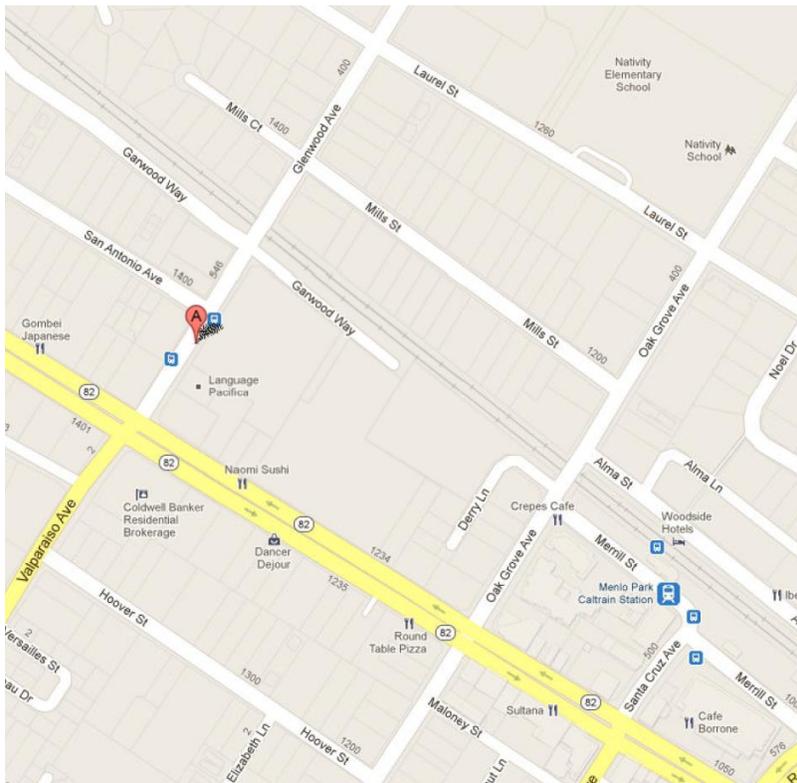
RESIDENCE INN BY MARRIOTT, MENLO PARK

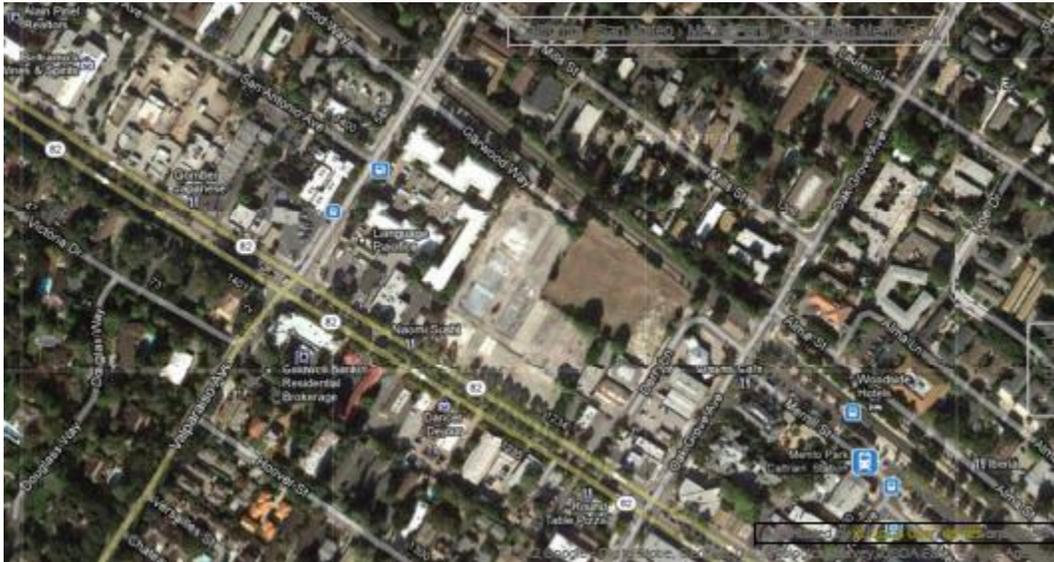
FEBRUARY 22, 2013

Sand Hill Property Company (the “Company”) desires to change the permitted use of 555 Glenwood Avenue (the “Property”) , commonly known as the Casa on the Peninsula, from retirement living complex to a Marriott Residence Inn hotel. The Company has received preliminary feedback from City Council in an October 30<sup>th</sup> study session and has had in-depth discussions (and negotiations, as to resulting TOT revenue) with staff and is presenting this revised project description in connection with its previously submitted “development permit application”.

### PROJECT LOCATION

The subject property is located at 555 Glenwood Avenue at the corner of Garwood Way, less than a block to the east of El Camino Real and approximately one block (less than one quarter of a mile) from the Menlo Park Caltrain Station. Due to its proximity to mass transit alternatives, the property should be considered a transit-oriented site. Glenwood Avenue bounds the project to the north and Garwood Way (and the adjacent Caltrain railroad tracks) bound the project site to the east. Beyond two commercial parcels to the north sits El Camino Real. The site is isolated from adjacent residential neighborhoods by El Camino Real and the railroad tracks.





**EXISTING CONDITIONS**

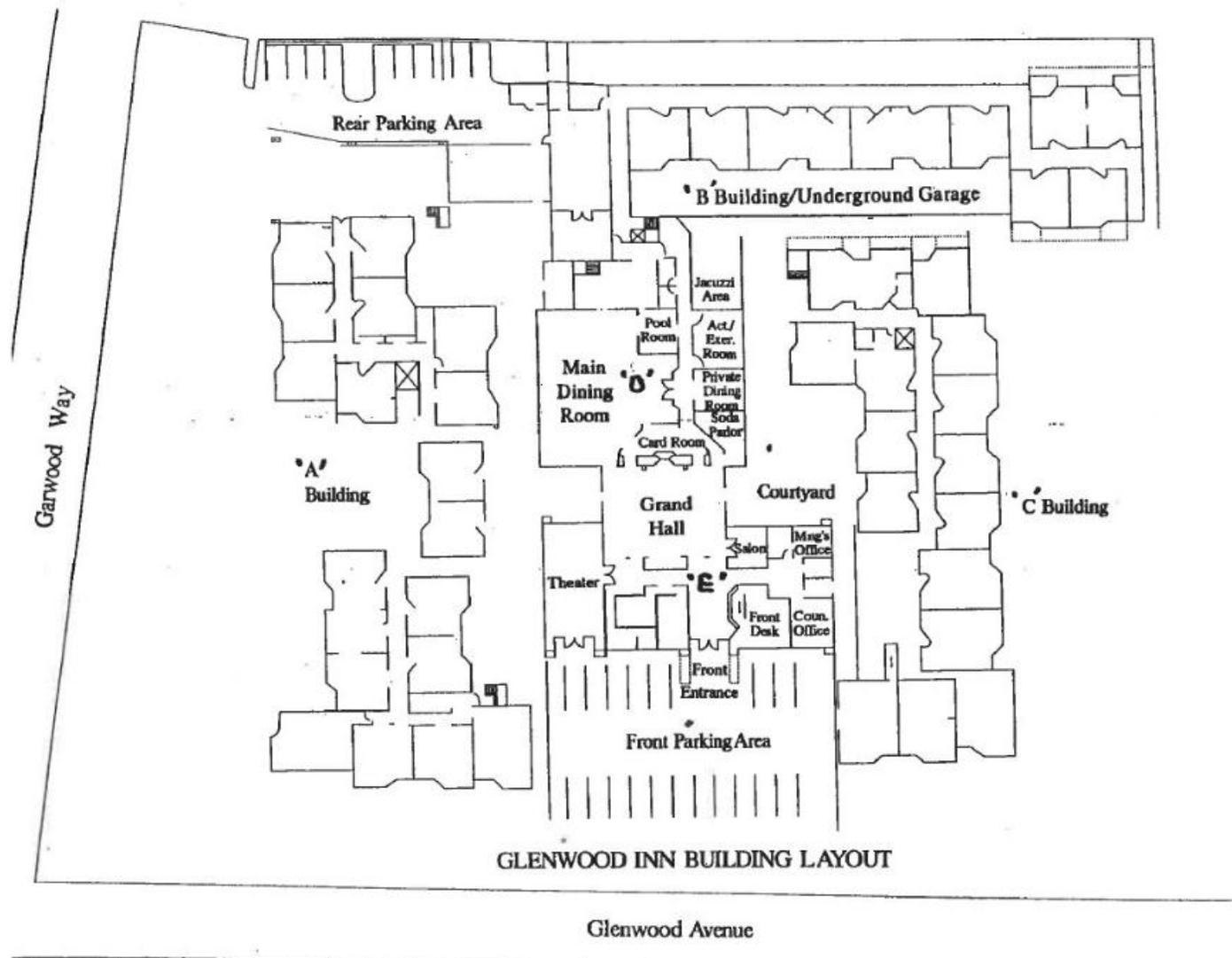
The project site consists of one parcel (APN 061-430-430) of 2.266 acres and existing buildings totaling 113,803 square feet. The subject property is currently operating a market rate assisted living facility consisting of four rectilinear buildings. The buildings were constructed in 1989 in connection with a PD permit issued on April 14, 1987 and are classified as post-modern, concrete and frame structures. The complex has one single-story building (Building A) that houses the public space and common facilities, and three additional three-story structures which contain the guest quarters. The single-story building consists of a library, auditorium, main dining room, private dining room, social room, meeting room, and card room, as well as management offices and areas. The guest quarters include a combination of studio, one-bedroom, and two-bedroom/two-bathroom units that total 125 existing guest rooms, having been converted from the original permitted construction of 138 rooms. Covered or enclosed walkways connect all buildings. There is also an existing 50 space structured garage underneath Building B (see chart below) and 74 total on-site parking stalls. Approximately 30 additional stalls are located on the east side of Garwood Way and are for the property’s exclusive use (as indicated by signage all along this parking area). Another 9 stalls are located on the west side of Garwood Way, contiguous to the property, and for practical purposes are solely used by the facility. Including the Garwood Way parking, the facility’s total parking is 113 stalls.

Each studio or one bedroom guest quarter has a bathroom as well as an efficiency kitchen (two plate burners, no oven or ventilation, and a shallow bar sink). Each two bedroom guest quarter has two bathrooms as well as the afore-described efficiency kitchen. The units are not considered permanent residences for purposes of characterizing Menlo Park’s “housing stock” due to, among other things, this substandard kitchen.

**Existing Room Breakdown**

Building	Studio	1 Bedroom	2 bedrooms/2 bath
<b>A</b>	<b>37</b>	<b>4</b>	<b>11</b>
<b>B</b>	<b>17</b>	<b>0</b>	<b>11</b>
<b>C</b>	<b>32</b>	<b>10</b>	<b>3</b>
<b>Total</b>	<b>86</b>	<b>14</b>	<b>25</b>

## Existing Building Layout



The existing facility serves both independent and assisted living residents aged 62 years or older. No skilled nursing, Alzheimer's care or rehabilitation care is offered. This is not a continuum of care facility.

Actual rental rates currently range from approximately \$4,000 to over \$5,000 for an "independent" resident in a basic living suite. Additional charges apply for assisted living care (in-room meal service, grooming, dressing, toileting, among other like services) and can bring total monthly room rents to over \$7,000. These are not "affordable" or subsidized rents – they are "at market" and at the highest rate it can bear.

The facility has been operating at far below capacity as a result of the current owner's contemplation of exiting the business and currently only stands at approximately 13% occupancy.

In terms of impacts of the facility closure on the remaining residents, existing state codes govern how the current owner must close the facility and assist in the relocation of residents prior to a sale taking place. Among other things, it is our understanding that (i) the current owner will be generating a relocation plan customized to each resident and coordinating with the governing agency as to that person's relocation, (ii) from the provision of this information residents would have 60 days' notice to vacate, (iii) staff will be maintained to assist the residents in their moves, and (iv) referral agencies will be retained to place them in a new home. In fact, the current owner has recently informed us that they have formally initiated the closure of the existing facility, relative both to state oversight as well as the remaining occupants. The relocation of the residents from this facility should be easier than had it been a skilled nursing home or rehabilitation facility, where the health conditions of residents would present unique challenges, or an

affordable senior housing community, in which case the available options for residents with subsidy requirements for relocation would have been much more limited.

Given the rapid rate of move-outs since this project was submitted for City review, it is apparent that the residents of this facility are highly mobile and have options financially. While there are a few exceptions, the majority of the remaining occupants is from Menlo Park and adjacent communities such as Palo Alto, Atherton and Redwood City and has family support locally. (Note that residents or their families typically choose residential care facilities based on proximity to the home of the resident or the home of the families responsible for their care.)

The property sits within the El Camino Real Mixed Use/Residential land use designation of the City's recently adopted El Camino Real / Downtown Specific Plan.

#### PROJECT OBJECTIVE

The renovation and adaptive re-use of an underutilized assisted living facility to/as a Class A, vibrant, tax-generating, business-oriented, internationally-recognized hotel, which use is permitted and encouraged by the City of Menlo Park pursuant to its recently adopted Specific Plan.

#### PROJECT DESCRIPTION

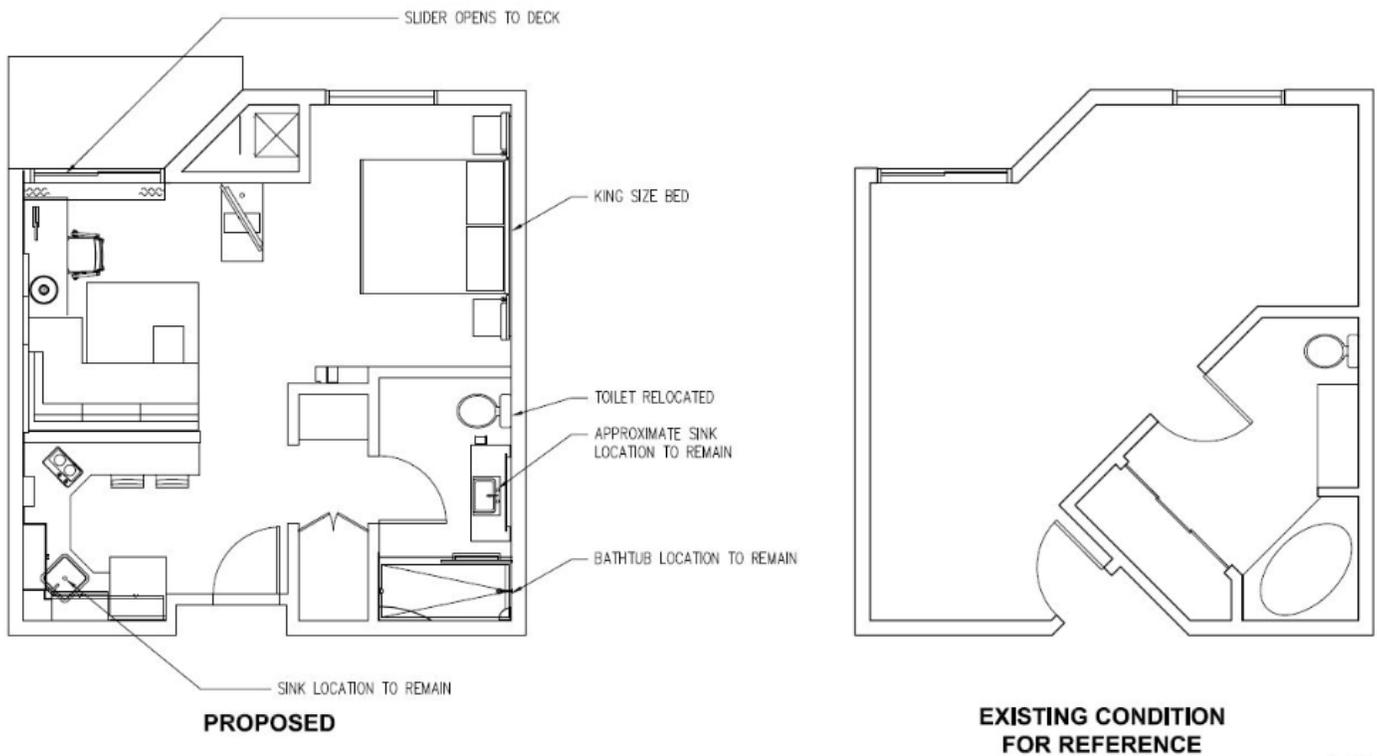
The proposed project is the conversion of the existing market rate assisted living senior housing complex into a limited service hotel. The hotel brand proposed would be Residence Inn by Marriott ("MRI"), a Marriott brand with over 650 locations throughout the United States. The Company is an experienced hotel developer and has previously developed (and continues to own and operate) a MRI in Los Altos, CA. (The Los Altos MRI has continuously ranked in the top 5% globally in guest satisfaction, including multiple "Platinum" awards, since we opened it 11 years ago.) Marriott has already given the Company its approval of the site as a MRI consistent with this project description. The MRI brand is ideal for the Menlo Park area because it will appeal not only to the corporate travelers visiting the Silicon Valley and nearby Stanford University, it will also serve as a popular amenity to the residents and businesses of the local Menlo Park community. While the average guest stay is 5 to 10 days, MRIs often appeal to guests staying for a week or longer and provide them away-from-home comforts including functional in-room and public area work spaces, free daily hot breakfasts, free high speed internet in guest rooms and public areas, convenient 24 hour snack and essentials market, as well as complimentary social events including foods and beverages in the afternoon, while also offering on-site amenities including private meeting rooms, a business center for guests, a communal room for guest work pods/spaces, a guest "hearth room" or sitting room, a breakfast buffet and eating room, exercise room, and fire pit and barbecue area.

The project proposes no increases to the existing lot coverage or floor area. Conveniently, the existing facility very closely mirrors the layout of a prototypical MRI brand product. The size and layout of the guest quarters transitions seamlessly into the various guest room mixes required for a MRI. Additionally the common area and facilities currently in Building A (the public area building) will be reallocated and reconfigured to accommodate the MRI amenities requirements and appeal to the demands of the local market. The goal is to update the existing facilities to create a fresh, unique, and high quality environment that provides state of the art technology, amenities, and business services while still maintaining a consistency with the exterior so as to integrate the use change into the existing neighborhood character.

Existing Facility's Common Area		Proposed Hotel Public Space	
Room Description/Use	Approx. Square Footage	Room Description/Use	Approx. Square Footage
Activity/Exercise Room	483	Meeting Room I	483
Card Room	420	Meeting Room II	828
Grand Hall	1711	Meeting Room III	1209
Library	178	Tech Lounge	420
Main Dining Room	2793	Hearthroom	1711
Pool Room	261	Computer Area	178
Private Dining Room	475	Breakfast Buffet & Dining Area	2467
Restrooms	371	Exercise Room	587
Salon	165	Restrooms	371
Soda Parlor	353	The Market	165
Theater	1209		
<b>TOTAL</b>	<b>8419</b>	<b>TOTAL</b>	<b>8419</b>

Residence Inn hotels are designed to accommodate the extended-stay traveler, and the rooms will be spacious suites with full kitchens and separate areas for sleeping, working, eating, and relaxing.

The below diagram illustrates a potential renovation of an existing studio layout to the MRI proposed studio layout. The existing room structures and plumbing fixtures generally remain in place despite new configurations for the furniture and equipment.



For the ideal MRI room mix, the project proposes the restoration of the converted two-bedroom/two-bathroom guest quarters back into their original studio configuration. The current owner had over time converted 26 original studios into two-bedroom/two-bathroom quarters by simply removing the demising wall and second kitchen area and keeping all other elements of the guest quarters intact. Our project contemplates the reversion of those converted two-bedroom/two-bathroom quarters into their original layout as a single studio guest room by re-introducing the demising wall and the removed kitchen area. The new proposed guest room mix would be as follows:

Room Type	Existing Senior Guest Quarter	Proposed under MRI
Studio	86	112
One Bedroom	14	14
Two Bedroom/Two Bathroom	25	12
Total Room Count	125	138

Note that the original PD permit for the existing buildings permitted 138 “living suites” and the buildings were originally developed with those 138 rooms. The applicant is not aware if the merging of any or all of those 13 studio units was authorized and/or permitted by the City.

No increases to the property’s existing heights (35’), lot coverage, or floor area (113,800 sq ft) are proposed in our project.

**Parking**

Furthermore, we propose no decrease to the site’s parking supply. Today there are total 74 parking stalls on site (19 on the surface parking lot near the entrance and 55 in the rear and in the below grade parking garage). The facility also currently has use of an additional 39 stalls on Garwood Way, which the current owner had represented to us were Marriott Residence Inn – Menlo Park

exclusive to the facility<sup>1</sup>. The current parking ratio falls below what is typically required for housing but is suitable for a business hotel use.

Our project would propose on- and off-site parking to accommodate the operations of the MRI. In addition to the continued exclusive use of the 30 off-site stalls along the east side of Garwood Way<sup>2</sup>, the project proposes the 9 existing parallel stalls along the Property on the west side of Garwood Way, which is the maximum amount of stalls readily available to be added to the site (without removing existing buildings and/or constructing more underground parking areas). Based on the Company’s operating experience (and empirical data from its Los Altos MRI), as well as Marriott’s site-specific requirements, only with the inclusion of the above Garwood Way stalls is the parking ratio manageable for the proposed MRI operation. A parking analysis from TJKM justifies the proposed parking ratio for the business hotel use.

Location	Existing	Proposed under MRI	Change
Entrance Surface Lot	19	19	0
Surface Lot at Building Rear	5	5	0
Below Grade Garage	50	50	0
Garwood Way – East Side	30	30	0
Garwood Way – West Side	9	9	0
<b>Total Count</b>	<b>113</b>	<b>113</b>	<b>0</b>
Ratio of Stalls to Rooms (inclusive of stalls along Garwood Way)	0.904	0.819	
Ratio of Stalls to Guest Quarters (exclusive of stalls along Garwood Way)	0.592	0.536	

The proposed parking rate above is supported by industry standard rates for the proposed use as well as actual parking usage rates for the Company’s comparable MRI in Los Altos. The Company has audited the parking demand of its 156-room Los Altos MRI (regularly 100% occupied) for five consecutive months in 2012 and the resulting data shows that the parking usage peaks at 0.75-0.88 stalls per room<sup>3</sup> and averages at approximately 0.68 stalls per room. Additionally, we conducted a parking study that corroborated this data. Quite simply neither the Company as the future hotel operator nor Marriott as the hotel franchisor requires stalls beyond what is proposed to satisfy the future parking demand of this business hotel.

Further, not only would the requirement of additional stalls be unnecessary but it would make the project infeasible. The costs of construction to provide subterranean parking are prohibitively high. Adding this below ground parking would also require the removal of portions of the existing structure, as would the creation of additional surface parking. The addition of an above-ground parking structure over the portion of the property currently used as surface parking along Glenwood Avenue is not only cost prohibitive for this project but such a structure would be highly visible from the

<sup>1</sup> Garwood Way was developed as configured by the original developer of the property at his expense in connection with the entitlement and construction of the existing assisted living facility.

<sup>2</sup> There is and has been for apparently many years signage all along the eastern parking on Garwood indicating it is private parking for use solely by the Glenwood Inn.

<sup>3</sup> This figure is inflated at least 5-10% as it does not exclude unauthorized night-time parkers from the offices of Box.net, our next door neighbor.

street and would negatively affect the character of the surrounding area, not to mention the aesthetic of the hotel. The addition of parking stackers or lifts in the existing below grade parking area is physically impossible due to clear height constraints. Finally, the labor costs of providing 24 hour valet services and stacker or tandem stall management is financially infeasible.

#### REVIEW & APPROVAL PROCESS

In July of 2012, the City of Menlo Park adopted the El Camino Real / Downtown Specific Plan (the "Plan"). As of that date, all new development proposals in the Plan area, which encompasses the Property, are now required to adhere to the Specific Plan regulations.

The Company believes the proposed project is in conformance with the guidelines and is strongly supported by the objectives of the Plan.

Our review of the Plan showed that:

- ✓ The Property sits within the Plan's ECR Mixed Use / Residential district (the "District").
- ✓ The existing buildings generally comply with the District's development standards.
- ✓ The hotel use is a permitted use within the District.
- ✓ The hotel use is considered a public benefit by the Plan for its tax revenue and vibrancy.
- ✓ The Property's parking is deficient for the proposed hotel use using the Plan's 1.25 stalls per room ratio.
- ✓ The Plan allows for justifiable parking reductions.
- ✓ The Plan attempts to incentivize public benefit by granting development bonuses or other concessions.

#### **Parking Reduction**

With respect to the above-referenced parking shortfall, as previously outlined the lower number of provided stalls will not have a negative impact on the operations of the hotel or on the adjacent community as the demand will be fully met. In fact, the Plan itself:

- (i) acknowledges that the prescribed parking rate is "conservative" and "industry standard" as opposed to accurate and customized to suit the variety of potential hotel types (limited service hotels such as MRI involve substantially fewer employees – our Los Altos MRI has only two night-time employees on site – than full service hotels, which we believe was a major driver for the high 1.25 "standard" rate) and
- (ii) offers various scenarios in which a qualifying project can justifiably propose a parking supply that does not meet the Plan's minimum parking ratio or involves a use that is not contemplated by the Plan.

The Plan provides that its minimum parking requirements are "higher than average for commercial uses when compared to neighboring jurisdictions." The Plan considers a hotel to be a commercial use. Accordingly, the Plan offers that "there is an opportunity to reduce the minimum parking requirements for some types of development to account for the accessibility of the downtown to non-automobile users and the potential for shared parking."

#### *Non-Automobile Users*

We anticipate a great deal of our proposed hotel's occupancy will come from "non-automobile users". For one, as a member site of the ECR MU/R land use designation, we of course are located less than a quarter of a mile from Menlo Park's Caltrain Station and four SamTrans bus routes (one Express, one Community, and two Caltrain connecting routes, one of which also connects to BART) and expect a significant percentage of guests and employees to travel by modes other than private automobile. Further, from our experience operating the Los Altos MRI, a large portion of the proposed hotel's guests will be "non-transit non-automobile users" including the following guest profiles:

- Business traveler visiting a company within walking or biking distance of hotel

- Business traveler ride-sharing with coworkers (either also staying at the hotel or locally based at the business being visited)
- Longer-term guest from a foreign country who has no valid driver's license utilizing a car service
- Leisure traveler visiting family who is responsible for the guest's transportation

### *Shared Parking*

As the Plan states, "different uses have different parking demand characteristics, with some uses (like offices) peaking during the day on weekdays and other uses (like housing) peaking in the evenings and on weekends. Providing parking spaces that can be shared between these uses is a more efficient usage of the limited amount of available parking."

First, there is an abundance of available street parking in the vicinity of the Property. In addition to the Property's 30 dedicated stalls on the east side of Garwood Way south of Glenwood Ave, there is approximately 300 linear feet of parallel parking on the west side of Garwood which is effectively used only by visitors to the Property. Crossing Glenwood also on the west side, from the corner there is another 150 lf of uninterrupted parallel parking on Garwood alongside the PG&E substation, for which there is little to no competition as the adjacent uses are single family or low density residential with adequate off-street and adjacent on-street parking for residents and guests.<sup>4</sup>

Further, the entire block in which the Property sits (including large vacant lots such as 1300 El Camino Real and the Derry Property) contain no other residential or hotel uses, only commercial uses. Hotel and residential uses typically share similar evening peak hours and are compatible shared parking mates with the day-time peaking commercial uses.

The Plan provides that "shared parking reductions are not included in the City's existing rates, although individual developments can currently request parking reductions based on specific factors". This project is an excellent candidate for a parking reduction not just because it is transit-oriented but on the basis of shared parking efficiencies.

Finally, the Plan introduces a specific geographic zone referred to as the "Station Area Sphere of Influence", which zone includes the subject site. Interestingly the Plan grants all projects within the Station Area Sphere of Influence proposing a multifamily residential use a dramatically reduced minimum parking rate of 1.0 stall per residential unit. This effectively is a 45% reduction from the standard multifamily residential Specific Plan parking rate of 1.85 (which would be applicable to all sites outside of the Station Area or the Station Area Sphere of Influence). As discussed previously, hotel use parking acts very similarly to residential use parking (except hotel use parking typically does not involve weekend daytime volumes like residential use). The question we present to staff is would it not be appropriate to offer hotel uses within the Station Area Sphere of Influence the same kind of Sphere of Influence parking requirement reduction. (This would make the 1.25 stalls per room rate closer to 0.70, aligning with our operational needs.) We feel that, given the above justifications, it would.

We have commissioned the preparation of a parking analysis by TJKM, which concludes that the proposed parking is adequate for the proposed use, and have included same in our project application for the City's reference. TJKM also performed an assessment of the traffic impacts of the proposed use change and determined that level of service impacts at the four study intersections (as identified by staff) due to the proposed project are also considered acceptable. The traffic analysis was also included in the application.

### **Public Benefits**

We feel the public benefit the proposed project inherently offers to the community should be a material element of the City's consideration of the proposed project.

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<sup>4</sup> It should be noted that the Plan indicates that downtown on-street parking supply would not be impacted by the parking situation at the intersection of Glenwood and Garwood. The Plan's Figure F5 clearly demarcates the Property as "Outside Downtown On-Site Parking Area", while Table F3 ("Existing and Future Downtown Parking Supply") and Figure F6 ("Proposed Public Parking Downtown") show in practice that overflow parking by our proposed hotel at the Glenwood/Garwood intersection would be separate and distinct from the downtown parking dynamic.

The Plan reveals that the community believes “hotels are a desirable use for the City from a fiscal and economic development perspective.” Accordingly, the Plan identifies the hotel use that by itself will be considered a public benefit. No other use is so esteemed. The Plan explains that hotel use is considered a public benefit because it generates higher tax revenue for the City while also enhancing downtown vibrancy. Our proposed MRI will undoubtedly accomplish both of these things, and more. Below is a list of public benefits that will result from the proposed MRI:

Transient Occupancy Tax (“TOT”). This is a topical issue right now for the City as it attempts to manage on-going budget challenges. The November election resulted in the increase of the TOT rate in the City from 10% to 12%. The proposed MRI hotel would introduce 138 hotel rooms to the City, which based on our market knowledge and 2011 operating data from our neighboring Los Altos MRI, and confirmed by a fiscal impact consultant, at the current 12% TOT rate would conservatively generate over \$650,000 in total annual tax revenue from this hotel. In fact, based on 2012 operating data from the Los Altos MRI, we believe a more accurate projection of annual TOT is one that exceeds \$725,000. Furthermore, this revenue would be independent of the state’s budget crisis and not subject to appropriation, as was the case when the State of California eliminated the Redevelopment Agency in January 2012. The proposed MRI’s tax revenue is pure bonus revenue with no accompanying economic disadvantages to local businesses and would be immediately accretive to the Plan and the greater economic development of the City in every sense.

- ✓ Direct Economic Stimulus to the Community. In addition to tax revenue, the hotel will generate economic stimulus within the community on a direct basis. The proposed MRI is geared toward the business traveler (we expect an 80/20 split between business and leisure guests), and we expect the productivity of the Menlo Park business community to benefit from the introduction of a business friendly, amenitized hotel. The hotel proposed multiple meeting spaces that will not only be amenity to guests but available to the public. We expect these quasi-public spaces to be popular with all of the City’s businesses, large or small. Furthermore, based on our experience with the Los Altos MRI, we know guests prefer to eat and shop locally and preferably within walking distance – our proposed Menlo Park MRI is in a more walkable location than our Los Altos MRI (and per the Plan sits within a 5 minute walking radius of the Santa Cruz/El Camino Real intersection), so we are confident our guests will generate spending with downtown businesses. Additionally, we expect the proposed hotel to create nearly 50 net new jobs in the local economy, even after considering any eliminated by the closure of the existing facility. This means with this one project the City will have already created 2+% of the 1,357 new jobs the Plan hopes to create over the next 30 years. Further, our internal projections indicate that the proposed project will generate a net increase of \$3.4 million in direct economic activity, \$1.6 million in indirect impacts and \$1.6 million in induced impacts for a net total of \$6.6 million of economic activity added to the local economy.
- ✓ Vibrancy. The proposed hotel will offer guests a premier location within walking distance of Caltrain and downtown that will result in their maximum interaction with the community that surrounds the hotel. We expect over 120 guests to be introduced to the greater downtown area on a nightly basis, and many of which will spend their days here as well. The location of the proposed hotel is highly beneficial to the community. At the edge of the Plan’s “Station Area Sphere of Influence”, the hotel will activate the Station Area and allow for the expansion of the borders of the greater downtown area and bring vibrancy to a pocket of the City that currently is at risk of being deadened by the lack of connectivity caused by the adjacent railroad tracks. An important publicly-stated City goal is to enhance connectivity. As the Plan states, “There is a relatively weak connection between the train station and downtown, with limited foot traffic and activities that would otherwise generate more vibrancy in the area.” We believe this trend would be reversed by the proposed hotel and its location.
- ✓ Improvement of Underutilized Properties & Sustaining Village Character. The existing facility, ‘Casa on the Peninsula’ and formerly (and perhaps more commonly) known as the ‘Glenwood Inn’, has been running at occupancies well below industry and market standards for several years as the owner has been contemplating exiting the business. The facility has accrued a significant amount of deferred maintenance and has not enjoyed a comprehensive “refresh” in many years. The exterior of the buildings and perimeter of the property, while offering interesting architecture and pleasing landscaping, are tired and merit rehabilitation. In anticipation of

85% hotel occupancy rates, the conversion to the hotel use would involve significant cosmetic improvements to the exterior (as well as to the interior, of course) that will transform the streetscape character along Glenwood Avenue and Garwood Way, encouraging street level activity and enhancing the pedestrian environment. Because no changes to the building massing or additional parking structures are envisioned, Menlo Park will not have to compromise its village character to get a new hotel.

- ✓ Healthy Living and Sustainability. We believe that our adaptive re-use of the Property, salvaging as much of the existing structure and improvements as possible, is an environmentally responsible approach to the project. Our goal is to adhere to the Plan's recommendation, "utilizing finite resources in a responsible way, creating healthy environments for building inhabitants and minimizing impacts to both natural systems and existing utilities". We believe our proposed hotel responds to the Plan's sustainability strategy: "Reduce parking footprint by limiting the amount of space dedicated to surface parking, providing shared parking facilities and integrating parking within development footprints." By requesting to provide only enough parking to meet the actual demand of the hotel, as opposed to creating un-needed additional surface parking through the demolition of certain, non-critical existing buildings (which would eliminate hotel amenities, like meeting rooms), we not only avoid unnecessary expense and a compromised hotel operation, we are being sustainable. Additionally, the interiors of the hotel will be designed and constructed to the standards of LEED certification.

Unlike what the Plan contemplates the nature of the relationship between the City and a developer proposing a public benefit, the proposed hotel does not attempt to derive any benefit or additional profits for the provision to the City of the above. As proposed, the re-use of the existing facility as a hotel is justifiable on its own merits. The public benefits that would accompany the re-use would come at no cost or expense to the City. They would be a bonus to the successful project.

In addition to the above public benefits, there are several advantages offered by the proposed hotel.

- ✓ Free of Political and Unmitigated Environmental Impacts. The proposed use change does not remove any housing units from the City's existing housing stock or eliminate an "opportunity site" for rezoning for compliance with the City's Regional Housing Needs Allocation, so there is no negative impact to the efforts of the City's Housing Element. Not only this, but the proposed 138 room hotel is accretive to the Plan's expectation of future hotel development and site targeting. Furthermore, the site's proposed hotel use is an analyzed and permitted use pursuant to the Plan and its Environmental Impact Report. There will be no intensification, densification, or footprint increases to the Property. From an environmental impact perspective, the assisted living facility and the proposed hotel are comparable uses and no environmental impacts, including traffic related, would result from the use change.
- ✓ Community Advocacy. The MRI hotel will be an active member of the community. We anticipate the proposed MRI will act as does our Los Altos MRI, which:
  - Participates in various local community programs
  - Donates rooms to local schools for charity purposes (fundraisers)
  - Is a member of the chamber of commerce and is involved in their events and causes
  - Is actively involved in local festivals
  - Conducts in-house drives to give back to the community
  - Advertises in local papers
  - Refers out to and promotes local businesses
- ✓ Developer Track Record. The developer, Sand Hill Property Company is a long-time local developer with deep experience in hotel development and management, having built or in the process of building several hotels and currently owning and operating the Los Altos Marriott Residence Inn, an award-winning hotel for its management and guest satisfaction. Further, the Company has experience working with the City, having recently entitled the 1300 El Camino Real project.

In addition to the above public benefits and advantages, the proposed project successfully neutralizes several constraints of the Plan area as suggested by the City.

- “Railroad Line Limits East-West Connectivity”. The site is immediately bounded by the railroad line, and our MRI will bring the vibrancy associated with 120+ guests per night right up against it. Increased east-west connectivity over the railroad line on Glenwood Avenue is a natural consequence.
- “Funding for Public Improvements”. The proposed hotel will bring with it upwards of \$1,000,000 in unplanned tax revenue on an annual basis. The City should consider directing this revenue to its General Capital Improvement Fund or its forthcoming “public amenity fund” so that it may utilize this TOT windfall toward the implementation of the public improvements included in the Plan.
- “Financing Given the Current Market Situation”. The economy still has not fully recovered from the financial crises of the last few years. According to the Plan, “the current market situation is characterized by constrained credit markets and a broader economic downturn that has impacted the potential for real estate development. While current market conditions, wherein home prices and the volume of sales have both declined, are not conducive to real estate development at this time, the market for real estate tends to be cyclical in nature. It is difficult to predict when the market will improve; however it is unlikely that new projects in the plan area will be constructed and occupied until 2012–2013, at the earliest.” It is true that there are still significant challenges to planning and executing economically viable projects, and the market for hotel construction (or renovation) financing is not a free-flowing one.

However, the unique circumstances of this proposed project make this a realistic opportunity for a successful hotel in the City to be built. A MRI-conducive building on a properly sized parcel, not to mention the availability thereof, is not commonplace, especially in Menlo Park. The minimal amount of hotel development occurring in the region will also give the project a competitive advantage, especially considering no MRIs even exist between the cities of San Mateo and Los Altos. The local market has put this unique hotel use in demand today, appealing to businesses both big and small as well as the residential population, without impairing the likelihood of the 380 additional new hotel rooms (made up of a conference hotel and a boutique hotel) envisioned by the Plan over the next 20 to 30 years. (We believe this not only because our hotel’s location does not conflict with either of the two envisioned hotels, but because our expected guest profile will be 80% business guest and 20% leisure guest, while the Plan based its 380 room vision on an expected breakdown of 60% leisure guests and 40% business guests.) Finally, the economy supports our particular effort: the project as proposed is financeable and we have capital already arranged for the purchase and complete redevelopment of the property. We are proposing to commence construction immediately upon receiving the necessary approvals and believe we can open the hotel within a year of said approvals.

Not only is the proposed hotel consistent with guidelines and standards of the Plan, we believe this project and its inherent public benefit achieves many of its goals, strategies, and purpose.

In October of 2012, the City Council conducted a study session to provide feedback on the proposed project and certain associated aspects (ie, the specific type of hotel; the fact that the existing condition results in a slightly higher FAR than the maximum base density allowed under the Plan; the difference between parking a full service hotel and a business hotel; and the formalization and continuation of the exclusive use of the parking on Garwood Way for the hotel). At this study session the City Council encouraged staff to continue working with us to develop the project but consider the following concepts and concerns:

- Only roughly 4 out of every 5 dollars of room revenue generated by the proposed hotel will be subject to transient occupancy tax;
- In order for the City to discuss the continued use of the parking along Garwood Way, certain performance standards (ie, relative to TOT revenue generated) would need to be established and met;

- In addition to the aforementioned performance standards, the parking on the Garwood public right of way should not be granted for exclusive use to us by permit, rather by a commercial instrument, ie a license agreement;
- Notwithstanding the license agreement, we should make bona fide efforts to relieve the City from housing a portion of the project's parking supply;
- The image of the facility should be significantly improved.

In the intervening months, we have endeavored to address these concepts and concerns. We feel we have structured a mutually agreeable license agreement for the use of the parking along the Garwood right of way in a manner that ensures the City significant revenue for as long as the hotel use is in effect. We have engaged in good faith discussions with neighboring property owners (1300 El Camino Real/Derry, Caltrain, Ducky's, and 585 Glenwood Avenue) and are committed to exploring every opportunity to achieve the mutual interests of the City and the proposed hotel relative to the provided parking. And of course, we have assembled a great team of architects and designers to create a beautiful, hip, and useful hotel of which Menlo Park can be proud. We look forward to bringing it to life.

Please direct all correspondence regarding the enclosed to:

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