

To: Menlo Park Planning Commissioners
From: Fred Rose, Menlo Park Resident
Date: October 22, 2018
Re: The Proposed Hampton Inn

This correspondence addresses the concept of “Public Benefit,” more specifically, just how much Public Benefit does the proposed Hampton Inn project provide, and to whom? In doing so, we look at a number of factors, from the Transient Occupancy Tax (TOT), to the massed structure that would be permitted by a Bonus, and to the uncomfortably rapid development of hotel rooms. What follows demonstrates clearly that the Public Benefit Bonus is being erroneously applied to this project. Accordingly, the Planning Commission should immediately withdraw any grant of a “Public Benefit Bonus” from the planning process. *

- 1) **Let's start at the beginning:** When the ECR/Downtown Specific Plan was first approved, the little Red Cottage Inn wasn't really a part of that ambitious vision to reshape the city. A close look at maps in the initial program shows the Red Cottage Inn, while technically backed into the Plan area, as an “existing building not included in opportunity sites.” As a result of circumstances rather than planning, a change occurred around 2016. Now the Red Cottage Inn's proposed successor, a freeway-style Hampton Inn, is being considered among other things to enhance “downtown vibrancy.”
- 2) **Neighborhood involvement with the site started early:** Beginning in 2016, the group that has since become Park Forest Plus undertook negotiations with the developer, Sagar Patel. (A detailed timeline of those talks is attached.) As has been widely noted, after negotiating for a year and a half, the neighborhood came to an agreement with Mr. Patel, a pact that was unilaterally abrogated by the developer this May. This agreement included underground parking, called for wider setbacks at property lines and other considerations. However, Mr. Patel has since said that construction costs had risen to the point where he was unable to put parking underground, as agreed to. From there, once underground parking shifted above-ground, the mass of the structure was drastically altered and increased, as we shall see shortly.
- 3) **The purported Public Benefit:** This “Public Benefit” being applied to the Hampton Inn is based solely on the TOT, estimated at \$680,500 annually. However, this gross figure overlooks the current contribution of the Red Cottage Inn, which is to be torn down. The Hampton Inn's net contribution to the public purse, after deducting the Red Cottage Inn's existing payments, is projected at \$390,000, or a slim 3.5% of the currently-budgeted \$11.2 million city-wide TOT. Note here that TOT is the second-largest revenue item in the city budget and by far the fastest-growing category. Such rapid growth strongly suggests Menlo Park's scant need for further, small contributions such as that of the Hampton Inn. The Inn's prospective contribution is not a “significant” public benefit (in Commission staff's words) but in fact a very small and costly one in terms of neighborhood integrity. On this basis alone, the Commission should strike the Public Benefit Bonus.

- 4) **Good Planning?:** In return for this small TOT contribution, the Hampton Inn project is being granted an extraordinary 40% increase in Floor Area Ratio (1.05 FAR) over the standard 0.75 FAR for projects in the ECR/Downtown Specific Plan. There's more. Since covered parking spaces are now above ground, the mass of the building has mushroomed. By city definition, covered parking spaces are not counted in an "official" FAR calculation. Thus, by this loophole, a large part of the structure is excluded from the Commission's math. Counting the above-ground (but-covered) parking pushes the bonus boost to an outrageous 78%. This commercial bulk is in sharp contrast to the surrounding leafy residential area of residential townhouses and park-like wooded area. For this alone, good planning and equity argue that the Planning Commission should immediately stop further consideration based on the Public Benefit Bonus planning assumptions.
- 5) **Massing of the Hampton Inn:** Without question massing has exploded with the elimination of under-ground parking. The building has pushed ever wider in a residential neighborhood never intended to be exposed to such commercial pressure under the initial ECR/Downtown Specific Plan. This is shocking—nowhere else in the ECR/Downtown Specific Plan is a large, new commercial building jammed up against a residential neighborhood as the Planning Commission now proposes. Suddenly, under a September 14 plan, a 40 foot-high combined wall and roof slope loomed over the much shorter 26-foot height of neighboring townhouses. This hotel face, with trash bins against the fence, was squeezed within just 24 feet 5 inches of its eastern boundary instead of the earlier-negotiated 38 feet of clearance. On the north side, cars will be parking within 5 feet of neighboring houses. To the south, clearance is currently planned at 10 feet. What was the first floor under the agreed-upon plan has become a parking level, moving the hotel's first floor to the second level, above the parking, in turn squashing the building's vertical flooring. One easily might ask the question: "What kind of planning is this?"
- 6) **What's happened with construction costs?:** Like everything else, they've grown—but not nearly to the extent put forth by the developer. In the core of this case, under-ground parking has gone from \$74,800 per space (cited in a March 2018 staff study) to \$80,000 a space, now declared by Mr. Patel. While an unfortunate increase for the developer, it's well short of the doubling that's sometimes spoken of.
- 7) **There really is no precedent:** The newly-opened Park James Hotel also used the TOT as the basis for its Public Benefit Bonus; while it's tempting to cite the newly-opened hotel as a precedent, the Park James is a completely different case study. The hotel is set far closer to the heart of the city, in a commercial area across from a gas station and next door to an office building. There is underground parking. Unlike the Hampton Inn, the Park James was approved without significant neighborhood opposition. In 2016, Planning Commission staff commissioned a study by BAE Urban Economics that estimated TOT of \$445,000 to \$756,000 annually, somewhat higher at the top end than the Hampton Inn's and with more room for revenue growth. City-wide TOT receipts at that time the Park James was approved were a lesser \$6.7 million, meaning that the Park James' contribution to city coffers promised 7.1% to 12.1% of the city's TOT take—more than twice the 3.5% that the Hampton Inn is now said to offer. Looking ahead, the boutique hotel will likely will have room rates considerably higher than the Hampton Inn. While staff termed the Park James contribution "substantial," it throttled that back in the Hampton Inn description to "significant."

- 8) **In either case the TOT contribution presents a poor case for a Public Benefit Bonus:** Paying one's taxes shouldn't be the basis for a Bonus. The Commission's two TOT mistakes don't make for good planning. Indeed, the defacto presumption that the Public Benefit allowance is also applicable for the Hampton Inn project has been more an exercise in expeditious permitting than sound planning. To avoid a second error, the Commission should remove the TOT as a basis for a bonus immediately.

- 9) **More planning needed:** The need for the Hampton Inn's 68 rooms is questionable in Menlo Park, where not only has the Park James Hotel recently opened but also the new 200-room Hotel Nia. In the works as well is another 200-room hotel in the Facebook development. In 2012, the ECR/Downtown Specific Plan forecast some 380 new hotel rooms over the next 30 to 40 years. That figure is already about to be exceeded in only seven years by projects already on the books. Too many hotels with too many rooms now threaten cannibalization of the city's eventually limited demand. What Menlo Park needs aren't more hotel rooms, but more common sense and good planning.

- 10) **On the matter of neighborhood involvement:** It has been disappointing to note that commission staff has put all mention of residential views at the bottom of its studies, suggesting callous disregard for public opinion in the Commission's decisions. Some Commissioners seem not to have studied the file thoroughly. In remarks at a public study session, on Oct. 8, 2018, I'm told that Commission Chair, Ms. Susan Goodhue, said of an issue before the Commission that it's no big deal. I'd strongly argue otherwise. The Commission clearly needs to improve its understanding of the interface between town planning and the political plane.

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** I want to emphasize that these remarks are entirely my own. I do not speak in any official capacity for the neighborhood.*