SPEC	IAL ORDERS OF THE DAY	31		
1.	Summer Science Program (Heidelberg)	31		
2.	Resolution 9465 entitled "Resolution of the Council of the City of Palo Alto Expressing Appreciation to Donna Grider Upon Her Retirement."			
CITY	MANAGER COMMENTS	35		
ORAL	COMMUNICATIONS	35		
CONSENT CALENDAR36				
3.	Approval of a Contract with Independent Police Auditor in the Amount of \$27,500 Per Year for a Period of 1 Year, with Possibility of Renewal for up to Two Years, with Compensation Not to Exceed a Total of \$82,500	:		
4.	Ordinance 5279 entitled "Ordinance of the Council of the City of Palo Alto Adding Chapter 4.60 to the Palo Alto Municipal Code Regarding Business Registration Program (First Reading: October 6, 2014 PASSED 8-0 Klein absent)."			
5.	Ordinance 5280 entitled "Ordinance of the Council of the City of Palo Alto Approving and Adopting a Plan for Improvements to El Camino Park (First Reading: October 20, 2014, PASSED: 9-0)."			
6.	Ordinance 5281 entitled "Ordinance of the Council of the City of Palo Alto to Amend Section 2.08.130 of the Palo Alto Municipal Code, Office and Duties of the City Auditor, to Reflect Changes in Audit Practices and Clarify the Requirements for Reporting Work Products of the Office of the City Auditor (First Reading: October 6, 2014 PASSED: 8-0 Klein absent)."			
7.	Policy and Services Committee Recommendation to Accept the Report on the Status of Audit Recommendations (June 2014)			
8.	Approval of Second Amendment to Contract S14151557 with Bartel Associates, LLC for Actuarial Services in a Total Amount Not to Exceed \$103.000			

9.	Approval of and Authorization for the Mayor to Sign a Letter of Support for the National Register Nomination of the Woman's Club of Palo Alto Building at 475 Homer Avenue
10.	Request for Authorization to Increase Existing Contract with Newdorf Legal by an Additional \$40,000 For a Total Contract Not to Exceed Amount of \$105,000 for Legal Services Related to Litigation Matters37
ACTI	ON ITEMS37
11.	Comprehensive Plan Update: Initial Discussion of the Scope and Schedule of the Planning Process, Including Concurrent Zoning Changes (Note: Given the Complexity of These Issues, This will be the First of Two Discussions, with the Second Discussion and Council Action on November 17, 2014)
14.	Review and Approval of a Letter from the City of Palo Alto to the Environmental Protection Agency (EPA) on the Proposed Rule Change to Waters Protected Under the Clean Water Act
12.	Finance Committee Recommends Proposed Changes in Development Impact Fees: Direction to Draft Ordinance Implementing New Public Safety Facility and General Government Facilities Impact Fees53
13.	Approval of Fiscal Year 2014 Reappropriation Requests for the Municipal Services Center to be Carried Forward Into Fiscal Year 2015 .65
COUN	NCIL MEMBER QUESTIONS, COMMENTS AND ANNOUNCEMENTS66
ADJO	URNMENT: The meeting was adjourned at 11:31 P.M67

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:10 P.M.

Present: Berman, Burt, Holman, Klein, Kniss, Price, Scharff, Schmid,

Shepherd

Absent:

SPECIAL ORDERS OF THE DAY

1. Summer Science Program (Heidelberg)

Thomas Fehrenbach, Economic Development Manager, advised that the City was exploring a Smart City Partnership with Heidelberg, Germany. This was an opportunity to highlight the Summer Science School, a program sponsored by Heidelberg.

Sarah, senior at Gunn High School, attended the International Summer Science School in Heidelberg, Germany, to learn about science in a different way. Students chose one field of science on which to focus and over one month researched a project, conducted experiments, and attended workshops.

Owen, senior at Palo Alto High School, added that one feature of the program was exposure to German culture. He interacted with local students, took trips to neighboring cities, and was generally immersed in German culture. Students from around the world attended the program.

Sarah made lasting friendships with some of the 23 students from 10 countries.

Owen thanked John Ernest Foundation for providing an opportunity to attend the Summer Science School.

Mr. Fehrenbach noted Nicole Huber, Chief of Staff for Heidelberg, was visiting the City.

Alexander Johnson, John Ernest Foundation, reported the goal of the John Ernest Foundation was to turn dreams into reality for individuals. The John Ernest Foundation attempted to reflect the diversity and complexity of the human spirit.

Council Member Berman inquired about the students' activities in the science labs.

Owen explained that during the first week students explored different workshops to sample all fields of science. In the remaining three weeks, students attended one institute to conduct research. He chose cancer and medical research.

Sarah chose nuclear physics.

Council Member Berman asked if they chose those areas before attending the school or after the first week.

Sarah chose her area going into the program. At the end of the month, each student gave a presentation.

Council Member Berman inquired about the strangest thing they ate.

Owen remarked that schnitzel was an unusual name but a basic food.

Council Member Burt asked the students to compare Heidelberg and Palo Alto.

Sarah indicated Heidelberg was old and historical while Palo Alto was modern.

Owen remarked that both cities focused on youth and science.

Vice Mayor Kniss inquired whether the students traveled while attending the program.

Owen explained that the program organized one trip a week, and on free days students organized their own trips.

Vice Mayor Kniss asked about the selection process.

Owen advised there was an application process.

Mr. Johnson reported students were chosen by their peers to be John Ernest Fellows. The Foundation chose students who might not have such an opportunity otherwise.

Vice Mayor Kniss believed being chosen by one's peers was special.

Council Member Scharff asked how the students learned about the program.

Owen learned about the program through a prior Fellow.

Council Member Scharff inquired about the interaction between the John Ernest Foundation and the program. He asked if both students were John Ernest Fellows.

Owen indicated they were now Fellows.

Council Member Scharff asked if students applied to the John Ernest Foundation or the Summer Science Program.

Owen applied to the program.

Mr. Johnson explained that the John Ernest Foundation provided Fellows with assistance.

Council Member Holman inquired whether the students learned about the communities of the other students.

Owen commented that other students had similar opportunities and the community focused on science.

Council Member Holman asked if there was anything in the community itself that the students might have learned.

Owen spent time comparing and contrasting cultures with other students.

Mayor Shepherd was impressed by the students' achievements. This was a great way to launch the City's relationship with Heidelberg.

2. <u>Resolution 9465</u> entitled "Resolution of the Council of the City of Palo Alto Expressing Appreciation to Donna Grider Upon Her Retirement."

Mayor Shepherd thanked Ms. Grider for her service to the City.

Council Member Price read the Resolution into the record.

Donna Grider, City Clerk, felt it was a great privilege to work for the City of Palo Alto. She worked with her team to accomplish much during her tenure.

Joan Dentler, representing Senator Jerry Hill, presented Ms. Grider with a certificate on behalf of Senator Hill.

Robert Moss remarked that Ms. Grider was the best City Clerk with whom he had worked. She integrated new technology and was an asset to the community and Council. He thanked her for her service. The community was well served by her dedication and community activities.

Sea Reddy believed Ms. Grider did a good job of taking care of citizens. He wished her the best. Ms. Grider had a great deal of integrity.

Council Member Schmid advised that Ms. Grider was welcoming, helpful, and knowledgeable.

Council Member Price thanked Ms. Grider for her professionalism, attention to many personalities and Council Members, and dedication to her work.

Council Member Holman believed Ms. Grider was impartial and always open and welcoming to community.

Vice Mayor Kniss remarked that Ms. Grider was polite, always composed, and did a remarkable job as City Clerk.

Council Member Scharff indicated Ms. Grider was a great help to him and the Council and always exhibited warmth.

Council Member Klein gained a deep appreciation for Ms. Grider when he served as Mayor. Ms. Grider served as the face of the City and was always patient with complaints and inquiries.

Council Member Berman added that Ms. Grider was extremely helpful and patient with inquiries.

Council Member Burt noted Ms. Grider viewed her role as serving the community and she was proud of serving the community. On behalf of the Council and community, he thanked Ms. Grider for her dedication.

Mayor Shepherd appreciated watching the City Clerk's team work for the City of Palo Alto. The Clerk's Office performed at a high level.

James Keene, City Manager, on behalf of Staff thank Ms. Grider for her good work. A great deal of work was required to make meetings run smoothly.

MOTION: Vice Mayor Kniss moved, seconded by Council Member Price to adopt the Resolution expressing appreciation to Donna Grider upon her retirement.

MOTION PASSED: 9-0

CITY MANAGER COMMENTS

James Keene, City Manager, announced the California Avenue Streetscape Project was scheduled to be completed in March 2015. Decorative glass jewels used in sidewalks were approved for sidewalk use and consistent with other sidewalk finishes. Staff was planning a marketing and outreach effort during the holidays to support and promote patronage of California Avenue businesses. Sculptures by Joe O'Connell and Blessing Hancock were now lit at night. The California Statewide Local Roads and Needs Assessment 2014 Report highlighted Palo Alto for proactively managing and investing in a street maintenance program with an overall Pavement Condition Index (PCI) score now at 78. Major construction at Rinconada Library was complete; however, the library was not yet open to the public.

ORAL COMMUNICATIONS

Stephanie Munoz suggested the City construct a condominium building at Cubberley Community Center and rent the units to teachers. That would pay back the cost of the \$13 million in five years. The value of 100 living units was \$13 million, and also the value that Buena Vista residents were willing to contribute to low-income housing.

Stephanie Lahat invited everyone to participate in the November 27, 2014 Applied Materials Silicon Valley Turkey Trot. The Turkey Trot had raised and donated \$4 million over the past nine years. She encouraged the Council and City management to register for the Mayor's Cup Challenge.

Council Member Scharff noted the City held the Mayor's Cup Challenge trophy from 2013.

Mayor Shepherd was rallying Council Members and City management to register.

Robert Moss recalled the City having an outbreak of graffiti approximately 20 years ago. He removed graffiti in the areas of Barron Park, Ventura, and El Camino Real. He urged the Council to have the Public Works Department promptly clean graffiti in order to discourage additional graffiti.

James Keene, City Manager, reported the City's 311 app allowed residents to report graffiti so the Public Works Department could remove it.

Sea Reddy spoke regarding the election the following day. More women were needed on the Council. Council Members with integrity were also needed.

Dr. Martell had filed a complaint against the City as she was injured at a Palo Alto public facility. The City Attorney failed to provide her with surveillance video of her accident. She requested a hearing in order to confront her accusers. The City's case was based on hearsay. She requested the Council order the City Attorney to stop harassing her and to dismiss the lawsuit.

CONSENT CALENDAR

Victoria Sullivan, Palo Alto Woman's Club President, spoke regarding Agenda Item Number 9. She thanked the Council for supporting the nomination of the Woman's Club of Palo Alto to the National Register of Historic Places. The Club House was important to the architectural history of Palo Alto. A listing on the National Register would be the highlight of the centennial celebration of the Club House in 2016.

Council Member Holman recalled current and prior Councils had supported the activities of the Woman's Club. She thanked them for helping to preserve the institution in the community.

Vice Mayor Kniss felt it was important for the facility to be maintained and sustained.

Wayne Douglass spoke regarding Agenda Item Number 3. The Independent Police Auditor was a successful program and should be expanded to include EMTs and firefighters.

MOTION: Council Member Price moved, seconded by Council Member Berman to approve Agenda Item Numbers 3-10.

- 3. Approval of a Contract with Independent Police Auditor in the Amount of \$27,500 Per Year for a Period of 1 Year, with Possibility of Renewal for up to Two Years, with Compensation Not to Exceed a Total of \$82,500.
- 4. Ordinance 5279 entitled "Ordinance of the Council of the City of Palo Alto Adding Chapter 4.60 to the Palo Alto Municipal Code Regarding Business Registration Program (First Reading: October 6, 2014 PASSED 8-0 Klein absent)."

- 5. Ordinance 5280 entitled "Ordinance of the Council of the City of Palo Alto Approving and Adopting a Plan for Improvements to El Camino Park (First Reading: October 20, 2014, PASSED: 9-0)."
- 6. Ordinance 5281 entitled "Ordinance of the Council of the City of Palo Alto to Amend Section 2.08.130 of the Palo Alto Municipal Code, Office and Duties of the City Auditor, to Reflect Changes in Audit Practices and Clarify the Requirements for Reporting Work Products of the Office of the City Auditor (First Reading: October 6, 2014 PASSED: 8-0 Klein absent)."
- 7. Policy and Services Committee Recommendation to Accept the Report on the Status of Audit Recommendations (June 2014).
- 8. Approval of Second Amendment to Contract S14151557 with Bartel Associates, LLC for Actuarial Services in a Total Amount Not to Exceed \$103,000.
- 9. Approval of and Authorization for the Mayor to Sign a Letter of Support for the National Register Nomination of the Woman's Club of Palo Alto Building at 475 Homer Avenue.
- 10. Request for Authorization to Increase Existing Contract with Newdorf Legal by an Additional \$40,000 For a Total Contract Not to Exceed Amount of \$105,000 for Legal Services Related to Litigation Matters.

MOTION PASSED: 9-0

ACTION ITEMS

11. Comprehensive Plan Update: Initial Discussion of the Scope and Schedule of the Planning Process, Including Concurrent Zoning Changes (Note: Given the Complexity of These Issues, This will be the First of Two Discussions, with the Second Discussion and Council Action on November 17, 2014).

Mayor Shepherd recalled earlier in the year the Council supported a framework to re-engage the community regarding the long delayed Comprehensive Plan Update (Update) and to keep the Update on a timeline for completion by late 2015. On August 6, 2014, the Council paused the timeline to ask Staff to revise the scope and breadth of the Update; to consider potential changes to the City's Zoning Code and Zoning Map for commercial areas; and to conduct a Study Session regarding commercial zoning changes.

Ideas from the Study Session held on September 8, 2014 were summarized in Attachment A. The Staff Report identified the possibility of adding one or two more zone change concept items without interrupting the Comprehensive Plan Update schedule. On November 17, 2014, the Council would take action based on the current discussion.

Hillary Gitelman, Planning and Community Environment Director, added that the current discussion would be continued on November 17 with action being taken at that time. On August 6, 2014, the Council requested Staff provide baseline data related to the Comprehensive Plan Update, reevaluate the breadth and scope of the Comprehensive Plan Update process, and consider whether commercial zoning changes could occur ahead of or concurrent with the Comprehensive Plan Update. The Comprehensive Plan and zoning were directly related because one implemented the other. On September 8, 2014, the Council outlined ideas for potential commercial zoning changes. Staff published and disseminated a volume of materials that provided existing conditions data on 14 different topics. The Comprehensive Plan called "Embracing the New Century" was adopted in 1998. elapsed time, many of the objectives had been met and new opportunities were now available. Updating the Comprehensive Plan provided a good legal foundation for decision making in the future. An updated Comprehensive Plan could help the City manage the pace of growth and respond to key issues. The Comprehensive Plan Update process was an opportunity for a collaborative conversation and interaction with the community regarding critical issues. Hopefully the Comprehensive Plan would reflect the collective wisdom of the community. The Comprehensive Plan set zoning and zoning set regulations to implement policy. The Council offered 19 ideas at the Study Session which Staff grouped into four categories. The categories were: changes in use or density; preserving local retail; parking requirements; and other zoning changes. Zoning amendments could be pursued in advance of and concurrent with and Comprehensive Plan Update. The Council identified specific zoning changes it wanted to consider, and those changes could be pursued ahead of or concurrent with the Comprehensive Plan Update. In the Staff Report, Staff suggested a prioritization of ideas related to retail preservation and parking exemptions and suggested ideas to be considered concurrent with the Comprehensive Plan Update. Staff used three different criteria to evaluate each.

Staff recommended proceeding immediately with a Zoning Ordinance(s) to address retail preservation and parking exemptions; scheduling a work session in January 2015 related to pace of growth; scheduling a series of community workshops regarding policy choices; utilizing community workshops to reconcile the Planning and Transportation Commission's (P&TC) work with existing Comprehensive Plan goals, policies, and programs; performing impact analyses of policy choices; and drafting a Zoning Ordinance concurrent with the Comprehensive Plan Update. A potential timeline would be holding a work session with the Council in January 2015; in early 2015 presenting a draft Zoning Ordinance and preparing for community workshops; and holding community workshops in the spring of 2015.

Council Member Klein urged Ms. Gitelman to differentiate between suggestions from individual Council Members and actions taken by the Council. Staff should not write an Ordinance incorporating all 19 ideas as the ideas had not been approved by a majority of the Council.

James Keene, City Manager, believed Staff's orientation was to design a process that could include Council Member suggestions. Staff would be clear about any Council direction given to Staff.

Council Member Klein felt the recommendations exceeded the Council's original intent that 90 percent of the Comprehensive Plan would remain intact. He inquired whether the Comprehensive Plan Update process would merely update the Comprehensive Plan to reflect the passage of time or reconsider many of the policies.

Ms. Gitelman reported many goals and policies in the Comprehensive Plan did not need revision; however, some policy choices were now available. It would be a mistake not to confront those choices in the context of the Comprehensive Plan Update. The list of policy choices was not long, but it was important.

Council Member Klein did not wish to mislead the public. The program seemed to be more than an update of the Comprehensive Plan.

Mr. Keene remarked that some people would not want to make changes, because they presumed outcomes of existing policy. Those outcomes could be different and could become apparent while discussing choices.

Council Member Klein inquired about criticisms that the P&TC worked behind closed doors.

Ms. Gitelman advised that when Staff brought the P&TC recommendations to the Council in February, there was some discussion that P&TC subcommittees had worked on language that did not surface until it was presented to the Council. Some Council Members suggested updating the Comprehensive Plan utilizing the existing language as the basis.

Council Member Klein did not believe the P&TC acted improperly.

Ms. Gitelman did not intend to suggest the P&TC acted improperly. The P&TC did a great deal of work over many years in reviewing the Comprehensive Plan language.

Council Member Klein questioned whether a problem existed for many issues. Threshold questions were not reflected in the Staff Report. With respect to Recommendation Number 1, he did not see evidence of a problem or a definition of retail.

Ms. Gitelman noted the Study Session provided a handful of issues related to retail preservation. Staff had not performed an analysis of the issue and probably would not in the next two weeks. If the Council agreed, Staff would prioritize an analysis and Ordinance language.

Council Member Klein indicated Staff should determine whether there was a problem and the degree of problem, if any, before presenting an Ordinance to the Council.

Ms. Gitelman would do so if the Council agreed it was a priority.

Council Member Klein suggested Staff utilize sales tax data to determine the types of establishments producing an increase in sales tax. He asked if comments regarding the County Expressway System referred to the existing program.

Ms. Gitelman answered yes.

Council Member Klein referred to page 118 regarding potential commercial zoning changes discussed at the Study Session. He preferred it state suggestions by individual Council Members. Scenario 3 would place Caltrain in a trench with a 2-percent grade south of Oregon Expressway. He did not believe a trench could be financed or built within the timeframe of the Comprehensive Plan and questioned the inclusion of that scenario.

Ms. Gitelman heard the Council's interest in that project. An analysis and dialog about operational and safety improvements could be useful. The feasibility and timeframe could be discussed within the context of the Comprehensive Plan Update.

Council Member Klein personally did not believe a trench was possible, especially at a cost of \$500 million.

Council Member Price felt it was appropriate to consider a trench option in planning scenarios. Given the amount of funding and attention given to the topic over the last five years, it would be prudent to have some discussion. She asked if references to the Environmental Impact Report (EIR) were really to the program EIR.

Ms. Gitelman replied yes.

Council Member Price was not familiar with a Users' Guide to a Comprehensive Plan and requested a brief explanation or example of a Users' Guide.

Ms. Gitelman explained that after a Comprehensive Plan was adopted, Staff wanted to provide some type of guide or online tool to make the Comprehensive Plan widely available and searchable.

Council Member Price felt that would be useful. She inquired whether Staff was requesting guidance on the direction of the recommendations. It would be irrational to assume the items could be performed quickly. They would be part of the ongoing discussion with the community to determine the implications of various planning scenarios and to define issues and programs.

Ms. Gitelman remarked that all of the ideas were complex and would require a great deal of work.

Council Member Price asked if Council Members should comment regarding issues to be addressed concurrent with the Comprehensive Plan.

Mr. Keene suggested Council Members comment at the current time to help inform the discussion on November 17.

Council Member Price expressed concern regarding modifying the Floor Area Ratio (FAR) contained in the hotel overlay and in Community Commercial (2) (CC(2)) zoning along California Avenue.

Reducing the FAR could be problematic from an economic development standpoint. She inquired whether the proposed outreach budget included additional outreach efforts outlined in the Staff Report.

Ms. Gitelman reported PlaceWorks would perform the majority of the outreach related to the Comprehensive Plan. If the Council approved the contract with Flint Strategies, Flint Strategies would handle other Our Palo Alto events and activities.

Council Member Price asked if the proposed budget would cover the additional outreach.

Ms. Gitelman felt the six recommendations could be accomplished within the scope and budget allocated for the Comprehensive Plan Update. If more items were added or the timeframe extended, Staff would need to reevaluate the budget.

Council Member Burt explained that two questions could result from the Council wishing to substantially change the pace of development prior to the completion of the Comprehensive Plan and Zoning Ordinance updates. The first question was which changes to density and use listed in Attachment A could be implemented without triggering the need for a new EIR. The second question was could a growth management program be implemented on an interim basis while completing the Comprehensive Plan and zoning updates.

Ms. Gitelman wanted to consult with the City Attorney and respond to the second question on November 17. An interim Ordinance would require Staff to make particular findings. With respect to the first question, any one change probably would not create impacts that would trigger an EIR. The concern was whether collective changes would diminish the attractiveness of one type of development and, therefore, stimulate another. Changes in density could be comfortably paired with the Comprehensive Plan Update.

Council Member Burt was concerned that the Staff proposal would not go as far as he would like in the next two years. Staff did not indicate the amount of change or which changes could be problematic. The Council would need some meaningful guidance as to changes that could be made without triggering an EIR.

Ms. Gitelman provided a professional recommendation to pair the collective group and include them in the Comprehensive Plan Update, because they were clearly defensible and clearly provided an opportunity for community input.

If the Council wanted to segregate some ideas and advance them ahead of the Comprehensive Plan Update, Staff was open to that discussion; however, Staff would need to review other ongoing initiatives and reprioritize them.

Council Member Burt did not believe Staff could move items through the Palo Alto process in a timeframe Ms. Gitelman was suggesting. He failed to see a difference between implementing zoning changes in parallel with the Comprehensive Plan and moving some portion of changes ahead of the Comprehensive Plan, because Staff would be performing the same amount of work in the same two-year period.

Ms. Gitelman felt Staff could work on a subset of ideas and potentially present an Ordinance to the Council within three or four months. The balance of ideas would occur during the Comprehensive Plan Update process. The majority of work on the Comprehensive Plan Update would occur in 2015, so that the Council could adopt a Comprehensive Plan Update and Zoning Ordinance in early 2016.

Council Member Burt was skeptical that certification of a final EIR, adoption of the Comprehensive Plan, and implementation of a Zoning Ordinance could be accomplished in early 2016. The City's hotel overlay and marketing campaign had been successful; however, modifying the FAR could allow better and more compatible designs. He inquired whether Staff assumed costs for future grade separations would be fully funded by the City.

Ms. Gitelman had not reviewed financing. Staff offered the scenario because it had impacts and benefits.

Council Member Burt noted other possible means to fund grade separations. It was inappropriate to mislead the community into thinking that grade separations would necessarily be solely or predominantly funded from local tax dollars. He asked if only high growth scenarios within the EIR considered grade separations.

Ms. Gitelman proposed pairing grade separations with one of the scenarios that contained an annual cap on office and Research and Development (R&D) growth. Scenario 2, slow growth, was paired with County Expressway improvements. Scenario 3 was paired with Caltrain grade separation. Scenario 4 was paired with significant investments in transit.

Council Member Burt inquired about reasons for pairing those.

Ms. Gitelman wished to define a range of simple scenarios to illuminate policy choices. Staff could pair growth levels with transportation investments; however, a review of those scenarios would never end.

Council Member Burt asked if Staff assumed the need for grade separations was driven by the pace of growth in Palo Alto.

Ms. Gitelman replied no. The Council would be able to mix and match scenarios to illuminate policy choices. The Council would not choose one scenario over another.

Council Member Burt noted a growing community concern about enormous residential rent increases. He inquired whether participants at Our Palo Alto events wanted more discussion of initiatives for renter rights.

Ms. Gitelman advised that Staff held a couple of workshops on housing affordability where similar ideas were raised. Comprehensive Plan workshops focused primarily on the location and amount of housing and types of units.

Council Member Burt was interested in including residential rental rates within community discussions without a predetermined outcome. He requested Colleagues comment on inquiring with the Leadership Group whether a Council liaison would be beneficial. The Council was responsible for success of the outreach program, but had no participation in the outreach program.

Vice Mayor Kniss recalled a Council Member was assigned to the community group in the prior Comprehensive Plan Update. She was disappointed by the lack of public attendance for the discussion. Obtaining and retaining retail was an issue for most cities. She asked Staff to comment on methods to retain areas for local-serving retail uses.

Ms. Gitelman reported local-serving retail required further definition or discussion. She wished to confirm the Council's intent was not to change some retail requirements in marginal areas and whether any policy changes were necessary to achieve that goal.

Vice Mayor Kniss commented that some retail stores were very popular in areas similar to California Avenue. The Council should discuss formula retail. She supported the variety of restaurants located Downtown. There did not appear to be a large number of chain restaurants in Downtown. She inquired about Staff's interpretation of amortizing non-retail uses in Downtown with ground-floor retail protections.

Ms. Gitelman reported amortizing non-retail uses would require a great deal of effort; therefore, she would need more definition from the Council before pursuing that.

Vice Mayor Kniss did not have a good overall definition of retail uses. She asked if Staff could provide a map of the Downtown area and a definition of retail on November 17.

Ms. Gitelman could provide a map and a description of the Code regulation regarding ground-floor retail uses.

Mr. Keene indicated there could be a gradation of uses that appeared to be less retail than others.

Vice Mayor Kniss requested Staff emphasize the marginality of some retail stores in Area A.

Council Member Holman requested the status of the California Avenue Area Plan and asked if that could be brought forward on an interim basis in order to protect the area.

Ms. Gitelman reported in February 2014 the Council received the P&TC's recommended version of the California Avenue Area Plan. The original intention was for that to be analyzed in the Comprehensive Plan EIR and adopted when the Update was adopted. It would be distinct from a Precise Plan for the Fry's site.

Council Member Holman indicated the Staff Report did not mention interim actions to protect the area from piecemeal development.

Mr. Keene advised that the recommendation regarding pace of growth was designed to deal with that. One Council Member had commented regarding an interim acceleration of pacing of commercial development on an annual basis. That could be a means to micro-target the California Avenue area.

Ms. Gitelman remarked that the existing Comprehensive Plan had allowed the current rate of growth and development. The Comprehensive Plan Update was a method to reexamine those issues and the California Avenue area in the manner that the P&TC considered in the proposed Area Plan.

Council Member Holman felt the scenarios presented the community with false scenarios. They appeared to be mix and match. She requested Staff's feeling about that.

Ms. Gitelman wanted an effective means to analyze impacts of potential policy choices and wanted to avoid analyzing the impacts of many combinations of various choices. It was logical to group them to allow testing and to allow the Council to choose among them. Staff's pairings would allow the Council to do that.

Council Member Holman suggested beginning with a menu and developing scenarios through a community effort. She requested Staff comment regarding development that displaced local independent businesses.

Ms. Gitelman did not have specific information. She had heard this concern from area merchants and patrons but had no hard data.

Council Member Holman noted the definition of retail was contained in the City Code. She inquired whether it was possible to eliminate Conditional Use Permits in retail areas. Conditional Use Permits often caused problems.

Ms. Gitelman would respond on November 17. Interim Ordinances had their own set of findings and issues that Staff had to investigate.

Council Member Holman asked if non-retail uses in Downtown with groundfloor retail protections was an issue of amortization or Code enforcement.

Ms. Gitelman was aware of few or no Code violations related to ground-floor uses that were not retail. The issue was nonconforming uses that were in existence before ground-floor retail controls were enacted or uses that fell under one of the exceptions.

Mr. Keene reported Staff performed a spot check on every one of those in the Downtown area.

Council Member Holman did not want people to be concerned regarding regulation of chain stores and setting quotas for formula retail. The Council did not discuss eliminating chain stores, only limiting them. She asked Staff to clarify the definition of formula retail and chain store.

Ms. Gitelman indicated other jurisdictions had defined formula retail and set a limit on the number of formula retail establishments allowed within a commercial district. Staff could review precedents and best practices from other communities and pursue those further in the next few months with Council approval.

Mr. Keene could not imagine the City adopting a formula from another jurisdiction. The City would develop its own formula.

Council Member Holman inquired about an interim change to prevent conversion of basements to non-ancillary office or general office.

Ms. Gitelman could analyze whether conversions were a trend and, if so, determine needed Code changes in the next few months.

Council Member Holman wished to take some broad action now and reserve study and detailed action for a later time.

Ms. Gitelman advised that Staff had obtained a great deal of data regarding Downtown and could accomplish a review in the next few months.

Council Member Holman asked if Staff knew of a short-term means to address office density until the Business Registry was in effect.

Ms. Gitelman had not considered ways to address office employment density, she understood it would be part of the Comprehensive Plan Update. She would review whether requiring a use permit for more office uses would accomplish the goal.

Council Member Holman requested that be moved forward. Zoning changes that slowed the pace of development seemed to conflict with additional incentives for small lot consolidation along El Camino Real.

Ms. Gitelman explained that the list was comprised of Council Member ideas offered during the Study Session. They could conflict. Small lot consolidation grew from the Housing Element discussion.

Council Member Holman stated parking exceptions were always a high priority. The Code was clear regarding Design Enhancement Exceptions (DEE). She did not understand why that would require revision.

Ms. Gitelman placed DEEs on the list for further discussion. The Code was written to provide DEEs for small items rather than items requiring a variance. She did not believe Code changes were needed.

Council Member Holman inquired whether Staff would revise specific areas of the Code or the Code in general to increase clarity. Topics such as mezzanine and grandfathering could be addressed in the near term.

Ms. Gitelman envisioned some revisions in the short term and concurrent with the Comprehensive Plan Update. Staff did not have the ability to conduct a comprehensive Code revision.

Council Member Holman recalled that Neighborhood Commercial (CN) Zoning increased FAR from 0.9 to 1.0 if the additional 0.1 FAR was retail. She asked if reverting to the former FAR would require a community discussion.

Ms. Gitelman believed Staff had Council direction to review the CN Zone along El Camino Real in the context of the Comprehensive Plan Update.

Council Member Holman commented that adoption of the South El Camino Real Design Guidelines occurred in 2012 rather than 2014.

Council Member Scharff inquired whether the Council could utilize relevant data in mixing and matching scenarios.

Ms. Gitelman responded yes. Staff attempted to prepare an analysis that would allow the Council to mix and match elements.

Council Member Scharff was interested in having the broadest range that provided the best data. He inquired whether grade separations could be paired with a low-growth scenario and whether the pairings were important as long as the data was included.

Ms. Gitelman could change the pairings. It was logical to pair the increase in roadway capacity with a low-growth pattern.

Council Member Scharff believed good data led to better policy decisions. He supported a broad range of choices in the EIR. He would not support most high-growth scenarios; however, high-growth scenarios could provide different data. He expressed some concern related to scenarios as opposed to matrixes. He wished to obtain good data without alarming the community regarding the different scenarios. He asked if Staff expected the Council to approve or disapprove each item on the list.

Ms. Gitelman hoped the Council would consider Staff's recommendation and make small modifications. If the Council chose to make major modifications, then she hoped the Council would assist in reprioritizing other initiatives. The Council could utilize the recommendation as a base for action.

Council Member Scharff asked if Staff expected the Council to determine which items to work on.

Ms. Gitelman requested specific direction regarding items to prioritize ahead of the Comprehensive Plan Update and items Staff should not consider in the context of the Comprehensive Plan Update.

Council Member Scharff felt parking items would be fairly easy to analyze and bring forward.

Ms. Gitelman agreed. Staff recommended proceeding with many items listed on Packet Pages 123-124 in the soonest possible timeframe.

Council Member Scharff was not convinced good design related to FAR. He wished to expand that conversation as to the goal the Council was attempting to achieve.

He did not believe formula retail protections would preserve neighborhoodserving retail. In order to protect neighborhood-serving retail, areas that were marginal for retail should retain retail requirements. Zoning for more retail and creating more retail would likely preserve neighborhood retailers. That should be included in a discussion of formula retail. The important points were good data, the goal, and ways to achieve the goal. The Wells Fargo Bank Building in Downtown should change to retail. The Council should consider Forest Avenue retail for protections. Retail should extend University Avenue to Forest Avenue. Through Comprehensive Plan should not only protect retail but also expand retail throughout Downtown. He did not want to eliminate Conditional Use because they provided useful mechanism a However, Conditional Use Permits should be approved by circumstances. the Council rather than the Planning Director. The Council should carefully consider a definition of retail and the issue it was attempting to solve. The Council needed to be careful not to make scoping of the four scenarios a vision for the community.

Council Member Schmid indicated the fundamental question was whether to tweak the Comprehensive Plan or take a fresh look at it. The Council should begin with growth, because housing, housing affordability, traffic, parking, retail, and density locations all flowed from the rate of growth. Bounding scenarios of growth would give the Council and public an opportunity to participate in the process. He understood the original intent of the Leadership Group was to help the Council engage different community groups. Now it appeared that the Leadership Group had taken an advisory role; however, it was not appointed to provide advice and consent.

Ms. Gitelman reported the Leadership Group was formed to assist Staff with community engagement related to the Comprehensive Plan Update. The Leadership Group had done that. In that context, the Leadership Group was helpful to Staff in understanding how various paths would or would not attract engagement and participation.

Council Member Schmid wished to clearly distinguish that stakeholder groups focused on particular community stakeholders and did not represent the public.

Ms. Gitelman did not understand the distinction. Staff solicited applications from the community and appointed members skilled in reaching a broad audience.

Council Member Schmid requested Staff circulate a list of the members of the Leadership Group and their affiliations. One element missing in the community discussion was the financial side. He was surprised that financial issues were not central to the discussion.

Ms. Gitelman explained that the EIR and planning process had not been scoped to include fiscal issues. Fiscal issues were not typically analyzed in an environmental document or the Comprehensive Plan itself. If the Council wished to review fiscal issues, then Staff would need additional expertise to perform fiscal analysis later in the planning process.

Council Member Schmid would favor that. Important decisions about who paid and who benefited were made along every step of the way.

Mayor Shepherd noted California Avenue merchants had organized regarding formula retail, and requested an update on that.

Ms. Gitelman advised that some California Avenue merchants and patrons were interested in limiting formula retail. That was one of the reasons Staff placed formula retail on the list to examine in the first few months of the year.

Mayor Shepherd believed California Avenue merchants formed a broad stakeholder group that could be incorporated into the outreach process. The Council needed a definition of retail. She inquired about possible actions to resolve issues with the grant for the Fry's site.

Ms. Gitelman advised that the City did receive a grant for planning related to the Fry's site; however, funds would not be released until July 2015. The Council could discuss whether to wait for release of grant funds or to seek other funding sources early in 2015 when Staff presented the scope of work and grant agreement.

Mayor Shepherd requested Staff attempt to advance that discussion. She also wanted to understand the impacts of the North County Courthouse not functioning as a courthouse.

Molly Stump, City Attorney, understood there had been some changes in the Superior Court's operations; however, the location continued to function as a courthouse. She would obtain updated information.

Mayor Shepherd wanted to receive an update regarding the entire California Avenue area if changes in activity occurred there.

Stephanie Munoz was surprised to discover the shuttle was a full-fledged transportation system. Transportation systems and density were symbiotic. People would be angry and disappointed if commercial development had to be permitted in order to pay for a transportation system. To obtain community support, the Council should oppose the extension of High Speed Rail from San Jose to San Francisco.

Sea Reddy questioned whether the Council knew what the community wanted. The Comprehensive Plan needed to be updated more often than every 20 years. The Council could provide incentives for people to provide input. The Council should understand what the community wanted and implement that.

Ellen Forbes, League of Women Voters President, supported the Council's efforts to align the Comprehensive Plan with current civic priorities. She requested the Council work effectively to complete the Comprehensive Plan without undue delay.

Herb Borock indicated the community was divided with respect to whether development had implemented or ignored the Comprehensive Plan. He read the definition of retail services from the Zoning Code.

Vice Mayor Kniss asked if there was a date on the definition of retail services.

Mr. Borock advised that the definition was currently effective.

Vice Mayor Kniss inquired about the date the section was written and made law.

Mr. Borock stated the printed version of the Zoning Code indicated the last Ordinance update was Number 5059 in 2009.

Mayor Shepherd inquired whether Staff had sufficient information to prepare for the November 17, 2014 meeting. The Council did not discuss in-depth items B, C, D. and E, except for the concept of a matrix rather than scenarios.

Ms. Gitelman wanted to assimilate Council Member comments and discuss them with the City Manager and City Attorney. Staff would respond to questions they were not able to answer and return with the six-part Motion adjusted to reflect Council comments.

Mayor Shepherd asked if Staff would seek additional direction or definitive action at the November 17 meeting.

Ms. Gitelman requested direction on next steps related to the Comprehensive Plan Update and zoning changes before and during the Comprehensive Plan Update.

Council Member Holman would not be available on November 17 and hoped Staff would want full Council attendance to address the item.

Mr. Keene reported attendance would be a matter for the Council to decide.

Mayor Shepherd was not aware that Council Member Holman would not be present on November 17.

Council Member Holman made other plans prior to learning of the November 17 discussion.

Mayor Shepherd noted Council Agendas were full through the end of 2014.

Vice Mayor Kniss preferred to have all Council Members in attendance for the November 17 discussion.

Mayor Shepherd also wanted full attendance; however, Agendas were full. She would attempt to reschedule the item from November 17.

Mr. Keene would know within the week whether the item could be continued from November 17.

MOTION: Council Member Scharff moved, seconded by Council Member Klein to move Agenda Item 14 forward to hear it before Agenda Item Numbers 12 and 13.

MOTION PASSED: 9-0

14. Review and Approval of a Letter from the City of Palo Alto to the Environmental Protection Agency (EPA) on the Proposed Rule Change to Waters Protected Under the Clean Water Act.

Mayor Shepherd advised that the Environmental Protection Agency (EPA) and U.S. Army Corps of Engineers had published a rule change which redefined the scope of waters protected under the Clean Water Act. Staff recommended the City send a comment letter in response to the rule change. Comments were due November 14, 2014.

Richard Hackmann, Management Analyst, reported the City was concerned with the impacts resulting from implementation of the rule change. Wording of the rule change would create less certainty. Staff did not recommend the City oppose improvements made to the Clean Water Act.

Staff recommended the letter request the EPA reinitiate the rule change process in order to engage impacted stakeholders in the process.

MOTION: Vice Mayor Kniss moved, seconded by Council Member Price to approve the draft letter from the City of Palo Alto to the Environmental Protection Agency on a proposed rule change defining the scope of waters protected under the Clean Water Act.

Mr. Hackmann indicated Mr. Materman of the San Francisquito Creek Joint Powers Authority recommended a change in language regarding the flood plain.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to change the wording in the first sentence under <u>Flood Protection and Floodplain Management</u> from "Palo Alto lies within a 50-square mile floodplain" to "Palo Alto lies within a substantial floodplain".

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to correct the number of residents to the current value.

Council Member Klein was not aware of any city that did not share the City's views as expressed in the letter.

MOTION AS AMENDED PASSED: 9-0

12. Finance Committee Recommends Proposed Changes in Development Impact Fees: Direction to Draft Ordinance Implementing New Public Safety Facility and General Government Facilities Impact Fees.

Lalo Perez, Administrative Services Director, recalled in March 2014 Staff presented a list of projects that justified implementation of a Public Safety Facility fee and a General Government Facilities fee. Staff presented a nexus study to the Finance Committee in May 2014 and recommended setting fees at 75 percent of the maximum level. At-places was a memorandum regarding the setting of fees. Because the Finance Committee voted 3 to 1 in support of the recommendation, the item was placed on the Agenda as an Action Item. The Finance Committee expressed concerns regarding the residential fee being unfairly high. Although fees were split approximately 60/40 between residential and non-residential uses, the fee based on per person served was closer to a 50/50 split. Table 19 summarized projected income from new fees, which also demonstrated a more equal distribution of fees between residential and non-residential uses.

One challenge was the lack of data regarding number of employees; however, Staff hoped the Business Registry would provide better data. The Finance Committee was also concerned about the category breakdown. Existing fees included a category that was different from the categories proposed for the new fees. Categories for existing fees were implemented more than ten years ago. Since that time, categories were standardized and Staff proposed use of the standardized categories. Categories for existing fees could not be changed to standardized categories unless the fee itself was changed. Should the Council approve the new fees, Staff would return with an Ordinance authorizing the new fees and a Resolution setting the fees. Fees would be effective 60 days after adoption of the Ordinance and would apply to new developments that had not received building permits prior to the expiration of the 60-day period.

Council Member Berman reported the Finance Committee's discussion primarily concerned the number of jobs in Palo Alto and the ratio of fees charged to residential and non-residential uses. He inquired whether Staff received new information to determine the ratio was 49 percent for residential uses and 51 percent for non-residential uses.

Mr. Perez clarified that Staff's presentation to the Finance Committee did not sufficiently explain the ratio.

Council Member Berman noted the Finance Committee voted 3 to 1 in favor of the Staff recommendation.

Mayor Shepherd requested additional comment concerning the Finance Committee's discussion of a 60/40 fee split.

Council Member Berman recommended Members of the Finance Committee share the concerns they raised at the meeting. He requested Staff explain changes that resulted in the 60/40 split shifting to a 49/51 split.

Mr. Perez explained that the proposed residential fees and non-residential fees as stated in Table 20 resulted in the 60/40 split discussed at the Finance Committee meeting. Calculating the fee per person served resulted in the 49/51 split. The Finance Committee wanted a 50/50 split; however, the consultant expressed concerns about that.

Council Member Berman added that the City could not choose a ratio and make the fee fit that ratio.

Mr. Perez indicated Staff did not have good data regarding the number of employees. The Finance Committee discussed delaying the new fees until good data was available.

Council Member Berman remarked that the per person served calculation provided a different analysis of the ratio.

Mr. Perez advised that the projected revenue from the two new fees would be split approximately 50/50 between residential and non-residential uses.

Council Member Berman suggested the fees could be adjusted once reliable data was obtained through the Business Registry.

Mr. Perez indicated an adjustment of the fees would require a new nexus study utilizing new data. The Finance Committee discussed the multiple sources of job and employee numbers.

James Keene, City Manager, reported the City had an established body of work and tried and true methodologies. The recommendation was to impose the fees and to begin collecting revenue. He wanted to obtain the highest accuracy possible; however, that would be achieved in the future. Staff was committed to a possible adjustment of the fees.

Council Member Klein inquired about the time period for collecting the \$35.64 million dollars stated in Table 19.

Mr. Perez responded through 2035.

Council Member Klein stated Table 19 indicated collections of \$22.5 million, approximately half the estimated cost of a new Public Safety Building. He asked about the accounting procedure for collecting fees after construction of the building.

Mr. Perez advised that the Council could adjust the fee downward so that net expenses matched fees collected or allow the fee to continue at the same level.

Council Member Klein offered a hypothetical scenario of constructing a Public Safety Building in the next 12-18 months through other funding sources. He asked what would happen with the fee for the following 20 years.

Mr. Perez explained that identified revenue must be reduced from the amount of the expense. The Council would have to reset the fee to the net amount that was unfunded.

Mr. Keene inquired whether future fees could repay an expense paid from other sources.

Nathan Perez, Vice President of David Taussig and Associates, clarified that fees could repay debt service or fund other public safety capital facilities with a useful life of more than five years.

Council Member Klein requested Mr. Perez assume there were no other facilities.

Mr. N. Perez reported that the Government Code required the City to credit fees if there were no other capital needs on which to spend the fee in five years.

Council Member Klein asked if the City could borrow against the fee.

Mr. N. Perez replied yes.

Mr. Perez clarified that the challenge in borrowing against the fee was predictability of the fee revenue for a credit rating.

Council Member Klein believed the City would have to identify other public safety capital needs in order to utilize the fee. The fee would not have an impact on the Public Safety Building if it was constructed in the next year or two.

Mr. Perez commented that only 15 percent of the cost could be allocated to a development impact fee. Variables of cost and time would require Staff to revisit the whole process.

Council Member Klein calculated the fee could contribute \$7.5 million towards the \$50 million cost of a Public Safety Building.

Nancy Nagel, Senior Management Analyst agreed that \$7.5 million would be the maximum amount projected from collection of the fee over 20 years.

Mr. N. Perez suggested the amount would be \$8 million, because collection was a product of the pace of development in Palo Alto. If the Public Safety Building was constructed at a lower cost than estimated, then the nexus study would be incorrect. He vetted the cost of the needs list with Staff who typically provided conservative cost amounts.

Council Member Schmid was interested in equivalent dwelling units. Table 19 indicated the amount was split roughly 50/50, because non-residential uses were growing twice as fast as residential uses. Therefore, non-residential uses were in essence paying half the amount of residential. The Fire Study and Police Blotter seemed to imply that public safety was spending roughly half their time on the daytime population.

He questioned the need for residents to pay twice as much as visitors when visitors consumed more City services.

Mr. Keene clarified that the City was collecting a fee for capital facilities rather than operating costs. The volume of calls for service did not directly correlate with the need to invest in facilities. The Council could not utilize service calls to determine who benefited from City services.

Mr. N. Perez added that there was a tension between relative fee levels and absolute fee amounts. If the amount collected from fees was approximately 50/50, then the tension became more balanced.

Council Member Schmid was concerned that the resident equivalent paid twice as much as a business equivalent.

Ms. Nagel explained that the non-residential fee was calculated per 1,000 square feet. Residential fees were calculated per unit or home or multiple family unit. Those two calculations were not the same, because 1,000 square feet assumed a certain number of employees. A single family home was assumed to house 2.7 people. A single family home would pay \$4,500 for both fees at the maximum level. A commercial space would pay only \$2,500, but paid for only 1.5 people.

Council Member Schmid noted 1,000 square feet was assumed to hold 4 people for a commercial space.

Mr. N. Perez reported the term equivalent dwelling unit did not necessarily mean 1,000 residential square feet equaled a dwelling unit. It was a method to standardize measurements for purposes of allocations within the residential categories.

Council Member Schmid expressed concern that assumptions utilized in developing standards did not match the characteristics of Palo Alto. He asked if the statement on Packet Page 474 regarding the affordable housing fee not being charged to office was true.

Mr. N. Perez advised that according to Municipal Code Section 16.47 it was not charged to office.

Council Member Schmid remarked that office would account for twice the number of people added to the daytime population, yet it did not pay a housing fee. The report indicated a review of housing fees was not performed, because it was covered in the Housing Element. The Housing Element did not currently contain a housing fee. He asked why a nexus study for housing was not performed.

Mr. Perez indicated a housing study was not performed, because it was a different fee. Each impact fee was required to have its own nexus and review. The housing fee would be presented to the Council separately with its own nexus study.

Mr. N. Perez added that housing nexus studies were under litigation at every level of California courts.

Molly Stump, City Attorney, reported a housing nexus study was under way. The study would review both residential and non-residential fees.

Council Member Schmid felt the Council continued to make decisions regarding development impact fees without data. A preliminary review of transportation indicated fees were adequate. He requested the basis for stating transportation fees were adequate.

Mayor Shepherd noted the Agenda Item concerned only the Public Safety Facility fee and the General Government Facilities fee.

Council Member Schmid believed the Council was being asked to approve the matrix.

Mr. Perez clarified that Staff did not recommend changes or seek action regarding any fees other than the Public Safety Facility and General Government Facilities fees.

Council Member Schmid asked if it was appropriate to state other fees did not need review.

Mayor Shepherd stated that was not a part of the Agenda Item. Other fees would be presented to the Council in the future.

Council Member Schmid asked why they were mentioned in the Staff Report.

Mayor Shepherd explained that Staff utilized data approved by the Council earlier in the year.

Mr. Perez clarified that in the past the Council had requested a cumulative total of impact fees to determine whether a fee of 75 percent of the maximum amount allowed was appropriate. Staff did not make a recommendation for those fees.

Council Member Schmid inferred the study made a discretionary decision when it stated a preliminary review indicated fees were adequate for parks, housing, and transportation. He inquired whether the study did not make a discretionary decision.

Mr. Perez reiterated that a housing study would be presented separately.

Council Member Schmid inquired about a transportation study.

Mr. Keene presumed fees were not adequate for transportation, but could provide a separate update on transportation in the future. Staff wanted to add two fees to every development project and begin collecting funds. As Staff obtained refined data, they would revisit the fees and adjust them.

Council Member Schmid asked if a vote supporting the item would endorse the statement that a preliminary review indicated other fees were adequate.

Mr. Perez was not recommending any changes to those fees.

Mr. Keene advised that approval of the item would not be an endorsement of the statement.

Mr. Perez reported the Council in March 2014 reviewed fees in conjunction with a list of needs. For example, the Council discussed changing the parks fee; however, the cost of projects on the needs list was not high enough to justify changing the fee.

Council Member Schmid remarked that the March Council discussion was the preliminary review.

Council Member Scharff reviewed the Council process for placing Committee recommendations on the Consent Calendar or as an Action Item. The Staff recommendation was for Council review and approval of the recommended new Public Safety Facility fee and the General Government Facilities fee. That was not the question or the Motion before the Finance Committee. Staff should be requesting the Council to review the report and provide input. He inquired whether the Council was to approve the report or the fees.

Ms. Stump reported Council acceptance or approval of the report was irrelevant. If the Council wished to implement the fees, then it needed to direct Staff to return with an Ordinance to establish the fees. The Finance Committee sought direction to draft an Ordinance.

Council Member Scharff asked if Staff or the Finance Committee sought that direction.

Ms. Stump corrected her statement to Finance Staff rather than Finance Committee.

Council Member Scharff understood capital projects with identified sources of revenue could not be considered in a nexus study.

Mr. Perez concurred.

Council Member Scharff stated the Council had identified sources of revenue for the Public Safety Building, Fire Station Number 3, and Fire Station Number 4. He did not understand how the nexus study could be accurate if the City had identified sources of revenue.

Mr. Perez reported the Council could direct Staff to remove any project for which it believed revenues were guaranteed. Staff did not wish to make that assumption.

Council Member Scharff asked if the Council discussed that.

Mr. Perez answered yes, and Staff understood the Council was in the process of drafting a funding plan. The question was whether that funding plan would materialize. The Transient Occupancy Tax (TOT) measure probably would be approved by the voters; however, a recession could significantly reduce that funding source. Staff would remove any project as directed by the Council and return with an Ordinance containing an adjusted fee.

Mr. N. Perez explained that some of the information regarding the Public Safety Building was less guaranteed or more speculative at the time he drafted the needs list in 2013.

Council Member Scharff asked if Mr. Perez drafted the needs list prior to the Council identifying funds for the Public Safety Building.

Mr. N. Perez developed the needs list in 2013. In 2013 he and Staff collected data regarding facilities and cost estimates.

Mayor Shepherd understood impact fees were utilized to support facilities that would be used more because of an increase in population. She expected facilities to be built and a fee collected because additional people caused more wear and tear on facilities. She asked how that was factored into a fee. The capital improvement would begin to fail at some point.

Mr. N. Perez indicated impact fees could be utilized to replace and modernize facilities or to purchase furniture, fixtures, and equipment (FFE), but not to operate and maintain facilities.

Mayor Shepherd commented that fees would be used for those types of things going forward.

Mr. N. Perez advised that impact fees became less and less of a tool as the City became built out and the allocation to new development dwindled.

Mayor Shepherd remarked that placing restrictions on commercial space could result in collecting even fewer fees.

Stephanie Munoz felt the presentation assumed some issues not in evidence. A Public Safety Building would always be a problem, because the communications center was inadequate with respect to earthquake safety. Much of that had been taken care of through the mobile unit.

Council Member Holman referred to the two charts on Packet Page 418 regarding office fees and retail/industrial fees and the at-places memorandum regarding commercial and office/institutional and industrial. She asked what was commercial and where was retail.

Mr. N. Perez reported retail was commercial.

Council Member Holman inquired about reasons for retail paying more than office/institutional when retail had fewer employees per 1,000 square feet than general office. The City utilized and considered an outdated measure of 4 employees per 1,000 square feet. The report utilized 1.5 persons served per 1,000 square feet for commercial, 1.25 persons served per 1,000 square feet for general office, and 0.5 person served per 1,000 square feet for industrial. She did not believe that could be supported.

Mr. N. Perez indicated multiplying those by 2 would result in 3 employees for retail, 2.5 employees for office, and 1 employee for industrial.

Council Member Holman asked why retail would have more than office.

Mr. N. Perez explained that typically retail served more people than office.

Council Member Holman believed that was not the case in Palo Alto. She asked if he used generalized numbers. Utilizing one number to calculate parking demand and a totally different number to calculate the fees did not make sense.

Mr. N. Perez had not seen the parking figures.

Council Member Holman stated it was a basic aspect of the City's Municipal Code. To a skeptical person, the report appeared to manipulate the numbers of persons served per 1,000 square feet to justify an even number across the different sectors. She referred to the Minutes found on Packet Page 464 regarding Palo Alto being relatively lower compared to peer communities on the non-residential side.

She stated that Council Member Schmid had asked if approving the fees would also accept the fee rates in the tables. The Council should not accept the other fees.

Mr. Keene asked if the Council was approving the other fees.

Mr. N. Perez answered no. Staff recommended adding the Public Safety Facility and General Government Facilities fees to the list of fees.

Council Member Holman wished to ensure the Council was not accepting the other fees.

Mr. Keene reported a Motion would not have the Council accept or acknowledge existing fees. When the Council took a specific action on a specific Motion, that action did not automatically readopt or acknowledge every item in the Staff Report.

Council Member Holman asked about a means to arrive at some number that was logical, defensible, and fair.

Mr. Keene indicated Staff and the consultant were clear that the existing data and its alignment with the practice of setting fees supported the recommendation. Staff acknowledged the potential to obtain refined data that could support different conclusions in a year or two. Council Member Scharff's point was slightly different and pertained to the amount of yield the City could achieve over a 20-year period. The total amount of \$96 million included many projects on which fees could be collected for two years. After two years, Staff could determine the nexus study was incorrect and recommend adjusting the fee. Staff did not have a confident answer for providing data methodology to support a significantly different conclusion. The Council should proceed with the basic methodology for now or not proceed.

Mayor Shepherd noted the City was not collecting the fee currently, and the Council was not reviewing the methodology for collecting the fee. The Council was directing Staff to draft an Ordinance. She asked if Council Member Holman was concerned about the methodology. The breakdown between residential and commercial was one element of that. She asked if Council Member Holman was concerned about the calculation of the fee.

Council Member Holman was concerned about both aspects. She did not wish to do nothing, but was having difficulty determining what to do.

Mayor Shepherd added that Staff would return with an Ordinance for Council review.

Council Member Holman stated without some kind of clarity regarding what the Council expected Staff to provide, the current discussion was pointless.

Council Member Burt concurred with a need for clarification. He inquired whether fees were calculated based upon facility needs and revenue sources.

Mr. Perez answered yes.

Council Member Burt advised that infrastructure planning and the impact fees were developed in parallel over the past year and a half. The two were not reconciled in the late spring or early summer of 2014. When the Finance Committee discussed the item, the Council had not allocated revenue sources for public facility needs. Staff should recalculate the basis in facility needs after the election.

Mr. N. Perez commented that amounts always changed.

Council Member Burt clarified that amounts did not change to such a great extent. From the \$96 million listed for public safety facilities, \$57 million for the Public Safety Building should be removed.

Mr. N. Perez asked if the amount was 100 percent non-speculative.

Mr. Keene felt Staff should return with the item. The Infrastructure Funding Plan occurred subsequent to development of the fees. The Public Safety Building could cost more than estimated. The Council did not fund all items on the infrastructure projects list; therefore, the fee revenues could be reallocated to other projects.

Council Member Burt added that the Council could decide to fund 85 percent of the Public Safety Building with funds previously identified. Based upon existing policy direction, the Public Safety Building and Fire Station Number 3 did not belong on the list of needs. That alone was sufficient reason to return the item for redirection. He inquired about the source for 1.25 persons served per 1,000 square feet contained in Table 20.

Mr. N. Perez advised that it was a standard California metric.

Council Member Burt noted the City's Zoning Code used a standard of 4 people per 1,000 square feet. The Council had discussed whether that number was too low. The difference was not a nominal amount, and ensuing calculations flowed from that number.

Mr. N. Perez explained that 2.5 was the number of employees per 1,000 square feet. The 1.25 was the number of persons served per 1,000 square feet.

Council Member Burt inquired whether Mr. Perez was discounting the number by 50 percent.

Mr. N. Perez responded yes, because an employee was weighted as 50 percent of a resident.

Council Member Burt believed the Council wanted to return both items for recalculation based upon office density. A second issue was public safety needs that lacked a revenue source.

Mr. Keene felt comfortable with reviewing public safety facilities to determine the amount of funding that could be set aside for collecting a fee. The distribution of that fee would be affected by other changes. Staff could review one component of the non-residential office piece in a short period, but not necessarily the whole range of issues related to residential versus non-residential. Staff would review the general Infrastructure Funding Plan in relation to the fee.

Council Member Burt asked if the item would return to the Council or the Finance Committee.

Mr. Keene indicated that would be the Council's discretion.

MOTION: Council Member Burt moved, seconded by Council Member Berman to return to Finance Committee for review of both the appropriate non-residential densities and corresponding calculations and review public safety needs that do not have identified revenue sources.

Council Member Berman believed additional information had created more questions to which the Council needed answers. The Finance Committee considered fees on May 6, 2014. The Infrastructure Committee developed the Infrastructure Funding Plan in early August 2014. A great deal had changed since then. The Council needed a better understanding of numbers in Tables 19 and 20.

Council Member Klein chastised Staff and the Finance Committee for their poor review of the issues. The amount of fees collected over a short period of time was not significant in comparison to a \$57 million Public Safety Building. Staff's reasons for delaying the item were not defensible. He requested the City Attorney provide a definition of "without an identified revenue source." The Council could consider creating a gap that could be filled by the fee. The Council had not made legal promises regarding funding of the fire station needs. The City would depend on the consultant's expertise in a lawsuit; therefore, the Council had to rely on his methodology or reject the fees.

Council Member Holman inquired about the timing of returning the item to the Finance Committee and then the Council.

Mr. Perez would attempt to present it at the December 16 meeting.

Mr. Keene could not make a commitment with respect to a timeline.

Vice Mayor Kniss stated the item should not have been presented to the Council. She wanted the item to return quickly to prevent continued loss of revenue and requested the item be presented to the Finance Committee at its next meeting.

Mayor Shepherd noted \$22,000 of the fees collected through 2023 could support public safety needs. She wanted to understand if the Infrastructure Funding Plan included revenues from the fees.

Mr. Keene would present the item as soon as possible. Staff could respond to the Infrastructure Funding Plan component of the Motion more easily than the methodological component. Staff would consider bifurcating the two components.

MOTION PASSED: 9-0

13. Approval of Fiscal Year 2014 Reappropriation Requests for the Municipal Services Center to be Carried Forward Into Fiscal Year 2015.

James Keene, City Manager, recommended the Council reject the reappropriation requests and allow funding to return to the Infrastructure Reserve. In the 2016 Budget, the Council could discuss the scope of the project and appropriate funds.

MOTION: Council Member Scharff moved, seconded by Council Member Holman to remove this from the reappropriations and bring it back by the 2016 budget.

Council Member Berman felt the City was overdue for a study of the Municipal Services Center. The item did not pertain to or endanger the Animal Services Center.

Mr. Keene clarified that Staff could return with a Budget Amendment in Fiscal Year 2015 as an appropriation from the Infrastructure Reserve if the Council wished.

MOTION PASSED: 9-0

COUNCIL MEMBER QUESTIONS, COMMENTS AND ANNOUNCEMENTS

Mayor Shepherd provided copies of the Resolution regarding people trafficking to the Police Chief and City Attorney for review.

Council Member Holman reported the Architecture Review Committee for the Pedestrian Bicycle Bridge received 20 proposals and selected three. The selection exercise was impressive.

Mayor Shepherd advised that Mr. Eggleston was timing the launch of the Pedestrian Bicycle Bridge project to coincide with completion of the Environmental Impact Report (EIR) process.

Council Member Holman added that project architects were receiving only stipends for their expenses.

Council Member Price indicated the EIR for the El Camino Real Bus Rapid Transit had been distributed. Public meetings were scheduled for November 20, 2014 at 8:30 A.M. and 5:30 P.M. Comments were due December 15, 2014. With respect to a potential bond measure in 2014, a process was established based on the existing committee structure at the Santa Clara Valley Transportation Authority (VTA). VTA Directors felt the process was not sufficiently representative and expressed those comments at a workshop. Subsequently Envisioning Silicon Valley initiated a new process for a measure in 2016. Within a potential 2014 measure, funds were largely allocated for freeway grade separations. A few people addressed the need for additional funds for Caltrain grade separations with Mr. Guardino, and the conversation continued.

Mayor Shepherd announced a joint Study Session with VTA regarding Bus Rapid Transit was scheduled for November 17, 2014.

Council Member Schmid advised that a Santa Clara Valley Water District Commission discussion of the drought raised the issue of the Plan Bay Area forecast for 2 million new residents in the Bay Area over the next 30 years. The Commissioner reported the Association of Bay Area Governments (ABAG) invited a representative to participate in the updated forecast.

Council Member Burt requested Staff clarify the scope of the VTA Bus Rapid Transit EIR as it affected the segment of El Camino Real within Palo Alto prior to the Study Session. The VTA notice was ambiguous as to whether the EIR included lane dedications in Palo Alto.

Mayor Shepherd indicated the EIR provided four different scenarios for Palo Alto and one scenario included a dedicated lane.

James Keene, City Manager, would provide that information prior to the meeting.

ADJOURNMENT:	The meeting was adjourned at 11:31 P.M.
ATTEST:	APPROVED:
City Clerk	 Mayor

NOTE: Sense minutes (synopsis) are prepared in accordance with Palo Alto Municipal Code Sections 2.04.180(a) and (b). The City Council and Standing Committee meeting tapes are made solely for the purpose of facilitating the preparation of the minutes of the meetings. City Council and Standing Committee meeting tapes are recycled 90 days from the date of the meeting. The tapes are available for members of the public to listen to during regular office hours.