



CITY COUNCIL SUMMARY MINUTES

Special Meeting

December 12, 2022

The City Council of the City of Palo Alto met on this date in the Council Chambers and by virtual teleconference at 5:00 P.M.

Present In Person: Burt, Cormack, Filseth, Kou, Stone, Tanaka

Present Remotely: DuBois

Absent: None

Special Order of the Day

AA1. Sobrato Philanthropies

Mayor Burt recognized Sobrato Philanthropies for their contributions to the community. He stated he was familiar with the work they had done and their philanthropy center in Redwood City but was not aware of their new center on West Bayshore until the Council was invited to visit this summer. The center serves 10 different nonprofits of Palo Alto and East Palo Alto and is one of 4 such centers. Out of all the philanthropies and corporations in Silicon Valley, many significantly larger than Sobrato Corp, they are second only to Google in regional giving, and the for-profit corporation has been inverted and is designed and functioning to serve the philanthropy.

Camille Yanas Notanina, Sobrato Philanthropies, shared the organization's mission to partner with communities to meet immediate needs, address systemic barriers, and pursue social justice to build a more equitable and sustainable world, guided by the business philosophy and the personal values of the Sobrato family. Sobrato Philanthropies provides over \$24M annually to a portfolio of 200 grantees and stewards over 330,000 square feet of office and programmatic space to the nonprofit sector in San Mateo, Santa Clara, and Southern Alameda Counties. Since inception 25 years ago, over \$36M has been given to organizations housed in the City of Palo Alto as well as another \$10M in East Palo Alto. This summer, the newest center was opened off Bayshore Road, with over 30,000 square feet of office space, home to 10 tenants that focus on issues related to housing, youth development, health services, and more.

DRAFT ACTION MINUTES

Lisa Sonsini, Sobrato Philanthropies, stated she felt blessed to be part of the Sobrato family, which has great connection and roots to this community and is very committed to giving back. The real estate company has been in business since the 1950's, now having a lens to think about ways to have more impact with both the business and the philanthropic gifts. She stated her father was looking forward to working in partnership with Palo Alto on the Navigation Center on San Antonio in connection with LifeMoves. She expressed Sobrato's gratitude for all the City has done and their plan to remain committed to this community and the surrounding communities.

Council Member Cormack was grateful for the quiet dedication Sobrato Philanthropies has shown to nonprofits. She also appreciated the fact that the family and organization is willing to be slightly more public now, which demonstrates leadership that others in this community will follow.

Closed Session

1. CONFERENCE WITH LABOR NEGOTIATORS City Designated Representatives: City Manager and his Designees Pursuant to Merit System Rules and Regulations (Ed Shikada, Kiely Nose, Sandra Blanch, Nicholas Raisch, Molly Stump, and Terence Howzell); Employee Organization: Service Employees International Union (SEIU) Local 521, Utilities Management and Professional Association of Palo Alto (UMPAPA), Palo Alto Police Officers' Association (PAPOA), Palo Alto Police Management Association (PMA), International Association of Fire Fighters (IAFF) Local 1319, Palo Alto Fire Chiefs Association (FCA); Authority: Government Code Section 54957.6 (a)

MOTION: Council Member Cormack moved, seconded by Mayor Burt, to go into Closed Session.

MOTION PASSED: 7-0

Council went into Closed Session at 5:20 P.M.

Council returned from Closed Session at 6:11 P.M.

Mayor Burt announced there were no reportable actions.

Agenda Changes, Additions, and Deletions

There were none.

Public Comment

There was none.

DRAFT ACTION MINUTES

Consent Calendar

2. SECOND READING: Adoption of an Ordinance Extending the Term of Ordinance No. 5517 by an Additional 18 Months to Expire on June 16, 2024. Ordinance 5517 Amends Title 18 (Zoning) of the Palo Alto Municipal Code to Update Definitions, Broaden Permitted Uses, and Provide Limits on Certain Uses through Updates to the Conditional Use Permit Thresholds. Environmental Review: CEQA Exemption 15061(b)(3) (FIRST READING: November 28, 2022, PASSED 6-1, Cormack No)
3. Utilities Advisory Commission Recommend the City Council Affirm the Continuation of the REC Exchange Program
4. Approval of Amendment No. 1 to Contract C09124501 with GreenWaste of Palo Alto for Collection and Processing Services to Implement Domestic Recycling of Mixed Paper and Mixed Rigid Plastics with Program Annual Costs Not to Exceed \$1.2M and Approval of Budget Amendment in the Refuse Fund Supplemental Report Added
5. Approval of Contract S20178749 Amendment No. 3 with LCT Software, LLC, in the Amount of \$72,924 for a New Not-to-Exceed Amount of \$247,254 for Electronic Document Review Software Related to the City's Land Use and Permitting System through December 31, 2023
6. Approval of Lease and License of 300 Homer Avenue, Roth Building, between the City of Palo Alto and the Palo Alto Museum
7. Appointment of Kiely Nose as Assistant City Manager
8. Approval of a Contract with Nomad Transit, LLC, (Via) for City of Palo Alto On-Demand Transit Service in a Total Contract Amount Not to Exceed \$2,500,000 for Up to 2 Years and Approval of a Budget Amendment in the General Fund (Late Packet Report Added)

Council Member Cormack registered a no vote on Agenda Item Number 2.

Council Member Tanaka registered a no vote on Agenda Item Numbers 4, 6, and 7.

MOTION: Council Member Cormack moved, seconded by Mayor Burt, to approve Agenda Item Numbers 2-8.

Motion split for the purpose of voting

Motion Passes for Item 2: 6-1, Cormack no

DRAFT ACTION MINUTES

Motion Passes for Item 4, 6, 7: 6-1, Tanaka no

Motion Passes for Items 3, 5, 8: 7-0

Council Member Tanaka stated the trash rate for Palo Alto for a 13-gallon container is \$50 a month, and in Mountain View, it is \$39 a month. Number 4 increases cost by another \$500,000. Palo Alto already has very high rates compared to neighbors, so adding additional cost does not make sense. He did not support Number 4. Regarding Number 6, he stated land in Palo Alto is precious and expensive and should be used in the most useful, efficient manner possible. He did not believe the use planned for Number 6 would do that and preferred finding a better utility for this land, perhaps earning market rents or a youth center. On Number 7, he appreciated the Director's work but felt the City was top heavy with too much administration and not enough workers. He would prefer the budget be used for more services provided to constituents and felt it was not appropriate to staff additional people in the City Manager's office.

City Manager Comments

Ed Shikada, City Manager, thanked City Council for approval on Item Number 7 on the consent calendar and asked Ms. Nose to address the Council.

Kiely Nose, Assistant City Manager, stated she looked forward to the work ahead in this new role and appreciated the opportunity to continue her professional career with the City of Palo Alto. She stated her time with the City has continued to be dynamic, ever challenging, and rewarding, with the opportunity to further key projects through evolving economic shifts and priorities. She was excited to be part of a strong leadership team and was committed to serve as a collaborative and strategic partner to the team. She looked forward to getting more involved working with community stakeholders and regional partners and agencies in core business areas, such as Utilities. She also thanked City Manager Shikada for his mentorship and patience.

City Manager Shikada shared a coronavirus update, including availability of vaccinations. He discussed storm response over the past weekend and felt the few responses needed were a testament to the strong preparation by the Public Works Staff. There is an expectation of high natural gas prices this winter, and there are efficiency tips on the City's website to reduce the use of natural gas. There are several surveys available on the website for residents of Palo Alto. He described a holiday craft workshop on California Avenue to be held Saturday, December 17. He listed notable upcoming

DRAFT ACTION MINUTES

Council items, including Fiber to the Premises and Council Procedures and Protocols on December 19.

Action Items

9. Approval of Amendment No. 1 to Contract C21180078 with Blue Rhino Studios, Inc., in the Amount of \$234,748 for Design and Fabrication of Additional Dinosaur Sculptures and Exhibits for the Palo Alto Junior Museum and Zoo for a Total Not-to-Exceed Amount of \$449,464. Environmental Review: CEQA Exemption 15301.

Kristen O'Kane, Community Services Department, summarized key points of this item. Several exhibits were included in the Junior Museum & Zoo planning effort, all completed with the exception of the dinosaur garden that is the subject of this action item. The JMZ Capital Improvement Projects include funding for exhibits at the museum, both indoors and outdoors. Over half of the exhibition cost is funded by outside contributors. The Friends of the JMZ contributed \$300,000 from local donors in the community, and there was also a federal grant of \$250,000. Regarding the timing, it is common for museums to experience a decline in visitation at around 2 years, so there was an intent to delay a new exhibit to bring back that excitement. This will add some exhibits to an underutilized space outside of the JMZ in the courtyard and will also include a hands-on fossil dig for kids. This is the second phase of the dinosaur exhibit. While the first items were being fabricated, Staff consulted with accessibility coordinators, scientific advisors, and JMZ visitors to understand what they were looking for in this exhibit.

Council Member Stone clarified that the additional request of \$234,758 was not because the original cost of refurbishing the 3 large dinosaurs increased but was to incorporate the design and fabrication of other elements. The City has a commitment through contractual obligation in the Facilities Agreement to fund the new exhibits, a commitment to comply with the federal grant the Council accepted in 2020 to construct the exhibit, and an obligation to the Friends of the JMZ for their generous donations. He was concerned about the precedence this would set for future efforts to form public-private partnerships if the City did not honor these commitments. He was happy to support this item. He thought it was a great exhibit and seemed like a great way to get museum attendance up. He was also not aware of any similar exhibits in the region and thought it was a great way to attract out-of-town visitors

MOTION: Council Member Cormack moved, seconded by Council Member Stone, to approve an amendment (Attachment A) to the Professional

DRAFT ACTION MINUTES

Services Agreement (C21180078) with Blue Rhino Studios, Inc. to increase the contract in the amount of \$234,758 for a total not-to-exceed amount of \$449,464 for fabrication of dinosaur sculptures and exhibits for the Palo Alto Junior Museum and Zoo (JMZ) "California Dinosaur Garden" Exhibition Project, Capital Improvement Program Project AC-18001.

Council Member Filseth asked how many dinosaurs the exhibit would have if this was approved.

Ms. O'Kane stated there would be 8 total.

Council Member Filseth asked if the original plan and budget was for 8.

John Aikin, Senior Manager of Junior Museum & Zoo, stated the design originally considered even more dinosaurs but over time with public feedback and budgetary concerns, it was settled on 8. There were 3 original large dinosaurs with long lead times for fabrication that were begun early as the rest of the exhibit was developed. There were always going to be more exhibits, including interactive exhibits for kids.

Council Member Filseth asked when the decision to go from 3 to 8 was made.

Mr Aikin believed it was about a year and a half ago.

Vice Mayor Kou appreciated the need to fulfill the agreement with the Friends of the JMZ but was concerned about future exhibits needed in order to get attendance and wanted more details with more oversight about the money going to the JMZ. She stated she was unhappy when the JMZ wanted to expand and take away parkland and now more money is going into the new facilities. She wanted to see a plan or an audit before pouring more money in to the museum, though thought it was an asset to the City.

Council Member Tanaka stated he was concerned after hearing about the financial concerns. He wanted to understand the plan to make this sustainable economically, whether building an exhibit every 2 years, better marketing, higher or lower prices. He stated it is for a certain age range of kids and then the kids move on. He was unsure that doubling the number of dinosaurs would bring a lot more traffic.

Ms. O'Kane stated this money was already budgeted in the Capital Improvement Project for exhibitions at the JMZ. It would not be drawing from another source of funding that would have gone to something else. The staff report includes a plan to do an operating model and business plan for the JMZ, which is already underway.

DRAFT ACTION MINUTES

Council Member Tanaka stated there was an opportunity to do an analysis and find out whether the dinosaurs would be the most efficient use of money. Maybe the analysis would find something else, that the best use is for better signage or more programs with schools. He questioned how doubling the dinosaurs will increase traffic.

Mr. Aikin stated there are a number of things that cause people to come to the Junior Museum and Zoo, which is a ticketed venue in competition with lots of other available venues in the Bay Area. Those choices are usually based on whether they trust the institution; whether they value what the institution offers, animals or dinosaurs; and whether the experience they have had is worth repeating. In surveys of the public on the design so far, the input has been phenomenal. People want to come and see this exhibit. A challenge is having limited capacity, so having a rich experience makes it worth it for people. This all leads to consistent high attendance over time.

Council Member DuBois thought the timing right before a public vote on new taxes was not great. The Finance Committee reviewed the museum's fiscal performance, and there was a desire to see stricter budget management and resolve revenue challenges. There is a maximum capacity at the museum of 500, but social distancing has impacted revenue by not letting people in or making them wait in line while annual members may reserve time slots and then not show up without penalty. The Finance Committee suggested looking at a fee for missed reservations. There is a need to get accurate budget information around the operations to know how long the museum will be subsidized. The Council needs updated attendance data, recommendations on an improved ticketing and reservation system, and perhaps a change in ticket prices. He thought the fundamental issue was proceeding with the original expense plan without regard to falling behind on the revenue plan. Passing this on consent at the same time as asking taxpayers to provide more funding without having this public discussion raised concerns. He stated he would support the motion tonight.

Mayor Burt questioned if the \$1.688M the City is spending for exhibits includes other exhibits.

Ms. O'Kane stated that was correct.

Mayor Burt concurred that there was a real concern about a path toward a sustainable budget for the JMZ. He believed exceptional community resources like this were not well enough known and that it was necessary to get more innovative on getting the word out. He thanked the Finance Committee for beginning the process of delving into these issues and asked

DRAFT ACTION MINUTES

if the operations plan would it be ready to fold into the budget discussions in May.

Ms. O'Kane stated that would be the ideal scenario. Staff is looking into possible partnerships with universities that do nonprofit consulting. Getting that right group or person on board to assist is the goal.

MOTION PASSED: 7-0

10. PUBLIC HEARING/LEGISLATIVE: Adoption of Amendments to Palo Alto Municipal Code Chapter 18.09, Accessory and Junior Accessory Dwelling Units due to State Law Changes and Direction from the California Department of Housing and Community Development. Environmental Assessment: Exempt from the Provisions of the California Environmental Quality Act (CEQA) Pursuant to Public Resources Code Section 21080.17 and CEQA Guidelines Sections 15061(b)(3), 15301, 15302, and 15305. Planning and Transportation Commission Recommended Approval of the Ordinance.

Garret Sauls, Planner, presented the item related to updates to the City's ADU ordinance related to state law changes under SB 897 and AB 2221. Staff had received a letter from HCD last year on December 23 outlining 12 items in the City's code that HCD felt conflicted with state law. Staff met with HCD staff on February 3 and provided a written response the following day outlining a number of items Staff would be able to make corrections for as well as a number of items Staff wanted additional clarification on. Staff is waiting to hear back from HCD on these items. In the event HCD provides a response, Staff will be able to return back to Council to discuss necessary changes. City Staff met with the PTC on July 13, August 10, and September 28 to discuss changes to the City's local regulations for ADUs to incentivize additional housing and to discuss these new state law changes. There were also additional clerical corrections in the draft ordinance to adjust language to reflect the current regulatory framework for accessory dwelling units.

Mr. Sauls reviewed the state law changes. SB 897 provides an additional 18 feet of height for a detached ADU on a lot with a single- or multifamily dwelling unit that is ½-mile walking distance from a major transit stop or high-quality transit corridor and additional 2 feet in height to accommodate a roof pitch aligning with the primary dwelling; an additional 18 feet of height for a detached ADU on a parcel with a multifamily, multistory dwelling; and a 25-foot tall (or lower underlying zone district height) ADU attached to the primary home, not exceeding 2 stories in height. He discussed the ½-mile buffer distance from transit stops and showed a map of where the new regulations would be able to take effect. AB 2221 states

DRAFT ACTION MINUTES

an ADU may be located within a detached garage for the primary dwelling, and if an application for an ADU is denied, the agency must notify the applicant what is defective and how it can be remedied. The bill also prohibits enforcement of front setbacks when there is preclusion of at least an 800-square foot ADU with a 4-foot side or rear setback and 16 feet in height. Staff recommended approval of the draft ordinance, which includes the new state law provisions.

Council Member DuBois questioned a JADU without a bathroom, with a separate entrance and a connection to the house, asking what else qualifies it as a JADU.

Mr. Sauls stated the minimum requirement for a JADU is a kitchen with minimum 1 burner installed or an installed range or oven, and a bathroom. JADUs can share space with the primary home, in particular the bathroom. There is also a deed restriction required to be recorded against the property for owner occupancy.

Council Member DuBois asked if this says a bathroom is not required.

Mr. Sauls stated these changes would not enact that. In a future ordinance for local changes, Staff will try to incorporate some clarification as to where the bathroom appears within these units, either creating a proximal distance or placement on the same floor level.

Council Member DuBois stated it seems impractical to have a separate unit without a bathroom. He asked how the San Antonio Station ½ mile interacted with the Green Meadow Historic District, whether the additional height was allowed or there were historic considerations.

Mr. Sauls stated there was no consideration for detached ADUs there. State law allowed an 18-foot tall structure. There was a limiting factor for attached ADUs of 25 feet tall or lower based on the underlying conditions for the property. For example, in a district with a height limitation of 17 feet, that limit would apply for an attached ADU rather than the 25 feet the state provides.

Council Member DuBois appreciated the approach to pass the clarified areas now and hold off on the other items until there is further clarification. He supported the proposed motion.

Council Member Stone stated he understood the logic of increasing the height of ADUs to 18 feet on lots with existing multistory housing to keep height consistent with surrounding buildings but questioned the nexus of an

DRAFT ACTION MINUTES

ADU being within ½ mile of a major transit stop and having a height of 18 feet.

Mr. Sauls stated that in theory, properties within ½ mile of high-quality transit have more density or higher-built structures to capitalize and utilize that infrastructure to incentivize different modes of transit.

Council Member Stone asked if there were any bills the State has considered to encourage ADUs be used for actual housing purposes.

Mr. Sauls stated Staff is looking at a survey in the future to get a general sense of how these units are used. There was a study by the Turner Center showing a split of how units are being used, broken down between rental income, personal use, and family use, but the sample size was less than 1,000 responses.

Jon Lait, Planning and Transportation Director, stated Staff does not have a survey now but envisions future requirements, either by the State or locally. He stated Palo Alto might want to do its own survey to get a sense for how ADUs are being used. Even if they were all being used as home offices or gyms, it would not negate the fact that the State is setting forth that mandate for ADUs. He stated the Council was going to have a discussion about short-term rentals later, and there was obviously a relationship there.

Council Member Stone stated it would be relevant to the rental registry and he would support getting that data. He felt it should be looked into more to see what type of policies the City can push to advocate for ADUs being used primarily for housing purposes.

Vice Mayor Kou asked if the regulation regarding building on the front setback was limited to the high-quality transit area.

Mr. Sauls stated it would apply anywhere. It was a catchall section of the state law that says the City cannot apply incumbrances for an 800-square foot ADU at a 4-foot setback at 16 feet in height. Front setbacks, which were not explicitly outlined in the state law before, were now added. This may be the State's approach to try to make units happen and provide homeowners an opportunity to do this.

Vice Mayor Kou was concerned about the use of front setbacks tightening space available for public improvement. Building with some of the current side setbacks at 4 feet would have impact on garbage bins on the side. She asked what happens to an ADU or JADU built to 18 feet if a high-transit area is no longer high-transit.

DRAFT ACTION MINUTES

Mr. Sauls stated it would be considered a nonconforming condition for the site, and in the event of redevelopment, whether that nonconforming condition would be replaced would be evaluated. In the future if high-quality transit corridors disappear in a jurisdiction, whatever was approved or built would not be diminished or reduced.

Vice Mayor Kou asked how high-quality transit corridors were determined.

Mr. Sauls stated it was determined from 15-minute intervals of bus or other rapid transit movement within a space.

Vice Mayor Kou presented a slide showing that during peak commute hours, it was at 16- to 18-minute intervals. She felt it was prudent to have an analysis to determine if this area falls within the definition of a high-quality transit corridor.

Director Lait stated that Staff is currently looking at this as part of AB 2097, which exempts parking within a ½-mile radius of intersecting bus lines. He noted the ordinance in front of the Council was also about transit corridors, which was different than AB 2097.

Mayor Burt asked when Staff provided detailed responses to the HCD letter.

Mr. Sauls stated there was a meeting with HCD on February 3 and the written response was provided the following day, February 4. Staff has reached out a couple of times, but there has been turnover at HCD and Staff has been waiting to hear back. He was not aware if other jurisdictions had similar issues getting response from HCD staff.

Mayor Burt asked whether the requirement to allow an ADU in a front yard with no setback only applies if the ADU cannot be reasonably located elsewhere on the property.

Mr. Sauls believed it was a last resort situation due to the organization or layout of the property where there is limited ability to build anything in the back.

Mayor Burt clarified that Staff's understanding is that a front yard ADU with no setback does not have to be allowed unless it cannot be fit in the back yard.

Director Lait stated the State is trying to minimize the number of barriers for 800-square foot ADUs and there may be further clarification in the next legislative cycle on this particular point, but that this is the current understanding by Staff and the City Attorney's office.

DRAFT ACTION MINUTES

Public Comments:

John Kelley stated that the State has established a series of minimal requirements. He referred to past amendments to Government Code Section 65852.2, in particular to subsection B1. He recalled that Director Lait advocated that the Council not restrict the liberalization of the garage requirements to units within ½-mile walking distance of public transit. He encouraged the Council to abide by that wisdom in this case as well. People will be confused if there are different standards for different parts of the community. He felt that, in an era when the Council is investing in a crosstown shuttle and many forms of multimodal transportation are coming online, it did not make sense that the only standard should be whether one can walk within ½ mile to a major transit stop or to a High-Speed Rail corridor. People can run, ride their bicycles, take electric scooters or other things to transit. Transit is becoming accessible to everyone. He felt the proposed ordinance would encourage continued disparities between larger and smaller houses in Palo Alto and would not result in greater production of ADUs for rental. He stated HCD was able to provide technical assistance in advance and encouraged talking with them rather than relying on Staff interpretation of the front setback language.

MOTION: Council Member Cormack moved, seconded by Mayor Burt, to adopt the draft Ordinance amending Palo Alto Municipal Code Title 18 (Zoning) regulations for Accessory Dwelling Units (ADUs) and Junior Accessory Dwelling Units (JADUs) to reflect changes in state law and direction from the California Department of Housing and Community Development (HCD).

Council Member Cormack appreciated the public comment but did not feel it was productive to make those motions at this time. She hoped there would be a learning mindset as mistakes were inevitable as this was improved and refined. She hoped there would be more consideration toward equity going forward.

Mayor Burt added that there were a combination of changes and there will be a learning process before expanding this further. He thought the adoption of ADUs and JADUs had accelerated over the last couple years. He felt there was not a strong enough case for the economics of junior ADUs being far lower cost than ADUs in most circumstances and therefore advantageous to homeowners who may not want to go through the high expense of a detached senior ADU.

MOTION PASSED 7-0

DRAFT ACTION MINUTES

11. Approval of Response to the Grand Jury Report "If You Only Read the Ballot, You're Being Duped"

Molly Stump, City Attorney, stated the draft proposed response to the Grand Jury was included in the Council's packet. She added that her office has coordinated with other cities who were asked to respond similarly to the Grand Jury report and believed that, while responses were unique to each city, what was proposed for Palo Alto's response was in alignment with other jurisdictions.

Council Member Cormack commented that the Grand Jury's interest in this topic was understandable and agreed with the wording used in the response. She encouraged everyone to read the whole text.

MOTION: Council Member Cormack moved, seconded by Mayor Burt, to approve the proposed response to the Santa Clara County Civil Grand Jury Report entitled, "If You Only Read the Ballot, You're Being Duped," dated October 7, 2022.

Mayor Burt thought the grand jury report itself was misleading in title because in the case of the ballot measure, Palo Alto was one of a number with similar language that is very common. He did not find the language in the ballot measure or in the subsequent explanations of the ballot measure ambiguous and felt the Grand Jury overstepped in their characterizations. He noted that he was not in favor of the language Valley Water used to extend their term limits but that it was the same language as the County Board of Supervisors had used a few years before without much criticism.

Vice Mayor Kou stated she supported the motion and added that it was not wise to reduce local control by shifting authority to a government entity that is not accountable to Palo Alto residents. She thought there was some misunderstanding or misperception by the Grand Jury of how the ballots were written.

Council Member Tanaka disagreed with his colleagues and felt the Grand Jury was spot on. He stated one of the ballot measures implies that 911 service would be lost, which clearly was not true. Whether it had passed or not, 911 would have gone away. He felt there were other things included that were exaggeration and stated ballot measures should be presented with more straightforward facts.

Council Member Filseth asked if the Grand Jury contacted Palo Alto's legal department to ask for input on this.

DRAFT ACTION MINUTES

City Attorney Stump stated they did not but that the Grand Jury would typically get legal guidance from the county counsel. She stated often the various officials from jurisdictions that will be asked to respond are invited to speak with the Grand Jury and provide testimony but did not believe that had occurred in this case.

Council Member DuBois thought people who were very passionate about issues tended to apply for the Grand Jury and urged people to consider participating in the process. He stated he would support the motion.

Council Member Stone supported the motion. He agreed that this topic was a very important one but disagreed that the phrasing was ambiguous. He thought it was clear the measure created a tax to be collected in perpetuity until voters make the decision to end it and that logic would dictate they would end it the same way they initiated it, with a vote by the people. He concurred with Staff's denial to submit ballot language to County counsel beforehand as this Council has expressed the City's interest in maintaining local control rather than allowing the state or county to take it. He appreciated the work the Grand Jury has done and agreed that people should get involved but felt their recommendations were unnecessary in this case.

Council Member Tanaka stated Measure K said the funds were for public safety, affordable housing, rail cross safety, and homeless services and asked how much of the funds would really go toward that versus employee raises, for example. He felt it could be read that if not passed, there would not be public safety. Similarly, Measure L said it would fund 911 responses, but even if it was not passed, 911 would still be funded. He stated that reading literally, it could be implied that not passing Measure K or Measure L would mean that 911 responses and public safety would not be funded, which is not true.

MOTION PASSED: 6-1, Tanaka no

12. Colleagues Memo From Council Members Dubois, Kou, And Stone Regarding: Whole-Home Short-Term Rentals

Council Member Dubois described multiple individuals and companies acting as super-hosts with short-term rentals in Palo Alto in a well-established professional short-term stay industry. People with multiple listings were likely to be running a business and not living on the property. Looking at data of units rented recently, they were rented for an average of 144 days a year at \$220 a night in revenue, about \$30,000 in income. Palo Alto prohibits short-term rentals of less than 30 days. About 75% of the listings were whole-home listings. Comparing the historic trend of rental vacancies

DRAFT ACTION MINUTES

(93 units in the first half of 2022) to 500 to 1000 short-term rentals, there was almost an order of magnitude more short-term rentals than long-term rentals. The last time Council looked at this was 7 years ago. Many cities are on version 2.0 of their ordinances, so there are many examples to learn from, both ordinances that did not work and those that do. New York City and Dallas both recently passed new short-term rental ordinances. Berkeley charges a short-term rental TOT incremental tax that covers the cost of enforcement.

Council Member DuBois stated any policy change the Council were to advance related to the need for housing will encounter opposition from a motivated group of people and that Council needed to determine whether it was the community or a small group of professionals in favor of short-term rentals and also how it impacted local hotels. There was also a conflict of values; short-term rentals are prohibited and there is a struggle to add housing, yet the ban is not enforced. The Council was asked to look at aligning ordinances and enforcement with values. They were asked to refer a discussion to Policy and Services to look at specific recommendations on short-term rentals, either to enforce the current ban on short-term rentals and update penalties or to update the ordinance to allow owner-occupied short-term rentals and establish registration and enforcement requirements. In the short term, Policy and Services could look at including short-term rentals on the rental registry. Multi-listing professionals could be required to register as businesses. Vendor offerings make it much easier to enforce rental ordinances and would ease the resource burden for Staff.

Vice Mayor Kou, as a real estate agent who also does property management, has worked on Airbnb short-term rentals and related some complaints she has heard from neighbors: buses offloading many people into the house, high noise levels, numerous cars parked on the street, loud music into the night. In addition, during the sale of a property, sellers are required to disclose any potential nuisances, and she stated most short-term rentals are considered as nuisances in these disclosures. Another thing to consider is that when a house is empty, it is not building community. She felt that housing and stability should be provided to people who need it.

Council Member Stone stated this recommendation addressed a lot of issues from quality of life to public safety but was primarily a tool to add to the affordable housing toolbox to provide more housing in the community. Looking at the impact short-term rental units have had on housing markets across the world, the evidence was clear that it leads to lower housing supply and higher housing prices. He quoted several articles with examples and stated there was a clear display that short-term rentals negatively

DRAFT ACTION MINUTES

impact housing supply and increase housing prices. This memo helped address some of that and supported affordable housing goals.

Public Comments:

Jane Stone, Palo Alto resident for more than 50 years, was opposed to short-term rentals and had direct experience with it in her condo complex. She stated it has been detrimental to the complex's sense of community and that it was disconcerting having strangers living next door in quick succession. She believed it was also detrimental to the City. The unit in question in her complex is leased from an owner who lives in another state and operates as a vacation rental with a provision for not less than 30 days, but it is often 30 days and rarely more than a few months. When a problem occurs, it is more work for the Volunteer Board of Directors, of which Ms. Stone is the president. She gave an example of the irrigation system in the tenant's backyard leaking with the owner unable to be reached, as well as problems with noise and stacks of garbage being left for weeks in the carport. People here temporarily from out of state do not know about the drought and are not motivated to conserve water. She urged the Council not to allow this.

Winter Dellenbach was happy there would be further discussion on this and thought Airbnbs needed to tighten up regulations. She stated she recently became conscious of the number of uninhabited homes and wanted to see this issue balanced more in favor of the community rather than the private interests.

Council Member Cormack asked Staff what happens if someone is concerned about an Airbnb, whether there is a number they can call or if code enforcement works on this.

Jon Lait, Planning and Transportation Director, stated they would call Code Enforcement who would go out, send a notice, and try to obtain voluntary compliance. It is hard to follow-up on an Airbnb and change that behavior unless there are other calls within a certain period of time.

Council Member Cormack was surprised to read this Colleagues Memo. She stated she has heard anecdotes but this had not come up as an issue on the National Community Survey and she has only had 1 email on this topic in the past 4 years. The Council received a persuasive email from someone in College Terrace indicating that prohibiting these things would not likely create housing, which is the statement in the memo. There are families who need to be here for a short period of time to be at the hospital and need an extra room for their kids, a kitchen, and the ability to do laundry. There are residents who spend a few months out of the year elsewhere visiting family

DRAFT ACTION MINUTES

or for other reasons. Removing this option will limit the people who live here and who have a legitimate need to come here. She did not feel this was a priority for Council and was concerned about how much time it would take for Staff. From a process standpoint, she found this concerning as it was late in the calendar year and in the legislative session for a nonurgent problem. She was also concerned about overly detailed recommendations to Policy and Services. She would have been open to something narrower addressing bad actors.

Mayor Burt stated good local data has not been accumulated but that studies accumulating in recent years seem to confirm a lot of anecdotal experience that has been cited. He did not want to be overly restrictive and thought there were ways to balance these needs, such as allowing rentals when there is an owner occupant and having a monthly rental exemption. He thought it was important not to undermine the local hotel industry. He did not want to be overly prescriptive in what to direct the Policy and Services Committee to do but thought the general guidelines of the referral were appropriate. He felt not allowing short-term rentals legally but turning a blind eye and accepting their Transient Occupancy Tax was wrong.

Council Member Tanaka stated he has had just as many complaints about Airbnbs as bad neighbors in general. He did not know if this was a good neighbor issue or an Airbnb issue and gave some anecdotal evidence of issues with both Airbnbs and rentals. He also gave an example of someone willing to do an Airbnb because their child will only be home for the summer but not wanting to do a simple long-term rental. He wondered if, by making it very difficult to do short-term rentals, some people who can afford it would simply choose not to rent space out and housing stock would actually be lost. If it was too hard or inflexible for landlords, some landlords may not bother and there would be less housing in the City. He stated College Terrace, located near Stanford University and the research park, was a site of a lot of short-term housing because a lot of people come to Stanford for a few months at a time. Having long-term leases and getting rid of Airbnbs might make housing more difficult for those people. He believed Palo Alto's demographics were different than other cities that are more vacation resorts and felt the crux of the issue was people not being good neighbors, which had nothing to do with Airbnb and needed to be addressed.

Council Member Filseth stated the feedback seemed to have 2 distinct buckets: the question of whether short-term rentals had an adverse impact on housing affordability in Palo Alto and whether some of these were a public nuisance to their neighborhoods. Before sending this to Policy and Services, the Council should be clear about which of those, or both, they

DRAFT ACTION MINUTES

want looked at. There was also an existing ordinance with not a lot of compliance.

MOTION: Council Member DuBois moved, seconded by Council Member Stone, that Council refer discussion to Policy and Services to evaluate specific recommendations regarding Short-Term Rentals (STR) including:

- 1) Recommend an Option:
 - a) Enforce current ban on STR and update penalties
 - OR
 - b) Update ordinance to allow owner occupied STR and establish registration and enforcement requirements
- 2) With consideration of the following:
 - a) Consider including STR in current rental registry efforts
 - b) For multi-listing professional hosts, consider requiring business registration in updated business registry process
 - c) Evaluate means of enforcement and opportunities to minimize costs by considering technology opportunities (automated capture, address determination, enforcement letters, etc.)
 - d) Determine if we can get RHNA credit for more long-term housing
 - e) Ordinance update if needed
 - f) Implement enforcement as required

Council Member DuBois clarified that the memo was not advocating any particular vendors for data services. Some of these vendor offerings use data to streamline enforcement, generate enforcement letters, and attach supporting data. It would be managed by Staff but would automate a lot of the code enforcement work. The motion was to have the new Council consider the issue and the options. Rentals under 30 days were not allowed, so it was important to clean this up; it was not right to try to have it both ways. He stated this was a high-demand area, but the hotels were still recovering, with room rates still way down. He hoped the other council members would support P&S doing the detailed work and coming back to Council next year with recommendations.

DRAFT ACTION MINUTES

Council Member Stone stated this item would push the issue to Policy and Services to dive into these policy questions and open it up more for community discussion at that point. He stated that he did quite a bit of research on this and was not able to find studies that support short-term rentals being good for housing stock and affordable housing.

Vice Mayor Kou agreed that there is no good local data. Code Enforcement cannot get everywhere, and it would be important to look into this more, monitoring and having inspections to make sure the short-term rentals have a high level of usability, regulating the rental host and ensuring their compliance, looking at how long guests are booked for before they arrive. In terms of registration and compliance, there was also collection of funds and coming up with a way to ensure the ability to address adverse impacts in the neighborhoods. This motion would refer the issue to Policy and Services for a discussion and to have them come back with some discussion points and recommendations. With the State forcing cities to build housing, housing stock needs to be utilized in a meaningful way.

There was discussion on the wording of the motion.

Council Member Cormack was concerned about this motion, specifically directing Policy and Services to choose between the 2 options. She believed there were bad actors and that should be addressed but did not want to give this level of detail to Policy and Services because Staff has things to work on that would make a bigger impact.

There was further clarification on the wording of the motion.

Council Member Tanaka asked how Staff envisions enforcing this.

Ed Shikada, City Manager, stated it depends on the overall framework that is ultimately recommended and how difficult it would be to enforce. It could range from a simple prohibition to a more of a regulatory scheme, each of which requires differing levels of active enforcement. It was currently a prohibition and, as such, handled as a Code Enforcement matter when specific addresses were reported.

Council Member Tanaka asked if that has actually happened.

City Manager Shikada stated it took great time and suspected not all of the reports were captured in a time frame with which the calling party would like.

DRAFT ACTION MINUTES

Director Lait stated Staff responds to every complaint but code enforcement is complaint driven and there are people who will continue to offer their residence through one of these vacation rentals.

Council Member Tanaka asked how many complaints there have been this year.

Director Lait would get that number for the Council but did not have it available.

Council Member Tanaka stated the problem this was trying to solve was to prevent bad neighbors. He stated it was not just a short-term rental problem but more of a general problem. People want to live next to good neighbors, and this does not address that.

Council Member DuBois stated there was not one solution but there was a difference between somebody living there long term versus coming for a couple of nights. This may not solve a bad neighbor issue, but he felt the primary issue was the impact on housing.

There was more discussion about the wording of the motion.

MOTION PASSED: 5-2, Tanaka, Cormack no

Council Member Questions, Comments and Announcements

Vice Mayor Kou stated that last week the VTA Group 2 North County had elections for the VTA Board of Directors representatives. Mayor Burt was elected unanimously to be board representative, and Los Altos Council Member Lynette Lee Eng was elected to be the alternate, also unanimously.

Council Member Stone stated he and School Board Member Elect Shana Segal got to tour the Paly Robotics Lab and meet the students last weekend. The students put on a presentation about the successes they have had over the last year in competitions. In particular, they have been working with AbilityPath to create a piece of technology that uses various kinds of GPS tracking and other technology to allow a person with limited sight or who is blind to be able to walk, giving them signals when an object is coming. He highly encouraged anyone in the community to check out what the Paly Robotics team is doing and felt what they were doing for the local community and nonprofits was something to be proud of.

Mayor Burt stated that Thursday morning was the ribbon cutting of the Wilton Court Affordable Housing Project and it was great to see it come about and to meet some of the residents. Saturday evening was the annual

DRAFT ACTION MINUTES

Buena Vista Posada, which was a fine event, and there is an upcoming Buena Vista study session with the Housing Authority soon after the new year. Lastly, the committee advisory group on the future Searsville Reservoir was reconvened. It looked like it would be many years before this project was complete, but it was moving forward. This project will address the blockage of Searsville Dam, gradually flushing out 100 years plus of accumulated sediment, and will enable fisheries' migration upstream. Tremendous environmental analysis and regulatory approvals need to be made before the construction process can begin.

Adjournment: The meeting was adjourned at 9:08 P.M.