



CITY COUNCIL SUMMARY MINUTES

Special Meeting
January 16, 2024

The City Council of the City of Palo Alto met on this date in the Council Chambers and by virtual teleconference at 5:30 P.M.

Present In Person: Burt, Kou, Lauing, Lythcott-Haims, Stone, Tanaka

Present Remotely: Veenker

Absent:

Call to Order

Mayor Stone called the meeting to order.

Interim City Clerk Mahealani Ah Yun called roll and declared all were present.

Council Member Veenker invoked the just cause provision of AB 2449 because she was attending the Northern California Power Association meeting in Sacramento, having been recently appointed as Palo Alto's commissioner. She declared there were no adults 18 or older in the room with her.

Agenda Changes, Additions and Deletions

Mayor Stone voiced there were none.

Public Comment

Sarah B. thanked Council for the work they were doing to keep the community united and for not considering a ceasefire resolution. She read a paragraph from a letter the Legislative Jewish Caucus had sent to the entire legislature last week, which related to the resolutions.

Jessica K. announced that she would attend Council meetings until a ceasefire resolution was put on the agenda and passed. She spoke of a proclamation Council adopted on October 21, 2023, condemning the October 7 attack by Hamas, which she found to be biased. She requested Council address the issue.

Andrea G., speaking as a member of 350 Palo Alto, congratulated Mayor Stone and thanked him for focusing on youth mental health. She spoke of climate anxiety and read from an article published in the *Nature* journal last year. She thanked Council for their work related to climate change and requested Palo Alto stop the use of natural gas by 2030.

SUMMARY MINUTES

Deborahlise M. recognized the territory of the Ramaytush Ohlone. She spoke of the environment and asked Council to consider a ceasefire.

Michelle H. read a poem by Mosab Abu Toha, a Palestinian poet. She requested a ceasefire resolution be urgently agendized.

Lori M. congratulated Mayor Stone and Vice Mayor Lauing and thanked former Chair Kaloma Smith and the HRC for the listening session last week. She looked forward to working and partnering with HRC and Council to combat antisemitism.

Matt S. (Zoom) noted that he was speaking from Ohlone land. He discussed the water heater replacement program and requested the replacement rate be increased. He suggested there be a ceasefire in relation to the climate crisis.

Aram J. (Zoom) read from the article Israel Palestine and Me by Council Member Lythcott-Haims. He was in favor of a ceasefire resolution and asked that it be put on the agenda. He wanted to know Council's views on the issue. He claimed a discussion on the topic was a First Amendment right.

Sarah Woodham (Zoom) asked for Council to pass a resolution calling for a ceasefire in the war, which she believed could be accelerated to federal representatives to determine how to proceed in relation to human rights. She wanted residents' voices to be elevated.

Avroh S. (Zoom), a representative of PASCC, agreed with Ms. Andrea G's comments related to climate anxiety. He spoke of his climate anxiety. He implied that climate action was not prioritized to the same degree as mental health. He requested that climate action be the number-one priority in 2024.

Council Member Questions, Comments and Announcements

Council Member Lythcott-Haims commended Youth Community Service for the MLK Day activities.

Consent Calendar

1. Approval of Minutes from December 11, 2023, December 18, 2023, and December 19, 2023 Meetings
2. Adopt an Ordinance to Expand the Public Art Commission (PAC) from Five to Seven Members; CEQA status - not a project
3. Approval of Contract Amendment Number 1 to Contract Number C24189060 with US Bank and its Wholly owned Subsidiary Elavon for General Banking and Merchant Services and Approval of Contract Amendment Number C24189061 with Wells Fargo for Lockbox Services; CEQA Status – Not a Project.

SUMMARY MINUTES

4. Approval of Professional Services Contract with Energy and Environmental Economics, Inc. (E3) for a Not-to-Exceed Amount of \$945,286 for the Sustainability and Climate Action Plan (S/CAP) Funding Study; Amendment to Professional Services Contract with Sterling Communications, Inc. to Amend the Scope, Extend the Timeline, and Increase Total Not-to-Exceed Compensation by \$75,000 (from \$85,000 to \$160,000); and a Budget Amendment in the Electric Fund for Acceptance of \$75,000 DEED grant for S/CAP Funding Study; CEQA Status – Not a Project.
5. Accept the City of Palo Alto's Audited Financial Statements as of June 30, 2023 and the Macias, Gini & O'Connell Management Letter; Approve the FY 2023 Annual Comprehensive Financial Report (ACFR) and Amendments to the FY 2023 Budget in Various Funds; and Adopt a Resolution to Extend and Amend the Development Services Reserve Fund Policy, as Recommended by the Finance Committee; CEQA Status – Not a Project
6. Approval of Amendment No. 2 with Pets in Need Contract (C19174493) to extend the term through March 2024 and increase the compensation by \$342,501 for operations of the Palo Alto Animal Shelter, for a Not-to-Exceed Amount of \$4,431,872; CEQA status – not a project.
7. Adopt a Resolution Approving an Amendment to the City's 2009 California-Oregon Transmission Project Long-Term Layoff Agreement to Extend the City's Layoff of its Share of the California Oregon Transmission Project (COTP) until 2034 and to Receive Annual Market Payments as Recommended by the Utilities Advisory Commission (UAC); CEQA Status – Not a Project
8. Approval of Recommendations on Process for 2024 Council Priority Setting Retreat as Recommended by Policy & Services Committee (CEQA Status – Not a Project)
9. Approval of the Office of the City Auditor's Investment Management Audit Report as Recommended by the Policy & Services Committee (CEQA Status - Not a Project)
10. SECOND READING: Adoption of an Ordinance Amending Palo Alto Municipal Code (PAMC) Section 18.42.160 (Safe Parking) to Permanently Establish the Congregation-Based Safe Parking Program and Establishing Regulations Related to Safe Parking, Including a Maximum Number of Vehicles Per Night on Each Site (FIRST READING: December 4, 2023 PASSED 6-1, Tanaka no)
11. SECOND READING: Adoption of an Ordinance Amending Chapters 4.10 (Licenses Obtained by Application to Chief of Police), 4.30 (Soliciting Funds), and Chapter 4.32 (Soliciting Information for Commercial Purposes); and Adding Chapter 4.12 to Title 4 (Business Licenses and Regulations) of the Palo Alto Municipal Code to Comply With Updates to the Law, Including 2018 Senate Bill 946 (Sidewalk Vendors). CEQA status – categorically exempt. (FIRST READING: December 11, 2023 PASSED 5-1-1, Kou no, Veenker absent)

SUMMARY MINUTES

12. SECOND READING: Adoption of an Urgency Ordinance and an Interim Ordinance That Allows the Director of Planning and Development Services to Extend Planning Entitlements for Housing Development Projects up to an Additional 18 Months. Environmental Review: Exempt from CEQA in Accordance with CEQA Guidelines 15061(b)(3). (FIRST READING: December 11, 2023 PASSED 5-1-1, Kou no, Veenker absent)

Public Comment

Interim City Clerk Mahealani Ah Yun announced no hands were raised and there were no requests to speak.

MOTION: Council Member Burt moved, seconded by Mayor Stone to approve Agenda Item Numbers 1-12.

Council Member Kou registered a no vote on Agenda Item Number 11, 12.

Council Member Tanaka registered a no vote on Agenda Item Number 4, 6, 10.

MOTION PASSED ITEMS 1-3, 5, 7-9: 7-0

MOTION PASSED ITEMS 4, 6, 10: 6-1, Tanaka no

MOTION PASSED ITEMS 11-12: 6-1, Kou no

Council Member Kou commented, regarding Item 11, there should be a public discussion related to incorporating more sidewalk and other public spaces uses. Concerning Item 12, she voiced that extension of project entitlements should be done case by case versus applying it to all projects.

Council Member Tanaka did not support doubling the marketing budget or bundling 3 contracts with regard to Item 4. As for Items 6 and 10, he noted that he had voted no in the past.

City Manager Comments

City Manager Ed Shikada stated there would be opportunities for community input on items the City was working on. There would be a community meeting with respect to a recreation wellness center on January 17. There would be a San Antonio Road Corridor Vision Workshop on January 24. Council's annual retreat was to be held on January 29, and community members could participate at the meeting and provide input in advance. On January 31, there would be a community workshop on the Bicycle and Pedestrian Transportation Plan, which would be virtual only, and there were a variety of formats for community input, and additional events would be forthcoming. He discussed the Advanced Heat Pump Water Heater Program advancing. He suggested folks sign up for the program. He spoke of State financial incentives.

SUMMARY MINUTES

Council Member Lythcott-Haims asked if one had an emergency need to repair a water heater if they could be retroactively added to the program for reimbursement.

City Manager Shikada suggested residents call and work with staff to determine options. They were working on an emergency replacement program, but it was not in place yet. They hoped to have additional information very soon. He expressed there were a number of resources available to the community related to the winter season and potential upcoming storms. Ongoing information and resources could be found at cityofpaloalto.org/stormupdate. Upcoming agendas included the approval of the City Clerk appointment, Easement Relocation Agreement at Castilleja School, 2025-2023 long-range financial forecast, and the annual legislative guidelines review and legislative program on January 22, and the 2025 annual Council Retreat would be on January 29. February would include the mid-year budget review, follow-up discussion on the Council Procedures & Protocols Handbook, and updated ordinance language related to SB9 projects.

Vice Mayor Lauing discussed a positive personal experience related to his new heat pump water heater.

Action Items

13. Tree Protection Ordinance Year One Review and Recommendations; Adoption of an Ordinance Amending Chapter 8.04 (Street Trees, Shrubs, and Plants) and Chapter 8.10 (Tree Preservation and Management Regulations of the Palo Alto Municipal Code to Update the Allowable Reasons for Removal of Protected Trees, Make Clarifying Changes, and to Make Clerical Updates; and Adoption of a Resolution amending the Administrative Penalty Schedule to Increase the Penalties for Violations of Title 8 of the Palo Alto Municipal Code; CEQA Status – Not a Projects

Public Works Director Brad Eggleston remarked that they had evaluated the first year of implementation of the 2022 Tree Protection Ordinance. They had identified issues, which had been reviewed with the PTC and the PRC, which resulted in the ordinance changes they were recommending for adoption.

Urban Forester Peter Gollinger provided a presentation focusing on some of the proposed updates. He outlined key components of the 2022 ordinance. During the passage of that update, Council directed staff to evaluate modifications to the ordinance and the PTC and PRC to review planning implications. The proposed updates had been crafted in relation to a study session with Council and reviews with the PRC and PTC. The updates had recently been presented at the Palo Alto Neighborhoods regular meeting. In the spring, they would explore with the PDS possible tree ordinance exemptions for certain housing projects, which would be taken to PTC for discussion. The key proposed changes included trees as a public nuisance, clarifications to sections of the 2022 updated code, clarifications added for existing practices, formal exemption for tree disclosure requirements on state ADU projects, revisions to the appeals process for protected tree removal, and updates to allowable reasons for removal. He

SUMMARY MINUTES

provided slides and detailed the proposed changes related to the above. Regarding the proposed update for tree removal, he explained the difference between retrenchment and right tree, right place. He discussed what proposed updates for tree removal as part of a development on a residential lot included. He supplied a slide with the proposed language for tree removal as part of commercial developments. They were requesting an update to the administrative penalty list, which could be used when writing citations. It had not been updated in many years, and many code sections were not included in the current version. He displayed a slide of potential additional actions that had been discussed with PRC and PTC, though none of the proposals were popular with either commission, so they were not further explored. They had discussed potential actions related to housing, and they would continue to work on it with Planning and Development staff and present any proposals to PTC in the spring. He mentioned that the change to 8.10.070 was included in the staff report, and they had intended to add it to Attachment A in the red line, but it had been omitted. They requested the motion include that change. It was a clarification on requests to exceed the limits for excessive pruning regarding trees maintained as a hedge, pollarded trees, or other practices that might require greater pruning on an annual basis. Permission could be sought, which would be good for five years.

Public Comment

JP R. noted that he was in his fifth month of being Executive Director of Canopy. They supported the recommendations but thought it would be premature and counterproductive to consider additional changes with the ordinance being in its infancy. He claimed work needed to be done to understand the health of drought-affected trees and where to prioritize ongoing care and tree work. They believed resident input and acceptance was essential to a successful urban forest and that the City should continue to track the impact on residents and apply discretion should lives and property be at stake.

Simon P. spoke of the environmental and financial benefits trees brought to the City. He opposed removing trees to build massive houses. He hoped diseased or unstable trees being removed would be replaced. He asked that the tree canopy be protected.

Leah R. stated that a tree fell on her house during a storm after she had been told the tree was healthy and could not be removed. She did not support this ordinance. She indicated that flexibility, adaptation, and mitigation were needed and that there should be incentives to plant and maintain trees. She encouraged Council to review the letter she sent earlier in the day, which included policy suggestions. She explained why she thought right tree, right place was too vague.

John K. associated himself with Ms. Leah R's comments. He asked that the item be removed from the agenda and postponed to a future meeting and that staff do additional work, which he discussed. He had sent a letter concerning a tree falling in Rinconada Park. He requested homeowners be given the ability to manage risks sensibly.

SUMMARY MINUTES

Winter D. felt there was ignorance or misunderstanding about the new ordinance and proposals. She provided some facts related to tree cover and tree loss. She indicated that more trees needed to be planted and that existing trees needed to be protected. She asked that the staff recommendation and proposals be approved, that more reductions in tree protection be avoided, and that the resolution amending the administrative penalty schedule to increase penalties for violation be adopted.

Jeff G. spoke as the PRC Chair. The commission unanimously supported the staff recommendation and to not pursue any of the other potential changes outlined by staff. The commission recognized that the other potential changes were not in the staff recommendation because staff did not recommend those changes at this time. Speaking personally, he noted that the challenge was to strike a balance between preserving and growing the urban canopy and the environmental health and S/CAP benefits of the trees versus property owner, resident, and developer flexibility and discretion. He stated that he had learned that the canopy was shrinking, and he indicated actions needed to be taken to preserve it. He strongly supported the updates to the administrative penalty schedule. He urged Council to support staff's recommendation.

Karen H. congratulated Mayor Stone and Vice Mayor Lauing. She commented that staff's recommendations were reasonable refinements, which she supported. She discussed losing birds and birds losing their habitats. She voiced that new housing needed to include trees.

Council Member Burt asked if these changes could have resulted in a different outcome in Leah R's case. It seemed there was not a lot of guidance constituting right tree and wrong tree.

Urban Forrester Gollinger answered that in Leah R's situation, it was possible that the tree would have been the wrong tree for that place. Without having inspected it, he could not say for sure. The right-tree-in-the-right-place principles were intended to match a tree to a location and allow flexibility.

Council Member Burt stated that it did not seem as though there was a lot of guidance constituting right tree and wrong tree. He asked how it might have been judged to be a wrong tree in that place. He thought all needed to recognize there was no way to remove all risks from an environment with many mature trees. He asked if any of these changes would have affected the tree falling in Rinconada. He struggled to understand what would be permissible pruning. He inquired how the risk of root rot might be addressed.

Urban Forrester Gollinger did not think right tree, right place could be used in terms of unexpected health issues of a tree but was more a tree being compatible with a space. In applying for a removal, an arborist report would be submitted with an application, and the arborist would present a case indicating why a tree would be the wrong tree in the wrong place, and staff would approve it if appropriate. There was a short list of principles in the staff report. They planned to include a full list in the Tree and Landscape Technical Manual, and they planned to take it to the City Manager for approval upon the ordinance going into effect. From

SUMMARY MINUTES

the ground, there was no obvious problem with the tree in Rinconada. Once the tree fell, a flaw had been discovered. He did not think it could have been anticipated unless someone had been up in the tree. He did not think this ordinance would have had any relevance to it. Root rot was difficult to ascertain without doing a full root crown excavation, and he did not know if it was practical to do on a large scale basis unless there was a suspicion. It had been done on selected trees.

Council Member Lythcott-Haims was concerned that the staff report had expressed that the storms last year were unusual. For example, the Finance Committee had discussed a storm like last year being the new normal and that it should be planned for accordingly. She cautioned all about one person giving opposing views related to climate change. She was concerned about homeowner property rights, and she wanted people to be able to rely on regulations so they could predict what they could do with their lot and home. She found the rules and regulations detailed and confusing, and she worried about compliance and the ability to abide by the rules. She was in favor of simpler language and regulations. She appreciated Ms. Leah R's statement about command and control not being as useful as incentives. She was concerned about housing production, and she asked about the feasibility of a program allowing homeowners to remove unwanted mature trees to build an ADU, for example, and being required to replace a removed tree with two trees on their property or pay into a fund that the City or Canopy would manage that would allow planting of trees on public lands and lower income residents applying for funds for tree planting or maintenance on their lots. She stated that there was going to be further conversation on housing exemption changes to Title 8, which would go to the PTC in the spring. In regard to Mr. John K's suggestion to table this item, she asked what would be presented to the PTC in the spring and if there was merit to consolidating the items.

Urban Forrester Gollinger responded that they included the carveout for State pathway ADUs that would meet State guidelines. They could not prevent those. If a tree was in the way, it would be a straight yes or no. For larger projects, there was the ability to work around selected tree removals if there was no other option. If an ADU could only be placed where a tree existed, they could apply for tree removal and replace it accordingly. He explained that it did not fit all situations. It was something they were discussing, and if additional changes were needed, it would happen with Planning and Development Services. Concerning tabling the item, when this ordinance was adopted in 2022 and when they heard the concerns from residents and property owners that it could be going too far, Council asked that issues be tracked and discussed with the boards and commissions and brought back to Council. When the issue of the exemptions for housing came up, they considered delaying, but what staff was now presenting added considerable flexibility to what was passed by Council in 2022. They did not want to hold up addressing the issues they had already identified and giving more flexibility to residents and projects than what currently existed while the other work was done.

Director Eggleston added that about 90% of the applications and building permits for ADUs that had been received over the past 3 years fell within 800 square feet or less, which was exempt from the Tree Ordinance per the State requirements.

SUMMARY MINUTES

City Manager Ed Shikada noted that what Director Eggleston described was consistent with the feedback received from HCD. There was a request to analyze the potential constraint on ADUs and other housing types, so the analysis was ongoing for the other housing types. He said the Council had received the changes noted last year as well as the current proposal.

Vice Mayor Lauing commented that there had not been enough cases in a year to be completely exhaustive of all being considered. He did not think this should be stopped to do more work, but if it was approved, work should continue. He thought this needed to be approached by way of objective standards with some sort of provision. He queried what "impacting" meant related to 8.10.050 and if much of a tree had to be pruned for powerline clearance. He spoke of science not being perfect in determining tree health. He thought maybe there was a way to plan for homeowners wanting to replace unwanted trees. He voiced that there would be storms and trees would fall, which could not be predicted, so there was uncertainty which had to be accepted, and he was not sure how that could be legislated.

Urban Forrester Gollinger explained the use of the term "impacting." The word "sidewalk" was intentionally left out. If there was damage to a sidewalk, it would be fixed. Pruning would be done for powerline clearance. They continued to encourage homeowners to plant appropriate trees under powerlines or they would help them with a removal and replacement program.

Council Member Veenker considered trees to be a benefit. She cared about residents' safety and enjoying their yards. She expressed that everything needed to be balanced. It seemed that the ideal would be to incentivize people wanting trees. She thought there should be flexibility to replace trees of concern, which included those that people were worried about falling and those that were unwanted. She provided an example of several trees of a certain kind falling on one side of a street and there being one of the same kind still standing on the other side of the same street. She understood that would not fall under the right tree in the right place principle, so she asked for information on the right tree in the right place conditions and if it would include use. Since three of the same type of trees fell on that street, she wondered if there was flexibility for the one standing and if it implicated the right tree in the right place even if it was not at the retrenchment stage. She inquired if trees producing sap would qualify as a public nuisance and, if not, if it could be classified as the wrong tree in the wrong place.

Urban Forrester Gollinger replied, in relation to that example, he believed they were street trees, so if staff determined that the trees were hazardous or showed sign of an issue, they would put it on the removal and replacement list. They planned to continue to do that in neighborhoods with aging trees. Part of the reason they included the retrenchment in reasons for removal was to account for trees on private property that may have reached the end of their useful lifespan but not technically considered hazardous. Regarding the standing tree in the example, he thought it was likely that it was an end of useful lifespan for those particular trees on that street, but it could be applied to the right tree in the right place. Regarding trees producing sap, the updates to the infestation were intended to capture infestations that were threatening the entire urban forest, which he provided examples of. As far as infestations not injurious to trees but impacting the use of one's property, the right tree in the right place

SUMMARY MINUTES

principles might come into effect. An arborist's report would make a case for a tree being the wrong tree in the wrong place, and staff would address it on a case-by-case basis. Impact on use of a property could be a factor in the right tree in the right place principles and, not in all instances, but in certain situations, it could be applied.

Council Member Kou questioned, concerning Number 2 of Packet Page 367, if trees could only be removed under State law if a court ruled on a situation. Concerning sustainability and addressing climate change, she found it interesting that the urban canopy trees, which was the least expensive and did not have a GHG footprint, was one of the first things to be discussed for removal as soon as it was found to be inconvenient and that building could be done in a space. She discussed why she found it unfortunate that housing versus trees was characterized in writings. She addressed storms and earthquakes bringing down trees versus electric vehicle fires, and rhetorically asked if EVs should be done away with. She requested that reality be considered. She was concerned with the exemptions for ADUs. She hoped designs to preserve trees would be encouraged. She appreciated that members of the public had produced facts and not misinformation.

Urban Forrester Gollinger answered that Number 2 on Packet Page 367 was one portion of the public nuisance list. If a tree was not considered a nuisance under Palo Alto's code items, a court could deem it a nuisance, and staff would agree that it had been deemed as such.

MOTION: Council Member Kou moved, seconded by Vice Mayor Lauing to:

- a. Adopt the proposed changes to Palo Alto Municipal Code amending Chapter 8.04 and Chapter 8.10 of the Palo Alto Municipal Code and adopt a resolution amending the Administrative Penalty Schedule to increase the penalties for violations of Title 8 of the Palo Alto Municipal Code; and
- b. Adopt the changes proposed to Section 8.10.070 as addressed in the staff report; and
- c. Direct staff to engage with the community and through the Planning & Transportation Commission for suggestions and proposals to educate and incentivize residents to maintain and increase our canopy including ways compatible with development.

Vice Mayor Lauing stated this was a work in progress and would not be the last time it would be voted on. There needed to be flexibility for housing and trees.

Mayor Stone addressed the discretionary removal of protected trees for large projects and a net tree canopy increase on the property within 15 years and asked if that meant new trees needed to be replanted within 15 years or if the lost canopy needed to be replenished within 15 years and how it was tracked and enforced; regarding the 25% rule for new single-family homes who would bear the burden of proving there was no financially feasible design alternatives that would prevent preservation of a tree; and how or if the 25% rule would apply to ADUs and JADUs if the new unit was larger than 800 square feet. He agreed that significant storm events would become more common with climate change. He discussed the storm

SUMMARY MINUTES

events last winter. He felt it was premature to contemplate additional changes at this time since the City was only a year into this. He addressed flooding and higher temperatures and trees being a critical tool in fighting that and helping to reach the 80 x 30 goal. He was glad to see this would go back to PTC and PRC to discuss ways this could be improved. He supported the motion.

Urban Forrester Gollinger responded that the net tree canopy increase related to canopy itself. It was an existing policy that had been enforced for many years for a no net loss of canopy included in the Urban Forest Master Plan and the Sustainability Plan. As for tracking and enforcement, during the design phase there was a calculation to estimate what the tree canopy would be in 15 years. Once planted, the trees were protected. They did not double check those, but they now had the capability to do it with a new canopy module tool, and they received updates every two years. There was nothing in place yet to physically track those, but it could be implemented in the future. Concerning the 25% rule for new single-family homes, typically the applicant and the builder would bear the burden of proving there was no financially feasible design alternatives that would prevent preservation of a tree. Staff would have a site meeting with a City arborist, the project arborist, and the project designer or manager, and options would be discussed. Generally there had been reasons that other options were not feasible, so they had not had to use the calculation, but he detailed what would be done if the calculation was used. The 25% rule would apply to the buildable area of the lot.

Council Member Tanaka was concerned that the proposed motion did not address preventing falling trees. He thought the first duty of a city was to ensure all felt safe. He would probably not support the motion.

Council Member Burt noted there had not been discussion related to drought and there being concern in previous years of trees becoming weak and dying. He indicated that a lot of water-intensive trees had been planted, so he was glad to see an emphasis of the right tree in the right place principles on Page 7. He thought greater education about Palo Alto's natural habitat would be helpful. He inquired if there was anything in the ordinance to address the open space property owner needs in removing dead or dying trees.

Urban Forrester Gollinger answered that he thought anything fire hazard related was covered in the Fire Code. He believed they were required to have defensible space, which could preclude this. He thought it was referenced in the 2022 updates that any time this was in conflict with fire requirements, Fire would take precedence.

Council Member Burt requested that be a subcategory on returning to Council. He discussed the importance of preventing catastrophic wildfires.

Urban Forrester Gollinger noted that the eucalyptuses were fire hazards, and they were exempt and could be removed at any time.

Council Member Veenker was interested in hearing proposals to educate residents about the ecosystem and canopy maintenance and to incentivize residents to maintain and increase the

SUMMARY MINUTES

canopy, including ways that would be compatible with development. She queried if the maker and seconder of the motion had interest in adding a request for such.

Director Eggleston voiced that the education part was in line with efforts that were underway. He was not clear what the reference to incentivize pertained to.

Council Member Veenker thought it would take study on staff's part as to what might incentivize residents to not want to cut down trees, if there were things that could be done to encourage extra planting and maintaining and increasing the canopy.

Council Member Kou did not see a reason not to do add it, and she thought it would go to PTC and PRC for exploration as well.

City Manager Ed Shikada suggested it be an invitation for the community to suggest what might create incentive versus a research assignment for staff, and staff could compile it and bring it back to Council.

Vice Mayor Lauing related incentives to money, and he did not know where that could be budgeted. He felt property owners were responsible for the parkways, not just their property, and that residents needed knowledge of that. He accepted the addition to the motion.

City Manager Shikada anticipated that the follow-up work would go to the PTC only, and the PRC was not expected to be involved in the next round of follow-up.

Council Member Lythcott-Haims stated that Housing and Canopy were both valued, and she did not want one to harm the other. She was inclined not to support the motion because of the issues raised by Ms. Leah R. She worried that the ordinance would bind property owners in a controlling way and that it would transfer risk to them. She was in favor of allowing tree replacement on a 2:1 or 3:1 basis or other mechanisms to ensure the canopy was not just preserved but built out while allowing property owners to do what they needed to do. She was concerned that neither the City nor the arborist would have responsibility for a fallen tree if a homeowner sensed there was a problem with a tree and they were denied its removal. She was uncomfortable in transferring significant risk to homeowners.

MOTION PASSED: 5-2, Tanaka, Lythcott-Haims no

Council Member Kou thanked staff, PTC, and PRC for all the work in updating the ordinance as well as looking at the refinements. She also thanked Urban Forester Gollinger and Mr. Hernandez. She had read some of the emails from residents. She appreciated their work and apologized for the abuse they had been taking.

[Council took a 10-minute break]

14. Approval of a Substation Improvement Agreement with Tesla Inc. to Install Improvements and Reserve Capacity at Hanover Substation, and Approval of a Fiscal

SUMMARY MINUTES

Year 2024 Budget Amendment in the Electric Fund to Establish the Hanover Substation Upgrade Project (EL-24001); CEQA Status – Exempt under CEQA Guideline Sections 15301 and 15302

Utilities Director Dean Batchelor remarked that Tesla was moving its engineering headquarters to the former HP headquarters and were performing advanced research and development to support their vehicles and products. The City was proposing to rebuild the existing Hanover Substation, which was nearing the end of its useful life, to accommodate the need for power increases, and to improve the design installed by Tesla. He stated the best way to meet these needs was to work with Tesla. They were partnering with a public-private partnership that was beginning to propose and would be implemented through the Substation Improvement Agreement (SIA), including an encroachment permit. Staff determined that the transformers needing replacement were coming to the end of their life. He explained that the project would have moved forward at a later date due to grid modernization. They were looking to turn up the project by April 2024. He provided details of the agreement being a benefit to the City with no risks.

Tesla Director, Infrastructure Policy & Business Development, Patrick Bean commented that they had been working closely with Palo Alto's Utility staff and City attorneys to figure out a mutually beneficial way to increase grid capacity. He noted that Tesla developed tests and validated many new products in Palo Alto. They had over \$150M in planned investments and equipment for their engineering headquarters in Palo Alto, and upgrading the substation would help them accelerate the investment and new product development. The substation was nearing the end of its useful life, and the area needed new capacity. He explained that Tesla could bring the project in at a lower cost to the City than would have otherwise occurred. The additional capacity would be available for other customers, which they believed would help drive further investment in Palo Alto.

Electric Energy Manager Mohammad Fattah provided slides and spoke to the location of the Tesla facility and the work Tesla was planning. He provided details of the work to be done at the Hanover Substation and a high-level timeline. Tesla anticipated breaking ground on January 29 and the anticipated turn up date was September 17. He presented a slide related to project funding, which he outlined. The City and Tesla had entered into an Improvement Agreement, and the parties would jointly design, construct, install, and fund the improvements at the substation. He summarized the contract documents that had been negotiated. Staff requested Council's approval of the Substation Improvement Agreement, with Tesla to install improvements and reserve capacity at the Hanover Substation, and approve a FY2024 budget amendment in the Electric Fund to allocate \$15M to the substation upgrade project.

Council Member Veenker recused herself on Item 14.

Council Member Veenker recused herself because the project was located on Stanford lands, and she represented Stanford in patent matters.

Public Comment

SUMMARY MINUTES

Sunita D.T. explained that she did not have any concerns because once the project was completed CPAU would operate as usual and there would be no more involvement with Tesla.

Council Member Kou indicated that it sounded like a good deal. She asked if the lease at Stanford Research Park (SRP) was long term and if sites at SRP other than Tesla would receive power from the substation.

City Manager Ed Shikada remarked that the City's use of the property with Stanford University was an ongoing conversation, and hopefully it would be brought back to Council in the near future.

Director Batchelor replied that all business park customers in the area would receive power from the substation.

Council Member Kou noted that this was a great benefit to SRP, so she thought Stanford should participate in the discussion so it could move forward. She wanted there to be a conclusion on the lease because this may not be beneficial for the City or the SRP tenants. Not having a conclusion to the lease discussions with SRP was her only hesitation in moving forward.

Council Member Tanaka felt this was a good deal.

MOTION: Council Member Tanaka moved, seconded by Council Member Lythcott-Haims to:

1. Approve and authorize the City Manager or their designee to execute the Substation Improvement Agreement (SIA) and attached Capacity Reservation Agreement between the City of Palo Alto and Tesla for the design and construction of a substation improvements at the City of Palo Alto's Hanover Substation (Attachment A).
2. Amend the Fiscal Year 2024 Budget Appropriation for the Electric Fund (requires a 2/3 vote) by:
 - a. Establish the Hanover Substation Upgrade Project (EL-24001) in the amount of \$15,000,000; and
 - b. Decrease the Electric Fund Operations Reserve by \$15,000,000.

Council Member Lythcott-Haims appreciated that \$5M or \$6M would be saved by doing the public-private partnership.

MOTION PASSED: 6-1, Veenker recused

Adjournment: The meeting was adjourned at 8:16 P.M.