



CITY OF  
**PALO**  
**ALTO**

**City Council  
Special Meeting  
Monday, April 25, 2022**

The City Council of the City of Palo Alto met on this date in the Council Chambers and by virtual teleconference at 5:15 P.M.

Present: Burt, Cormack, DuBois, Filseth, Kou, Stone, Tanaka

Absent: None

**PUBLIC COMMENT**

**SPECIAL ORDER OF THE DAY**

1. Presentation Honoring Palo Alto Day

Judy Kienburg reported the first Palo Alto Day was inaugurated in 2019 and the hope was to annually celebrate the City's past, present and future. Due to the COVID-19 Pandemic, the City was not able to celebrate Palo Alto Day in years 2020, 2021, or 2022. The advisory group for Palo Alto Day was made up of folks from the Palo Alto History Museum, the Palo Alto Unified School District School Board, Palo Alto Neighborhood Association, the Chamber of Commerce, Tall Tree winners and past Mayors. She appreciated Staff person Kristen O'Kane for her dedicated work and expertise. She introduced the Palo Alto Museum's Teen Advisory Council (PAMTAC) who worked on collecting items for the next time capsule.

Emily Chan, Co-Chair of PAMTAC, announced the mission of PAMTAC was to spread Palo Alto's rich history through community outreach.

Paul Cherian explained the goal of the time capsule was to convey the community, balancing creativity and cleverness with accuracy and information. The time capsule was not to be opened until the year 2094.

Sonia Cherian remarked that 74 items were chosen to be included in the time capsule. Each member of the PAMTAC wrote a letter to be included in the time capsule and the letters answered key questions about teen life in 2019/2020.

Ms. Chan noted the time capsule mimicked the time capsule that was buried in 1994 and opened in 2019. PAMTAC believed it was important to include individual accounts and stories in the capsule to create a connection with future residents.

Mr. P. Cherian added the time capsule also included stories from local newspapers, comments from online articles, high school surveys, and physical artifacts that represented the present-day Palo Alto community.

Ms. Cherian shared that PAMTAC was working with the Palo Alto History Museum on collecting oral histories and memories of the Palo Alto community.

Mr. P. Cherian remarked that oral histories are impactful and meaningful for young Palo Alto teens to hear.

Ms. Chen remarked that all of the oral histories will be included in an exhibition at the new Palo Alto History Museum.

Council Member DuBois appreciated PAMTAC's work on the capsule and the philosophy of including items that related to the City before the pandemic hit.

Vice Mayor Kou stated the PAMTAC did a tremendous job with the vaping survey and recommended including in the capsule the survey, the Vaping Ordinance and an aerial photo of current Palo Alto.

Mayor Burt believed an item from the youth climate rally that recently took place would be beneficial to include in the capsule.

Ms. Kienburg thanked Mayor Burt for his help with the capsule. The Advisory Committee will begin working on the next Palo Alto Day for April 2023.

Mayor Burt inquired when will the capsule will be sealed.

Ms. Kienburg explained the capsule will be sealed until the year 2094 which will be the 200<sup>th</sup> birthday of Palo Alto.

### Public Comments

Aram James remarked he received a letter from someone in government that stated his tone in the public comment was offensive to Staff. Recently, he filed a Public Records Act that requested information about the next Chief of Police. The City has not announced the process it will use to hire the new Police Chief and he believed such a process destroyed democracy.

Rebecca Eisenberg appreciated Mr. James' comments. She emphasized the public schools of Palo Alto were struggling due to lack of budget. Many students were struggling with food instability and many public-school families were concerned about tenant protections. Castilleja School's expansion project was consuming too much time and resources during a time of crisis in the City.

Mark Weiss mentioned when Palo Alto celebrated its 125<sup>th</sup> birthday, it was the 250<sup>th</sup> anniversary of El Palo Alto. He added students from Truman Junior High in 1978 also buried a time capsule but the capsule was never found.

Matt Schlegel was proud of the student organizers who rallied 200 students for the Earth Day march through Palo Alto. He found one politician's statement that her generation had failed the youth was an understatement. Based on the recent Sustainable Climate Action Plan (S/CAP) Ad Hoc Committee meeting, he believed the committee was moving in the wrong direction. The Committee was not focusing on electrification and modernizing the electrical grid. He strongly urged the City to accelerate the Palo Alto home electrification project.

#### ACTION ITEMS

##### 2. Interviews for the Parks and Recreation Commission

Mayor Burt invited applicants to provide introductory remarks.

Lester Ezrati shared he is a retired tax lawyer from Hewlett Packard. He has lived in Palo Alto for over 40-years and enjoyed visiting the parks in the City.

Council Member Cormack stated it was not only important what the Commission does but also how the work is accomplished on behalf of the community. She asked what two words would folks use to describe his work.

Mr. Ezrati answered patient and persistent.

Council Member DuBois pointed out that one comment on Mr. Ezrati's application was the need to increase the utilization of current facilities.

Mr. Ezrati explained there were parks in the City that could be utilized more if they had different facilities.

Council Member DuBois restated if Mr. Ezrati had any ideas on how to better utilize the recreation programs.

Mr. Ezrati acknowledged the large demand and believed it would be difficult to increase utilization unless the City increased the number of facilities.

Council Member Filseth also found the utilization comment interesting. He asked how should the City balance the conflicting needs of the different segments of the community who would want to use the courts and parks.

Mr. Ezrati recommended focusing on density and the demand for the service. Also, to explore the number of facilities that did not have a high demand for its services.

Council Member Stone wanted to understand why Mr. Ezrati was interested in the Foothills Park controversy.

Mr. Ezrati remarked he was strong supporter of American Civil Liberties Union (ACLU) and was sympathetic to their arguments. The major concern was that the City priced people out of using the park and believed the City could do a better job. He supported allowing off-leash hiking for dogs in Foothills Park. He closed by stating he found the Master Parks Plan a remarkable document and believe it put the City on the right track.

Jason Schmidt has been a resident for 11-years and also found the discussions regarding Foothills Park interesting.

Council Member Cormack asked what two words would folks use to describe his work.

Mr. Schmidt answered consistent and creative.

Mayor Burt invited Mr. Schmidt to share additional details about his goal regarding access and sustainability.

Mr. Schmidt agreed Palo Alto provided great access but wanted to explore sustainability in terms of utilization.

Council Member DuBois noticed Mr. Schmidt read the Bike Plan but not the Master Parks Plan.

Mr. Schmidt mentioned he skimmed the Master Parks Plan.

Council Member DuBois wanted to understand the overlap between parks and cyclists and how to balance the needs for different experiences.

Mr. Schmidt remarked the only park in Palo Alto that allowed bicycles was Arastradero Preserve. Due to the large open spaces and underutilization of pedestrian traffic, more parks should be opened to cyclists. He

acknowledged the sensitivity between hikers, mountain bikers and the need for separation.

Council Member DuBois asked if there needed to be separate bicycle and hiking paths.

Mr. Schmidt mentioned he rides around the City of Santa Cruz and they use separate paths but also creatively designed paths to handle both uses. He acknowledged there was a thin line between e-bikes and motorcycles.

Mayor Burt commented the City was exploring having the Downtown area be an evolving focus of serving the community. He invited thoughts on how recreation could be integrated into the public space.

Mr. Schmidt believed if California Avenue were to remain closed. It could be turned into a pedestrian park and supported that idea for University Avenue as well.

Joy Oche mentioned she applied for the Parks and Recreation Commission because she saw a need that her work and life experiences could be of help. She shared that her technical expertise was in project management, leadership, environmental, social, and governance (ESG) and diversity, equity and inclusion (DIE). She referenced her trip to Masdar City, Abu Dhabi and shared the city synergized their utilities together to make the city more sustainable. Her certification in envision sustainability and professional trainer training will provide Palo Alto the ability to showcase its construction innovation.

Council Member Stone appreciated the connections made in her application with parks and open spaces with equity and inclusivity. He asked how can that goal be achieved.

Ms. Oche wanted to see advancements in multi-generational activities, include more inclusivity playgrounds and hold events to connect the community more.

Vice Mayor Kou appreciated Ms. Oche's robust application. Several of the parks are nature preserves and she asked how trees and biodiversity fit into sustainability.

Mr. Oche believed the all-encompassing International Satoyama Initiative (ISI) framework would help the City protect and preserve biodiversity when projects come before the City.

Council Member DuBois asked if Ms. Oche had any ideas about how to make wait lists shorter for City summer camps.

Ms. Oche wanted to see free, family-friendly multi-generational activities available to build more resilient and independent kids.

Mark Weiss wanted to see the Fry's site located in the Ventura Neighborhood be turned into a park that honored Mr. Fenwick, the Sonsini's, the Arriagas' and the Sobrato family.

Mayor Burt invited thoughts on how recreation could be integrated into the public spaces in Downtown.

Mr. Weiss wanted to see the Downtown focused on commercial, social and businesses but also be arts and music-oriented.

Council Member Cormack asked what two words could be used to describe his work.

Mr. Weiss answered winner and sounder. He explained sounder in the sense of consistency but also in terms of music.

Council Member DuBois asked how music festivals would be held since the City has permit requirements.

Mr. Weiss mentioned the First Amendment guaranteed all citizens a right to assemble and found the Noise Ordinance too restrictive. He added all his events have been permitted events and many were free events. He concluded his remarks by stating he was wearing blue in honor of the Committee to Recognize the Achievement of Nurses (CRONA).

Eve Klein wanted to give back to the community by using her skills and expertise on the Parks and Recreation Commission.

Council Member Cormack asked what two words could be used to describe her work.

Ms. Klein answered direct and calm.

Council Member Cormack asked if there were specific thoughts about accessibility and greater independence for individuals with disabilities for Foothills Park.

Ms. Klein recommended pavers, truncated domes, signage, and a designated space at Foothills Parks for folks with sensory sensitivities.

Council Member DuBois remarked signage could be controversial and asked what ideas were there about keeping an area natural but incorporating signage.

Ms. Klein believed Arastradero Preserve could benefit from having more maps throughout the preserve. The signage had to fit within the setting but had to be appropriate and useful.

Mayor Burt asked how the parks in the City could better service veterans.

Ms. Klein suggested having exhibits and events where veterans could share their experiences. She restated she is a good listener and was very interested to understand the different perspectives of residents.

3. Review and Approval of 2022-2023 Work Plans for the following Boards and Commissions

- Public Art Commission
- Utilities Advisory Commission
- Storm Water Oversight Committee

Mayor Burt encouraged folks to focus the conversation around the issues that needed Council feedback or items Council needed to be made aware of.

Director of the Public Art Program Elise Demarzo introduced Chair Nia Taylor who shared the highlights of the Work Plan.

Chair of the Public Art Commission Nia Taylor appreciated Staff's hard work and dedication to the Public Art Commission. The Public Art Commission was focused on and continued to provide micro-grants to artists to encourage community building. Also, the Commission will be working on the King Artist Residency Program which will further the Commission's priority of racial justice. Another priority was the continued work of the California Avenue Master Plan and providing visibility through art.

Ms. Demarzo explained the Public Art Commission typically held its retreat in September after the Budget had been adopted. That was when priorities were set. The Commission decided to continue working on the priorities from the year 2021. The King Artist Residency awardee Rayos Magos will hold four community workshops in May 2022 for residents. The workshops provided a space for adults to engage in free art-making experiences. The highest priority was collection care and preserving Victor Arnautoff's work.

Council Member Dubois found the goals, accomplishments and plan in the Work Plan were clearly defined. He inquired if the \$30,000 had been sufficient for the maintenance of large assets.

Ms. Demarzo remarked the funding had been sufficient, but more may be needed for the Roth Building.

Council Member DuBois wanted to find a balance between using the money for temporary murals versus longer-lasting art. He asked if the City should explore a silo endowment that included maintenance funds.

Ms. Demarzo explained Capital Improvement Project (CIP) funds could not be used for the maintenance of the existing collection, but new work could earmark a portion of the funds for maintenance.

Council Member DuBois strongly encouraged that.

Council Member Cormack stated the Public Art Commission played an important role during the COVID-19 Pandemic. She asked if the Commission was working with other Staff members on the major changes for California Avenue.

Ms. Demarzo explained the Commission did most of its own outreach for the California Avenue Master Plan. The plan was designed with the idea that the road closures may be long-term or permanent.

Council Member Cormack suggested the Public Art Commission conduct a geographic distribution analysis in the future as well as a demographic focus.

Council Member Stone stated that public art throughout the community created a special sense of community and belonging. He wanted to better understand wayfinding for the California Avenue Master Plan.

Ms. Demarzo commented wayfinding would include gateway artwork and animated alleyways between parking areas.

Council Member Stone appreciated the answer and encouraged signage that helped folks find unique shops. He asked about the success of the Art Lift Micro-Grant program.

Ms. Demarzo answered there were 40, \$1,000 micro-grants and many folks wrote the City saying they loved the art that came out of those grants. The Commission decided to continue the grants but to provide less of them with higher funding.

Council Member Stone loved the micro-grant program.

Mayor Burt appreciated that the California Avenue Master Plan began before the pandemic and then changed course to accommodate the closure. He found the interactive media festival Code: ART a phenomenal experience and he encouraged more of those types of festivals. He asked how much engagement there had been with the businesses and surrounding neighborhoods regarding art and the California Avenue Master Plan.

Ms. Demarzo disclosed representatives from the business community were always included in the selection panels. For the California Avenue Master Plan, all the businesses were invited to participate in the discussion, but many were trying to weather the pandemic.

Mayor Burt agreed California Avenue was tucked away due to the changes made to the roadways 60-years ago. He suggested using the whimsical art as seen at the Junior Museum and Zoo, the Children's Library, and Art Center as gateway signage for California Avenue. He referenced the LAB Anti-Mall in Orange County and encouraged folks to explore those ideas and concepts. One of the struggles for California Avenue was drawing folks to the eastern end that was open to cars. He suggested to rotated performances into the eastern end to encourage shopping there.

Vice Mayor Kou thanked the Staff and the Commission for all their work. She appreciated the temporary murals that were on the Public Safety Building. She requested that projects be reviewed with fairness and respect for all organizations and people.

Chair Taylor remarked the Commission agreed that there needed to be more collaboration with other City Commissions and City departments. The Commission encouraged the community to share comments about the public art with the Commission.

Council Member Tanaka arrived at the meeting.

### Public Comments

Rebecca Eisenberg thanked the Council for supporting the Public Art Department and the Public Art Commission. She emphasized the meaningfulness of having art the community could participate and engage with. She asked how the City enforced the 1 percent t for public art requirement.

**MOTION:** Vice Chair Kou moved, seconded by Council Member DuBois to approve the 2022-2023 Public Art Commission Work Plan.

Council Member DuBois encouraged each Board and Commission to consider the feedback the Council provided during deliberation.

**MOTION PASSED:** 7-0

Utilities Director Dean Batchelor introduced the Chair of the Utilities Advisory Commission (UAC) who presented the UAC Work Plan.

Utilities Advisory Commission (UAC) Chair Lisa Forssell remarked the Work Plan identified three areas of focus and those where standing topics that took place annually, specific special topics to be discussed in the coming year, and topics that may be discussed if there is the bandwidth.

Council Member Cormack liked the organization of the Work Plan as presented. The Renewable Energy Credit (REC) item was a means to an end, the Sustainability and Climate Action Plan (S/CAP) was the most important long-term project, automated metering infrastructure Area Median Income (AMI) was a building block, and fiber-to-the-premise (FTTP) will be a necessity as more folks work from home. Climate impacts were more about identifying what risks there are to the City's utilities and one of the highest risks the City Auditor found was in the workforce area.

Mayor Burt encouraged Staff and the UAC to continue to contrast the City's rate structure compared to the surrounding communities. It was not broadly understood by the community that the City's baseline residential rate was 40 percent below Pacific Gas and Electric (PG&E). Also, the commodity cost of electricity for renewable energy was a fraction of the cost of the City's current portfolio's average. As the City explores doubling the electricity capacity, the City should track electrical increases under the current cost for renewable energy and project costs of renewable energy. The one challenge regarding recruiting and retaining Staff was how can the City compete with other jurisdictions for high voltage specialists. Senator Becker and Assembly Member Berman were exploring legislation to rapidly invest in workforce development. He was happy to see AMI on the Work Plan and he encouraged UAC to do a deeper dive into the quality of the REC. UAC and the City should promote the City's partnership with Oaxaca State. He expressed excitement the UAC was working in collaboration with the Council on the S/CAP.

Council Member Tanaka found the Work Plan to be very solid. He suggested UAC evaluate the forecasting models in terms of demand and evaluate how accurate the models are. Several neighboring Cities had employed hedging measures and UAC should explore that further.

Chair Forssell assumed that recommendation applied to both the Water Utility and the Gas Utility.

Council Member Tanaka answered for all of the utilities. The exploration would include how other cities were smoothing out supply and demand differences. Recently the region was experiencing one of the worst droughts and he encouraged UAC to consider water storage as well as how to accommodate a higher supply of water. While the City owns its utility, PG&E was owned by shareholders and that was not an apples-to-apples

comparison. Climate change was one of the biggest threats to humanity and the City must explore ways to have clean power. One power source that was truly carbon-free was nuclear power and the City should explore that option more. The City should encourage competition for broadband to help drive down the cost. Several folks have expressed they were having utility bill issues and the City should be responsive to these concerns. He encouraged UAC to explore a tracking system that tracked concerns, resolution and overall general ways to be more responsive to customer service.

Council Member Stone appreciated the work of the UAC and the Work Plan. He inquired if the UAC had explored the dark sky initiative.

Chair Forssell disclosed she was not familiar with the dark sky initiative.

Council Member Stone understood there was a concern about light pollution and how that affected bird migration.

Chair Forssell remarked streetlights may not be in the purview of the UAC but confirmed it could be explored further.

Council Member DuBois mentioned streetlights fell under the UAC's purview.

City Manager Ed Shikada clarified the Utilities Department maintained the street lights but did not design or set the candle requirements.

Council Member DuBois suggested that future Work Plans use more goal-related language and capture the purpose and desired outcomes for each goal. Also, to focus on three to five priorities for a year and not summarize the annual items. While the resiliency of the electric grid was important, he agreed the increase of capacity of the grid should be included. Undergrounding was a slow process and he suggested Council explore updating the policy. Recruiting, hiring and retaining Staff was a problem City-wide and he encouraged UAC to provide suggestions on how to solve the problem. Also, to explore increasing water resiliency through alternative supplies or how to use recycled water. He asked if the UAC was looking for direction on what topics should be added to the Work Plan.

Chair Forssell invited feedback and understood Council was supportive of the UAC exploring workforce, water quality and undergrounding.

Vice Mayor Kou asked if the UAC would have the capacity to take on the potential topics.

Mr. Batchelor stated the largest hurdle was the S/CAP and how fast the department could accomplish those projects. Resiliency, reliability, and capacity will come with the rebuild of the electrical grid.

Vice Chair Kou acknowledged prioritization did have to happen and modernizing the electrical grid would provide reassurance to the community that the City can handle all-electric homes and vehicles. She agreed with Mayor Burt that capacity should be included in resiliency and reliability as well as Council Member Stone's comment about the dark sky initiative. Her main concern was about energy technology causing impacts on biodiversity and nature. She encouraged that discussion to take place alongside the discussion of implementing new technology.

Mayor Burt commended the undergrounding work in the Foothills.

Council Member Filseth stated the Work Plan was very robust and recommended leaving the standing topics out in future Work Plans. The capacity work for the S/CAP will take up most of the time for the UAC and Staff. He agreed that nuclear power is the cleanest power but acknowledged there were not a lot of nuclear power plants in the state.

**Public Comment:**

Rebecca Eisenberg thanked the UAC for their work and stated the Utilities Department was managed very well. Every organization has the challenge of recruiting, hiring and retaining qualified Staff members. One of the biggest prohibitions on finding qualified Staff was the lack of affordable housing.

**MOTION:** Council Member Cormack moved, seconded by Council Member Filseth to approve the 2022 Utilities Advisory Committee Work Plan.

**MOTION PASSED:** 7-0

Assistant Director of Public Works Karin North introduced Stormwater Water Oversight Committee Chair Hal Mickelson who presented the Committee's Work Plan.

Storm Water Oversight Committee Chair Hal Mickelson reported the Committee was responsible for monitoring the operations and expenditures related to the stormwater system. Staff continued to evaluate the system to make sure it conformed with regulations and requirements to discharge stormwater into the Bay. The Committee continued to advocate for green stormwater infrastructure.

Council Member DuBois asked if the UAC and the Storm Water Oversight Committee were collaborating on the One Water Plan and should the Committee be expanded to be the wastewater and stormwater commission.

Mr. Mickelson mentioned a Committee Member had shared the idea of having a separate committee that handled all water related items. The existing Charter for the Committee emphasized that the Committee only address stormwater.

Ms. North answered UAC will be evaluating the One Water Plan. The Storm Water Oversight Committee would address specific stormwater items of the One Water Plan.

Council Member DuBois restated should the Committee's Charter be expanded to include wastewater and stormwater.

Ms. North explained when recycled water is talked about as a commodity, the UAC evaluates that prior to it going to Council.

Mr. Shikada reminded the Council to review the Work Plan and the objectives that were limited to the Committee.

Council Member DuBois proposed that ideas regarding stormwater in the One Water Plan be brought back to Council for discussion.

Ms. North noted the intent was to have the UAC review the One Water Plan as well as the Storm Water Oversight Committee.

Mayor Burt suggested Council Member DuBois's suggestion be explored through a Colleague's Memo.

Council Member Cormack believed the core purpose and work of the Committee were being done due diligently.

**MOTION:** Mayor Burt moved, seconded by Council Member Cormack to approve the 2022 Stormwater Oversight Committee Work Plan.

**MOTION PASSED:** 7-0

[The Council took a short break]

**AA1. Revenue-Generating Ballot Measures for Fall 2022: Discuss 2nd-Round Polling Results and Feedback from Community and Stakeholder Engagement Activities; Review and Provide Staff Direction on Finance Committee Recommended Refined Parameters for a Business License**

**Tax and an Affirmation of the Gas General Fund Transfer; and Provide Direction to Staff on Next Steps Including Launch of Third Poll, and Council's Non-Binding Intentions for Allocation of Potential Proceeds (Continued from April 18, 2022)**

Mayor Burt announced the item is a continued item and public comment would not be held.

Finance Director Kiley Nose provided a summary of Staff's recommended decision points for the Council. Those points included affirmation of the current practice of the natural Gas Utility Transfer, confirmation and direction on characteristics of the Business Tax, direction to Staff to proceed with the third round of polling, and direction on whether to draft a non-binding resolution to inform the public of Council's intentions regarding the use of the Business Tax proceeds. Staff recommended using tentative approvals for specific items or place items in the parking lot for further discussion. Then revisit the parking lot items, provide tentative approvals for those and then consider all of the tentative approvals in one motion.

Mayor Burt mentioned the goal of the discussion was to provide Staff with direction on what to include in the third round of polling. Final decisions would not be made until early June 2022.

Ms. Nose confirmed a third poll would result in Staff coming back in early June. If Council requested additional analysis, the timeframe would need to be adjusted.

Mayor Burt invited Council Members to share their opinions on placing a measure on the ballot to affirm the current practice of the Gas Utility Transfer to the General Fund (GF).

**(TENTATIVE) MOTION:** Moved by Council Member Cormack, seconded by Council Member Filseth to affirm the current Gas Utility Transfer at up to 18% of the gas utility's gross receipts

Council Member Cormack appreciated the comment that the Gas Utility Transfer was coming at a time when another measure was being placed on the ballot. The Gas Utility Transfer was a long-standing process and a crucial part of how the City-funded services.

Council Member Filseth agreed the City should proceed with the assumption that both measures will be on the ballot in November.

Council Member DuBois recommended Council discuss whether to place both measures on the ballot at the end of the discussion or after the third round of polling was completed. He asked if the 18 percent was simply continuing the existing rate. He requested that Staff provide examples at future meetings of what the transfer means and what it pays for.

Vice Chair Kou remarked the main message was that that Gas Utility Transfer was a long-standing annual transfer and if it was not affirmed. Then services will have to be suspended and it will cause an \$11 million deficit in the Fiscal Year (FY) 2023 Budget.

Ms. Nose concurred the service reductions to address the legal challenge associated with the funds would continue to be reduced.

Vice Mayor Kou supported the tentative motion.

Council Member Tanaka supported the revenue source but stated as the City begins to discourage the use of natural gas. The amount of tax made from the Gas Utility Transfer will diminish. He recommended it be a direct tax and go directly to the GF instead of going the proposed roundabout way.

Mayor Burt hoped the third round of polling will indicate support for both measures.

**MOTION PASSED:** 6-1, Tanaka no

Mayor Burt invited the Council to provide their comments on the elements of a prospective Business Tax. There were limited alternatives that could be polled on and he asked what constraints there are for the final poll that focused on evaluating several renditions of the ballot language.

Ms. Nose explained the third round of polling will pose the full ballot question and assess voters' responses and sentiment toward the full question. The question would include the tax structure, the tax rate, and the use of the funds. The third round of polling would not include generalized characteristics but would include limited variables. To make the poll statistically valuable, split sampling would occur.

Mayor Burt understood the final poll will have more binary choice questions.

Ms. Nose confirmed that is correct.

Consultant Dave Metz confirmed the third poll will provide data to help Council decide whether to go move forward with the ballot measures or not.

**(TENTATIVE) MOTION:** Moved by Council Member Cormack, seconded by Council Member Filseth to approve the following characteristic for a business license tax: the Business License Tax is determined based on a business's square footage in Palo Alto

Council Member Filseth acknowledged that none of the proposals were perfect and Council believed square footage is the best trade-off in terms of simplicity, targeting the right businesses, and management.

Council Member DuBois echoed Council Member Filseth's comment.

City Attorney Molly Stump reminded the intention of the Business Tax was to tax the physical footprint that a business used to conduct business in.

Council Member Tanaka wanted to explore other alternatives. Many technology workers were working remotely, and he inquired how that was factored in the Business Tax. Also, many spaces were shared spaces and he asked if those counted towards square footage. He wanted those aspects clarified before deciding. Many neighboring cities used different structures for their Business Tax and there was a lot of ambiguity about what square footage meant. He asked how remote work was factored into a square footage Business Tax.

City Manager Ed Shikada remarked this was not an issue for the poll but rather one for how the ordinance will be written.

Council Member Tanaka stated the poll was to inform residents and receive feedback. Residents should be informed about the parameters and how the tax will be applied to businesses.

Ms. Stump confirmed the poll will use a high-level, conceptual idea and Staff was working on a more detailed long-form ordinance. That will be included, along with administrative regulations, with any ballot measure to make it very clear.

Council Member Tanaka restated it should be clarified more. He could not support the tentative motion.

Vice Mayor Kou agreed that no tax was perfect but the square footage tax was clearer than the other options. The City's Planning and Development Services Department knew the square footage for every business in the City and could confirm those.

Mayor Burt recalled having an extensive discussion over many months on alternatives as well as polling on other alternatives.

**MOTION PASSED:** 6-1, Tanaka no

Mayor Burt invited comments on the minimum and maximum rate per square foot. He restated half the folks who answered the survey would be asked about the minimum and the other half would be asked about the maximum.

Mr. Metz confirmed there will be two fundamental contrasts that will be tested. One will be the relationship between the Business Tax and the Gas Utility Transfer and then one major policy element within the Business Tax.

**(TENTATIVE) MOTION:** Moved by Council Member DuBois, seconded by Mayor Burt to approve the following characteristic for a business license tax: look at a tax rate between \$.10/sq ft per month and \$.12/sq ft per month

Council Member DuBois found the discussion from the previous meeting about keeping the measure simple useful.

Mayor Burt believed polling between \$.10 and \$.12 was narrow and recommended it be \$.10 and \$.15. At \$.15 per square foot, that would provide revenue that was closer to the target range that was originally proposed. He supported using the revenue towards public safety restorations.

Council Member DuBois agreed the proposal was narrow. He predicted if a positive response was made for \$.12, there may be a negative response for \$.15.

Mayor Burt stated if the maximum is \$.12, Council will never know what the response would be for \$.15.

Council Member Cormack asked if now was the time to discuss what to use the revenue for.

Mayor Burt acknowledged there was an interplay between scale to tax and what portion of the needs could be addressed with the tax. He invited Council Members to provide comments on what to spend the revenue on.

Council Member Cormack stated the gross estimated revenue of \$21 million was a significant increase but the needs were there. The prior poll indicated that \$.15 was not supported but agreed that \$.10 to \$.12 was narrow. She suggested polling with \$.05 and \$.10 and then having a phase-in to get to the \$.10. She concluded polling on \$.10 and \$.12 will not provide helpful data.

Mayor Burt clarified Council will discuss the phase-in later in the meeting.

Council Member Cormack stated she did not support phasing in the tax but found it relative based on the numbers.

Council Member Stone shared Council Member Cormack's concern. He invited Staff to weigh in on if \$.10 to \$.12 was too narrow and had there been a decision about \$.15 per square foot.

Mr. Metz predicted it was unlikely voters would draw sharp distinctions between \$.10, \$.12 and \$.15 just in the ballot question. The pro and con arguments should be modified to relate to the rates. That would provide more accurate data on the rate folks would support.

Council Member Stone was interested in having the range be from \$.10 to \$.15.

Council Member DuBois mentioned the lowest estimate was \$200 to \$250 million per grade crossing and Measure B funds were \$400 million. There were federal grants, but many required a local contribution. A portion of the Business Tax would help the City meet that need. The revenue would also provide funding for one, 100 percent affordable housing per year. There were operational gaps in terms of addressing homelessness and a portion of the tax could pay for more policing. Also, there were many projects underway for the downtown areas.

Mayor Burt stated the prior polling indicated that three of five respondents supported a Business Tax conceptually at \$.12. Another question indicated that a majority of folks supported a \$.10 rate. He invited Staff to clarify the results.

Mr. Metz clarified the initial question that included the \$.12 only tested the rate without context. The second question was included after respondents were informed about what current commercial rental rates were in the City. A more informed question would replicate the mindset voters would have when they vote.

Mayor Burt remarked there were two needs for grade separations. One was to understand the unfunded amount to build the grade separation. The City needed local dollars to leverage federal and state grants. The comment that the dollars would only fund a small amount of affordable housing was inaccurate and disregarded the reality that the dollars were being leveraged for additional funds. He predicted that \$10 million would double the rate of affordable housing construction in the community.

Council Member Filseth echoed Council Member Cormack's comments. He believed \$.10 per square foot was appropriate but agreed with Mayor Burt that the City needed a local contribution to leverage. He remarked for the

next round of polling he wanted to understand if folks would support two tax measures. He was less concerned about the square footage rate.

Council Member Tanaka believed a square footage tax did not provide the right nexus to the usage. He agreed with Council Members Filseth and Cormack that the poll should focus on what the needs are, how much revenue is needed to fund the needs and then discuss the tax rate. The rental rates residents were being told were not correct and that was very misleading. Realistic rates should be used in the next round of polling and he invited Staff to speak to that point further.

Ms. Nose reiterated Staff will continue to use the most available and accurate data.

Council Member Tanaka stated he provided a slide to Staff will CoStar data recently that indicated that the rental rates were nowhere close to what Staff showed on the poll. All the facts, including pros and cons, should be presented to the voters and the voters should decide. It was not Council's job to misguide the public in order to have something approved. He did not support having a third or fourth round of polling.

Mayor Burt inquired if there had been discussions about having a fourth round of polling.

Ms. Nose answered not from the pollster but possibly an online survey will be conducted.

Vice Mayor Kou mentioned homelessness included wrap-around services and casework which was another expense. Costs for needs continued to increase and Council had to evaluate the rates carefully. Also, many City facilities needed improvements as well as the Psychiatric Emergency Response Team (PERT) program and dispatch services needed to be expanded. The additional revenue would provide funding for Code Enforcement as well. She supported the minimum being \$.10 and the maximum being \$.15.

Mayor Burt announced his support for the original motion and did not propose an amendment. He noted the revenue produced by the \$.10 to \$.12 rate would not be enough to cover all the needs.

Council Member Cormack could not support the motion due to the soft support shown in the polling results.

**MOTION PASSED:** 5-2, Cormack Tanaka no

Mayor Burt invited comments regarding the annual cap. The Finance Committee recommended a 6 percent annual cap with a rollover provision. He supported a 5 percent cap with a rollover.

Council Member Cormack asked what rollover meant.

Ms. Nose explained the proposal was a 6 percent cap annually and excess Consumer Price Index (CPI). Should CPI exceed 6 percent, Council could carry over the difference to future years.

Council Member Cormack inquired how many years would it carry over.

Ms. Stump answered that was a policy decision, but Staff understood it would carry over annually until the excess was used.

Council Member Cormack remarked the concept of a rollover was new news.

Mayor Burt mentioned it was included in the Finance Committee's recommendation.

Ms. Nose confirmed that is correct.

Council Member Cormack supported 5 percent but stated the decision could not be made until a decision was made on phasing in the tax.

Council Member DuBois clarified the focus was to be on CPI. Finance Committee's recommendation was supported by the Staff's knowledge of how annual caps are implemented.

Council Member Cormack could not support a rollover.

Council Member Filseth stated the cap was a benefit because businesses were better off with high inflation instead of low inflation rates. He supported a 5 percent cap and rollover provision.

Council Member Tanaka remarked the problem with inflation was that inflation was not even. It was hard for businesses to know exactly what tax they will pay annually. In the City of San Jose, their tax had an index CPI with an annual cap of 3 percent with no rollover. Staff should explore what neighboring cities do, but he agreed having no cap did not make sense.

Council Member DuBois supported a 5 percent cap.

**(TENTATIVE) MOTION:** Moved by Mayor Burt, seconded by Council Member Cormack approve the following characteristic for a business license tax: tax rate to increase by the CPI, capped at 5% per annum, without the rollover

Council Member DuBois could not support the motion if it did not include a rollover provision.

Council Member Cormack was reminded that Council will have the ability to pause the annual escalation, pause collection and reduce the tax rate at any time. That made her more comfortable in supporting a rollover but recommended the rollover be for a specific time period.

Mayor Burt was concerned the rollover would create additional complexity.

Council Member Cormack invited Staff to share their thoughts about having a rollover provision.

Ms. Nose stated the concept was well researched.

Mr. Metz remarked having a time-limited rollover was not a structure he was familiar with.

Council Member Cormack asked if there was a rollover provision for the Stormwater Fund.

Ms. Nose answered no.

Council Member Cormack echoed Mayor Burt's comment about simplicity.

Council Member DuBois commented Staff presented several examples to the Finance Committee regarding a rollover provision. Council can stop the tax at any time but could not raise the tax. If there was no support for a rollover provision, then the annual cap should be 6 percent because that decreased the risk of falling behind.

Vice Mayor Kou echoed Council Member DuBois's comments.

Council Member Stone agreed with Council Member DuBois.

**MOTION FAILED:** 2-5, Filseth, Tanaka, DuBois, Stone Kou no

**(TENTATIVE) MOTION:** Moved by Council Member DuBois, seconded by Vice Mayor Kou approve the following characteristic for a business license tax: tax rate to increase by the CPI, capped at 5% per annum, with the rollover

**MOTION PASSED:** 6-1, Tanaka no

Mayor Burt invited Council Members to discuss whether the Business Tax should sunset.

Ms. Nose shared the consultant had advised the City that when a sunset goes beyond 10 years, that hurts support.

Mr. Metz concurred and recommended a sunset provision have a limited near-term scope.

Mayor Burt recalled there needed to be a period for bonding purposes.

Ms. Nose confirmed one potential use was leveraging the revenues for improvements. Historically the City used a 30-year debt service, and the City needed a revenue stream to satisfy the debt service. If the revenue stream ended midway through the debt service, then there would be problems.

Council Member Cormack added the need for services was not going to go away and having a revenue sunset was not a good practice.

Council Member DuBois agreed a Business Tax was a long-term structural solution.

**(TENTATIVE) MOTION:** Moved by Council Member Filseth, seconded by Council Member Cormack approve the following characteristic for a business license tax: no sunset

**MOTION PASSED:** 6-1, Tanaka no

Mayor Burt asked if Council supported having an advisory resolution that guided uses for the revenue.

Council Member DuBois asked if adopted, would a resolution help in the third round of polling.

Mr. Metz answered that could be tested as a message in favor of the measure.

Council Member DuBois commented it was common practice and supported having a resolution.

**(TENTATIVE) MOTION:** Moved by Council Member DuBois, seconded by Mayor Burt to approve the following characteristic for a business license tax: advisory resolution for potential uses

Mayor Burt agreed the resolution was not legally binding but was a strong political commitment that had relevance.

Vice Mayor Kou inquired if the Transiency Occupancy Tax (TOT) was enacted through a resolution.

Mayor Burt could not recall if it was a resolution, or a strong commitment made by the Council.

Ms. Stump concurred.

Vice Mayor Kou stated a resolution was more intentional than a commitment.

Ms. Stump stated it was a more formal way to state Council's intention.

Ms. Nose added for the second TOT, Council did make a motion as part of the Budget but did not do a resolution.

Council Member Filseth supported having a resolution.

Council Member Cormack was willing to do a resolution but recommended it not be done now. The polls had sufficient information on the kinds of services the Community wanted.

Mayor Burt explained the Council could commit tentatively to do a resolution but then have a separate attempt to describe the uses under the resolution.

Council Member Cormack did not want revenue use questions asked in the third round of polling.

### **MOTION PASSED: 7-0**

Mayor Burt moved to phased implementation.

Council Member DuBois remarked the phasing depended on when the Business Tax would go into effect. He inquired if the tax could go into effect on January 1, 2023, but not be collected for the first 10-months.

Ms. Stump answered in theory that could happen, but Staff was not prepared to explain the pros and cons of that approach.

Council Member DuBois remarked his decision on phasing depended on how much time Staff needed to implement the tax. For simplicity, he supported a two-step phase-in rather than Finance Committee's recommended three-step phase-in.

Council Member Cormack articulated it may be beneficial to businesses to have time to prepare to pay for the new tax. She asked what the maximum amount a business could pay if the Business Tax was at a \$.10 rate. From a user's standpoint, she could not support a phase-in but supported a phase-in if businesses would not be required to make a balloon payment.

Mr. Shikada stated that based on preliminary information, Staff estimated it would be \$1.5 million.

Council Member Cormack understood the first 5,000-square feet would be exempted but every business would be required to pay a small fee.

Mayor Burt mentioned Council will be discussing exemptions shortly.

Council Member Cormack asked if other communities had done a phase-in for their Business Tax.

Ms. Nose answered she did not know.

Council Member Cormack recommended the phase-in be asked in the polling and agreed with Council Member DuBois that a 2-year phase-in made sense. She expressed concern about the immediate needs and not being able to collect the revenue quickly with a phase-in.

Mayor Burt commented that as a former business owner, it was nice to have a large expenditure spread over several years. Larger companies were more capable of paying the tax while smaller companies were not. From the standpoint of having the least negative impact on businesses, a phase-in was the best approach.

Council Member Stone agreed to be able to leverage the funds to address the needs will be beneficial. He expressed his support for a phased-in approach.

Ms. Nose acknowledged it would take Staff 12 to 18-months to implement a Business Tax and the City of Mountain View did a 3-year phase-in for their Business Tax.

**(TENTATIVE) MOTION:** Moved by Mayor Burt, seconded by Council Member Stone approve the following characteristic for a business license tax: a two-step phased implementation with  $\frac{1}{2}$  of the rate to be assessed during the initiation of the tax, and the full rate to be assessed one year later

Council Member Tanaka recommended Council follow Staff's recommendation.

Mayor Burt noted Staff did not make a recommendation but stated what the City of Mountain View had done.

Council Member DuBois understood Staff will return to Council with the information on when the tax will come into effect and when the City can collect the revenue.

Ms. Stump answered Council will be able to refine the phase-in approach once Staff has more information to present. She inquired if the motion was to have the first phase to be in place for 1-year or 2-years.

Mayor Burt clarified the first phase would be in place for 2-years.

Council Member DuBois supported a phased-in approach of 50 percent in the first year and then 100 percent of the rate in the second year.

Ms. Nose remarked Council will determine the effective date versus the collection date later.

**MOTION PASSED:** 6-1, Tanaka no

Mayor Burt invited comments related to exemptions and offsets. He did not recommend exempting a hotel that paid a TOT amount that was less than what they would pay in the Business Tax. He recommended going forward with exemptions up to 5,000-square feet, a \$50 fee, exempt grocery stores, and allowing offsets for hotels and companies using Palo Alto as a discretionary point of sale.

Ms. Stump stated there was a legal problem with the structure. She proposed to not charge the tax for the first 5,000-square feet for all businesses but collect the \$50 fee for the Business Registry Program versus a flat fee.

**(TENTATIVE) MOTION:** Moved by Mayor Burt, seconded by Council Member DuBois approve the following characteristic for a business license tax:

- a. Exemption for first 5,000 sq ft
- b. Exemption for groceries (requires a given % of sq ft. of food sales to qualify)
- c. Allow offsets for hotels (that collect/remit Transient Occupancy Tax)
- d. Allow offsets for discretionary sales tax, when designating Palo Alto as the point-of-sale
  - a. e. Confirm that the City's Business Registry program will continue to operate and be required for all businesses except as exempted by the Business Registry Certificate ordinance.

Council Member DuBois stated it was important to understand that the offsets are taxes that come directly to the City.

Mayor Burt mentioned the polling results did not show an advantage in voter support for exempting hotels that pay the TOT. He believed it was best practice to exempt hotels as they paid the highest TOT in the State of California.

Council Member Stone supported the motion. The offset for discretionary sale tax provided an incentive for existing businesses but also an incentive for new businesses. He inquired if apartment complexes were exempt from the Business Tax.

Ms. Stump explained Staff understood from Council's discussions that the portion of a landlord's business that was occupied to run the business would be subject to the Business Tax.

Ms. Shikada added there were complications with assisted living facilities.

Mayor Burt commented most of those spaces did not exceed 5,000-square feet.

Ms. Stump answered many assisted living facilities were run by non-profits and were exempted under the law.

Council Member Stone asked if common areas of an apartment complex were subject to the Business Tax.

Ms. Stump noted those areas where for resident use and were not used for the landlord to run the complex.

Ms. Nose interjected Staff's estimates were based on non-residential square feet as designated by CoStar.

Council Member Stone encouraged Staff to explore it further before final decisions are made.

Ms. Stump suggested not listing those uses as an exemption but rather including them in the definition of what is square footage occupied for a business purpose.

**PROPOSED AMENDMENT:** Motion by Council Member Cormack to include an exemption for seasonal business who operated less than 90-days.

Council Member DuBois supported the amendment.

**(TENTATIVE) REVISED MOTION:** Moved by Mayor Burt, seconded by Council Member DuBois approve the following characteristic for a business license tax:

- a. Exemption for first 5,000 sq ft
- b. Exemption for groceries (requires a given % of sq ft. of food sales to qualify)
- c. Direct staff to evaluate the impacts of allowing offsets for hotels (that collect/remit Transient Occupancy Tax)
- d. Direct staff to research offsets for discretionary sales tax, when designating Palo Alto as the point-of-sale
- e. Exemption for seasonal businesses operating less than 90 days
- f. Confirm that the City's Business Registry program will continue to operate and be required for all businesses except as exempted by the Business Registry Certificate ordinance.

Council Member Cormack inquired if the offset was a one-for-one credit.

Ms. Stump answered that was a policy direction for Council to determine.

Mayor Burt envisioned it being a one-for-one credit.

Council Member Cormack wanted to understand the impact if Items C and D.

Mayor Burt believed there would be no loss in City revenue for Item D.

Council Member Cormack clarified she wanted to understand the order of magnitude those two items would have to the revenue total.

Ms. Nose remarked Staff did not have that information.

Council Member Cormack recommended Staff explore it more and return with information about the impacts.

Mr. Metz articulated the third poll would test messages that were based on the policy decision to include exemptions.

Council Member Cormack restated she wanted to understand the the dollars were for Items C and D of the motion. She understood the policy reason and predicted it would not be a big impact on polling.

Ms. Nose noted Staff did model TOT as a full exemption. Item C would be an increase in revenue from current estimates and Item D would be a decrease from the current estimates.

Council Member Cormack wanted to know when Staff would be bringing back more information on the topic.

Ms. Stump believed the information would not be available until applications were received for the exemptions.

Ms. Nose concurred folks will have to apply for an exemption through the application process.

Council Member Filseth believed polling on hotel exemptions would not provide clearer data.

Council Member Tanaka asked what BRC stood for.

Ms. Nose answered Business Registry Certificate Program.

Council Member Tanaka asked if a business that a home office had, that was more than 5,000-square feet, but many of the employees work from home, would be exempt.

Ms. Stump understood that home-based businesses are excluded from the Business Registry. Employees working from home are not a business amongst themselves.

Council Member Tanaka remarked only businesses with a physical office in Palo Alto will be taxed.

Ms. Stump confirmed that is correct.

Ms. Nose confirmed that home-based businesses were exempt from the BRC.

Council Member DuBois thought home-based businesses with one or fewer employees were exempt.

Ms. Nose answered sole proprietor businesses were exempt, single employees and others.

**MOTION PASSED:** 7-0

Mayor Burt invited Staff to guidance on how specific the Council should be for revenue uses.

Ms. Stump recommended the Council be general.

Mr. Metz added the resolution would be used as a supportive argument for the measures.

Mayor Burt acknowledged the arguments that polling was determining the ballot measure. He stated polling informs the Council's decision and then Council implements its own decision.

Council Member DuBois wanted to have questions in the third poll about potential revenue uses.

**(TENTATIVE) MOTION:** Moved by Council Member Dubois, seconded by Mayor Burt approve the following characteristic for a business license tax: Poll for an intended Council resolution that the funds would be used for grade separation and rail safety, affordable housing and homeless programs, public safety, and improvements to University and California Avenue business districts

Council Member DuBois recommended the revenue use list be limited to four or five items. He believed all the uses proposed in the motion had nexus with both the business community and residents.

Mayor Burt understood the uses would be presented as a set in the polling.

Mr. Metz cautioned against testing another long list of potential uses that had heavy overlap with the previously tested uses.

Mayor Burt understood the polling would include a question such as would you support a Business Tax for these uses.

Mr. Metz confirmed the fourth item of the motion could be tested independently from the other uses.

Council Member DuBois noted the improvements for University Avenue and California Avenue included redesigning the environment as well as economic development.

Mayor Burt clarified the intention was to change and revitalize the University Avenue and California Avenue business districts.

Council Member DuBois agreed and believed the motion posed a different question than what was asked in the prior poll.

Mr. Metz expressed he would be surprised if improvements for University Avenue and California Avenue stood out as a high priority for voters.

Mayor Burt appreciated the motion highlighted rail safety.

Council Member Cormack inquired if the motion was to provide direction for polling or to finalize the revenue uses. She emphasized the Council should decide at a later time on how to use the revenue. She asked if the poll could

ask if folks would pass the measure if they knew what the funds would be used for.

Mr. Metz answered yes, but believed if the specific uses were not identified, that would result in an unclear polling answer.

Council Member Cormack recommended the wording of the motion be written in plain English. She wanted to understand what happened if the polling data showed no support for the proposed revenue uses.

Mayor Burt answered Council will have to make a policy decision on whether to have a resolution.

Council Member DuBois noted several of the items in the motion polled as high priorities.

Council Member Cormack restated why should it be asked again as a complete package when it was already asked in previous polls.

Council Member DuBois stated to allow for polling of a complete offering.

Council Member Cormack emphasized the motion was too soon. The Council had not decided what the priority uses were or discussed it in depth.

Mayor Burt commented this was the last opportunity for the Council to give guidance to polling on uses. The motion was not binding and it addressed concerns that the Council was not being clear on what the uses of the revenues would be. Based on previous polls, transportation was not considered a high priority among the community.

Council Member Cormack remarked public safety is the largest portion of the City's Budget. Fire and police should be the top priority and different language should be used for grade separations. She supported affordable housing and homelessness and the business districts. The motion should include other infrastructure projects as well as climate change.

Vice Mayor Kou asked if unfunded capital improvements were identified as a high priority in the poll.

Mr. Metz answered improvements to community-owned assets polled as a low priority.

Council Member Filseth agreed public safety included restoring services to pre-pandemic times. He questioned how much new information would be provided by the motion and agreed with Council Member Cormack that many of the community will not understand what improvements to University and California Avenue business district means.

Mayor Burt agreed but supported capturing additional information.

**MOTION PASSED:** 4-3 Cormack, Filseth, Tanaka no

Mayor Burt understood the third round of polling would poll for each ballot measure.

Mr. Metz confirmed two measures would be tested to see whether they would be viable together.

Council Member DuBois inquired if the Gas Utility Transfer was a tax or a reaffirmation from voters.

Ms. Stump stated the Supreme Court ruled the Gas Utility Transfer is a tax that needed to be affirmed by the voters.

[The Council took a short break]

**DRAFT MOTION:**

Direct staff to continue work regarding potential ballot measures for voter consideration during the November 2022 election, including the execution of the third round of polling, drafting of ballot questions and the full ballot measure text in accordance with the following characteristics:

1. Continue to pursue a ballot measure seeking to affirm the natural gas utility transfer, at the current rate of up to 18% of natural gas utility gross receipts as outlined in Table 2 in the staff report;
2. Continue to pursue a ballot measure seeking to establish a new Business Tax based on square footage with the following characteristics:
  - a. Tax is determined based on a business's square footage in Palo Alto,
  - b. Tax rate of \$0.10/sq. ft. per month or \$0.12/sq. ft. per month,
  - c. Tax rate to increase by the CPI, capped at 5% per annum with excess CPI carrying over to future years,
  - d. Two year phase-in provision: reduced rate of 50% in the year of initiation of the tax, and the full rate to be charged in the second year (initiation date to be refined later),
  - e. No sunset
  - f. Exemptions for the following:

- i. Grocery stores (requires a given % of sq ft of food sales to qualify as a grocery)
- ii. Seasonal businesses operating less than 90 days
- iii. First 5,000 square feet
- g. Direct staff to evaluate the impacts of allowing an offset for hotels based on remittance of TOT
- h. Direct staff to research offsets for businesses based on remittance of sales & use tax where the point of sales has discretion and is designated in Palo Alto.
- i. Confirm that the City's Business Registry program will continue to operate and be required for all businesses except as exempted by the program ordinance.
- j. Direct staff to draft a non-binding resolution to inform the public of Council's intentions regarding the use of Business Tax proceeds,
  - i. Explore through polling regarding the use of Business Tax Proceeds: funds would be used for grade separation and rail safety, affordable housing and homeless programs, public safety, and improvements to University and California Avenue business districts

Council Member Filseth restated the core issue was to identify how much funds are needed to be able to deliver what stakeholders need. Many advocates believed a Business Tax would incentivize businesses to leave, but the data showed folks were already leaving the region. This downward trend started a decade ago. The top reasons folks were leaving were cost of living, housing and quality of life. The region had not invested enough resources in housing, transportation, and service infrastructure necessary to provide a quality of life that made folks want to stay. Overall, the State of California needed \$200 billion to fund housing and transportation needs. The extremital threat was folks moving out of the area, not a Business Tax.

Mayor Burt agreed there had to be adequate investment by local government in critical transportation, affordable housing and public safety. Silicon Valley evolved as an exceptionally low Business Tax region. He encouraged the multi-billion-dollar businesses and huge commercial property developers to consider making the region sustainable and thriving for the long term. A large campaign opposing the tax measure was underway and the City should expect those types of campaigns moving forward. Some believed the new Business Tax would greatly decrease the

amount of new business coming into Palo Alto. He argued that new businesses will negotiate their lease rate. Many groups criticized the City for performing a thorough process when in prior years they encouraged the City to be deliberate. He agreed with Council Member Filseth that the Business Tax was a necessary investment.

Council Member Cormack stated Item 2 of the motion will result in a significant change to the community but believed the Council was approaching a tax that was reasonable for the community as a whole. She supported the motion as presented but could not support a motion that recommended \$.12 per square foot. She concluded that the people of Palo Alto should be paying for the unfunded capital improvements and the whole community should be paying for initiatives to combat climate change.

Council Member Tanaka remarked when starting a business, Palo Alto used to be the place to locate that new business. Currently, fewer startups were choosing Palo Alto as the location for their business. Every city wants to have what Silicon Valley has and they were competing for innovative and talented businesses. Venture capital investments were decreasing and it had become common practice to have a business be fully virtual. He believed a Business Tax would be damaging to the City, to residents, and would exacerbate the relocation movement of the business community.

Vice Mayor Kou echoed Council Member Filseth and Mayor Burt's comments. The letter written by Silicon Valley Leadership Group (SVLG) suggested Palo Alto follow neighboring cities and their Business Tax. She emphasized every city has different needs. SVLG's comment letter included erroneous and false statements and she questioned the data they provided. SVLG supported and campaigned for regressive taxes and those taxes did not address Palo Alto's needs.

**MOTION PASSED: 6- 1** Tanaka no

Council Member Comments

Mayor Burt mentioned several Council Members attended the youth Earth Day rally. Also, he attended an Earth Day set of exhibits and events at Stanford Hospital. At the recent Santa Clara Valley Transportation Authority (VTA) meeting, an update was provided on the capital cost of the Bay Area Rapid Transit (BART) system. The federal government had committed to 25 percent or up to \$9.1 billion in costs for the BART improvements. It was estimated the improvements to the BART system would be \$6.9 billion. Measure B dollars for grade separations were to continue to be used for the purposes they were designated for.

Adjournment: The meeting was adjourned at 11:51 P.M.