



CITY COUNCIL SUMMARY MINUTES

Special Meeting
April 18, 2022

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

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

Absent: None

Study Session

1. Joint Study Session with Palo Alto Youth Council.

Community Services Director Kristen O'Kane introduced Chris Penaranda who worked with the Palo Alto Youth Council (PAYC).

City Advisor Chris Penaranda oversaw youth and teen services programs, teen services and special events for the City. He invited the Youth Council to introduce themselves and present their presentation.

Youth Council Member Emily Chan, President of the PAYC, shared that the Youth Council was comprised of 16 Palo Alto teenagers from four different high schools. The Council strived to connect and educate youth in the community through events, address youth needs and communicate City affairs with youth in the community.

Youth Council Member Anika Mittal, Vice President of the PAYC, introduced the remaining members of the PAYC. PAYC identified mental health, college support and climate action as their focuses for the years 2021-2022. Throughout the COVID-19 Pandemic, many students struggled with anxiety and stress. Many things had changed throughout the pandemic and PAYC was interested in helping seniors through the new college admission process. Also, PAYC wanted to provide more awareness to global warming and Palo Alto's environmental policies.

Youth Council Member Olivia Chang, Secretary of the PAYC, shared that PAYC held a movie night where all the proceeds were donated to Project Safety Net.

Youth council Member Kayley Spencer, Public Information Officer for PAYC, shared another event called Finals Study Cram Slam lasted three consecutive days and provided student tutoring, silent study and dinner.

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Youth Council Member Jillian Ascher, Public Information Officer for PAYC, shared PAYC's most recent event was the College Admissions Panel which included a Stanford admissions officer, Castilleja college counselor and college students. PAYC also held a collaboration event called the YAC (Youth Action Council) Social. It was a full-day conference where youth heard from other local youth action councils about their events and social media. The group brainstormed for a future event called the YAC Attack.

Ms. Spencer shared there were over 100 attendees at the YAC Attack from 16 organizations. Attendees heard speeches about youth in government, reducing stress and information about non-profits.

[A video was played showing clips from the YAC Attack event]

Ms. Spencer informed two more events were planned for the year. One was Palopalooza which was to be held April 22, 2022 and included live music, singers and bands from the community.

Ms. Ascher added on April 23, 2022, PAYC will hold an Earth Day Fair in collaboration with 10 local non-profits to raise awareness about environmental activism and Palo Alto climate policy.

Ms. Mittal reported PAYC will continue to address teen issues, conduct relevant research on teen issues, continue to host events for teens and further policy collaboration with the City Council.

Ms. Chan thanked Council Member Stone, Parks and Recreation Commissioner Anne Cribs, Mr. Penaranda, the Mitchell Park Community Center and PAYC members for their work.

Council Member Cormack appreciated the slide show and presentation. She inquired if community colleges were included in college support.

Ms. Mittal agreed community college was a valid option for seniors and PAYC would be incorporating them into their next college support event.

Council Member Cormack complimented PAYC for working with other teen groups and asked if PAYC learned anything at the YAC Attack event.

Ms. Spencer mentioned one youth council held a meet and greet with their City Council Members at a local coffee shop. PAYC was going to pursue that type of event in the coming year.

Council Member Cormack was happy to see surveys and research were on the thinking ahead list. She asked what thoughts did PAYC have on furthering policy collaboration.

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Ms. Chan responded that PAYC explored vaping among teens and recently mental health of teens through the pandemic. The goal for 2021-2022 was to reconnect the teen community through in-person events. PAYC will be pursuing policy collaboration with City Council in the coming year.

Council Member Stone found the presentation very informative. He appreciated that one of the focuses for 2021-2022 was on mental health. He strongly supported community engagement and allowing young folks to feel that they have a sense of connection within the community. PAYC is the bridge to bringing other youth groups together to work collaboratively to engage the youth of the community. He expressed excitement to work with PAYC on policy with the Council. He wanted to understand why there was not a Palo Alto High School representative on PAYC.

Ms. Mittal noted word of mouth was the most beneficial way to recruit members. There were two Palo Alto High School applicants but they were not the right fit for PAYC. PAYC acknowledged that outreach to Palo Alto High School was lacking and PAYC was exploring more ways to engage with the high school.

Council Member Stone volunteered to work offline with PAYC to engage Palo Alto High School students more.

Council Member Tanaka appreciated the presentation and PAYC's work in the community. He asked if PAYC conducted surveys in their schools to understand what the student's biggest concerns are.

Ms. Chan answered PAYL has never conducted a survey but it was a concept PAYL could explore further.

Council Member Tanaka asked what can the City Council do to help youth in the community.

Ms. Ascher remarked that PAYL was interested in understanding from City Council what role PAYL could play in current projects or policy the City was evaluating.

Julia Zeitlin suggested youth voices be included in the City's Sustainability and Climate Action Plan (S/CAP).

Council Member Tanaka suggested that PAYL work with Staff on developing a skate park in the City. He invited PAYL to attend City Council meetings and share their opinions on topics that would affect youth and teens in the community.

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Vice Mayor Kou was interested in understanding if cyberbullying was prevalent among youth and teens and how could it be addressed. She invited PAYL's opinion about traffic, congestion and youth-related retail that the City should pursue. With respect to climate change, she challenged PAYL to include nature and biodiversity in their focus.

Council Member DuBois stated having youth activities was the right step in keeping youth and the community engaged together. He suggested PAYL be in the May Fete Parade and to have a PAYL chili booth for the 4th of July. He invited PAYL to be involved in the City's climate change pilot program.

Council Member Filseth wanted to understand what other focus themes were PAYL considering.

Mr. Penaranda stated many other youth councils were still holding virtual meetings and were not able to hold in-person events.

Ms. Chan answered cyberbullying was on the list of focus themes as well as racial justice.

Ms. Mittal added that many members wanted to host fundraisers for wildfire victims.

Natya Chandrasekar mentioned there was a discussion about having a place to celebrate different cultures and public safety.

Mayor Burt commended PAYL for focusing on mental health. He emphasized City Council was interested in understanding what initiatives or actions the City can be taking to further youth mental health recovery. He invited PAYL to make their voices heard during the budget discussions. He commended Castilleja and Gunn High School students who showed interest in participating in PAYL. He suggested that PAYL explore better outreach methods and have representation from every high school. He encouraged PAYL to attend the May Fete Parade and asked if PAYL was involved in the youth rally for Earth Day happening at King Plaza.

Mr. Penaranda answered he was working with members who were coordinating the event and was helping with publicity and financial assistance.

Ms. Zeitlin confirmed she was helping to organize the rally and helped raise awareness in the community about the event.

Mayor Burt wanted to know if PAYL worked with the Teen Arts Council.

Ms. Chan answered yes and PAYL reached out to all youth groups to work with them in collaboration.

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Ms. Mittal noted four different Palo Alto youth organizations were working on and hosting Palopalooza.

Mayor Burt supported Council Member Cormack's comment regarding community colleges and promoting those options among youth in the community.

Mr. Penaranda disclosed next year PAYL will be discussing having a liaison from PAYL who will attend City Council meetings and report back to PAYL.

Mayor Bert suggested that PAYL work with Ms. O'Kane to identify items that PAYL may be interested in.

Council Member Cormack commended PAYL on their work regarding vaping and advising Council on the anti-vaping legislation that was passed.

Paul Cherian wanted to understand the best way to reach Council Members.

Mayor Burt recommended the Council Member's emails.

Council Member DuBois added that the City website listed office hour times for each Council Members as well.

Mayor Burt encouraged PAYL to have more male representation.

NO ACTION TAKEN

Agenda Changes, Additions and Deletions

None

Public Comment

Linda Jolley realized that the City cannot allow live-in vehicles to completely take over the streets but many folks who received tow warning notices needed help. Many folks who received the notices were elderly, sick, their vehicle did not work and/or they were folks in poverty. Also, folks who had received many notices had lost trust in the government and police department. She recommended Council explore a better option and reduce the frequency of the tow notices.

Giulianna Pendleton, Santa Clara Valley Audubon Society (SCVAS), opposed the release of feral cats and feeding stations for feral cats in Palo Alto. Skunks, raccoons and foxes eat the food at the feeding stations instead of feral cats. Recently 18 grey foxes were found dead from diseases that are spread by

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cats. She strongly requested that the City stop providing feeding stations for feral cats.

Rashi Sharma announced she was a member of the local Audubon Society and was concerned about the climate and biodiversity crisis. The Audubon Society was focused on reducing artificial light at night and promoting responsible lighting practices. Many cities are promoting dark skies and bird-safe building practices.

Aram James wanted to understand the process the City will take to hire the new Chief of Police. He strongly recommended three candidates come forward for public vetting.

Jeff Levinsky referred to the State Density Bonus Law and shared that many nearby cities were granting off-menu concessions to lower the cost for affordable housing. The Planning and Development Services Department interpreted the law as cost per square foot and will soon approve a SummerHill Homes project to build twice the amount of floor area allowed on West Bayshore Road. He predicted many developers will use that interpretation to their advantage. He urged Council to shut the project down immediately.

Consent Calendar

Public Comment

Aram James noted concerning Item Five, he wanted to know more about Ms. Blanch. He expressed frustration about Council's action regarding encryption of police radios. He reiterated that the community deserved to cross-examine the three candidates for the Chief of Police position.

MOTION: Council Member Cormack moved, seconded by Vice Mayor Kou to approve Agenda Item Numbers 2-5.

MOTION PASSED: 7-0

2. Approve Minutes from the April 04, 2022 City Council Meeting.
3. Adoption of an Ordinance Amending Existing Palo Alto Municipal Code Chapter 5.30, Disposable Foodware Items and Other Disposable Products, to Comply with California Assembly Bill 1276 (Single-Use Foodware Accessories and Standard Condiments) Requiring Additional Restrictions on the Use of Disposable Foodware and Condiments.
4. Approval of Amendment Number 1 to Contract Number C18169357 With Van Scoyoc Associates, Inc. for Federal Legislative Advocacy to Extend

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the Term for one Additional Year and add \$82,800 for a Total Not-to-Exceed Amount of \$414,000.

5. Approval of the Appointment of Sandra Blanch as Human Resources Director.

Human Resources Director Sandra Blanch shared her goal was to transition Human Resources smoothly from the previous Director's leadership. She thanked the Council and City Manager for their support in her appointment.

City Manager Comments

Ed Shikada, City Manager announced there was no new news regarding the COVID-19 Pandemic. The City recently rolled out the Palo Alto FireMed program which was an ambulance subscription program. At \$8 per month, residents and businesses could sign up for medical transportation services. Community meetings continued regarding the Tree Ordinance with the Architecture Review Board discussing the item on April 21, 2022, Parks and Recreation Commission on April 26, 2022 and then Council at a date uncertain. The Spring Forward in Palo Alto blog provided ideas to inspire folks to get outside and enjoy the community. Upcoming community events listed in the blog included the Arts Passport, Creative Attention Community Day and library programming for spring classes and summer camps. The May Fete Parade was to be held on May 7, 2022 at 10:00 a.m. with a festival following the parade. Also, the Palo Alto Puzzle Hunt encouraged folks to go out in the community and solve a puzzle together. The Community was invited on May 4, 2022 to review and discussion of proposed renovations to the Mitchell Park Dog Park. On May 14, 2022, the Palo Alto Junior Museum and Zoo will hold its official grand opening as well as showcasing of the Rinconada Park improvements. Upcoming at City Council included a Rail Committee meeting on April 20, 2022. At the April 25, 2022 meeting, Council will hold Parks and Recreation Commission interviews and discuss Work Plans from the Public Arts Commission, Utilities Advisory Commission and the Stormwater Management Advisory Committee.

Action Items

6. Policy and Services Committee, City Auditor and Staff Recommend Approval of the Power Purchase Agreement Audit Report.

City Auditor Kyle O'Rourke noted utility Staff will address questions that the Policy and Services Committee (P&S) raise but were outside the scope of the report. All information mentioned by utility Staff was not audited. The audit report evaluated controls and billing accuracy as well as conducted audit testing on a sample of active Power Purchase Agreements (PPAs). PPAs are

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the City's mechanism through which the City purchases all of its power and the City had 15 PPAs.

Baker Tilly Consultant Stacey Gill mentioned that the City's largest PPAs were with Western Area Power Administration and Calaveras. The audit objectives were to understand the City's process of evaluating and entering into PPAs, evaluate the effectiveness of internal controls in management agreements and validate the accuracy and compliance of billing. The contract analysis was to review contract language and understand the nature of the agreement against other industrial processes. The examples of control testing included, but were not limited to, checking that invoice rates corresponded with approved rates, that Resource Integration Checklists were included as part of the procurement process and checking to make sure the payment amounts were traceable to approved All Resources Bills. The findings and audit recommendations were that the City implement a formal vendor performance monitoring procedure by which vendors are periodically assessed for PPA compliance as well as have a more formal review and documentation of the front office model file changes. Also, to formalize a process that allowed City of Palo Alto Utilities (CPAU) to validate vendor invoices and rate calculations completed by Northern California Power Agency (NCPA).

Mr. O'Rourke disclosed Staff recommended that the City Council approve the PPA Assessment report and corresponding recommendations for improvement.

Utilities Director Dean Batchelor provided that P&S had reviewed the PPAs, their management and confirmed that the Utilities Department had already implemented the recommendations.

Senior Resource Planner Jim Stack articulated that the department has comprehensive risk management and oversight structures in place that included both internal and external controls. The Utility Risk Oversight and Coordinating Committee (UROCC) monitored utility operations and made recommendations regarding PPAs to Council for consideration. The department also had an in-house Energy Risk Manager and a partnership with NCPA who monitored the performance of the contracts and payments. To help manage the risks of PPAs, the department only paid for energy after it had been delivered and security deposits were collected before the contract became active. One risk that could not be mitigated was that PPAs were long-term fixed-price contracts and could not be changed once approved. With respect to monitoring, the Utilities Department conducts a monthly internal report covering the overall performance of the electric supply portfolio, a Quarterly Energy Risk Management report and drafted a new Integrated Resource Plan every 5-years that was submitted to the State.

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MOTION: Council Member Cormack moved, seconded by Council Member Stone to approve the Power Purchase Agreement Audit report and corresponding recommendations for improvement.

Council Member Cormack thanked Staff for their work and reflected on the strengths that the auditor found that were listed on Packet Page 46.

Council Member Stone echoed Council Member Cormack's comments. He found the recommendations common sense and the majority of P&S supported the recommendation.

Vice Mayor Kou found the report thorough and showed the number of checks and balances that were in place.

Council Member Tanaka expressed his concern about the forecast risk and recommended Staff review the forecast's accuracy.

MOTION PASSED: 7-0

The Council took a short break and returned at 7:05 P.M.

7. Approval of Supplement Agreement No. 1 to the Master Funding Agreement Between the City of Palo Alto and the Metropolitan Transportation Commission for \$800,000 in Priority Development Area Planning Grant Funds to Prepare a Downtown Housing Plan; Approve Budget Amendments in the General Fund; and to Initiate the Plan Process for a Sub-Area of the Downtown Priority Development Area. Environmental Assessment: Exempt Under CEQA Guidelines Sections 15061(b)(3) and 15262.

Principal Planner Sheldon Ah Sing stated the purpose was for the Council to provide direction to Staff regarding support for the development of a Downtown Housing Plan that utilized grant funding that was awarded to the City. The Priority Development Area (PDA) was a 206-acre area within a ½-mile of the University Avenue Caltrain Station. The purpose of the PDA area was to help guide growth that aligned with transportation and housing policies as well as supported growth around transit. MCT published a Call for Letters of Interest for the PDA Planning Grant in 2020 and the City was awarded \$800,000 in May 2021 to prepare a Housing Plan for the Downtown area. The Grant did not require matching funds and did not include a claw back feature. Since May 2021, Staff had been collaborating with MCT to refine the scope of work for the Housing Plan and completed the Master Funding Agreement. The Supplement Agreement was executed on March 2, 2022 and was a 10-year agreement. The agreement included the scope of work, budget and outlined

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milestones for reimbursement of expenditures. Staff proposed a revision to the Supplement Agreement to allow the City to hire a consultant to complete the Housing Plan. The Housing Plan area included 74-acres within the 206-acre PDA area. Some of the challenges within the Housing Plan area included high land costs, more profitable office development, public parking being set at a high value and several others. Staff would return to the Council at a later time to identify the goals of the Housing Plan. Staff would be conducting extensive outreach to the community and businesses. Elements of the Housing Plan included project management and coordination, community outreach and engagement, community assessment and policy development and plan preparation. The tentative timeline moving forward was very aggressive. The City had other ongoing initiatives that intersected with the Housing Plan, including the Housing Element Update, parklets and potential street closures and more. Staff anticipated that the project will exceed the \$800,000 grant and requested the City hire a plan preparation consultant as well as a project management consultant. Staff predicted Council will be selecting a plan preparation consultant by June of 2022 which would be covered by the grant. The General Fund (GF) would provide funding for the project management consultant at \$450,000 to \$600,000 over a 3- to 4-year span. The Planning and Development Services Department (PDS) Staff were thinly stretched with respect to their ongoing Workplan and PDS also had tasks laid out in each of the Council's priorities for the year 2022. If the project was not completed within the allocated timeframe, the City would not be able to claim reimbursements for the incomplete tasks and forfeit any unclaimed money. Staff recommended the Council approve the grant, amend the Fiscal Year (FY) 2022 Budget Appropriation for the GF, initiate the local planning process for the Downtown Housing Plan and direct Staff to return to the Council for identification of the goals.

Council Member DuBois inquired if the grant timeframe started when the grant was awarded in May of 2021.

Mr. Ah Sing answered the timeframe begins on April 30, 2022.

Council Member DuBois asked if the University Avenue Streetscape project could be considered as part of and funded by the grant.

Director of Planning and Community Development Jonathan Lait explained the Housing Plan would contemplate the existing Downtown initiatives underway but not absorb those tasks.

Council Member DuBois wanted to know if the Stanford University Mall was included in the plan.

Mr. Lait answered no.

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Council Member DuBois inquired what Staff was requesting of the Council.

Mr. Lait reiterated Staff recommended the Council accept the grant and sign the agreement. Staff would then seek out a consultant and return to Council with a proposed project.

Vice Mayor Kou was concerned the City would not receive reimbursements.

Mr. Lait commented the reimbursement turnaround time had not been an issue in the past.

Vice Mayor Kou understood the process would be similar to the North Ventura Coordinated Area Plan (NVCAP).

Mr. Lait answered yes, but on a smaller scale with a primary focus on housing opportunities in the Downtown.

Vice Mayor Kou inquired what mechanisms did MCT have to explore expanding transportation in the area.

Mr. Lait remarked several grant opportunities were available from MCT.

Vice Mayor Kou asked if the PDA boundaries extended into the South of Forest Avenue (SOFA) areas.

Mr. Lait believed no.

Mr. Ah Sing confirmed that is correct.

Council Member Stone wanted to know what happened when the planning process is completed but the City does not approve the overall Housing Plan.

Mr. Lait remarked if the City meets the milestones and receives reimbursements but does not approve the plan. The City does not have to return the funds.

Council Member Stone asked if the Housing Plan could be used to show realistic capacity for housing construction in the Downtown area.

Mr. Lait answered it would be a supplemental tool to the current effort and may be mentioned in the Housing Element programs if endorsed by Council.

Council Member Filseth summarized the City was contributing \$500,000 which equaled \$1.3 million for the project. He inquired if the proposed effort could be managed by using only the \$800,00 grant.

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Mr. Lait commented potentially but restated the \$800,000 may not be enough to cover the project and project management together.

Mayor Burt requested Staff comment on the relationship and timing of doing the Housing Plan absent the grade separation project for the area.

Mr. Lait noted the Comprehensive Plan included a program to develop a coordinated area plan for Downtown and that included the grade crossing. Staff will focus on the housing component of the coordinated area plan and then come back in the future to discuss the other components.

Mayor Burt asked if the housing site located near the intermodal center was included in the Housing Element or in the Housing Plan or both.

Mr. Lait confirmed the site was excluded from the Housing Plan.

Mayor Burt articulated the community was concerned about increasing housing in the Downtown and having parking spill over to surrounding neighborhoods. He wanted to know if the grant limited the City's ability to restrict the ability of under-parked projects in the Downtown area.

Mr. Lait explained the grant contained no requirements regarding existing Residential Parking Programs (RPP) but encouraged exploration of parking minimums and maximums.

City Attorney Molly Stump confirmed the grant did not create new rules or procedures that the City had to follow.

Public Comment

David Hirsch explained Mr. Peter Baltay and himself were concerned that the study would not present the material needed to speedily develop housing projects within the timeframe to response to the acute housing needs. While the plan would discover principles for development. It would not include visuals, physical, or tangible demonstrations. The best approach to expedite housing development was to study the development of a hypothetical program for a limited number of realistic sites from an architect's perspective. This would provide an accurate realization of potential unit density, would recognize the contextual issues and would determine alternatives for the mix of unit types, open space requirements and other items.

Liz Gardner believed in working local, living local and investing locally. She hoped the Housing Plan would include all income levels and all family sizes. The grant may better serve the community if it were used to facilitate a

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healthier way to engage property owners to fairly adjust their rents and support renter policies.

Rebecca Eisenberg explained the City of San Francisco had built housing near community gathering facilities and had a robust public transit system. That effort resulted in fewer cars on the streets. She encouraged the Council to invest in housing near Downtown, near jobs and near transit.

Council Member Cormack found the plan to be one of the cornerstones for the new Downtown and acknowledged that the Downtown will have to change. The description in the scope of work highlighting that building housing in Downtown Palo Alto was extremely challenging was a true statement. She supported having sufficient time and opportunities for the public to provide their comments on any proposed plans. She mentioned there was a question about Stanford University and inquired if Staff was seeking an answer.

Mr. Lait stated no response was needed.

Council Member Cormack appreciated Staff was continuing dialog with Stanford University. She supported Staff's proposals to form a Working Group, the design charette and listed public engagement activities. She found the combination of Private and Public Realm Design Guidelines was a promising concept. She expressed her support for the proposal with the caveat that changes are needed in the Downtown area to support more housing.

Mayor Burt suggested the NVCAP, Expanded Community Advisory Panel (XCAP) and SOFA coordinated area plans be evaluated and apply best practices from those to the new Downtown Coordinated Plan. He acknowledged that the Palo Alto process may be long but it resulted in grassroots democracy and community participation. He supported having an architectural perspective in the development of the Housing Plan. If the City did not invest up front in the right process, the community will become frustrated with the end product.

Council Member DuBois wanted to understand how the boundaries for the new Housing Plan were decided upon and why the land on the other side of Alma Street were not included.

Mr. Lait answered Staff scaled the project down to the boundaries that could be covered by the \$800,000 grant and the objectives.

Council Member DuBois felt the proposal was adopting a specific plan for Downtown.

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Mr. Lait explained there was a coordinated area plan process but that was not the proposal.

Council Member DuBois restated the funds would not cover housing between Alma Street and El Camino Real.

Mr. Lait confirmed that is correct. The area was too big for the amount of money offered in the grant.

Council Member DuBois mentioned there were large parking lots and other areas that may be beneficial to include in the Housing Plan.

Mr. Lait restated that would require a more in-depth study and analysis. Council could change the project boundaries but that would require a conversation with MCT. Also, changing the boundaries would impact responses from proposals and may result in delaying the project.

Council Member DuBois pointed out that many of the properties within the boundaries were privately owned and the owners may not want to participate.

Mr. Lait acknowledged the boundaries were focused on University Avenue and extended from that core Downtown area.

Council Member DuBois wanted to know what the goal was. There was no indication of what Development Standards and Design Standards to produce housing Downtown meant.

Mr. Lait confirmed there were many constraints to building housing in Downtown. Many concepts need to be explored further to encourage property owners to build housing as opposed to office.

Council Member DuBois inquired how many housing units were predicted to be built in the Housing Plan.

Mr. Lait predicted once the plan went forward, more housing opportunity sites may be identified. He encouraged Council not to set targets, but rather receive feedback from the community about their expectations for how much housing should be included.

Council Member DuBois understood that the City would go through the process, make California Environmental Quality Act (CEQA) findings and then change zoning laws.

Mr. Lait answered yes and added some legislative action would need to happen to achieve the housing.

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Council Member Filseth wanted to understand how the City would approach the project if the MCT funds were not available.

Mr. Lait predicted the plan would be identified as a program in the updated Housing Element but would not be a program that needed to be implemented immediately.

Council Member Filseth commented the concern was is the proposed Housing Plan a distraction and should Staff resources be used for a lower priority plan.

Mr. Lait agreed but wanted to understand from Council whether to accept the grant money or not.

Council Member Filseth inquired if MCT would allow a 1-year extension.

Mr. Lait answered no.

Council Member Stone asked if the Housing Element Ad Hoc Committee would be reviewing the plan.

Mr. Lait commented the Mayor could choose to include the Housing Element Ad Hoc Committee in the engagement effort but not the Housing Element Working Group.

Council Member Stone supported having check-ins with the Housing Element Ad Hoc Committee. He acknowledged the assumption that housing near transit will lead to reduced car use but stated it was not wise to implement policy based on assumptions. He asked if there was evidence that supported that notion.

Mr. Lait understood the sensitivity of understanding parking for housing developments. There were studies with evidence that could be challenged based on a person's perspective. Staff had conducted studies and was exploring other data sources.

Council Member Stone appreciated the answer and remarked it would be beneficial to know more about the studies as the project advances. Overall, he supported the Staff's recommendation.

MOTION: Mayor Burt moved, seconded by Council Member Cormack to proceed with acceptance of the grant with the following actions:

1. Approve and authorize the City Manager to execute Supplement Agreement No. 1 to the Master Funding Agreement between the City of Palo Alto and the Metropolitan Transportation Commission (Attachment

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- A) for \$800,000 in Priority Development Area Planning Grant funds to prepare a Downtown Housing Plan;
- 2. Amend the Fiscal Year 2022 Budget Appropriation for the General Fund budget by: (approval by a two-thirds vote required)
 - a. Increasing the Planning and Development Services grants revenues by \$800,000;
 - b. Increasing the Planning and Development Services appropriation for contract services by \$800,000 to recognize the Priority Development Area Planning Grant Funds;
 - c. Execute Supplemental Agreement 1 to preserve the City's interest in the grant until the Council has an opportunity to receive the supplemental City funding for the project during the FY 23 Budget process.
- 3. Direct Staff to propose City for this project during the FY 23 Budget process
- 4. Initiate the local planning process for a Downtown Housing Plan; and
- 5. Direct Staff to return to Council for identification of goals for preparation of the Downtown Housing Plan.

Council Member Cormack requested Staff explain the proposed changes to the Staff recommendation made by Mayor Burt.

Mr. Lait understood Staff would execute the agreement with MCT, continue with the RFP, receive the proposals and return to the Council with a selected consultant. Staff will request the additional \$150,000 at a later time.

Mayor Burt confirmed the adjustments made to Staff's recommendation reflected the language in the Staff report. The City would not commit the additional funds until the Budget process.

PROPOSED AMENDMENT: Council Member Cormack proposed to change 2(c) of the motion to Number 3 of the motion.

Mayor Burt accepted.

MOTION: Mayor Burt moved, seconded by Council Member Cormack to proceed with acceptance of the grant with the following actions:

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1. Approve and authorize the City Manager to execute Supplement Agreement No. 1 to the Master Funding Agreement between the City of Palo Alto and the Metropolitan Transportation Commission (Attachment A) for \$800,000 in Priority Development Area Planning Grant funds to prepare a Downtown Housing Plan;
2. Amend the Fiscal Year 2022 Budget Appropriation for the General Fund budget by: (approval by a two-thirds vote required)
 - a. Increasing the Planning and Development Services grants revenues by \$800,000;
 - b. Increasing the Planning and Development Services appropriation for contract services by \$800,000 to recognize the Priority Development Area Planning Grant Funds;
3. Direct Staff to propose City and grant Funding for this project during the FY 23 Budget process
4. Initiate the local planning process for a Downtown Housing Plan; and
5. Direct Staff to return to Council for identification of goals for preparation of the Downtown Housing Plan.

Council Member Cormack believed the plan would address housing for all income levels.

Council Member DuBois expressed concern about using a consultant to manage the project. He recommended a long-range planner work on the project as well as the Downtown Coordinated Plan. The planner would become familiar with the community and know the context of the area. He asked if MCT would be sympathetic to the City's Staffing constraints.

Mr. Lait restated the City has exhausted its arguments to MCT for an extension.

Council Member DuBois restated his concern about the effort versus the outcome.

Mr. Lait suggested a consultant be used at the beginning of the project but then transition to a long-rang Staff position in the future. The Council would be receiving requests for additional Staff positions through the Budget process and that had to be considered as well.

Council Member DuBois wanted to understand if the City moved forward, would it receive reimbursements for all of the \$800,000.

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Mr. Lait wanted to understand if the goal from the Council was to complete the plan within the 3-year timeframe or was there an understanding that it may take longer than 3-years.

Mayor Burt shared Council Member DuBois's concern that hiring a consultant who did not understand the community's values was problematic. That concern could be mitigated through the hiring process for the consultant and through the structure of the stakeholder group.

SUBSTITUTE MOTION: Vice Mayor Kou, seconded by XX, to decline the acceptance of the grant.

SUBSTITUTE MOTION DIED DUE TO LACK OF A SECOND.

Vice Mayor Kou explained that due to the possibility that funding may not be reimbursed and the concerns raised by other Council Members. Staff should focus on current Downtown initiatives instead of adding a new initiative. In addition, Staff should begin collecting and understanding the data regarding how housing near transit impacts car use.

Council Member Filseth felt the proposal would be a distraction and removed resources and bandwidth from other housing initiatives.

MOTION FAILED (2/3rd Majority Required): 4-3, Dubois, Filseth, Kou No

Mayor Burt emphasized adopting the proposal preserved the City's right to the grant.

City Manager Ed Shikada understood if the City did not spend the \$800,000 in FY 2023. Then the funds did not need to be appropriated and that was a similar process the NVCAP followed.

Mayor Burt understood that if the Council preserved the right to the grant, but referred the Budget Amendment Ordinance to the Budget cycle for consideration. The City could proceed with the grant acceptance with the caveat that the City could decline to move forward with the Housing Plan depending upon the City FY 2023 Budget discussions.

Mr. Lait believed that was correct.

Ms. Stump agreed.

Mr. Shikada inquired if that type of action would cause concerns with MCT.

Mr. Lait stated he did not know.

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Council Member DuBois asked if the City would be signing a contract with MCT in FY 2022.

Mr. Lait explained the agreement was for reimbursement and believed MCT would allow the City to manage the funds how it saw fit. If the Council did not want to approve the Budget Amendment Ordinance, Staff was comfortable with that.

MOTION: Mayor Burt moved, seconded by Council member Cormack to proceed with acceptance of the grant with the following actions:

1. Approve and authorize the City Manager to execute Supplement Agreement No. 1 to the Master Funding Agreement between the City of Palo Alto and the Metropolitan Transportation Commission (Attachment A) for \$800,000 in Priority Development Area Planning Grant funds to prepare a Downtown Housing Plan;
2. Direct Staff to propose City and grant Funding for this project during the FY 23 Budget process
3. Initiate the local planning process for a Downtown Housing Plan; and
4. Direct Staff to return to Council for identification of goals for preparation of the Downtown Housing Plan.

Council Member Stone found Council Member Filseth's argument regarding prioritization of existing initiatives reasonable. If the City did not accept the grant, his concern was that the City was not doing everything it can to make realistic capacity for housing production.

Mayor Burt agreed adding additional work will be cumbersome but will further the realistic production of housing.

MOTION PASSED: 4-3, DuBois, Filseth, Kou no

8. 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.

Finance Director Kiley Nose presented the next steps for the ongoing work associated with the potential ballot measures. In January 2022 Council gave direction to Staff and Staff presented their work to the Finance Committee on

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March 28, 2022. Staff was seeking affirmation of current practice for the Gas Utility Transfer, characteristics of the Business License Tax, direction on the third round of polling, the ballot measure outline and direction on optional drafting of a potential non-binding resolution to inform the public regarding the use of the Business Tax revenues. The Finance Committee discussed the implementation of the Community and Stakeholder Engagement Plan, additional analysis of components of a potential Business Tax Measure and the overall components for a ballot measure. Communication and engagement were shared with the public through utility bill inserts, the Enjoy! Catalog, City-wide mailers, the Uplift Local electronic newsletter, the City's website and the City Manager's blog. Also, five focus groups were held with 27 participants as well as 394 survey respondents. Overall, there was general support associated with the affirmation of the Gas Utility Transfer measure and conditional or no support for the Business Tax.

3M Consultant Dave Metz articulated that the methodology used for the second survey closely mimicked the methodology used for the first survey. The survey asked questions regarding support for a tax. This resulted in roughly three in five folks supporting the Business License Tax conceptually, seven out of 10 voters supported a Gas Utility Transfer measure and two in five voters said they would vote yes for both measures. Regarding the structure of a Business License Tax, the majority of respondents were comfortable with a rate that increased rent by \$0.10 per square foot. Exemptions for small square footage businesses was supported while exempting hotels was not and voters were split on their desired focus for the new revenue. Many respondents were interested in seeing improvements to public safety, homelessness and housing services. Of the support messages tested in the survey, 46 percent supported all businesses paying a \$50 Registration Fee, 31 supported seeing comparisons against other jurisdictions and 30 percent wanted to see the tax not be on homeowners or shoppers but on the City's largest businesses. After hearing the pro and con messages, a majority of respondents supported the measure.

Ms. Nose remarked Staff was currently working on the ballot question that was a clear, accurate statement that described the purpose of the measure. After receiving direction from Council regarding the structure of the Business Tax, Staff will draft the formal ordinance language and hold additional stakeholder meetings. Based on the Finance Committee's recommendation of \$0.20 per square foot per month rate, the resulted in a gross revenue of \$43 million. The Finance Committee recommended a 3-year phase-in with gross revenue of \$22 million for the first year. For the Gas Utility Transfer, ongoing proceeds were approximately \$7 million annually with current contributions. All proceeds of any potential measure must be placed in the City's General Fund (GF) and spent on general government purposes. Based on Council's

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feedback over the years, the intended uses of the Business Tax proceeds included grade separation, housing, fiscal sustainability and others. The revenue from the Gas Utility Transfer would be used for general services to the public. While the court ruling in Fiscal Year (FY) 2021 was not final and had been appealed. City leaders believed it was prudent to seek voter affirmation on longstanding past practices for the Gas Utility Transfer. With respect to the next steps, based on Council's direction Staff would execute the third round of polling, draft the full ballot measure text, continue stakeholder engagement and go through the FY 2023 annual Budget process.

Council Member DuBois confirmed the Finance Committee had a robust discussion regarding polling and community feedback. The Finance Committee supported Staff's recommendation regarding the Gas Utility Transfer and discussed whether revenue uses should be different than the Business Tax revenues. Regarding the Business Tax, the public expressed concern about a tax increase by Consumer Price Index (CPI) without limitations and the Finance Committee recommended an annual cap on CPI. Several speakers commented that now was not the time to implement a tax. The Finance Committee understood Staff would not implement the tax until the year 2024 and recommended a 3-year phase-in. Polling indicated that folks would not support a Business Tax if hotels were exempted and after discussion, the Finance Committee recommended exempting hotels because of the high Transient Occupancy Tax (TOT).

Council Member Cormack wanted to understand why there was a huge difference between women and men's support.

Mr. Metz explained female voters tended to be more expansive in their view of public investment and were generally more supportive of taxes.

Council Member Cormack was surprised to see more support for a Gas Utility Transfer measure when asked second to the Business Tax.

Mr. Metz believed that was because one was essentially increasing a tax and the other was ratifying an existing practice.

Council Member Cormack asked who choose the order in which the tax measures appeared on the ballot.

City Clerk Lesley Milton understood it was done by a lot and would come to the Council in a resolution soon.

Council Member Stone wanted to know what jurisdiction was closest to Palo Alto that did not have a Business Tax.

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Ms. Nose explained Staff had not found any neighboring jurisdictions that did not have a Business Tax.

Council Member Stone predicted few cities within the region did not have a Business Tax.

Ms. Nose noted that a Business Tax is a common tax.

Council Member Stone recommended that information be shared with the community to appease concerns. He asked if an exemption of 5,000-square feet was an adequate size for small businesses.

Council Member DuBois clarified it was 5,000-square feet for all businesses.

Ms. Nose explained a general coffee shop was well under 5,000-square feet.

Council Member Stone requested details on what businesses would be exempted under the 5,000-square foot exemption.

Ms. Nose answered that 400 businesses would be fully exempted out of the 1,200 businesses in the City.

Council Member Tanaka inquired how many folks responded to the survey via email only.

Mr. Metz recalled half of the surveys were filled out online and half were verbally answered via phone.

Council Member Tanaka pressed how many emails were sent per person.

Mr. Metz answered an initial email and then one or two reminder emails. Phone calls and texts were targeted toward underrepresented demographics.

Council Member Tanaka requested Mr. Metz provide the data details to him offline. He asked how were the rates per square footage determined for the survey.

Mr. Metz noted Staff provided those figures.

Council Member Tanaka mentioned that office rents had plummeted and he wanted to understand why the figures were so high compared to the current rental rates. He inquired what nearby cities use a rate per square footage Business Tax.

Ms. Nose mentioned the City of Cupertino and the City of East Palo Alto.

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Council Member Tanaka questioned what the City of Cupertino's tax was.

Ms. Nose noted it was a tiered structure and not one rate for all.

Council Member Tanaka understood the polling indicated that folks would support a Business Tax of \$0.20 per month per square foot.

Ms. Nose answered yes and that was the amount the Finance Committee recommended.

Council Member Tanaka stated the polling results indicated that the community would not accept a \$0.20 per month per square footage tax.

Ms. Nose confirmed that is correct based on how the question was posed. She added the rates listed in the survey were data points pulled from office rents in the City's information database.

Mayor Burt mentioned the average current rent was \$8.00 per square foot. He asked if there were concerns about the legality of a Business Tax based upon square footage.

City Attorney Molly Stump answered no.

Mayor Burt requested Staff share the dollars per year that the City has lost or tentatively lost as a result of the legal case for the Affirm Gas Funds Transfer.

Ms. Stump explained California law has changed and there have been a series of interpretive court decisions that had provided further information about what the language in the California Constitution meant. A case was filed against the City that the long-standing practice of having the utility support general services for the City with a portion of its earnings were not consistent with the law unless approved by the voters.

Mayor Burt asked what the impact would be on the City's revenue from the legal case.

Ms. nose answered the annual transfer was \$7 million and the net impact was \$4 million annually. The proposed measure would affirm the current practice as opposed to the current Budget assumption that assumed the result of the court challenge.

Mayor Burt asked if voter patterns were evaluated when voters were asked to choose one out of several options.

Mr. Metz answered the survey question was not framed as multiple choice but rather the person had to respond to each option individually.

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Mayor Burt pressed how often folks chose the highest tax.

Mr. Metz stated it varied in the context of what the tax was for and the range of amounts.

Mayor Burt expressed interest in following up on his questions in the future.

Public Comments

Bob Moss reminded that Palo Alto has never had a Business Tax. Secondly, it should not be called a Utility Tax but rather a return on investment. For the structure of the tax, he suggested retailers pay 15 percent for businesses between 5,000- to 10,000-square feet and office pay \$0.20 per square foot regardless of size.

Nadia Naik advocated for spending the revenues on grade separations.

Anil Babbar, with the California Apartment Association (CAA), expressed confusion as to whether the Business Tax would apply to apartment buildings. He encouraged Council to exempt companies that provide housing. CAA was open to providing feedback on the matter and encouraged the City to include them in the stakeholder meetings.

Liz Gardner remarked she was polled and found the survey to be confusing and long.

Rebecca Eisenberg played a song written by Shel Silverstein, Free To Be Me. She stated surrounding jurisdictions used a Receipt Tax and Payroll Tax to tax the largest businesses in their jurisdiction.

Winter Dellenbach was surprised to receive an anti-Business Tax mailer that was designed to defeat a ballot measure. She believed the mailer was not in compliance with the California Election Laws and regulations.

Tiffany Griego, Managing Director for Stanford Research Park, reminded the Council in 2016 the Council voted unanimously to establish the Blue-Ribbon Committee to explore a Business Tax but the committee was never convened. Palo Alto had yet to conduct a sufficient analysis of economic impacts and businesses located in the Research Park would be the single largest contributor to a Business Tax. She strongly encouraged the City to engage further with the business community to understand possible impacts.

Dan Kostenbauder, Vice President of Tax Policy of the Silicon Valley Leadership Group and represented the Palo Alto Community and Business Alliance, read off the names of 23 residents in opposition of a Business Tax. He echoed the

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recommendation that the City conduct an economic study of the impacts of the Business Tax.

Charlie Weidanz argued the business community could not afford a new tax. Also, a Business Tax may result in a loss of both retentions of businesses as well as discourage new businesses to settle in Palo Alto.

Council Member DuBois recommended the language be simplified for the Gas Utility Transfer for polling purposes. He suggested the revenue for the Gas Utility Transfer focus on second-tier, more community-oriented services such as library services, community centers and the Sustainability Climate Action Plan (S/CAP). For the Business Tax, he recommended a solid definition for grocery store be drafted and encouraged the Council to closely review the details of the polling results. For the uses of the Business Tax revenue, he encouraged using a quarter of the revenue for affordable housing/homelessness, a quarter of the revenue for transportation/safety, a quarter of the revenue for public safety and a quarter of the revenue for economic development. The third round of polling should be clear that the first 5,000-square feet will be exempt for all businesses and that 400 out of 1,200 businesses will be exempted. Also, Budget impacts from the COVID-19 Pandemic should be explained, that businesses needed to pay their fair share and explain the reasoning why square footage was chosen for a Business Tax. Lastly, to highlight that a phased-in approach will allow property owners to adjust their rents to avoid impacts to tenants.

Council Member Cormack highlighted the City lost 10 points of support in the very acceptable category when the rate was increased from \$0.10 to \$0.15. The change was a big deal to the community and she encouraged broad Council support for a \$0.10 per square foot Business Tax. Complexity was not helpful in the first two polls and the third poll should be simple and clear. The third round of polling should focus on would the community support both measures. She understood that if the \$0.20 per square foot per month was adopted. That would be the second-largest category of revenue for the City.

Ms. Nose confirmed that is correct.

Council Member Cormack remarked that was a lot to expect from one segment of the community. She cautioned about adding in a 3-year phased-in approach and felt that would not provide a clear and accurate ballot description. She could not support adding advisories and wanted to hear from Staff if those would be helpful. The surveys indicated that folks want new services and initiatives and that should be clearly stated. She inquired if the estimated fees would be collected annually or monthly.

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Ms. Nose explained that detail would be worked on in the coming months and recommended the ordinance use broad terms. The frequency would be an administrative procedure based on feedback from Staff, consultants and the community.

Council Member Filseth wished he knew how big the gap was between federal funds and how much the City would need to pay for grade separations. That aside, he shared Council Member Cormack's concern that the City should not overreach but was worried that \$4 million a year would not be enough to restore services. In prior years, the public safety budget largely matched the increase in GF revenue, but the City had slowly cut Staff positions in both the Palo Alto Police Department and the Palo Alto Fire Department. He strongly encouraged the City to reevaluate that approach and restore public safety services that were eliminated during the COVID-19 Pandemic. Also, highlighted by the pandemic was the growth the City received daily from outside employees coming into the City to work. Once Sales Tax and TOT returned to pre-pandemic levels, expensive levels will have grown and revenue will never catch up. The City needed to provide a place where folks wanted to work, live and spend time. The equation between collecting enough revenue to provide vital services while still keeping taxes low was a tricky balancing act. He did not support a tax that brought in too much revenue.

Council Member Tanaka remarked an article mentioned that Palo Alto has the highest vacancy rate in all of Silicon Valley. The Stanford Research Park was seeing its highest vacancy rate in 25-years. Realtors shared that rents were half of what they were before the pandemic. The City of Cupertino's Business Tax ranged from .5 cents per square foot to \$0.04 per square foot. Palo Alto's proposed tax was 35 to 38 percent higher than the City of Cupertino. That high of a tax would drive businesses out of Palo Alto and \$0.20 per square footage was totally out of scope. Also, it was relatively easy for businesses in Palo Alto to move their Sales Tax to other cities. He agreed with Council Member Filseth about understanding what the needs were and working towards that goal. He highly disagreed with the polling and did not support the City wordsmithing the ballot measures to make sure they passed. It was the City's job to present the facts instead of manipulating the public. He acknowledged and agreed with the comments made by several public speakers who requested the Council conduct an economic analysis. The Business Tax should not exceed all of the neighboring cities' taxes. He questioned whether to even have the Gas Utility Transfer and suggested having a tax that paid directly to the GF.

Council Member Stone stated it was time to increase revenue to be able to pay for critical services the City needed. He agreed with Council Members Cormack and Filseth that the proposed tax was not in alignment with the

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polling data. He inquired if the analysis of the likelihood of the measure passing included the impact of the ballot appearing in a mid-term election year.

Mr. Metz confirmed the poll was taken by folks who were likely to cast ballots in the 2022 November election. In general, Palo Alto's election was less subject to a big variation in turnout than other cities.

Council Member Stone requested Mr. Metz provide his opinion on the switch in voter's approval of the \$0.20 tax compared to the \$0.10 tax as well as the likelihood of the \$0.20 tax passing.

Mr. Metz mentioned the base case scenario was a \$0.12 tax and three out of five voters supported it. It was hard to see from the data that suggested a \$0.20 tax would pass but the poll did not include all the details of the tax. A third poll would only be useful if Council provided a very specific, fully-formed ballot measures concept to test.

Council Member Stone was interested to see if the third round of polling would show evidence that a \$0.20 tax would pass.

Mayor Burt acknowledged the comments that a \$0.10 to \$0.20 Business Tax may deter businesses from locating in Palo Alto. The latest Colliers Report indicated that the asking rent was \$8.27 in Palo Alto and \$4.45 in the City of San Jose. The City was experiencing a high vacancy rate and developers could lower the rents if they did not want to have a high vacancy rate. The Colliers report indicated that Palo Alto had the highest rent in Santa Clara County and one of the highest in the United States. Big tech also saw massive growth in their profits in prior years. Businesses must pay their share of the impacts to roads, housing and services if they wished to continue to have local employees. The City of San Francisco had five Business Taxes that collected an average of \$3,100 per employee and the City of San Francisco was not struggling to retain its business community. Not only was the City facing the need to fund affordable housing, transportation and grade separation but also what portion of the needs would be supported in the face of a massive expenditure by large businesses. He believed large companies were fearful that other communities would adopt a similar Business Tax measure as Palo Altos. He encouraged the City to look at the tax objectively, beyond what the needs were but also what the voters would support.

Council Member DuBois stated a phased-in approach was critical. If the full tax did not go into effect until the year 2027, the polling did not test for 2027 tax rates.

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MOTION: Council Member XX moved, seconded by Council Member XX to move forward with the following ballot measures for voter review November 2022:

1. Affirmation of current Gas Utility Transfer at 18% of the gas utility's gross receipts for general government purposes;
2. A Business License Tax with the following characteristics:
 - a. Tax is determined based on a business's occupied square footage in Palo Alto;
 - b. Exemption for hotels (businesses that collect and remit Temporary Occupancy Tax);
 - c. Exemption for groceries (requires a given % of sq ft. of food sales to qualify as a grocery);
 - d. Exemption for seasonal businesses operating less than 90 days;
 - e. Exemption for first 5,000 sq ft;
 - f. Tax rate of \$0.20/sq ft per month;
 - g. Tax to be due beginning January 1, 2024;
 - h. Three-year phase-in provision: reduced monthly rate of \$0.12/sq ft for calendar year 2024; rate of \$0.15/sq ft for calendar year 2025; and full rate of \$0.20/sq ft beginning calendar year 2026;
 - i. Beginning in 2027 and each year thereafter, tax rate to increase by the CPI, capped at 6% per annum with excess CPI carrying over to future years;
 - j. Confirm that the City's Business Registry program will continue to operate and be required for all businesses except as exempted by the BRC ordinance;
3. Recommend the City Council direct Staff to proceed with:
 - a. A third round of polling based on the attached outline (Attachment A) and Finance Committee and Council feedback; and
 - b. Drafting of ballot question and full ballot measure text (ordinances) in accordance with tables 1 and 2 in this report for a

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potential Business License Tax and the Affirmation of the current Gas Utility Transfer.

Motion by Council Member DuBois and failed for a lack of a second, to include the Finance Committee Motion with following additions:

- A. Direct staff to include advisory for each measure:
 - a. Gas Utility return on investment Transfer funds to be used for:
 - i. Library and community services
 - ii. Community center improvements
 - iii. Climate Action plan efforts
 - b. Business Tax funds to be used for:
 - i. Homeless and affordable housing programs
 - ii. Transportation & Safety improvements
 - iii. Public Safety - police, fire and emergency medical
 - iv. Economic Development
- B. If possible, consider testing some additional messages in next round of polling in support
 - a. With a phased in tax, property owners have time to adjust their rents to avoid impacting tenants
 - b. Mention that first 5000 sq ft of ALL businesses is exempted and this will completely exempt 400 of the smallest businesses out of 1200 in Palo Alto
 - c. A Sq Ft tax scales with the largest companies having the largest impacts will pay the most.

Mayor Burt remarked he could not support the proposed uses as the priorities.

Council Member DuBois noted the uses under A tested the highest but he was open to changing them.

Mayor Burt did not want to go through a motion that started with those specifics.

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Council Member Filseth suggested having one motion for the structure of the taxes and then a motion for the advisories.

Council Member DuBois supported separating the components into multiple motions.

Mayor Burt suggested Council decided whether they supported a Gas Utility Transfer in the absence of a Business Tax or instead of a Business Tax or in combination with a Business Tax.

Council Member Tanaka remarked the Staff report noted that office rent ranged from \$7.10 to \$8.50. That did not correlate with CoStar's data that indicated rent was closer to \$4.00 or \$5.00 a square foot in the Downtown/University Avenue area. The rents used in the polling were not realistic figures and that was misrepresenting the impacts a tax would have on businesses. Currently, there were no mega profitable companies that had their headquarters in Palo Alto. The City of Cupertino had a large profitable company's headquarters and their Business Tax was significantly less than the Palo Alto proposed tax. If a Business Tax was implemented, the City must provide beneficial services to businesses. He questioned why the tax was proposed to go to the administration instead of being used for community services.

Council Member Cormack recalled that other jurisdictions did not have exemptions for grocery stores.

Ms. Nose confirmed that is correct.

Council Member Cormack asked if other jurisdictions had exemptions for hotels.

Ms. Nose answered no.

Council Member Cormack restated the taxes should be simple. She supported having an exemption for hotels and grocery stores. The Council should discuss what benefits the business community will receive if a Business Tax is passed. She did not support using the polling results to decide how to use the revenue. Traditionally, the City used the Gas Utility Transfer funds for general services and it was undeniable that some of the Business Tax revenue should be used for grade separations. She encouraged Council to focus on the polling question that requested folks chose from a variety of tax amounts. The largest drop in support was between \$0.10 and \$0.15 per square footage for the Business Tax. She remarked the business community has not expressed an interest in having the tax be phased in. Also, that process delayed when the

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City would receive the revenue. She supported capping the Gas Utility Transfer CPI at 6 percent.

Mayor Burt restated the City had already made the cuts to the Budget as a result of the loss of the Gas Utility Transfer. There was a nexus between having the voters reaffirm the transfer that had been in place for decades and being able to restore a portion of the City's services as a result of that affirmation. The grade separation projects required a local matching contribution and there was an uncertainty about how much local funding would be needed after federal and state aid was received. If the City did a two-step tax rate under the Business Tax, that would provide dollars for the City to use to bond against grade separations. He agreed several companies have discretion on where they designate their point of sale. The City must structure a tax that did not disincentive companies to have Palo Alto as their point of sale. He suggested Council consider exempt those businesses. The City was not in a recovery period currently but would be in a strong recovery mode when revenues are being collected. He acknowledged that many folks have continued to state that now was not the right time to implement a tax, but he noted they had been saying that since the year 2016. The City must make its own decision on what is viable, fair and implement a tax that has strong support in the face of high opposition. He expressed confusion why there was low support for \$0.12 per square footage when it was asked in a multiple-choice question versus when it was asked by itself.

Mr. Metz explained when a question isolates the variables, the tax rate will always poll lower than when tested in context and that applied to all tax rates.

Council Member DuBois restated Staff requested that Council finalize the ballot language. If Council had more to discuss, the item should be continued to a future meeting. He reaffirmed his support to include both taxes on the ballot and exempting grocery stores and hotels. He supported a Point of Sales Tax if the point of sale was higher than what would be paid from a Business Tax. It made sense to do an advisory because not separating the items made it appear that the revenue would go to the same place. He requested Staff provided more detail on how an advisory worked and its legal impacts.

Ms. Stump explained the resolution was a communication tool that the Council would use to communicate to the electret and other stakeholders about the City's intention for the use of the general tax revenues.

Council Member DuBois understood the advisory could be changed in future years as the needs shifted.

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Ms. Stump clarified the resolution acknowledged that both taxes would be general taxes. By law, the revenue would go into the GF and be allocated through the Council's annual Budget process.

Council Member DuBois requested Staff explain the value of an advisory.

Ms. Nose clarified that an advisory measure was something that would be placed on the ballot for the voters to consider. She believed Council Member DuBois was talking about a Council drafted Statement of Intent adopted as part of a Council Action Resolution and not a specific advisory measure on the ballot.

Mayor Burt asked why Council would only consider one and not both forms of advisories.

Ms. Nose commented Council could consider both.

Mayor Burt summarized there were two options and the Council should understand the political impact of each option.

Ms. Stump understood Council had not discussed fully whether to place an advisory on the ballot. She encouraged Council to seek advice from the pollster and political consultant.

Council Member DuBois clarified he was interested in understanding the value of the Statement of Intent Resolution.

Mr. Metz agreed the resolution was helpful as a communication tool to indicate to the community how the money will be spent. The resolution was non-binding and the intent could change with a future Council. He shared his skepticism of using an advisory measure because there was historical data that voters support the advisory measure but vote against the tax. An advisory measure was contingent upon voters understanding the intended link between the two measures.

Council Member DuBois believed having a resolution that explained how the funds will be used for the Gas Utility Transfer was important.

Council Member Filseth concurred with Council Member DuBois on having a hotel exemption. The City already had one of the highest TOT in the State of California. He also supported exempting grocery stores and a \$0.05, \$0.08, \$0.10 progression as suggested by Council Member Cormack. Having both measures on the ballot will be a balance between businesses being taxed as well as residents being taxed. The taxes should have a sustainable financial structure. The City should take care of existing businesses and be responsible

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and measured with its Business Tax. With both taxes, the City could fund affordable housing, restore services and begin the grade separation projects. If the City needed more revenue from the Business Tax for grade separations, he believed Palo Alto voters would understand the need and support an increase.

Council Member Tanaka stated the public needed to be fully informed and the polling must have realistic rents. Also, the public must understand that there will be no sunset set on the tax. He stated the 6 percent CPI rate was massive and believed 2 percent per year was more reasonable. He strongly supported having an economic analysis completed. The City must identify how much revenue is needed and then decide how to raise the money.

MOTION: Motion by Council Member Tanaka seconded by Council Member DuBois to defer this item to the City Council April 25th meeting.

City Manager Ed Shikada agreed Council has packed agendas for their upcoming meetings.

Mayor Burt remarked a special meeting may be warranted to allow items to be heard that are pushed to future agendas.

Council Member Cormack did not believe better information would be available if the item were continued.

Council Member Filseth agreed with Council Member Cormack.

Mayor Burt remarked it was not a question about better information but whether Council could come to a consensus.

PASSED: 5-2, Cormack, Filseth no

Council Member Questions, Comments and Announcements

Vice Mayor Kou attended Ability Paths recognition of partnership with businesses and they provided a certificate to the City.

Council Member DuBois commented he had travel plans coming up but would attend the Council meetings via Zoom. He encouraged the other Council Members to prioritize Council meetings over other meetings and to make the doodle results visible to all Council Members.

Council Member Cormack wanted the City Clerk to contact individuals separately instead of sharing Council Member's schedules.

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Mayor Burt did not consider it showing Council Members' schedules but rather showing Council Members' availability for specific dates. He supported Council Member DuBois's suggestion.

Adjournment: The meeting was adjourned at 11:46 P.M.