TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: City Manager

DATE: FEBRUARY 2, 2004 CMR: 132:04

SUBJECT: RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALO
ALTO LEVYING AN ASSESSMENT FOR FISCAL YEAR 2003-2004
IN CONNECTION WITH THE DOWNTOWN PALO ALTO
BUSINESS IMPROVEMENT DISTRICT

RECOMMENDATION

Staff recommends that the City Council adopt a resolution to levy the assessment for fiscal year 2003-04 in connection with the Downtown Palo Alto Business Improvement District.

BACKGROUND

On January 12, 2004, the Palo Alto City Council held a public hearing on the establishment of a Downtown Business Improvement District (BID) and adopted an ordinance establishing the Palo Alto Business Improvement District (BID). A second reading of the ordinance will occur tonight under the legislative portion of the City Council meeting.

DISCUSSION

To complete the actions necessary to make the BID fully operational in this fiscal year, a resolution to levy the assessment for fiscal year 2003-04 on businesses located in the BID must be adopted by City Council. That resolution is attached to this staff report as Attachment 1.

Following adoption of the resolution to levy the assessment for fiscal year 2003-04, notices will be sent out to each business in the BID. Businesses will be given 30 days before a second notice is mailed and a penalty for late payment is assessed. Funds
collected will be used to fund the activities described in the Report to the City Council from the Advisory Board.

Staff anticipates that the City will contract with a non-profit to carryout the BID activities. The nonprofit will be reimbursed from the assessments collected from the businesses in the BID. Typically, the nonprofit’s board of directors (constituted according to the bylaws of the contracting nonprofit) will be appointed by the City Council as the BID Advisory Board.

These actions will be brought to the City Council in the near future.

In subsequent years, an annual reauthorization of the BID will be required for its ongoing operation including the levy of the annual assessment on BID businesses. Since this is a partial year, the annual reauthorization will take place no later than June 2004 for the upcoming fiscal year.

**RESOURCE IMPACT**

The City Manager’s Office has provided staff support to the Advisory Ad Hoc Committee and Advisory Board. Economic Development staff has overseen the creation of a business database and other activities associated with the formation of a Downtown BID.

The City Attorney’s office has provided legal oversight and direction regarding the noticing and scheduling of required BID actions. In addition to internal legal oversight, outside legal services have been utilized. Estimates for this work are $10,000, with $5,000 being paid from the City Attorney’s budget for contractual services. The City Manager has agreed to pay the additional $5,000 from the City Manager’s contingency.

Preliminary estimates of costs to the Administrative Services Department are estimated to be $16,000 for the payment processing of BID assessments. Of this cost, $5,000 will be paid from BID funds collected, and the balance of the funds ($11,000) will be paid through the City Manager’s contingency in this initial year of operation. An additional initial cost of $4,000 is estimated for data input and reporting. This amount will also be funded through the City Manager’s contingency.

It is anticipated in future years that the database will be maintained by and assessment notices will be sent out by the organization with which the City contracts to provide BID activities administration and operations. The ongoing cost for processing of BID payments is estimated to be $5,000 annually. These costs will be paid with revenues generated from BID assessments. If additional expenses for payment processing occurs,
these costs will be reviewed by the City Council at the time of the annual BID reauthorization and a determination will be made regarding the funding of any additional costs.

**POLICY IMPLICATIONS**

The establishment of a Downtown BID is consistent with Comprehensive Plan Policies and was a part of the recommendations for downtown Palo Alto identified in the Retail Strategy for the City of Palo Alto prepared by Sedway and Associates in June 2000.

The establishment of a BID supports the following Comprehensive Plan Policies:

*Policy B-4* Nurture and support established businesses as well as new businesses.

*Program B-1* Initiate assessment districts or other programs to facilitate neighborhood shopping center improvements such as landscaping, parking and access to public transportation.

*Policy B-11* Encourage the use of public/private partnerships as a means of redeveloping and revitalizing selected areas.

*Policy B-20* Support and enhance the University Avenue/downtown area as a vital mixed use area containing retail, personal service, office, restaurant, and entertainment uses. Recognize the importance of an appropriate retail mix, including small local businesses, to the continued vitality of downtown.

**ENVIRONMENTAL REVIEW**

This action by the City Council is not considered a project under the California Environment Quality Act.

**ATTACHMENTS**

Attachment 1: Resolution Of The City Council Of The City Of Palo Alto Levyng An Assessment For Fiscal Year 2003-2004 In Connection With The Downtown Palo Alto Business Improvement District

PREPARED BY:  __________________________________________
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CITY MANAGER APPROVAL:  _______________________________
Emily Harrison, Assistant City Manager