Presentations for the
May 4, 2020
City Council Meeting
CORONAVIRUS PUBLIC SAFETY RESPONSE

• Maintaining essential services and ensure the safety of our workforce

• Evolving plans based on various Coronavirus impact scenarios and County Shelter in Place Order restrictions

• Planning continues to support community recovery

• Tracking City’s fiscal situation in light of this extended emergency period, Council budget deliberations scheduled for later tonight and throughout May

• Later on this evening, Council will consider a business financial support proposal
SOME GOOD NEWS

• Regional Water Quality Control Plant Innovations: Testing for COVID-19 in wastewater; turning ethanol into hand sanitizers.

• Temporary Shared Streets Initiative will begin this week

• Highway 101 bike/ped underpass opened temporarily

• Testing expansion underway locally
  • Stanford Health Care
  • Recent Mayors letter to the County
SHELTER IN PLACE ORDER EXTENDED

• Timeframe of new Order: May 4-May 31

• Same focus:
  • Requires the community to stay at or close to home
  • Strongly urge community to wear face coverings in general when outside
  • Face coverings are now required when visiting an essential business.

• A few new activities allowed, subject to protocols:
  • Construction
  • Real estate transactions
  • Some outdoor businesses and activities

• Some outdoor recreational facilities reopening with strict social distancing requirements

www.cityofpaloalto.org/coronavirus
SHELTER IN PLACE ORDER EXTENDED

• Construction to resume; inspectors available by appointment only starting May 5

• City infrastructure projects confirmed to restart this week; Cal Ave Parking Garage and US Hwy 101 Pedestrian/Bike Bridge

• Reopening some Open Space Preserves to vehicular traffic using a phased approach

• Starting May 6, reopening tennis courts, pickleball courts, basketball courts, skate park and athletic fields

• Staff in discussions with golf course operator to consider reopening with modifications

• Allows gardening and landscaping services to continue
BUSINESS SUPPORT EFFORTS

• Business roundtable meetings ongoing
  • 3 facilitated roundtable discussions
  • 2 Councilmembers representing Council
  • 54 business leaders attended
    • Shared challenges and ways adapting
    • Input will inform short- and long-term planning

Next Steps
• Follow-up participant discussion this week
• Status report for Council consideration
Slow the spread of this virus
Stay Home: this will save lives.

Stay connected: check on neighbors, volunteer

Be Kind: We are in this together

www.cityofpaloalto.org/coronavirus
SB743 Implementation
Our focus tonight will be on the decisions that the City must make in June to set local CEQA VMT baseline thresholds and project screening criteria.
Proposed Approach to SB 743 Implementation

• Adopt State OPR Guidance as initial VMT framework for City’s CEQA documents starting July 1, 2020
• Consider updating initial CEQA VMT thresholds to better align with S/CAP reduction goals in 2021
• Retain Level of Service (LOS) per Comp Plan Policy T-2.3.

- September 2013 – Governor Signed SB 743
- December 2018 – OPR Finalized State CEQA Guidelines
- December 2018 – Natural Resources Agency Updated CEQA Guidelines
- Agencies have until July 1, 2020 to implement VMT thresholds
**SB743 Legislative Intent and Lead Agency’s Decisions**

**Legislative Intent**
Reform the process of the California Environmental Quality Act (CEQA) to use new methodologies for evaluating transportation impacts that are better able to promote the state’s goals of reducing greenhouse gas emissions and traffic-related air pollution – vehicle miles traveled.

**Lead Agency’s Decisions**
To develop thresholds of significance that the agency uses in the determination of the significance of environmental effects.
OPR Technical Advisory – Thresholds

- VMT Screening Criteria
- VMT Thresholds for Quantitative Assessments
VMT Threshold Options

- Rely on OPR Technical Advisory for initial thresholds
- Use a threshold adopted or recommended by another public agency (CARB)
- Set jurisdiction-specific threshold consistent with Comprehensive Plan and S/CAP
OPR Technical Advisory – Screening

- Small Project (<10,000 square feet)
- Residential and office projects in Low VMT Zones (map based)
- Low VMT projects within ½ mile of major transit station or bus stop on a high-quality transit corridor
- Affordable housing
- Local-serving retail of a certain size
- Transit, bicycle and pedestrian infrastructure projects
What types of projects need a VMT threshold?

- **Land Use Projects**, including development projects for a variety of land uses
- **Land Use Plans**, including Comprehensive Plan updates and Specific Plans, Area Plans, or Precise Plans
- **Transportation Projects**, including lane additions, capacity-increasing infrastructure changes, etc.
OPR VMT Thresholds for 3 Land Use Types

Residential
Office
Retail
### Existing VMT Baseline Options

<table>
<thead>
<tr>
<th>2015 Baseline VMT</th>
<th>Palo Alto</th>
<th>Santa Clara County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home-Based VMT Per Capita</td>
<td>9.48</td>
<td>13.33</td>
</tr>
<tr>
<td>Employment-Based VMT Per Employee</td>
<td>16.71</td>
<td>16.64</td>
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</tbody>
</table>
OPR VMT Threshold – Residential Projects

- **Metric** – VMT per capita (light duty only)

- **OPR Threshold/City Likely**
  
  **Recommendation** – Project VMT per capita must be 15% less than existing regional average VMT per resident

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OPR VMT Threshold – Office Projects

- **Metric** – VMT per employee (light duty only)

- **OPR Threshold/City Likely**

  **Recommendation** – Project VMT per capita must be 15% less than existing regional average VMT per employee

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OPR VMT Threshold – Retail Projects

- **Metric** – Total VMT
- **OPR Threshold/City Likely**
  
  **Recommendation** – No Net increase in VMT

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## Land Use Project – Case Study A

### Project Type
Redevelopment/reuse

### Land Use
Strip Commercial Replaced With Multifamily Res.

<table>
<thead>
<tr>
<th>Scenario A</th>
<th>Scenario B</th>
</tr>
</thead>
<tbody>
<tr>
<td>• If 100% affordable housing or project located within a low-VMT area, project meets screening criteria.</td>
<td>• If located outside low-VMT area, project conducts quantitative VMT analysis.</td>
</tr>
<tr>
<td>• Project presumed to have less-than-significant VMT impact, no mitigation required.</td>
<td>• Many multifamily projects will likely have less-than-significant impacts after quantitative VMT analysis is conducted.</td>
</tr>
<tr>
<td></td>
<td>• If significant impact occurs, achievable VMT mitigation required resulting in less-than-significant impact in most cases.</td>
</tr>
</tbody>
</table>
**Land Use Project – Case Study B**

**PROJECT TYPE** Redevelopment/reuse  
**LAND USE** Intensification of Office Uses

**Scenario A**
- Within ½ mile of high-quality transit corridor or Caltrain station
- Project is dense (FAR > .75), has reduced parking
- Consistent with Comp Plan/Plan Bay Area, cumulative VMT is trending downward

**Scenario B**
- If not in transit priority area, project conducts quantitative VMT analysis

**Process**

**Outcome**
- Project presumed to have less-than-significant VMT impact, no VMT mitigation required
- Significant VMT impact likely. If impact occurs, VMT mitigation required which may or may not reduce to less-than-significant
Next Steps

June 2020 – Council Action:

• VMT Resolution
• LOS Policy

Subsequent Actions:

• TDM Ordinance Update
• VMT Updates for S/CAP Consistency
Council Questions
Thank you!
Bob Grandy
Principal
b.grandy@fehrandpeers.com
(415) 348-0300
EXTRA SLIDES
Figure 1: California Total Projected Population Growth and VMT Growth

VMT Reduction Level Needed – CARB

Senate Bill 743

Legislation

Sets intent and goals

CEQA Statute

Sets legal requirements for adequate environmental analysis

Technical Advisory

Offers advice for compliance
<table>
<thead>
<tr>
<th>Does</th>
<th>Does Not</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Eliminates vehicle delay (i.e. LOS) as basis for determining significant CEQA impacts</td>
<td>• Affect planning, design, or development review, except for the CEQA process (i.e. retain LOS for local-level analyses)</td>
</tr>
<tr>
<td>• Recommends VMT as the most appropriate measure of transportation impacts</td>
<td>• Change the Comprehensive Plan or Congestion Management Plan process</td>
</tr>
<tr>
<td>• Other considerations: transit and non-motorized travel</td>
<td>• Change CEQA disclosure standards</td>
</tr>
</tbody>
</table>
CEQA Transition – LOS to VMT

**LOS**

measures the impact to drivers

**VMT**

Measures impact of driving on the environment
Section 15064.3(b)(4): Determining the Significance of Transportation Impacts

- A lead agency has discretion to choose the most appropriate methodology to evaluate a project’s VMT, including whether to express the change in absolute terms, per capita, per household or any other measure.

- A lead agency may use models to estimate a project’s VMT and may revise those estimates to reflect professional judgment based on substantial evidence.

- Any assumptions used to estimate VMT and any revisions to model outputs should be documented and explained in the environmental document.
Section 15064.7: Thresholds of Significance

- A threshold of significance is an identifiable quantitative, qualitative, or performance level of a particular environmental effect, non-compliance with which means the effect will normally be determined to be significant...

- Each public agency is encouraged to develop and publish thresholds of significance that the agency uses in the determination of the significance of environmental effects.

- Thresholds of significance to be adopted for general use ... must be adopted by ordinance, resolution, rule, or regulation, and developed through a public review process and supported by substantial evidence.
CEQA Guidelines Excerpt

Section 15064.7: Thresholds of Significance (cont.)

• **Lead agencies may also use thresholds on a case-by-case basis.**

• **When adopting or using thresholds of significance, a lead agency may consider thresholds of significance previously adopted or recommended by other public agencies or recommended by experts, provided the decision...is supported by substantial evidence.**
What is VMT and how is it measured?

- Vehicle Miles Traveled (VMT) is a measure of network use.
- VMT = Trips x Trip Length.
- Generally expressed as VMT per capita for a typical weekday.
VMT Metric – Total or Partial?

**TOTAL VMT**
- Household Generated VMT

**PARTIAL VMT Residential**
- Home-Based Generated VMT

**PARTIAL VMT Office**
- Home-Based Work Generated VMT

29
16
11
Can Palo Alto still use Level of Service (LOS)?

- LOS *cannot* be used in CEQA to determine if a project will have a significant impact on the environment.

- Palo Alto may continue to have a LOS policy. Given the conflicting nature of LOS and VMT policy outcomes, the City may wish to indicate whether and in what situations VMT policies take priority over LOS policies.

- Palo Alto may use LOS as a metric in future area or corridor planning efforts as well as updates to the transportation development fee program.

- Palo Alto may use LOS to require traffic improvements as a “condition of approval” in the entitlement process.
Decisions: Establishing VMT Threshold(s)

Define Significance Criteria (Defines Impacts Under CEQA)

• OPR Technical Advisory or Other?

• What is acceptable vs. unacceptable VMT when viewed solely through a transportation lens by lead agency?

Define Methodology

• Consistent for Thresholds and Project Assessment

• How VMT reduction is addressed in air quality, energy, and GHG impact analysis

• Identify Mitigation Potential
Project VMT vs Cumulative Impacts

Project Generated VMT vs. Effect on Regional or City VMT (Cumulative)
<table>
<thead>
<tr>
<th>Vehicle Trip Type</th>
<th>VMT Required in Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AQ</td>
</tr>
<tr>
<td><strong>Residential Project</strong></td>
<td></td>
</tr>
<tr>
<td>Home-based work</td>
<td>✓</td>
</tr>
<tr>
<td>Home-based other</td>
<td>✓</td>
</tr>
<tr>
<td>Non-home-based</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Office Project</strong></td>
<td></td>
</tr>
<tr>
<td>Home-based work</td>
<td>✓</td>
</tr>
<tr>
<td>Visitor</td>
<td>✓</td>
</tr>
<tr>
<td>Delivery</td>
<td>✓</td>
</tr>
<tr>
<td>Maintenance/Security</td>
<td>✓</td>
</tr>
</tbody>
</table>
VMT Metric – Network vs. OD

Boundary VMT-708,700

Origin-Destination (OD) VMT-2,212,800
Level of Service (LOS)

LOS = Current measure used to analyze traffic flow

LOS A Example

LOS F Example
Senate Bill 743 Implementation Experience
Discussion of & Potential Direction for Next Steps Regarding Business Registry Fees and Downtown Business Improvement District Assessments

City Council Agenda Item #9
May 4, 2020
**Background**

**March 23rd Council Meeting**
- Approved motion to discontinue work on business tax measure due to COVID-19
- Council asked Staff to consider waiving the business registration fee

**Recommendations**
- Waive the 2020 Business Registry fee
- Rescind the FY 2020 BID assessments
- Reimburse for the business registration fees and BID assessments due for 2020

<table>
<thead>
<tr>
<th>Business Registry: Annual cost recovery fee of $50 plus $4 CASp fee</th>
<th>BID: Annual assessment fee of $50-$500 for businesses in the district</th>
</tr>
</thead>
</table>

**Recent Events**
June 2019 – FY 2020 BID assessments approved by Council
Early March 2020 - Business Registry and BID assessment collections began
Late March 2020 – Business Registry and BID assessment due date extended to June 30th
Discussion of Next Steps

Issuing Refunds for 2020 fees
  • Existing system in place
  • Allows 2021 flexibility
  • A more beneficial response

Resource Impact of Refunds
  BID
  • Possible budget adjustment of ~$70,000
  BRC
  • Expected loss of revenues of ~$100,000
  • Avenu administration cost
Recommended Action

a) Adopt a resolution waiving the business registration fee due for 2020, and waiving all late fees for the 2020 collection cycle.

b) Rescind the approval of the levy of assessments for the BID for FY20

c) Approve the reimbursement of business registration fees and BID assessments due in 2020 that have been paid by businesses.
Review Potential Financial Scenarios due to COVID-19 & Direction to Staff on FY 2021 Budget Development
OVERVIEW

• Unprecedented time in our City’s history

• City Manager released proposed budgets on April 20, 2020, representing baseline budgets to continue conversations

• Proposed budget release started an intensive two-month budget process

• Today, review and determine the assumptions that the FY 2021 revised budget will be built on, to be discussed more fully starting May 11
FY 2020-2021 FISCAL RECOVERY PRIORITIES

• Council adopted budget principles continue to guide our work.

• Recommending Budget and Fiscal Recovery Priorities to help guide our work and evolve through these uncertain times.

1. Support economic recovery through changes to our policies and programs
2. Focus on resiliency over the long term while making service reductions and changes, ensuring that any services eliminated can be restored in future years
3. Seek new ways to conduct our work through efficiencies and a learning environment
4. Apply a citywide approach to reductions where possible, balancing impacts to the community
5. Use temporary solutions to bridge revenue losses expected in the short term
FY 2021 GENERAL FUND SOURCES $241.5 M

- Property Taxes: 21.9%
- Rental Income: 6.6%
- Documentary Transfer Tax: 3.3%
- Charges for Services: 12.6%
- Transient Occupancy Tax: 12.3%
- Return on Investments: 0.6%
- Other Taxes and Fines: 0.8%
- Permits and Licenses: 4.0%
- Charges to Other Funds: 5.0%
- From Other Agencies: 0.2%
- Utility Users Tax: 7.3%
- Sales Taxes: 15.6%
- Operating Transfers-In: 8.8%
- Other Revenue: 1.0%
- From Other Agencies: 0.2%
- Other Taxes and Fines: 0.8%
FY 2020-2021 Forecast Scenarios

- Estimating $20 million impact to current FY 2019-2020 General Fund budget
  - Loss in estimated revenues of over $15 million in lower taxes and over $8 million in lower program revenues.
  - Expense savings is expected to assist in partially offsetting this revenue impact.

- FY 2020-2021 General Fund Operating Budget Scenarios estimate between $20 million and $39 million loss in major General Fund tax revenues
  - *Scenario A*: Disaster recovery (such as flood, fire, earthquake)
  - *Scenario B*: Shelter in-Place through this spring, followed by an economic recession
  - *Scenario C*: Phased shelter in-place through winter, followed by an economic recession
## FINANCIAL SCENARIOS

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<tbody>
<tr>
<td>Property Taxes</td>
<td>$ 42.8</td>
<td>$ 47.3</td>
<td>$ 50.6</td>
<td>$ 52.9</td>
<td>$ 52.6</td>
<td>4%</td>
<td>0%</td>
<td>$ 52.0</td>
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<tr>
<td>Sales Taxes</td>
<td>$ 31.1</td>
<td>$ 36.5</td>
<td>$ 36.1</td>
<td>$ 37.6</td>
<td>$ 26.5</td>
<td>-27%</td>
<td>-30%</td>
<td>$ 20.5</td>
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<tr>
<td>Transient Occupancy Tax</td>
<td>$ 24.9</td>
<td>$ 25.6</td>
<td>$ 26.6</td>
<td>$ 29.7</td>
<td>$ 23.8</td>
<td>-10%</td>
<td>-20%</td>
<td>$ 14.9</td>
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<tr>
<td>Utility Users Tax</td>
<td>$ 15.4</td>
<td>$ 16.4</td>
<td>$ 17.6</td>
<td>$ 17.6</td>
<td>$ 16.0</td>
<td>-9%</td>
<td>-9%</td>
<td>$ 15.1</td>
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<tr>
<td>Documentary Transfer Tax</td>
<td>$ 9.2</td>
<td>$ 6.9</td>
<td>$ 8.1</td>
<td>$ 8.0</td>
<td>$ 5.6</td>
<td>-31%</td>
<td>-30%</td>
<td>$ 4.7</td>
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<tr>
<td>Return on Investments</td>
<td>$ 1.4</td>
<td>$ 2.0</td>
<td>$ 1.4</td>
<td>$ 1.4</td>
<td>$ 1.3</td>
<td>-6%</td>
<td>-5%</td>
<td>$ 1.1</td>
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<tr>
<td>Subtotal Major Tax Revenues</td>
<td>$ 125</td>
<td>$ 135</td>
<td>$ 140</td>
<td>$ 147</td>
<td>$ 126</td>
<td>-10%</td>
<td>-14%</td>
<td>$ 108</td>
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Change from FY 2021 Proposed

<table>
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<tr>
<th>Estimated Impact to General Fund CIP due to TOT loss</th>
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<tr>
<td>$ (21.3)</td>
</tr>
<tr>
<td>$ (4.5)</td>
</tr>
<tr>
<td>$ (38.8)</td>
</tr>
<tr>
<td>$ (8.5)</td>
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SCENARIO B FISCAL RECOVERY

Build a FY 2021 proposed budget assuming Scenario B

- Assumes a shelter in place order through this spring/early summer, with an economic recessionary period dampening the growth once the order is lifted.

- As soon as June, businesses would be able to re-open and movement within society would be able to begin at some level. Economic engines such as the downtown core, California Avenue, and Stanford Shopping Center to support local restaurants and retail establishments would begin to rebuild the Sales Tax base.

- Transient Occupancy Tax would remain sluggish initially, however move to recessionary levels during the fiscal year.
Build a FY 2021 proposed budget assuming Scenario C

- Assumes a shelter in place order with a very slow phased lifting of that order through the calendar year, with an economic recessionary period dampening the growth once the order is lifted.
- Continued restrictions on travel and other related impacts through fall as a result of social distancing, continued closure of populous locations and local economic engines such as the downtown core, California Avenue, and Stanford Shopping Center.
- Transient Occupancy Tax would remain at or near current levels as travel remains restricted through the calendar year, however move to recessionary levels during the fiscal year.
Build a FY 2021 proposed budget assuming Scenario B plus 50% of Scenario C (an approximate $30 million loss in major tax revenues)

- Assumes a shelter in place order with a more rapid phased lifting of that order through the calendar year, with an economic recessionary period once the order is lifted
- Restrictions on travel and other related impacts would be lifted sooner, only major events with large crowds and inability to social distance would lag. Therefore, populous locations and local economic engines such as the downtown core, California Avenue, and Stanford Shopping Center would return sooner with modification in business practices.
- Transient Occupancy Tax would steadily rise as shelter in place restrictions are steadily lifted and move to prior recessionary levels during the fiscal year.
<table>
<thead>
<tr>
<th>APRIL</th>
<th>MAY</th>
<th>JUNE</th>
<th>JULY/BEYOND</th>
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<tbody>
<tr>
<td>April 20 - Proposed Budget Transmittal to Council</td>
<td>Finance Committee to review Water, Electric and Gas rates</td>
<td>City Council FY 2021 Budget Adoption, FY 2021 Municipal Fees &amp; Charges Adoption, various FY 2020 Utility Rates Adoption</td>
<td>FY 2021 Budget Implementation</td>
</tr>
<tr>
<td>Finance Committee to review Waste Water, Stormwater rates</td>
<td>Committee/Commission review as needed (E.g. PTC, Storm Drain Oversight)</td>
<td>Business Financial Support Plan Council Consideration</td>
<td>Recovery Strategy Implementation</td>
</tr>
<tr>
<td>Recovery Strategy Development</td>
<td>Roundtables / Business Support Development</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Next Steps

- Return with budget modifications in May and June
  - Discuss budget balancing overview with (May 11)
  - Review the implications of proposed impacts and ground up prioritization (May 12/13)
  - Budget final balancing strategy (May 26)
  - Budget Adoption (June 22)
- Continue to maintain essential city services and our public safety response
- Continue business support efforts
- Continue to develop our recovery strategy
SMALL BUSINESS GRANT PROGRAM

Council directed staff to develop a business grant program with:
• $500,000 in city funding
• Businesses with 50 and fewer employees
• Seek a third-party administrator

In order to help define the program and establish perimeters, staff proposes that Council:

- Refine criteria for businesses to qualify
- Designate method to select from qualified
- Determine amount of grants and purpose
- Authorize City Manager to choose a grant administrator
- Amend the budget to reflect grant funding
SMALL BUSINESS GRANT PROGRAM RECOMMENDATIONS

Staff recommends Council establish criteria for businesses to qualify:

1. 1 - 50 employees
2. Storefront businesses only
3. Both for-profit or non-profit
4. Registered as a Palo Alto business
5. Established at least twelve months
6. Loss of $\geq$25% revenue due to Coronavirus public health emergency
SMALL BUSINESS GRANT PROGRAM
RECOMMENDATIONS

1. **Lottery selection method from among qualified businesses** (Rather than first come, first served)

2. Grant amount ≤$10,000; to cover 2 months of costs.
   Allow business discretion in how funds are spent.

3. Authorize City Manager to choose a grant administrator and donation partner

4. Amend the budget to allocate $500,000