



CITY OF PALO ALTO CITY COUNCIL FINAL MINUTES

Special Meeting
December 2, 2019

The City Council of the City of Palo Alto met on this date in the Council Chambers at 5:05 P.M.

Present: Cormack, DuBois, Filseth, Fine, Kniss, Kou, Tanaka

ARB Members: Baltay, Hirsch, Lew, Thompson

Absent: Lee (Architectural Review Board Member)

Study Session

1. Joint Study Session with the Architectural Review Board.

Peter Baltay, Chair Architectural Review Board (ARB) requested the Council consider the issues of discretionary design standards for multifamily housing, curbside traffic management, and the impact of subterranean parking on privacy landscaping. The revised ARB findings were working well.

Osma Thompson, Architectural Review Board reported construction costs often dictated the aesthetics of a project. Recent legislation required objective design review standards for housing; however, subjective review improved project design. The ARB advocated for relief in building facades, sunlight, shading, small-scale elements, and pedestrian-scale materiality. The ARB suggested creation of objective housing design guidelines and a standing subcommittee to review housing projects with Staff as a means to preserve design quality if architectural design review was restricted.

David Hirsch, Architectural Review Board advised that delivery vehicles blocked traffic and created dangerous traffic conditions on narrow streets Downtown. The ARB suggested the designation of curbside areas for short-term parking and small onsite parking areas for delivery vehicles and alternative transportation devices.

Alexander Lew, Architectural Review Board shared the minimum recommended soil volumes needed for tree roots, which were usually larger than the volumes proposed in projects. Mature trees needed to screen large buildings were often lost to projects with a basement or underground parking. Soil cells were being used to increase soil volume.

FINAL MINUTES

Mr. Baltay indicated the Council simplified the findings for Architectural Review approval in September 2016. Applicants and the public more readily understood the requirements of the findings.

Council Member DuBois remarked that perhaps some of the subjective design standards could be converted to objective design standards. Dedicated spaces for ridesharing services were also able to serve as loading zones. He requested the difference between San Francisco's neighborhood commercial zone and Palo Alto's commercial zone.

Mr. Lew explained that typically San Francisco required two metered commercial loading zones per block. The two parking spaces were restricted to loading zones for specific hours and available to the public for the remaining hours.

Council Member DuBois inquired regarding the ARB's recommendation for landscaping and basements.

Mr. Lew noted landscape requirements did not cover all development scenarios; therefore, some projects provided only minimal landscaping. Landscaping requirements for parking lots on multi-acre sites had potential to be improved.

Council Member DuBois asked if the ARB could comment on parking structures and the need for parking.

Mr. Baltay remarked that Stanford Shopping Center was under-parked and undergoing changes in uses such that the new uses required additional parking. However, parking was not within the ARB's purview.

Council Member DuBois inquired regarding ARB review of wireless antenna design.

Jonathan Lait, Planning and Development Services Director reported the ARB reviewed nodes designed by Public Works and located in the public right-of-way. Many of the ARB's comments were reflected in the Resolution adopted by the City Council in April, 2019. Staff had incorporated many of the standards and planned on presenting additional standards for review in December, 2019.

Council Member DuBois recalled that the Mercedes Dealership Project was presented to the Council without the ARB approving or denying the project. Perhaps the ARB was able to take an advisory vote on a project that was before the ARB for the third hearing.

FINAL MINUTES

Mr. Lait explained that he as Director moved the project to the Council because the outstanding issues concerned policy matters.

Council Member DuBois reiterated that the applicant had agreed to return to the ARB for additional review, and the ARB did not vote on the project. The ARB's position was unclear to the Council.

Mr. Lait assured the Council that applications presented to the Council in the future would include the ARB's position.

Council Member Kniss asked if the ARB required replacement of the proposed dwarf magnolias in one development project.

Mr. Lew replied yes. The dwarf magnolias were to reach a maximum height of 10-20 feet, but the building's height was 40 feet. The ARB required a tree that reached 40 feet in height at maturity.

Council Member Kniss asked if there was some concern that the larger trees would not survive.

Mr. Lew related that the landscape architect and nursery indicated the larger trees would be fine. However, soil cell manufacturers typically required a larger soil volume than was provided. The trees were likely to live, but they may not reach their full mature height.

Council Member Kniss asked if the tree selection had to balance the size of the tree and the soil volume provided onsite.

Mr. Lew replied right.

Council Member Kniss asked if the ARB was selecting the tree species.

Mr. Lew explained that Dave Dockter had provided some recommendations during the hearing. Codes and standards needed to contain requirements for landscaping.

Council Member Kniss inquired about the ability to plant a standard rather than dwarf magnolia on the site.

Mr. Lew clarified that the site was not large enough to support a standard magnolia tree.

Ms. Thompson added that the Code dealt with parking and property lines, but those did not reflect existing trees and space needed for new trees.

FINAL MINUTES

Council Member Kniss requested clarification of parking for the Workforce Housing Project.

Mr. Hirsch reiterated the need for designated space for loading zones.

Council Member Kniss asked if the Hotel Parmani Project was fully parked.

Mr. Hirsch answered yes. Most projects had to utilize some type of mechanical parking to meet parking requirements.

Council Member Kniss noted the Council had discussed the amount of parking needed for hotels given the use of rideshare services.

Mr. Baltay advised that the ARB had heard anecdotally that hotel parking requirements were greater than needed.

Council Member Cormack found the discussion of displacement of small businesses interesting. Pedestrians wanted shaded seating.

Vice Mayor Fine suggested the ARB Report discuss the balancing of priorities for trees in a future report and goals for trees. He encouraged the ARB to continue thinking about moving rideshare loading zones from the roadway to project sites. He questioned whether designating areas for delivery and loading should increase the parking requirement. Objective design standards for housing possibly limited design review; however, the purpose of new housing laws was to accelerate the production of housing.

Council Member Kou suggested the ARB continue to be mindful of the need for accessible parking spaces. Mechanical parking for residential uses was not practical. More information was needed about the use of mechanical parking after a year. She concurred with the ARB requiring pedestrian-scale elements. She requested information about strengthening the City's neighborhood commercial zones. She supported maintaining Palo Alto's existing character.

Council Member Tanaka indicated the ARB should provide clear feedback and obtain consensus regarding feedback to applicants in an effort to reduce the number of hearings. He supported retail and restaurant uses on the first floor of buildings located on El Camino Real. He encouraged the use of mechanical parking. He inquired about other topics the ARB could handle.

Mayor Filseth asked if approval of a proposed parking garage design and a proposed landscape design was a problem because the two could conflict.

Mr. Lew responded yes. Some landscape architects indicated on plans the expected height of vegetation given the site conditions, and this could be a

FINAL MINUTES

requirement. Generally, the review process was good, but there was room for improvement.

Mr. Baltay noted the City had few design standards for projects on San Antonio Road. Parking requirements for small multifamily housing projects along El Camino and Alma Street were needed. The displacement of small local businesses was hurting the fabric of the City.

NO ACTION TAKEN

Special Orders of the Day

2. Proclamation Recognizing Carol Macpherson on her Retirement from Rinconada Masters.

Mayor Filseth read the Proclamation into the record.

Carol Macpherson had enjoyed her 54 years at Rinconada Pool. After moving to Oregon, she was to begin a new venture.

NO ACTION TAKEN

Agenda Changes, Additions and Deletions

None.

City Manager Comments

Ed Shikada, City Manager reported approximately 40 members of the community attended a meeting and walk-through regarding tree removal and pruning at the San Francisco Public Utilities Commission's right-of-way near Arastradero Road. The tree work was scheduled for December 4, 2019 through December 20, 2019. In 2018, Community Development Block Grant (CDBG) funding was used to rehabilitate 88 units of multifamily housing, assist five households with minor repairs, provide services for the homeless, and provide housing for seniors and survivors of domestic violence. The Development Services Center public counter was going to open at 8:00 A.M. through December 23, 2019 because the new Building Codes were going to take effect on January 1, 2020. The City had received approval of \$310,000 in funding for two projects under Senate Bill (SB) 2. The Gas Safety Awareness survey was to be conducted soon. Temporary artwork by four California artists was installed at the California Avenue parking garage. The Expanded Community Advisory Panel (XCAP) for grade separation was going to meet on December 4, 2019. The North Ventura Coordinated Area Plan (NVCAP) Working Group would meet on December 5, 2019. The Palo Alto

FINAL MINUTES

Children's Theatre would present *The Nutcracker* December 5-22, 2019. The Art Center's holiday sale was scheduled for December 7, 2019.

Oral Communications

Mary Sylvester remarked that the Architectural Review Board's (ARB) priorities for contextual compatibility, quality of materials, tree preservation, and safe biking aligned with the community's priorities. She encouraged the Council and the ARB to focus on environmentally friendly and sustainable actions. The urban tree canopy was important for stormwater protections, reducing air pollution and temperature, providing wildlife habitat, and fostering social ties among neighbors and businesses.

Neva Yarkin expressed frustration with the on-again-off-again nature of options and eminent domain for the Churchill Avenue crossing. She opposed the continued expansion of the Expanded Community Advisory Panel (XCAP).

Winter Dellenbach spoke regarding police brutality and the City's lack of comment.

Fred Balin understood the value of Procedures and Protocols for Boards and Commissions including Commissioner conduct. The Municipal Code referred to the removal of a board or commission member with the approval of the Council. He hoped the Council would act with respect to Planning and Transportation Commissioner Alcheck.

Faith Brigel opposed the closing of Churchill Street because of the resulting traffic nightmare.

Arthur Keller noted the Santa Clara Valley Transportation Authority (VTA) planned to eliminate the hourly 88 bus service, which affected students at Gunn High School. He encouraged the Council to accelerate implementation of the South Palo Alto shuttle.

Roberta Ahlquist, Women's International League for Peace and Freedom requested the Council direct Staff to inventory parcels zoned for worker housing. Cubberley needed to be zoned for affordable or teacher housing.

Council Member DuBois inquired regarding the shuttle route.

Ed Shikada, City Manager indicated the shuttle was scheduled for an upcoming Agenda.

FINAL MINUTES

Minutes Approval

3. Approval of Action Minutes for the November 4 and November 18, 2019 Council Meetings.

MOTION: Mayor Filseth moved, seconded by Council Member Kniss to approve the Action Minutes for the November 4 and November 18, 2019 Council Meetings.

MOTION PASSED: 7-0

Consent Calendar

Council Member Cormack registered a no vote on Agenda Item Number 8.

Council Member Tanaka registered no votes on Agenda Item Numbers 4, 5, 6, and 8.

Mayor Filseth registered a no vote on Agenda Item Number 8.

Robin Lee Tieh, addressing Agenda Item Number 6, indicated the wireless network had improved in the last eight years. The Council needed to consider First Net to meet the evolving communication needs of first responders.

Ed Shikada, City Manager reported Agenda Item Number 8 required five votes to pass; however, three Council Members had registered no votes.

Molly Stump, City Attorney clarified that the vote would mean no action would be taken.

MOTION: Council Member Kniss moved, seconded by Council Member DuBois to approve Agenda Item Numbers 4-9.

4. Approval of Contract Number C20175534A With MuniServices, LLC for Tax and Fee Consulting Services in a Total Not-to-Exceed Amount of \$700,000 Over a Five-year Term; and Approval of a Budget Amendment in the General Fund.
5. Approval and Authorization for the City Manager or Designee to Execute Amendment Number 1 to Contract Number S17165514 With Clean Power Research, LLC for the Provision of a Web-based Solar Photovoltaic (PV) and Electric Vehicle (EV) Calculator for City of Palo Alto Utility (CPAU) Customers, Increasing the Term for Five Years and Increasing Compensation by \$275,000, for a Total Not-to-Exceed Amount of \$410,000.

FINAL MINUTES

6. Approval of Amendment Number 4 With Verizon Wireless Through December 31, 2020, Utilizing the Western State Contracting Alliance (WSCA) Contract 1907, California Participating Addendum, a Cooperative Agreement for Wireless, Voice and Broadband Services, Accessories, and Equipment for an Annual Cost of Approximately \$300,000.
7. Resolution 9871 Entitled, "Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedule E-15 (Electric Service Connection Charges) and Approving Updates to the City's Program for the use of Revenues from the Sale of Low Carbon Fuel Standard Credits."
8. Approval of a Budget Amendment in the General Fund for Amendment Number 2 to Contract Number C18171717 With Perkins + Will to Provide Professional Services Related to the Preparation of the North Ventura Coordinated Area Plan (NVCAP) (Continued from November 18, 2019).
9. Ordinance 5485 Entitled, "Ordinance of the Council of the City of Palo Alto Repealing Chapter 16.17 of Title 16 (Building Regulations) Related to the California Energy Code and Adopting a new Chapter 16.17 Incorporating the 2019 California Energy Code With Local Amendments and Amendments to Title 24, Chapter 6 of the California Code of Regulation (FIRST READING: November 4, 2019, PASSED 7-0)."

MOTION PASSED FOR AGENDA ITEM NUMBERS 4-6: 6-1 Tanaka no

MOTION FAILED FOR AGENDA ITEM NUMBER 8: 4-3 Cormack, Filseth, Tanaka no

MOTION PASSED FOR AGENDA ITEM NUMBERS 7, 9: 7-0

Council Member Tanaka opposed Agenda Item Number 4 because funds would be taken from the Budget Stabilization Reserve Fund. The amount proposed for Agenda Item Number 5 seemed extraordinarily high when vendors would provide calculators at no cost. He did not understand the need for the City to pay for employees' cell phones. With respect to Agenda Item Number 8, the property owner was not amenable to the City's plans.

Mayor Filseth felt an increase in the budget was premature for Agenda Item Number 8.

Action Items

10. Colleagues' Memo from Council Members DuBois and Kou Regarding Potential Adoption of an Urgency Ordinance to Provide Just Cause

FINAL MINUTES

Eviction Protections to Tenants Until California State Assembly Bill 1482 Takes Effect on January 1, 2020 (Continued from November 18, 2019).

Council Member Kniss recused herself from the item as she owned rental property in Palo Alto.

Mary Sylvester supported the Council's adoption of the proposed Ordinance.

Winter Dellenbach advised that property managers were advising their clients to evict tenants prior to the end of the year. The proposed Ordinance benefitted potential renters.

Keshav Kumar, California Apartment Association remarked regarding the effects of the retroactive provision of the proposed Ordinance. He urged the Council not to adopt the proposed Ordinance.

Mark Mullineaux supported adoption of the proposed Ordinance.

Martin Eichner commented that landlords were being advised to evict tenants prior to the end of 2019 so that tenants could not establish the one-year residency required to qualify for just cause evictions.

Mitchell Mankin, Silicon Valley @Home, supported adoption of the proposed Ordinance as it would provide protections for renters. The retroactive date needed to be September 11, 2019.

Erin shared her experience of not having heat in her rental apartment for two months.

Kelsey Banes supported adoption of the proposed Ordinance and encouraged the Council to consider broader actions.

Arthur Keller addressed the relative harm to tenants and landlords caused by adoption of the proposed Ordinance. The relative harm to tenants was much greater than the relative harm to landlords.

Council Member DuBois indicated the proposed Urgency Ordinance would be short term in duration and would protect renters who had resided in Palo Alto for a year or more from eviction without just cause. The proposed Ordinance applied to renters whose evictions had not been finally adjudicated. The proposed Ordinance was modeled on Ordinances passed by other cities.

MOTION: Council Member DuBois moved, seconded by Council Member Kou to adopt an Urgency Ordinance to temporarily prohibit no-fault evictions through December 31, 2019 for all residential real property that will be covered by Assembly Bill 1482 beginning on January 1, 2020.

FINAL MINUTES

Council Member Kou noted loopholes in Assembly Bill (AB) 1482. She expressed concern that families would be searching for homes over the holidays. She inquired whether the retroactive date could be September 11, 2019.

Molly Stump, City Attorney explained that the proposed Ordinance did not contain a specific reference date to the initiation of the eviction process. Any eviction that had not been finally adjudicated had to include sufficient cause.

Council Member Kou reiterated her concerns regarding the CASA Compact and her hopes to protect Palo Alto renters.

Vice Mayor Fine inquired regarding the number of properties the proposed Ordinance would affect.

Ms. Stump did not know.

Council Member DuBois understood the proposed Ordinance excluded single-family residences.

Ms. Stump reported the proposed Ordinance and its effects have not been analyzed.

Vice Mayor Fine questioned whether the proposed Ordinance would stop evictions already underway and asked about Staff's plans for outreach.

Ed Shikada, City Manager advised that Staff had issued a notice of rights and responsibilities and would issue additional electronic notices.

Council Member Cormack indicated she had spoken with one renter who believed he would be evicted if the proposed Ordinance was not adopted. She asked if the proposed Ordinance would not apply to a retired couple who rented their home for longer periods of time because the proposed Ordinance exempted single-family residences.

Ms. Stump reiterated that the State law and the proposed Ordinance would not apply to a homeowner who rented a portion of the home.

Mayor Filseth suggested the homeowner could be affected by AB 1482 rather than the proposed Ordinance.

Council Member Cormack noted the voters of Palo Alto opposed Proposition 10 for rent control. AB 1482 was a combination of Proposition 10 and Just Cause Evictions. The proposed Ordinance did not impose any criminal consequences. She inquired whether the proposed Ordinance contained the language of AB 1482.

FINAL MINUTES

Ms. Stump replied yes.

Council Member Cormack requested the meaning of alienable.

Ms. Stump clarified alienable as salable or transferrable.

Council Member Cormack expressed confusion about an appropriate action for the Council to take regarding a retroactive date.

Ms. Stump reported the proposed Ordinance would not affect an eviction that had been completed. If the parties disputed the applicability of the proposed Ordinance, they had to resolve the issue through the courts. The City was not a party to the contract between a landlord and tenant. The proposed Ordinance possibly provided a tenant with a defense to an eviction action.

Council Member Cormack was inclined to support adoption of the proposed Ordinance because the benefits outweighed the costs.

Vice Mayor Fine did not believe the proposed Ordinance would harm anyone and could benefit some people. He supported secure, abundant, and affordable housing for people of all generations, all incomes, and all backgrounds. Council Member DuBois and Council Member Kou had authored the Colleagues' Memo but had repeatedly failed to support housing initiatives in the City. The Council was able to do more to provide abundant and affordable housing.

Council Member Tanaka inquired regarding the rationale for the Legislature setting an effective date of January 1, 2020 for AB 1482.

Ms. Stump understood legislation adopted and signed within the term became effective the following January 1, 2020, and limited exceptions allowed the date to be earlier than January 1, 2020.

Council Member Tanaka asked why the legislative process included a delay in the effective date.

Ms. Stump suggested order and notice were possible reasons for a delay.

Council Member Tanaka inquired about the possibility of the proposed Ordinance negatively impacting mom-and-pop landlords.

Ms. Stump advised that under normal circumstances the Planning & Development Services Department (PDS) would conduct some analysis of the impacts and outreach to stakeholders. Staff had prepared an Ordinance that would implement the intent of the Colleagues' Memo because the proposed Ordinance was an Urgency Ordinance.

FINAL MINUTES

Council Member Tanaka asked about Menlo Park's noticing of its Ordinance.

Vice Mayor Fine indicated Menlo Park issued a one-page flyer regarding its Ordinance.

Council Member Tanaka asked if a second reading was required.

Ms. Stump responded no. An Urgency Ordinance was an exception to the usual Ordinance procedure. With a super majority vote of the Council in support of the proposed Ordinance and findings for the urgent need to protect the health and safety of community members, the proposed Ordinance needed to become effective immediately.

Council Member Tanaka requested the number of community members who had expressed a need for the proposed Ordinance.

Mr. Shikada suggested a handful of community members.

Council Member Tanaka asked if Staff could determine the impacts of the proposed Ordinance on the community in the next week.

Mr. Shikada reported Staff could conduct little analysis in a week.

Council Member Tanaka asked if the proposed Ordinance would negatively impact small landlords.

Ms. Stump clarified that the proposed Ordinance would change the rights and obligations between tenants and landlords. The matter was a policy decision for the Council.

AMENDMENT: Council Member Tanaka moved, seconded by Council Member XX to continue this item to December 9, 2019 to allow Staff time to do outreach to those affected by this Urgency Ordinance.

AMENDMENT FAILED DUE TO THE LACK OF A SECOND

Mayor Filseth commented that rent control and just cause eviction worked together. Given the short duration of the proposed Ordinance, he did not believe it would cause harm.

MOTION FAILED: 5-1 Tanaka no, Kniss recused

Council Member Kou asked if two-thirds of the Council Members present had to vote in support of the Ordinance.

FINAL MINUTES

Ms. Stump reported adoption required four-fifths of the Council Members present to vote in support. The recused Council Member was counted as present. Four-fifths of seven Council Members was 5.6 or six votes.

Council Member Kou reiterated that the Urgency Ordinance was intended to protect current Palo Alto renters.

Council Member Tanaka wanted to provide Staff with time to issue notice to the public and then, if there were no issues, he could support adoption of the proposed Ordinance.

Council Member DuBois noted the Council had continued the item for two weeks, and further delay would kill the proposed Ordinance. He requested the information Council Member Tanaka was hoping Staff could provide.

Council Member Tanaka wanted the public to have notice of the proposed Ordinance. Staff and the Council had not performed their due diligence.

Council Member DuBois recalled the City Manager's statement that some notice had been provided. He asked if Council Member Tanaka would support the Ordinance if the Council continued the item for another week.

Council Member Tanaka reiterated the community's opposition to rent control and the need to notify the community of the Council's intention.

Council Member DuBois clarified that AB 1482 was not rent control but a prohibition of rent gouging. He indicated he had been contacted by people facing eviction, and the proposed Ordinance provided a clear community benefit. Rather than seeing the Ordinance fail, he agreed to continue the item.

Council Member Cormack did not believe Staff would have time to conduct an analysis of renters and rental properties, if Staff could obtain the information.

Council Member Tanaka reiterated his call for more noticing to the public.

Mr. Shikada reported the notice pertained to existing programs and existing rights and responsibilities of tenants and landlords.

Council Member Cormack asked if Council Member Tanaka would agree to the Chief Communications Officer preparing and issuing a notice in the next few days.

Council Member Tanaka answered yes.

FINAL MINUTES

Ms. Stump advised that the Council's procedures allowed the Council to reconsider an item with the support of at least one Council Member who had voted on the prevailing side.

Council Member Cormack stated the Council had received many emails from people who had not contacted the Council previously. That indicated people who were affected by the Ordinance were aware of the Ordinance.

Council Member Tanaka suggested the Chief Communications Officer issue notice and the item be placed on the Consent Calendar in one week's time.

Council Member DuBois asked if Staff could issue a notice.

Mr. Shikada replied yes.

MOTION: Council Member DuBois moved, seconded by Council Member Kou to bring this Urgency Ordinance back to Council on the December 9, 2019 Consent Calendar and direct Staff to do additional outreach on this issue prior to that meeting.

MOTION PASSED: 6-0 Kniss recused

11. Discussion Regarding Participation of Palo Alto Hotels in the San Mateo County Tourism Business Improvement District and Potential Adoption of a Resolution Requesting Withdrawal.

Michelle Poché Flaherty, Deputy City Manager reported the San Mateo County Tourism Business Improvement District (TBID) was designed to levy a fee against hotels located in the City of Palo Alto and to utilize the funds to benefit the establishments and the broader community for tourism purposes. At the national level, tourism was recognized as a key portion of the United States economy. Transient Occupancy Tax (TOT) revenues comprised approximately 13 percent of General Fund revenues. Visitors also generated sales tax revenues. The TBID generated slightly less than \$310,000 per year in fees, which were paid to the San Mateo County/Silicon Valley Convention and Visitors Bureau (CVB). The City of Burlingame collected and administered TBID fees. Approximately 10 percent of fees were returned to the Palo Alto Chamber of Commerce. The community received marketing and visitor bureau services. Community stakeholders had asked the City to consider withdrawing from the TBID.

Mayor Filseth advised that the City originally arranged the TBID with support from hotels. A poll of Palo Alto hotels found that the majority of hotels did not believe they benefitted from the TBID.

FINAL MINUTES

Hugo Santos, Cowper Inn supported withdrawing from the TBID because he had not received any benefits.

Stephanie Wansek, Cardinal Hotel indicated the CVB attracted travel groups and generated business leads that had not converted to bookings. The return on investment had been negligible.

David Dwarkin, Comfort Inn, remarked that the TBID concept was good, but it had not reached fruition. Nineteen hotels supported withdrawal, two opposed withdrawal and six had not responded. Hotels were paying for services they were not receiving.

Jim Rebosio, Sheraton and Westin Hotels indicated his hotels paid 43 percent of the fees paid to the TBID. The CVB was a great organization, but it did not fit with Palo Alto hotels. Hotel guests did not need materials for local restaurants and shops; they utilized their smartphones.

Barbara Gross, Garden Court Hotel remarked that the hotels had conducted months of outreach and research in reaching a decision to withdraw from the TBID.

Mitch Postel, San Mateo County/Silicon Valley Convention and Visitors Bureau indicated he met with hoteliers in June, 2019 about their concerns and left the meeting with the impression that progress had been made. The Board of Directors was aware of the issues and was committed to resolving them.

Julie Handley, Dinah's Garden Hotel supported the TBID. The Convention & Visitors Bureau visited often and toured groups throughout Palo Alto. She had not seen any goals or budget, or indication of what Palo Alto hotels planned to accomplish.

Matt Dolan, Homewood Suites Hotel supported the TBID in order to maintain an alliance with a reputable organization that operated within industry standards. Palo Alto hotels proposed replacing the Convention & Visitors Bureau with a vaguely defined Council that had no budget, funding source, organization or marketing plan. If Palo Alto withdrew from the TBID, collection of fees was going to stop. There was not a clear majority of hotels in favor of terminating the TBID.

Chuck Weidanz, Palo Alto Chamber of Commerce expressed concern that terminating the TBID would have an immediate and negative impact on the Chamber of Commerce's role as a visitor center. The Chamber had been successful in helping many businesses locate in Palo Alto. The Chamber had not participated in discussions about terminating the TBID. He encouraged

FINAL MINUTES

the Council to renew the TBID contract for 2020 until an analysis could be completed and alternate solutions could be discussed.

John Hutar, President/CEO San Mateo County/Silicon Valley Convention and Visitors Bureau summarized changes implemented to improve services and provide data. He requested the Council renew the TBID and allow him time to engage with Palo Alto hotels.

Joji Arellano, Cowper Inn wanted more marketing targeted to the Palo Alto market.

Yatin Patel, Hotel Parmani advised that the CVB had provided leads; however, those leads did not convert to business. The TBID had minimal relevancy to Palo Alto.

Pat Burt explained that the City joined the TBID in order to increase weekend occupancy for Palo Alto hotels, to compensate hotels for the increased TOT, and to compensate the Convention & Visitors Bureau.

Rinal Shah, Comfort Inn supported withdrawing from the TBID if hotels were not benefitting from the TBID.

Council Member Kniss requested information regarding the Palo Alto Hotel Council.

Ms. Wansek clarified that the Palo Alto Hotel Council was not a formal organization or a legal entity but a group of hotel representatives which discussed issues facing hotels.

Council Member Kniss asked if the Palo Alto Hotel Council intended to replace the TBID.

Ms. Wansek replied no. The Palo Alto Hotel Council supported withdrawing from the TBID but did not offer a recommendation or report.

Council Member Kniss understood Palo Alto hotels no longer wished to have the CVB provide marketing services. She asked if many of the hotels belonged to the Chamber of Commerce.

Ms. Wansek indicated some but not all hotels were members of the Chamber of Commerce.

Council Member Kniss inquired whether the Chamber of Commerce would be an effective mechanism for hotels to move into another step.

Ms. Wansek did not believe so.

FINAL MINUTES

Mr. Rebosio advised that the Palo Alto Hotel Council was an informal group of hoteliers which met to discuss City Council proposals that affected hotels.

Council Member Kniss asked if the hotels would no longer have a connection if the Council terminated the TBID.

Mr. Rebosio stated the Palo Alto Hotel Council had no plans to replace the CVB and no formal leader.

Ms. Gross explained that the Palo Alto Hotel Council was formed to work with the City regarding the hospitality industry and to educate hotels.

Mr. Rebosio clarified that the Palo Alto Hotel Council was not a substitute for the CVB. Most hotels provided their own marketing services.

Council Member Kniss asked if Mr. Rebosio had been involved with the TBID.

Mr. Rebosio answered yes. The TBID did not fulfill expectations, specifically it did not help smaller hotels.

Council Member Kniss asked if the Palo Alto Hotel Council would want the Council to direct the TBID fees to it once the relationship with the TBID was dissolved.

Mr. Rebosio replied no. Hotels were paying the TBID for services they were not receiving.

Council Member Kniss inquired whether Mr. Rebosio would object to continuing the TBID for another year while data was being collected.

Mr. Rebosio answered yes. The amount paid to the TBID and the amount of revenue generated by the TBID were known. In the past year, his hotel had received one booking and paid about \$300,000.

Council Member Kniss remarked that the Council had no proof of the amount of monies paid to the TBID.

Mr. Dwarin advised that the CVB did not dispute the \$2.7 million contributed by Palo Alto hotels and had provided data as to benefits provided to Palo Alto hotels. The benefits were proportionately insignificant compared to the amounts paid.

Council Member Kniss did not believe the Council had sufficient data to terminate the TBID. She could support continuing the TBID for a year in order to collect data and resolve issues.

FINAL MINUTES

Council Member DuBois asked if hotels voted to assess themselves for the TBID.

Ms. Flaherty reported the Staff memorandum was the only indication of the history of the TBID's formation.

Council Member DuBois asked if there was a formal vote of hotels to support participation in the TBID.

Ms. Gross clarified that outreach was conducted with five hotels.

Council Member DuBois asked if the five hotels provided the majority of rooms in Palo Alto.

Ms. Gross indicated the votes would rise as business was generated for Palo Alto hotels.

Council Member DuBois asked if Staff had verified the hotels that supported and opposed the TBID.

Ms. Flaherty responded no.

Council Member DuBois asked which hotel owner participated in the TBID Board.

Mr. Hutar indicated Mr. Rebosio served on the TBID Board until September 2019. Mr. Rebosio had not articulated any concerns during his tenure on the Board.

Council Member DuBois expressed concern that the largest hotels had not stated a preference. The smaller hotels appeared not to benefit from the TBID, but the larger hotels may.

Mr. Dolan related Mr. Rebosio's statement that he (Mr. Rebosio) was neutral as to terminating the TBID. He understood the September meeting of the Palo Alto Hotel Council would pertain to proceeding with the TBID; however, the meeting actually discussed terminating the TBID. He did not sign the attendance sheet for the meeting because Ms. Gross had stated the names would be used for the letter advocating termination of the TBID.

Mayor Filseth noted a discrepancy as to which hotels supported and opposed the TBID, which the Council would have to resolve.

Council Member DuBois suggested the hotels should vote on terminating the TBID. If a majority of hotels wanted to terminate the TBID, he supported termination of the TBID.

FINAL MINUTES

Mayor Filseth inquired about the timing for terminating the TBID.

Ms. Flaherty understood the City of Burlingame Council was reviewing the TBID at the same time as the Palo Alto Council meeting. Termination was based on the City of Burlingame's administration of the TBID.

Mayor Filseth inquired regarding the collection of fees from Palo Alto hotels.

Mr. Rebosio indicated fees were assessed quarterly.

Council Member Cormack asked if 200 of 70,000 pamphlets were in Palo Alto.

Mr. Hutar indicated 200 pamphlets were provided to the Palo Alto Visitors Center and a much larger quantity to the Stanford Visitors Center.

Council Member Cormack asked if hotel revenue in 2018 was \$406,000.

Mr. Hutar answered yes.

Council Member Cormack noted eight hotels had paid more than \$10,000 a year. Half of those had not responded to the survey. In August and September, hotels saw occupancy decreases. She inquired whether hotels or other businesses could participate in the CVB if the TBID terminated.

Mr. Hutar understood membership was all hotels or none. Related businesses could participate individually.

Council Member Cormack supported Option B with the addition of evaluation of the use of the Chamber of Commerce Visitors Center.

Vice Mayor Fine asked if the Council could continue the TBID in direct opposition to all hotels supporting termination of the TBID.

Ms. Flaherty responded yes. The City Council had the authority to continue or terminate the TBID regardless of hotel support or opposition.

Vice Mayor Fine acknowledged that the TBID may not serve every hotel. He inquired regarding the anticipated response by the City of Burlingame.

Ms. Flaherty did not know how the City of Burlingame might respond.

Vice Mayor Fine asked if the final column of the Excel spreadsheet represented the number of rooms for each hotel.

Ms. Flaherty answered yes.

FINAL MINUTES

Vice Mayor Fine noted 1,300 of 2,100 rooms supported termination of the TBID. Other possible measures were number of rooms, room nights, or bookings. He requested the services provided by the Chamber Visitors Center.

Mr. Weidanz explained that the Visitors Center answered questions daily from walk-in and telephone visitors. In addition, staff provided maps and directories to visitors.

Vice Mayor Fine asked how the Visitors Center would respond to calls and visitors if the TBID and funding to the Visitors Center terminated.

Mr. Weidanz did not have an answer. He thought phone calls could be redirected to the City.

Vice Mayor Fine asked if City Staff was available to handle visitor calls.

Ms. Flaherty replied no.

Vice Mayor Fine remarked that the Council had to consider issues broader than a vote of the hotels. He understood hoteliers' frustration with not receiving services for the fees paid. He generally supported Option B. He doubted the City of Burlingame would agree not to assess Palo Alto hotels effective January 1, 2020.

Council Member Tanaka requested Mr. Rebosio clarify his position regarding the TBID.

Mr. Rebosio explained that he originally was neutral with respect to the TBID, but he had come to oppose the TBID. He had not raised concerns at Board meetings, but he had expressed concerns to CVB staff. The CVB was a good organization, but it did not benefit Palo Alto's small hotels. The larger hotels typically passed the assessment to guests, but many small hotels paid the assessment as an expense.

Council Member Tanaka requested the number of hotel rooms Mr. Rebosio managed.

Mr. Rebosio indicated the three hotels provided 590 rooms.

Council Member Tanaka asked if the number of hotel rooms supporting and opposing the TBID was known.

Mr. Rebosio suggested hotel rooms totaled 2,000.

Council Member Tanaka believed monetary contribution would be the fairest method for hotels to vote.

FINAL MINUTES

Mr. Rebosio felt \$30,000 for the Chamber Visitors Center could be found in the \$29 million.

Council Member Tanaka asked if Staff knew whether a majority of hotels supported or opposed the TBID.

Ms. Flaherty related that records from the hoteliers demonstrated that two-thirds of hotels supported termination of the TBID. Dinah's Garden Hotel and the Hilton Garden Inn had indicated their support for the TBID.

Ed Shikada, City Manager reported the basis for a vote count could vary greatly.

Council Member Tanaka suggested the vote should be based on a hotel's monetary contribution to the TBID.

Mayor Filseth advised that the voting criteria would be determined by the Council.

Ms. Wansek stated a protest at the TBID was determined by monetary value.

MOTION: Council Member Tanaka moved, seconded by Mayor Filseth to:

- A. Allow the monetary majority of hotels to decide whether or not to withdraw from the San Mateo County Tourism Business Improvement District; and
- B. Continue to fund the Palo Alto Chamber of Commerce.

Mayor Filseth believed the hotels' view of the value of the TBID should be the determining factor. Funding the Chamber Visitors Center was a separate issue. He asked if the City funded the Chamber of Commerce.

Mr. Shikada reported the City funded the Chamber with its membership dues and additional amounts for specific events and programming.

Council Member Tanaka wished to remove the \$30,000 funding for the Chamber.

Mr. Weidanz advised that the City provided \$25,000 for the Leadership Palo Alto program and \$10,000 as a Leader Circle member.

Council Member Kou asked if room leads were tracked to determine which hotel got the business and the rate provided.

FINAL MINUTES

Mr. Hutar explained that leads were provided to appropriate hotels rather than to all hotels and tracked as to which hotel got the business. With journalists, all hotels were highlighted.

Council Member Kou inquired regarding Mr. Hutar's outreach to individual hotels about interest in withdrawing from the TBID.

Mr. Hutar indicated he did not attend the meeting of the Palo Alto Hotel Council and assumed the attendance sheet indicated attendance rather than interest in withdrawing from the TBID. He had spent a good bit of time with many of the hoteliers.

Council Member Kou requested an explanation of the Visit California Fee.

Mr. Hutar reported at the August 29, 2019 meeting he realized that many hotels did not pass the fee to their guests and explained the fee to the hoteliers present. The hoteliers present at the meeting represented approximately 70 percent of room inventory. He prepared a letter regarding the fee and distributed it to hoteliers not present at the meeting. The State of California also charged a Visit California Fee, and it should be passed to guests as well.

Council Member Kou asked if the Chamber of Commerce paid rent as a public benefit.

Mr. Weidanz responded yes.

Council Member Kou asked if the rate was subsidized.

Mr. Weidanz replied no. He did not believe the Chamber paid a nonprofit rental rate.

Mr. Keller stated the Chamber occupied a nonprofit space.

Council Member Kou was not in support of the Motion because notification and education was needed.

SUBSTITUTE MOTION: Council Member Kou moved, seconded by Council Member Kniss to direct Staff to:

- A. Monitor the progress of the San Mateo County/Silicon Valley Convention and Visitors Bureau to:
 - i. Demonstrate its value to the City of Palo Alto;

FINAL MINUTES

- ii. Work with all hotels in the City of Palo Alto to resolve key concerns regarding the San Mateo County Tourism Business Improvement District; and
- B. Return to the City Council in Autumn of 2020 with a status report and Staff recommendation regarding continued participation in the San Mateo County Tourism Business Improvement District (TBID)

Council Member Kniss commented that the Council needed to assess the situation before determining whether to continue or terminate the TBID.

Vice Mayor Fine reiterated the variety of bases for determining a vote of the hotels. The Council needed to develop a process, eligibility, and timing for a vote of the hotels. He hoped Staff could prepare the information prior to the City of Burlingame assessing the hotels.

Council Member DuBois believed the Council should decide the issue in the current meeting. A majority of hotels based on dollars paid or on number of rooms or number of votes cast supported terminating the TBID. The Substitute Motion needed to indicate a vote within six months so that the City of Burlingame could be notified. He supported the Motion.

Council Member Cormack supported the Substitute Motion with Staff to find alternate funding for the Chamber Visitors Center.

Council Member Tanaka reiterated the hotels' concern that they were paying for services that did not benefit them. Perhaps over the next few weeks, Mr. Hutar was able to convince the hotels to persevere for another year. The hotels needed to make the decision whether to continue or terminate the TBID.

Mayor Filseth requested the mechanism in the Substitute Motion that would determine hotel support for the TBID.

Mr. Shikada suggested a majority of dollars assessed could determine whether to continue or withdraw from the TBID.

Council Member DuBois inquired about outreach to hotels.

Mr. Shikada suggested Staff send a letter to each hotel general manager with information about the vote. The lack of a response was to be counted as a vote in support of remaining in the TBID.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to direct Staff to request a response from each hotel property on whether or not they would like to remain in the TBID.

FINAL MINUTES

Vice Mayor Fine recalled the Council's interest in reviewing a few different measures of support.

Mr. Shikada clarified that Staff would present the vote based on the number of rooms and the total assessment.

Council Member Tanaka proposed conducting the vote in six months rather than a year.

Council Member Kou requested the rationale for the autumn 2020 timeframe.

Ms. Flaherty explained that the autumn timeframe provided Staff with time to obtain a Council recommendation before the City of Burlingame conducted its review of the TBID.

Mr. Dwarkin related that some hotels could not pass the assessment to their guests because the guests patronized a competitor. Delaying a decision for a year caused small hotels to pay for services that did not benefit them.

Mr. Hutar requested the Council delay a decision to the fall of 2020 so that he could work with the hotels.

SUBSTITUTE MOTION RESTATED: Council Member Kou moved, seconded by Council Member Kniss to direct Staff to:

- A. Monitor the progress of the San Mateo County/Silicon Valley Convention and Visitors Bureau to:
 - i. Demonstrate its value to the City of Palo Alto;
 - ii. Work with all hotels in the City of Palo Alto to resolve key concerns regarding the San Mateo County Tourism Business Improvement District;
- B. Return to the City Council in Autumn of 2020 with a status report and Staff recommendation regarding continued participation in the San Mateo County Tourism Business Improvement District (TBID); and
- C. Direct Staff to request a response from each hotel property on whether or not they would like to remain in the TBID.

SUBSTITUTE MOTION AS AMENDED PASSED: 5-2 Filseth, Tanaka no

MOTION: Mayor Filseth moved, seconded by Council Member Cormack to continue Agenda Item Number 13, "CONFERENCE WITH REAL PROPERTY NEGOTIATORS ..." to December 9, 2019.

FINAL MINUTES

MOTION PASSED: 7-0

12. Review and Direction to Staff on the Outline and Framework of Initial Round of Polling for a Potential Local Tax Measure.

Christine Paras, Assistant Director Administrative Services Department reported Staff was working on polling, outreach, and analysis through an iterative process. On November 4, 2019, Staff presented a draft framework for polling and outreach. The goal of initial polling was to gain voter opinion, seek direction for outreach and direct refined analysis in the future. Staff planned to begin initial outreach in December, 2019 and present the Council with the result of the initial polling in January, 2020. A second, refined polling was to occur in February or March, 2020.

David Metz, Fairbank, Maslin, Maullin, Metz & Associates (FM3) advised that the polling would provide the Council with information to make a strategic decision regarding placing a tax measure on the ballot. The goal of the first survey was to understand the building blocks that might create a ballot measure. With Council direction, a second poll in the spring presented one or more potential ballot measures to voters to assess support. The Council's direction regarding the substance of the poll was sought. Initial questions assessed the general mood of the electorate and provide a comparison of public opinion between today and prior years. Next, the questions were to determine conceptual support for some type of tax on businesses and potential tax mechanisms. The polling obtained demographic data of respondents.

Dan Kostenbauder, Silicon Valley Leadership Group recommended the polling include questions about a fixed term, a cap and a citizen's oversight committee.

Robert Moss noted the outline did not include the importance of taxing businesses. Businesses were hiring workers, which created pressure for more housing development. Imposing higher taxes on commercial businesses benefited the community.

Greg Schmid remarked that businesses should pay their fair share of critical items. Residents paid more in local taxes and fees than businesses.

Arthur Keller indicated the polling should not include any questions about public safety. Questions needed to address the issue of a split roll and inform rather than drive the Council's decision. The City needed to consider San Francisco its competition.

FINAL MINUTES

Pat Burt commented that grade separations would likely not poll well because the community did not grasp the need for them. He suggested the polling determine whether framing a Square Footage Tax as a tax on the property owner and whether fairness issues swayed public opinion.

Karen Holman remarked that a Business Tax was the most logical and fair source of funding. Defined exemptions were critical in polling. An oversight commission was able to provide the business community and the public with a sense of trust and confidence.

Judy Kleinberg stated a Square Footage Tax could be passed onto tenants because creating expectations that the tax revenues would be spent for housing could be risky. The outline did not mention the impact of a tax on businesses.

Council Member DuBois related that the City had unmet critical needs for grade separations, traffic congestion relief and affordable housing. In 2016, voters approved a Sales Tax increase as a down payment on grade separations. The General Fund had been used to fund transportation initiatives. The list of issues was too long and should not include items that the City could not effectively address. Grade separations needed to be one of the primary focuses of polling and may need some explanation around traffic congestion and safety issues. Polling needed to explore support for affordable housing. Exemptions needed to be mentioned earlier in polling. Some progressive arguments were interesting to test. Questions about a specific, versus General Tax included an advisory measure with a citizen's oversight committee.

Mayor Filseth reiterated that the goal was to determine that the outline was moving in the right direction. He asked if the list of topics should be reduced.

Mr. Metz noted shorter surveys were better and more accurate. He thought the list of topics could be covered in 20 minutes and would be divided and asked of different samples of voters so that all topics were covered.

Vice Mayor Fine concurred with the need to explain grade separations. He thought airplane noise and power shutoffs could probably be removed from the list. He asked about polling on an exemption for nonprofits.

Ms. Paras advised that the State provided an exemption for nonprofit agencies, and the exemption could be removed from polling.

Vice Mayor Fine suggested a small portion of a Business Tax be used to fund an economic development function. He did not oppose an oversight committee but questioned the timing.

FINAL MINUTES

MOTION: Vice Mayor Fine moved, seconded by Council Member Cormack to direct Staff to proceed with the initial outline and framework as detailed by the City's polling consultant, Fairbank, Maslin, Maullin, Metz & Associates ("FM3"), in regards to assessing a potential local tax ballot measure.

Council Member Cormack concurred that mention of an advisory committee could be moved to the second round of polling. Polling validated the contention that the public did not understand the need for grade separations. The jobs-to-residents ratio needed to be adjusted for the large nonprofit employees. Most of the City's largest employers were nonprofit agencies.

Council Member Kniss believed a tax measure should contain a sunset provision and include an oversight committee. Comparing the City to San Francisco was not appropriate.

Council Member Tanaka suggested polling include a fixed term and a cap. The details of an oversight committee would have to be developed. Polling needed to include the respondents' reaction to their jobs moving outside Palo Alto.

Mr. Metz recommended such a question would fit in the second round of polling.

Council Member Tanaka felt the impact on businesses and imposing a tax, in light of a reported budget surplus, would provoke questions. Focusing questions on grade separations was logical.

Council Member Kou felt a key question would be voters' opinions regarding commercial property developers/owners and big business paying their fair share. Affordable housing needed to be defined as deed-restricted, low-income and subsidized housing. The growth topic needed to ask about office development in general. The National Citizens Survey contained many of the important baselines. The explanation of grade separations should refer to congestion relief initiatives.

Mayor Filseth asked if the survey would reveal the differences between immediate needs and good ideas for the future.

Mr. Metz reported the questions would be more precise and descriptive than the outline indicated. Responses to questions were to have a four-point scale of prioritization to tease out the immediate needs.

Mayor Filseth believed the community was well aware of the differences between commercial and residential development.

MOTION PASSED: 6-1 Tanaka no

FINAL MINUTES

Council Member Questions, Comments and Announcements

Council Member Cormack reported the Bay Area Water Supply Conservation Agency (BAWSCA) Board authorized a water transfer pilot in November, 2019.

Council Member Kou asked if the National Citizens Survey would be conducted.

Ed Shikada, City Manager answered yes, probably after the first of the year.

Council Member Kou requested an Informational Report regarding Plan Bay Area 2050.

Council Member DuBois inquired about the possibility of submitting Palo Alto-specific questions for the National Citizens Survey.

Mr. Shikada indicated specific questions had been significantly curtailed. Staff planned on preparing a report for the Council.

Closed Session

~~13. CONFERENCE WITH REAL PROPERTY NEGOTIATORS~~

~~Authority: Government Code Section 54956.8~~

~~Properties: (1) 2416-2460 Park Boulevard (APN 124-29-002); and (2) 249-251 California Avenue (APN 124-29-007);~~

~~Negotiating Parties: City of Palo Alto; and (1) Marthe Raymann, as Successor Trustee of The Alois and Marthe Raymann Trust Dated July 17, 1991; and (2) Duca and Hanley Properties, Inc., a Corporation;~~

~~City Negotiators: Ed Shikada, Monique le Conge-Ziesenhenné, Brad Eggleston, Kiely Nose, and Sunny Tong~~

~~Subject of Potential Negotiations: Price and Terms of Payment for Subsurface Easements Related to Construction of the Public Safety Building at 250 Sherman Avenue.~~

14. CONFERENCE WITH LABOR NEGOTIATORS

Agency Negotiators: Mayor and City Council Members

Unrepresented Employees: City Manager, City Attorney, City Clerk

Authority: Government Code Section 54957.6(a).

MOTION: Mayor Filseth moved, seconded by Vice Mayor Fine to go into Closed Session.

MOTION PASSED: 7-0

Council went into Closed Session at 10:55 P.M.

Council returned from Closed Session at 11:45 P.M.

FINAL MINUTES

Mayor Filseth announced no reportable action.

Adjournment: The meeting was adjourned at 11:45 P.M.