Summary Title: BID Preliminary Re-Authorization

Title: Preliminary Approval of the Report of the Advisory Board for Fiscal Year 2012 in Connection with the Palo Alto Downtown Business Improvement District and Adoption of Resolution Declaring its Intention to Levy an Assessment Against Businesses within the Downtown Palo Alto Business Improvement District for Fiscal Year 2012 and Setting a Time and Place for a Public Hearing on May 2, at 7:00 PM or Thereafter, in the City Council Chambers

From: City Manager

Lead Department: City Manager

Recommendation
Staff recommends that City Council:
(a) Preliminarily approve the Business Improvement District (BID) Advisory Board’s 2012 Budget Report for the BID (Attachment 1) and;
(b) Adopt a Resolution of Intention to Levy Assessments in the Palo Alto Downtown Business Improvement District for fiscal year 2012, setting a date and time for the public hearing on the levy of the proposed assessments for May 2, 2011, at 7:00 PM, or thereafter, in the City Council Chambers (Attachment 3)

Executive Summary
This Council action includes a preliminary approval of the BID Board’s annual report, and sets a time and place for a public hearing for the staff presentation, and to determine any objections to the assessments.

Since the BID inception in 2004, a number of activities consistent with State BID law have been accomplished by the Palo Alto Downtown Business and Professional Association (PADBPA), the entity with which the City contracts to provide services to the 800+ businesses assessed in the Downtown. These include addressing the three main issues facing downtown businesses: cleanliness, safety, and attractiveness, as well as participation in zoning and other matters affecting downtown businesses.

Assessments for BID businesses are based on the size, type and location of the business. Assessments range from $50 for individually owned professional businesses to $500 annually for financial institutions. The PADBPA has monthly open meetings governed by the Ralph M. Brown Act which any business or individual can attend.
Background
The Palo Alto Downtown Business Improvement District (BID) was established by the City Council in 2004 pursuant to the California Parking and business Improvement Area Law to promote the economic revitalization and physical maintenance of the Palo Alto Downtown business district. The Council appointed the Board of Directors of the Palo Alto Downtown Business and Professional Association (PADBPA), a non-profit corporation, as the Advisory Board for the BID. The Board’s purpose is to advise the Council on the method and basis for levy of assessments in the BID and the expenditure of revenues derived from the assessments.

Pursuant to BID law, the Advisory Board must annually submit to the Council a report that proposes a budget for the upcoming fiscal year for the BID. The report must: 1) propose any boundary changes in the BID; 2) list the improvements and activities to be provided in the fiscal year; 3) estimate the cost to provide the improvements and activities; 4) set forth the method and basis for levy of assessments; 5) identify surplus or deficit revenues carried over from the prior fiscal year; and 6) identify amounts of contributions from sources other than assessments.

The Council must then: 1) review the report and preliminarily approve it as proposed or as changed by the Council; 2) adopt a resolution of intention to levy the assessments for the upcoming fiscal year; and 3) set a date and time for the public hearing on the levy of assessments in the BID. Absent a majority protest at the public hearing on May 2, 2011, at the conclusion of the public hearing, the Council may adopt a resolution confirming the report for Fiscal Year 2012 as filed or as modified by the Council. The adoption of the resolution constitutes the levying of the BID assessments for fiscal year 2012.

Discussion
The Advisory Board has prepared a report (Attachment 1) for the Council’s consideration which includes the proposed budget for the Palo Alto Downtown BID for fiscal year 2012. As required by BID law, the report has been filed with the City Clerk and contains a list of the improvements, activities, and associated costs proposed in the BID for fiscal year 2012. The Advisory Board has recommended no change in the BID boundaries or the method and basis for levying assessments.

A map of the BID is attached (Attachment 2). The proposed assessments in the BID for fiscal year 2011 are the same as the assessments in fiscal year 2010-2011. No increases are proposed.

The budget report for fiscal year 2012 was reviewed and approved by the Palo Alto Downtown Business and Professional Association at its board meeting on April 5th, 2011.
**Resource Impact**
Adoption of the proposed BID budget does not directly impact City revenue. BID assessments are restricted for use exclusively by the BID. It is anticipated that a healthy BID will encourage vitality in the retail community and consequently result in additional sales tax revenue for the City. Some staff effort is expended annually to administer the collection of the BID.

Staff will continue to monitor staff administrative time devoted to the collection of BID assessments to assure that City costs do not exceed estimates for these services. The cost and collection of BID assessments past 60 days is borne by the BID.

The Attorney's Office will continue to provide legal oversight to the BID during the annual reauthorization process. Administrative Services staff provides assistance in the collection of BID assessments. The Economic Development Manager will continue to provide oversight to the BID and will prepare the annual reauthorization.

**Environmental Review**
This action by the City Council does not meet the definition of a project under Section 21065 of the California Environmental Quality Act, and therefore no environmental assessment is necessary.

**Attachments:**
- Attachment 1: Annual Report -- FYE#1D7DF1  (DOC)
- Attachment 2: BID Map  (PDF)
- Attachment 3: BID Resolution_FY2012  (PDF)

Prepared By:  
Thomas Fehrenbach, Econ Dev Mgr

Department Head:  
James Keene, City Manager

City Manager Approval:  
James Keene, City Manager
Introduction

This report from the Advisory Board of the Palo Alto Downtown Business & Professional Association (“PAd”) was prepared for City Council to review for the annual reauthorization of the Downtown Palo Alto Business Improvement District (“BID”) pursuant to Section 36533 of the Parking and Business Improvement Law of 1989 (Section 36500 and following of the California Streets and Highways code) (the “Law”). This report is for the proposed fiscal year for the BID commencing July 1, 2011 and ending June 30, 2012. (“Fiscal Year 2011-12”).

As required by the Law, this report contains the following information:

I. Any proposed changes in BID boundaries and benefit zones within the BID;
II. The improvements and activities to be provided for Fiscal Year 2011-12;
III. An estimate of the cost of providing the improvements and the activities for Fiscal Year 2011-12;
IV. The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for Fiscal Year 2011-12.
V. The amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
VI. The amount of any contributions to be made from sources other than assessments levied pursuant to the Law.

Submitted by Anne E. Senti-Willis, Chair, and Russell S. Cohen, Executive Director on behalf of the Advisory Board (“Advisory Board”) of the Palo Alto Downtown Business & Professional Association (“PAd”).

The Advisory Board approved this report on April 5, 2011.

Received on file in the Office of the City Clerk of the City of Palo Alto on April 5, 2011.
Section I: BID boundaries and Benefit Zones

There have been no changes in the BID boundaries or benefit zones within the BID and no changes are proposed. The current boundaries are depicted on the map below. The area of the BID is referred to as “Downtown”
Section II: Improvements and Planned Activities for 2011-12

Programs, Events and Activities:

**A more attractive Downtown:**

- A robust cleaning schedule along with improved cleaning equipment including a higher pressure; hot water device to allow for gum removal is being explored through a partnership with the City of Palo Alto and its vendors.

- An active lamppost banner schedule is in place for both spring and summer and is in development for fall and winter.

- Lighting and landscaping improvements are in development for Cogswell Park.

- Rules of engagement have been developed for Lytton Plaza and signs have been posted in the Plaza with instruction on how to obtain event permits and pertinent contact information.

- Work continues with the Palo Alto Police Department to address aggressive panhandling and loitering conflicts.

- Work continues with the Downtown Streets Team, North County Alternative Services, InnVision, Palo Alto Police Department and the City of Palo Alto Public Works Facilities and Operations Divisions to address both area cleanliness and area’s complex transient population issues, with special emphasis on Downtown public parking garages and alleyways.

- Exploring landscaping enhancements with Palo Alto Garden Club and City of Palo Alto Parks Department.

- Ensure that twinkle lights on Downtown street trees are well maintained and coordinated with other twinkle lights in or near Downtown.

- Work with the City of Palo Alto Economic Development Manager to develop and implement restaurant outdoor seating guidelines and process.

**A more informed Downtown:**

- Work is underway to create a Downtown Ambassador program. Currently the Downtown Streets Team (DST) administers a tiered system employing participants to clean Downtown streets and alleyways in exchange for food and housing vouchers. Participants are rewarded and promoted through tiers based on performance. The introduction of a new tier, “Downtown Ambassador,” will become the ultimate reward. These “Ambassadors” will be neatly uniformed and well educated about Downtown events and businesses. They will function as Downtown concierges for visitors and patrons of Downtown Palo Alto. Funding will come from multiple private/public partnerships.

- Revitalization of the block captain program is under discussion.
• Board member recruitment/development is underway with special attention given to diversity. Desired diversity would include a variety of business types represented on the board, including but not limited to Financial, Technology, Retail, Medical, Restaurant, Real Estate, and Hospitality as well as at least one representative from more distant points within the district.

A more connected Downtown:

Web presence:
• Re-engineer website to communicate with district members.

• B2B focused. This refocus will allow members to build relationships amongst fellow members of the district, be better informed about events, issues and programs that affect their businesses directly.

• Give business of all kinds a better connection to PAd for specific advocacy needs.

• Web site will function as a portal for archival information—minutes, agendas and a members’ only contact list.

• Social media may be employed to provide a more immediate outreach opportunity to members and the public.

• A comprehensive email database is being developed in order to design an effective electronic communication strategy.

Surveys
• Both electronic and on the street, personal outreach and surveys are ongoing in order to determine what successes can be capitalized upon and what concerns need to be addressed regarding doing business in Downtown Palo Alto.

Partnerships
• Building relationships with Stanford Dean of Student Activities, Athletic Events Marketing Director, Office of Government and Community Relations and University Real Estate Office to enhance connectivity and encourage Stanford visitors and community members to come downtown.

• Other partnership discussions underway include, Palo Alto Community Fund, Palo Alto Institute, Palo Alto Art Center, Kiwanis, Palo Alto Chamber of Commerce and more.

Outreach
• Through vigorous outreach, the PAd member data base has been updated and made more accurate resulting in approximately 160 new member listings representing approximately $20,000 in additional assessments.

• Ongoing outreach to members regarding issues that might affect the success of their day-to-day activities, (i.e. special events, street closures, temporary sidewalk obstructions, etc.) Note: SF
Giants Trophy appearance downtown and Parade of Champions event are examples of this face-to-face, personal outreach effort.

**A more efficient Downtown:**

- The appointment of Steve Banks as a single point of contact within the City of Palo Alto Public Works Department for Downtown infrastructure issues has been made.

- A series of Roundtable Forums at the Garden Court Hotel including the April 21st forum entitled, “In search of the Perfect Public Parking Program” featuring experts in parking strategy and technology including, Tilly Chang and Jeff Koehler from the San Francisco Transportation Authority, Dan Zack from the City of Redwood City and Jaime Rodriguez from the City of Palo Alto help educate PAd members about this important topic.

- Other roundtable forums are being planned with topics of interest for PAd members.

- Support efforts to modernize the lamppost banner and sign code/ordinance.

- Continued improvement of way-finding signage including but not limited to public parking way-finding.

- Supporting the ongoing efforts to streamline the permitting process through the City of Palo Alto Development Center.

- PAd now administers and facilitates the former Palo Alto Chamber of Commerce Parking Committee as much of the work plan discussed by this committee is downtown-centric.

**A more active Downtown:**

- Brown Bag Lunchtime Concert series in addition to Friday Night Jam Sessions is being explored for Lytton Plaza as well as other Downtown locations.

- The revitalization and future of the Lytton Plaza, Wednesday afternoon “Farm Shop” concept is under discussion.

- An annual Earth Day celebration called “The Downtown Palo Alto Clean Green Street Scene” will debut on Friday, April 22 in Lytton Plaza featuring poetry slam, recycled fashion show, merchant giveaways and more. Partners include the City of Palo Alto, Cit of Palo Alto Utilities, Acterra, Canopy, the Palo Alto Elementary and High School Districts and more.

- Support, promote and expand World Music Day.

- Support and promote The Palo Alto Gran Fondo Bicycle Ride and Taste of Palo Alto on September 17, 2011.
• Support the efforts of the San Mateo County Convention and Visitors Bureau and ongoing Stanford events and opportunities to drive more visitors to Downtown Palo Alto from the Stanford campus.

• Help promote United Nations Association Film Festival, Stanford Jazz Summers, Palo Alto Institute Film Festival and TheaterWorks programs.

• Transition oversight and promotion of a vibrant and well-used Lytton Plaza from the Friends of Lytton Plaza.
Section III: Budget for 2011-12

The total funds available for activities for this fiscal year are estimated to be $29,715. The budget for providing the activities is set forth as follows:

**BID 2011/12 Budget**

<table>
<thead>
<tr>
<th>INCOME</th>
<th>Total</th>
<th>Non-Assessment Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments</td>
<td>$145,000</td>
<td></td>
</tr>
<tr>
<td>Allowance for Uncollectible Assessments</td>
<td>($23,000)</td>
<td></td>
</tr>
<tr>
<td>Other Revenue</td>
<td>$17,715</td>
<td>$17,175</td>
</tr>
<tr>
<td>09-10 Surplus Carryover</td>
<td>$20,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td><strong>$159,715</strong></td>
<td><strong>$17,715</strong></td>
</tr>
</tbody>
</table>

**EXPENSES**

**Operating Expenses**

Staff Salaries
- Executive Director Salary $60,000
- Payroll taxes and expense $6,000
- Office Supplies & Expenses $1,500
- Internet/Website Maintenance $6,000
- Telephone $900
- Rent $3,120
- Reauthorization Advertising $2,500
- Audit-Tax Returns $4,000
- Legal $1,000 and $1,000
- Insurance - Liability $1,800
- Workman's Comp $1,000
- Nominating $1,500
- Contingencies $13,500

**Subtotal -- Operating Expenses** $102,320 and $1,000

**Programs, Marketing and Events**

- Permit Fees $1,000
- Banners $4,000 and $2,000
- Breakfast Roundtables $11,475 and $8,175
- Events $6,000 and $6,000
- Member Outreach & Communication $3,000
- Downtown Streets Team $5,000
- District Improvement $26,420

**Subtotal --Programs, Marketing & Events** $56,895 and $16,715

**TOTAL EXPENSES** $159,715 and $17,715
Section IV: Method and Basis of Levying the Assessment
Cost Benefit Analysis / Bid Assessments

The method and basis of levying the assessment is provided in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for Fiscal Year 2011-12 and is not changed from the FY 2010-11 assessment.

There have been no changes made to the Cost-Benefit Analysis or to the BID Assessments since they were approved by City Council on February 2, 2004.

The method of calculation used to determine the cost and benefit to each business located in the BID is described below. The BID assessments are based on three criteria: the type of business, the location of the business and the size of the business.

It has been consistently demonstrated that the typical BID program places a higher priority on activities such as commercial marketing. As a result, the retail and restaurant establishments in the BID are assessed more than service and professional businesses in the district.

While service-oriented businesses benefit from a BID less than retailers and restaurateurs, they benefit more than professional businesses such as medical, dental, architectural, consultant and legal offices with their minimal advertising and promotion needs.

For these reasons, various business types are assessed according to the benefit that they receive from the BID, as follows:

- Retail and Restaurant 100% of base amount
- Service 75% of base amount
- Professional 50% of base amount

Exceptions to this rule include financial institutions that are traditionally charged a flat rate regardless of location or size and lodging businesses that are typically charged by total rooms.

The location of a business also determines the degree of benefit that accrues to that business. Centrally located businesses tend to benefit more, as do businesses located on the ground floor.

For this reason, A and B benefit zones have been identified for the BID.

In Palo Alto, Zone A benefit businesses are assessed 100% of the base benefit assessment while Zone B businesses are assessed 75%.

A third criterion is used in the BID to determine benefit. This criterion, the size of the business, takes into consideration the number of full time employees employed by the business. Please refer to Attachment 1 for a more complete understanding of the application of these three variables to establish BID benefit.

Attachment 2 is the BID assessment for each business located within the BID boundaries. Applying the criteria identified in Attachment 1, a summary of the assessment that applies to each business by size, type and location is outlined. In addition to the Cost-Benefit Analysis, the assessments include the following criteria:
An exemption for “single person professional businesses” that have 25% or fewer full time equivalent (“FTE”), including the business owner. This covers employees who work less than 10 hours a week (based on a 40 hour work week; an FTE equals approximately 2000 hours annually)

An assessment specifically for “single person businesses” that have 26% FTE to 1 FTE in the professional business category of the BID (An FTE equals approximately 2000 hours annually)

The tiering of other professional businesses by size based (according to benefit) on the “single person business” criteria

This outline provides information by which a business can determine its annual assessment based on objective criteria.

Except where otherwise defined, all terms shall have the meanings identified below:

**Definitions of Business Types in the Downtown Business Improvement District**

**Retailers and Restaurants:** Businesses that buy or resell goods such as clothing stores, shoe stores, office supplies as well as businesses that sell prepared food and drink.

**Service Businesses:** Businesses that sell services such as beauty or barber shops, repair shops, most automotive businesses, dry cleaners, art and dance studios, printing firms, film processing companies, travel agencies, entertainment businesses such as theatres, etc.

**Hotel and Lodging:** These include businesses that have as their main business the lodging of customers. This is restricted to residential businesses that provide lodging services to customers for less than 30 days.

**Professional Businesses:** Businesses that require advanced and/or specialized licenses or academic degrees such as architects, engineers, attorneys, chiropractors, dentists, doctors, accountants, optometrists, realtors, insurance brokers, venture capital firms, consultants, advertising and marketing professionals and mortgage brokers and similar professions.

**Financial Institutions:** Includes banking, savings and loan institutions and credit unions.

Additional clarification on business definitions will be defined according to Section 18.04.030 (Definitions) of the Palo Alto Municipal Code.

The Advisory Board recommends that the following businesses be exempt from the BID assessment:

- New businesses established in the BID area following the annual assessment for the year in which they locate in the BID area
- Non-profit organizations
- Newspapers
- “Single person professional businesses” that have 25% or less FTE, including the business owner

The Assessment calculated shall be paid to the City no later 30 days after receipt of the invoice with the amount of the annual assessment sent by the City. A second notice will be mailed as a reminder to businesses that have not remitted payment by that date. Late payment will be subject to a 10% late fee.
Section V: Revenue Surplus or Deficit
Based on the revenue balance on 02/28/11 of $71,430, the PAd expects a surplus carryover of $20,000. Expected expenses for the remainder of FY 10-11 are as follows:

<table>
<thead>
<tr>
<th>Current Revenue Balance</th>
<th>$71,430</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected expenses for remaining FYE6/30/2011</td>
<td></td>
</tr>
<tr>
<td>Staff Salaries</td>
<td>$25,000</td>
</tr>
<tr>
<td>Elections &amp; Annual Report</td>
<td>$3,500</td>
</tr>
<tr>
<td>Office &amp; Operating Expenses</td>
<td>$10,000</td>
</tr>
<tr>
<td>Outside Audit</td>
<td>$4,000</td>
</tr>
<tr>
<td>Reauthorization Advertising</td>
<td>$2,500</td>
</tr>
<tr>
<td>Downtown Streets Team</td>
<td>$5,000</td>
</tr>
<tr>
<td>Rent</td>
<td>$1,300</td>
</tr>
<tr>
<td><strong>Total Expected Expense</strong></td>
<td><strong>$51,300</strong></td>
</tr>
<tr>
<td><strong>Expected Carryover</strong></td>
<td><strong>$20,000</strong></td>
</tr>
</tbody>
</table>

Section VI: Non-assessment Income

It is estimated that $17,715.00 will be raised in fundraising, and sponsor support. Additionally, anticipate in kind contribution towards expenses for Fiscal Year 2010-11.

**Projected Income for Fiscal Year 2011-12**

Roundtable Breakfasts (donation) $8,175
Legal (donation) $1,000
Banners $2,000
Events $6,000
**Total** $17,175
Section VII: PAd Board of Directors by Business Type

**Retailers and Restaurants**

Robert Beschiem, *Tamarine Restaurant*
Claudia Cornejo, *Caffè del Doge*
Whitney Denson, *Five Ten Gifts*
Georgie Gleim, *Gleim the Jeweler*
Jeff Selzer, *Palo Alto Bicycles*
Abraham Khalil, *A.K Insurance Services, KanZeman, Mediterranean Wraps*

**Hotel and Lodging**

Barbara Gross, *Garden Court Hotel*

**Service Businesses**

Stacey Yates, *SkinSpirit*

**Financial Institutions**

Deborah Pappas, *Borel Private Bank & Trust Company*

**Professional Organizations**

Anne E. Senti-Willis, *Thoits, Love, Hershberger & McLean*

**LIAISONS**

**Palo Alto Chamber of Commerce**

Paula Sandas, *President & CEO*

**Downtown Streets Team**

Eileen Richardson, *Executive Director*

**City Of Palo Alto**

Greg Scharff, *Palo Alto City Council*

Thomas Fehrenbach, *Manager of Economic Development*
A General Statement Regarding Cost-Benefit Analysis For BID Businesses Using The Traditional Three Criteria Formula

Criteria 1) Type of Business:
Statement Concerning Cost-Benefit Formula For BID Businesses Regarding Type Of Business:
In a review of 200 California Business Improvement Districts, it is consistently demonstrated that the typical BID Program places a higher priority on Commercial Marketing Programs than on Civic Beautification and Commercial Recruitment Programs. With that trend in mind, retail and restaurant businesses, with their emphasis on, and need for, commercial marketing, are traditionally assessed more than less marketing-sensitive service-oriented or professional-oriented businesses.

However, while service-oriented businesses benefit from a BID less than retailers and restaurateurs, they benefit more, (from commercial marketing programs), than professional businesses such as medical, dental and legal offices with their minimal advertising and promotion needs.

Therefore, set forth below, is an example of how various business types might be considered regarding the computation of the annual benefit assessment.

• Retail and Restaurant: 100% of base amount
• Service: 75% of base amount
• Professional: 50% of base amount

Exceptions to this rule include financial institutions that are traditionally charged a flat rate regardless of location or size and lodging businesses that are typically charged by total rooms. Lodging businesses are assessed based on the total number of rooms because it is a more equitable manner of determining size. Many lodging businesses have many part time employees, but revenues are based on the room occupancies of the hotel, not the goods sold or serviced provided by employees.

Criteria 2) Location of Business:
Statement Concerning Cost-Benefit Formula For BID Businesses Regarding Location of Business:
It has also been consistently demonstrated that the more centrally located businesses tend to benefit from BID activities and services to a greater degree than businesses located toward the periphery of the proposed BID boundaries. Events and activities tend to originate in the central core of the Downtown area and spread benefit to the outer areas with diminishing energy and impact, much like the ripple effect of a stone tossed into a body of calm water.

Furthermore, ground floor businesses tend to benefit to a greater degree than businesses located in upper floors. Therefore, in some cases, a new BID's annual benefit assessment formula also takes these street level criteria into account.

As mentioned above, special events, fairs, festivals and other activities tend to take place within, or along, the Main Street core rather than in the areas at the periphery of the Downtown core. Additionally, BID-sponsored seasonal decorations, public art projects, street banners and street furniture tend to be located within the immediate core area.
Therefore, businesses located within the most central area of the proposed BID are considered to be within "Zone A" which should be considered the primary benefit zone. There is typically a "secondary zone" or "Zone B" within most proposed BID areas. This area receives less benefit than Zone A and should be assessed accordingly.

An example of how different zones might be treated regarding the computation of the annual benefit assessment is as follows.

- Zone A: 100% of base benefit assessment
- Zone B: 75% of base benefit assessment

In the case of Downtown Palo Alto, it is recommended that all Zone A upper floor businesses, as well as any other businesses located at the periphery of the proposed BID, be considered as Zone B businesses. Please refer to the map in Attachment I.

**Criteria 3) Size of Business:**

**Statement Concerning Cost-Benefit Formula For BID Businesses Regarding Size of Business:**

In approximately 50% of newly established BIDs, a third assessment criterion is used. This criterion involves the size of each individual business that is based upon the businesses’ total number of full-time employees. Full-time employees are those working a total of 2,000 hours per year. Part-time employees are grouped into full-time job positions, i.e., two half-time employees total one full-time. Fractions are rounded down to the nearest whole number with no less than one person as a minimum for business.

An example of how various business sizes might be treated regarding the computation of the annual benefit assessment is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Retail/Restaurants</th>
<th>Service Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>50% of base amount</td>
<td>Under 6 FTE*</td>
</tr>
<tr>
<td>Medium</td>
<td>75% of base amount</td>
<td>6 to under 11 FTE</td>
</tr>
<tr>
<td>Large</td>
<td>100% of base amount</td>
<td>11 or more FTE</td>
</tr>
</tbody>
</table>

* FTE = full time employees

Additionally, an exemption was established for “single person professional businesses” that have 25% or less FTE, including the business owner. This covers employees who work less 10 hours a week (based on a 40 hour work week).

Since “single person businesses” that have 26% FTE to 1 FTE in the professional business category of the BID benefit the very least from the assessment, their assessments have been tiered by size based (according to benefit) on the new “single person business” criteria.
## ATTACHMENT 2

### Downtown Palo Alto Business Improvement District
#### Annual BID Assessments

<table>
<thead>
<tr>
<th>Category</th>
<th>ZONE A</th>
<th>ZONE B (75% of Zone A amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Restaurants &amp; Retailers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 6 FTE (50% of base amount)</td>
<td>$225</td>
<td>$170</td>
</tr>
<tr>
<td>6 to under 11 FTE (75% of base amount)</td>
<td>$340</td>
<td>$260</td>
</tr>
<tr>
<td>11 or more FTE (100% of base amount)</td>
<td>$450</td>
<td>$340</td>
</tr>
<tr>
<td><strong>Service Businesses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 4 FTE (50% of base amount)</td>
<td>$170</td>
<td>$130</td>
</tr>
<tr>
<td>4 to under 7 FTE (75% of base amount)</td>
<td>$260</td>
<td>$200</td>
</tr>
<tr>
<td>Over 7 FTE (100% of base amount)</td>
<td>$340</td>
<td>$260</td>
</tr>
<tr>
<td><strong>Professional Businesses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25% or fewer FTE, including owner (0% of base amount)</td>
<td>Exempt</td>
<td>Exempt</td>
</tr>
<tr>
<td>26% FTE to under 1 FTE (25% of base amount)</td>
<td>$60</td>
<td>$50</td>
</tr>
<tr>
<td>2 to 4 FTE (50% of base amount)</td>
<td>$110</td>
<td>$90</td>
</tr>
<tr>
<td>5 to 9 FTE (75% of base amount)</td>
<td>$170</td>
<td>$130</td>
</tr>
<tr>
<td>10+ FTE (100% of base amount)</td>
<td>$225</td>
<td>$170</td>
</tr>
<tr>
<td><strong>Lodging Businesses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 20 rooms (50% of base amount)</td>
<td>$2258</td>
<td>$170</td>
</tr>
<tr>
<td>21 to 40 rooms (75% of base amount)</td>
<td>$340</td>
<td>$260</td>
</tr>
<tr>
<td>41+ rooms (100% of base amount)</td>
<td>$450</td>
<td>$340</td>
</tr>
<tr>
<td><strong>Financial Institutions</strong></td>
<td>$500</td>
<td>$500</td>
</tr>
</tbody>
</table>

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ATTACHMENT 2

Downtown Palo Alto
Business Improvement District

This map is a product of the
City of Palo Alto GIS

Proposed BID Map 105509 (Doc: pmsmap:0GIS\Data\Person\Shapes2.mdb)
Resolution No. ______
Resolution of the Council of the City of Palo Alto Declaring Its Intention to Levy an Assessment Against Businesses Within the Downtown Palo Alto Business Improvement District for Fiscal Year 2012 and Setting a Time and Place for a Public Hearing on May 2, 2011 at 7:00 PM or Thereafter, in the Council Chambers

THE CITY COUNCIL OF THE CITY OF PALO ALTO DOES HEREBY FIND, DECLARE, AND ORDER AS FOLLOWS:

SECTION 1. The Parking and Business Improvement Area Law of 1989 (the “Law”), California Streets and Highways Code Sections 36500 et seq., authorizes the City Council to levy an assessment against businesses within a parking and business improvement area which is in addition to any assessments, fees, charges, or taxes imposed in the City.

SECTION 2. Pursuant to the Law, the City Council adopted Ordinance No. 4819 establishing the Downtown Palo Alto Business Improvement District (the “District”) in the City of Palo Alto.

SECTION 3. The City Council, by Resolution No. 8416, appointed the Board of Directors of the Palo Alto Downtown Business & Professional Association, a California nonprofit mutual benefit corporation, to serve as the Advisory Board for the District (the “Advisory Board”).

SECTION 4. In accordance with Section 36533 of the law, the Advisory Board prepared and filed with the City Clerk a report entitled “Downtown Palo Alto Business Improvement District, Annual Report 2011-2012” (the “Report). The City Council hereby preliminarily approves the report.

SECTION 5. The boundaries of the District are within the City limits of the City of Palo Alto (the “City”) and encompass the greater downtown area of the City, generally extending from El Camino Real to the East, Webster Street to the West, Lytton Avenue to the North and Addison Avenue to the South (east of Emerson Street, the boundaries extend only to Forest Avenue to the South). Reference is hereby made to the map of the District attached hereto as Exhibit “A” and incorporated herein by reference for a complete description of the boundaries of the District.

SECTION 6. The City Council hereby declares its intention, in addition to any assessments, fees, charges or taxes imposed by the City, to levy and collect an assessment against businesses within the District for fiscal year 2012 (July 1, 2011 to June 30, 2012). Such assessment is not proposed to increase from the assessment levied and collected for fiscal year
SECTION 7. The types of improvements to be funded by the levy of an assessment against businesses within the District are the acquisition, construction, installation or maintenance of any tangible property with an estimated useful life of five years or more. The types of activities to be funded by the levy of an assessment against businesses within the District are the promotion of public events which benefit businesses in the area and which take place on or in public places within the District; the furnishing of music in any public place in the District; and activities which benefit businesses located and operating in the District.

SECTION 8. New businesses established in the District after the beginning of any fiscal year shall be exempt from the levy of the assessment for that fiscal year. In addition, non-profit organizations, newspapers and professional “single-person businesses,” defined as those businesses which have 25% or less full time equivalent employees, including the business owner, shall be exempt from the assessment.

SECTION 9. The City Council hereby fixes the time and place for a public hearing on the proposed levy of an assessment against businesses within the District for fiscal year 2012 as follows:

TIME: 7:00 PM, or soon thereafter
DATE: Monday, May 2, 2011
PLACE: City Council Chambers
250 Hamilton Avenue
Palo Alto, California 94301

At the public hearing, the testimony of all interested persons regarding the levy of an assessment against businesses within the District for fiscal year 2012 shall be heard. A protest may be made orally or in writing by any interested person.

Any protest pertaining to the regularity or sufficiency of the proceedings must be in writing and shall clearly set forth the irregularity or defect to which the objection is made.

Every written protest must be filed with the City Clerk at or before the time fixed for the public hearing. The City Council may waive any irregularity in the form or content of any written protest and at the public hearing may correct minor defects in the proceedings. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing.

Each written protest must contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the City as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the
A written protest which does not comply with the requirements set forth in this paragraph will not be counted in determining a majority protest (as defined below).

If, at the conclusion of the public hearing, written protests are received from the owners of businesses in the District which will pay 50 percent or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50 percent (i.e., there is a majority protest), no further proceedings to levy the proposed assessment, as contained in this resolution of intention, shall be taken for a period of one year from the date of the finding of a majority protest by the City Council.

If the majority protest is only against the furnishing of a specified type or types of improvement or activity within the District, those types of improvements or activities shall be eliminated.

SECTION 10. For a full and detailed description of the improvements and activities to be provided for fiscal year 2012, the boundaries of the District and the proposed assessments to be levied against the businesses within the District for fiscal year 2012, reference is hereby made to the Report of the Advisory Board. The Report is on file with the City Clerk and open to public inspection.

SECTION 11. The City Clerk is hereby authorized and directed to provide notice of the public hearing in accordance with law.
Not Yet Approved

SECTION 12. The Council finds that the adoption of this resolution does not meet the definition of a project under Section 21065 of the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

__________________________   _____________________________
City Clerk        Mayor

APPROVED AS TO FORM:

___________________________   _____________________________
Senior Assistant City Attorney   City Manager

_____________________________
Director of Administrative Services

_____________________________
Director of Planning and Community Environment
## Exhibit “B”

**Downtown Palo Alto Business Improvement District**

**Annual BID Assessments**

<table>
<thead>
<tr>
<th></th>
<th>ZONE A</th>
<th>ZONE B (75% of Zone A amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Restaurants &amp; Retailers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 6 FTE (50% of base amount)</td>
<td>$225</td>
<td>$170</td>
</tr>
<tr>
<td>6 to under 11 FTE (75% of base amount)</td>
<td>$340</td>
<td>$260</td>
</tr>
<tr>
<td>11 or more FTE (100% of base amount)</td>
<td>$450</td>
<td>$340</td>
</tr>
<tr>
<td><strong>Service Businesses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 4 FTE (50% of base amount)</td>
<td>$170</td>
<td>$130</td>
</tr>
<tr>
<td>4 to under 7 FTE (75% of base amount)</td>
<td>$260</td>
<td>$200</td>
</tr>
<tr>
<td>Over 7 FTE (100% of base amount)</td>
<td>$340</td>
<td>$260</td>
</tr>
<tr>
<td><strong>Professional Businesses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25% or fewer FTE, including owner (0% of base amount)</td>
<td>Exempt</td>
<td>Exempt</td>
</tr>
<tr>
<td>26% FTE to under 1 FTE (25% of base amount)</td>
<td>$60</td>
<td>$50</td>
</tr>
<tr>
<td>2 to 4 FTE (50% of base amount)</td>
<td>$110</td>
<td>$90</td>
</tr>
<tr>
<td>5 to 9 FTE (75% of base amount)</td>
<td>$170</td>
<td>$130</td>
</tr>
<tr>
<td>10+ FTE (100% of base amount)</td>
<td>$225</td>
<td>$170</td>
</tr>
<tr>
<td><strong>Lodging Businesses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 20 rooms (50% of base amount)</td>
<td>$2258</td>
<td>$170</td>
</tr>
<tr>
<td>21 to 40 rooms (75% of base amount)</td>
<td>$340</td>
<td>$260</td>
</tr>
<tr>
<td>41+ rooms (100% of base amount)</td>
<td>$450</td>
<td>$340</td>
</tr>
<tr>
<td><strong>Financial Institutions</strong></td>
<td></td>
<td>$500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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