The City Council of the City of Palo Alto met on this date in virtual teleconference at 5:01 P.M.

Participating Remotely: Burt, Cormack, DuBois, Filseth, Kou, Stone, Tanaka

Absent:

Closed Session

1. CONFERENCE WITH LABOR NEGOTIATORS
   City Designated Representatives: City Manager and his designees
   Pursuant to Merit System Rules and Regulations (Ed Shikada, Rumi Portillo, Molly Stump, Dean Batchelor, Geo Blackshire, Robert Jonsen, Nick Raisch, Kiely Nose)
   Employee Organizations: Utilities Management and Professional Association of Palo Alto (UMPAPA); Service Employees International Union, (SEIU) Local 521; Service Employees International Union, (SEIU) Local 521, Hourly Unit; Palo Alto Police Officers Association (PAPOA); Palo Alto Fire Chiefs’ Association (FCA) and Employee Organization: International Association of Fire Fighters (IAFF), Local 1319; Palo Alto Police Manager’s Association (PAPMA)
   Authority: Government Code Section 54957.6(a)

2. CONFERENCE WITH CITY ATTORNEY - EXISTING LITIGATION
   Santa Clara County Superior Court, Case No. 20CV367865
   Authority: Government Code Section 54956.9(d)(1)

   Rebecca Eisenberg remarked that the different labor groups had different interests. The litigation did not concern a bridge that negatively impacted one person’s land but probably concerned a lack of attention to public good and public interest in analyzing an application. The Council needed to view the litigation from the perspective of what was in Palo Alto's best interest. She urged the Council to settle the litigation.

   MOTION: Council Member Cormack moved, seconded by Vice Mayor Burt to go into Closed Session.

   MOTION PASSED: 7-0
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Council went into Closed Session at 5:06 P.M.

Council returned from Closed Session at 6:46 P.M.

Mayor DuBois announced no reportable action.

Study Session

3. 3045 Park Blvd (20PLN-00215): Request by Jay Paul Company for a Prescreening of Their Proposal to Create a new Zoning Overlay to Allow Office Uses in Seven (7) Buildings Along Park Boulevard Near the California Avenue Caltrain Station. Environmental Assessment: Not a Project. Zoning District: GM.

Jonathan Lait, Planning and Community Environment Director, reported the applicant sought informal feedback from the community and Council. The owners of 3045 Park Boulevard approached Staff several months ago and expressed concern about the vacancy of the building, which was approved for Research and Development (R&D) uses. In the conversation, Staff expressed concern regarding singling out one property in the block for a professional office use when the underlying General Manufacturing (GM) zoning did not allow that type of use. Staff also shared the Council's policy perspective regarding office uses and restrictions on office uses. Because the subject building was approved for R&D uses, a professional office use was not going to impact the annual office cap or change the required parking. Only two small clusters of GM zoning remained in the City, and converting the parcel to professional office was likely to limit future uses for the site. Five of the Applicant’s seven properties were located within the boundary of the North Ventura Coordinated Area Plan (NVCAP), for which the planning process was not complete. When initiating the NVCAP planning process, the Council did not impose any moratorium or restriction on development activity within the boundary.

Maia Harris, Applicant representative, advised that the building at 3045 Park Boulevard was completed in September 2019, but there had been no interest in leasing the building for R&D uses. The building was designed to reinforce the bike boulevard and to be compatible with the neighborhood. Professional office and general business office uses were grandfathered for several of the subject properties, but not for 3045 Park. The two-story building at 3045 Park contained about 29,000 square feet of space. For a professional office use, the density was approximately one employee per 200-250 square feet. For an R&D use, the density was approximately one employee to 165 square feet. Uses allowed under GM zoning, other than technology R&D, were not compatible or appropriate for the existing building. A Transportation Demand Management (TDM) Plan was in place.
for the building. With the proximity to the California Avenue Business District and the Caltrain station, workers in the subject building were likely to patronize businesses in the California Avenue Business District. The Applicant was amenable to zoning the properties at 3045 and 2747 Park Boulevard for general office but preferred an overlay to avoid the appearance of spot zoning.

Bill Ross questioned Staff's not analyzing the proposal in light of the Comprehensive Plan and its designation of light industrial. He suggested Staff study the area for housing.

Rebecca Eisenberg remarked that there was no rational explanation for the recommendation. The applicant sought to change the zoning rather than lower rents. The community favored housing over office space.

Keith Reckdahl, NVCAP Working Group Member, clarified that Staff constructed the three alternatives after discussions with the NVCAP Working Group. The NVCAP Working Group did not necessarily endorse all aspects of the alternatives. For example, an overwhelming majority of the NVCAP Working Group agreed that the best long-term option for the properties along Park was to convert them to housing.

Jamie Beckett noted housing was located within three blocks of the subject property. She expressed concern about construction impacts if the Council approved new zoning because of plans to construct the Public Safety Building (PSB) and the teacher housing project and other construction underway in the area. The Council needed to consider the area holistically and the quality of life for residents in the area.

Winter Dellenbach understood the primary concern of converting the zoning was the office cap. Staff developed the overlay concept. The City was in dire need of housing and yet, the Council was considering office space that was going to increase the need for housing.

Becky Sanders concurred with Mr. Reckdahl's and Ms. Dellenbach's comments. The overlay proposal did not reflect the values espoused by the Council, Staff, and residents.

James Cook concurred with Mr. Reckdahl's and Ms. Beckett's comments regarding more housing. The Ventura neighborhood welcomed new neighbors and affordable housing. The subject properties were good locations for housing.

Council Member Filseth indicated the proposal conflicted with efforts to develop a holistic plan for the NVCAP area and to increase housing supply,
especially market-rate housing. The Applicant needed to demonstrate that the benefits of the proposal outweighed those two disadvantages.

Council Member Stone requested the number of GM zones in the City.

Mr. Lait agreed to provide the number of properties shortly.

Council Member Stone noted the types of uses allowed in GM zones were not common businesses in Palo Alto. Rezoning GM properties was going to make attracting those types of business more difficult. He inquired whether the Applicant lowered rents in an effort to attract tenants.

Janette D’Elia, Applicant, COO Jay Paul Company, advised that the Applicant began marketing the property prior to construction. Tech users viewed the property but were not able to negotiate a lease. Traditional office users expressed the most interest in the property. The Applicant was willing to negotiate rents, but the pool of tech R&D users was small. The subject property was small, and the building was new and suited for a tech user or an office user.

Council Member Stone asked if marketing for the property indicated reduced rents.

Ms. D’Elia replied yes. The subject property was the only vacant property in the Applicant's portfolio.

Council Member Stone expressed concern about the precedent that changing the zoning created.

Mayor DuBois believed light industrial areas were important for the City. The Council clearly provided its policy regarding professional office space. General office users did not create the mass that the Council sought for this area. The proposal did not align with the City’s current policies.

Vice Mayor Burt agreed that any zoning changes needed to be considered in the context of the NVCAP when it was complete. He requested the source for the employee densities that the Applicant provided.

Tom Gilman, Architect, reported his firm planned millions of square feet of R&D uses in Silicon Valley, and 165 square feet per employee was the traditional density for all his interior work.

Vice Mayor Burt noted that the definition of R&D changed from hardware to software development, which had a higher employee density. The City's definition of R&D zoning needed to provide different types of R&D. He inquired about the proposal's consistency with the Comprehensive Plan.
Mr. Lait advised that if the Applicant submitted a formal application, Staff was required to conduct a robust analysis of consistency.

Vice Mayor Burt commented that commercial rental rates in Palo Alto were approximately twice the rates charged elsewhere while the vacancy rates in Palo Alto were comparable to those elsewhere. He requested an update regarding the connection to the Caltrain station.

Mr. Lait indicated development of the property at 2747 Park Boulevard included an agreement to enhance a pedestrian connection. The deadline to complete the connection was approximately a year away.

Council Member Cormack was not comfortable proceeding with the proposal until the NVCAP was complete. She inquired whether the funding for the connection was sufficient.

Mr. Lait clarified that a design for the connection had not been developed for a number of reasons, including the lack of traffic data.

Council Member Cormack inquired whether something changed since the Applicant proposed and constructed the building such that potential tenants were not attracted to it.

Ms. D’Elia felt the building’s size and location were impediments. The Applicant had similar difficulty leasing the building at 2747 Park Boulevard.

Council Member Cormack felt a GM use occupying the subject property was unlikely given the premier location near Caltrain. She requested comment regarding the types of uses that were allowed in GM zoning and the likelihood of their occupying the subject property.

Mr. Lait explained that the Comprehensive Plan discussed the types of uses that were appropriate for GM zoning. A developer may not consider the types of uses as appropriate for the area. Many cities were trying to preserve industrial land when possible because there was an interest in having those land uses within the jurisdiction. The buildings located in the subject GM zone were not likely to see any of the uses unless the City provided robust incentives.

Council Member Kou asked if the buildings were subject to the Pedestrian and Transit-Oriented Development Combining District (PTOD).

Mr. Lait indicated Staff would provide the information shortly.

Council Member Kou believed business and trade schools and animal care, boarding, and kennels were neighborhood-serving businesses that were
suitable for the area. The Council needed to plan comprehensively and carefully.

Council Member Tanaka requested the current vacancy rates for office and tech R&D in Palo Alto.

Mr. Lait did not have access to the relevant reports.

Ms. D’Elia did not know.

Council Member Tanaka asked if the vacancy rate was currently high.

Ms. D’Elia explained that it was difficult to characterize the vacancy rates because of the pandemic. Some tenants were attempting to sublease portions of their spaces. Vacancy rates in tech R&D spaces were beginning to rise as interest in California was declining.

Council Member Tanaka requested suggestions for actions the City could take to improve vacancy rates.

Ms. D’Elia suggested the City approve the requested zoning for a use that was compatible with the building and did not create additional impacts for the neighborhood.

Council Member Tanaka requested comment regarding the impact of working from home on future office demand.

Ms. D’Elia did not believe the work from home scenario was permanent. A scenario of working in the office and from home on alternate days was more likely. Also, she expected employee densities to increase slightly.

**NO ACTION TAKEN**

**Special Orders of the Day**

4. Appointment of Candidates to the Historic Resources Board and the Planning and Transportation Commission.

Mayor DuBois requested Council Members submit their votes via text to the City Clerk.

Beth Minor, City Clerk, asked Council Members to note Board or Commission next to the candidates' names.
Aram James supported Ms. Eisenberg for the Planning and Transportation Commission (PTC). Ms. Eisenberg was an important advocate for social justice causes.

[The Council proceeded with the Agenda while the City Clerk tabulated votes.]

First Round of voting for four positions on the Historic Resources Board with terms ending December 15, 2023.

Voting For:

- Martin Bernstein (Incumbent)  Burt, Cormack, Filseth, Tanaka
- Gogo Heinrich  Burt, DuBois, Filseth, Kou, Stone
- Michael Makinen (Incumbent)  Cormack, DuBois Kou, Stone, Tanaka
- Curtis Smolar
- Caroline Willis  Burt, Cormack, DuBois, Filseth, Kou, Stone, Tanaka
- Margaret Wimmer (Incumbent)  Burt, Cormack, DuBois, Filseth, Kou, Stone, Tanaka

Ms. Minor announced that Caroline Willis with seven votes, Margaret Wimmer with seven votes, Gogo Heinrich with five votes, and Michael Makinen with five votes were appointed to the Historic Resources Board.

First Round of voting for two positions on the Planning and Transportation Commission with a partial term ending December 15, 2024.

Voting For:

- Bobi Adle
- Doug Burns
- Rebecca Eisenberg
- Kathy Jordan  Tanaka
- Ed Lauing (Incumbent)  Burt, Cormack, DuBois, Filseth, Kou, Stone
Ms. Minor announced that Ed Lauing with six votes and Doria Summa with five votes were appointed to the Planning and Transportation Commission.

[The Council proceeded to Agenda Item Number 5.]

Agenda Changes, Additions and Deletions

None.

Oral Communications

James Cook opposed the Wellesley apartment complex proposal because it was much larger than surrounding houses and apartment buildings. A large majority of College Terrace Residents Association members present at a recent meeting opposed the project. He urged the Council to oppose the project as well.

Jim Poppy stated the Planning Department chose to advocate for Castilleja School regarding the expansion project, and the Staff Report was biased. He expressed concerns about removing existing trees and calling the underground garage a basement.

Kerry Yarkin referred to a letter from a former Planning Manager that indicated the City was not going to support a further enrollment increase at Castilleja. The Council needed to support that statement to build trust with the community.

Aram James was pleased with a Police Officer contacting him regarding his request for public records. He included information regarding the incident with a police dog apprehending a 16-year-old male in his request. He recommended the Council seek input from parties on both sides of issues rather than from City Staff only.

Rebecca Eisenberg stated the Council had no authority to override a Supreme Court opinion regarding limitations on public debate. She urged the Council to keep its promises regarding the Castilleja Conditional Use Permit (CUP).

Susan Chao indicated that the Wellesley apartment complex proposal included a density of 72 dwelling units per acres, a roofline that was 270
percent taller than the nearest building, and windows facing into neighboring homes. The developer needed to conduct outreach with neighbors.

Mary Sylvester did not believe the Castilleja expansion project benefited the community because the project added 300 car trips per school day, removed existing mature trees, and included an underground garage that was not appropriate for the neighborhood.

Rohini Chakravarthy proposed the Council direct Staff to prepare a COVID-19 vaccination plan and a Citywide dashboard.

[The Council returned to Agenda Item Number 4.]

Minutes Approval

5. Approval of Action Minutes for the January 30, 2021 City Council Retreat and the February 8, 2021 City Council Meeting.

Council Member Kou suggested Council Member Tanaka seconded the Substitute Motion.

Council Member Cormack concurred.

Council Member Tanaka did not recall.

**MOTION:** Council Member Kou moved, seconded by Mayor DuBois to approve the Action Minutes for the January 30, 2021 City Council Retreat and the February 8, 2021 City Council Meeting.

**MOTION PASSED:** 7-0

Consent Calendar

**MOTION:** Council Member Cormack moved, seconded by Council Member Stone to approve Agenda Item Numbers 6-7.

6. **Resolution 9945** Entitled, “Resolution of the Council of the City of Palo Alto Designating the Amount of Project Expenditures to be Reimbursed by the Clean Water State Revolving Fund Proceeds for the Funding of the Secondary Treatment Upgrades at the Palo Alto Regional Water Quality Control Plant.”


**MOTION PASSED:** 7-0
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Council took a break at 8:26 P.M. and returned at 8:32 P.M.

City Manager Comments

Ed Shikada, City Manager, expected Santa Clara County to move into the red tier as soon as March 3, 2021. The State's restrictions on youth sports were in effect. COVID-19 vaccinations were now available to essential workers. COVID-19 testing in Palo Alto was scheduled for March 2, 3, and 5, 2021. Applications for the Restaurant Relief Grant were due March 8, 2021. Restaurant Rescue encouraged community members to support Palo Alto and East Palo Alto restaurants. The State of the City address was scheduled for March 4, 2021. An entrance fee for Foothills Park was being collected on weekends, and annual passes were available for purchase. The deadline to submit applications for the Housing Element Working Group was March 5, 2021. Upcoming Agenda Items included the Castilleja School application, the Community and Economic Recovery Strategy, rail grade separations, the Police Department year in review, unhoused services, and selection of the Housing Element Working Group.

Action Items

8. Review the Fiscal Year (FY) 2021 Mid-Year Budget Review and Approve Budget Amendments in Various Funds; Provide Direction on: a) Potential Rent Forgiveness Programs for City Tenants, and b) A Waiver of the Business Registry Certificate and Downtown Business Improvement District Fees.

Ed Shikada, City Manager, reported the mid-year Budget review was more substantial than in previous years in order to consider updated financial projections, the financial balancing scenario, the COVID-19 Council Reserve, and a rent forgiveness program.

Christine Paras, Administrative Services Assistant Director, advised that the General Fund was tracking as expected. The net impact of the Budget realignment totaled $4.8 million. With proactive planning and strict financial management, the Budget Stabilization Reserve (BSR) and the COVID-19 Council Reserve were not used to balance the net impact. The BSR balance remained at $35.9 million, which was slightly less than the 18.5-percent target balance. Year-to-date expenditures and revenues compared to the Adjusted Budget were tracking with the prior year; although, Adjusted Budget balances were significantly less. Staff proposed use of $3.5 million from the $5 million Department Economically Sensitive Reserve to bridge the remaining mid-year impact. Revenues for the Parking Fund were significantly below Budget, and an adjustment was anticipated by year end. Staff requested Council direction regarding elimination of positions that were
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Frozen and defunded in the Fiscal Year (FY) 2021 Adopted Budget to align with Scenario B assumptions. Reduction of these positions represented an 18-percent reduction in force.

Kiely Nose, Administrative Service Director/Chief Financial Officer, indicated the Council directed Staff to present options for a rent forgiveness program for City tenants. The options presented for Council consideration were intended to stimulate discussion and were subject to modification at the Council's direction. Qualifications for the rent forgiveness program were similar to qualifications for other programs in the City and in other cities. A decision regarding the rent forgiveness program was not required in the current meeting. Staff also sought Council direction regarding the waiver of Business Registry Certificate (BRC) and/or Business Improvement District (BID) fees in FY 2022. The BID fees typically provided approximately $76,000 in revenue, and the BRC fees typically provided approximately $113,000 in revenue. Next steps included continued review of the Budget and projections, Budget hearings before the Finance Committee, and adoption of the Budgets, utility rates, and municipal fees.

Arnout Boelens urged the Council to ensure funding was available for completion of the Charleston/Arastradero Corridor project so that road users were safe.

Wei Chen, Acme Education Group, advised that the pandemic drastically reduced childcare enrollment. The qualifications for the rent forgiveness program were unfair, and forgiveness of six months of rent or a reduction of 50 percent was appropriate.

Nicole Goodwin, Reach Program, indicated the business was not able to provide services to stroke victims and pay rent and supported Option C in the rent forgiveness program.

Penny Ellson reviewed the history of the Charleston/Arastradero Corridor project. The project was a required mitigation for the traffic safety impacts of almost 1,000 housing units and other projects constructed in the area. She urged the Council not to reduce funding or further delay the project.

Clara Chang, Palo Alto Community Child Care (PACCC), advised that PACCC did not qualify for the rent forgiveness program as proposed. PACCC was utilizing Paycheck Protection Program (PPP) loans and reserve funds to remain in business. Rent forgiveness would help PACCC maintain financial viability until enrollment returned to normal levels.

Joseph DiNucci, Reach Program, indicated that the pandemic forced the closure of classes, which severely weakened finances. He appreciated the
rent waiver granted in April 2020 and requested additional rent relief until
classes resumed.

Rebecca Eisenberg begged the Council to impose a business tax so that
revenues returned to normal.

Dr. Josel Cabaccan shared the benefits that the Reach Program provided his
father, who was a stroke victim. He asked the Council to support rent
forgiveness for the Reach Program, which was an invaluable community
asset.

Dr. Jeff Englander remarked that the Reach Program provided necessary
services to stroke victims and encouraged the Council to implement a rent
forgiveness or relief program.

Andrea Saliba, Dance Visions, asked the Council to support a rent relief or
forgiveness program so that programs could continue.

Council Member Filseth requested clarification of the Department
Economically Sensitive Revenue Reserve.

Ms. Paras explained that $5 million was set aside in anticipation of unknown
impacts caused by the pandemic.

Council Member Cormack requested clarification of a proactive recognition of
vacancy savings.

Ms. Paras explained that there were vacancies that were above frozen
positions. To realign the Budget, Staff decided to take those vacancy
savings further.

Council Member Cormack clarified that there were two types of vacancies:
those proposed for elimination and some other vacancies.

Ms. Paras concurred.

Ms. Nose added that Staff consciously decided not to fill the positions and
anticipated elimination of the positions in the FY 2022 balancing strategy.

Council Member Cormack requested details regarding the Rinconada Park
Improvements Project, the Charleston/Arastradero Corridor Project, and the
Downtown Automated Parking Guidance Systems, Access Controls and
Revenue Collection Equipment Project. The Staff Report indicated that the
reduction in Police Department overtime was partially attributed to
specialized units not being in action. She inquired whether the traffic team
was utilizing overtime.
Ms. Nose related that Chief Jonsen had the necessary information. That was a Police Department Budget reduction in FY 2021.

Council Member Cormack asked if the Council was allowed to designate a rent program for nonprofits by sector.

Mr. Shikada answered yes.

Ms. Nose suggested defining the sectors in a way that Staff was able to apply them administratively was going to be a challenge.

Council Member Cormack requested Staff verify that the positions Staff recommended for elimination were vacant.

Ms. Paras advised that they were vacant.

Mr. Shikada clarified that elimination of the positions applied to FY 2021 only.

Council Member Stone requested clarification of non-operational tenants.

Ms. Nose reported the tenants were not operating their businesses because of COVID-19 restrictions.

Mayor DuBois asked if the tenants were closed permanently or temporarily.

Jeff Weaver, Senior Management Analyst, advised that Staff reviewed the Public Health Order to understand which tenants were operational or non-operational. Tenants that notified Staff that they were impacted by Stay-at-Home and Public Health Orders were classified as non-operational.

Council Member Stone asked if cell towers were excluded from a rent forgiveness program.

Mr. Weaver replied yes, in that they were operational and neither a small business or a nonprofit.

Council Member Stone requested the distinction between large and small businesses.

Mr. Weaver indicated programs offered by the City of San Francisco and the County of Santa Clara (County) defined a small business as one having revenues less than $2.5 million or a specific percentage of revenue loss attributed to the pandemic.
Council Member Stone inquired whether Factor 5 was applicable if the Council selected Option A.

Mr. Weaver clarified that Option A extended rent forgiveness to all tenants regardless of their revenues.

Council Member Stone asked if Staff considered the number of tenants that met the five qualifications and if Staff contacted tenants about needs.

Mr. Weaver explained that Staff did not have tenants' revenue data to determine which were impacted by a rent forgiveness/waiver program. Staff did not contact tenants. However, Staff noted tenants' requests for assistance.

Vice Mayor Burt requested data regarding the Fire Department's response times since the brown-out was introduced.

Ms. Nose related that response times were affected by Budget reductions and COVID-19 protocols.

Mr. Shikada noted call volumes had decreased during the pandemic.

Geo Blackshire, Fire Chief, stated the Fire Department's semi-annual performance report contained the information and was scheduled for release in the near future.

Vice Mayor Burt inquired regarding the capital projects that were contained in the FY 2021 Capital Plan but were going to be moved into FY 2022 and that were essential versus nonessential.

Ms. Nose advised that a list of projects Staff anticipated moving to FY 2022 was part of the budget process. The list provided to the Council contained projects that were going to proceed in FY 2021 and that potentially impeded the Council's ability to act during the budget process.

Mr. Shikada reported Staff has not determined whether projects were essential or nonessential.

Vice Mayor Burt wished to ensure that projects deemed nonessential did not proceed.

Brad Eggleston, Public Works Director, clarified that the list of capital projects provided a sense of the projects that might be presented to the Council prior to the budget. Construction contracts greater than $250,000 and consultant contracts of a lesser amount were presented to the Council for approval. Capital projects not on the list and not previously approved by
the Council were likely to be moved to FY 2022. Projects of smaller amounts were not listed and did not require Council approval.

Council Member Tanaka requested clarification of the General Fund tracking as expected and the budget needing realignment.

Ms. Nose explained that in May 2020, Staff anticipated a reduction in revenues in FY 2021 but did not know the amount or the revenue sources. Consequently, Staff set aside a reserve fund knowing that the budget could be realigned at mid-year. The General Fund reflected the expected reduction in revenue, and the reserve fund was available to realign the budget.

Council Member Tanaka inquired whether an alternative source for realignment was the BSR.

Ms. Nose indicated a number of solutions were available to the Council, including additional expense reductions and other revenue sources.

Council Member Tanaka requested the number of Palo Alto residents who received services from the City's tenants.

Ms. Nose indicated that the City did not have that information. Inquiring was possible, but Staff did not have the capacity to conduct a survey.

Council Member Tanaka inquired about the reasons for the decrease in cable revenue.

Ms. Nose related that the decrease was an ongoing trend and associated with the increased use of streaming services.

Council Member Tanaka requested the rationale for donating a City vehicle.

Ms. Nose clarified that the City was buying a vehicle with donated funds.

Council Member Tanaka requested the rationale for purchasing interview software in light of layoffs and the hiring freeze.

Rumi Portillo, Human Resources Director, reported the software allowed candidates to interview remotely. It was used primarily by the Utilities Department. A number of critical positions in Special Funds were vacant.

Mr. Shikada stated the City was not laying off employees.

Ms. Portillo noted a hiring freeze was in effect; however, there were exemptions for critical, safety-sensitive positions. At any given time, 20-45
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recruitments were open. The software provided a cost savings in that interview panels convened virtually rather than in-person.

Council Member Tanaka did not understand why Zoom was not an option.

Council Member Kou inquired regarding the ambulance subscription fee.

Ms. Nose advised that insurance did not pay the full cost. The Finance Committee was scheduled to review the fee and make recommendations to the Council. The proposed action pulled down the revenue estimates due to the delay in implementing the program.

Mr. Blackshire clarified that the copay for ambulance usage depended on the insurance. The subscription program was targeted to residents with commercial insurance and larger copay amounts.

Council Member Kou inquired whether the program was mandatory and whether priority service was given to people with subscriptions.

Mr. Blackshire related that the program was voluntary and affected billing for ambulance service only, not the actual service.

Council Member Kou asked if reimbursement of mutual aid expenses included wear and tear on City equipment.

Mr. Blackshire answered yes. Reimbursement covered personnel salaries, overtime, and backfill; the use of equipment including apparatus, tools, and personal protective equipment; and administrative fees.

Council Member Kou inquired whether Stanford University Medical Center (SUMC) Funds subsidized equipment purchases and Staff time for closing University Avenue and California Avenue to traffic and allowing outdoor dining.

Ms. Nose indicated $500,000 of SUMC funding was intended for City facility needs, and $150,000 was intended for long-term aspects of street closures. The Council directed the action during the Community and Economic Recovery Strategy review in January 2021.

Council Member Kou asked if the $150,000 was already allocated.

Ms. Nose clarified that the proposed action allocated the funds.

Mayor DuBois asked if Residential Preferential Parking Permits (RPP) were currently available for purchase.
Philip Kamhi, Chief Transportation Official, reported permits were available, but little activity was occurring.

Mayor DuBois related rumors of companies buying large blocks of permits.

Mr. Kamhi noted soft parking enforcement was in place prior to the most recent Stay-at-Home Order and was scheduled to begin again in coordination with commercial zones.

Mayor DuBois asked if some street repaving could be delayed without affecting the Pavement Condition Index (PCI).

Mr. Eggleston advised that funding was reduced by $1 million last year. The $11.6 million shown for street maintenance covered work for slightly more than two years.

Mayor DuBois inquired whether the City was eligible for Federal funding if it implemented a rent forgiveness program.

Sunny Tong, Real Property Manager, was not aware of any Federal funding available for rent forgiveness programs. There was talk of grant programs for small businesses to pay their rent.

Mayor DuBois asked if Staff considered approaching Palo Alto Unified School District (PAUSD) about forgiving a portion of rents the City owed PAUSD.

Mr. Shikada responded no.

Mayor DuBois asked if any of the tenants had permanently shut down.

Ms. Nose reported some of the tenants had permanently closed. More often than not, the tenants that closed terminated their leases with the City and vacated their spaces.

Mayor DuBois inquired about the possibility of hiring temporary workers and interns over the summer to fill some positions at a lower cost. Offering middle school athletic programs over the summer was a way to gain some revenue.

Mr. Shikada was not aware of Staff engaging PAUSD in discussions of athletic programs. If the Council wished, Staff could do so.

Council Member Kou asked if the City executed the contract with the Transportation Management Association (TMA).

Ms. Nose replied yes.
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Council Member Kou asked if businesses and nonprofits were required to join the Business Registry even though the fee was waived.

Ms. Nose answered businesses were, but nonprofits were exempt.

Council Member Cormack asked if artist tenants were able to utilize their spaces.

Kristen O’Kane, Community Services Director, answered yes, as long as they worked alone.

Council Member Cormack asked if any of the for-profit tenants received money from the City in the spring of 2020.

Mr. Weaver noted one for-profit tenant did, but it was no longer a tenant.

Council Member Cormack commended Staff for providing solid planning and recommendations. The decrease in daily average room rates for hotels was significant. Room rates were not likely to skyrocket to pre-pandemic levels. The decrease in donations from Friends groups was logical. She supported a rent forgiveness program, waiving BRC fees, and eliminating frozen positions. She inquired about capital projects or components of capital projects that could be eliminated or delayed.

Mr. Eggleston reported Staff reviewed the Rinconada Park project and recently removed the restroom from the project. The remainder of the work was deferred maintenance. The condition of playground equipment and pathways could be considered hazardous in some areas.

Council Member Stone requested Staff clarify the programming for special events, art exhibits, human services activities, and teen programs that was eliminated.

Ms. O’Kane reported the Budget for special events was reduced significantly. Teen leadership programs were intact, but some Staff was eliminated from teen programs. The Teen Center was currently closed. Art exhibits continued as allowed by the Public Health Order and through the Art Center Foundation.

Council Member Stone asked if a basic level of teen programs was going to be possible in FY 2022.

Ms. O’Kane explained that Staff was planning summer camps based on the protocols required in 2020 and preparing to increase summer camps as allowed.
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Council Member Stone agreed with the desire to delay or eliminate capital projects. For him to support a capital project moving forward, Staff needed to show a strong nexus between the project and a necessity for the project. He asked what was needed to reinstate the Police Department's Traffic Team.

Robert Jonsen, Police Chief, advised that two Police Officers were assigned to the traffic safety unit under the FY 2021 Budget. The unit could be at risk in the FY 2022 Budget.

Council Member Filseth inquired regarding the Council Contingency Fund.

Ms. Nose clarified that it was a reserve fund and a potential source of funding for the rent forgiveness program.

Council Member Filseth understood the allocation to the Council Contingency Fund was $744,000 per year.

Ms. Nose indicated it was a one-time allocation.

Council Member Filseth noted the Council had not utilized the $744,000 allocated for FY 2021.

Vice Mayor Burt expressed interest in a program that waived the BRC fee if businesses registered timely and provided requested information. He wanted to eliminate or reduce capital projects before Staff presented contracts for approval. The path around the Junior Museum and Zoo (JMZ) was the priority component of the Rinconada Park Improvements project and was a small portion of the project cost. He supported proceeding with the path component of the project. He inquired whether the decrease in the Utility Users' Tax (UUT) was a trend.

Ms. Paras believed the decrease was driven by the telephone portion of the UUT.

Vice Mayor Burt noted hotel occupancy rates were dismal, but they were higher than anecdotal claims. The occupancy rate coupled with the average daily rate catastrophically reduced revenue from hotels.

Council Member Tanaka believed the Council needed to determine qualifying criteria for tenants to participate in the rent forgiveness program. The Council needed to consider a revenue limit, the number of residents served, and a commitment to reopen. A referral to the Policy and Services Committee (P&S) to develop the details of a rent forgiveness program was appropriate. He supported Staff's recommendation for the BRC and BID. He
disagreed with the suggestion for Staff to approach PAUSD about reducing or waiving rents for the City. The Council had to prioritize capital projects.

Mayor DuBois remarked that the City needed to help local hotels. Parking enforcement needed to resume, and plans for RPP sales were needed. He proposed proceeding with critical components of capital projects and delaying the remaining components. The Council needed another discussion of the rent forgiveness program to develop details. He concurred with Vice Mayor Burt's proposal for the BRC.

**MOTION:** Council Member Tanaka moved, seconded by Council Member Cormack, to:

A. Amend the Fiscal Year 2021 Budget Appropriation for various funds and various capital projects, as identified in Attachment A, Exhibits 1 and 2 (requires a super majority, 2/3 approval);

B. Review priorities for use of the $744,000 COVID-19 Council Reserve, set aside during the Fiscal Year 2021 Adopted Budget and provide direction on usage as appropriate;

C. Review capital projects expected to begin construction by fiscal year end;

D. Approve the creation of a rent forgiveness program to qualified City tenants (non-profit and/or for-profit) and authorize the City Manager to execute amendments to all leases in accordance with the City Council established program;

E. Direct Staff to return with the necessary documents to waive the business registration fee (Palo Alto Municipal Code Chapter 4.60) due and payable in Calendar Year 2021 and the assessments typically levied for the Downtown Business Improvement District (BID) for Fiscal Year 2021; and

F. Direction to eliminate the equivalent of 83 full-time and 107 part-time positions (76.50 FTE and 26.18 FTE respectively) that were frozen and defunded as part of the FISCAL YEAR 2021 Adopted Budget in the upcoming Fiscal Year 2022 Budget.

Council Member Cormack asked if Staff needed additional Council comments regarding Part B of the Motion. The Council implicitly linked Part B to Part D. She requested Staff prepare a list of the top ten projects that were not moving forward.
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INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER change Motion, Part C to read, “Direct Staff to return with a set of additional details of non-critical capital projects for Council consideration on deferrals this Fiscal Year.”

Council Member Cormack inquired about a timeframe for Staff to return to Council.

Vice Mayor Burt stated prior to contracts being presented for approval, perhaps a month.

Mr. Shikada noted the FY 2022 Proposed Budget was scheduled for release in approximately a month.

Mr. Eggleston indicated revising the list in a month was difficult.

Vice Mayor Burt advised that the Council had already provided some direction regarding projects. Negotiating and presenting contracts for approval was more work than revising the list.

Mr. Shikada reported some of the capital projects were likely all-or-nothing projects. Playground equipment at Rinconada Park was outdated and did not comply with Americans with Disabilities Act (ADA) requirements. The pathway across the park was hazardous for pedestrians.

Ms. O’Kane added that the Rinconada Park project was tied to the JMZ for safety and functionality. An exhibit was going to be installed along the pathway. Plans for the new playgrounds included accessibility. There were safety issues in Cameron and Ramos Parks. Delaying the projects was likely to result in closure of the playgrounds.

Council Member Cormack suggested Staff expand the table of capital projects to highlight the importance of each project.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to Motion, Part E, “... for timely completion of forms due and payable ... .”

Ms. Nose reported Staff needed to explore these changes with the service provider and may need administrative changes to accommodate these changes.

Vice Mayor Burt proposed Staff review Business Registry questions to highlight the questions that provided information relevant to the impacts of the pandemic.
INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to change Motion, Part D to read, “Direct the Policy and Services Committee to return with a more refined recommendation on rent forgiveness based on Council input this evening.”

Ms. Nose remarked that referring the item to P&S left the City's tenants with a continued period of uncertainty. Staff needed to understand the options a majority of the Council wanted to see in the rent forgiveness program. Individual Council Members expressed interest in various pieces of information.

Vice Mayor Burt felt P&S needed to discuss the options and make recommendations to the Council soon.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to combine Motion, Part B and Part D to read, “Direct the Policy and Services Committee to review a rent forgiveness program for qualified City tenants with program costs not-to-exceed the $744,000 COVID-19 Council reserve.” (New Part B)

Council Member Stone understood the Council favored rent forgiveness for nonprofit tenants and needed additional discussion about for-profit tenants.

Council Member Tanaka preferred to refer the issue to P&S to reduce the number of options.

Council Member Kou proposed an Amendment to the Motion to direct Staff to proceed with a rent forgiveness program for nonprofit tenants and to refer consideration of a rent forgiveness program for for-profit tenants to P&S.

Mayor DuBois asked if the proposed Amendment included forgiveness of three months of rents for nonprofit tenants.

Council Member Kou replied yes.

Council Member Cormack proposed the Motion state "direct P&S to implement three months of rent relief for nonprofits and look at the rest of the programs to determine additional details."

Mayor DuBois preferred a more general direction to P&S. He did not believe the Council was ready to approve a rent relief program for nonprofit tenants.

Council Member Kou wanted to implement a rent relief program for nonprofit tenants at the current time.
Mayor DuBois clarified that Council Member Cormack's proposal referred a program for both nonprofit and for-profit tenants to P&S.

**AMENDMENT:** Council Member Kou moved, seconded by Council Member Filseth to immediately forgive 3 months of rent in accordance with Option C and the 8 program qualifications to be funded by the City Council COVID-19 Contingency Fund.

Council Member Filseth remarked that a referral to P&S was better than nothing, but the Amendment provided some immediate relief.

Council Member Stone asked if nonprofit tenants needed to meet the qualifications in the Staff Report.

Ms. Nose replied yes, unless the Council directed otherwise.

Mr. Shikada understood the direction to Staff was forgiveness of three months of rent for all nonprofit tenants. Anything beyond that was subject to discussion at P&S.

Mayor DuBois believed the qualifications applied to the program.

Council Member Kou concurred.

Council Member Filseth noted the amount of rent nonprofit tenants paid in three months was small.

Council Member Cormack inquired about the source of funds.

Council Member Filseth answered the Council Contingency Fund.

Council Member Cormack felt the source needed to be a part of the Amendment. She asked if Staff had any concerns about a two-step process.

Mr. Shikada responded no.

Mr. Weaver believed a two-step process was not a concern.

Mr. Shikada remarked that any tenant that felt it was treated unfairly was more than likely to inform the Council.

Mayor DuBois preferred to utilize Staff's recommended qualifications. PACCC's revenue for 2019 exceeded the recommended limit and needed to be reviewed by P&S.
Mr. Shikada advised that he was not aware that the criteria for revenue was included in the Amendment.

Ms. Nose asked if Council Member Kou intended to utilize Option C.

Council Member Kou clarified her intent as Option C with Qualifications 1 through 8.

Mayor DuBois wanted P&S to review nonprofit tenants that did not meet the qualifications.

Council Member Tanaka requested the total dollar amount for the nonprofit tenants that qualified.

Council Member Cormack answered $203,000.

**AMENDMENT PASSED:**  6-1 Tanaka no

Council Member Tanaka proposed elimination of the purchase of interview software at a cost of $40,000.

Council Member Cormack requested reasons that Zoom was not adequate software for interviews.

Ms. Portillo explained that the software allowed an interviewer to record the interview with a candidate, which was stored in a confidential manner, and the interview panel to review and rate the candidate within the software. She did not believe Zoom provided the appropriate level of confidentiality.

**MOTION AS AMENDED RESTATED:**  Council Member Tanaka moved, seconded by Council Member Cormack to:

A. Amend the Fiscal Year 2021 Budget Appropriation for various funds and various capital projects, as identified in Attachment A, Exhibits 1 and 2 (requires a super majority, 2/3 approval);

B. Direct the Policy and Services Committee to review a rent forgiveness program for qualified City tenants with program costs not-to-exceed the $744,000 COVID-19 Council reserve;

C. Direct Staff to return with a set of additional details of non-critical capital projects for Council consideration on deferrals this Fiscal Year;

D. Direct Staff to return with the necessary documents to waive the business registration fee (Palo Alto Municipal Code Chapter 4.60) for timely completion of forms, due and payable in Calendar Year 2021
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and the assessments typically levied for the Downtown Business Improvement District (BID) for Fiscal Year 2021;

E. Direction to eliminate the equivalent of 83 full-time and 107 part-time positions (76.50 FTE and 26.18 FTE respectively) that were frozen and defunded as part of the FISCAL YEAR 2021 Adopted Budget in the upcoming FISCAL YEAR 2022 Budget; and

F. Immediately forgive 3 months of rent in accordance with Option C and the 8 program qualifications to be funded by the City Council COVID-19 Contingency Fund.

MOTION AS AMENDED PASSED: 7-0

9. Policy and Services Committee Recommends the City Council Accept the City Auditor’s Risk Assessment Report, Annual Audit Plan, and Quarterly Status Report.

Kyle O’Rourke, City Auditor, reported Tasks 1 and 2 were complete. One required audit remained outstanding in Task 3. Tasks 4 and 6 were pending. Under Task 5, an update of the City Auditor's procedure manual was ongoing, and the first quarterly report was provided to the Council. The Citywide Risk Assessment included multiple risk types, and risk was scored based on likelihood and impact. The risk assessment process assessed areas of risk. It did not make findings or recommendations. The Fiscal Year (FY) 2021-2022 Audit Plan considered the Citywide risk assessment, the ability to add value, Council direction, audit coverage, prior audits, internal initiatives, and scheduling. Audits were scheduled for FY 2021 and tentatively scheduled through FY 2022. Amending the Audit Plan for ad hoc requests was possible. Phase I audit activities included construction project controls, Public Safety Building (PSB) construction, an asset capitalization audit, assessment of SAP functionality and internal controls, Information Technology (IT) risk management, and Power Purchase Agreements. Phase II audit activities included economic recovery advisor, investment management, the building permit and inspection process, and nonprofit agreements risk management. Phase III audit activities included assessment of SAP functionality and internal controls, application lifecycle management, the wastewater treatment plant agreement, and the work order process and accounting.

Rebecca Eisenberg questioned the benefits of the City hiring Mr. O'Rourke and suggested the City return to employing a City Auditor.

Council Member Cormack was pleased with the detail and thoroughness of the Audit Report and the audits scheduled for FY 2021 and 2022.
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Mayor DuBois wished to ensure that the audit of nonprofit agreements did not increase expenses for nonprofits.

Vice Mayor Burt felt the Audit Plan covered more area than previous plans and seemed to be founded on a rational and systematic approach.

MOTION: Vice Mayor Burt, seconded by Mayor DuBois to:

A. Accept the Fiscal Year 2021 Risk Assessment Report and Recommend City Council Approval, as presented to the Policy and Services Committee meeting on February 9, 2021;

B. Accept the Fiscal Year 2021 Audit Plan Report and Recommend City Council Approval, as presented to the Policy and Services committee on February 9, 2021 and modified to include the Public Safety Building Construction audit activity;

C. Approve the following Task Orders, identified in the Audit Plan Report:
   
   a. Construction Project Controls
   b. Public Safety Building Construction
   c. Asset Capitalization o Assessment of SAP Functionality and Internal Controls o IT Risk Management
   d. Investment Management
   e. Power Purchase Agreements; and
   f. Economic Recovery Advisory; and

D. Accept the City Auditor’s Office Quarterly Status Report covering October – December 2020, as presented to the Policy and Services Committee meeting on February 9, 2021.

Council Member Tanaka inquired about Mr. O'Rourke providing his perspective on cost reduction opportunities.

Mr. O’Rourke agreed to provide ad hoc thoughts, if the Council wished. Members of the consulting team specialized in strategic sourcing and strategic financial planning and could provide some high-level comments. He suggested an audit activity on the topic if the Council wished a detailed discussion.
Council Member Kou noted the Policy and Services Committee (P&S) unanimously recommended approval.

Mr. O’Rourke advised that he intentionally requested an Action Item for the Audit Plan and Report so that the Council and community had an opportunity to discuss audit activities.

**MOTION PASSED:** 7-0

Council Member Questions, Comments and Announcements

None.

**Adjournment:** The meeting was adjourned at 11:38 P.M.