



SUMMARY MINUTES

City Council
Special Meeting
August 16, 2021
5:00 PM

The City Council of the City of Palo Alto met on this date in virtual teleconference at 5:00 P.M.

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

Absent: Filseth

Special Orders of the Day

1. Presentation from Valley Water Regarding Drought Conditions.

Gary Kremen, Valley Water Executive Director, reported water supply over the past two years was the worst in California's history. Valley Water recharged more than 270 wells in Palo Alto and provided clean water, flood protection, and environmental restoration. Over the past five years, Valley Water grant programs funded 14 projects located in Palo Alto and provided \$80 million for San Francisquito Creek flood protection projects. Valley Water also provided funding for trail purchase, creation, and maintenance. In Santa Clara County, residences utilized 55 percent of water while businesses utilized 30 percent. Local water sources were comprised of 30 percent local, 50 percent imported, 5 percent recycled, and 15 percent conservation. 2021 was the driest year since 1977. Because of the drought, groundwater wells were likely to run dry, and purchasing and accessing water were difficult. Conservation efforts were underway locally and statewide. Water prices quadrupled recently. Recycled and purified water represented drought-resilient water sources. Funding may be available to return workers to the recycled water project. Valley Water partnered with the City to provide water conservation programs.

Mayor DuBois thanked Mr. Kremen for his presentation. He encouraged Council Members and the public to contact Valley Water if they had questions.

NO ACTION TAKEN

Study Session

2. 280 & 300 Lambert Avenue (21PLN-00133): Request for Prescreening of a Proposal by Lambert Fields, LLC to Rezone the Properties at 280 and 300 Lambert Avenue from Service Commercial (CS) to Planned Home Zone (PHZ), Merge Parcels Into One Parcel, and Develop the Site

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with a 49-Unit Residential Development. Environmental Assessment: Not a Project. Zoning District: CS (Service Commercial).

Contract Planner Sheldon Ah Sing reported tradeoffs of Planned Home Zone (PHZ) projects included increased density, massing, and height. Because the proposed project was located on two parcels, the parcels needed to be merged. The site was located within the North Ventura Coordinated Area Plan (NVCAP). The project proposed 49 net new housing units comprised of one, two, and three bedrooms. The residential use was going to replace an auto use and result in a net decrease in jobs. The 2.66 Floor Area Ratio (FAR) exceeded the base zoning. The proposed project was compliant with the 20-percent inclusionary requirement. The Applicant proposed a balance of affordability levels for the ten units. The project site was surrounded by parcels zoned multifamily residential (RM-30), Public Facility (PF), single-family residential (R-1), and General Manufacturing (GM). The front building with a height of 35 feet contained ten townhouse units with one story below grade and three stories above grade. The rear building contained 39 units over five floors and one floor of below-grade parking. At a height of 55 feet, the rear building exceeded the Zoning Code and the Planned Community (PC) height limit of 50 feet. The proposed Floor Area Ratio (FAR) of 2.66 exceeded the 0.6 FAR allowed in the Service Commercial (CS) Zone. The rear building was going to be one of the tallest buildings in the area. The project appeared to be consistent with many of the Council's goals for the NVCAP area and a range of alternatives that the Council discussed in June. Each PHZ project presented unique challenges for development, and the tradeoffs for each project needed to be evaluated. The proposed project did not include a commercial component. The Applicant proposed a reduction in the rear setback, and Staff and the Applicant discussed compliance with the setback to provide access to open space along Matadero Creek. The purpose of a pre-screening was to obtain the Council's feedback.

Jeff Galbraith, Applicant, advised that an all-residential project was proposed in response to NVCAP goals and residents' feedback to past projects in the neighborhood. The project complied with the 20-percent affordable housing goal and a positive housing/jobs balance. The townhouses were placed along Lambert Avenue in order to continue the residential feel of the street. The rear building was going to have units on the front and rear of the building. A courtyard was proposed for each townhome to provide light and air to the below-grade level. A courtyard between the two buildings extended to the corner of the property fronting Lambert. In the rear building, a shared amenity space and bike parking faced the courtyard. From the street, the rear building was not visible, and the townhomes established the scale of the project from the street view. The underground garage provided stackers along the perimeter and parking stalls in the center and adjacent to

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townhouses. All townhouses contained two bedrooms while the rear building offered a mix of one-, two-, and three-bedroom units. Seventy-five parking spaces were required, and the project provided 64 spaces. With a Transportation Demand Management (TDM) reduction, the project complied with the parking requirement. The townhouses were located closer to the street than most single-family residences, but landscape screening, a porch, and below-grade bedrooms created a residential feel. A few neighbors attended an outreach meeting the previous week.

Jeff Levinsky noted that the PC height limit for a building located within 150 feet of RM-30 zoning was 35 feet. The proposed building with a height of 55 feet was considerably taller than allowed. If the project was 100 percent affordable housing, the allowed height limit was 50 feet. The proposed project seemed to be eliminating an opportunity to provide approximately \$45 million in additional affordable housing benefits.

Terry Holzemer commented that the project site abutted at least two RM-30 zones, and the height limit for the site was 35 feet. Only one member of the NVCAP Working Group supported Alternative 3B, which was utilized in the presentation.

Becky Sanders expressed concern regarding the building height, especially as the project was not all affordable housing. The Ventura neighborhood did not have parity with other neighborhoods.

Kelsey Banes urged the Council to support the project. The project provided affordable housing without a subsidy. The condominiums were going to be affordable in comparison to single-family home prices.

Ryan Globus supported the project and concurred with Ms. Banes' comments.

Waldek Kazmarski expressed concern about the density of the project. The NVCAP did not support the density proposed for the project. The project was going to set a precedent for future projects.

Council Member Cormack appreciated the stepping back of the buildings, the inclusion of family units, the relative affordability of condominiums for new homeowners, and community benefits of \$15 million to \$17 million. She supported a 55-foot height limit for projects with affordable housing. The Applicant's requests for concessions were appropriate. She inquired regarding the use located at 278 Lambert Avenue.

Mr. Galbraith was not aware of the current use, but it was not residential.

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Council Member Cormack agreed with Staff's proposal to remove two units from the rear setback in order to provide access to Matadero Creek. The neighbors' concerns about traffic and density were reasonable, but both appeared to be manageable. The parking reduction was minimal and feasible.

Vice Mayor Burt commented that replacing auto repair facilities with housing was a positive development. The Council previously discussed moderate increases in base zoning. The proposed FAR of 2.66 was a fairly significant increase. He preferred the floors closest to R-1 housing step down such that the townhouses were two stories and the rear building was four stories. A TDM program was a prerequisite for projects in the area. TDM programs should reduce parking demand and car trips. Extensive self-certification of compliance with TDM plans was needed. The area did not have good bike facilities for school commutes. He encouraged the Applicant to explore adding a small community garden to build a sense of community. Townhouses were less expensive than single-family houses, but they were not affordable housing. He supported the project moving forward for refinement.

Council Member Stone indicated that a market-rate, one-bedroom unit in the project was estimated to cost \$987,000. In light of financial constraints, 100-percent affordable housing projects were probably not going to occur. The location was appropriate for housing growth. Moderate tradeoffs between base requirements and a PHZ project were acceptable as a way to increase affordable housing production. He inquired about the application of Municipal Code Section 18.38.150(d) to the project.

Director of Planning and Development Services Jonathan Lait referred to CS development standards, which limited building height to 50 feet generally and 35 feet specifically for buildings located within 150 feet of a residential district. Staff's interpretation of the standard generated community interest. The Code language was poorly written and required analysis, particularly for commercial districts. Section 18.38.150 also stated a project that included 60 percent or more floor area was allowed a height limit of 50 feet when adjacent to RM-4 or RM-5 parcels. Current language for PC zoning implied a willingness to contemplate a height limit up to 50 feet near RM-30 and RM-40 parcels.

Council Member Stone felt allowing 5 feet above a 50-foot height limit was a reasonable tradeoff for affordable housing, but 20 feet above a 35-foot height limit required community discussion.

Council Member Kou indicated that clarification of the height limit was needed in order to comment on the project. PC zoning exceptions allowed developers to propose larger and denser projects with less parking. The number of benefits provided to developers by PHZ was troubling. The project was going

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to increase the deficit of parkland per resident. There was no information as to whether people utilized parking lifts rather than on-street parking. Therefore, reducing the parking requirement based on the use of lifts was a concern. Neighbors' quality of life was going to be impacted greatly. She requested the rationale for not requiring a transition to the RM-30 property behind the project site and for mentioning RM-4 and RM-5 zones when they were removed from the Municipal Code.

Mr. Lait reported the mention of RM-4 and RM-5 zones was a result of the Zoning Code containing outmoded references. The Staff Report's discussion of height limits was not as explicit as possible, and future reports and presentations would be clearer.

Council Member Kou believed City Codes needed to be clear and explicit to engender the public's trust.

Council Member Tanaka liked the underground parking and encouraged the use of stackers to provide the required 75 parking spaces. He inquired about bike parking proposed in the project.

Mr. Lait noted that the plans were currently conceptual, and not all details were available.

Mr. Ah Sing advised that the Applicant designated space for bike parking but did not provide the number of spaces. Staff anticipated bike parking was going to conform to requirements.

Council Member Tanaka remarked that bike parking was conducive to the use of public transportation and expressed interest in the project complying with or exceeding requirements. He preferred smaller units because they were naturally more affordable and encouraged the use of more parking lifts to accommodate more vehicles in the same amount of space. Adding a public or community space was one method to gain community support.

Mayor DuBois preferred the project contain units for low- and extremely-low-income households. He inquired about a timeline for the project.

Mr. Galbraith anticipated one year to obtain project approval and a second year to obtain building permits. Construction was likely to require a year and a half.

Mayor DuBois noted the current height limit for CS zoning was 35 feet. Allowing a height over 50 feet was a large concession. The project proposed 20-percent affordable units while the City required 15 percent. He agreed

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with the suggestion to step down the buildings closest to the R-1 parcels. He inquired regarding plans to utilize the roof.

Mr. Galbraith indicated there were no plans to use the roof for a garden or open space.

Mayor DuBois preferred no active use of the rooftop to allay privacy concerns. A less industrial appearance that was compatible with a residential area was desirable. He supported the project with some minor changes to reduce the height to 50 feet and provide open space at the creek.

NO ACTION TAKEN

Agenda Changes, Additions and Deletions

Mayor DuBois announced that the Closed Session was continued to August 23, 2021 and that there were no Consent Calendar items.

Council Member Cormack noted that the minutes were not distributed to the Council separately in advance of the meeting.

Oral Communications

None.

Minutes Approval

3. Approval of Action Minutes for the August 9, 2021 City Council Meeting.

City Clerk Lesley Milton advised that the Minutes were provided in the packet and linked on the website but not distributed individually to the Council.

ACTION: Minutes were continued to the next meeting at the request of the City Clerk.

The City Council adjourned for a break at 6:33 PM and reconvened at 6:42 PM.

City Manager Comments

City Manager Ed Shikada reported that visitors to hospitals were now required to show proof of COVID-19 vaccination. The mask mandate was in effect throughout the community and in City facilities. COVID-19 tests were available on Tuesdays at Mitchell Park Library, Wednesdays at City Hall, and on August 23, 2021, September 27, 2021, and October 25, 2021 at Cubberley Pavilion. Phase 3 of the Charleston/Arastradero Project was scheduled to

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begin in late August 2021 with temporary markings. A community meeting on the project was scheduled for September 9, 2021. Mitchell Park, Rinconada, and Children's libraries were open, and Downtown and College Terrace libraries were going to open on Thursday and Friday afternoons beginning August 26, 2021. The Sustainability and Climate Action Plan (S/CAP) Ad Hoc Committee met the prior week, and the next meeting was scheduled for September 9, 2021. Upcoming Agenda items for the Council included grade separation alternatives, Foothills fire mitigation strategies, strategies to assist unhoused individuals, economic recovery, the Independent Police Auditor (IPA), North Ventura Coordinated Area Plan (NVCAP), appeal of a safe parking permit, and parking management and updates.

City Clerk Lesley Milton reported beginning August 23, 2021, the Agenda was provided online in its entirety with bookmarks on the left side of the screen for Staff Reports and attachments. The new process increased efficiency, provided a comprehensive legislative record, and allowed consecutive page numbering of the entire packet. Future improvements included a font that was more accessible for impaired persons, web-based agendas, and increased searchability. She requested Council Members and the public provide comments on the changes. Recruitments were underway for positions in the Clerk's Office.

Action Items

4. Finance Committee Recommends the City Council Decline to Adopt the Energy Storage System Targets; and Receive the 2020 Energy Storage Report.

Director of Utilities Dean Batchelor reported Assembly Bill (AB) 2414 required publicly owned utilities to investigate the cost effectiveness of energy storage systems every three years.

Senior Resource Planner Lena Perkins advised that battery installations were surging while costs decreased. City of Palo Alto Utilities (CPAU) did not set energy storage targets in 2011, 2014, or 2017. Analyses conducted in 2020 concluded that energy storage was not yet cost effective. CPAU was not going to set energy storage targets in 2020 but was going to align incentives and continue looking for opportunities. Distributed storage was advantageous for lowering carbon emissions, empowering customers, and improving resiliency. Currently, procurement of renewable energy was less costly than storage of renewable energy. Staff evaluated proposals for distributed energy to improve resiliency. Excluding resiliency benefits, batteries did not save money for homeowners with solar facilities and were an expensive method for saving a small amount of carbon. Commercial customers were charging batteries

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overnight when electricity was dirtiest and utilizing stored energy during peak midday hours when electricity was cleanest. Commercial customers were able to reduce costs with batteries, but this use increased grid emissions. Staff was investigating the use of batteries for more specific cases of resiliency, working to align incentives as storage prices decreased, and considering pilot programs for smart electric heat pumps and smart charging for electric vehicles (EV).

Council Member Cormack indicated that all Finance Committee members agreed that setting goals was not appropriate. However, one member wanted further discussion of next steps.

Steve Rosenblum stated that the Staff Report addressed costs and only referenced climate change. Residents were responsible for an inordinate amount of global warming per person compared to other people. The low cost of carbon made other measures less attractive economically. The Council needed to direct Staff to encourage energy storage.

Vice Mayor Burt noted that the Staff Report included a valuable breakdown of next steps regarding storage systems, but resources were not allocated for next steps. A half-time Staff person was needed to make some progress. The price of carbon was rising, but more importantly the cost of batteries decreased 88 percent over the past ten years. The City needed to proceed now in order to take advantage of and prepare for implementation of storage technologies. Climate change was accelerating, and the City needed to respond with climate protections and adaptations.

MOTION: Vice Mayor Burt moved, seconded by Council Member Stone to:

- A. Direct Staff to return to the Sustainability and Climate Action Plan (S/CAP) Ad Hoc Committee with a further plan for accelerating the exploration of expanded energy storage systems and to identify the resources for Staff to implement; and
- B. Decline to adopt energy storage system targets under California Assembly Bill (AB) 2514 at this time.

Vice Mayor Burt expressed concern that staffing was not sufficient to support the City's ambitious climate goals.

Council Member Stone felt climate action was a pressing concern and more urgency and immediacy were needed.

Mayor DuBois inquired about the City's inability to obtain federal funding or tax benefits if it did not submit a storage plan.

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Ms. Perkins clarified that the City was required to investigate, not set, targets and was in compliance with the mandate. In addition, funding was not tied to setting targets.

Mayor DuBois inquired about the number of storage systems installed in Palo Alto.

Ms. Perkins needed to provide that information at a later time, but she believed about 50 storage systems, including one at a commercial site, had been installed.

Council Member Cormack noted there was an opportunity in the medium term for storage to make a difference.

Council Member Tanaka believed storage was needed to enable more usage of renewable energy. He encouraged Staff to consider nuclear energy.

MOTION PASSED: 6-0, Filseth absent

5. Approve the Workplan for Development of a Revenue-Generating Local Ballot Measure for the November 2022 General Election; Review and Potential Guidance to Staff on Affordable Housing Funding as Referred by the City Council.

Administrative Services Director Kiely Nose reviewed the Council's discussion of a ballot measure in March 2020. The current item was a discussion of potential measures for a Business Tax or other tax on the November 2022 ballot. Staff sought Council direction regarding the types of measures to explore, any preferred basis or unit of measure for a tax, and a work plan. The item also addressed a Council Priority, the Community and Economic Recovery Work Plan, and a referral regarding affordable housing funding. Staff presented the item to the Finance Committee in June 2021. The Finance Committee recommended the Council approve the proposed work plan and consider a Business Tax based on square footage and a tax based on utility use. The Finance Committee also suggested the Council discuss the revenue level that a Business Tax targeted, a metric for measurement or comparison, use of a utility-use based tax, and administrative burdens.

Principal Management Analyst Steven Guagliardo reported the work plan through December 2021 included analysis of proposed taxes, refinement of revenue estimates, polling, and stakeholder outreach. These efforts required augmented resources and a funding source. Between January and August 2022, additional outreach and polling were planned as well as drafting language for ballot measures. The soonest Staff could implement a tax was January 2023. He reviewed the requirements of a general and specific tax.

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Tax options were a Parcel Tax based on square footage, a Business Tax based on square footage, gross receipts, payroll, or headcount, and a tax based on utility use. Businesses and occupations exempt from local business taxation were nonprofits, charitable organizations, banks and financial institutions, small residential care facilities, and small home childcare facilities. Work on a Business Tax required the services of consultants and funding. The Finance Committee preferred a tax based on square footage. Using median data from nearby cities and data specific to Palo Alto, Staff calculated a tax measure based on revenue per capita, revenue per firm, and revenue per employee would generate \$2.6 million, \$4.2 million, and \$7.2 million respectively. Potential uses of additional revenues included capital needs, service delivery, and City Council priorities. Potential options for contributing to affordable housing were general taxes, inclusionary housing fees, commercial linkage fee, Jobs Housing Linkage Policy, Enhanced Infrastructure Financing District (EIFD), bond measures, and use of public land and/or land lease.

Hamilton Hitchings supported a Business Tax based on office, research and development, and manufacturing square footage and utilized for affordable housing and transportation programs. He also supported a utility tax utilized for restoration of programs cut at the onset of the pandemic with utility rates reduced by an amount equal to total tax revenue.

Tiffany Griego, Stanford Research Park Managing Real Estate Director, encouraged the Council to actively include the business community in the evaluation of a Business Tax and development of a work plan. If the Council selected a Business Tax, the Council needed to indicate the specific purpose and use of revenue and clarify the tax mechanism's relationship to the purpose of the tax.

Charlie Weidanz requested the Council consider deferring a Business Tax as businesses continued to suffer from the pandemic. If the Council chose to pursue a Business Tax, the Council should include business owners and leaders and other effected stakeholders in outreach and discussions.

Dan Kostenbauder, Silicon Valley Leadership Group, shared the group's criteria for evaluating tax measures and asked to be included in any discussion of a Business Tax.

Council Member Cormack noted that in 2020 the Council discussed utilizing additional revenue for grade separations and transportation initiatives. The City's needs had changed and increased since 2020. The Council was considering additional revenue of \$10 million per year in 2020. Thinking had evolved since March 2020 and shifted from head count to square footage as

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the basis for a tax. She inquired whether it was possible to conduct outreach with business groups prior to November 2021.

Ms. Nose advised that the outreach timeframe was dependent on the Council's decision-making process. The business community could provide meaningful feedback once the Council determined a metric or method.

Council Member Cormack encouraged Council Members not to complicate the tax structure in an effort to gain support. The Council should poll on utilizing a utility tax to replace revenue and to incorporate additional revenue.

Council Member Burt indicated that voter support declined as the complexity of a tax increased. Yet, some complexity was needed to ensure a fair tax. The Council needed information on all business taxes imposed by East Palo Alto and San Francisco. East Palo Alto's businesses taxes did not deter office development.

Mayor DuBois inquired regarding types of companies exempt from some taxes but not exempt from a Parcel Tax.

Ms. Nose explained that a Parcel Tax was not regulated the same as a Business Tax, and the City had more discretion regarding the structure of a Business Tax.

Mayor DuBois asked if medical businesses were exempt from a Parcel Tax.

Ms. Nose needed time to research the issue.

Mayor DuBois preferred a general tax in support of City services and capital needs. Industry had shifted from products to services, and services did not generate Sales Tax. A Business Tax should be based on square footage and apply to commercial only with a reduced or no rate for industrial, retail, and hospitality uses. Square footage needed to be defined as all square footage to which a business had access and updated annually. He wanted to understand community support for a payroll tax. The revenue target should be \$15 million to \$25 million. A metric could be \$1 per square foot or 0.1 percent for a payroll tax. The utility tax should be described as voter approval of a practice that the Council wanted to reaffirm.

Council Member Stone agreed that a Business Tax was needed, but a general tax may not be the best choice. Many of the funds needed to be committed to priorities that the City was not able to accomplish. Because obtaining voter approval of a special tax was difficult, he was amenable to learning more about general taxes. A tax based on square footage was logical given the changing nature of work and a way to encourage less use of office space. Not many

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cities appeared to be utilizing a square footage basis. He asked if Staff knew why Cupertino was attempting to move away from a square footage basis.

Mr. Guagliardo suggested cities considered spreading the tax burden more evenly or differently among taxpayers when a few firms utilized a disproportionate amount of citywide square footage.

Council Member Stone inquired whether Staff foresaw such a scenario in Palo Alto.

Mr. Guagliardo answered no.

Council Member Stone preferred a progressive tax, a revenue target of \$15 million to \$25 million or higher, and including the business community in outreach. The suggestions for affordable housing were great. He supported community land trusts and noted the success of the model that London utilized.

Council Member Kou inquired about applying a Parcel Tax to Stanford Research Park as it was owned by one entity.

Ms. Nose advised that application of a Parcel Tax depended on the agreements between the owner and the lessees and sublessees.

Council Member Kou asked if large apartment complexes were considered businesses.

Ms. Nose indicated that Staff was going to evaluate that type of issue if the Council chose to pursue a Parcel Tax. For a Parcel Tax, Staff needed to understand the County of Santa Clara's (County) categorization of land uses.

Council Member Tanaka wanted to understand the number of startups located in Palo Alto, the businesses that moved away from Palo Alto, vacant commercial spaces in Palo Alto, and reductions in the use of office space due to employees working from home. Engaging the business community in discussions was important. He questioned the party responsible for paying a Business Tax on vacant commercial space and whether a Business Tax was going to be imposed on a business whose employees worked from home. The Council needed to determine the use of new revenue first and the amount second. The City should not impose a Business Tax and provide compensation increases. With the pandemic surging, work from home may not end soon. An apples-to-apples comparison of utility bills was needed before the Council considered a utility user tax.

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Vice Mayor Burt recalled 2016 and 2017 efforts to place a Business Tax measure on the 2018 ballot. The scale of a Business Tax should be based on needs. The business community opposed a Business Tax during the 2017 and 2019 economic growth periods and was likely to oppose a Business Tax during economic declines. Not investing in affordable housing and transportation undermined business growth. More information about the legality of a payroll tax was needed.

Council Member Cormack inquired about attributing a payroll tax to the jurisdiction in which employees resided rather than the jurisdiction in which the business was located.

Ms. Nose advised that a Business Tax was applied to work performed within the boundaries of the jurisdiction imposing the Business Tax. San Francisco moved away from a payroll tax for many reasons.

Council Member Cormack recalled general agreement among Council Members in 2019 not to rely on a Documentary Transfer Tax because it was quite high and volatile. Increasing the Documentary Transfer Tax with a surcharge and dedicating the revenue to affordable housing was an intriguing concept. She proposed referring participation in the California Community Housing Agency (CalCHA) Joint Powers Authority (JPA) to the Policy and Services Committee (P&S). One disadvantage of the program was that property taxes were not assessed on property accepted into the program. Perhaps Council wished to set the boundaries of revenue generated by a tax.

Mayor DuBois noted that an EIFD required the Council to freeze the current tax level and assign any incremental tax above that level to a particular use. He requested the advantages of using an EIFD.

Ms. Nose related that bonding associated with an EIFD did not require voter approval.

Mayor DuBois requested clarification of the CalCHA JPA.

Ms. Nose explained that the City needed to join the joint partnership with the agency so that the agency was able to issue debt for property. Benefits included a government interest rate on bonds and increased viability of affordable housing projects.

Mayor DuBois asked if the City was required to pledge City assets for the bond.

Ms. Nose replied no.

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Mayor DuBois inquired whether a jobs linkage fee replaced or complemented a commercial linkage.

Mr. Guagliardo indicated it was a supplement. Each one recognized the nexus between commercial development and its impacts on the City. A commercial linkage was related to public infrastructure associated with the development, and the Jobs Housing Linkage Policy was related to the increased housing needs associated with the commercial development.

Mayor DuBois asked if the existing affordable housing fee was a jobs housing linkage fee.

Director of Planning and Development Services Jonathan Lait understood that they were different ways of approaching the same idea. Council may want to direct Staff to investigate the concepts further.

Mayor DuBois felt 2022 was the right time to impose a Business Tax to aid recovery. A general tax could be used for transportation, affordable housing, policing, infrastructure, and other services. He inquired about the difficulties San Francisco encountered with a payroll tax because the ease of enforcement was the greatest benefit of a payroll tax.

City Attorney Molly Stump related that San Francisco amended its tax several times, and there were policy, legal, and administrability issues. Staff needed to research the issues in order to respond comprehensively regarding the various factors.

Mayor DuBois expressed concern about concurrently placing a Documentary Transfer Tax surcharge on the ballot.

Council Member Stone suggested P&S engage with the state lobbyist to discuss modernizing laws for a payroll tax. He requested any correlations between passage of one and more than one tax measure on a single ballot.

Mr. Guagliardo reported ballot fatigue occurred, but the number of measures that triggered ballot fatigue was not known.

Council Member Stone asked if polling was able to address ballot fatigue.

Ms. Nose answered yes.

Council Member Stone expressed disappointment with the lack of public comment regarding a tax measure to support affordable housing. He supported the use of public land to mitigate the cost of affordable housing and encouraged Staff to advocate for State funding of affordable housing.

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Ms. Nose clarified that a special tax did not have to be scheduled for a general election.

Council Member Stone inquired regarding the cost.

Ms. Nose advised that the City was responsible for local election costs if there was not a shared election.

Council Member Tanaka shared the factors for companies leaving Detroit. He cautioned Council Members to consider a Business Tax carefully in an effort not to drive companies away from Palo Alto.

Vice Mayor Burt commented that polling was going to be critical for informing decisions. Because companies paid very little in local taxes, cities in the region were unable to respond to community needs.

MOTION: Council Member Burt moved, seconded by Mayor DuBois to approve the workplan for the pursuit of a revenue-generating local ballot measure for the November 2022 General Election with the following focus:

- A. The pursuit of a business tax and the preference of square footage as the basis for such a tax;
- B. The pursuit of a utility use-based tax, and explore the option to incorporate revenue on climate adaptability;
- C. Proceed with the refinement of estimates and evaluation of potential tax measures—including stakeholder outreach, polling and further feasibility analysis—and bring forward the budget actions necessary;
- D. Review and accept additional information regarding affordable housing funding mechanisms, and refer to the Policy and Services Committee on the housing land trust, Jobs Housing Linkage Policy, and particularly with the CalCHA; and
- E. For the Finance Committee to discuss and recommend to the City Council the initial polling to inform whether one or more taxes may be feasible on the 2022 ballot, the support for different uses of revenue, the scale of the tax, the uses and needs informing the scale of tax, and the form of tax, as indicated in the staff report.

Vice Mayor Burt did not want to limit the scale of the tax. A tax that generated \$30 million in revenue was not exorbitant.

Mayor DuBois believed a Documentary Transfer Tax surcharge on higher-priced properties was likely to pass on a primary or special election.

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Businesses were probably attracted to Palo Alto because of its proximity to Stanford University.

Council Member Cormack noted that the Motion did not address the revenue level and inquired whether Staff could work without a specific level.

Ms. Nose reported comments provided a range of \$10 million to \$30 million. That range was going to help Staff develop scenarios.

Council Member Cormack reserved the right to object to larger revenue targets once Staff provided more information.

Council Member Tanaka proposed amending the Motion to include the purpose and usage of tax revenues.

Vice Mayor Burt related that the Finance Committee was going to flesh out the purpose and usage and make a recommendation to the Council.

Council Member Tanaka asked if outreach was going to be targeted to companies that were likely to be impacted by a tax.

Ms. Nose responded yes.

Council Member Tanaka asked if Staff was doing to determine current rental rates for offices.

Mayor DuBois noted the work plan included an analysis of taxes and structures.

Council Member Tanaka asked if Staff planned to track employees working from home.

Ms. Nose explained that Staff planned to work with the Finance Committee and Council on various analyses. Staff may not have sufficient or the right data to track employees. Staff intended to determine the best data sources and how to analyze issues.

Council Member Tanaka inquired whether apples-to-apples comparisons of utility bills among cities were going to be part of Staff's analyses.

Ms. Nose reported Staff would do their best to obtain the appropriate data to prepare accurate comparisons.

MOTION PASSED/FAILED: 5-1, Tanaka no, Filseth absent

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Council Member Questions, Comments and Announcements

Vice Mayor Burt reported the Barron Park and Ventura neighborhoods were sponsoring a community event celebrating diversity on August 22, 2021.

Closed Session

6. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Authority: Government Code Section 54956.8
Property: 300 Homer Avenue, Assessor's Parcel Number 120-17-093
Negotiating Party: Palo Alto History Museum

ACTION: Item was continued to August 23, 2021 City Council special meeting.

Adjournment: The meeting was adjourned at 9:33 P.M.