



**City Council
Special Meeting
Monday, September 13, 2021
5:00 PM
Council Chambers**

*****BY VIRTUAL TELECONFERENCE ONLY*****

[CLICK HERE TO JOIN](#) Zoom Meeting ID: 362 027 238 Phone:1(669)900-6833

Pursuant to Governor Newsom's Executive Order N-29-20, as amended through order N-08-21, City Council meetings will be held as hybrid meetings with the option to attend by teleconference/video conference or in person. To maximize public safety while still maintaining transparency and public access, members of the public can choose to participate in the meeting from home or attend the meeting in person. Information on how the public may observe and participate in the meeting is located at the end of the agenda.

Public Comments will be accepted both in person and VIA Zoom meeting. All requests to speak will be taken until 5 minutes after the staff's presentation. Written public comments can be submitted in advance to city.council@cityofpaloalto.org and will be provided to the Council and available for inspection on the City's website. Please clearly indicate which agenda item you are referencing in your email subject line.

The meeting will be streamed live on YouTube at <https://www.youtube.com/c/cityofpaloalto>, and Midpen Media Center <https://midpenmedia.org> and broadcast on Cable TV Channel 26.

TIME ESTIMATES

Time estimates are provided as part of the City Council's effort to manage City Council meetings. Listed times are estimates only and are subject to change at any time, including while the meeting is in progress. Agenda items may be heard before or after the time estimated on the agenda.

CITY COUNCIL MEETING MATERIALS

Materials related to an item on this agenda submitted to the City Council after distribution of the agenda meeting packet are available for public inspection [on the City's website](#).

AMERICANS WITH DISABILITY ACT (ADA)

Persons with disabilities who require auxiliary aids or services in using City facilities, services or programs or who would like information on the City's compliance with ADA, may contact (650) 329-2550 (Voice) 24 hours in advance.

CALL TO ORDER

STUDY SESSION (5:00 PM - 6:00 PM)

1. City Council Discussion with the Independent Police Auditor

AGENDA CHANGES, ADDITIONS AND DELETIONS

PUBLIC COMMENT (6:00 PM - 6:15 PM)

Members of the public may speak to any item NOT on the agenda. Council reserves the right to limit the duration of Oral Communications period to 30 minutes.

CONSENT CALENDAR (6:15 PM - 6:30 PM)

Items will be voted on in one motion unless removed from the calendar by three Council Members.

2. Approval of Minutes from August 30, 2021 City Council Meeting
3. Adoption of a Resolution Approving the City of Palo Alto's 2021 Electric Utility Physical Security Plan
4. Policy & Services Recommend Approval of the Office of the City Auditor's Fiscal Year (FY) 2022 Task Orders

CITY MANAGER COMMENTS (6:30 PM - 6:45 PM)

ACTION ITEMS

Include: Reports of Committees/Commissions, Ordinances and Resolutions, Public Hearings, Reports of Officials, Unfinished Business and Council Matters.

5. TEFRA HEARING: Regarding Conduit Financing for the Silicon Valley International School Project Located at 151 Laura Lane, Palo Alto, and Approving the Issuance of a Tax Exempt Loan by the California Municipal Finance Authority for the Purpose of Financing and Refinancing the Acquisition, Construction, Improvement, Equipping and Maintenance of Educational, Support and Administrative Facilities Owned and Operated Within the City by Silicon Valley International School (6:45 PM – 7:15 PM)
6. Request for City Council Interpretation of Palo Alto Municipal Code Section 18.70.070(b)(2)(E) and Related Direction to Staff Regarding Nonconforming Uses at the 340 Portage/3200 Park Site. Environmental Analysis: Not a Project, as Defined in Public Resources Code 21065 (7:15 PM -8:15 PM)
7. Discuss and Provide Direction on a Request for Proposals (RFP) for an Economic Development Strategy Consultant and an Internal Staffing Plan to Support Economic Development Issues (8:15 PM – 9:30 PM)
8. Staff recommend Council: (a) Adopt a Resolution Authorizing the City Manager to Close University Avenue and California Avenue and Some Intersecting Streets Until a Date the Council Determines and Provide Direction Regarding Associated Fees or Charges; (b) Provide Direction Regarding the Duration of the Temporary Parklet Program and

Development of Associated Fees or Charges; (c) Receive Updates regarding the Permanent Parklet Program the Downtown and California Avenue Streetscape Designs. (9:30 PM – 11:00 PM)

COUNCIL MEMBER QUESTIONS, COMMENTS, ANNOUNCEMENTS

Members of the public may not speak to the item(s)

ADJOURNMENT

INFORMATION REPORTS

Information reports are provided for informational purposes only to the Council and the public but are not listed for action during this meeting's agenda.

9. Contracts Awarded by the City Manager and Procurement Officer
10. Fiscal Year 2021 Significant Gifts and Donations to the City
11. Third Progress Report on Palo Alto's Community and Economic Recovery Workplan

OTHER INFORMATION

Standing Committee Meetings

- Policy & Services Committee Meeting September 14, 2021
- City Schools Liaison Committee September 16, 2021

Schedule of Meetings

Public Letters to Council Received Thru August 30, 2021

PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to teleconference meetings via email, teleconference, or by phone.

- 1. Written public comments** may be submitted by email to city.council@cityofpaloalto.org.
- 2. Spoken public comments using a computer** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
 - A. You may download the Zoom client or connect to the meeting in-browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer.
 - B. You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
 - C. When you wish to speak on an Agenda Item, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
 - D. When called, please limit your remarks to the time limit allotted.
 - E. A timer will be shown on the computer to help keep track of your comments.
- 3. Spoken public comments using a smart phone** will be accepted through the teleconference meeting. To address the Council, download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below. Please follow the instructions B-E above.
- 4. Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit *9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

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City of Palo Alto

City Council Staff Report

(ID # 13563)

Report Type: Consent Calendar

Meeting Date: 9/13/2021

Summary Title: Minutes 8/30 CC

Title: Approval of Minutes from August 30, 2021 City Council Meeting

From: City Manager

Lead Department: City Clerk

Recommended Motion

To review and approve the minutes from August 30, 2021 Special City Council Meeting as presented.

Attachments:

- **Attachment2.a:** 210830amCCsm



DRAFT ACTION MINUTES

City Council
Special Meeting
August 30, 2021
5:00 PM

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, Filseth, Kou, Stone, Tanaka

Absent: DuBois

CLOSED SESSION

1. CONFERENCE WITH LABOR NEGOTIATORS

City Designated Representatives: City Manager and his Designees Pursuant to Merit System Rules and Regulations (Ed Shikada, Kiely Nose, Rumi Portillo, Sandra Blanch, Nicholas Raisch, Molly Stump, and Terence Howzell)

Employee Organization: Service Employees International Union, (SEIU) Local 521, Utilities Management and Professional Association of Palo Alto (UMPAPA);

Authority: Government Code Section 54957.6 (a).

MOTION: Council Member Filseth moved, seconded by Council Member Cormack to go into Closed Session.

MOTION PASSED: 6-0, DuBois absent

Council went into Closed Session at 5:03 P.M.

Council returned from Closed Session at 6:30 P.M.

Vice Mayor Burt announced no reportable action.

STUDY SESSION

2. Foothills Fire Mitigation Strategies Study Session.

No action was taken.

The City Council took a break at 8:06 P.M. and returned at 8:16 P.M.

DRAFT ACTION MINUTES

AGENDA CHANGES, ADDITIONS AND DELETIONS

None

CONSENT CALENDAR

Council Member Kou registered a no vote on Agenda Item Number 4.

Council Member Tanaka registered a no vote on Agenda Item Number 4 and AA1.

MOTION: Council Member Cormack moved, seconded by Vice Mayor Burt to approve Agenda Item Numbers 3-6 and AA1.

3. Approve Minutes from August 16, 2021.
4. Approval of Contract Amendment Number 2 to Contract Number C17165953 with RossDrulisCusenbery Architecture, Inc., to Add to the Scope of Services and Add \$283,410 to the contract sum, for a new Total Not to Exceed Amount of \$9,037,608, for Design and Environmental Assessment Professional Services for the Public Safety Building, Capital Improvement Project (PE-15001).
5. Adoption of **Resolution 9982** to Authorize the City Manager to Submit Application(s) and Related Agreement(s) for the California Department of Resources Recycling and Recovery (CalRecycle) Rubberized Pavement Grant Program.
6. Adoption of first reading ordinance Amending Title 9, Public Peace, Morals and Safety, of the Municipal Code to Add Chapter 9.07 Requiring Safe Storage of Firearms in Palo Alto Residences to Prevent Improper Firearm Access; Adoption of **Resolution 9983** Amending the Administrative Penalty Schedule to Add Conforming Penalty.
- AA1. Approval of a Professional Services Agreement With Enovity, Inc. for Energy Efficiency Program Services in an Amount of \$661,667 per Year Q&A Q&A 3 City Council Special Meeting August 30, 2021 for a Total Not-to-Exceed Amount \$1,985,000 for a Three-year Term Through August 15, 2024.

MOTION PASSED FOR AGENDA ITEM NUMBER 3, 5, 6: 6-0, DuBois absent

MOTION PASSED FOR AGENDA ITEM NUMBER 4: 4-2, Kou, Tanaka no, DuBois absent

MOTION PASSED FOR AGENDA ITEM NUMBER AA1: 5-1, Tanaka no, DuBois absent

DRAFT ACTION MINUTES

ACTION ITEMS

7. Policy and Services Committee Recommends City Council Approve Retention of a Consultant to Clean Up and Reformat the City Council Procedures and Protocols Handbook.

MOTION: Council Member Kou moved, seconded by Council Member Stone to approve the retention of a consultant to clean up and reformat the City Council Procedures and Protocols Handbook.

MOTION PASSED: 4-2, Cormack, Tanaka no, DuBois absent

8. Direction on Strategies Related to Services for Unhoused Palo Alto Residents, Including Potential Emergency Shelter, and Adoption of a Resolution Endorsing the Santa Clara County Community Plan to End Homelessness 2020-25 (Continued from August 9, 2021).

MOTION: Council Member Filseth moved, seconded by Council Member Cormack to:

- A. Adopt **Resolution 9984** endorsing the Santa Clara County "Community Plan to End Homelessness 2020-25"; and
- B. Direct Staff to return to City Council with a detailed proposal for an outreach team to the unhoused, which will include case management resources, additional Police resources, and program coordination staff.

MOTION PASSED: 6-0, DuBois absent

COUNCIL MEMBER QUESTIONS, COMMENTS AND ANNOUNCEMENTS

ADJOURNMENT: The meeting was adjourned at 11:03 P.M.

ATTEST:

APPROVED:

City Clerk

Mayor

NOTE: Action minutes are prepared in accordance with Palo Alto Municipal Code (PAMC) 2.04.160(a) and (b). Summary minutes (sense) are prepared in accordance with PAMC Section 2.04.160(c). Beginning in January 2018, in accordance with [Ordinance No. 5423](#), the City Council found action minutes and the video/audio recordings of Council proceedings to be the official records of both Council and committee proceedings. These recordings are available on the City's website.



City of Palo Alto City Council Staff Report

(ID # 12218)

Report Type: Consent Calendar

Meeting Date: 9/13/2021

Summary Title: Adoption of Resolution Approving CPAU's Electric Utility Security Plan

Title: Adoption of a Resolution Approving the City of Palo Alto's 2021 Electric Utility Physical Security Plan

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends the City Council adopt a Resolution (Attachment A, [Linked Document](#)) approving the City of Palo Alto's 2021 Electric Utility Physical Security Plan.

Executive Summary

In January 2019 the California Public Utilities Commission (CPUC) approved Decision 19-01-018¹, requiring all electric utilities to develop and implement a plan which identifies electric distribution assets that may require increased protection, and specifies measures to reduce risks to those facilities. Ensuring the safety of its facilities is a top priority for City of Palo Alto Utilities (CPAU), therefore, CPAU voluntarily participated in the CPUC's Physical Security proceeding and has undertaken this assessment. The overarching goal of the City's Utility Security Plan (Attachment B, [Linked Document](#)) is to describe CPAU's risk management approach toward physical security, with appropriate consideration of resiliency, impact, and cost.

Background

On April 16, 2013, one or more individuals attacked equipment located within Pacific Gas and Electric Company's (PG&E) Metcalf Transmission Substation, ultimately damaging 17 transformers. These individuals also cut nearby fiber-optic telecommunication cables owned by AT&T. In response, the Federal Energy Regulatory Commission (FERC) directed the North American Electric Reliability Corporation (NERC) to develop new physical security requirements, resulting in the creation of NERC's critical infrastructure plan (CIP) standard CIP-014². The goal

¹ D 19-01-018 is available at:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M260/K335/260335905.PDF>.

² <https://www.nerc.com/ layouts/15/PrintStandard.aspx?standardnumber=CIP-014-2&title=Physical%20Security&Jurisdiction=United%20States>

of CIP-014 is to enhance physical security measures for the most critical substations and control centers in North America. Focused on the bulk power transmission system, CIP-014 does not cover distribution facilities owned by City of Palo Alto.

At the state level, Senator Jerry Hill authored Senate Bill (SB) 699 (2014), directing the California Public Utility Commission (CPUC) to “consider adopting rules to address the physical security risks to the distribution systems of electrical corporations.” The CPUC hosted a series of workshops to better understand the state of utility physical security protections and to seek input on refining their proposal.

In order to support a statewide improvement of how utilities address distribution-level physical security risks, the California Municipal Utilities Association (CMUA), the statewide trade association for POU, coordinated with the state’s investor-owned utilities (IOUs) to develop a comprehensive Straw Proposal³ (Joint IOU/POU Straw Proposal) for a process to identify at-risk facilities and, if necessary, develop physical security mitigation plans. As a member of CMUA, CPAU staff participated in the development of the Joint IOU/POU Straw Proposal through a CMUA working group, as well as through direct meetings with the IOUs. The Joint POU/IOU Straw Proposal set out a process: (1) identifying if the utility has any high priority distribution facilities; (2) evaluating the potential risks to those high priority distribution facilities; (3) for the distribution facilities where the identified risks are not effectively mitigated through existing resilience/security measures, developing a mitigation plan; (4) obtaining third party reviews of the mitigation plans; (5) adopting a document retention policy; (6) ensuring a review process established by the POU governing board; and (7) implementing information sharing protocols.

In early 2019, the CPUC approved Decision (D.) 19-01-018, which adopted the Joint IOU/POU Straw Proposal with additional clarifications and guidance. CPAU is issuing this report to reflect its existing commitment to safety and to protecting its ratepayers’ investment by taking reasonable and cost-effective measures to safeguard key distribution system assets.

Discussion

CPAU utilized a multi-step process to develop this Utility Security Plan ([Linked Document](#)) that is consistent with the Joint IOU/POU Straw Proposal and D.19-01-018. The six steps of that process are:

STEP 1: Assessment/Plan Development

CPAU staff and/or consultants prepare a Draft Utility Security Plan ([Linked Document](#)) through the process set forth in Steps 1A, 1B, and 1C.

³ Straw Proposal available at:

https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/Safety/Risk_Assessment/physicalsecurity/R1506009-Updated%20Joint%20Straw%20Proposal%20and%20Cover%20083117%20Filing.pdf.

STEP 1A: Identify Covered Distribution Facilities

CPAU evaluates all distribution-level facilities in its service territory that are subject to its control to determine if any facility meets D.19-01-018's definition of a "Covered Distribution Facility"⁴ using the seven factors identified in the Joint IOU/POU Straw Proposal.

STEP 1B: Perform risk assessment

For every individual Covered Distribution Facility identified pursuant to Step 1A, CPAU performs an evaluation of the potential risks associated with a successful physical attack on that Covered Distribution Facility, and whether existing grid resiliency, back-up generation, and/or physical security measures appropriately mitigate identified risks.

STEP 1C: Develop mitigation plan

If there are any individual Covered Distribution Facilities where the Risk Assessment performed pursuant to Step 1B finds that the existing mitigation and/or resiliency measures do not effectively mitigate the identified risks, then CPAU will develop a Mitigation Plan for that Covered Distribution Facility. The Mitigation Plan will use a risk-based approach to select reasonable and cost-effective measures that can either be security focused (*e.g.*, walls or alarms) or resiliency focused (*e.g.*, adequate spare parts).

STEP 2: Independent review

For every Utility Security Plan cycle, CPAU will document the results of the identification process, risk assessment, and Mitigation Plan development performed pursuant to Steps 1A, 1B, and 1C. This documentation in combination with narrative descriptions constitutes CPAU's Draft Utility Security Plan. Each Draft Utility Security Plan is submitted to a Qualified Third Party for Independent Review, which may be a governmental entity with demonstrated law enforcement expertise.

The City's Qualified Third-Party reviewer is the Palo Alto Office of Emergency Services. The Qualified Third-Party Reviewer will then issue an evaluation that identifies any potential deficiencies in the Draft Utility Security Plan as well as recommendations for improvements. The combination of the Draft Utility Security Plan, the non-confidential conclusions of the Qualified Third-Party Reviewer, and CPAU's responses to the Qualified Third-Party Review will constitute CPAU's Utility Security Plan.

STEP 3: Validation

CPAU submitted its Utility Security Plan to a Qualified Authority for validation on the overall adequacy of the Plan. The Qualified Authority must have sufficient familiarity with relevant federal, state and local standards regarding critical asset protection and emergency response. The City's Fire Department agreed to serve as the Qualified Authority for this validation step,

⁴ Per D.19-01-018 at 26, "covered is the utility working group term employed to describe those assets that are applicable, or that should be subject to physical security." For purposes of this Plan, CPAU has determined that Covered Distribution Facilities include Distribution Substations, but not Distribution Control Centers, since analysis of Distribution Control Centers is applicable to Investor Owned Utilities only (see pages 35 and 49 of D. 19-01-018.)"

and will provide additional feedback and evaluation of CPAU's Utility Security Plan and may deem the Utility Security Plan adequate.

STEP 4: Adoption

CPAU's Utility Security Plan will be presented to and approved by the City Council at a public meeting.

STEP 5: Maintenance

CPAU will refine and update its Utility Security as appropriate and as necessary to preserve Plan integrity.

STEP 6: Repeat process

CPAU will repeat the above five steps at least once every five years.

Council Adoption

Staff has completed Steps 1 through 3, and Council is being asked to approve the Utility Security Plan (Step 4) via approval of the attached resolution ([Linked Document](#)), so that staff may provide notice to the CPUC upon adoption. Although CPUC's original deadline for Council approval was July 10, 2021, CPAU, like many participating municipal utilities, required additional time to identify a qualified authority willing and able to review its Plan. Staff has informed CPUC of the updated timeline, which will be met upon Council approval of the attached resolution ([Linked Document](#)). Staff will be responsible for Steps 5 and 6, which is the ongoing plan maintenance and full review at least every five years.

Stakeholder Engagement

As a member of CMUA, CPAU staff participated in the development of the Joint IOU/POU Straw Proposal through a CMUA working group as well as through direct meetings with the IOUs. Following CPUC Decision 19-01-018, the CMUA coordinated with CPAU staff to develop the Utility Security Plan.

Resource Impact

Existing staff resources in engineering and the City Attorney's Office developed the framework of the Plan, and the Plan itself. The Palo Alto Office of Emergency Services has performed the Qualified Third-Party Review. The Palo Alto Fire Department performed the Third-Party Qualified Authority Review at no cost to the City. Mitigation measures identified in the Plan include electric substation physical security capital improvement plans (e.g. security fence, lighting, and video upgrades) already in progress since FY19, with funding included in the FY 2021 Capital budget for EL-16003. Restoring resiliency to the electric power system feeding a Covered Facility after a potential security breach would be accomplished using existing staff and protocols in place for operation of electric equipment. Future mitigation measures identified as necessary will be approved annually through the Capital and Operating Budget process.

Note that implementation of required mitigation could impact trees within substation perimeters, and as such staff will endeavor to minimize any such impacts.

Policy Implications

Adopting a resolution approving the Utility Security Plan is in line with the Utilities Strategic Plan to collaborate with government, trade, and regional agencies enhances our sphere of influence, allows us to identify common ground, and leverage economies of scale. (Priority #2, Strategy #4).

Environmental Review

The Council's decision to approve the Utility Security Plan does not meet the California Environmental Quality Act's (CEQA) definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an operational activity which will not cause a direct or indirect physical change in the environment, and therefore, no environmental review is required. Individual upgrades or changes at utility facilities, if needed as a result of the City's implementation of the Plan, will be analyzed under CEQA.

Attachments:

- **Attachment3.a:** Attachment A: Resolution
- **Attachment3.b:** Attachment B: Electric Utility Security Plan

Not Yet Passed

Resolution No. _____

Resolution of the Council of the City of Palo Alto Approving the City of
Palo Alto's 2021 Electric Utility Physical Security Plan

R E C I T A L S

- A. On January 10, 2019, the California Public Utilities Commission ("CPUC") approved Decision (D.) 19-01-018 ("Decision") requiring all electric utilities to develop and implement a plan that (1) identifies electric distribution assets that require greater protection; and (2) specifies measures to reduce the identified risks and threats to those facilities ("Physical Security Plan").
- B. While City of Palo Alto Utilities (CPAU), like other publicly owned utilities (POUs), is not subject to CPUC jurisdiction, safety is a top priority for POUs, so in the spirit of continued voluntary cooperation, CPAU and other POUs agreed to draft Physical Security Plans.
- C. The Physical Security Plan attached is the public report on CPAU's physical security program for the electric distribution-level facilities that require evaluation under the Decision.
- D. The CPAU's Physical Security Plan includes the following self-evaluation steps:
 - a. Identifies covered distribution facilities by analyzing all distribution-level facilities in CPAU's service territory, using seven screening factors.
 - b. Assesses the potential risks associated with a successful physical attack on each covered facility and determines whether existing resiliency and/or physical security measures appropriately mitigate identified risks.
 - c. Develops mitigation plans for any individual covered facilities as needed, using reasonable and cost-effective measures.
- E. The Plan also details ongoing maintenance practices and planned additions that will ensure the physical safety of the identified facilities. This includes descriptions of workforce training and imminent updates to facility designs, as needed.
- F. Independent review steps follow CPAU's self-evaluation:
 - a. Qualified Third-Party review. The Decision requires an entity independent of CPAU with law enforcement and physical security expertise, such as the Palo Alto Police Department, to evaluate and analyze the Physical Security Plan. The Palo Alto Police Department's Office of Emergency Services (OES) performed the Qualified Third-Party review for this Plan in May, 2021, and supported the Plan's findings. It asserted that the Plan's proposed actions would increase overall

Not Yet Passed

resilience. It listed a few specific areas that CPAU could focus on for additional resiliency in the future, such as local generation and storage. CPAU agreed, also noting the importance of local generation and storage.

- b. Qualified Authority Validation. CPAU must submit its Utility Security Plan to a Qualified Authority for validation on the overall adequacy of the Plan. The Qualified Authority must have sufficient familiarity with relevant federal, state and local standards regarding critical asset protection and emergency response. The City's Fire Department agreed to serve as the Qualified Authority for this validation step, provide additional feedback and evaluation of CPAU's Utility Security Plan, and determine the Utility Security Plan's adequacy. The Palo Alto Fire Department performed the Qualified Authority Validation for this Plan in August, 2021, and found that the plan logically identified known risks and provided reasonable mitigation plans. CPAU accepted this conclusion and restated its commitment to maintaining and improving its security measures.

- G. With the completion of the Qualified Third-Party review and Validation, staff is presenting the Physical Security Plan to Council for approval, and upon approval will provide notice to the CPUC.

NOW, THEREFORE, the Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. The Council hereby adopts a resolution approving CPAU's 2021 Electric Utility Physical Security Plan, as shown in Exhibit A, enabling CPAU to submit an executed copy of this Resolution as notice of the Plan's approval to CPUC.

SECTION 2. The Council directs CPAU staff to continue ongoing evaluation of the Physical Security Plan as appropriate and necessary to preserve the Plan's integrity, with a goal of renewed evaluation every five years, as encouraged by CPUC guidelines.

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Not Yet Passed

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SECTION 3. The Council finds that the adoption of this resolution does not meet the definition of a project under Public Resources Code Section 21065, thus, no environmental assessment under the California Environmental Quality Act is required at present. Individual upgrades or changes at utility facilities, if needed as a result of the City's implementation of the Plan, will be analyzed under CEQA.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of Utilities

CITY OF PALO ALTO ELECTRIC UTILITY SECURITY PLAN

PUBLIC REPORT ON CITY OF PALO ALTO'S PHYSICAL
SECURITY PROGRAM FOR ELECTRIC DISTRIBUTION-
LEVEL FACILITIES

May 5, 2021

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I. OVERVIEW

A. GOAL OF UTILITY SECURITY PLAN

Ensuring the safety of its facilities is a top priority for City of Palo Alto Utilities (CPAU), and CPAU prioritizes safety in all aspects of its design, operation, and maintenance practices. The overarching goal of this Utility Security Plan is to describe CPAU's risk management approach toward distribution system physical security, with appropriate consideration of resiliency, impact, and cost.

CPAU recognizes the importance of securing the safety and reliability of its electric system and, therefore, CPAU voluntarily participated in the California Public Utilities Commission's (CPUC) Physical Security proceeding and has undertaken this assessment. In the spirit of continued voluntary cooperation, CPAU offers the following in response to CPUC Decision 19-01-018.

B. DESCRIPTION OF CPAU

CPAU is a municipal utility that operates in the charter city of Palo Alto, California. CPAU serves approximately 30,000 customers in an urban setting via 9 distribution substations consisting of 9 miles of subtransmission lines and 307 distribution lines across 26 square miles. Nine of these substations meet the definition of Distribution Substation¹ as each is considered an electrical power substation associated with the distribution system and the primary feeders for supply to residential, commercial and/or industrial loads.

C. RESULTS OF UTILITY SECURITY PLAN ASSESSMENT

CPAU applied the methodology described in Section 3B of this document to identify Covered Distribution Facilities², assess the risk of a successful physical attack, identify preliminary mitigation measures, secure Third Party Verification, and develop and implement a Final Security Plan, consistent with D.19-01-018. Three Covered Distribution Facilities' loads, which serve a wastewater treatment facility and Level 1 trauma centers, are served by 2 substations. Based on this assessment, additional mitigation measures are recommended at 1 substation, to reduce the effective risk level from MID to LOW. The mitigation projects identified within this Plan will reduce this level from MID to LOW, including enhanced physical security protections to reduce the likelihood of

¹ Per D.19-01-018 at 23, "The Joint Utility Proposal defines Distribution Substation as an electric power substation associated with the distribution system and the primary feeders for supply to residential, commercial and/or industrial loads.

² Per D.19-01-018 at 25, note 49, "Distribution Facilities" include "A Distribution Substation or Distribution Control Center."

attack, and site improvement projects to eliminate access. All other Distribution Facilities have LOW or negligible risk and, consistent with the Joint Utility Proposal described in D.19-01-018, were not further evaluated.

The City's Office of Emergency Services (OES), on behalf of the Palo Alto Police Department, is the third party reviewing entity. The OES Chief is a sworn law enforcement officer.

Palo Alto OES supports the internal risk and threat profiles identified by CPAU and the proposed mitigation measures and corrective actions.

II. BACKGROUND

On April 16, 2013, one or more individuals attacked equipment located within Pacific Gas and Electric Company's (PG&E) Metcalf Transmission Substation, ultimately damaging 17 transformers. These individuals also cut nearby fiber-optic telecommunication cables owned by AT&T. In response to the attack, the Federal Energy Regulatory Commission (FERC) directed the North American Electric Reliability Corporation (NERC) to develop new physical security requirements, resulting in the creation of CIP-014.

At the state level, Senator Jerry Hill authored SB 699 (2014), directing the CPUC to "consider adopting rules to address the physical security risks to the distribution systems of electrical corporations." In response to SB 699, the CPUC's Safety and Enforcement Division, Risk Assessment and Safety Advisory Section (RASA) prepared a white paper proposing a new requirement for investor owned utilities (IOUs) and publicly owned utilities (POUs) to develop security plans that would identify security risks to their distribution and transmission systems, and propose methods to mitigate those risks. The CPUC hosted a series of workshops to better understand the state of utility physical security protections and to seek input on refining their proposal.

In order to support a statewide improvement of how utilities address distribution level physical security risks, the California Municipal Utilities Association (CMUA), which is the statewide trade association for POU, coordinated with the state's IOUs to develop a comprehensive Straw Proposal³ (Joint IOU/POU Straw Proposal) for a process to identify at-risk facilities and, if necessary, develop physical security mitigation plans. As a member of CMUA, CPAU staff participated in the development of the Joint IOU/POU Straw Proposal through a CMUA working group as well as through direct meetings with the IOUs. The Joint IOU/POU Straw Proposal set out a process for the following: (1) identifying if the utility has any high priority distribution facilities; (2) evaluating the potential risks to those high priority distribution facilities; (3) for the distribution facilities where the identified risks are not effectively mitigated through existing resilience/security measures, developing a mitigation plan; (4) obtaining third party reviews of the mitigation plans; (5) adopting a document retention policy; (6) ensuring a review process established by the POU governing board; and (7) implementing information sharing protocols.

RASA filed a response⁴ to the Joint IOU/POU Straw Proposal that recommended various modifications and clarifications, including a six-step process. Additionally, RASA recommended that the utility mitigation plans include: (1) an assessment of supply chain vulnerabilities; (2) training programs for law enforcement and utility staff to improve communication during physical security events; and (3) an assessment of any nearby communication utility infrastructure that supports priority distribution substations.

³ Straw Proposal available at:

https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/Safety/Risk_Assessment/physicalsecurity/R1506009-Updated%20Joint%20Straw%20Proposal%20and%20Cover%20083117%20Filing.pdf.

⁴ RASA Response available at:

https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/Safety/Risk_Assessment/physicalsecurity/Final%20Staff%20Recommendation%20for%20Commission%20Consideration%20010318.pdf.

In early 2019, the CPUC approved Decision (D.) 19-01-018, which adopted the Joint IOU/POU Straw Proposal as modified by the RASA proposal, with additional clarifications and guidance. D.19-01-018 clarified that where there is a conflict between the Straw Proposal and the RASA proposal, then it is the rule in the RASA proposal that controls.⁵

D.19-01-018 asserted that the POUs should utilize the Utility Security Plan process described therein. CPAU is following the process and issuing this report at this time to reflect its existing commitment to safety and to protecting its ratepayers' investment by taking reasonable and cost-effective measures in an effort to safeguard key assets of its distribution system.

⁵ D.19-01-018 at 43, footnote 58 ("Should there be any question of which shall predominate should there be any incongruity or conflict between a utility or SED RASA recommended rule, the SED RASA rule shall apply.").

III. PLAN DEVELOPMENT PROCESS

A. PHYSICAL SECURITY PRINCIPLES

The Joint IOU/POU Straw Proposal seeks to support the creation of a risk management approach toward distribution system physical security, with appropriate considerations of resiliency, impact, and cost. In order to accomplish this risk-based approach, the Joint IOU/POU Straw Proposal identifies several principles to guide the development of each individual utility's program. These principles are the following:

1. Distribution systems are not subject to the same physical security risks and associated consequences, including threats of physical attack by terrorists, as the transmission system.
2. Distribution utilities will not be able to eliminate the risk of a physical attack occurring, but certain actions can be taken to reduce the risk or consequences, or both, of a significant attack.
3. A one-size-fits-all standard or rule will not work. Distribution utilities should have the flexibility to address physical security risks in a manner that works best for their systems and unique situations, consistent with a risk management approach.
4. Protecting the distribution system should consider both physical security protection and operational resiliency or redundancy.
5. The focus should not be on all Distribution Facilities, but only those that risk dictates would require additional measures.
6. Planning and coordination with the appropriate federal and state regulatory and law enforcement authorities will help prepare for attacks on the electrical distribution system and thereby help reduce or mitigate the potential consequences of such attacks.

B. Utility Security Plan Development Process

CPAU utilized a multi-step process to develop this Utility Security Plan that is consistent with the Joint IOU/POU Straw Proposal and D.19-01-018. The relevant six steps of that process are the following:

STEP 1: ASSESSMENT/PLAN DEVELOPMENT

CPAU staff prepares a Draft Utility Security Plan through the process set forth in Steps 1A, 1B, and 1C.

STEP 1A: IDENTIFY COVERED DISTRIBUTION FACILITIES

CPAU will evaluate all distribution-level facilities in its service territory that are subject to its control to determine if any facility meets D.19-01-018's definition of a "Covered Distribution Facility"⁶ using the seven factors identified in the Joint IOU/POU Straw Proposal.

STEP 1B: PERFORM RISK ASSESSMENT

For every individual Covered Distribution Facility identified pursuant to Step 1A, CPAU will perform an evaluation of the potential risks associated with a successful physical attack on that Covered Distribution Facility, and whether existing grid resiliency, back-up generation, and/or physical security measures appropriately mitigate identified risks.

STEP 1C: DEVELOP MITIGATION PLAN

If there are any individual Covered Distribution Facilities where the Risk Assessment performed pursuant to Step 1B finds that the existing mitigation and/or resiliency measures do not effectively mitigate the identified risks, then CPAU will develop a Mitigation Plan for that Covered Distribution Facility. The Mitigation Plan will use a risk-based approach to select reasonable and cost-effective measures that can either be security focused (e.g., walls or alarms) or resiliency focused (e.g., adequate spare parts).

STEP 2: INDEPENDENT REVIEW

For every Utility Security Plan cycle, CPAU will document the results of the identification process, risk assessment, and Mitigation Plan development performed pursuant to Steps 1A, 1B, and 1C. This documentation in combination with narrative description in Section IX below, constitutes CPAU's Draft Utility Security Plan. Each Draft Utility Security Plan is submitted to a Qualified Third Party for Independent Review. The Qualified Third Party Reviewer will then issue an evaluation that identifies any potential deficiencies in the Draft Utility Security Plan as well as recommendations for improvements. CPAU will then modify its plan to address any identified deficiencies or recommendations, or will document the reasons why any recommendations were not adopted. The combination of the Draft Utility Security Plan, the non-confidential conclusions of the Qualified Third Party Reviewer, and CPAU's responses to the Qualified Third Party Review will constitute CPAU's Utility Security Plan.

STEP 3: VALIDATION

⁶ Per D.19-01-018 at 26, "covered is the utility working group term employed to describe those assets that are applicable, or that should be subject to physical security." For purposes of this Plan, CPAU has determined that Covered Distribution Facilities include Distribution Substations, but not Distribution Control Centers, since analysis of Distribution Control Centers is applicable to Investor Owned Utilities only (see pages 35 and 49 of D. 19-01-018.)"

CPAU will submit its Utility Security Plan to a qualified authority for review. Such entity will provide additional feedback and evaluation of CPAU's Utility Security Plan and, to the extent that this entity is authorized, such entity may deem the Utility Security Plan as adequate.

STEP 4: ADOPTION

CPAU's Utility Security Plan will be presented to and adopted by City of Palo Alto Council at a public meeting.

STEP 5: MAINTENANCE

CPAU will refine and update the Utility Security as appropriate and as necessary to preserve plan integrity.

STEP 6: REPEAT PROCESS

CPAU will repeat this six step process at least once every five years.

IV. IDENTIFICATION OF COVERED DISTRIBUTION FACILITIES (STEP 1A)

As described in Section III, Step 1A of the Utility Security Plan process involves assessing all distribution-level facilities that are subject to the control of CPAU to determine which facilities are "Covered Distribution Facilities" subject to the need for a risk assessment. This Section describes the factors that CPAU used to evaluate its distribution facilities and the results of its evaluation.

A. IDENTIFICATION FACTORS

The Joint IOU/POU Straw Proposal defines seven screening factors to determine if a facility is a "Covered Distribution Facility." Some factors require additional definitions and/or clarifications in order to be applied to CPAU's facilities. The following Table provides the Joint IOU/POU Straw Proposal's Factors as modified/clarified by CPAU.

Factor	Joint IOU/POU Straw Proposal Description	Facilities Covered with Additional Clarifications
1	Distribution Facility necessary for crank path, black start or capability essential to the restoration of regional electricity service that are not subject to the California Independent System Operator's (CAISO) operational control and/or subject to North American Electric Reliability Corporation (NERC) Reliability Standard CIP-014-2 or its successors	CPAU has no black start facilities within its service territory.
2	Distribution Facility that is the primary source of electrical service to a military installation essential to national security and/or	There are no military installations as defined here essential for national

	emergency response services (may include certain airfields, command centers, weapons stations, emergency supply depots)	security or emergency response within CPAU's service territory.
3	Distribution Facility that serves installations necessary for the provision of regional drinking water supplies and wastewater services (may include certain aqueducts, well fields, groundwater pumps, and treatment plants)	CPAU has a regional Water Quality Control Plant in its service territory that provides wastewater services to the City of Palo Alto and surrounding cities with a combined population of over 100,000. See https://www.cleanbay.org/regional-water-quality-control-plant/regional-water-quality-control-plant
4	Distribution Facility that serves a regional public safety establishment (may include County Emergency Operations Centers; county sheriff's department and major city police department headquarters; major state and county fire service headquarters; county jails and state and federal prisons; and 911 dispatch centers)	There are no regional public safety establishments as defined here in CPAU's service territory.
5	Distribution Facility that serves a major transportation facility (may include International Airport, Mega Seaport, other air traffic control center, and international border crossing)	There are no major transportation facilities as defined here in CPAU's service territory.
6	Distribution Facility that serves as a Level 1 Trauma Center as designated by the Office of Statewide Health Planning and Development	CPAU identified two Level 1 Trauma Centers in its service territory – the Stanford Hospitals at two locations within Palo Alto. See https://stanfordhealthcare.org/for-patients-visitors/locations-and-parking.html
7	Distribution Facility that serves over 60,000 meters	CPAU does not have a Distribution Facility that serves over 60,000 meters. CPAU serves 29,136 meters. See https://www.cityofpaloalto.org/civicax/filebank/documents/16777/

B. IDENTIFICATION ANALYSIS

In performing this identification analysis, CPAU assessed all distribution level facilities that are subject to its exclusive control. The specific types of facilities include substations.

Based on this scope, CPAU has identified 9 facilities that are subject to this identification analysis. Of these 9 facilities, 3 fall within 1 of the categories listed above. These 3 facilities listed below constitute CPAU's "Covered Distribution Facilities."

The following table summarizes the results of CPAU's identification analysis.

Facility ID	1. Crank Path, Black Start	2. Military Installation	3. Regional Drinking Water/Wastewater Services	4. Regional Public Safety	5. Major Transportation Facility	6. Level 1 Trauma Center	7. Over 60,000 Meters
Substation 1						New Stanford Hospital at 500 Pasteur Drive	
Substation 2						Old Stanford Hospital at 300 Pasteur Drive	
Substation 3			Water Quality Control Plant at 2501 Embarcadero Way				

V. RISK ASSESSMENT (STEP 1B)

A. METHODOLOGY

Pursuant to the process identified in the Joint IOU/POU Straw Proposal and D.19-01-018, CPAU assessed the potential risks associated with a successful physical attack on each of the Covered Distribution Facilities identified in Section IV above. For purpose of this analysis, a physical attack is limited to the following: (1) theft; (2) vandalism; and (3) discharge of a firearm. A “successful physical attack” is limited to circumstances where a theft, vandalism, and/or the discharge of a firearm has directly led to the failure of any elements of the Covered Distribution Facility that are necessary to provide uninterrupted service to the specific load identified in Section IV.

In order to perform this risk analysis, CPAU evaluated the relative risk that (1) a physical attack on a Covered Distribution Facility will be successful considering the protective measures in place; or (2) that the impacts of a successful attack will be mitigated due to resiliency and other measures in place.

B. MITIGATION MEASURES

D.19-01-018 identifies the specific mitigation measures that a utility should consider when performing this risk analysis. The following table lists these mitigation measures and provides CPAU’s additional clarifications that are necessary to apply these measures to CPAU’s territory.

Measure	D.19-01-018 Description	Additional Clarification
1	The existing system resiliency and/or redundancy solutions (e.g., switching the load to another substation or circuit capable of serving the load, temporary circuit ties, mobile generation and/or storage solutions).	CPAU evaluated the existing system’s resiliency and redundancy options. CPAU determined that no additional mitigation measures are needed, because all three CPAU Covered Distribution Facilities are fed from circuit feeders that are redundant or can be switched to another circuit feeder from another substation bank.
2	The availability of spare assets to restore a particular load.	CPAU evaluated the type and number of compatible spare units available for the 3 Covered Distribution Facilities. CPAU determined that no additional mitigation measures are needed, because if primary circuit feeder breakers, switchgear, power transformers, bus, and/or bus equipment are damaged, the backup substation bank could be switched to the respective Covered Distribution Facility to restore service and prevent an extended outage.

3	The existing physical security protections to reasonably address the risk.	<p>CPAU evaluated the site-specific physical security barriers and deterrents above and beyond standard physical security measures, such as remotely monitored alarm, lighting, camera systems, and security walls and fences on the Distribution Facility perimeters. Some of these measures, including minimal cameras and lighting, a secure fence at one of the facilities, and one door alarm, are currently in place for the 3 Covered Distribution Facilities.</p> <p>To enhance their physical security an upgrade is planned for 2022-2023. The construction set for the remaining security measures will be issued for bid in the Summer of 2021 (See 2021.0305 CPA PACKAGE 1 SUBSTATION LTG BID SET (1)).</p>
4	The potential for emergency responders to identify and respond to an attack in a timely manner.	CPAU evaluated each Covered Facility and determined that no additional mitigation measures are needed, based on the likelihood that a law enforcement officer could arrive at the Covered Distribution Facility within 15 minutes of a report from the public or from CPAU Utilities Dispatch that a facility alarm had been triggered. ⁷
5	Location and physical surroundings, including proximity to gas pipelines and geographical challenges, and impacts of weather.	<p>CPAU evaluated this element based on the proximity of the Covered Distribution Facility to populated areas and the extent to which the interior of the facility is shielded from view and access due to walls, vegetation, or other physical obstructions. Only Substation 3's physical surroundings may potentially be subject to added risk, due to the adjacent creek.</p> <p>To mitigate access from the creek adjacent to Substation 3, a concrete security wall is planned to be constructed in 2022.</p>
6	History of criminal activity at the Distribution Facility and in the area.	CPAU evaluated the property crime rates in the immediate vicinity of the

⁷ The City's Police Department confirmed these response time estimates on March 10, 2021.

		<p>Covered Distribution Facilities and compared those crimes rates to property crime rates for the county and the state to determine if the area is subject to a higher than average incidence of property related crimes.</p> <p>Based on this evaluation, a concrete security wall is planned to be constructed in 2022 surrounding Substation 3.</p>
7	The availability of other sources of energy to serve the load (e.g., customer owned back-up generation or storage solutions).	Of the three Covered Distribution Facilities, one, the New Stanford Hospital has full customer-owned back-up generation capability. ⁸
8	The availability of alternative ways to meet the health, safety, or security.	The risk levels and mitigation measures assessed as part of this Plan are sufficient to meet the needs served by CPAU's critical load.
9	Requirements served by the load (e.g., back up command center or water storage facility).	<p>Inherent to the identification methodology considered, the critical loads and corresponding Covered Distribution Facilities were selected based on criteria above and lack of alternatives available to provide that service.</p> <p>Therefore, the requirements served by the load were already considered in the identification and not further contemplated as part of this assessment.</p>

C. RISK ASSESSMENT

Based on the process described in the Joint IOU/POU Straw Proposal and the direction provided in D.19-01-018, CPAU has determined that existing programs and measures effectively mitigate the risks of a physical attack to LOW for 2 of the 3 Covered Distribution Facilities in Section IV.

CPAU's overall approach to security at all of these substations is to detect, delay or deter most potential adversaries in the timeframe needed to initiate a response that has a reasonable expectation of preventing or containing a catastrophic, negative event. CPAU's overall prudent utility management and system resiliency measures already in place also serve as mitigation against any impacts of an attempted or successful attack.

Physical security is accomplished through perimeter fence, electronic security, and lighting improvements. This applies to all three Covered Distribution Facilities. However, Substation 3 is

⁸ Confirmed by Stanford's Assistant Chief Engineer on 4/8/21.

assessed a risk level of MID due to its location and a modest level of increased criminal activity in that area compared to the others.

The following table provides a summary of CPAU's assessment of each mitigation measure for each Covered Distribution Facility.

Facility ID	1. Existing Resiliency	2. Spare Assets	3. Existing Physical Security	4. Emergency Responders	5. Location	6. Criminal History	7. Back up Generation	8-9. Alternate Solution	Risk Level
Substation 1	Fully Effective	Fully Effective	In Place / Partly Effective	PAPD, primary responder. ⁹	Fully Effective	Fully Effective	Fully Effective	N/A	LOW
Substation 2	Fully Effective	Fully Effective	In Place / Partly Effective	PAPD, primary responder ⁹	Fully Effective	Fully Effective	Fully Effective	N/A	LOW
Substation 3	Fully Effective	Fully Effective	In Place / Partly Effective	PAPD, primary responder ⁹	In Place / Partly Effective	In Place / Partly Effective	Fully Effective	N/A	MID

As identified above, based on the existing protection and control mitigation measures in place, 2 of the 3 Distribution Facilities have a LOW effective risk level. As it is CPAU's goal to operate the distribution system at as low a risk level as practical, the risk of a successful physical security breach on these Distribution Facilities was determined to be properly mitigated at these 2 locations. However, one Covered Facility was assessed to be a MID level of risk, indicative that additional mitigation measures may be needed to properly reduce the effective risk level to LOW. This facility is discussed in Section VI.

⁹ While Palo Alto's Police Department staff will be the primary responder in an emergency, the City of Palo Alto has mutual aid agreements in place with other local agencies that could be called upon as a backup if necessary.

VI. COVERED DISTRIBUTION FACILITY MITIGATION PLANS (STEP 1C)

Pursuant to the process identified in the Joint IOU/POU Straw Proposal and D.19-01-018, CPAU has determined that for 1 of the Covered Distribution Facilities that is subject to CPAU's control, the existing mitigation measures may not effectively reduce the risk of a physical security attack to LOW. This section describes the Mitigation Plan that CPAU has developed for this Covered Distribution Facility.

To protect the primary Distribution substation Facilities providing power to the Water Quality Control Plant wastewater facility, additional physical security matters could be taken at Substation 3 to mitigate the risk of attack to LOW. The Distribution Facilities at risk from vandalism and discharge of firearm are circuit feeder breakers, switchgear, power transformer, bus, and/or bus equipment. The risk level is due in part to potential access to the site from the adjacent creek.

Thus, the mitigation plan is to enhance the remotely monitored alarms, lighting, and camera systems and add security walls on the Distribution Facility perimeters. A bid for construction of these security measures will be issued in the Spring of 2021. (See 2021.0305 CPA PACKAGE 1 SUBSTATION LTG BID SET (1)). The cost of the alarms, lighting, and camera systems at these Covered Distribution Facilities is estimated to be \$500,000, with an estimated completion in 2023. The security walls are an additional \$1,500,000 with an estimated completion in 2023.

VII. INDEPENDENT EVALUATION AND RESPONSE (STEP 2)

A. REQUIREMENTS FOR QUALIFIED THIRD PARTY REVIEW

D.19-01-018 specifies the following criteria for a Qualified Third Party Reviewer:

Independence: A Qualified Third Party Reviewer cannot be a division of the POU. A governmental entity can select as the third-party reviewer another governmental entity within the same political subdivision, so long as the entity has the appropriate expertise, and is not a division of the POU that operates as a functional unit, i.e., a municipality could use its police department as its third-party reviewer if it has the appropriate expertise.

Adequate Qualifications: A Qualified Third Party Reviewer must be an entity or organization with electric industry physical security experience and whose review staff has appropriate physical security expertise, which means that it meets at least one of the following: (1) an entity or organization with at least one member who holds either an ASIS International Certified Protection Professional (CPP) or Physical Security Professional (PSP) certification; (2) an entity or organization with demonstrated law enforcement, government, or military physical security expertise; or (3) an entity or organization approved to do physical security assessments by the CPUC, Electric Reliability Organization, or similar electrical industry regulatory body.

B. IDENTIFICATION OF THIRD PARTY REVIEWER

CPAU has selected as its Third Party Reviewer the Palo Alto Police Department. The Palo Alto Police Department is a department of the City of Palo Alto, independent of CPAU. Both CPAU and the Palo Alto Police Department operate as independent functional units of the City of Palo Alto. The Palo Alto Police Department has demonstrated law enforcement and physical security expertise.

C. PUBLIC RESULTS OF THIRD PARTY EVALUATION

The City's Office of Emergency Services (OES) has reviewed this document and supports the findings herein.

OES further asserts that many of the proposed actions will also increase resilience to other threats and hazards, such as outlined in the Threat Hazard Identification and Risk Assessment (THIRA) report available on www.cityofpaloalto.org/thira.

OES suggests that CPAU continue work to support local generation (renewables) and storage (battery systems), especially for key loads and systems, including: micro grids, distributed energy resources (DER), mobile/portable solar-battery systems, and so on.

D. CPAU RESPONSE

CPAU agrees with OES' conclusions and recommendations. CPAU looks forward to continuing to enhance the safety and reliability of its electric distribution system, including continued emphasis on local generation, microgrids and distributed energy resources to support resiliency.

VIII. VALIDATION (STEP 3)

A. SELECTION OF QUALIFIED AUTHORITY

As an additional level of review, the Utility Security Plan of any publicly owned utility (POU) must be submitted to a "qualified authority," which must make a recommendation on the overall adequacy of the plan.

CPAU has determined that the Palo Alto Fire Department has sufficient familiarity with relevant federal, state, and local standards relating to critical asset protection and emergency response in order to serve as the "qualified authority" for the review of CPAU's Utility Security Plan. The Palo Alto Fire Department has relevant experience in its role as public safety.

On August 6, 2021, CPAU received the Palo Alto Fire Department's review of its draft Utility Security Plan. The scope of the Palo Alto Fire Department's review is to assess the overall adequacy of plan, considering any relevant federal, state, local, and industry standards with which the Palo Alto Fire Department is familiar.

B. RESULTS OF QUALIFIED AUTHORITY REVIEW

The Palo Alto Fire Department's level of review involved checking the Plan for basic adequacy. The Palo Alto Fire Department cannot opine on whether the Plan complies with the CPUC Order or other specific laws or standards. The Palo Alto Fire Department opinion is limited to "validating" the plan's adequately in addressing key physical security risks to the CPAU substations, and the perceived effectiveness of the mitigation measures identified in the plan.

The Palo Alto Fire Department has concluded that the plan appears logical and identifies known risks associated with the Substations of Palo Alto Utilities and provides reasonable mitigation plans to address those risks.

C. CPAU RESPONSE TO QUALIFIED AUTHORITY REVIEW

CPAU accepts the Palo Alto Fire Department's conclusion and will endeavor to maintain and improve its security measures.

IX. NARRATIVE DESCRIPTIONS FOR UTILITY SECURITY PLAN

A. ASSET MANAGEMENT PROGRAM

It is not feasible to maintain a stock of the wide variety of potential parts needs for the 3 Covered Facilities described here, due to the custom nature of most pieces and impracticality of managing that extensive and expensive stock. CPAU has one spare breaker that is lightly used and could serve as a spare; and CPAU's fabrication shop could potentially remake a damaged bus. CPAU has determined that the best option for locating spare parts in an emergency is to contact the original equipment vendors via nameplate data.

Securing a spare part via original vendors would occur within one day, if the part is currently manufactured or available via resellers. The process would begin with research to identify the part and manufacturer, then contact with the manufacturer's representative for an emergency lead-time quote. For material that is currently manufactured, CPAU can typically source from the manufacturer's spare stock or from a neighboring utility within 1 day. However, many of CPAU's breakers, transformers, and switchgear are no longer manufactured. In this case, CPAU would contact resellers. If the part is available, it can be shipped within 1 day. If the part is not found, CPAU would do an emergency replacement of the entire system with an available material. This would take longer, perhaps weeks for a breaker and months for a transformer or switchgear lineup.

B. WORKFORCE TRAINING AND RETENTION PROGRAM

CPAU provides workforce training through apprentice programs,¹⁰ 2000 hours of on the job training per year, 2 weeks of in classroom and practical field instruction training per year. CPAU staff also attend internal programs consisting of substation and distribution switching clearance procedures, and job briefings, to retain and share knowledge. As CPAU's territory and staffing is small, the same staff that performs maintenance is cross-trained to effectively make repairs, with the addition of potentially available contractors.

C. PREVENTATIVE MAINTENANCE PLAN

CPAU's primary mitigation plan is to use field switches to switch loads to alternative circuit feeders when one substation is inoperable. Staff executes special switching orders, moving the load around to deenergize switches and feeders, which present opportunities to exercise the switches. In addition, the alternative circuit feeders are currently energized with other loads, essentially placing them in standby mode, meaning the conductors and switches are warm and free of moisture and therefore readily available for use.

D. PHYSICAL SECURITY EVENT TRAINING

¹⁰ Curriculum may be found here: <https://lineman.edu/business/2021-lineman-apprenticeship-program-catalog/>.

CPAU ensures staff readiness through the regular workforce training programs described above, rather than through special event trainings.

E. COMMUNICATION INFRASTRUCTURE RISK ASSESSMENT

CPAU's primary operation method for its distribution system is physical, in-person field operation of its infrastructure. Therefore, CPAUs vulnerability to communication threats is LOW.

F. FACILITY DESIGN FEATURES

CPAU is focusing on features that highlight potential attackers with outward facing lighting and accompanying infrared pan/tilt/zoom (PTZ) cameras, removing vegetation that provides hiding areas, and replacing climbable fence sections. In addition, CPAU will staff substations to the extent feasible during high threat situations, such as an elevated recommendation from the federal government regulatory agency, NERC. This could consist of a 24/7 presence, or a nightly presence, depending on the recommendation and severity of the threat.



City of Palo Alto City Council Staff Report

(ID # 13555)

Report Type: Consent Calendar

Meeting Date: 9/13/2021

Summary Title: Approval of FY22 Task Orders for the Office of the City Auditor

Title: Policy & Services Recommend Approval of the Office of the City Auditor's Fiscal Year (FY) 2022 Task Orders

From: City Manager

Lead Department: City Auditor

Recommendation

The City Auditor and the Policy & Services Committee recommend that the City Council take the following action:

- 1) Approve the following Task Orders, identified in the Audit Plan Report:
 - FY22-001 – Citywide Risk Assessment
 - FY22-002 – Annual Audit Plan
 - FY22-003 – Financial Audit
 - FY22-005 – Various Tasks (including periodic reporting, fraud/waste/abuse hotline, office administrative functions)

Discussion

In accordance with [Baker Tilly's agreement with the City](#), the Office of the City Auditor is required to conduct recurring activities each year. Those recurring activities including the following tasks outlined in our agreement:

- Task 1: Conduct a Citywide Risk Assessment
- Task 2: Prepare an Annual Audit Plan
- Task 3: Assist with Selection of a Financial Auditor and Assist in Managing the Financial Audit
- Task 4: Various Tasks including periodic reporting, fraud/waste/abuse hotline, office administrative functions

The Office of the City Auditor is seeking approval from the City Council of the Tasks Orders that correspond to the Tasks outlined above. The Policy & Services Committee unanimously approved these task orders at the June 2021 meeting. An excerpt from

the contract outlining these tasks is below for ease of reference.

Task 1. Citywide Risk Assessment: Beginning with year 1 and continuing at a minimum every other year thereafter, prepare a citywide risk assessment following the same review and approval requirements described in Task 2. The risk assessment process will be the primary determinant of subsequent audit activity.

Task 2. Preparation of Annual Audit Plan: Prepare an annual audit plan for review by the City Manager and appropriate City Council committee(s), and approval by the City Council, that identifies preliminary objectives of each audit to be performed, the schedule for each audit, and the estimated not to exceed resources and costs for each audit. The City Auditor shall consult with the City Attorney as necessary when developing audit plans. The annual audit plan will be largely based on the risk assessment required in Task 1.

Task 3. Selection of External Financial Auditor and Annual Audit Coordination: Coordinate the annual external financial audit in each year of the contract term. Pursuant to the City Charter, the City Auditor shall oversee the selection process for the annual external financial auditor. The City anticipates conducting a Request for Proposals for this purpose in early FY 2022.

Task 4. Execute Annual Audit Plan: Conduct a minimum number of internal audits in accordance with each approved annual audit plan based on the risk assessments. Each internal audit will commence only upon the City's approval of a Task Order (which may be at the task or sub-task level) as required by this Agreement. Each internal audit requires the preparation of a written report for review by the City Manager, City Attorney and appropriate Council committee, and review/approval by the City Council as required.

Resource Impact

Work recommended in these tasks is within both the approved scope and compensation of the contract with Baker Tilly and current proposed funding levels in the FY 2022 Operating Budget for the Office of the City Auditor.

Environmental Impact

This action is exempt from CEQA and requires no further environmental review.

Attachments:

- **Attachment4.a:** Attachment A: OCA - FY2022 Task Orders

PROFESSIONAL SERVICES TASK ORDER

TASK ORDER FY22-001

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO. C21179340

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

- 1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
- 1B. TASK ORDER NO.: FY22-001
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: August 1, 2021 COMPLETION: November 30, 2021
4. TOTAL TASK ORDER PRICE: \$20,000
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT TBD
5. BUDGET CODE _____
COST CENTER _____
COST ELEMENT _____
WBS/CIP _____
PHASE _____
6. CITY PROJECT MANAGER'S NAME & DEPARTMENT:
Lydia Kou, Chair of the City Council's Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
 - SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

I hereby authorize the performance of the work described in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

Attachment A DESCRIPTION OF SCOPE OF SERVICES

Introduction

Attachment A, the Description of Scope of Services, contains the following four (4) elements:

- Services and Deliverables To Be Provided
- Schedule of Performance
- Maximum Compensation Amount and Rate Schedule (*As Applicable*)
- Reimbursable Expenses, if any (With “Not To Exceed” Amount)

Services & Deliverables

Baker Tilly’s approach to updating the Citywide Risk Assessment involves four (4) primary steps:

- Step 1: Project Planning & Management
- Step 2: Information Gathering
- Step 3: Analysis
- Step 4: Reporting

Step 1 – Project Planning & Management

This step includes those tasks necessary to solidify mutual understanding of the risk assessment scope, objectives, deliverables, and timing as well as ensuring that appropriate client and consultant resources are available and well-coordinated. Tasks include:

- Finalize project design – The first project activities will be to:
 - Identify communication channels and reporting relationships and responsibilities of project staff
 - Review and confirm project timelines
 - Review and confirm deliverables
- Arrange logistics/administrative support – Matters to be addressed include schedules for interviews and data collection, contact persons in the departments, any other logistical matters, etc.
- Conduct kick-off meeting with key project stakeholders

Step 2 – Information Gathering

This step involves gathering information, through various means, that will enable the project team to understand the various risks facing the City. Tasks include:

- Request and review background information – the project team will develop an information request(s) in order to obtain various background information from the City. The request will include, but not be limited to:

- Strategic plan(s)
- Financial reports, including the most recent City Budget and Comprehensive Annual Financial Report (CAFR)
- Operational policies and procedures
- Municipal code
- Consulting reports
- Other relevant information and reports
- Conduct interviews with City Council and management
 - Risk assessment interviews, aimed at understanding new or emerging risks and updates to City functions.
- Conduct research into key risks in order to identify relevant information to assess risks

Step 3 – Risk Analysis

In Step 3, the project team will develop a risk matrix consisting of auditable areas (also referred to as an audit or risk universe). The risk matrix will include the following risk categories:

- Environment, Strategy, and Governance – risks that have an organization wide impact and are not subject to a specific department or function (e.g., ethics)
- Significant Projects and Initiatives – risks associated with large projects (e.g., capital projects, technology implementation) or City initiatives (e.g., employee engagement initiative).
- Function Specific Risks – risks associated with a specific department or function (e.g., procurement policy compliance)

After assembling a risk matrix, the project team will assess the likelihood and impact of potential adverse events in order to quantitatively score each auditable area for purposes of prioritizing audit activities.

Step 4 – Reporting

In Step 4, the project team will update the FY21 Risk Matrix and prepare a draft Risk Assessment Report. The project team will ask for input (general completeness, risk scoring) on the Risk Matrix from key project stakeholders. Upon finalization of the Risk Matrix, the project team will finalize the Risk Assessment Report.

Deliverables:

The following deliverables will be prepared as part of this engagement:

- Risk Matrix
- Risk Assessment Report
- Presentation of Results to City Council (note that this may be combined with presentation of the Task 2 Annual Audit Plan)

Schedule of Performance

Anticipated Start Date: August 1, 2021

Anticipated End Date: November 30, 2021

Maximum Compensation Amount and Rate Schedule

The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is \$20,000. The not-to-exceed budget is based on an estimate of 100 total project hours, of which 30 are estimated to be completed by the City Auditor.

Reimbursable Expenses

If circumstances allow, Baker Tilly anticipates planning one on-site fieldwork week. Given this possibility, Baker Tilly could incur reimbursable expenses for this Task.

The not-to-exceed maximum for reimbursable expenses for this Task is \$1,800.

The following summarizes anticipated reimbursable expenses:

- Round-trip Airfare – \$400
- Rental Car - \$400
- Hotel accommodation - \$700 (3 nights)
- Food and incidentals – \$300

Note that, if current restrictions associated with COVID-19 continue, an on-site visit may not be possible. The project team will work with the City to consider circumstances at the time.

PROFESSIONAL SERVICES TASK ORDER

TASK ORDER FY22-002

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO. C21179340

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

- 1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
- 1B. TASK ORDER NO.: FY22-002
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: August 1, 2021 COMPLETION: November 30, 2021
4. TOTAL TASK ORDER PRICE: \$12,000
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT TBD
5. BUDGET CODE _____
COST CENTER _____
COST ELEMENT _____
WBS/CIP _____
PHASE _____
6. CITY PROJECT MANAGER'S NAME & DEPARTMENT:
Lydia Kou, Chair of the City Council's Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
 - SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

I hereby authorize the performance of the work described in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

Attachment A DESCRIPTION OF SCOPE OF SERVICES

Introduction

Attachment A, the Description of Scope of Services, contains the following four (4) elements:

- Services and Deliverables To Be Provided
- Schedule of Performance
- Maximum Compensation Amount and Rate Schedule (*As Applicable*)
- Reimbursable Expenses, if any (With “Not To Exceed” Amount)

Services & Deliverables

Baker Tilly’s approach to preparing the Annual Audit Plan involves two (2) primary steps:

- Step 1: Consultation with City Council and Management
- Step 2: Reporting

Step 1 – Consultation with City Council and Management

The Risk Matrix and Risk Assessment Report will serve as the primary drivers of the Annual Audit Plan. The project team will initiate discussions over Risk Assessment results, potential audit activities, and audit coverage with City Council and Management. The purpose of those conversations will be to understand the priorities of City Council, and to develop a Draft Annual Audit Plan.

The Draft Annual Audit Plan will identify the following components for each audit activity:

- Audit activity type – audit or consulting activity
- Audit objectives and scope
- Anticipated budget – both in terms of hours and budget
- Anticipated timeline

Step 2 – Reporting

The project team will present the Draft Annual Audit Plan to the City Council in order to obtain input on each potential audit activity. Upon refining the plan, the project team will finalize the Annual Audit Plan for presentation to City Council.

Deliverables:

The following deliverable will be prepared as part of this engagement:

- Annual Audit Plan

Schedule of Performance

Anticipated Start Date: August 1, 2021

Anticipated End Date: November 30, 2021

Maximum Compensation Amount and Rate Schedule

The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is \$15,000. The not-to-exceed budget is based on an estimate of 75 total project hours, of which 15 are estimated to be completed by the City Auditor.

Reimbursable Expenses

If circumstances allow, Baker Tilly anticipates planning one on-site fieldwork week. Given this possibility, Baker Tilly could incur reimbursable expenses for this Task.

The not-to-exceed maximum for reimbursable expenses for this Task is \$1,600.

The following summarizes anticipated reimbursable expenses:

- Round-trip Airfare – \$400
- Rental Car - \$400
- Hotel accommodation - \$500 (2 nights)
- Food and incidentals – \$300

Note that, if current restrictions associated with COVID-19 continue, an on-site visit may not be possible. The project team will work with the City to consider circumstances at the time.

PROFESSIONAL SERVICES TASK ORDER

TASK ORDER FY22-003

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO. C21179340

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

- 1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
- 1B. TASK ORDER NO.: FY22-003
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: July 1, 2021 COMPLETION: June 30, 2022
4. TOTAL TASK ORDER PRICE: \$20,000
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT TBD
5. BUDGET CODE _____
COST CENTER _____
COST ELEMENT _____
WBS/CIP _____
PHASE _____
6. CITY PROJECT MANAGER'S NAME & DEPARTMENT:
Lydia Kou, Chair of the City Council's Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
 - SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

I hereby authorize the performance of the work described in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

Attachment A DESCRIPTION OF SCOPE OF SERVICES

Introduction

Attachment A, the Description of Scope of Services, contains the following four (4) elements:

- Services and Deliverables To Be Provided
- Schedule of Performance
- Maximum Compensation Amount and Rate Schedule (*As Applicable*)
- Reimbursable Expenses, if any (With “Not To Exceed” Amount)

Services & Deliverables

Baker Tilly’s approach to the Office of the City Auditor’s role on the financial audit involves two (2) primary step in FY22.

- Step 1: Selection of the Financial Auditor
- Step 2: Assistance in Managing the Financial Audit

Step 1 – Selection of the Financial Auditor

In FY22, the project team will assist in the selection of the Financial Auditor. In order to accomplish this task, the project team will:

- Meet with management to understand the nature of the existing agreement with the Financial Auditors
- Work with the Purchasing Department to develop a strategy for selection, including developing the solicitation, formulating the selection committee, evaluating proposals, finalizing selection, and developing a contract document
- Review the prior solicitation materials with the Purchasing Department, Administrative Services Department, and Legal Department to identify necessary updates and other considerations
- Assist the Purchasing Department in finalizing the solicitation materials
- Assist in coordinating activities of the selection committee
- Assist in coordinating contract review between the selected vendor and the Legal Department
- Periodically report on the status of the selection to the City Council
- Assist, as needed and required, in City Council presentations related to the selection

Step 2 – Role in Managing the Financial Audit

In FY22, the project team will assist in managing the financial audit and presenting financial audit results to the Finance Committee and to the City Council, in accordance with municipal code.

Deliverables:

The final deliverable associated with this Task consists of a final contract with the selected Financial Audit vendor.

Schedule of Performance

Anticipated Start Date: July 1, 2021

Anticipated End Date: June 30, 2022

Maximum Compensation Amount and Rate Schedule

The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is \$20,000. The not-to-exceed budget is based on an estimate of 100 total project hours, of which 20 are estimated to be completed by the City Auditor.

Reimbursable Expenses

Baker Tilly anticipates incurring reimbursable expenses for this Task. The expenses will be incurred to attend the City Council meeting for final selection of the Financial Auditor.

The not-to-exceed maximum for reimbursable expenses for this Task is \$2,600.

The following summarizes anticipated reimbursable expenses:

- Round-trip Airfare – \$800 (est. 2 round trip flights)
- Rental Car - \$500
- Hotel accommodation - \$900 (4 nights)
- Food and incidentals – \$400

Note that, if current restrictions associated with COVID-19 continue, the final presentation may take place virtually. The project team will work with the City to consider circumstances at the time.

PROFESSIONAL SERVICES TASK ORDER

TASK ORDER FY22-005

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO. C21179340

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

- 1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
- 1B. TASK ORDER NO.: FY21-005
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: July 1, 2021 COMPLETION: June 30, 2022
4. TOTAL TASK ORDER PRICE: \$50,000
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT TBD
5. BUDGET CODE _____
COST CENTER _____
COST ELEMENT _____
WBS/CIP _____
PHASE _____
6. CITY PROJECT MANAGER'S NAME & DEPARTMENT:
Lydia Kou, Chair of the City Council's Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
 - SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

I hereby authorize the performance of the work described in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

Attachment A DESCRIPTION OF SCOPE OF SERVICES

Introduction

Attachment A, the Description of Scope of Services, contains the following four (4) elements:

- Services and Deliverables To Be Provided
- Schedule of Performance
- Maximum Compensation Amount and Rate Schedule (*As Applicable*)
- Reimbursable Expenses, if any (With “Not To Exceed” Amount)

Services & Deliverables

Baker Tilly will provide the following services in Task 5:

- Quarterly Reports
- Annual Status Report
- Provision of the City Hotline
- Office Administrative Functions

Deliverables:

The following deliverable will be prepared as part of this engagement:

- Quarterly Reports (4 in FY22)
- Annual Status Report

Schedule of Performance

Anticipated Start Date: July 1, 2021

Anticipated End Date: June 30, 2022

Maximum Compensation Amount and Rate Schedule

The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is \$50,000. The not-to-exceed budget is based on an estimate of 250 total project hours, of which 80 are estimated to be completed by the City Auditor.

Reimbursable Expenses

Baker Tilly anticipates incurring reimbursable expenses for this Task. The expenses will be incurred to present Quarterly Reports to City Council.

The not-to-exceed maximum for reimbursable expenses for this Task is \$2,800.

The following summarizes anticipated reimbursable expenses:

- Round-trip Airfare – \$1800 (est. 4 round trip flights)
- Rental Car – \$1000
- Hotel accommodation - \$1800 (8 nights)
- Food and incidentals – \$1000

Note that, if current restrictions associated with COVID-19 continue, the final presentation may take place virtually. The project team will work with the City to consider circumstances at the time.



City of Palo Alto City Council Staff Report

(ID # 13445)

Report Type: Action Items

Meeting Date: 9/13/2021

Summary Title: TEFRA Hearing Silicon Valley International School

Title: TEFRA HEARING: Regarding Conduit Financing for the Silicon Valley International School Project Located at 151 Laura Lane, Palo Alto, and Approving the Issuance of a Tax Exempt Loan by the California Municipal Finance Authority for the Purpose of Financing and Refinancing the Acquisition, Construction, Improvement, Equipping and Maintenance of Educational, Support and Administrative Facilities Owned and Operated Within the City by Silicon Valley International School

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that Council:

- 1) Conduct a public hearing under the requirements of the Tax Equity and Fiscal Responsibility Act of 1983 (TEFRA) and the Internal Revenue Code of 1986, as amended; and
- 2) Adopt a resolution (Attachment A) approving the issuance of the bonds by the California Municipal Finance Authority (CMFA) for the benefit of Silicon Valley International School.

Background

Silicon Valley International School (formerly known as International School of the Peninsula), a California nonprofit public benefit corporation (the "Borrower") and an organization described in, and exempt from tax under, Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), has requested that the California Municipal Finance Authority (the "Authority" or "CMFA") obtain a tax-exempt loan or loans in an aggregate principal amount not to exceed \$25,000,000 (the "Loan") in one or more series and make one or more loans to the Borrower. This is pursuant to a plan of financing to, among other things: (i) refinance all or a portion of certain outstanding debt obligations of the Borrower, being that certain California Municipal Finance Authority 2017 Tax Exempt Loan (International School of the Peninsula) (the "Prior Loan"), which Prior Loan, among other things, refinanced certain costs of acquiring,

improving, renovating, remodeling, furnishing and equipping various portions of the educational facilities of the Borrower located at 151 Laura Lane within the City of Palo Alto, California (the "City"), zip code 94303, which facilities are owned and operated by the Borrower, in connection with the provision of educational and other services in the City, (ii) finance and refinance certain costs of acquiring, improving, renovating, remodeling, furnishing and equipping various portions of the educational facilities of the Borrower located at 151 Laura Lane in the City, (iii) pay capitalized interest on the Borrower Loan, and (iv) pay certain expenses incurred in connection with the issuance of the Borrower Loan (items (i) through (iv), collectively, the "Project").

In order for all or a portion of the Loan to qualify as a tax-exempt loan, the City of Palo Alto must conduct a public hearing (TEFRA Hearing), providing the members of the community an opportunity to speak in favor of or against the use of tax-exempt loans for the financing of the project. Prior to the hearing, reasonable notice must be provided to the members of the community. Following the close of the TEFRA hearing, an "applicable elected representative" of the governmental unit hosting the proposed project must provide its approval of the issuance of the bonds for the financing of the project.

Discussion

Since the facilities to be financed with the proceeds of the CMFA's debt are located within the jurisdiction of the City of Palo Alto, the City has been asked to conduct a TEFRA hearing and adopt a resolution (Attachment A) that approves the issuance of the Loan by the CMFA for the benefit of the Borrower.

As cited in the published notice of September 3, 2021, the public hearing is simply an opportunity for all interested persons to speak or to submit written comments concerning the proposal to issue the debt and the nature or location of the facility to be financed; however there is no formal obligation on the part of the borrower or the Council to respond to any specific comments made during the hearing or submitted in writing.

The bonds are intended to finance the Project described herein for the acquisition, construction, improvement, equipping and maintenance of certain educational, support and administrative facilities owned and operated within the City by the Borrower.

The CMFA is a joint exercise of powers authority that the City became a member of on April 14, 2008. The Joint Exercise of Powers Agreement provides that the CMFA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing such agreement. **The Loan to be issued by the CMFA for the project will be the sole responsibility of the borrower,** and the City of Palo Alto will have no financial, legal, moral obligation, liability or responsibility for the project or the repayment of the Loan for the financing of the project. All

financing documents with respect to the issuance of the bonds will contain clear disclaimers that the Loan is not an obligation of the City of Palo Alto or the State of California but is to be paid for solely from funds provided by the borrower.

The City is in no way exposed to any financial liability by reason of its membership in the CMFA. In addition, participation by the City in the CMFA does not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. Outside of holding the TEFRA hearing, adopting the required resolution, no other participation or activity of the City or the City Council with respect to the issuance of the loan will be required. Based on the benefits of the project to the Palo Alto community and the lack of any financial obligations on the part of the City, staff recommends that Council approve the attached resolution.

Resource Impact

As stated, the City will incur no financial obligation from approval of the recommendations. The Borrower is requesting the CMFA to issue up to \$25 million in bonds through the CMFA. The City will receive a fee for its services when the loan is issued.

Policy Implications

Actions recommended in this report are consistent with Council's prior actions in supporting non-profit financings under the TEFRA (e.g., most recently approving tax-exempt financing through the California Municipal Finance Authority for the Oshman Family JCC on April 26, 2021 ([CMR: 12146](#))).

Stakeholder Engagement

City staff coordinated with representatives of CMFA to prepare for the TEFRA hearing.

Environmental Review

Action on this item does not constitute a project under Section 21065 of the Public Resources Code.

Attachments:

- **Attachment5.a:** Attachment A: TEFRA Resolution - Silicon Valley International School

ATTACHMENT A
NOT YET APPROVED

Resolution No. ____

Resolution of the City Council of the City Of Palo Alto, California, Approving the Execution of a Tax-Exempt Loan or Loans by the California Municipal Finance Authority for the Benefit of Silicon Valley International School, in an Aggregate Principal Amount Not- To- Exceed \$25,000,000 in one or More Series for the Purpose of Financing and Refinancing the Acquisition, Construction, Improvement, Equipping and Maintenance of Certain Educational, Support and Administrative Facilities Owned and Operated Within the City by Silicon Valley International School

R E C I T A L S

A. Silicon Valley International School (formerly known as International School of the Peninsula), a California nonprofit public benefit corporation (the “Borrower”) and an organization described in, and exempt from tax under, Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), has requested that the California Municipal Finance Authority (the “Authority”) obtain a tax-exempt loan or loans in an aggregate principal amount not to exceed \$25,000,000 (the “Authority Loan”) in one or more series and make one or more loans to the Borrower pursuant to a plan of financing (the “Borrower Loan”) to, among other things: (i) refinance all or a portion of certain outstanding debt obligations of the Borrower, being that certain California Municipal Finance Authority 2017 Tax Exempt Loan (International School of the Peninsula) (the “Prior Loan”), which Prior Loan, among other things, refinanced certain costs of acquiring, improving, renovating, remodeling, furnishing and equipping various portions of the educational facilities of the Borrower located at 151 Laura Lane within the City of Palo Alto, California (the “City”), zip code 94303, which facilities are owned and operated by the Borrower, in connection with the provision of educational and other services in the City, (ii) finance and refinance certain costs of acquiring, improving, renovating, remodeling, furnishing and equipping various portions of the educational facilities of the Borrower located at 151 Laura Lane in the City, (iii) pay capitalized interest on the Borrower Loan, and (iv) pay certain expenses incurred in connection with the issuance of the Borrower Loan (items (i) through (iv), collectively, the “Palo Alto Project”); and

B. The facilities comprising the Palo Alto Project are owned and operated by the Borrower and are located within the territorial limits of the City, a member of the Authority; and

C. Pursuant to Section 147(f) of the Code, the execution of the Authority Loan by the Authority relating to the Palo Alto Project and the related plan of financing with the Borrower, including the Borrower Loan relating to the Palo Alto Project, must be approved by the City because the facilities comprising the Palo Alto Project are located within the territorial limits of the City; and

D. The City Council of the City (the “City Council”) is the elected legislative body of the City and is an “applicable elected representative” required to approve the execution of the

Authority Loan by the Authority relating to the Palo Alto Project under Section 147(f) of the Code; and

E. The Authority has requested that the City Council approve the execution of the Authority Loan by the Authority relating to the Palo Alto Project and the related plan of financing for the Palo Alto Project with the Borrower, including the Borrower Loan, in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 4 of the Joint Exercise of Powers Agreement Relating to the Authority, dated as of January 1, 2004 (as amended, the "Agreement"), among certain program participants, including the City; and

F. the Authority has advised the City that a portion of the proceeds of the Authority Loan will be loaned to the Borrower as a portion of the Borrower Loan and as a part of the Borrower's overall plan of financing to: finance and refinance the construction, improvement, renovation, equipping and furnishing of educational facilities leased, occupied and operated by the Corporation and located at 475 Pope Street, Menlo Park, California 94025, including related administrative facilities, site improvements, and parking, in connection with the provision of educational and other services in the City of Menlo Park, California; fund a certain amount of capitalized interest on the Borrower Loan and pay certain financing costs (collectively, the "Menlo Park Project," and, together with the Palo Alto Project, the "Borrower Project"); and

G. The Authority has not requested that the City Council take any action, and the City Council shall not take any action, with respect to the Menlo Park Project or the portion of the Authority Loan issued to finance costs of the Menlo Park Project; and

H. The total principal amount of the Authority Loan to be issued for the Palo Alto Project will not exceed \$10,000,000, and the total, aggregate principal amount of the Authority Loan to be issued for the Borrower Project will not exceed \$25,000,000; and

I. On September 3, 2021, the Authority's bond counsel caused a notice to appear in *The Daily Post*, which is a newspaper of general circulation in the City, stating that a public hearing with respect to the execution of the Authority Loan by the Authority and the Palo Alto Project would be held by the City Council on September 13, 2021; and

J. Pursuant to Section 147(f) of the Code, the City has, following notice duly given, held a public hearing on September 13, 2021 regarding the execution of the Authority Loan by the Authority, and an opportunity was provided for persons to comment on the matter of the Authority Loan and of the Palo Alto Project; and

The Council of the City of Palo Alto RESOLVES as follows:

Section 1. The foregoing recitals are true and correct.

Section 2. The City Council hereby approves the execution of the Authority Loan by the Authority relating to the Palo Alto Project and the related plan of financing with the Borrower with respect to the Borrower Loan relating to the Palo Alto Project. It is the purpose and intent

of the City Council that this resolution constitutes approval of the execution of the Authority Loan by the Authority relating to the Palo Alto Project and the related plan of financing with the Borrower, including the Borrower Loan relating to the Palo Alto Project, for the purposes of: (a) Section 147(f) of the Code, by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Palo Alto Project is located, in accordance with said Section 147(f); and (b) Section 4 of the Agreement.

Section 3. The approval by the City of the execution of the Authority Loan by the Authority relating to the Palo Alto Project is neither an approval of the underlying credit issues of the proposed Palo Alto Project nor an approval of the financial structure of the Authority Loan. Neither the City nor any department, official or officer thereof shall have any responsibility or liability whatsoever with respect to the Authority Loan, the Borrower Loan, the Palo Alto Project or the Borrower Project.

Section 4. The execution of the Authority Loan shall be subject to approval of the Authority of all financing documents relating thereto to which the Authority is a party. Neither the Authority Loan nor the Borrower Loan shall constitute a debt or obligation of the City, and the City shall have no responsibility or liability whatsoever with respect to repayment or administration of the Authority Loan or the Borrower Loan.

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Section 5. The adoption of this resolution shall not obligate the City or any department thereof to (i) provide any financing with respect to the Palo Alto Project or the Borrower Project; (ii) approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary with respect to the Palo Alto Project; (iii) make any contribution or advance any funds whatsoever to the Authority or the Borrower; or (iv) take any further action with respect to the Authority or the City's membership therein.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager



City of Palo Alto City Council Staff Report

(ID # 13411)

Report Type: Action Items

Meeting Date: 9/13/2021

Summary Title: 340 Portage: Interpretation on Nonconforming Uses

Title: Request for City Council Interpretation of Palo Alto Municipal Code Section 18.70.070(b)(2)(E) and Related Direction to Staff Regarding Nonconforming Uses at the 340 Portage/3200 Park Site. Environmental Analysis: Not a Project, as Defined in Public Resources Code 21065

From: City Manager

Lead Department: Planning and Development Services

Recommendation

Staff recommends that Council:

- 1) Provide a formal interpretation of Palo Alto Municipal Code (PAMC) section 18.70.070(b)(2)(E) with respect to nonconforming uses at 3200 Park/340 Portage/Olive Avenue, as documented in this report; and,
- 2) If the interpretation requires rebalancing of nonconforming uses, allow the property owner to rebalance the nonconforming use ratios within the building as current tenant leases expire.

Executive Summary

The subject property at 3200 Park/340 Portage/Olive Avenue is zoned RM-30 (multi-family residential). The RM-30 Zone District allows for residential uses as a permitted use and a limited number of other non-residential uses with a conditional use permit. Most commercial uses (e.g. office, research & development, warehouse, and most retail uses) are not permitted within this zone district.

Generally, non-conforming uses existing when zoning regulations change are permitted to continue, subject to several restrictions. These restrictions include required termination of the nonconforming use after a period of 20 to 35 years, depending on the type of building

construction involved. PAMC Section 18.70.070(b)(2)(E) provides a site-specific¹ exception from this timeline for required termination for 3200 Park/340 Portage/Olive Avenue.

Attachment A includes a location map showing the subject building containing nonconforming uses. On February 11, 2021 the property owner, Sobrato Organization, sent a letter to City staff requesting clarification with respect to the allowed nonconforming uses at 340 Portage (Attachment B). Staff engaged in several conversations with the property owner regarding possible interpretations of the site-specific language in the code, which are summarized in an April 22, 2021 letter (Attachment C) and in this report. The Director of Planning and Development Services may issue a formal interpretation of the Zoning Code, which can be appealed to the City Council (PAMC Section 18.01.025). Given the significant public interest in present and future uses of this site, staff believe it is appropriate for the City Council to provide an interpretation of the code.

On June 14, 2021 Council held a hearing to discuss this code interpretation. Councilmembers generally expressed their opinions regarding the interpretation and other considerations for the site, including whether the retail use has been discontinued, code enforcement considerations, and future amortization of non-conforming uses. No formal action was taken at that Council hearing, but the Council's intent was discussed, and the matter was continued to a date uncertain. This report reflects the Council's initial perspective and if supported, would require the property owner to rebalance the existing mix of uses within the building, over time, to realign with the approximate ratio of uses that existed in 2006.

Background²

Based on a review of the 1995 Council minutes, it appears the original code section related to amortization of uses at this site was added to the code around 1983-84 and that the nonconforming uses were required to be terminated by 1999. On December 11, 1995 Council adopted Ordinance 4314 and 4315. Ordinance 4314 amended the amortization date for nonconforming uses at 3200 Park Boulevard/340 Portage Avenue/Olive Avenue to July 16, 2019 and established special requirements related to the continuance of those uses beyond July 16, 1999 (limiting retail uses to 60,000 square feet and restricting noisy outdoor activities). In conjunction with that action, Ordinance 4315 rezoned the site from a split zoning of R-1 (single family residential) and GM-B (general manufacturing combining) to RM-30 (multi-family residential) zoning.

¹ Although there are additional structures on the same lot as 3200 Park Boulevard/340 Portage Avenue/Olive Avenue, staff understands this language to apply only to the specific building (the Cannery) referenced.

² Links to previous staff reports, minutes, and ordinances referenced in this report with respect to the legislative history of this code section are available at: <https://www.cityofpaloalto.org/News-Articles/Planning-and-Development-Services/340-Portage>

On November 6, 2006 Council adopted Ordinance 4923, which eliminated a firm termination date but added a requirement to maintain the existing ratio of nonconforming uses in the building. The special requirements limiting retail uses and restricting outdoor noise were not amended; there was no discussion of how to address the fact that existing retail uses in the building far exceeded 60,000 square feet. The Palo Alto Municipal Code 18.70.070(b)(2)(E) currently states:

“(E) The nonconforming uses of the property at 3200 Park Boulevard/340 Portage Avenue/Olive Avenue for retail, research and development, warehouse, and storage uses are permitted in approximately the same ratio of uses existing as of October 16, 2006, subject to the following limitations: (1) retail uses shall not exceed 60,000 square feet, and (2) truck deliveries and other noisy outdoor activities shall be limited to the hours of 8:00 a.m. to 9:00 p.m. weekdays and 9:00 a.m. to 9:00 p.m. weekends.”

The staff report prepared for the October 16, 2006 hearing and the minutes from the meeting suggest that eliminating the amortization date was primarily intended to allow Fry’s Electronics to continue operating at this location. Fry’s ultimately ceased operation in December 2019 and the space has remained vacant since then. In 2019 (as in 2006), the Fry’s retail space totaled 84,000 square feet and represented approximately 42% of the ratio of uses that existed in 2006.

The municipal code³ defines a nonconforming use as being discontinued or abandoned if not re-established within one year. Since no retail use reoccupied the former Fry’s tenant space, that portion of the building can now only be occupied by a conforming RM-30 land use. The interpretative question presented to the City Council on June 14, 2021⁴ was whether the remaining mix of uses could remain as it exists today – in terms of existing floor area, or if the floor area for the existing nonconforming land uses needed to be rebalanced to include retail and align with the approximate ratio of uses that existed in 2006. While no motion was made to establish the Council’s perspective, it appeared based on the Council’s deliberation, that it was leaning toward the later – requiring rebalancing. However, the Council also signaled its support to allow the rebalancing to occur over a defined period of time.

³ PAMC Section 18.70.040(b) provides: “[A] nonconforming use of facilities designed and constructed for nonresidential purposes which is discontinued or abandoned or otherwise ceases operation and use of the site for a period of one year or more shall not be resumed, and all subsequent use of such site and facilities thereon shall conform to this title.”

⁴ June 14, 2021 Council Report: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/2021/id-12271.pdf>
 June 14, 2021 Summary Minutes: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2021/06-14-21-ccm-summary-minutes.pdf>

Discussion

Based on its initial discussion, the Council appears to be leaning toward an interpretation that would require the property owner to maintain a mix of nonconforming uses at 340 Portage (former cannery building) in an approximate ratio relative to each other nonconforming land use as it existed in 2006. As nonconforming uses are abandoned or discontinued, such as Fry's Electronics, the floor area associated with the remaining nonconforming uses must be adjusted to align with the 2006 ratio. The following table summarizes how floor area would be approximately distributed with this interpretation:

Use	Floor Area in 2006	Ratio of Uses 2006	Floor Area in 2016	Ratio of Uses in 2016	Floor Area Following Interpretation	Ratio of Nonconforming Uses Following Interpretation
R&D	123,368	53.3%	142,744	61.4%	82,056	55.3%
Retail	98,339	42.4%	84,000	36.1%	59,947	40.4%
Warehouse	10,000	4.3%	5,639	2.5%	6,380	4.3%
Conforming Uses	N/A	N/A	N/A	N/A	84,000	N/A
Total	231,707	100%	232,383	100%	232,383	100%

This interpretation retains the mix of uses previously authorized for this site, including retail, and requires a reduction in the R&D floor area. It also affirms staff's conclusion that the Fry's Electronics use has been discontinued in accordance with the municipal code section referenced above and in contrast to the property owner's arguments provided in Attachment D. Accordingly, the 84,000 square feet of discontinued nonconforming floor area could only be repurposed toward a conforming RM-30 use; the remaining 148,383 gets rebalanced as shown in the table above.

During the June 14, 2021 Council hearing, some Councilmembers suggested that the property owner be given reasonable time to rebalance their uses in accordance with this interpretation. At least one councilmember suggested providing one year to bring the site into compliance. Staff's recommendation is to base this compliance on the termination date of existing leases, including lease options, in order to reduce impacts to operational tenants, to limit vacancies, and to reduce legal risks.

Amortization

At the June 14, 2021 hearing, some Councilmembers expressed an interest in understanding the amortization process for the site. Amortization is a process by which the City requires a land use(s) or building type to be removed or abated and made to comply with current regulations. The current site has some commercial and R&D land uses, but the underlying zoning of the site is residential. If the City Council wanted to see these nonresidential uses abated, it could

explore amortization as a means of requiring only compliant land uses within a certain period of time. If Council is interested in pursuing amortization for this site, staff would work to obtain a cost and scope from a qualified consultant in order to prepare an analysis of property owner costs for past site improvements. This is the necessary first step in establishing an enforceable timeframe for amortization of the site. Staff would return to Council for approval of the contract and a budget amendment to fund preparation of this study. This request is not included in the staff recommendation; if the Council were interested in pursuing this, the following direction should be provided in the Council's motion:

Direct staff to take initial steps to study the potential amortization of the nonconforming uses on the site and return to Council.

Other Applications

Staff acknowledges that there are currently other relevant pending applications and ongoing City efforts related to the subject property. These include the City's proposed North Ventura Coordinated Area Plan efforts as well three applicant-proposed projects:

- 1) a request for a zoning code amendment to remove the language "in approximately the same ratio of uses existing as of October 16, 2006" from the municipal code;
- 2) a proposed multi-family residential project on a portion of the subject property, referred to as the 200 Portage Project; and
- 3) a Vesting Tentative Map to subdivide the site into two parcels and for a condominium subdivision for the 91 units proposed at 200 Portage.

These other pending projects are not the subject of this staff report and Council should refrain from forming opinions regarding these proposed applications. The purpose of Council's interpretation is to understand how the current code affects the types and size of uses within the building, as it exists today. However, Council's interpretation of the code may have implications that relate to these projects; therefore, for informational purposes, Attachment E includes a summary of these ongoing projects.

Policy Implications

Council's interpretation of the City's code with respect to the 3200 Park/340 Portage will provide clear direction to staff and the property owner regarding the allowed uses and size of such uses in the building. Council's interpretation of the code would not introduce new language that may have policy implications.

Council's interpretation of the existing code could alter the mix of uses in the building but would not result in an increase in square footage or a change to the types of conforming and nonconforming uses allowed at the site. Without a legislative change (e.g. municipal code text

amendment), the applicant would not be allowed to expand the square footage of active non-conforming uses in the building and the interpretation would require a reduction in R&D floor area.

The building is not subject to the retail preservation ordinance under PAMC Section 18.40.180 because the existing retail use is no longer a conforming use within the RM-30 zone district. The building is within the City's Annual Office Limit area and Research & Development uses are subject to the annual office cap.

Resource Impact

Council's clarification on the interpretation of this code would not have a fiscal impact on the City. If Council directs staff to begin studies in order to consider amortization of this site staff would return to Council with a proposed contract and associated budget amendment for consideration.

Timeline

This code interpretation provides immediate clarity to the property owner and staff regarding the allowed mix of nonconforming uses in the building. Staff anticipates that the property owner would utilize the information to inform any future proposals for this property or to otherwise determine if the building is currently in conformance with the code.

Stakeholder Engagement

The City has received wide range of feedback with respect to the desired future uses of the site as part of the NVCAP process, which are reflected in the proposed NVCAP Alternatives. Staff received a letter from one members of the public prior to the June Council hearing. The letter requested the legislative history of the subject code section. This information is provided on the City's webpage⁵ and was also included throughout the previous staff report. The member of the public also voiced concern about amending language in the code without going through the code amendment process. The request requires interpretation of the existing code language, not a code amendment, and is not subject to the code amendment process.

Environmental Review

Council's interpretation of the existing code does not qualify as a project in accordance with the California Environmental Quality Act as defined in Public Resources Code 21065.

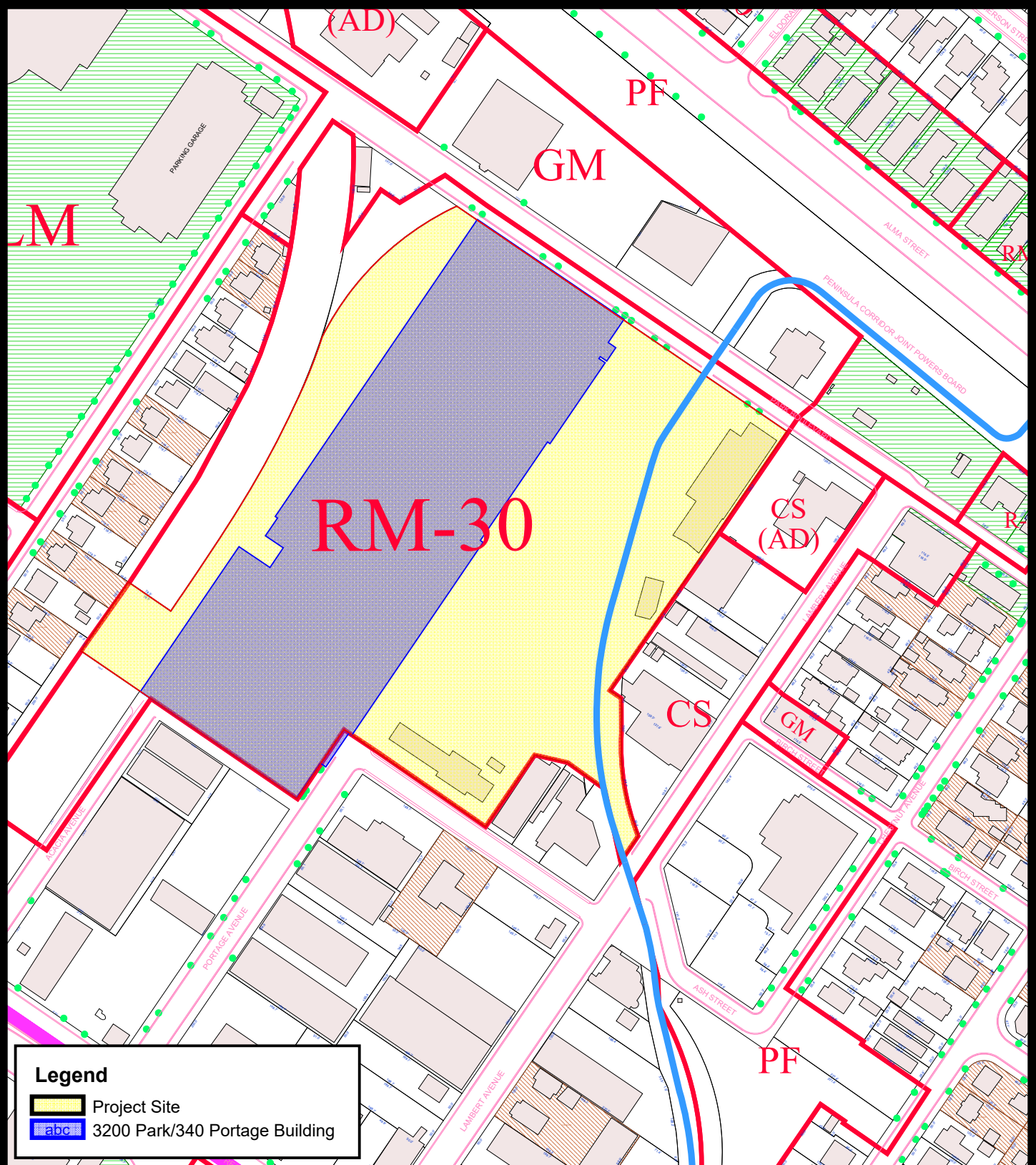
Attachments:

Attachment6.a: **Attachment A: Location Map(PDF)**

Attachment6.b: **Attachment B: February 9, 2021 Letter from Sobrato to City (PDF)**

⁵ Links to previous staff reports, minutes, and ordinances referenced in this report are available at:
<https://www.cityofpaloalto.org/News-Articles/Planning-and-Development-Services/340-Portage>

Attachment6.c: **Attachment C: April 22, 2021 Letter from City to Property Owner (PDF)**
Attachment6.d: **Attachment D: May 12, 2021 Letter from Sobrato to City re non-**
conforming uses **(PDF)**
Attachment6.e: **Attachment E: March 9, 2020 Letter from City to Property Owner (PDF)**



The City of
Palo Alto



3200 Park/340 Portage

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



0' 209'

Jonathan Lait
 Planning Director
 City of Palo Alto
 City Hall, 5th Floor
 250 Hamilton Avenue
 Palo Alto, CA 94301

Re: 3200 Park Boulevard/340 Portage Avenue – Confirmation of Allowed Legal Non-Conforming Uses

Dear Jonathan:

On behalf of the Sobrato Organization, to support its ongoing marketing and re-tenanting efforts for the above-referenced property (“Property”), this letter requests additional confirmation of the zoning applicable to the Property.

The Property is currently zoned RM-30, but is currently developed and has been continuously used for the following allowed non-conforming uses: retail, research and development/office, warehouse and storage uses pursuant to the following property-specific non-conforming use provision, Palo Alto Municipal Code Section 18.70.070(b)(2)(E) as follows:

(E) The nonconforming uses of the property at 3200 Park Boulevard/340 Portage Avenue/Olive Avenue for retail, research and development, warehouse, and storage uses are permitted in approximately the same ratio of uses existing as of October 16, 2006, subject to the following limitations: (1) retail uses shall not exceed 60,000 square feet, and (2) truck deliveries and other noisy outdoor activities shall be limited to the hours of 8:00 a.m. to 9:00 p.m. weekdays and 9:00 a.m. to 9:00 p.m. weekends.


This provision was last amended on October 16, 2006, and Sobrato last obtained a determination from planning on January 19, 2016 its tenant Playground Global. A copy of that approval is enclosed for ease of reference. According to this provision and the 2016 interpretation, we conclude that the owner has the right to re-tenant any part of the vacant space in the Property with any of the following legal nonconforming uses in the square footages that existed as of October 16, 2006, subject to the limitations noted above with respect to maximum retail, truck delivery and noisy outdoor activities. We note that the property included approximately 98,339 sf of retail in 2006. With the 60,000 sf retail maximum, approximately 38,339 sf of the building is therefore unallocated. We conclude that this square footage can be allocated among the remaining allowed uses on an approximately proportional basis on a case-by-case basis.

- No more than a maximum of 60,000 sf of **retail**;
- Approximately 123,386 sf of **research and development/office**;
- Approximately 10,000 sf of **warehouse** and/or **storage**.



We would greatly appreciate your confirmation as soon as possible to facilitate the owner's re-tenanting efforts. If you have any questions or it would be helpful to discuss by phone, please let me know.

Sincerely yours,



Steve Emslie
Partner, Lighthouse Public Affairs

Enclosure

Cc: Ed Shikada, City Manager (Ed.Shikada@CityofPaloAlto.org)
Rachael Tanner, Assistant Planning Director (Rachael.Tanner@CityofPaloAlto.org)
Tim Steele (tsteele@sobrato.com)
Robert Tersini (rtersini@sobrato.com)

CITY OF PALO ALTO - BUILDING INSPECTION DIVISION
285 HAMILTON AVE. PALO ALTO, CA 94301

APPLICATION FOR CERTIFICATE OF OCCUPANCY

PURSUANT TO PAMC SECTION 16.04.120 & UBC SECTION 109

Application Number 15000-02594 Date 11/10/2015
Business Name PLAYGROUND GLOBAL Contact Name Chris Coleman
Street Address 360-380. PORTAGE AVE Suite or Bldg # _____
Business Operator CHRIS COLEMAN Phone # 650-990-1565
Mailing Address 380 Portage Ave.

Description of the proposed business (Note: food service establishments require Health Department review prior to Certificate of Occupancy application. Please contact Santa Clara Health Dept to obtain Approval to Operate Certificate.) _____

Tech Research company & "think tank"

Square Footage of Building / Space 6932 / 17,819 Floor/s 1 2 3 4 5 other _____

Property Owner The Sobrato Organization Address 10600 N. De Anza Blvd, Suite 200

Are any tenant improvements currently proposed? Yes X No _____
(If yes, a building permit application must be submitted)

Is the storage or use of hazardous materials proposed? Yes _____ No X
(If yes, the HAZARDOUS MATERIALS CHECKLIST must be completed and attached)

NOTE:

1. A one-time fee of \$421.00 is required for the processing of this application, which must be submitted in person to the Building Inspection Division at the Palo Alto Development Center, 285 Hamilton Avenue, 1st floor. If the application is approved subsequent to Building and Fire Department inspections, an official certificate to be posted at the premises will be issued and mailed to the business operator at the address above.
2. If the proposed business is considered a use intensification with regard to required parking, a site plan of on-site parking may be required to verify parking compliance.
3. All business signs for exterior building modifications must be reviewed by the Architectural Review Board (ARB). For information regarding the ARB process, please contact the Planning Division at (650) 329-2441.
4. A permit is required for alterations to the building, plumbing, mechanical, or electrical systems. For information on necessary permits, please contact the Building Inspection Division at (650) 329-2498.

Applicant Signature _____

-FOR OFFICE USE ONLY-

Receipt # _____ Pursuant to PAMC 18.70.070
Zone District: RM-30 Permitted or Conditional use (circle one) CUP # (if applicable) _____
Previous Proposed
Use Classification (Zoning): OFFICE & WAREHOUSE RFD
Occupancy Class (Bldg): _____
Maximum Occupancy Load: _____
Review/Inspection Comments: SEE ATTACHED

Department Approvals Required:

Planning Division (329-2441):

by _____

date 1/19/16

Fire Department (329-2184):

Fire Department staff will perform site inspection

Building Division (329-2496):

Building Division staff will perform site inspection

All Department approvals required prior to Issuance of Certificate of Occupancy.

The **SOBRATO** Organization

Sobrato Development Company, LLC
 Sobrato Builders, Incorporated
 Sobrato Construction Corporation

Sobrato Family Holdings, LLC
 Sobrato Family Foundation

December 23, 2015

OK TO ISSUE

U#0 - J. Wit.
 1/19/16

Jonathan Lait
 Assistant Director
 Planning and Community Environment
 City of Palo Alto
 250 Hamilton Avenue
 5th Floor – City Hall
 Palo Alto, CA 94301

Dear Jonathan Lait:

Thank you very much for your attention into our new tenant, Playground Global, and their move into existing vacant space at 360 Portage Avenue. The vacant space was last occupied with office space not associated with the Fry's retail operation and a Fry's warehouse, which the warehouse has since been relocated to 230 Portage. The combined space totaling 35,517 sf was vacated prior to March 1, 2015.

Pursuant to the provisions of 18.70.070 (E) Non-conforming use – Required Termination, indicates it generally applies to the larger Fry's site (3200 Park Blvd/240 Portage Avenue/Olive Avenue) and allows for retail, research and development, warehouse, and storage in the same approximate ratio of uses existing as of October 16, 2006.¹ The following analysis shows that the R&D use proposed by Playground Global will remain consistent with this provision at the approximate overall proportion, and have the same parking demand as the tenant mix in 2006.

360 Portage New Playground Global

Lease Area including mezzanine:

Portion replacing prior office no parking change	19,063 sf
Portion replacing prior warehouse	<u>17,138 sf</u>
Total	35,517 sf

360 Portage Playground Global

Lease Area needing tenant mix offset:

	17,138 sf
Employee Amenity Credit @ 6% GLA	(2,130 sf)
Net Lease Area needing tenant mix offset	15,008 sf

Not Approved
 as amenity
 space -
 J. Wit.
 JW

¹ Palo Alto Zoning Code provides that retail square footage is limited to 60,000 sf maximum



360 Portage Parking Demand (Prior Occupancy)

Existing Warehouse (17,138 @ 1 per 1,000)	18 spaces
230 Portage conversion (5,000 sf retail 25 spaces to warehouse 5 spaces)	20 spaces
Demo 7,000 sf retail service area (5 spaces per 1,000)	<u>35 spaces</u>
Total	73 spaces

Floor Area Analysis

Playground Global R&D Parking Needs (15,000 x 4/1,000)	60 spaces
<u>17,138</u>	<u>69 spaces</u>

Playground Global Parking Demand	69 80 spaces
Total Floor Area Changes (Prior Occupancy)	<u>73 spaces</u>
Net Parking Demand Change (Reduction of Demand)	(13) spaces 4

J. Lin
[Signature]

18.70.070 stipulates that nonconforming uses at the Fry's site be maintained in approximate proportion to the tenant mix in existence in 2006. The following table summarizes tenant ratios in 2006 and the 2015 conditions including Playground Global's expansion into 360 Portage.

Square Footage Comparison 2006 to 2015
Including Playground Global expansion to 360 Portage

	2006	Percentage	2015	Percentage
R&D/Office	113,176 sf	49%	135,315 sf	58%
R&D vacant	10,192 sf	4%	7,429 sf	3%
Retail ²	98,339 sf	42%	84,000 sf	36%
Warehouse	10,000 sf	5%	5,639 sf	3%
Total	231,707sf	100%	232,383 sf	100%

(source: 2006 occupied square footages verified by prior owner WSJ properties letter attached. Sobrato 2015 square footages based on current executed leases)

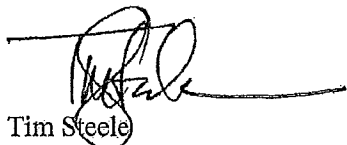
OK 1/19/16
[Signature]

This analysis supports the proposed use as compliant with 18.70.070 and confirms that the proportion of uses retains the same land use intensity as measured by parking demand, which also ensures that Playground Global's use will not create an overflow parking condition.

² 18.70.070(E) limits retail to a maximum of 60,000 sf

Once again, thank you for your attention into this matter. Playground Global looks forward to obtaining the necessary interior tenant improvement approvals and moving forward with its tenancy of 360 Portage.

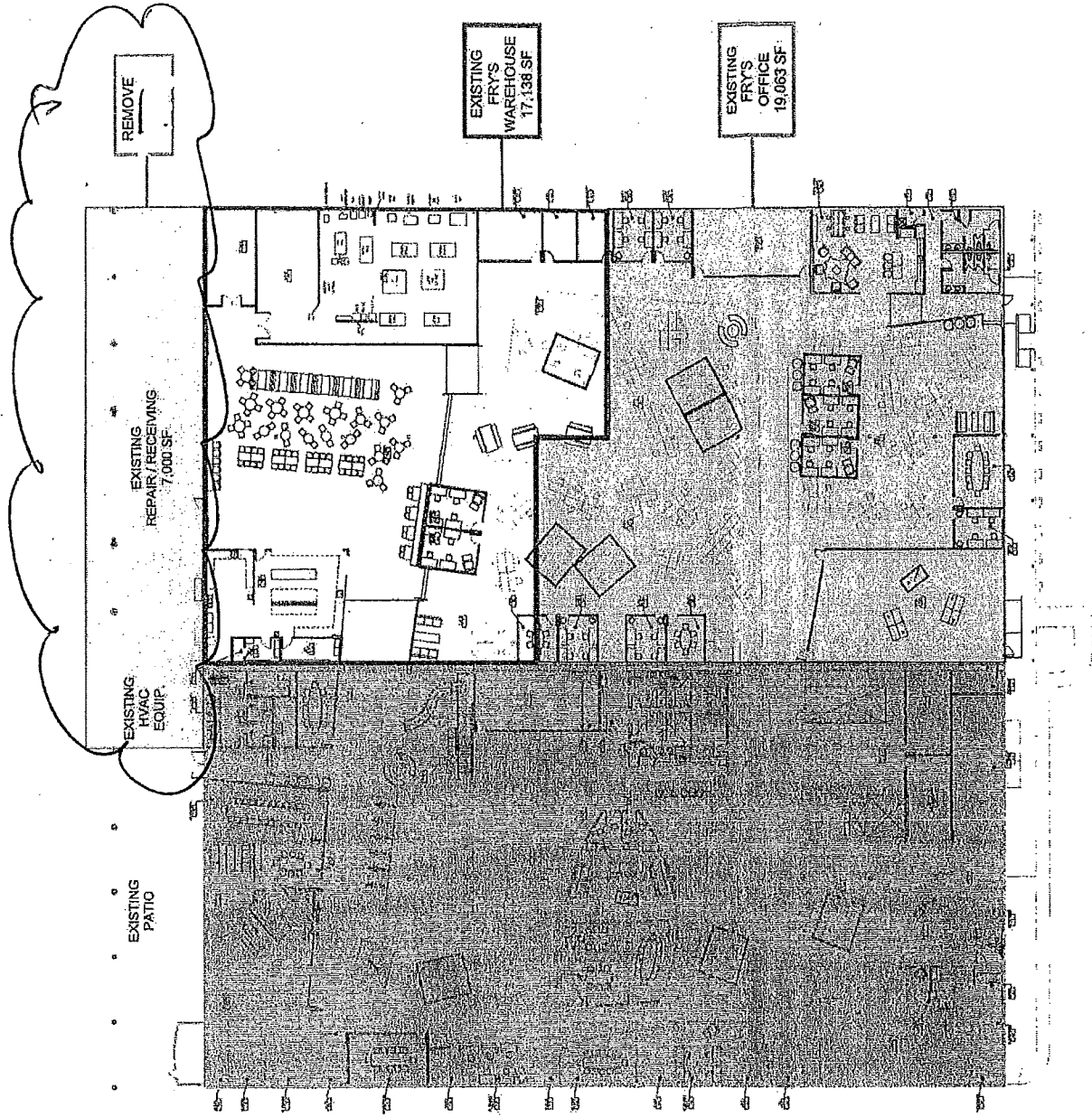
Sincerely,

A handwritten signature in black ink, appearing to read 'Tim Steele', with a long horizontal line extending to the right.

Tim Steele
Sr. Vice President Real Estate Development
The Sobrato Organization

Cc: Chris Coleman
Bruce Leake
Andy Rubin
Jim Baer
Rob Tersini

PLAYGROUND GLOBAL
 360-380 PORTAGE AVE
 PALO ALTO, CA





PLANNING & DEVELOPMENT SERVICES

CITY OF
**PALO
ALTO** 250 Hamilton Avenue, 5th Floor
Palo Alto, CA 94301
(650) 329-2441

April 22, 2021

Tim Steele, Sobrato Organization
599 Castro Street, Suite 400
Mountain View, CA 94041
Email: tsteele@sobrato.com

RE: 3200 Park Boulevard/340 Portage Avenue; Allowed Legal Non-Conforming Uses

This is in response to your letter dated February 11, 2021 and our recent conversations regarding allowed non-conforming uses at this property.

Non-conforming uses are governed by Chapter 18.70 of the Palo Alto Municipal Code (PAMC). This includes not only PAMC Section 18.70.070, subsection (b)(2)(E), which you cite, regarding required termination of non-conforming uses, but also PAMC sections 18.70.020 through 18.70.060 regarding limitations on expansion, change, discontinuance, facility maintenance and facility replacement with respect to non-conforming uses.¹

In particular, it appears that PAMC section 18.70.040, subsection (b), may now be relevant to the subject property. That section provides: “[A] nonconforming use of facilities designed and constructed for nonresidential purposes which is discontinued or abandoned or otherwise ceases operation and use of the site for a period of one year or more shall not be resumed, and all subsequent use of such site and facilities thereon shall conform to this title.” The City understands that approximately 84,000 square feet of the site, which used to house Fry’s Electronics, has now been vacant for more than one year. If so, consistent with the City’s long-standing application of Section 18.70.040(b), any subsequent uses of this space must conform to the current RM-30 zoning. Allowed uses under this zoning are outlined in Table 2 of PAMC Chapter 18.13.

The remaining square footage on this site may continue in non-conforming use, but only in accordance with PAMC Section 18.70.070. That section generally provides that non-conforming uses are required to terminate within a certain timeframe based on the type of construction for the building, or within 15 years from the date the use became non-conforming,² unless a site-specific exception applies. The subject property enjoys a site-specific exception in subsection (b)(2)(E), which currently states:

¹ See the attached letter, dated March 9, 2020, from Assistant City Attorney Albert Yang regarding allowed uses on the site.

² The site was rezoned to RM-30 by Ordinance 4315, which took effect in January 1996.

“The nonconforming uses of the property at 3200 Park Boulevard/340 Portage Avenue/Olive Avenue for retail, research and development, warehouse, and storage uses are permitted in approximately the same ratio of uses existing as of October 16, 2006, subject to the following limitations: (1) retail uses shall not exceed 60,000 square feet, and (2) truck deliveries and other noisy outdoor activities shall be limited to the hours of 8:00 a.m. to 9:00 p.m. weekdays and 9:00 a.m. to 9:00 p.m. weekends.”

As we have discussed in recent weeks, this language is susceptible to more than one interpretation. In particular, when the square footage devoted to non-conforming uses changes, there is a question about how to interpret the phrase “in approximately the same ratio of uses existing as of October 16, 2006.” This phrase could be interpreted to require that the ratio among the various non-conforming uses remain the same, such that any non-conforming uses of the site would be a mix of retail, R&D/office, and warehouse uses. Alternatively, the phrase could be interpreted, as you suggest in your February 2021 letter, to require approximately the same ratio of each individual non-conforming use to total square footage on the site (i.e. the discontinuance of one non-conforming use does not affect the remaining non-conforming uses on the site).

The following tables illustrate these alternative interpretations:

Baseline:

The City understands that the uses on the site as of 2006 were as follows:

Use	Square footage (sf)	Percentage
R&D	123,368	53%
Retail	98,339	42%
Warehouse	10,000	5%

In 2016, the City approved the following uses on the site as a sufficient approximation of the ratios that existed in 2006, and we understand this to be the status of the site as of January 2021:

Use	Square footage (sf)	Percentage
R&D	142,744	61%
Retail	84,000	36%
Warehouse	5,639	3%

Alternative 1:

As the non-conforming uses in the 84,000 square foot space formerly occupied by Fry’s Electronics have been discontinued, an interpretation requiring the same ratio among the various non-conforming uses would result in the following distribution, using the 2006 baseline:

Use	Square footage (sf)	Percentage of non-conforming sf
R&D	79,650	54%

Retail	60,000	41%
Warehouse	7350	5%
Conforming Uses	84,000	N/A

Alternative 2:

By contrast, an interpretation requiring that individual non-conforming uses retain an approximate ratio to overall site square footage would result in the following distribution, using the 2016 baseline:

Use	Square footage (sf)	Percentage of total site sf
R&D	142,744	61%
Retail	0	0%
Warehouse	5,639	3%
Conforming Uses	84,000	36%

Although staff believe interpretation Alternative 1 is most consistent with the plain language of the code, we acknowledge that it does present significant practical challenges. This interpretation would potentially require termination of existing leases to rebalance the mix of non-conforming uses. Meanwhile, interpretation Alternative 2 is more similar to typical regulation of non-conforming uses, which would allow existing uses to remain, so long as they do not intensify, when a portion of the site converts to a conforming use.

In July 2020, you applied for a text amendment to PAMC 18.70.070, subsection (b)(2)(E), seeking to strike the requirement that non-conforming uses remain in the ratios that existed as of October 2006. At your request, staff suspended processing the text amendment following submission of an application for a housing development on part of the site. While staff is processing that housing project, there remains a need for staff to receive direction from the City Council concerning the previously cited code section related to the ratio of non-conforming uses at 340 Portage. Staff has tentatively scheduled this discussion for June 14, 2021.

If you have any questions in the interim, please let me know.

Sincerely,

DocuSigned by:

 293CF322E1294F6...

Jonathan Lait
 Director of Planning & Development Services

Certificate Of Completion

Envelope Id: 5440F8E5BDF64493AF39A2C9C6B33241	Status: Completed
Subject: Please DocuSign: 340 Portage (Sobrato) / Nonconforming Use Response Letter	
Source Envelope:	
Document Pages: 3	Signatures: 1
Certificate Pages: 1	Initials: 0
AutoNav: Enabled	Envelope Originator:
Envelopeld Stamping: Enabled	Madina Klicheva
Time Zone: (UTC-08:00) Pacific Time (US & Canada)	250 Hamilton Ave
	Palo Alto , CA 94301
	Madina.Klicheva@CityofPaloAlto.org
	IP Address: 199.33.32.254


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Signer Events

Jonathan Lait
Jonathan.Lait@CityofPaloAlto.org
Interim Director Planning and Community
Environment
City of Palo Alto
Security Level: Email, Account Authentication
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Signature

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Status

Timestamps

May 13th, 2021

Jonathan Lait
Director of Planning and Development Services
City of Palo Alto
250 Hamilton Ave., 5th Floor
Palo Alto, CA 94301

Re: 3200 Park Boulevard/340 Portage Avenue; Allowed Legal Non-Conforming Uses

Dear Jonathan,

We received your letter dated April 22, 2021 responding to our February 11, 2021 letter and our recent discussions. This letter addresses a few items in your letter, and, if helpful, we remain available to discuss further in preparation for the upcoming June 14, 2021 City Council discussion.

1. Chapter 18.70 of the Palo Alto Municipal Code (PAMC) Applies to the Uses.

We agree with your finding regarding the applicability of PAMC sections 18.70.020 through 18.70.060 to the existing non-conforming uses (limitations on expansion, change, discontinuance, facility maintenance and facility replacement) in addition to Section 18.70.070(b)(2)(E). We have complied - and will continue to comply with - these sections in the operation and re-tenanting of the site.

2. There Has Been No Discontinuance or Abandonment of the Fry's Space

We must respectfully and strongly disagree with the suggestion in the letter that the space formerly occupied by Fry's has been "discontinued" or "abandoned" for more than one year within the meaning of PAMC Section 18.70.040, subsection (b). To the contrary, we have remained diligent, active and continuous in our efforts to re-tenant the vacant space during the COVID-19 global pandemic, which has created enormous challenges and affected retail even more than most other types of land use. We note the City adopted a formal 180-day extension of land use entitlements and processing in April 2020, and while it does not apply directly it acknowledges the significant disruptive nature of the pandemic. Our diligent efforts included multiple requests for interpretation (and possible amendment) to assist in these efforts to you and your team, which unfortunately did not result in any clear direction regarding the Fry's space. We were also actively working with brokers and potential tenants, most notably extensive negotiations with Target. **Attachment A** summarizes the history since before we purchased the property in 2010, and our extensive efforts to re-tenant the former Fry's site.

As you know, there is no specific definition of these terms in the PAMC or in any published City policies, and is made on a case by case, factual basis. We believe the facts and circumstances, particularly during the COVID-19 pandemic, confirm there has been no abandonment or discontinuance. We would appreciate your confirmation that the use has not been abandoned or

discontinued within the meaning of PAMC Section 18.70.040, subsection (b) at your earliest convenience.

3. Alternative 2 Represents the Most Consistent and Practical Interpretation

We also appreciate you clearly laying out the City's two alternative interpretations of PAMC Section 18.70.070(b)(2)(E). For the reasons stated in your letter, we concur that Alternative 1 presents significant practical and legal, contractual challenges and would require termination of existing leases to "rebalance" the site and significantly impact the economic viability of the property. We also concur that Alternative 2 is more similar to typical regulation of multiple different non-conforming uses – particularly those that are within an existing structure – and is how we interpret the ordinance to apply to our particular property.

We anticipate submitting applications to relocate certain existing, allowed nonconforming uses within the building to alternate, more suitable locations in the building in the near future. Such changes will be fully consistent with Chapter 18.70, and we look forward to working with you on those efforts.

If you need any additional information in preparation for the City Council meeting, please do not hesitate to reach out to me.

Sincerely,

Tim Steele

Tim Steele

Cc: Rachel Tanner, City of Palo Alto
Claire Raybould, City of Palo Alto
Albert Yang, City of Palo Alto
Robert Tersini, The Sobrato Organization
Steve Emslie, Lighthouse Public Affairs
Richard Hackmann, Lighthouse Public Affairs
Tamsen Plume, Holland & Knight
Genna Yarkin, Holland & Knight

Attachment A

- We communicated with the City as part of our purchase due diligence in late 2010, prior to the purchase of the site. The City provided a copy of an economic study of the Fry's site and identified the 2006 site-specific non-confirming use provision.
- We purchased the site in May 2011.
- We continued to meet with Curtis Williams-Director of Planning, Amy French-Acting Assistant Director of Planning, Elena Lee-Senior Planner, Thomas Fehrenbach-Economic Development Manager and Steve Emslie-Deputy City Manager to discuss the Cal Ave and Fry's study. The Planning Director indicated in a public forum the City does not expect Fry's to occupy the site beyond 2014.
- We met with City staff in December of 2012 and 2013 to discuss the California Plan and the City's consideration of a possible new zoning designation for Fry's should Fry's not renew its lease, including CS mixed use.
- Fry's exercised its last 5 year option in December 2013.
- We continued active discussions with Planning staff and elected regarding Fry's lease, reuse of vacated space, the Comp Plan, Housing Element, Office Cap and potential redevelopment.
- June 2015, we agreed to contribute to the City's planning efforts in the area including the Fry's site.
- July 2015, Playground Global requested expanding into some of the surplus Fry's space.
- June 2016, the City provided acknowledgement of the square foot adjustments for the expansion of Playground Global.
- May 2017, the Planning Director approached Sobrato to suggest the City would like to reapplying to the VTA/MTC for another Planning Grant for the Fry's area. Application identified October 2019 as the Project Completion target.
- October 2017, we executed a funding agreement with the City for \$250,000 towards the NVCAP
- Fall 2018, NVCAP process commenced, and we continued to market the Fry's site in preparation for the end of the lease.
- March 2019, we began active discussions with Target to lease the Fry's space upon their expiration, and communicated this opportunity to City staff.
- At the same time, John Sobrato informed the City Council that Sobrato is not interested in redeveloping the site and prefers a continuation of existing uses once Fry's vacates the site.
- During the fall and winter of 2019, we conducted meetings with staff and City Council members to discuss tenanting a portion of Fry's space with Target. We conducted site visits to show the vacating Fry's space. We noted that Target would have needed only 30,000 +/-, so we sought feedback and options to re-tenant the remaining as office to support the economics of refurbishing the architecturally valuable space in the existing building.
- December 2019, the City Council discussed additional funding for the NVCAP. Sobrato publically reiterated it has no interest or intent to redevelop the site once Fry's vacates. Several City Council members ask at the time the purpose of the NVCAP if the primary site is not going to redevelop.
- Discussions continued with Target throughout 2019 and into 2020.

- February 2020, H&K submitted a letter on Sobrato's behalf to the City Attorney seeking a zoning determination regarding the uses of the existing building to support marketing and re-tenanting activities, and received a response letter from Albert Yang on March 9, 2020 that confirmed the RM-30 zoning as well as the applicability of PAMC Chapter 18.70, including Section 18.70.070(b)(2)(E).
- March 2020, the COVID-19 global pandemic begins and continues through the date of this letter.
- July 2020, Sobrato submitted a request for a Zoning Text Amendment for 340 Portage. This letter also discusses the ongoing negotiations with Target at approximately 30,000 sq ft of the vacated Fry's space and the need for clarity in the applicable non-conforming zoning language to be able to move forward with these discussions. We were made it clear that to afford the required code updates and lease to Target at a market rate, we would need to re-tenant the remaining vacant space as R/D office.
- August 2020, Palo Alto Online published an article about Target's interest in the old Fry's space, and the City rethinking housing on the site.
- September 2020, City staff indicated they would not support the application for a text change - with no specific explanation or alternative presented - and expressed disappointment about not having proposed any housing on the site. Staff also indicated a November or December 2020 tentative date to take text change request to Planning Commission. No hearing was scheduled, and Sobrato finally asked that it be put on hold. At the same time, staff confirmed that the City's Retail Preservation Ordinance does not apply, but that the Office Cap does
- September 2020, Target withdrew from Portage lease discussions. Marketing efforts commenced, but are hampered by the COVID-19 pandemic, particularly notable for retail uses.
- February 3, 2021, Sobrato sent a letter through Lighthouse Public Affairs to the City again seeking confirmation of the non-conforming uses of the site submitted to the City to support marketing and re-tenanting efforts in light of Target's withdrawal and lack of previous responses. The second letter request is the subject of the current discussions.

Attachment E: Existing Active Projects Relating to the 340 Portage Property

Zoning Code Text Amendment

In July 2020 the applicant filed for a Zoning Code Text Amendment to remove the language “in approximately the same ratio of uses existing as of October 16, 2006” and the language “(1) retail uses shall not exceed 60,000 square feet” from the municipal code. The request did not include formal plans for re-tenanting of the space. The request indicated the property owner’s interest in filling 30,000 sf of the retail space with a new retail use and utilizing remaining space for office uses. After reviewing the application and receiving additional information in response to the City’s supplemental information requests, the Director of Planning & Development Services notified the applicant in September that staff intended to recommend denial of the application. This was reiterated in e-mail correspondence with the property owner on November 11, 2020. At the applicant’s request, a hearing has not yet been scheduled, but the application is still on file with the City. The City anticipates that the feedback from this hearing will inform how and if the property owner continues to move forward with this request.

200 Portage Project

The applicant has filed an application for a housing project that will cover a portion of the subject property as well as a vesting tentative map to subdivide the property into two resulting parcels as well as for condominium purposes. In order to facilitate this project, the applicant is proposing demolition of a portion of the existing commercial building at the site. The demolition area includes a large portion of the building formally occupied by the Fry’s Electronics retail use. However, nonconforming uses have been reallocated to different spaces within the building; therefore, some of the area to be demolished is currently occupied by Research & Development uses. This project would remove 89,639 sf of existing floor area (roughly equivalent to the square footage of the vacant retail space) and 142,744 sf of the existing building would be retained. including what portions of the building are to remain and the resulting square footage.

North Ventura Coordinated Area Plan

The proposed North Ventura Coordinated Area Plan boundary includes the subject property, which is a large, centrally located area of the plan. The proposed plan presents a range of proposals for the future use of the site. These range from adaptive reuse of the building formally occupied by Fry’s Electronics to scenarios that include redevelopment of the site with housing or mixed-use office and housing.



City of Palo Alto City Council Staff Report

(ID # 13433)

Report Type: Action Items

Meeting Date: 9/13/2021

Summary Title: Discuss and Provide Direction on RFP for an Economic Dev.Strategy Consultant and internal Staffing

Title: Discuss and Provide Direction on a Request for Proposals (RFP) for an Economic Development Strategy Consultant and an Internal Staffing Plan to Support Economic Development Issues

From: City Manager

Lead Department: Administrative Services

Recommended Motion

Staff recommends that Council discuss and provide input on a Request for Proposals for an economic development strategy consultant and an internal staffing plan to support a connection to the business community with a focus on:

- A. Additional opportunities to bolster revenue and provide services to local residents;
- B. Strategies to deal with shifts caused by the COVID-19 pandemic;
- C. Strategies to bolster Palo Alto Hotels; and
- D. Analysis of shifts in Palo Alto's business mix, including clean-up and analysis of business registry data

Recommendation

Staff recommends that Council discuss and accept the request for proposals for an economic development strategy consultant and accompanying internal staffing plan and provide direction on which level of internal staffing, if any, the Council would like to further pursue. Based on the discussion thus far, and existing levels, staff would recommend the addition of a position to serve as the overall coordinator responsible for economic development work including data analysis work to support the efforts.

Background

In January 2021, the City Council unanimously selected Economic Recovery as one of its four priorities for calendar year 2021. To address this priority, staff developed the Community and Economic Recovery (CER) workplan which was discussed and approved by the City Council in March 2021 ([City Manager's Report \(CMR\) 12111](#)). The CER workplan included an individual item that directed staff to further refine the scope of

the City's economic support activities. The third update on the progress of the Community and Economic Recovery workplan is a separate informational item (CMR 13526) included as part of tonight's agenda packet.

On June 1, 2021 the City Council discussed potential economic development strategies with the support of consultant Good City Company, a consultant assisting the City in its facilitation and scoping of economic development support activities, and provided direction on the four main areas to focus a request for proposal for an economic development strategy and internal staffing plan. The exact language of the motion can be found in the [action minutes from June 1, 2021](#). Those four elements are integrated into the recommendation of this report and include opportunities to bolster revenues and provide services to local residents, strategies to deal with shifts caused by the COVID-19 Pandemic, strategies to bolster Palo Alto's hotels, and analysis of shifts in Palo Alto's business mix, including clean-up and analysis of the City's business registry data.

Discussion

The City has continued to work with the Good City Company to develop a potential scope of work for a Request for Proposal (RFP) for an economic development consultant to help the City craft a strategy focused on those four topics. The Good City Company has also further refined its analysis of potential internal staffing plans to complement the procurement of an economic development consultant. Their report is included as Attachment A to this CMR, with the Draft Economic Staffing Plan as Attachment II of that report and the Draft Economic Strategy Scope of Work as Attachment III of that report. Staff also included questions regarding economic support and development in a brief survey sent to businesses in the California Avenue and University Avenue business districts to inform the City Council's further discussion of the topic.

Good City Company's Recommendation Regarding a Request for Proposals for an Economic Development Consultant

The RFP developed by the Good City Company incorporates the four focus areas provided by the City Council and seeks proposals for how consultants would address each of those focus areas. It provides overarching guidance from the City's economics and business section of its 2030 comprehensive plan and Palo Alto specific context to potential vendors.

The request for proposals incorporates the discussion from June with the City Council into a frame for potential service providers to respond to. The frame of the RFP is structured to allow proposers to identify how they will go about accomplishing the tasks, which include conducting a baseline scan of the City's economic and business conditions in addition to developing a comprehensive economic development strategy for the City to implement.

The final product would be an economic development strategy report that the City could implement over the next few years to reach the desired outcomes of further supporting the local economy, strengthening connections with the local business community, and ensuring that a diverse array of services remains available for residents.

Survey of Businesses in California Avenue and University Avenue Business Districts

During the City Council's discussion of economic development activities in June, the City Council asked for more information about the impacts of street closures on various types of businesses. The City is working with AvenuInsights to analyze the sales tax performance of businesses throughout the pandemic by comparing information from businesses within and near the street closures to pre-pandemic levels. Staff will have preliminary analysis of this information for the September 13, 2021 meeting. Concurrent with that analysis, staff also released a survey to local businesses to inform ongoing economic support and development activities.

The survey was available to ground floor businesses located within and nearby the Uplift Local closed streets and sought information from businesses regarding their financial performance through the COVID-19 pandemic. Of the 287 included businesses, a total of 65 survey responses were received. The table below provides information about the respondents, including:

- Location: Business reported if they were in the California Avenue business district, the University Avenue business district, or did not report where they were located
- Inside Road Closure or Near Road Closure: Businesses reported whether they were inside the road closure or nearby a road closure
- Business Type: Businesses reported which industry type they most closely aligned with

The responses seen below have been grouped by location, then whether they are inside or near a street closure, and then by industry type.

It is important to note that the survey was not designed to be a statistically significant survey but rather to serve as another means of outreach for input and feedback from our local business community. Given the small number of respondents, potentially identifiable information, and the purpose of the survey to gain preliminary information, no cross-tab nor raw data from the survey will be transmitted.

Table 1. Summary of Respondents by Area and by Industry Type

Survey of Ground Floor Businesses Downtown and Cal Ave	
Respondents by Area and Industry Type	Respondents
Cal Ave	10
<i>Inside road closure</i>	5
Restaurant/Eating and Drinking Places	2
Retail (other than eating/drinking places)	2
Service (e.g. Hotels, Health Svcs, Legal Svcs, Social Svcs, Accounting)	1
<i>Near street closure</i>	5
Restaurant/Eating and Drinking Places	1
Retail (other than Restaurants/eating and drinking places)	1
Service (e.g. Hotels, Health Svcs, Legal Svcs, Social Svcs, Accounting)	3
Location Not Identifiable	15
<i>Inside road closure</i>	7
Office (e.g. Banks, Insurance, and Real Estate)	1
Restaurant/Eating and Drinking Places	5
Retail (other than eating/drinking places)	1
<i>Near street closure</i>	8
Office (e.g. Banks, Insurance, and Real Estate)	1
Restaurant/Eating and Drinking Places	2
Retail (other than eating/drinking places)	3
Service (e.g. Hotels, Health Svcs, Legal Svcs, Social Svcs, Accounting)	2
University	40
<i>Inside road closure</i>	24
Restaurant/Eating and Drinking Places	13
Retail (other than eating/drinking places)	10
Service (e.g. Hotels, Health Svcs, Legal Svcs, Social Svcs, Accounting)	1
<i>Near street closure</i>	16
Office (e.g. Banks, Insurance, and Real Estate)	1
Restaurant/Eating and Drinking Places	6
Retail (other than eating/drinking places)	7
Service (e.g. Hotels, Health Svcs, Legal Svcs, Social Svcs, Accounting)	2
Grand Total	65

The survey received various responses from businesses and show that while there is no clear pattern on perceptions of the magnitude of economic impacts from COVID-19 nor consensus of opinions on street closures that there were some areas of agreement regarding challenges to local businesses and potential economic support activities to overcome those challenges.

When asked what the top three challenges facing businesses were, 44 of 65 (67.7%) of

respondents said that retaining/rehiring or hiring employees was one of them. 26 of 65 (40.0%) of respondents of respondents indicated that the cost or availability of supplies for their business was one of the top three challenges. 25 of 65 (38.5%) respondents indicated that a lack of money or time for marketing and promotions was a top challenge. Paying deferred or increased rent also received votes from many of the respondents, with 20 of 65 (30.8%) of them noting it as one of their top three challenges.

Table 2. Top Three Challenges Facing Local Businesses

Location	Retaining/ Hiring Employees	Cost or Availability of Supplies	Lack of Money/Time for Marketing	Paying deferred/ increased rent
Cal Ave	7	3	5	3
Univ. Ave	11	17	12	10
No ID	26	6	8	7
Total (%)	44 (67.7%)	26 (40.0%)	25 (38.5%)	20(30.8%)

As one may expect, the responses to the question of what top three resource would be most helpful to supporting businesses aligned very closely with the challenges they currently face. When asked what the top three resources that would be most helpful to supporting businesses, 35 of 65 (53.8%) respondents chose "finding employees", and 25 of 65 (38.4%) respondents chose "access to capital (i.e. grants, loans, tax credits)". The next tier of responses was 16 of 65 (24.6%) respondents selecting "Assistance with marketing and promotions" and 14 of 65 (21.5%) respondents selecting "Assistance with City, County, State, and federal regulations".

Table 3. Top Three Resources that would be helpful to Businesses

Location	Finding Employees	Access to Capital	Marketing & Promotions	Assistance w/ Regulations
Cal Ave	5	6	3	2
Univ. Ave	24	13	8	8
No ID	6	6	5	4
Total (%)	35 (53.8%)	25 (38.5%)	16 (24.6%)	14 (21.5%)

The responses indicate disagreement about the desired status of street closures as a method of supporting businesses, with 26 of 65 (40%) respondents selecting "Continue Uplift Local Streets Program (maintain street closures)" while 19 of 65 (29.2%) respondents selected "Reopen streets". The topic of street closures is a separate item for discussion on September 13 that will be addressed through the City Council's discussion of CMR 13540.

Should the City Council so choose, the topics of the challenges that local businesses face as well as resources to support them and aid them in overcoming those challenges can be incorporated into the development of the Request for Proposal for an economic development strategy.

Good City Company's Recommendation on Internal Staffing

The options for a potential internal staffing plan are detailed in Attachment II of the Good City Company's report. Good City Company looked at various duties and responsibilities necessary for economic support and analyzed them through two tables. The first table presents the duties that have been performed by a staff member in the City of Palo Alto on special assignment over the past year and compares it to the three most common levels of economic development staff employed by cities ranging from the most junior role of an economic development specialist, to the middle-tier economic development coordinator, to the most senior role of an economic development manager. As seen in Table 1 of Attachment A, each of the various tasks and responsibilities that interim city staff has performed over the past year could be accomplished by any of the three levels, with the core economic support functions highlighted in yellow.

Table 2 of attachment B presents a range of tasks that are focused on business retention and support. This table shows that while many of the functions can be completed by the lower levels of an economic development specialist, many of the tasks that might be necessitated in Palo Alto, such as overseeing consultants and researching and reporting on emerging trends would require at least an economic development coordinator.

Given the wide array of potential duties and anticipated tasks that an internal staff member would need to take on in Palo Alto, including work on analysis of potential impacts, staff recommends that the City Council pursue an internal staffing plan that focuses on the Economic Development Coordinator level. This represents a hybrid approach that confers additional capacity beyond an economic development specialist position that can still be augmented by consultant support when necessary for higher-level specialized tasks. Even with an economic development manager position, consultant support would still be needed in multiple cases. As such, the Economic Development coordinator level is the most flexible and scalable of the three options discussed. Staff would recommend that in recruitment of this position ensuring characteristics and attributes that lend to data analysis will be a priority. This would likely be equivalent up to an Assistant to the City Manager classification in the organization.

Timeline and Resource Impact

Following City Council direction, it is anticipated that the work on the issuance of a Request for Proposals (RFP) for a comprehensive economic development strategy consultant and implementation of an internal staffing plan will take place concurrently.

The issuance of a RFP itself requires certain timelines and posting requirements in order to comply with purchasing procedures. The extent of City Council revisions to the draft RFP, if any, will also directly impact the timeline for issuance of the RFP. Given the posting requirements, it is unlikely that staff will be able to recommend a consultant for the ongoing work until early 2022.

Should the City Council choose to proceed with an internal staffing plan, staff can prepare a recruitment and begin that process. It should be noted that the City's recruitment staff is currently responsible for filling a number of critical vacancies across the organization and that this recruitment would need to be prioritized in that context and potentially completed with a contracted firm for ease and expedited timelines. Another impact on the internal staffing plan is the allocation of resources for this work. At the moment, there is no budgeted, ongoing, position for this work. Recruiting and retaining a qualified applicant could be challenging if a position is not budgetarily authorized on an ongoing basis as the recruitment proceeds. At this time, staff does recommend the addition of one full-time position for this work estimated to cost up to \$245,000-\$290,000 ongoing.

In addition to no budgetarily authorized positions, there is also not dedicated funding for this work. There is a Reserve for Strategic Investments set aside in the FY 2022 budget (\$750,000) for priority projects that would be appropriate to fund the consulting work commissioned as result of the RFP. Other uses for this reserve indentified by staff and the Council are for costs associated with potential November 2022 local ballot measures. Staff will return to the City Council for budgetary authorization and appropriation of funding as appropriate throughout the process.

Environmental Review

The action recommended is not a project for the purposes of the California Environmental Quality Act.

Attachments:

- **Attachment7.a:** Attachment A: Draft Economic Development RFP Scope of Work



MEMORANDUM

TO: Mr. Ed Shikada, City Manager, City of Palo Alto

CC: Ms. Kiely Nose, Interim Assistant City Manager and Administrative Services Director/Chief Financial Director

Mr. Steve Guagliardo, Principal Management Analyst

SUBJECT:

1. Attachment I: June 1 City Council Motion
2. Attachment II: Draft Economic Development Staffing Plan
3. Attachment III: Draft Economic Strategy Scope of Work

Introduction:

At the June 1 City Council meeting (Attachment I) staff was directed to prepare a staffing plan that provided options for providing economic development services for the City. Most cities in the Bay Area have an economic development program and staff to help sustain the local economy and local businesses. There are basic duties performed by an economic development staff person, but they may vary depending on the economic goals of the community and the qualifications/experience of staff. Core duties focus on support/assistance of local businesses, which continues to be a priority as the pandemic continues and businesses attempt to recover. Other duties include ongoing business outreach focused on small businesses, major employers, business that generate significant revenue for the city's general fund and providing tools and resources that can help local businesses grow.

The draft staffing plan (Attachment II) includes descriptions of three types of economic development staff positions. Most cities in the area have only staff person who has the title of Economic Development Manager but there are a few that have two or three staff. Again, the number of staff is driven by the scope of the economic development program and community goals.

An option to permanent staff, is to have the economic development function fulfilled by an outside consultant. The caveat is there are very few consulting firms that provide "staff" services. These options are analyzed and presented in Attachment I: "Economic Development Duties and Responsibilities."

There was also a motion from the June 1 Council meeting to develop a scope of work that would form the foundation of an economic strategy for the City. The strategy should focus on the following key council priorities:

- Analysis of business registry underway.
- Strategies that can deal with ongoing economic and social changes resulting from the COVID-19 pandemic.
- Strategies to enhance the City's ability to support business and visitor travel opportunities and bolster City hotels; and
- Opportunities to bolster City revenues that will sustain high quality services for residents.

Attachment III is a draft scope of work for a Request for Proposal from qualified consultants who can assist the City in meeting the priority economic goals of the City Council and the community. Many of the tasks listed in the scope are typically used to develop economic strategies but they have been tailored and augmented to specifically address the four priorities listed above. Community outreach will be a very important part of the consultant's work as the strategy should reflect input from the community about what is important to sustain economic vitality and a strong base of general fund municipal revenues that will allow the City to 1) provide a diverse array of goods and services for residents and 2) enhance the city's physical and livability environment.

This report was developed to give the City an opportunity to discuss and provide input on both the draft staffing plan and the draft economic strategy scope of work.

Attachment I: June 1 City Council Motion

MOTION: Mayor DuBois moved, seconded by Council Member Filseth to direct Staff to come back with proposal for an RFP for an economic development strategy consultant and internal staffing plan to support connection to business community with a focus on:

- A. Analysis of shifts in Palo Alto business mix including clean up and analysis of business registry data;
- B. Strategies to deal with shifts caused by the pandemic;
- C. Strategies to bolster Palo Alto hotels; and |
- D. Additional opportunities to bolster revenue and service local residents.

MOTION PASSED: 6-1 Stone no

Attachment II: Draft Economic Development Staffing Plan

ECONOMIC DEVELOPMENT DUTIES AND RESPONSIBILITIES

At the June 1 City Council meeting, staff was directed to prepare a staffing plan that provided options for providing economic development services. Table 1 lists the duties and responsibilities of the City's economic development staff person. Current economic development staff is an interim assignment focused on helping local businesses deal with the impacts from the pandemic's economic disruption. Assistance includes providing current information about health orders, resources (primarily grants and loans) available from the County, state, and federal government, and answering questions from businesses may have. Even prior to the pandemic, city economic development staff spent most of their time working with local small businesses especially those located in downtowns and neighborhood commercial districts. A large percentage of time is spent resolving issues between the business and the city's permitting process and other regulatory requirements.

TABLE 1

Duties and Responsibilities of Interim Economic Development Staff – Business Outreach and Support	Economic Development Specialist Position	Economic Development Coordinator Position	Economic Development Manager Position
1. Primary responder to assist local businesses during COVID-19.	X	X	X
2. Primary point of contact for business questions about re-opening, available City and external resources, program, funding (grants and loans), and other miscellaneous business inquiries.	X	X	X
3. Coordinate and facilitate communication with other City departments with businesses regarding regulations that affect them (permitting, fees, licenses, etc.)	X	X	X
4. Provide conflict resolution between businesses and building and fire regarding code compliance and changing health orders.	X	X	X
5. Conduct ongoing assessments of storefront vacancies in the downtown and commercial districts.	X	X	X
6. Create and maintain business contact information.	X	X	X

Duties and Responsibilities of Interim Economic Development Staff – Business Outreach and Support	Economic Development Specialist Position	Economic Development Coordinator Position	Economic Development Manager Position
7. Cultivate close working relationship between the City and Chamber of Commerce.	X	X	X
8. Leverage relationships with external partners, such as the Chan Zuckerberg Initiative, to maximize impact of grants to local businesses.	X	X	X
9. Facilitate stakeholder meetings with merchant groups at the two downtowns (University and California Avenues)	X	X	X
10. Liaison with external stakeholder organizations and support initiatives such as Table 22 and Restaurant Rescue.	X	X	X
11. Liaison with the Farmer's Market staff. Developed market footprint changes to allow vendors and outdoor dining to share space on California Avenue.	X	X	X
12. Assist the Utilities Department with Business Advantage Program.	X	X	X

Duties 1-6 in Table 1 (highlighted in yellow) would be considered basic economic development responsibilities. Duties 7-12 involve outreach and engagement with specific stakeholder groups which is also an expected responsibility, but the groups may vary in each community. Most economic development programs in Silicon Valley are focused on business retention and expansion (BRE). Expansion refers to the growth and development of businesses already located in the community as well as any emerging clusters that have the potential to grow.

Table 2 lists fundamental economic development duties that are focused on business and expansion (BRE). Rural and urban communities that lack sufficient jobs and business investment also focus on recruitment of new businesses. In the past, Silicon Valley has been center of new business formations and rapidly growing technology companies so there was not a need to recruit new businesses from outside the region or state. Silicon Valley is also not a viable location option for companies with cost sensitive operations.

Table 2

Other Core Economic Development Duties and Responsibilities	Economic Development Specialist Position	Economic Development Coordinator Position	Economic Development Manager Position
Business Retention & Support			
1. Implement consistent business retention outreach to all key business sectors such as small and large employers; independent and brand retail located in retail centers and individual storefronts, hotels, restaurants, and	X	X	X
2. Support large retail centers to ensure there is flexibility for filling vacant spaces with active uses, assistance for retail tenants and resolution of center issues such as safety and parking.	X	X	X
3. Monitor industrial and office vacancies; work with property owners, brokerage community, prospective tenants, and developers to match available vacant or underutilized properties with desired commercial business activities.	X	X	X
4. Works closely with other City departments to successfully facilitate permit processing of economic development projects.	X	X	X
5. Monitor city fees to ensure that the cost of doing business in Palo Alto is competitive with surrounding communities.	X	X	X
6. Review Downtown zoning and building code requirements to ensure there is flexibility for interim uses that activate storefronts and streets.	X	X	X
7. Monitor quarterly sales tax reports to identify any shifts in revenue	X	X	X

Other Core Economic Development Duties and Responsibilities	Economic Development Specialist Position	Economic Development Coordinator Position	Economic Development Manager Position
generated by key businesses and develop actions to resolve any discrepancies.			
8. Conduct outreach quarterly to top sales tax revenue generators (auto dealerships, use tax generators, retailers, etc.).	X	X	X
Building Capacity			
1. Ensure infrastructure capacity can support existing and new businesses (broadband, sewer and water treatment, transportation, etc.)	X	X	X
2. Leverage partnerships with stakeholder groups involved with local businesses to expand resources and technical assistance.	X	X	X
3. Recommends and oversees the use of consultants and outside professional service providers as needed.		X	X
4. Research and monitor emerging industry sectors, relevant to the local economy.		X	X
5. Research and analyze local, regional, and national economic and demographic data and trends; develop efficient methods of maintaining current, needed data on real estate trends, and related issues.			X
6. Facilitate analysis and negotiation of #7 including all technical requirements such as pro-forma, financial statements, applicable laws, and regulation, etc. <i>(Note: preparation of financial analysis such as proformas is specialized expertise that</i>			X

Other Core Economic Development Duties and Responsibilities	Economic Development Specialist Position	Economic Development Coordinator Position	Economic Development Manager Position
<i>consultants would provide for projects)</i>			
7. Coordinates and prepares financial and technical reports and budgets.			X
8. Coordinate and recommend project activities including real estate acquisition and disposition, relocation, demolition, eminent domain actions, building construction and rehabilitation, property management and project improvements.			X
9. Provide timely, well documented studies, analyses and reports that provide a sound foundation for policy decision recommendations by the economic development team and policy decision making by the City Council.			X

Some Bay Area community economic development programs are focused on attracting and facilitating new development such as the expanding biotech industry although most communities do not allocate funds to market or promote to attract new businesses. More economic development program staff engage in proactive outreach to retail brokers, retail center developers, and new retail stores and formats to fill vacant space and boost general fund sales tax revenue to support city services and amenities.

Staffing Plan Options

Position descriptions for an economic development specialist, coordinator and manager can vary depending on the community; there is no uniform standard description of duties and responsibilities. A specialist's duties and required years of experience should be less than a manager as the latter would have more years and greater breadth and depth of experience (and education and training) that supports a higher complexity of work, judgment and decision making. Depending on community goals and assets such as land for new development, staff may not need to perform duties 6-8. Most economic development programs in surrounding communities have only one staff with the title of economic development manager.

If the community's priority goals are to support local businesses and sustain tax revenue for the general fund, then economic development duties can focus on achieving those outcomes. Based on the description of duties and tasks undertaken by the temporary economic development staff person, the City would benefit from a full-time position. An alternative to a permanent hire is to find a consulting firm that can provide qualified staff on a full or part-time basis but there are very few firms provide that service.

Attachment III: Draft Economic Strategy Scope of Work

DRAFT ECONOMIC STRATEGY FOR THE CITY OF PALO ALTO

The City of Palo Alto, located in Santa Clara County, is a charter city that was incorporated in 1894 under the Council-Manager form of government. The City is located 33 miles south of San Francisco; 17 miles north of San Jose; and 356 miles north of Los Angeles. Palo Alto promotes and sustains a superior quality of life in partnership with the community. The City's goal is to deliver cost-effective services in a personal, responsive, and innovative manner.

Palo Alto's population was 66,573 in 2020. This represents a 0.7 percent decrease over the previous year and a 12.47 percent increase since 2000. The City has high educational attainment at the elementary, middle school, high school, and college levels. The median household income and median home price are among the highest of cities located in Silicon Valley.

Palo Alto has a strong inventory of rentable office and research and development space. Major employers include Stanford University, VMware Inc., SAP Labs Inc., Varian Medical Systems, and hospitals and healthcare providers as well as strong retailers represented by car dealerships, high-end specialty accessory stores, major department stores, and businesses that generate use tax.

Like many cities, Palo Alto has experienced a significant economic impact from the COVID-19 pandemic which resulted in a major decrease in general fund revenues from sales/use and hotel taxes. Many of these impacts will have longer-term effects. Compounding ongoing shifts in the marketplace from increased online sales and restructuring in the retail industry, the City Council feels it is important to evaluate economic impacts and trends by engaging a consultant to prepare an economic strategy that addresses challenges and identifies opportunities that arise as the economy recovers.

The consultant(s) should have the expertise to produce a focused strategy plan that covers both a short-term (three years) and longer-term (beyond three years) horizon. Both approaches should be framed by City's economic and community vision. Important elements of the vision include:

- Providing excellent services to the residents and community at large
- Ensuring citizens have an active voice in government services.
- Preserving the diverse character of Palo Alto and the City's livable neighborhoods

The City's priority goals include sustaining businesses that contribute to economic vitality and strong base of general fund municipal revenues that allow the City to continue to provide a diverse array of goods and services for residents and enhance the city's physical and livability environment. Another goal is to support and maintain a mutually beneficial relationship with

Stanford University which has made rich contributions to the City and the community. Finally, as a considerably developed City, most new or rehabilitation development will occur within Palo Alto's business employment districts and will be consistent with the role and character designated for those districts by the City's Comprehensive Plan.

The strategy plan should leverage and build on recent economic development efforts (that primarily addressed impacts from the COVID-19 pandemic) as well as previous plans and studies and current data and findings from research to be completed for this plan. Reliance on existing data and relationships will be important to maintain and expedite the completion of this engagement. The strategy should address four priority areas that include:

- Analysis of business registry underway.
- Strategies that can deal with ongoing economic and social changes resulting from the COVID-19 pandemic.
- Strategies to enhance the City's ability to support business and visitor travel opportunities and bolster City hotels; and
- Opportunities to bolster City revenues that will sustain high quality services for residents.

As a highly educated community, with diverse perspectives from all members, it is expected that this work be completed in a wholistic and engaging manner. The City has worked hard to develop relationships with the business community, Stanford University, and the residential population that must all be considered, consulted, and engaged in this effort. Outreach should strive to meet these different populations where they reside and should include a variety of approaches such as, but not limited to, focus groups, interviews, surveys, social media, and other innovative communication tools. With significant outreach and likely divergent views, it is critical that any final products from this engagement be grounded in facts, be engaging in content and format, tell Palo Alto's full story as viewed by all stakeholders. To ensure communication of these items the report or final product should include graphics and visual elements, relevant case examples, and best practices as key expectations of this assignment.

The consultant(s) shall provide professional services to accomplish the following goals; the proposal is expected to articulate the consultant recommendations for meeting these goals (e.g., tasks to be completed, data to be used, stakeholder engagement to be deployed). Proposals are expected to leverage and utilize the expertise of the submitter, best practices, and industry standards to guide the work. Leveraging existing data, focusing on fact-based analysis, and using anecdotal and survey type information as supplemental and storytelling perspectives will be important to meet timelines, establish well rounded credibility and demonstrate balanced professional expertise that take in consideration not only a typical economic development scan or strategy but one tailored to the characteristics and community of Palo Alto specifically.

Whenever possible, the consultant should address key impacts and findings with recommended strategies for a three-year and then a longer-term horizon so that the City can anticipate and prepare for economic shifts (beyond three years). Best practices and case examples that are the most relevant and practical for Palo Alto's strategy are important, but the City also welcomes new, innovative ideas that can achieve results.

The proposal should specifically address the following:

These are organized by the specific task outlining the desired goal or outcome, with further areas for consideration to facilitate proposers understanding of questions or areas of specific focus that may be of assistance. Proposers are expected to provide professional expertise and guidance on how they propose to attain the requested goals/outcomes. Identification of near term versus longer-term strategies will be helpful. Inclusion in the proposal of the data recommended to be used, with a focus on existing available information, will be critical in review of the proposed method to attain the desired goals.

- A. Reconfirm the appropriate City economic development goals and objectives that will guide strategy. The current identified focus areas include:
 1. Analysis of business registry underway.
 2. Strategies that can deal with ongoing economic and social changes resulting from the COVID-19 pandemic.
 3. Strategies to enhance the City's ability to support business and visitor travel opportunities and bolster City hotels; and
 4. Opportunities to bolster City revenues that will sustain high quality services for residents.
- B. Complete a scan of existing economic conditions within the City of Palo Alto limits.
 1. A scan of current conditions should ground the report in the status specifically within City limits (key attention to City boundaries versus County unincorporated, and neighboring jurisdictions is important) and, as much as possible, ultimately establish a baseline profile. Characteristics and data likely to be included in the baseline may include but not limited to:
 - a. Identify existing and emerging industry clusters and assets unique to the region and whenever possible, Palo Alto including key metrics. Key metrics may include number of jobs, wages, and growth potential.
 - b. Determine which existing and emerging clusters will add the most value to the City's economy.
 - c. Identify existing Palo Alto specific challenges that constrain or facilitate growth such as infrastructure, transportation/logistics, access to capital, availability of talent, government regulatory policies, workforce, availability of sites and buildings. Helpful

outcomes would include What can the City to optimize their growth and retain these businesses?

2. Create an economic snapshot template for the City and the region that can be updated with current data and indicators (information should be important to business location decisions).
 3. Include a focus area specifically on office and industrial space trends assisting in providing context of metrics such as vacancy rates and major tenants.
- C. Acknowledge key global and national economic trends, events, indicators, and forecasts and in the context of this environment.
1. Assess the impact on the region and the City of Palo Alto specifically.
 2. Identification of impacts on City's business sectors, tangible strategies, and actions that the City could undertake to prepare for shifts. Note: particular interest is around retail, travel, and high tech.
- D. Identify and scope out tangible and actionable options for strategies to deal with impacts on local businesses caused by pandemic. Key insights that would be critical for inclusion may include but not limited:
1. Understanding and data summarizing the local economy and business environment prior to the COVID-19 (2019), an estimate of losses incurred during the primary year of the pandemic (2020) and gains that have occurred since the "recovery" post June 15, 2021.
 2. Use analysis and implications of aggregate sales/tax revenue for key categories of businesses located City-wide (auto dealers, restaurants, high end retail brand stores), in downtown, commercial districts, regional and neighborhood shopping centers, to project post-pandemic performance and trends.
 3. Identify key market and operating challenges local businesses continue to face; resources and tools needed for sustainability; and what the City can do to assist them. (This should build from efforts already conducted by the City to obtain this information.)
 4. Identify relevant programs and resources that can help local businesses expand their customer base that include new operating formats, marketing and promotions, and campaigns to increase shopping by residents.
- E. Identify additional opportunities to bolster revenue needed to ensure high quality services for residents. (Note: the consulting team should include a retail/sales/use tax expert(s) who has worked directly with retail businesses and understands their location and market requirements as well as changes in consumers' shopping preferences).
1. Provide a baseline summary and data to articulate the presence of retail space available City-wide that includes both existing and opportunity sites.

2. Provide an understanding of the current mix of tenants in major commercial districts, downtown and shopping centers and how location and market strengths and weaknesses may impact major retail centers, downtown, and commercial districts.
 3. Identify existing brand retailers currently located in the City that are performing well and those at risk.
 4. Ensure clarity of any other barriers or threats to the City's high performing retailers located in the City, consequences or risk associated with losing those retailers and strategies for building sustainability in the retail base.
 5. Conduct a retail gap or void analysis and align it with sales tax leakage occurring in the City to identify any new retail opportunities that may be a fit for Palo Alto.
 6. Review the City's major sources of use tax revenue to identify strengths, weaknesses, and opportunities with respect to pre-COVID, current performance and short-term (three years) projections.
 7. Provide recommendations with respect to actions, tools, and policies the City can utilize to storefront reduce vacancies by activating marginal or vacant storefronts and reuse of large store formats.
- F. The travel industry (both business and visitor) has been particularly impacted by the pandemic. Identify opportunities to support Palo Alto Hotels and the travel/visitor activity in Palo Alto. (Note: the consulting team should include a travel industry expert who has worked with convention/visitors' bureaus, hotels, meeting facilities, transportation, event, and conference management.)
1. In the context of existing business and tourism sector with respect to local and regional assets and amenities such as cultural attractions, events, meeting and conference facilities, and lodging (all types) to provide an estimate market recovery for room occupancy, domestic and foreign air travel, meetings/conferences, and the specific ties to the Palo Alto visitor activities.
 2. Identify changes in corporate travel policies resulting from COVID-19 that will have an impact on recovery of this sector.
 3. Provide strategies that could enhance economic recovery of this sector in the City.
- G. Assess City's business registry with identification of current gaps and addressing those where possible.
1. Provide observations and a conclusive summary of the City's business population including total count and profile by business type for use in execution of the above strategies for support. A key goal of this assessment is data driven analysis on the current characteristics of the business population in Palo Alto and shifts in the business mix.

2. Examples of helpful data or analysis needed to establish a profile of the City's business population may include the following list, though collection of to establish a new database would be an additional task order subject to approval as needed.
 - a. Types of businesses
 - b. Business structure
 - c. Days and hours of operation
 - d. Transportation assistance and benefit
 - e. Number of employees
 - f. Number of storefronts versus home-based businesses
 - g. Number of businesses subject to Business Improvement District assessment

REPORT FORMAT

The report is expected to be in a written form with actionable plans to address the goals identified by the City Council. It should include narrative, graphics, and communication through infographics to articulate the proposed strategies. In addition, there should be a presentation deck (no longer than 15 minutes) included in the submittal as an addendum.

AVAILABLE RESOURCES

The following documents are available for reference and should help shape the Economic Strategy:

- City's Comprehensive Plan
- Past polling and feedback from the business community (e.g., surveys completed as part of the pandemic as well as prior polling for potential ballot measures)
- Staff reports discussing the impacts of the pandemic and current strategies deployed such as parklets and street closures
- Annual budget documents include economic information, demographic data, and revenue specific information
- Existing database of business registry information maintained by a third party
- Tax specific reporting such as quarterly sales tax summary reports and property tax summary information
- City maintains subscription access to industry data such as CoStar and UCLA Anderson Forecast
- Current City business registry data



City of Palo Alto City Council Staff Report

(ID # 13540)

Report Type: Action Items

Meeting Date: 9/13/2021

Summary Title: Downtown and California Ave Street Closure, Fees, Parklet Extension

Title: Staff recommend Council: (a) Adopt a Resolution Authorizing the City Manager to Close University Avenue and California Avenue and Some Intersecting Streets Until a Date the Council Determines and Provide Direction Regarding Associated Fees or Charges; (b) Provide Direction Regarding the Duration of the Temporary Parklet Program and Development of Associated Fees or Charges; (c) Receive Updates regarding the Permanent Parklet Program the Downtown and California Avenue Streetscape Designs.

From: City Manager

Lead Department: Planning and Development Services

Recommendation

Staff recommends the City Council: (a) Adopt the Attached Resolution Authorizing the City Manager to Close University Avenue and California Avenue and Some Intersecting Streets Until a Date the Council Determines and Provide Direction Regarding Associated Fees or Charges; (b) Provide Direction Regarding the Duration of the Temporary Parklet Program and Development of Associated Fees or Charges; (c) Receive Updates regarding the Permanent Parklet Program the Downtown and California Avenue Streetscape Designs.

Executive Summary

This report covers several topics and seeks the City Council's direction on next steps.

The Downtown and California Avenue Street closures are currently authorized through September 30, 2021 by direction of the City Council. The City Manager's authority to close such streets will end on October 31, 2021. Council may wish to extend the City Manager's authority to close these streets or allow it to conclude as scheduled. The report offers a few dates to

consider if Council wishes to extend the closures. This report also provides updated information regarding preferences of businesses as well as data regarding the economic impact of the closures on revenues.

This report also discusses options for addressing the costs of street closures. If Council extends the closures beyond calendar year 2021, staff seek Council's direction on development of new charges for business activities that occupy closed streets. Such pricing and collection of monies could contribute towards expenses for maintaining and upgrading closures.

This report provides an update on the development of the permanent parklet program. Given the timeline for developing and adopting permanent parklet guidelines, staff recommend Council extend the temporary parklet program to June 30, 2022. If Council extends the temporary program and ends fee waivers, staff will return with an update to the parklet ordinance. Staff also seek direction regarding ending or continuing waivers of encroachment permit fees and daily parking space occupancy fees.

Lastly, the report provides an update on Downtown and California Avenue streetscape planning efforts.

Background

COVID-19 Pandemic

At the time of this report's writing, the Bay Area remains in the fourth wave of the COVID-19 pandemic. This surge in COVID transmission, illness, hospitalization, and death has been driven by the delta variant, a more contagious strain of the virus. In addition, vaccinated persons can contract and transmit the disease. With a significant portion of the population unvaccinated, including children under 12, the virus continues to pose challenges to activities of daily life and to the operation of commercial enterprises.

Street Closures and the Temporary Pilot Parklet Program

On June 1, 2020, the Santa Clara County Health Officer issued an order effective June 5, 2020, authorizing outdoor dining. On June 23, 2020, the City Council adopted Ordinance 5500, which allows the City to issue encroachment permits for dining and retail uses on sidewalks, closed streets, parklets, and public surface parking lots. At the same time, the City Council approved Resolution 9909, which provided additional implementation guidelines for the pilot parklet program. Council also authorized the City Manager to close certain streets to vehicular traffic to allow more space for outdoor dining and retail.

On June 22, 2021, the City Council approved a replacement ordinance to extend the Uplift Local Encroachment Permits, including the pilot parklet program, to December 31, 2021. Council also

amended Resolution 9909 to extend the City Manager’s authority to close University Avenue and California Avenue and certain intersecting streets to October 31, 2021.¹ On June 22, 2021, Council gave direction to staff to keep the streets closed until September 30, 2021 and review the closures after Council’s summer break.

Discussion

Since Council went on summer break, COVID-19 transmission has surged while the City prepared to conclude the street closure program (September 30, 2021).

Duration of the Street Closure Program

Council may choose to conclude the street closure program on September 30, 2021, or choose to extend the City Manager’s authority to another date. The following section discusses the advantages and disadvantages of several options. Council may consider different approaches to California Avenue and Downtown areas.

- **September 30, 2021** - Allow the program to sunset on September 30, 2021, as scheduled. At this time, dining and retail on the roadway would cease. Restaurants could continue to provide table service at parklets or permitted sidewalk dining areas. If a restaurant does not currently have a parklet, they can file an application to construct a parklet, using the temporary parklet program guidelines. This scenario leaves space for outdoor dining while resuming vehicle access. Staff recommended this date in June 2021.
- **November 1 or November 22, 2021** – Extending the program to the beginning of November 1 or November 22 allows restaurateurs to benefit from the last days of autumn sun, while retailers can benefit from vehicular traffic during the holiday shopping season. Any future street closure would require re-establishment of street closure authority.

Many scientists predict the delta variant surge will peak around mid-September. It’s unclear if the holidays will bring another surge. The current surge and any future surge diminish the willingness of patrons to dine indoors. So, this time could be exactly when more space for outdoor dining is needed. It should be noted, though, that if temporary parklets are retained, some outdoor area for dining remains.

This schedule does bring some balance to the City’s pandemic response. The holiday shopping season is critical for retailers large and small. Many retailers have attested to the importance of visibility to motorists and proximate parking for their operations. This

¹ Staff report: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/2021/id-12354.pdf>.

timing also coincides with seasonal weather changes, with cooler temperatures and fewer daylight hours. These conditions make outdoor dining less attractive compared to the summer months.

- **January 31, 2022** – This would allow flexibility for opening and closing streets as the delta variant surges and allows flexibility should a wintertime surge develop. Council may consider extending the closure authority until January 31, 2022, with direction to open the streets to traffic during the holiday shopping season (November 1 or November 22 or other date). This would allow time to observe what happens this winter and decide early next year if the program continues to be needed. With a stated time of the streets being open the City can create the opportunity for retailers to be competitive during the holiday shopping season.
- **Downtown: Weekday Streets Open to Traffic and Closed on Weekends** - The City could extend the street closures while also allocating funds to facilitate closing and opening the streets to traffic weekly. Operationally, a crew would place barriers on Fridays and remove the barriers on Monday mornings. This schedule recognizes that the downtown street closures areas are most populated on weekends. This allows the retailers vehicular access during the week, and restaurants street dining opportunities during the weekend.

The opening/closing process requires personnel. Public Works estimates the cost to open/close the street using the current traffic control devices and configuration to be \$27,000 to \$37,000 per month, with the higher end of the range representing overtime work. This estimate does not include some other related but less impactful costs, such as Police Department enforcement of no parking requirements when the weekend closures are implemented, and Office of Transportation costs to change traffic signal programming.

The City Council would need to allocate funds to support this operation. If Council selects this option, staff will return with a budget adjustment based on the costs as well as the duration of this open/closure activity. Council will still need to decide the duration of the program and by extension the duration of the street closures. The cost of the closure could be allocated to Downtown businesses using the closed streets. Based on the current number of permittees, and without attempting to differentiate costs based on differing square footage uses of the space, the costs equate to \$675 to \$925 per month for each permittee.

Some restaurateurs have expressed this option would challenge them to remove their items from the street weekly. This strains their staff resources, adds wear-and-tear on the furniture and requires storage space to store the outdoor dining furniture.

If this option is selected, Council will need to determine the open/close date for California Avenue separately. While this opening and closing could be facilitated on

California Avenue, the street's set up would make weekly opening/closing more difficult and less desirable than Downtown.

- ***Authorize the City Manager to Suspend Closures based on Weather Considerations*** – Finally, the City Council could delegate timing of a winter suspension of both closures to the City Manager. This would only be exercised if weather conditions are likely to impact outdoor dining for an extended period. Given the associated changes involved for all involved, once exercised such a suspension would like remain until Spring 2022.

The remainder of this section provides information to aid Council in its deliberation and decision-making.

Impact of Street Closures on Palo Alto Businesses

During the City Council's discussion of economic development activities in June, the City Council asked for more information about the impacts of street closures on various types of businesses. The City is working with our sales tax consultant AvenuInsights to analyze the sales tax performance of businesses throughout the pandemic by comparing information from businesses (aggregated to ensure anonymity) within and near the street closures to pre-pandemic levels. The most up-to-date sales tax data available through March 2021 is currently being analyzed and will be transmitted to the Council and public on September 9, in advance of the September 13 discussion of this item.

Concurrent with that analysis, staff also released a survey to local businesses to inform ongoing economic support and development activities. It is important to note that the survey was not designed to be a statistically significant survey but rather to serve as another means of outreach for input and feedback from our local business community.

The survey was available to ground floor businesses located within and nearby the closed streets, and sought information from businesses regarding their financial performance through the COVID-19 pandemic. Of the 287 included businesses, a total of 65 survey responses were received. The survey conveyed various responses from businesses and shows that while there is no clear pattern on perceptions of economic impacts from COVID-19 nor consensus of opinions on street closures, there were some areas of agreement regarding economic support activities. The areas for additional economic support are discussed as part of a separate Council item.

More detail regarding the survey is provided in Attachment B. Table 1 provides an overview of the respondents. The inconclusive nature of the survey stems in part from the low response rates from businesses.

Table 1: Survey of Ground Floor Businesses Downtown and Cal Ave

Respondents by Area and Industry Type	# of Respondents
Cal Ave	10
<i>Inside road closure</i>	5
Restaurant/Eating and Drinking Places	2
Retail (other than eating/drinking places)	2
Service (e.g. Hotels, Health Services, Legal Services, Social Services, Accounting)	1
<i>Near street closure</i>	5
Restaurant/Eating and Drinking Places	1
Retail (other than Restaurants/eating and drinking places)	1
Service (e.g. Hotels, Health Services, Legal Services, Social Services, Accounting)	3
Location Not Identifiable	15
<i>Inside road closure</i>	7
Office (e.g. Banks, Insurance, and Real Estate)	1
Restaurant/Eating and Drinking Places	5
Retail (other than eating/drinking places)	1
<i>Near street closure</i>	8
Office (e.g. Banks, Insurance, and Real Estate)	1
Restaurant/Eating and Drinking Places	2
Retail (other than eating/drinking places)	3
Service (e.g. Hotels, Health Services, Legal Services, Social Services, Accounting)	2
University	40
<i>Inside road closure</i>	24
Restaurant/Eating and Drinking Places	13
Retail (other than eating/drinking places)	10
Service (e.g. Hotels, Health Services, Legal Services, Social Services, Accounting)	1
<i>Near street closure</i>	16
Office (e.g. Banks, Insurance, and Real Estate)	1
Restaurant/Eating and Drinking Places	6
Retail (other than eating/drinking places)	7
Service (e.g. Hotels, Health Services, Legal Services, Social Services, Accounting)	2
Grand Total	65

Traffic Count

Staff have performed additional traffic counts in Downtown Palo Alto to quantify vehicular traffic changes on Downtown streets. As with the sales tax data referenced previously, this information will be published on September 9th.

Stakeholder Input

The opinions of stakeholders have not shifted significantly since the Council's last discussion of this matter. Generally speaking, owners of restaurants located within the closed streets along University Avenue and Ramona Street corridors and on California Avenue prefer the closures. Due to the rise in delta variant, they report that fewer diners want to eat indoors.

Likewise, retail and retail-like uses generally prefer the streets be opened to vehicular traffic. For these businesses, they feel restaurants have had a chance to use the streets, now more balance is needed. These businesses also point out that through parklets these restaurants can continue outdoor meal service. Retailers continue to report diminished sales and indicate the street closure contributes to these decreased sale volumes. While there are fewer retailers in the Cal Ave closure, retailers within and around the closure report challenges they attribute to the closure.

Palo Alto residents continue to support continuation of the street closures. The program remains very popular. Since the June 22, 2021, City Council meeting, the City has received at least 164 emails requesting that Council continue the closures.

Pricing the Street Closure Program

If Council extends the street closures, Council may also direct staff to develop a fee or charge for the street closure program. This fee may seek to recover costs associated with the street closure, including enhanced cleaning. In the event Council elects to open/close the streets weekly, the fee could recover those associated costs.

Parklets

Staff have begun development of the permanent parklet program. At present, staff estimate being able to bring a permanent program to the City Council for adoption and implementation by June 2022. The proposed timeline for the project is:

- Learning from Other Cities – Ongoing through October 2021. Staff are interviewing other cities, participating in parklet tours, and other collaborative programming to learn from neighboring cities.
- Prepare Draft Parklet Guidelines, Ordinance, and Permit Costs – Winter 2021/2022
- Engaging Architectural Review Board (ARB)– Winter 2021/2022. Staff will solicit input from the Architectural Review Board regarding the designs of permanent parklet and the application of the architectural review process to parklet applications.

- ARB review and recommendation of Parklet Guidelines, Ordinance, and Lease Costs – Winter/Spring 2022
- Council Review of Guidelines, Adoption of Ordinance, and Lease Rates – Spring/Summer 2022
- *Environmental review may also be necessary.

At this time, staff recommend extending the temporary parklet program to June 30, 2022. This extension will allow the development of a robust and thoughtful permanent parklet program. This will also allow sufficient time for outreach to current permit holders and future parklet applicants. If Council provides direction to extend the temporary parklet program, staff will return with a consent agenda item that updates the ordinance.

Parklet Fees

Managing the parklet program, including reviewing and issuing permits as well as inspections and code enforcement, require staff time. Additionally, the parklet program allows public space to be used for private enterprise. Staff anticipate development of appropriate fees and charges for the permanent parklet program. The Council may also consider directing staff to develop appropriate fees and charges for the temporary parklet program; however, as this would detract from the efforts to develop the permanent parklet program, staff is not recommending fees for temporary parklets.

Streetscape Design

University Avenue

The University Avenue Streetscape Design project continues to take shape. Staff have drafted and issued a Request for Proposal (RFP), seeking a consultant to provide design and engineering services between Alma Street and Middlefield Road. The goal of the project is to adapt the public realm to maximize pedestrian and bicycle use, and accentuate and enhance the retail environment, while maintaining vital two-way vehicular access, parking opportunities, delivery and loading zones, ride share spaces, and other amenities including performance space. The priority is to create a more vibrant and inclusive space to support residents and local businesses.

The proposed scope of work in the RFP for the initial phase of the project includes site analysis and field survey work, preliminary environmental studies including a traffic study and arborist report, a design charrette and public meetings to develop a community preferred plan line, cost estimates, and an assessment analysis to allocate the costs to businesses and property owners who would benefit from the expanded space. Proposals in response to the RFP are due at the end of September 2021, and staff welcome any Council feedback on the RFP's proposed scope of services (Attachment C).

California Avenue

While the University Avenue projects get underway, staff are also planning next steps for California Avenue. In response to Council's June 22, 2021, direction to have Staff return with a process recommendation to pursue pro-bono design expertise for California Avenue, staff recommends focusing California Avenue energies on the design of the permanent parklet program as well as other public and privately-owned street features. Working with the ARB, local businesses, and community members, the City can create a unique permanent parklet program that enhances the streetscape and pedestrian environment along California Avenue. This discussion could also include consideration of minor streetscape improvements that take into account the significant investment already made in the recent California Avenue Streetscape project.

Stakeholder Outreach

In addition to the ground floor business survey mentioned above, staff have held meetings with the California Avenue businesses, Downtown business community, and the general Palo Alto public. These monthly meetings paused for the month of July and resumed in August. In addition, as noted, members of the public and business community have written to City Council to express their perspectives.

Resource Impact

Additional maintenance and trash removal resulting from the street closures costs approximately \$15,000 a month. These costs are for inspection and maintenance of traffic control devices, and weekend litter and trash control. The costs do not include existing ongoing maintenance such as street sweeping and steam cleaning.

To date, the City has waived all parklet and other encroachment fees under the Uplift Local program; this waiver mostly impacted FY20-21 and some in FY19-20 as most parklets were constructed in those fiscal years. Testimony suggests those waivers resulted in the ability for businesses using outdoor areas to stay afloat. In that regard, the waiving of fees may have supported the generation of tax revenues—a portion of which come to the City.

Ongoing costs include continuing outreach meetings, ongoing maintenance costs, and staff time devoted to developing the permanent parklet program and streetscape design work.

As noted above, should Council direct staff to open/close the streets Downtown, staff will return with a budget adjustment for the associated costs. Likewise, should Council direct staff to develop fees or charges for either street closures or temporary parklets, staff will return for future Council action.

Environmental Review

Resuming vehicular traffic on University Avenue, California Avenue, and the adjacent streets is categorically exempt under California Environmental Quality Act (CEQA) Guidelines Section 15301 (existing facilities) and 15304 (temporary uses). Likewise, the development of fees or charges as part of the Uplift Local program is categorically exempt from CEQA under Sections 15301 and 15304. Further, the extension of the temporary parklet program through extension of the ordinance is also exempt from CEQA under Sections 15301 and 15304.

Attachments:

- Attachment8.a:** **Attachment A: Resolution to Extend the Temporary Closures of Portions of California Ave. and University Ave. and Certain Intersecting Streets** (PDF)
- Attachment8.b:** **Attachment B Ground Floor Business Survey** (PDF)
- Attachment8.c:** **Attachment C: University Avenue Streetscape Project Scope of Work**
(PDF)

NOT YET APPROVED

Resolution No. ____

Resolution of the Council of the City of Palo Alto Amending and Restating
Resolution No. 9933 to Extend the Temporary Closures of Portions of California
Avenue and University Avenue and Certain Downtown Streets Intersecting
University Avenue Pursuant to California Vehicle Code Section 21101 to Facilitate
Outdoor Dining, Retail, and Other Uses

R E C I T A L S

A. On June 23, 2020, the Council adopted Resolution No. 9909 approving the temporary closure of portions of California Avenue, University Avenue and certain other Downtown streets through Labor Day 2020 to allow for outdoor dining and retail on those streets, consistent with the Santa Clara County Public Health Order in effect. The street closures were part of a Summer Streets Program initiated by the City to accommodate outdoor uses at a time when indoor dining remained prohibited in the County and the growing scientific evidence showed a lower risk of COVID-19 transmission outdoors compared to indoors. At that time, the City anticipated that indoor dining would be allowed to resume in the County, as had been allowed in neighboring counties, and sought to address the immediate needs of the community including residents, workers and businesses that had been severely impacted by loss of business activity and revenue.

B. Through Resolution No. 9909 the Council also approved a temporary pilot parklet program to allow parklets to be installed in on-street parking spaces on an expedited and temporary basis to provide more space for outdoor dining.

C. On July 2, 2020, the County Public Health Officer issued a revised Shelter in Place Order, to become effective on July 13, 2020, that allowed certain additional activities to resume if specified strict across-the-board risk reduction measures were followed. The objective was to allow activities that were already allowed in surrounding jurisdictions, which had reopened more quickly than Santa Clara County, so long as the prescribed risk reduction measures were followed.

D. On July 7, 2020, the State approved Santa Clara County's requested variance that allowed the revised Shelter in Place Order to go into effect on July 13, 2020.

E. However, with the number of COVID-19 cases dramatically increasing again in the State, on July 13, 2020, the Governor announced a sweeping roll back of the reopening that the State had allowed. The State mandated that all counties close certain indoor operations, including in-restaurant dining. For counties on the State's monitoring list for 3 consecutive days (and thus placed on the State "watchlist"), the State required the closure of additional industries or activities unless they could be modified to operate outside or by pick-up; these included gyms and fitness centers, places of worship and cultural ceremonies, personal care services, hair salons and barbershops, and shopping malls.

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F. Through the summer, the United States including “hot spots” like California continued to hit new highs in confirmed cases and deaths, as the loosening of shelter-in-place restrictions had precipitated a resurgence of the virus in many states, including California. As of July 27, 2020, the State was averaging nearly 10,000 new COVID-19 cases per day, and hospitals and their intensive care units were filling up. Thirty-seven counties representing 93% of the State’s population were on the State’s watchlist, and California had 460,550 confirmed cases of COVID-19, resulting in 8,445 deaths.

G. On August 10, 2020, the Council adopted Resolution No. 9911, which amended Resolution 9909, to extend until December 31, 2020 the temporary closure of portions of California Avenue and University Avenue and certain intersecting streets to allow for continued use of these areas in the heart of the City’s commercial districts to allow for outdoor dining and potentially other activities as may be allowed by State and County Public Health Orders. Resolution No. 9911 also extended the temporary parklet program to September 7, 2021.

H. Since August 2020, the County Public Health Officer issued a Risk Reduction Order on October 5, 2020, which coincided with the County moving into the orange tier under the State’s “Blueprint for a Safer Economy” tiered restriction system.

I. However, on November 16, 2020, the State moved Santa Clara County two steps from the orange/moderate tier to the purple/widespread tier (the highest risk tier) due to a sharp increase in COVID-19 cases statewide. On that date, the County reported 388 new cases of COVID-19, bringing the cumulative total to 28,686. As of November 17, 2020, California reported 1,029,235 confirmed cases of COVID-19, resulting in 18,263 deaths, and 94.1% of the State’s population was now in the purple tier (according to the Governor’s Office). The State’s rules for the purple/widespread tier mandate that restaurants and gyms cannot have indoor service and retail stores may only have 25% capacity indoors.

J. On December 14, 2020, the Council adopted Resolution 9933, which amended Resolution 9099, to extend until May 31, 2021 the temporary closure of portions of California Avenue and University Avenue and certain intersecting streets to allow for continued use of these areas in the heart of the City’s commercial districts to allow for outdoor dining and potentially other activities as may be allowed by State and County Public Health Orders.

K. On March 3, 2021, the State moved Santa Clara County one step down from the purple/widespread tier to the red/substantial tier. As of March 16, 2021, the County reported a cumulative total of 112,909 COVID cases and 1,867 deaths.

L. On May 10, 2021, the Council adopted Resolution 9954, which further amended Resolution 9099 to extend until October 31, 2021 the temporary closure of portions of California Avenue and University Avenue and certain intersecting streets to allow for continued use of these areas in the heart of the City’s commercial districts to allow for outdoor dining and potentially other activities as may be allowed by State and County Public Health Orders.

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M. On June 7, 2021, the Council adopted Resolution 9962. Resolution 9962 amended and restated Section 4 of Resolution 9909 regarding the pilot parklet program on a non-emergency basis.

N. On June 15, 2021, the State of California eliminated the Blueprint for a Safer Economy system of COVID-related rules and restrictions (also known as the color-tier system) amidst improvements in public health data and increasing availability of the COVID vaccine. The City of Palo Alto rescinded its declaration of local emergency on July 1, 2021.

O. However, since the rollback of restrictions and initial decrease of COVID cases, the number of COVID cases has increased. Since July 2021, the number of COVID Cases in the County of Santa Clara has moved upward, from fewer than 30 cases per day to more than 300 cases per day on many days in August 2021. As of September 1, 2021, the 7-day rolling average new cases is 361 in the County. On August 2, 2021, the County issued a requirement to wear face coverings indoors, regardless of vaccination status.

P. According to the federal Centers for Disease Control (CDC), the Delta variant of COVID-19 is currently the dominant strain of virus in the United States as of August 2021. The CDC finds that the Delta variant is more than 2x more contagious compared to previous variants, and fully vaccinated people with the Delta variant breakthrough infections can spread the virus to others.

Q. In the midst of this continued COVID-19 pandemic, the City of Palo Alto has continued to take measured steps to allow businesses to resume activities in outdoor settings. As a key part of those efforts, the Uplift Local Program (formerly known as the Summer Streets Program) has created an attractive pedestrian environment on the closed streets resulting in increased foot traffic. A number of restaurants have taken advantage of the program and created outdoor seating in the streets, on sidewalks, and on parklets. Residents and visitors who have come to University Avenue and California Avenue have expressed delight and reported having a highly enjoyable experience.

R. The recent increase of COVID cases across the State and the high likelihood that the pandemic will continue through the end of 2021 increases the chances that outdoor dining remains a key tool to reduce the risk from the spread of COVID-19 while allowing restaurants to continue some operations. Even if indoor dining is allowed, patrons may be unwilling to participate, or the opportunity may be rescinded if indoor restrictions return.

S. The Council desires to extend the street closures through [DATE] to allow for the continued use of the main thoroughfares in the heart of its commercial districts for outdoor dining, and potentially other activities as may be allowed by the State and County Public Health Orders.

NOW THEREFORE THE CITY COUNCIL OF THE CITY OF PALO ALTO RESOLVES AS FOLLOWS:

NOT YET APPROVED

SECTION 1. Findings and Declarations. The Council hereby adopts the above Recitals as findings of the Council.

SECTION 2. Extension of Temporary Street Closures. The Temporary Street Closures approved and authorized in Section 2 (Temporary Street Closures) of Resolution No. 9909 and extended by Resolutions 9911, 9933, and 9954 are hereby extended through [DATE]. Section 2 of Resolution No. 9909 is amended to read as follows:

Temporary Street Closures

- A. The following streets are hereby closed to any and all vehicular traffic through [DATE], in accordance with California Vehicle Code Section 21101(e), to facilitate the temporary uses of outdoor dining, retail, and other permitted uses:
 - 1. California Avenue from Birch Street to El Camino Real; and
 - 2. University Avenue from High Street to Cowper Street, with continued vehicular access across University Avenue at each of the intersecting streets.
- B. The City Manager is authorized to determine the days, hours and duration of the temporary street closure(s) within the period specified in Section A, with reasonable notice provided, and whether exceptions to the closure shall be made for municipal purposes.

SECTION 3. Sunset of Resolution No. 9909. All sections of Resolution No. 9909 except for Section 4 of that Resolution shall remain in effect until [DATE] unless rescinded or extended by resolution or ordinance of the City Council. (Section 4 of Resolution 9909 has been superseded by Resolution 9954).

SECTION 4. Supersedes Resolutions 9911, 9933, and 9954. This Resolution shall supersede Resolutions No. 9911, 9933, and 9954. Should any conflict arise between this Resolution and Resolutions No. 9911, 9933, and 9954, this Resolution shall control.

SECTION 5. The Council finds that this Resolution is statutorily exempt from environmental review under the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 20180(b)(4) (specific actions necessary to mitigate or prevent an emergency) and is categorically exempt from CEQA under CEQA Guidelines Sections 15301 (existing facilities) and 15304(e) (minor temporary use of land having negligible or no permanent effects on the environment).

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NOT YET APPROVED

SECTION 6. This Resolution shall become effective immediately upon adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Deputy City Attorney

City Manager

Director of Public Works

Chief Transportation Official

Director of Planning and Development
Services

This document provides information gathered from a survey of ground floor businesses.

Survey Requests by Area	
Cal Ave	93
Downtown	194
Grand Total of Survey Requests	287
Survey Responses by Area	
Cal Ave	10
Location Not Identifiable	15
Downtown	40
Grand total of survey responses	65

Table 1: Survey of Ground Floor Businesses Downtown and Cal Ave	
Respondents by Area and Industry Type	# of Respondents
Cal Ave	10
<i>Inside road closure</i>	5
Restaurant/Eating and Drinking Places	2
Retail (other than eating/drinking places)	2
Service (e.g. Hotels, Health Services, Legal Services, Social Services, Accounting)	1
<i>Near street closures</i>	5
Restaurant/Eating and Drinking Places	1
Retail (other than eating/drinking places)	1
Service (e.g. Hotels, Health Services, Legal Services, Social Services, Accounting)	3
Location Not Identifiable	15
<i>Inside road closure</i>	7
Office	1
Restaurant/Eating and Drinking Places	5
Retail (other than eating/drinking places)	5
<i>Near street closures</i>	8
Office	1
Restaurant/Eating and Drinking Places	2
Retail (other than eating/drinking places)	3
Service (e.g. Hotels, Health Services, Legal Services, Social Services, Accounting)	2
Downtown	40
<i>Inside road closure</i>	24
Restaurant/Eating and Drinking Places	13
Retail (other than eating/drinking places)	10

Service (e.g. Hotels, Health Services, Legal Services, Social Services, Accounting)	1
Near street closures	16
Office	1
Restaurant/Eating and Drinking Places	6
Retail (other than eating/drinking places)	7
Service (e.g. Hotels, Health Services, Legal Services, Social Services, Accounting)	2
Grand Total	65

Table 2: What Best Describes Your Business?	
Fully Operational	45
Limited Operating Hours (compared to COVID-19)	19
Temporarily Closed	1
Grand Total	65

Table 3: Business Status Since June 15, 2021?	
Respondents by Area	# of Respondents
Cal Ave	10
Back to pre-COVID-19 level of business	1
No change	2
Significant improvements	2
Slight improvement	3
Worse	2
Location Not Identifiable	15
Back to pre-COVID-19 level of business	2
No change	2
Significant improvements	3
Slight improvement	5
Worse	3
Downtown	40
Back to pre-COVID-19 level of business	4
No change	7
Significant improvements	7
Slight improvement	13
Worse	9
Grand Total	65

Table 4: Average Number of Employees Employed During 2019, pre-COVID-19	
Respondents by Area	# of Respondents
1-10 employees	30
11-25 employees	13
26-50 employees	14
51-100 employees	2
101 and more employees	2
Unknown/Not Sure/No Response	4

Table 5: Average Number of Employees Employed During 2021	
Respondents by Area	# of Respondents
1-10 employees	37
11-25 employees	14
26-50 employees	11
51-100 employees	1
101 and more employees	1
Unknown/Not Sure/No Response	1

Table 6: Compared to CY 2019, What Happened in CY 2020	
Respondents by Area	# of Respondents
Cal Ave	10
Decreased 0% - 25%	1
Decreased 26% - 50%	4
Decreased 51% - 75%	1
Decreased 76% - 99%	2
Exceeded pre-COVID-19 revenue	1
Returned to pre-COVID-19 revenue	1
Location Not Identifiable	15
Decreased 0% - 25%	2
Decreased 26% - 50%	4
Decreased 51% - 75%	7
Exceeded pre-COVID-19 revenue	2
Downtown	40
Decreased 0% - 25%	5
Decreased 26% - 50%	15
Decreased 51% - 75%	11
Decreased 76% - 99%	6
Exceeded pre-COVID-19 revenue	3
Grand Total	65

Table 7: Compare Q1 and Q2 of 2019 to Gross Revenues in Q1 and Q2 of 2021?	
Respondents by Area	# of Respondents
Cal Ave	10
Decreased 0% - 25%	1
Decreased 26% - 50%	5
Decreased 51% - 75%	1
Decreased 76% - 99%	1
Exceeded pre-COVID-19 revenue	1
Returned to pre-COVID-19 revenue	1
Location Not Identifiable	15
Decreased 0% - 25%	3
Decreased 26% - 50%	3
Decreased 51% - 75%	5
Exceeded pre-COVID-19 revenue	2
Returned to pre-COVID-19 revenue	2
Downtown	40
Decreased 0% - 25%	10
Decreased 26% - 50%	12
Decreased 51% - 75%	6
Decreased 76% - 99%	4
Exceeded pre-COVID-19 revenue	4
Returned to pre-COVID-19 revenue	4
Grand Total	65

Table 8: Are There any Seasonality Impacts to Business	
Summer positive Impact	6
Summer negative impact	10
Holiday positive impact	11
Holiday negative impact	2
None	32
Covid-19	4
Grand Total	65

Table 9: Has your Landlord Offered any Sort of Rent Relief?	
Yes	27
(blank)	38
Total	65
No	30
(blank)	35
Total	65

Table 10: Have you Accumulated any Debt as a Result of COVID-19 Impacts?	
Respondents by Area	# of Respondents
Cal Ave	
Paycheck Protection Program	4
EIDL	3
Shuttered Venue	1
Credit use	1
deferred rent	1
Family	1
SBA	1
Location Not Identifiable	
Paycheck Protection Program	4
EIDL	5
Rent	1
Downtown	
Paycheck Protection Program	17
EIDL	11
Shuttered Venue	1
Bills	1
Credit card	1
Na	1
No dept accumulated	1
None	4
Nothing	1
Used tens of thousands of my retirement savings	1
vendor debt	1

Table 11: Have you Received COVID-19 Related Relief Funds?	
Respondents by Area	# of Respondents
Cal Ave	
City of Palo Alto Business Relief Grant	3
California Small Business Covid-19 Relief Grant Program	3
Chan Zuckerberg Initiative	1
\$8000 only	1
EIDL	1
None	2
PPP	1
Location Not Identifiable	
California Small Business Covid-19 Relief Grant Program	6
Chan Zuckerberg Initiative	1
Restaurant Relief Funds	3
Downtown	
City of Palo Alto Business Relief Grant	6
California Small Business Covid-19 Relief Grant Program	11
Restaurant Relief Funds	6
Didn't receive	1
EIDL	1
Federal PPP	1
N/A	1
Na	1
No	1
Non	1
None	3
None	3
None of the above	1
PPP loan forgiven	1
SBA & PPP	1

Table 12: Top Three Most Difficult Challenges in Operating your Business Today?	
Respondents by Area	# of Respondents
Cal Ave	
<i>Difficulty retaining or rehiring employees, or hiring new employees</i>	7
<i>Lack of money or time for marketing and promotion of business</i>	5
<i>Paying deferred or increased rent</i>	3
Cost or availability of supplies needed to run the business	3
Difficulty adapting to or understanding changes in County and State health orders	3
Cost or availability of products sold by the business	2
Ability to offer new services	1
Hair and service industries are still adapting to the shifts in customer needs as well as the professionals/workers needs.	1
Lack of access to my business with both street closure and blocked sidewalks	1
STREET CLOSURE	1
Location Not Identifiable	
<i>Difficulty retaining or rehiring employees, or hiring new employees</i>	11
<i>Lack of money or time for marketing and promotion of business</i>	8
<i>Paying deferred or increased rent</i>	7
Cost or availability of supplies needed to run the business	6
Difficulty adapting to or understanding changes in County and State health orders	5
Cost or availability of products sold by the business	4
Ability to offer new services	1
Changes is protocols or procedures	1
Difficulty getting extra outdoor space from the City	1
less customers	1
The street closures are keeping my customers away from my business.	1
Downtown	
<i>Difficulty retaining or rehiring employees, or hiring new employees</i>	26
<i>Cost or availability of supplies needed to run the business</i>	17
<i>Lack of money or time for marketing and promotion of business</i>	12
Cost or availability of products sold by the business	11
Paying deferred or increased rent	10
Difficulty adapting to or understanding changes in County and State health orders	8
Ability to offer new services	2
City services too expensive. Street closures killed us.	1
fear of indoor dining has kept customers away. we need outdoor dining. a lot of it	1
Low traffic	1

None	1
Other businesses near us have left, street looks gross, empty and uninviting	1
running the business safely to protect staff and customers from a deadly virus	1
Street closer the most	1
Street closure	1
Street closure , stopped walk -ins	1

Table 13: Top 3 Things the City Can do to Help	
Respondents by Area	# of Respondents
Cal Ave	
<i>Access to capital (i.e. grants, loans, tax credits)</i>	6
<i>Finding employees</i>	5
<i>Assistance with marketing and promotions</i>	3
Creating and improving websites and online sales	2
Assistance with city, county, state, and federal regulatory permitting (building, planning, public works) for making modifications to business space	2
Nearby parking to business	2
Reopen streets	2
Continue Uplift Local Streets program (maintain street closures)	2
Use of social media	1
Continue eviction protection assistance	1
Online resources and tools that can help improve sales	1
Location Not Identifiable	
<i>Access to capital (i.e. grants, loans, tax credits)</i>	6
<i>Finding employees</i>	6
<i>Nearby parking to business</i>	6
<i>Continue Uplift Local Streets program (maintain street closures)</i>	6
Assistance with marketing and promotions	5
Assistance with city, county, state, and federal regulatory permitting (building, planning, public works) for making modifications to business space	4
Reopen streets	4
Continue eviction protection assistance	3
Creating and improving websites and online sales	2
Use of social media	2
Online resources and tools that can help improve sales	2
Technical assistance with merchandising, store layouts, menu options, etc.	1

Find solutions to the homeless problem downtown. It is deterrent to customers when they see so many homeless people on the streets.	1
Keep streets closed to traffic and close more streets	1
Downtown	
<i>Finding employees</i>	24
<i>Continue Uplift Local Streets program (maintain street closures)</i>	18
<i>Access to capital (i.e. grants, loans, tax credits)</i>	13
<i>Reopen streets</i>	13
Use of social media	9
Nearby parking to business	9
Assistance with marketing and promotions	8
Assistance with city, county, state, and federal regulatory permitting (building, planning, public works) for making modifications to business space	8
Creating and improving websites and online sales	4
Technical assistance with merchandising, store layouts, menu options, etc.	1
Continue eviction protection assistance	1
Online resources and tools that can help improve sales	1
ADA compliance law suit assistant	1
Make the parklet program permanent	1
None	1
Pre Covid many contractors stop working in Palo Alto because of our building department. I have to say its the most difficult of any City I work in. In Covid they need to be helpful and change going forward. Palo Alto is no longer a hot market. It's was dying pre covid. We have a very long road back. We need to be pro business.	1
Re open the streets!!!!!!	1
We need more security and cleanliness in the streets.	1
we need the outdoor dining space that clients are looking for	1

**University Avenue Streetscape Project
Design Services Scope of Work
CIP Project PE-21004**

1. GENERAL INFORMATION

The Public Works Department is seeking a Consultant to provide design and engineering services for the University Avenue Streetscape Project between Alma Street and Middlefield Road. The goal of the project is to adapt the public realm to maximize pedestrian and bicycle use while accentuating and enhancing the retail environment while maintaining vital two-way vehicular access, parking opportunities, delivery and loading zones, ride share spaces, etc.

2. DESCRIPTION OF PROJECT

University Avenue is a two-lane street and provides access from Highway 101 through the downtown area and continues to Stanford University. University Avenue's Average Daily Traffic (ADT) was approximately 12,000 vehicles per day in accordance with 2016 traffic count data. The City of Palo Alto seeks to make investments to University Avenue by repurposing streets, sidewalks, curbs and parking areas to facilitate people-centric activities and community programming. Prioritizing safe space for pedestrians and bicyclists by implementing improvements such as "shared streets," widened sidewalks, bicycle parking, creating spaces for outdoor dining, retail, community gathering and entertainment. The priority is to create a more vibrant and inclusive space to support residents and local businesses.

Potential improvements should include but are not limited to:

- Enhance the overall appearance and activation of the street and adjacent non-vehicular spaces with physical enhancements such as, but not limited to widened sidewalks, street trees and landscaping, public art, tables and chairs for outside dining, streetlight and ambient lighting improvements, benches, kiosk, signage and bicycle racks;
- Continue to provide two-way vehicular access while including options, such as removable or retractable bollards, to facilitate safe and convenient temporary closures to motor vehicles;
- Propose locations or opportunities for permanent performance areas

The City of Palo Alto plans to award Phase 1 now and other phases through a future contract amendment. Please submit a detailed proposal and cost for all phases now.

3. DETAILED SCOPE OF WORK

The Project scope of work shall consist of the following tasks:

PHASE 1

TASK A Site Analysis and Field Survey

1. The Consultant shall attend a kick-off meeting with City staff to review the project scope and general field conditions.
2. The Consultant shall review and analyze the existing data augmented by discussion with City staff including review of City-provided information.

3. Consultant shall be responsible for field verifying and supplementing the existing base map provided by the City of Palo Alto. The base map shall contain the following: curb and gutter, flow lines, sidewalks, edge of pavements, edge of sidewalks, edge of pavement way (gutter line), drainage structures, street lights, signage, roadway delineation, traffic signal standards, building outlines, trees and visible utility boxes and valves within the roadway and sidewalk area in order to prepare improvements along University Avenue and approximately 100 feet down each cross-street.
4. The Consultant shall provide a site investigation including observation and research, identifying all utilities, easements, right-of-way and signal and striping geometry, lighting and soil and tree conditions.
5. The Consultant shall develop site plans and cross sections showing existing and new grades, topography, location of trees, utilities, lights and structures including intersections, side streets (up to 100 feet), invert elevations and direction of flow to storm drain in the project area.
6. Plans shall be in AutoCAD 2019 format. Consultant shall provide five (5) hard copy sets of the field survey (1 Draft Set/1 Final set upon City approval of Survey) – 24" x 36" sheets of consecutive plan view of roadway including sidewalks and building outlines and all intersections of University Avenue from Alma Street to Middlefield Road at a scale of 1" = 20'.
7. Consultant survey and base mapping for the work described above will service as the Project Topographic Base Map. Survey Control will be provided to the design team in both the hard copy and electronic version. Consultant will distribute project base mapping to all design team members and make accessible readily upon each design stage. This topographic map will be the uniform "x-reference" for all design work. Topographic base mapping will be updated for all subconsultants at the beginning of each design phase.
8. Consultant shall provide a technical report summarizing findings.

TASK B Preliminary Environmental Studies

1. In order to guide the development of the concept plan line options and understand their impacts, the consultant shall conduct preliminary environmental studies including:
 - a. Traffic study - Consultant shall determine the scope of the traffic study needed to address the traffic circulation and associated impacts. At minimum, Consultant shall be responsible for collecting 7-day tube count data for University Avenue, Hamilton Avenue, and Lytton Avenue and other cross streets.
 - b. Arborist Report - Consultant shall prepare an arborist report per the City's Tree Technical Manual for trees in the public-right-of-way along the corridor.

TASK C Plan Line Development and Public Meetings

Immediately upon survey of the project area and collection of traffic data, the Consultant shall begin development of Plan Line Alternatives and begin an extensive public outreach process to develop a Preferred Community Plan Line Alternative that will serve as the basis for development of Plans, Specifications and Cost Estimates (PS&E) for the project. The Consultant shall hold a design charrette to kick-off the plan line development process with the community and business. The ideas generated from the meeting shall be used to develop three plan line alternatives.

The City anticipates the following community outreach meeting schedule for the development of the Preferred Community Plan Line:

- General Community Outreach Meeting (2 total)
 - University Avenue Business Improvement District (2 total)
 - Study Session with Planning & Transportation Commission (PTC)
 - Study Session with Palo Alto Pedestrian and Bicycle Advisory Commission
 - Formal Session with Planning & Transportation Commission
 - Formal Session with City Council
1. Consultant shall prepare all outreach, notices and meeting and presentation materials for stakeholder, community and public meetings. Each meeting should be scheduled for four hours including travel time.
 2. Deliverables:
 - a. Community Preferred Plan Line Alignment

TASK D Assessment Analysis

1. Prepare cost estimates for capital investment and future maintenance.
2. Prepare assessment analysis to allocate these costs for businesses/property owners that benefit from this expanded space.
 - a. Develop model(s) to allocate space rental cost (\$/SF) for businesses directly using the space and capital costs to property owners in the business district.
3. Present and discuss allocations with business and property owners prior to PTC and Council review.

PHASE 2

TASK E Preliminary Design

Upon approval of the Community Preferred Plan Line Alinement, the Consultant shall begin development of Preliminary Design to engage the community on the identification of Streetscape Treatments along University Avenue including development of the Community-Preferred Landscape and Streetscape Furniture Palettes.

1. The conceptual and preliminary desk task includes selecting the locations of the widened sidewalks, new crosswalks, signs, street lighting and traffic signal standards, intersection improvements, retractable bollards, parking locations and curb bulb-outs. Prepare presentation boards for public members. Consultant to provide section and elevation concept plans.
2. Consultant shall provide innovative storm drain study for water conservation and irrigation design. Identify opportunities to provide green infrastructure through the project area.
3. Consultant shall provide value engineering report.
4. Prepare all noticing, presentation materials, plan sets copies, meeting summaries for public meetings to present preliminary design proposals, and act as facilitator of the meetings.
4. Meet and confer with City staff to respond to and address City, stakeholder and community comments.
5. Present the plans to the stakeholder, community, Public Art Commission, Architectural Review Board and to the Planning and Transportation Commission and address comments. Each meeting should be scheduled for four hours including travel time.
6. Collect comments received during Conceptual and Preliminary Designs to include in project specifications.
7. Refine cost estimates based on value engineering.

Public Art Programming & Coordination

Provide consultation and technical input on the solicitation of offers for public art, the selection of qualified artists and selection of public art proposals.

- Coordination with Arts Commission during the early design stages
- Work with City, users and design team in the selection of art sites available within the project area

Task F – Environmental Assessment

1. Building on the preliminary studies done in Phase 1, the Consultant shall prepare an Initial Study and Environmental Assessment. Depending upon the preferred concept plan line selected, a Mitigated Negative Declaration may be required.
2. Consultant shall provide all documentation for CEQA certification.

PHASE 3

TASK G Final Design and Cost Estimates

1. The final design includes plans and specifications for the removal of existing asphalt, adjustment of utilities, installation of new sidewalks, crosswalks, signs, street lighting (including safety, pedestrian and decorative lighting), signal modifications and video detection, curb bulb-outs, widened sidewalks, landscaping, irrigation and roadway resurfacing. After the City approves the design, the Consultant shall prepare and submit draft design documents including 30%, 60% and 95% plans, specifications and cost estimate for review and comment by City staff. Eight (8) full size sets and two (2) half size sets of each submittal shall include the following documents:
 - a. Title sheet and Site Plan
 - b. Site Improvements Plan
 - c. Lighting plan
 - d. Drainage plans
 - e. Striping and signage plans
 - f. Signal modification plans
 - g. Utility relocation and protection
 - h. Irrigation Plans
 - i. Landscape plans
 - j. Green infrastructure plans
 - k. Storm Water Pollution Prevention Plan
 - l. Construction phasing, construction details and typical cross sections
 - m. Construction logistics plan
 - n. Technical specifications that incorporates the City's General Conditions
 - o. Project cost estimates
 - p. Construction management plan
2. Meet and confer with City staff to respond to and address City and Community comments.

TASK H Construction Documents (100%) and Bid Support

1. Consultant shall develop all construction plans, details, specifications and a construction cost estimate based on completion of Task E including incorporation of all review comments and value engineering decisions.
2. Consultant shall provide one signed set of 100% bid documents (in PDF, AutoCAD and MS Word formats) including technical specifications, details, plans and estimates for review and comments by City staff. Project specifications shall be in CSI format. Consultant shall incorporate staff comments and changes to the bid documents, including but not limited to selection of bid items and add alternates.
3. Consultant shall assist staff in bid document preparation, answering questions and providing addendum specification and plan changes as necessary during the bidding process. Consultant shall provide PDF files for the plans, and PDF and MS Word files for the specification that includes incorporating addendum changes for the City's distribution.

PHASE 4

TASK I Construction Administration Services

1. Consultant shall attend one preconstruction meeting to be conducted by the City.
2. As requested by the City, Consultant shall review and respond to Contractor submittals and requests for substitution, and Contractor's request for information and clarification.
3. Consultant shall attend one final inspection, and review and comment on the punchlist.
4. After completion and acceptance of the construction project, the Consultant shall prepare As-Built record drawings including one copy of the AutoCAD format called a Metadata file that includes the date, company name, contract information and technician who prepared them. The technical project specifications shall be in current version of MS Word document files.

Proposed Project Timeline:

Phase 1: Complete Conceptual Public Outreach, Conceptual Design, Preliminary Environmental Studies & Assessment Analysis	September 2022
Phase 2: Complete Preliminary Design, Environmental Assessment, Value Engineering & Cost Estimates	September 2023
Phase 3: Complete Final Design, Construction Documents & Bid Support	September 2025
Phase 4: Construction Administration	January 2026

4. ADDITIONAL SERVICES: SUBJECT TO ADDITIONAL COMPENSATION

Additional services may be required. Services are subject to project manager approval (prior to starting on work). Examples of services are as follows:

- Additional meetings with ARB, Council and the public and associated materials
- Additional plan drawings and revisions

5. INFORMATION and SERVICES PROVIDED BY The City of Palo Alto

The City will provide the following during the design phase:

- Base Map from GIS for use in identifying City-Owned Utility Information;
- Survey and as-built information from the 2018 Upgrade Downtown Project (University Avenue from High Street to Webster Street)

- AutoCAD title block
- City Standard construction details and technical specifications for irrigation work, asphalt, concrete, sidewalk, curb and gutter, tree planting, landscaping and median details in AutoCAD
- City staff shall assist in obtaining design review documents from City staff for various Departments

The City will provide the following during the Bid and Construction phases:

- City shall advertise, provide bidders list, assist in obtaining bid document review comments and reproduce copies of the bid and construction documents to contractors
- City shall provide general and supplementary conditions and City's boilerplate specifications (work hours, duration, truck routes, etc.).

Consultant is responsible for reviewing and verifying all supplied information.



City of Palo Alto City Council Staff Report

(ID # 12393)

Report Type: Informational Report

Meeting Date: 9/13/2021

Summary Title: Contracts Awarded by the City Manager and Procurement Officer

Title: Contracts Awarded by the City Manager and Procurement Officer

From: City Manager

Lead Department: Administrative Services

Recommendation

This is an information report, no action is required.

Discussion

Palo Alto Municipal Code (PAMC) Section 2.30.710 requires the City Manager to provide a biannual report to Council consisting of contracts awarded by the City Manager, Procurement Officer or other designated employees for:

- 1) General and professional services in excess of \$25,000; and
- 2) Public works and goods in excess of \$85,000.

Attachment A (regarding contracts for goods in excess of \$85,000) and Attachment B (regarding contracts for services in excess of \$25,000) fulfill this PAMC reporting requirement for the period from January 1, 2021 to June 30, 2021.

The contracts in Attachment A consist of four distinct awards for goods, and the contracts in Attachment B consist of 56 distinct awards for a wide range of services. These awards are a core element of the efficient and effective provision of services by the City to our community and reflect extensive coordination and prudent decision-making among operating departments, the Administrative Services Department, the City Attorney's Office, and City Clerk's Office.

For informational purposes, Attachment C provides excerpts from the Palo Alto Municipal Code that set forth the authority designated by Council to the Procurement Officer to award and sign contracts (PAMC 2.30.200), City Manager to award and sign contracts (PAMC 2.30.210), City Manager to award and sign emergency contracts (PAMC 2.30.160 and 2.30.210(f)) and exemptions from competitive solicitation (PAMC 2.30.360 and 2.30.900), as noted for certain contracts listed in Attachments A and B.

Attachments:

- **Attachment9.a:** Attachment A: Material Contracts Awarded by CPO & CM January to June 2021
- **Attachment9.b:** Attachment B: Services Contracts Awarded by CPO & CM January 1, 2021 to June 30, 2021
- **Attachment9.c:** Attachment C: Excerpts from the Palo Alto Municipal Code

ATTACHMENT A
Goods Contracts Awarded (\$85,00 and above)
January 1, 2021 to June 30, 2021

Contract Award To	Award Date	Award Amount	Bidding Exemption or Number of Bids Sent/Received	Description
AMERICAN DIGITAL SECURITY, LLC	05/11/2021	210,085.11	922/10	Purchase and delivery of Avigilon surveillance hardware for nine substations
DC FROST ASSOCIATES INC	03/25/2021	93,871.20	2.30.360(d)	Purchase of Ultraviolet (UV) disinfection equipment for the Regional Water Quality Control Plant
NATIONAL AUTO FLEET GROUP	02/23/2021	142,184.94	2.30.360 (j)	Purchase one (1) new 2022 Ford F-350 SuperDuty 4WD RegCab 142"Wheelbase
ONE SOURCE DISTRIBUTORS, LLC	05/04/2021	236,432.08	411/6	Purchase of Holophane Lighting products for security lighting for nine substations

ATTACHMENT B
Service Contracts Awarded (\$25,000 and above)
January 1, 2021 to June 30, 2021

Contract Award To	Award Date	Award Amount	Bidding Exemption or Number of Bids Sent/Received	Description
ACCRUENT LLC	02/09/2021	34,430.86	2.30.360 (d)	Secure database hosting, technical support and cloud storage for Public Works Engineering & Facilities- Year 1
ADVANCE DESIGN CONSULTANTS INC	06/29/2021	80,000.00	31/5	City Hall Switchgear Replacement project
ADVANCE DESIGN CONSULTANTS INC	06/28/2021	35,530.00	2.30.360(i)	Design Drawing UCC Emergency Generator
ANDERSON PACIFIC ENGINEERING	06/28/2021	366,300.00	27/1	Guard Shack & Incinerator Power/Data Cables Construction
AQUATIC HARVESTING	06/24/2021	29,900.00	474/4	Boronda Lake Weed Removal
ARCA RECYCLING INC	06/16/2021	49,000.00	2.30.360(i)	Appliance recycling program for Utilities customers.
BILLS TOWING SERVICE	05/06/2021	25,000.00	2.30.360(b)2	PD: Bill's Towing Invoice
CALTRAIN	06/16/2021	41,390.25	2.30.360(i)	CalTran passes for employees to return to work
CARAHSOFT TECHNOLOGY CORP.	04/12/2021	28,655.51	2.30.360(J)	Security Event Monitoring
CARAHSOFT TECHNOLOGY CORP.	05/12/2021	43,140.80	2.30.360 (j)	DocuSign electronic signature software renewal
CASE PACIFIC COMPANY	06/28/2021	27,372.20	3/3	S/L Stairwells Waterproofing Project
CISCO AIR SYSTEMS INC	02/09/2021	29,280.33	3/1	Landfill Compressor
CJW ARCHITECTURE	03/03/2021	84,167.60	1469/8	Design services for minor renovations for the Water Gas Wastewater Office Renovation Project
CUBIC CORPORATION AND SUBSIDIARIES	06/16/2021	108,050.00	2.30.360(d)	signal controller hardware and software for regular operations, maintenance of existing traffic signal system equipment- Year 1 and Year 2 \$63,050 and Year 3 \$45,000
DAVID J POWERS & ASSOCIATES INC	06/15/2021	89,090.00	2.30.360(h)	Initial Study, Mitigated Negative Declaration (MND), and Mitigation Monitoring and Reporting Program (MMRP) for 3300 El Camino
E SOURCE COMPANIES LLC	06/24/2021	49,608.00	2.30.360(i)	Evaluation of the Utility's Outage Management System (OMS) for areas of improvements
EDESIGNC INC	06/08/2021	32,000.00	2.30.360(i)	Consulting for architectural services at the Colorado and Park Boulevard substations.
EDWARD MATHEWSON	02/24/2021	30,000.00	2.30.360(i)	Hearing Officer Services
EMBARCADERO MEDIA	03/03/2021	45,000.00	4/2	Advertising Services for Zero Waste
EMERALD TRANSFORMER LOS ANGELES LLC	03/17/2021	25,000.00	323/1	disposal of transformers and waste electrical distribution equipment
ERIC GOULDSBERRY ART DIRECTION	01/25/2021	80,000.00	2.30.400(c)	On-call graphic design services for the Utilities department

ATTACHMENT B
Service Contracts Awarded (\$25,000 and above)
January 1, 2021 to June 30, 2021

Contract Award To	Award Date	Award Amount	Bidding Exemption or Number of Bids Sent/Received	Description
ESRI INC.	03/22/2021	55,000.00	2.30.360 (e)	GIS Mapping software-Year 1
GLENN REDDICK PROFESSIONAL SERVICES	06/23/2021	30,000.00	2.30.360(i)	Consultant Agreement for Outages
GOLDEN BAY CONSTRUCTION INC	03/29/2021	106,393.00	18/2	Alma and University Avenue Guardrail Repairs Project
GOOD CITY COMPANY	05/25/2021	29,500.00	2.30.360(i)	Economic Research & Land-use Policy Project for economic support services
GROUP 4 ARCHITECTURE RESEARCH & PLANNING INC.	02/11/2021	31,020.00	2.30.360(i)	CV19 HVAC Study at City Hall, Mitchell Park Library & Community Center and Rinconada Library
HEXAGON TRANSPORTATION CONSULT	06/28/2021	33,600.00	2.30.360(i)	Trafficware system to increase functionality of City emergency for the Fire Dept.
INTEGRATED DESIGN 360 LLC	07/01/2021	50,000.00	2.30.360(i)	FY22 Dewatering Monitoring
JACKSON LEWIS PC	02/18/2021	30,000.00	2.30.360(g)	Legal Service to Jackson Lewis
JEANNE SULLIVAN BILLECI	06/29/2021	50,000.00	2.30.360(i)	Services for media coordination with various departments, as needed
MACIAS GINI & O'CONNELL, LLP	06/22/2021	40,000.00	2.30.360(i)	GASB 87 consulting services
MARKETING FOR CHANGE CO	02/01/2021	80,000.00	2.30.330(a)	Market research, strategic campaign planning, website evaluation, & analytics services
MARSHALL BROTHERS ENTERPRISES	01/11/2021	196,778.50	38/2	Oregon Expressway storm drain structure to Alma Street repair project
MATRIX CONSULTING GROUP	05/18/2021	81,500.00	29/6	Planning and Development Services fee schedules study
MELISSA OLSEN CAVALLO	01/11/2021	48,000.00	2.30.360(i)	Project Management Services for the CableJoint Powers Authority
MOBILE MODULAR MANAGEMENT CORP	06/22/2021	144,837.16	2.30.360(b)	Water Quality Control Plant Engineering Trailer Lease
MUNICIPAL RESOURCE GROUP LLC	06/28/2021	33,505.00	2.30.360(i)	Utilities fact finding and investigative services
MWA INSIGHTS	06/21/2021	41,880.00	2.30.360(i)	Professional Evaluation Services for Museum and Library Services grant projects
NEWDORF LEGAL	01/07/2021	25,000.00	2.30.360(g)	Professional Legal Services
NEWDORF LEGAL	01/27/2021	25,000.00	2.30.360(g)	Legal Services
OPTONY INC.	05/20/2021	48,400.00	2.30.360(i)	Electric Vehicle Fleet and Charging Infrastructure Study
PECKHAM & MCKENNEY	06/03/2021	27,000.00	2.30.360(i)	City Clerk Recruitment for comprehensive executive search

ATTACHMENT B
Service Contracts Awarded (\$25,000 and above)
January 1, 2021 to June 30, 2021

Contract Award To	Award Date	Award Amount	Bidding Exemption or Number of Bids Sent/Received	Description
PIPE AND PLANT SOLUTIONS INC	02/04/2021	200,000.00	982/1	On-Call Pavement Pothole and CCTV Wastewater Mains project- Year 1
RDH BUILDING SCIENCE INC.	03/23/2021	49,800.00	2.30.360(i)	Design and Construction administration services for the Palo Alto Civic Center Waterproofing Project
ROPERS MAJESKI, A PROFESSIONAL CORP	05/07/2021	32,631.00	2.30.360(g)	Legal Services
SHI INTERNATIONAL CORP	05/10/2021	62,803.00	2.30.360 (j)	Incydr Basic - CODE42 for data risk detection
SIEGFRIED ENGINEERING, INC	06/29/2021	85,000.00	24/7	On-Call Surveying Services for private projects/private property
SKYRAK ENGINEERING SERVICES	04/07/2021	35,000.00	2.30.360(i)	Skyrak Structural Review Services
STRATEGIC ECONOMICS	06/28/2021	39,855.00	2.30.360(i)	Commercial Linkage Fee Feasibility Study for hotel and office/R&D uses
TEAMDYNAMIX SOLUTIONS LLC	06/28/2021	27,729.48	3/2	Implementation support services for Project and Portfolio Management and IT Service Management online hosted
THE DAVEY TREE EXPERT CO	05/25/2021	50,000.00	2.30.360(i)	On-Call Permit Review
TIDES CENTER	06/07/2021	66,325.00	2.30.3609(d)	Purchase of solar system exhibit
TOCHI	06/24/2021	50,000.00	738/2	Relocation of the 2-way communication system master station located at the California Avenue parking garage.
UNDERGROUND ADVERTISING INC	06/28/2021	85,000.00	48/14	Consulting services for integrated outreach for solid waste related programs
VERIZON WIRELESS CORPORATION	02/20/2021	30,500.00	2.30.360 k	Utilities GPS Vehicle Tracking
WISS, JANNEY, ELSTNER ASSOCIATES, INC.	05/05/2021	50,200.00	2.30.360(h)	Structural and waterproofing consulting services

ATTACHMENT C

Excerpts from the Palo Alto Municipal Code

Chapter 2.30 – Contracts and Purchasing Procedures

2.30.200 Procurement officer contract award authority.

The Procurement Officer may award and sign the following contracts:

(a) Public Works Contracts. Public works contracts, where the term does not exceed three years, and the contract price and any price contingency established for change orders, but excluding sales tax or use tax, do not exceed \$85,000.00 in the first contract year, and do not exceed the sum of \$85,000.00 and any unexpended monies carried forward from a prior contract year, in any subsequent contract year.

(b) Contracts for Goods. Contracts to purchase goods, where the term does not exceed three years, and the contract price and any price contingency established for change orders, but excluding sales tax or use tax, do not exceed \$85,000.00 in the first year, and do not exceed the sum of \$85,000.00 and any unexpended monies carried forward from a prior contract year, in any subsequent contract year.

(c) General Services Contracts. General services contracts, where the term does not exceed three years, and the contract price and any price contingency established for change orders or additional services, but excluding sales tax or use tax, do not exceed \$85,000.00 in the first contract year, and do not exceed \$85,000.00 and any unexpended monies carried forward from a prior contract year, in any subsequent contract year.

(d) Professional Services Contracts. Professional services contracts, where the term does not exceed three years, and the contract price, and any price contingency established for additional services, but excluding sales tax or use tax, do not exceed the sum of \$85,000.00 in the first contract year, and do not exceed the sum of \$85,000.00 and any unexpended monies carried forward from a prior contract year, in any subsequent contract year.

(e) Software and Hardware Purchase, Licensing, Maintenance and Support Contracts. Notwithstanding Subsection 2.30.200(c), the Procurement Officer may award and sign contracts other than general services agreements, including, without limitation, vendor-based standard form hardware and software purchase and licensing contracts, for the purchase of hardware and software, the licensing of software, and the maintenance and support of hardware and software, where the term of licensing or maintenance and support services does not exceed five years and the contract price, excluding sales tax or use tax, does not exceed \$85,000.00 per year in the first contract year and does not exceed the sum of \$85,000.00 and any unexpended monies carried forward from a prior contract year, in any subsequent contract year. The contracts referred to herein may include contracts for data storage services, which shall be subject to the city's information security policies, terms, conditions and other requirements established by the chief information officer with the concurrence and approval of the City Attorney.

(Ord. 5494 § 9, 2020: Ord. 5387 § 1 (part), 2016: Ord. 4827 § 1 (part), 2004)

2.30.210 City Manager contract award authority.

The City Manager may award and sign the following contracts:

(a) Public Works Contracts. Public works contracts, where the term does not exceed three years, and the contract price and any price contingency established for change orders, but excluding sales tax or use tax, do not exceed \$250,000.00 in the first contract year, and do not exceed the sum of \$250,000.00 and any unexpended monies carried forward from a prior contract year, in any subsequent contract year.

(b) Contracts for Goods. Contracts to purchase goods, where the term does not exceed three years and the contract price and any contingency established for change orders, but excluding sales tax or use

tax, do not exceed \$250,000.00 in the first contract year, and do not exceed the sum of \$250,000.00 and any unexpended monies carried forward from a prior contract year, in any subsequent contract year.

(c) General Services Contracts. Contracts for services associated with the leasing or licensing of personal property other than hardware or software, where the term does not exceed seven years, and the contract price and any price contingency established for change orders, but excluding sales tax or use tax, do not exceed \$85,000.00 in the first contract year, and do not exceed the sum of \$85,000.00 plus any unexpended monies carried forward from a prior contract year, in any subsequent contract year.

(d) Contracts for Studies and Services Related to Private Development. Professional services contracts for: (1) the preparation of environmental assessments or other studies deemed necessary by the director of planning and development services for the processing of applications for private development projects, or (2) inspection and plan review services deemed necessary by the director of planning and development services to evaluate conformity of private development projects with applicable building codes, regardless of the cost or term thereof, provided the applicant for the private development project agrees, in writing, to bear responsibility for the entire contract cost, and the contract does not require the expenditure of city funds in any amount.

(e) Rewards. The City Manager may offer and pay rewards where the amount of the reward does not exceed \$25,000.00, in accordance with the procedures of Section [2.30.800](#).

(f) Emergency Contracts. The City Manager is authorized to expend city funds for emergency contracts, as defined in Section [2.30.160](#), without limitation on the contract cost or amount and without following the contract solicitation and award procedures otherwise required by this chapter, provided that any procurement of goods and services obtained during an emergency declared by the Federal Emergency Management Agency shall comply with applicable FEMA Public Assistance Program's procurement orders, rules, regulations, guidelines and control procedures for cost reimbursement purposes. Expenditures made during an emergency must be reported to the Council at the next regular meeting if approval for such expenditures would otherwise have been made by the Council. The City Manager may issue a verbal report to the Council before a written report is delivered.

(g) Contracts to Rent, Lease, License, Acquire, Transfer or Purchase Interests in Real Property from Other Parties. Contracts for the rental, leasing, licensing, or purchase by installment interests in real property from other parties for a term of seven years or less, where the contract price does not exceed \$85,000.00 per year, or to encumber or transfer any interest in real property from other parties for any term of years. The City Manager may enter into and sign a contract to acquire or purchase an interest in real property, where the contract price does not exceed \$85,000.00.

(h) Contracts to Rent, Lease, or License City Real Property to Other Parties. The authority granted under this Section is distinct from the authority of the director of community services to grant individuals and groups permits for the exclusive temporary use of buildings and facilities located in, and the areas of, city parks and open spaces, as described in [Chapter 22.04](#) of this municipal code or in the park and open space regulations. The City Manager may award and sign contracts to rent, lease or license city real property to other parties regardless of the price for a term not exceeding three years. Notwithstanding the preceding sentence, the City Manager may enter into and sign contracts for the rental, lease or licensing of real property at the Cubberley Community Center for terms of up to five years.

(i) Contracts to Provide Municipal Services to other Public Entities or Utilities. A contract to provide municipal services and functions to any other public agency, public utility or other public entity in any amount for a term not exceeding three years, provided the contract is in compliance with all Council-adopted policies covering such contracts. The authority granted herein does not include the authority of the City Manager to add permanent employee positions.

(j) Contracts Providing for Indemnity or Risk of Loss. The City Manager, with the concurrence and approval of the City Attorney and the insurance risk manager, may enter into and sign contracts, otherwise within the limits of his or her authority under Section [2.08.140](#) of this municipal code, that provide for the city or its officers or employees to defend, indemnify, or assume the risk of damage, loss,

or liability for, or subrogate to any other contracting party respecting claims, demands, actions, losses or liabilities arising from the city's performance or non-performance under the contract.

(k) Wholesale Utility Commodities and Services Contracts. Wholesale utility commodities and services contracts, where the term does not exceed five years and the contract price does not exceed \$250,000.00 in any contract year.

(l) Software and Hardware Purchase, Licensing, Maintenance and Support Contracts. Notwithstanding Subsection [2.30.210\(c\)](#), the City Manager may award and sign contracts other than general services agreements, including, without limitation, vendor-based standard form hardware and software purchase and licensing contracts, for the purchase of hardware and software, the licensing of software, and the maintenance and support of hardware and software, where the term of licensing or maintenance and support services does not exceed seven years and the contract price, excluding sales tax or use tax, does not exceed \$85,000.00 per year in the first contract or fiscal year and does not exceed the sum of \$85,000.00 and any unexpended monies carried forward from a prior fiscal year, in any subsequent contract or fiscal year. The contracts referred to herein may include contracts for data storage services, which shall be subject to the city's information security policies, terms, conditions and other requirements established by the chief information officer with the concurrence and approval of the City Attorney.

(m) Other Contracts. All other types of contracts for which the contract term does not exceed three years and the total expenditure by the city does not exceed \$85,000.00 in the first contract or fiscal year, and does not exceed the sum of \$85,000.00 and any unexpended monies carried forward from a prior fiscal year, in any subsequent contract or fiscal year.

(Ord. 5494 §§ 3, 10, 2020: Ord. 5387 § 1 (part), 2016: Ord. 4827 § 1 (part), 2004)

2.30.360 Exemptions from competitive solicitation requirements.

The following are exemptions from the informal and formal competitive solicitation requirements of this chapter, except as otherwise provided. These exemptions will be narrowly interpreted and applied. The department requesting an exemption shall provide all relevant information supporting the application of the exemption to the Procurement Officer. Based upon this information, the Procurement Officer shall make a recommendation to the City Manager and the City Manager shall determine whether an exemption from the competitive solicitation requirements applies. Nothing herein is intended to preclude the use of competitive solicitations, as practicable.

(a) Emergency Contracts, provided that any procurement of goods and services obtained during an emergency declared by the Federal Emergency Management Agency shall comply with applicable FEMA Public Assistance Program's orders, rules, regulations, guidelines and control procedures for cost reimbursement purposes.

(b) Whenever solicitations of bids or proposals would for any reason be impracticable, unavailing or impossible, provided that in the case of a public works project, the project is not otherwise required by the charter to be formally bid. These situations are those where solicitations of bids or proposals would not be useful or produce any operational or financial advantage for the city. Situations where solicitations of bids or proposals would be impracticable, unavailing or impossible, include, without limitation, the following:

(1) Contract specifications cannot be drawn in a way that would enable more than one vendor, consultant or contractor to meet them;

(2) Due to circumstances beyond the control of the city, the time necessary to use the competitive solicitation process, procedures and requirements would result in a substantial economic loss to the city or the substantial interference with a required city operation;

(3) Special conditions attached to a grant, donation or gift requires the use of particular goods and/or services.

All requests for exemptions under this subsection shall be supported by written documentation (facsimile or electronic mail may be used), approved by the department head and the Procurement Officer.

(c) Where competitive bids or requests for proposals have been solicited and no bid or proposal has been received, or where no bid or proposal meeting the requirements of the invitation to bid or request for proposals has been received, provided that, in the case of a public works project, the project is not otherwise required by the charter to be formally bid.

(d) Contracts for goods, wholesale commodities and services, general services or professional services available from only one source, where the Procurement Officer has determined, in writing, there is no adequate substitute or equivalent provider. Examples of acceptable sole source acquisitions or purchases may include, without limitation: equipment or services for equipment, for which there is no comparable competitive product or service except that provided by the equipment manufacturer, distributor or dealer; proprietary products sold directly by the manufacturer; a component or replacement part, for which there is no commercially available substitute and which can be obtained only from the manufacturer; goods where there is only one authorized distributor in the area; and goods where compatibility with goods in use by the city is an overriding consideration. All requests for sole source acquisitions or purchases shall be supported by written documentation (facsimile or electronic mail may be used), approved by the office or department head, and forwarded to the Procurement Officer.

(e) Contracts for goods where, pursuant to Section [2.30.900](#), the City Manager has determined that standardization of the supplies, materials or equipment is permissible.

(f) Placement of insurance coverage and surety bonds.

(g) Legal services contracts, including, without limitation, the services of outside counsel, consultants and other experts needed for litigation, administrative or other legal proceedings.

(h) Professional services contracts for private development related studies and services whenever the services are funded wholly by private developers.

(i) Professional services contracts, where the estimated total expenditure by the city, regardless of term, does not exceed \$50,000.00.

(j) Cooperative purchases, with one or more other public agencies or through a cooperative purchasing agency, provided: (i) the services are solicited using methods substantially similar to those required by this chapter, as determined by the Procurement Officer; and (ii) the contract is consistent with the requirements specified in this municipal code.

(k) The use of another governmental or public agency's contract or substantially the same contract terms provided: (i) the agency uses a solicitation method substantially similar to the method required by this chapter; (ii) the contract is consistent with the requirements specified in this municipal code; and (iii) the Procurement Officer determines that the city will realize overall value to utilizing the other agency's contract or contract terms compared to the city performing its own solicitation.

(l) Contracts with, or solicited on the city's behalf by, Northern California Power Agency, Transmission Agency of Northern California, and Western Area Power Administration to procure wholesale utility commodities and services that meet the requirements of Section [2.30.340](#)(d) or [2.30.360](#)(k).

(m) Contracts with Pacific Gas and Electric Company and the California Independent System Operator Corporation for energy transmission services to the extent necessary and expedient to provide for the general health, safety and welfare of the city's utility customers.

(n) Contracts with any public agency or governmental body to construct a public work, where the Procurement Officer determines the public agency or governmental body has used methods similar to those required by this chapter to contract for the public work.

(o) Contracts with any public utility holding a certificate of public convenience and necessity or any entity holding a cable service or video service franchise pursuant to [chapter 2.10](#) of this municipal code to construct a public works, where such works involves property of such public utility or cable service or video service franchisee and is otherwise of direct concern to both the city and such public utility or cable service or video service franchisee, provided that the project is not otherwise required by the charter to be formally bid.

(p) Contracts with private developers to construct public improvements in connection with their development projects, even if the city contributes funds to the improvement project, provided that the projects are not otherwise required by the charter to be formally bid.

(q) Projects, where the public work is performed by the city with its own employees.

(r) Contracts, where the estimated total expenditure by the city does not exceed \$10,000.00.

(s) Contracts with entities to procure at wholesale prices utility commodities and services under a city "feed-in tariff" energy program that meets the requirements of Section [2.30.340\(c\)](#).

(t) Professional services contracts in relation to personnel matters for: recruitment consultants, workplace investigations, threat assessments, conflict intervention, and industrial safety.

(Ord. 5494 § 21, 2020: Ord. 5387 § 1 (part), 2016: Ord. 5148 § 2, 2012: Ord. 5081 § 1, 2010: Ord. 4827 § 1 (part), 2004)

2.30.900 Standardization.

Where the City Manager has determined that it is required by the health, safety or welfare of the people or employees of the city, or that significant costs savings have been demonstrated, the standardization of supplies, materials or equipment, including, without limitation, information technology property, for purchase or to be used in a public works project is permitted and the supplies, materials or equipment specifications may specify a single brand or trade name. The City Manager may consider the following factors in determining to standardize on a single brand or trade name:

(a) Repair and maintenance costs would be minimized;

(b) User personnel training would be facilitated thereby;

(c) Supplies or spare parts would be minimized;

(d) Modifications to existing equipment would not be necessary;

(e) Training of repair and maintenance personnel would be minimized; and

(f) Matching existing supplies, materials or equipment is required for proper operation of a function or program.

(Ord. 5494 § 40, 2020: Ord. 5387 § 1 (part), 2016: Ord. 4827 § 1 (part), 2004)

2.30.160 Emergency contracts.

A contract for goods or services necessary to protect the public health, safety, and welfare in the event of an emergency. An emergency means and includes an urgent unforeseen event that threatens life, property, or the general public health, safety and welfare, including, without limitation, an emergency declared by the Federal Emergency Management Agency. The City Manager is authorized to conclude an emergency exists without further declaration by the Council.

(Ord. 5387 § 1 (part), 2016)



City of Palo Alto City Council Staff Report

(ID # 12399)

Report Type: Informational Report

Meeting Date: 9/13/2021

Summary Title: FY 2021 Gifts and Donations to the City

Title: Fiscal Year 2021 Significant Gifts and Donations to the City

From: City Manager

Lead Department: Administrative Services

This is an informational report and no Council action is required.

Discussion

The City of Palo Alto's Policy and Procedure 1-18, Gifts and Donations to the City of Palo Alto, (Attachment A) requires annual reports to the City Council regarding significant gifts that have been accepted on behalf of the City. This policy was updated in October 2014, to help clarify reporting of significant gifts over \$5,000 only.

In compliance with this policy, Attachment B lists all of the significant gifts (over \$5,000) received during Fiscal Year 2021. All gifts had a designated purpose as stated under the "Use of Gift" column. Staff monitors designated restrictions to comply with the Donor's request.

In addition, the Fair Political Practices Commission (FPPC) regulates gifts to employees. The regulations contain guidelines on when these types of gifts should be disclosed as gifts to the City. Gifts required to be disclosed pursuant to this regulation are now also reported on FPPC Form 801, and that gift information is now posted to the City Clerk's web page as required by the FPPC.

Annual reports of gifts will continue to be provided to the Council, and Form 801 information will be available on the City Clerk's website throughout the year as gifts are received.

Attachments:

- **Attachment10.a:** Attachment A: Gifts to the City Policy 1-18
- **Attachment10.b:** Attachment B: FY 2021 Gifts and Donations

POLICY AND PROCEDURES 1-18

Revised: October 1, 2014

Effective: December 1, 1989

GIFTS AND DONATIONS TO THE CITY OF PALO ALTO**POLICY STATEMENT**

The purpose of this policy is to:

- Establish uniform procedures for the receipt of gifts to the City of Palo Alto;
- Cultivate and maintain an environment where residents and businesses want to contribute to the City's programs and facilities;
- Promptly acknowledge and express appreciation for the gifts;
- Assure the gifts are properly inventoried, and
- Comply with the Political Reform Act and Fair Political Practices Commission Regulations.

It is essential that gifts be properly reported and reviewed carefully for impact on the City's resources and for consistency with City policies and procedures concerning cash handling and inventory.

City employees are prohibited from accepting personal gifts (see Section 1301, Merit System Rules and Regulations). Gifts to elected and appointed City officials and "designated" City employees (see Palo Alto Municipal Code, Chapter 2.09) are also regulated by the State of California Fair Political Practices Commission.

Applicability of this Policy

The procedures stated in Section A apply to gifts offered or given to the City, gifts actively solicited by the City, and gifts from community groups that support various City operations (e.g. Friends of the Library, the Recreation Foundation, etc.). They do not apply to minor individual contributions which will be quickly consumed in a City-sponsored event, work contributed by individual volunteers, sponsorship of a City activity, or donations of advertising, publicity, graphics, etc. in exchange for City acknowledgment. The procedures are consistent with those applicable to grants and other funding requests (see Policy and Procedures 1-12).

The Fair Political Practices Commission has adopted requirements (2 Cal.Code Regs. § 18944.2) for reporting payments made to agencies that would otherwise constitute gifts to public officials. Payments may be considered gifts to the City when the City receives and controls the payment, uses the payment for official business, and identifies the recipient. Such payments must be reported as provided in section B of this policy.

Table 1 summarizes acknowledgement and reporting requirements for gifts.

PROCEDURES

A. City Requirements for Accepting and Acknowledging Gifts

Department heads, including Council Appointed Officers, are authorized to accept gifts tendered by cash or cash equivalents or by electronic funds transfers (e.g., ACH transfer, credit card payment or online gifts) on behalf of the City. The City Clerk's Office will report on behalf of the City Council. Implementation of this policy is the responsibility of the department head, including Council Appointed Officers.

Thresholds for implementation of the procedures vary with the category of the gift, as shown in Table 1.

The estimated value of a gift is based on the donor's estimate. The City will not independently assign a value to the gift unless it is cash.

Gifts accepted by the City become the property of the City of Palo Alto and are to be used for public benefit. Unless a special agreement concerning the ultimate disposition of the gift is entered into at the time the gift is accepted, it is understood that the City has sole authority to determine the use, transfer, handling, or disposition of the gift.

Gifts made to officials directly or for which the donor designates by name, class, or other title the official who may use the payment are not gifts to the City, but rather individual gifts that may be required to be reported on FPPC Form 700. Employees may not accept individual gifts.

Department heads should review material gifts to:

- determine what the estimated costs to the City will be for any related installation, maintenance, operation, storage or liability that may be incurred by acceptance of the object;
- ensure that the gift is properly documented, catalogued, and/or inventoried in the department and division records;
- prepare and install an appropriate sign or nameplate consistent with the City's naming policy;
- ensure that the object will be satisfactorily maintained.

Acknowledgment of Gifts

The manner in which a gift is acknowledged must be appropriate to the nature of the gift and consistent with the donor's wishes.

1. Within thirty (30) days of receipt of a gift, the department head must send an acknowledgment letter if the gift is worth \$100 or more, thanking the donor on behalf of the City of Palo Alto.

a. The letter should clearly identify the gift and confirm the placement of the object that has been given to the City, or the use to which the gift will be devoted.

b. Gifts to a governmental entity are treated similarly to charitable contributions for purposes of tax deductions. However, the donor will be responsible to the Internal Revenue Service and Franchise Tax Board for substantiating his or her own tax deduction. The City will not provide any tax services to donors.

c. Except for gifts of cash or cash equivalents, where the donor amount is apparent, no dollar amount should be stated in the letter. Instead, the letter should contain the following paragraph:

Your gift may be tax deductible. To determine the amount you may properly deduct for tax purposes, you should consult your tax preparer or tax attorney.

d. The department head or his/her designee will sign the letter and forward a copy to the ASD Director.

e. For a particularly significant gift (over \$5,000), recipient department head in consultation with the ASD Director may ask that a letter be prepared for the Mayor's signature.

2. The recipient department head, in consultation with the ASD Director, will determine if the gift warrants a public announcement and in what manner it should be made. The donor will be notified in advance of any announcement, and has the right to request anonymity.

3. The ASD Director is responsible for:

a. maintaining a record of all gifts that are accepted, including a description of the gift, the donor's name and address (unless anonymous), the date the gift was received, and the disposition of the gift.

b. reporting annually any significant gifts over \$5,000 to the City Council regarding the gifts that have been accepted on behalf of the City.

4. Each department should also maintain a record of all gifts that are accepted, which includes a description of the gift, the donor's name and address, the date the gift was received, and the disposition of the gift.

B. Fair Political Practices Commission Requirements for Accepting and Reporting Gifts to the City

In addition to the requirements listed above, departments receiving gifts to the City must comply with Title 2 of the California Code of Regulations section 18944.2, summarized below:

Payments or similar gifts that are controlled by the City and used for official City business may be considered gifts to the agency rather than gifts to an individual although the individual may receive a personal benefit from the payment, if all of the following requirements are met:.

(1) City controls use of payment: The city manager or designee must determine and control the City's use of a payment. The donor may identify a purpose for the payment, but may not designate by name, title, class, or otherwise, the official/employee who may use the payment. The City Manager or designee shall select the individual(s) who will use the payment any may not select himself or herself as the user.

(2) Official City business. The payment must be used for official City business.

(3) Reporting. Within 30 days after use of the payment, the head of the department of the official/employee who used the gift must report the payment on the Form 801 and forward it to the City Clerk. Form 801 is available at the Fair Political Practices Commission website online at <http://www.fppc.ca.gov>. The City Clerk shall post a copy of the form or the information in the form on the City website, and shall maintain the forms for a period of not less than four years.

(4) Limitations on payments for travel. Payments for travel, including transportation, lodging, and meals, are not gifts to the City but are considered personal gifts or income that the official or employee may be required to report on his or her FPPC Form 700 (a) if the donor designates by name, title, class, or otherwise, the official or employee who may use the payment, (b) if the City Manager or designee has not preapproved the travel in writing by signing the Form 801 or other travel pre-approval in advance or the trip, and/or (c) to the extent that such payments exceed the

City's reimbursement rates for travel, meals, lodging, and other actual and necessary expenses.

NOTE: Questions and/or clarification of this policy should be directed to the Administrative Services Department. Questions and/or clarification of the Form 801 reporting requirements should be directed to the City Clerk or City Attorney's Office.

Attachments:

Attachment A: Table 1- Summary of Gift Categories and Reporting Requirements

Table 1
Summary of Gift Categories and Reporting Requirements

Gift Category	Acknowledge- ment Letter	Copy of acknowledge- ment to ASD?	Account information re deposit to ASD?	Form 801 to City Clerk?	Other Requirements
Cash or cash equivalent that will be used for official City business over \$100 (cash, check, money order, travelers check, cashier's check or online donation)	X	X	X		
Cash or cash equivalent that will be used by an individual employee for official city business	X	X	X	X	For payments used for official travel, see limitations set forth in policy section B(4).
Stocks, other securities	X	X			Contact ASD re deposition of this type of gift. The City's investment policy (1-39) precludes purchase of stocks, but the City may accept them as gifts if sold within a reasonable amount of time and ASD Director determines that cost of sale will not exceed cost of stock.
Services (skilled services performed by a business or professional firm)	X	X			Department head evaluates services to determine impact to department's operating budget or CIP. Contact City's Risk Manager to determine potential liability exposure.
Material Gifts (Objects of art, equipment, property, other tangibles)	X	X			If item has a value of \$5,000 or more, also provide ASD Director with documentation regarding value of gift for fixed assets accounting.
Real Property (Privately owned land and/or land improvements)	All gifts require approval from ASD Real Estate Division and should be referred there. Real Estate/ASD will submit a written recommendation to the City Council for acceptance or rejection of the gift.				

Attachment B
FY 2021 Gifts and Donations

Date	Donor	Dept	Gift	Use of Gift
February 9, 2021	Palo Alto Pickleball	Community Services Department	\$5,180.00	Open Space and Parks Adopt-a-Park donation for the installation of a new entry gate at the Mitchell Park pickleball courts.
Various	Friends of the Library	Library	\$76,792.13	Library collection development and program support.



City of Palo Alto City Council Staff Report

(ID # 13526)

Report Type: Informational Report

Meeting Date: 9/13/2021

Summary Title: Third Progress Report on Palo Alto's Community and Economic Recovery Workplan

Title: Third Progress Report on Palo Alto's Community and Economic Recovery Workplan

From: City Manager

Lead Department: Administrative Services

This informational memorandum is the third to transmit updates for each of the eleven (11) work items in the Community and Economic Recovery Workplan as it was approved by the City Council on March 22, 2021. No action is required.

It is anticipated that this report will be provided on a regular schedule in order to keep the City Council and the Community up to date on developments of the workplan. Additionally, individual items will continue to be brought forward to the City Council for discussion and action as appropriate to make progress on the workplan. More information on the City's Community and Economic Recovery Workplan can be found at www.cityofpaloalto.org/communityrecovery and information on upcoming events can be found at the City's calendar online here: <https://www.cityofpaloalto.org/Home/Calendar>

Community and Economic Recovery Workplan Updates:

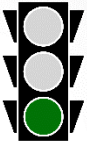
Manage through the Pandemic

- a) Maintaining services while managing daily pandemic needs such as testing, contact tracing, exposures, and other tasks necessitated by COVID-19 is currently the highest need of the City.



UPDATE: In early August the City notified all labor groups of its intent to implement a mandatory vaccination and/or testing policy. Under the policy, employees will be required to show proof of vaccination and employees who are not vaccinated are subject to recurring testing. The City plans to utilize rapid tests, which employees self-administer on site with results in 15 minutes. The rapid tests are already in use for sworn personnel in the Fire department, and implementation is proceeding throughout September for all other employees. The City continues to provide PCR testing at multiple locations in Palo Alto through its partnerships with the County of Santa Clara and Curative to address the community demand for testing. Testing demand has increased with the delta variant surge, and the testing locations are serving up to 1,200 individuals per week.

- b) Continue high-volume public communications and enhanced community engagement on managing through the COVID-19 pandemic to the City and the Community.



UPDATE: The City's COVID-19 newsletter, which is sent to more than 50,000 followers, evolved in June to match the State's recovery status. The Coronavirus Report, now named Uplift Local, continues to provide up to date and real time information on the pandemic. It also offers information about community's recovery; specifically connecting the community together to City service changes and programs; restaurant and retail opportunities; wellbeing, wellness and family resources; and community engagement and ways to get help or help those in need through volunteer opportunities. The goal will be to further the City's community recovery efforts and connect the whole community - residents, non-profits, public art opportunities, and business- together.

Since the last reporting period, the following activities took place with enhanced communications to engage and inform the community: planning to celebrate our community's resilience, strength—and finally being together again through hosting Together Again, a series of 20+ celebrations taking place September 10-18, 2021 across Palo Alto. Other planning efforts include: assisting with signage to help the community understand reactivation details, furthering website development of a digital forum to showcase priority initiatives like Fiber and Sustainability and developing a dedicated webpage on the City's business tax discussions.

- c) Provide an updated clear comprehensive Workplace Activation Plan (including remote staffing models) (\$500k)



UPDATE: In response to the latest safety recommendations by County and State health officials — who have reported increasing concern over a rise in the number of COVID-19 Delta variant cases — the City now requires all visitors to City facilities to wear masks indoors, regardless of vaccination status, and continue maintaining social distancing protocols.

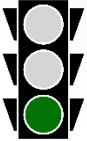
City Hall services are open by appointment from 8 a.m. to 5 p.m. for business with code enforcement, public works, transportation services, police records services, utility billing services, and revenue collections. Reopening of the libraries also occurred, with Downtown and College Terrace opening on August 26; operating hours at Mitchell Park and Rinconada will be expanding by mid-to-late September.

To save the public time, reduce carbon emissions, and continue business efficiencies found during the pandemic, City Hall will continue its phone and online services, which were well received during the pandemic restrictions when walkups were not possible. This includes City services such as [parking permits and tickets](#), [building permits and planning appointments](#), [utility bill payments](#), and [police reports](#).

Although the City hoped to enable hybrid public meetings (blend of in-person and virtual), safety concerns prompted the decision to continue the virtual-only meeting format for City Council and City boards and commissions, at least through the month of September. The City is actively tracking legislation at the state level that may impact the ability of the City to hold hybrid and/or remote meetings past the end of the current authorization which expires September 30, 2021.

Community Wellness and Wellbeing

- d) Support Community Wellness and Wellbeing through development of a series of community events, presentations, and engagement opportunities e.g. Wellness Wednesdays



UPDATE: As part of the City's ongoing work to support Community Wellness and Wellbeing, the City, partner organizations, and local businesses will participate in ['Together Again' Palo Alto](#), a week-long series of events including a family movie night, live music, a nature walk, the moonlight run and more during the week of September 10 – 18.

September is Suicide Prevention Awareness month and Project Safety is hosting several community events and trainings to raise awareness, amplify resources and provide opportunities to get involved in youth suicide prevention and mental health promotion. On September 2nd, a community kick off meeting was held to share engagement activities throughout the month of September. Events include a community forum on Building a Resilient Community with Our Youth: Self-Care for the Supporters (Wed, 9/22, 3:30 pm -5:00 pm) and a Policy and Advocacy Community Event, featuring speakers Supervisor Joe Simitian and Alex Briscoe from California Children's Trust (Fri, 9/24, 11:00 am - 12:30 pm). Information and registration can be found at psnyouth.org or on the City Calendar here <https://www.cityofpaloalto.org/Home/Calendar>.

On August 30, 2021 the Palo Alto City Council endorsed the Santa Clara County Community Plan to End Homelessness 2020-2025 and took important actions to better serve the unhoused population in Palo Alto. One such action was directing staff to research and prepare an application for Project Homekey which, if awarded, would provide some funding towards the creation of an emergency shelter within Palo Alto.

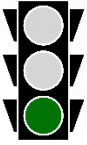
Throughout the past few months, notable events that have occurred include the conclusion of the Summer Reading Program, which ended signups on July 31 with 1,420 participants. Participants can collect their prizes now through the end of September, while supplies last.

The Palo Alto City Library has partnered with HP to repurpose used Windows laptops (Dell, HP, Microsoft, etc.) and donate them to local community partners who work with underserved students and families. HP will safely wipe the data on donated laptops using their HP Refresh software. The Library has collected more than 85 laptops so far and will be working with local community organizations to distribute them.

FarmBot, an open-source agriculture robot, is now placed in the Mitchell Park community center. Staff has been working with the Space Cookie, a Girl Scout Robotic Team, to assemble the hardware and install software. The work to get the robot fully function as designed is still under way. Ultimately, the robot will sow seeds, water, pull weeds automatically. All of those tasks will be digitally streamed.

Focused Business Support

- e) Continue, and further promote, Uplift Local and other retail supportive strategies



UPDATE: The Uplift Local initiative is an effort to connect the community with outdoor activities. Monthly community check-in meetings are held in order to hear from the community on their experience with the program and for staff to share County progress and recovery updates, Uplift Local effort changes, parking program updates and upcoming events and art exhibits.

The City continues to engage with local businesses through monthly meetings with merchants from California Avenue and University Avenue. Staff completed an economic impacts survey in order to better understand the financial impacts to businesses located within the Uplift Local closed streets and businesses located near the closed streets. Data will be presented to Council for consideration of Uplift Local streets program changes. During the monthly meetings, staff also provide program updates and seek input from business owners and building owners. Staff connect business owners with resources such as local grants and training opportunities such as Small Business Administration webinars. Lastly, the business meetings serve to inform businesses of upcoming local events and ways businesses can partner with events sponsors to promote and advertise their business.

- f) Provide technical support for workplace environmental upgrades to mitigate risks for local businesses



UPDATE: The City's consultant that will provide technical support for workplace environmental upgrades has received 38 signed agreements for scheduling onsite consultations; has completed 29 system installs and has consulted with 25 more. Consultations can provide recommendations ranging from explaining the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) guideline of hourly fresh air circulations to optimizing Heating, Ventilating, and Air-Conditioning (HVAC) systems. Staff continues to use a variety of marketing tools to promote the program to local businesses with the goal of contacting as many of the commercial customers throughout the city for the entire program.

- g) Refine the scope and breadth of the City's economic support activities



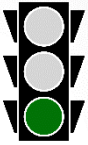
UPDATE: The City Council addressed this item through a discussion facilitated by the Good City Company on June 1, 2021. After discussing economic development and the potential range of options, the City Council directed staff to return to the City Council with a Request for Proposals for an economic development strategy consultant and an internal staffing plan to support connection to the business community with a focus on specific areas.

This will be addressed through discussion of an individual action item agenda item for the evening of September 13, 2021. Staff anticipates incorporating outcomes from the City Council's discussion on September 13 into the request for proposals and then issuing the solicitation for

economic development strategy consultants. Staff also anticipates tailoring implementation of the internal staffing plan based on City Council direction concurrent to the pursuit of an economic development strategy consultant.

City Priority Initiatives

- h) Further accelerate Fiber to the Home (FTTH) and pursue expanded community engagement



UPDATE: The City will be launching the Palo Alto Fiber Community Forum in September to inform and engage residents and businesses on Fiber-to-the-Home (FTTH). The fiber forum will include frequently asked questions, factsheets and other resources for both residents and businesses. The community can be involved by registering for alerts, notifications and receive email updates about the project. There will also be an interactive map where people express their interest in FTTH and other feedback. The City and Magellan Advisors are currently in discussion with multiple departments to identify potential City sites to house two to three fiber huts which will be geographically located throughout the city. The fiber hut is approximately 20' x 40' containing electrical equipment, emergency generator, and HVAC unit. Staff will be presenting the potential fiber hut sites to the Utilities Advisory Commission on October 6, 2021.

- i) Downtown redesign for cars, pedestrians, and bicycle travelers and visitors (\$150k, design work only)



UPDATE: As the City considers plans for reopening or extending the closures on University Avenue and California Avenue to vehicular traffic (to be discussed by City Council on September 13), efforts are underway to evaluate updating the streetscape and activating public spaces to support vibrancy of these spaces. Staff have drafted and issued a Request for Proposal (RFP), seeking a Consultant to provide design and engineering services between Alma Street and Middlefield Road. The goal of the project is to adapt the public realm to maximize pedestrian and bicycle use, and accentuate and enhance the retail environment, while maintaining vital two-way vehicular access, parking opportunities, delivery and loading zones, ride share spaces, and other amenities including performance space. The priority is to create a more vibrant and inclusive space to support residents and local businesses.

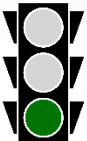
Staff are also planning next steps for California Avenue. In response to Council's June 22, 2021 direction to have Staff return with a process recommendation to pursue pro-bono design expertise for California Avenue, staff recommends focusing California Avenue energies on the design of the permanent parklet program. Working with the ARB, local businesses, and community members, the City can create a unique permanent parklet program that enhances the streetscape and pedestrian environment along California Avenue. This discussion could also include consideration of minor streetscape improvements that take into account the significant investment already made in the recent California Avenue Streetscape project.

- j) Exploration of potential ballot measures



UPDATE: The Finance Committee will be discussing potential ballot measures on September 21, 2021 – subsequent to the release of this report. This follows discussion that they had on June 15, 2021 that was then discussed with the full City Council on August 16, 2021. Staff will return with preliminary calculations related to the development of a tax based on square footage including discussion of implementing such a tax as a business tax or as a parcel tax as well as further information regarding the development of a potential utility use-based tax. Staff will continue to work iteratively with the Finance Committee and the City Council, with the Finance Committee serving as the main working body engaging on this work and the City Council approving decisions and directions at important junctures.

- k) Research and return to Council with recommendations for updates to the Foothills Fire Management Plan and certain other measures, including a Foothills Fire Early Warning Systems (FFEWS).



UPDATE: The Office of Emergency Services prepared staff report [CMR 13479](#) for the Study Session regarding wildland fire on August 30, 2021. That study session - which included partners from CAL FIRE, Santa Clara County Fire, Midpeninsula Open Space, and Stanford University - can be viewed online here: <https://youtu.be/Y7NxYk0X2p4?t=5649>. Follow-up work is underway.

The Office of Emergency Services also held a community wildfire safety education session on August 15 to further engage the community on this important topic.

Legend

As seen in the updates above, a stoplight symbol is displayed to the left of each individual work item. This indicator is meant to provide a visual indication of the status of each work item as described below.



- Green – Progress on this work item is underway, consistent with what was described in the Community and Economic Workplan as adopted by the City Council.
- Yellow – Progress on this work item is underway, but may have upcoming vulnerabilities or decisions that need to be made to impact future progress.
- Red – Progress on this work item is not underway; this represents when work has stalled or encountered barriers that need to be overcome in order for work to continue.

Schedule of Meetings

Published September 2, 2021

This is a courtesy notice only. Meeting dates, times, and locations are subject to change. Almost all Palo Alto Council and some Standing Committee meetings are cablecast live on Channel 26. If there happens to be concurrent meetings, one meeting will be broadcast on Channel 29.

Until further notice, all meetings will be held by virtual teleconference via Zoom and streamed on YouTube.

MONDAY, SEPTEMBER 6 (CANCELLED DUE TO HOLIDAY)

Sp. City Council Meeting, 5 p.m.

TUESDAY, SEPTEMBER 7

Sp. Finance Committee Meeting, 6 p.m.

WEDNESDAY, SEPTEMBER 8

Planning & Transportation Commission Meeting, 6 p.m.

THURSDAY, SEPTEMBER 9

Historic Resources Board Meeting, 8:30 a.m.

Human Relations Commission Meeting, 6 p.m. **(CANCELLED)**

MONDAY, SEPTEMBER 13

Sp. City Council Meeting, 5 p.m.

TUESDAY, SEPTEMBER 14

Policy & Services Committee Meeting, 7 p.m.

THURSDAY, SEPTEMBER 16

Architectural Review Board, 8:30 a.m.

City/School Liaison Committee Meeting, 8:30 a.m.

Public Art Commission Meeting, 7 p.m.

MONDAY, SEPTEMBER 20

Sp. City Council Meeting, 5 p.m.

TUESDAY, SEPTEMBER 21

Sp. Finance Committee Meeting, 6 p.m.

THURSDAY, SEPTEMBER 23

Historic Resources Board Meeting, 8:30 a.m.

Sp. Human Relations Commission Meeting, 6 p.m.

MONDAY, SEPTEMBER 27

Sp. City Council Meeting, 5 p.m.

TUESDAY, SEPTEMBER 28

Parks & Recreation Committee Meeting, 7 p.m.

WEDNESDAY, SEPTEMBER 29

Planning & Transportation Commission Meeting, 6 p.m.