



**City Council
Special Meeting
Monday, August 1, 2022
5:00 PM
Council Chamber & Virtual**

Pursuant to [AB 361](#) Palo Alto 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 from home or attend in person. Information on how the public may observe and participate in the meeting is located at the end of the agenda. Masks are strongly encouraged if attending in person.

HOW TO PARTICIPATE

VIRTUAL PARTICIPATION

[CLICK HERE TO JOIN](https://cityofpaloalto.zoom.us/j/362027238) (<https://cityofpaloalto.zoom.us/j/362027238>)
Meeting ID: 362 027 238 Phone: 1(669)900-6833

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

TIME ESTIMATES

Time estimates are provided as part of the Council's effort to manage its time at Council meetings. **Listed times are estimates only and are subject to change at any time, including while the meeting is in progress.** The Council reserves the right to use more or less time on any item, to change the order of items and/or to continue items to another meeting. Particular items may be heard before or after the time estimated on the agenda. This may occur in order to best manage the time at a meeting or to adapt to the participation of the public.

REVISED PUBLIC COMMENTS

Public Comments will be accepted both in person and via Zoom for up to three minutes or an amount of time determined by the Chair. 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.

PowerPoints, videos, or other media to be presented during public comment are accepted only by email to city.clerk@cityofpaloalto.org at least 24 hours prior to the meeting. Once received, the City Clerk will have them shared at public comment for the specified item. To uphold strong cybersecurity management practices, USB's or other physical electronic storage devices are not accepted.

CALL TO ORDER

SPECIAL ORDER

- Q&A** 1. Appreciation for Assembly Member Marc Berman (5:00 – 5:15 PM)

STUDY SESSION

- Q&A** 2. Study Session on Status of National and Regional Airplane Noise
Public Letters Initiatives (5:15 – 6:15 PM)
Presentation

3. 278 Lambert, 3040 - 3250 Park, 3201-3225 Ash & 200 - 404 Portage
Prescreening Study Session: Report on Negotiations Between the City
Public Letters Council Ad Hoc and the Sobrato Organization and Prescreening for
Presentation Development Agreement and Rezoning, Seeking Initial Public Input on
Negotiated Terms. Environmental Assessment: Not a Project. Zoning
District: RM-30 (Medium Density Multiple-Family Residence District)
and GM (General Manufacturing). (6:15 – 7:15 PM)

AGENDA CHANGES, ADDITIONS AND DELETIONS

PUBLIC COMMENT (7:15 – 7:30 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 (7:30 – 7:35 PM)

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

4. Approve Minutes from the May 23, 2022, June 13, 2022, June 20, 2022 and June 21, 2022 City Council Meetings
5. Adoption of a Resolution Authorizing Use of Teleconferencing for Council Meetings During Covid-19 State of Emergency
6. Approval of a Memorandum of Agreement with Suez Water Technologies and Solutions (Suez) to Assign Suez' Membrane Aerated Biofilm Reactor (MABR) Equipment and Services to the Future General Contractor for Construction of the Secondary Treatment Upgrades Capital Improvement Project (WQ-19001) at the Regional Water Quality Control Plant
7. Approval of Amendment Number 2 to Lease between Ada's Cafe and City of Palo Alto for the Community Center Cafe at Mitchell Park for 5 Years at \$500.00 per Month on January 1, 2023 with Annual 3% Increases Thereafter

8. Adoption of a Interim Urgency Ordinance Extension Requiring a Conditional Use Permit to Establish a Firearms Dealer Retail Use. Environmental Assessment: Exempt under CEQA Guidelines 15061(c)(3).

CITY MANAGER COMMENTS (7:35 – 7:55 PM)

Presentation

BREAK (7:55 – 8:05 PM)

ACTION ITEMS

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

9. PUBLIC HEARING / QUASI-JUDICIAL. 1033 Amarillo Ave [22PLN-00016]: Request for a Preliminary Parcel Map with Exceptions to Subdivide a 20,787 square foot R-1 property into two (2) lots, where Lot 1 will be 10,668.50 square feet and Lot 2 will be 10,118.77 square feet. Exception is for minimum lot width and maximum lot size. Zoning District R-1 Single Family Residential. (8:05 – 9:10 PM)

Public Letters

Staff Presentation

Applicant Presentation

10. Adoption of Resolutions: (1) Placing a Business Tax on the November 2022 Ballot; (2) Placing a Measure Affirming the Natural Gas Utility Transfer on the November 2022 Ballot; and (3) Establishing Advisory Spending Guidelines for Business Tax Proceeds (9:10 – 10:30 PM)

Public Letters

Presentation

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.

Q&A

11. Sales Tax Digest Summary Calendar 2022 Q1

OTHER INFORMATION

Standing Committee Meetings

Finance Committee Meeting August 2, 2022 - Canceled

Public Comment Letters

Schedule of Meetings

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.

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



City of Palo Alto City Council Staff Report

(ID # 14548)

Report Type: Study Session

Meeting Date: 8/1/2022

Summary Title: 340 Portage Avenue: Prescreening & Initial DA Terms

Title: 278 Lambert, 3040 - 3250 Park, 3201-3225 Ash & 200 - 404 Portage Prescreening Study Session: Report on Negotiations Between the City Council Ad Hoc and the Sobrato Organization and Prescreening for Development Agreement and Rezoning, Seeking Initial Public Input on Negotiated Terms. Environmental Assessment: Not a Project. Zoning District: RM-30 (Medium Density Multiple-Family Residence District) and GM (General Manufacturing).

From: City Manager

Lead Department: Planning and Development Services

Recommendation

Conduct pre-screening study session and receive public input regarding the potential development agreement.

Background/Discussion

On October 25, 2021 the City Council established an ad hoc committee consisting of Vice Mayor Kou and Councilmember DuBois to negotiate with the Sobrato Organization (Sobrato) terms to guide future development at Sobrato's 14.65-acre property located at 200-404 Portage Avenue, 3040-3250 Park Boulevard, 3201-3225 Ash Street & 278 Lambert Avenue (collectively referred to as "340 Portage Avenue"). At the time the ad hoc was formed, the City was reviewing non-conforming provisions of the Palo Alto Municipal Code (PAMC) that would affect the subject property and the owner had applied for a new housing development based on SB330 requirements.¹ The negotiation was intended to avert a possible lawsuit and find common ground for the future use of the site, which is also a key parcel in the City's North Ventura

¹ SB330 Pending Project:

<https://www.cityofpaloalto.org/News-Articles/Planning-and-Development-Services/200-Portage-Avenue>

Coordinated Area Plan (NVCAP) planning effort.² The October 25, 2021 Council report provides a summary concerning the recent history of the site and discussion that preceded the formation of the ad hoc.³

The Council ad hoc and staff held meetings with representatives of Sobrato between December 2021 and June 2022. Both parties negotiated in good faith toward a mutually agreeable outcome and reflected their respective interests throughout the negotiation. For the City, given prior Council direction and public engagement with the NVCAP effort, the ad hoc represented interests related to meaningful open space, including potential naturalization of Matadero Creek, preservation of the site's character defining historic features and history, and housing – in particular, affordable housing. Sobrato expressed an interest in preserving existing office and research & development (R&D) uses at the site and, in response to City priorities, development of new ownership housing. In entering negotiations both parties had an interest in avoiding litigation.

On June 20, 2022 and continued to June 21, 2022, the City Council in Closed Session reviewed the latest terms for a possible development agreement and voted 7-0 to direct staff to prepare a tolling agreement that would temporarily suspend processing of the pending SB330 housing application while Sobrato pursues a development agreement based on terms included in Attachment A. The Council directed staff to schedule a Study Session so the public would have an opportunity to comment on the general development terms and public benefits. This study session also serves as a pre-screening meeting required for a proposed development agreement and the required Planned Community zone under PAMC Chapter 18.79.

The agreement terms would avoid litigation, allow for Sobrato to retain R&D space plus some additional amount of R&D space, construct housing and for Sobrato to contribute money to the City for affordable housing and dedicate land to the city for future open space and affordable housing. Included in this report is Attachment A, which summarizes the initial terms and includes a map and table providing more detailed information. Staff are currently working with Sobrato to develop a Tolling and Project Processing Agreement that outlines the steps Sobrato

² January 10, 2022 City Council Staff Report for NVCAP:

<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220110/20220110pccsm-linked-updated.pdf#page=150> January 10, 2022 City Council Staff Report for NVCAP: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220110/20220110pccsm-linked-updated.pdf#page=150>

³ October 25, 2021 City Council Staff Report for 340 Portage Property:

<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2021/10-october/20211025/20211025pccsm-linked-w-times.pdf#page=136> October 25, 2021 City Council Staff Report for 340 Portage Property: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2021/10-october/20211025/20211025pccsm-linked-w-times.pdf#page=136>

and City will follow to process the application and conveyance of public benefits to the City. Staff anticipates that this agreement will be finalized in advance of the study session and will provide a copy when available.

Policy Implications

The Tolling and Project Processing Agreement will not commit the City to ultimately approve the project, which will require an environmental impact report (EIR) and public hearings before the Architectural Review Board (ARB), Planning and Transportation Commission (PTC) and City Council.

Resource Impact

There is no resource impact at this time, however, in accordance with the initial terms of the development agreement, the City would receive \$5 million towards future affordable housing and open space improvements and land dedicated to the City for open space, including the creek and a site for affordable housing. In developing the site, Sobrato would be responsible for payment of the City's applicable development impact fees.

Timeline

A project timeline is set forth in Attachment B (forthcoming prior to meeting).

Stakeholder Engagement

Future hearings on the development would be subject to public notification. As well as any public notifications required for processing environmental review of the development application.

Environmental Review

This summary is not subject to the California Environmental Quality Act (CEQA). However, going forward the actions related to the development agreement application are subject to CEQA. It is expected that an EIR would be drafted in accordance with CEQA.

Attachments:

Attachment3.a: ATTACHMENT A (DOCX)

ATTACHMENT A

Proposed Negotiated Terms

The following is a summary of the proposed negotiated terms between Sobrato Organization (Sobrato) and the City of Palo Alto. This considers the breakdown of the property into future parcels, the allocation of square footage (SF) for land uses, the number of dwelling units and any obligations towards development impact fees and community benefit contributions.

Table 1: Summary of Negotiated Terms and Obligations

<ul style="list-style-type: none"> • Settlement agreement for no litigation • Sobrato demolishes portion of the cannery building to develop 74 ownership townhouses • City to allow remainder of cannery building to remain research & development (R&D)¹ space • City to allow Ash Building to remain office space • City to allow Audi building to convert from auto repair service to R&D space • Sobrato to construct new one level over grade garage for R&D and retail parking needs, necessary to replace the existing surface parking to be removed to accommodate the land dedication to the City. • Sobrato to renovate cannery building to support the existing R&D use and accommodate 2,600 SF of retail space with public view opportunities to the interior monitor roof trusses and an exhibit to recognize the history of the cannery building. <ul style="list-style-type: none"> ○ Sobrato not expected to make profit from retail space rent • Sobrato to dedicate ~3.25 acres of land to city for open space and affordable housing site to satisfy park and affordable housing fees. • Sobrato to contribute \$5 million to City for open space/affordable housing • Sobrato to pay applicable development impact fees • Sobrato to develop a TDM program for the existing R&D and office

Table 2: Summary of Land Parcels

Existing	Proposed	Proposed Use	Proposed Acreage (gross)
340 Portage Avenue/3040 Park Blvd.	Parcel 1	Townhouses	3.91 acres
	Parcel 2	Dedicated to City (Open space/BMR lot)	3.25 acres
	Parcel 3	Cannery Building	6.30 acres
	Parcel 4	Ash Building	0.42 acres
	Parcel 5	Audi Building	0.77 acres
Total:	14.65 acres		14.65 acres

¹ "Research and development" as defined in Municipal Code Section 18.04.030(123).

The dedicated Parcel 2 would be for the future open space and creek improvements (approximately 2.25 acres) and the future site to develop below market rate (BMR) housing (approximately one acre). Parcel 3 includes a private street that extends Portage Avenue from its terminus at Ash Street to intersect with Park Boulevard. This will provide access to Parcels 1, 2, 3 & 4. Parcel 3 also includes a new one level over grade parking structure to accommodate the parking needs of the Cannery building and the Ash building.

Figure 1: Proposed Land Exhibit

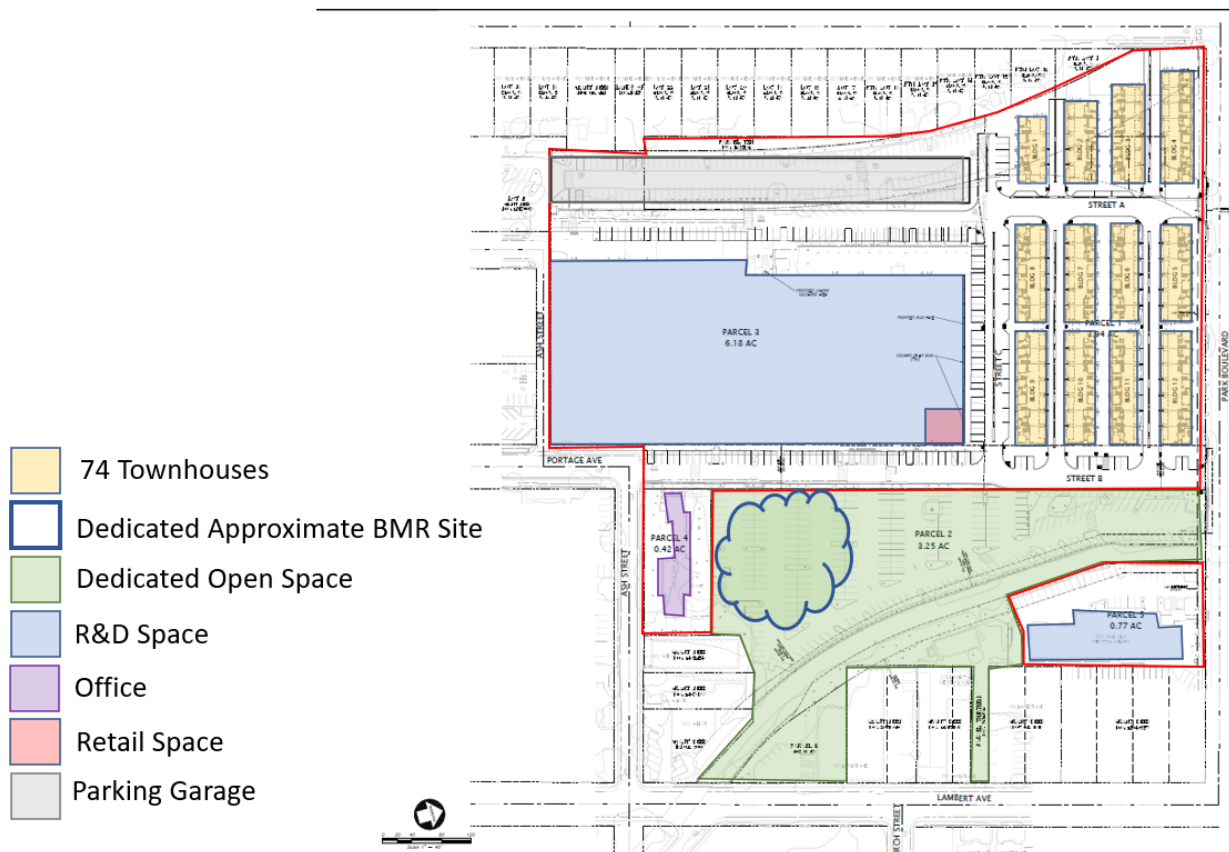


Table 3: Summary of Land Use Square Footage

	Cannery Building (340 Portage)	Ash Building	Park Building (3040 Park)	Audi Building (3050 Park)	Total
Existing (SF) Total	232,383	4,707	1,750	11,762	250,602
R&D	142,744	0	0	0	142,744
Office	0	4,707	0	0	4,707
Warehouse	5,639	0	0	0	5,639
Retail	84,000	0	0	0	84,000
Automotive	0	0	0	11,762	11,762

	Cannery Building (340 Portage)	Ash Building	Park Building (3040 Park)	Audi Building (3050 Park)	Total
Personal Service	0	0	1,750	0	1,750
Proposed (SF) Total	145,344	4,707	0	11,762	161,813
R&D	142,744	0	0	11,762	154,506
Office	0	4,707	0	0	4,707
Warehouse	0	0	0	0	0
Retail	2,600	0	0	0	2,600
Automotive	0	0	0	0	0

The R&D square footage in the cannery building remains the same, and overall, for the site R&D square footage increases by 11,762 SF due solely to conversion of the Audi building. A portion of the cannery building will be demolished (87,039 SF – all the warehouse and vacant retail space [except for the 2,600 SF for the new retail area]) to accommodate the townhouse parcel.

Housing/Affordable Housing

The proposed terms include Sobrato constructing 74 market rate townhouse units on Parcel 1. In lieu of providing inclusionary housing, Sobrato increases their land dedication commitment to the City for an approximate one-acre site for future development of a BMR project. The City would have full control over development of the site (types of units, level of affordability, etc.). To fulfill housing on the site, the City would need to establish a vision and parameters such density, levels of affordability, height for the project, etc. and distribute a request for proposals (RFP). The RFP is a document that the City would post to elicit a response or formal bid from non-profit developers with a proposal. These proposals would be vetted through a city process prior to the city choosing a developer to move forward with a plan that most fits the City's vision for the site.

Sobrato will also contribute \$5 million at final inspection of the townhomes into the City's affordable housing fund and park improvement fund as an additional community benefit. The City has preliminary determined that \$1 million of this amount will be dedicated to improving open space for site.

In any case it would take time to establish the vision, distribute the RFP, work out the details with the chosen developer and construct the project.

Open Space/Creek Naturalization

An important component of the project is open space. Part of the framework of this was established through the North Ventura Coordinated Area Plan visioning process and the selection of the preferred alternative concept in January 2022 by the City Council.

The preferred alternative included a concept that realized a full naturalization of Matadero Creek (Concept #3). A significant portion of the land necessary for creek naturalization is under control by Sobrato. Without a negotiated agreement, the City would have needed to acquire the land at

market rate. In addition, Sobrato's SB330 project would have disrupted the City's vision for the naturalized creek since a portion of the SB330 project's footprint lies in the creek improvement area.

As part of the negotiated terms, Sobrato will dedicate approximately 2.25 acres to the City for open space. According to the City's economic consultant assisting with the negotiations, Keyser Marston Associates, Inc., the value of one acre being dedicated to City from Sobrato is \$13.1 million.

One issue to address is that part of the negotiated agreement, Sobrato will retain parking along the Matadero Creek for the Audi building. This would require exploring the implications for a revised creek alignment that does not occupy those parking spaces. This would mean that Concept #3 is not possible, however, Concept #2 or similar version would be evaluated. The difference in width of the improvement area between the two concepts is approximately 15 feet.

Retail Space/Historic Preservation

As part of the project, Sobrato will renovate the cannery building, specifically demolishing the northern portion of the building to accommodate the townhouse development. This renovation would expose the monitor roof elevation of the cannery. Conceptual drawings depict how this renovation would be incorporated and complement the existing building (Figure 2). As part of the renovation, the monitor portions of the building will include 2,600 SF of retail space. The space is almost entirely located within the existing footprint of the cannery building and will include a portion of the ceiling to be transparent allowing viewing of the renovated monitor roof trusses from inside the space.

The frontage of the retail space includes an outdoor plaza for seating and other gatherings. Figure 2 depicts one possible approach to this outdoor area.

A key consideration for modifications and renovations for the cannery building is the acknowledgment of the site's historic significance. The interior of the retail space will include exhibits displaying the historic significance of the site. The outdoor plaza area will likely also see other historic acknowledgment elements such as plaques and maybe a statue. Any renovations, including demolition require an evaluation of the project with the Secretary of Interior Standards for renovations and considerations of any impacts consistent with the California Environmental Quality Act (CEQA). Any consideration of public art will also go through a public process.

Figure 2: Proposed Retail Elevation



Other Terms

As part of the development agreement, Sobrato agrees pay all existing applicable fees per the City's fee schedule, due and payable pro rata (1/74) at final inspection for the residential units per Palo Alto Municipal Code 16.64.020. As is typical of development agreement, no new fees are applicable after the adoption of the Development Agreement (DA), other than annual adjustments.

The existing uses of the site are not subject to any transportation demand reduction. The DA will specify a TDM program for the site to reduce single occupancy vehicle trips by at least 15% and help ensure that transportation impacts do not exceed those typically associated with R&D uses.

Rezoning Ordinance

Finally, because Sobrato is donating significant acreage to the City, the remaining parcels will not comply with existing City zoning standards. As a result, a Planned Community (PC) ordinance will need to be adopted in conjunction with a development agreement, along with any necessary amendments to the Comprehensive Plan. A PC ordinance is also necessary to allow retail in the cannery building, restrict use of the cannery building and Audi building to R&D use, and allow office to continue in the Ash Building, as existing commercial zones allow greater flexibility. The PC ordinance/rezoning will ensure flexibility for the City's future use of the dedication parcel for affordable housing and park space.



City of Palo Alto
Office of the City Clerk
City Council CAO Report

(ID # 14523)

Meeting Date: 8/1/2022

Report Type: Consent Calendar

Title: **Approve Minutes from the May 23, 2022, June 13, 2022, June 20, 2022 and June 21, 2022 City Council Meetings**

From: **Lesley Milton, City Clerk**

Staff recommends Council to review and approve the minutes as presented.

ATTACHMENTS:

- **Attachment4.a:** Attachment B: June 13, 2022 Minutes (PDF)
- **Attachment4.b:** Attachment A: May 23, 2022 Minutes (PDF)
- **Attachment4.c:** Attachment C: June 20, 2022 Minutes (PDF)
- **Attachment4.d:** Attachment D: June 21, 2022 Minutes (PDF)



CITY COUNCIL DRAFT ACTION MINUTES

Special Meeting
June 13, 2022

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

Present in person: Burt, Cormack, DuBois, Filseth, Kou, Tanaka

Present virtually: None

Absent: Stone

Special Order of the Day

1. Proclamation Recognizing Juneteenth Holiday

Closed Session

2. CONFERENCE WITH CITY ATTORNEY- EXISTING LITIGATION Subject: Miriam Green v. City of Palo Alto Santa Clara County Superior Court Case No. 16CV300760 (One Case, as Defendant) Authority: Government Code Section 54956.9(d)(1)

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

MOTION PASSED: 6-0-1, Stone absent

Council went into Closed Session at 5:05 P.M.

Council returned from Closed Session at 6:12 P.M.

There were no announcements from Closed Session

Agenda Changes, Additions and Deletions

None

Public Comment

Consent Calendar

Council Members Cormack, Tanaka registered a no vote on Agenda Item Number 5.

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

DRAFT ACTION MINUTES

MOTION: Council Member DuBois moved, seconded by Vice Mayor Kou to approve Agenda Item Numbers 3-8.

3. Approve Minutes from the June 1, 2022 City Council Meeting
4. Approval of Contract No. C22182951 with Innovative Interfaces Incorporated for use of its Online-Hosted Integrated Library System (ILS) Software, Innovative Mobile App, and Implementation Services, for a Five-Year Term and a Total Contract Not-To-Exceed Amount of \$983,388 including a Ten-Percent Contingency/Additional Services Amount
5. Finance Committee Recommends the City Council Direct Staff to Update the Park, Library, and Community Center Development Impact Fee Nexus Study to Create New Fee Categories, Update the Park Land Valuation to \$17.6m, Move to a Square-foot basis for Fees Imposed on Housing, and Conduct an Economic Feasibility Study (Including on the Parkland Dedication Fee)
6. Utilities Advisory Commission Recommend the City Council Adopt the 2022 Annual Water Shortage Assessment Report
7. Approval of Amendment No. 2 to Contract S20176879 with Johnson Controls Fire Protection LP, to Add to the Scope of Services and Increase the Contract Amount by \$113,466 for a New Three-year Contract Total Amount Not-to-Exceed of \$379,050 for the Provision of Fire Sprinkler System Inspections and Repair Services
8. Approval of Contract Amendments to Extend Three Public-Private Partnership Agreements Between the City of Palo Alto and TheatreWorks, Palo Alto Players, and West Bay Opera for the use of the Lucie Stern Community Theatre for an Additional Year

MOTION PASSED Items 3, 6-8: 6-0-1, Stone absent

MOTION PASSED Items 4: 5-1-1 Tanaka no, Stone absent

MOTION PASSED Items 5: 4-2-1 Cormack, Tanaka no, Stone absent

City Manager Comments

Action Items

9. Finance Committee Recommends Adoption of six Resolutions:
 - 1) Approving the Fiscal Year 2023 Wastewater Collection Utility Financial Plan, Including Proposed Transfer, and Adopting a Wastewater Collection Utility Rate Increase by Amending Wastewater Collection Rate Schedules S-1, S-2, S-6 and S-7;

DRAFT ACTION MINUTES

2) Approving the FY 2023 Water Utility Financial Plan, Including Proposed Transfer, and Adopting a Water Utility Rate Increase by Amending Water Rate Schedules W-1, W-2, W-3, W-4, and W-7;

3) Approving FY 2023 Gas Utility Financial Plan, Including Proposed Transfers, and Adopting a Gas Utility Rate Increase by Amending Gas Rate Schedules G-1, G-2, G-3 and G-10;

4) Approving the FY 2023 Electric Utility Financial Plan, Including Proposed Transfers and Amendments to the Electric Utility Reserve Management Practices, Amending Utility Rate Schedules E-EEC-1, E-NSE-1, E-2-G, E-4-G and E-7-G, and Adopting an Electric Utility Rate Increase by Amending Utility Rate Schedules E-1, E-2, E-4, E-4 TOU, E-7, E-7 TOU and E-14;

5) Amending Utility Rate Schedules EDF-1 and EDF-2 to Increase Dark Fiber Rates 4.2 Percent; and

6) Amending Utility Rate Schedule D-1 Increasing the Storm Water Management Fee by 4.20 Percent per Month per Equivalent Residential Unit for FY 2023

MOTION: Council Member Cormack moved, seconded by Mayor Burt to **Resolution 10048** for the Water Utility:

- a. Approving the FY 2023 Water Utility Financial Plan; and
- b. Approving a transfer of up to \$13.964 million from the Capital Improvement Program (CIP) Reserve to the Operations Reserve in FY 2022; and
- c. Increasing Water Utility Rates via the Amendment of Rate Schedules W-1 (General Residential Water service), W-2 (Water Service from Fire Hydrants), W3 (Fire Service Connections), W-4 (Residential Master-Metered and General NonResidential Water Service), and W-7 (Non-Residential Irrigation Water Service) (Attachment B2);

MOTION PASSED: 5-1-1, Tanaka no, Stone absent

MOTION: Council Member DuBois moved, seconded by Council Member Cormack to adopt **Resolution 10049** For the Wastewater Collection Utility,

- a. Approving the Fiscal Year 2023 Wastewater Collection Financial Plan; and
- b. Approving a transfer of up to \$5.33 million from the Capital Improvement Projects Reserve to the Operations Reserve in FY 2022; and

DRAFT ACTION MINUTES

- c. Increasing the Wastewater Collection Utility Rates via the amendment of Rate Schedules S-1 (Residential Wastewater Collection and Disposal), S-2 (Commercial Wastewater Collection and Disposal), S-6 (Restaurant Wastewater Collection and Disposal) and S-7 (Commercial Wastewater Collection and Disposal – Industrial Discharger) (Attachment A2);

MOTION PASSED: 6-0-1, Stone absent

MOTION: Mayor Burt moved, seconded by Council Member DuBois to adopt **Resolution 10050:** For the Gas Utility,

- a. Approving the FY 2023 Gas Utility Financial Plan (Linked Document); and
- b. Approving a transfer of up to \$3 million from the Operations Reserve to the CIP Reserve in FY 2022; and
- c. Approving a transfer of up to \$2.766 million from the Rate Stabilization Reserve to the Operations Reserve in FY 2022; and
- d. Increasing gas rates by amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service) (Attachment C2);

MOTION PASSED: 5-1-1, Tanaka no, Stone absent

MOTION: Council Member Cormack moved, seconded by Council Member DuBois to adopt **Resolution 10051** For the Electric Utility:

- 1. Approving the Fiscal Year (FY) 2023 Electric Financial Plan
- 2. Approve a transfer of up to \$15 million from the Hydro Stabilization Reserve to the Supply Operations Reserve;
- 3. Approve a transfer of up to \$5 million from the Electric Special Projects (ESP) reserve to the Supply Operations Reserve;
- 4. Approve an allocation of Cap-and-Trade funds up to 1/3 of REC revenue to the Cap-and-Trade Program Reserve to be spent on local decarbonization programs;

DRAFT ACTION MINUTES

5. Approve amendments to the Electric Utility Reserves Management Practices, Section 6: Electric Special Projects (ESP) Reserve:
 - a. Change the date by which the funds for the ESP Reserve must be committed to the end of FY 2025, instead of by the end of FY 2017; and
 - b. Change the date by which any uncommitted ESP Reserve funds will be transferred to the Electric Supply Operation Reserve and the ESP Reserve closed to the end of FY 2030, instead of FY 2022.
6. Approve an increase to retail electric rates E-1 (Residential Electric Service), E-2 (Small Non-Residential Electric Service), E-4 (Medium Non-Residential Electric Service), E-4 TOU (Medium Non-Residential Time of Use Electric Service), E-7 (Large Non-Residential Electric Service), E-7 TOU (Large Non-Residential Time of Use Electric Service) and E-14 (Street Lights) of 5% effective July 1, 2022;
7. Update the Export Electricity Compensation (EEC-1) rate to reflect current projections of avoided cost, effective July 1, 2022;
8. Update the Net Surplus Electricity Compensation Rate (E-NSE) rate to reflect current projections of avoided cost, effective July 1, 2022;
9. Update the Palo Alto Green program pass-through premium charge on the Residential Master-Metered and Small Non-Residential Green Power Electric Service (E-2-G), the Medium Non-Residential Green Power Electric Service (E-4-G), and the Large Non-Residential Green Power Electric Service (E-7-G) rate schedules to reflect current costs, effective July 1, 2022

MOTION PASSED: 6-0-1, Stone absent

MOTION: Mayor Burt moved, seconded by Council Member Cormack to adopt **Resolution 10052** Amending Utility Rate Schedules EDF-1 and EDF-2 (Attachment E1) to increase Dark Fiber Rates 4.2 percent;

MOTION PASSED: 6-0-1, Stone absent

Public Comment: None

MOTION: Mayor Burt moved, seconded by Council Member Cormack to adopt **Resolution 10053** Amending Utility Rate Schedule D-1 increasing the Storm Water Management Fee by 4.2 percent consistent with the applicable Consumer Price Index.

DRAFT ACTION MINUTES

MOTION PASSED: 6-0-1, Stone absent

10. Policy and Services Committee Recommendations on Pending State Assembly Bills 2181 (VTA) and 1944, 2449, and 2647 (Local Meeting Procedures)

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

- Support AB 2647
- Support AB 2449/AB 1944 provided:
 - There are requirements for participation of a quorum within jurisdiction
 - Members are allowed to participate remotely as long as members of the public are allowed to participate remotely

MOTION PASSED/FAILED: 6-0-1, Stone absent

MOTION: Mayor Burt, seconded by Council Member Filseth to:

- Oppose AB 2181 (VTA) unless amended, to propose modifications listed within the City of Mountain View letter with the changes regarding background qualifications; deleting requirements mandating alternates to attend all board meetings; deletion of a unanimous requirement for selection of alternates.

MOTION PASSES: 5-1-1, Cormack no, Stone absent

11. Revenue-Generating Ballot Measures (Affirmation of the Natural Gas Utility Transfer and New Business Tax): Direction to Staff on Key Policy Questions and Measure Characteristics, and Direction to Return with Final Documents for Placement of Ballot Measure(s) on the November 2022 Election and a Non-Binding Resolution for Intended Use of Business Tax Proceeds

MOTION: Council Member DuBois moved, seconded by Mayor Burt to directs staff to:

- A. Return to the City Council on June 20 with completed documents for placement of a ballot measure on the November 2022 election for affirmation of the natural gas utility transfer as outlined in Attachment D and summarized in Table 2.

DRAFT ACTION MINUTES

- i. Consider adding parks and roads and deleting transportation from the gas tax language
- B. Return to the City Council with completed documents for placement of a ballot measure on the November 2022 election for a new business tax with the following refinements:
 - i. Effective date and timing of tax assessment of \$.10 per square foot per month: retrospective basis beginning January 1, 2023, lump sum due early 2024; quarterly beginning January 1, 2025, delinquent within 30 days
 - ii. Vacant property not be assessed as part of tax; business to report vacant square footage and apply for an offset
 - iii. Businesses with multiple locations and/or facilities: square footage and offsets/credits to be assessed in the aggregate
 - iv. Residential property/use: exclude all residential property
 - v. Property management businesses: areas occupied by property management functions
 - vi. Offset for sales and use tax using a 2:1 ratio up to 75% of business tax liability
 - vii. Offset for transient occupancy tax remittance using a 1:1 ratio for business tax liability
- C. Return to City Council with a final Resolution to inform the public of Council's intentions regarding use of Business Tax proceeds if passed by voters with the following refinements:
 - i. Delete economic development services from the ballot measure language on the business tax
 - ii. Inform the public of the city uses; propose 33% for public safety, 33% for housing and homeless programs and 33% for transportation.

MOTION PASSED: 5-1-1, Tanaka no, Stone absent

Council Member Questions, Comments and Announcements

Adjournment: The meeting was adjourned at 11:54 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](#),

DRAFT ACTION MINUTES

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 COUNCIL DRAFT ACTION MINUTES

Special Meeting
May 23, 2022

The City Council of the City of Palo Alto met on this date in the City Council Chambers and virtual teleconference at 5:31 P.M.

Present: Burt, Cormack, DuBois, Filseth, Stone, Tanaka

Present Virtually: Kou

Absent: None

Public Comment

Consent Calendar

Council Member DuBois registered a no vote on Agenda Item Number 10.

MOTION: Council Member DuBois moved, seconded by Council Member Cormack to approve Agenda Item Numbers 1-12.

1. Approve Minutes from the May 09, 2022 City Council Meeting
2. Approval of Contract Number C21179569 with Brown Reynolds Watford Architects for an Amount Not-to-Exceed \$797,178 to Provide Architectural Design Services for the Fire Station No. 4 Replacement - Capital Improvement Program Project PE-18004
3. Approval of 1) Increase of Construction Contingency for Contract No. C20174550 with Granite Construction in the Amount of \$185,302; and 2) Budget Amendments in the Electric Fund for the Electric Customer Connection project (EL-89028), the Fiber Optics Fund for the Fiber Optics Network-System Improvements project (FO-10001), and the Capital Improvement Fund for the Highway 101 Pedestrian/Bicycle Overpass project (PE-11011)
4. Approval of Contract No. C22183901 with Genuine Parts Company dba Napa Auto Parts for an Amount Not-to-Exceed \$2,306,433 for an On-Site Fleet Parts and Inventory Program for a Three-Year Term from January 24, 2022 through January 23, 2025, with Pricing Set by

DRAFT ACTION MINUTES

Cooperative Sourcewell Contract No. 110520 with Genuine Auto Parts Company dba Napa Integrated Business Solutions; and Approve and Authorize the City Manager or Their Designee to Execute an Amendment to Contract No. C22183901 to Extend the Term for up to One Additional Year through January 24, 2026 (Provided that the Cooperative Sourcewell Contract is Extended for an Additional Year) for an Additional Amount Not to Exceed \$831,227 (Annual Amount Is Subject to Adjustment Provided the Total Contract Amount Is Not Exceeded), for a Total Not to Exceed Amount of the Contract, if Extended, of \$3,137,660

5. Adoption of **RESOLUTION 10041** of Intent to Not Levy Assessments for the Business Improvement District (BID) in FY2023, and Setting Public Hearing for June 6, 2022
6. Approval of the Acceptance of State of California Citizens Options for Public Safety (COPS) Funds of \$103,648 and a Budget Amendment in the Supplemental Law Enforcement Services Fund
7. Adoption of **RESOLUTION 10042** Certifying Compliance with the California Surplus Land Act as Required by MTC's One Bay Area Grant (OBAG) Grant Programs
8. Authorize the City Manager to Commit Two Million Dollars (\$2,000,000) from the City's Affordable Housing Funds for the Affordable Housing Project at 525 E. Charleston Avenue.
9. Adoption of **RESOLUTION 10043** Authorizing a City Grant Application for the State Local Housing Trust Fund Program, Designation of Affordable Housing Funds as Local Matching Funds, Commitment to Targeting the Grant and Local Matching Funds, Approval of Grant Specific Underwriting and Other Financial Standards, and Authorization of City Manager or Designee to Manage the Grant
10. Approval of Amendment Number 2 to Contract Number C17164727 with Professional Account Management, LLC. for Parking Citation Processing and Collections to Extend the Term and Increase the Amount by \$70,000, for a new Not-To-Exceed Total of \$720,000
11. Approval of Amendment #4 to Contract C18171057 with AECOM and Extend the Term to April 2024 and Increase the Not-to-Exceed Compensation by \$722,170 for Additional Studies of Railroad Grade Separation Alternatives for a Total Not-to-Exceed of \$3,596,828
12. SECOND READING: Review and provide feedback on the proposed permanent parklet standards and program policies; and Adopt an interim

DRAFT ACTION MINUTES

Ordinance 5551 and resolution to continue the pilot parklet program until December 31, 2022 (FIRST READING: May 9, 2022: PASSED 7-0)

MOTION PASSED FOR AGENDA ITEMS 1-9, 11, 12: 7-0

MOTION PASSED FOR AGENDA ITEM 10: 6-1, DuBois No

Action Items

1310 Bryant Street (Castilleja School Project) PUBLIC HEARING/QUASI JUDICIAL/LEGISLATIVE: Certification of an Environmental Impact Report (EIR) and Approval of Applications for (1) a Conditional Use Permit (CUP) Amendment to Increase Student Enrollment Initially to 450 Students Followed by Phased Conditional Increases to 540 Students; (2) a Parking Adjustment to Enable On-Site Parking Reduction; (3) a Variance to Replace Campus Gross Floor Area; (4) Architectural Review of Campus Redevelopment. Additionally, (5) Adoption of a Zoning Text Amendment Exempting Some Below-Grade Parking Facilities from Gross Floor Area. Zone District: R-1(10,000). Environmental Review: Final Environmental Impact Report (EIR) Published July 30, 2020; Draft EIR Published July 15, 2019

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

- A. Adopt a Resolution certifying the subject project's environmental impact report (Attachment B); and,
- B. Adopt an ordinance amending Title 18 to exempt certain below grade parking structures from the definition of gross floor area in low-density residential zones (Attachment C2); and,
- C. Direct staff to update the record of land use action to amend Condition #6 to limit the maximum number of events in a calendar year to 70 with no more than 32 of those events occurring after 6pm; and,
- D. Adopt a record of land use action approving a conditional use permit for a private school in the low-density residential zone; a variance to replace existing non-conforming floor area; architectural review for new academic buildings, site redesign and phased construction; and, a 14.4 percent parking adjustment (Attachment D).

DRAFT ACTION MINUTES

MOTION FAILED: 5-2, Burt, DuBois, Filseth, Kou, Stone no

MOTION: Mayor Burt moved, seconded by Council Member DuBois to continue the public hearing to June 6, 2022 at 5:00 p.m.

MOTION PASSED: 6-1, Cormack no

COUNCIL MEMBER QUESTIONS, COMMENTS, ANNOUNCEMENTS

Adjournment: The meeting was adjourned at 11:50 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 COUNCIL DRAFT ACTION MINUTES

Special Meeting
June 20, 2022

The City Council of the City of Palo Alto met on this date in the Council Chambers and by virtual teleconference at 3:00 P.M.

Present in person: Burt, Cormack, DuBois, Filseth, Kou, Stone, Tanaka

Present virtually: None

Absent: None

Closed Session

1. CONFERENCE WITH CITY ATTORNEY-POTENTIAL LITIGATION Subject: Threatened litigation regarding interpretation and application of non-conforming use provisions for 340 Portage and associated addresses, as set forth in September 10, 2021 letter from Sobrato Organization Authority: Potential Exposure to Litigation Under Government Code Section 54956.9(d)(2) One Case, as Defendant

MOTION: Council Member DuBois moved, seconded by Council Member Stone to go into Closed Session.

MOTION PASSED: 7-0

Agenda Changes, Additions and Deletions

Oral Communications

Consent Calendar

Council Member Kou registered a no vote on Agenda Item Number 24, 26.

Council Member Cormack registered a no vote on Agenda Item Number 24, 27

Council Member Tanaka registered a no vote on Agenda Item Number 6, 07, 10, 23, 27

DRAFT ACTION MINUTES

MOTION: Council Member DuBois moved, seconded by Mayor Burt to approve Agenda Item Numbers 2-27.

2. Approve Minutes from the June 6, 2022 City Council Meeting
3. Approval of Contract Number C23181853A With Accurate Structural Incorporated for a Total Not-to-Exceed Amount of \$2,405,369 for the Installation of 9 Electric Station Perimeter Security Lighting/Camera Additions
4. Approval of a Professional Services Agreement With Carollo Engineers, Inc. for Development of a One Water Plan for the City of Palo Alto Contract Number C23183089 in the Total Amount Not-to-Exceed \$559,000
5. Approval of the Fiscal Year 2023 Investment Policy
6. Approval of a Contract with EPI-USE Labs, LLC to Host Online the City's SAP ERP System and Provide Related Services in an Amount Not to Exceed \$2,214,140 (including of \$2,014,140 for Basic Services and a Contingency of \$200,000 for Additional Services Approved by City via Task Order) over a Three-and-a-Half-Year Term
7. Approval of contract number C231833249 with Digitech Computer LLC to provide Ambulance Billing Services in the amount of \$140,000 a year not to exceed \$700,000.
8. Approval of Amendment No. 2 to Contract No. C18168154 with SWA Services Group, Inc. for Janitorial Cleaning and Maintenance Services in Order to Extend the Term by Six Months through February 28, 2023 and Increase the Compensation by \$1,242,777 for a New Total Not-to-Exceed Amount of \$12,272,542.
9. Approval of a New Dark Optical Fiber License Agreement With the Palo Alto Unified School District as a Customer, From December 17, 2022 Through June 30, 2027
10. Approval of Early Renewal of Contract Number C20176092 With Equinix LLC for Addition of \$53,384 for New Service Connections and Maintenance, Approval of Past Charges of \$16,628 for Increased Services, and Approval of Addition of \$50,000 for City Manager Authority to Add Fiber Services, for a Total Not-to-Exceed Amount of \$745,476 from \$625,465
11. Approval of Amendment Number 1 to Contract Number C21178372C with C&S Engineers, Inc. for the Airport Apron Reconstruction Project (AP-16000) in the Amount of \$215,023 for a New Total Not-to-Exceed Amount of \$1,715,023, and approval of a Budget Amendment in the Airport Fund in Fiscal Year 2022

DRAFT ACTION MINUTES

12. Adoption of **Resolution 10054** Implementing the Water Use Restrictions in Stage II of Palo Alto's Amended 2020 Water Shortage Contingency Plan in Compliance With the State Water Resources Control Board's May 24, 2022 Emergency Water Conservation Regulations, and Restricting Potable Irrigation to No More Than Two Days a Week, with Exceptions for Tree Health, Health and Safety, and Certain Non-Residential Zone Irrigation
13. Approval and Authorization for the City Manager to Execute Purchase Orders for Electric Distribution Transformers With Prequalified Vendors in an Amount up to \$2,000,000 Annually Between FY 2022 - FY 2026 in a Total Not-to-Exceed Amount of \$10,000,000
14. Policy and Services, Office of the City Auditor and Staff recommends that City Council Approve the Building and Permit Review Report
15. Consent of the Macias Gini & O'Connell's Single Audit Report for the Year Ended June 30, 2021
16. Approval of an Agreement Between Santa Clara Valley Water District and the City of Palo Alto for Administration and Funding of Water Conservation and Stormwater Rebate Programs for a Total-Not-to-Exceed Amount of \$675,000 Over a Three Year Term Ending June 30, 2025
17. Approval of Professional Services Contract Number C22184801 with Construction Testing Services for On-Call Construction Dewatering and Deconstruction Services in an Amount Not to Exceed \$339,480 Over a 3-year Term.
18. Approval of Contract No. C22184848 with Salas O'Brien Engineers, Inc., for a Total Amount Not to Exceed \$110,212, for Engineering Design Services for the Municipal Service Center Lighting, Mechanical, and Electrical Improvements Project Capital Improvement Program Project (PF-16006)
19. Approve Contract C22184489 with Martina Entriken Not to Exceed \$330,000 for a Term of Three Years to Provide a Preschool/Toddler Program
20. Adoption of **Resolution 10055** Proposing the Appropriations Limit for Fiscal Year 2023
21. Approval of Lease Agreement between Palo Alto Unified School District (Landlord) and City of Palo Alto (Tenant) for Extended Day Care Sites for 12 months, Rent Not to Exceed \$707,676 per Year
22. Policy and Services Committee Recommendations that the City Council Support a Pending State Bill Regarding Orderly Meeting Conduct (Senate Bill 1100) and Support with Amendments a Bill Regarding Children's Camp Regulations (Assembly Bill 1737)

DRAFT ACTION MINUTES

23. SECOND READING: Adoption of **Ordinance 5552** Amending Palo Alto Municipal Code Section 18.52.070 (Parking Regulations for CD Assessment District) to Continue a Temporary Ban on Eligibility of Commercial Office Uses Above the Ground Floor to Participate in the Downtown Parking In-Lieu Program and Making Clerical Amendments to PAMC Section 16.57.010 (Applicability) in Chapter 16.57 (In-Lieu Parking Fee for New Nonresidential Development in the Commercial Downtown (CD) Zoning District) (FIRST READING: June 6, 2022: PASSED: 6-1, Tanaka No)
24. SECOND READING: Adoption of **Ordinance 5553 and Ordinance 5554** Implementing the Objective Standards Project, Including: 1) New Chapter 18.24, Contextual Design Criteria and Objective Design Standards; 2) Modifications to Affordable Housing (AH) Overlay District to Eliminate the Legislative Process; 3) Changes to Remove Inconsistencies and Redundancies, and Streamline Project Review Throughout Title 18 (FIRST READING: June 1, 2022: PASSED: 5-1, Cormack No, DuBois absent)
25. SECOND READING: Adoption of **Ordinance 5555** Amending the City's Surveillance and Privacy Protection Ordinance to Exempt the Foothills Fire Early Warning System (PAMC 2.30.680). (FIRST READING: June 6, 2022: PASSED: 7-0)
26. SECOND READING: Adoption of **Ordinance 5556** Exempting Some Below-Grade Parking Facilities from Gross Floor Area. Zone District: R-1(10,000). Environmental Review: Final Environmental Impact Report (EIR) for the Castilleja School Project certified on June 6, 2022. (FIRST READING: June 6, 2022 PASSED: 6-1, Kou no)
27. SECOND READING: Adoption of **Ordinance 5557** Amending Title 8 of the PAMC to Expand Tree Protection to Include Additional Protected Tree Species, Revise Grounds for Tree Removal, and Make Clarifying Changes and Amending Titles 2, 9, and 18 to make Clerical Updates (FIRST READING: June 6, 2022 PASSED: 5-2, Cormack, Tanaka no)

MOTION SPILT FOR PURPOSE OF VOTING

PASSED ITEMS 2-5, 8, 9, 11-23, 25: 7-0

PASSED ITEMS 6, 7, 10, 23: 6-1 Tanaka no

PASSED ITEMS 24: 5-2 Cormack, Kou no

PASSED ITEMS 26: 6-1 Kou no

PASSED ITEMS 27: 5-2 Cormack, Tanaka no

City Manager Comments

DRAFT ACTION MINUTES

Action Items

28. PUBLIC HEARING: Adoption of the Budget Ordinance for Fiscal Year 2023, Including the Operating and Capital Budgets, Table of Organization, and Municipal Fee Schedule; Acceptance of Updates to the Capital Improvement Plan and Sustainability/Climate Action Plan, and the Retiree Healthcare Actuarial Report; and Approval of Contributions for Retiree Healthcare Benefits

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

- A. Adopt the Fiscal Year 2023 Budget **Ordinance 5558** which includes the Operating and Capital Budgets, Table of Organization, and Municipal Fee Schedule, as amended by the actions outlined in this report, with the following additional adjustments in the general fund:
 - I. Increasing contractual expenditures in the Community Services Department by \$50,000 for additional family events;
 - II. Increasing contractual expenditures in the Community Services Department by \$50,000 for the Human Services Resource Allocation Process (HSRAP);
 - III. Increasing the Reserve: FY 2023 Service Reinvestments (Year 2) in Non-Departmental by \$100,000;
 - IV. Decreasing the Budget Stabilization Reserve by \$200,000
 - V. Amend the recommended funding for the Youth Connectedness Initiative (YCI) to fund \$50,000 annually for a three-year period, ending in FY 2025.
- B. Accept final FY 2023-2027 Capital Improvement Plan as amended by the actions outlined in this report;
- C. Accept an Update on the Sustainability Climate Action Plan (Attachment B); and
- D. Refer items on pension funding policy update and a recommended process for funding non-profit requests to the Finance committee
- E. Accept the June 30, 2021 actuarial valuation of the City's Other Post Employment Benefit (OPEB) Plan and recommended funding levels

MOTION SPLIT FOR THE PURPOSE OF VOTING:

PASSED FOR ITEMS A, B: 6-1, Tanaka no

PASSED FOR ITEMS C, D, E: 7-0

DRAFT ACTION MINUTES

29. PUBLIC HEARING: Adoption of the Community Development Block Grant Funds (CDBG) Fiscal Year 2022-23 Annual Action Plan and Adoption of a Resolution Approving Use of CDBG Funds for FY 2022-23; Approval of a Substantial Amendment to the CDBG Fiscal Year 2020-21 Annual Action Plan and Adoption of an Associated Resolution; and Budget Amendment in the FY 2023 Operating Budget in the CDBG Fund.

MOTION: Council Member Cormack moved, seconded by Vice Mayor Kou to:

- A. The Human Relations Commission (HRC) and staff recommend City Council take the following actions:
 1. Adopt the draft Fiscal Year 2022-23 Annual Action Plan (Attachment A) and the associated Resolution **10056** (Attachment B) allocating Community Development Block Grant (CDBG) funding for Fiscal Year 2022-23; *with the following amendment:*
 - a. *Reallocate CGDG funding shown in Attachment A from Downtown Streets Team to Mitchell Park 525 East Charleston Housing Project*
 2. Authorize the City Manager to execute the Fiscal Year 2022-23 CDBG application to fund the Fiscal Year 2022-23 Annual Action Plan and any other necessary documents concerning the application, and to otherwise bind the City with respect to the applications and commitment of funds; and
 3. Authorize staff to submit the Fiscal Year 2022-23 Annual Action Plan (Attachment A) to U.S. Department of Housing and Urban Development (HUD) by the July 12, 2022 deadline.
 4. *Approve an amendment to the Fiscal Year 2023 Operating Budget Appropriation for the General Fund (requires 2/3 approval) by:*
 - a. *Increasing the expense appropriation in the Planning and Development Services Department by \$167,477; and*
 - b. *Decreasing the Budget Stabilization Reserve by \$167,477.*
- B. Staff recommend City Council take the following actions:
 1. Approve CDBG Substantial Amendment to the Fiscal Year 2020-21 Annual Action Plan to reallocate \$194,501 of CDBG-CV funding to two new projects;
 2. Adopt **Resolution 10057** (Attachment C) reallocating CDBG-CV funding as recommended in the above action and as described in this report; and
 3. Authorize staff to submit CDBG Substantial Amendment to the Fiscal Year 2020-2021 Annual Action Plan to HUD.
 4. Approve and authorize the City Manager to accept \$653,168 in grant funding from the U.S. Department of Housing and Urban Development (HUD)

DRAFT ACTION MINUTES

5. Approve an amendment to the Fiscal Year 2023 Operating Budget Appropriation for the Community Development Block Grant Fund (requires 2/3 approval) by: a. Increasing the revenue estimate by \$847,669; and b. Increase expense appropriations by \$761,307; and c. Increase estimated ending fund balance by \$86,362.

MOTION PASSED: 7-0

30. PUBLIC HEARING / QUASI-JUDICIAL. 2850 West Bayshore [21PLN-00177]: Approval for a Major Architectural Review, Conditional Use Permit, and Vesting Tentative Map to Allow for the Demolition of an Existing Office Building and Construction of 48 Townhomes with Associated Private Streets, Utilities, Landscaping, and Amenities. Environmental Assessment: Exempt per CEQA Guidelines Section 15332. Zoning District: ROLM (Research Office and Limited Manufacturing).

MOTION: Council Member Tanaka moved, seconded by Council Member Dubois to:

- A. Approve the Conditional Use Permit to enable multiple-family residential use of the ROLM-zoned property.
- B. Approve the Major Architectural Review [21PLN-00177] application based on findings and subject to conditions of approval.
- C. Approve the Vesting Tentative Map [21PLN-00178] application with proposed street names based on findings and subject to conditions of approval.
- D. Agree not to be part of any future Residential Permit Parking program on Colorado west of Simkin's court
- E. Incorporate the street names recommended by Palo Alto Historical Association

MOTION PASSED: 7-0

31. Adoption of Resolutions: (1) Placing a Measure Affirming the Gas Utility Transfer on the November 2022 Ballot; (2) Placing a Business Tax on the November 2022 Ballot; and (3) Adopting a Spending Plan for Business Tax Proceeds

MOTION: Council Member DuBois moved, seconded by Mayor Burt to:

- A. Defer adoption of a resolution to submit a measure to the voters at the general municipal election on November 8, 2022 to affirm the natural gas utility transfer until August 1, 2022;

DRAFT ACTION MINUTES

- B. Return with a resolution on August 1, 2022 to submit a measure to the voters at the general municipal election on November 8, 2022 to adopt a business tax; and
- I. Change the tax rate to exempt the first 5,000 square feet, to tax from 5,000 – 20,000 at \$.06 per square feet and 20,000 +.12 per square feet per month. The initial rate would be effective January 1, 2023 at 50% of the above rate for the first 24 months.
 - II. Add in a 35-year sunset
 - III. Remove the CPI roll over
- C. Adopt **Resolution 10058** to inform the public of Council’s spending plan for business tax proceeds.

MOTION PASSED: 5-2, Cormack, Tanaka no

Council Member Questions, Comments and Announcements

Adjournment: The meeting was adjourned at 11:16 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 COUNCIL DRAFT ACTION MINUTES

Special Meeting
June 21, 2022

The City Council of the City of Palo Alto met on this date in the Council Chambers and by virtual teleconference at 3:00 P.M.

Present in person: Burt, Cormack, DuBois, Filseth, Kou, Stone, Tanaka

Present virtually: None

Absent: None

Closed Session

AA1. CONFERENCE WITH REAL PROPERTY NEGOTIATORS Authority: Government Code Section 54956.8 Property: 1237 San Antonio Road Negotiating Party: LifeMoves, a California Nonprofit Public Benefit Corporation City Negotiators: Ed Shikada, Kiely Nose, Chantal Cotton Gaines, Sunny Tong, Rachael Tanner, Albert Yang Subject of Potential Negotiations: Lease Terms

THIS ITEM WAS CONTINUED FROM JUNE 20, 2022 SPECIAL MEETING

1. CONFERENCE WITH CITY ATTORNEY-POTENTIAL LITIGATION Subject: Threatened litigation regarding interpretation and application of non-conforming use provisions for 340 Portage and associated addresses, as set forth in September 10, 2021 letter from Sobrato Organization Authority: Potential Exposure to Litigation Under Government Code Section 54956.9(d)(2) One Case, as Defendant

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

MOTION PASSED: 7-0

DRAFT ACTION MINUTES

Agenda Changes, Additions and Deletions

- The City Council added Continued Item 1: Closed Session from June 20, 2022 to July 21, 2022 agenda under Closed Session
- Item 3 was deferred to a future date
- Item 2 will begin after Item 4.

Public Comment

Consent Calendar

Council Member Tanaka registered a no vote on Agenda Item Number 1.

MOTION: Vice Mayor Kou moved, seconded by Mayor Burt to approve Agenda Item Numbers 1.

1. Approval of Amendment Number 2 to Contract #C21180324 with Canopy to Add to the Scope of Services, Extend the Term through June 30, 2024, and Increase the Not-to-Exceed Amount of the Contract by \$742,210, for a New Not to Exceed Amount of \$967,720; and Approval of a Budget Amendment in the General Fund in FY 2023 XX.

MOTION PASSED: 6-1, Tanaka no

Action Items

3. Urgency Ordinance of the Council of the City of Palo Alto Imposing a Temporary Moratorium on the Approval of Development Entitlements or Building Permits that Entail the Storage, Use, or Handling of Hazardous Materials Within the General Manufacturing (GM) District, Research, Office and Limited Manufacturing (ROLM) District, and Research Park (RP) District.

ACTION: Item Continued

DRAFT ACTION MINUTES

4. 1237 San Antonio Road (22PLN-0114 and 22PLN-00113) Project Homekey: Staff and the Applicant (LifeMoves) Update to City Council on This Project and Request for Consideration of a Third Story Design Option. Zoning District: PF (Public Facilities).

MOTION: Council Member Cormack moved, seconded by Council Member DuBois to direct staff to pursue the three-story plan design.

MOTION PASSED: 7-0

2. Adoption of a Temporary Emergency Ordinance Requiring a Conditional Use Permit to Establish a Firearms Dealer Retail Use. Environmental Assessment: Exempt under CEQA Guidelines 15061(c)(3).

MOTION: Council Member Cormack moved, seconded by Vice Mayor Kou to adopt a **temporary emergency ordinance 5559** to require a conditional use permit to establish a firearms dealership.

MOTION PASSED: 7-0

5. Colleagues Memo: Adopt A Resolution Regarding Reproductive Rights for Palo Alto Residents.

MOTION: Council Member Stone moved, seconded by Council Member Cormack to adopt **Resolution 10059** affirming the City's belief in a woman's right to bodily autonomy and to welcome all who seek reproductive freedom within our City's boundaries.

MOTION PASSED: 7-0

Council Member Questions, Comments and Announcements

Adjournment: The meeting was adjourned at 6:12 P.M.



City of Palo Alto
Office of the City Clerk
City Council CAO Report

(ID # 14433)

Meeting Date: 8/1/2022

Report Type: Consent Calendar

Title: Adoption of a Resolution Authorizing Use of Teleconferencing for Council Meetings During Covid-19 State of Emergency

From: Lesley Milton, City Clerk

Recommendation

Adopt a Resolution (**Attachment A**) authorizing the use of teleconferencing under Government Code Section 54953(e) for meetings of the Council and its committees due to the Covid-19 declared state of emergency.

Background

In February and March 2020, the state and the County declared a state of emergency due to the Covid-19 pandemic. Both emergency declarations remain in effect.

On September 16, 2021, the Governor signed AB 361, a bill that amends the Brown Act, effective October 1, 2021, to allow local policy bodies to continue to meet by teleconferencing during a state of emergency without complying with restrictions in State law that would otherwise apply, provided that the policy bodies make certain findings at least once every 30 days.

AB 361, codified at California Government Code Section 54953(e), empowers local policy bodies to convene by teleconferencing technology during a proclaimed state of emergency under the State Emergency Services Act in any of the following circumstances:

- (A) The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.
- (B) The legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

(C) The legislative body holds a meeting during a proclaimed state of emergency and has determined, by majority vote, pursuant to subparagraph (B) (B), that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees. (Gov. Code § 54953(e)(1).)

In addition, Section 54953(e)(3) requires that policy bodies using teleconferencing reconsider the state of emergency within 30 days of the first teleconferenced meeting after October 1, 2021, and at least every 30 days thereafter, and find that one of the following circumstances exists:

1. The state of emergency continues to directly impact the ability of the members to meet safely in person.
2. State or local officials continue to impose or recommend measures to promote social distancing.

Discussion

At this time, the circumstances in Section 54953(e)(1)(A) exist. The Santa Clara County Health Officer continues to recommend measures to promote outdoor activity, physical distancing and other social distancing measures, such as masking, in certain contexts. (See August 2, 2021 [Order](#).) In addition, the California Department of Industrial Relations Division of Occupational Safety and Health (Cal/OSHA) has promulgated Section 3205 of Title 8 of the California Code of Regulations, which requires most employers in California, including in the City, to train and instruct employees about measures that can decrease the spread of COVID-19, including physical distancing and other social distancing measures.

Accordingly, Section 54953(e)(1)(A) authorizes the City to continue using teleconferencing for public meetings of its policy bodies, provided that any and all members of the public who wish to address the body or its committees have an opportunity to do so, and that the statutory and constitutional rights of parties and the members of the public attending the meeting via teleconferencing are protected.

To comply with public health directives and promote public safety, Palo Alto policy bodies have been meeting via teleconference since March 2020. On September 27, 2021, Council considered the format for future Council, committee, and Board and Commission meetings. Council determined that beginning November 1, 2021, Council meetings would be conducted using a hybrid format that allows Council Members and the public to decide whether to attend in person, following masking and distancing protocols, or participate via teleconference. Council directed that Council standing and ad-hoc committees and Boards and Commissions would continue meeting via teleconference through January 2022.

Adoption of the Resolution at **Attachment A** will make the findings required by Section 54953(e)(3) to allow the continued use of teleconferencing for Council meetings (for those Council Members who elect to participate remotely) and for Council standing and ad hoc committees. Each Board and Commission will consider and make similar findings.

ATTACHMENTS:

- **Attachment5.a:** Attachment A: Resolution Allowing Hybrid In-Person and Teleconferenced Meetings under Section 54953(e) (PDF)

NOT YET APPROVED

Resolution No. ____

Resolution Making Findings to Allow Teleconferenced Meetings Under California Government
Code Section 54953(e)

R E C I T A L S

- A. California Government Code Section 54953(e) empowers local policy bodies to convene by teleconferencing technology during a proclaimed state of emergency under the State Emergency Services Act so long as certain conditions are met; and
- B. In March 2020, the Governor of the State of California proclaimed a state of emergency in California in connection with the Coronavirus Disease 2019 (“COVID-19”) pandemic, and that state of emergency remains in effect; and
- C. In February 2020, the Santa Clara County Director of Emergency Services and the Santa Clara County Health Officer declared a local emergency, which declarations were subsequently ratified and extended by the Santa Clara County Board of Supervisors, and those declarations also remain in effect; and
- D. On September 16, 2021, the Governor signed AB 361, a bill that amends the Brown Act to allow local policy bodies to continue to meet by teleconferencing during a state of emergency without complying with restrictions in State law that would otherwise apply, provided that the policy bodies make certain findings at least once every 30 days; and
- E. While federal, State, and local health officials emphasize the critical importance of vaccination and consistent mask-wearing to prevent the spread of COVID-19, the Santa Clara County Health Officer has issued at least one order, on August 2, 2021 (available online at [here](#)), that continues to recommend measures to promote outdoor activity, physical distancing and other social distancing measures, such as masking, in certain contexts; and
- F. The California Department of Industrial Relations Division of Occupational Safety and Health (“Cal/OSHA”) has promulgated Section 3205 of Title 8 of the California Code of Regulations, which requires most employers in California, including in the City, to train and instruct employees about measures that can decrease the spread of COVID-19, including physical distancing and other social distancing measures; and
- G. The Palo Alto City Council has met remotely during the COVID-19 pandemic and can continue to do so in a manner that allows public participation and transparency while minimizing health risks to members, staff, and the public that would be present with in-person meetings while this emergency continues; now, therefore,

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

1. As described above, the State of California remains in a state of emergency due to the COVID-19 pandemic. At this meeting, the Palo Alto City Council has considered the circumstances of the state of emergency.
2. As described above, State and County officials continue to recommend measures to promote physical distancing and other social distancing measures, in some settings.

AND BE IT FURTHER RESOLVED, That for at least the next 30 days, meetings of the Palo Alto City Council and its committees will occur in a hybrid format, where both members of the policy body and members of the public may elect to be present in person, utilizing appropriate distancing and masking practices, or participate by teleconferencing technology. Such meetings of the Palo Alto City Council and its committees that occur using teleconferencing technology will provide an opportunity for any and all members of the public who wish to address the body its committees and will otherwise occur in a manner that protects the statutory and constitutional rights of parties and the members of the public attending the meeting via teleconferencing; and, be it

FURTHER RESOLVED, That the City Clerk is directed to place a resolution substantially similar to this resolution on the agenda of a future meeting of the Palo Alto City Council within the next 30 days. If the Palo Alto City Council does not meet within the next 30 days, the City Clerk is directed to place a such resolution on the agenda of the immediately following meeting of Palo Alto City Council.

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 # 14496)

Meeting Date: 8/1/2022

Report Type: Consent Calendar

Title: Approval of a Memorandum of Agreement with Suez Water Technologies and Solutions (Suez) to Assign Suez' Membrane Aerated Biofilm Reactor (MABR) Equipment and Services to the Future General Contractor for Construction of the Secondary Treatment Upgrades Capital Improvement Project (WQ-19001) at the Regional Water Quality Control Plant

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that Council approve and authorize the City Manager or their designee to execute the Memorandum of Agreement (MOA) with Suez Water Technologies and Solutions (Suez), to provide Suez' patented Membrane Aerated Biofilm Reactor (MABR) equipment to the future general construction contractor as part of the Secondary Treatment Upgrades (STU) capital project (WQ-19001) at the Regional Water Quality Control Plant (RWQCP).

Background

Process modeling was performed by the STU design engineering firm, Brown and Caldwell (BC), for Membrane Aerated Biofilm Reactor (MABR) equipment. BC determined that biological treatment could be achieved through 2054 without the need to construct an expensive fifth aeration basin, thereby saving considerable design and construction costs. Due to the efficient oxygen transfer mechanism of the MABR equipment, this process improvement is anticipated to consume less blower air and result in approximately 13% less electrical energy consumption compared to the energy use associated with the operation of a complex and large fifth aeration basin. Most importantly, MABR equipment is modular, allowing for a phasing of future capital capacity upgrades after about 2044; a modular addition of future MABR equipment would only be necessary based on pollutant demands, thereby saving the City capital expenses if pollutant loads do not increase as anticipated. BC's evaluation of the MABR intensification process technology and the decision to proceed with MABR for the STU project are further described in a December 7, 2020 staff report ([SR #11155](#)).

Staff engineers and the RWQCP's capital program manager, Woodard & Curran, evaluated the scope of work and the cost-effectiveness of the MABR process equipment by conducting a review of the Feasibility Assessment and the revised Treatment Process Basis of Design Technical Memorandum that was developed by BC. While MABR contributes to an increased

design and construction cost in the near term, staff recommends the reliable treatment performance, reduced energy consumption, and lower life cycle cost for the project with MABR.

Discussion

The MOA [Attachment A](#) creates a binding commitment for Suez Water Technologies and Solutions (Suez) to supply MABR equipment to a City-selected contractor who will install the equipment and appurtenant facilities. If the City does not proceed with the STU Project, for any reason, Suez is entitled to compensation for engineering services completed up to the date of termination limited to \$150,000. The MOA:

- Establishes the total equipment cost of the MABR system (\$4,650,000);
- Requires Suez to provide identical bid prices to bidders on the STU Project construction contract; and
- Requires Suez to manufacture and deliver MABR equipment to the future general contractor awarded the construction contract.

The MABR equipment is proprietary, made by Suez, a company with a proven track record in developing new technology to improve wastewater treatment. Suez currently holds a patent as the only supplier to provide MABR equipment technology for intensification of biological wastewater treatment in the North American market. Staff reviewed performance reports for new MABR facilities and visited a pilot unit at the Hayward Water Pollution Control Plant, both of which had good performance results.

The selection of Suez was completed prior to construction bidding and allows the City to avoid significant extra design costs associated with a fifth aeration basin. The State Water Resources Control Board approved the State Revolving Fund loan and the selection of Suez is consistent with the state funding requirements for the project's low-interest loan.

Suez will manufacture and deliver to the future construction contractor a ZeeLung MABR system consisting of 52 cassettes and ancillary equipment, integrated aluminum platforms, analytical and process instrumentation, a master control panel, and field control panels. Suez will also coordinate the final design as well as furnish submittals, system documentation, a patent agreement, training, start-up and performance test services, and a one-year system monitoring contract.

Timeline

The project is in the construction bid phase. A project timeline is below.

- | | |
|------------------------------|-----------------------|
| • Bid Construction Project | July – September 2022 |
| • Award Construction Project | December 2022 |
| • Construction Start | January 2023 |
| • Construction Complete | November 2027 |

Resource Impact

The MABR equipment will be procured through a construction contract which will include the equipment committed by Suez in this MOA at a price of \$4.65 million. If this MOA is not approved, the costs of MABR during construction may increase. Funds for the overall STU Project have been budgeted in the Fiscal Year 2023 Adopted Budget in the Wastewater Treatment Fund Secondary Treatment Upgrades capital project (WQ-19001) in the amount of \$145 million, which includes construction, design, construction management, and program management. The total project is now budgeted at \$150 million with all funding provided by a State Water Resources Control Board low-interest loan executed in May 2022. If needed, staff will request a change in the capital budget amount after receiving bids later in 2022.

Policy Implications

This recommendation does not represent any change to existing City policies and supports the Comprehensive Plan Policy N.4-16.

Stakeholder Engagement

This project is part of the RWQCP's major capital improvement program funded by Palo Alto and the five partner agencies who use the RWQCP for wastewater treatment. The five partner agencies are regularly updated on both the need for and the progress of wastewater treatment capital work. Updates are provided each year at an annual meeting and at other periodic meetings established to inform partner agency staff about the major capital improvement program. With respect to Palo Alto itself, the open meetings on the budget process serve as the main vehicle for engaging the community on both new projects such as this and associated rate impacts.

Environmental Review

Approval of this MOA is a part of administrative governmental activities that will not cause a direct or indirect physical change in the environment and therefore, does not require a CEQA review. The construction of this project has been determined to be exempt from CEQA under CEQA Guidelines Section 15301, subsections (b) and (e)(1), Existing Facilities, as it involves the repair and maintenance of an existing publicly owned utility used to provide sewerage treatment services with a minor addition to an existing building and no or negligible expansion of use.



City of Palo Alto City Council Staff Report

(ID # 14500)

Meeting Date: 8/1/2022

Report Type: Consent Calendar

Title: Approval of Amendment Number 2 to Lease between Ada's Cafe and City of Palo Alto for the Community Center Cafe at Mitchell Park for 5 Years at \$500.00 per Month on January 1, 2023 with Annual 3% Increases Thereafter

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that the City Council authorize the City Manager to execute the attached Amendment Number Two to the Lease between City of Palo Alto and Ada's Café for the Community Center Cafe at the Mitchell Park Center located at 3700 Middlefield Road. The amendment retroactively extends the term of the lease for five years from December 6, 2019 to December 5, 2024 at a base rent of \$500.00 per month beginning on January 1, 2023, subject to annual 3% increases every January 1st thereafter.

Background

On February 6, 2012, the City Council approved a lease agreement with Ada's Café for a portion of Mitchell Park Library and Community Center at 3700 Middlefield Road for a five year term with one five year option to extend ([CMR 2398](#)). The City Council adopted Amendment Number One to the lease with Ada's Café on December 15, 2014 to modify the term and reimburse Ada's Café for expenses related to completion of Mitchell Park Library and Community Center ([CMR 5401](#)). The original term of the lease expired on December 5, 2019. The City has not received rent from Ada's Café since mid-2018, and has worked with Ada's through a number of financial difficulties. Ada's Café rent due has been \$650.00 per month commencing on December 6, 2014 with annual CPI increases. The total rent from July 2018 through the expiration of the original term, based on the terms of the original lease, is \$12,395.43. On January 22, 2020, Ada's Café notified the City that it desired to retroactively renew the lease for an additional five years commencing on December 6, 2019 and expiring on December 5, 2024.

Discussion

Due to rising labor costs and impacts from the COVID-19 pandemic, Ada's Café is requesting rent forgiveness for the period from July 1, 2018 through December 31, 2022. In response, staff has negotiated an amendment to the lease to modify the terms of the agreement with the significant terms listed below. The agreement recognizes the community benefit of the café

amenity to Mitchell Park users, Ada's Café's nonprofit status and their service to the community, including dedication to hire, train, and empower people with disabilities. Key terms of the agreement include:

1. Ada's will continue to have exclusive access to the approximate 533 square foot Community Center Café and the roughly 45 square foot storage room at the Mitchell Park Community Center, along with non-exclusive access to use approximately 600 square feet of outdoor space adjacent to the Café.
2. Ada's Café will need to obtain the prior written consent from the City's Community Services Department Director or their designee for non-exclusive access to use the Property's Catering Kitchen from 4:00 am to 8:00 am, as available.
3. Rent will be retroactively adjusted to \$1.00 per year starting on July 1, 2018 through December 31, 2022, for a total of \$5.00 during this period to be paid by Lessee upon its execution of the amendment. Starting on January 1, 2023, the rent will adjust to \$500.00 per month, subject to annual 3% increases every January 1st.

Timeline

Upon full execution of the amendment, the term of the lease will be retroactively extended for five years from December 6, 2019 to December 5, 2024.

Resource Impact

The rent in the original lease was \$650.00 per month, subject to annual CPI adjustment, and Ada's Café would also be charged \$250 per month for shared use of the catering kitchen. The proposed amendment retroactively adjusts the rent to \$1.00 per year starting on July 1, 2018 through December 31, 2022. Starting on January 1, 2023, the rent will adjust to \$500.00 per month, subject to annual 3% increases every January 1st. Under this amendment, there will be no charge to use the catering kitchen during the hours of 4:00 am to 8:00 am, upon the City's approval. This new lease will not significantly impact budgeted revenue estimates in FY 2023, so no adjustments are necessary; however, staff will incorporate revenue estimates from the new lease into the development of the FY 2024 budget.

Policy Implications

The proposed amendment is consistent with Policy and Procedures 1-11, Leased Use of the City's Land/Facilities. Ada's Café provides non-monetary public benefits to the citizens and taxpayers of Palo Alto by demonstrating the value of community through hiring and training adults with disabilities and empowering their employees to learn new skills and live independently. It should be noted that the City Council will soon consider recommendations from the Policy & Services Committee regarding the City Auditor's audit of non-profit agreements. Implementation of audit recommendations may place additional obligations on the City and Ada's Café in the future.

Stakeholder Engagement

The City and Ada's Café collaborated on development of the amendment.

Environmental Review

This does not constitute a project for purposes of the California Environmental Quality Act (CEQA).

Attachments:

- **Attachment7.a:** Attachment A: Amendment Number Two of Lease Between the City of Palo Alto and Ada's Cafe

**AMENDMENT NUMBER TWO
TO LEASE BETWEEN CITY OF PALO ALTO AND
ADA'S CAFÉ FOR THE
CAFÉ SPACE AT MITCHELL PARK LIBRARY AND COMMUNITY CENTER**

This Amendment No. 2 (this "Amendment") to the Lease Between the City of Palo Alto and Ada's Café dated March 12, 2012 as amended by Amendment No. 1 to Lease dated December 6, 2014 (collectively, the "Lease"), is made and entered into on _____, by and between the CITY OF PALO ALTO, a California municipal corporation of the State of California ("City"), and ADA'S CAFÉ, a 501(c)(3), non-profit California corporation ("Lessee").

RECITALS

WHEREAS, the original term of the Lease expired on December 5, 2019; and

WHEREAS, the City has not received from Lessee any Monthly Rent due since July 1, 2018; and

WHEREAS, on January 22, 2020, Lessee notified City that Lessee desires to retroactively renew the Lease for an additional five (5) years commencing December 6, 2019 and expiring on December 5, 2024; and

WHEREAS, due to Lessee's rising labor costs and impacts from the COVID-19 pandemic, as well as to recognize Lessee's nonprofit status and dedication to hire, train, and empower their employees with disabilities, Lessee desires from City rent forgiveness for the period from July 1, 2018 through December 31, 2022 and modification of Monthly Rent to \$500.00 commencing January 1, 2023; and

WHEREAS, the Parties mutually agree to retroactively renew the Lease for an additional five (5) years, pursuant to Section 2.2 of the Lease, effective December 6, 2019 and expiring on December 5, 2024, to continue providing food and beverage service to visitors of Mitchell Park Center and the surrounding area.

NOW, THEREFORE, in consideration of their mutual covenants, the Parties hereto agree as follows:

Item 1. Section 1 ("Premises") of the Lease is hereby amended in its entirety to read as follows:

"1. PREMISES.

City hereby leases to Lessee, the approximate five hundred thirty-three (533) square foot Community Center Café and the approximate 45 square foot storage room (herein the "Premises") located within the Mitchell Park Center at 3700 Middlefield Road, Palo Alto, CA (herein the "Property"), and more particularly described in Exhibit A attached hereto and incorporated herein by reference. Lessee accepts the Premises "as-is" on the date of execution of this Lease."

Item 2. Section 2.3 (“Termination”) of the Lease is hereby amended in its entirety to read as follows:

“2.3 Termination.

City or Lessee may terminate this Lease upon on hundred twenty (120) days written notice.

Item 3. Section 3.1 (“Monthly Rent”) of the Lease is hereby amended in its entirety to read as follows:

“3.1 Rent.

The Rent to be paid by Lessee, shall be as shown below without deduction or offset.

Period	Rent
1 st Day of Retail Operations – 6/30/2018	\$650.00 per month, subject to annual CPI adjustment on each anniversary of the Delivery Date. The local CPI for the quarter ending prior to the lease date is established as the base index.
7/1/2018 – 12/31/2022	\$5.00, to be paid by Lessee upon its execution of this Amendment
1/1/2023 – 12/5/2024	\$500.00 per Month, subject to annual 3% increases every January 1 st .

Rent shall be payable on the first day of each and every month commencing on the first (1st) day of retail operations, unless otherwise noted, at a place (or places) as may be designated in writing from time to time by City. For the purposes of this provision, the first month of retail operations means the first day that Lessee began providing service to the public.”

Item 4. Section 3.2 (“Annual Increase”) of the Lease is hereby amended in its entirety to read as follows:

“3.2 Reserved.”

Item 5. As of the effective date of this Amendment, Exhibits A and D are replaced in their entirety with the Exhibits A and D in this Amendment.

Item 6. Except as herein modified, all other provisions of and exhibits to the Lease shall remain in full force and effect.

/// SIGNATURES FOLLOW ON NEXT PAGE ///

IN WITNESS WHEREOF, the parties hereto have executed this Amendment the day and year first above written.

City: CITY OF PALO ALTO

Lessee: ADA'S CAFÉ

City Manager

DocuSigned by:
By: Kathleen Foley-Hughes
EE588DF420804B6...

Its: Executive Director and Founder

APPROVED AS TO FORM:

Assistant City Attorney

EXHIBIT A

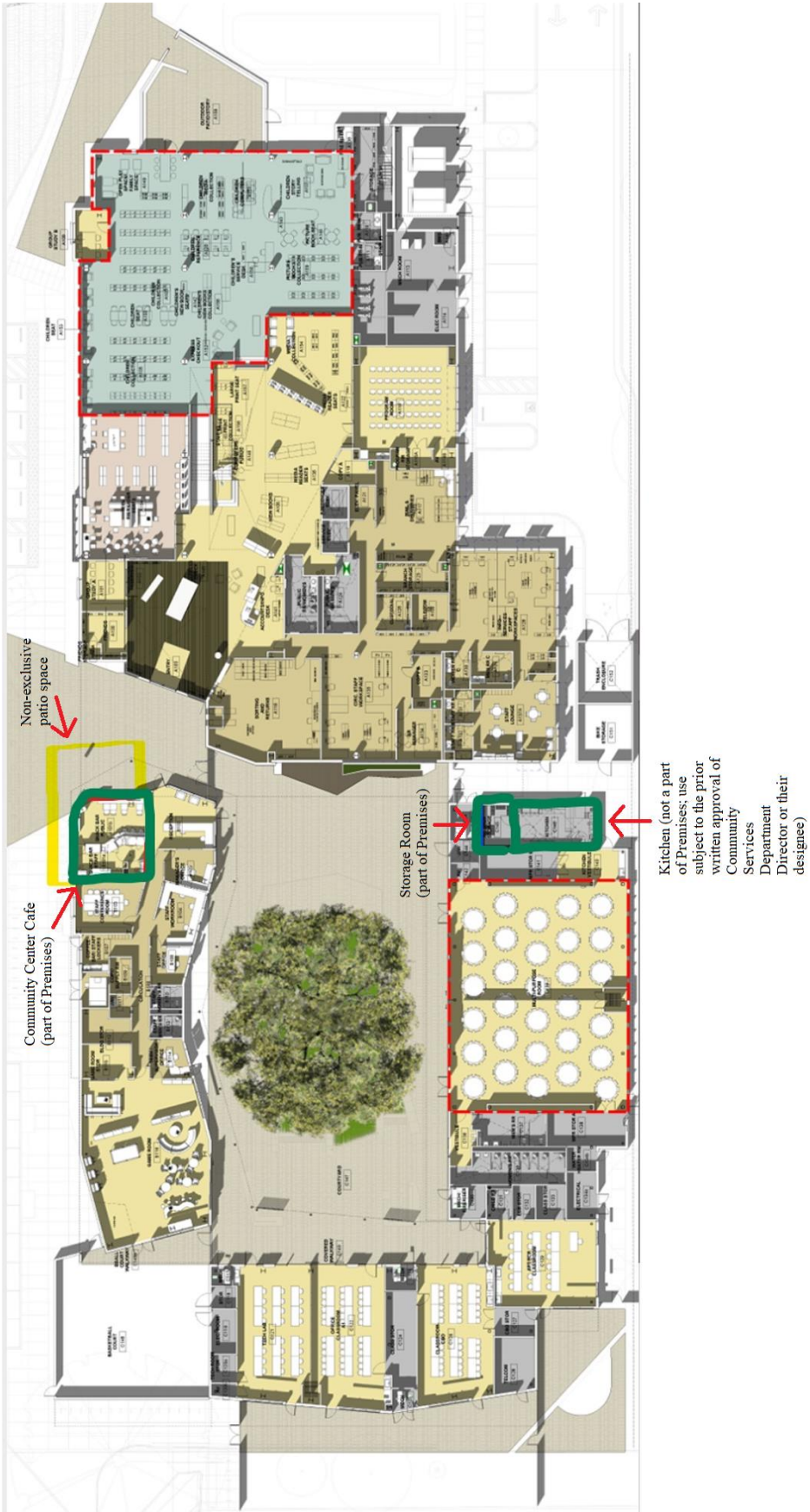


EXHIBIT D**OPERATIONAL REQUIREMENTS**

1. **Catering Kitchen:** Lessee shall obtain the prior written consent from the City's Community Services Department Director or their designee for non-exclusive access to use the Property's Catering Kitchen from 4:00 a.m. to 8:00 am, as available and as approved and scheduled at the sole discretion of the Mitchell Park Community Services Department Director or their designee. The consent by City to use the Catering Kitchen shall not constitute a consent to any subsequent or successive use by Lessee. The City shall attempt to allow Lessee use of the Catering Kitchen from 4:00 a.m. to 8:00 a.m., but, there may be rentals of the space that will require exclusive use of the kitchen so will not be available to Lessee. The Parties will jointly develop guidelines to address such shared use. Additional use outside of the designated use period of 4:00 a.m. and 8:00 a.m. shall be billed according to the non-profit hourly room rate adopted in the Palo Alto Municipal Fee Schedule. Lessee will maintain and clean the kitchen after each use and leave it ready for use by other authorized users.

2. **Patio Space:** Lessee shall have non-exclusive access to use approximately six hundred (600) square feet of outdoor space adjacent to the Community Center Café for food and beverage service and customer dining. Such use shall not interfere with any access to the Center and any outdoor furniture shall be consistent with the City's planned finishes. Lessee may place up to twenty one (21) tables with forty seven (47) chairs as well as heaters, sunshade umbrellas and similar customer service equipment in the patio area and to store such equipment outdoors in accordance with City approval and in accordance with all applicable laws and regulations. Any expansion of use of the patio or courtyard with tables and chairs for Ada's customers will be subject to review and the prior written approval of the Community Services Department Director or their designee on a weekly basis. The City's approval for one week shall not be deemed to render unnecessary the obtaining of City's approval of any subsequent expansion of use of the patio or courtyard. City shall have the right, in City's sole discretion, from time to time, to make changes to the size, shape, and location the patio space. The City shall have the right, from time to time, to develop, modify, and enforce guidelines at City's sole discretion for the use of such outdoor space and Lessee's approval to use such space shall be subject to such guidelines. City shall not be responsible to Lessee for the failure of other persons complying with the guidelines.



City of Palo Alto City Council Staff Report

(ID # 14567)

Report Type: Consent Calendar

Meeting Date: 8/1/2022

Summary Title: Firearms Dealership Emergency Ordinance Extension

Title: Adoption of a Interim Urgency Ordinance Extension Requiring a Conditional Use Permit to Establish a Firearms Dealer Retail Use.

Environmental Assessment: Exempt under CEQA Guidelines 15061(c)(3).

From: City Manager

Lead Department: Planning and Development Services

Recommendation:

Staff recommends that Council adopt the attached ordinance extending for ten months and fifteen days a temporary emergency ordinance requiring a conditional use permit to establish a firearms dealership.

Background:

The City Council adopted a 45-day emergency ordinance requiring a conditional use permit to establish a firearms dealership in Palo Alto on June 21, 2022. The attached ordinance will extend this timeframe for ten months and fifteen days. During the interim period, staff will prepare an ordinance modifying the zoning code to require a conditional use permit for all firearm dealerships where allowed citywide. This direction is consistent with land use regulations in other communities and reflects the Council interest to require discretionary review of firearms dealerships.

Staff anticipates sending an updated firearms dealership ordinance to the Planning and Transportation Commission within the next several months and will return to Council thereafter. The extension provides sufficient time for this staff work.

Additional background information is available in the prior Council report available online: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220621/20220621pccsm-amended-second.pdf#page=6>.

Resource Impact:

There are no significant resource impacts associated with this action.

Timeline:

If adopted, the temporary emergency ordinance extension will be effective for an additional ten months and 15 days beyond the initial 45 day ordinance (this would be June 20, 2023).

Environmental Review:

Adoption of the attached ordinance is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15061(c)(3), because it can be seen with certainty that there is no possibility of a significant adverse impact on the environment.

Attachments:

**Attachment8.a: Attachment A Ordinance Extending Interim Urgency Ordinance 5559
Requiring Firearms Retail Service Uses Obtain a Conditional Use Permit (PDF)**

NOT YET APPROVED

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Extending Interim Urgency
Ordinance 5559, Requiring that Firearms Retail Service Uses Obtain a Conditional
Use Permit

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

SECTION 1. Findings and Declarations. The City Council finds and declares as follows:

A. On June 21, 2022, the City Council adopted Ordinance No. 5559 on an interim, urgency basis. Ordinance No. 5559 was adopted pursuant to Palo Alto Municipal Code Section 2.04.270 based on the need to protect the public safety, health, and welfare, as set forth in the findings and declarations of that ordinance. Ordinance No. 5559 was also adopted in compliance with Government Code Section 65858, to the extent that section was applicable, as an interim urgency measure to address a current and immediate threat to the public health, safety, or welfare, for the reasons forth in the findings and declarations in that ordinance.

B. The City Council now wishes to extend Ordinance No. 5559 for a period of 10 months and 15 days.

C. City staff have received inquiries regarding the establishment of new firearms retail uses in the City. The establishment of a firearms retailer without review through a Condition Use Permit process presents a current and immediate threat to the public health, safety, or welfare.

D. The conditions that gave rise to the need for Ordinance No. 5559 still exist and City staff have begun exploration of a permanent ordinance.

E. This ordinance will not have a material impact on the development of projects with a significant component of multifamily housing.

F. The findings adopted in Ordinance No. 5559 are incorporated herein by reference and reaffirmed.

SECTION 2. Ordinance No. 5559 is hereby extended for a period of 10 months and 15 days. The ordinance will therefore expire on June 20, 2023. This ordinance supersedes any provision of Ordinance No. 5559 inconsistent with this Ordinance.

NOT YET APPROVED

SECTION 3. If any section, subsection, clause or phrase of this Ordinance is for any reason held to be invalid, such decision shall not affect the validity of the remaining portion or sections of the Ordinance. The Council hereby declares that it should have adopted the Ordinance and each section, subsection, sentence, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid.

SECTION 4. The Council finds that this project is exempt from the provisions of the California Environmental Quality Act ("CEQA"), pursuant to Section 15061 of the CEQA Guidelines, because it can be seen with certainty that there is no possibility that the ordinance will have a significant effect on the environment.

SECTION 5. This extension ordinance shall take effect immediately upon expiration of Ordinance No. 5559 and shall be in effect for an additional period of 10 months and 15 days following the expiration of Ordinance No. 5559, until June 20, 2023.

SECTION 6. This Ordinance shall not be codified.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of Planning and
Development Services



City of Palo Alto

(ID # 14371)

Office of the Planning and Development Services City Council CAO Report

Meeting Date: 8/1/2022

Report Type: Action Items

Title: PUBLIC HEARING / QUASI-JUDICIAL. 1033 Amarillo Ave [22PLN-00016]: Request for a Preliminary Parcel Map with Exceptions to Subdivide a 20,787 square foot R-1 property into two (2) lots, where Lot 1 will be 10,668.50 square feet and Lot 2 will be 10,118.77 square feet. Exception is for minimum lot width and maximum lot size. Zoning District R-1 Single Family Residential.

From: Jonathan Lait, Director

Recommendation

Staff recommends the City Council approve the proposed Preliminary Parcel Map with Exceptions based on the attached findings and subject to conditions of approval.

Executive Summary

The proposed project is a Preliminary Parcel Map with Conditional Exceptions¹, located at 1033 Amarillo. This application is to subdivide the existing 20,787 sf lot into two lots, 10,118 square feet, and 10,668 square feet, respectively. This requires the Council to make a decision on an exception to the maximum lot size and to the minimum lot width.

The existing property contains four “cottage cluster” housing units. No changes are proposed to the existing structures as a part of this project, though at the October 25, 2021 prescreening with the City Council the applicant indicated a desire to redevelop the parcels. At least four house units are required to exist on this property as a result of State legislation regarding ‘no net loss’ of housing units. Such redevelopment would be the subject of a future application.

Background

A proposal to divide the property into four parcels went to Council Prescreening on October 25, 2021. The staff report and minutes are available online.² At this time, the four parcel proposal was not supported, however the two parcel alternative was.

¹ Commonly referred to as a Preliminary Parcel Map with Exceptions

² bit.ly/3vzMCHz

This project was presented to the PTC on April 27, 2022.³ The PTC did not recommend approval, based on Preliminary Parcel Map Finding #2, and Exception Findings #2 and #4 (see Findings, Attachment C). The PTC members discussed at length and disagreed on the desired number of units. Some PTC members also disliked the fact that the parcel map is being requested separately from any redevelopment proposal.

The primary discussion with the PTC was regarding potential and allowable configurations of future development—which is not the subject of the application. PTC members in favor of the subdivision noted that through the division up to 8 housing units are possible and a minimum of 4 units must be maintained. So, the only way to increase housing on the site is through a subdivision.

PTC members who recommended denial noted it was hypothetically possible to further subdivide the lot using SB 9, and that it was unknown if any proposed future units would be more or less expensive to live in than the existing units, as well as how many units would be proposed to be built.

Staff's analysis of the configurations possible lead staff to support the subdivision. To illuminate the possibilities, the potential units options are described below.

In summary the following configurations are currently allowed, even without a subdivision:

- Maintaining the existing four units as a legal non-conforming multi-family use in an R-1 zoning district under Palo Alto Municipal Code Section 18.12.150(b)(2) and (c).
- SB 330 prevents the loss of housing units, this property could not be redeveloped to contain fewer than four units.

Under state laws, including SB 9, potential configurations could range from four to six total units. With the proposed subdivision, the following are allowed:

- Maintaining the existing configuration, with two units as a legal non-conforming two-family use on each lot in an R-1 zoning district.
- Rebuilding each lot with one single-family house, with at least one ADU or JADU to maintain a total of four units.
- Rebuilding each lot with one single-family house, and both an ADU and JADU. This increases the units from four to six units.
- Use SB 9 to build a maximum of four units on each of the new lots (with or without additional SB 9 subdivision, for eight units total.

While it is currently possible to redevelop the R-1 zoned property with four units utilizing the provisions of SB 9, this would involve a number of restrictions that may not be desirable. These restrictions include owner occupancy among others.

³ Report - <https://bit.ly/3zesG0k>. Video - <https://bit.ly/3m6WvrZ>

Staff analysis concludes that the proposed subdivision is the best option to allow redevelopment. However, the PTC expressed interest in maintaining the 1940's cottage cluster on the basis of it providing a "less expensive" housing option within Palo Alto.

Project Description

1033 Amarillo is an approximately 20,787 sf lot in the R-1 zoning district. It currently contains four housing units, arranged in what is commonly referred to as a "cottage cluster" with all homes taking access from a central driveway. This application is to subdivide the lot into two lots, 10,118 square feet (53.26 ft wide, 190 ft long), and 10,668 square feet (approximately 58.76 ft wide, 190 ft long), respectively. The larger of the two lots is irregularly shaped, the lot width at the street is 53.25 ft, but it widens by 5.51 ft to 58.71 ft in the rear. This requires the request for an exception to the maximum lot size and to the minimum lot width.

The resulting lot size would be 10,118 sf and 10,668 sf, respectively, while the PAMC allows a maximum size of 9,999 sf. The lot width would be 53.26 ft and 53.25 ft, while the PAMC requires a minimum lot width of 60 ft. Though the proposed subdivision would not meet these dimensions, the subdivision would decrease the degree of nonconformity.

This application does not include changes to the existing structures.

Requested Entitlements, Findings and Purview:

The following discretionary applications are being requested and subject to PTC purview:

- Preliminary Parcel Map: The process for evaluating this type of application is set forth in Title 21 of the Palo Alto Municipal Code (PAMC) and Government Code Section 66474. PAMC Section 21.12.090 requires the Director to review whether the proposed subdivision complies and is consistent with certain documents. These include the Subdivision Map Act (in particular Government Code 66474), PAMC Title 21, the Palo Alto Comprehensive Plan, and other applicable provisions of the Palo Alto Municipal Code and State Law. A series of "reverse findings" are required to approve the project and draft findings are provided in Attachment C.
- Preliminary Parcel Map with Conditional Exceptions: A subdivider may apply for exceptions to the requirements and regulations for lot width, lot depth, lot area, and street frontage or access, set forth in Titles 21 and 18. Exceptions may only be granted by the City Council following recommendation by the Planning and Transportation Commission. The findings for parcel map exceptions are set forth in PAMC Section 21.32.020 and draft findings are provided in Attachment C.

Discussion

Neighborhood Setting and Character

The neighborhood setting is single-family, with lots that vary in size from approximately 4,600 to 7,600 square feet. Most of the houses in the vicinity, including the existing cottages, were

built in the late 1940's to early 1950's. The property adjacent at 1027 Amarillo is currently being rebuilt with a new one-story single-family house.

Zoning Compliance⁴

Staff performed a detailed review of the proposed project's consistency with applicable zoning standards. A summary table is provided in Attachment B. The applicant seeks a preliminary parcel map with exceptions, utilizing exceptions for lot width and maximum lot size.

The plan is substantially similar to the "two parcel" plan presented to the Council at an October 25th prescreening (File #21PLN-00212). The purpose of the prescreening was to consider a four parcel plan as well as the current two parcel plan. The applicant indicated through the prescreening an intention to replace the four housing units; however, that is not within the scope of the current application. Any future replacement housing will be subject to compliance with all applicable local and state laws.

Overall, this project meets the requirements and is similar in scope to the previously approved Preliminary Parcel Map with Exceptions at 4221 Wilkie Way (20PLN-00235 and 21PLN-00127) and 640 Fairmede (20PLN-00203 and 21PLN-00214). One major difference is the prior projects facilitated adding at least one additional unit, where only one existed previously, whereas 1033 Amarillo already has four (4) units. Approval of the requested parcel map, however, would allow future development of additional units.

The project requires an exception because the resulting lots are narrower than what's typically allowed, but the lot is also so large that the new lots exceed the R-1 maximum lot size. The subdivision proposal will create two lots that are approximately 53 feet wide, 7 ft narrower than the standard R1 lot width of 60 feet set forth in the zoning code. The new lots, however, will not be "substandard" lots by definition, because a substandard lot is less than 4,980 sf (80% of the minimum lot size of 6,000 sf). Furthermore, the typical lot width on this block is between 50 ft and 56.5 ft, so the width will not be out of character for the immediate context. The two lots will be 10,118.77 and 10,668.50 sf, respectively. The maximum lot size per the zoning code is 9,999 square feet.

So, while the subdivision will not bring the property into complete compliance with the PAMC, it will decrease the degree of non-conformity.

This property is also located in a flood zone and any future development will need to comply with all Public Works Engineering regulations for the AE10.5 flood zone.

Consistency with the Comprehensive Plan, Area Plans and Guidelines⁵

⁴ The Palo Alto Zoning Code is available online: http://www.amlegal.com/codes/client/palo-alto_ca

⁵ The Palo Alto Comprehensive Plan is available online:
<http://www.cityofpaloalto.org/gov/topics/projects/landuse/compplan.asp>

The Comprehensive Plan calls for the recognition and encouragement of the “cottage cluster” typology. This subdivision does not propose to change this character. The subdivision assists in allowing separate conveyance (sale) of the cottages, albeit in pairs.

The subdivision does not affect the likelihood of the “cottage cluster” typology changing in the future. Due to SB 330, and local Palo Alto codes, the City does not allow demolition of a housing unit without replacement, when a housing project is proposed. Therefore, there will always be at least four housing units on this property. The layout and relationship of those units to one another, however, could change.

Consistency with Application Findings

This project is consistent with the Findings for a Preliminary Parcel Map with Exceptions (Attachment C). The applicant does not propose to change the density or number of housing units. The proposed lots are suitable in size for the existing uses. The proposed subdivision will not affect the environment, nature, public health, or conflict with existing easements.

Summary of Key Issues

Shared Driveway

Staff recommends maintaining the location of the existing driveway and requiring a shared driveway easement for the new parcels. This is a common process that has been applied to several properties throughout the city. The benefit is reducing the number of curb cuts on city streets, which in turn allows for greater opportunity for street parking and is safer for pedestrians and drivers.

Otherwise, it would be difficult to place two new driveways, given the Public Works Code requirements that new curb cuts to be a minimum of 20ft from an existing curb cut. While it is possible to place the driveway in the middle of the new lots, it is not ideal compared to putting it on either side. Since both neighbors have their driveways adjacent to 1033 Amarillo, it is not possible to push the driveways to either side, they would need to go adjacent to each other in the middle.

This block is also subject to the contextual garage placement requirement, so any covered parking will need to be towards the rear of the property. This means a driveway down the center of one of the new lots could not work, because it would need to run deep into the lot. Therefore, a shared driveway easement is the only viable arrangement. In this case, because the two properties are under common ownership, the City would require a “covenant of easement,” as provided in PAMC Chapter 18.66. Staff have included this as a condition of approval.

The applicant’s response is provided in Attachment E.

Policy Implications

SB 9

This subdivision does not propose to use SB 9. Per current law, any R-1 or RE zoned property may use SB 9 one time. While the applicant does not intend to use SB 9 for this project, they or a future owner would be able to subdivide a resulting parcel one time under SB 9. With or without such further subdivision, SB 9 would also allow for a maximum of four units on each of the two proposed lots.

Environmental Review

The subject project has been assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and the environmental regulations of the City. Specifically, the project is a minor subdivision with no change to existing structures. This is exempt under CEQA Guideline 15301 Existing Facilities.

Public Comments

As of the writing of this report, no project-related, public comments were received.

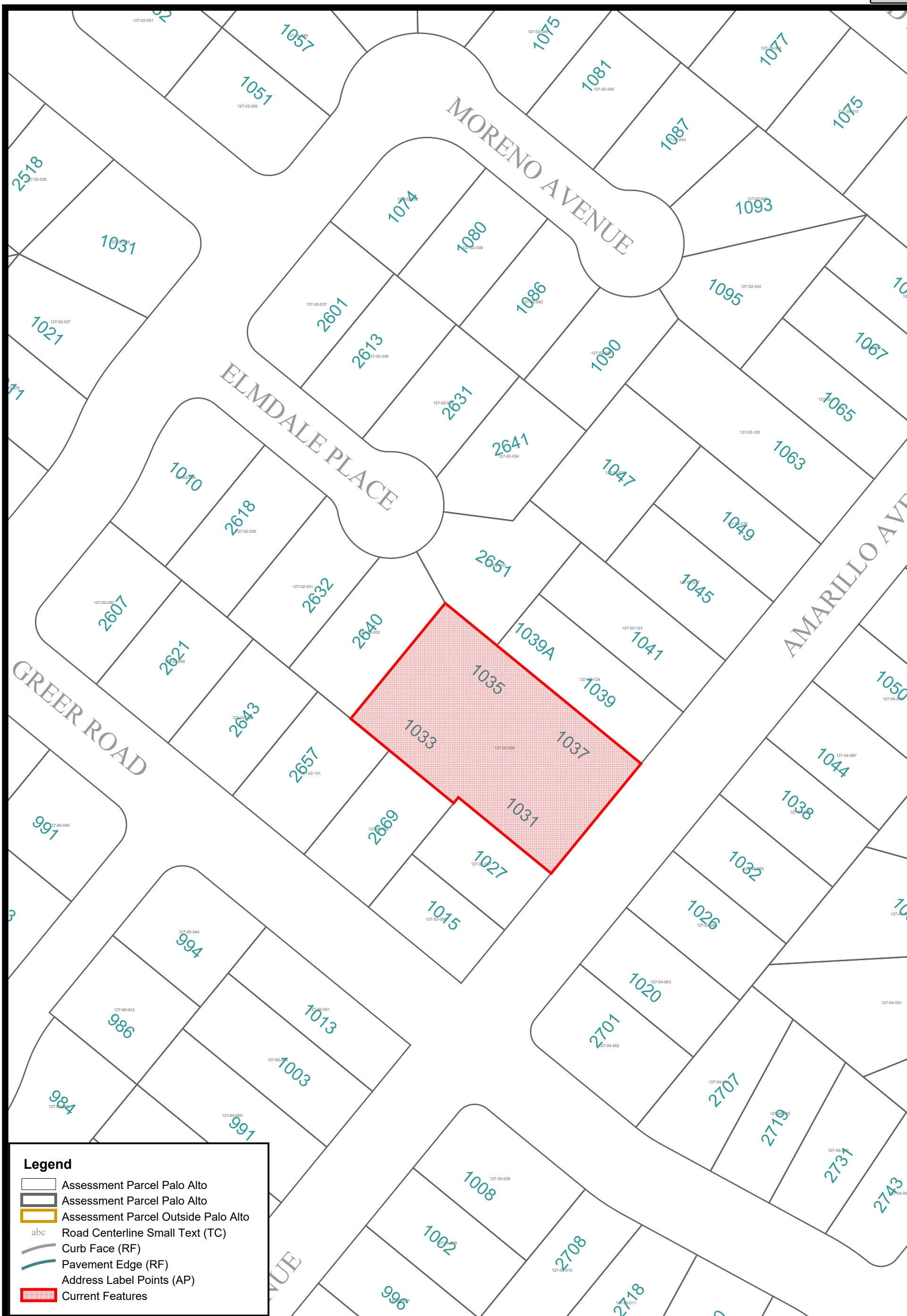
Alternative Actions

In addition to the recommended action, the Council may:

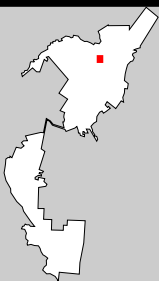
1. Continue the project to a date (un)certain; or
2. Deny the project based on revised findings.

ATTACHMENTS:

- **Attachment9.a:** Attachment A: Location Map (PDF)
- **Attachment9.b:** Attachment B: Zoning Comparison Table (DOCX)
- **Attachment9.c:** Attachment C: Draft RLUA (DOCX)
- **Attachment9.d:** Attachment D: Applicant's Project Description (PDF)
- **Attachment9.e:** Attachment E - Driveway Letter from Applicant with Exhibit (PDF)
- **Attachment9.f:** Attachment F: Link to Project Plans (DOCX)



The City of
Palo Alto



Attachment A:
Location Map
1033 Amarillo
Preliminary Parcel Map with Exceptions

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



ATTACHMENT B
ZONING COMPARISON TABLE
 1033 Amarillo Avenue, 22PLN-00016

Table 1: COMPARISON WITH CHAPTER 18.12 (R-1 DISTRICT)

Regulation	Required	Existing	Proposed Parcel 1	Proposed Parcel 2
Minimum/Maximum Site Area	6,000-9,999 sf area	Non-conforming: 23,787.27 sf	Non-conforming: 10,668.50 sf	Non-conforming: 11,215.3 sf
Minimum Site Width	60 feet	106.51 feet wide at front, 112.02 feet wide at rear	Non-conforming: 53.25 feet wide, additional portion 5.51 feet wide, 100 feet deep	Non-conforming: 53.26 feet
Minimum Site Depth	100 feet	190 feet	190 feet	190 feet
Residential Density	One unit, except as provided in 18.12.070	Non-conforming: Four units	Two units	Two unit

(3) R-1 Floodzone Heights: Provided, in a special flood hazard area as defined in [Chapter 16.52](#), the maximum heights are increased by one-half of the increase in elevation required to reach base flood elevation, up to a maximum building height of 33 feet.

(6) R-1 Floodzone Daylight Plane: Provided, if the site is in a special flood hazard area and is entitled to an increase in the maximum height, the heights for the daylight planes shall be adjusted by the same amount.

Table 2: CONFORMANCE WITH SECTION 18.12.060 and CHAPTER 18.52 (Off-Street Parking)

for Single Family Residential Uses

Type	Required	Existing	Proposed Parcel 1	Proposed Parcel 2
Vehicle Parking	2 parking spaces per unit, of which one must be covered	2 spaces, one covered for each unit	Will comply	Will comply

ACTION NO. XXXX-XX
DRAFT RECORD OF THE COUNCIL OF THE CITY OF PALO ALTO LAND USE ACTION FOR
1033 AMARILLO AVE: PRELIMINARY PARCEL MAP 22PLN-00000-000016
(TED O’HANLON, APPLICANT)

At its meeting on [DATE], the City Council of the City of Palo Alto approved the Preliminary Parcel Map for the development of a two-lot subdivision project with exceptions, making the following findings, determinations and declarations:

SECTION 1. Background. The City Council of the City of Palo Alto (“City Council”) finds, determines, and declares as follows:

A. On January, 18, 2022, Ted O’Hanlon applied for a Preliminary Parcel Map with exceptions for the development of a Two-lot subdivision project (“The Project”).

B. The project site is comprised of one lot (APN No. 127-02-006) of approximately 20,788 square feet. The site contains four residential structures. Single-family residential land uses are located adjacent to the lot to the north, east and west.

SECTION 2. Environmental Review. The City as the lead agency for the Project has determined that the project is exempt to environmental review under provisions of the California Environmental Quality Act (CEQA) under Guideline section 15301, Existing Facilities.

SECTION 3. Preliminary Parcel Map Findings.

A legislative body of a city shall deny approval of a Parcel Map, if it makes any of the following findings (California Government Code Section 66474):

1. *That the proposed map is not consistent with applicable general and specific plans as specified in Section 65451:*

The site does not lie within a specific plan area and is consistent with the provisions of the Comprehensive Plan as noted below.

2. *That the design or improvement of the proposed subdivision is not consistent with applicable general and specific plans:*

The map is consistent with the following Comprehensive Plan policies:

- a. Policy L-1.3: Infill development in the urban service area should be compatible with its surroundings and the overall scale and character of the city to ensure a compact, efficient development pattern.
- b. Policy L-3.1: Ensure that new or remodeled structures are compatible with the neighborhood and adjacent structures.

- c. Policy L-3.3 Recognize the contribution of cottage cluster housing to the character of Palo Alto and retain and encourage this type of development.

3. *That the site is not physically suitable for the type of development:*

The site currently contains four single-family houses on a single lot. This property is more than twice the allowed maximum size for a single-family zoned property. Most residential lots in Palo Alto are between 5,000 and 7,000 sf, and the existing lot size is 20,787 sf. With four units, this is 5,197 sf per unit. The site is physically suitable for four units and is required by SB 330 to maintain the existing number of homes, which is currently four units.

4. *That the site is not physically suitable for the proposed density of development:*

The proposal for the site will not change the existing residential density. The site is physically suitable for four units and is required by SB 330 to maintain at least four units. It is possible SB 9 and/or ADU regulations could allow for additional units to be added to this site.

5. *That the design of the subdivision or the proposed improvements are likely to cause substantial environmental damage or substantially and avoidably injure fish or wildlife or their habitat:*

The minor subdivision will not cause environmental damage or injure fish, wildlife, or their habitat. The project site has been fully urbanized and developed and is centrally located within the Midtown neighborhood. There is no recognized sensitive wildlife or habitat in the project vicinity.

6. *That the design of the subdivision or type of improvements is likely to cause serious public health problems:*

The creation of two individual parcels will not cause serious public health problems, as it does not substantially affect the existing conditions and overall function of the property as a site for single-family residences.

7. *That the design of the subdivision or the type of improvements will conflict with easements, acquired by the public at large, for access through or use of, property within the proposed subdivision. In this connection, the governing body may approve a map if it finds that alternate easements, for access or for use, will be provided, and that these will be substantially equivalent to ones previously acquired by the public. This subsection shall apply only to easements of record or to easements established by judgment of a court of competent jurisdiction and no authority is hereby granted to a legislative body to determine that the public at large has acquired easements for access through or use of property within the proposed subdivision.*

The existing site has no easements. The parcel map will be conditioned to have covenants of easement for existing utility lines, and/or the shared driveway as necessary for the approved design.

SECTION 5. Exception Findings.

The Preliminary Parcel Map with Exceptions also meets the following Findings for the Exceptions (PAMC 21.32.020):

1. *There are special circumstances or conditions affecting the property.*

The existing property is larger than the 10,000 sf maximum allowed by the Zoning Code. The subdivision will bring the property into better conformance with the Zoning Code, although the resulting parcels will continue to exceed 10,000 sf.

2. *The exception is necessary for the preservation and enjoyment of a substantial property right of the petitioner.*

A property of this size is better equipped to provide more than one residential unit. One unit is what is allowed by the R-1 zoning. The maximum FAR for a property of the original size is 7,671 sf, however, the maximum house size allowed in Palo Alto is 6,000 sf. Four units currently exist, at density comparable to most of Palo Alto's neighborhoods (approximately 1 unit per 6,000 sf). A substantial property right is the ability to rebuild unit(s) on the site. As the existing use/number of units is existing non-conforming, the petitioner is not currently able to rebuild the site in a manner that is consistent with both local zoning regulations and SB 330.

3. *The granting of the exception will not be detrimental to the public welfare or injurious to other property in the territory in which the property is situated.*

The use of the property will not be detrimental to the public welfare or injurious to other properties in the area, as the proposed use and density is more in conformance with the Code, and similar to other R-1 neighborhoods.

4. *The granting of the exception will not violate the requirements, goals, policies, or spirit of the law.*

Granting this exception is found to be consistent with the Subdivision Map Act, Zoning Code, Comprehensive Plan. It will facilitate rebuilding of existing units, and provides an opportunity for new units to be created.

SECTION 5. Preliminary Parcel Map Approval Granted. Preliminary Parcel Map approval is granted by the City Council under PAMC Sections 21.12 and 21.20 and the California Government Code Section 66474, subject to the conditions of approval in Section 7 of this Record.

SECTION 6. Parcel Map Approval.

The Parcel Map submitted for review and approval by the City Council shall be in substantial conformance with the Preliminary Parcel Map prepared by BKF titled "Preliminary Parcel Map for Single-Family Purposes", consisting of three (3) pages, dated April 7, 2022 except as modified to incorporate the conditions of approval in Section 7. A copy of this plan is on file in the Department of Planning and Development Services, Current Planning Division. Within two years of the approval date of the Preliminary Parcel Map, the subdivider shall cause the subdivision or any part thereof to be surveyed, and a Parcel Map, as specified in Chapter 21.08, to be prepared in conformance with the Preliminary Parcel Map as conditionally approved, and in compliance with the provisions of the Subdivision Map Act and PAMC Section 21.16 and submitted to the City Engineer (PAMC Section 21.16.010[a]).

SECTION 7. Conditions of Approval.

Planning Division

1. **PROJECT PLANS.** The Parcel Map submitted for review and approval by the Director shall be in substantial conformance with the Preliminary Parcel Map prepared by BKF "Preliminary Parcel Map", consisting of 3 pages, uploaded to the Online Permit Services Portal on February 23, 2022, except as modified to incorporate the conditions of this approval.
2. **PARCEL MAP COVER PAGE.** At such time as the Parcel Map is filed, the cover page shall include the name and title of the Director of Planning and Development Services.
3. **PARCEL MAP EXPIRATION.** A Parcel Map, in conformance with the approved Preliminary Parcel Map, all requirements of the Subdivision Ordinance (PAMC Section 21.16), and to the satisfaction of the City Engineer, shall be filed with the Planning Division and the Public Works Engineering Division within two (2) years of the Preliminary Parcel Map approval date. The time period for a project may be extended once for an additional year by the Director of Planning if submitted prior to the expiration date. The resultant parcel map must be recorded prior to any building permit issuance.
4. **INDEMNITY.** To the extent permitted by law, the Applicant shall indemnify and hold harmless the City, its City Council, its officers, employees and agents (the "indemnified parties") from and against any claim, action, or proceeding brought by a third party against the indemnified parties and the applicant to attack, set aside or void, any permit or approval authorized hereby for the Project, including (without limitation) reimbursing the City for its actual attorneys' fees and costs incurred in defense of the litigation. The City may, in its sole discretion, elect to defend any such action with attorneys of its own choice.
5. **COVENANT OF EASEMENT.** Prior to approval of the Parcel Map, the Applicant shall provide the City with a covenant of easement in a form acceptable to the City Attorney for the purpose of securing

a shared driveway and any shared utilities necessary for the two parcels to be created. Such covenant shall be recorded simultaneously with the Parcel Map.

Public Works Engineering

6. PARCEL MAP: This project is subject to, and contingent upon the approval of a preliminary parcel map/final map and recordation of a Parcel/Final Map. The submittal, approval and recordation of the Map shall be in accordance with the provisions of the California Subdivision Map Act and Palo Alto Municipal Code Title 21 Subdivision requirements. All existing and proposed property lines, easements, dedications shown on the preliminary parcel map are subject to City's technical review and staff approval during the map process prior to issuance of any construction permits.
7. MAP THIRD-PARTY REVIEW: The City contracts with a third-party surveyor that will review and provide approval of the map's technical correctness as the City Surveyor, as permitted by the Subdivision Map Act. The Public Works Department will forward a Scope & Fee Letter from the third-party surveyor and the applicant will be responsible for payment of the fee's indicated therein, which is based on the complexity of the map.

SECTION 8. Term of Approval.

1. Preliminary Parcel Map. All conditions of approval of the Preliminary Parcel Map shall be fulfilled prior to approval of a Parcel Map (PAMC Section 21.16.010[c]). Unless a Parcel Map is filed, and all conditions of approval are fulfilled within a two-year period from the date of Preliminary Parcel Map approval, or such extension as may be granted, the Preliminary Parcel Map shall expire and all proceedings shall terminate.

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

APPROVED:

City Clerk

Director of Planning and
Community Environment

APPROVED AS TO FORM:

Senior Asst. City Attorney

PLANS AND DRAWINGS REFERENCED:

Those plans prepared by James Toby titled "Tentative Parcel Map", consisting of one page, dated September 14, 2012.



Explore Real Estate
2625 Middlefield Rd, #101
Palo Alto, CA 94306
iexplore realestate.com

December 21, 2021

Jonathan Lait
Director, Planning and Development Services
City of Palo Alto
250 Hamilton Avenue
Palo Alto, CA 94301
Email: Jonathan.Lait@CityofPaloAlto.org

Subject: Application for Subdivision, 1033 Amarillo Avenue

Mr. Lait :

On behalf of APIC Amarillo Avenue, LLC, the owner of the property at 1033 Amarillo Ave, Palo Alto, we are requesting to subdivide the property into 2 fee simple lots. By doing so, the property could be redeveloped with 2 detached single-family homes with an Accessory Dwelling Units (ADU) and Junior ADU's, creating 4 to 6 dwelling units.

The subject property is currently 20,787 square feet in size and the subdivision proposes to create two (2) lots of approximately equal size. Lot 1 will be 10,668.50 square feet and Lot 2 will be 10,118.77 square feet. Because both lots are slightly greater than the 9,999 square feet guidelines of R-1 lots, an exception to subdivide is requested. In this case, the newly created lots would be generally compatible within the neighborhood's and City's context. Further, a subdivision into three (3) lots would require a flag lot and/or access easements that are not permitted under PAMC.

Granting the described exception would be consistent with other recent large R-1 lot subdivisions in Palo Alto. The new lots would be consistent and compatible with adjacent properties and the neighborhood with R-1 uses permitted.

Further, the exception requested does not violate existing law and aligns the property more with other R-1 lots. Further, by utilizing Accessory Dwelling Units on each property, there will be no net loss of housing in conformance with SB 330, and potentially lead to the creation of additional units than what is existing.

We look forward to working closely with Planning Staff on this request and furnishing additional information as requested.

Best Regards

A handwritten signature in black ink, appearing to read "Ted O'Hanlon", written over a horizontal line.

Ted O'Hanlon
Project Manager & Owner Representative

Cc: APIC Amarillo Avenue, LLC
BKF Engineering

City of Palo Alto

Subdivider's Statement

Section 21.12.050 of the Palo Alto Municipal Code requires that a 'Subdivider's Statement' shall appear upon, or accompany, Tentative or Preliminary Parcel Maps, and shall contain the following information. If any of the items listed below are not applicable, please indicate this. You may attach additional sheets if needed.

Address of the Subject Property: 1033 Amarillo Avenue, Palo Alto, CA 94303

Zone district (s): R-1

(a) Existing Use(s): 4 detached single family homes

(b) Proposed Use(s): New detached single family home on each of the 2 lots that include
1 Accessory Dwelling Unit and 1 Junior Accessory Dwelling Unit

(c) Improvements and public utilities proposed and the time at which such
improvements are proposed for completion: None

(d) Provisions for sewerage and sewage disposal: Existing sanitary sewer services are to remain.

(e) Public areas proposed: None

(f) Tree Disclosures. Existing surveyed tree location, species, size, dripline area
(including trees located on neighboring property that overhang the project site) and
public trees within 30 feet of the project site. Specify regulated tree removal requests:
No regulated or protected trees to be removed. Refer to existing conditions plan
sheet of the Preliminary Parcel Map.

(g) Proposed street lighting or any other outdoor lighting: None

(h) Existing restrictive covenants, leases, right-of-way, licenses and encumbrances affecting use of the land (attach copies): The 4 units are rented, each tenancy less than 1 year

(i) Requested Exceptions to any requirements of the Subdivision Ordinance. [Most exceptions relate to general design requirements, and particularly to lot size, dimensions, location or configuration. Applications for exceptions shall state fully the grounds of the application and the facts relied upon by the petitioner. Exceptions shall be granted only upon making certain findings, including the four listed below.]

Exceptions requested: Based on the R-1 District standards under PAMC 18.12.040(d), the maximum lot size shall not exceed 9,999 s.f. The new lots would be slightly larger.

(1) There are special circumstances or conditions affecting the property.
(Describe)

The subject property is currently 20,787 s.f. and proposes to be subdivided into two (2) lots. Lot 1 will be 10,668.50 s.f., and Lot 2 will be 10,118.77 s.f.. Both are slightly greater than the 9,999 s.f. limit. These subdivided lots would still be generally compatible with the neighborhood's context and City's context. Alternatively, a subdivision into three (3) lots would require access easements that are not permitted.

(2) The exception is necessary for the preservation and enjoyment of a substantial property right of the petitioner. (Explain)

Subdividing the property into two (2) lots would provide lot sizes more compatible with the neighborhood context for R-1 zoning.

(3) The granting of the exception will not be detrimental to the public welfare or injurious to other property in the territory in which the property is situated. (Explain)

Granting the exception would be consistent with other recent large R-1 lot subdivisions in Palo Alto. The lots would be consistent and compatible with adjacent properties.

(4) The granting of the exception will not violate the requirements, goals, policies or spirit of the law. (Explain)

The exception requested does not violate existing law and actually aligns the property more with other R-1 lots. Further, by utilizing Accessory Dwelling Units on each property, there will be no net loss of housing, and potentially new units created.

(j) Requested variances from any of the requirements of the Zoning Ordinance.

Variances requested: None

Reasons and Justification: _____

(k) Statement regarding the compliance of the subdivision with those applicable elements of the Palo Alto Comprehensive Plan, or the manner in which such compliance will be attained, when relevant and not otherwise ascertainable from the Tentative Map or other contents of the subdivider's statements. (Such information shall include, but not be limited to, a statement of how the housing policies of the Palo Alto comprehensive plan will be met):

As previously described and regarding SB 330, the subdivision of the property will have
no net loss of dwelling units and potentially add 1 or 2 units.

(l) Any additional information regarding the subdivision as may be deemed necessary by the Director of Planning and Community Environment.

None

To the best of my knowledge, this application is in conformance with the Zoning Ordinance/Subdivision Ordinance, and Comprehensive Plan as submitted or includes exceptions or variances as indicated in (i) or (j) above.

Signature of Applicant

AuthentSign
Jason Mao
12/21/2021 5:36:48 PM PST

Date 12/21/2021

AuthentSign
[Signature]
12/21/2021 5:54:52 PM PST

12/21/2021



ENVIRONMENTAL ASSESSMENT WORKSHEET

City of Palo Alto Department of Planning & Development Services

GENERAL INFORMATION:

Date Filed 12/20/2021

1. Address of Project: 1033 Amarillo Avenue, Palo Alto, CA 94303

2. Assessor's Parcel Number: 127 Book #: 02 Page #: 006

3. Application Number(s): TBD

4. Applicant:

Name Ted O'Hanlon Telephone (415) 317-5070

Address 2625 Middlefield Road #101 Fax #

Palo Alto, CA 94306 E-mail tedohanlon@gmail.com

5. Owner:

Name Jason Mao Telephone (415) 881-4491

Address 5 Thomas Mellon Circle, Suite 104 Fax #

San Francisco, CA 94134 E-mail jmao@apicincus.com

6. Current Zoning: R-1 Comprehensive Plan Designation N/A

7. Application for:

Site and Design Parcel Map X ARB Review

Use Permit Zone Change EIA, EIR

EXISTING SITE:

8. State all known or suspected prior uses, operations, or other activities on the site over the past 20

years Detached homes, market rate rental

9. Size of site: Gross 20,787 sq. ft. Net 20,787 sq. ft.

10. Site is owned X Rented _____ by applicant.

11. Existing use of property: Detached single family homes

*Attach photographs of project site, also include an aerial photo of the project site.

12. Number of existing structures 6 Current Use Private Residences

13. Size of existing structures ~4,300 sq. ft. Condition Fair

14. Will any structure be demolished for this project Yes X No _____

15. Total square footage to be demolished ~4,300 sq. ft.

16. Total number of building occupants for existing use 6 (4 private residences and 2 parking garages)

17. Number of parking spaces 0 % compact spaces 0 # Bicycle spaces 0

18. If current use is residential:

Number of owner-occupied units 0

Number of renter-occupied units 4

PROPOSED PROJECT:

19. Project description Proposing to subdivide an existing 20,787 sq. ft. lot into two approximately equal lots.

20. Future tenant if known Unknown

21. Number of structures proposed TBD Size (in square feet) TBD

22. Number of floors and building height Up to 2 stories height per code specs FAR Up to ~3,800 sq. ft. plus ADU allowances

23. Percentage of site to be covered (including bricks and pavers) TBD, per code

24. Estimated number of employees per shift N/A

25. If the proposed project is residential:

Total number of units Up to 6 Number of units per acre Up to 12.5 per acre

Expected sales price or monthly rent per dwelling unit TBD

List kinds and size of community buildings N/A

Area of private open space N/A Area of common open space N/A

Provision of low/moderate income units:

1) Number of units provided for: Sale N/A Rent N/A

2) Sale and / or rental price N/A

26. Total number of vehicles expected daily for proposed project N/A

27. Number of proposed parking spaces N/A Percentage compact spaces N/A

Number of bicycle spaces N/A

28. Are there any toxic wastes to be discharged? Yes No X

(If yes, please complete a Sewer Discharge Questionnaire, which is furnished by the Building Department)

29. Has the facility in the past or will the operation of the proposed facility involve the storage or use of Hazardous materials? Yes No X

(If yes, please complete a Hazardous Materials Disclosure checklist, which is furnished by the Fire Department)

30. Expected amount of water usage (except for residential developments of fewer than 4 units not located in the foothills)

Domestic N/A gal/day Peak use gal/day

Commercial N/A gal/day Peak use gal/day

31. Daily sewer discharge (over 30 fixtures only) N/A

32. Expected energy use: N/A

Gas therms Electric KWH Peak electric demand

Uses and equipment sizes

A. Space heating:

Gas BTUH Solar

Electric KW Heat pump Tons

Other

B. Air conditioning:

Number of units Total tonnage

C. Water heating:

Gas BTUH Solar

Electric KW Heat Pump Tons

Other

Type: Central system Individual system

Recirculating Loop? Yes No

D. Other:

Indoor lighting KW Outdoor lighting KW

Cooking KW Refrigeration Tons or ft

Motors HP x-ray Computer

Type	Amount
------	--------

Sound proofing/mitigation proposed ☐ None ☒

Other _____

40. Is this site within a special flood hazard area? Yes X No

41. Existing site vegetation (please list, and indicate any to be removed)

*Also include a tree disclosure statement. The size and location of all public, protected private, and heritage trees must be shown. (This form can be obtained at the Development Center or by calling (650) 617-314)

No regulated or protected trees to be removed. Refer to existing conditions plan sheet of the

Preliminary Parcel Map.

42. Existing animal and bird life on site None

43. Detailed description of conditions and uses of adjacent properties

Each property adjacent to the subject is an existing single family home with a mix of single and two-story structures

Prepared by

Authentisign

12/21/2021 5:54:53 PM PST

Date 12/21/2021

Note: More information may be required before the application for which this assessment has been prepared can be processed. Please call the Department of Planning & Development Services at (650) 329-2442 if you have any questions.

PLEASE RETURN COMPLETED WORKSHEET TO THE DEPARTMENT OF PLANNING & DEVELOPMENT SERVICES, DEVELOPMENT CENTER, 285 HAMILTON AVENUE, 1ST FLOOR.



TREE DISCLOSURE STATEMENT (TDS)

Palo Alto Municipal Code, Chapter 8.10.040, requires disclosure and protection of certain trees located on private and public property, and that they be shown on submitted and approved site plans. A completed *tree disclosure statement* must accompany all permit applications that include exterior work, all demolition or grading permit applications, or other development activity.

PROPERTY ADDRESS: 1033 Amarillo Avenue, Palo Alto, CA 94303

Are there Regulated¹ trees on or adjacent to the property? YES ☒ NO (If no, proceed to Section 4)

[Sections 1- 4 MUST be completed by the applicant. Please circle and/or check where applicable.]

1. Where are the trees? Check those that apply. (Plans must be submitted showing all trees over 4" diameter)

- ☐ On the property
- ☐ On adjacent property overhanging the project site
- ☐ In the City planter strip or right-of-way easement within 30' of property line (Street Trees)*

*Street trees¹ require special protection by a fenced enclosure, per the attached instructions. Prior to receiving any permit, you must provide an authorized Street Tree Protection Verification form. Contact Public Works Operations at (650) 496-5953 for inspection of type I, II or III fencing (see attached Detail #605) required for all street trees.

2. Are there any Protected¹ or Designated¹ Trees? YES (Check where applicable) NO

- ☐ Protected Tree (s)
- ☐ Designated Tree (s)
- ☐ On or overhanging the property

3. Is there activity or grading within the dripline? (radius 10 times the trunk diameter) of these trees? YES NO

If Yes, a **Tree Preservation Report** must be prepared by an ISA certified arborist and submitted for staff review (see TTM², Section 6.25). Attach this report to Sheet T-1, Tree Protection, its Part of the Plan!*, per Site Plan Requirements.

4. Are the Site Plan Requirements** completed? YES ☒ NO

**Protection of Regulated trees during development require the following: (1) Plans must show the measured trunk diameter and canopy dripline; (2) Plans must denote, as a bold dashed line, a fenced enclosure area out to the dripline, per Sheet T-1 and Detail #605 - <http://www.cityofpaloalto.org/trees/forms.htm> (See also TTM², Section 2.15 for area to be fenced)

I, the undersigned, agree to the conditions of this disclosure. I understand that knowingly or negligently providing false or misleading information in response to this disclosure requirement constitutes a violation of the Palo Alto Municipal Code Section 8.10.040, which can lead to criminal and/or civil legal action.

Signature: 
(Prop. Owner or Agent)

Print: TED O'HANLON

Date: 12/21/2021

FOR STAFF USE:

Protective Fencing

Sections 5-6 must be completed by staff for the issuance of any development permit (demolition, grading or building permit).

5. Protected Trees. The specified tree fencing is in place. A written statement is attached verifying that protective fencing is correctly in place around protected and/or designated trees.

(N/A if there are no protected trees, check here ☐)

YES NO

6. Street Trees. A signed Public Works Street Tree Protection Verification form is attached.

(N/A if there are no street trees, check here ☐)

YES NO

¹Regulated Trees – a) Street trees – trees on public property; b) Protected trees – Coast Live Oaks or Valley Oaks which are 11.5" in diameter or larger, Coast Redwoods which are 18" in diameter or larger, when measured 54" above natural grade; and Heritage trees are trees designated by City Council; and c) Designated Trees – commercial or non-residential property trees, which are part of an approved landscape plan.

²Palo Alto Tree Technical Manual (TTM) contains instructions for all requirements on this form, available at www.cityofpaloalto.org/trees/technical-manual.html

CITY OF PALO ALTO

Department of Public Works

APPLICATION FOR WAIVER OF PRELIMINARY SOIL REPORT

TO: City Engineer

Pursuant to Section 21.12.070 of the Palo Alto Municipal Code, application is hereby made for a waiver from the requirement of a preliminary soils report for the division of property location at:

1033 Amarillo Avenue, Palo Alto, CA 94303

APN: 127-02-006

Address or A.P.N.

For the following reason: The applicant is requesting approval for subdividing
an existing 20,787 sq. ft. lot into two approximately equal lots. No specific improvements are
proposed.

I understand that this waiver applies only to the tentative subdivision map requirement stated above and that the Building Official may require a soils report under Section 2905 of the Uniform Building Code.

Ted O'hanton

Owner or Applicant

Authenticating


12/21/2021 5:54:56 PM PST

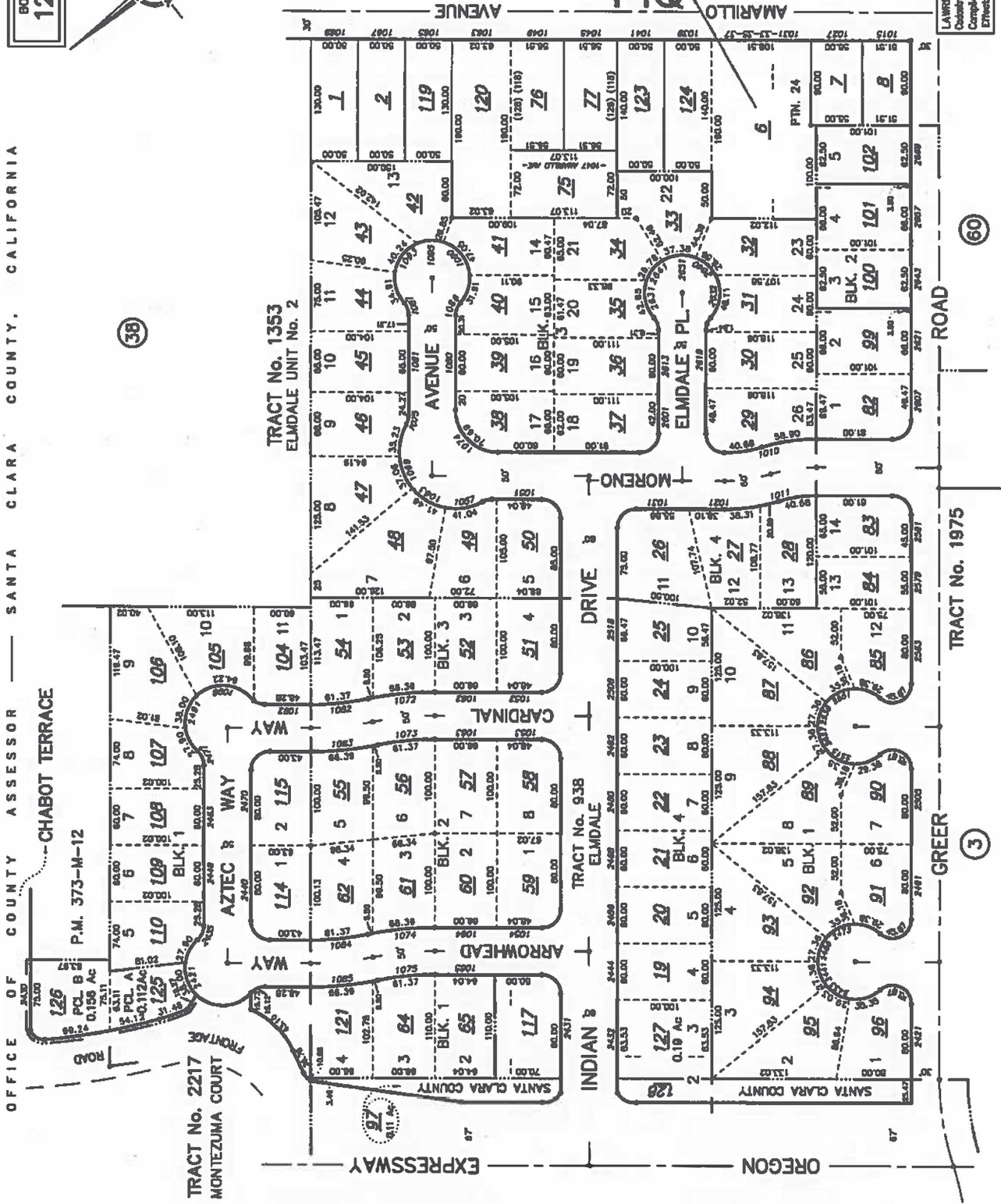
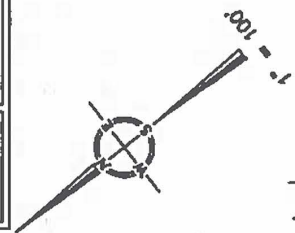
Waiver granted

Wavier denied

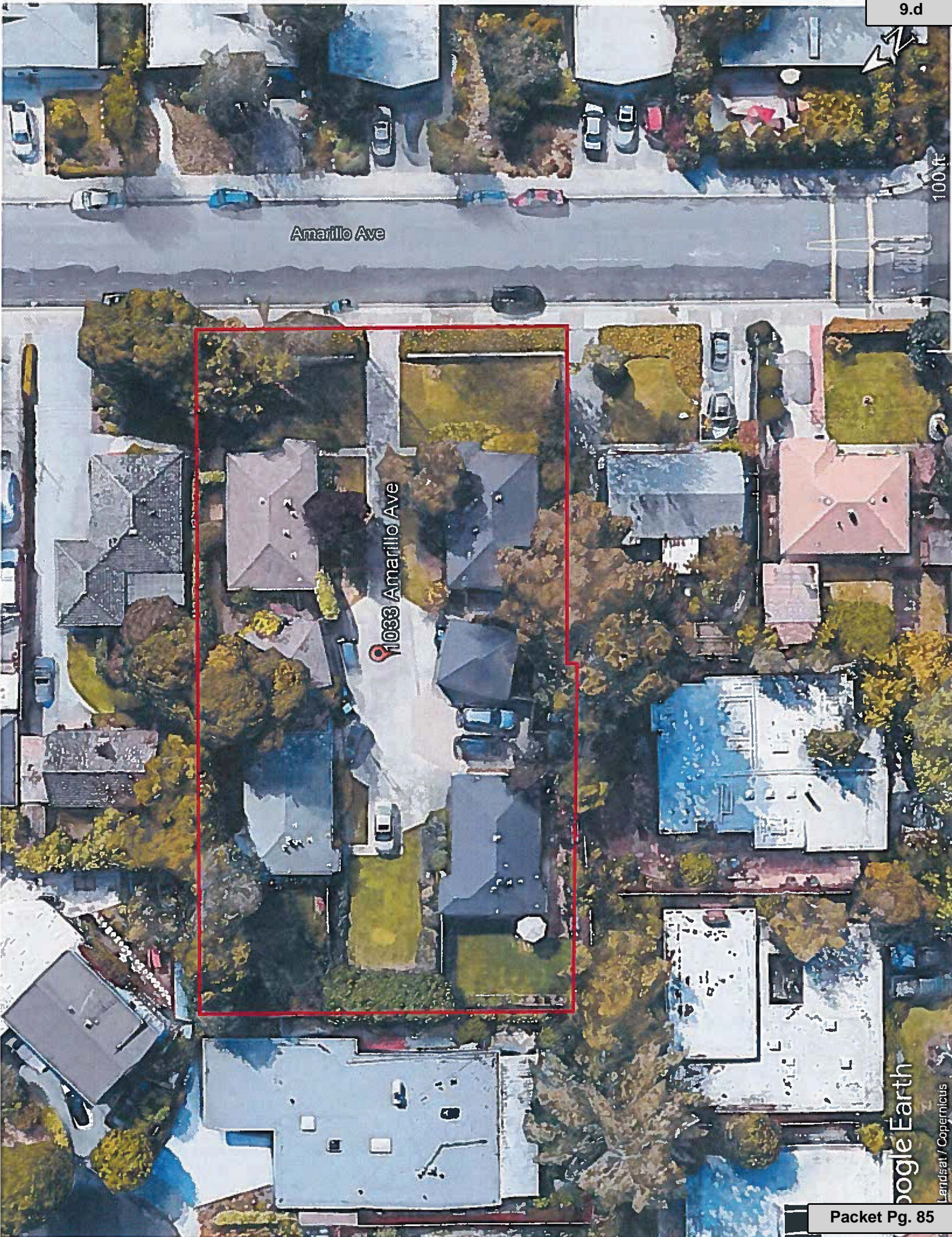
Remarks:

Date:

Assistant Director of Public Works



TRA. REF. MAP 081
LAWRENCE E. STONE - ASSESSOR
Checked map for accuracy and prepared by
Comptroller under R. & T. Code, Sec. 327.
Effective and Year 2010-2011



From: [Ted O'Hanlon](#)
To: [Foley, Emily](#)
Subject: Re: 1033 Amarillo
Date: Friday, April 29, 2022 12:25:31 PM
Attachments: [image005.png](#)
[image008.png](#)
[image009.png](#)
[image010.png](#)
[image012.png](#)
[image013.png](#)
[image014.png](#)
[image015.png](#)
[image017.png](#)
[image018.png](#)
[1033 AMARILLO EXHIBIT.pdf](#)

Hi Emily

Thanks again for your time yesterday to debrief on the PTC hearing.

We shared a number of thoughts on the application, staff report and commissioners opinions. I felt it was quite constructive as the application will move to the City Council. Please confirm the date when available.

Regarding the discussion about the 2nd condition and PWE's requirement that driveways be no less than 20' apart, BKF did a quick sketch to illustrate the ample room that the property would have to accommodate 2 new driveways and eliminate the current shared driveway. This assumes the property is subdivided, the current improvements demolished and a new single family home were built with at least one ADU, but could both have an ADU and JADU to comply with SB330 for no net loss of dwelling units or perhaps an increase of 1 or 2 dwelling units that would count toward RHNA.

Also regarding the driveway, the scenario that the lots would be subdivided and have a situation where one lot is developed and the other remains as is where the driveway would need to continue is highly unlikely and better left for potential future iterations of the property and for owning parties involved to address such an edge case situation if it were to come to be. As it would be after the subdivision, the current owners would still own both subdivided properties where an easement upon oneself is not such a thing. We would request that this condition for approval be removed.

From the City Council Pre-Screening round in Oct 2021 we actually tried to use the Comprehensive Plan that states to "encourage" the creation of cottage clusters and based on the feedback, Councilmembers did not indicate an interest in this on R-1 properties. As part of this hearing, a clear statement was made to council by Director Jon Lait that ultimately the findings to subdivide the property could be made. With a lack of interest or zoning tools with which to encourage a cottage cluster, it seems unbalanced that preserving the cluster, which similarly lacks zoning tools, can also be implemented.

Lastly, for now, a potential redevelopment of the property post subdivision would utilize recent encouraging ADU guidelines that the City has approved. In the next Housing Element cycle, the City has estimated over 500 ADU's might contribute to the mandated 6,000+ units in the next cycle. Given the opportunity that subdividing this property presents to additional units and the City's reliance on ADU's being a significant contributor, I would concur with the observation of 2 or 3 commissioners on PTC that subdividing creates a housing opportunity for Palo Alto.

Appreciate your consideration and review of this lengthy message. I am looking forward to continuing to work on this application with you.

Best Regards
 Ted

 Ted O'Hanlon
tedohanlon@gmail.com
 415.317.5070 mobile/text
 CA DRE #01868277

On Thu, Apr 28, 2022 at 1:00 PM Ted O'Hanlon <tedohanlon@gmail.com> wrote:
 Yes, thank you.

On Thu, Apr 28, 2022 at 10:15 AM Foley, Emily <Emily.Foley@cityofpaloalto.org> wrote:

Hi Ted,

Since I wasn't able to attend the meeting yesterday, Amy scheduled a debrief with me for this afternoon. Can I call you around 3:30?

Thanks,

Emily



Emily Foley, AICP

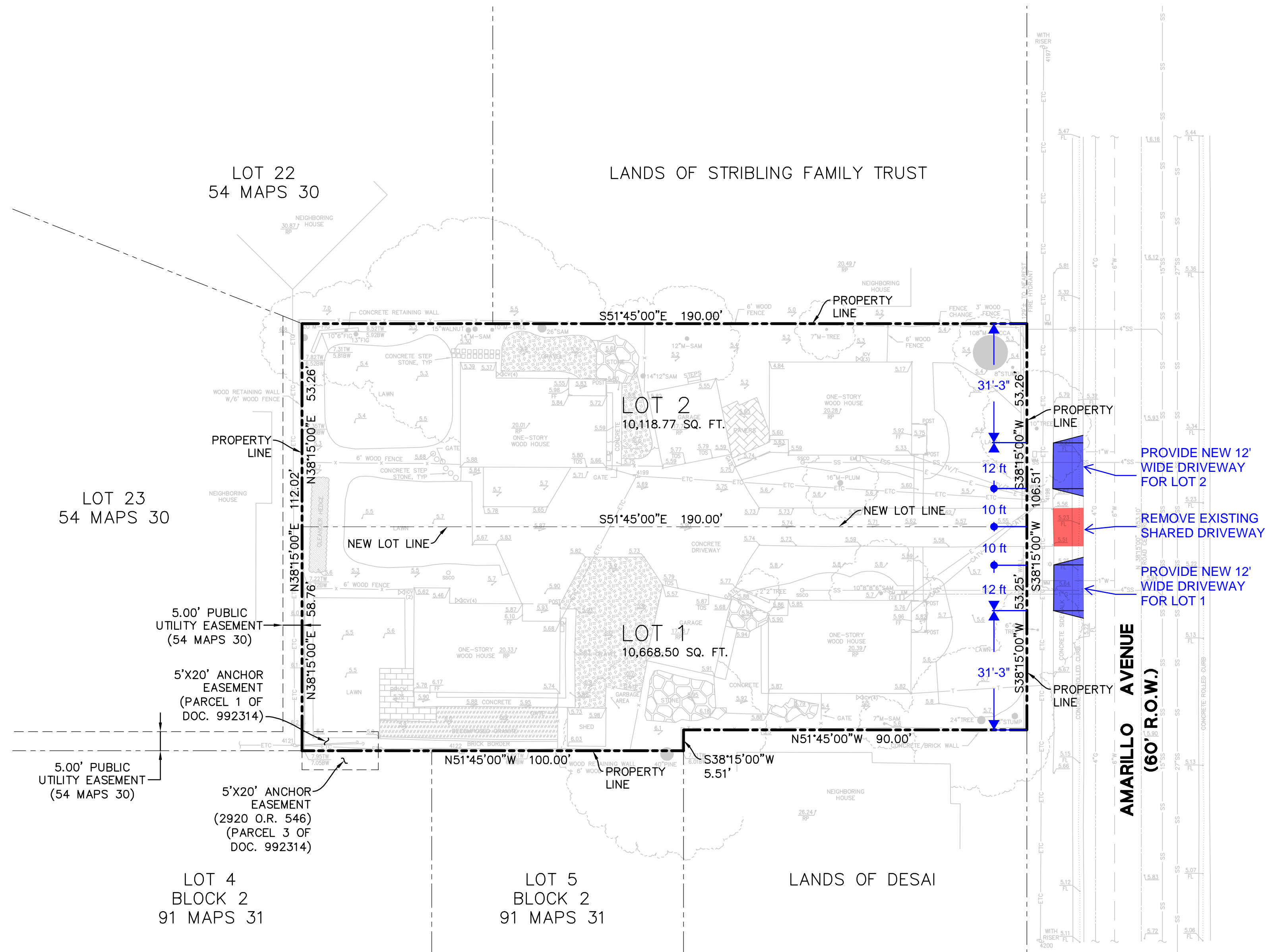
Associate Planner

Planning and Development Services Department

(650) 617-3125 | emily.foley@cityofpaloalto.org

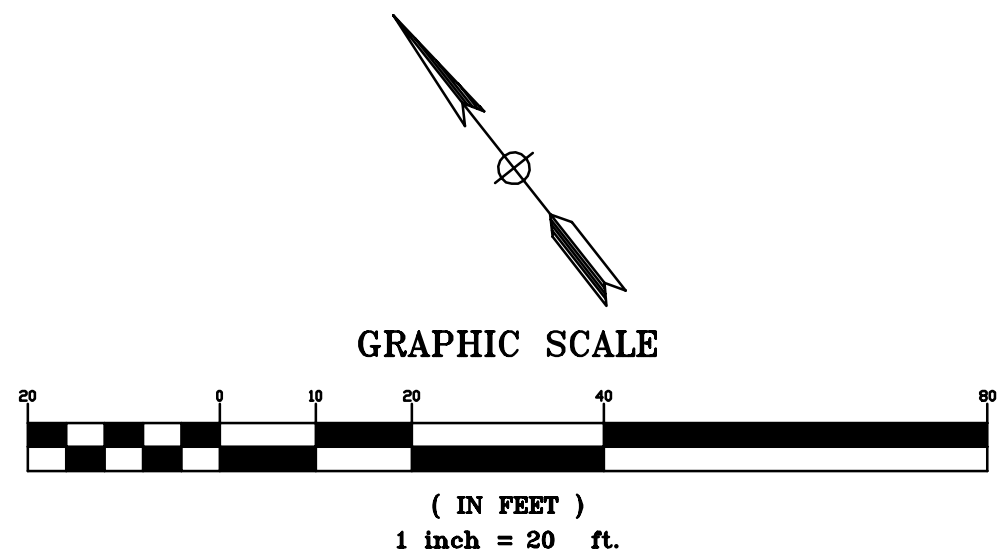
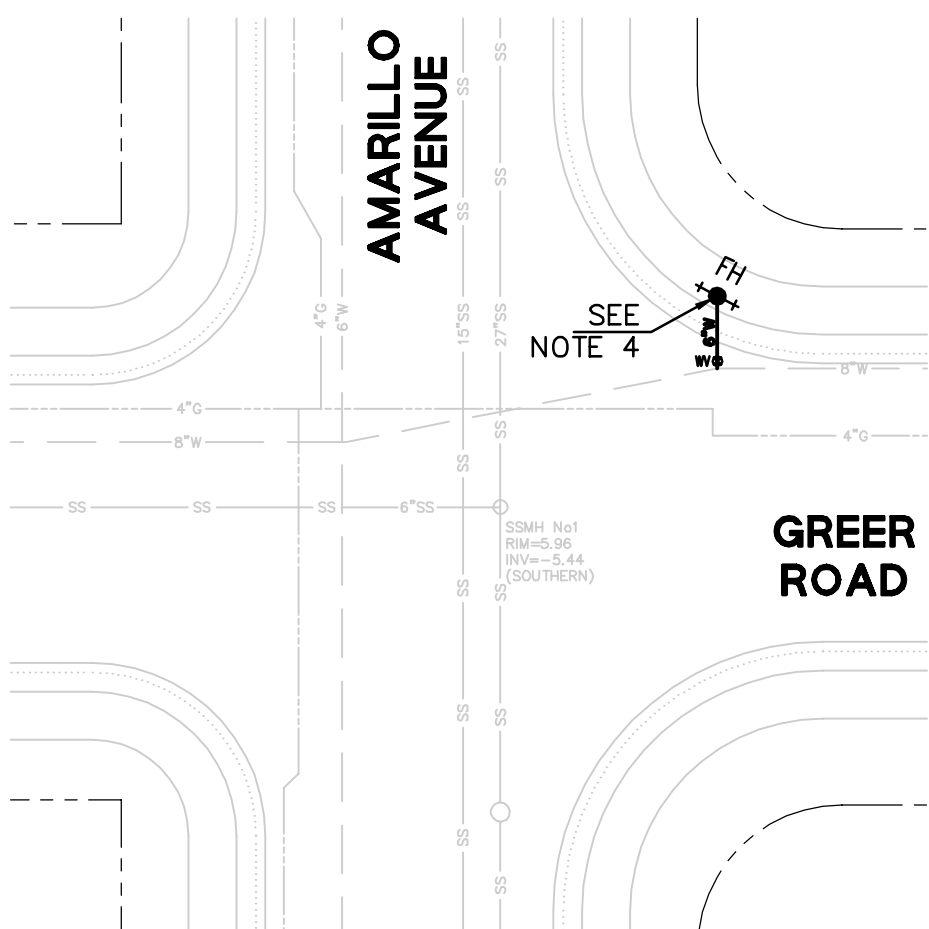
www.cityofpaloalto.org





NOTE:

1. EXISTING STRUCTURES ARE TO BE REMOVED.
2. EXISTING TREES ARE TO REMAIN.
3. EXISTING UTILITY SERVICES ARE TO BE CUT AND ABANDONED IN ACCORDANCE WITH CITY OF PALO ALTO UTILITIES STANDARDS.
4. NEW FIRE HYDRANT TO BE INSTALLED AT THE NE CORNER OF GREER ROAD AND AMARILLO AVENUE BY CITY OF PALO ALTO UTILITIES (CPAU).
5. EXISTING ON-SITE POWER POLES TO BE REMOVED. EXISTING POWER POLE AND STREET LIGHT IN THE RIGHT OF WAY TO REMAIN.
6. PER UTILITIES RULES & REGULATIONS, ONLY 1 ELECTRIC SERVICE DROP PER PARCEL IS ALLOWED. THIS SUBDIVISION WILL HAVE 2 ELECTRIC SERVICE DROPS CONNECTED TO CPAU DISTRIBUTION SYSTEM. PANEL SIZES WILL BE BASED ON LOAD CALCULATIONS PER NATIONAL ELECTRIC CODE. ALL WORK TO COMPLY WITH THE LATEST CPAU ELECTRICAL REQUIREMENTS.



1730 N. FIRST STREET
SUITE 600
SAN JOSE, CA 95112
408-467-9100
408-467-9199 (FAX)



**APIC AMARILLO AVENUE LLC
1033 AMARILLO AVENUE
PRELIMINARY PARCEL MAP**

CALIFORNIA

PALO ALTO

3 OF 3	Drawing Number:					
			Job No.: 20212263			
	Approved: JBN					
	Drawn: ATN					
	Design: ATN					
Scale: AS SHOWN					2/22/22 Resubmittal	Revisions
					4/07/22 Resubmittal	

DRAWING NAME: K:\2021\212263_1033_Amarillo Avenue_Palo Alto\ENG\PLANNING\SHEETS\PREL PARCEL MAP\03_1033 AMARILLO-PM.dwg
PLOT TIME: 04-28-22
PLOT BY: nana

Attachment F

Project Plans

Project plans are only available online.

Directions to review Project plans online:

1. Go to: bit.ly/PApendingprojects
2. Scroll down to find "1033 Amarillo" and click the address link
3. On this project specific webpage you will find a link to the project plans and other important information

Direct Link to Project Webpage:

<https://www.cityofpaloalto.org/News-Articles/Planning-and-Development-Services/1033-Amarillo-22PLN-00016>



City of Palo Alto City Council Staff Report

(ID # 14540)

Meeting Date: 8/1/2022

Report Type: Action Items

Title: Adoption of Resolutions: (1) Placing a Business Tax on the November 2022 Ballot; (2) Placing a Measure Affirming the Natural Gas Utility Transfer on the November 2022 Ballot; and (3) Establishing Advisory Spending Guidelines for Business Tax Proceeds

From: City Manager

Lead Department: Administrative Services

RECOMMENDATION

Staff recommends that the City Council:

1. Adopt one of the two attached Resolutions to submit a measure to the voters at the general municipal election on November 8, 2022, to adopt a business tax—either Attachment A, reflecting Council’s June 20th direction, or Attachment B, reflecting an alternative measure proposed by the Ad Hoc Committee.
2. Adopt the attached revised Resolution establishing advisory spending guidelines regarding use of business tax proceeds if passed by voters (Attachment C).
3. Adopt the attached Resolution to submit a measure to the voters at the general municipal election on November 8, 2022, to affirm the natural gas utility transfer (Attachment D).

BACKGROUND & DISCUSSION

The Palo Alto City Council places a high value on fiscal sustainability and has worked diligently with City staff to put the City on strong fiscal footing into the future. The Fiscal Sustainability Workplan of 2019 ([CMR 10267](#)) outlines a number of City initiatives, including proactive funding contributions for the city’s long-term liabilities for both pension and Other Post-Employment Benefits (OPEB) which have already been implemented and strategies to structurally balance the General Fund’s revenue and expenditures on an ongoing basis.

The two revenue measures before Council are important elements in continuing progress towards long term sustainable budgets that meet the public’s evolving needs. A summary of the City’s work on revenue generating ballot measures can be found in [CMR 13983, Attachment G](#).

Most recently, staff returned to the City Council on June 13, 2022 ([CMR 13983](#) and [CMR 14501](#)) and June 20, 2022 ([CMR 13984](#)) with draft language for a business tax and a measure to affirm the natural gas general fund transfer for the November 2022 election, and a resolution to establishing advisory spending guidelines for the use of business tax proceeds.

Measure Adopting a Business Tax. Unlike most communities in California, Palo Alto does not require local businesses to contribute to city services and programs through a business tax. Prior to the COVID-19 pandemic, the Council discussed adding a business tax to enhance the City's long-term fiscal sustainability and to help meet significant emerging public needs, particularly with respect to rail grade separations and affordable housing.

The Council considered various business tax models. On [March 23, 2020](#), in response to the COVID-19 public health emergency and sharp economic contraction, the City Council directed staff to suspend work on the development of a local business tax measure for November 2020. In August 2021 ([CMR 12381](#)), Council directed City staff to resume this work and designated the Finance Committee as the working body to review and make recommendations on a potential business tax for the November 2022 election. Taken together, over four years the Committee and City Council have met a total of 23 times to discuss the most appropriate manner of structuring a potential business tax, including refinement of the tax structure for fairness and equity, advisory spending guidelines for revenues, constituent surveys, and community and stakeholder engagement.

Final Tax Proposals

On June 20, the Council directed staff to make revisions to the business tax structure and return with final documents on August 1st. That measure is before Council in Attachment A.

The Council also established an ad hoc committee to be appointed by the Mayor to continue discussions with the business community on the tax structure. The ad hoc committee, consisting of Mayor Burt and Councilmembers Filseth and Dubois, met with representatives of the business community multiple times prior to and subsequent to the June 20 Council meeting. As an alternative to the proposal directed by the City Council on June 20, the ad hoc is recommending a revised tax structure. Staff have included documents reflecting this alternative in Attachment B. The ad hoc alternative differs from the June 20 Council direction by:

- 1) Increasing the number of smaller businesses that would be exempt from the tax by raising the square footage exemption threshold from 5,000 square feet to 10,000 square feet.
- 2) Adjusting the monthly tax rate from \$0.06 and \$.12 cents per square foot (depending on size) to a monthly rate of \$0.10 per square foot for all non-exempt businesses above 10,000 square feet.

As a result of these changes, the estimated revenue that would be generated by the tax would be approximately \$15 million.

Should the Council wish to place this alternative on the ballot for voter consideration, the Council would need to adopt the documents in Attachment B.

Measure Affirming the Natural Gas Utility Transfer. Palo Alto is fortunate to own and operate its own utilities. In 1950, Palo Alto voters approved a Charter provision authorizing the use of some utility rate revenues for City services. This was a common practice. California cities that started publicly-owned utilities in the post-war era typically set rates at reasonable levels and used some of the proceeds to fund city services. Over the ensuing decades, Palo Alto's natural gas and electric utilities have transferred funds each year into the City's general fund, providing a stable revenue source that supports a range of City services and community priorities, including police protection, fire and emergency medical services, 911 response, parks, and roads.

In 2010, Californians adopted Proposition 26, which added new rules on how cities may set rates and charges for services, and how they may use the funds collected. The new law did not directly address utility rate transfers, and most California cities with public utilities continued their historic transfer practice. Since 2010, however, a series of court decisions raised questions about the transfers, and in 2015, a class action lawsuit, *Green v. City of Palo Alto*, was filed that claimed Palo Alto's natural gas and electric transfers are unlawful under Proposition 26. In 2021, the Santa Clara Superior court held that the electric transfer is lawful and may continue. The court also held, however, that a portion of the natural gas transfer is a tax that requires voter approval to continue. Both sides have appealed.

City leaders believe it is prudent to seek voter affirmation of the City's long-standing practice of transferring some natural gas revenues into the general fund to maintain City services that are valued by the community. Voter affirmation of the City's existing transfer practice will continue Palo Alto's longstanding natural gas rate-setting practice and will not be the cause of a rate increase. The City's current natural gas utility rates for residential customers remain below comparators such as PG&E. Additional information on gas rate comparisons can be found in the [FY 2023 Gas Utility Financial Plan](#).

Consistent with responsible fiscal stewardship, the City has been reserving funds so that money is available to issue refunds to natural gas ratepayers at the appropriate time. Last year, the City cut services, in part due to the Covid-related economic contraction and in part due to setting aside the transfer funds instead of spending the funds on services as has been the practice for decades. Service cuts included firefighters, police officers, and librarians. Next year, the City will use one-time funds to partially restore services but if the existing transfer practice is not reaffirmed by the voters, ongoing service reductions will likely be required.

Revenue Measures Being Considered by Other Jurisdictions

The City of Palo Alto is not the only jurisdiction reviewing potential ballot measures for voter consideration as part of the November 2022 election. Below is a short snapshot of potential revenue measures Bay Area jurisdictions are contemplating:

- City of Oakland: in consultation with the business community, the City has placed a measure on the ballot that would amend the existing business tax in Oakland, estimated to generate an additional \$22 million in revenues. The measure would establish new tax rates for businesses based on gross receipts, estimated to generate an addition \$22 million annually. The City is also asking voters to approve a \$850 million general revenue bond to support infrastructure investments and an initiative measure imposing a parcel tax (\$68/parcel) to renovate the Oakland Zoo.
- City of Santa Clara: the City is pursuing two measures for November 2022:
 - 1) Affirmation of its electric utility transfer to the general fund (\$30 million annually), this is akin to the City of Palo Alto affirmation of the natural gas transfer to the general fund; and
 - 2) Modernization of its business tax, increasing the cost assessed on employee head count to \$45/employee (\$6.1 million annually).
- City of Belmont: the City initially pursued a modernization of its Business Tax, but has pivoted and is now considering revisions to its transient occupancy tax (hotel tax) to raise the rate to 14 percent.
- City of Foster City: the City of Foster City decided to postpone the consideration of placing a ballot measure on the November 2022 general election to conduct more research and analysis to explore various tax methodologies and characteristics.

TIMELINE

The Santa Clara County Registrar of Voters (ROV) requires measure resolutions be submitted no later than August 12, 2022.

RESOURCE IMPACT

Ballot Measure Placement Resource Impact

The ROV estimates that placing two measures on the November 2022 election ballot will cost approximately \$172,000, or \$86,000 each. Total costs for the November 2022 election, including Councilmember elections, is estimated at \$333,000. Appropriation for these funds is included in the FY 2023 Adopted Budget at the prior estimate of \$320,000.

Ballot Measure Revenue Generation Resource Impact

The local revenue generated by a potential ballot measure will be directly impacted by the structure and rates approved by the City Council. The revenue estimates are summarized below:

- *Business Tax: Approximately \$15.5 to \$19 million gross revenues annually*
The tax elements directed by Council on June 20, 2022 meeting (Attachment A) are estimated to generate approximately \$19 million annually. The alternative proposed by the Ad Hoc Committee (Attachment B) is estimated to generate approximately \$15.5 million

annually. Administrative costs to collect and implement either version of tax are estimated up to \$1 million.

- *Affirmation of the existing Natural Gas Utility Transfer: \$7 million gross revenues annually*
This would affirm the City's current budget practice of inclusion of this expense in the development of natural gas utility rates and would not increase natural gas rates for Palo Alto ratepayers beyond existing forecasted changes. No new administrative costs would be incurred.

STAKEHOLDER ENGAGEMENT

Feedback was solicited from the community and stakeholders in the form of an online and mail-in communitywide survey (433 respondents), six focus group sessions, a community listening session, city newsletter and blog posts, utility bill inserts, and three voter surveys. A landing page on the City's website titled, [Fiscal Sustainability: A Community Conversation](#), was also developed.

ENVIRONMENTAL REVIEW

This activity is not a project under the California Environmental Quality Act (CEQA) as defined in CEQA Guidelines, Section 15378, because it has no potential for resulting in either a direct or reasonably foreseeable indirect physical change in the environment.

Attachments:

- **Attachment10.a:** Attachment A: Resolution Placing a Business Tax on Nov 2022 Ballot - June 20 Council Direction
- **Attachment10.b:** Attachment B: Resolution Placing a Business Tax on November 2022 Ballot - Ad Hoc Proposed Alternative
- **Attachment10.c:** Attachment C: Resolution Regarding Business Tax Advisory Spending Guidelines
- **Attachment10.d:** Attachment D: Resolution Placing Natural Gas Utility Transfer on November 2022 Ballot

NOT YET APPROVED

Resolution No. _____

Resolution of the Council of the City of Palo Alto Calling an Election for November 8, 2022 for Submittal to the Qualified Electors of the City a Measure Amending Title 2 of the Municipal Code to Add Chapter 2.37 to Establish a Tax on Businesses Operating in the City of Palo Alto

R E C I T A L S

A. Unlike most communities in California, the City of Palo Alto does not require local businesses to contribute to city services through a local business tax. As Palo Alto looks to the future, City leaders have determined that the time has come to seek voter approval to tax mid-sized and large businesses operating in the City, so that the business sector does its part to help the City to meet evolving challenges, including the need for long term stable funding for public safety services and the need for significant investments in affordable housing and grade separated train crossings that maintain mobility for vehicles, bicyclists, and pedestrians.

B. A proposed ordinance attached hereto and incorporated herein by reference as Attachment "A" (the "Ordinance") would amend the Palo Alto Municipal Code to add Chapter 2.37 to Title 2, to establish a general tax on businesses operating in the City of Palo Alto that would be imposed at a monthly rate for each square foot occupied by a business in the city, with no tax imposed on the first 5,000 square feet occupied by a business in the city, a tax of six cents for each square foot occupied by a business in the city between 5,000 and 20,000 square feet, and twelve cents for each square foot occupied by a business in the city above 20,000 square feet. The tax would be imposed at half the rate for the first two years. Annual adjustments would be made for inflation, limited to 5%. Grocery stores would be exempt, and offsets would be made for businesses that remit transient occupancy tax and for payers of discretionary sales and uses tax. The business tax would terminate in thirty-five years.

C. Proceeds from the tax would be placed in the general fund for general governmental purposes. The City Council has approved advisory spending guidelines after considering input from residents and stakeholders on City spending priorities.

D. By its Resolution No. 10045 the City Council called a general municipal election for November 8, 2022 ("Election").

E. Pursuant to Government Code Section 53724 and Election Code Section 9222, the City Council desires to submit the Ordinance to the voters of the City.

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

SECTION 1. Findings. The City Council finds and determines that each of the findings set forth above are true and correct.

SECTION 2. General Tax Election. The City Council proposes to impose the general tax set forth in the Ordinance and to present this proposal to the voters on November 8,

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2022.

SECTION 3. Measure. Pursuant to Elections Code Section 9222, the City Council hereby submits the Ordinance to the voters at the Election and orders the following question to be submitted to the voters at the Election:

Shall the measure to raise funds for improving public safety, affordable housing, rail crossing safety, homeless services, and general city services, by levying a tax on businesses in the City of Palo Alto at a monthly rate of 6 to 12 cents per square foot occupied by a business, with annual adjustments for inflation (limited to 5%) and exemptions for grocery stores and businesses under 5,000 square feet, raising approximately \$19 million annually for 35 years, be adopted?	YES	
	NO	

This question requires the approval of a majority of those casting votes.

SECTION 4. Adoption of Measure. The measure to be submitted to the voters is attached to this Resolution as Exhibit A and incorporated herein by this reference.

SECTION 5. Notice of Election. Notice of the time and place of holding the election is hereby given, and the City Clerk is authorized, instructed and directed to give further or additional notice of the election, in time, form and manner as required by law.

SECTION 6. Impartial Analysis. Pursuant to California Elections Code Section 9280, the City Council hereby directs the City Clerk to transmit a copy of the measure to the City Attorney. The City Attorney shall prepare an impartial analysis of the measure, not to exceed 500 words in length, showing the effect of the measure on the existing law and the operation of the measure, and transmit such impartial analysis to the City Clerk on or before August 23, 2022.

SECTION 7. Ballot Arguments. Pursuant to Elections Code Section 9286 et. seq., August 16, 2022 at 5:00 p.m. shall be the deadline for submission of arguments in favor of, and arguments against, any local measures on the ballot. If more than one argument for and/or against is received, the priorities established by Elections Code Section 9287 shall control.

SECTION 8. Rebuttal Arguments. The provisions of Elections Code Section 9285 shall control the submission of any rebuttal arguments. The deadline for filing rebuttal arguments shall be August 23, 2022 at 5:00 p.m.

SECTION 9. Consolidation Request. The Council of the City of Palo Alto requests the governing body of any other political subdivision, or any officers otherwise authorized by law, to partially or completely consolidate such elections and the City Council consents to such consolidation. The Council requests the Board of Supervisors of Santa Clara County to include on the ballots and sample ballots, all qualified measures submitted by the City Council to be ratified

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by the qualified electors of the City of Palo Alto. The Council acknowledges that the election will be held and conducted according to procedures in the Elections Code, including Section 10418.

SECTION 10. Request for County Services. Pursuant to Section 10002 of the California Elections Code, the Council of the City of Palo Alto hereby requests the Board of Supervisors of Santa Clara County to permit the Registrar of Voters to render services to the City of Palo Alto relating to the conduct of Palo Alto's General Municipal and Special Elections which are called to be held on Tuesday, November 8, 2022. The services shall be of the type normally performed by the Registrar of Voters in assisting the clerks of municipalities in the conduct of elections including, but not limited to, checking registrations, mailing ballots, hiring election officers and arranging for polling places, receiving absentee voter ballot applications, mailing and receiving absent voter ballots and opening and counting same, providing and distributing election supplies, and furnishing voting machines.

SECTION 11. Transmittal of Resolution. The City Clerk is hereby directed to submit forthwith a certified copy of this resolution to the Santa Clara County Board of Supervisors and to the Registrar of Voters.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSENTIONS:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

City Attorney

Director of Administrative Services

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Attachment A

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending Title 2 of the
Municipal Code to Add Chapter 2.37 to Establish a Tax on Businesses Operating
in the City of Palo Alto

The People of the City of Palo Alto do ordain as follows:

SECTION 1. Title 2 (Administrative Code) of the Palo Alto Municipal Code is hereby amended by adding Chapter 2.37 (Business Tax) as follows:

**Chapter 2.37
BUSINESS TAX**

2.37.010 Title

This chapter is the “City of Palo Alto Business Tax Ordinance.”

2.37.020 Definitions

The definitions in this section apply to the words and phrases used in this chapter unless the context clearly indicates otherwise.

- (a) “Business” means any commercial enterprise, trade, calling, art, vocation, profession, occupation, or means of livelihood, whether or not carried on for gain or profit.
- (b) “Business operator” means a person who transacts, maintains, manages, operates, controls, engages in, conducts, carries on, or owns a business in the city. It does not include the employee of a business who is not an owner or proprietor of the business.
- (c) “Calendar year” means the year beginning January 1 and ending December 31.
- (d) “City” means the City of Palo Alto.
- (e) “CPI Index” means the Consumer Price Index—All Urban Consumers for All Items for the San Francisco-Oakland-Hayward Area or any successor to that index designated by the Federal Bureau of Labor Statistics or the city council.
- (f) “Fiscal year” means the year beginning July 1 and ending June 30.
- (g) “Fixed place of business” means a place of business located in the city boundaries and occupied for the particular purpose of operating a business.

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- (h) “Grocery store” means a business that exists for the primary purpose of selling a range of food items to consumers for consumption off site, such as canned foods; dry goods; fresh produce; fresh meats, fish, and poultry; and any area that is not separately owned within the store where food is prepared and served, including a bakery, deli, and meat and seafood departments, or as otherwise defined in 14 CCR section 18982(a)(3), provided that any store that combines grocery items with other retail products or services is a grocery store for the purpose of this chapter only if two-thirds or more of the occupied space is designated to the sale of grocery items as listed in this section.
- (i) “Hotel” has the meaning provided in section 2.33.010.
- (j) “Operate” means to conduct a business and includes all stages of conducting a business from initial planning to the wind-down of a business, whether or not a profit is being made.
- (k) “Person” means any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, receiver, syndicate or other group or combination acting as a unit and includes the plural as well as the singular number.
- (l) “Quarter” means the three-month quarter of the fiscal year. The “first quarter” is the months of July, August, and September; the “second quarter” is the months of October, November, and December; the “third quarter” is the months of January, February, and March; and the “fourth quarter” is the months of April, May, and June. The term “same quarter of the previous fiscal year” means the quarter of the same number in the previous fiscal year.
- (m) “Square footage” means the rentable square footage used by a business as specified in a business’s lease or, if the business floor space is owned by the business, as calculated in the same manner as if the area was rented using commonly accepted standards of measurement for leasing purposes such as the Standard Methods of Measurement published by the Building Owners and Managers Association (BOMA). Any method of measurement used must meet the following minimum standards:
 - (1) It shall be computed by measuring to the inside finish of permanent outer building walls and shall include space used by columns and projections necessary to the building.
 - (2) It shall include both the area used by the business and a proportionate share of the building service areas such as lobbies, corridors and other common areas in a building unless assigned to another business for tax calculation purposes.
 - (3) It shall not include vertical penetrations through the building such as stairs, elevators, or heating, ventilation, air conditioning, utility, or telephone systems, except on the lowest floor of stairs and elevators.

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- (4) For the business of renting or leasing property, it shall include area used primarily for the business operator's offices and operational facilities.
- (5) It shall not include residential uses, including multiple-family use as defined in section 18.04.030(102), two-family use as defined in section 18.04.030(141), single-family residential use as defined in section 18.04.030(86)(A)), mobile home park as defined in section 18.04.030(97), residential care homes as defined in section 18.04.030(124), supportive housing as defined in section 18.04.030(135.5), transitional housing as defined in section 18.04.030(138), emergency shelter as defined in section 18.04.030(50), and any equivalent residential use defined by the city.
- (6) It shall include hotel as defined in section 18.04.030(73).
- (7) Square footage for businesses with multiple locations will be measured and tax assessed will be calculated based on the aggregate square footage for the business for all locations in the city.
- (n) "Tax Administrator" means the Director of Administrative Services, or successor position, or their designee.
- (o) "Transient Occupancy Tax" means the tax imposed under section 2.33.020.
- (p) "Transitory business" means a business that operates in the city for less than 90 days in the course of one calendar year (such as seasonal sale lots, special events, concerts/performances/circuses, filming, and party rentals).
- (q) "Vacant" means a severable portion of the physical location that a business is occupying, such as an entire floor, a building, or a portion of a floor with independent entrance and exit, that is free from any use, fixtures, furniture, and equipment, and is immediately available for use by a new tenant or owner.

2.37.030 Obligation to Pay Business Tax

- (a) It is unlawful for any business operator, either for themselves or for any other person, to operate in the city any business taxed under this chapter without paying all business tax required by this chapter.
- (b) If a business has more than one business operator, then the payment of the business tax by one business operator excuses any other business operators from the obligation to pay the business tax for that period for which the tax has been paid.
- (c) The requirement to pay business tax is in addition to and separate from the requirement to obtain a business registration certificate under section 4.60.030.

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- (d) The payment of business tax does not authorize the doing of any act which the person or business paying the business tax is not otherwise entitled to do and does not excuse the business from complying with other applicable Code requirements.

2.37.040 Imposition of Business Tax

Any business operator operating a business at a fixed place of business in the city must pay a business tax at the following rates:

- (a) Beginning January 1, 2023, the tax shall be imposed at the following rates:
- (1) For the first 5,000 square feet occupied by a business in the city, no tax shall be imposed.
 - (2) For each square foot occupied by a business in the city between 5,000 and 20,000 square feet, a monthly tax of three (3) cents per square foot shall be imposed.
 - (3) For each square foot occupied by a business in the city over 20,000 square feet, a monthly tax of six (6) cents per square foot shall be imposed.
- (b) Beginning January 1, 2025, the tax shall be imposed at the following rates:
- (1) For the first 5,000 square feet occupied by a business in the city, no tax shall be imposed.
 - (2) For each square foot occupied by a business in the city between 5,000 and 20,000 square feet, a monthly tax of six (6) cents per square foot shall be imposed.
 - (3) For each square foot occupied by a business in the city over 20,000 square feet, a monthly tax of twelve (12) cents per square foot shall be imposed.

2.37.050 Annual CPI Adjustment of Tax Rate

- (a) Beginning with the 2026-27 fiscal year, and each fiscal year thereafter, the tax rates in subdivisions (b)(1) and (b)(2) of section 2.37.040 shall be automatically increased by a percentage equal to the percentage increase in the CPI Index in the previous calendar year ("the CPI Increase").
- (b) Notwithstanding subdivision (a) of this section, in any year in which the CPI Increase is more than 5%, the increase in the tax rate will be limited to 5%.

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2.37.060 Disposition of Tax Revenue

The tax imposed by this chapter is for the purpose of raising revenue for the general governmental purposes of the city. All of the proceeds from the tax imposed by this chapter shall be placed in the city's general fund.

2.37.070 Exemptions from Tax

- (a) The following businesses are exempt from the tax imposed by this chapter:
 - (1) Any business exempt from the tax by the laws of the United States or the State of California;
 - (2) Grocery stores;
 - (3) Businesses that occupy or use 5,000 square feet or less in the city; and
 - (4) Transitory businesses.
- (b) If a business operator operates a single integrated business that has two or more parts, one or more of which could be exempt from the tax imposed by this chapter if operated as a separate business, the city may, at its discretion, exempt from the tax any part of the business that would be exempt if operated as a separate business, provided the business's square footage can be reasonably allocated between the parts. If the city determines that the square footage cannot be reasonably allocated between the different parts of the business, then the entire business shall be taxed, unless to do so would violate a law of the United States or the State of California.

2.37.080 Business Tax Offsets

- (a) A business operator that operates a hotel in the city may deduct from the business tax it owes for a quarter for the business of operating the hotel an amount equal to the total transient occupancy tax collected and remitted to the city in the same quarter of the previous fiscal year from transients staying at the hotel.
- (b) The business operator of a business that has discretion to determine the location of the place of sale, place of use, or principal place of negotiation for sales or use tax purposes and which exercises that discretion and designates the city as the place of sale, place of use, or principal place of negotiation for sales or use tax purposes which results in the city receiving sales or use tax revenues that it would not otherwise have received, but for the business's exercise of its discretion to designate the city as the place of sale, place of use, or principal place of negotiation for sales or use tax purposes ("Discretionary Sales or Use Tax Sales") may deduct from the business tax it owes for a quarter an amount equal to one half of the total sales tax or use tax received by the city

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from the Discretionary Sales or Use Tax Sales of that business in the same quarter of the previous fiscal year. This offset can offset up to, but no more than, 75% of the business's quarterly business tax. The city and a business operator may enter into an agreement implementing this section.

- (c) A business claiming an offset under this section must claim the offset with its tax filing for the quarter for which the offset is claimed.
 - (1) If the information necessary for a business to claim an offset is not available, the business may defer claiming an offset for up to one year or for another period of time set by written agreement with the city.
 - (2) The Tax Administrator may require a business claiming an offset to submit additional information to support the claim of the offset. The request for additional information must be made in writing and the information must be provided within thirty (30) days.
 - (3) If the Tax Administrator determines that an offset claimed by a business is incorrect, the Tax Administrator may make an Initial Determination of the amount, if any, of the offset and the amount of tax due under section 2.37.150(a).

2.37.090 Quarterly Tax Payments

- (a) The tax imposed by this chapter shall be paid quarterly. The tax for each quarter is due the first day of the following quarter and is delinquent thirty (30) days later.
- (b) For the first quarter in which a business begins operating in the city, the business's tax shall be prorated for the number of days that the business was operating in the quarter.
- (c) For the last quarter in which a business operates in the city before closing, the business's tax shall be prorated for the number of days that the business was operating in the quarter.

2.37.100 Business Tax Filing for a New Business

When a business begins operating in the city for the first time, the business operator must provide the Tax Administrator with the following information, verified by the business operator as true and correct under penalty of perjury of the laws of the State of California, before beginning the operation of the business in the city:

- (a) The name of the business and the address or addresses at which it will be operating in the city;
- (b) The date on which the business will begin operating;

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- (c) The nature of the business's activities;
- (d) The square footage in which the business will be operating in the city; and
- (e) Any other information required by the Tax Administrator.

2.37.110 Quarterly Tax Returns

With each quarterly tax payment, a business operator must submit a quarterly tax return which contains the following information, verified by the business operator as true and correct under penalty of perjury of the laws of the State of California:

- (a) The name of the business and the address or addresses at which it is operating in the city;
- (b) The nature of the business's activities;
- (c) The square footage in which the business is operating in the city;
- (d) If the business operator claims an offset under section 2.37.080, sufficient information and documentation to establish the business's right to the offset and the amount of the offset;
- (e) Any other information required by the Tax Administrator; and
- (f) The amount of tax due based on the square footage of the business.

2.37.120 Agreements for Installment Payments

The Tax Administrator may enter into an agreement with a business operator to allow a business operator to pay the tax on a more or less frequent basis.

2.37.130 Businesses Operating in the Same Location

- (a) Each business operator operating a business in a location where one or more other business are also operating is obligated to pay business tax measured by the square footage occupied by that business.
- (b) The payment of business tax by a business operator absolves any other business operator from having to pay business tax measured by the same square footage.
- (c) Two or more business operators that are operating businesses in the same square footage may contractually agree which business will pay the business tax measured by that square footage.

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2.37.140 Delinquent Taxes (Penalties and Interest)

- (a) When a tax becomes delinquent, a penalty of 10% of the amount of the delinquent tax will be added to the amount of tax due. If the tax remains unpaid sixty (60) days after becoming delinquent, an additional penalty of 25% of the amount of the delinquent tax (excluding accrued interest and the initial penalty) will be added to the amount of tax due.
- (b) On the first of each month that a tax is delinquent, interest in the amount of 1.5% of the delinquent amount, excluding penalties and interest, will be added to the amount of tax due.
- (c) A business operator may apply to the Tax Administrator for a reduction or waiver of any accrued penalties or interest, and the Tax Administrator may reduce or waive any accrued penalties or interest upon a finding of good cause.

2.37.150 Administrative Procedure to Assess or Correct Tax

- (a) If the Tax Administrator determines that a business operator has incorrectly reported any information to the city or has not paid all or any of the tax, penalties, or interest that are due, the Tax Administrator may, using any information available to the Tax Administrator, issue an Initial Determination stating what the Tax Administrator believes to be the correct information and, if new or additional tax, penalties, or interest are due, how much tax, penalties, or interest are due. An Initial Determination must be issued within five (5) years of the last day of the quarter to which the Initial Determination applies, except in the case of an audit conducted under section 2.37.200, in which case it must be issued within ninety (90) days of the completion of the audit and can apply to any of the quarters that were subject to the audit. The Initial Determination shall be served on the business operator either personally or by U.S. mail to the most recent address for the business operator in the Tax Administrator's records. Service is effective upon deposit of the Initial Determination in the U.S. Mail.
- (b) A business operator affected by an Initial Determination may within fifteen (15) days of service of an Initial Determination contest the Initial Determination and request a hearing before the Tax Administrator by filing with the Tax Administrator a written request for a hearing. The further accrual of penalties and interest shall be tolled upon the filing of a request for a hearing. If a business operator does not contest an Initial Determination and request a hearing with the Tax Administrator within fifteen (15) days of service of the Initial Determination, the Initial Determination shall become final and cannot be appealed.
- (c) If a business operator timely contests an Initial Determination and requests a hearing, the Tax Administrator shall set a hearing within thirty (30) days of the filing of the request for a hearing. Notice of the hearing shall be served on the business operator

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either personally or by U.S. mail to the most recent address for the business operator in the Tax Administrator's records.

- (d) At the hearing the business operator may present evidence and argument regarding the Initial Determination to show why the Initial Determination is incorrect and to show what the determination of the Tax Administrator should be. Within sixty (60) day after the close of the hearing, the Tax Administrator shall serve a Final Determination, setting forth the Tax Administrator's determination of the facts and issues that were the subject of the Initial Determination. The Final Determination shall be served on the business operator either personally or by U.S. mail to the most recent address for the business operator in the Tax Administrator's records. Service is effective upon deposit of the Final Determination in the U.S. Mail. Unless an appeal of a Final Determination is filed under section 2.37.170, any penalties or interest tolled under subdivision (b) of this section will resume accruing ten (10) days after the service of the Final Determination.

2.37.160 General Administrative Remedy

- (a) Any person affected by a decision of the Tax Administrator ("the challenger"), except for decisions under section 2.37.150, may challenge that decision by filing a written objection to the decision with the Tax Administrator. The objection must be filed within fifteen (15) days of the issuance of the decision being challenged. If the Tax Administrator was required to provide notice of the decision, then the time to file an objection to the decision begins to run from the date of service of the notice of the decision. The Tax Administrator shall serve a written response to the objection within thirty (30) days of the filing of the objection, which period can be extended by the Tax Administrator for an additional thirty (30) days. The Tax Administrator's response to the objection shall be served on the challenger either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records.
- (b) The challenger may request a hearing on the Tax Administrator's response to the objection by filing a request for a hearing with the Tax Administrator within fifteen (15) days of service of the response to the objection. If a timely request for a hearing on a response to the objection is filed with the Tax Administrator, the Tax Administrator shall set a hearing within thirty (30) days of the filing of the request for a hearing. Notice of the hearing shall be served on the challenger either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records.
- (c) At the hearing the challenger may present evidence and argument regarding the decision being challenged to show why the decision is incorrect and to show what it should be. Within sixty (60) days after the close of the hearing, which the Tax Administrator may extend for an additional sixty (60) days, the Tax Administrator shall serve a Final Determination on the decision, setting forth the Tax Administrator's determination of the decision that was challenged. The Final Determination shall be served on the challenger either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records. Service is effective upon deposit of

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the Final Determination in the U.S. mail.

2.37.170 Appeals

- (a) A Final Determination of the Tax Administrator under section 2.37.150, subdivision (d), or section 2.37.160, subdivision (c), can be appealed to the City Manager by filing a written notice of appeal with the City Manager within fifteen (15) days of service of the notice of the Final Determination being appealed.
- (b) Only a business operator who files a timely request for a hearing on an Initial Determination under section 2.37.150 and participates in the hearing or a challenger who files an objection to a decision and files a request for a hearing on the response to the objection under section 2.37.160 and participates in the hearing can file an appeal under this section.
- (c) If a timely appeal is filed with the City Manager, the City Manager, or the City Manager's designee, shall set a hearing within thirty (30) days of the filing of the appeal, which may be extended by the City Manager for an additional thirty (30) days. Notice of the hearing shall be served on the appellant either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records. The tolling of the accrual of penalties or interest under section 2.37.150, subdivision (b), shall continue upon the timely filing of an appeal under this section.
- (d) At the hearing the appellant and the Tax Administrator may present evidence and argument regarding the decision being appealed to show why the decision is correct or incorrect and to show what it should be. Within sixty (60) days after the close of the hearing, which the City Manager or the City Manager's designee may extend for an additional sixty (60) days, the City Manager or the City Manager's designee shall serve a written decision, setting forth the resolution of the appeal. The decision shall be served on the appellant either personally or by U.S. mail to the most recent address for the appellant in the City Manager's records. Service is effective upon deposit of the decision in the U.S. Mail. Any penalties and interest that were tolled under section 2.37.150, subdivision (b), shall resume accruing ten (10) days after the service of the decision.
- (e) A decision of the City Manager, or the City Manager's designee, served under subdivision (d) of this section is subject to judicial review under sections 1094.5 and 1094.6 of the Code of Civil Procedure with a writ petition filed in the appropriate court within ninety (90) days of the service of the written decision. Any tax, penalties, or interest determined by the decision to be owed to the city by the appellant must be paid to the city as a precondition to filing a writ petition challenging the decision, but a claim for a refund under section 2.37.190 does not have to be filed before filing a writ petition.

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2.37.180 Constitutional Apportionment

- (a) No tax imposed by this chapter shall be applied to a business operator so as to constitute an undue burden on interstate commerce or intercity commerce or be violative of the equal protection or due process clauses of the United States or California constitutions.
- (b) A business operator who contends that the application of a tax imposed by this chapter on the business operator constitutes an undue burden on interstate commerce or intercity commerce or violates the equal protection or due process clauses of the United States or California constitutions may apply to the Tax Administrator for an apportionment of the tax imposed on the business operator that would remove the constitutional violation by filing a written request with the Tax Administrator that explains the factual and legal basis for the claimed constitutional violation and proposes a method of apportionment that would resolve the alleged constitutional violations.
- (c) The Tax Administrator, in consultation with City Attorney, shall review the application and within sixty (60) days of the filing of the application, which deadline may be extended for an additional sixty (60) days, issue a decision on the application. The decision on the application shall be served on the business operator either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records. The decision can be challenged under section 2.37.160.

2.37.190 Refunds

- (a) A business operator who believes that any tax, penalty, or interest has been illegally, erroneously, or mistakenly paid to, collected by, or otherwise received by the city may file a claim for a refund of the amount of tax, penalty, or interest claimed to have been improperly received by the city.
- (b) The claim must be filed with the Tax Administrator and signed under penalty of perjury by the business operator. The claim must state:
 - (1) The legal and factual basis for the refund claim;
 - (2) The amount of tax, penalty, or interest allegedly improperly received by the city;
 - (3) The date or dates that the improper payments were made to the city; and
 - (4) The address of the claimant.
- (c) The claim must be filed with the Tax Administrator within one (1) year of the date of the allegedly improper payment to the city.
- (d) The Tax Administrator shall provide a written decision on the claim within thirty (30)

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days of the filing of the claim by serving the decision on the claimant either personally or by U.S. mail to the address provided in the claim. Service is effective upon deposit of the response in the U.S. Mail.

- (e) A claimant may challenge the Tax Administrator's decision on a refund claim under section 2.37.160.
- (f) This section does not apply to:
 - (1) A claim for a refund arising out of a decision of the Tax Administrator, City Manager, or City Manager's designee under sections 2.37.150, 2.37.160, 2.37.170, or 2.37.190; or
 - (2) A claim that could have been asserted by the claimant, but was not, under sections 2.37.150, 2.37.160, 2.37.170, or 2.37.190.

2.37.200 Audits

- (a) The Tax Administrator may conduct an audit of any business operator to ensure proper compliance with the requirements of this chapter.
- (b) To initiate an audit the Tax Administrator shall provide written notice to the business operator that is the subject of the audit of the initiation of the audit by serving the notice personally or by U.S. mail to the most recent address for the business operator in the Tax Administrator's records. The notice shall state the period of time subject to the audit.
- (c) Notice of the initiation of an audit for a quarter for which either a business tax filing for a new business or quarterly tax return was submitted under section 2.37.100 or section 2.37.110 must be served within five (5) years of the last day of the quarter to which the filing or return applied.
- (d) Notice of the initiation of an audit for a quarter for which neither a business tax filing for a new business nor a quarterly tax return was submitted under section 2.37.100 or section 2.37.110, but for which the business was registered as a business under section 4.60.030, must be served within seven (7) years of the last day of the quarter for which the filing or return should have been filed.
- (e) Notice of the initiation of an audit for a quarter for which neither a business tax filing for a new business nor a quarterly tax return was submitted under section 2.37.100 or section 2.37.110, and for which the business was not registered as a business under section 4.60.030, must be served within ten (10) years of the last day of the quarter for which the filing or return should have been filed.
- (f) Upon completion of an audit, the Tax Administrator may make an Initial Determination

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under subdivision (a) of section 2.37.150 of any taxes, penalties, and interest determined to be owed and not paid for the audit period. The Initial Determination must be issued within ninety (90) days of the completion of the audit. If a business operator subject to audit is unable or unwilling to provide sufficient records to enable the Tax Administrator to verify compliance with this chapter, the Tax Administrator is authorized to make a reasonable estimate of the amount of tax due and the reasonable estimate shall be entitled to a rebuttable presumption of correctness.

2.37.210 Maintenance and Review of Records

- (a) Business operators must maintain for six (6) years records of square footage and information necessary to calculate the tax. If the Tax Administrator serves notice of the initiation of an audit, the information pertinent for the quarters subject to the audit must be maintained until the conclusion of the audit.
- (b) The Tax Administrator may with reasonable notice inspect the premises and records of the business operator.
- (c) The Tax Administrator may request the city council to issue an administrative subpoena for records of a business operator or other persons with relevant information.

2.37.220 Confidentiality of Records

All documents submitted to the city by a business operator under this chapter and all documents of a business operator inspected by the Tax Administrator in the conduct of an audit are presumed to be confidential and will not be subject to public inspection to the fullest extent allowed by law and must be maintained so that the contents of the documents will not become known except to persons charged with the administration of this chapter. Confidential documents may be shared with consultants retained by the city to aid in the administration of this chapter, provided the consultants agree to maintain the confidentiality of the documents. However, nothing in this section precludes the city from aggregating information and releasing it in a manner that does not identify any particular business or connect any information with a particular business.

2.37.230 Action to Collect Delinquent Taxes

- (a) Any tax, penalty, and interest imposed on a business operator under this chapter is a debt owed by the business operator to the city, which may be recovered in an action filed by the city in a court of competent jurisdiction.
- (b) An action under this section shall be filed within three (3) years of an Initial Determination becoming final under subdivision (b) of section 2.37.150, the issuance of a Final Determination under subdivision (d) of section 2.37.150 that is not appealed, the issuance of a Final Determination under subdivision (c) of section 2.37.160 that is not appealed, or the issuance of a decision under subdivision (d) of section 2.37.170.

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- (c) During the pendency of an action filed under this section, interest will continue to accrue under subdivision (b) of section 2.37.140 until the entry of judgment.
- (d) Before filing an action, the city may serve the business operator either personally or by U.S. mail at the most recent address for the business operator in the Tax Administrator's records with notice of the pending action and give the business operator fifteen (15) days to pay all of the delinquent taxes, penalties, and fees. If all of the of the delinquent taxes, penalties, and fees are not paid within the fifteen-day period, then an additional penalty of 25% of the amount of the delinquent tax (including accrued penalties and interest) shall be added to the total delinquency and may be recovered in the action.

2.37.240 Errors Not Binding on the City

No error by the Tax Administrator or any other officer, employee, or agent of the city in the application of this chapter shall prevent, prejudice, or estop the collection by or for the city of the full amount of tax owed by any person under this chapter.

2.37.250 Dates

If the last day for the performance of any act under this chapter is a Saturday, Sunday, or holiday recognized by the city, then the date for the performance of that act is extended to the next day that is not a Saturday, Sunday, or holiday recognized by the city.

2.37.260 Rules and Regulations

- (a) The Tax Administrator may adopt rules and regulations that are not inconsistent with the provisions of this chapter as may be necessary to aid in the application and enforcement of this chapter.
- (b) The Tax Administrator may adopt rules providing for the service or filing of any notices, filings, returns, or submittals required by this chapter. These rules may provide alternative means for serving or filing any notice, filing, return, or submittal, and may clarify the method of serving or filing any notice, filing, return, or submittal provided for in this chapter.

2.37.270 City Council Amendments

- (a) The city council may amend this chapter in any way it deems necessary without the approval of the electorate, provided the amendment does not increase the amount of tax that any person would pay.
- (b) Any amendment to this chapter that would reduce the amount of tax any taxpayer would pay, either temporarily or permanently, must be approved by two-thirds (2/3) of the members of the city council.

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- (c) Notwithstanding subdivision (a) of this section, the city council may with the approval of two-thirds (2/3) of its members and without approval of the electorate reduce, revise, or eliminate any of the business tax offsets in section 2.37.080.

2.37.280 Severability

If any word, phrase, sentence, part, section, subsection, or other portion of this chapter, or any application thereof to any person or circumstance is declared void, unconstitutional, or invalid for any reason, then such word, phrase, sentence, part, section, subsection, or other portion, or the prescribed application thereof, shall be severable, and the remaining provisions of this chapter, and all applications thereof, not having been declared void, unconstitutional or invalid, shall remain in full force and effect. The People of the City of Palo Alto hereby declare that they would have passed this ordinance, and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases had been declared invalid or unconstitutional.

2.37.290 Savings Clause

No section, clause, part, or provision of this chapter shall be construed as requiring the payment of any tax that would be in violation of the Constitution or laws of the United States of America or of the Constitution or laws of the State of California.

2.37.300 Sunset

The tax imposed by this Chapter shall cease to be imposed on January 1, 2058.

SECTION 2. Implementation Procedures

1. The new tax imposed by this ordinance will go into effect on January 1, 2023.
2. Notwithstanding sections 2.37.090, 2.37.100, and 2.37.110 of the codified part of this ordinance, the tax imposed by this ordinance will initially be due on the following schedule:
 - (a) The initial tax payment for the tax that has accrued since January 1, 2023 will be due on January 1, 2024, or on a subsequent date established by the Tax Administrator and will be delinquent 30 days later if not paid.
 - (b) With its initial tax payment, each business shall provide the following information:
 - (1) The name of the business and the address or addresses at which it will be operating in the city;
 - (2) The nature of the business's activities;
 - (3) The square footage in which the business will be operating in the city;

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- (4) If the business operator claims an offset under section 2.37.080, sufficient information and documentation to establish the business's right to the offset and the amount of the offset;
- (5) Any other information required by the Tax Administrator; and
- (6) The amount of tax due based on the square footage of the business.

(c) A business that begins operating for the first time after January 1, 2023, must submit its initial tax payment and initial information by the date provided in this uncoded section or by the date provided in codified section 2.37.090, whichever is later.

SECTION 3. General Tax. Proceeds of the tax imposed by this Ordinance shall be deposited in the general fund of the City and shall be available for any legal purpose.

SECTION 4. Effective Date. This ordinance shall be effective only if approved by a majority of the voters and shall go into effect immediately after the vote is declared by the City Council.

SECTION 5. Execution. The Mayor is hereby authorized to attest to the adoption of this Ordinance by the voters of the City by signing where indicated below.

I hereby certify that the foregoing Ordinance was PASSED, APPROVED and ADOPTED by the People of the City of Palo Alto voting on the 8th day of November, 2022.

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager

Director of Administrative Services

NOT YET APPROVED

Resolution No. _____

Resolution of the Council of the City of Palo Alto Calling an Election for November 8, 2022 for Submittal to the Qualified Electors of the City a Measure Amending Title 2 of the Municipal Code to Add Chapter 2.37 to Establish a Tax on Businesses Operating in the City of Palo Alto

R E C I T A L S

A. Unlike most communities in California, the City of Palo Alto does not require local businesses to contribute to city services through a local business tax. As Palo Alto looks to the future, City leaders have determined that the time has come to seek voter approval to tax mid-sized and large businesses operating in the City, so that the business sector does its part to help the City to meet evolving challenges, including the need for long term stable funding for public safety services and the need for significant investments in affordable housing and grade separated train crossings that maintain mobility for vehicles, bicyclists, and pedestrians.

B. A proposed ordinance attached hereto and incorporated herein by reference as Attachment "A" (the "Ordinance") would amend the Palo Alto Municipal Code to add Chapter 2.37 to Title 2, to establish a general tax on businesses operating in the City of Palo Alto that would be imposed at a monthly rate for each square foot occupied by a business in the city, with no tax imposed on the first 10,000 square feet occupied by a business in the city, and a tax of ten cents for each square foot occupied by a business in the city above 10,000 square feet. The tax would be imposed at half the rate for the first two years. Annual adjustments would be made for inflation, limited to 5%. Grocery stores would be exempt, and offsets would be made for businesses that remit transient occupancy tax and for payers of discretionary sales and uses tax. The business tax would terminate in thirty-five years.

C. Proceeds from the tax would be placed in the general fund for general governmental purposes. The City Council has approved advisory spending guidelines after considering input from residents and stakeholders on City spending priorities.

D. By its Resolution No. 10045 the City Council called a general municipal election for November 8, 2022 ("Election").

E. Pursuant to Government Code Section 53724 and Election Code Section 9222, the City Council desires to submit the Ordinance to the voters of the City.

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

SECTION 1. Findings. The City Council finds and determines that each of the findings set forth above are true and correct.

SECTION 2. General Tax Election. The City Council proposes to impose the general tax set forth in the Ordinance and to present this proposal to the voters on November 8, 2022.

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SECTION 3. Measure. Pursuant to Elections Code Section 9222, the City Council hereby submits the Ordinance to the voters at the Election and orders the following question to be submitted to the voters at the Election:

Shall the measure to raise funds for improving public safety, affordable housing, rail crossing safety, homeless services, and general city services, by levying a tax on businesses in the City of Palo Alto at a monthly rate of 10 cents per square foot occupied by a business, with annual adjustments for inflation (limited to 5%) and exemptions for grocery stores and businesses under 10,000 square feet, raising approximately \$15.5 million annually for 35 years, be adopted?	YES	
	NO	

This question requires the approval of a majority of those casting votes.

SECTION 4. Adoption of Measure. The measure to be submitted to the voters is attached to this Resolution as Exhibit A and incorporated herein by this reference.

SECTION 5. Notice of Election. Notice of the time and place of holding the election is hereby given, and the City Clerk is authorized, instructed and directed to give further or additional notice of the election, in time, form and manner as required by law.

SECTION 6. Impartial Analysis. Pursuant to California Elections Code Section 9280, the City Council hereby directs the City Clerk to transmit a copy of the measure to the City Attorney. The City Attorney shall prepare an impartial analysis of the measure, not to exceed 500 words in length, showing the effect of the measure on the existing law and the operation of the measure, and transmit such impartial analysis to the City Clerk on or before August 23, 2022.

SECTION 7. Ballot Arguments. Pursuant to Elections Code Section 9286 et. seq., August 16, 2022 at 5:00 p.m. shall be the deadline for submission of arguments in favor of, and arguments against, any local measures on the ballot. If more than one argument for and/or against is received, the priorities established by Elections Code Section 9287 shall control.

SECTION 8. Rebuttal Arguments. The provisions of Elections Code Section 9285 shall control the submission of any rebuttal arguments. The deadline for filing rebuttal arguments shall be August 23, 2022 at 5:00 p.m.

SECTION 9. Consolidation Request. The Council of the City of Palo Alto requests the governing body of any other political subdivision, or any officers otherwise authorized by law, to partially or completely consolidate such elections and the City Council consents to such consolidation. The Council requests the Board of Supervisors of Santa Clara County to include on the ballots and sample ballots, all qualified measures submitted by the City Council to be ratified by the qualified electors of the City of Palo Alto. The Council acknowledges that the election will

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be held and conducted according to procedures in the Elections Code, including Section 10418.

SECTION 10. Request for County Services. Pursuant to Section 10002 of the California Elections Code, the Council of the City of Palo Alto hereby requests the Board of Supervisors of Santa Clara County to permit the Registrar of Voters to render services to the City of Palo Alto relating to the conduct of Palo Alto's General Municipal and Special Elections which are called to be held on Tuesday, November 8, 2022. The services shall be of the type normally performed by the Registrar of Voters in assisting the clerks of municipalities in the conduct of elections including, but not limited to, checking registrations, mailing ballots, hiring election officers and arranging for polling places, receiving absentee voter ballot applications, mailing and receiving absent voter ballots and opening and counting same, providing and distributing election supplies, and furnishing voting machines.

SECTION 11. Transmittal of Resolution. The City Clerk is hereby directed to submit forthwith a certified copy of this resolution to the Santa Clara County Board of Supervisors and to the Registrar of Voters.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSENTIONS:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

City Attorney

Director of Administrative Services

NOT YET APPROVED

Attachment A

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending Title 2 of the
Municipal Code to Add Chapter 2.37 to Establish a Tax on Businesses Operating
in the City of Palo Alto

The People of the City of Palo Alto do ordain as follows:

SECTION 1. Title 2 (Administrative Code) of the Palo Alto Municipal Code is hereby amended by adding Chapter 2.37 (Business Tax) as follows:

**Chapter 2.37
BUSINESS TAX**

2.37.010 Title

This chapter is the “City of Palo Alto Business Tax Ordinance.”

2.37.020 Definitions

The definitions in this section apply to the words and phrases used in this chapter unless the context clearly indicates otherwise.

- (a) “Business” means any commercial enterprise, trade, calling, art, vocation, profession, occupation, or means of livelihood, whether or not carried on for gain or profit.
- (b) “Business operator” means a person who transacts, maintains, manages, operates, controls, engages in, conducts, carries on, or owns a business in the city. It does not include the employee of a business who is not an owner or proprietor of the business.
- (c) “Calendar year” means the year beginning January 1 and ending December 31.
- (d) “City” means the City of Palo Alto.
- (e) “CPI Index” means the Consumer Price Index—All Urban Consumers for All Items for the San Francisco-Oakland-Hayward Area or any successor to that index designated by the Federal Bureau of Labor Statistics or the city council.
- (f) “Fiscal year” means the year beginning July 1 and ending June 30.
- (g) “Fixed place of business” means a place of business located in the city boundaries and occupied for the particular purpose of operating a business.

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- (h) “Grocery store” means a business that exists for the primary purpose of selling a range of food items to consumers for consumption off site, such as canned foods; dry goods; fresh produce; fresh meats, fish, and poultry; and any area that is not separately owned within the store where food is prepared and served, including a bakery, deli, and meat and seafood departments, or as otherwise defined in 14 CCR section 18982(a)(3), provided that any store that combines grocery items with other retail products or services is a grocery store for the purpose of this chapter only if two-thirds or more of the occupied space is designated to the sale of grocery items as listed in this section.
- (i) “Hotel” has the meaning provided in section 2.33.010.
- (j) “Operate” means to conduct a business and includes all stages of conducting a business from initial planning to the wind-down of a business, whether or not a profit is being made.
- (k) “Person” means any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, receiver, syndicate or other group or combination acting as a unit and includes the plural as well as the singular number.
- (l) “Quarter” means the three-month quarter of the fiscal year. The “first quarter” is the months of July, August, and September; the “second quarter” is the months of October, November, and December; the “third quarter” is the months of January, February, and March; and the “fourth quarter” is the months of April, May, and June. The term “same quarter of the previous fiscal year” means the quarter of the same number in the previous fiscal year.
- (m) “Square footage” means the rentable square footage used by a business as specified in a business’s lease or, if the business floor space is owned by the business, as calculated in the same manner as if the area was rented using commonly accepted standards of measurement for leasing purposes such as the Standard Methods of Measurement published by the Building Owners and Managers Association (BOMA). Any method of measurement used must meet the following minimum standards:
 - (1) It shall be computed by measuring to the inside finish of permanent outer building walls and shall include space used by columns and projections necessary to the building.
 - (2) It shall include both the area used by the business and a proportionate share of the building service areas such as lobbies, corridors and other common areas in a building unless assigned to another business for tax calculation purposes.
 - (3) It shall not include vertical penetrations through the building such as stairs, elevators, or heating, ventilation, air conditioning, utility, or telephone systems, except on the lowest floor of stairs and elevators.

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- (4) For the business of renting or leasing property, it shall include area used primarily for the business operator's offices and operational facilities.
- (5) It shall not include residential uses, including multiple-family use as defined in section 18.04.030(102), two-family use as defined in section 18.04.030(141), single-family residential use as defined in section 18.04.030(86)(A)), mobile home park as defined in section 18.04.030(97), residential care homes as defined in section 18.04.030(124), supportive housing as defined in section 18.04.030(135.5), transitional housing as defined in section 18.04.030(138), emergency shelter as defined in section 18.04.030(50), and any equivalent residential use defined by the city.
- (6) It shall include hotel as defined in section 18.04.030(73).
- (7) Square footage for businesses with multiple locations will be measured and tax assessed will be calculated based on the aggregate square footage for the business for all locations in the city.
- (n) "Tax Administrator" means the Director of Administrative Services, or successor position, or their designee.
- (o) "Transient Occupancy Tax" means the tax imposed under section 2.33.020.
- (p) "Transitory business" means a business that operates in the city for less than 90 days in the course of one calendar year (such as seasonal sale lots, special events, concerts/performances/circuses, filming, and party rentals).
- (q) "Vacant" means a severable portion of the physical location that a business is occupying, such as an entire floor, a building, or a portion of a floor with independent entrance and exit, that is free from any use, fixtures, furniture, and equipment, and is immediately available for use by a new tenant or owner.

2.37.030 Obligation to Pay Business Tax

- (a) It is unlawful for any business operator, either for themselves or for any other person, to operate in the city any business taxed under this chapter without paying all business tax required by this chapter.
- (b) If a business has more than one business operator, then the payment of the business tax by one business operator excuses any other business operators from the obligation to pay the business tax for that period for which the tax has been paid.
- (c) The requirement to pay business tax is in addition to and separate from the requirement to obtain a business registration certificate under section 4.60.030.

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- (d) The payment of business tax does not authorize the doing of any act which the person or business paying the business tax is not otherwise entitled to do and does not excuse the business from complying with other applicable Code requirements.

2.37.040 Imposition of Business Tax

Any business operator operating a business at a fixed place of business in the city must pay a business tax at the following rates:

- (a) Beginning January 1, 2023, the tax shall be imposed at the following rates:
- (1) For the first 10,000 square feet occupied by a business in the city, no tax shall be imposed.
 - (2) For each square foot occupied by a business in the city over 10,000 square feet, a monthly tax of five (5) cents per square foot shall be imposed.
- (b) Beginning January 1, 2025, the tax shall be imposed at the following rates:
- (1) For the first 10,000 square feet occupied by a business in the city, no tax shall be imposed.
 - (2) For each square foot occupied by a business in the city over 10,000 square feet, a monthly tax of ten (10) cents per square foot shall be imposed.

2.37.050 Annual CPI Adjustment of Tax Rate

- (a) Beginning with the 2026-27 fiscal year, and each fiscal year thereafter, the tax rates in subdivisions (b)(1) and (b)(2) of section 2.37.040 shall be automatically increased by a percentage equal to the percentage increase in the CPI Index in the previous calendar year ("the CPI Increase").
- (b) Notwithstanding subdivision (a) of this section, in any year in which the CPI Increase is more than 5%, the increase in the tax rate will be limited to 5%.

2.37.060 Disposition of Tax Revenue

The tax imposed by this chapter is for the purpose of raising revenue for the general governmental purposes of the city. All of the proceeds from the tax imposed by this chapter shall be placed in the city's general fund.

2.37.070 Exemptions from Tax

- (a) The following businesses are exempt from the tax imposed by this chapter:

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- (1) Any business exempt from the tax by the laws of the United States or the State of California;
 - (2) Grocery stores;
 - (3) Businesses that occupy or use 10,000 square feet or less in the city; and
 - (4) Transitory businesses.
- (b) If a business operator operates a single integrated business that has two or more parts, one or more of which could be exempt from the tax imposed by this chapter if operated as a separate business, the city may, at its discretion, exempt from the tax any part of the business that would be exempt if operated as a separate business, provided the business's square footage can be reasonably allocated between the parts. If the city determines that the square footage cannot be reasonably allocated between the different parts of the business, then the entire business shall be taxed, unless to do so would violate a law of the United States or the State of California.

2.37.080 Business Tax Offsets

- (a) A business operator that operates a hotel in the city may deduct from the business tax it owes for a quarter for the business of operating the hotel an amount equal to the total transient occupancy tax collected and remitted to the city in the same quarter of the previous fiscal year from transients staying at the hotel.
- (b) The business operator of a business that has discretion to determine the location of the place of sale, place of use, or principal place of negotiation for sales or use tax purposes and which exercises that discretion and designates the city as the place of sale, place of use, or principal place of negotiation for sales or use tax purposes which results in the city receiving sales or use tax revenues that it would not otherwise have received, but for the business's exercise of its discretion to designate the city as the place of sale, place of use, or principal place of negotiation for sales or use tax purposes ("Discretionary Sales or Use Tax Sales") may deduct from the business tax it owes for a quarter an amount equal to one half of the total sales tax or use tax received by the city from the Discretionary Sales or Use Tax Sales of that business in the same quarter of the previous fiscal year. This offset can offset up to, but no more than, 75% of the business's quarterly business tax. The city and a business operator may enter into an agreement implementing this section.
- (c) A business claiming an offset under this section must claim the offset with its tax filing for the quarter for which the offset is claimed.
 - (1) If the information necessary for a business to claim an offset is not available, the business may defer claiming an offset for up to one year or for another period of

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time set by written agreement with the city.

- (2) The Tax Administrator may require a business claiming an offset to submit additional information to support the claim of the offset. The request for additional information must be made in writing and the information must be provided within thirty (30) days.
- (3) If the Tax Administrator determines that an offset claimed by a business is incorrect, the Tax Administrator may make an Initial Determination of the amount, if any, of the offset and the amount of tax due under section 2.37.150(a).

2.37.090 Quarterly Tax Payments

- (a) The tax imposed by this chapter shall be paid quarterly. The tax for each quarter is due the first day of the following quarter and is delinquent thirty (30) days later.
- (b) For the first quarter in which a business begins operating in the city, the business's tax shall be prorated for the number of days that the business was operating in the quarter.
- (c) For the last quarter in in which a business operates in the city before closing, the business's tax shall be prorated for the number of days that the business was operating in the quarter.

2.37.100 Business Tax Filing for a New Business

When a business begins operating in the city for the first time, the business operator must provide the Tax Administrator with the following information, verified by the business operator as true and correct under penalty of perjury of the laws of the State of California, before beginning the operation of the business in the city:

- (a) The name of the business and the address or addresses at which it will be operating in the city;
- (b) The date on which the business will begin operating;
- (c) The nature of the business's activities;
- (d) The square footage in which the business will be operating in the city; and
- (e) Any other information required by the Tax Administrator.

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2.37.110 Quarterly Tax Returns

With each quarterly tax payment, a business operator must submit a quarterly tax return which contains the following information, verified by the business operator as true and correct under penalty of perjury of the laws of the State of California:

- (a) The name of the business and the address or addresses at which it is operating in the city;
- (b) The nature of the business's activities;
- (c) The square footage in which the business is operating in the city;
- (d) If the business operator claims an offset under section 2.37.080, sufficient information and documentation to establish the business's right to the offset and the amount of the offset;
- (e) Any other information required by the Tax Administrator; and
- (f) The amount of tax due based on the square footage of the business.

2.37.120 Agreements for Installment Payments

The Tax Administrator may enter into an agreement with a business operator to allow a business operator to pay the tax on a more or less frequent basis.

2.37.130 Businesses Operating in the Same Location

- (a) Each business operator operating a business in a location where one or more other business are also operating is obligated to pay business tax measured by the square footage occupied by that business.
- (b) The payment of business tax by a business operator absolves any other business operator from having to pay business tax measured by the same square footage.
- (c) Two or more business operators that are operating businesses in the same square footage may contractually agree which business will pay the business tax measured by that square footage.

2.37.140 Delinquent Taxes (Penalties and Interest)

- (a) When a tax becomes delinquent, a penalty of 10% of the amount of the delinquent tax will be added to the amount of tax due. If the tax remains unpaid sixty (60) days after becoming delinquent, an additional penalty of 25% of the amount of the delinquent tax

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(excluding accrued interest and the initial penalty) will be added to the amount of tax due.

- (b) On the first of each month that a tax is delinquent, interest in the amount of 1.5% of the delinquent amount, excluding penalties and interest, will be added to the amount of tax due.
- (c) A business operator may apply to the Tax Administrator for a reduction or waiver of any accrued penalties or interest, and the Tax Administrator may reduce or waive any accrued penalties or interest upon a finding of good cause.

2.37.150 Administrative Procedure to Assess or Correct Tax

- (a) If the Tax Administrator determines that a business operator has incorrectly reported any information to the city or has not paid all or any of the tax, penalties, or interest that are due, the Tax Administrator may, using any information available to the Tax Administrator, issue an Initial Determination stating what the Tax Administrator believes to be the correct information and, if new or additional tax, penalties, or interest are due, how much tax, penalties, or interest are due. An Initial Determination must be issued within five (5) years of the last day of the quarter to which the Initial Determination applies, except in the case of an audit conducted under section 2.37.200, in which case it must be issued within ninety (90) days of the completion of the audit and can apply to any of the quarters that were subject to the audit. The Initial Determination shall be served on the business operator either personally or by U.S. mail to the most recent address for the business operator in the Tax Administrator's records. Service is effective upon deposit of the Initial Determination in the U.S. Mail.
- (b) A business operator affected by an Initial Determination may within fifteen (15) days of service of an Initial Determination contest the Initial Determination and request a hearing before the Tax Administrator by filing with the Tax Administrator a written request for a hearing. The further accrual of penalties and interest shall be tolled upon the filing of a request for a hearing. If a business operator does not contest an Initial Determination and request a hearing with the Tax Administrator within fifteen (15) days of service of the Initial Determination, the Initial Determination shall become final and cannot be appealed.
- (c) If a business operator timely contests an Initial Determination and requests a hearing, the Tax Administrator shall set a hearing within thirty (30) days of the filing of the request for a hearing. Notice of the hearing shall be served on the business operator either personally or by U.S. mail to the most recent address for the business operator in the Tax Administrator's records.
- (d) At the hearing the business operator may present evidence and argument regarding the Initial Determination to show why the Initial Determination is incorrect and to show what the determination of the Tax Administrator should be. Within sixty (60) day after

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the close of the hearing, the Tax Administrator shall serve a Final Determination, setting forth the Tax Administrator's determination of the facts and issues that were the subject of the Initial Determination. The Final Determination shall be served on the business operator either personally or by U.S. mail to the most recent address for the business operator in the Tax Administrator's records. Service is effective upon deposit of the Final Determination in the U.S. Mail. Unless an appeal of a Final Determination is filed under section 2.37.170, any penalties or interest tolled under subdivision (b) of this section will resume accruing ten (10) days after the service of the Final Determination.

2.37.160 General Administrative Remedy

- (a) Any person affected by a decision of the Tax Administrator ("the challenger"), except for decisions under section 2.37.150, may challenge that decision by filing a written objection to the decision with the Tax Administrator. The objection must be filed within fifteen (15) days of the issuance of the decision being challenged. If the Tax Administrator was required to provide notice of the decision, then the time to file an objection to the decision begins to run from the date of service of the notice of the decision. The Tax Administrator shall serve a written response to the objection within thirty (30) days of the filing of the objection, which period can be extended by the Tax Administrator for an additional thirty (30) days. The Tax Administrator's response to the objection shall be served on the challenger either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records.
- (b) The challenger may request a hearing on the Tax Administrator's response to the objection by filing a request for a hearing with the Tax Administrator within fifteen (15) days of service of the response to the objection. If a timely request for a hearing on a response to the objection is filed with the Tax Administrator, the Tax Administrator shall set a hearing within thirty (30) days of the filing of the request for a hearing. Notice of the hearing shall be served on the challenger either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records.
- (c) At the hearing the challenger may present evidence and argument regarding the decision being challenged to show why the decision is incorrect and to show what it should be. Within sixty (60) days after the close of the hearing, which the Tax Administrator may extend for an additional sixty (60) days, the Tax Administrator shall serve a Final Determination on the decision, setting forth the Tax Administrator's determination of the decision that was challenged. The Final Determination shall be served on the challenger either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records. Service is effective upon deposit of the Final Determination in the U.S. mail.

2.37.170 Appeals

- (a) A Final Determination of the Tax Administrator under section 2.37.150, subdivision (d), or section 2.37.160, subdivision (c), can be appealed to the City Manager by filing a

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written notice of appeal with the City Manager within fifteen (15) days of service of the notice of the Final Determination being appealed.

- (b) Only a business operator who files a timely request for a hearing on an Initial Determination under section 2.37.150 and participates in the hearing or a challenger who files an objection to a decision and files a request for a hearing on the response to the objection under section 2.37.160 and participates in the hearing can file an appeal under this section.
- (c) If a timely appeal is filed with the City Manager, the City Manager, or the City Manager's designee, shall set a hearing within thirty (30) days of the filing of the appeal, which may be extended by the City Manager for an additional thirty (30) days. Notice of the hearing shall be served on the appellant either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records. The tolling of the accrual of penalties or interest under section 2.37.150, subdivision (b), shall continue upon the timely filing of an appeal under this section.
- (d) At the hearing the appellant and the Tax Administrator may present evidence and argument regarding the decision being appealed to show why the decision is correct or incorrect and to show what it should be. Within sixty (60) days after the close of the hearing, which the City Manager or the City Manager's designee may extend for an additional sixty (60) days, the City Manager or the City Manager's designee shall serve a written decision, setting forth the resolution of the appeal. The decision shall be served on the appellant either personally or by U.S. mail to the most recent address for the appellant in the City Manager's records. Service is effective upon deposit of the decision in the U.S. Mail. Any penalties and interest that were tolled under section 2.37.150, subdivision (b), shall resume accruing ten (10) days after the service of the decision.
- (e) A decision of the City Manager, or the City Manager's designee, served under subdivision (d) of this section is subject to judicial review under sections 1094.5 and 1094.6 of the Code of Civil Procedure with a writ petition filed in the appropriate court within ninety (90) days of the service of the written decision. Any tax, penalties, or interest determined by the decision to be owed to the city by the appellant must be paid to the city as a precondition to filing a writ petition challenging the decision, but a claim for a refund under section 2.37.190 does not have to be filed before filing a writ petition.

2.37.180 Constitutional Apportionment

- (a) No tax imposed by this chapter shall be applied to a business operator so as to constitute an undue burden on interstate commerce or intercity commerce or be violative of the equal protection or due process clauses of the United States or California constitutions.
- (b) A business operator who contends that the application of a tax imposed by this chapter

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on the business operator constitutes an undue burden on interstate commerce or intercity commerce or violates the equal protection or due process clauses of the United States or California constitutions may apply to the Tax Administrator for an apportionment of the tax imposed on the business operator that would remove the constitutional violation by filing a written request with the Tax Administrator that explains the factual and legal basis for the claimed constitutional violation and proposes a method of apportionment that would resolve the alleged constitutional violations.

- (c) The Tax Administrator, in consultation with City Attorney, shall review the application and within sixty (60) days of the filing of the application, which deadline may be extended for an additional sixty (60) days, issue a decision on the application. The decision on the application shall be served on the business operator either personally or by U.S. mail to the most recent address for the challenger in the Tax Administrator's records. The decision can be challenged under section 2.37.160.

2.37.190 Refunds

- (a) A business operator who believes that any tax, penalty, or interest has been illegally, erroneously, or mistakenly paid to, collected by, or otherwise received by the city may file a claim for a refund of the amount of tax, penalty, or interest claimed to have been improperly received by the city.
- (b) The claim must be filed with the Tax Administrator and signed under penalty of perjury by the business operator. The claim must state:
 - (1) The legal and factual basis for the refund claim;
 - (2) The amount of tax, penalty, or interest allegedly improperly received by the city;
 - (3) The date or dates that the improper payments were made to the city; and
 - (4) The address of the claimant.
- (c) The claim must be filed with the Tax Administrator within one (1) year of the date of the allegedly improper payment to the city.
- (d) The Tax Administrator shall provide a written decision on the claim within thirty (30) days of the filing of the claim by serving the decision on the claimant either personally or by U.S. mail to the address provided in the claim. Service is effective upon deposit of the response in the U.S. Mail.
- (e) A claimant may challenge the Tax Administrator's decision on a refund claim under section 2.37.160.
- (f) This section does not apply to:

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- (1) A claim for a refund arising out of a decision of the Tax Administrator, City Manager, or City Manager's designee under sections 2.37.150, 2.37.160, 2.37.170, or 2.37.190; or
- (2) A claim that could have been asserted by the claimant, but was not, under sections 2.37.150, 2.37.160, 2.37.170, or 2.37.190.

2.37.200 Audits

- (a) The Tax Administrator may conduct an audit of any business operator to ensure proper compliance with the requirements of this chapter.
- (b) To initiate an audit the Tax Administrator shall provide written notice to the business operator that is the subject of the audit of the initiation of the audit by serving the notice personally or by U.S. mail to the most recent address for the business operator in the Tax Administrator's records. The notice shall state the period of time subject to the audit.
- (c) Notice of the initiation of an audit for a quarter for which either a business tax filing for a new business or quarterly tax return was submitted under section 2.37.100 or section 2.37.110 must be served within five (5) years of the last day of the quarter to which the filing or return applied.
- (d) Notice of the initiation of an audit for a quarter for which neither a business tax filing for a new business nor a quarterly tax return was submitted under section 2.37.100 or section 2.37.110, but for which the business was registered as a business under section 4.60.030, must be served within seven (7) years of the last day of the quarter for which the filing or return should have been filed.
- (e) Notice of the initiation of an audit for a quarter for which neither a business tax filing for a new business nor a quarterly tax return was submitted under section 2.37.100 or section 2.37.110, and for which the business was not registered as a business under section 4.60.030, must be served within ten (10) years of the last day of the quarter for which the filing or return should have been filed.
- (f) Upon completion of an audit, the Tax Administrator may make an Initial Determination under subdivision (a) of section 2.37.150 of any taxes, penalties, and interest determined to be owed and not paid for the audit period. The Initial Determination must be issued within ninety (90) days of the completion of the audit. If a business operator subject to audit is unable or unwilling to provide sufficient records to enable the Tax Administrator to verify compliance with this chapter, the Tax Administrator is authorized to make a reasonable estimate of the amount of tax due and the reasonable estimate shall be entitled to a rebuttable presumption of correctness.

NOT YET APPROVED

2.37.210 Maintenance and Review of Records

- (a) Business operators must maintain for six (6) years records of square footage and information necessary to calculate the tax. If the Tax Administrator serves notice of the initiation of an audit, the information pertinent for the quarters subject to the audit must be maintained until the conclusion of the audit.
- (b) The Tax Administrator may with reasonable notice inspect the premises and records of the business operator.
- (c) The Tax Administrator may request the city council to issue an administrative subpoena for records of a business operator or other persons with relevant information.

2.37.220 Confidentiality of Records

All documents submitted to the city by a business operator under this chapter and all documents of a business operator inspected by the Tax Administrator in the conduct of an audit are presumed to be confidential and will not be subject to public inspection to the fullest extent allowed by law and must be maintained so that the contents of the documents will not become known except to persons charged with the administration of this chapter. Confidential documents may be shared with consultants retained by the city to aid in the administration of this chapter, provided the consultants agree to maintain the confidentiality of the documents. However, nothing in this section precludes the city from aggregating information and releasing it in a manner that does not identify any particular business or connect any information with a particular business.

2.37.230 Action to Collect Delinquent Taxes

- (a) Any tax, penalty, and interest imposed on a business operator under this chapter is a debt owed by the business operator to the city, which may be recovered in an action filed by the city in a court of competent jurisdiction.
- (b) An action under this section shall be filed within three (3) years of an Initial Determination becoming final under subdivision (b) of section 2.37.150, the issuance of a Final Determination under subdivision (d) of section 2.37.150 that is not appealed, the issuance of a Final Determination under subdivision (c) of section 2.37.160 that is not appealed, or the issuance of a decision under subdivision (d) of section 2.37.170.
- (c) During the pendency of an action filed under this section, interest will continue to accrue under subdivision (b) of section 2.37.140 until the entry of judgment.
- (d) Before filing an action, the city may serve the business operator either personally or by U.S. mail at the most recent address for the business operator in the Tax Administrator's records with notice of the pending action and give the business operator fifteen (15) days to pay all of the delinquent taxes, penalties, and fees. If all of the of the delinquent

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taxes, penalties, and fees are not paid within the fifteen-day period, then an additional penalty of 25% of the amount of the delinquent tax (including accrued penalties and interest) shall be added to the total delinquency and may be recovered in the action.

2.37.240 Errors Not Binding on the City

No error by the Tax Administrator or any other officer, employee, or agent of the city in the application of this chapter shall prevent, prejudice, or estop the collection by or for the city of the full amount of tax owed by any person under this chapter.

2.37.250 Dates

If the last day for the performance of any act under this chapter is a Saturday, Sunday, or holiday recognized by the city, then the date for the performance of that act is extended to the next day that is not a Saturday, Sunday, or holiday recognized by the city.

2.37.260 Rules and Regulations

- (a) The Tax Administrator may adopt rules and regulations that are not inconsistent with the provisions of this chapter as may be necessary to aid in the application and enforcement of this chapter.
- (b) The Tax Administrator may adopt rules providing for the service or filing of any notices, filings, returns, or submittals required by this chapter. These rules may provide alternative means for serving or filing any notice, filing, return, or submittal, and may clarify the method of serving or filing any notice, filing, return, or submittal provided for in this chapter.

2.37.270 City Council Amendments

- (a) The city council may amend this chapter in any way it deems necessary without the approval of the electorate, provided the amendment does not increase the amount of tax that any person would pay.
- (b) Any amendment to this chapter that would reduce the amount of tax any taxpayer would pay, either temporarily or permanently, must be approved by two-thirds (2/3) of the members of the city council.
- (c) Notwithstanding subdivision (a) of this section, the city council may with the approval of two-thirds (2/3) of its members and without approval of the electorate reduce, revise, or eliminate any of the business tax offsets in section 2.37.080.

2.37.280 Severability

If any word, phrase, sentence, part, section, subsection, or other portion of this chapter, or any application thereof to any person or circumstance is declared void, unconstitutional, or

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invalid for any reason, then such word, phrase, sentence, part, section, subsection, or other portion, or the prescribed application thereof, shall be severable, and the remaining provisions of this chapter, and all applications thereof, not having been declared void, unconstitutional or invalid, shall remain in full force and effect. The People of the City of Palo Alto hereby declare that they would have passed this ordinance, and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases had been declared invalid or unconstitutional.

2.37.290 Savings Clause

No section, clause, part, or provision of this chapter shall be construed as requiring the payment of any tax that would be in violation of the Constitution or laws of the United States of America or of the Constitution or laws of the State of California.

2.37.300 Sunset

The tax imposed by this Chapter shall cease to be imposed on January 1, 2058.

SECTION 2. Implementation Procedures

1. The new tax imposed by this ordinance will go into effect on January 1, 2023.
2. Notwithstanding sections 2.37.090, 2.37.100, and 2.37.110 of the codified part of this ordinance, the tax imposed by this ordinance will initially be due on the following schedule:
 - (a) The initial tax payment for the tax that has accrued since January 1, 2023 will be due on January 1, 2024, or on a subsequent date established by the Tax Administrator and will be delinquent 30 days later if not paid.
 - (b) With its initial tax payment, each business shall provide the following information:
 - (1) The name of the business and the address or addresses at which it will be operating in the city;
 - (2) The nature of the business's activities;
 - (3) The square footage in which the business will be operating in the city;
 - (4) If the business operator claims an offset under section 2.37.080, sufficient information and documentation to establish the business's right to the offset and the amount of the offset;
 - (5) Any other information required by the Tax Administrator; and
 - (6) The amount of tax due based on the square footage of the business.

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(c) A business that begins operating for the first time after January 1, 2023, must submit its initial tax payment and initial information by the date provided in this uncodified section or by the date provided in codified section 2.37.090, whichever is later.

SECTION 3. General Tax. Proceeds of the tax imposed by this Ordinance shall be deposited in the general fund of the City and shall be available for any legal purpose.

SECTION 4. Effective Date. This ordinance shall be effective only if approved by a majority of the voters and shall go into effect immediately after the vote is declared by the City Council.

SECTION 5. Execution. The Mayor is hereby authorized to attest to the adoption of this Ordinance by the voters of the City by signing where indicated below.

I hereby certify that the foregoing Ordinance was PASSED, APPROVED and ADOPTED by the People of the City of Palo Alto voting on the 8th day of November, 2022.

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager

Director of Administrative Services

NOT YET APPROVED

Resolution No. ____

Resolution of the Council of the City of Palo Alto
Adopting Advisory Spending Guidelines for Proceeds of a Business Tax
to be Submitted to the Voters for Approval in November 2022

R E C I T A L S

A. The City of Palo Alto is a well-run municipality, with a Triple-A bond rating and a reputation for pro-active fiscal management, strong ongoing investments in public infrastructure, and conservative financial planning. However, the impacts of COVID-19, the subsequent economic downturn, and legal challenges to longstanding historic revenue sources have contributed to a projected budget gap in the City of Palo Alto's general fund.

B. Unlike most communities in California, the City of Palo Alto does not require local businesses to contribute to city projects and services through a local business tax. As Palo Alto looks to the future, City leaders have determined that the time has come to seek voter approval to tax mid-sized and large businesses operating in the City as neighboring communities do. Diversifying revenues with contributions from business will ensure that businesses pay a fair share and contribute to services used by residents, visitors and workers in the community.

C. If a business tax is approved by voters, its proceeds will be placed in the City's general fund for use on general government services. Council Members elected by the voters will determine the uses of those proceeds that best serve the public interest.

D. With this Resolution, the City Council informs voters of its intentions regarding the public services and programs that would be supported by business tax revenues.

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

SECTION 1. This Resolution No. ____ updates and supersedes Resolution No. _____, which is hereby repealed and shall be of no force or effect.

SECTION 2. Council hereby adopts the above Recitals as findings of the Council.

SECTION 3. It is the Council's intention to use proceeds of a business tax—a general tax for general government uses—to fund new and enhanced services and programs that support safety and quality of life. The Council approves the following advisory spending guidelines:

One-Third for Transportation and Safe Train Crossings. In the coming years, Palo Alto will need to need to invest substantial local funds in the improvement and safety of train crossings. CalTrain is electrifying and trains are increasing in number. To maintain traffic flow, bicycle and pedestrian mobility, and safety, the City's four at-grade road crossings must be modified and separated from the train right-of-way. It is estimated that an average investment of \$250 million will be needed for the improvements needed at each crossing. City funds will be used as matching funds to secure additional county, state, and federal funds for these investments in transportation infrastructure.

NOT YET APPROVED

The Council plans to spend one-third of business tax proceeds on safe and efficient crossings for vehicles, bicyclists, and pedestrians.

One-Third for Housing Affordability and Services for the Unhoused. A balanced and healthy community welcomes families and individuals from all walks of life. In Palo Alto, significant investments are needed to bring housing costs into reach for many moderate earners who work in the City, such as teachers, public safety employees, and workers in the trades and service industries. With few affordable local housing options, these workers must travel long distances between home and work, contributing to green-house gas emissions and traffic congestion. In addition, longtime residents—especially those who rent—are at risk of losing housing and being forced to relocate to other communities or become unhoused. Those who are already living in the City without housing need financial support to transition to stable, safe and clean housing. Substantial funding is needed to advance these goals. The Council plans to spend one-third of business tax proceeds on affordable housing and unhoused services.

One-Third for Public Safety. Rising costs and constrained revenues have limited the City's ability to provide public safety services—including police, fire, 911, and emergency services—at the level desired by the community. Stable long-term revenues from a business tax will put these highly-valued City services on sound footing into the future. The Council plans to spend one-third of business tax proceeds on public safety.

SECTION 4. The Council finds that adoption of this Resolution is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Attorney

City Manager

Not Yet Approved

Resolution No. _____

Resolution of the Council of the City of Palo Alto Calling an Election for
November 8, 2022 for Submittal to the Qualified Electors of the City a Measure
Affirming the City's Natural Gas Utility General Fund Transfer

R E C I T A L S

A. Pursuant to the City of Palo Alto Charter, Article VII, Section 2 (Public Utilities Revenue) the City of Palo Alto has had a decades-long practice of annually transferring funds from the natural gas utility to the general fund to fund general city services.

B. In 2021, in the case of *Green v. City of Palo Alto*, Santa Clara County Superior Court No. 16CV300760, the Superior Court determined that voter approval is required with respect to a portion of the transferred funds that are generated from retail natural gas rates.

C. The natural gas utility transfer is an important part of funding for basic City services such as roads, parks, libraries, climate change reduction, and police, fire, emergency medical, and 9-1-1 response. Affirming the continuation of the City's long-standing transfer practice does not raise natural gas rates above current levels.

D. A proposed ordinance attached hereto and incorporated herein by reference as Attachment "A" (the "Ordinance") would amend the Palo Alto Municipal Code to affirm Palo Alto's existing and decades-old practice of annually transferring up to 18% of the gross revenues of the gas utility (generated by retail natural gas rates) to the general fund to support general city services.

E. By its Resolution No. 10045 the City Council called a general municipal election for November 8, 2022 ("Election").

F. Pursuant to Government Code Section 53724 and Elections Code Section 9222, the City Council desires to submit the Ordinance to the voters of the City.

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

SECTION 1. Findings. The City Council finds and determines that each of the findings set forth above are true and correct.

SECTION 2. General Tax Election. The City Council proposes to impose the general tax set forth in the Ordinance and to present this proposal to the voters on November 8, 2022.

SECTION 3. Measure. Pursuant to Elections Code Section 9222, the City Council hereby submits the Ordinance to the voters at the Election and orders the following question to be submitted to the voters at the Election:

NOT YET APPROVED

Shall the measure affirming the City of Palo Alto's existing and decades-old practice of annually transferring no more than 18% of the gross revenues from the City's natural gas utility (generated by the City's retail natural gas rates) to its general fund to support general city services such as roads; parks; libraries; climate change reduction; police, fire, emergency medical, and 9-1-1 response; providing approximately \$7 million annually in existing revenues until ended by voters, be adopted?	YES	
	NO	

This question requires the approval of a majority of those casting votes.

SECTION 4. Adoption of Measure. The measure to be submitted to the voters is attached to this Resolution as Attachment A and incorporated herein by this reference.

SECTION 5. Notice of Election. Notice of the time and place of holding the Election is hereby given, and the City Clerk is authorized, instructed and directed to give further or additional notice of the Election, in time, form and manner as required by law.

SECTION 6. Impartial Analysis. Pursuant to Elections Code Section 9280, the City Council hereby directs the City Clerk to transmit a copy of the measure to the City Attorney. The City Attorney shall prepare an impartial analysis of the measure, not to exceed 500 words in length, showing the effect of the measure on the existing law and the operation of the measure, and transmit such impartial analysis to the City Clerk on or before August 23, 2022.

SECTION 7. Ballot Arguments. Pursuant to Elections Code Section 9286 et. seq., August 16, 2022 at 5:00 p.m. shall be the deadline for submission of arguments in favor of, and arguments against, any local measures on the ballot. If more than one argument for and/or against is received, the priorities established by Elections Code Section 9287 shall control.

SECTION 8. Rebuttal Arguments. The provisions of Elections Code Section 9285 shall control the submission of any rebuttal arguments. The deadline for filing rebuttal arguments shall be August 23, 2022 at 5:00 p.m.

SECTION 9. Consolidation Request. The Council of the City of Palo Alto requests the governing body of any other political subdivision, or any officers otherwise authorized by law, to partially or completely consolidate such elections and the City Council consents to such consolidation. The Council requests the Board of Supervisors of Santa Clara County to include on the ballots and sample ballots, all qualified measures submitted by the City Council to be ratified by the qualified electors of the City of Palo Alto. The Council acknowledges that the Election will be held and conducted according to procedures in the Elections Code, including Section 10418.

SECTION 10. Request for County Services. Pursuant to Section 10002 of the Elections Code, the Council of the City of Palo Alto hereby requests the Board of Supervisors of Santa Clara County to permit the Registrar of Voters to render services to the City of Palo Alto relating to the

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conduct of Palo Alto's General Municipal and Special Elections which are called to be held on Tuesday, November 8, 2022. The services shall be of the type normally performed by the Registrar of Voters in assisting the clerks of municipalities in the conduct of elections including, but not limited to, checking registrations, mailing ballots, hiring election officers and arranging for polling places, receiving absentee voter ballot applications, mailing and receiving absent voter ballots and opening and counting same, providing and distributing election supplies, and furnishing voting machines.

SECTION 11. Transmittal of Resolution. The City Clerk is hereby directed to submit forthwith a certified copy of this resolution to the Santa Clara County Board of Supervisors and to the Registrar of Voters.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSENTIONS:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:

City Manager

City Attorney

Director of Administrative Services

NOT YET APPROVED

Attachment A

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending Chapter 2.28 (Fiscal Procedures) of Title 2 of the Palo Alto Municipal Code to Authorize the City Council to Continue to Annually Transfer from the Natural Gas Utility to the General Fund an Amount Equal to 18% of the Gross Revenues of the Natural Gas Utility, Generated by the City's Retail Natural Gas Rates

The People of the City of Palo Alto do ordain as follows:

SECTION 1. Chapter 2.28 of the Palo Alto Municipal Code is hereby amended by adding Section 2.28.185 as follows:

**Chapter 2.28
FISCAL PROCEDURES**

2.28.185 Natural Gas Utility Transfer

Each fiscal year the City Council may transfer from the natural gas utility to the general fund an amount equal to 18% of the gross revenues of the gas utility received during the fiscal year two fiscal years before the fiscal year of the transfer. At its discretion, the City Council may decide to transfer a lesser amount. The projected cost of the transfer shall be included in the City's retail natural gas rates as part of the cost of providing gas service.

SECTION 2. General Tax. Proceeds of the tax imposed by this Ordinance shall be deposited in the general fund of the City and shall be available for any legal purpose.

SECTION 3. Amendment or Repeal. The City Council may repeal Section 2.28.185 of the Palo Alto Municipal Code or amend that Section without a vote of the people except that any amendment to Section 2.28.185 that increases the amount or rate of tax due from any person beyond the amounts and rates authorized by this Ordinance may not take effect unless approved by a vote of the people.

SECTION 4. Severability. If any section, subsection, sentence, clause, phrase, or portion of this Ordinance is for any reason held to be invalid or unenforceable by a court of competent jurisdiction, the remaining portions of this Ordinance shall nonetheless remain in full force and effect. The people hereby declare that they would have adopted each section, subsection, sentence, clause, phrase, or portion of this Ordinance, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions of this Ordinance be declared invalid or unenforceable.

SECTION 5. Effective Date. This ordinance shall be effective only if approved by a majority of the voters and shall go into effect immediately after the vote is declared by the City Council.

NOT YET APPROVED

Attachment A

SECTION 6. Execution. The Mayor is hereby authorized to attest to the adoption of this Ordinance by the voters of the City by signing where indicated below.

I hereby certify that the foregoing Ordinance was PASSED, APPROVED and ADOPTED by the People of the City of Palo Alto voting on the 8th day of November, 2022.

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

City Attorney

City Manager

Director of Administrative Services



City of Palo Alto City Council Staff Report

(ID # 14607)

Meeting Date: 8/1/2022

Report Type: Information Reports

Title: Sales Tax Digest Summary Calendar 2022 Q1

From: City Manager

Lead Department: Administrative Services

DISCUSSION

This report transmits information regarding the City of Palo Alto's sales tax receipts for the first quarter (January through March) of 2022. This quarter marks two years from the first affected quarter due to the pandemic.

There are two attachments to this report that provide further level of information:

- City of Palo Alto Sales Tax Digest Summary (Attachment A)
- California Legislative Update – June 2022 (Attachment B)

The City's sales tax cash receipts of \$8.1 million for the first quarter (January to March 2022) is \$1.3 million (19.5 percent) higher than the same quarter of the prior year (see Attachment A, Table 5). In contrast, the first quarter of 2022 compared to the same quarter of 2020 increased by \$2.4 million (43.2 percent). The first quarter in 2020 saw the lowest receipts of any quarter in the past two years triggered by the start of the pandemic and economic downturn. Also, an important reminder is that the state offered small businesses 90-day extensions to pay their first quarter of 2020 taxes, and some companies made little or no payments in Q1 of 2020 due to this program. While Palo Alto experienced a 43.2% cash increase for the Q1 2022 compared to the Q1 2020, this includes the period of reduced payments, so the actual economic activity did not increase to the same extent.

For the year ending in the first quarter of 2022, cash receipts (including county pools) for the City increased by 18.4 percent from the prior year. In comparison, the statewide increase was 23.4 percent while Northern California increased by 20.4 percent.

After adjustments for non-period related payments, the overall economic sales tax activity (local business excluding pools) in Palo Alto for the year ending the first quarter of 2022 increased by 27.9 percent, while it increased 18.7 percent for the state and increased 9.3 percent in Northern California. The City of Palo Alto experienced a much larger decline in the

prior year compared to the state, which resulted in the larger increase when comparing year over year totals.

The first quarter of 2022 includes \$1.5 million of sales tax receipts from the county pool. The City's share of the county pool for this quarter is 6 percent, a marginal increase from 5.9 percent in the first quarter of 2021. County pools are primarily from online purchases from out of state companies, remote sellers who ship merchandise to California/County destinations, and private vehicle sales that are not directly allocated to a jurisdiction. County pools are allocated to local jurisdictions based on each jurisdiction's share of total sales taxes.

Attachments:

- **Attachment11.a:** Attachment A: Palo Alto 2022Q1 Digest Summary
- **Attachment11.b:** Attachment B: California Legislative Update

City of Palo Alto

Sales Tax Digest Summary

Collections through May 2022

Sales January through March 2022 (2022Q1)

California Overview

For the year ending in first quarter of 2022, cash receipts increased 23.4% statewide, 20.4% in Northern California. However, when adjusted for non-period related payments, the overall economic sales tax activity for the year ending in first quarter of 2022 increased by 18.7% statewide, and up 9.3% in Northern California.

City of Palo Alto

For the year ending in the first quarter of 2022, sales tax cash receipts for the city increased by 18.4% from the prior year. However, when adjusted for non-period related payments, the overall economic sales tax activity in Palo Alto for the year ending in first quarter of 2022 increased by 27.9%.

On a quarterly basis, sales tax cash receipts increased by 19.5% from Quarter 1 of 2021 to Quarter 1 of 2022. However, this increase includes late payment anomalies related to a state sales tax extension program (see note below). The period's cash receipts include tax from business activity during the period, payments for prior periods and other cash adjustments. When adjusted for non-period related payments, the overall economic quarter over quarter sales tax activity (Q1 2021 to Q1 2022) in Palo Alto increased by 27.7%.

As some general background on the relative influence of different growth factors this quarter, approximately 6.0% of Palo Alto's 19.5% Q1 of 2022 over Q1 of 2021 increase might be attributed to inflation, based on increases in the Consumer Price Index, (CPI-U). An estimated 3.5% of Palo Alto's 19.5% increase might be attributed to increased economic activity, based on changes in US Real GDP. Roughly – 4.0% is attributable to a decrease in payments from prior periods, due to Palo Alto taxpayers getting caught up with payments. The remaining roughly 14.0% is a combination of recovery and other factors (consumers, businesses and organizations getting back to Pre-Pandemic trends along with non-pandemic related business performance changes). Note that some of these factors are based on broad based data and thus, these growth factors should be treated as rough guidelines for economic activity changes this quarter.

Regional Overview

The first chart on page two shows adjusted economic benchmark year amounts, which means that it shows a full calendar year from the first quarter of 2021 through first quarter of 2022 compared to first quarter of 2020 through first quarter of 2021 (benchmark years are rolling annual comparisons through the current quarter). The decrease is different between the state and Palo Alto because the sales tax from businesses in Palo Alto were more impacted than those statewide.

City of Palo Alto

Regional Overview Chart (Economic)

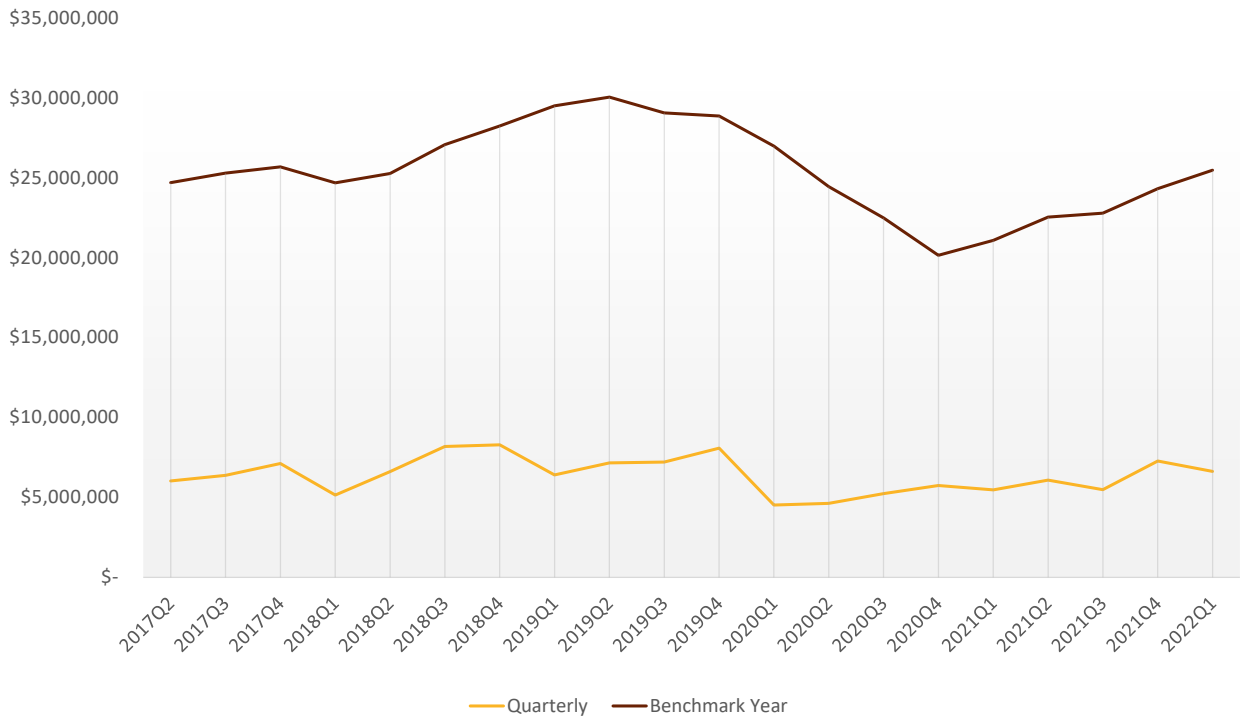
CITY OF PALO ALTO

BENCHMARK YEAR 2022Q1 COMPARED TO BENCHMARK YEAR 2021Q1

ECONOMIC CATEGORY ANALYSIS FOR YEAR ENDED 1st Quarter 2022								
% of Total / % Change	Palo Alto	California Statewide	S.F. Bay Area	Sacramento Valley	Central Valley	South Coast	Inland Empire	North Coast
General Retail	29.6 / 50.3	28.4 / 20.4	24.2 / 5.1	28.8 / 36.1	37.8 / 26.3	26.9 / 20.8	33.1 / 31.1	28.0 / -11.2
Food Products	15.4 / 66.2	19.9 / 25.5	20.4 / 11.6	15.5 / 24.6	14.1 / 22.2	22.0 / 34.1	17.9 / 15.5	17.1 / -11.1
Transportation	22.6 / 31.6	24.4 / 17.4	21.4 / -4.4	27.4 / 20.1	22.6 / 22.4	25.1 / 26.0	25.5 / 12.7	29.0 / -0.2
Business to Business	29.3 / 0.8	16.1 / 2.1	22.0 / -7.8	13.8 / 14.0	14.2 / 14.4	16.0 / 6.3	10.2 / -14.6	10.4 / 4.8
Misc/Other	3.1 / 3.5	11.2 / -0.6	12.1 / -13.2	14.5 / 17.6	11.3 / 9.6	10.1 / 1.4	13.3 / -3.7	15.5 / -13.8
Total	100.0 / 27.9	100.0 / 18.7	100.0 / -1.4	100.0 / 23.7	100.0 / 21.0	100.0 / 19.7	100.0 / 12.2	100.0 / -7.2
ECONOMIC SEGMENT ANALYSIS FOR YEAR ENDED 1st Quarter 2022								
	Palo Alto	California Statewide	S.F. Bay Area	Sacramento Valley	Central Valley	South Coast	Inland Empire	North Coast
Largest Segment	Leasing	Restaurants	Restaurants	Auto Sales - New	Miscellaneous Retail	Restaurants	Miscellaneous Retail	Auto Sales - New
% of Total / % Change	19.2 / 23.6	13.8 / 39.9	14.1 / 29.8	11.5 / 12.4	13.9 / 95.3	15.6 / 49.1	15.3 / 89.6	11.6 / -8.8
2nd Largest Segment	Auto Sales - New	Auto Sales - New	Auto Sales - New	Miscellaneous Retail	Department Stores	Auto Sales - New	Auto Sales - New	Restaurants
% of Total / % Change	18.6 / 27.2	11.9 / 12.7	11.1 / -11.4	11.0 / 95.9	10.8 / 6.1	12.9 / 23.5	11.6 / 11.7	10.7 / -12.5
3rd Largest Segment	Restaurants	Miscellaneous Retail	OFFICE EQUIPMENT	Restaurants	Restaurants	Department Stores	Restaurants	Department Stores
% of Total / % Change	13.5 / 76.6	9.0 / 40.6	7.7 / -7.1	10.4 / 36.9	9.4 / 30.5	8.2 / 15.3	11.0 / 22.7	10.2 / -19.3

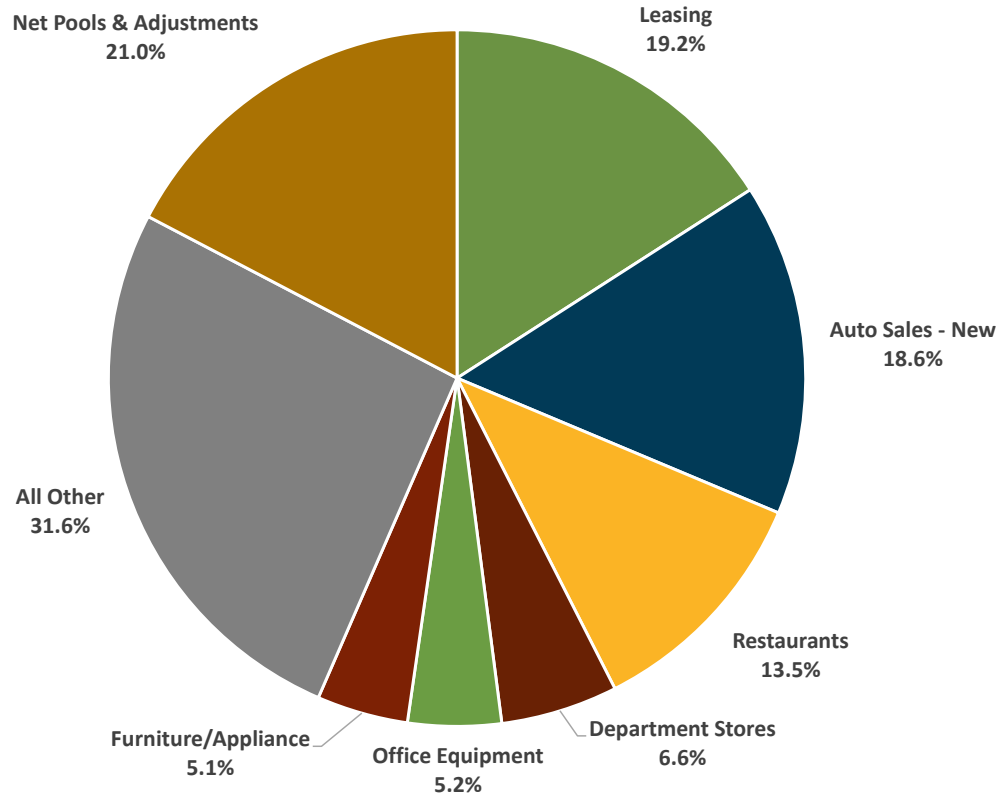
Chart 2

Gross Historical Sales Tax Cash Receipts by Benchmark Year and Quarter (Before Adjustments)



Net Cash Receipts for Benchmark Year first Quarter 2022: \$31,352,667

**Benchmark year (BMY) is the sum of the current and 3 previous quarters (2022Q1 BMY is sum of 2022 Q1, 2021 Q4, 2021 Q3, 2021 Q2)*

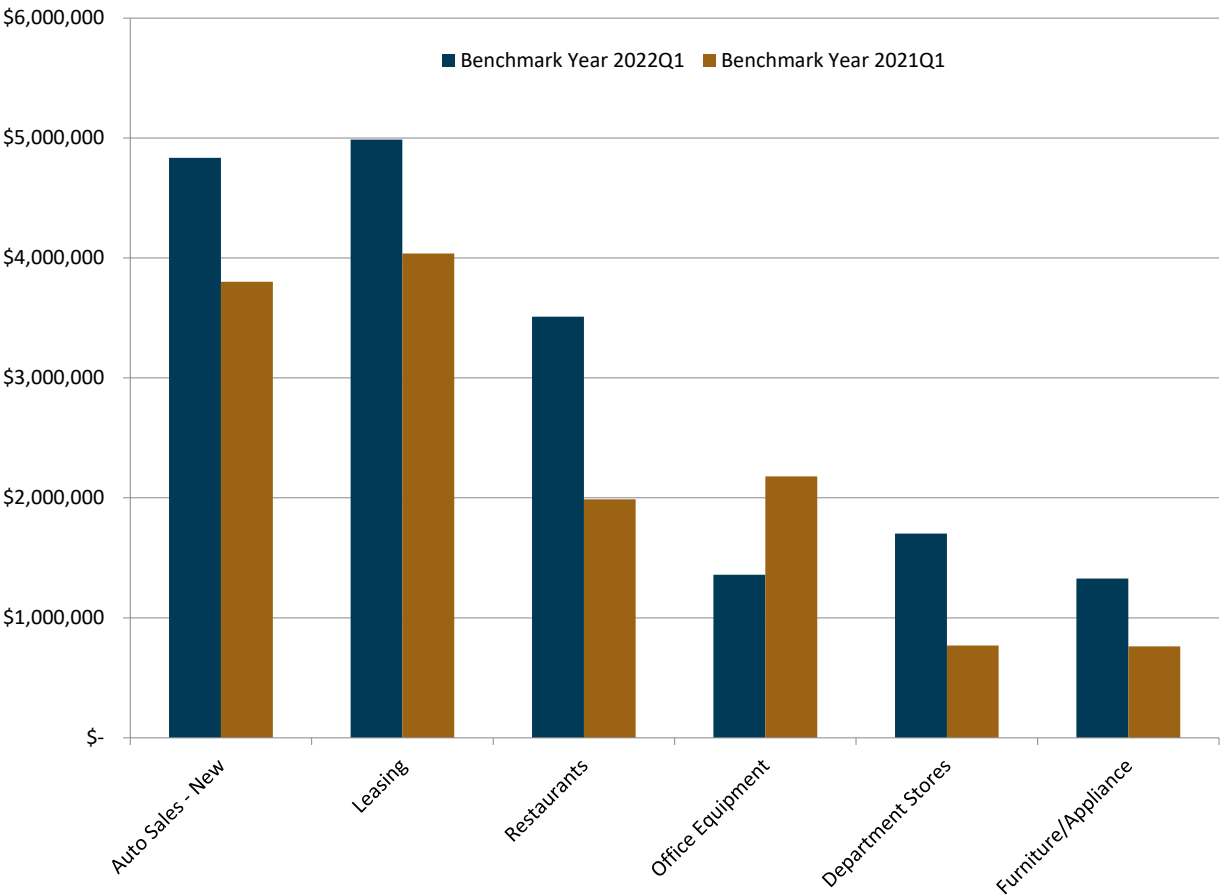


TOP 25 SALES/USE TAX CONTRIBUTORS

The following list identifies Palo Alto's Top 25 Sales/Use Tax contributors. The list is in alphabetical order and represents the year ended first quarter of 2022. The Top 25 Sales/Use Tax contributors generate 61.2% of Palo Alto's total sales and use tax revenue.

Anderson Honda	Macy's Department Store	Stanford Health Care
Apple Stores	Magnussen's Toyota	Tesla
Audi Palo Alto	Neiman Marcus Department Store	Tesla Lease Trust
Bloomingdale's	Nordstrom Department Store	Tiffany & Company
Hengehold Trucks	Richemont	Union 76 Service Stations
Hermes	Rivian Automotive	Varian Medical Systems
HP Enterprise Services	Shell Service Stations	Volvo Cars Palo Alto
Louis Vuitton	Shreve & Co.	Wilkes Bashford
Lucile Packard Children's Hospital		

Sales Tax from Largest Non-Confidential Sales Tax Segments (Economic)



Historical Analysis by Calendar Quarter

Economic Category	%	2022Q1	2021Q4	2021Q3	2021Q2	2021Q1	2020Q4	2020Q3	2020Q2	2020Q1	2019Q4	2019Q3
Business To Business	25.1%	2,032,592	1,969,438	1,762,093	1,652,745	1,765,043	2,060,217	2,022,479	1,851,601	2,000,210	2,375,333	1,942,593
Miscellaneous/Other	20.9%	1,695,756	1,682,102	1,702,838	1,620,383	1,467,407	1,679,573	1,322,172	997,005	1,227,541	1,693,416	1,516,049
General Retail	21.0%	1,700,135	2,273,543	1,798,257	1,803,297	1,262,756	1,746,602	1,300,645	660,300	1,450,820	2,579,412	2,416,101
Food Products	12.4%	1,007,507	1,075,263	970,873	897,222	619,501	668,640	650,152	439,540	990,266	1,256,287	1,205,242
Subtotal Economic (Local Business)	79.3%	6,435,991	7,000,346	6,234,061	5,973,646	5,114,708	6,155,031	5,295,448	3,948,447	5,668,837	7,904,447	7,079,986
Net Pools & Adjustments	20.7%	1,676,665	1,995,234	539,929	1,496,795	1,675,094	1,186,152	1,227,876	1,877,921	-2,287	1,937,461	1,477,413
Total Cash Receipts	100.0%	8,112,655	8,995,580	6,773,990	7,470,441	6,789,802	7,341,183	6,523,324	5,826,368	5,666,550	9,841,908	8,557,399

Economic Segment	%	2022Q1	2021Q4	2021Q3	2021Q2	2021Q1	2020Q4	2020Q3	2020Q2	2020Q1	2019Q4	2019Q3
Miscellaneous/Other	48.9%	3,965,301	3,962,070	3,837,648	3,654,707	3,499,781	4,170,752	3,682,918	3,181,367	3,551,274	4,677,431	4,315,212
Restaurants	11.0%	891,656	941,683	857,066	785,086	527,203	552,176	545,728	342,533	867,027	1,105,719	1,073,522
Miscellaneous Retail	5.3%	429,200	676,701	407,467	456,685	327,729	479,041	326,777	108,953	280,493	499,697	384,397
Apparel Stores	4.9%	401,056	537,479	400,589	395,779	264,322	358,744	263,940	72,307	305,737	552,735	469,447
Department Stores	5.0%	403,604	525,295	388,703	384,763	237,473	315,453	186,316	29,842	245,948	552,822	431,717
Service Stations	2.4%	191,812	190,601	181,448	152,565	116,258	111,241	108,840	70,063	146,291	181,082	175,309
Food Markets	1.1%	91,633	106,315	87,521	89,669	71,321	89,396	81,580	77,803	102,026	118,952	104,192
Business Services	0.8%	61,729	60,203	73,620	54,393	70,621	78,228	99,348	65,579	170,042	216,011	126,190
Subtotal Economic (Local Business)	79.3%	6,435,991	7,000,346	6,234,061	5,973,646	5,114,708	6,155,031	5,295,448	3,948,447	5,668,837	7,904,447	7,079,986
Net Pools & Adjustments	20.7%	1,676,665	1,995,234	539,929	1,496,795	1,675,094	1,186,152	1,227,876	1,877,921	-2,287	1,937,461	1,477,413
Total Cash Receipts	100.0%	8,112,655	8,995,580	6,773,990	7,470,441	6,789,802	7,341,183	6,523,324	5,826,368	5,666,550	9,841,908	8,557,399

The chart above shows the categories and segments in quarterly economic basis amounts. The total amount is the net cash receipts, and it was obtained by adding up the categories/segments with the “Net Pools & Adjustments” amount.

City of Palo Alto

Historical Analysis by Calendar BMY from 2013Q1 to 2022Q1

Economic Category	%	2022Q1	2021Q1	2020Q1	2019Q1	2018Q1	2017Q1	2016Q1	2015Q1	2014Q1	2013Q1
Business To Business	24.3%	7,617,663	7,554,150	8,287,264	7,420,749	6,165,462	5,317,271	4,919,417	4,159,698	3,826,166	4,086,958
Miscellaneous/Other	21.3%	6,687,843	5,250,996	5,780,899	7,517,321	6,387,471	6,138,103	5,805,795	5,357,777	8,683,787	5,044,215
General Retail	24.3%	7,625,742	4,989,212	8,438,706	8,571,709	8,413,734	8,590,616	8,036,424	8,083,498	8,269,497	8,190,986
Food Products	12.7%	3,990,234	2,400,702	4,758,375	4,862,470	4,726,632	4,603,963	4,550,695	4,267,423	3,903,474	3,547,073
Subtotal Economic (Local Business)	82.7%	25,921,482	20,195,060	27,265,245	28,372,249	25,693,300	24,649,953	23,312,331	21,868,395	24,682,924	20,869,232
Net Pools & Adjustments	17.3%	5,431,185	6,285,617	5,547,273	6,784,911	3,150,183	4,680,340	4,040,097	3,795,270	2,542,673	4,825,143
Total	100.0%	31,352,667	26,480,678	32,812,518	35,157,160	28,843,483	29,330,293	27,352,428	25,663,665	27,225,597	25,694,375

Economic Segment	%	2022Q1	2021Q1	2020Q1	2019Q1	2018Q1	2017Q1	2016Q1	2015Q1	2014Q1	2013Q1
Miscellaneous/Other	49.2%	15,427,568	14,164,756	16,157,608	16,384,141	14,131,595	12,726,181	11,702,670	10,658,693	13,248,429	9,736,993
Restaurants	11.2%	3,509,904	1,986,961	4,200,287	4,281,863	4,110,727	4,004,906	3,958,600	3,713,187	3,438,478	3,090,057
Miscellaneous Retail	6.5%	2,031,480	1,260,960	1,557,472	1,656,404	1,720,866	2,275,210	1,673,995	1,514,666	1,950,451	1,851,598
Apparel Stores	5.6%	1,746,550	961,217	1,813,086	2,030,834	1,756,061	1,680,052	1,629,174	1,659,577	1,704,767	1,693,373
Department Stores	5.4%	1,702,364	769,134	1,684,162	1,932,036	2,079,948	2,100,526	2,298,559	2,395,177	2,449,817	2,461,177
Service Stations	2.3%	721,106	406,403	688,780	693,763	629,651	573,919	618,471	732,864	760,186	758,850
Food Markets	1.2%	380,328	323,518	445,875	453,701	510,430	503,066	505,442	482,242	414,066	410,236
Business Services	1.3%	402,182	322,112	717,974	939,507	754,022	786,093	925,420	711,989	716,730	866,948
Subtotal Economic (Local Business)	82.7%	25,921,482	20,195,060	27,265,245	28,372,249	25,693,300	24,649,953	23,312,331	21,868,395	24,682,924	20,869,232
Net Pools & Adjustments	17.3%	5,431,185	6,285,617	5,547,273	6,784,911	3,150,183	4,680,340	4,040,097	3,795,270	2,542,673	4,825,143
Total	100.0%	31,352,667	26,480,678	32,812,518	35,157,160	28,843,483	29,330,293	27,352,428	25,663,665	27,225,597	25,694,375

The chart above shows the categories and segments in benchmark year economic basis amounts. The total amount is the net cash receipts, and it was obtained by adding up the categories/segments with the “Net Pools & Adjustments” amount. Benchmark year (BMY) is the sum of the current and 3 previous quarters (2022Q1 BMY is sum of 2022 Q1, 2021 Q4, 2021 Q3, 2021 Q2).

City of Palo Alto

Quarterly Analysis by Sales Tax Category: Change from 2021Q1 to 2022Q1 (Economic)

	General Retail	Food Products	Transportation	Business to Business	Misc/Other	2022/1 Total	2021/1 Total	% Chg	Largest Gain	Second Largest Gain	Largest Decline	Second Largest Decline
Campbell	15.6%	36.8%	22.3%	-1.1%	35.7%	2,413,744	2,072,244	16.5%	Restaurants	Electronic Equipment	Office Equipment	I.T. Infrastructure
Cupertino	9.7%	50.9%	61.9%	5.0%	-24.2%	10,379,314	9,641,794	7.6%	Office Equipment	Restaurants	Electronic Equipment	Recreation Products
Gilroy	2.5%	15.7%	41.8%	45.1%	4.1%	4,013,236	3,389,610	18.4%	Auto Sales - New	Service Stations	Furniture/Appliance	Heavy Industry
Los Altos	19.8%	30.2%	49.2%	12.2%	46.7%	560,631	437,202	28.2%	Restaurants	Service Stations	Bldg.Matls-Whsle	Green Energy
Los Gatos	26.8%	32.4%	8.1%	37.9%	-26.8%	1,340,447	1,146,657	16.9%	Restaurants	Furniture/Appliance	Miscellaneous Other	Food Processing Eqp
Milpitas	18.1%	43.8%	99.4%	12.8%	-38.8%	5,446,262	4,378,976	24.4%	Auto Sales - New	Electronic Equipment	Office Equipment	Bldg.Matls-Whsle
Morgan Hill	1.5%	21.7%	17.1%	7.6%	-5.7%	2,341,665	2,145,592	9.1%	Service Stations	Restaurants	Bldg.Matls-Whsle	Auto Parts/Repair
Mountain View	7.3%	35.9%	56.1%	55.5%	1.7%	4,444,950	3,345,939	32.8%	Restaurants	Business Services	Bldg.Matls-Whsle	Heavy Industry
Palo Alto	32.7%	59.0%	18.8%	20.5%	14.3%	6,478,603	5,071,547	27.7%	Restaurants	Leasing	Drug Stores	Miscellaneous Other
San Jose	21.8%	29.9%	24.6%	9.6%	14.2%	41,982,614	34,872,720	20.4%	Restaurants	Service Stations	Business Services	Light Industry
Santa Clara	19.6%	46.5%	29.9%	16.1%	57.0%	11,036,156	9,133,215	20.8%	Office Equipment	Auto Sales - New	I.T. Infrastructure	Leasing
County of Santa Clara	46.9%	55.1%	10.9%	21.4%	-8.1%	1,143,984	850,586	34.5%	Food Processing Eqp	Bldg.Matls-Whsle	Miscellaneous Retail	Miscellaneous Other
Saratoga	20.5%	49.4%	28.2%	138.2%	7.7%	246,258	175,445	40.4%	Restaurants	Service Stations	Bldg.Matls-Whsle	Leasing
Sunnyvale	107.6%	33.6%	27.0%	32.7%	5.3%	6,932,312	4,884,947	41.9%	Miscellaneous Retail	Office Equipment	Leasing	Business Services

Unlike the chart on page one which showed a ‘benchmark year’ through first quarter of 2022, the chart above shows a comparison of one quarter only – first quarter of 2022 to first quarter of 2021. This chart is for local ‘brick and mortar’ businesses and it excludes county pools and adjustments.

City of Palo Alto

City of Palo Alto Geo Areas & Citywide Chart Data: Change from 2021Q1 to 2022Q1 (Economic)

California Avenue	% CHANGE QoQ	2022Q1 QE	2021Q1 QE	22Q1 % OF TOTAL	21Q1 % OF TOTAL
FOOD PRODUCTS	61.0%	46,888	29,130	41.7%	34.4%
GENERAL RETAIL	-6.1%	25,356	27,002	22.5%	31.9%
ALL OTHER	41.8%	40,313	28,429	35.8%	33.6%
TOTAL	33.1%	112,558	84,562	100.0%	100.0%

El Camino Real and Midtown	% CHANGE QoQ	2022Q1 QE	2021Q1 QE	22Q1 % OF TOTAL	21Q1 % OF TOTAL
FOOD PRODUCTS	72.9%	138,018	79,815	43.5%	34.8%
GENERAL RETAIL	28.5%	36,890	28,708	11.6%	12.5%
ALL OTHER	18.1%	142,402	120,625	44.9%	52.6%
TOTAL	38.5%	317,310	229,148	100.0%	100.0%

Greater Downtown	% CHANGE QoQ	2022Q1 QE	2021Q1 QE	22Q1 % OF TOTAL	21Q1 % OF TOTAL
FOOD PRODUCTS	76.8%	390,516	220,885	54.3%	53.3%
GENERAL RETAIL	98.7%	264,811	133,274	36.8%	32.1%
BUSINESS TO BUSINESS	8.1%	43,808	40,543	6.1%	9.8%
CONSTRUCTION	-7.3%	9,506	10,253	1.3%	2.5%
MISCELLANEOUS	12.5%	7,543	6,707	1.0%	1.6%
TRANSPORTATION	14.2%	3,499	3,063	0.5%	0.7%
TOTAL	73.5%	719,683	414,725	100.0%	100.0%

Stanford Shopping Center	% CHANGE QoQ	2022Q1 QE	2021Q1 QE	22Q1 % OF TOTAL	21Q1 % OF TOTAL
GENERAL RETAIL	42.1%	994,809	700,227	69.4%	71.3%
FOOD PRODUCTS	31.6%	129,305	98,220	9.0%	10.0%
ALL OTHER	68.1%	309,663	184,189	21.6%	18.7%
TOTAL	45.9%	1,433,777	982,636	100.0%	100.0%

City of Palo Alto

City of Palo Alto Geo Areas & Citywide Chart Data: Change from 2021Q1 to 2022Q1 (Economic) Cont.

Town And Country Shopping Center	% CHANGE QoQ	2022Q1 QE	2021Q1 QE	22Q1 % OF TOTAL	21Q1 % OF TOTAL
GENERAL RETAIL	17.8%	48,237	40,933	35.6%	39.3%
ALL OTHER	38.0%	87,376	63,298	64.4%	60.7%
TOTAL	30.1%	135,613	104,231	100.0%	100.0%

All Other Geos combined with Balance of Jurisdiction	% CHANGE QoQ	2022Q1 QE	2021Q1 QE	22Q1 % OF TOTAL	21Q1 % OF TOTAL
BUSINESS TO BUSINESS	24.2%	1,933,595	1,556,522	35.4%	35.8%
GENERAL RETAIL	27.9%	1,442,376	1,127,909	26.4%	25.9%
TRANSPORTATION	10.5%	1,159,178	1,049,434	21.2%	24.1%
FOOD PRODUCTS	60.4%	839,273	523,128	15.4%	12.0%
MISCELLANEOUS	-17.0%	53,111	63,997	1.0%	1.5%
CONSTRUCTION	30.8%	33,782	25,825	0.6%	0.6%
TOTAL	25.6%	5,461,315	4,346,815	100.0%	100.0%

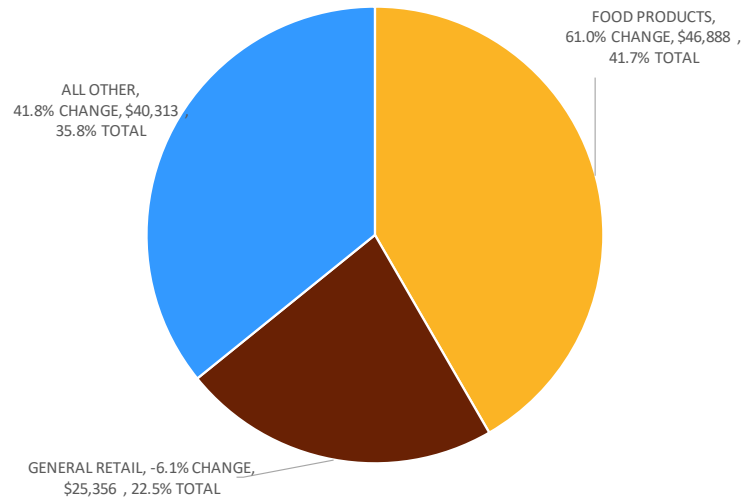
All Geo Area Totals Comparison 21Q4 & 20Q4	% CHANGE QoQ	2022Q1 QE	2021Q1 QE	22Q1 % OF TOTAL	21Q1 % OF TOTAL
Balance of Jurisdiction	8.3%	2,742,375	2,531,514	50.2%	58.2%
Stanford Shopping Center	45.9%	1,433,777	982,636	26.3%	22.6%
Greater Downtown	73.5%	719,683	414,725	13.2%	9.5%
El Camino Real and Midtown	38.5%	317,310	229,148	5.8%	5.3%
Town And Country Shopping Center	30.1%	135,613	104,231	2.5%	2.4%
California Avenue	33.1%	112,558	84,562	2.1%	1.9%
TOTAL	25.6%	5,461,315	4,346,815	100.0%	100.0%

Palo Alto citywide QE 21Q4 & 20Q4	% CHANGE QoQ	2022Q1 QE	2021Q1 QE	22Q1 % OF TOTAL	21Q1 % OF TOTAL
BUSINESS TO BUSINESS	20.5%	2,067,376	1,716,119	31.9%	33.8%
GENERAL RETAIL	33.0%	1,700,135	1,277,854	26.2%	25.2%
TRANSPORTATION	18.8%	1,435,420	1,208,254	22.2%	23.8%
FOOD PRODUCTS	59.0%	1,007,507	633,530	15.6%	12.5%
MISCELLANEOUS	14.3%	226,246	197,964	3.5%	3.9%
CONSTRUCTION	10.8%	41,919	37,827	0.6%	0.7%
TOTAL	27.7%	6,478,603	5,071,547	100.0%	100.0%

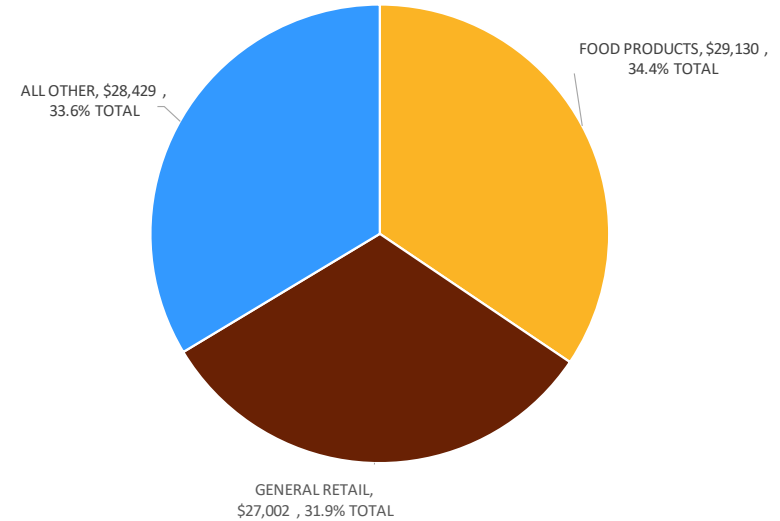
City of Palo Alto

City of Palo Alto Geo Area Pie Charts

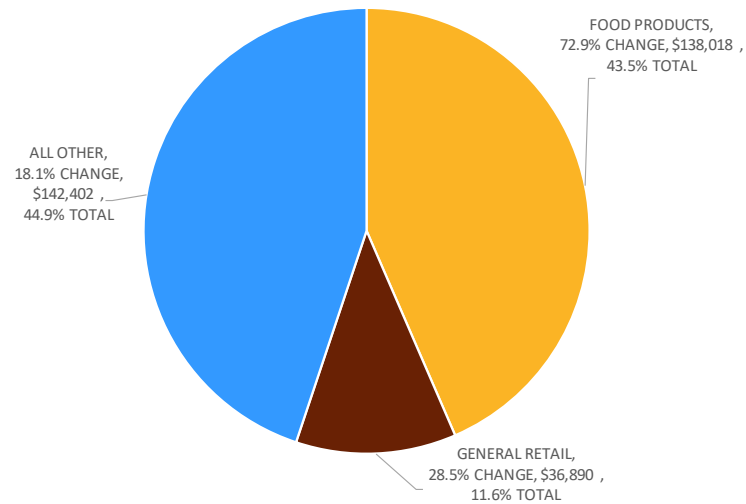
California Avenue 2022Q1 SALES TAX AMOUNTS



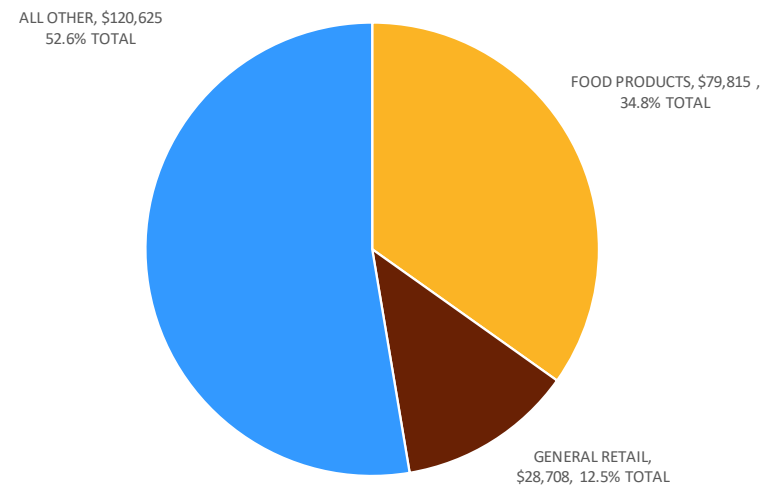
California Avenue 2021Q1 SALES TAX AMOUNTS



El Camino Real and Midtown 2022Q1 SALES TAX AMOUNTS

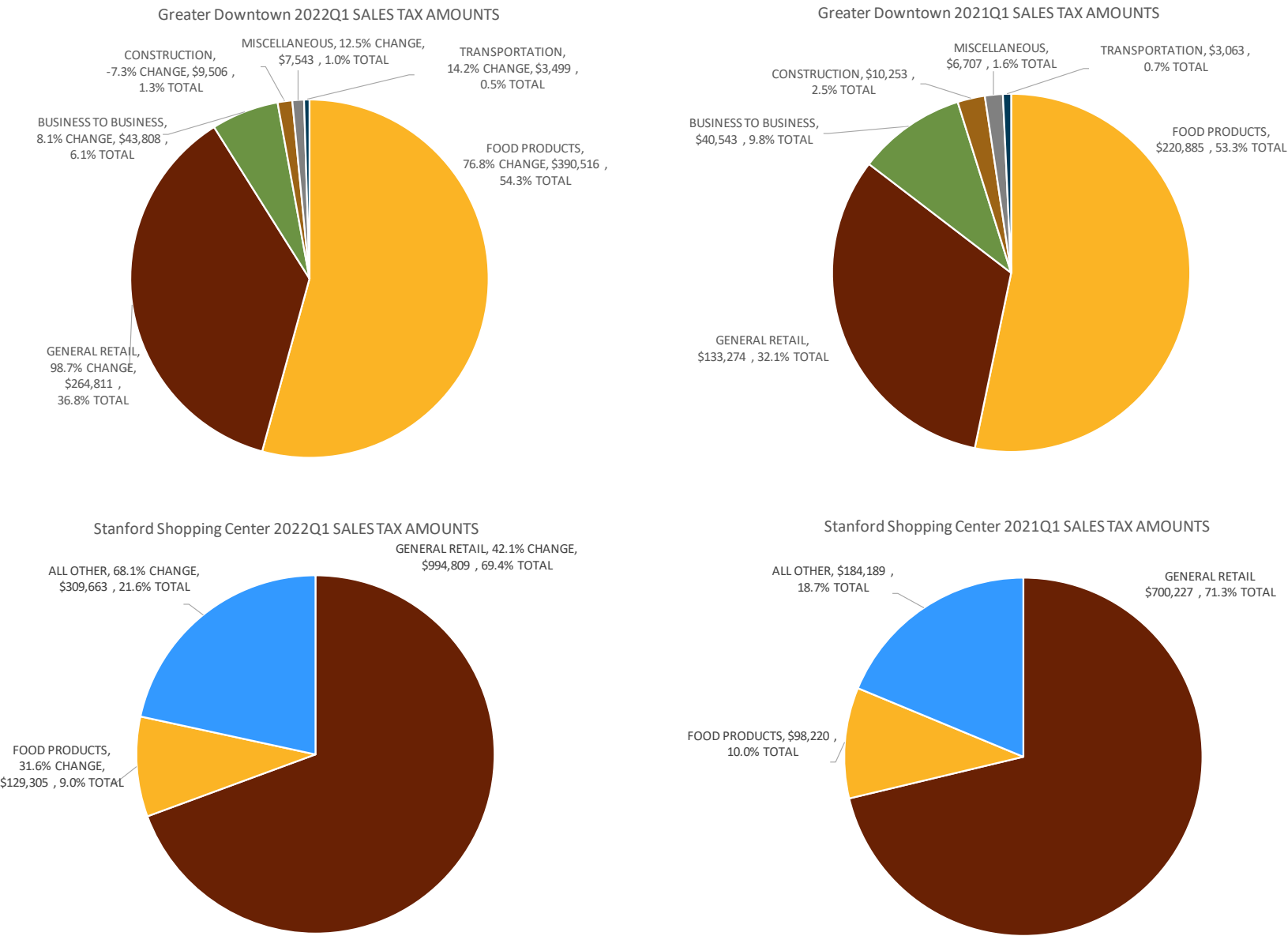


El Camino Real and Midtown 2021Q1 SALES TAX AMOUNTS



City of Palo Alto

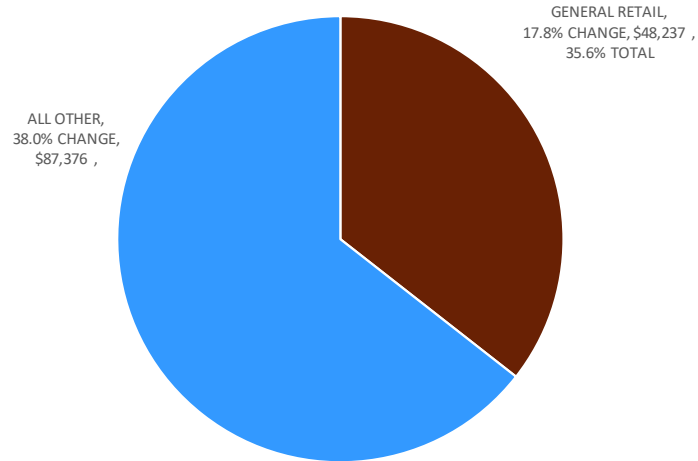
City of Palo Alto Geo Areas Pie Charts



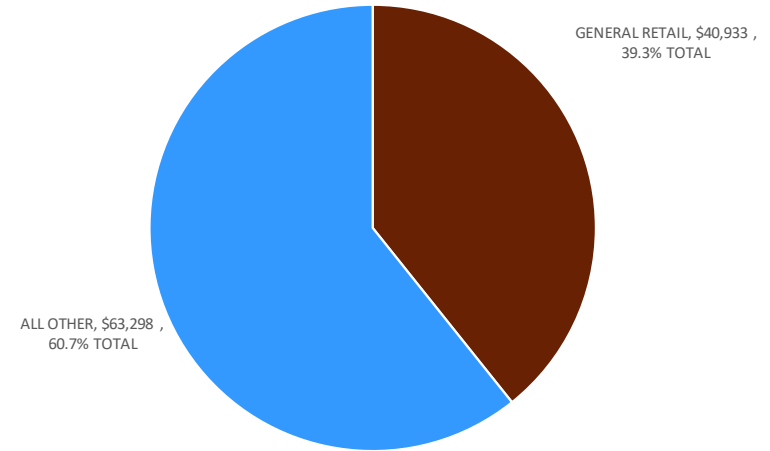
City of Palo Alto

City of Palo Alto Geo Area Pie Charts

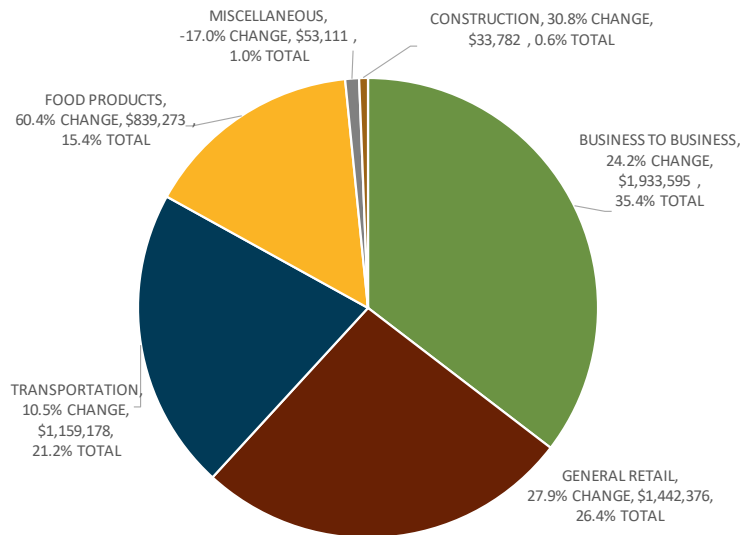
Town And Country Shopping Center 2022Q1 SALES TAX AMOUNTS



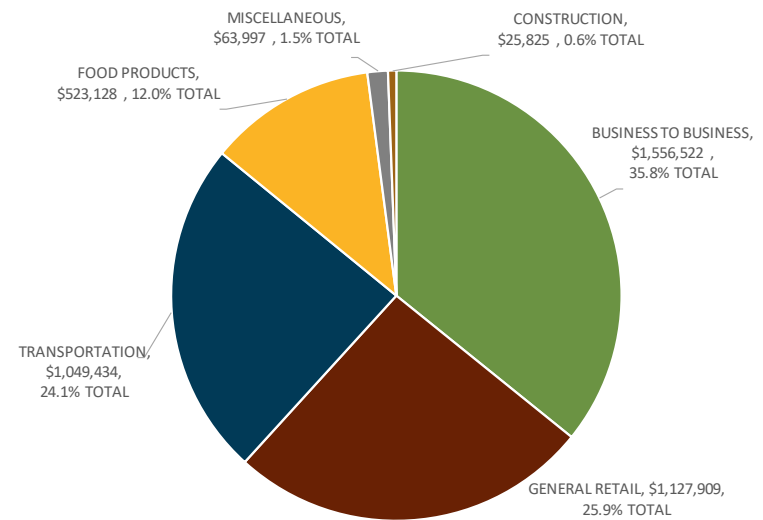
Town And Country Shopping Center 2021Q1 SALES TAX AMOUNTS



All Other Geos combined with Balance of Jurisdiction 2022Q1 SALES TAX AMOUNTS



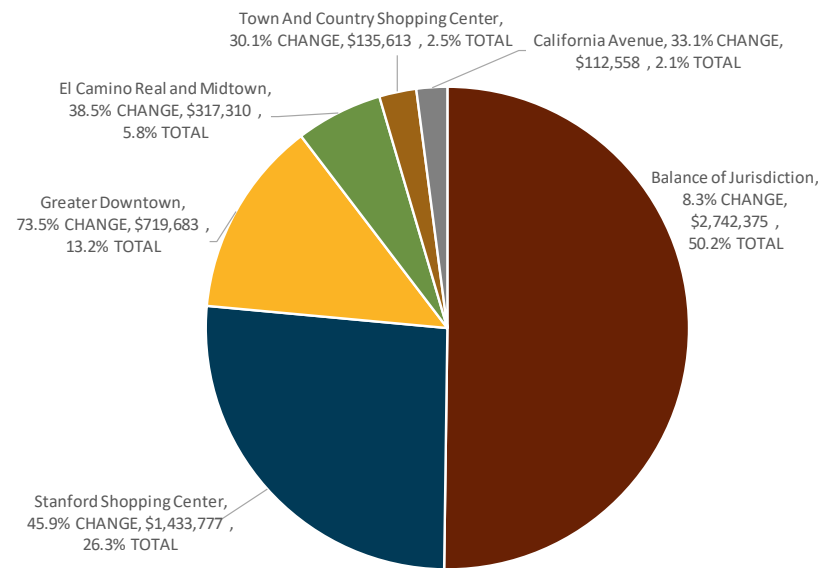
All Other Geos combined with Balance of Jurisdiction 2021Q1 SALES TAX AMOUNTS



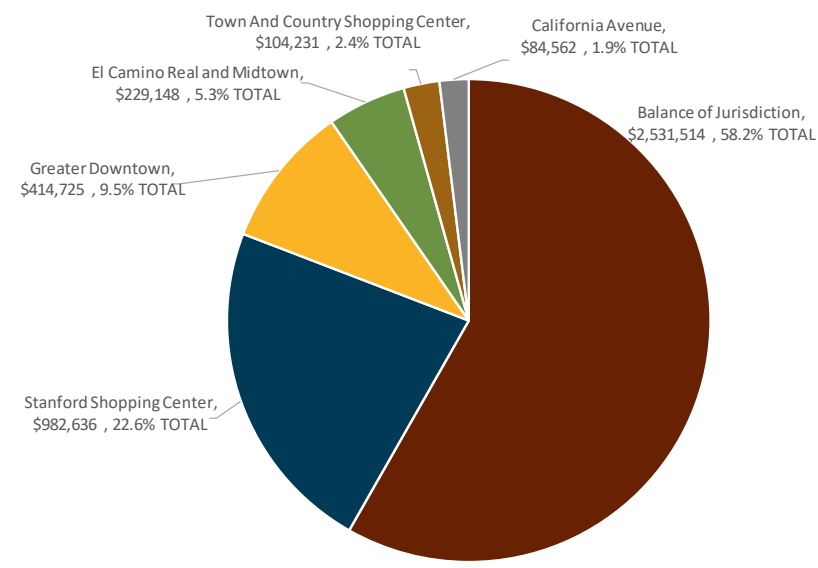
City of Palo Alto

City of Palo Alto Geo Area & Citywide Pie Charts

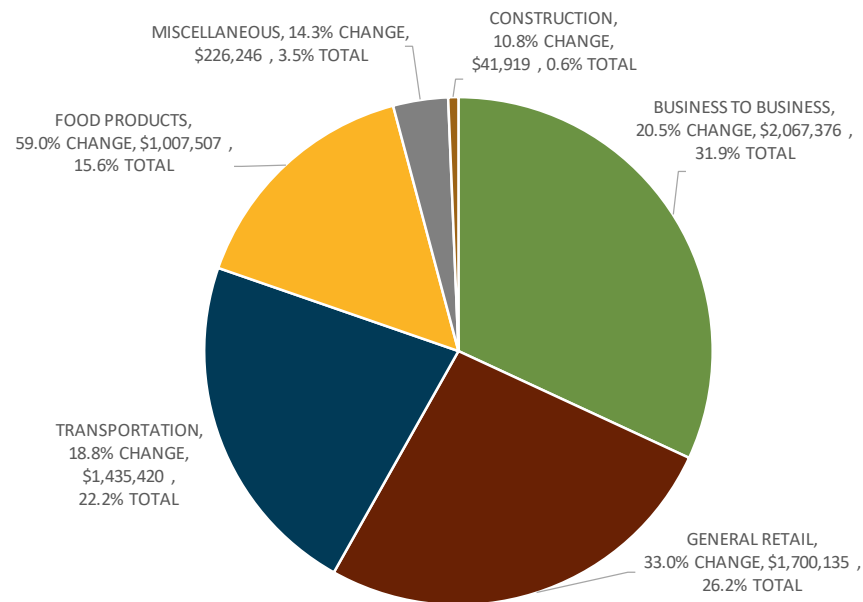
All Geo Area Totals 2022Q1 SALES TAX AMOUNTS



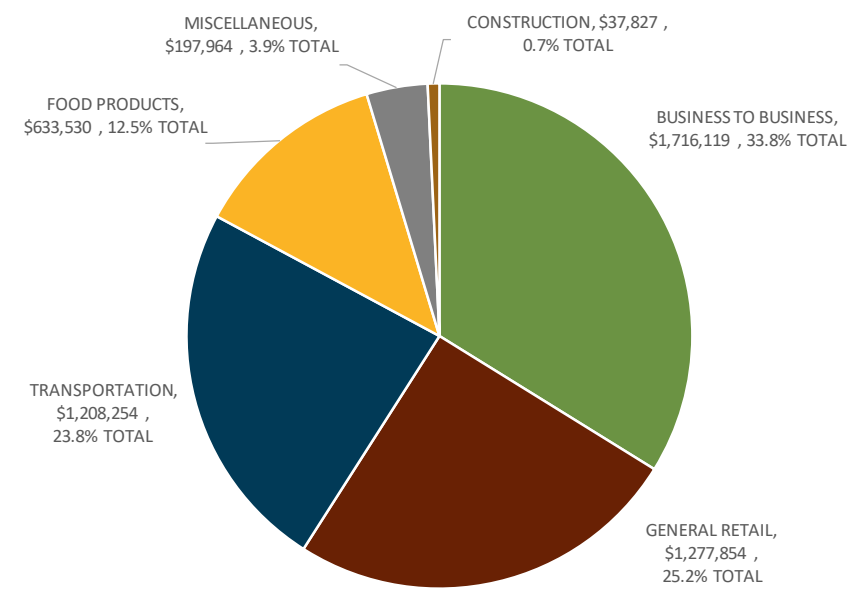
All Geo Area Totals 2021Q1 SALES TAX AMOUNTS



Palo Alto citywide 2022Q1 SALES TAX AMOUNTS



Palo Alto citywide 2021Q1 SALES TAX AMOUNTS



California Legislative Update June 16, 2022

This edition of our policy update provides information on a variety of bills by subject area and their current status in the legislative process. The legislature had several key deadlines in May, including the Appropriations Committees' "Suspense Files" and the deadline for bills to pass out of their "House of Origin." These deadlines have culled 4,000 legislative proposals pending action in January down to about 1,800.

We are also seeing the State Budget take its final form, with a legislative deal struck at the beginning of June, which the legislature passed and sent to the Governor June 13. A budget bill junior will reflect the negotiated agreement between the legislature and Governor in the next few weeks, and the deadline for the Governor to sign the budget is June 30, however meeting the deadline only requires that a budget bill be signed, not that the final agreement has been reached.

Below are details on key legislation as well as the state budget. We hope that this is helpful and please reach out to us with any questions.

Government Relations Contact

Fran.Mancia@avenuinsights.com / 559.288.7296

Administration

AB 1944 (Lee): Local government: open and public meetings. Allows, until January 1, 2030, members of a legislative body of a local agency to use teleconferencing without identifying each teleconference location in the notice and agenda of the meeting or proceeding, and without making each teleconference location accessible to the public, under specified conditions.

Status: Referred to the Senate Committees on Governmental Organization and the Judiciary. The



author has recently stated he is not planning to move AB 1944 forward this year.

Cal Cities Position: Support

SB 379 (Wiener): Residential solar energy programs: permitting. This bill requires most cities and counties to adopt an automated, online permitting system for solar energy systems and energy storage.

Status: Scheduled to be heard in the Assembly Committee on Local Government on June 15.

Cal Cities Position: Watch

Broadband

AB 1934 (Rodriguez): Fairgrounds: broadband. This bill requires, by January 1, 2024, and upon appropriation by the legislature, the Office of Emergency Services to establish a grant program to provide fairs with funding to build and upgrade on-site broadband communications infrastructure.

Status: Held on the Assembly Appropriations suspense file – dead.

Cal Cities Position: Support

Cannabis

AB 2792 (Rubio, Blanca): Cannabis: excise tax: cultivation tax. This bill, for three years, beginning July 1, 2022, to July 1, 2025, inclusive, prohibits the California Department of Tax and Fee Administration (CDTFA) from including any mark-up amount in the average market price in an arm's length transaction for purposes of the cannabis excise tax, and reduces the rate of the cannabis excise tax

imposed on purchasers in a non-arm's length transaction to 8%.

Beginning July 1, 2022, to July 1, 2025, inclusive, this bill suspends the imposition of the excise tax upon purchasers of cannabis or cannabis products sold in this state by licensees eligible for a fee waiver or deferral pursuant to the program established by the Department of Cannabis Control under the California Cannabis Equity Act. The bill further suspends the imposition of the cultivation tax for three years from July 1, 2022, to July 1, 2025, inclusive, and discontinues the requirement that the CDTFA adjust the cultivation tax rate for inflation during the suspension.

The bill requires a licensed distributor to collect the cannabis excise tax from the cannabis retailer on or before 90 days after the cannabis or cannabis product was sold or transferred by the cannabis retailer to the purchaser and requires the distributor to remit the cannabis excise taxes and cultivation taxes to the CDTFA quarterly on or before the last day of the month following the quarterly period in which the distributor collected the tax.

Lastly, this bill would additionally state that any tax owed by a cultivator or cannabis retailer that has not been collected by a distributor is deemed a debt owed to the State of California by the cultivator or cannabis retailer.

Status: Hearing postponed by the Assembly Committee on Business & Professions.

Cal Cities Position: Watch

SB 1074 (McGuire): Cannabis: excise tax: cultivation tax. This bill makes ineffective the cannabis cultivation tax and increases the cannabis excise tax rate that takes effect on different dates depending on whether the legislature appropriates funds to replace revenues decreased by the repeal of the tax.

Status: Senate Inactive File

Cal Cities Position: Watch

SB 1281 (Bradford): Cannabis taxes. This bill reduces the cannabis excise tax rate from 15% to 5%, moves the point of collection for the excise tax from distributors to retailers, and makes ineffective the cannabis cultivation tax, effective January 1, 2023, among other changes.

Status: Referred to the Assembly Committees on Revenue & Taxation and Business & Professions.

Cal Cities Position: Watch

SB 1293 (Bradford): Cannabis: taxation. This bill creates the Cannabis Equity Tax Credit, which allows a tax credit against the Personal Income and Corporation Tax equal to \$10,000 per taxable year for an equity applicant or licensee.

Status: Heard in the Revenue & Taxation Committee for testimony only on June 13. The committee will decide at a later date whether to move the measure forward.

Cal Cities Position: Watch

Economic Development

AB 1864 (Gipson): Small business. Allows a credit under the Personal Income Tax Law and the Corporation Tax Law to a qualified small business employer equal to \$434 per qualified employee

Status: Testimony heard in the Assembly Committee on Revenue & Taxation. Dispensation of the measure has not yet been determined.

Cal Cities Position: Watch

AB 2035 (Villapudua): Taxation: credits: California New Employment Credit. Allows restaurants, theaters, and bars that are not considered small businesses to claim New Employment Credit.

Status: Testimony heard in the Assembly Committee on Revenue & Taxation. Dispensation of the measure has not yet been determined.

Cal Cities Position: Watch

AB 2200 (Arambula): Online Jobs and Economic Support Resource Grant Program. This bill

requires the Employment Development Department to award grants to fund “inclusive, cross-jurisdictional and innovative online platforms” that support employment and earning opportunities with a strong focus on underserved and economically challenged communities.

Status: Held on the Assembly Appropriations Committee suspense file - dead.

Cal Cities Position: Watch

Finance

SB 852 (Dodd): Climate resilience districts: formation: funding mechanisms. This bill allows cities and counties to create climate resilience districts and provides these new districts various financing powers.

Status: Scheduled to be heard in the Assembly Committee on Local Government on June 15.

Cal Cities Position: Pending

Franchises

AB 676 (Holden): Franchises. Makes various changes to the California Franchise Relations Act and the Franchise Investment Law and creates new requirements and prohibitions for franchise agreements.

Status: Scheduled to be heard in the Senate Committee on Banking & Finance on June 22.

Cal Cities Position: Watch

Housing/Land Use

AB 1748 (Seyarto): Exempt surplus land: regional housing need. Exempt from the Surplus Lands Act low density parcels located in jurisdictions that meet or exceed their 6th cycle Regional Housing Needs Allocation production targets for lower income households.

Status: Failed passage in the Assembly Committee on Housing and Community Development – dead.

Cal Cities Position: Support

AB 2011 (Wicks): Affordable Housing and High End Road Jobs Act of 2022. Establishes the Affordable Housing and High Road Jobs Act of 2022, to create a ministerial, streamlined approval process for 100% affordable housing in commercially zoned areas and for mixed-income housing along commercial corridors.

Status: Scheduled to be heard in the Senate Housing Committee on June 21.

Cal Cities Position: Oppose

AB 2097 (Friedman): Residential and commercial development: parking requirements. Prohibits public agencies from enforcing minimum automobile parking requirements for developments located close to public transit.

Status: Scheduled to be heard in the Senate Governance and Finance Committee on June 15.

Cal Cities Position: Oppose

AB 2179 (Grayson): Development fees and charges: deferral. This bill extends, through June 30, 2022, (1) protections against eviction for nonpayment of rent, but only in cases where an application for emergency rental assistance to cover the unpaid rent was pending as of March 31, 2022; and (2) preemption of additional local protections against eviction for nonpayment of rent that were not in place on August 19, 2020.

Status: Chaptered by the Secretary of State - Chapter 13, Statutes of 2022.

Cal Cities Position: Watch

AB 2234 (Rivas, Robert): Planning and zoning: housing: postentitlement phase permits. This bill requires a local agency to post information related to postentitlement phase permits for housing development projects, process those permits in a specified time period depending on the size of the housing development and establish a digital permitting system if the local agency meets a specific population threshold.

Status: Scheduled to be heard in the Senate Governance and Finance Committee on June 15.

Cal Cities Position: Oppose

AB 2357 (Ting): Surplus Land. This bill makes changes to provision of the Surplus Land Act regarding public noticing and penalties and requires the Department of Housing and Community Development (HCD) to post on its website a list of all entities, including housing sponsors, that have notified HCD of their interest in acquiring surplus land for affordable housing.

Status: Scheduled to be heard in the Senate Governance and Finance Committee on June 15.

Cal Cities Position: Watch

AB 2428 (Ramos): Mitigation Fee Act: fees for improvements: timeline for expenditure. The Mitigation Fee Act, requires a local agency that establishes, increases, or imposes a fee as a condition of approval of a development project to, among other things, determine a reasonable relationship between the fee's use and the type of development project on which the fee is imposed. The Mitigation Fee Act also imposes additional requirements for fees imposed to provide for an improvement to be constructed to serve a development project, or which is a fee for public improvements, as specified, including that the fees be deposited in a separate capital facilities account or fund. This bill would require a local agency that requires a qualified applicant, as described, to deposit fees for improvements, as described, into an escrow account as a condition for receiving a conditional use permit or equivalent development permit to expend the fees within 5 years of the deposit.

Status: Referred to the Assembly Committee on Local Government, however not heard – dead.

Cal Cities Position: Watch

SB 1067 (Portantino): Housing development projects: automobile parking requirements. This bill prohibits local governments from imposing

parking minimums on a housing development near a major transit stop, as specified.

Status: Scheduled to be heard in the Assembly Housing and Community Development Committee on June 15.

Cal Cities Position: Oppose

SB 1373 (Kamlager): Surplus land disposal. This bill extends by two years (until December 31, 2024) the deadlines in the Surplus Land Act to complete disposition of a property subject to an exclusive negotiating agreement for a local agency with a population of over two million people.

Status: Scheduled to be heard in the Assembly Committee on Local Government on June 15.

Cal Cities Position: Watch

Privacy & Security

AB 1711 (Seyarto): Privacy: breach. This bill requires that, when a person or business operating a system of records on behalf of a state or local agency is required to disclose a data breach pursuant to existing law, the state or local agency also disclose the breach by conspicuously posting the notice provided by the person or business pursuant to existing law on the agency's website, if the agency maintains one, for a minimum of 30 days.

Status: Referred to the Senate Judiciary Committee.

Cal Cities Position: Watch

Property Tax

AB 1206 (Bennet): Property taxation: affordable housing: welfare exemption. Establishes a ceiling for development fees based on the median home price in a jurisdiction. Requires cities and counties that exceed this ceiling seek approval from the Department of Housing and Community Development.

Status: From committee: Do pass and re-refer to Committee on Appropriations with recommendation:

to Consent Calendar, (Ayes 5. Noes 0) Re-referred to the Assembly Appropriations Committee.

Cal Cities Position: Watch

AB 1707 (Boerner Horvath): Property tax postponement: Senior Citizens and Disabled Citizens Property Tax Postponement Fund.

Requires that money be transferred from the General Fund to the Senior Citizens and Disabled Citizens Property Tax Postponement Fund when the Fund balance is less than \$15 million.

Status: Scheduled to be heard in the Senate Committee on Governance and Finance on June 15.

Cal Cities Position: Watch

AB 1839 (Choi): Property tax: tax-defaulted property sales. Modifies the process of a sale by agreement for a tax defaulted property and increases the claim period for excess proceeds resulting from a sale by public auction or sealed bid.

Status: Failed passage in the Assembly Committee on Revenue & Taxation – dead.

Cal Cities Position: Watch

AB 1933 (Friedman): Property taxation: welfare exemption: nonprofit corporation: low- and moderate-income families. Expands the property tax welfare exemption to eligible nonprofit corporations that build and rehabilitate affordable housing units for sale, subject to certain limitations, to low-income families, as defined.

Status: Referred to the Senate Committee on Governance and Finance.

Cal Cities Position: Watch

AB 2258 (Wood): Property Assessed Clean Energy program: wildfire safety improvements. Makes changes to the Property Assessed Clean Energy (PACE) Program related to wildfire safety improvements.

Status: Referred to the Assembly Committee on Banking & Finance, however, was not heard – dead.

Cal Cities Position: Watch

AB 2651(Petrie-Norris) Property taxes: welfare exemption: community land trust. Extends the sunset date for the property tax welfare exemption for community land trusts from January 1, 2025, to January 1, 2027.

Status: Referred to the Senate Committee on Governance and Finance.

Cal Cities Position: Watch

Sales and Use Taxes

AB 1623 (Ramos) Personal income taxes: exclusion: uniformed services retirement pay: survivor benefit plan payments. This bill provides, for taxable years beginning January 1, 2023, and before January 1, 2033, an exclusion from gross income, under the Personal Income Tax Law, for retirement pay from the federal government for specified military services and annuity payments received from a U.S. Department of Defense Survivor Benefit Plan. This bill declares the objective of the exclusion and requires, by December 1, 2033, the Legislative Analyst, in collaboration with the Department of Veterans Affairs, to submit a report to the legislature on the exclusion's effectiveness.

Status: Held on the Assembly Appropriations Committee suspense file – dead.

Cal Cities Position: Watch

AB 1702 (Levine): Sales and Use Tax Law: exemptions: COVID-19 prevention and responses goods. Establishes a complete exemption under the Sales and Use Tax Law, until January 1, 2025, for "COVID-19 prevention and response goods."

Status: Testimony heard in the Assembly Committee on Revenue and Taxation, awaiting action by the committee.

Cal Cities Position: Oppose Unless Amended

AB 1951 (Grayson): Sales and use tax: exemptions: manufacturing. This bill expands, from January 1, 2023, to January 1, 2028, the existing

partial sales and use tax (SUT) exemption for manufacturing and research and development tangible personal property by making the expenditure a full exemption and removing the \$200 million cap on qualifying purchases per individual purchaser. The state is prohibited from reimbursing any local agencies for lost SUT revenues due to this expansion. This bill declares the objective of expanding the exemption and requires the California Department of Tax and Fee Administration to prepare an annual report of specified metrics and requires the Legislative Analyst's Office to prepare a report, no later than January 1, 2027, comparing the full exemption to the previous partial exemption.

Status: Referred to the Senate Committee on Governance and Finance.

Cal Cities Position: Concerns

AB 2835 (Fong, Vince): Sales and use tax: exemptions: nonprofit blood centers. Authorizes a full exemption under the Sales and Use Tax Law for tangible personal property purchased by nonprofit organizations involved in blood banking.

Status: Awaiting dispensation in the Assembly Committee on Revenue & Taxation.

Cal Cities Position: Oppose Unless Amended

AB 2887 (Garcia, Eduardo): Public resources: Sales and Use Tax Law: exclusions. Increases, from \$100 million to \$150 million, the limit on annual sales and use tax exclusions under the California Alternative Energy and Advanced Transportation Financing Authority Act.

Status: Referred to the Senate Committee on Governance and Finance.

Cal Cities Position: Concerns

ACA 5 (Voepel): Motor vehicles: fuel taxes, sales and use taxes, and feed: expenditure restrictions. The California Constitution restricts the expenditure of revenues from taxes imposed by the state on fuels used in motor vehicles upon public streets and highways to street and highway and certain mass

transit purposes. These restrictions do not apply to revenues from taxes or fees imposed under the Sales and Use Tax Law or the Vehicle License Fee Law. This measure would explicitly restrict the expenditure of all interest earned and other increments derived from the investment of those tax revenues and any proceeds from the lease or sale of real property acquired using those tax revenues only for the purposes described above.

Status: Referred to the Assembly Committee on Transportation.

Cal Cities Position: Watch

SB 1041 (Atkins): Sales and use taxes: general exemptions. This bill removes the sunset date for the sales and use tax exemption for goods sold by thrift stores that are both located on a military installation and operated by a "military welfare society."

Status: Referred to the Assembly Committee on Revenue and Taxation.

Cal Cities Position: Watch

SB 1312 (Ochoa Bogh) Marketplace facilitators: passenger vehicle rental companies. The Sales and Use Tax Law requires every person desiring to engage in or conduct business as a seller within this state to file with the department an application for a permit for each place of business and requires every retailer selling tangible personal property for storage, use, or other consumption in this state to register with the department. Under existing law, the Marketplace Facilitator Act, a marketplace facilitator, as defined, is considered the seller, retailer, and dealer for each sale facilitated through its marketplace, as defined, for purposes of determining whether that marketplace facilitator is required to register with the department under the Sales and Use Tax Law or a law that imposes a fee administered pursuant to the Fee Collection Procedures Law. The act relieves the marketplace facilitator of liability for the taxes and fees in specified circumstances. This bill provides that marketplace operators are not facilitators for car

rental services for Sales and Use Tax collections purposes.

Status: Referred to the Assembly Committee on Appropriations.

Cal Cities Position: Watch

Short-Term Rentals

AB 2328 (Flora) Local ordinances: home experience sharing. Current law defines "hosting platform" as a marketplace that is created for the primary purpose of facilitating the rental of a residential unit, as specified. This bill would prohibit a city or county from prohibiting or effectively prohibiting the use of property as a home experience sharing unit. The bill would define "home experience sharing unit" as a privately owned, noncommercial property or residential dwelling unit that is rented partially for a fee for a period of fewer than 18 continuous hours and that does not provide sleeping accommodations to transients. The bill would authorize a city or county to reasonably regulate home experience sharing units to protect the public's health and safety, as specified.

Status: Referred to the Assembly Committee on Local Government, however, never heard – dead.

Cal Cities Position: Oppose

Taxation

AB 1626 (Nguyen): Motor Vehicle Fuel Tax Law: limitation on adjustment. Existing law, the Motor Vehicle Fuel Tax Law, administered by the California Department of Tax and Fee Administration, imposes a tax upon each gallon of motor vehicle fuel removed from a refinery or terminal rack in this state, entered into this state, or sold in this state, at a specified rate per gallon. Existing law requires the department to annually adjust the tax imposed by increasing the rates based on the California Consumer Price Index, as specified. This bill would limit the above-described annual adjustment to a maximum of 2% for rate adjustments made on or after July 1, 2023.

Status: Never referred to an Assembly policy committee – dead.

Cal Cities Position: None

AB 1623 (Kiley): Motor Vehicle Fuel Tax Law: suspension of tax. Would suspend the imposition of the tax on motor vehicle fuels for 6 months. The bill would direct the Controller to transfer a specified amount from the General Fund to the Motor Vehicle Fuel Account in the Transportation Tax Fund. By transferring General Fund moneys to a continuously appropriated account, this bill would make an appropriation.

Status: Heard in the Assembly Transportation Committee where hostile amendments were forced on the author who opted not to move forward with the bill – dead.

Cal Cities Position: Watch

AB 1708 (Kiley): Law enforcement: sharing data. Repeals the California Values Act and requires a law enforcement agency to cooperate with federal immigration officials by detaining a person for an immigration hold if a person has a qualifying criminal conviction or arrest.

Status: Failed passage in the Assembly Committee on Public Safety – dead.

Cal Cities Position: Watch

State Budget

In his May Budget Revision, Governor Newsom released a \$300.7 billion spending plan and announced an estimated \$97.5 billion state budget surplus. On June 1, legislative leaders announced a deal on their version of the budget, also including total spending of just over \$300 billion, of which an estimated \$235.5 billion is from the General Fund.

The budget includes total reserves of \$37.5 billion in 2022-23, including \$3.2 billion in the regular operating reserve. General Fund spending in 2021-22 in the legislative budget plan is about \$8 billion less than the

Governor proposed, with higher non-recurring spending of a comparable amount in 2022-23.

From a local government perspective, there are a number of key elements.

- \$300 million to help local governments with resolving critical homeless encampments and transitioning individuals into permanent housing.
- Over \$2 billion in affordable housing programs and financing packages.
- \$10.9 billion multi-year transportation package including funding for transit, freight, active transportation, climate adaptation, and other purposes.
- \$85 million in local law enforcement grants and \$6 million at the Department of Justice (DOJ) per year for three years to address organized retail theft, \$22 million for a fentanyl enforcement task force at DOJ and contraband interdiction at the California Military Department, and \$25 million one-time for a gun buyback grant program.

There are also significant state-level cannabis tax reforms.

Over the last two years there has been substantial discussion of the “Gann Limit,” a voter enacted cap on state spending back in the 1970s. The legislature’s budget plan keeps the state budget under the Gann Limit by an estimated \$20 billion in 2022-23. By including major infrastructure and COVID emergency-related spending, direct payments to families and businesses, and options suggested by the Legislative Analyst’s Office (such as updating an antiquated statutory definition of local subventions), the legislature’s plan aims to keep the state budget under this constitutional limit for at least two more years. Legislative Democrats have said they will work with the Governor to craft a proposed constitutional amendment to modernize the Gann Limit before the 2024 election.

The legislature passed their budget June 13, committing to a negotiated budget agreement in a

follow-up budget bill junior once the legislature and Governor have resolved their differences. The Governor must sign the 2022-23 Budget Act by June 30.

Schedule of Meetings

Published July 21, 2022

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.

Meetings are held in-person and by virtual teleconference.

MONDAY, August 1

Sp. City Council Meeting, 5:00 p.m.

WEDNESDAY, August 3

Sp. Utilities Advisory Committee Meeting, 6:00 p.m.

THURSDAY, August 4

Architectural Review Board Meeting, 8:30 a.m.

MONDAY, August 8

Sp. City Council Meeting, 5:00 p.m.

TUESDAY, August 9

Rail Committee Meeting, 1:00 p.m.

Policy & Services Committee Meeting, 7:00 p.m.

WEDNESDAY, August 10

Planning & Transportation Commission Meeting, 6:00 p.m.

THURSDAY, August 11

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

Stormwater Management Oversight Committee, 1:00 p.m.

MONDAY, August 15

Sp. City Council Meeting, 5:00 p.m.

TUESDAY, August 16

Finance Committee Meeting, 5:30 p.m.

THURSDAY, August 18

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

Architectural Review Board Meeting, 8:30 a.m.

Public Art Commission Meeting, 7:00 p.m.

TUESDAY, August 23

Parks and Recreation Commission, 7:00 p.m.

WEDNESDAY, August 24

Planning & Transportation Commission Meeting, 6:00 p.m.

THURSDAY, August 25

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