

**From:** [Andie Reed](#)  
**To:** [Council, City](#)  
**Subject:** Business Tax  
**Date:** Monday, August 1, 2022 8:16:30 AM

---

**CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.**

---

Dear Mayor Burt, Vice Mayor Kou, and Council Members:

As Palo Alto plans ahead for federal stimulus dollars stopping at the end of the second year, which is upon us, and city budgeters remind us there's serious concern about running out of money, now is absolutely the time to look at where revenues come from and is the burden fairly shared among all sectors.

Thanks to City Council members for coming up with a fair and sensible tax on large businesses to right the ship.

Are businesses paying their fair share? Why do virtually all other cities in the Bay Area have a business tax and we don't? Why should only property owners, hotel visitors and anyone purchasing goods in town be the majority tax contributors to the City's coffers? Do those payers reflect the spectrum of users of city services?

I was surprised to learn that employees exceed residents in a ratio of 10 to 7, yet residents pay the bulk of **property taxes** collected by the city (almost 70%). Additionally, many large, high-tech e-businesses who aren't moving widgets out the door can get around paying the **sales tax** that downtown retailers collect and pay. Shouldn't all businesses be participating equitably in underwriting the costs to run the city where they are based?

The City of Palo Alto provides the magical name, where gloriously tree-lined streets and a lovely, walkable downtown sits in the heart of Silicon Valley; an address where venture capitalists can charm investors. And yet, up to now, **there's been no price put on the costs our city incurs to host this significant commercial footprint.**

Despite self-serving, deep-pocketed conglomerates of large businesses' threats to flood the city with disinformation to discourage the ballot measure and sway the vote on this issue, please pass it. This decision needs to be up to the residents.

This is a new Palo Alto and we have to face our current fiscal woes by tapping all those who benefit from city services but aren't currently picking up the tab.

Thanks,

Andie Reed

--

Andie Reed CPA  
Palo Alto, CA 94301  
530-401-3809

**From:** [herb](#)  
**To:** [Council, City](#); [Clerk, City](#)  
**Subject:** August 1, 2022 Council Meeting, Item #10: Proposed Tax Measures and Spending Guidelines  
**Date:** Saturday, July 30, 2022 5:50:06 PM

---

**CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.**

---

Herb Borock  
P. O. Box 632  
Palo Alto, CA 94302

July 30, 2022

Palo Alto City Council  
250 Hamilton Avenue  
Palo Alto, CA 94302

**AUGUST 1, 2022 CITY COUNCIL MEETING, AGENDA ITEM #10  
PROPOSED TAX MEASURES AND SPENDING GUIDELINES**

Dear City Council:

A trial court has ruled that the General Fund needs to refund to gas utility customers \$12.6 million.

The City is appealing the court's decision and if the City prevails, the Natural Gas Utility Transfer ballot measure would not be needed.

Although the City has set aside funds to pay the court judgement, attorney's fees, and court costs if the plaintiff prevails, the ballot measure would allow the City to transfer funds from the Gas Utility to the General Fund where all moneys in the General Fund are fungible, and a court could easily determine that the proposed ballot measure would violate the prohibition against future ratepayers paying the refunds that are due past ratepayers.

It makes more sense to me for the City to express its intent that any refunds due ratepayers, plus attorney's fees and court costs, be paid from the proceeds of the other proposed ballot measure for a business license tax.

That way, the City could not be accused of taxing future ratepayers to pay the refunds due past ratepayers.

Also, the City can then implement its policy of converting gas appliances to electric appliances that would require the City to set a higher tax rate from a decreasing revenue stream to raise the \$7 million a year the City would be authorized to collect if the ballot measure is adopted.

The Advisory Spending Guidelines for Business Tax Proceeds appear to be based on arguments that received more support during polling rather than on what purposes need new tax revenue.

For example, affordable housing is defined as housing for moderate-income earners, when the City's deficit in meeting its Regional Housing Needs Assessment quotas is primarily for low-income and very-low-income earners, and the resolution language should be changed to reflect that fact.

Also, the need to fund grade separations is said to be based on maintaining traffic flow, bicycle and pedestrian mobility, and safety because that language polls well, when the real need for grade separations is to facilitate more development that will generate more commuters who primarily travel alone in their cars and will need more grade separations because the existing grade separations' commute traffic is at the capacity of those roads.

The grade separation language is combined with the other uses in the resolution because the drafters believe voters will pass all of them together, even though the grade separation language might not pass if it is submitted separately to the voters.

If the grade separation language remains, I will vote against the tax measure.

Thank you for your consideration of these comments.

Sincerely,

Herb Borock

**From:** [Dan Kostenbauder](#)  
**To:** [Council, City](#)  
**Subject:** Agenda Item 10: Business Tax  
**Date:** Saturday, July 30, 2022 2:42:35 PM  
**Attachments:** [2022 08 01 City Council meeting submission--general fund revenue per resident.docx](#)

---

Some people who received this message don't often get email from [dkostenbauder@svlg.org](mailto:dkostenbauder@svlg.org).

[Learn why this is important](#)

**CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.**

---

Dear Members of the Palo Alto City Council,  
Attached is a memo regarding the proposed business tax that compares the general fund revenue per resident of Palo Alto to that of a number of neighboring cities.  
Best regards,  
Dan Kostenbauder

**Dan Kostenbauder**  
Vice President, Tax Policy  
650.454.7708 | [dkostenbauder@svlg.org](mailto:dkostenbauder@svlg.org)  
Connect with us: [Twitter](#) | [LinkedIn](#) | [Facebook](#)

From Dan Kostenbauder, VP Tax Policy, Silicon Valley Leadership Group  
To Palo Alto City Council  
Re Proposed Business Tax

The Palo Alto business community has been concerned about the Council's approach to the proposed business tax. From the start, the City Council has been considering a business tax that is disproportionately higher than the business taxes in neighboring communities. For example, the business tax based on headcount that the City Council of Mountain View placed on the 2018 ballot was expected to raise about \$6 million. The City Council of Santa Clara just voted to put a business tax on the November 2022 ballot that they estimate would raise about \$6 million, with a cap of \$350,000 for any one taxpayer. Sunnyvale has a cap on the tax that any one business would pay of less than \$14,000 and San Jose has a cap of less than \$167,000. All four of those cities have populations greater than the population of Palo Alto. The Palo Alto City Council has been considering a business tax that would impose a significantly higher tax burden on Palo Alto businesses without a cap on the amount any particular business would pay.

In addition, the Council has never been very clear about the intended use for additional tax revenue. The current draft resolution establishing advisory spending guidelines seems to be based on polling information rather than any analysis of the City's needs.

Another way of looking at the fiscal situation in Palo Alto is to compare the general fund revenue per resident of Palo Alto with other neighboring cities. The list below makes it clear that Palo Alto should have sufficient funds to take care of the City's basic needs and that any new tax burden imposed on Palo Alto businesses should be for a specific purpose rather than just adding more tax revenue to the general fund. The general fund revenue per resident of San Francisco is \$7,806, but this amount includes revenue from the County of San Francisco as well as the City of San Francisco. Because San Francisco reports city and county revenue and spending together, it cannot be compared directly with the cities below in San Mateo, Santa Clara or Alameda counties.

The list below shows the general fund revenue per resident for a number of cities in the Bay Area. The resident number is from the U.S. Census Bureau as of July 1, 2021, which is the most recent number available. The general fund revenue is the FY 21-22 revenue from city council websites. There clearly are differences among the many cities listed. Nevertheless, the Palo Alto general fund per resident is significantly higher than the next closest city and double or even triple the level of many others. In view of this, the City Council should provide a much stronger justification for needing additional revenue that it has to this point.

There are three tables below. The first lists general fund revenue per resident. The second lists the population, general fund revenue and general fund revenue per resident in ascending order of population. The third provides URLs for the U.S. Census Bureau and the city website pages that show general fund revenue.

<u>City</u>	<u>General Fund / Resident</u>
Palo Alto	\$3,096
Santa Clara	\$2,249
Burlingame	\$2,228
Redwood City	\$1,966
Menlo Park	\$1,931
Mountain View	\$1,796
South San Francisco	\$1,698
Los Altos	\$1,645
San Jose	\$1,613
Foster City	\$1,577
Cupertino	\$1,529
Los Gatos	\$1,453
San Carlos	\$1,532
Milpitas	\$1,399
San Mateo	\$1,389
Campbell	\$1,337
San Bruno	\$1,195
Sunnyvale	\$1,184
Morgan Hill	\$1,156
Daly City	\$1,094
Gilroy	\$1,052
East Palo Alto	\$1,048
Belmont	\$1,042
Fremont	\$1,033

	U.S. Census Bureau <u>Pop. Est. 1 July</u>	2021-22 Budget	General Fund /
<u>City</u>	<u>2021</u>	<u>General Fund Revenue</u>	<u>Resident</u>
Belmont	27,225	\$28,376,338	\$1,042
East Palo Alto	28,847	\$30,221,450	\$1,048
San Carlos	30,034	\$46,016,100	\$1,532
Burlingame	30,106	\$67,076,422	\$2,228
Los Altos	30,700	\$50,511,068	\$1,645
Menlo Park	32,475	\$62,703,307	\$1,931
Foster City	32,517	\$51,277,019	\$1,577
Los Gatos	32,538	\$47,264,203	\$1,453
San Bruno	42,275	\$50,519,441	\$1,195
Campbell	42,745	\$57,130,551	\$1,337
Morgan Hill	45,342	\$52,400,000	\$1,156
Gilroy	58,101	\$61,137,064	\$1,052
Cupertino	58,622	\$89,647,891	\$1,529
South San Francisco	64,251	\$109,076,478	\$1,698
<b>Palo Alto</b>	<b>66,680</b>	<b>\$206,452,000</b>	<b>\$3,096</b>
Milpitas	79,066	\$110,639,648	\$1,399
Mountain View	81,516	\$146,412,000	\$1,796
Redwood City	81,643	\$160,498,556	\$1,966
Daly City	101,243	\$110,777,898	\$1,094
San Mateo	102,200	\$141,967,845	\$1,389
Santa Clara	127,151	\$286,025,931	\$2,249
Sunnyvale	152,258	\$180,233,743	\$1,184
Fremont	227,514	\$235,048,000	\$1,033
San Jose	983,489	\$1,586,737,216	\$1,613

Census  
link-->

[U.S. Census Bureau QuickFacts: Cupertino city, California; Palo Alto city, California; Santa Clara County, California](#)

**City**

page(s) of city budget website:

Belmont

p 46 <https://www.belmont.gov/home/showpublisheddocument/20567/637847607557470000>

East Palo Alto

p 44 [https://www.cityofepa.org/sites/default/files/fileattachments/finance/page/4321/adopted\\_fy\\_2021-22\\_budget\\_updated.pdf](https://www.cityofepa.org/sites/default/files/fileattachments/finance/page/4321/adopted_fy_2021-22_budget_updated.pdf)

San Carlos	p13 1	<a href="https://www.cityofsancarlos.org/home/showdocument?id=6809&amp;t=637848313397355170">https://www.cityofsancarlos.org/home/showdocument?id=6809&amp;t=637848313397355170</a>
Burlingame	p 83	<a href="https://cms6.revize.com/revize/burlingamecity/FY%202021-22%20Budget.pdf">https://cms6.revize.com/revize/burlingamecity/FY%202021-22%20Budget.pdf</a>
Los Altos	p 74	<a href="https://user-ddhj25y.cld.bz/Recommended-FY-2022-2024-Operating-Budget-and-CIP">https://user-ddhj25y.cld.bz/Recommended-FY-2022-2024-Operating-Budget-and-CIP</a>
Menlo Park	p 20	<a href="https://beta.menlopark.org/files/sharedassets/public/administrative-services/documents/finance/menlo-park-fiscal-year-2021-22-budget.pdf">https://beta.menlopark.org/files/sharedassets/public/administrative-services/documents/finance/menlo-park-fiscal-year-2021-22-budget.pdf</a>
Foster City	p 91	<a href="https://www.fostercity.org/sites/default/files/fileattachments/financial_services/page/3521/fy_2021-2022_final_budget.pdf">https://www.fostercity.org/sites/default/files/fileattachments/financial_services/page/3521/fy_2021-2022_final_budget.pdf</a>
Los Gatos	p 16, 23	<a href="https://www.losgatosca.gov/DocumentCenter/View/28129/8-Financial-Summaries-Section">https://www.losgatosca.gov/DocumentCenter/View/28129/8-Financial-Summaries-Section</a>
San Bruno	p 45	<a href="https://www.sanbruno.ca.gov/DocumentCenter/View/2052/6121SpecialMeeting?bidId=">https://www.sanbruno.ca.gov/DocumentCenter/View/2052/6121SpecialMeeting?bidId=</a>
Campbell	p 51	<a href="101 - General Fund   FY 2022 Adopted Budget (07-01-21) (cleargov.com)">101 - General Fund   FY 2022 Adopted Budget (07-01-21) (cleargov.com)</a>
Morgan Hill	p 2	<a href="http://www.morgan-hill.ca.gov/DocumentCenter/View/41162/Budget-in-Brief-FY-2022-23--2023-24?bidId=#:~:text=The%20Recommended%20FY%202022%2D23,million%20in%20revenues%20and%20expenditures.">http://www.morgan-hill.ca.gov/DocumentCenter/View/41162/Budget-in-Brief-FY-2022-23--2023-24?bidId=#:~:text=The%20Recommended%20FY%202022%2D23,million%20in%20revenues%20and%20expenditures.</a>
Gilroy	p 13, 51	<a href="https://www.cityofgilroy.org/DocumentCenter/View/12223/Fiscal-Year-2022-and-2023-Adopted-Budget#:~:text=The%20City's%20budget%20for%20all,and%20%24131.7%20million%20in%20FY23.">https://www.cityofgilroy.org/DocumentCenter/View/12223/Fiscal-Year-2022-and-2023-Adopted-Budget#:~:text=The%20City's%20budget%20for%20all,and%20%24131.7%20million%20in%20FY23.</a>
Cupertino	p 16, 43	<a href="https://www.cupertino.org/home/showpublisheddocument/29685/637635130686500000">https://www.cupertino.org/home/showpublisheddocument/29685/637635130686500000</a>
South San Francisco	p 4	<a href="https://city-south-san-francisco-ca-budget-book.cleargov.com/3080/funding-sources/city-wide-revenues-by-type">https://city-south-san-francisco-ca-budget-book.cleargov.com/3080/funding-sources/city-wide-revenues-by-type</a>
Palo Alto	p 8,17, 89	<a href="https://www.cityofpaloalto.org/files/assets/public/administrative-services/city-budgets/fy-2022-city-budget/adopted-budgets/operating-budget_web.pdf">https://www.cityofpaloalto.org/files/assets/public/administrative-services/city-budgets/fy-2022-city-budget/adopted-budgets/operating-budget_web.pdf</a>
Milpitas	p 96	<a href="https://www.milpitas.gov/wp-content/uploads/2021/07/FY21-22-Adopted-Budget-Final-7.21.21-1.pdf">https://www.milpitas.gov/wp-content/uploads/2021/07/FY21-22-Adopted-Budget-Final-7.21.21-1.pdf</a>
Mountain View	p 139	<a href="https://www.mountainview.gov/civicax/filebank/blobdload.aspx?BlobID=36302">https://www.mountainview.gov/civicax/filebank/blobdload.aspx?BlobID=36302</a>



Redwood City	p 87	<a href="https://webapps.redwoodcity.org/files/pws/main/Adopted-Budget-21-22-final.pdf">https://webapps.redwoodcity.org/files/pws/main/Adopted-Budget-21-22-final.pdf</a>
Daly City	p 46	<a href="https://www.dalycity.org/ArchiveCenter/ViewFile/Item/636">https://www.dalycity.org/ArchiveCenter/ViewFile/Item/636</a>
San Mateo	p 31	<a href="https://www.cityofsanmateo.org/DocumentCenter/View/85547/Adopted-Budget_FY-2021-22?bidId=">https://www.cityofsanmateo.org/DocumentCenter/View/85547/Adopted-Budget_FY-2021-22?bidId=</a>
Santa Clara	p 3	<a href="https://www.santaclaraca.gov/home/showpublisheddocument/75166/637679245601830000">https://www.santaclaraca.gov/home/showpublisheddocument/75166/637679245601830000</a>
Sunnyvale	p 51, 56	<a href="https://www.sunnyvale.ca.gov/home/showpublisheddocument/916/637819888266200000">https://www.sunnyvale.ca.gov/home/showpublisheddocument/916/637819888266200000</a>
Fremont	p 70	<a href="https://www.fremont.gov/home/showpublisheddocument/1089/637806234781324065">https://www.fremont.gov/home/showpublisheddocument/1089/637806234781324065</a>
San Francisco	p 12, 18	<a href="https://sfcontroller.org/sites/default/files/Documents/Budget/AAO%20FY2021-22%20%26%20FY2022-23%20-%20FINAL%2020210730.pdf">https://sfcontroller.org/sites/default/files/Documents/Budget/AAO%20FY2021-22%20%26%20FY2022-23%20-%20FINAL%2020210730.pdf</a>
San Jose	p 12, 18	<a href="https://www.sanjoseca.gov/home/showpublisheddocument/78387/637698882045100000">https://www.sanjoseca.gov/home/showpublisheddocument/78387/637698882045100000</a>

**From:** [Smith, Robert M.](#)  
**To:** [Council, City](#)  
**Cc:** [Cox, Karen](#); [Valento, Tony](#)  
**Subject:** Agenda Item No. 10: Placement of Business Tax Proposal on November Ballot [KLG-USE\_Active01.FID1139496]  
**Date:** Friday, July 29, 2022 4:38:30 PM  
**Attachments:** [Letter to City of Palo Alto USE Active01 312977789 3.PDF](#)

---

Some people who received this message don't often get email from [robert.smith@klgates.com](mailto:robert.smith@klgates.com).

[Learn why this is important](#)

**CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.**

---

Please see the attached letter submitted on behalf of Maxar Technologies. Thank you for your consideration.



**Robert M. Smith**

Partner

K&L Gates LLP

925 Fourth Avenue, Suite 2900

Seattle, Washington 98104

Phone: (206) 370-5743

Fax: (206) 370-6271

Pronouns: he/him

[Robert.Smith@klgates.com](mailto:Robert.Smith@klgates.com)

[www.klgates.com](http://www.klgates.com)

This electronic message contains information from the law firm of K&L Gates LLP. The contents may be privileged and confidential and are intended for the use of the intended addressee(s) only. If you are not an intended addressee, note that any disclosure, copying, distribution, or use of the contents of this message is prohibited. If you have received this e-mail in error, please contact me at [Robert.Smith@klgates.com](mailto:Robert.Smith@klgates.com).



July 28, 2022

City Council  
City of Palo Alto  
250 Hamilton Avenue  
Palo Alto, CA 94301

**Re: Agenda Item No. 10: Placement of Business Tax Proposal on November Ballot**

Dear Mayor Burt and City Councilmembers:

This letter concerns the City's efforts to establish a business tax and submit the proposed tax for a vote as part of the November 2022 ballot. As further detailed herein, we strongly oppose the proposed business tax. While we understand the City's desire to raise revenue, this proposal will have a significant impact on City businesses; will create disincentives for businesses to occupy leasable square footage in the City, thereby slowing the City's economic recovery and job growth; and can further increase consumer prices and costs at a time when inflation is at record highs. The City's proposed tax has not been thoroughly evaluated, particularly the long-term impacts of imposing a "forever tax" and potential negative economic consequences associated with losing tax revenue from real estate taxes and sales taxes should businesses leave the City as a result. The City's tax proposal has a greater economic impact on most City businesses as compared to its neighbors and is ill-designed to be commiserate with the nature and size of the taxed companies. At a time where California is on the brink of a significant recession, high inflation, significant supply chain and staffing shortages, and where local companies are already facing some of the highest rental rates in the nation, this is the wrong time for the City to foist its budgetary difficulties on the backs of local businesses that are struggling to remain in operation.

Maxar Technologies enables government and commercial customers to monitor, understand and navigate our changing planet; deliver global broadband communications; and explore and advance the use of space. Maxar supports the critical missions of the U.S. military and NASA, among others. Our California team members work on some of the nation's most critical satellites, spacecraft systems, robotics and payloads, turning visions into missions. Our company fits within Palo Alto's focus on technology, research and development, and innovation. Our Palo Alto facilities occupy more than 276,000 square feet of leased space at an annual cost of more than \$26 million. Our Palo Alto operations focus on designing and manufacturing satellites and spacecraft, employing a taxpaying workforce with annual gross pay of more than \$150 million. We currently have 1,200 employees that work at our facility located at 3875 Fabian Way in the Bayshore Corridor Employment District. Maxar also has California facilities in San Jose and Pasadena.

Our engagement in the Palo Alto community is not only limited to our work. We engage in an annual Toys for Tots campaign; have coordinated fundraising drives in partnership with the American Cancer Society to raise thousands of dollars to treat breast cancer; organize an annual car show and fundraiser that has generated thousands of dollars for the Make a Wish Foundation; donate to the Second Harvest Food Bank and Giving Tree; and we are currently looking to expand our partnership with the local homeless organization Life Moves. During the height of the COVID-19 pandemic, we put our technology to work to produce personal protective equipment for health care workers, including production and

delivery of 5,000 face shields in April 2020 to medical, dentistry, and senior care facilities throughout Northern California.

We value our engagement in the Palo Alto community and want to continue to be part of the city, but we are very concerned about the City's proposed imposition of a business tax as further outlined below. Therefore, we respectfully request that the City reconsider its proposal and find another source of revenue that does not significantly penalize local businesses and kill economic growth and recovery.

**A. The Tax Penalizes the Utilization of Office, Manufacturing, Retail and Industrial Space and is not related to the Size or Revenue of the Company**

Because the tax is based upon the square footage utilized by the taxed business, it disincentivizes the utilization of office, manufacturing, research, retail, and industrial space. This is particularly discouraging given the number of vacant spaces within the City that remain unoccupied or underutilized after the City has reopened from COVID-19 shutdowns. Basing the tax upon square footage will create an incentive for companies to minimize their operational footprint, which is already a consideration for many companies given the pivot to remote working. This means less people working within the City, which would result in less sales tax revenue and less utilization of City restaurants and retail businesses.

This is particularly onerous for manufacturing, industrial, and research and development facilities, that often require substantial amounts of square footage that are disproportionate to their revenue stream or economic impact. For example, our company builds large satellites, robotics, and spacecraft systems that require a significant amount of square footage. The same is true for many of Palo Alto's research facilities. Basing the business tax on the square footage of the company's operation will penalize these important sectors of the City's economy and may encourage them to move elsewhere.

The tax will have a significant negative effect within the Bayshore Corridor and other employment districts. As noted in the City's Comprehensive Plan:

These districts provide thousands of local jobs, establish a customer base for many other Palo Alto businesses and generate tax revenues for the city. Because each plays a central role in maintaining the fiscal health of the City, it is important to support their long-term viability and ability to respond to changing global economic conditions.

City of Palo Alto Comprehensive Plan, at 196. The Comprehensive Plan also seeks "to balance increases in costs for business space with the need for rehabilitation and replacement of outdated space in the San Antonio Road and East Bayshore areas." *Id.* Policy B-7.7. The proposed business tax is contrary to these policies, in that it will have a significant impact on the employment districts, which include many buildings with significant square footage, and will make it more costly to expand or restore outdated and underutilized space in the San Antonio/Bayshore areas when it would increase local tax liability for those businesses.

The lack of connectivity between the economic impact or vitality of a business and square footage is one reason why a recent Stanford University study submitted to the City on May 18, 2022 showed that most nearby cities that have a business tax do not tax based upon the company's operational square footage. We understand that the one city that does, the City of Cupertino, may be reevaluating their tax

structure. The Stanford University study concludes that based upon the City's proposed business tax structure "the additional tax burden . . . will be placed on Palo Alto's smaller companies such as start-ups and Main Street businesses."

**B. The Tax Will Reduce Investment in the City and Make Leases Unsustainable**

The City's proposed tax also will have a significant impact on lessees like Maxar. Palo Alto already has some of the highest commercial rental rates in the county. Rental rates on research and development properties within Silicon Valley reached an all-time high last quarter.<sup>1</sup> As noted in the City's Community Plan "commercial rents have risen precipitously in response to the demand for a Palo Alto address, driving a conversion of retail spaces to office uses and pricing out smaller stores and professional services." *Id.* at 190. The City's proposed tax operates as a pass-through cost to lessees, thereby increasing already significantly high rental rates for City businesses. According to the study conducted by Stanford University, lessees would be expected to pay more in business taxes as compared to the average of the other five nearby jurisdictions evaluated in the study.<sup>2</sup> Because lessees tend to be more transitory than property owners, this could result in lessees seeking to relocate elsewhere, which could also reduce real estate tax and sales tax revenue obtained by the City. This is inconsistent with the City's goal to promote its "image as a business-friendly community" and take "an active role in fostering businesses, including small start-ups, entrepreneurs, and innovative businesses." *Id.* Policy B-1.2.

**C. The City Has Not Properly Studied the Long-Term Need or Impact of the Tax**

While the City has spent a lot of money on polling and public relations when it comes to consideration of the business tax, it has not properly evaluated either whether the City *needs* a long-term tax to generate revenue, nor the potential long-term economic consequences of such an action. Certainly there is a short-term need to generate additional City revenue given the impacts to the City and community from COVID-19 and the associated economic downturn. But the City has not made the case that the appropriate solution is a "forever tax" on City businesses. This city, and the nation as a whole, has weathered similar economic downturns over the past several decades which have been followed in many circumstances by robust revenue and economic profits. Basing the City's needs on short-term priorities without proper economic studies that also evaluate the potential negative impacts from businesses leaving, job losses, and decreased investment, is not good public policy. The City should commission an independent study of the economic impact of the proposed tax and be transparent about not just potential revenue generated but the potential negative economic impacts as well. To the extent that the City advertises to City voters that tax revenue is going to be used for certain purposes, the draft ordinance must be revised so that the revenue is required to be used for such purposes rather than simply going to the City's general fund.

**D. The Tax Will Increase Costs to City Consumers**

Companies are already struggling to control costs as the costs of raw materials, availability, labor shortages, and supply chain issues are driving up the costs of doing business. Some of these increased

---

<sup>1</sup> <https://therealdeal.com/sanfrancisco/2022/07/19/rd-lease-rates-reach-record-high-in-silicon-valley/>.

<sup>2</sup> This is still true after the City reduced the proposed per square foot tax rate as compared to the proposed tax rates evaluated in the Stanford study.

costs are already being borne by consumers who are facing the most significant increases in inflation in years. Significant additional costs to companies will only exacerbate these issues. Businesses simply cannot afford another large tax increase after two years of a crippling pandemic, meaning they inevitably will need to pass the cost onto the consumer to stay afloat.

**E. Bottom Line: This is the Wrong Time and Wrong Approach for a Business Tax**

City businesses are just recovering from a global pandemic that continues to disrupt our businesses, workforce, and overall economy. The country is facing significant inflationary pressures, supply chain issues, and shortages of skilled labor. Despite all of this, rental rates in Silicon Valley and Palo Alto in particular remain high, making it already difficult to continue to invest and expand within the City. The City's proposed tax will significantly worsen these issues for local companies. We respectfully request that the City reconsider its proposed business tax and find a way to increase revenue streams without adversely affecting its own economic growth, recovery, and job creation. Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Cox", with a stylized flourish at the end.

Karen Cox  
Vice President  
Government Relations & Public Policy  
Maxar Technologies Inc.