



City of Palo Alto

City Council Staff Report

(ID # 10314)

Report Type: Consent Calendar

Meeting Date: 6/3/2019

Summary Title: Downtown Palo Alto Business Improvement District

Title: Preliminary Approval of the Downtown Business Improvement District (BID) 2019-2020 Annual Report; Adoption of a Resolution Declaring an Intention to Levy an Assessment Against Businesses Within the BID for Fiscal Year 2020 and Setting a Time and Place for a Public Hearing to be Held by the City Council on the Levy of the Proposed Assessment

From: City Manager

Lead Department: City Manager

Recommendation

Staff recommends that City Council:

1. Preliminarily approve of the Business Improvement District (BID) Advisory Board's 2020 Annual Report for the BID (Attachment A) and;
2. Adopt a Resolution of Intention to Levy Assessments in the Palo Alto Downtown Business Improvement District for Fiscal Year 2020 (Attachment B), setting a date and time for the public hearing on the levy of the proposed assessments for June 24, 2019, at 5:00 PM, or thereafter, in the City Council Chambers.

Executive Summary

This City Council action (a) preliminarily approves the BID Advisory Board's annual report, and (b) sets a time and place for a public hearing to receive a presentation by the Palo Alto Downtown Business and Professional Association (PADBPA), the entity with which the City contracts to provide services to businesses in the Downtown, and consider any objections to the assessments. PADBPA addresses issues facing downtown businesses such as cleanliness, safety, and attractiveness. PADBPA also assists with communication about the City's capital improvement projects such as Upgrade Downtown, mobility projects, and other City policy matters affecting downtown businesses. Assessments for BID businesses are based on the size, type and location of the business. Assessments range from \$50 for individually owned professional businesses to \$500 annually for financial institutions. PADBPA holds monthly open meetings governed by the Brown Act which any business or individual can attend.

Background

The Palo Alto City Council established the BID in 2004 pursuant to the California Parking and

Business Improvement Area Law to maintain economic vitality and physical maintenance of the Palo Alto Downtown business district. The Council appointed PADBPA, a non-profit corporation, as the Advisory Board for the BID. PADBPA, acting through its independent Board of Directors, advises the Council on the method and basis for levy of assessments in the BID and the expenditure of revenues derived from the assessments.

Pursuant to BID law, PADBPA must annually submit to the Council a report that proposes a budget for the upcoming Fiscal Year (FY) for the BID. The report must: 1) propose any boundary changes in the BID; 2) list the improvements and activities to be provided in the Fiscal Year; 3) estimate the cost to provide the improvements and activities; 4) set forth the method and basis for levy of assessments; 5) identify surplus or deficit revenues carried over from the prior Fiscal Year; and 6) identify amounts of contributions from sources other than assessments.

Each year the Council: 1) reviews the report and preliminarily approves it as proposed or with modifications; 2) adopts a resolution of intention to levy the assessments for the upcoming Fiscal Year; and 3) sets a date and time for the public hearing on the levy of assessments in the BID. Absent a majority protest at the public hearing proposed for June 24, 2019, at the conclusion of the public hearing, the Council may adopt a resolution confirming the report for FY 2020 as filed or as modified by the Council. The adoption of the resolution constitutes the levying of the BID assessments for FY 2020.

The proposed BID budget for FY 2020 was reviewed and approved by PADBPA at their May 8, 2019 meeting. As required by BID law, the report has been filed with the City Clerk and contains a list of the improvements, activities, and associated costs proposed in the BID for FY 2020.

Discussion

Over the past fifteen years, PADBPA, supported by the BID Fund and working in collaboration with the City, has achieved several significant accomplishments that have contributed to a vibrant downtown. The Annual Report documents these achievements. Looking forward and considering the future of downtown, the City and PADBPA recognize that the economic landscape has shifted significantly. The built environment, population demographics, traffic patterns, and shopping habits are a few of the changes that significantly impact downtown businesses of all types. The City, PADBPA, and the downtown business community must thoughtfully consider how to achieve the stated goals of the BID in this new environment.

As the Annual Report states, PADBPA intends to use the coming year to assess operating models and determine which model is the most sustainable. This assessment, performed in collaboration with the City, will consider the goals of the both organization and the City, the obligations of the BID Fund, and ultimately determine the operating model that can best achieve those goals.

The attached PADBPA Annual Report provides a summary of activities from FY 2019 and presents the budget and proposed activities for FY 2020. Aligning revenues and expenses

remains a critical component of a sustainable operating model. PADBPA proposes a fiscally conservative FY 2020 budget that aligns revenues and expenses. The proposed budget projects revenue and expenses of \$87,500.

Since FY 2015, the revenues generated from the BID assessment, which is administered by the City, have not kept pace with the expenses of operating PADBPA's programs. The BID Fund's balance has slowly decreased. The BID Fund has run an operating deficit since FY 2015; this manner of operating is not sustainable on an ongoing basis. The City will continue to monitor FY 2019 expenses and appropriate adjustments will be brought forward as part of the FY 2019 CAFR and Year-End process. The proposed budget for FY 2020 reflects a more moderate expense budget in order to appropriately align revenues and expenses in the fund. The City is confident that through streamlined assessments and a conservative budget, the BID Fund will balance its budget in FY 2020.

To streamline the BID assessment process and create less confusion, the BID assessment collection has been combined with the Business Registry Certificate (BRC) payment. The firm Avenu (formerly MuniServices, LLC) is the third party vendor contracted to provide collection services. Avenu began conducting the combined collection in late April 2019.

In past years, the BID assessment collection began in March and concluded by the close of the fiscal year. This year, however, due to the later date of the FY 2019 collection, the City has received a limited number of payments to date. City staff and Avenu anticipate increased revenue due to the combined and streamlined collection process. In FY 2020, the City plans to identify means and methods to further enhance collection of the assessment in order to increase revenues.

Resource Impact

The BID is set up as a separate fund within the City's accounting system and does not impact the general fund. Per the contract with PADBPA, the City acts as the collection agent for BID revenues and reimburses PADBPA's expenses after receipt and verification of invoices. Upon approval of the Annual Report, the City designates funds for reimbursement according to the approved budget. Revenues are collected throughout the fiscal year to offset BID expenses.

Additional resources include staff time from the City Manager's Office and Development Services Department to provide oversight to the BID, administer the contract with Avenu, liaise with stakeholders, and prepare the annual reauthorization. Through the FY 2020 budget process, City Council will consider a proposal to move BID assessment collection from the Development Services Department to the Administrative Services Department.

Attachments:

- Attachment A - PAD Annual report 2019-20
- Attachment B - Resolution Declaring Intention to Levy Downtown BID Assessment for FY20
- Attachment C - Exhibit A - BID Map

- Attachment D - Exhibit B - BID Fee Schedule



Downtown Palo Alto



start here.

Palo Alto Downtown Business and Professional Association Annual Report 2019-20

Prepared by
Brad Ehlkian, Chairman
Board of Directors

Introduction

This report from the Advisory Board of the Palo Alto Downtown Business & Professional Association (“PADB&PA”) was prepared for City Council to review for the annual reauthorization of the Downtown Palo Alto Business Improvement District (“BID”) pursuant to Section 36533 of the Parking and Business Improvement Law of 1989 (Section 36500 and following of the California Streets and Highways code) (the “Law”). This report is for the proposed fiscal year for the BID commencing July 1, 2019 and ending June 30, 2020. (“Fiscal Year 2019-20”).

As required by the Law, this report contains the following information:

- I. Any proposed changes in BID boundaries and benefit zones within the BID;
- II. The improvements and activities to be provided for Fiscal Year 2019-20;
- III. An estimate of the cost of providing the improvements and the activities for Fiscal Year 2019-20;
- IV. The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for Fiscal Year 2019-20.
- V. The amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
- VI. The amount of any contributions to be made from sources other than assessments levied pursuant to the Law.

Submitted by Brad Ehikian, Chair of the Advisory Board (“Advisory Board”) of the Palo Alto Downtown Business & Professional Association (“PADB&PA”).

The Advisory Board approved this report on May 8, 2019. Received on file in the Office of the City Clerk of the City of Palo Alto on May 8, 2019.

The Immediate Future

Upon the departure of the Executive Director in June of 2018, the Palo Alto Business and Professional Association Board of Directors developed several forward-looking scenarios, which are described below in no particular order:

1. Replace the existing full time Executive Director position with another full-time Executive Director
2. Replace the existing full-time Executive Director position with a part-time Executive Director
3. Form a partnership with the City of Palo Alto, in which the City would provide some administrative support and the PADBPA board would provide guidance of downtown programs and improvements
4. Form a partnership with the Palo Alto Chamber of Commerce in which the Chamber would provide administrative support and the PADB&PA board would provide leadership and funding for downtown improvements and programs
5. Do not have paid staff, use assessments to fund projects in the downtown that would support retail businesses

PADB&PA proposes to use the next year to thoroughly assess these options in order to determine which model is the most sustainable. This assessment will include identifying the goals of the BID and PADB&PA, understanding the revenue generation and expenses of each

model, the impact of each model on achieving the stated goals, and the feasibility of each model in the local context.

During the coming months it is the board's intention to pursue and engage in a consultative approach to determine the most appropriate course of action. At the same time, we will continue identifying and executing programs, special projects, and partners that can enhance the downtown experience.

Historical Perspective

PADB&PA's takes great pride in the programs and services that it has contributed since inception. Several are listed here:

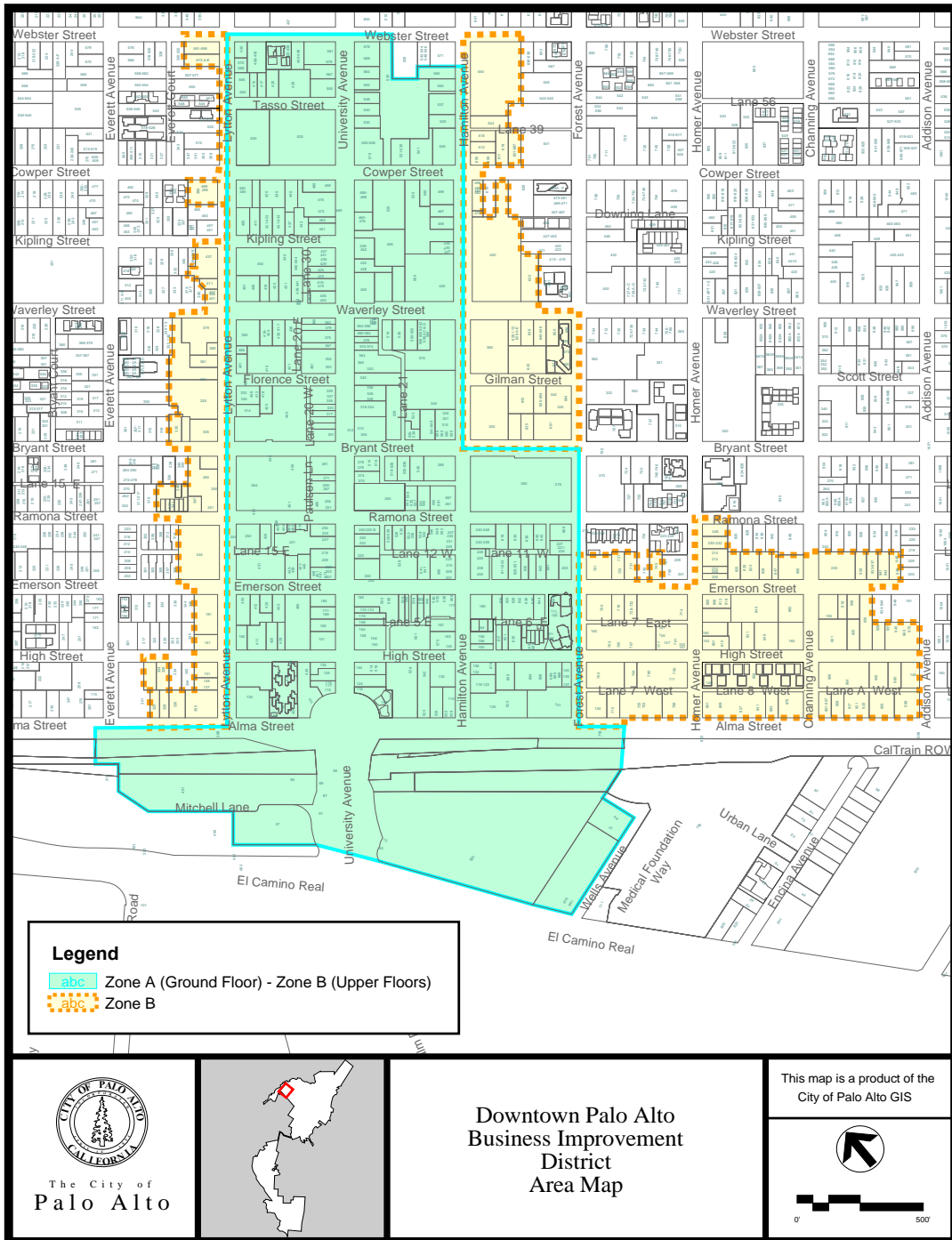
- Creation of the Downtown Streets Team (PADB&PA started the effort in 2005) with continued support through 2019
- Display of American Flags during national holidays (began in 2012) and continues to present.
- Holiday Tree Lighting (this program was brought back in 2011 after a long hiatus.)
- "Art" benches and replacement of the over twenty year old utilitarian benches (these programs were initiated with both Public Works and Public Arts in 2015.)
- Free summer concerts (began in 2013) and continued through 2018
- Increase the frequency of steam-cleaning sidewalks, replacement of trashcans and increase in patrols of the parking garages (all programs initiated by PAd in conjunction with Public Works, PAPD, Downtown Streets Team and the Parking Assessment District.)
- Streetlight banner program branding and promoting downtown as a great destination (began in 2012) and continues to present
- Collaborated on "No smoking" ordinance and "no amplified music" ordinance (both initiated in 2014)
- Lytton Plaza umbrellas and new foliage (partnership with the PAd, City and the Friends of Lytton Plaza, beginning in 2014) and continues to present.
- University Avenue Tunnels repainting. (initiated and completed in 2013)
- Additional partnerships between the City of Palo Alto and the business community for communications about encroachment permit enforcement, downtown infrastructure improvement impacts, Residential Permit Parking issues, TMA, World Music Day and other street closure events.

PADB&PA's contribution illustrates the ongoing benefit of an organization dedicated to enhancing the quality of life for residents and patrons of Downtown Palo Alto. Further accomplishments for Fiscal Year 2019 are listed below in the Annual Report.

Section I: BID boundaries and Benefit Zones

There have been no changes in the BID boundaries or benefit zones within the BID and no changes are proposed. The current boundaries are depicted on the map below. The area of the BID is referred to as “Downtown.”

EXHIBIT A



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CPA BID (locmap\gisadmin\Personal\rivera.mdb)

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Section II: Improvements & Activities

Downtown Palo Alto is a far different place than it was when the organization was founded in 2004. Downtown is a dynamic, entrepreneurial neighborhood that boasts clean and safe walkable streets, a well balanced confluence of small, medium and large businesses and an almost even balance of independently owned retail and restaurants operating along side national chains. It is a globally recognized mecca for innovating the social and the technical.

However, we are currently noticing difficulty in attracting retail businesses. We have heard from several sources that retail spaces are not filling due to lack of parking, the tenant improvement process and higher than anticipated rent. Restaurants are also suffering due to the increased number of restaurants at the Stanford Shopping Center competing for our business. Several restaurants have closed while others have reduced hours. Despite these challenges, PADBPA operate a number of programs and activities in the past year.

2018-19 Programs that help the public good as well as members:

- Spearheaded the effort on the systematic replacement of downtown benches to both enhance the esthetics of downtown and inhibit loitering. A combination of a more utilitarian bench design along with a small variety of artful benches have been installed, this in partnership with City of Palo Alto Public Works Division and the Public Arts Commission. Funding to keep and maintain these benches has been secured through a partnership with the Arts Commission and the Public Utilities Department. This project is complete.
- Worked with a variety of city staff to help communicate and mitigate the impacts of downtown construction related to the Upgrade Downtown Utilities project.
- Initiated a plan to partner with Zero Waste to enhance the cleanliness of the alleyways throughout downtown.
- Designed and managed the downtown lamppost banner program which provided Holiday, Spring and Summer banners along University, Lytton and Hamilton as well as site specific banners for Bryant, Emerson, Waverly and Ramona as well as Lytton Plaza. Downtown now has compiled a library of banner designs that can be used in years to come. This brand building program continues to promote downtown as the special place it is. No new banner designs are planned for 2019-20.
- Initiated, developed, managed and promoted the 6 week long Summer concert series, “Music On the Plaza” including the development and design of social media, web and print efforts as well as raising the \$20K in sponsorships needed to execute the series. We have moved the series to Lytton Plaza and closed a small section of Emerson to accommodate staging in order to accommodate participants. This move resulted in larger crowds and even larger crowds are anticipated this year. Continuing the series in 2019-20 is under consideration but not likely given the absence of leadership.
- Partnered with the Friends of Lytton Plaza and the City of Palo Alto to maintain umbrellas, foliage, public art and banners to the plaza to enliven and soften the hardscape of the plaza. Further efforts will continue in 2019-20.
- Initiated a comprehensive review of all newsrack conditions. Provided City Engineering staff with this report. Met with other municipalities to compare those city’s newsrack ordinances in order to make recommendations regarding how to refine our current ordinance.

Looking ahead to Fiscal Year 2019-2020

As previously stated, PADBPA and the City will work together to identify and implement a sustainable operating model for both PADBPA and the BID Fund. While the strategic planning is underway, PADBPA will continue programs and activities that benefit the businesses within the BID boundaries.

These programs and activities include:

- Improvement and maintenance of public spaces, including public plazas, streets, and sidewalks;
- Acquisition, construction, installation or maintenance of any tangible property with an estimated useful life of five years or more;
- Marketing activities, including the downtown banner program and consideration of events;
- Activities and programs that benefit the member businesses.

Section III. Budget for 2019-20

The total funds available for activities for this fiscal year are estimated to be \$87,500. The budget for providing the activities is set forth as follows:

BID 2019/20 Budget		
INCOME	Total	Non-Assessment Sources
Assessments	\$112,500	
Allowance for Uncollectible Assessments	(\$25,000)	
Other Revenue	\$0	\$0
<u>TOTAL INCOME</u>	<u>\$87,500</u>	
EXPENSES		
Operating Expenses		
Staff Salaries		
Executive Director Salary - Part Time	\$35,000	
Payroll taxes and expense	\$3,500	
Office Supplies & Expenses	\$150	
Internet/Website/ Phone Maintenance	\$1,000	
Reauthorization Advertising	\$2,690	
Audit-Tax Returns	\$6,500	
Legal	\$1,000	\$1,000
Insurance - Liability	\$2,300	
Nominating	\$1,500	
Contingencies	\$500	
Subtotal -- Operating Expenses	\$54,140	\$1,000
Programs, Marketing and Events		
Banners	\$1,000	
Location Specific Banners	\$0	
Outreach & Communication	\$0	
Downtown Streets Team	\$3,000	
District Opportunity Reserve	\$29,360	
Subtotal --Programs, Marketing & Events	\$33,360	\$1,000
<u>Total Expenses</u>	<u>\$87,500</u>	

Section IV: Method and Basis of Levying the Assessment

Cost Benefit Analysis / Bid Assessments

The method and basis of levying the assessment is provided in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for Fiscal Year 2018-19 and is not changed from the FY 2019-20 assessment.

There have been no changes made to the Cost-Benefit Analysis or to the BID Assessments since they were approved by City Council on February 2, 2004. Any change to the assessment would require a formal vote of all businesses in the district. We are confident that our reasonable approach to this subject is thoughtful and well valued.

The method of calculation used to determine the cost and benefit to each business located in the BID is described below. The BID assessments are based on three criteria: the type of business, the location of the business and the size of the business.

It has been consistently demonstrated that the typical BID program places a higher priority on activities such as commercial marketing. As a result, the retail and restaurant establishments in the BID are assessed more than service and professional businesses in the district.

While service-oriented businesses benefit from a BID less than retailers and restaurateurs, they benefit more than professional businesses such as medical, dental, architectural, consultant and legal offices with their minimal advertising and promotion needs.

For these reasons, various business types are assessed according to the benefit that they receive from the BID, as follows:

- Retail and Restaurant 100% of base amount
- Service 75% of base amount
- Professional 50% of base amount

Exceptions to this rule include financial institutions that are traditionally charged a flat rate regardless of location or size and lodging businesses that are typically charged by total rooms.

The location of a business also determines the degree of benefit that accrues to that business. Centrally located businesses tend to benefit more, as do businesses located on the ground floor.

For this reason, A and B benefit zones have been identified for the BID.

In Palo Alto, Zone A benefit businesses are assessed 100% of the base benefit assessment while Zone B businesses are assessed 75%.

A third criterion is used in the BID to determine benefit. This criterion, the size of the business, takes into consideration the number of full time employees employed by the business. Please refer to *Attachment 1* for a more complete understanding of the application of these three variables to establish BID benefit.

Attachment 2 is the BID assessment for each business located within the BID boundaries. Applying the criteria identified in Attachment 1, a summary of the assessment that applies to each business by size, type and location is outlined. In addition to the Cost-Benefit Analysis, the assessments include the following criteria:

- *An exemption for “single person professional businesses” that have 25% or fewer full time equivalent (“FTE”), including the business owner. This covers employees who work less than 10 hours a week (based on a 40 hour work week; an FTE equals approximately 2000 hours annually)*
- *An assessment specifically for “single person businesses” that have 26% FTE to 1 FTE in the professional business category of the BID (An FTE equals approximately 2000 hours annually)*
- *The tiering of other professional businesses by size based (according to benefit) on the “single person business” criteria*

This outline provides information by which a business can determine its annual assessment based on objective criteria.

Except where otherwise defined, all terms shall have the meanings identified below:

Definitions of Business Types in the Downtown Business Improvement District

Retailers and Restaurants: Businesses that buy or resell goods such as clothing stores, shoe stores, office supplies as well as businesses that sell prepared food and drink.

Service Businesses: Businesses that sell services such as beauty or barber shops, repair shops, most automotive businesses, dry cleaners, art and dance studios, printing firms, film processing companies, travel agencies, entertainment businesses such as theatres, etc.

Hotel and Lodging: These include businesses that have as their main business the lodging of customers. This is restricted to residential businesses that provide lodging services to customers for less than 30 days.

Professional Businesses: Businesses that require advanced and/or specialized licenses or academic degrees such as architects, engineers, attorneys, chiropractors, dentists, doctors, accountants, optometrists, realtors, insurance brokers, venture capital firms, consultants, advertising and marketing professionals and mortgage brokers and similar professions.

Financial Institutions: Includes banking, savings and loan institutions and credit unions.

Additional clarification on business definitions will be defined according to Section 18.04.030 (Definitions) of the Palo Alto Municipal Code.

The Advisory Board recommends that the following businesses be exempt from the BID assessment:

- New businesses established in the BID area following the annual assessment for the year in which they locate in the BID area
- Non-profit organizations
- Newspapers
- “Single person professional businesses” that have 25% or less FTE, including the business owner

Section V: Revenue Deficit

The Assessment calculated shall be paid to the City no later 30 days after receipt of the invoice with the amount of the annual assessment sent by the City. A second notice will be mailed as a reminder to businesses that have not remitted payment by that date. Late payment will be subject to a 10% late fee.

Expected expenses for the remainder of FY 19-20 are as follows:

Operating Expenses	
Staff Salaries	
Executive Director Salary - Part Time	\$35,000
Payroll taxes and expense	\$3,500
Office Supplies & Expenses	\$150
Internet/Website/ Phone Maintenance	\$1,000
Reauthorization Advertising	\$2,690
Audit-Tax Returns	\$6,500
Legal	\$1,000
Insurance - Liability	\$2,300
Nominating	\$1,500
Contingencies	<u>\$500</u>
Subtotal -- Operating Expenses	\$54,140
Programs, Marketing and Events	
Banners	\$1,000
Location Specific Banners	\$0
Outreach & Communication	\$0
Downtown Streets Team	\$3,000
District Opportunity Reserve	\$29,360
Subtotal --Programs, Marketing & Events	\$33,360
<u>Total Expenses</u>	<u>\$87,500</u>

Section VI: Non-assessment Income:

It is estimated that \$1,000.00 will be raised in fundraising, and sponsor support. Additionally, we anticipate in kind contribution towards expenses for fiscal year 2019-20.

Projected Additional/In-kind Income for Fiscal Year 2019-20	
Legal (donation)	\$1,000
Banners	\$0
Summer Concert Series	\$
Events	\$0
Total	\$1,000

Section VI: PADB&PA Board of Directors by Business Type

Retailers and Restaurants

Georgie Gleim, *Gleim the Jeweler*

Jill Bibo, *McRoskey Mattress*

Rob George, *Lemonade*

Jeff Selzer, *Palo Alto Bicycles*

Nancy Coupal, *Coupa Cafe*

Hospitality

Barbara Gross, *Palo Alto Hotel Council*

Stephanie Wansek, *Cardinal Hotel*

Financial Institutions

Ali Agah, *Boston Private Bank & Trust Company*

Katie Seedman, *Presidio Private Bank and Trust*

Professional Organizations

Brad Ehikian, *Premier Properties*

Patty McGuigan, *Cornish & Carey Commercial*

Non Profit Organizations

[vacant], *Downtown Street Team*

COMMUNITY PARTNERS

Palo Alto Chamber of Commerce

Judy Kleinberg, *President & CEO*

Downtown Streets Team

Eileen Richardson, *Executive Director*

City Of Palo Alto

Greg Tanaka, *Palo Alto City Council Liaison*

Michelle Flaherty, *Deputy City Manager, City Manager's Office*

Rachael Tanner, *Assistant to the City Manager, City Manager's Office*

ATTACHMENT 1

A General Statement Regarding Cost-Benefit Analysis For BID Businesses Using The Traditional Three Criteria Formula

Criteria 1) Type of Business:

Statement Concerning Cost-Benefit Formula For BID Businesses Regarding Type Of Business:

In a review of 200 California Business Improvement Districts, it is consistently demonstrated that the typical BID Program places a higher priority on Commercial Marketing Programs than on Civic Beautification and Commercial Recruitment Programs. With that trend in mind, retail and restaurant businesses, with their emphasis on, and need for, commercial marketing, are traditionally assessed more than less marketing-sensitive service-oriented or professional-oriented businesses.

However, while service-oriented businesses benefit from a BID less than retailers and restaurateurs, they benefit more, (from commercial marketing programs), than professional businesses such as medical, dental and legal offices with their minimal advertising and promotion needs.

Therefore, set forth below, is an example of how various business types might be considered regarding the computation of the annual benefit assessment.

- Retail and Restaurant: 100% of base amount
- Service: 75% of base amount
- Professional: 50% of base amount

Exceptions to this rule include financial institutions that are traditionally charged a flat rate regardless of location or size and lodging businesses that are typically charged by total rooms. Lodging businesses are assessed based on the total number of rooms because it is a more equitable manner of determining size. Many lodging businesses have many part time employees, but revenues are based on the room occupancies of the hotel, not the goods sold or serviced provided by employees.

Criteria 2) Location of Business:

Statement Concerning Cost-Benefit Formula For BID Businesses Regarding Location of Business:

It has also been consistently demonstrated that the more centrally located businesses tend to benefit from BID activities and services to a greater degree than businesses located toward the periphery of the proposed BID boundaries. Events and activities tend to originate in the central core of the Downtown area and spread benefit to the outer areas with diminishing energy and impact, much like the ripple effect of a stone tossed into a body of calm water.

Furthermore, ground floor businesses tend to benefit to a greater degree than businesses located in upper floors. Therefore, in some cases, a new BID's annual benefit assessment formula also takes these street level criteria into account.

As mentioned above, special events, fairs, festivals and other activities tend to take place within, or along, the Main Street core rather than in the areas at the periphery of the Downtown core. Additionally, BID-sponsored seasonal decorations, public art projects, street banners and street furniture tend to be located within the immediate core area.

Therefore, businesses located within the most central area of the proposed BID are considered to be within "Zone A" which should be considered the primary benefit zone. There is typically a "secondary zone" or

"Zone B" within most proposed BID areas. This area receives less benefit than Zone A and should be assessed accordingly.

An example of how different zones might be treated regarding the computation of the annual benefit assessment is as follows.

- Zone A: 100% of base benefit assessment
- Zone B: 75% of base benefit assessment

In the case of Downtown Palo Alto, it is recommended that all Zone A upper floor businesses, as well as any other businesses located at the periphery of the proposed BID, be considered as Zone B businesses. Please refer to the map in Attachment I.

Criteria 3) Size of Business:

Statement Concerning Cost-Benefit Formula For BID Businesses Regarding Size of Business:

In approximately 50% of newly established BIDs, a third assessment criterion is used. This criterion involves the size of each individual business that is based upon the businesses' total number of full-time employees. Full-time employees are those working a total of 2,000 hours per year. Part-time employees are grouped into full-time job positions, i.e., two half-time employees total one full-time. Fractions are rounded down to the nearest whole number with no less than one person as a minimum for business.

An example of how various business sizes might be treated regarding the computation of the annual benefit assessment is as follows:

		Retail/Restaurants	Service Businesses
Small	50% of base amount	Under 6 FTE*	Under 4 FTE
Medium	75% of base amount	6 to under 11 FTE	4 to under 7 FTE
Large	100% of base amount	11 or more FTE	7 or more FTE

* FTE = full time employees

Additionally, an exemption was established for "single person professional businesses" that have 25% or less FTE, including the business owner. This covers employees who work less 10 hours a week (based on a 40 hour work week)

Since "single person businesses" that have 26% FTE to 1 FTE in the professional business category of the BID benefit the very least from the assessment, their assessments have been tiered by size based (according to benefit) on the new "single person business" criteria.

ATTACHMENT 2

Downtown Palo Alto Business Improvement District
Annual BID Assessments

	ZONE A	ZONE B (75% of Zone A amount)
Restaurants & Retailers		
Under 6 FTE (50% of base amount)	\$225	\$170
6 to under 11 FTE (75% of base amount)	\$340	\$260
11 or more FTE (100% of base amount)	\$450	\$340
Service Businesses		
Under 4 FTE (50% of base amount)	\$170	\$130
4 to under 7 FTE (75% of base amount)	\$260	\$200
Over 7 FTE (100% of base amount)	\$340	\$260
Professional Businesses		
25% or fewer FTE, including owner (0% of base amount)	Exempt	Exempt
26% FTE to under 1 FTE (25% of base amount)	\$60	\$50
2 to 4 FTE (50% of base amount)	\$110	\$90
5 to 9 FTE (75% of base amount)	\$170	\$130
10+ FTE (100% of base amount)	\$225	\$170
Lodging Businesses		
Up to 20 rooms (50% of base amount)	\$225	\$170
21 to 40 rooms (75% of base amount)	\$340	\$260
41+ rooms (100% of base amount)	\$450	\$340
Financial Institutions	\$500	\$500

Note 1: For retail, restaurant, service, and professional businesses, size will be determined by number of employees either full-time or equivalent (FTE) made up of multiples of part-time employees. A full FTE equals approximately 2000 hours annually. Lodging facilities will be charged by number of rooms available and financial institutions will be charged a flat fee.

Note 2: Second floor (and higher) businesses located within Zone A will be assessed the same as similar street-level businesses located within Zone B.

Note 3: Assessment amounts are rounded to the nearest ten dollars. The minimum assessment will be \$50.00.

Not Yet Adopted

Resolution No. _____

Resolution of the Council of the City of Palo Alto Declaring Its Intention to Levy an Assessment Against Businesses Within the Downtown Palo Alto Business Improvement District for Fiscal Year 2020; and Setting a Time and Place for a Public Hearing on the Proposed Assessment on June 24, 2019 at 5:00 PM or Thereafter, in the Council Chambers

RECITALS

The Council of the City of Palo Alto hereby DECLARES as follows:

SECTION 1. The Parking and Business Improvement Area Law of 1989 (the "Law"), California Streets and Highways Code Sections 36500 et seq., authorizes the City Council to levy an assessment against businesses within a parking and business improvement area which is in addition to any assessments, fees, charges, or taxes imposed in the City.

SECTION 2. Pursuant to the Law, the City Council adopted Ordinance No. 4819 establishing the Downtown Palo Alto Business Improvement District (the "District") in the City of Palo Alto.

SECTION 3. The City Council, by Resolution No. 8416, appointed the Board of Directors of the Palo Alto Downtown Business & Professional Association, a California nonprofit mutual benefit corporation, to serve as the Advisory Board for the District (the "Advisory Board").

SECTION 4. In accordance with Section 36533 of the law, the Advisory Board prepared and filed with the City Clerk a report entitled "Palo Alto Downtown Business and Professional Association Annual Report 2019-20" regarding the District (the "Report"). The City Council hereby preliminarily approves the Report.

SECTION 5. The boundaries of the District are within the City limits of the City of Palo Alto (the "City") and encompass the greater downtown area of the City, generally extending from El Camino Real to the East, Webster Street to the West, Lytton Avenue to the North and Addison Avenue to the South (east of Emerson Street, the boundaries extend only to Forest Avenue to the South). Reference is hereby made to the map of the District attached hereto as **Exhibit "A"** and incorporated herein by reference for a complete description of the boundaries of the District.

SECTION 6. The City Council hereby declares its intention, in addition to any assessments, fees, charges or taxes imposed by the City, to levy and collect an assessment against businesses within the District for fiscal year 2020 (July 1, 2019 to June 30, 2020). Such assessment is not proposed to increase from the assessment levied and collected

for the prior fiscal year. The method and basis of levying the assessment is set forth in **Exhibit "B"** attached hereto, and incorporated herein by reference.

SECTION 7. The types of improvements to be funded by the levy of an assessment against businesses within the District are the acquisition, construction, installation or maintenance of any tangible property with an estimated useful life of five years or more. The types of activities to be funded by the levy of an assessment against businesses within the District are marketing activities which benefit businesses in the area and which take place on or in public places within the District; improvement and maintenance of public spaces; and activities which benefit businesses located and operating in the District.

SECTION 8. New businesses established in the District after the beginning of any fiscal year shall be exempt from the levy of the assessment for that fiscal year. In addition, non-profit organizations, newspapers and professional "single-person businesses," defined as those businesses which have 25% or less full time equivalent employees, including the business owner, shall be exempt from the assessment.

SECTION 9. The City Council hereby fixes the time and place for a public hearing on the proposed levy of an assessment against businesses within the District for fiscal year 2020 as follows:

TIME: 5:00 p.m. or soon thereafter

DATE: June 24, 2019

PLACE: City Council Chambers
250 Hamilton Avenue
Palo Alto, California 94301

At the public hearing, the testimony of all interested persons regarding the levy of an assessment against businesses within the District for fiscal year 2020 shall be heard. A protest may be made orally or in writing by any interested person.

Any protest pertaining to the regularity or sufficiency of the proceedings must be in writing and shall clearly set forth the irregularity or defect to which the objection is made.

Every written protest must be filed with the City Clerk at or before the time fixed for the public hearing. The City Council may waive any irregularity in the form or content of any written protest and at the public hearing may correct minor defects in the proceedings. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing.

Each written protest must contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the City as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business. A written protest which does not comply with the requirements set forth in this paragraph will not be counted in determining a majority protest (as defined below).

If, at the conclusion of the public hearing, written protests are received from the owners of businesses in the District which will pay 50 percent or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50 percent (i.e., there is a majority protest), no further proceedings to levy the proposed assessment, as contained in this resolution of intention, shall be taken for a period of one year from the date of the finding of a majority protest by the City Council.

If the majority protest is only against the furnishing of a specified type or types of improvement or activity within the District, those types of improvements or activities shall be eliminated.

SECTION 10. For a full and detailed description of the improvements and activities to be provided for fiscal year 2020, the boundaries of the District and the proposed assessments to be levied against the businesses within the District for fiscal year 2020, reference is hereby made to the Report of the Advisory Board. The Report is on file with the City Clerk and open to public inspection.

SECTION 11. The City Clerk is hereby authorized and directed to provide notice of the public hearing in accordance with law.

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SECTION 12. The Council finds that the adoption of this Resolution does not meet the definition of a project under Section 21065 of the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

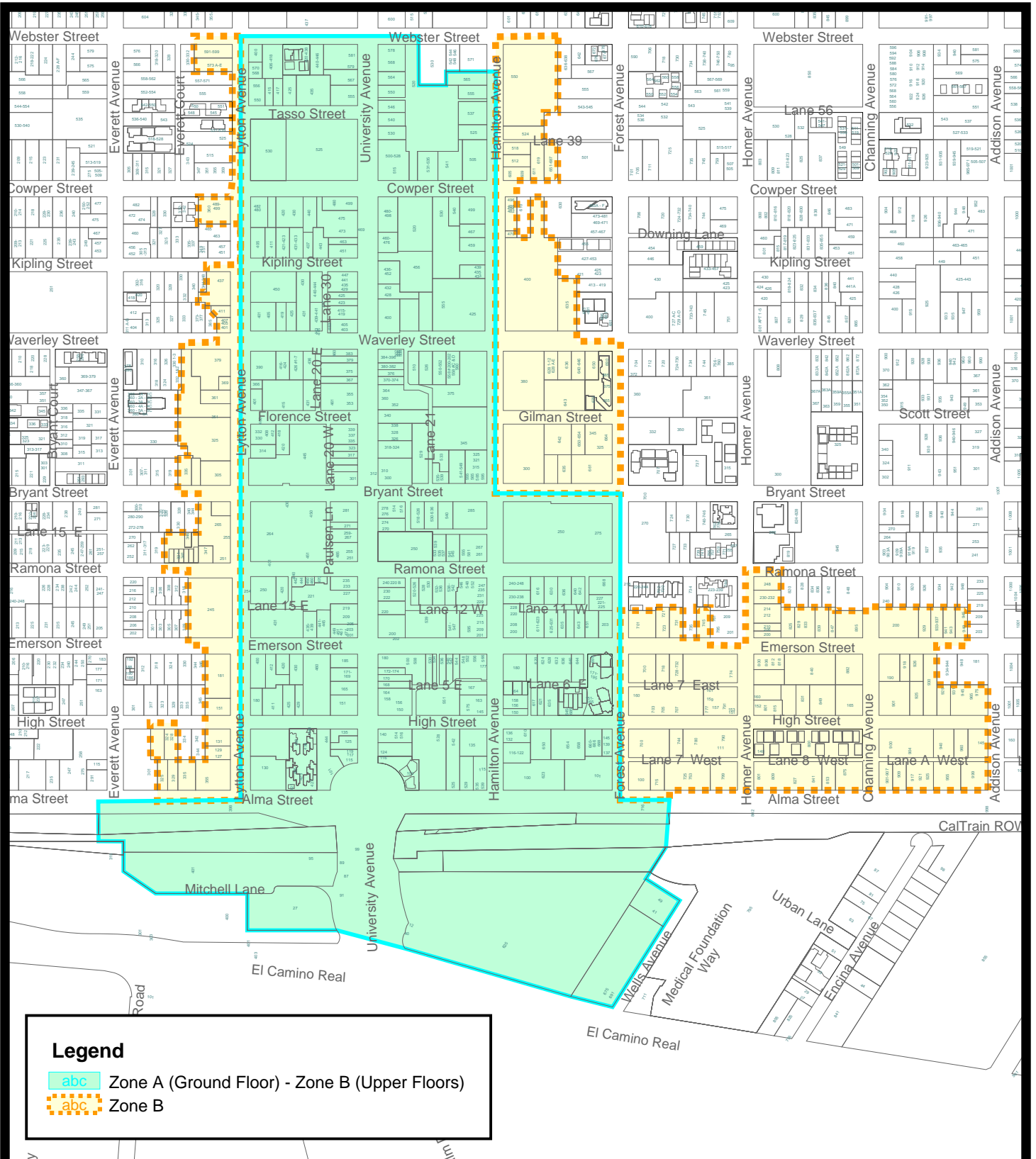
APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

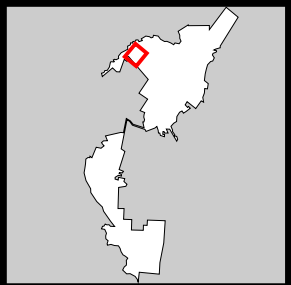
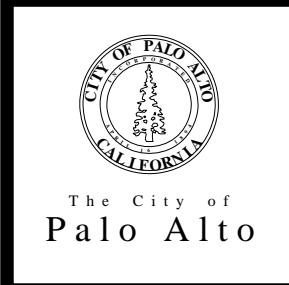
Director of Administrative Services



Legend

abc Zone A (Ground Floor) - Zone B (Upper Floors)

abc Zone B



Downtown Palo Alto
Business Improvement
District
Area Map

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

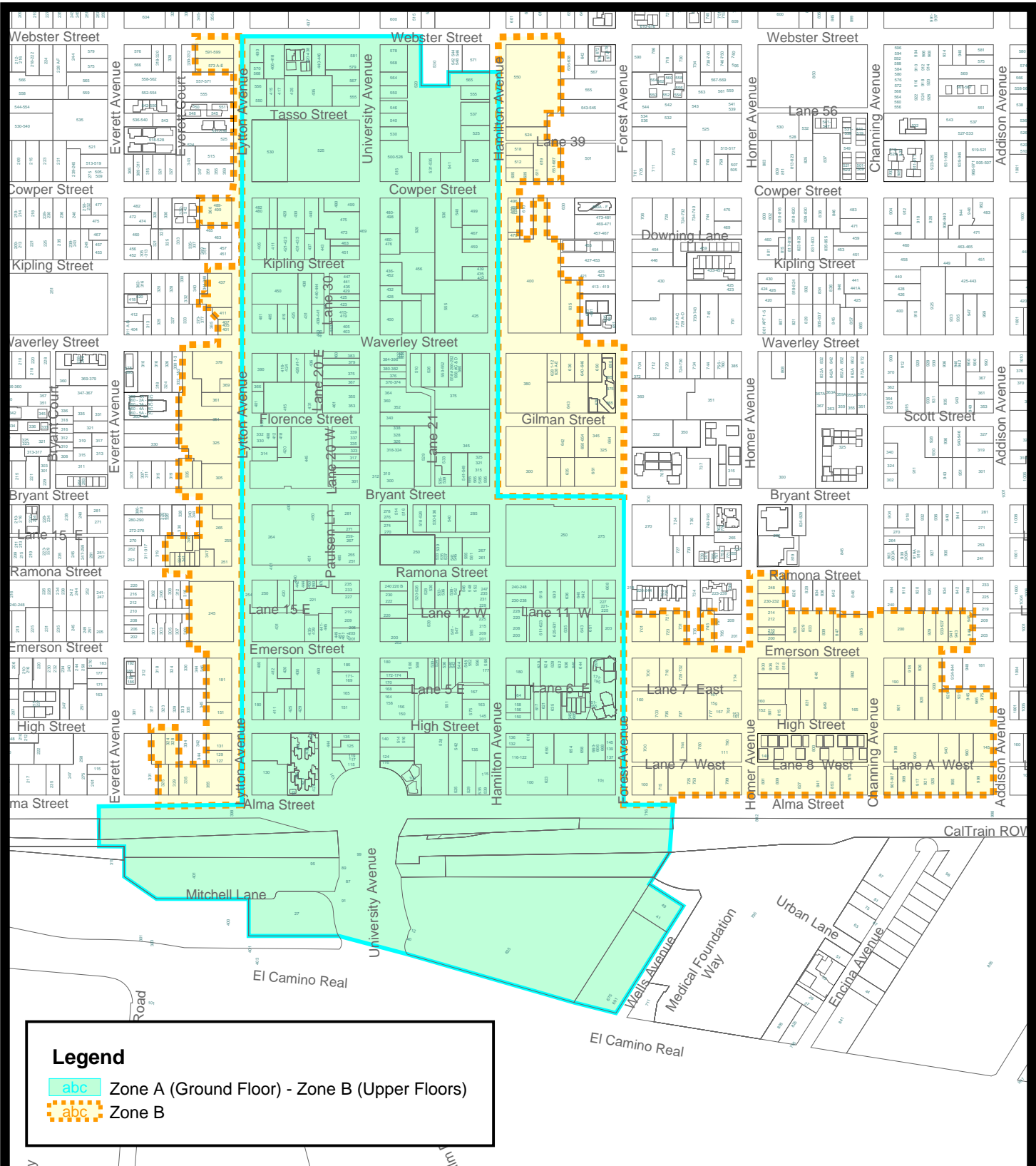
Downtown Palo Alto Business Improvement District
Annual BID Assessments

	ZONE A	ZONE B
		<i>(75%)</i>
Retailers and Restaurants <i>(100%)</i>	\$225.00 (Under 6 FTE employees) <i>(50%)</i> \$340.00 (6 to under 11 FTE employees) <i>(75%)</i> \$450.00 (11+ FTE employees) <i>(100%)</i>	\$170.00 \$260.00 \$340.00
Service Businesses <i>(75%)</i>	\$170.00 (Under 4 FTE employees) <i>(50%)</i> \$260.00 (4 to under 7 FTE employees) <i>(75%)</i> \$340.00 (7+ FTE employees) <i>(100%)</i>	\$130.00 \$200.00 \$260.00
Professional Businesses <i>(50%)</i>	EXEMPT (25% or fewer FTE employees, including the business owner) \$ 60.00 (26% to under 1 FTE employees) <i>(25%)</i> \$110.00 (2 to 4 FTE employees) <i>(50%)</i> \$170.00 (5 to 9 FTE employees) <i>(75%)</i> \$225.00 (10+ FTE employees) <i>(100%)</i>	\$ 50.00 \$ 90.00 \$130.00 \$170.00
Lodging Businesses <i>(100%)</i>	\$225.00 (up to 20 rooms) <i>(50%)</i> \$340.00 (21 to 40 rooms) <i>(75%)</i> \$450.00 (41+ rooms) <i>(100%)</i>	\$170.00 \$260.00 \$340.00
Financial Institutions	\$500.00	\$500.00

Note 1: For retail, restaurant, service, and professional businesses, size will be determined by number of employees either full-time or equivalent (FTE) made up of multiples of part-time employees. A full FTE equals approximately 2000 hours annually. Lodging facilities will be charged by number of rooms available and financial institutions will be charged a flat fee.

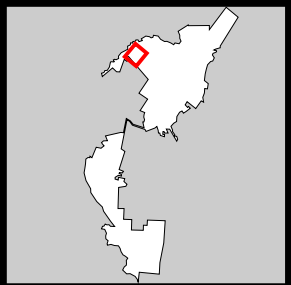
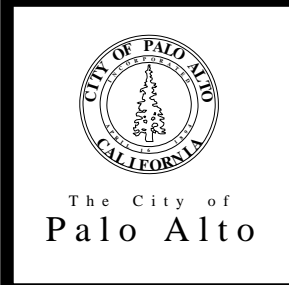
Note 2: Second floor (and higher) businesses located within Zone A, will be assessed the same as similar street-level businesses located within Zone B.

Note 3: Assessment amounts are rounded to the nearest ten dollars. The minimum assessment will be \$50.00.



Legend

- Zone A (Ground Floor) - Zone B (Upper Floors)
- Zone B



**Downtown Palo Alto
 Business Improvement
 District
 Area Map**

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

Downtown Palo Alto Business Improvement District
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