



City of Palo Alto

City Council Staff Report

(ID # 11405)

Report Type: Action Items

Meeting Date: 6/23/2020

Summary Title: Downtown Palo Alto Business Improvement District Proposed Suspension of FY 2021 Assessments

Title: PUBLIC HEARING: Adoption of a Resolution to Suspend Assessments for Fiscal Year 2021 on the Downtown Palo Alto Business Improvement District

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that the City Council hold a public hearing and adopt a resolution temporarily suspending the levy of assessments in Fiscal Year 2021 in connection with the Downtown Palo Alto Business Improvement District (BID).

Background

The BID was established by the City Council in 2004 pursuant to the California Parking and Business Improvement Area Law to promote the economic revitalization and physical maintenance of the Palo Alto Downtown business district. The Council appointed the Board of Directors of PADBPA, a non-profit corporation, as the Advisory Board for the BID. The Board's purpose is to advise the Council on the method and basis for levy of assessments in the BID and the expenditure of revenues derived from the assessments. PADBPA in its capacity as the BID Advisory Board has monthly open meetings governed by the Brown Act which any business or individual can attend.

In a typical year, such as 2019 ([CMR 10315](#)), without COVID-19 implications the City contracts with Palo Alto Downtown Business and Professional Association (PADBPA) to provide services to businesses in the BID. However, in May 2020 Council suspended the assessment for the BID due to the COVID-19 emergency ([CMR 11219](#)). Council subsequently suspended the BID assessment for FY2021, as well, on June 8.

On June 8, 2020, the City Council adopted a Resolution Declaring an Intention to Temporarily Suspend the Levy of Assessment in the BID for Fiscal Year 2021, setting a date and time for the public hearing on the proposed to temporarily suspend assessments for June 23, 2020, at 5:00 PM, or thereafter, in the City Council Chambers ([CMR 11358](#)).

Discussion

Traditionally the PADBPA provides an annual report in the spring including specifics of the estimated revenues and expenses to be collected and services to be provided by PADBPA in the upcoming fiscal year. And in a typical year, PADBPA would now be returning to Council for confirmation of the report and request for to levy assessments for FY 2021. Council's approval of the levy would trigger a renewal of the contract with PADBPA for the upcoming fiscal year.

The City Council rescinded the Downtown BID assessment for FY 2020 on May 4, 2020 and therefore, PADBPA is not submitting a report for FY 2020 activities. After consideration with PADBPA and the City Council, it is recommended that the Downtown BID assessment continue to be suspended for one more year through FY 2021. As such, no BID activities are expected to occur in FY 2021. Staff will collaborate with PADBPA to determine next steps and the future state for the Downtown BID during FY 2021.

BID assessments have been collected by the City's contractor MuniServices, LLC for the last several years along with the Business Registry Certificate program (BRC). A portion of the cost of MuniServices, LLC has been allocated to the BID and this will no longer happen in FY 2021. This transition was made to save costs, streamline efforts and provide businesses with one annual invoice, and aligning the BID and Business Registry Certificate (BRC) fee collection timeline. As a result of this continued suspension, staff expects to have MuniServices, LLC continue with BRC data collection but discontinue BID collection work in FY 2021. This contract is currently a blended service between the BRC and BID, therefore staff will explore contract negotiations with MuniServices as a result of this expected reduction in scope in order to achieve cost savings. Work to continue to register businesses for the BRC without collection of fees continues. This will ensure that the BRC database continues to improve. In FY2021, the City plans to identify means and methods to further enhance collection of the business data in the BRC database as directed by the City Council in March 2020.

Resource Impacts

The BID is set up as a separate fund within the City's accounting system. Recently, the BID has required a General Fund subsidy as collected assessments fell short of the costs of operating the BID. With the rescinding and refunding of assessment revenue in FY 2020 per the Council action, the General Fund is expected to need to support the BID for expenses already accrued. A year-end contribution from the General Fund in an amount that is not expected to exceed \$70,000 will be needed to balance the fund in FY 2020.

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. With the suspension of the BID there would be no expenditures in FY 2021 in the Downtown BID fund. However, costs from MuniServices, LLC. may be absorbed by the General Fund as the current contract scope and fee structure is a bundled agreement for both the BID and BRC. As mentioned above, staff will explore contract negotiations with MuniServices as a result of this expected reduction in scope in order to achieve cost savings. If this is unsuccessful, this would result in an

additional cost to the General Fund of approximately \$8,000.

Additional resources include staff time from the City Manager's Office and Administrative Services Department to provide oversight to the BID, administer the contract with Avenu, liaise with stakeholders, and prepare the annual reauthorization.

Stakeholder Engagement

Staff has coordinated with the chair of the PADBPA on the recommendations included in this staff report.

Environmental Review

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

Attachments:

- Attachment A: Resolution Suspending Assessment for Downtown Business Improvement District Fiscal Year 2021

NOT YET ADOPTED

Resolution No. _____

Resolution of the Council of the City of Palo Alto Temporarily Suspending
the Levy of Assessments Against Businesses Within the Downtown Palo
Alto Business Improvement District for Fiscal Year 2021

R E C I T A L S

A. 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.

B. 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.

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

D. Since March 17, 2020, Santa Clara County has been under a series of Shelter in Place orders issued by the County Health Officer due to the COVID-19 pandemic and statewide emergency.

E. Under the initial Shelter in Place order, most businesses in downtown Palo Alto were required to close. Most retail businesses were required to close entirely and restaurants were required to close to in-person dining.

F. Two months later, on May 22, 2020, retail businesses were allowed to open for curbside pickup only, but many businesses remained closed due in part to the strict protocols required to be implemented in order to open and the substantially reduced customer base with most downtown offices still closed and travel restricted under the modified Shelter in Place order.

G. Under the most recent Shelter in Place Order, issued on June 1, 2020, in-store retail and outdoor restaurant dining were allowed to resume effective June 5, 2020, with specified public health measures in place.

NOT YET ADOPTED

H. COVID-19 and the measures to mitigate the spread have resulted in significant financial loss and uncertainty for a tremendous number of people and businesses including those in Palo Alto. The financial impacts are anticipated to continue for months, if not longer.

I. In recognition of the current challenges affecting downtown businesses, the City Council on May 4, 2020, rescinded the previously levied assessments for the District for Fiscal Year 2020 (July 1, 2019 through June 30, 2020).

J. The City Council by Resolution No. ____, declared its intention to temporarily suspend the levied assessments against downtown businesses for Fiscal Year 2021 (July 1, 2020 through June 30, 2021), and scheduled a public hearing on the proposed suspension of assessment on June 23, 2020.

K. On June 23, 2020 the City Council held a duly noticed public hearing at which all interested persons were afforded the opportunity to hear and be heard.

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

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

SECTION 2. The City Council does hereby temporarily suspend the levy of assessments against businesses within the Downtown Palo Alto Business Improvement District for Fiscal Year 2021.

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NOT YET ADOPTED

SECTION 3. 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