



Item #1

City of Palo Alto

MEMORANDUM

To: City Council

Date: 3/19/2020

SUBJECT: AGENDA ITEM #1, CMR 11161: CONSIDERATION OF ANALYSIS, PUBLIC OUTREACH, AND REFINED POLLING AND FURTHER DIRECTION ON A POTENTIAL LOCAL BUSINESS TAX BALLOT MEASURE FOR 2020 ELECTION

Revised Staff Recommendation

Direct staff to:

- 1) In response to the current public health emergency, discontinue work on the development of a local business tax measure for the November 2020 election.
- 2) Focus staff work over the coming year on revisions to the city's existing business registry certificate program with the specific goals of:
 - a. Streamlining the process to register,
 - b. Ensuring all businesses are registered, improving the completeness of the registry and reliability of the data.
- 3) Direct staff to return with a Railroad Grade Separation workplan that extends the target date for selection of preferred alternatives.

Summary

This memorandum provides an update on the City's efforts related to the development of a potential Business Tax Ballot Measure for the 2020 Election. On March 12, staff provided Council an update ([CMR 11161](#)) on efforts underway including a review of preliminary results from the Business Climate Survey, an update on the analysis related to tiering a potential business tax and that showed scenarios with possible rates, and the outline for a second round of polling. That staff report was a follow-up to the direction provided by the City Council on January 27, 2020 to further explore a potential business tax ballot measure.

Based on recent developments, driven primarily by the impacts associated with COVID-19, staff recommends that we discontinue working on a local business tax measure for November 2020 and

reconsider the workplan for the November 2022 election. This recommendation is prompted by several factors including:

- The economic landscape has shifted significantly, with COVID 19 significantly impacting businesses.
- With the Santa Clara County Public Health order to shelter in place, staff's ability to complete outreach, engagement, and education related to a ballot measure will be severely hampered. Polling at this time would likely not produce useful results.
- Other parallel efforts, such as the grade separation community conversations taking place and the evaluation and recommendation of grade separation options through the Expanded Community Advisory Panel (XCAP), will also be impacted by the public health emergency situation. While not directly linked, the City Council previously issued direction that this tax focus on transportation needs, and deferral of the selection makes this need less clear.

In the interim, staff is seeking approval to refocus work on refining the business registry program to enhance its use as a comprehensive and authoritative source of information about the City's businesses. The intent of this would be to maintain the current rate (\$50 per business, plus \$4 for the state-wide Certified Access Specialist (CASP) fee unless they meet an exemption) but facilitate the collection of better information about the corporate population in the City and the key demographics such as size (employees) and nature of businesses in town.

Discussion

The economic landscape has rapidly shifted since the issuance of the March 12 City Council meeting staff report ([CMR 11161](#)). The economic impacts are not limited to a single segment of Palo Alto's complex and interrelated economy. Small businesses such as restaurants and cafes have closed or are seeing precipitous declines in patronage while large companies face heightened uncertainty. In addition, Santa Clara County's Shelter in Place Public Health Order makes it more difficult to solicit meaningful engagement and feedback with stakeholders, including both residents and businesses.

It is unclear how long the economic, community, and social impacts of this public health emergency will persist. However, any delay in conversations about a potential business tax ballot measure would have a clear impact on City's ability to pursue a ballot measure in November 2020. As previously discussed by the City Council, to meet statutory deadlines a measure would essentially need to be fully defined in June.

If City Council chooses to delay a potential business tax ballot measure, staff recommends that work continue with a focus on the City's business registry. This will aid in future conversations about a potential business tax ballot measure through refined information regarding the economic climate in the City of Palo Alto. One of the most significant areas staff wrestled with was a lack of comprehensive, authoritative, and accurate data to use in the assessment of various business tax scenarios. Using this time to streamline the process and reduce the administrative burden for completing the application will help establish a more comprehensive data baseline. It is anticipated that a streamlined business registry process with fewer required fields will increase the number of participants and contribute to a more

comprehensive registry. The postponement of policy discussions about a potential business tax ballot measure could also be used to conduct an economic study of the City of Palo Alto to further clarify the economic climate in our community.

It should be noted that staff plans to extend the filing deadline for the current year business registry and payments for the Business Improvement District (BID).

It is important the City reassure the community that it is here to support Palo Alto's unique way of life during these uncertain times. Through the work on a potential business tax ballot measure, the City has both started and strengthened relationships through engagement with various stakeholders, including businesses throughout the City. The City has also identified a variety of resources available for both residents and local businesses that are detailed on the City's [COVID-19 webpage](#) to help navigate the changing circumstances that exist today.

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