



CITY OF  
**PALO  
ALTO**

**FINANCE COMMITTEE**  
Tuesday, March 1, 2022  
Special Meeting  
Council Chamber & Virtual  
5:30 PM

Pursuant to [AB 361](#) Palo Alto City Council and Committee 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.

### **HOW TO PARTICIPATE**

#### **VIRTUAL PARTICIPATION**

**[CLICK HERE TO JOIN](https://cityofpaloalto.zoom.us/j/99227307235)** (<https://cityofpaloalto.zoom.us/j/99227307235>)  
**Meeting ID: 992 2730 7235 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>.

#### **IN PERSON PARTICIPATION REQUIREMENT:**

- Provide Proof of Vaccination or negative COVID-19 test (taken within 48 hours) and a photo ID
- Wear a mask at all times
- Maintain social distancing
- If you cannot or do not wish to comply, you can still participate virtually

#### **PUBLIC COMMENTS**

Public Comments will be accepted both in person and via Zoom meeting. 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](mailto:city.council@cityofpaloalto.org) and will be provided to the Committee and available for inspection on the City’s website. Please clearly indicate which agenda item you are referencing in your email subject line.

#### **CALL TO ORDER**

#### **ORAL COMMUNICATIONS**

*Members of the public may speak to any item NOT on the agenda.*

## ACTION ITEMS

- Presentation**
1. Review the Business Registry Certificate and Business Improvement District FY 2023 Processes and Recommendation to City Council on the Renewal Processes

## FUTURE MEETINGS AND AGENDAS

## ADJOURNMENT

## PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to virtual meetings via email, teleconference, or by phone.

1. **Written public comments** may be submitted by email to [city.council@cityofpaloalto.org](mailto:city.council@cityofpaloalto.org).
2. **Spoken public comments using a computer or smart phone** will be accepted through the teleconference meeting. To address the Committee, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
  - 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. Or download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below
  - 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.
  - 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.
  - When called, please limit your remarks to the time limit allotted.
  - A timer will be shown on the computer to help keep track of your comments.
3. **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 Committee. 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 to Join](#)   **Zoom Meeting ID: 992-2730-7235   Phone: 1(669)900-6833**

## AMERICANS WITH DISABILITY ACT (ADA)

Persons with disabilities who require auxiliary aids or services in using City facilities, services or programs or who would like information on the City's compliance with the Americans with Disabilities Act (ADA) of 1990, may contact (650) 329-2550 (Voice) 48 hours or more in advance.



# City of Palo Alto

## Finance Committee Staff Report

(ID # 13902)

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**Meeting Date: 3/1/2022**

**Title: Review the Business Registry Certificate and Business Improvement District FY 2023 Processes and recommendation to City Council on the Renewal Processes**

**From: City Manager**

**Lead Department: Administrative Services**

### **Recommendation**

Staff recommends that the Finance Committee make recommendations to Council direction regarding the fiscal year (FY) 2023 business registry certificate (BRC) process and the Downtown business improvement district (BID) renewal process.

### **Executive Summary**

With both the BRC and BID on hiatus during FY 2021 and FY 2022 due to the financial implications of COVID for business activities in Palo Alto, the potential resumption of the programs for FY 2023 is being brought forward to Finance Committee for discussion and direction. To facilitate the discussion, staff has provided options ranging from restarting one or both programs to delaying them for an additional year. These options are intended to assist the Committee and staff as we move through the recovery and reinvestment phase of the pandemic including pace of recovery, consideration of factors such as a change in the future management of the BID activities and, if approved by Council and passed by voters in the November 2022 general election, the possible upcoming implementation of a business license tax (BLT).

### **Background**

For FY 2020, FY 2021 and FY 2022, considering COVID impacts on businesses, Council approved a waiver and refunding (FY 2020) of BRC and BID fees (CMRs [11219](#), [11358](#), [11405](#), [12167](#)). For FY 2022, Council partially reintroduced the BRC registration and fee (\$50 per business and \$4 certified access specialist fee as required by the State) by requiring that the fee only be paid by those registering after the July 15 due date. Nearly 1,050 businesses registered before July 15<sup>th</sup> and 745 registered after the due date. The BID assessment was placed on pause for FY 2022, as it was for FY 2021 in coordination with the Palo Alto Downtown Business and Professional Association (PADBPA) leadership, that have historically managed the Downtown BID. Below is summary background information by program.

### Business Registry

The Business Registration Program, established in 2015, codified at Palo Alto Municipal Code Chapter 4.60 (commonly referred to as the "Business Registry"), applies to all businesses located in Palo Alto, with the exception of nonprofits and businesses with less than one full-time equivalent employee, home-based or transitory businesses, religious organizations with no ancillary business on-site, businesses who relocated outside of Palo Alto in the past year, and businesses that are permanently closed. Most exempt businesses need to claim their exemption annually through the application but do not pay the fees. The total fee collected is \$54 which includes \$50 for the business registration fee, to partially recover costs associated with administration of the program, and the \$4 certified access specialist (CASp) fee, which is a State requirement (SB1186 and AB1379) that requires local jurisdictions to collect \$4 from new or renewal applicants for a local business license or equivalent instrument or permit. The CASp fee is for the purposes of increasing CASp services and compliance with construction-related accessibility requirements in Palo Alto and cannot be waived by the City.

### Downtown Business Improvement District

The Downtown Business Improvement District (BID) was established in 2004 to promote the economic revitalization and physical maintenance of the Palo Alto Downtown Business Improvement District (CMR [132:04](#)). The City has a contract with the Palo Alto Downtown Business and Professional Association (PADBPA) to provide services to businesses in the BID, funded by the BID assessment proceeds. The BID assessment is levied on and paid by businesses in the district boundary to provide these services. The annual assessment ranges between \$50-\$500 based on the location of the business in the BID, type of business, and number of employees (or number of rooms for a lodging business). In a typical year the PADBPA presents a BID budget plan to the Council in June. If Council approves the plan, this triggers the renewal of the PADBPA contract to manage the BID activities. In 2020 and 2021, considering the impacts of COVID and the waiving of the assessment, PADBPA did not submit a budget plan, effectively placing the BID program on pause for two years. The last Council approval of a BID budget plan happened in 2019 (CMR [10315](#)). Past BID projects have included the replacement of downtown benches, clean alleyways, seasonal lamppost banners, summer concert series, and Lytton Plaza upkeep (umbrellas, foliage, public art, banners). A version of the BRC/BID application can be found at this [link](#).

One issue that has been challenging for both the BID and the Business Registry programs is ensuring that business pay their required assessment/fee. In the Council-approved audit from 2018 ([report](#)), improving the reliability of the BRC database was one of the audit recommendations. Compliance and administration of the assessment diverted PADBPA resources from business outreach, projects, and coordination. Often,

unpaid BID assessments went undiscovered, resulting in reduced revenue to support the program. In FY 2019, revenue was reduced by \$52,500 and a shortfall of \$17,000 was identified. This shortfall was covered by a transfer from the General Fund (CMR [10315](#)).

In 2019, the City contracted with Avenu to administer the BRC and BID fees collection system ([CMR 10493](#)). The contract also provides for discovery and compliance services, which identifies business that have not registered and provides outreach to get them registered and paying the assessment. With the onset of COVID and the pause of these programs, compliance and discovery services were also placed on pause. The city did work to incentivize participation and improving the database of the Business Registry program by requiring no fee registration as part of COVID-19 support programs such as the rent relief for City tenants and the small business loan program awarded by the City. The City is planning to start discovery and compliance services in FY2022, which should help bring in additional BID revenue and a more complete Business Registry should the FY 2022 assessment/fee be approved or at a later time when these programs resume. As another piece of the discovery process the city collaborated with the Palo Alto Transportation Management Association (PATMA) to incorporate PATMA's business data, which is based on in-person observations, into the Avenu database. Another audit recommendation included working with stakeholders, including Council, to clarify uses for the BRC data and consider revising questions to better serve these uses. This activity has been delayed.

### **Discussion**

Considering the impacts of COVID on local businesses, the City's Community and Economic Recovery workplan, and work on a potential business license tax for the November 2022 election, Council may wish to reconsider both the BRC and BID programs. In 2021 (CMR [11161](#)), Council directed staff to work on improving the census and data quality regarding local businesses. This will assist in transitioning to a business license tax, if passed by voters. Based on the Council direction, should voters approve a local ballot measure establishing a new business license tax, it is expected that the Business Registry and the new tax would be integrated as opposed to a duplicative program. In addition, conversations are ongoing between PADPBA and the Palo Alto Chamber of Commerce regarding a potential transition of management of BID activities to the Chamber. The Chamber discussed the possibility of managing BID activities at a board meeting on January 27, 2022. The Chamber Board decided to create a subcommittee to continue the discussion. Through its representative, PADBPA is requesting that the BID continue to be on hold in FY 2023. This time would allow the Chamber and PADBPA to continue to explore transition of management of BID activities and allow for a new contract to be developed with the City should a transition occur.

Concurrently, throughout the pandemic the City has supported businesses through the Uplift Local program and a variety of specific actions, and the BRC and BID have and can remain important resources. The BRC provided a comprehensive inventory of

business contacts that is critical to maintaining communication with specific business segments, and businesses that received City grants were required to have registered with the BRC. As discussions continue on topics ranging from programming entertainment to improved streetscape, the BID provides a mechanism for businesses to fund activities that benefit all businesses in the district. Moving forward, the BRC and BID remain valuable resources for supporting common interests.

Staff is presenting three options each for the upcoming FY 2023 BRC and BID renewal process and requests Finance Committee’s feedback and recommendation to the City Council. A staff recommendation follows each set of options. With feedback from the Finance Committee and a recommendation for City Council, staff would expect to return to Council in the March timeframe with the necessary recommended actions, resolutions, and due dates for the FY 2023 process. This will include a timeline that will take into account any required configuration of the registration system by Avenu, which based on past years can take a month or more depending on the complexity of the changes.

**TABLE 1: BUSINESS REGISTRY (BRC) PROGRAM OPTIONS**

Option	Pros	Cons
<p><b>Option 1</b> – Proceed with the historic and routine structure and timeline for the BRC with no changes for FY 2023.</p>	<ul style="list-style-type: none"> <li>• Quick implementation for upcoming cycle.</li> <li>• Combine with discovery activities to bolster the registration base.</li> </ul>	<ul style="list-style-type: none"> <li>• Does not recognize the transition as the economy transitions</li> <li>• Does not allow for changes to the program such as simplifying the submittal form.</li> </ul>
<p><b>Option 2</b> – Update and simplify the questions required for registration to align with expedited forms developed for the COVID-19 programs as well as consideration of a potential new tax.</p>	<ul style="list-style-type: none"> <li>• Adjusts the FY 2023 BRC process to acknowledge work under consideration for a potential BLT.</li> <li>• Work to address a dominant complaint from businesses that the current questions required for registration are exhaustive.</li> <li>• Combine with discovery activities to bolster the registration base.</li> </ul>	<ul style="list-style-type: none"> <li>• Realignment of deadlines would be necessary, extending the deadlines to accommodate changes.</li> <li>• Minimizes data sought through registration to most critical variables such as employees and square footage.</li> </ul>
<p><b>Option 3</b> – Continue to pause the BRC program for another year, resuming in FY 2024.</p>	<ul style="list-style-type: none"> <li>• Provides businesses a one year hiatus in recognition of the continued recovery period and potential new BLT.</li> <li>• Resuming the existing BRC process</li> </ul>	<ul style="list-style-type: none"> <li>• Discovery activities to bolster the registration base would continue to be delayed, extending the current gaps in data.</li> <li>• May delay implementation of</li> </ul>

Option	Pros	Cons
	after outreach and continued work regarding a potential BLT to determine the most useful data to collect. <ul style="list-style-type: none"> <li>Provides time to start planning for the administration of a potential new BLT.</li> </ul>	desired program changes for simplicity. <ul style="list-style-type: none"> <li>Would result in a loss in revenue of approximately \$100,000.</li> </ul>

Weighing the variables such as a potential business license tax, the desire to support the development and vibrancy of business activities as the community recovers from the pandemic impacts, staff recommends Option 2. This option will continue to support both the priority of improving the existing database of information while assisting in preparation for a potential new tax implementation. A variation on option 2 for consideration would be to maintain the FY 2022 fee implementation which allowed for no registration fee for those businesses registering by the due date and a fee only assessed for those that register after the due date.

**TABLE 2: DOWNTOWN BUSINESS IMPROVEMENT DISTRICT PROGRAM OPTIONS**

Option	Pros	Cons
<b>Option 1</b> – Proceed with the historic and routine structure and timeline for the Downtown BID, resuming charges in FY 2023, continue with PADBPA in the management of the BID.	<ul style="list-style-type: none"> <li>Quick implementation for upcoming cycle.</li> <li>Combine with discovery activities to bolster the revenues collected and compliance.</li> <li>Continues the program while staff supports collaborations with PADBA, the Chamber, and businesses to determine the forward management of the BID and program.</li> </ul>	<ul style="list-style-type: none"> <li>PADBPA may choose to decline continuing management of the BID for another year and could let their side of the contract lapse. As of Jan. 31, PADBPA, through its representative has requested that the BID be in hiatus for another year.</li> </ul>
<b>Option 2</b> – Continue to pause the BID program in FY 2023, with anticipation of program resumption in FY 2024. and direct staff work with the Chamber and PADBPA on the transfer of BID management.	<ul style="list-style-type: none"> <li>Provide a continued pause and no assessment of financial payments on businesses in the district in recognition and support for continued recovery activities.</li> <li>Allows the PADBBPA, Chamber, and staff to continue to evaluate and determine the forward management of the BID.</li> </ul>	<ul style="list-style-type: none"> <li>Another year of no revenue from assessments. Another year of no programming from the BID to assist in the recovery efforts. Prior projects include: replacement of downtown benches, clean alleyways, seasonal lamppost banners.</li> </ul>



Option	Pros	Cons
<p><b>Option 3</b> – A hybrid of option 1 and 2, this would resume the BID in FY 2023 including assessment, however, would continue to place the management of the BID on pause without a contract with PADBPA or other entity for management of the BID.</p>	<ul style="list-style-type: none"> <li>• Quick implementation for upcoming cycle.</li> <li>• Combine with discovery activities to bolster the revenues collected and compliance.</li> <li>• Funds held specifically for downtown BID activities for when a new BID management contract is in place, including if management is resolved prior to FY 2024.</li> <li>• Allows time for staff to continue to support collaborations with PADBA, the Chamber, and businesses to determine the forward management of the BID and program.</li> </ul>	<ul style="list-style-type: none"> <li>• Support for paying the assessment may be hindered without a specific plan for how the funds will be spent.</li> <li>• If the funds are not spent in FY 2023 this could negatively impact the collection of funds in FY 2024 and or require return of funds.</li> </ul>

Regarding BID option 3 should it be selected a Council resolution of intent to levy the assessment and a separate public hearing to hear objections would still need to occur as in a typical year. The BID resolution and public hearing are typically held before the end of the fiscal year or before June 30. This timeframe takes into account the deadline of July 10 for when assessment notices must be provided to businesses.

Weighing the variables such as the current status of administration of the downtown BID as well as the strong desire to support the vibrancy of the business cores such as the downtown BID, staff recommends option 3. This will continue to proactively position the City and the Downtown BID to address the growing recovery and investments desired while allowing for the time necessary to determine a sustainable management structure moving forward. A variation on option 3 for consideration would be to adjust the assessment amount to a portion of the prior rates, e.g. 50% the most recent assessment from 2019 (CMR [10315](#)) as a stepped phased in return (2019 Rates are outlined in attachment B). This would generate funds specifically for downtown BID activities for when a new management contract is in place while lowering the rate in consideration of the potential impact of a proposed business license tax.

### Resource Impact

For the Business Registry fee, approximately \$117,000 was collected in 2018 and approximately \$110,000 was collected in 2019. Approximately \$15,000 of the total Business Registry fee collections in 2018 and 2019 were collected from late fees. With the pause of the BRC, the loss in revenue was approximately \$100,000 annually, based on prior year average collections. The amount of revenue collected in the restarted FY 2022 cycle is \$28,000, this reflects fees paid for those who registered after July 15<sup>th</sup>

2021.

An average of approximately \$76,000 is collected from a BID assessment cycle; \$73,000 was collected for the 2017 assessment, the 2018 assessment was moved to 2019 to align fee collection with the Business Registry, and approximately \$79,000 was collected for the 2019 assessment. With the pause in the BID in FY 2021 and FY 2022 no revenue has been collected.

### **Timeline**

The BRC and BID renewal process is ordinarily started in the March timeframe with final due dates for businesses to register and pay fees in the May-June timeframe; however, staff recommends these timelines be adjusted based on the timing of the final direction for the FY 2023 process, consistent with prior non-routine cycles. Late fees are applied after the due dates. Council has some discretion in setting due dates; last year the BRC was due on July 15.

### **Stakeholder Engagement**

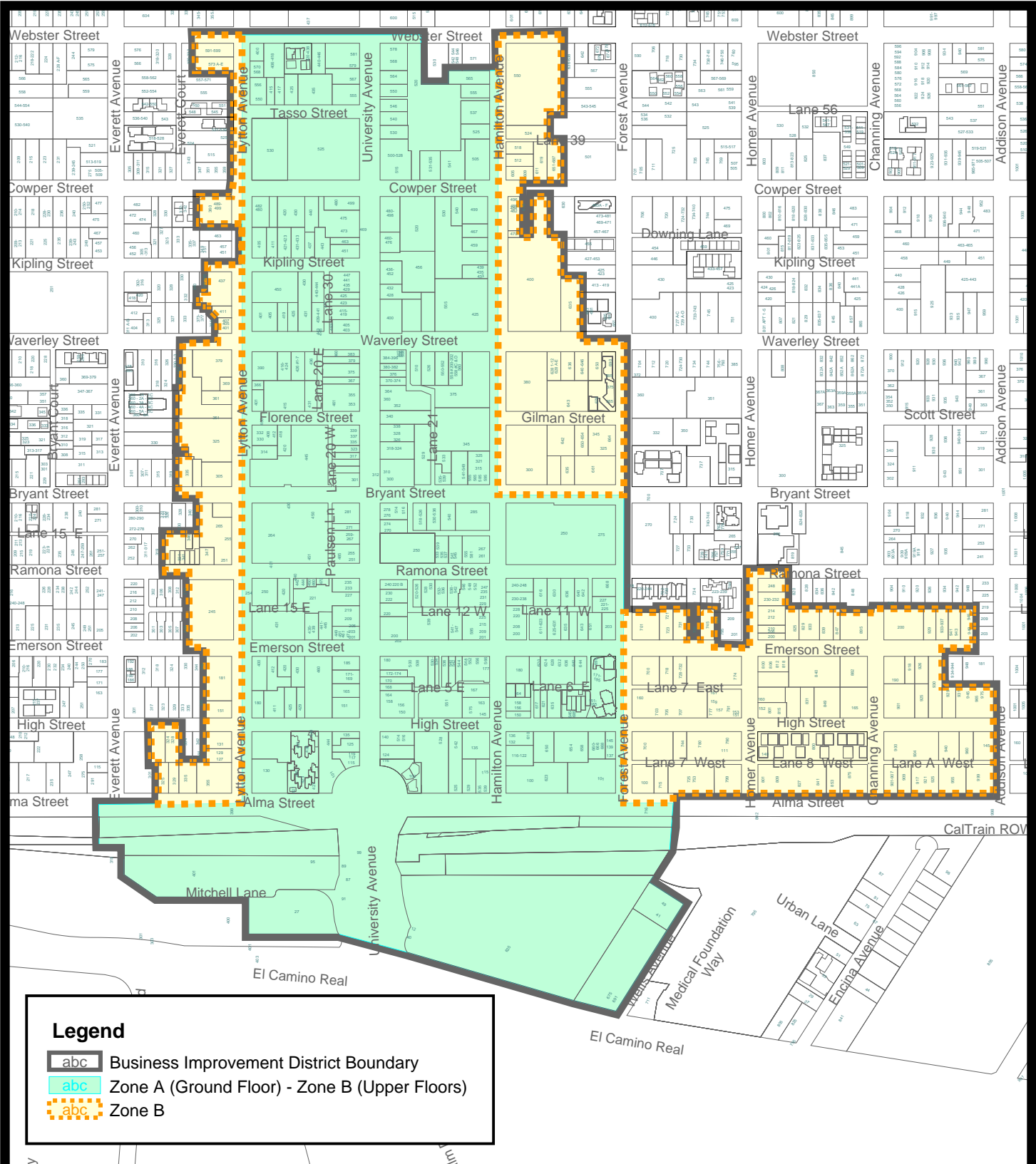
Staff has met and coordinated with members of PADBPA and the Chamber of Commerce in preparation of this report and options.

### **Environmental Review**

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

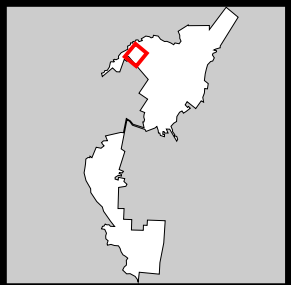
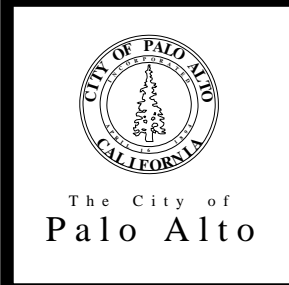
#### **Attachments:**

- Attachment A: Downtown Business Improvement District (BID) Map
- Attachment B: 2019 Downtown Business Improvement District (BID) Assessment



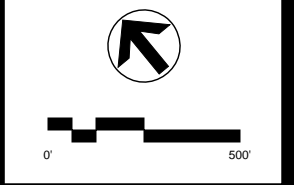
**Legend**

- Business Improvement District Boundary
- 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



Attachment: Attachment A: Downtown Business Improvement District (BID) Map (13902 : BRC and BID Discussion and Input on the FY 2023

## Attachment B

## 2019 ASSESSMENT RATES FOR THE DOWNTOWN BUSINESS IMPROVEMENT DISTRICT

	2019 Rates	
	ZONE A	ZONE B (75% of Zone A amount)
<b>Restaurants &amp; Retailers</b>		
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
<b>Service Businesses</b>		
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
<b>Professional Businesses</b>		
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
<b>Lodging Businesses</b>		
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
<b>Financial Institutions</b>	\$500	\$500