



## City Council Staff Report

**From: City Manager**

**Report Type: PUBLIC HEARING**

**Lead Department: Administrative Services**

**Meeting Date: May 15, 2023**

Report #:2303-1184

### **TITLE**

PUBLIC HEARING: Adoption of a Resolution Providing that the City will Not Levy Assessments for the Downtown Business Improvement District for FY 2024.

### **RECOMMENDATION**

Staff recommends that Council hold a public hearing and adopt a resolution declining to levy assessments for Fiscal Year 2024 for the Downtown Business Improvement District (BID).

### **BACKGROUND**

The Palo Alto City Council established the Palo Alto Downtown Business Improvement District (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 the Palo Alto Downtown Business and Professional Association (PADBPA), a non-profit corporation, as the advisory board and administrator of the BID. PADBPA, acting through its independent Board of Directors, has historically advised the Council on the method and basis for levy of assessments in the BID and has managed the expenditure of revenues derived from the assessments.

In March of 2020, public health measures in response to the COVID-19 pandemic resulted in a sharp contraction of business activity. In May of 2020, Council refunded FY 2020 assessments considering the pandemic-related challenges that Downtown businesses were facing. At approximately the same time, organizational changes were occurring at PADBPA. As a result of these developments, on June 30, 2020, the City allowed the contract with PADBPA to expire. With the economic impacts of COVID-19 continuing to effect local businesses through fiscal years 2021 and 2022, the Council also declined to levy assessments on downtown businesses for those years. No BID-funded activities have occurred in these years.

On March 1, 2022 the Finance Committee discussed options for the FY 2023 Business Registry

Certificate (BRC) and BID processes (CMR 13902<sup>1</sup>). The Committee reviewed three options for the BRC and BID and forwarded their recommendation to the City Council on April 4, 2022, CMR 13901<sup>2</sup>, to restore the BRC in the 2022-2023 collection timeframe, using the established structure used in pre-pandemic years, while continuing the pause of BID assessments again in FY 2023. The Palo Alto City Council directed Staff to proceed with this recommendation, and the City Council approved a resolution to not levy an assessment for FY 2023.

Due to ongoing discussions between PADBPA, the Chamber and the City, it is again requested that the BID assessment be paused in FY 2024. On April 24, 2023, Council adopted a resolution of intent to not levy assessments for the Palo Alto Downtown Business Improvement District in FY 2024 and setting a public hearing for May 15, 2023 (CMR 1182<sup>3</sup>).

## **ANALYSIS**

The attached proposed resolution will result in no collection of BID assessments for FY 2024. No BID-funded activities will occur in FY 2024. This public hearing is held to afford interested parties to provide input on the proposal to decline to levy BID assessments in FY 2024. City staff are currently working on developing alternatives for a new streetscape design on University Avenue, in consultation with stakeholders and the community more broadly. This work is expected to generate a plan that will require businesses in the vicinity to invest in capital and potentially operating costs for implementation. Since it is not clear at this point what structure would be most appropriate for such investment, the BID is a valuable framework but not necessarily structured as will be needed. The entities therefore request another year to continue exploring options for the BID including input from organizations within the BID.

During the FY 2024 period staff will work with representatives from PADBPA and the Chamber to do outreach to businesses to help identify priority projects that the BID assessment can go towards and look at different structures for management of the BID.

## **FISCAL/RESOURCE IMPACT**

The BID is set up as a separate fund within the City's accounting system. In recent years, the BID has required a General Fund subsidy as collected assessments fell short of the costs of operating

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<sup>1</sup> 03/02/2022 Finance Committee, Review the Business Registry Certificate and Business Improvement District FY 2023 Processes and recommendation to City Council on the Renewal Processes

<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/finance-committee/2022/20220301/20220301pfcs-linked.pdf>

<sup>2</sup> 04/04/2022 City Council, Approve Finance Committee Recommendation for FY 2023 to (a) Return to the Customary Pre-Pandemic Business Registry Certificate Requirement and Fee, and (b) Pause for One Year the Downtown Business Improvement District Assessment Program

<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220404/20220404pccsmamendedlinked1.pdf>

<sup>3</sup> 4/24/2023 Adoption of a Resolution of Intent to Not Levy Assessments for the Palo Alto Downtown Business Improvement District (BID) in FY 2024 and Setting a Public Hearing for May 15, 2023

<https://portal.laserfiche.com/Portal/DocView.aspx?id=65927&repo=r-704298fc&searchid=bed66c02-fc83-4866-8a2b-a473eb648021>

the BID. The subsidy amounted to \$70,000 in FY 2020. Historically, the City acts as the collection agent for BID revenues and reimburses PADBPA's expenses after receipt and verification of invoices. With the BID on pause, an estimated \$80,000 will not be collected and no BID business activities will be provided. In the past business activities have included the streetlight banner program, Lytton Plaza enhancements, and summer concerts among others.

Additional staff resources include time from the City Manager's Office and Administrative Services Department to provide oversight to the BID, administer the contract with Avenu Insights (the third-party administrator for both BID and BRC) liaise with stakeholders, and prepare the annual reauthorization.

#### **STAKEHOLDER ENGAGEMENT**

Staff has met and coordinated with members of PADBA and the Chamber of Commerce in preparation of these recommendations. In FY 2024 staff will work with these entities to develop options for a new management agreement for the BID.

#### **ENVIRONMENTAL REVIEW**

Council action on this item is not a project as defined by CEQA because the proposed resolution is a City fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. CEQA Guidelines section 15378(b)(4).

#### **ATTACHMENTS**

Attachment A: Resolution Declining to Levy Assessments in the Downtown Palo Alto Business Improvement District for Fiscal Year 2024

#### **APPROVED BY:**

Kiely Nose, Assistant City Manager