



**COMPREHENSIVE PLAN UPDATE
CITIZENS ADVISORY COMMITTEE
SUBCOMMITTEE
NATURAL ENVIRONMENT ELEMENT**

Thursday, January 5, 2017

Downtown Library—Community Meeting Room
270 Forest Avenue
Palo Alto, CA 94301
1:00 PM to 4:00 PM

TITLE: Business and Economics Subcommittee Discussion
FROM: Elena Lee, Interim Planning Manager,
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Background

This will be the first subcommittee meeting on the Business and Economics (B&E) Element.

This meeting will identify issues for further discussion at the first meeting of the full CAC on the B&E Element, to be held on January 17, 2017. Following this meeting, City staff and the consultants will prepare a staff report for the January 17 CAC meeting that summarizes the subcommittee discussion and outlines the issues on which the CAC may choose to focus.

As directed by City Council, the overall organization of the existing B&E Element has not changed. However, a series of revisions to the existing element have been incorporated into the attached policy framework. These reflect the input of various reviewers received previous to the subcommittee meeting.

To prepare for this subcommittee meeting, staff and consultants have done the following:

- Started from the existing B&E Element.
- Incorporated City Council direction from their December 14, 2015 motion on the vision, goals, and organization of this Element, including:
 - The rewording of Goal B-2: Diversity.
 - The rewording of Goal B-3: Growth.
 - The City Council also requested that staff research the impact of various business types on City revenue generation. Staff is working on that analysis. As background, existing recent City studies such as the Long Range Financial Forecasts (LRFF) and Comprehensive Annual Financial Reports ([linked here](#)) offer detailed data concerning

tax revenues, taxable transactions by business types. Key data from these studies are presented below under “Issues for Discussion.”

- Reviewed and incorporated PTC revisions. In the case of the B&E Element, these revisions comprised most of the changes to the element thus far (see “Policy Framework Changes”, below). However, PTC organizational revisions and policy additions that were inconsistent with the City Council’s motion to retain the existing goals and structure of the element were not included.
- Reviewed the Element for overlap with and duplication of other draft policy and program language from the CAC, particularly the Land Use Element (see “Issues for Discussion”).
- Deleted programs that have been completed and policies that are no longer applicable.

What to Expect at the Meeting

At the outset of the meeting, time will be given over to public comment. Speakers will be allowed up to three minutes to share their thoughts. Time limits are necessary to provide an opportunity for members of the public to express their opinions, while also ensuring that the subcommittee can complete the agenda set out for the meeting.

The subcommittee will then review each goal/topic and make recommendations for the full CAC to consider at their January 17 meeting. The subcommittee is scheduled for another meeting after the January CAC meeting. The CAC is scheduled to take action on this element at their February 21 meeting.

Policy Framework Changes

As noted, the majority of the following changes were suggestions of the PTC. The sources of other revisions are noted.

Goal 1 Compatibility

- No changes were made.

Goal 2 Diversity

- As noted above, the City Council motioned to change the wording of the goal itself, in order to highlight the various pillars of a diverse business community.
- At the beginning of the goal, the PTC added a series of new policies and programs developed to promote innovation and entrepreneurship, and attract such business types through zoning changes, public-private partnerships, and branding.
- The PTC combined Policies B-7 and B-5 into Policy B2.3, which encourages locally-owned businesses.
- Program B2.3.1, calling for regulations that support home businesses, was added by the PTC.

- Existing Policy B-6, “Maintain distinct neighborhood shopping areas that are attractive, accessible and convenient to nearby residents,” was removed, as it was decided, by City staff, that it is more appropriate for inclusion as a new policy in Goal L-4 of the Land Use Element, which calls for “Inviting pedestrian scale centers that offer a variety of retail and commercial services and provide focal points...”
- Existing Program B-1, calling for the initiation of assessment districts to facilitate shopping center improvements, was deleted due to overlap with Land Use Program L-4.4.3 “Collaborate with merchants to enhance the appearance of streets and sidewalks within all Centers. Encourage the formation of business improvement districts and undertake a proactive program of maintenance, repair, landscaping and enhancement.”
- The PTC added Policies B2.4 and B2.5, and Program B2.5.1, which encourage opportunities for cultural amenities and conference centers.
- Previous Policy B-8 “Encourage the renovation and reuse of long-term vacant buildings”, was deleted due to overlap with Land Use Policy L-2.4 “Facilitate reuse of existing buildings.”
- Existing Program B-10 was deleted, as it was deemed more appropriate for Goal L-4 of the Land Use Element, which calls for “Inviting pedestrian scale centers that offer a variety of retail and commercial services and provide focal points...”

Goal 3 Growth

- As noted above, the City Council motioned to change the wording of the goal itself, in order to highlight the value of policies that moderate the pace of job growth. This reflects policy of the City’s Office of Economic Development, [linked here](#).
- The PTC referenced the above Office of Economic Development policy in Program B3.1.1, and added Program B3.1.2, calling for a full evaluation of that economic policy.
- The creation of strategic partnerships and business district associations was addressed in revised PTC Policy B3.3.
- The PTC edited Policy B-6 to broaden the definition and potential reach of communications infrastructure in Palo Alto.
- The PTC added two policies to the end of this goal, encouraging business to commit to environmental standards (B3.8) and utilize the City’s business registry (B3.9).

Goal 4 Flexibility

- The PTC added Policy B4.1 to the beginning of the goal, in support of regulations that benefit small and medium sized businesses.
- The PTC also added Policy B4.2 to the end of the goal, calling for more opportunities for artist- and nightlife-oriented businesses. New Program B4.2.1 would streamline the permitting process to support those businesses.
- Existing Program B-10, calling for zoning revisions to revitalize retail areas, was deleted due to consistency with Land Use Policy L6.4.1, which reads “

Goal 5 Centers

- Policy B5.1 was simplified to leave options for commercial upgrade incentives open.
- Existing Policy B-19 was deleted due to the more comprehensive approach of Land Use Policy L-4.1.
- Policy B5.3 was revised by staff to focus on economic vitality, rather than land use. Land uses in the Downtown Area are covered in Land Use Policy L-4.5 “Maintain and enhance the University Avenue/Downtown area as a major commercial center of the City, with a mix of commercial, civic, cultural, recreational and residential uses...”
- The PTC added two programs to Policy B5.3. These programs call for working with downtown businesses, and identifying target businesses suitable to the area.
- A new policy B5.4 and an associated program, added by the PTC, call for supporting a vibrant Downtown environment with well-designed cross streets.
- In Policy B5.5, the call to allow continued automotive services in SOFA was removed and turned into a Program B5.5.1
- Policy B5.6 was revised by the PTC from “work with Stanford” to “work with appropriate stakeholders” to sustain Stanford Shopping Center as economically competitive.
- Previous Policy B-23, concerning maintenance of the local orientation of the California Avenue center that does intrude into neighborhoods, was deleted due to overlap with Land Use Policy L-4.8 “Maintain the existing scale, character, and function of the California Avenue business district as a shopping, service, and office center intermediate in function and scale between Downtown and the smaller neighborhood business areas.”
- The PTC added Program B5.7.1, calling for work with the California Avenue business district and Palo Alto Chamber of Commerce.
- Policy B5.9 and Program B5.9.1 (existing Policy B-30 and Program B-17), related to commercial investment on El Camino Real, have been moved from Goal B-6 Employment Districts, and placed under the El Camino Real subheading of Goal 5.
- Previous Policy B-27, calling for the revitalization of Palo Alto’s Neighborhood Commercial Centers, was deleted by staff due to overlap with Land Use Policy L-4.14 “Improve the local-serving focus, and provide safe pedestrian, bicycle, and multimodal access to all three Palo Alto Neighborhood Centers – Charleston Shopping Center, Edgewood Plaza, and Midtown Shopping Center. Support their continued improvement and vitality.”
- The PTC added two new policies beneath the reworded “Neighborhood Serving Retail Centers” subheading. Policy B5.11 calls for maintaining the existing mix of small and medium neighborhood- serving retail businesses in all neighborhood retail centers, while Policy B5.12 calls for supporting grocery stores in such centers.
- Previous Program B-13 was deleted due to the fact that the parking review it calls for has been completed.

Goal 6 Employment Districts

- Existing Policy B-14, calling for modification of zoning regulations in Stanford Research Park, was deleted due to overlap with Land Use Policy L5.4.1 “Create and apply zoning standards and design guidelines for commercial hotels, conference centers, and possible residential or mixed-use projects in Stanford Research Park, particularly near El Camino Real.”
- Two existing programs were removed from this goal:
 - Program B-16, calling for a study of TDRs, has been completed
 - Program B-18, to evaluate a vacant site at Page Mill Road and El Camino Real, is not applicable due the development of that site.
- As noted, existing Policy B-30 and Program B-17 were moved to Goal B-5.
- Policy B6.6 was added by the PTC. It calls for cooperation between business owners and resident to create attractive design layouts and positive traffic solutions.

Issues for Discussion

The following issues have been highlighted for potential discussion by the subcommittee.

- **Overlap with the Land Use Element.** As a number of the above policy changes indicate, there is overlap between the B&E Element and Land Use Element. A key goal of the update process is to eliminate redundancy and confusion, and to increase the usability of the Comprehensive Plan with policy topics that are located in appropriate Elements. Policies and programs that are land use-oriented should remain in the recently-recommended Land Use Element, and removed from the B&E Element, which should retain focus on its goals of economic growth, diversity and compatibility.
- **Creating a strategic business mix for Palo Alto.** A successful B&E Element will act as a framework for a business mix that balances fiscal benefits and community benefits. Achieving this balance will be central to subcommittee and CAC discussions. As noted, recent City studies provide data on the impacts of various business types on the City. For example, according to the 2015-16 reports referenced above,
 - Sixteen percent of all revenues for Palo Alto governmental activities are from sales tax (\$29 million), while 12% (\$22.4 million) comes from transient occupancy (hotel) taxes.
 - The following table highlights business activity by taxable transactions in Palo Alto:

ECONOMIC SEGMENT	PERCENT TAXABLE TRANSACTION, FY 2016
Retail	
Department Stores	8%
Restaurants	15%
Furniture/Appliance	5%
Apparel	6%
Food Markets	2%
Service Stations	2%
Drug Stores	1%
Other Retail	17%
All other business	44%
Total	100%

Revenue from other businesses includes business-to-business sales tax on transactions between local businesses.

Next Steps

The B&E Element policy framework will be revised in response to subcommittee comments and will be brought forward to the full CAC in the packet for the January 17 meeting. The Business and Economics Element subcommittee will meet after the January CAC meeting to review the policy framework in depth before the revised Draft Element is reviewed again by the CAC.

Attachments

- Business and Economics Draft Policy Framework (Tracked)
- Business and Economics Draft Policy Framework (Clean)