



City of Palo Alto

Office of Economic Development
Policy

January 2013

Purpose

This Council policy sets forth the goals and guiding principles for the City of Palo Alto's Office of Economic Development.

Policy Goal Statement for the Office of Economic Development

It is the Policy of the City to create an environment that attracts, retains, and encourages growth of businesses aligned with Palo Alto values that:

- 1) provide revenues through sales, transient occupancy and property taxes, and other revenue streams to support the delivery of services and infrastructure for the City; and/or
- 2) are innovative companies and enterprises with a special focus on technology or the services associated with technology, or other innovation based endeavors.

Further, it is the Policy of the City that all such businesses should be operated in a manner that is:

- 1) consistent with the City's sustainability goals and practices; and are
- 2) consistent with the livability and residential quality of our community.

The City government economic development strategy and practices will be guided by:

Perspective and Guiding Principles

1. Key City staff resources should focus on attracting and retaining businesses aligned with Palo Alto values while providing needed revenue to the City.
2. Sustainability and economic development can be complimentary, mutually reinforcing, and value generating. Sustainability and Economic Development go hand-in-hand in Palo Alto.
3. Innovation and creativity are essential components of the city's "brand" and fostering business that reflect that spirit maintains Palo Alto's attractiveness and appeal.
4. At the same time, Palo Alto's economy is sustained through a diverse mix of existing and emerging industries and services.
5. Local-serving businesses are an integral part of the character and livability of Palo Alto.
6. Small businesses and emerging start-ups have an important role in the creation of jobs and economic growth.

7. Collaborative efforts are essential to fostering innovation with an economic impact, especially with creative economic engines like Stanford University and Stanford Medical Center and Lucille Packard Children's Hospital.

Discussion

The City of Palo Alto has a reputation as a world leader in technology and innovation and is a major employment center for the Bay Area. Thousands of companies are located here, delivering a wide range of products and services, from technology and its associated enterprises to community-serving businesses. Through the payment of various taxes, many of these companies directly contribute to City revenues and the delivery of needed services and infrastructure in our city. There are also numerous secondary and tertiary financial benefits as well (i.e. transient occupancy tax (TOT) generated from business trips, sales tax generated from business lunches, etc.). Our primary economic development goal is focused on supporting and attracting the businesses that support and grow our tax base, with an understanding that City values and policies help shape our economic development strategy and practice.

Significant contributors to our position as a major employment center are our great local schools, access to talented people from institutions such as Stanford University, Stanford Medical Center and Lucille Packard Children's Hospital; strong neighborhoods (many with historic qualities), with quality executive housing; access to transit; a temperate climate; a beautiful tree canopy and access to parks and open space; a diverse and highly educated populace; interesting and walk-able business districts; City ownership of the suite of utilities including fiber optics; strong cultural amenities including community services, performance and visual arts; and good government.

But the City government and the services it provides face numerous challenges. The disconnect between economic growth and local government tax structure limits the revenue yield that could be available to the City and fiscal challenges at the state/federal level continue to put cities at risk. City revenues in California are restricted by law and cities lack flexibility, full home rule, and some taxing authority to raise municipal revenues in an economy such as ours (no income tax, sales taxes on services, etc.).

A number of other factors which impact our community must be considered as part of the City's economic development strategy. These include: managing growing employment demand at the right scale and pace; increasing access to public transit and enhancing its effectiveness; limited availability of commercial properties; affordable housing; City infrastructure; traffic and parking congestion; transitioning to low a carbon economy; population growth anticipated in young families and seniors into the next decade; and maintaining high quality schools. These challenges require balancing economic development goals and community values.

The City's limited Economic Development staff is taking a more proactive role in supporting the attraction of new business to Palo Alto, while helping to retain and grow existing enterprises. Staff focus is on understanding and meeting the needs of revenue-generating companies (i.e. retail, hotel, business-

to-business, etc.) that help to fund vital city services. Also, by serving as an advocate with other City departments such as the Development Services, Planning, Fire, and Utilities, Economic Development staff will work to facilitate the appropriate growth of companies in Palo Alto by helping make development and location processes as transparent and predictable as possible.

Our Economic Development approach also champions the innovative spirit of our businesses and community to ensure Palo Alto maintains its leadership position as a global center for innovation and an attractive place to launch new ideas and businesses. Some companies in the “innovation” space may provide little direct revenue benefit (i.e. taxable sales, etc.) to the City’s general fund. Nonetheless, on the “soft side”, maintaining the City’s brand as a place where people’s creative ideas can become world-renowned businesses keeps small city Palo Alto a globally competitive city, with indirect revenue benefits and economic, social, and community multipliers of real value.