



**COMPREHENSIVE PLAN UPDATE
CITIZENS ADVISORY COMMITTEE
SUBCOMMITTEE
BUSINESS AND ECONOMICS ELEMENT**

Thursday, February 2, 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 #2
FROM: Elena Lee, Interim Planning Manager,
Planning & Community Environment Department

Background

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

This meeting will review the changes to the policy framework made in response to the full CAC discussion on January 17 and identify further refinements that should be made before the CAC considers a complete Element. At the February 21 meeting, the CAC will be asked to recommend the B&E Element to the City Council for review.

Based on prior subcommittee and CAC discussion, the B&E Element retains all six existing goals, but the order of Goals 2 and 3 has switched.

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

- Started from the annotated outline of the B&E Element presented to the CAC on January 17.
- Formatted the content of the annotated outline into the standard policy framework format.
- Incorporated CAC input on the vision, section headings, goals, and policy wording. Tracked changes were carried over from the annotated outline; further changes to the language presented in the annotated outline are layered on top in additional strike-through and underline.
- Inserted the text of existing Comp Plan programs with changes shown in strikethrough and underline.
- Added new Programs from staff and PTC based on CAC feedback.

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 February 21 meeting. This is the last scheduled meeting of the B&E subcommittee. The CAC is scheduled to take action on this element at their February 21 meeting.

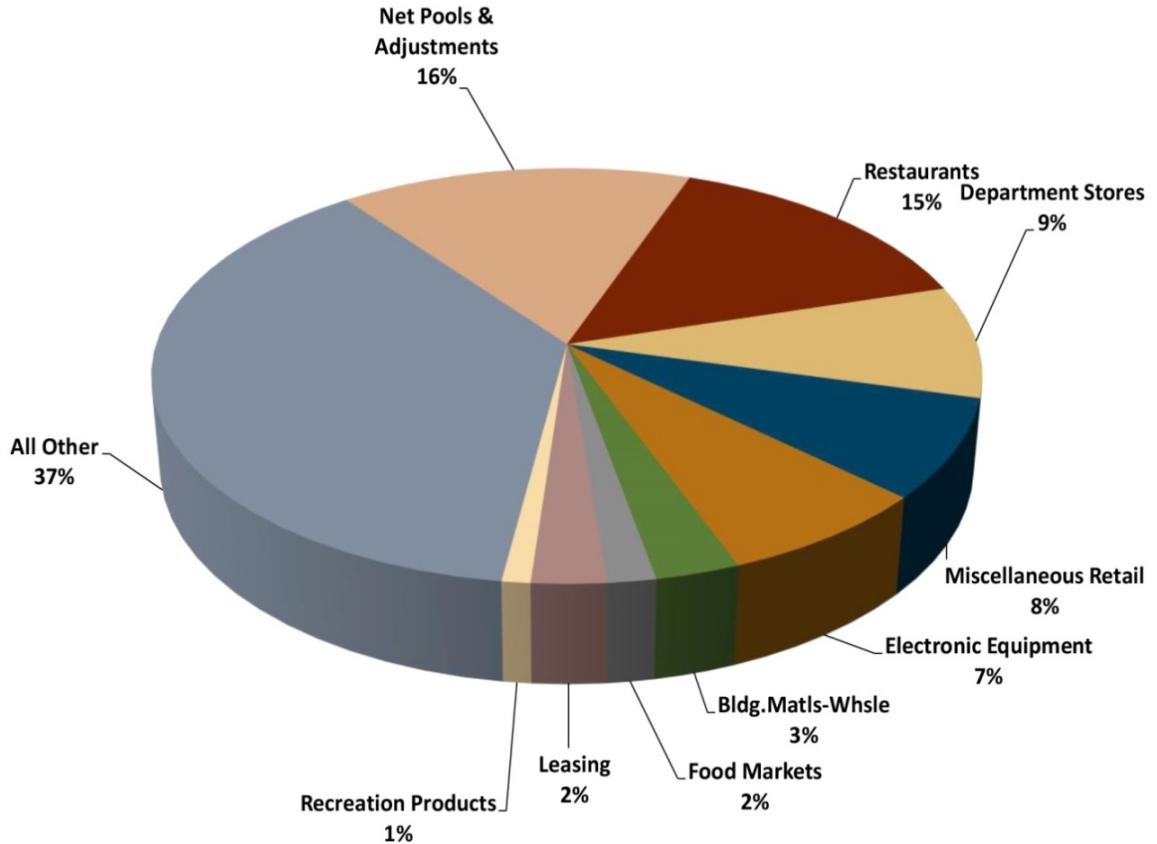
Data Requests

The subcommittee and CAC have requested data on the following topics:

- **Top 20 employers:** Data on employers from the city's Business Registry is Included as Attachment F.
- **Local ownership of businesses:** CAC members expressed interest in understanding how many Palo Alto businesses are owned by Palo Alto residents. This data is not available.
- **Size of Downtown employers by number of employees:** Downtown employers with more than 100 employees included in Attachment F.
- **Challenges for small local businesses.** Reporting on retail and restaurant businesses indicates that rising rents, competition from online retailers, competition from meal delivery services, difficulty recruiting and retaining qualified employees (given high costs of living, commute times, and competition from corporate campuses), and increasing healthcare costs all play a role in why some small Palo Alto businesses are struggling. An article from the New York Times on the issues facing Palo Alto's restaurants, included as Attachment E, is an example of the coverage on the challenges facing small businesses.
- **Historical and future job numbers:** To be provided prior to the subcommittee meeting.
- **Clarification on "All Other" sales tax category:** Economic segment used in *City of Palo Alto Sales Tax Digest Summary Fourth Quarter Sales* ([link here](#), chart below, as included in CAC packet for January 17th): "'All Other' includes a wide array of segments which are combined into a single category to preserve confidentiality: business services, chemical products and equipment, energy sales, heavy industry, light industry, office equipment, building material retail, food processing, liquor stores, apparel stores, drugstores, florists, furniture/appliance, auto parts/repair, auto sales, service stations, and a segment called "miscellaneous" that includes but is not limited to health services, government, nonprofit organizations, nonstore retailers,

Net Cash Receipts for Benchmark Year 4th Quarter 2015: \$27,079,275

**Benchmark year (BMY) is the sum of the current and 3 previous quarters (2015Q4 BMY is sum of 2015 Q4, Q3, Q2 & Q1)*



businesses with less than \$20,000 in annual gross sales, auctioneer sales, and mortuary services and sales.

Prior Background Documents

Policy of the City's Office of Economic Development: Included as Attachment C

Comp Plan Fiscal Study: Executive Summary provided as Attachment D, Full Report [link here](#)

January 17 CAC Staff Report: [link here](#)

January 5 Subcommittee Staff Report: [link here](#)

Topics Raised by the CAC

The following major topics were raised at the CAC meeting and may merit further discussion at the subcommittee level.

- Overall tone of revisions went too far towards being business friendly; reinstate some of the existing language to retain important concepts of neighborhood compatibility. Consensus that antagonistic terms like “competing” in the original wording should be removed.
- Agreement to add additional policies emphasizing fiscal health. Some members feel it is appropriate to encourage and support uses that generate revenue in order to maintain a high level of services and quality of life in Palo Alto. Others expressed that revenue generation should be balanced with neighborhood protection.
- Think of the City as an integrated “organism” or an “ecology” where all uses depend on the success of other uses, rather than describing businesses and neighborhoods as separate and competing uses.
- Need for flexibility and adaptability; this is an Element for 2030, not 2017.
- Language about “Palo Alto values” is too vague. Differences of opinion about whether or how much “quality of life” should be used.
- Differences of opinion on whether and how the City should take an active role in making businesses successful vs. leaving the responsibility to business owners themselves.
- It is important that the Element is informed by data.
- There are important connections between this Element and other Elements, for example, Transportation addresses the challenges of traffic congestion, employee commutes, and parking for retail areas. Land Use addresses the need for housing and has fiscal implications.
- Start-ups are an important part of Palo Alto’s history and current and future economy. Reinstate references to start-ups.
- Acknowledge that tourism is already a valuable part of Palo Alto’s economy and work with it.
- Stanford is an important part of numerous aspects of the local economy – as an employer, a research institution, a commercial landowner, and a tourist destination. The Element should cultivate a positive relationship with Stanford.
- Professional services such as accountants and small medical offices are being priced out; the City should help to maintain affordable space for these services as part of a diverse business environment and to provide needed services for residents.
- Active street frontage uses such as branch libraries, medical facilities, and senior programs should be considered as acceptable uses in mandatory ground-floor retail spaces. Expand the definition of “retail” to include these and other uses that are not strictly retail.
- Concern that large corporate employers siphon customers away from local businesses by providing food and services on site.
- Find a way to include non-profit organizations and/or broaden references to “businesses” to include all types of employers.
- Consensus support for strengthening the role of the Office of Economic Development.
- Predictability of process and timelines is important to businesses
- While there was a concern with the problems of 24 hour businesses. Different hours serve different users/customers.

- Some wanted to retain options and present a range to Council, while others believed that consensus could be reached.
- Some CAC members felt that trees, and protection of the natural environment more broadly, are part of Palo Alto's "brand" and therefore relevant to this Element. Others feel these topics are adequately covered in other Elements and the Business and Economics Element should stay concise and focused on economic topics.
- Lack of consensus on changing the name of the Element.

Policy Framework Changes

The input from the January 17 CAC meeting has been incorporated as follows:

Element Name

- The CAC discussed various options for renaming the Element, but no consensus emerged. "Business and Economics" has been retained.

Vision

- The deletion of "competing" was supported by the CAC; in addition, references to "balance" between residents and visitors have been replaced by reference to "interdependence."

Goal 1 Compatibility & Interdependence

- "Compatibility" was reinstated as part of the title of the section; the previous revision of "Cooperation" was removed.
- **Goal language.** Original language was reinstated, except "Compatible With" is replaced by "Complements and Supports."
- **Policy B1.3** regarding street trees was reinstated. Previously proposed new language acknowledging shared values and concerns is separated into a new **Policy B1.4**.

Goal 2 Thriving Economy

- **Goal language.** Original Goal wording was reinstated. Council wording from their December 2015 motion regarding "moderating the pace of job growth" has been deleted in response to concerns that it conflicts with wording in the goal to support businesses. The Council is currently considering a number of options to limit job growth as part of their review of the Land Use Element.
- **Policy B2.1.** "Livability" was added to the list of goals that should be targeted by new businesses in Palo Alto. CAC members suggested that this phrase is a suitable replacement for the difficult-to-define "quality of life" originally suggested by the PTC.
- **Program B2.2.1** was added the Element to improve outreach to businesses, including through stakeholder meetings with retailers.

- **Policies B2.3 and B2.4** about fiscal health were added to highlight the connection between maintaining revenues and preserving livability.
- **Policy B2.6.** CAC members noted that advancements in communications infrastructure are advantageous to all business sectors, not only telecomm. The language of Policy B2.4 has been expanded accordingly.

Goal 3 Culture of Innovation & Business Diversity

- Policies under Goal B-3 were reorganized; changes in the order of the policies are not shown in tracked changes.
- **Goal language** is based on the City Council suggested wording of Goal B-3 rather than the new goal presented in the annotated outline, which was based on the Office of Economic Development policy.
- **Policy B3.1** was revised at the suggestion of CAC members to more fully encompass Palo Alto’s economic “brand” and to support all aspects of Goal 3.
- **Policy B3.2** was revised for clarity and to refer to both fiscal and environmental sustainability **Program B3.2.1** was added to the Element to collect available data on existing businesses.
- Three **new Programs** are proposed under **Policy B3.3** to support local retail and shop local campaigns.
- **Policy B3.4** was divided into two policies, the first (B3.4) focuses on retaining small businesses; a reference to non-profit organizations and professional services has been added and a **New Program B3.4.1** was added to investigate ways the City can play a role in encouraging and/or preserving small office spaces.
- The second, **Policy B3.5**, calls for promoting the growth of small businesses into medium sized businesses. Reference to “helping them find suitable locations” has been deleted.
- **Policy B3.6** (Existing Policy B-5), regarding distinct business districts, was reinstated.
- The reference to a conference center was deleted in **Policy B3.7**.
- The new policy regarding late night or 24-hour establishments was deleted.

Goal 4 Flexibility

- In **Policy B4.1**, existing wording about streamlining and reducing inefficiencies was reinstated, and proposed new wording was also kept.
- **New Policy B4.3** was added to strengthen the role of the Office of Economic Development to facilitate two-way communication between businesses and the public, as well as to assist businesses with City review and approval processes.

Goal 5 Centers

- The section on “All Centers” was removed since all the policies are covered in the Land Use Element.
- The reference to downtown office workers supporting downtown retail was removed from **Policy B5.1**.
- New **Program B5.1.1**, suggested by the PTC, was added to work with Downtown businesses and the Chamber to retain existing businesses Downtown.
- Reference to automotive service uses was removed from **Policy B5.2** regarding SOFA.
- To avoid confusion, **Policy B5.4** was revised to refer to California Avenue as “multi-neighborhood” oriented rather than “local serving,” consistent with both the existing title of this section and the language used about California Avenue in the Land Use Element. The Land Use Element classifies Cal Ave, South El Camino Real, and Town & Country as the City’s three “Multi-Neighborhood Centers.”
- In **Policy B5.6**, added a reference to housing as a possible use that would strengthen viability of businesses along El Camino Real.
- The section on Neighborhood-Serving Retail Centers was deleted as the existing policy is redundant with Land Use Element Policy L4.14 and the existing program has been completed.

Goal 6 Employment Districts

- The word “commercial” was deleted from **Policy B6.3** to broaden the types of investment the City would encourage along El Camino Real.
- **Policy B6.6** was revised to acknowledge the need for balance between rehabilitation and replacement of outdated space with a concern about increasing the cost of space.

Issues for Discussion

In addition to reviewing the revisions to Vision, Goal, and Policy language in response to CAC discussion, the subcommittee should review Programs.

Next Steps

Prior to the full CAC meeting on February 21, staff and consultants will draft a complete Element that combines subcommittee input on the policies and programs with background narratives and graphics. The Draft Element will be reviewed by the CAC and considered for recommendation to the Council.

Attachments

- A. Business and Economics Draft Policy Framework (Tracked)
- B. Business and Economics Draft Policy Framework (Clean)
- C. Policy of the Office of Economic Development

- D. Comp Plan Fiscal Study Executive Summary
- E. NYT article: *How Tech Companies Disrupted Silicon Valley's Restaurant Scene*
- F. Employer/Employee Data