SPECIAL AND REGULAR MEETING AGENDA

Date: **5/7/2019**
Time: **5:30 p.m.**
City Council Chambers
701 Laurel St., Menlo Park, CA 94025

Mayor Mueller will be participating by phone from:
Doubletree by Hilton Hotel
422 Monroe Street
Jefferson City, Missouri 65101

According to City Council policy, all regular meetings of the City Council are to end by midnight unless there is a super majority vote taken by 11:00 p.m. to extend the meeting and identify the items to be considered after 11:00 p.m.

5:30 p.m. Presentation

PR. Menlo Park youth poetry contest awards ceremony: "If I Were a Book…"

6:00 p.m. Study Session

A. Call to Order

B. Roll Call

C. Pledge of Allegiance

SS1. Master plan development/Peninsula Innovation Partners, LLC/1350-1390 Willow Road, 925-1098 Hamilton Avenue, and 1005-1275 Hamilton Court
(Staff Report #19-084-CC)

7:00 p.m. Regular Session

D. Presentations and Proclamations

D1. Proclamation: Declaring May 2019 as national bike month

E. Public Comment

Under "Public Comment," the public may address the City Council on any subject not listed on the agenda. Each speaker may address the City Council once under public comment for a limit of three minutes. Please clearly state your name and address or political jurisdiction in which you live. The City Council cannot act on items not listed on the agenda and, therefore, the City Council cannot respond to non-agenda issues brought up under public comment other than to provide general information.

F. Commission/Committee Report

F1. Consider applicants and make an appointment to fill an unexpected vacancy on the Library Commission (Staff Report #19-073-CC)

G. Consent Calendar

G1. Accept the City Council meeting minutes for April 16, 2019 (Attachment)

G2. Adopt Resolution No. 6496 to authorize a funding agreement with Samaritan House to administer Menlo Park's community housing fund to provide tenant relocation assistance of $100,000 for relocation assistance, $12,000 for program administration (Staff Report #19-076-CC)

G3. Award the contract for citywide independent audit services for fiscal years 2018-19 through 2020-21 at a total cost of $170,323 for the initial three-year term and authorize the city manager to execute the contract agreement (Staff Report #19-079-CC)

G4. Adopt Resolution No. 6499 to adopt a debt management policy and debt disclosure policy as required by Government Code Section 88559(i) (Staff Report #19-083-CC)

G5. Adopt Resolution No. 6495 to adopt the Bay Area integrated regional water resources management plan update (Staff Report #19-075-CC)

G6. Adopt Resolution No. 6497 endorsing the San Mateo County Flood and Sea Level Rise Agency proposal and authorizing the expenditure of $40,000 annually for three fiscal years (Staff Report #19-077-CC)

G7. Adopt Resolution No. 6498 amending Resolution No. 6491 regarding the list of projects eligible for fiscal year 2019-20 funds from Senate Bill 1: The Road Repair and Accountability Act of 2017 (Staff Report #19-078-CC)

H. Regular Business

H1. Provide direction on the development of a local minimum wage ordinance (Staff Report #19-080-CC)

I. Informational Items

I1. Annual review of taser program for the period beginning April 1, 2018 and ending April 1, 2019 (Staff Report #19-081-CC)

I2. Annual review of data captured by automated license plate readers for the period beginning April 1, 2018 through April 1, 2019 (Staff Report #19-082-CC)

I3. Samaritan House facility rental agreement to expand services to Menlo Park (Staff Report #19-074-CC)

J. City Manager's Report

K. Councilmember Reports

L. Adjournment

At every regular meeting of the City Council, in addition to the public comment period where the public shall have the right to address the City Council on any matters of public interest not listed on the agenda, members of the public have the right to directly address the commission on any item listed on the agenda at a time designated by the chair, either before or during the City Council's consideration of the item.
At every special meeting of the City Council, members of the public have the right to directly address the City Council on any item listed on the agenda at a time designated by the chair, either before or during consideration of the item.

Any writing that is distributed to a majority of the City Council by any person in connection with an agenda item is a public record (subject to any exemption under the Public Records Act) and is available for inspection at the city clerk's office, 701 Laurel St., Menlo Park, CA 94025 during regular business hours. Persons with disabilities, who require auxiliary aids or services in attending or participating in City Council meetings, may call the City Clerk's Office at 650-330-6620.

Agendas are posted in accordance with Government Code Section 54954.2(a) or Section 54956. Members of the public can view electronic agendas and staff reports by accessing the City website at menlopark.org/agenda and can receive email notification of agenda and staff report postings by subscribing to the "Notify Me" service at menlopark.org/notifyme. Agendas and staff reports may also be obtained by contacting City Clerk at 650-330-6620. (Posted: 5/2/2019)

CITY OF MENLO PARK

STAFF REPORT

City Council
Meeting Date: **5/7/2018**
Staff Report Number: **19-084-CC**

Study Session: **Master plan development/Peninsula Innovation Partners, LLC/1350-1390 Willow Road, 925-1098 Hamilton Avenue, and 1005-1275 Hamilton Court**

Recommendation

Staff recommends that the City Council receive a presentation from the applicant team (comprised of Signature Development Group and Facebook), solicit public comments, and provide feedback on the components of the proposed project and guidance to City staff and the applicant team on the applicant's revised proposal for an approximate 59-acre, mixed-use master plan development. As a study session, members of public have the opportunity to provide input on the aspects of the proposed project. No formal action will be taken on this item.

Topics for City Council discussion

This report highlights a variety of topic areas and discussion items for consideration at the study session. As the City Council reviews the report, staff recommends that the City Council consider the following topics and use them as a guide to provide feedback:

- Site access and circulation
- Publicly accessible open space
- Mix of land uses
- Project phasing
- Community amenities

A more detailed discussed of these topics are presented in the analysis section below.

Policy Issues

The applicant is proposing to redevelop the site through the master plan process, as provided for in the zoning ordinance, by utilizing a conditional development permit (CDP) and entering into a development agreement (DA) with the City. The proposed project would require the Planning Commission and the City Council to consider the merits of the proposed master plan, and the project's consistency with the City's general plan and zoning ordinance, including the appropriateness of the applicant's proposed amendments, along with the municipal code, and other adopted policies and programs of the City such as the below market rate housing program.

Background

The approximately 59-acre site is generally located along Willow Road between Hamilton Avenue and Ivy Drive, and was previously referred to as the ProLogis Menlo Science and Technology Park. Facebook

Building 20 is located to the northwest and multifamily and neighborhood commercial uses are to the west, across Willow Road. The subject site is generally bordered by the San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy right-of-way and Mid-Peninsula High School to the south, the Dumbarton Corridor to the north, and properties within the Menlo Business Park to the east.

The existing campus has 20 buildings (generally constructed between the 1950s and 1990s) located on 18 parcels that have historically housed general office, R&D, warehouse, and manufacturing uses that total approximately 1,000,000 square feet of gross floor area (GFA). Facebook currently occupies eight buildings at the project site for offices, R&D, dining facilities and a health center. The remaining buildings are occupied by general office, R&D, warehouse and manufacturing uses. A location map is included as Attachment A.

As part of the ConnectMenlo general plan and zoning ordinance update, the existing project site was rezoned in December 2016 from M-2 (general industrial) to O-B (office, bonus) and R-MU-B (residential mixed use, bonus.) On July 2017, the City received an application to commence the formal review process for the redevelopment of the project site. That previous proposal was reviewed by the Planning Commission and City Council as a study session item in February 2018 and March 2018, respectively. The City Council's previous direction on the project proposal is included as a link to the March 27, 2018, meeting minutes in Attachment B.

The applicant team has further evaluated the proposed project and modified the site layout (including land uses, circulation network and open space), the proposed square footages by land use, and the project phasing. The applicant team's revised project description letter is included in Attachment C and the updated project plans are included in Attachment D. As part of the resubmittal of the proposed project, staff will be reviewing the City Council's previous direction and incorporating those items into its analysis of the project moving forward, unless the City Council has different guidance for staff.

Analysis

Project description

The proposed project would comprehensively redevelop the project site with a mixed-use master plan with approximately 1,500 dwelling units (including 15 percent inclusionary), up to 200,000 square feet of commercial retail uses (e.g., grocery store, pharmacy, personal services, restaurants and bars, general retail and entertainment uses), a 200-250 room hotel (potentially with conference facilities), and approximately 1,750,000 square feet of offices to be occupied by Facebook. The offices would be housed within nine buildings, and the mixed use and residential component would include 10 buildings for the retail (non-office commercial) square footage and residential units. The hotel and associated retail and conference facilities would be a stand-alone building. The proposed site plan would include approximately 26.7 acres of landscaping and open space, of which approximately 10 acres would be publicly accessible, and new bicycle, pedestrian and vehicle infrastructure. The proposed site circulation includes a proposed access point from O'Brien Drive. In addition to the open space distributed throughout the project site, the proposal would include a 4-acre publicly accessible park at the southwestern corner of the project site, along with a town square plaza, and dog park.

The following list identifies the key changes to the proposed project since March 2018.

- Redesign of the site plan, including the on-site vehicle, pedestrian and bicycle circulation along with modifications to the general layout and footprints of the proposed mixed-use and office buildings
- A general shift in the location of the office campus to the eastern portion of the site and more integration between the office campus and the mixed-use neighborhood components
- Modifications to the initial concepts for the Main Street and Town Square areas to promote walkability, biking and social gathering
- An emphasis on bicycle and pedestrian connectivity from O'Brien Drive to Willow Road diagonally through the site, with ancillary bicycle and pedestrian connections along the eastern and northern edges of the site
- A grade separated crossing for bicycle, pedestrians, and trams between the west Campus and the Willow Village (underpass or overpass with Willow Road)
- Relocated full-service grocery store and pharmacy
- More aggregated open space instead of distributed open space through the site, resulting in a larger 4-acre community park, playground and recreation fields along Willow Road
- Inclusion of a proposed community center adjacent to the community park (approximately 10,000 square feet)
- Addition of a separate publicly accessible dog park
- Removal of the Dumbarton plaza and visitor center from the northwestern corner of the project site and replaced with a parking structure
- Consolidation of office parking into two, versus three, garage structures
- Increase in the number of hotel rooms from approximately 200 to a possible maximum of up to 250 rooms
- Increased amount of neighborhood serving retail from approximately 126,500 square feet to up to approximately 200,000 square feet

More detailed staff analysis of the proposed revised project is included in the Staff Analysis (Attachment E), which evaluates the project proposal in the following topic areas:

- Site plan and general layout
- Land use and zoning
- Site circulation
- Paseos and bicycle and pedestrian facilities
- Public open space, trees and landscaping
- Green and sustainable building
- Project phasing

<u>Topics for City Council discussion</u>

The following list identifies key topic areas that the City Council should consider and discuss through the study session. Some of the items below were presented to the City Council at the study session in March 2018, but are listed again to encourage a comprehensive discussion of the proposed revised project. The below list is intended to facilitate the City Council's discussion and is not intended to be an exhaustive list of topic areas.

Site access and circulation

The proposed revised project would continue to deviate from the adopted zoning map and circulation element for the location of the main cross site access. The proposed bicycle and pedestrian access and paseos through the project site would also deviate from the adopted zoning map. The zoning map identified future public right-of-way and paseos in the Bayfront area. The proposed modifications would require a zoning map and general plan amendment. The adopted future roadway connects Hamilton Avenue with Adams Court across the northern portion of the project site and the proposed project would relocate the main cross-site access to "Park Street" in the southern portion of the site. In addition, the proposed site plan includes a connection from Hamilton Avenue to O'Brien Drive in the southeastern corner of the project site via a diagonal Main Street through the site. The revised proposal would likewise shift the main bicycle and pedestrian access. This pedestrian and bicycle facility would be located adjacent to Main Street. A secondary bicycle and pedestrian pathway (paseo) would be located along the eastern edge of the site. The City Council should review and consider the following topics:

- Provide input on the proposed realignment of the main cross site access from Hamilton Avenue and Adams Court to the southern portion of the site and the connection with O'Brien Drive
- Provide direction to staff on the proposed pedestrian and bicycle access through the site (primarily along the proposed Main Street), specifically as the pathways relate to the paseo requirements of the Zoning Ordinance and Zoning Map
- Provide guidance to staff on the eastern bike and pedestrian pathway (paseo) design, location and the adjacent land uses

Publicly accessible open space

The proposed revised project would increase the total amount of open space and landscaping at the project site and would provide more aggregated publicly accessible open space. The revised project site plan would include an approximately 4-acre public park, half-acre town square and third-of-an-acre dog park, along with paseos for pedestrian and bicycle circulation through the site.

- The City Council should provide feedback on the modifications to develop more aggregated publicly accessible open space rather than open space distributed throughout the project site
- What type of programming and uses (active and/or passive) are appropriate for the park

Mix of land uses and zoning

The master plan process allows an applicant to comprehensively redevelop a project site and shift the development potential (density and intensity) as well as other requirements (open space) throughout the project site. More detailed analysis of the proposed master plan is included in the staff analysis in Attachment E. The proposed mix of uses includes housing, retail (non-office commercial), a hotel and offices (for Facebook.) The proposal includes the 1,500 dwelling units required to be designed by the Facebook campus expansion development agreement; however, staff's preliminary analysis determined that the site could accommodate up to approximately 1,713 dwelling units based on the land area after dedication of public rights of way (ROW.) A portion of the inclusionary housing requirement is identified as senior housing. The revised project includes an increase in commercial retail square footage from 126,500 square feet to up to 200,000 square feet and an increase in potential hotel rooms from 200 to up to 250 rooms. The office square footage remained constant at 1,750,000 square feet. The City Council should provide direction on the following:

- Provide feedback on the proposed use of the master plan process for this development and the overall site layout
- Provide any comments on the site density and intensity, including the number of dwelling units, office floor area ratio (FAR), and retail FAR
- Is the proposal to satisfy the inclusionary housing requirement through a mix of senior and non-age restricted below market rate (BMR) housing units appropriate for the proposed project?
- The planning division has received applications for up to 457 hotel rooms in the Bayfront area, which exceeds the hotel room cap of 400 net new rooms identified in the land use element of the general plan. The City Council should provide input on the appropriateness of the proposed hotel at the site and the potential general plan amendment to allow for the possibility for a hotel with up to 250 rooms (an increase in 57 rooms above the cap)
- As part of the project, a 10,000 square foot community center is proposed. The City Council should provide feedback on the proposed use and how the space should be programmed

Project phasing

The revised project anticipates developing the project in three phases, instead of the previously proposed four phases. The updated phasing plan would develop the majority of the housing units and office square footage in the first two phases and shift the non-office commercial (retail) and hotel development to the second, and third phases (with a minimal amount of retail being developed in the first phase.) The proposed phasing plan identifies the grocery store to be constructed in the third phase.

- The City Council should review the proposed phasing plan (detailed analysis included in Attachment E) and provide any comments and guidance to staff on the breakdown of the phases by land uses, including housing, commercial retail (e.g., grocery store, pharmacy, etc.), parks, and open space in relation to the office development.

Community amenities

The proposal is still in the early stages of review and full list of community amenities has not been developed, nor has the appraisal process been completed to determine the required amount of community amenities. At this time, the City Council should provide guidance on the preliminary community amenities. The proposal includes a grocery store, which would meet the criteria for a community amenity. In addition, the ConnectMenlo community amenities list was discussed as part of the City Council March 27, study session on the 2-year check in for ConnectMenlo. At this time, staff will continue to use the adopted community amenities list to evaluate the potential community amenities proposed as part of the project. The current list is included as a link in Attachment F. The City Council should consider the following questions on community amenities as part of its discussion:

- Is the grocery store an appropriate community amenity for the proposed project?
- Does the City Council have any guidance on potential community amenities for the applicant and staff to explore (based on the current list or potential updates to the list?)

Next steps

Following the City Council's review and direction on the key components of the proposed revised project, the City intends to release the notice of preparation (NOP), tentatively scheduled for mid-May and hold a scoping session on the environmental impact report (EIR) in June with the Planning Commission. The May 14 City Council meeting agenda tentatively includes a consent item to authorize the scope and budget for the preparation of the EIR and fiscal impact analysis (FIA) for the proposed project.

Correspondence

Staff received an email from the SFPUC relaying the need for the project sponsor to obtain approval from the SFPUC for the proposed road and bike/pedestrian access across the SFPUC Hetch Hetchy ROW. The email is included (Attachment G.)

Impact on City Resources

The project sponsor is required to pay planning, building and public works permit fees, based on the City's master fee schedule, to fully cover the cost of staff time spent on the review of the project.

Environmental Review

An Environmental Impact Report (EIR) will be prepared for the project. The first step in the process will be the release of the Notice of Preparation (NOP), followed by a scoping session with the Planning Commission to provide the public an opportunity to comment on the scope of the environmental review. A Draft EIR will then be prepared by the City's environmental consultants. Following the release of the Draft EIR, a public hearing will be held by the Planning Commission to provide an opportunity for the commission, agencies, organizations and members of the public to provide verbal comments on the Draft EIR. Written comments on the Draft EIR will also be solicited at this time. Comments will then be addressed as part of the Final EIR, which would be reviewed at a subsequent meeting.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting. Public notification also consisted of publishing a notice in the local newspaper and notification by mail of owners and occupants within a 300-foot radius of the subject property.

Attachments

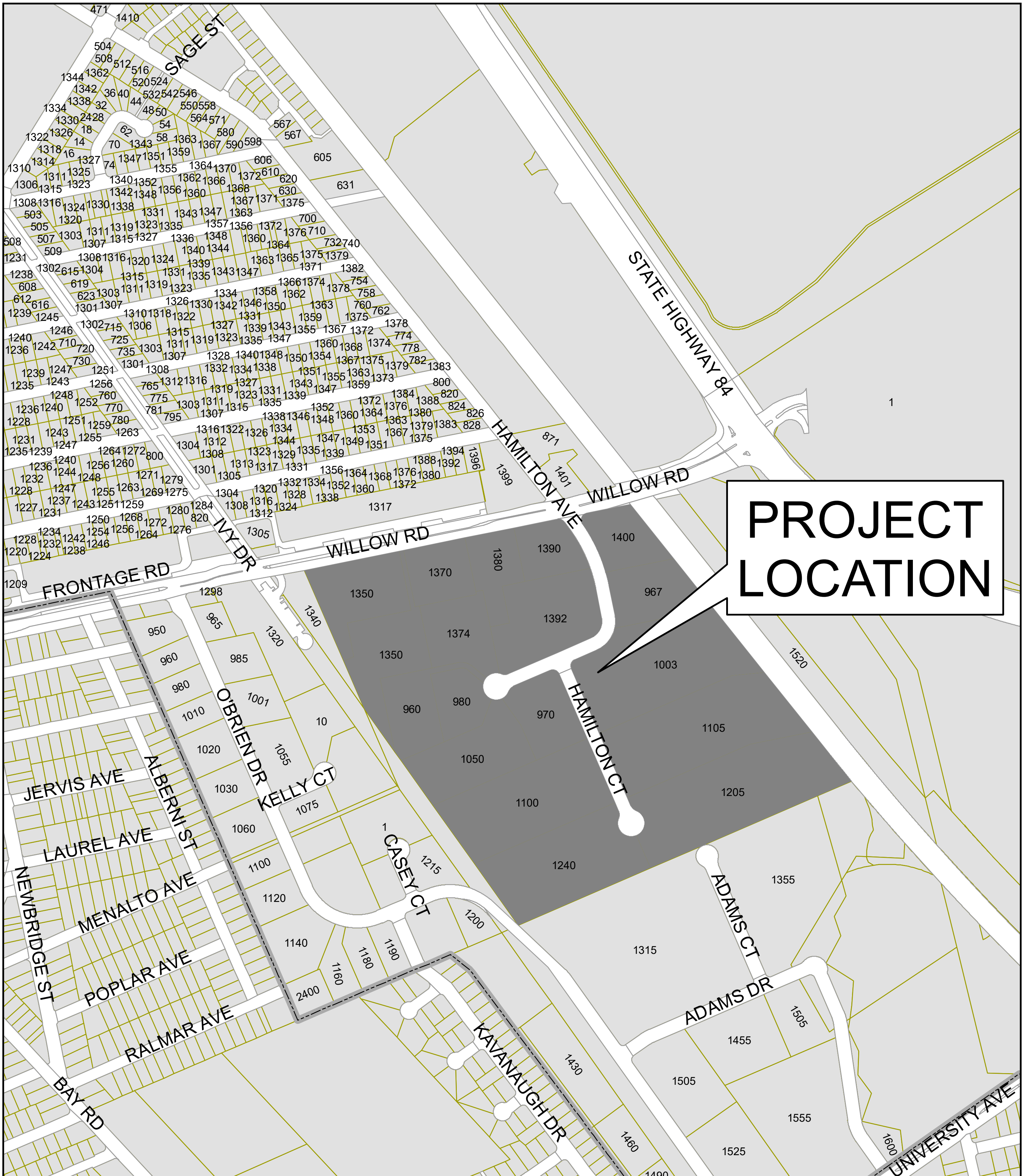
A. Location map
B. Hyperlink – City Council March 27, 2018, meeting minutes: menlopark.org/AgendaCenter/ViewFile/Minutes/_03272018-3068
C. Updated project description letter
D. Updated project plans
E. Staff analysis of proposed revised project
F. Hyperlink – community amenities list: menlopark.org/DocumentCenter/View/15009/6360---Community-Amenities?bidId=
G. Correspondence

Disclaimer

Attached are reduced versions of maps and diagrams submitted by the applicants. The accuracy of the information in these drawings is the responsibility of the applicants, and verification of the accuracy by City Staff is not always possible. The original full-scale maps, drawings and exhibits are available for public viewing at the community development department.

Report prepared by:
Kyle Perata, Principal Planner

Report reviewed by:
Deanna Chow, Assistant Community Development Director



CITY OF MENLO PARK

CITY OF MENLO PARK

LOCATION MAP
FACEBOOK WILLOW VILLAGE PROJECT

DRAWN: KTP CHECKED: KTP DATE: 2/21/18 SCALE: 1" = 300' SHEET: 1

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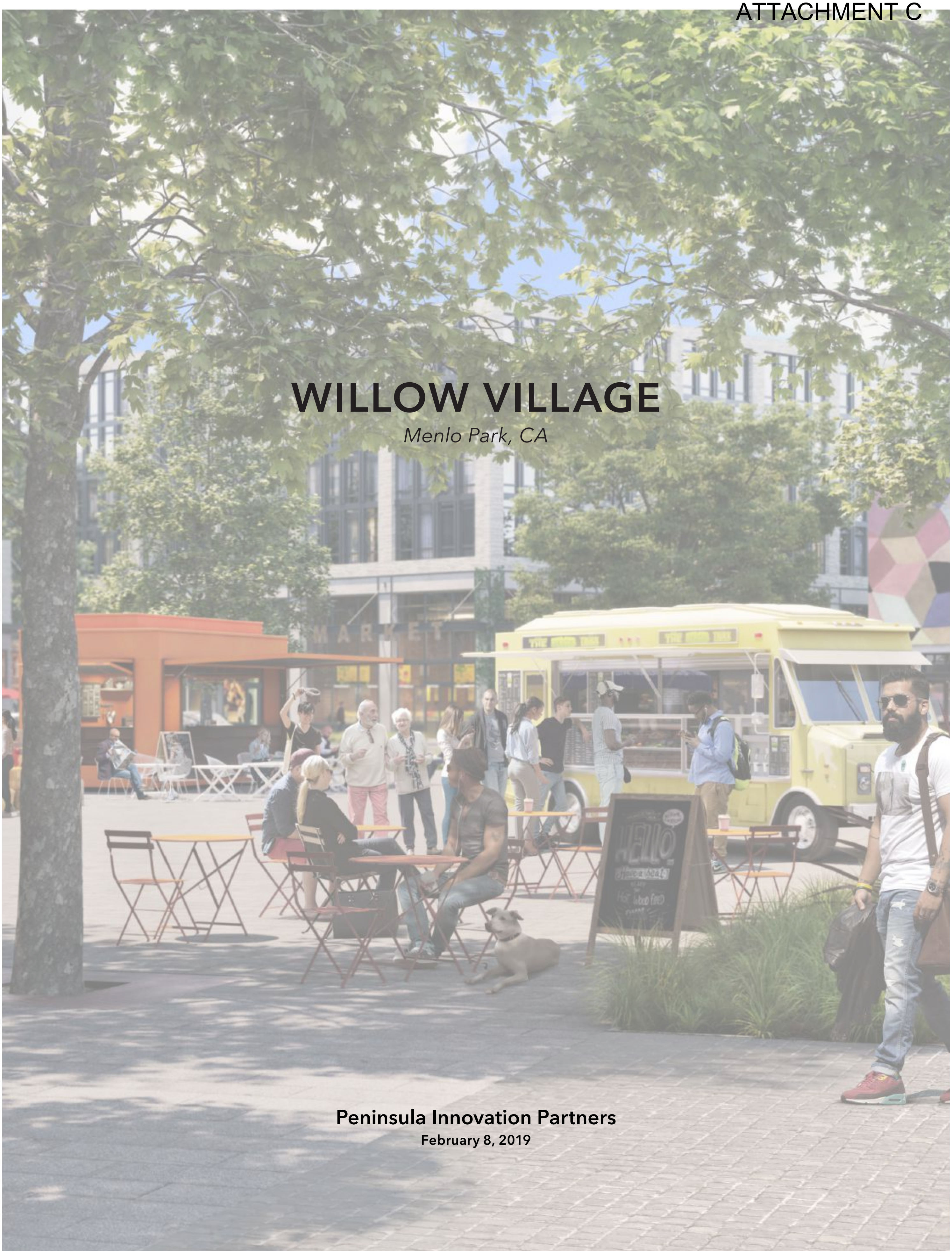


WILLOW VILLAGE

Menlo Park, CA

Peninsula Innovation Partners

February 8, 2019

Table of Contents

Project Description for Environmental Review

1 Introduction

Willow Village will replace approximately one million square feet of outdated industrial, office, and warehouse buildings in the Menlo Science and Technology Park with a vibrant, walkable, mixed-use village. Willow Village will be a highly sustainable, transit-friendly environment that supports local community needs and provides new housing, community-serving retail, and office space. The public realm will include a collection of varied public spaces, creating a sense of connectivity to the surrounding neighborhoods, while also delivering much-needed services to neighboring areas of Menlo Park and East Palo Alto, including a grocery store, pharmacy, restaurants, public gathering spaces, and other amenities.

The approximately 59-acre Willow Village site is located in Menlo Park's Bayfront Area. The site is bounded by Willow Road to the west, the Joint Powers Board (JPB) rail corridor to the north, the Hetch Hetchy right--of-way and Mid-Penninsula High School to the south, and an existing life science complex to the east. To the west, across Willow Road, are existing commercial and multi-family uses and Menlo Park's Belle Haven neighborhood. (See *Exhibit 2, Vicinity Map*.)

The Willow Village Master Plan envisions a high-quality public realm with a network of streets, parks, and open spaces that engage surrounding areas and create new places where neighbors, residents, and workers can live, work, and recreate. The Willow Village Master Plan refines the previously proposed design concept by connecting and blending several land uses into a vibrant live, work, play environment. Arranged around a new landscaped public Town Square, the Willow Village Master Plan offers:

- Traditional community-serving retail, including a full service grocery store, pharmacy, exciting restaurants, entertainment venues, barber/hair salon and other shops;
- A new large public park with sports and recreation fields, children's play areas, and community space for public gatherings;
- Below market rate and market rate housing;
- A boutique hotel with up to 250 rooms;
- Job opportunities; and
- New bicycle and pedestrian facilities, along with other transportation improvements.

The guiding principle for the Willow Village Master Plan is to build a robust community through a new, cohesive, master planned, mixed-use development that integrates into and complements the adjacent Belle Haven neighborhood, nearby neighborhoods in East Palo Alto, and greater Menlo Park as a whole.

The central Town Square sets a welcoming tone, with a size and location that can accommodate farmers' markets, festival events, and casual community gatherings of all kinds. A pedestrian- and bike-friendly "Main Street" offers a series of inviting front doors to the proposed retail, housing, office, and public park improvements of the new mixed-use community. The entire Willow Village will be anchored by a new four-acre public park along its southern boundary, designed to accommodate softball, baseball, soccer, and children's play areas.

Two carefully placed gateways invite residents and visitors to enter the new neighborhood at Hamilton Avenue to the west and O'Brien Avenue to the south. These gateways will feature distinctive public art, wayfinding signage, and other monumentation that promotes entry and connectivity to community amenities. The Hamilton Avenue intersection will include upgraded signal crossings to ensure safe pedestrian and bike access from Belle Haven directly to the Town Square, grocery store, pharmacy, boutique hotel, and retail center. Convenient public parking will be located near all the new retail businesses and Town Square, whether entering from O'Brien Drive or Willow Road.

The Willow Village Master Plan is designed to implement the guiding principles and policies of the *ConnectMenlo* General Plan. The Master Plan closely aligns with *ConnectMenlo*'s zoning and development standards, including density and height limits for bonus development, and is an outgrowth of the years of planning that went into the *ConnectMenlo* General Plan process.

The Willow Village Master Plan also has been designed to address input from the community, and the revised plan has been updated in response to feedback that was given to the initial project application. Updates to the plan include:

- Activated Main Street and Town Square designed for walkability, bikes, and social gathering;
- Relocated full-service grocery store and pharmacy next to the Belle Haven neighborhood;
- Larger community park, children's play areas, and recreation fields along Willow Road;
- New community center; and
- Better integration of the office campus into the mixed-use neighborhood.

Willow Village will transform an outdated one million square foot industrial, office, and warehouse complex that is effectively inaccessible from neighboring communities into a vibrant mixed-use neighborhood that welcomes and complements the surrounding areas of Menlo Park and East Palo Alto.

1.1 Existing Site Characteristics and Access

The approximately 59-acre Willow Village site includes 21 existing industrial, office, and warehouse buildings totaling approximately 1,000,000 square feet. The site consists of 18 San Mateo County Assessor's

Parcels. The site historically has supported industrial and manufacturing uses; however, approximately 400,000 square feet of office uses currently exist within the site. (See *Exhibit 1, Project Context*.)

Primary access to the majority of the site is afforded by Hamilton Drive, Hamilton Court, and driveways fronting on Willow Road.

The Willow Village site has General Plan Land Use Designations of Office and Mixed-Use Residential. The site is zoned Office-Bonus (O-B) and Residential Mixed Use-Bonus (R-MU-B) under the Menlo Park Zoning Ordinance.

1.2 Willow Village Project Objectives

Willow Village seeks to achieve the following project objectives:

- Create a unique master-planned, mixed-use neighborhood with up to 1,500 housing units, a full service grocery store and pharmacy, neighborhood-serving retail, office space, a hotel, new bicycle and pedestrian connections, and open space.
- Redevelop an underutilized property with a contemporary master-planned, mixed-use neighborhood in furtherance of the goals for the Bayfront Area set forth in the City of Menlo Park's *ConnectMenlo* General Plan.
- Promote the City's General Plan goals of providing office, research and development, residential, and commercial uses and hotels, all in close proximity or integrated with one another.
- Reduce vehicle miles traveled by locating residential, commercial, and office uses in close proximity to each other.
- Provide multiple transportation options and a robust transportation demand management (TDM) program to reduce traffic congestion, air quality impacts, and greenhouse gas emissions.

- Create a pedestrian and bicycle-friendly environment that enhances connectivity between the project site and surrounding areas.
- Provide much-needed housing in the City.
- Develop an integrated, highly connected mixed-use campus that provides flexible workspace at a density that will support future transit.
- Use highly-sustainable design techniques to promote energy and water efficiency.
- Respect the surrounding community through appropriate building siting, massing, density, and height, consistent with the standards prescribed for bonus level development under the City's General Plan and zoning policies.
- Provide new green spaces and landscaped areas with native, drought-tolerant plant species.
- Provide for development that may be phased to be responsive to market demands.
- Provide a mix of uses and at densities that achieve a financially feasible project.
- Generate revenue for the City, school districts, and other public entities.
- Ensure a secure, safe, and private work environment.

1.3 Willow Village Master Plan Framework and Community Amenities

The *ConnectMenlo* General Plan, the Menlo Park Zoning Ordinance, and the Willow Village Master Plan establish the development standards and guidelines that will guide future development of Willow Village.

The Zoning Ordinance authorizes master planned projects in order "to provide flexibility for more creative design, more orderly development, and optimal use of open space, while maintaining and achieving the general plan vision for the Bayfront Area." Master planned projects may have a mix of zoning designations and must exceed 15 acres, be in common ownership, and be proposed for development as a single project or single phased project. For master planned projects, residential density, floor area ratio (FAR), and open space requirements (including for bonus level development) may be calculated in the aggregate across the site, provided that the project complies with the design standards for the applicable zoning district. Bonus level development may authorize an increase in FAR and/or height when providing community amenities consistent with the City's adopted list of community amenities identified through the *ConnectMenlo* process (as it may be amended).

The Willow Village Master Plan proposes the phased development of the approximately 59-acre Willow Village site, which is owned by Peninsula Innovation Partners (a subsidiary of Facebook, Inc.). Signature Development Group will be the Master Developer for Willow Village. Consistent with the Zoning Ordnance, the Willow Village Master Plan proposes bonus level development and that residential density, FAR, and open space be calculated in the aggregate across the site, and offers a substantial community amenities package, including:

- A minimum of 15 percent of the dwelling units will be on-site, below market rate housing consistent with the City's BMR ordinance;
- A full-service grocery, pharmacy, food/dining uses, and personal service uses;
- A turnkey approximately 4.0-acre public neighborhood park with public restrooms (see *Exhibit 7, Conceptual Public Park*);
- An indoor community center adjacent to the neighborhood park (see *Exhibit 7, Conceptual Public Park*);
- An approximately one half-acre Town Square (see *Exhibit 11, Conceptual Town Square*);
- An approximately 0.3 acre dog park (see *Exhibit 3, Conceptual Master Plan*) ;

- Paseo improvements accommodating safe pedestrian and bicycle travel and linkages to regional trails, including a grade-separated crossing of Willow Road (See *Exhibit 14, Existing and Proposed Bike Routes*); and
- A site that could accommodate an underground emergency-water reservoir underneath the public park.

In accordance with the Zoning Ordinance, the timing of community amenities will be specified in a Development Agreement with the City, and bonds will be posted to secure completion of the community amenities as required.

The Willow Village Master Plan will establish “Standards” and “Guidelines” for development of Willow Village. The Willow Village Standards will be established rules for objective measures to which development must substantially conform. In contrast, the Willow Village Guidelines will be recommended practices with which the development should be consistent, but that allow some discretion in their interpretation, implementation, or use. The Willow Village Master Plan also provides “Conceptual Plans” to illustrate the vision of the Willow Village Maser Plan. These Conceptual Plans show one possible Willow Village configuration that would substantially conform to the Willow Village Standards and be consistent with the Willow Village Guidelines. The Willow Village Master Plan also includes “Illustrative” renderings intended to convey the vision of the Master Plan. The Conceptual Plans and Illustrative renderings are not determinative of the ultimate configuration, building orientation, massing, minor street alignments, etc. Through its Design Review process, the City will review each project phase to ensure substantial conformance with the Willow Village Standards and consistency with the Willow Village Guidelines.

2 Willow Village Project Characteristics

Overall Development Program - Summary

Willow Village proposes to replace more than one million square feet of existing industrial, office, and warehouse space in the Menlo Science and Technology Park with a new mixed-use village that includes up to 1,500 residential units, 125,000 to 200,000 square feet of retail uses, a 200 to 250-room hotel and ancillary uses, and a 1,750,000 million square foot office campus and ancillary uses. To allow for the transformation of the site into a vibrant mixed-use community, the plan will require demolition of all existing site improvements consisting of buildings, streets, and utilities. Proposed improvements include site grading to elevate the property above the FEMA base flood elevation and to create buildable pads, construction of new circulation improvements to accommodate vehicles, bicycles, and pedestrians, utilities, park and open space improvements, residential mixed-use buildings, a hotel, and office campus improvements. Additional improvements will be completed at key connection points at O'Brien Street, Park Avenue, and Hamilton Avenue.

2.1 Willow Village Development Standards

A. **Retail and Residential Uses** consisting of the following:

- Up to 1,500 dwelling units located on approximately 11.95 acres;
- A minimum of 15 percent of the dwelling units will constitute on-site below market rate ("BMR") housing consistent with the Menlo Park Municipal Code. The on-site BMR housing anticipates a mix of senior and non-age restricted housing within the mixed-use Willow Village Master Plan;
- Approximately 125,000 to up to 200,000 square feet of community-serving retail, consisting of a full-service grocery, a pharmacy, food/dining uses, and personal service uses;

- Parking for the residential component will be provided one space per unit. The proposed senior housing will provide parking at a rate of 0.3 spaces per unit. Parking for the retail uses (including public-serving retail within the Campus District) will be provided at up to 3.3 spaces per 1,000 square feet;
- Residential private open space will be provided consistent with City of Menlo Park's Municipal Code; and
- Mixed-use buildings will range in height from 55 to 80 feet, which includes the Code-permissible increase of an additional 10 feet when within a flood hazard zone.

B. Hotel with 200 to 250 rooms and ancillary uses including amenities and parking in an on-site garage at a ratio of up to 1.1 spaces per room.

C. Office Uses with up to 1.75 million square feet of office and amenity space in multiple buildings up to a maximum height of 110 feet and including:

- Two free-standing parking garages accommodating up to 3,000 parking spaces and a visitor garage;
- Ancillary uses, potentially inducing the following employee-serving uses:
  - Food Service;
  - Health & Wellness Center of up to 30,000 square feet;
  - Child Care Center of up to 25,000 square feet;
  - Employee Amenities; and
  - Open Space; and
- Central Plant to distribute chilled water to efficiently address office cooling demands.

D. Park and Open Space including:

- A turnkey approximately 4.0-acre public neighborhood park with public restrooms;
- An approximately one half -acre Town Square;

- An approximately 0.3 acre dog park; and
- Paseo improvements accommodating safe pedestrian and bicycle travel and linkages to regional trails.

E. Backbone Infrastructure Improvements including:

- Backbone streets at the locations shown in the Conceptual Master Plan (see *Exhibit 3, Conceptual Master Plan*);
- Streets are designed with a minimum 26-foot clear width for aerial fire truck access. Roadways will include minimum 11-foot wide vehicular lanes with a 5-foot landscaping strip for biotreatment areas (BTAs) and 5-foot minimum width sidewalks on either side of the roadway (see *Exhibits 15 and 16, Conceptual Street Sections*);
- Public streets will be designed to applicable requirements of the City of Menlo Park's Public Works department. Private streets may include paving materials that vary from the City design standards such as permeable pavers, stamped asphalt, or decorative pavement;
- Proposed new or modified signalized intersections at:
    - Willow Road and future Park Street;
    - O'Brien Avenue and future Main Street; and
    - Willow Road at Hamilton Avenue;
- New regional and local pedestrian and bicycle pathways throughout the site;
- New local pedestrian and bicycle grade separated Willow Road crossing near the Park (if deemed feasible by local and regional agencies);
- A "Main Street";
- Bicycle parking;
- A Transportation Demand Management Program;
- Backbone utility upgrades as required to serve Willow Village.

2.2 Willow Village Guidelines

Willow Village Guidelines will be approved as part of the Conditional Development Permit for the Willow Village Master Plan. The City will review each development phase for consistency with the Willow Village Guidelines as part of the Design Review process.

2.3 Willow Village Conceptual Plans

Following is a description of the Conceptual Plans for Willow Village (see *Exhibits 3 through 8*). As described under the Master Plan Framework above, the Conceptual Plans illustrate a possible configuration of Willow Village that substantially conforms to the Willow Village Standards. The City will review each development phase through the Design Review process to ensure substantial conformance with the Willow Village Standards and consistency with the Willow Village Guidelines.

Main Street forms the centerpiece of the Willow Village Master Plan (see *Exhibit 3, Conceptual Master Plan*), acting as the "seam" that connects the Campus District and the Town Square and Residential/Shopping Districts (described below). Designed in a diagonal alignment across the plan area, Main Street links O'Brien Drive and nearby areas in East Palo Alto to the project's Town Square (see *Exhibit 14, Existing and Proposed Bike Routes*). Main Street links the northern areas of the Master Plan to the southern end by knitting the project's grid of streets and paths together. To facilitate multi-modal transportation, separate improvements are provided for pedestrians, bicyclists, and vehicles across a shared, plaza-like environment. Retail, residential stoops, office entrances, and other active ground floor uses further enhance Main Street as a safe, welcoming mobility corridor. At the northern terminus of Main Street, a proposed grade-separated crossing of Willow Road would continue the "Main Street" corridor for pedestrians and cyclists with direct access to the Bay Trail, and office trams with access to the Bayfront and Classic Campuses. (See *Exhibit 11, Illustrative Main Street*.)

Willow Village's interconnected pattern of streets, short block dimensions, activated building frontages (retail, residential stoops, etc.), and broad, shaded sidewalks promote walkability. Willow Village is designed to enable residents and employees to satisfy the majority of their daily needs – grocery, dining, convenience retail, recreation, transit, and employment – via generously sized sidewalks within the mixed-use village streets to facilitate pedestrian access throughout the village. A key organizing feature places the storm water treatment facilities between vehicular travel ways and sidewalks to further safeguard pedestrians from vehicles.

The Town Square District

Located in the north-western portion of the site, the Town Square District forms the heart of the Willow Village neighborhood (see *Exhibit 5, Conceptual District Plan* and *Exhibit 3, Conceptual Master Plan*). A vibrant mix of uses are organized around a generous Town Square, with approximately 25,000 square feet of food and retail uses, a hotel, residential lobbies, enhanced public sidewalks, and bike lanes all converging on this central organizing feature of the community. Hamilton Avenue, Main Street, and other Town Square pathways will feature building frontages, resulting in pedestrian activation and interaction and creating a vibrant center (see *Exhibit 6, Conceptual Town Square* and *Exhibit 9, Illustrative Town Square*).

Residential and hotel uses, with ground floor retail and restaurant uses, are proposed to spill out into the sidewalks and square with café seating. A grid of shade canopy trees and limited softscape areas provide shade and color for the square, envisioned as a flexible space that would allow for a wide range of activities, from passive recreation to seasonal markets and festivals (see *Exhibit 6, Conceptual Town Square* and *Exhibit 9, Illustrative Town Square*).

The Town Square District will feature a 200 to 250-room hotel located north of the Town Square with approximately 5,000 square feet of retail space that may include amenities such as:

- On-site restaurant and bar;
- Roof deck pool along with food and beverage;

- Fitness room and spa; and
- Meeting and conference rooms.

In the area between the hotel and grocer (in the Residential/Shopping District), an additional approximately 60,000 square feet of additional retail and entertainment uses are planned. In addition, a limited amount of employee-serving amenity uses serving the Office Campus may be located in the Town Square District (see Campus District Uses, below).

At the intersection of Main Street and Hamilton Avenue, at the edge of the Town Square and Campus Districts, a half-acre plaza is set aside as for passive recreation (see *Exhibit 3, Conceptual Master Plan*).

Public parking will be provided adjacent to the pharmacy and adjacent to the Town Square core. In addition, parking for visitors to the Campus District will be accommodated in the Campus Visitor Parking Garage adjacent to the Town Square (see *Exhibit 3, Conceptual Master Plan*). Parking for the hotel will be accommodated in an on-site garage, with any overflow parking needed for hotel events being accommodated in the Campus Visitor Parking Garage. The Campus Visitor Parking Garage also will be available for retail parking outside of regular business hours. In the Conceptual Master Plan, parking spaces for the retail and hotel uses are distributed conveniently around the Town Square District in residential/ shopping building garages, which conform to City code.

The Residential/Shopping District

Located in the south-western portion of the site, the Residential/ Shopping District forms the live/play component of the Willow Village neighborhood (see *Exhibit 5, Conceptual District Plan* and *Exhibit 3, Conceptual Master Plan*). Willow Village proposes up to 1,500 multifamily rental residences in the Residential/Shopping District. The residential units will be a mix of studio, one, two, and three-bedroom apartment units with active ground floor uses. Fifteen percent of the units will be below market rate rental units throughout the residential neighborhood. Residential parking will be provided in each building, and visitor parking will be located on selected streets within the Residential/Shopping District.

Approximately 85,000 square feet of retail uses are located in the Residential/Shopping District and will include the grocery and pharmacy, as well as other retail and dining uses (see *Exhibit 3, Conceptual Master Plan*).

In both the Town Square District and the Residential/Shopping District, ground floor activation continues south on Main Street to enhance the mixed-use character of the development. Activation of the residential ground floors to enhance and enliven the pedestrian realm will be achieved by street-level entrances with stoops, and through locating active uses and landscaping along key pedestrian pathways. Careful consideration has been given to locating back-of-house services such as structured parking entrances/exits away from these main pedestrian areas.

At the southwest corner of the Residential/Shopping District, an approximately 4.0-acre park with public restrooms (see *Exhibit 7, Conceptual Public Park* and *Exhibit 13, Illustrative Public Park*) will provide ample space and amenities for passive and active recreation, in a location easily accessible to Willow Village residents, along with surrounding Menlo Park and East Palo Alto neighbors. The park's playing surface is large enough to accommodate two youth baseball diamonds, a full-sized soccer field, or two-youth soccer fields. The park also includes neighborhood-centric casual play structures, public parking, and open field areas for warm-ups or casual play. Age-appropriate play equipment and climbing structures are located directly adjacent to the fields and a new indoor community center. Along the east edge of the park, areas for passive recreation and a playground are envisioned, gently buffered from the ball field by a series of low planted berms. Public off-street parking spaces are provided along the park's north edge, accessed from Park Street. In addition, an approximately 10,000 square foot indoor community center is envisioned adjacent to the public park.

An open space area south of the Park Street/Main Street intersection, also in the Residential/Shopping District, is envisioned for passive recreation and would accommodate a dog park (see *Exhibit 3, Conceptual Master Plan*). In addition, a neighborhood plaza is envisions at the intersection of Center and Main Streets (see *Exhibit 8, Conceptual Neighborhood Plaza*).

The Campus District

Anchoring the western edge of Main Street, the Campus District (see *Exhibit 5, Conceptual District Plan* and *Exhibit 3, Conceptual Master Plan*) consists of approximately 37 acres and will accommodate up to 1.75 million square feet of office and employee-serving amenity space, not including the publicly accessible retail and amenity space along Main Street (which constitutes part of the Willow Village retail square footage). The office buildings will be organized around a secure central pedestrian promenade, creating multiple opportunities for enhanced connectivity and interactions among office employees. This organizational framework not only optimizes the campus's solar orientation, but also limits the number of large, unarticulated facades along Main Street and the East Loop Road. The office buildings will target LEED Gold equivalency.

Public-serving retail amenity spaces activate the western edge of the Campus District, creating a seamless transition between the Campus District and the adjacent Town Square and Residential/Shopping Districts. The retail and amenity spaces contribute to the vibrant character of Main Street and the mixed-use village. Along Main Street and the Town Square, ground-floor retail, generously landscaped sidewalks, outdoor seating, and a series of urban gardens combine to create a pleasant and integrated edge between the Campus District and the other parts of the neighborhood. (See *Exhibit 12, Illustrative Campus District.*)

Proposed Campus District Building Massing and Height

The proposed office building massing in the Campus District is designed to create a distinctive architectural experience when viewed from different vantage points throughout the Town Square and Residential/Shopping

Districts. Maximum office building heights are capped at 110 feet and would comply with the average heights as established by the Menlo Park zoning standards. To foster an intimate and human-scale along Main Street and the Town Square, the design features a mix of medium-height buildings – from three to five stories – with a number of smaller, single-story volumes projecting to engage the street level.

Campus District Uses

The Campus District consists of up to 1,750,000 million square feet of office and employee-serving amenity uses, not including the public retail and amenity space distributed along Main Street (which constitutes part of the Willow Village retail square footage).

To support the Campus District and also serve visitors and the new residential neighborhoods in the Town Square and Residential/Shopping Districts, ground-level spaces along Main Street in the Campus District would be open to the public and designed to provide a variety of active retail, restaurants, and services. The retail and amenity spaces also would encourage office users to experience Main Street and the Town Square.

In addition, within the Campus District, employee-serving amenities will be provided to reduce the need for employees to drive to services, and may include food service, ATMs, dry cleaning pick up, personal services, etc. Employee amenities may also include a Health and Wellness Center of up to 30,000 square feet and/or a child care center of up to 25,000 square feet.

Campus District Open Space and Landscape

Within the Campus District, a chain of publicly-accessible urban spaces and gardens along Main Street will offer a friendly and welcoming edge for residents and visitors alike. These open spaces contribute to the greater network of open space within Willow Village, further enhancing the diverse mix of pedestrian experiences. At the south end of the site, a generously landscaped area will welcome arrivals from O'Brien Street while providing the added benefit of visually screening portions of the parking structure. (See *Exhibit 4, Conceptual Publicly Accessible Open Space*.)

The Campus District's secure, interior open spaces are defined by a range of scales and experiences. Between the buildings, smaller, more intimate-scaled open spaces and pathways connect to the primary pedestrian thoroughfare that links the north and south ends of the campus. At the north end of the campus, a large private open space provides a verdant expanse that can accommodate large office gatherings, recreation, and a variety of outdoor experiences (see *Exhibit 3, Conceptual Master Plan*). This open space also provides for the respectful treatment of an identified Native American cultural resources site, which will be the subject of consultation with Native American tribes.

Campus District Parking and Transit

Along the eastern edge of the Campus District, shielded from view by users of the Town Square and Residential/Shopping District, employee parking will be provided in the north and south parking structures, offering a combined total of approximately 3,000 parking spaces (see *Exhibit 3, Conceptual Master Plan*). Both structures will include a ground-level Transit Center that will include a five to seven bay transit hub for commuter shuttles and campus trams. Access to the transit hubs will be via the Loop Road and Park Street. The transit hubs are sited to allow the employee shuttles to approach the site from Willow Road, O'Brien Drive, or University Avenue via Adams Court. Within the Campus District, shuttles primarily will operate on Park Street and Loop Road with additional access on Hamilton Avenue and Main Street. Office visitor parking will be accommodated in the parking structure adjacent to Town Square in the Town Square District. Additionally, the planning for the Office District anticipates connectivity to potential future regional transit improvements.

Circulation and Access

Willow Village proposes a new circulation network consisting of approximately 4.6 acres of public rights of way and approximately 1.4 acres of private streets, generally aligned in an east to west and north to south grid (see *Exhibit 3, Conceptual Master Plan* and *Exhibit 14, Existing and Proposed*

Bike Routes). The circulation network will accommodate vehicles, bicycles, and pedestrians. Primary site access from Willow Road will be provided via two signalized intersections: existing Hamilton Avenue and proposed Park Street. Main Street will provide primary access from the south via a new signalized intersection at O'Brien Drive, accommodating direct access to the Campus District and the Residential/Shopping and Town Square Districts. Both Hamilton Avenue and Park Street intersect with Main Street to facilitate ingress and egress throughout the community. To accommodate vehicular circulation to and through the Campus District, a Loop Road configured on the perimeter of the District and that intersects with proposed Main Street, Adams Court, and a proposed O'Brien Drive intersection will accommodate multi-modal transportation options, including office employee private vehicle access and employee shuttles and trams. Appropriately scaled residential streets will provide access within the Residential/Shopping and Town Square Districts and accommodate on-street parking.

Transportation Demand Management ("TDM")

As a mixture of office, residential, and retail uses, the mixed-use Willow Village will have an inherent reduction in vehicle trips during the morning and evening peak periods and throughout the day. These trip reductions are due to the synergy between the various uses that eliminate the need to travel long distances to jobs and services. Locating housing adjacent to office allows local employees the opportunity to live close to their jobs, making it possible to walk or bike to work. Recent surveys in the Bay Area indicate that when housing is located near jobs as many as 30 to 45 percent of the peak hour residential trips will be associated to the adjacent offices. In addition to the linkage between housing and office uses, the proposed retail uses will attract local trips from within the Town Square, Residential/Shopping, and Campus Districts.

Because the proposed retail uses include a grocery store and pharmacy, many local trips from Belle Haven and surrounding portions of East Palo Alto will be diverted from retail districts that are further away and converted to other modes (e.g., bicycling and walking), thereby reducing vehicle trips and vehicle miles traveled.

Willow Village incorporates design features that promote walking and biking, including sidewalks and gathering areas for pedestrians as well as on- and off-street bike facilities. In addition, convenient bicycle storage areas located at key destinations will promote bicycle use.

Other forms of TDM being considered include community shuttles between the Willow Village Town Square and nearby Menlo Park and East Palo Alto neighborhoods and first and last-mile shuttles to the Caltrain Station in downtown Menlo Park. The feasibility of these local transit operations will be explored as the site develops and travel patterns are established.

The Campus District will be designed and operated with a commitment to reduce vehicle trips to and from the site. The Campus District proposes a reduced level of employee parking compared to City standards in order to deemphasize auto travel. In addition, the Campus District includes two transit centers, one in each employee parking structure, to serve the employee commuter shuttles and intra-campus trams. Each transit center will include seven bus bays and provide direct access into the core of the campus.

It is currently anticipated that the Campus District will be occupied primarily by Facebook. To allow for the efficient movement of Facebook employees between Willow Village and Facebook's other properties, Willow Village incorporates strong bicycle and pedestrian connections to Facebook's Bayfront and Classic Campuses. These bicycle and pedestrian facilities provide a healthy alternative means of intra-campus travel, particularly for short trips between buildings. The bicycle and pedestrian facilities also link to public facilities like the Bay Trail and City-provided bike lanes, sidewalks, and trails and will be useful infrastructure regardless of who occupies the Campus District.

The low parking ratio in the Campus District means that users of the office space will need to employ an aggressive TDM program similar to Facebook's existing TDM plan. Facebook's TDM programs provide employees direct access to alternative commute travel modes such as employee shuttles, carpools, and vanpools. Additionally, Facebook's TDM program provides other incentives to motivate employees to use available transit systems to commute to work such as transit passes. Facebook currently provides a high level of mobility services to eliminate the need for employees to bring vehicles to work to run errands. The transportation services provided include intra-campus tram service, car-sharing for individual employee use for off-site travel, and a broad range of on-site amenities that customarily would require employees to travel off-site to address. Furthermore, Willow Village's amenities such as food services, health services, grocery, pharmacy, and general retail will reinforce and support employees who do not drive to work.

Site and Infrastructure Improvements

Grading

The existing Willow Village site is relatively flat, with elevations ranging from approximately 8.2 feet to 12.8 feet (NAVD88), and with an approximately 0.5 percent slope south-north across the site. Approximately 90 percent of the existing site is located within FEMA Flood Hazard 'Zone AE,' which is subject to inundation by the 1 in 100-year storm and has a base flood elevation (BFE) of 11 feet. The west side of the site has an overland release path to Willow Road and the east side has an overland release to Adams Court and to the open space to the northeast.

The proposed site will conform to existing elevations at Willow Road (existing elevations ranging from 7 feet to 9 feet) to the west, the Joint Powers Board (JPB) rail corridor (existing elevations ranging from 5 feet to 9 feet) to the north, the neighboring properties (existing elevations ranging from 7 feet to 9 feet) to the east, and the Hetch Hetchy right-of-way and O'Brien Drive (existing elevations ranging from 10 feet to 16 feet) to the south. All proposed occupiable buildings will have minimum finished floor elevations at 13 feet, which is consistent with the Menlo Park requirement of 2 feet above the BFE. Garage entrances will be graded to be above the 11 feet BFE. Localized high and low points provide overland release during rain events that exceed the design for the storm drain system. Site earthwork will consist of the reused existing site soils and basement excavation spoils to be used as on-site fill. Although there are localized areas of undocumented fill, it is anticipated that all soils can be reused on-site. Earthwork operations will be phased to optimize the excavation, fill relocation, and construction processes. Additionally, it is anticipated that existing concrete and asphaltic concrete will be crushed and recycled for use on-site. (See *Exhibit 17, Preliminary Grading Plan*.)

Utility Layout

Public domestic water, storm drain, sewer, recycled water, communications, and PG&E electrical and gas mains will be routed in all public roadways and within public utility easements within private streets and will provide service to each parcel. The office parcel(s) will include looped domestic, fire water, recycled water, and communications systems. Each utility system will connect to existing mains in Willow Road. The existing on-site water system provides flow to properties east of the site through two connections to the southeast and the proposed improvements will maintain these water connections. Storm drain and sanitary sewer will flow towards Willow Road. Gas and electrical are provided by PG&E. At the northeast corner of the site, an existing PG&E transmission tower will be maintained, and the existing overhead power lines will be undergrounded to maintain service to adjacent properties. All pressurized water, electrical, and communication mains will be looped to maintain system redundancy. (See *Exhibit 18, Preliminary Site Utilities*.)

Tree Removal

Due to the extensive amount of demolition and grading activities necessary to raise the site out of the existing flood hazard zone, all of the existing vegetation will be removed, resulting in the removal of 798 trees, of which 248 are heritage trees. Tree removal and replacement will comply with

Menlo Park's tree replacement ordinance requirements, and a greater number of trees will be planted than removed.

Off-site Improvements

Safe crossing design improvements will be incorporated in the northwest corner of the site to provide safe pedestrian, bicycle, and vehicular movements at Hamilton Avenue and between the two adjoining office campuses. Improvements along Willow Road will include widening of the right-of-way to accommodate additional left turn pockets, installation of new traffic signals, utility points of connections, sidewalk improvements, and landscape improvements. At the southeast corner of the site, in the Residential/Shopping District, a new intersection is proposed at O'Brien Drive, requiring new traffic signals and roadway layout alterations.

Along the southern property line, an existing open channel directs storm water flows to an existing storm drain main along the east property line. To accommodate site improvements, the drainage flows within this channel will be undergrounded and the channel filled.

Additional infrastructure upgrades to gas, electrical, and sewer are required and will be coordinated with the corresponding utility providers. Anticipated improvements to the existing Belle Haven Substation include upgrading distribution capacity (providing greater reliability for the community already served by the substation) and constructing new feeders to serve the Willow Village site.

3 Willow Village Phasing

3.1 Construction and Project Phasing

It is currently anticipated that Willow Village will be constructed in three primary phases, each constituting approximately one third of the Willow Village site. Construction will commence on the southern portion of the site and move northward. Each construction phase will include the grading of that phase and construction of the circulation (including transit, auto, bicycle, and pedestrian) and utility infrastructure necessary to serve that phase. There may be some overlap in construction phases.

The south to north construction phasing plan is guided by several factors, including:

- Primary access points located at the southern portion of the site;
- Site topography allowing gravity flow of utilities from south to north;
- Ensuring there is sufficient on-site residential density to support Town Square retail when it comes on line;
- Avoiding disruptive later-phase construction impacts to the Town Square retail area; and
- Allowing preservation of existing building 49, which houses Facebook's existing health and wellness facility, until the new facility can be constructed.

The Willow Village Conceptual Phasing Plan is illustrated in *Exhibit 20, Conceptual Phasing Plan* and described below. Phasing may vary from the Conceptual Phasing Plan, provided that community amenities are provided in accordance with the timing required by the Development Agreement.

Phase 1

Phase 1 will consist of the southernmost portion of the site and is anticipated to include:

- In the Residential/Shopping District: approximately 600 residential units, including at least 15 percent below market rate units, the four acre public park and indoor community center, and approximately 10,000 square feet of retail.
- In the Campus District: approximately 600,000 square feet of office and employee-serving amenity uses, including an approximately 30,000 square foot employee-serving Health and Wellness Center (alternatively, the employee-serving Health and Wellness Center could be included in the Town Square District), and approximately 15,000 square feet of publicly-accessible Main Street retail and amenity space. The south garage, anticipated to include approximately 1,250 spaces (not including valet) also would be constructed in this phase.

Phase 2

Phase 2 will consist of the central portion of the site and is anticipated to include:

- In the Town Square District, the actual Town Square and an approximately 430 space visitor garage and up to 20,000 square feet of retail, including restaurants.
- In the Residential/Shopping District: approximately 600 residential units, including approximately 15 percent below market rate units; and up to 35,000 square feet of retail/commercial space, including the pharmacy, financial/ATM, and other services.
- In the Campus District: approximately 600,000 square feet of office and employee-serving amenity uses and approximately 15,000 square feet of publicly-accessible Main Street retail and amenity space. The north garage, anticipated to include approximately 1,750 spaces (not including valet) also would be constructed in this phase.
- The grade separated bicycle and pedestrian crossing of Willow Road.

Phase 3

Phase 3 will consist of the northernmost portion of the site and is anticipated to include:

- In the Town Square District, the hotel of 200 to 250 rooms with associated amenities and up to 70,000 square feet of retail uses.
- In the Residential/Shopping District: approximately 300 residential units, including approximately 15 percent below market rate units, and up to 40,000 square feet of retail, including the grocery; and
- In the Campus District: approximately 600,000 square feet of office and employee-serving amenity uses.

3.2 Tentative Subdivision Map

The proposed phased Vesting Tentative Subdivision Map proposes to merge eighteen existing parcels, vacating the existing Hamilton Avenue and Hamilton Court rights of way, to create a new subdivision consisting of parcels for the residential, retail, hotel, and office development, public rights of way for street purposes, parcels for private street purposes, and park and open space parcels. Multiple final maps are anticipated to match project phasing, and phases may be further parcelized for subphasing, financing, or other development purposes. (See *Exhibit 19, Conceptual Parcel Plan*.)

4 Willow Village Entitlements

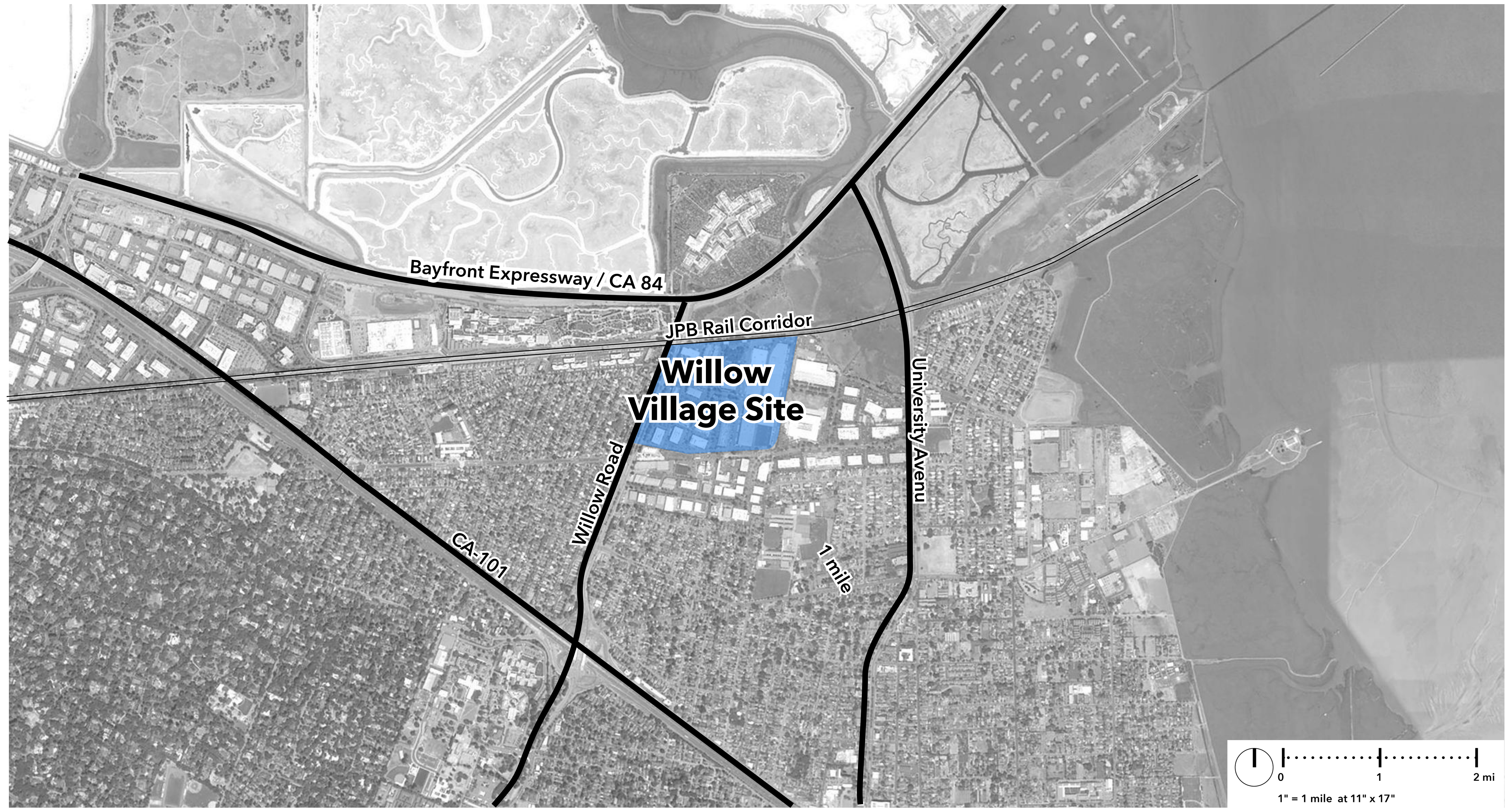
A number of permits and approvals would be required before development of Willow Village could proceed. As Lead Agency for the project, the City of Menlo Park is responsible for the majority of approvals required for development.

A list of the currently anticipated City and other agency permits and approvals that may be required is provided in the Table below.

	Agency	Permit / Approval	Notes
1	City of Menlo Park	Major Conditional Development Permit	Master planned development on mixed-zoned site; Bonus level development; Development on a site of more than 1 acre
2	City of Menlo Park	Vesting Tentative Map	
3	City of Menlo Park	Development Agreement	
4	City of Menlo Park	Tree Preservation and Removal Permit	
5	City of Menlo Park	Conditional Use Permit	Master planned development; Office and accessory uses > 250,000 SF GFA in O-B; Office use > 20,000 SF GFA in R-MU-B; Retail sales establishment > 20,000 SF GFA in R-MU-B; Bonus level development; Hotel, alcohol sales, etc.
6	City of Menlo Park	Architectural Design Review	
7	City of Menlo Park	General Plan Amendment (if required)	
8	City of Menlo Park	Zoning Amendment (if required)	Possible amendments to show changes to circulation
9	City of Menlo Park	BMR Housing Agreement	

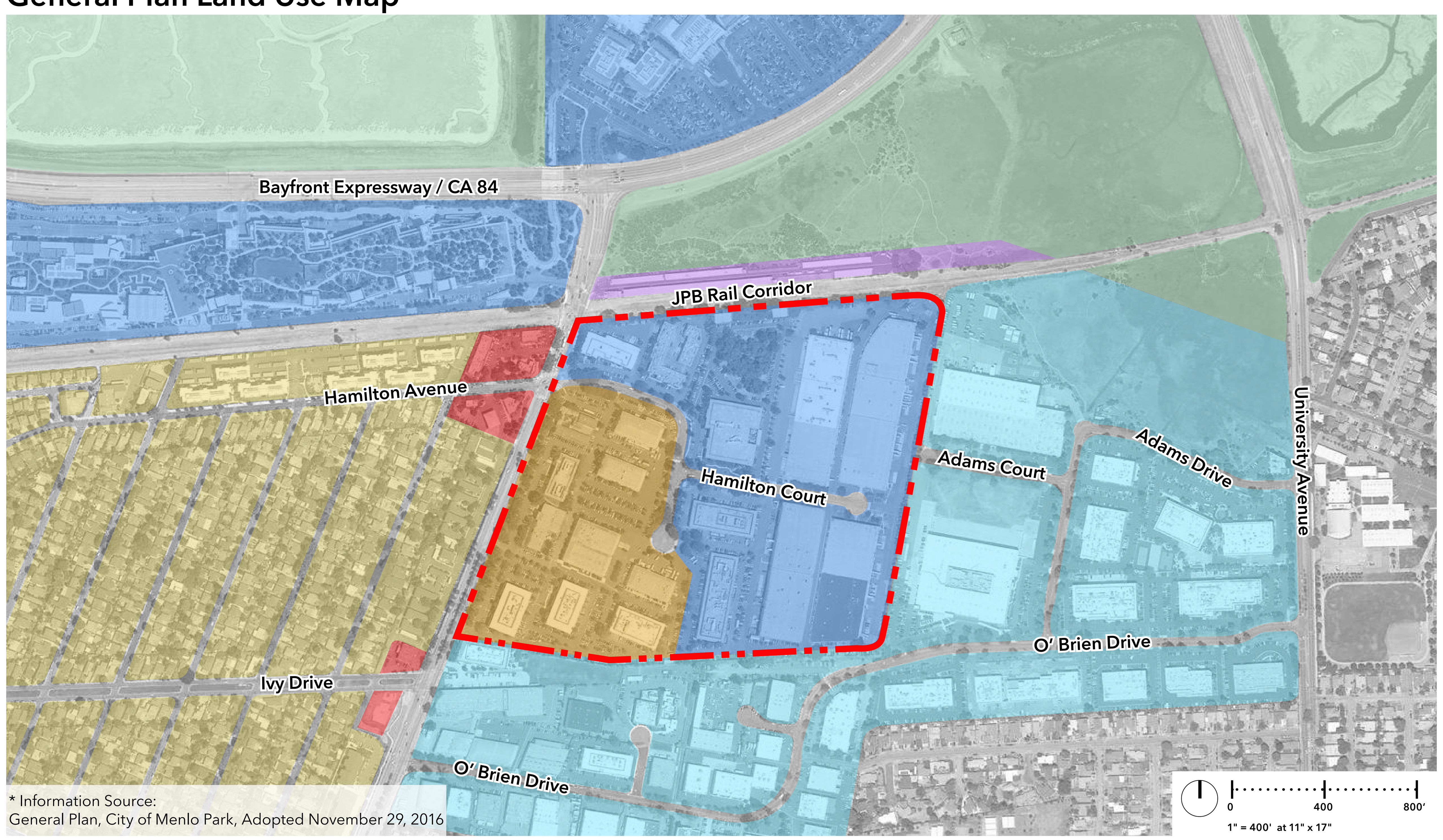
	Agency	Permit / Approval	Notes
10	City of Menlo Park	Building, grading, and related construction permits	
11	City of Menlo Park and Caltrans	Encroachment Permits	
12	San Mateo Transit Authority and CPUC	Rail Crossing approvals	Pedestrian and bicycle bridge or tunnel
13	San Francisco Bay Regional Water Quality Control Board		
14	San Mateo Countywide Storm Water Pollution Prevention Program		
15	West Bay Sanitary District		
16	Bay Area Air Quality Management District		
17	City and County Association of Governments of San Mateo County		
19	San Mateo County Environmental Health Division		
20	Native American Heritage Commission		Consultation regarding Native American cultural resources site

Location Map



Assessor's Parcel Numbers

General Plan Land Use Map



General Plan

Office. This designation provides for office and R&D uses, business-oriented community education and training facilities, supportive sales and personal services, corporate housing, and hotel uses. The designation also accommodates existing and new light-industrial uses that are not in conflict with existing or planned commercial or residential uses in the vicinity. Hotels are allowed as options in several locations. The maximum base FAR shall be 45 percent and the maximum bonus FAR with community amenities shall be 100 percent. Maximum FAR for corporate housing shall be 60 percent, for retail and service uses shall be 25 percent, and for hotels shall be 175 percent.

Mixed Use Residential. This designation provides for higher density housing to meet the needs of all income levels. It also allows mixed use developments with integrated or stand-alone supportive sales and service uses, and uses that are consistent with the Office Designation. Sales uses can range from small-scale businesses that serve nearby employment to a large-format grocery to serve adjacent neighborhoods. This designation is intended to promote live/work/play environments oriented toward pedestrians, transit, and bicycle use, especially for commuting to nearby jobs. The maximum base residential density shall not exceed 30 units per acre, and the maximum bonus FAR is 100 units per acre. Maximum base FAR for residential uses shall be 90 percent, and a maximum of 225 percent for bonus FAR. Non-residential uses shall have a maximum base FAR of 15 percent and bonus FAR of 25 percent.

General Plan Land Use Designations

- Residential
- Baylands
- Life Sciences
- Office
- Mixed-Use Residential
- Light Industrial
- Commercial Business Park

Peninsula Innovation Partners

WILLOW VILLAGE

Menlo Park, CA

Exhibit 2
Vicinity Map
April 25, 2019

Peninsula Innovation Partners

WILLOW VILLAGE

Menlo Park, CA

Exhibit 3
Zoning Map
April 25, 2019

Peninsula Innovation Partners

WILLOW VILLAGE

Menlo Park, CA

Exhibit 4
Existing Site Plan

April 25, 2019

LEGEND	
1	Town Square
2	Grocery Store on Ground Level
3	Pharmacy on Ground Level
4	Public Park
5	Dog Park
6	Grade Separated Willow Road Crossing
7	Campus Visitor Parking Garage
8	Hotel
9	Mixed-Use Block
10	Residential Block
11	Office Campus
12	Parking Garage with Transit Center on Ground Level
13	Community Center on Ground Level

Peninsula Innovation Partners

WILLOW VILLAGE

Menlo Park, CA

Exhibit 5
Conceptual Master Plan
April 25, 2019

Peninsula Innovation Partners

WILLOW VILLAGE

Menlo Park, CA

Exhibit 6
Conceptual District Plan
April 25, 2019

Parcel Area Summary

R - MU	746,265 sf*
O	1,593,701 sf**
Public R.O.W.	245,572 sf
Total	2,585,539 sf (59.4 Acre)

* Includes 1,300 sf of private R.O.W.
** Includes 87,752 sf of private R.O.W.

Note: Proposed land use is conceptual and may be subject to change, but will remain compliant to Menlo Park zoning requirements.

Peninsula Innovation Partners

WILLOW VILLAGE

Menlo Park, CA

Exhibit 7
Conceptual Land Use Plan
April 25, 2019

Public R.O.W. Analysis	
Aggregate Site Area (ASA)	2,585,539 sf
Public R.O.W	245,572 sf
ASA minus new ROW	2,339,967 sf

Zoning District (ZD) Maximum Buildable Summary	
ZD Compliant Total Office	1,780,268 sf*
ZD Compliant Total Commercial	398,425 sf
ZD Compliant Residential (max)	1,679,097 sf
ZD Compliant Residential (max)	1,713 units**

* Includes the "non-residential" GFA permitted under the R-MU zoning which allows for office uses.
** Residential FAR is variable, ranging from 30 developable units per acre (FAR 0.9) to 100 developable units per acre (FAR 2.25).

Note: Parcels may be further subdivided for subphasing, financing, or other development purposed.

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WILLOW VILLAGE

Menlo Park, CA

Exhibit 8
Conceptual Parcel Plan

April 25, 2019

LEGEND

1	Town Square
2	Grocery Store on Ground Level
3	Pharmacy on Ground Level
4	Hotel
5	Roof Deck
6	Hotel Roof Pool Deck
7	Retail Kiosk
8	Public Parking
9	Off-Street Bike and Pedestrian Path

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WILLOW VILLAGE

Menlo Park, CA

Exhibit 9
Conceptual Town Square
April 25, 2019

LEGEND

1	Public Parking
2	Open Field
3	Playground
4	Public Restroom
5	Picnic Area
6	Community Center on Ground Level
7	Residential Block
8	Mixed-Use Block

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Exhibit 10
Conceptual Public Park
April 25, 2019

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WILLOW VILLAGE

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Exhibit 11
Conceptual Neighborhood Plaza

April 25, 2019

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Exhibit 12
Illustrative Town Square
April 25, 2019

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Exhibit 13
Illustrative North Street Entry
April 25, 2019

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Exhibit 14
Illustrative Main Street
April 25, 2019

Exhibit 15
Illustrative Campus District

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WILLOW VILLAGE

Menlo Park, CA

Exhibit 15
Illustrative Campus District
April 25, 2019

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Exhibit 16
Illustrative Public Park
April 25, 2019

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Exhibit 17

Conceptual Publicly Accessible Open Space

April 25, 2019

LEGEND

- Open Space (Publicly Accessible)
- Open Space (No Public Access)

Parcel Area Summary

R - MU	746,265 sf*
O	1,593,701 sf**
Public R.O.W.	245,572 sf
Total	2,585,539 sf (59.4 Acre)

* Includes 1,300 sf of private R.O.W.
** Includes 87,752 sf of private R.O.W.

Open Space Requirement

Land Use	Open Space	Publicly Accessible
R - MU	186,566 sf (25%)	46,642 sf (25%)
O	478,110 sf (30%)	239,055 sf (50%)
Total	664,677 sf	285,697 sf

Proposed Open Space***

Land Use	Open Space	Publicly Accessible
R - MU	360,774 sf	174,395 sf
O	801,093 sf	255,964 sf
Total	1,161,867 sf	430,359 sf

*** Complies with open space requirements.

Note: Proposed open spaces are conceptual and may be subject to change, but will remain compliant to Menlo Park zoning requirements.

Excerpt from the Menlo Park Municipal Code:
The purpose of a master planned project is to provide flexibility for creative design, more orderly development, and optimal use of open space, while maintaining and achieving the general plan vision for the Bayfront Area. Master planned projects for sites with the same zoning designation (O, LS, or R-MU) in close proximity or for contiguous sites that have a mix of zoning designations (O or R-MU) that exceed fifteen (15) acres in size and that are held in common ownership (or held by wholly owned affiliated entities) and are proposed for development as a single project or single phased development project are permitted as a conditional use; provided, that sites with mixed zoning are required to obtain a conditional development permit and enter into a development agreement. For master planned projects meeting these criteria, residential density, FAR and open space requirements and residential density, FAR, and ***open space requirements at the bonus level, if applicable, may be calculated in the aggregate across the site provided the overall development proposed does not exceed what would be permitted if the site were developed in accordance with the zoning designation applicable to each portion of the site and the proposed project complies with all other design standards identified for the applicable zoning districts.***

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Menlo Park, CA

Exhibit 18
Conceptual Open Space Plan
April 25, 2019

Bldg#	Footprint (sf)	Total
MU1	116,700	Mixed-Use 454,990 sf
MU2	106,500	
MU3	44,730	
MU4	44,730	
MU5	56,220	
MU6	32,080	
MU7	34,030	
MU8	20,000	
O1	42,840	Office 685,360 sf
O2	47,870	
O3	52,320	
O4	54,810	
O5	67,970	
O6	44,320	
O7	59,800	
O8	46,670	
O9	29,390	
NG	93,460	
SG	69,900	
VG	31,690	
H1	43,140	
TS1	700	
TS2	300	

Note: Proposed building coverage is conceptual and may be subject to change, but will remain compliant to Menlo Park zoning requirements.

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Menlo Park, CA

Exhibit 19
Conceptual Building Coverage Plan

April 25, 2019

Zone	Bldg#	Permitted Ht. (ft)		Proposed Ht. (ft)	
		Max.	Avg.	Max.	Avg.
R-MU	MU1	70*	52.5*	62	56
	MU2			80	71
	MU3			79	67
	MU4			79	67
	MU5			79	65
	MU6			57	43
	MU7			68	58
	MU8			72	72
O	O1	110*	67.5*, except hotels	80	72
	O2			80	72
	O3			80	73
	O4			80	75
	O5			80	64
	O6			80	77
	O7			80	67
	O8			80	74
	O9			55	44
	NG			65	66
	SG			75	75
	VG			51	48
	H1			83	52
	TS1			21	21
	TS2			21	21

* Properties within the flood zone or subject to flooding and sea level rise area allowed a 10 ft increase in height and maximum height.

Note: Proposed building heights are conceptual and may be subject to change, but will remain compliant to Menlo Park zoning requirements.

Parcel Area Summary

R - MU	746,265 sf*
O	1,593,701 sf**
Public R.O.W.	245,572 sf
Total	2,585,539 sf (59.4 Acre)

* Includes 1,300 sf of private R.O.W.
** Includes 87,752 sf of private R.O.W.

Office

O (FAR 100%)	1,593,701 sf
R - MU (FAR 25%)	186,566 sf
Total Permitted	1,780,268 sf***
Proposed	1,750,000 sf

*** Includes the "non-residential" GFA permitted under the R-MU zoning which allows for office uses.

Retail

Permitted O (FAR 25%)	398,425 sf
Proposed	175,000 sf

Residential

Permitted R - MU (FAR 225%)	1,679,097 sf
Proposed	1,462,713 sf

Hotel

Permitted O (FAR 175%)	369,552 sf
Proposed	140,000 sf****

**** Includes an estimate of 140,000 sf hotel (200 keys @700gsf each).

Note: Proposed FAR is conceptual and may be subject to change, but will remain compliant to Menlo Park zoning requirements.

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Menlo Park, CA

Exhibit 21
Conceptual Floor Area Ratio (FAR) Plan
April 25, 2019

	Parking Ratio
Retail	2.0 - 3.5 / 1,000 sf
Residential	Family housing: 1.0 / unit Senior housing: 0.3 / unit
Park	10.0 / acre
Hotel	0.75 / key
Office	2.0 / 1,000 sf
On-Street	175

* The Visitor garage (VG) is anticipated to function as a shared parking facility in providing parking supply for Facebook Visitors/Vendors and Hotel (100 spaces reserved for hotel use) during normal business hours and transitioning to retail overflow parking during evening and weekend time periods generally consistent with peak retail parking demand.

Note: Proposed parking is conceptual and may be subject to change, but will remain compliant to Menlo Park zoning requirements.

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Exhibit 22
Conceptual Parking Plan
April 25, 2019

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Exhibit 23
Existing and Proposed Bike Routes
April 25, 2019

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Exhibit 24
Conceptual Primary Pedestrian & Bike Route

April 25, 2019

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Exhibit 25
Conceptual Primary Shuttle Route
April 25, 2019

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Exhibit 26
Conceptual Primary Tram Route

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Exhibit 27
Conceptual Inter-Campus Tram Route
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Exhibit 28a
Conceptual Primary Vehicle Route

April 25, 2019

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Exhibit 28b
Conceptual Primary Vehicle Route

April 25, 2019

	Office (sf)	Retail (sf)	Hotel (sf)	Residential Units
Phase 1	587,000	3,000		673
Phase 2	650,700	35,000		565
Phase 3	512,300	137,000	140,000	262
Total	1,750,000	175,000	140,000	1,500

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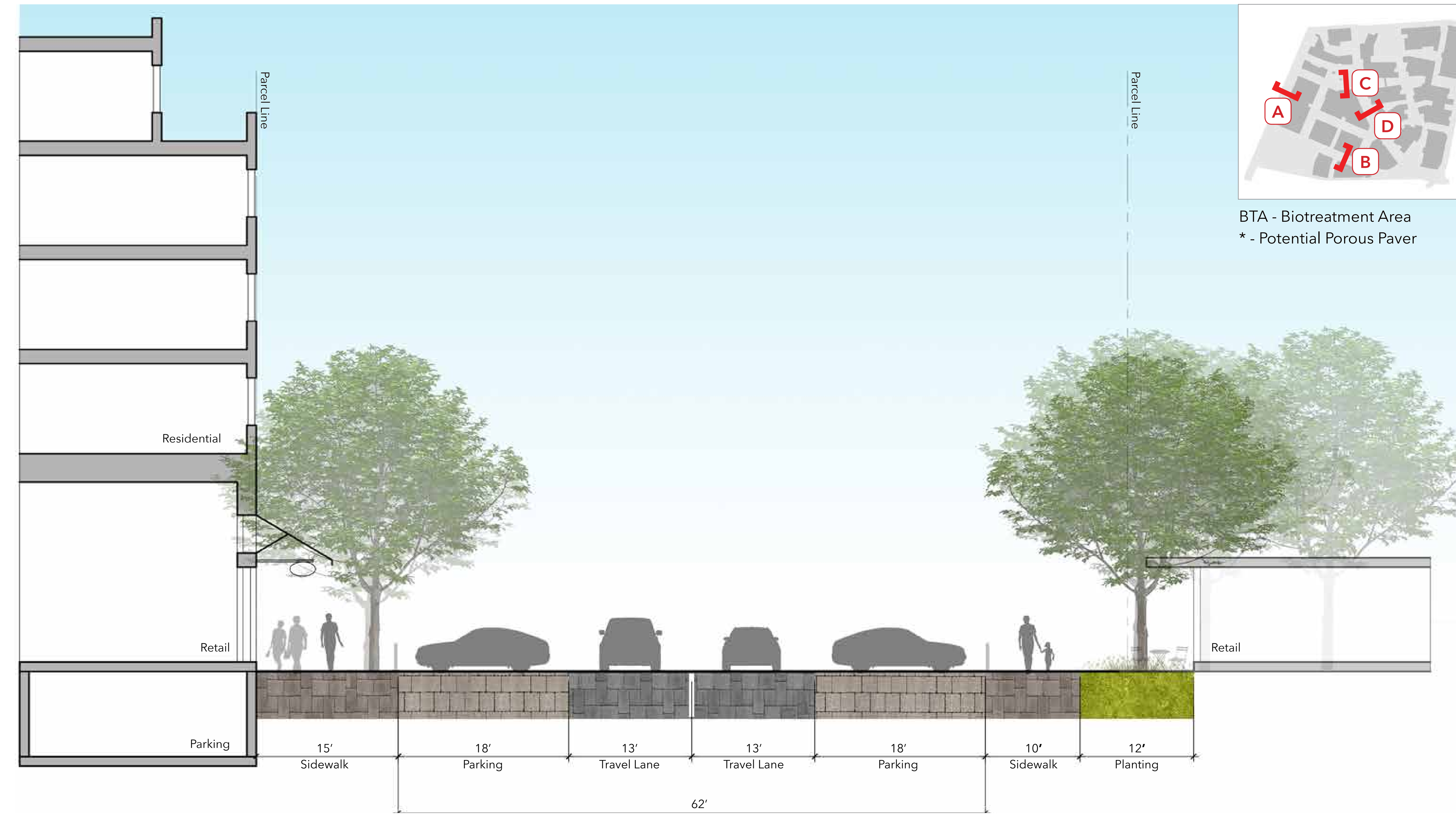
WILLOW VILLAGE

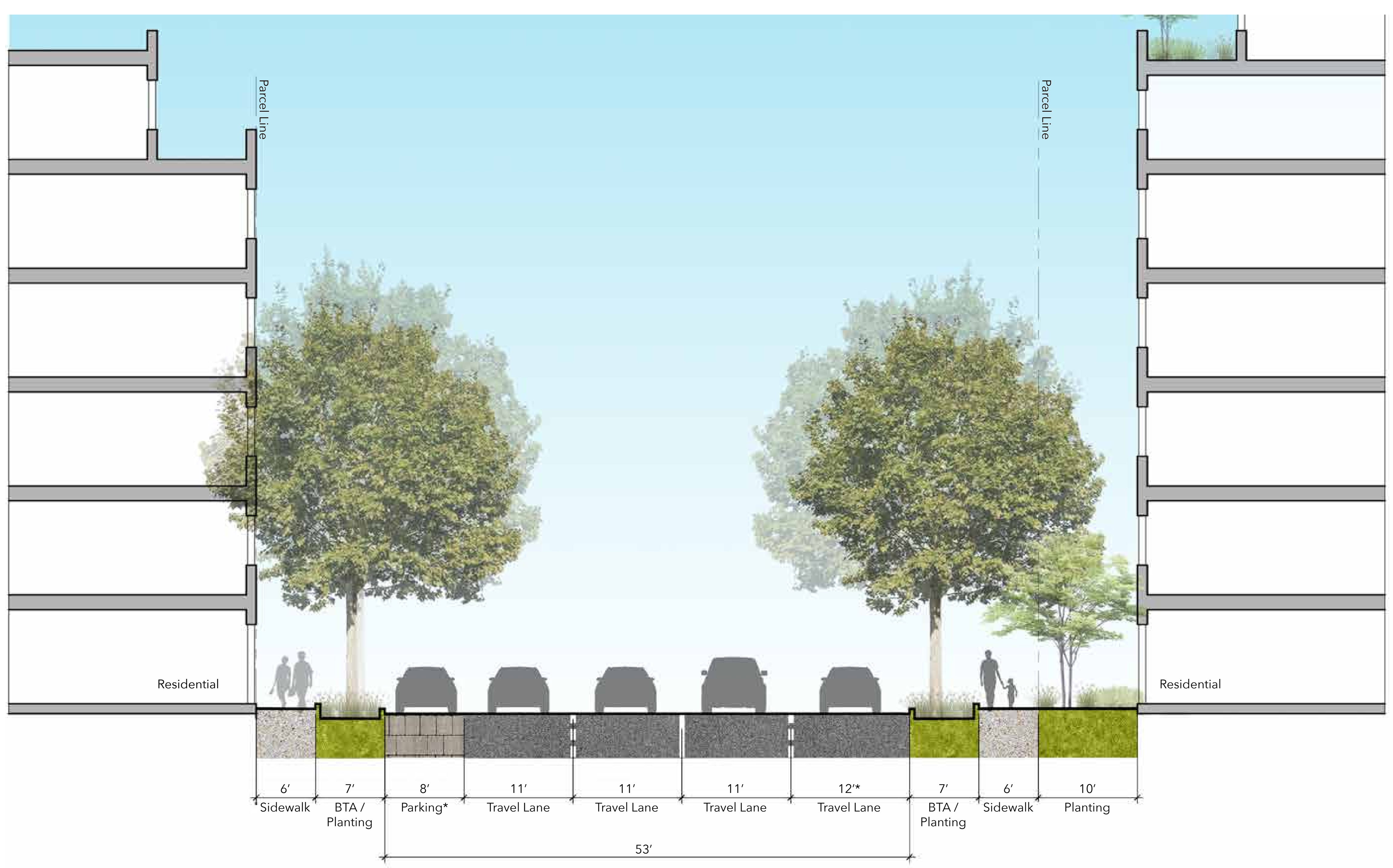
Menlo Park, CA

Exhibit 29
Conceptual Occupancy and Phasing
April 25, 2019

A - Willow Road

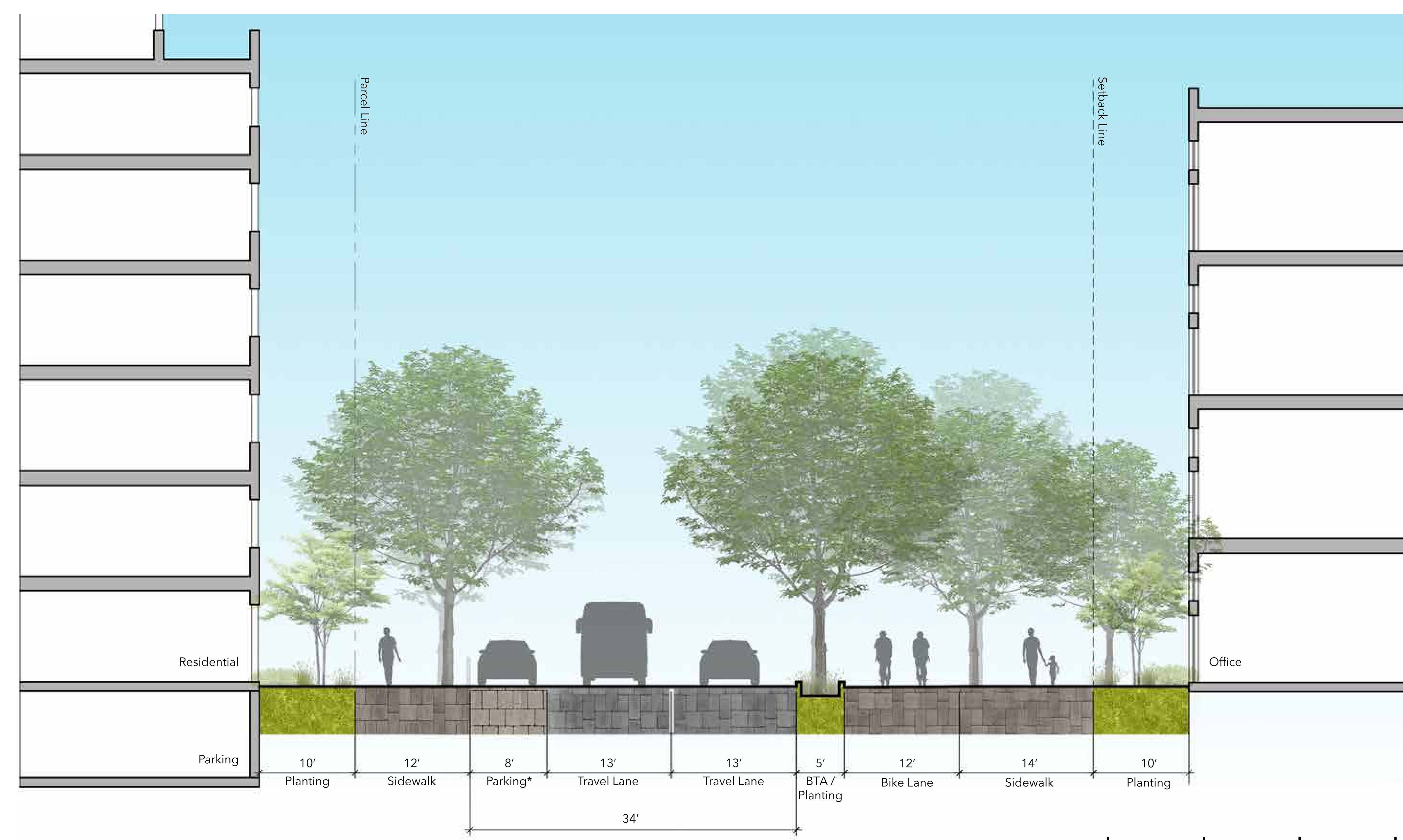


C - North Street

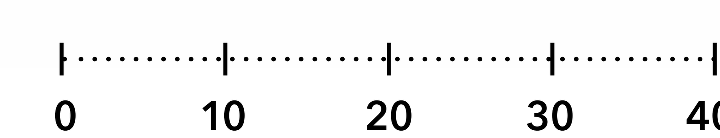


B - Park Street

* Potential for flex parking lane. Subject to City approval.



D - Main Street



1" = 10' at 22" x 34"

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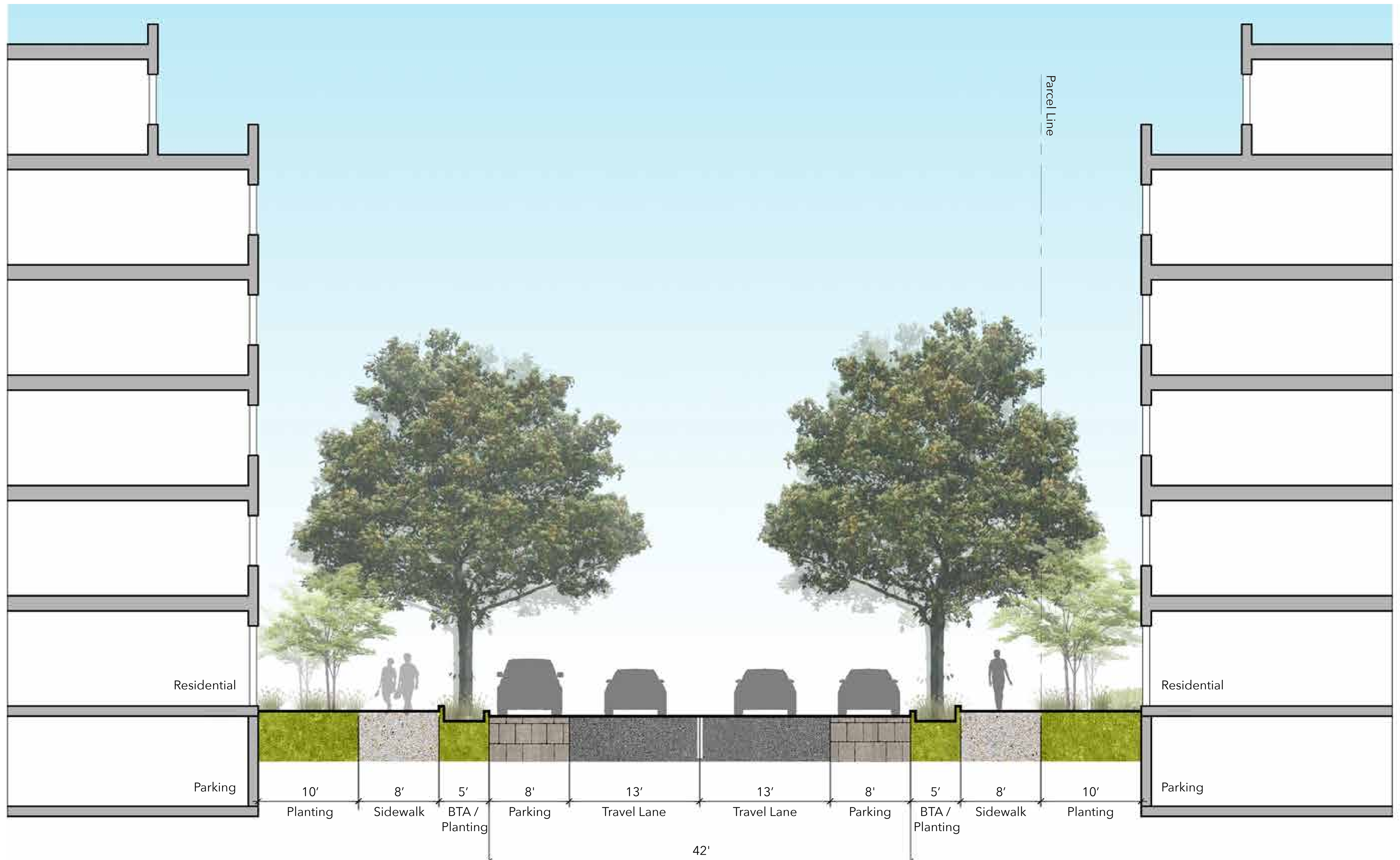
WILLOW VILLAGE

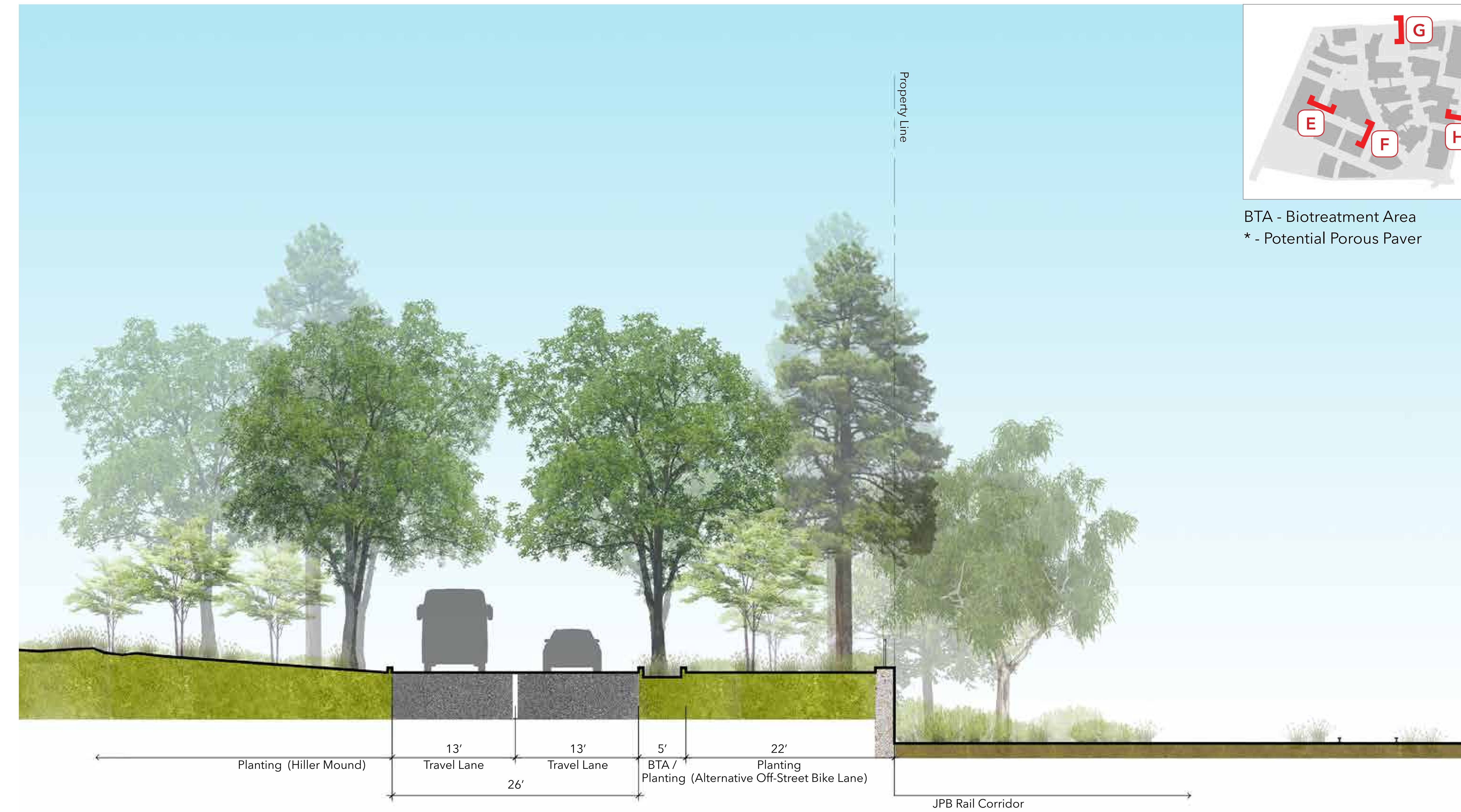
Menlo Park, CA

Exhibit 30
Conceptual Street Sections

April 25, 2019

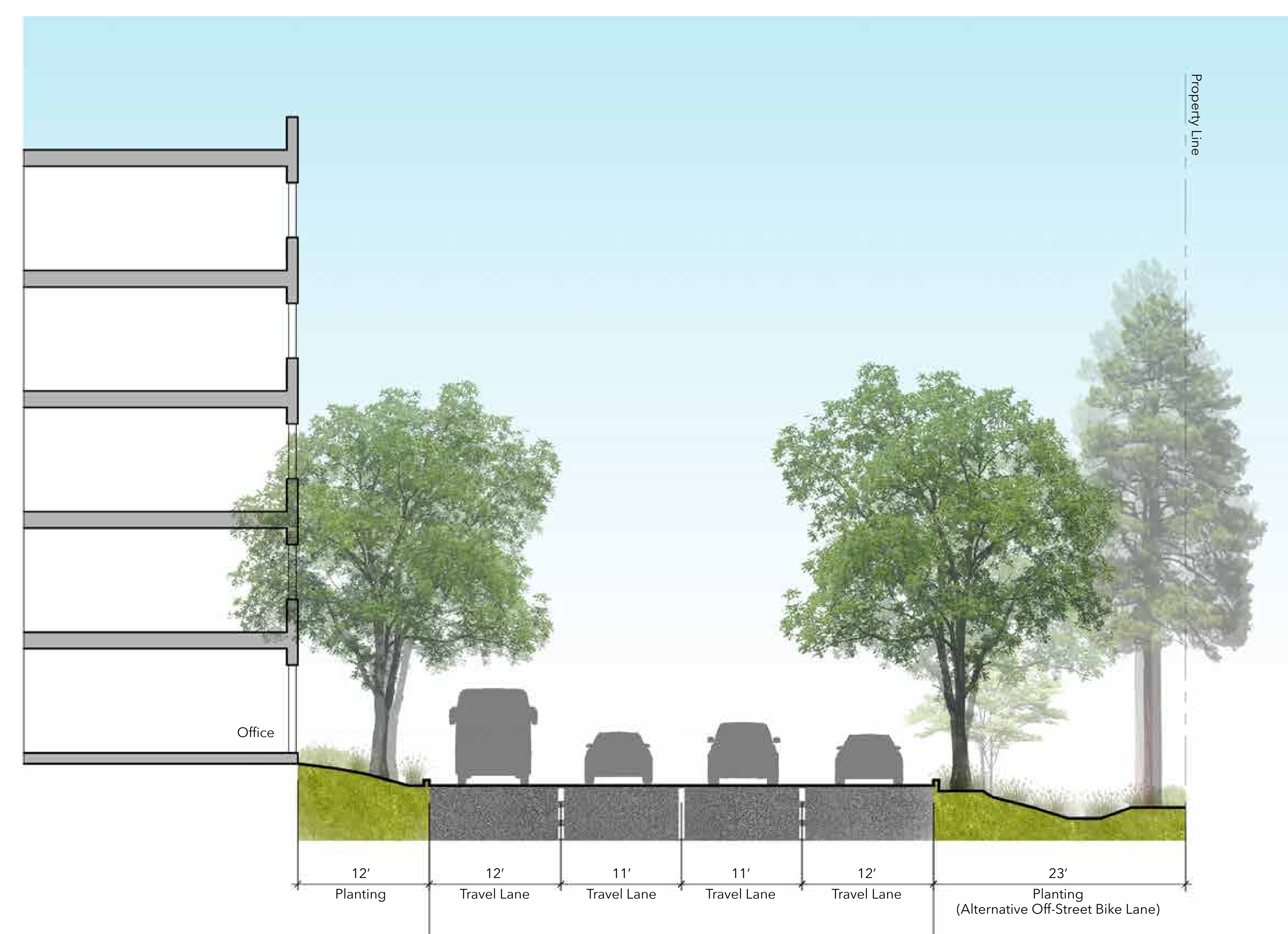


E - West Street

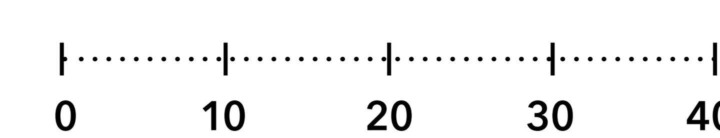


G - Loop Road - North Section

F - Center Street



H - Loop Road - East Section



1" = 10' at 22" x 34"

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WILLOW VILLAGE

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Exhibit 31
Conceptual Street Sections

April 25, 2019

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WILLOW VILLAGE

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Exhibit 32
Preliminary Site Grading
April 25, 2019

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Exhibit 33
Preliminary Site Utilities
April 25, 2019

Staff Analysis of Revised Project

Project description

Proposed site plan

The proposed revised site plan, similar to the previous proposal, includes a secure office area for Facebook, and a mixed-use residential and commercial neighborhood. The two main components of the project site are separated by a proposed Main Street that would run from the northwest portion of the site to the southeast corner. The road would provide a link between O'Brien Drive and Willow Road through the site. Consistent with the previous proposed site plan, the revised Willow Village development is organized into three main districts, which are now identified as the following:

- Town Square District,
- Residential/Shopping District, and
- Campus District.

The three districts are tied together with the proposed street network, parks and open space, and the design and layout of the buildings. The following list identifies the key changes to the proposed project.

- Redesign of the site plan, including the on-site vehicle, pedestrian and bicycle circulation along with modifications to the general layout and footprints of the proposed mixed-use and office buildings;
- A general shift in the location of the office campus to the eastern portion of the site and more integration between the office campus and the mixed-use neighborhood components;
- Modifications to the initial concepts for the Main Street and Town Square areas to promote walkability, biking and social gathering;
- An emphasis on bicycle and pedestrian connectivity from O'Brien Drive to Willow Road diagonally through the site, with ancillary bicycle and pedestrian connections along the eastern and northern edges of the site;
- A grade separated crossing for bicycle, pedestrians, and trams between the West Campus and the Willow Village (underpass or overpass with Willow Road);
- Relocated full-service grocery store and pharmacy;
- More aggregated open space instead of distributed open space through the site, resulting in a larger 4-acre community park, playground and recreation fields along Willow Road;
- Inclusion of a proposed community center adjacent to the community park (approximately 10,000 square feet);
- Addition of a separate publicly accessible dog park;
- Removal of the Dumbarton plaza and visitor center from the northwestern corner of the project site and replaced with a parking structure;
- Consolidation of office parking into two, versus three, garage structures;
- Increase in the number of hotel rooms from approximately 200 to a possible maximum of up to 250 rooms; and
- Increase neighborhood serving retail from approximately 126,500 square feet to up to

approximately 200,000 square feet.

Town Square District

The Town Square District would be a commercial hub located in the north-western portion of the site. The Town Square District would be anchored around a public plaza with approximately 25,000 square feet of retail uses, a hotel, and residential lobbies. The Town Square District would be accessed from Willow Road via Hamilton Avenue and from the southeast by the proposed Main Street through the project site. To the northwest of the public plaza, along Willow Road, would be a 200-250 room hotel, with potential retail, restaurant/bar, and conference rooms. The campus visitor parking structure would be located north of the hotel along the Dumbarton Corridor. The parking structure would be intended to accommodate patrons of the retail businesses as well as visitors to the Campus District. Staff will be evaluating the proposed parking structure location and its possible impact on future activation of the Dumbarton Corridor. Pedestrian and bicycle connections from the Town Square District to the Facebook West Campus and the Dumbarton Corridor are proposed through a plaza between the hotel and the parking structure and a bike lane along Main Street.

Residential and Shopping District

The Residential and Shopping District would be located along the western and southern edges of the site and would contain residential and mixed-use buildings. It is anticipated that the housing unit type would include a mix of rental units in the studio, one- to three-bedroom range. The revised project does not anticipate four-bedroom units, which were previously contemplated. The exact mix of units is being further refined; however, the unit mix would be determined prior to commencing the environmental review. This district would include the proposed grocery store, pharmacy, and approximately 85,000 square feet of retail and dining uses, along with all of the 1,500 proposed residential dwelling units. This district would also include an approximately four acre publicly-accessible park with a 10,000 community-serving building at the southwestern corner of the site. Additional open space within the District would include a dog park along the southern edge of the site and a neighborhood plaza at the intersection of Center and Main Streets. Both of these are expected be open for public use.

Campus District

The interior and northeastern portion of the Willow Village would contain a secure office campus for Facebook, composed of nine buildings and referred to as the Campus District. The western edge of the Campus District, generally fronting on Main Street would include publicly accessible landscaped areas to provide a transition between the Campus District and the Residential and Shopping and Town Square Districts; however, the Campus District would not be accessible to the public. The office buildings would be designed around a linear north-to-south courtyard. The ground floor of the office buildings fronting Main Street would include active commercial retail, restaurants, and services to activate the experience along Main Street and soften the edge between the secure office campus and the mixed-use portion of the project site. The office buildings would include employee amenities, similar to Facebook’s current building amenities on the East and West Campuses. Two parking garages would be located within the secure Office Campus: one located at the north-eastern corner and one at the south-eastern corner, separated by two office buildings. The parking garages would include ground level transit centers for Facebook’s shuttles and trams. The two structures would contain approximately

3,000 parking spaces (a ratio of one space per 583 square feet of gross floor area). The parking structures would be oriented parallel to the service road along the edge of the site. The two office buildings between the parking structures would provide variation along the eastern edge of the site.

Land use and zoning

The Willow Village project includes parcels zoned O-B (Office, Bonus) and R-MU-B (Residential Mixed Use, Bonus). The Zoning Ordinance allows for the implementation of a master planned project to provide flexibility for creative design, more orderly development, and optimal use of open space. Master planned projects are applicable to sites with the same zoning designation (O, LS, or R-MU) in close proximity or for contiguous sites that have a mix of zoning designations (O or R-MU) that exceed fifteen (15) acres in size and that are held in common ownership and are proposed for development as a single project or single phased development project. Project sites with mixed zoning, such as the Willow Village, are required to obtain a CDP and enter into a DA with the City. In a master planned project, the residential density, FAR, and open space requirements at both the base and bonus level of development, may be calculated in the aggregate across the site provided the overall project proposal does not exceed what would be permitted if the site were developed in accordance with the zoning designation applicable to each portion of the site, and the proposed project complies with all other design standards identified for the applicable zoning districts.

The proposed master plan project would comprehensively redevelop the project site and would be developed under the bonus levels for density (dwelling units per acre), intensity (FAR), and height in exchange for community benefits, as defined through the ConnectMenlo process. The following table compares the proposed revised project components with the previously proposed project and the Zoning Ordinance.

Table 1: Proposed Development Components

Project Component Land Use	Previous Proposal (March 2018)	Revised Proposal** (Current Project)	Net Change with Proposed Project	Zoning Ordinance Maximum Development Potential*
Dwelling Units	1,500 units (225 BMR units)	1,500 units (225 BMR units)***	No change	1,713 units (257 BMR units)
Residential GFA	1,703,025 s.f.	1,462,713 s.f.	-240,312 s.f.	1,679,097 s.f.
Commercial Retail GFA (Non-Office square footage)	126,500 s.f.	200,000 s.f.	+73,500 s.f.	398,425 s.f.
Community Center/ Visitor Center (previous)	40,000 s.f.	10,000 s.f.	-30,000 s.f.	Included in non-office GFA
Office GFA	1,750,000 s.f.	1,750,000 s.f.	No change	1,780,268 s.f.
Hotel Rooms	200 rooms	200- 250 rooms	+50 rooms	n/a

Hotel GFA	130,000 s.f.	140,000 s.f.- 175,000 s.f.	+45,000	369,552 s.f.

* The Zoning Ordinance maximum development potential is based on preliminary site area information and the updated right-of-way (ROW) dedication square footage provided by the applicant and may be updated through staff's verification of the required amount of ROW dedication.
**The proposed land uses may change based on the updated maximum development potential calculations.
*** The calculation of the number of BMRs is based on the City's 15 percent inclusionary requirement.

The proposed project would maintain the previously proposed number of dwelling units (1500, of which 225 units would be below market rate housing units) and total office square footage. However, the proposed project would increase the maximum potential number of hotel rooms and increase the maximum development potential for non-office commercial retail. The proposed number of hotel rooms at the project site (up to 250 rooms) and other proposed hotel projects in the Bayfront Area (if all approved) would exceed the development cap of 400 hotel rooms in the Bayfront Area established during the ConnectMenlo process. To enable the proposed number of hotel rooms in the Bayfront Area, a General Plan Amendment would need to be adopted by the City Council, which could be initiated by a specific project or by the City. Staff raised this topic for discussion at the ConnectMenlo 2-year review study session.

The table below outlines the development standards for density, intensity, and height at the base level, bonus level, previous proposal, and for the proposed revised project. The following paragraphs explain in more detail how the measurements have been preliminarily calculated. Please note: the calculation of "height" is the weighted average height of all buildings, and "maximum height" is the absolute maximum height for any one building, or portion thereof.

Table 2: Development Standards

Development Standard	Base Level*	Bonus Level*	Previous Proposal*	Revised Proposal
Height				
R-MU	height: 45 ft.; maximum height: 50 ft.	height: 62.5 ft.; maximum height: 80 ft.	height: 61.2 ft.; maximum height: 72 ft.	height: 52.5 ft.; maximum height: 80 ft.
O	height: 45 ft.; maximum height: 45 ft.; hotels: 120 ft.	height: 77.5 ft.; maximum height: 120 ft.	height: 74.3 feet; maximum height: 112.5 ft.	height: 67.5 ft.; Maximum height: 83 ft.
Intensity (FAR)				
R-MU	60% to 90% 15% max non residential	>90% to 225% 25% max non residential	189.8% Residential; 22% Office	196% Residential; 21% Office
O	45% (plus 10% commercial); 175% if hotel allowed	100% (plus 25% commercial)	100% Office; 18.75% non-office commercial	100% Office; 22% non-office commercial
Density (du/acre)				
R-MU	20 du/acre to 30 du/acre	>30 du/acre to 100 du/acre	78.5 du/acre	87.5 du/acre
O	n/a	n/a	n/a	n/a

*The Zoning Ordinance allows for an up to 10 feet increase in height and maximum height for properties in the flood zone, which is incorporated into the table.

To develop the proposed project, the grade of the site would generally be raised between four and eight feet and the proposed buildings would be constructed on a podium. The site would be raised at or above the minimum requirements for hazard mitigation and sea level rise resiliency required by the updated Zoning Ordinance. The applicant is proposing to utilize the up to 10-foot increase in height allowed for buildings to accommodate the flood zone and sea level rise. The raised site would also allow for the parking for the mixed use buildings to be located partially below grade.

With regard to the revised project, the proposed height of the residential mixed use buildings would be reduced to an average of approximately 52.5 feet in height from 61.2 feet previously proposed. The maximum height, however, would be increased by eight feet to 80 feet in height. The hotel height has also been reduced from 112.5 feet in height to 83 feet in height. A key change to the office buildings is a more uniformed height of 80 feet for eight of the nine proposed buildings.

In addition to the modifications to the heights of the buildings, the revised project includes an increase in non-office commercial square footage from 18.75 percent FAR to 22 percent FAR, where 25 percent is the maximum. The increase in FAR would accommodate the proposed increased number of hotel rooms and the increase in commercial/retail square footage. The project would utilize the non-office commercial square footage from the O district for the retail and hotel components and the commercial square footage from the R-MU district for office square footage (as outlined in the Table 2). The project would also include an increase in residential density of approximately seven percent but an overall reduction in gross floor area of approximately 240,000 square feet due to additional ROW area proposed to be dedicated with the revised site plan. Staff has completed a preliminary review of the applicant's proposed density and intensities and believes it to generally be correct.
The site currently includes 19.11 acres zoned R-MU-B and 37.3 acres zoned O-B, exclusive of the public right-of-way. Through ConnectMenlo, new public street connections were identified and adopted on the zoning map and street classification diagram in the Circulation Element. As with the previously proposed project, the applicant proposes to deviate from the adopted location of the public streets and is proposing alternate roadways, which would include both dedicated public streets and private roads with a public access easement. The total land proposed to be dedicated as a public street is currently greater than the public streets shown on the approved zoning map and greater than the amount previously identified to be dedicated. Because land dedicated as a public street is deducted from the total lot area to determine the site's FAR, City staff is currently evaluating the applicant's proposal for both public and private streets to determine the impact on the master plan and to ensure that the overall development proposed does not exceed what would be permitted if the site were developed in accordance with each zoning district as an individual project. Therefore, the gross floor area, floor area ratio, and density in Table 2 is preliminary and may be updated based on further refinements to the site area associated with the R-MU-B and O-B zoning districts after dedication of the necessary ROW.

The proposed project would include 1,500 housing units (consistent with the previous proposal and the Campus Expansion Development Agreement requirement to design a minimum of 1,500 units), where the site could accommodate up to 1,713 dwelling units (based on preliminary calculations) at 100 dwelling units per acre. The R-MU-B zoning district allows between 90 percent and 225 percent FAR for residential development based on density, calculated on a sliding scale. The currently proposed density would be 87.5 dwelling units per acre and the maximum FAR for the residential component would be 196 percent. The applicant is still refining the gross floor area associated with the mixed-use and residential buildings, and depending on the final density of the project the FAR may need to be adjusted accordingly to comply with the FAR for the associated density.

<u>Proposed site circulation</u>
Primary access to the project site is currently through Hamilton Avenue at the intersection of Willow Road. In addition, multiple buildings are accessed through driveways along Willow Road. Once inside the current campus, Hamilton Avenue diverges into Hamilton Avenue (to the south) and Hamilton Court (to the east). Both streets end in cul-de-sacs, and therefore, no streets currently provide access across the site. There is access to an eastern parking lot from Adams Court to the Menlo Business Park east of the project site. The proposed redevelopment would create a new internal site circulation network for vehicles, bicycles, and pedestrians, along with new public connections to Willow Road and O'Brien Drive and Adams Court.

Through ConnectMenlo, the City adopted a new zoning map that identifies a new public street connection from Hamilton Avenue to Adams Court (via Hamilton Court), across the Willow Village project site. The zoning map and street classification diagram in the Circulation Element also identify new public street connections from Willow Road that connect to Hamilton Avenue within the project site and multiple paseos through the site, including a paseo along the eastern edge of the site, a paseo from Willow Road into the site, a north-to-south paseo from the Dumbarton Corridor to the middle of the site, and a paseo along the southern edge of the site that would link to O'Brien Drive.

As with the previously proposed project, the applicant team is proposing to shift the location of the main public right-of-way through the site. The proposed street would run diagonally from Hamilton Avenue in the northwestern portion of the site to O'Brien Drive in the southwestern portion of the site. A southern access across the site (proposed Park Street) would be provided from Willow Road to Main Street, near the intersection with O'Brien Drive. The proposed ROW would define the mixed-use and retail components of the site and the Office Campus. The applicant's proposed vehicle and bicycle and pedestrian circulation plans are shown on Pages 21 and 17, respectively, of the Project Plans (Attachment E of the staff report).

- Park Street: connection between Willow Road and O'Brien Drive;
- North Street: additional site access from Willow Road to the Town Square District and parking access;
- Hamilton Avenue: primary access to the northern portion of the site with connection to Main Street;
- Main Street: new street in a northwest to southeast direction through the site connecting Willow Road/ Hamilton Avenue with O'Brien Drive; and
- East and North Perimeter Roads: site access along the eastern edge of the site and along the northern edge (adjacent to the Dumbarton Corridor) of the site that would link to Main

Street and the visitor parking garage.

The revised site circulation more directly connects the Residential and Shopping District and Town Square District with O'Brien Drive. The internal circulation for the Town Square and Residential and Shopping Districts is generally oriented in a north-to-south and east-to-west grid (parallel or perpendicular to Willow Road), with Main Street bisecting the overall project site diagonally. The applicant's proposal would add a new signalized intersection on Willow Road between Ivy Drive and Hamilton Avenue. This new connection would continue to shift the cross-site access south and connect with O'Brien Drive instead of Adams Court (and subsequently Adams Drive to University Avenue). The proposed project would maintain the envisioned connection with Adams Court; however, due to the location of the secure Campus District portion of the site, the new connection would end in a "T" intersection at the proposed eastern perimeter road instead of continuing through the site. Since ConnectMenlo did not contemplate vehicle access from O'Brien Drive to the project site, the proposed alternate street location requires an amendment to the zoning map and Circulation Element, and the EIR for the project would analyze the potential impacts from the proposed O'Brien Drive connection to impact study intersections and the trip distribution associated with the project. The applicant has provided preliminary cross sections of the street typologies and staff will be reviewing the proposed street designs to ensure consistency with the General Plan classification system.

Hamilton Avenue would be the main access to the Town Square District (and the northern portion of the project site). The applicant team has been evaluating the possibility of a realignment of the Hamilton Avenue intersection, which is shown on Sheet 22 of the plan set. The potential realignment of Hamilton Avenue would shift the intersection south along Willow Road and realign the approach to the intersection from the Belle Haven neighborhood. This would require coordination between the City, Caltrans, the Project Sponsor, the owner of the Chevron station property, and Chevron. The preliminary option would demolish and relocate the Chevron station to the northern side of the Hamilton Avenue realignment. The Hamilton Avenue realignment will be a variant in the project analysis evaluated in the EIR.

<u>Paseos and bicycle and pedestrian facilities</u>

Willow Village would also include a new internal network of pedestrian and bicycle facilities. The adopted Zoning Map identifies the locations of new paseos, including a paseo connecting O'Brien Drive to the Dumbarton Corridor along the eastern edge of the site, and a paseo connecting the middle of the site to the Dumbarton Corridor. Paseos are pedestrian and bicycle paths that provide a member of the public access through one or more parcels and to public streets and/or other paseos. There are also two east-to-west paseos identified on the Zoning Map including one paseo from Willow Road to the internal portion of Hamilton Avenue and another paseo along the southern edge of the site (adjacent to the SFPUC right-of-way).

The proposed project includes a network of roadways and plazas that provide pedestrian and bicycle connectivity throughout the site. These pathways would bring pedestrians into the site from Willow Road and O'Brien Drive and link bicycles and pedestrians with the Town Square District and potentially improved facilities on the Dumbarton Corridor.

A new Class-1 (multi-use) bike path along the eastern and northern edges of the site is intended to comply with the paseo requirement along the eastern edge. The north-to-south paseo along the eastern edge of the site would be bordered by a perimeter access road on the west and an existing parking lot for the majority of the paseo on the adjacent property to the east. The proposed perimeter roadway would provide access to the parking garages. The two parking garages would be located to the west of the perimeter road for the majority of the length of the paseo; however, entrances to two of the office buildings would also be located along the perimeter roadway. Staff will be requesting additional information on the design of the Class 1 pathway to determine if it could be considered to meet the paseo requirements of the Zoning Ordinance. On the adopted Zoning Map this paseo is partially located on the Facebook Willow Village site and partially on the neighboring property, owned by Tarlton Properties, within Menlo Business Park. The current proposal for Willow Village could accommodate the paseo completely within the Willow Village project, which may allow for a shorter timeline to construct the paseo. However, the Planning Division has been reviewing an application for a new approximately 260,400 square foot R&D building at 1350 Adams Court, directly to the east of the Willow Village project and will be evaluating both projects to identify opportunities to ensure the required paseo provides the maximum benefit to the community. A recent study session with the Planning Commission identified an opportunity to construct a portion of the paseo on the property at 1350 Adams Court and identify a future extension on that site, pending redevelopment of the existing building at 1315 O'Brien Drive. However, a comprehensively executed bicycle and pedestrian facility would be staff's preference to ensure implementation of the ConnectMenlo vision.

The Zoning Ordinance allows for some flexibility in the location of the paseos; however, while the applicant's comprehensive street and paseo proposal continues to appear less linear in some respects, it would not be fundamentally different in terms of access options. The proposed modifications to the locations would require a zoning map amendment and General Plan amendment to the Circulation Element. In addition to the modifications to the location of the streets and paseos, the general layout of the buildings and landscaping adjacent to the paseos, specifically the eastern paseo, may not be consistent with the Zoning Ordinance requirements. The applicant and staff will continue to refine the specific designs to ensure the circulation network would meet relevant safety standards.

Public open space, trees, and landscaping

The proposed project includes multiple parks, plazas, landscaping, and open space pathways throughout the project site. The previous proposal included multiple public open spaces intended to link public spaces for pedestrians and users through the site. The revised proposal aggregates the publicly accessible open space into a publicly accessible park, a town square plaza, a dog park, and a plaza near the corner of Willow Road and the Dumbarton Corridor.

In addition to the publicly accessible open space, the site plan includes a substantial amount of open space and landscaping within the mixed use and residential buildings for use by the residents and a series of landscaped areas, courtyards, and plazas within the Campus District for use by the employees. The open space for the residents would include both common and private open space, consistent with the Zoning Ordinance requirements. Table 2 below identifies the minimum open space requirement for each district and the proposed open space for the project.

Table 2: Open Space and Landscaping Requirements					
Zoning District	Base Level	Bonus Level	Min Req. Acres*	Previously proposed project	Proposed Revised Project (Current Project)
R-MU-B	25%	25%	4.5		
0-B	30%	30%	10.9		
Total	-	-	15.4	18	26.7

*Due to modifications in the land area proposed to be dedicated, the minimum required acres have changes; however, the proposed project would exceed the minimum required amount of open space on site.

Approximately 9.9 acres of the 26.7 acres of open space would be publicly accessible, which exceeds the approximately 6.5 acres of open space required to be publicly accessible (based on the aggregate of each zoning district standard). The design of the publicly accessible open space has not yet been determined; however the project would include a publicly accessible park, a dog park, a town square, and an additional public plaza. Some of the publicly accessible open space appears to be located within Main Street (as pedestrian and bicycle infrastructure) and would need to be removed from the calculation of open space (both publicly accessible and general open space). Staff will be further evaluating this component of the project for compliance with the Zoning Ordinance standards.

In addition, due to the preliminary nature of the project, the heritage tree removals have not been identified and the landscape plans for the proposed project have not been submitted. However, it is likely that a significant percentage of the existing heritage trees would be proposed for removal. Staff will be evaluating more detailed information on the existing heritage trees and the proposed heritage tree removals, and the proposed landscaping plan as the project review continues.

Green and sustainable building

The O-B and R-MU-B zoning districts include detailed requirements for green and sustainable buildings. The proposed project would be required to adhere to the standards set forth by the Zoning Ordinance. The current Zoning Ordinance requirements are summarized in the bulleted list below:

- The proposed development shall be designed to meet LEED Gold BD+C
- Comply with the City's electrical vehicle (EV) charger requirement;
- Enroll in the EPA Energy Star Building Portfolio Manager program;
- The project will meet one hundred percent (100%) of energy demand (electricity and natural gas) through any combination of the following measures:
    - On-site energy generation;
    - Purchase of one hundred percent renewable electricity;
    - Purchase and install local renewable energy generation in Menlo Park; and
    - Purchase of certified renewable energy credits and/or certified renewable energy off-sets.
- Landscaping would also meet the requirements of the City's water efficient landscaping

ordinance (WELO).

- Utilize recycled water or a conservation reductions equivalent to all approved non-potable applications.
- Comply with the City's zero waste requirements.
- The project would be required to be designed to comply with the necessary bird-friendly design features, as outlined in the Zoning Ordinance.

As project review continues staff will be evaluating the project for compliance with the green and sustainable building requirements.

Phasing schedule

The proposed revised project is anticipated to be constructed in three phases, where the previous proposal would be constructed in four phases. Each phase would include the construction of the necessary circulation and utility infrastructure to serve that phase. Construction phases may overlap. The table below identifies the proposed construction by phase for the updated project.

Table 3: Proposed Phasing Schedule				
Phase	**Office (s.f.)**	**Retail/non-office commercial (s.f.)***	**Hotel (s.f.) (200-250 rooms)**	**Residential Dwelling Units**
Phase 1	587,000 s.f.	3,000 s.f.	-	673 du
Phase 2	650,700 s.f.	35,000 s.f.	-	565 du
Phase 3	512,300 s.f.	137,000 s.f.	140,000 s.f - 175,000 s.f	262 du
Total	1,750,000 s.f.	175,000 s.f.	140,000 s.f - 175,000 s.f.	1,500 du

*The project plans identify approximately 175,000 square feet of commercial/retail use, but the project description identifies up to a possible 200,000 square feet.

The proposed phasing schedule would shift the focus of the initial phases of the project to developing housing units and office square footage. The proposed schedule would result in non-office commercial square footage being phased in during the second and third phase. The phasing plan currently identifies the grocery store being constructed in the third phase, along with the hotel.

The precise architectural style and design of the proposed buildings has not been determined. During the entitlement and environmental review, the detailed design of the buildings to be constructed in the first phase will be developed and submitted for the Planning Commission and City Council's review with the overall land use entitlements. Additional design review by the Planning Commission for the remaining buildings would be expected to occur for the future phases of development as the architectural design of those buildings is not expected to be complete prior to action on the entitlements. Staff will evaluate the proposed buildings for compliance with the Zoning Ordinance design standards and provide an analysis for the Planning Commission and City Council as part of their review and recommendation and/or action on the project.

Perata, Kyle T

From:	Mendoza, Jonathan S <JSMendoza@sfwater.org>
Sent:	Friday, April 26, 2019 2:10 PM
To:	Perata, Kyle T
Cc:	Ramirez, Tim; Natesan, Ellen; Wilson, Joanne; Read, Emily; Herman, Jane; Russell, Rosanna S; Brasil, Dina; Wong, Christopher J; Nelson, Chris; Li, Annie (PUC); Feng, Stacie; Leung, Tracy
Subject:	Menlo Park City Council – Notice of Public Meeting - Facebook Willow Village
Attachments:	RE: 1350 Adams Court Project EIR Scoping + Facebook Proposed Public Street and Bike/Paseo; SFPUC_Basemap-Facebook_Willow_Village.pdf; Menlo_Park_City_Council_Notice-Facebook_Willow_Village.pdf
Follow Up Flag:	Follow up
Flag Status:	Flagged

Dear Mr. Perata:

Thank you for the attached Menlo Park City Council – Notice of Public Meeting to review and consider an appeal of the Planning Commission's approval of the **Facebook Willow Village** proposal by Peninsula Innovation Partners, LLC and Signature Development Group (on behalf of Facebook, Inc.). The SFPUC owns the adjacent 80-foot wide parcel in-fee as part of the Hetch Hetchy Regional Water System right-of-way (ROW) which provides drinking water to approximately 2.7 million customers in the San Francisco Bay Area. This ROW contains high-pressure water transmission pipelines (Bay Division Pipelines Nos. 1, 2, and 5). For your reference, I am including a map of the vicinity showing the ***approximate*** SFPUC property boundary and pipelines.

I was able to find the refined plans and project description (dated February 2019) on the City of Menlo Park's – Community Development webpage. Per the February 2019 plans, the **Facebook Willow Village** proposal includes a new street crossing over the SFPUC ROW to connect to O'Brien Drive. Please note that such improvements, like a new street crossings over the SFPUC ROW, must be review and approved by the SFPUC.

In addition, the February 2019 project description (Section 4 – Willow Village Entitlements) should acknowledge that the City and County of San Francisco, through its San Francisco Public Utilities Commission, must review and approve improvements proposed within the SFPUC ROW near the south/southeast corner of the project site. The SFPUC has not formally reviewed nor approved the proposed public street (or "Bike Lane/Paseo" for the **1350 Adams Court Project** located immediately east of the **Facebook Willow Village**) on SFPUC property. The SFPUC submitted similar comments in January 2019 for the **1350 Adams Court Project** (attached is an email containing the SFPUC Real Estate Director's, Rosanna Russell's, comments and my comments).

SFPUC Project Review Process

All proposed projects and activities on SFPUC lands must be reviewed by the SFPUC's Project Review Committee (committee) to determine whether a proposal is compatible with SFPUC adopted plans and policies *prior* to obtaining written authorization from the SFPUC. During Project Review, the committee may require modifications to the proposal and/or require implementation of avoidance and minimization measures to reduce negative impacts and to ensure that the proposal conforms to applicable plans and policies. Therefore, it is important to schedule projects for review at the earliest opportunity to address any potential project issues.

To initiate the Project Review process, project sponsors/applicants must visit the SFPUC's Project Review Committee webpage at http://sfwater.org/ProjectReview to download a copy of the current Project Review application. **Once the application is completed, the project sponsor must email their application and supporting attachments (project**

description, maps, drawings and/or plans) to projectreview@sfwater.org. Completed applications with required attachments are scheduled in the order they are received for the next available Project Review Committee meeting date.

Please let me know if you have any questions. I can be reached at 415.770.1997.

Best,

Jonathan S. Mendoza
Associate Land and Resources Planner
Natural Resources and Lands Management Division
San Francisco Public Utilities Commission
1657 Rollins Road, Burlingame, CA 94010
C: 415.770.1997
O: 650.652.3215
F: 650.652.3219
E: jsmendoza@sfwater.org
W: http://www.sfwater.org/ProjectReview

NOTE: I am out of the office on Mondays

STAFF REPORT

City Council
Meeting Date: **5/7/2019**
Staff Report Number: **19-073-CC**

Commission Reports **Consider applicants and make an appointment to fill an unexpected vacancy on the Library Commission**

Recommendation
Staff recommends making an appointment to the Library Commission.

Policy Issues
City Council policy CC-19-0004 establishes the policies, procedures, roles and responsibilities for the City's appointed commissions and committees, including the manner in which commissioners are selected.

Background
The Library Commission has an unexpected vacancy, which should be filled before the annual recruitment in April 2020. This position will fill the current term and expire April 30, 2021. This recruitment involved a two-week period of advertisements and announcements.

Following City Council's appointment, the city clerk's office coordinates with the city attorney's office to provide onboarding and orientation for the new commission/committee members. This includes the oath of office, commissioner handbook, introduction of commission/committee liaison staff, Form 700 Statement of Economic Interests filing (if applicable) and Brown Act training. For all other appointments that are made throughout the year, the city clerk's office handles all aspects of commission/committee member training.

Analysis
Pursuant to City Council policy CC-19-0004 (Attachment A), commission members must be residents of the City of Menlo Park and serve for designated terms of four years, or through the completion of an unexpired term or as otherwise designated. Residency for all applicants has been verified by the city clerk's office. In addition, the City Council's policy states that the selection/appointment process shall be conducted before the public at a regularly scheduled meeting of the City Council. Nominations will be made and a vote will be called for each nomination. Applicants receiving the highest number of affirmative votes from a majority of the City Councilmembers present shall be appointed.

The appointment will be for a 2-year term expiring April 30, 2021.

Note, all applications will be provided to the City Council under separate cover and are also available for public viewing at the city clerk's office during regular business hours or by request (Attachment B.)

The City received the following applicants listed in alphabetical order by last name.

Library Commission – one vacancy:
- Cristina Larsen
- Kristina Lemons

Impact on City Resources

Staff support for commissions and funds for recruitment advertising are provided in the annual budget.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. City Council policy CC-19-0004
B. Applications for Library Commission

Report prepared by:
Judi A. Herren, City Clerk

COMMISSIONS/COMMITTEES POLICIES AND PROCEDURES, ROLES AND RESPONSIBILITIES

ATTACHMENT A

City Council Procedure #CC-19-0004
Effective 3/5/2019
Resolution No. 6477

CITY OF MENLO PARK

Purpose
To define policies and procedures and roles and responsibilities for Menlo Park appointed commissions and committees.
Authority
Upon its original adoption, this policy replaced the document known as "Organization of Advisory Commissions of the City of Menlo Park."
Background
The City of Menlo Park currently has eight active Commissions and Committees. The active advisory bodies are: Complete Streets Commission, Environmental Quality Commission, Finance and Audit Committee, Housing Commission, Library Commission, Parks and Recreation Commission, Planning Commission, and the Sister City Committee. Those not specified in the City Code are established by City Council ordinance or resolution. Most of these advisory bodies are established in accordance with Resolution 2801 and its amendments. Within specific areas of responsibility, each advisory body has a primary role of advising the City Council on policy matters or reviewing specific issues and carrying out assignments as directed by the City Council or prescribed by law. Seven of the eight commissions and committees listed above are advisory in nature. The Planning Commission is both advisory and regulatory and organized according to the City Code (Ch. 2.12) and State statute (Government Code 65100 et seq., 65300-65401). The City has an adopted Anti-Harassment and Non-Discrimination Policy (CC-95-001), and a Travel and Expense Policy (CC-91-002), which are also applicable to all advisory bodies.
Policies and Procedures
<u>Relationship to City Council, staff and media</u> • Upon referral by the City Council, the commission/committee shall study referred matters and return their recommendations and advise to the City Council. With each such referral, the City Council may authorize the City staff to provide certain designated services to aid in the study. • Upon its own initiative, the commission/committee shall identify and raise issues to the City Council's attention and from time to time explore pertinent matters and make recommendations to the City Council. • At a request of a member of the public, the commission/committee may consider appeals from City actions or inactions in pertinent areas and, if deemed appropriate, report and make recommendations to the City Council. • Each commission/committee is required to develop an annual work plan which will be the foundation for the work performed by the advisory body in support of City Council annual work plan. The plan, once finalized by a majority of the commission/committee, will be formally presented to the City Council for direction and approval no later than September 30 of each year and then reported out on by a representative of the advisory body at a regularly scheduled City Council meeting at least annually, but recommended twice a year. The proposed work plan must align with the City Council's adopted work plan. When modified, the work plan must be taken to the City Council for approval. The Planning Commission is exempt from this requirement as its functions are governed by the Menlo Park municipal code (Chapter 2.12) and State law (Government Code 65100 et seq, 65300-65401). • Commissions and committees shall not become involved in the administrative or operational matters of City departments. Members may not direct staff to initiate major programs, conduct large studies or establish department policy. City staff assigned to furnish staff services shall be available to provide general staff assistance, such as preparation of agenda/notice materials and minutes, general review of

department programs and activities, and to perform limited studies, program reviews, and other services of a general staff nature. Commissions/Committees may not establish department work programs or determine department program priorities. The responsibility for setting policy and allocating scarce City resources rests with the City's duly elected representatives, the City Council.

- Additional or other staff support may be provided upon a formal request to the City Council.
- The staff liaison shall act as the commission/committee's lead representative to the media concerning matters before the commission/committee. Commission/Committee members should refer all media inquiries to their respective liaisons for response. Personal opinions and comments may be expressed so long as the commission/committee member clarifies that his or her statements do not represent the position of the City Council.
- Commission/Committee members will have mandatory training every two years regarding the Brown Act and parliamentary procedures, anti-harassment training, ethics training, and other training required by the City Council or State Law. The commission/committee members may have the opportunity for additional training, such as training for chair and vice chair. Failure to comply with the mandatory training will be reported to the City Council and may result in replacement of the member by the City Council.
- Requests from commission/committee member(s) determined by the staff liaison to take one hour or more of staff time to complete, must be directed by the City Council.

Role of City Council commission/committee liaison

City Councilmembers are assigned to serve in a liaison capacity with one or more city commission/committee. The purpose of the liaison assignment is to facilitate communication between the City Council and the advisory body. The liaison also helps to increase the City Council's familiarity with the membership, programs and issues of the advisory body. In fulfilling their liaison assignment, City Councilmembers may elect to attend commission/committee meetings periodically to observe the activities of the advisory body or simply maintain communication with the commission/committee chair on a regular basis.

City Councilmembers should be sensitive to the fact that they are not participating members of the commission/committee, but are there rather to create a linkage between the City Council and commission/committee. In interacting with commissions/committee, City Councilmembers are to reflect the views of the City Council as a body. Being a commission/committee liaison bestows no special right with respect to commission/committee business.

Typically, assignments to commission/committee liaison positons are made at the beginning of a City Council term in December. The Mayor will ask City Councilmembers which liaison assignments they desire and will submit recommendations to the full City Council regarding the various committees, boards, and commissions which City Councilmembers will represent as a liaison. In the rare instance where more than one City Councilmember wishes to be the appointed liaison to a particular commission, a vote of the City Council will be taken to confirm appointments.

City Staff Liaison

The City has designated staff to act as a liaison between the commission/committee and the City Council. The City shall provide staff services to the commission/committee which will include:

- Developing a rapport with the Chair and commission/committee members
- Providing a schedule of meetings to the City Clerk's Office and commission/committee members, arranging meeting locations, maintaining the minutes and other public records of the meeting, and preparing and distributing appropriate information related to the meeting agenda.
- Advising the commission/committee on directions and priorities of the City Council.
- Informing the commission/committee of events, activities, policies, programs, etc. occurring within the scope of the commission/committee's function.
- Ensuring the City Clerk is informed of all vacancies, expired terms, changes in offices, or any other changes to the commission/committee.

- Providing information to the appropriate appointed official including reports, actions, and recommendations of the committee/commission and notifying them of noncompliance by the commission/committee or chair with City policies.
- Ensuring that agenda items approved by the commission/committee are brought forth in a timely manner taking into consideration staff capacity, City Council priorities, the commission/committee work plan, and other practical matters such as the expense to conduct research or prepare studies, provided appropriate public notification, and otherwise properly prepare the item for commission/committee consideration.
- Take action minutes; upon agreement of the commission, this task may be performed by one of the members (staff is still responsible for the accuracy and formatting of the minutes)
- Maintain a minute book with signed minutes

<u>Recommendations, requests and reports</u>
As needed, near the beginning of City Council meetings, there will be an item called "Commission/Committee Reports." At this time, commissions/committees may present recommendations or status reports and may request direction and support from the City Council. Such requests shall be communicated to the staff liaison in advance, including any written materials, so that they may be listed on the agenda and distributed with the agenda packet. The materials being provided to the City Council must be approved by a majority of the commission/committee at a commission/committee meeting before submittal to the City Council. The City Council will receive such reports and recommendations and, after suitable study and discussion, respond or give direction.

<u>City Council referrals</u>
The City Clerk shall transmit to the designated staff liaison all referrals and requests from the City Council for advice and recommendations. The commissions/committees shall expeditiously consider and act on all referrals and requests made by the City Council and shall submit reports and recommendations to the City Council on these assignments.

<u>Public appearance of commission/committee members</u>
When a commission/committee member appears in a non-official, non-representative capacity before the public, for example, at a City Council meeting, the member shall indicate that he or she is speaking only as an individual. This also applies when interacting with the media and on social media. If the commission/committee member appears as the representative of an applicant or a member of the public, the Political Reform Act may govern this appearance. In addition, in certain circumstances, due process considerations might apply to make a commission/committee member's appearance inappropriate. Conversely, when a member who is present at a City Council meeting is asked to address the City Council on a matter, the member should represent the viewpoint of the particular commission/committee as a whole (not a personal opinion).

<u>Disbanding of advisory body</u>
Upon recommendation by the Chair or appropriate staff, any standing or special advisory body, established by the City Council and whose members were appointed by the City Council, may be declared disbanded due to lack of business, by majority vote of the City Council.

<u>Meetings and officers</u>
1. *Agendas/notices/minutes*
   - All meetings shall be open and public and shall conduct business through published agendas, public notices and minutes and follow all of the Brown Act provisions governing public meetings. Special, canceled and adjourned meetings may be called when needed, subject to the Brown Act provisions.
   - Support staff for each commission/committee shall be responsible for properly noticing and posting all regular, special, canceled and adjourned meetings. Copies of all meeting agendas, notices and minutes shall be provided to the City Council, City Manager, City Attorney, City Clerk and other

appropriate staff, as requested.

- Original agendas and minutes shall be filed and maintained by support staff in accordance with the City's adopted records retention schedule.
- The official record of the commissions/committees will be preserved by preparation of action minutes.

2. *Conduct and parliamentary procedures*
   - Unless otherwise specified by State law or City regulations, conduct of all meetings shall generally follow Robert's Rules of Order.
   - A majority of commission/committee members shall constitute a quorum and a quorum must be seated before official action is taken.
   - The chair of each commission/committee shall preside at all meetings and the vice chair shall assume the duties of the chair when the chair is absent.
   - The role of the commission/committee chair (according to Roberts Rules of Order): To open the session at the time at which the assembly is to meet, by taking the chair and calling the members to order; to announce the business before the assembly in the order in which it is to be acted upon; to recognize members entitled to the floor; to state and put to vote all questions which are regularly moved, or necessarily arise in the course of the proceedings, and to announce the result of the vote; to protect the assembly from annoyance from evidently frivolous or dilatory motions by refusing to recognize them; to assist in the expediting of business in every compatible with the rights of the members, as by allowing brief remarks when undebatable motions are pending, if s/he thinks it advisable; to restrain the members when engaged in debate, within the rules of order, to enforce on all occasions the observance of order and decorum among the members, deciding all questions of order (subject to an appeal to the assembly by any two members) unless when in doubt he prefers to submit the question for the decision of the assembly; to inform the assembly when necessary, or when referred to for the purpose, on a point of order to practice pertinent to pending business; to authenticate by his/her signature, when necessary, all the acts, orders, and proceedings of the assembly declaring it will and in all things obeying its commands.
3. *Lack of a quorum*
   - When a lack of a quorum exists at the start time of a meeting, those present will wait 15 minutes for additional members to arrive. If after 15 minutes a quorum is still not present, the meeting will be adjourned by the staff liaison due to lack of a quorum. Once the meeting is adjourned it cannot be reconvened.
   - The public is not allowed to address those commissioners present during the 15 minutes the commission/committee is waiting for additional members to arrive.
   - Staff can make announcements to the members during this time but must follow up with an email to all members of the body conveying the same information.
   - All other items shall not be discussed with the members present as it is best to make the report when there is a quorum present.
4. *Meeting locations and dates*
   - Meetings shall be held in designated City facilities, as noticed.
   - All commissions/committees with the exception of the Planning Commission, Finance and Audit Committee and Sister City Committee shall conduct regular meetings once a month. Special meetings may also be scheduled as required by the commission/committee. The Planning Commission shall hold regular meetings twice a month. The Finance and Audit Committee and Sister City Committee shall hold quarterly meetings.
   - Monthly regular meetings shall have a fixed date and time established by the commission/committee. Changes to the established regular dates and times are subject to the approval of the City Council. An exception to this rule would include any changes necessitated to fill a temporary need in order for the commission/committee to conduct its meeting in a most efficient and effective way as long as proper and adequate notification is provided to the City Council and made available to the public.

The schedule of Commission/Committee meetings is as follows:

- Complete Streets Commission – Every second Wednesday at 7 p.m.
- Environmental Quality Commission – Every third Wednesday at 6:00 p.m.
- Finance and Audit Committee – Third Wednesday of every quarter at 5:30 p.m.,
- Housing Commission – Every first Wednesday at 6:30 p.m.
- Library Commission – Every third Monday at 6:30 p.m.
- Parks and Recreation Commission – Every fourth Wednesday at 6:30 p.m.
- Planning Commission – Twice a month at 7 p.m.
- Sister City Committee – Quarterly; Date and time to be determined

Each commission/committee may establish other operational policies subject to the approval of the City Council. Any changes to the established policies and procedures shall be subject to the approval of the City Council.

5. *Off-premises meeting participation*

While technology allows commission/committee members to participate in meetings from a location other than the meeting location (referred to as “off-premises”), off-premises participation is discouraged given the logistics required to ensure compliance with the Brown Act and experience with technological failures disrupting the meeting. In the event that a commission/committee member believes that his or her participation is essential to a meeting, the following shall apply:.

- Any commission/committee member intending to participate from an off-premise location shall inform the staff liaison at least two weeks in advance of the meeting.
- The off-premise location must be identified in the notice and agenda of the meeting.
- Agendas must be posted at the off-premise location.
- The off-premise location must be accessible to the public and be ADA compliant.
- The commission/committee member participating at a duly noticed off-premises location does not count toward the quorum necessary to convene a meeting of the commission/committee.
- For any one meeting, no more than one commission/committee member may participate from an off-premise location.
- All votes must be by roll call.

6. *Selection of chair and vice chair*

- The chair and vice chair shall be selected in May of each year by a majority of the members and shall serve for one year or until their successors are selected.
- Each commission/committee shall annually rotate its chair and vice chair.

G**.** Memberships

Appointments/Oaths

- The City Council is the appointing body for all commissions/committees. All members serve at the pleasure of the City Council for designated terms.
- All appointments and reappointments shall be made at a regularly scheduled City Council meeting, and require an affirmative vote of not less than a majority of the City Council present.
- Before taking office, all members must complete an Oath of Allegiance required by Article XX, §3, of the Constitution of the State of California. All oaths are administered by the City Clerk or his/her designee.
- Appointments made during the middle of the term are for the unexpired portion of that term.

Application and selection process

- The application process begins when a vacancy occurs due to term expiration, resignation, removal or death of a member.
- The application period will normally run for a period of four weeks from the date the vacancy occurs.

If there is more than one concurrent vacancy in a Commission, the application period may be extended. Applications are available from the City Clerk's office and on the City's website.

- The City Clerk shall notify members whose terms are about to expire whether or not they would be eligible for reappointment. If reappointment is sought, an updated application will be required.
- Applicants are required to complete and return the application form for each commission/committee they desire to serve on, along with any additional information they would like to transmit, by the established deadline. Applications sent by email are accepted; however, the form submitted must be signed.
- After the deadline of receipt of applications, the City Clerk shall schedule the matter at the next available regular City Council meeting. All applications received will be submitted and made a part of the City Council agenda packet for their review and consideration. If there are no applications received by the deadline, the City Clerk will extend the application period for an indefinite period of time until sufficient applications are received.
- Upon review of the applications received, the City Council reserves the right to schedule or waive interviews, or to extend the application process in the event insufficient applications are received. In either case, the City Clerk will provide notification to the applicants of the decision of the City Council.
- If an interview is requested, the date and time will be designated by the City Council. Interviews are open to the public.
- The selection/appointment process by the City Council shall be conducted open to the public. Nominations will be made and a vote will be called for each nomination. Applicants receiving the highest number of affirmative votes from a majority of the City Council present shall be appointed.
- Following a City Council appointment, the City Clerk shall notify successful and unsuccessful applicants accordingly, in writing. Appointees will receive copies of the City's Non-Discrimination and Sexual Harassment policies, and disclosure statements for those members who are required to file under State law as designated in the City's Conflict of Interest Code. Copies of the notification will also be distributed to support staff and the commission/committee chair.
- An orientation will be scheduled by the City Clerk following an appointment (but before taking office) and a copy of this policy document will be provided at that time.

Attendance

- An Attendance Policy (CC-91-001), shall apply to all advisory bodies. Provisions of this policy are listed below.
- A compilation of attendance will be submitted to the City Council at least annually listing absences for all commissions/committee members.
- Absences, which result in attendance at less than two-thirds of their meetings during the calendar year, will be reported to the City Council and may result in replacement of the member by the City Council.
- Any member who feels that unique circumstances have led to numerous absences can appeal directly to the City Council for a waiver of this policy or to obtain a leave of absence.
- While it is expected that members be present at all meetings, the chair and staff liaison should be notified if a member knows in advance that he/she will be absent.
- When reviewing commissioners for reappointment, overall attendance at full commission meetings will be given significant consideration.

Compensation

- Members shall serve without compensation (unless specifically provided) for their services, provided, however, members shall receive reimbursement for necessary travel expenses and other expenses incurred on official duty when such expenditures have been authorized by the City Council (See Policy CC-91-002).

Conflict of interest and disclosure requirements

- A Conflict of Interest Code has been updated and adopted by the City Council and the Community Development Agency pursuant to Government Code §87300 et seq. Copies of this Code are filed with the City Clerk. Pursuant to the adopted Conflict of Interest Code, members serving on the Planning Commission are required to file a Statement of Economic Interest with the City Clerk to disclose personal interest in investments, real property and income. This is done within 30 days of appointment and annually thereafter. A statement is also required within 30 days after leaving office.
- If a public official has a conflict of interest, the Political Reform Act may require the official to disqualify himself or herself from making or participating in a governmental decision, or using his or her official position to influence a governmental decision. Questions in this regard may be directed to the City Attorney.

Qualifications, compositions, number

- In most cases, members shall be residents of the City of Menlo Park and at least 18 years of age.
- Current members of any other City commission/committee are disqualified for membership, unless the regulations for that advisory body permit concurrent membership. Commission/Committee members are strongly advised to serve out the entirety of the term of their current appointment before seeking appointment on another commission/committee.
- Commission/Committee members shall be permitted to retain membership while seeking any elective office. However, members shall not use the meetings, functions or activities of such bodies for purposes of campaigning for elective office.
- There shall be seven (7) members on each commission/committee with the exception of:
  - Finance and Audit Committee – five (5) members
  - Housing Commission – seven (7) members
  - Complete Streets Commission – nine (9) members
  - Library Commission – eleven (11) members

Reappointments, resignations, removals

- Incumbents seeking a reappointment are required to complete and file an application with the City Clerk by the application deadline. No person shall be reappointed to a commission/committee who has served on that same body for two consecutive terms; unless a period of one year has lapsed since the returning member last served on that commission/committee (the one year period is flexible subject to City Council's discretion).
- Resignations must be submitted in writing to the City Clerk, who will distribute copies to City Council and appropriate staff.
- The City Council may remove a member by a majority vote of the City Council without cause, notice or hearing.

Term of office

- Unless specified otherwise, the term of office for all commission/committee shall be four (4) years unless a resignation or a removal has taken place.
- If a person is appointed to fill an unexpired term and serves less than two years, that time will not be considered a full term. However, if a person is appointed to fill an unexpired term and serves two years or more, that time will be considered a full term.
- Terms are staggered to be overlapping four-year terms, so that all terms do not expire in any one year.
- If a member resigns before the end of his/her term, a replacement serves out the remainder of that term.

Vacancies

- Vacancies are created due to term expirations, resignations, removals or death.
- Vacancies are listed on the City Council agenda and posted by the City Clerk in the City Council Chambers bulletin board and on the city website.
- Whenever an unscheduled vacancy occurs in any commission/committee, a special vacancy notice shall be posted within 20 days after the vacancy occurs. Appointment shall not be made for at least 10 working days after posting of the notice (Government Code 54974).
- On or before December 31 of each year, an appointment list of all regular advisory commissions/committees of the City Council shall be prepared by the City Clerk and posted in the City Council Chambers bulletin board and on the City's website. This list is also available to the public. (Government Code 54972, Maddy Act).

Roles and Responsibilities

Complete Streets Commission

The Complete Streets Commission is charged primarily with advising the City Council on multi-modal transportation issues according to the goals and policies of the City's general plan. This includes strategies to encourage safe travel, improve accessibility, and maintaining a functional and efficient transportation network for all modes and persons traveling within and around the City. The Complete Streets Commission's responsibilities would include:

- Coordination of multi-modal (motor vehicle, bicycle, transit and pedestrian) transportation facilities
- Advising City Council on ways to encourage vehicle, multi-modal, pedestrian and bicycle safety and accessibility for the City supporting the goals of the General Plan
- Coordination on providing a citywide safe routes to school plan
- Coordination with regional transportation systems
- Establishing parking restrictions and requirements according to Municipal Code sections 11.24.026 through 11.24.028

Environmental Quality Commission

The Environmental Quality Commission is charged primarily with advising the City Council on matters involving environmental protection, improvement and sustainability. Specific focus areas include:

- Preserving heritage trees
- Using best practices to maintain city trees
- Preserving and expanding the urban canopy
- Making determinations on appeals of heritage tree removal permits
- Administering annual Environmental Quality Awards program
- Organizing annual Arbor Day Event; typically a tree planting event
- Advising on programs and policies related to protection of natural areas, recycling and waste reduction, environmentally sustainable practices, air and water pollution prevention, climate protection, and water and energy conservation.

Finance and Audit Committee

The Finance and Audit Committee is charged primarily to support delivery of timely, clear and comprehensive reporting of the City's fiscal status to the community at large. Specific focus areas include:

- Review the process for periodic financial reporting to the City Council and the public, as needed
- Review financial audit and annual financial report with the City's external auditors
- Review of the resolution of prior year audit findings
- Review of the auditor selection process and scope, as needed

Housing Commission

The Housing Commission is charged primarily with advising the City Council on housing matters including housing supply and housing related problems. Specific focus areas include:

- Community attitudes about housing (range, distribution, racial, social-economic problems
- Programs for evaluating, maintaining, and upgrading the distribution and quality of housing stock in the City
- Planning, implementing and evaluating City programs under the Housing and Community Development Act of 1974
- Members serve with staff on a loan review committee for housing rehabilitation programs and a first time homebuyer loan program
- Review and recommend to the City Council regarding the Below Market Rate (BMR) program
- Initiate, review and recommend on housing policies and programs for the City
- Review and recommend on housing related impacts for environmental impact reports
- Review and recommend on State and regional housing issues
- Review and recommend on the Housing Element of the General Plan
- The five most senior members of the Housing Commission also serve as the members of the Relocation Appeals Board (City Resolution 4290, adopted June 25, 1991).

Library Commission

The Library Commission is charged primarily with advising the City Council on matters related to the maintenance and operation of the City's libraries and library systems. Specific focus areas include:

- The scope and degree of library activities
- Maintenance and protection of City libraries
- Evaluation and improvement of library service
- Acquisition of library materials
- Coordination with other library systems and long range planning
- Literacy and ESL programs

Parks and Recreation Commission

The Parks and Recreation Commission is charged primarily with advising the City Council on matters related to City programs and facilities dedicated to recreation. Specific focus areas include:

- Those programs and facilities established primarily for the participation of and/or use by residents of the City, including adequacy and maintenance of such facilities as parks and playgrounds, recreation buildings, facilities and equipment
- Adequacy, operation and staffing of recreation programs
- Modification of existing programs and facilities to meet developing community needs
- Long range planning and regional coordination concerning park and recreational facilities

Planning Commission

The Planning Commission is organized according to State Statute.

- The Planning Commission reviews development proposals on public and private lands for compliance with the General Plan and Zoning Ordinance.
- The Commission reviews all development proposals requiring a use permit, architectural control, variance, minor subdivision and environmental review associated with these projects. The Commission is the final decision-making body for these applications, unless appealed to the City Council.
- The Commission serves as a recommending body to the City Council for major subdivisions, rezoning's, conditional development permits, Zoning Ordinance amendments, General Plan amendments and the environmental reviews and Below Market Rate (BMR) Housing Agreements associated with those projects.
- The Commission works on special projects as assigned by the City Council.

Sister City Committee

The Sister City Committee is primary charged with promoting goodwill, respect and cooperation by facilitating cultural, educational and economic exchanges

- Develop a mission statement and program plan consisting of projects, exhibits, contacts and exchanges of all types to foster and promote the objectives of the mission statement
- Implement the approved program plan upon request of the City Council
- Keep the community informed concerning the Sister City program
- Advise the City Council on matters pertaining to any sister city affairs
- Perform other duties as may be assigned to the committee by the City Council

Special Advisory Bodies

The City Council has the authority to create standing committees, task forces or subcommittees for the City, and from time to time, the City Council may appoint members to these groups. The number of persons and the individual appointee serving on each group may be changed at any time by the City Council. There are no designated terms for members of these groups; members are appointed by and serve at the pleasure of the City Council.

Any requests of city commissions or committees to create such ad hoc advisory bodies shall be submitted in writing to the City Clerk for City Council consideration and approval.

COMMISSION & COMMITTEE APPLICATION

City Clerk
701 Laurel Street, Menlo Park, CA 94025
tel 650-330-6620 fax 650-328-7935

CITY OF MENLO PARK

Please type or print clearly. You may attach additional pages, if necessary. This is a public document.

Date:4/19/19

Commission or Committee of Interest:Library

Name:Christina Larsen

Education:MA English, BA English and Italian Lieratures, Stanford University

Civic affiliations and community activities, including service on other commissions or committees:

-Full Funding Committee, Menlo Park City School District
-Volunteer, Stanford University
-Executive BOD, Menlo Park Atherton Educational Foundtion (term beginning June 2019)

Describe your understanding of the responsibilities of the commission or committee that you are applying for and how your personal community or professional experience relate to these responsibilities:

I understand the commission duties are to grow, improve and help coordinate library services. I am a frequent patron of the main library (as well as other libraries in the system) both as an adult and for my children. I am also a frequent attendee at many of the library's programming events. I am an English major, which means I understand the purpose, organization and use of libaries.

Describe why you want to serve on this commission or committee and what you hope to accomplish as a member:

I would like to serve because reading is the most valuable tool we can give our children, and libaries are central to creating a lifelong love of reading. Libraries are also a place for community; young and old can come together to read, or to participate in activities at the libary. As more books are read digitally, this idea of a central gathering place becomes even more important. Libraries play a role in the health of community members; they provide a place for relaxation, quiet, comfort, engagement and inspiration. I would like to explore how libraries maintain their central place in peoples' lives in the digital age, and how we can ensure that Menlo Park libraries are fully utilized. Because I have three school-aged children, I would also like to provide perspective on outreach to schools.

[redacted]

Signature

4-18-19

Date

OFFICE USE ONLY:

Application Received: ____________________
Considered by City Council: ________________
Considered by City Council: ________________
Considered by City Council: ________________
If Appointed Term ends: ___________________

Address Verified in City Limits: ☐ By: _____ (Initials)
Appointed: ☐ Yes ☐ No
Appointed: ☐ Yes ☐ No
Appointed: ☐ Yes ☐ No

CC-2F Rev 1.1.15

Personal Information:			
Name: Christina Larsen	Number of years as a Menlo Park resident:		
Resident Address [redacted]	City: Menlo Park	State: CA	Zip: 94025
Mailing Address (if different):	City:	State:	Zip:
Phone: [redacted]	Email [redacted]		
Business Address:	City:	State:	Zip:
Business Phone:			
Registered Voter: ■ Yes ☐ No			
How did you hear about this opportunity: ☐ Newspaper ☐ Email ☐ City's Website ■ Nextdoor.com ☐ Patch.com ☐ Other ________			
If I am appointed, the City is authorized to post the following information on the City's website:	Cell Phone: Business Phone: Home Phone: Email:	☐ Yes ☒ No ■ Yes ☒ No ☐ Yes ☒ No ☐ Yes ■ No	

COMMISSION & COMMITTEE APPLICATION

City Clerk
701 Laurel Street, Menlo Park, CA 94025
tel 650-330-6620 fax 650-328-7935

CITY OF MENLO PARK

Please type or print clearly. You may attach additional pages, if necessary. This is a public document.

Date: 4/5/2019

Commission or Committee of Interest: Library

Name: Kristina Lemons

Education: High School diploma; some college

Civic affiliations and community activities, including service on other commissions or committees:
I have served on the Library commission since 2015 and have been involved with the process that the library has taken to focus on creating a Belle Haven branch that serves the needs of the community as well as the many projects of the library in general outside of updating buildings.

Describe your understanding of the responsibilities of the commission or committee that you are applying for and how your personal community or professional experience relate to these responsibilities:
The commission's role is to listen and help communicate the needs/desires of the public to the library staff, and to the city council. The commission helps to make sure the needs of the community are being heard for every aspect where community input is needed. My experience working with the commission and understanding of the issues for these last 4 years along with my desire to help the community by participating in this process is what I have to offer the commission today.

Describe why you want to serve on this commission or committee and what you hope to accomplish as a member:
I enjoy volunteering to be a part of my community. I want to see both branches of the library thrive and maintain a strong presence in Menlo Park for generations to come. I see my role as a small part of making sure that happens and making sure we have a strong democracy locally where voices are heard.

[redacted]

Signature

4/5/2019

Date

OFFICE USE ONLY:

Application Received: ____________________
Considered by City Council: ________________
Considered by City Council: ________________
Considered by City Council: ________________
If Appointed Term ends: ___________________

Address Verified in City Limits: ☐ By: _____ (Initials)
Appointed: ☐ Yes ☐ No
Appointed: ☐ Yes ☐ No
Appointed: ☐ Yes ☐ No

CC-2F Rev 1.1.15

Personal Information:			
Name: Kristina Lemons	Number of years as a Menlo Park resident:		
Resident Address: [redacted]	City: Menlo Park	State: CA	Zip: 94025
Mailing Address (if different):	City:	State:	Zip:
Phone: [redacted]	Email:		
Business Address: [redacted]	City: Menlo Park	State: CA	Zip: 94025
Business Phone: [redacted]			
Registered Voter: ■ Yes ☐ No			
How did you hear about this opportunity: ☐ Newspaper ☐ Email ☐ City's Website ☐ Nextdoor.com ☐ Patch.com ■ Other ________			
If I am appointed, the City is authorized to post the following information on the City's website:	Cell Phone: Business Phone: Home Phone: Email:	☐ Yes ☐ No ☐ Yes ☐ No ☐ Yes ☐ No ☐ Yes ☐ No	

SPECIAL AND REGULAR MEETING MINUTES – DRAFT

Date: 4/16/2019
Time: 5:00 p.m.
Senior Center
100 Terminal Ave., Menlo Park, CA 94025

5:00 p.m. Town Hall Open Forum

TH1. Public Comment

- Ron Shepherd suggested that staff reports, when appropriate, have a financial analysis. Shepherd also commented that survey responses could be skewed depending on how the questions are phrased.
- Pamela Jones spoke in support of the town hall meeting in the Belle Haven neighborhood and suggested holding meetings in each of the districts. Jones also requested that a list be complied of all the City's landholdings.
- Jen Wolosin commented on the most recent Complete Streets Commission topic regarding multi-modal lanes.
- Pushpinder Lubana recommended increasing the number of City Council meetings at the senior center and suggested more be included in the park and recreation master plan.
- Rachel Bickerstaff spoke in support of increased City Council meeting at the senior center and to schedule the start time later.
- Vicky Robledo commented that the start time of the open forum is too early and suggested the meeting notice signs be placed on Willow Road. Robledo also commented that the City Council consider a separate master plan for Belle Haven.
- Pat Harris requested restroom facilities at all City parks and more water fountains.
- Terri Epidendio commented on the major traffic issues on Willow Road and spoke in support of bus shelters.
- Rose Bickerstaff expressed concern regarding traffic issues and suggested that more community involvement be addressed for future plans in the Belle Haven neighborhood.
- Lorena Cuffy spoke in support of "no thru traffic" and "no turn" signs on Willow Road.
- Caroline Isaac commented on the amount of increased traffic and construction.
- Curt Conroy spoke to specific ratios of square footage of parks to people and suggested ceasing more office construction.

The City Council took a 10-minute break at 5:34 p.m.

- Deadra Lampkin suggested more advertising and outreach of City Council meetings.
- Jacquie Cebrian commented on the traffic congestion, pedestrian safety, and a "no right turn on red" sign, without time limits, at Hamilton Avenue.
- Diane Baily commented at the change in mobility patterns since the initiation of ConnectMenlo. Baily expressed concerns for sea-level rise and flooding.
- LJ Anderson commented that there is a different standard of care between Menlo Park neighborhoods. Anderson also recommended the Belle Haven pool hours be adjusted to meet the needs of the community.

6:00 p.m. Study Session

SS1. Parks and Rec master plan update – Bayfront and Belle Haven (Attachment)

Community Services Director Derek Schweigart made the presentation (Attachment).

- Deadra Lampkin expressed concerns about the little league district boundaries.
- Betty White had concerns regarding former little league board members and she supports children in the Menlo Park neighborhoods having the opportunity to participate in activities in Menlo Park.
- Vicky Robledo encouraged more Belle Haven resident's participation at City Council meetings and had concerns that changes being proposed are not best for the community.
- Pamela Jones had concerns regarding the stakeholders involved in the process and suggested Facebook village be omitted from the Park and Rec master plan. Jones also commented on the need for connectivity to the senior center and parks.
- Lynne Bramlett suggested projects have financial analysis and provide clear financial information the commissions. Bramlett also suggested a full summary of long-term debt and questioned if there was outstanding debt on the Burgess Pool project. Bramlett requested clarification on City partnerships and commented that Belle Haven have its own master plan. Bramlett suggested that surveys and handouts also be printed in Spanish.
- Pushpinder Lubana suggested removing the term "campus" when referring to the community center and spoke in support of more public feedback.

City Councilmember Carlton suggested having a Spanish translator at the next Belle Haven City Council meeting. City Council directed staff to appoint a Belle Haven resident to the oversight and outreach group and schedule a meeting. Staff also stated that the survey will be translated into Spanish and the deadline for submission extended.

The City Council took a 10-minute break at 6:57 p.m.

7:00 p.m. Regular Session

A. Call to Order

Mayor Mueller called the meeting to order at 7:07 p.m.

B. Roll Call

Present:	Carlton, Combs, Nash, Taylor, Mueller
Absent:	None
Staff:	City Manager Starla Jerome-Robinson, City Attorney Bill McClure, City Clerk Judi A. Herren, Deputy City Clerk Neetu Salwan

C. Pledge of Allegiance

Mayor Mueller led the Pledge of Allegiance

D. Presentations and Proclamations

D1. Proclamation: Recognizing Vanessa Carlisle

Mayor Mueller read the proclamation and Vanessa Carlisle accepted (Attachment).

D2. Proclamation: Recognizing Ariel Tinajero

Mayor Mueller read the proclamation and Glafria Garcia (Ariel's mother) accepted (Attachment).

D3. Proclamation: Recognizing Avery Drake

Mayor Mueller read the proclamation and Avery Drake accepted (Attachment).

D4. Proclamation: Recognizing Gail Daniels

Mayor Mueller read the proclamation and Gail Daniels accepted (Attachment).

D5. Proclamation: National Public Safety Telecommunicators Week (April 14 – 20, 2019)

Mayor Mueller read the proclamation and Tracy Weber, Charlie Manning, Karen Cinfio, and Brianna Pocasangre accepted (Attachment).

E. Public Comment

- Bronwyn Alexander spoke in support of making the Belle Haven sidewalks safer by removal of poles.
- Lynne Bramlett expressed concerns that the public is not being heard and suggested that new ways of communication be developed. Bramlett also commented on the employee survey results and requested the item be returned to the City Council. Bramlett gave the City Council a sample public participation ordinance (Attachment).

F. Commission/Committee Report

F1. Consider applicants and make appointments to fill vacancies on the various City commissions and committees (Staff Report #19-066-CC)

- Jacqui Cebrian expressed interest in serving on the Complete Streets Commission.

By acclamation, the City Council directed staff to return City Council policy (#19-0004) increasing the membership of the Finance and Audit Committee from five to seven. The City Council was also a proponent of appointing Peter Ohtaki and Brian Westcott to the Committee at a future meeting.

The City Council made appointments to fill vacancies on the Complete Streets, Environmental Quality, Finance and Audit, Housing, Library, Parks and Recreation, Planning, and Sister City commissions/committees.

Complete Streets Commission:
- Jacqui Cebrian – term expiring April 30, 2023
- John Cromie – term expiring April 30, 2022

Environmental Quality Commission:
- Josie Gaillard
- Rebecca Turley (reappointed)

Finance and Audit Committee:
- Ron Shepherd (reappointed)

Housing Commission:
- Lauren Bigelow – term expiring April 30, 2023
- Curtis Conroy – term expiring April 30, 2021

Library Commission:
- David Erhart
- Kristen Leep (reappointed)

Parks and Recreation Commission:
- Robert Bentley
- Marc Bryman

Planning Commission:
- Chris DeCardy
- Michele Tate

Sister City Committee:
- Brian Gilmer

G. Consent Calendar

G1. Accept the City Council meeting minutes for April 9, 2019 (Attachment)

- Lynne Bramlett expressed concern about accuracy of the minutes.

G2. Approve design for Chilco Street bicycle and pedestrian improvements from Bayfront Expressway to Hamilton Avenue (Staff Report #19-069-CC)

The City Council received clarification that the street sweeping is performed on the City side of the street, which is why the City incurs those costs. Mayor Pro Tem Taylor reaffirmed the need to prioritize pedestrians.

G3. Adopt the climate and sustainability Resolution No. 6493 approving the Mayor and city clerk to sign on Earth Day (April 22) (Staff Report #19-071-CC)

The City Council received clarification that this action, adopting a resolution, is for policy goals.

ACTION: Motion and second (Combs/Carlton) to approve the consent calendar, passed unanimously.

H. Regular Business

H1. Approve the Belle Haven neighborhood traffic management plan and implementation program (Staff Report #19-070-CC)
Associate Transportation Engineer Director Kevin Chen made the presentation.

City Councilmember Carlton expressed concerns for bike safety due to the bulbouts and received clarification on the sharrows safety based on the road classification.

- Jen Wolosin referenced an email and explained that bulbouts decrease the speed of automobiles.
- David Erhart expressed confusion on the criteria for the decisions and recommended prioritizing local pedestrians.
- Pamela Jones spoke in support of the plan and stated it reflected the voice of the community. Jones also requested routes and schedules of Facebook shuttle buses.
- Rose Bickerstaff expressed concerns that Terminal Avenue was not included in the plan.
- Isis spoke in support of adding Terminal Avenue to the plan.
- Terri Epidendio was discouraged that the frontage road at Willow Road was not included in the plan.

The City Council received clarification on Newbridge Street signage, signal operations, and discussed expanding the scope. The City Council directed staff to implement the changes in phases and return to City Council with updates.

ACTION: Motion and second (Carlton/Nash) to approve the Belle Haven neighborhood traffic management plan and implementation program including a phased implementation, evaluation, and without a neighborhood vote, passed unanimously.

H2. Review and approval of the Belle Haven branch library space needs study report and authorization to issue a request for proposals for architectural conceptual design services (Staff Report #19-067-CC)

Interim Library Director Sean Reinhart, Assistant Library Services Director Nick Szegda, and Noll and Tam principal architect Trina Goodwin made the presentation.

- Betsy Halaby spoke in support of the space needs study.
- Elyse Stein spoke in support of the space needs study.
- Rachel Bickerstaff spoke in support of the space needs study and retaining the Belle Haven Neighborhood Library Advisory Committee.
- Konstance Kirkendoll spoke in support of the space needs study.
- Sheryl Bims spoke in support of the space needs study and suggested including a new senior and community center in Belle Haven.
- Pushpinder Lubana spoke in support of the space needs study and encouraged expanding the scope.
- Jacqui Cebrian spoke in support of the space needs study.

The City Council discussed site opportunities and considered expanding the scope.

ACTION: Motion and second (Combs/Taylor) to approve the Belle Haven branch library space needs study report and authorize a request for proposals for architectural conceptual design services, passed unanimously.

I. Informational Items

I1. Update on the Menlo Gateway development agreement requirements to construct 1) off-site landscape improvements near the project site and 2) capital improvements in Belle Haven and Bedwell Bayfront Park (Staff Report #19-068-CC)

J. City Manager's Report

K. Councilmember Reports

Mayor Mueller announced a joint City Council meeting with the Palo Alto City Council on May 6.

City Councilmember Carlton spoke on Assembly Bill 730 and the City Council directed staff to draft a letter of support. Carlton also commented that customers of Peninsula Clean Energy pay approximately 5 percent less compared to PG&E rates.

L. Adjournment

Mayor Mueller adjourned the meeting at 10:02 p.m.

STAFF REPORT

City Council
Meeting Date: **5/7/2019**
Staff Report Number: **19-076-CC**

Consent Calendar: **Adopt Resolution No. 6496 to authorize a funding agreement with Samaritan House to administer Menlo Park's community housing fund to provide tenant relocation assistance of $100,000 for relocation assistance, $12,000 for program administration**

Recommendation

Staff recommends City Council:

1. Adopt Resolution No. 6496 (Attachment A) to authorize a funding agreement (Attachment C) with Samaritan House to administer a tenant relocation assistance program, including $100,000 for relocation assistance and $12,000 for program administration
2. Approve the tenant relocation assistance program guidelines (Attachment B)
3. Authorize the city manager to execute the agreement on behalf of the City of Menlo Park

Policy Issues

The City Council desires to allocate one-time funds to initiate a tenant relocation assistance program to support Menlo Park tenants of rental units that experience actions that cause displacement which are not subject to the tenant relocation assistance ordinance.

Background

On March 12, the City Council approved adoption of a new tenant relocation assistance ordinance (ordinance) after a significant community engagement process. The ordinance is applicable to certain circumstances and does not apply when a household must relocate due to a substantial rent increase or notice to vacate a unit without cause. The City Council also approved the creation of a community housing fund that will be used to provide relocation assistance payments to Menlo Park residents facing displacement from their rental units for reasons not addressed by the new ordinance. The City Council approved the allocation of one-time initial funding of $100,000 from the general fund, with the expectation that private community donations will be contributed to the community housing fund to leverage the City's initial commitment.

Before the adoption of the ordinance, the City Council Housing Fund ad hoc Subcommittee met March 4 to discuss the community housing fund purpose, eligibility criteria, and amount of relocation assistance and administration of the funds. A more in-depth summary of the subcommittee recommendations are included in the City Council Staff Report #19-046-CC (Attachment D). City Council discussed the subcommittee recommendations and directed staff to contact Samaritan House to discuss the administration of the tenant relocation assistance and to request their recommendations on the various components based on their experience with similar assistance programs.

City Council expressed their desire to receive periodic progress reports on the relocation assistance including the number of households served, demographic information, reasons for requesting assistance (e.g., rent increase, other), private contributions to the tenant relocation program fund and the fund balance. City Council also expressed their preference the relocation assistance program be initiated as soon as possible and requested an agreement be brought back for the City Council approval.

Analysis

Staff met with Samaritan House soon after the City Council meeting and they expressed their willingness to partner and collaborate with the City to administer the relocation assistance. Samaritan House South is the core service agency serving Menlo Park residents, one of eight core service agencies in San Mateo County that work in close collaboration with the Human Services Agency to provide individuals and families with basic emergency and support services to stabilize their living situations. Core service agencies provide clients with crisis intervention and referrals based on an evaluation of their needs and qualifications for assistance. Core service agencies provide safety net services to San Mateo County residents in need of food, emergency housing assistance, emergency utility assistance, shelter and other basic needs.

The community fund for relocation assistance will complement other forms of assistance provided at the Samaritan House South location in East Palo Alto. Additionally, Samaritan House South will be providing services to Menlo Park residents at a city facility on certain weekdays in the near future.

Based on discussions with Samaritan House staff, relocation assistance guidelines were developed. The components of these guidelines are summarized below and attached to the funding agreement as the scope of services.

<u>Eligibility</u>

Eligibly for relocation assistance will be primarily for circumstances that are not covered by the City's tenant relocation assistance ordinance. The three most common circumstances would be an unsustainable rent increase, a landlord chooses not to continue to lease/rent to tenant or issues a notice to vacate. The recommended definition of an unsustainable rent increase is an amount equal to or greater than the consumer price index (CPI) plus 10 percent, based on the current lease or rent amount before the tenant received the notice of increase. Samaritan House also recommended a range of CPI plus 5 percent to 10 percent be permitted in certain circumstances in order for them to administer the assistance on a case by case basis after they conduct an eligibility analysis.

In addition to an applicant submitting proof of an action that will result in relocation (e.g., notice of unsustainable rent increase, notice to vacate, etc.,), households must meet income eligibility, live in a unit located in incorporated Menlo Park, have a current lease or rental agreement and be current on rental payments. Households in the process of an eviction are not eligible.

<u>Income threshold</u>

There was a City Council discussion and several public comments on the income threshold to be used for eligibility. City Council directed staff to work with Samaritan House to develop a recommendation based on their experience with similar programs. The City's below market rate housing programs and other federal, state and regional definitions of lower income households include incomes up to 120 percent (moderate income) of the area median income (AMI.) However, in this region, households described as "middle income," with incomes up to 150 percent of the AMI, are experiencing housing affordability and displacement issues as well as lower income households. Based on the information Samaritan House recommended households with incomes at or below 150 percent of the AMI be determined eligible for assistance, provided they meet other eligibility criteria.

Amount of Assistance
City Council discussed options that included up to three months of United States Department of Housing and Urban Development (HUD) fair market rent (FMR) to one fixed amount to be provided to eligible households. Using the HUD FMR would exhaust the initial program funds rapidly on a fewer number of households whereas a fixed amount would allow the assistance to serve a greater number of households. Samaritan House administers similar programs that cap financial assistance at $2,500, however, based on Menlo Park's program intent and the City Council discussion they recommended relocation assistance be set at a fixed amount of $5,000 per household/unit. Only one relocation assistance payment per unit would be available, even if more than one household lives in a unit.

City Council discussed options for the payment of the relocation assistance including directly to the household that requests the assistance or to vendors for relocation related expenses such as a rental deposit, moving or storage costs. Based on their experience with relocation assistance programs, Samaritan House staff indicated that for audit purposes and program integrity the relocation assistance be paid directly to vendors for relocation related expenses, and not provided directly to eligible households. This also allows the funds to be disbursed more quickly, does not require the tenant to subsequently provide an invoice for the relocation receipts and facilitates a relationship between Samaritan House, vendors and landlords which hopefully will lead to additional emergency placements. Other cities and organizations that administer similar assistance were consulted and verified they only provide payments to third parties on behalf of households for eligible relocation expenses, which is consistent with best practices.

Program administration
The City Council did not specify the term of the program, but did express their desire to gain a better understanding of the need for assistance. Staff recommends the program be structured as a one-year pilot with the intent to transition to a continuing program that can be renewed biennially. This approach would include a comprehensive staff review of periodic qualitative and quantitative progress reports to assess the continuing need for the program. Currently there is no baseline data on the demand for relocation assistance, however, this information will be collected by Samaritan House and submitted in quarterly reports to the City Council. This information will inform a needs analysis for City Council review and further direction.

Staff recommends City funds not expended during the first year continue to be available for relocation assistance until they are exhausted, but no longer than three fiscal years.

Samaritan House will provide the relocation assistance administration for an amount equal to 12 percent of each dollar. This amount represents their internal costs for program delivery and is considered reasonable based on comparison with similar local public services administration costs. City Council initially approved $100,000 for this program and the total amount recommended for approval now includes the initial program administration expense of $12,000, for a total request of $112,000.

Staff recommends the City Council approve the resolution no. 6496 (Attachment A), terms in the guidelines and the funding agreement with Samaritan House for the Menlo Park relocation assistance program.

Impact on City Resources

The City Council previously appropriated $100,000 to fund relocation assistance payments. The 12 percent administration fee charged under the agreement, $12,000, will be paid for using existing budgetary savings. Additional impacts include staff time to prepare the program guidelines, agreement and review periodic reports.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it is a minor change that will not result in any direct or indirect physical change in the environment. .

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Resolution No. 6496
B. Tenant relocation assistance program guidelines
C. Funding agreement
D. Hyperlink – menlopark.org/DocumentCenter/View/20834/F3---20190312--Tenant-Relocation-CC?bidId=

Report prepared by:
Rhonda Coffman, Deputy Community Development Director – Housing

Reviewed by:
Mark Muenzer, Community Development Director

RESOLUTION NO. 6496

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK AUTHORIZING AND APPROVING A FUNDING AGREEMENT IN THE AMOUNT OF $112,000 WITH SAMARITAN HOUSE, A NON PROFIT ORGANIZATION, TO ADMINISTER A TENANT RELOCATION ASSISTANCE PROGRAM

WHEREAS, on March 12, 2019, City Council approved adoption of a new tenant relocation assistance ordinance, applicable to certain circumstances and does not apply when a household must relocate due to a substantial rent increase or notice to vacate a unit without cause; and

WHEREAS, on March 12, 2019, City Council approved the creation of a community housing fund that will be used to provide relocation assistance payments to Menlo Park residents facing displacement from their rental units for reasons not addressed by the new ordinance; and

WHEREAS, on March 12, 2019, City Council approved the allocation of one-time initial funding of $100,000 from the general fund, with the expectation that private community donations will be contributed to the community housing fund to leverage the City's initial commitment; and

WHEREAS, City Council directed staff to consult with Samaritan House to discuss the administration of the tenant relocation assistance and to request their recommendations on the various components based on their experience with similar assistance programs; and

WHEREAS, Samaritan House agreed to collaborate with the City to administer the tenant relocation assistance program and City and Samaritan House staff developed tenant relocation assistance program guidelines provided the City pays an administrative fee of twelve percent (12%); and

WHEREAS, City Council desires to allocate one-time funds to initiate a tenant relocation assistance program to support Menlo Park tenants of rental units that experience actions that cause displacement which are not subject to the tenant relocation assistance ordinance.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Menlo Park hereby:

1. Authorizes and approves a funding agreement with Samaritan House as presented to the City Council on the seventh day of May, 2019, incorporated herein as Exhibit A
2. Adopts the Tenant Relocation Program Guidelines, incorporated herein as Exhibit B.

I, Judi A. Herren, City Clerk of the City of Menlo Park, do hereby certify that the above and foregoing City Council resolution was duly and regularly passed and adopted at a meeting by said City Council on the seventh day of May, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this seventh day of May, 2019.

____

Judi A. Herren, City Clerk

TENANT RELOCATION ASSISTANCE PROGRAM GUIDELINES

PURPOSE

This program will provide relocation assistance payments to Menlo Park residents facing displacement from their rental units for reasons not addressed by the new tenant relocation assistance ordinance. The tenant relocation assistance ordinance only applies to certain circumstances and does not apply when a household must relocate due to a substantial rent increase or notice to vacate a unit without cause.

This funding is not intended for use as the sole support for the program. The program administrator is required to enter into a contractual agreement with the City detailing the specific objectives to be accomplished as a result of the grant.

POLICY

1. GOALS AND PHILOSOPHY

The City of Menlo Park recognizes that:

1.1 the availability of basic human service and housing programs is a key determining factor in the overall quality of life of Menlo Park residents;

1.2 the most cost-effective and efficient manner to insure that these services are available to local residents is through the development of agreements with existing non-profit agencies;

1.3 contractual agreements with non-profit agencies allow the City to influence the human service and housing programs offered to Menlo Park residents; and

1.4 financial assistance grants demonstrate the City's support of the activities of specific non-profits and make it possible for these agencies to leverage additional funds which will benefit local residents.

2. PROGRAM ADMINISTRATION

2.1 Program administrator must be an incorporated non-profit entity and must be tax exempt (under Section 501(c)(3) of the IRS Code, and Section 2370(d) of the California Revenue and Taxation Code).

2.2 Program administrator must be based in or near Menlo Park and provide services locally.

2.3 Program administrator shall maintain accounting records which are in accordance with generally accepted accounting practices and must have an independent audit performed at least once every two years.

2.4 Program administrator must have bylaws which define the organization's purposes and functions, its organization and the duties, authority and responsibilities of its governing body and officers.

2.5 Governance of the program administrator should be vested in a responsible and active board which meets at least quarterly and establishes and enforces policies. The board should be large enough and so structured to be representative of the community it serves. It should have a specific written plan for rotation or other arrangements to provide for new members.

2.6 Program administrator must provide for adequate administration of the program to insure delivery of the services. The program administrator must have a written job description for each staff position and an organizational chart approved by the board. One individual must be designated as the full time director of the agency.

2.7 Program administrator shall use no less than 88% of City funds and other private donations to the program for direct relocation assistance payments for eligible expenses services. Program administration costs shall not exceed 12%.

3. PROGRAM ELIGIBILITY AND AMOUNT OF RELOCATION ASSISTANCE

3.1 Eligibility for relocation assistance is based on certain program criteria. Assistance is primarily for circumstances that are not covered by the City's Tenant Relocation Assistance Ordinance including:

a. Unsustainable rent increase
b. Landlord chooses not to continue to lease/rent to tenant
c. Landlord issues notice to vacate
d. Other extraordinary actions as determined by the program administrator and approved by the city's Community Development Director on a case by case basis

The general definition of an unsustainable rent increase is an amount equal to or greater than the Consumer Price Index (CPI) plus 10%, based on the current lease or rent amount before the tenant received the notice of increase. A range of CPI plus 5% to 10% is permitted in certain circumstances in order to administer the assistance on a case-by-case basis after an eligibility analysis is conducted.

In addition to an applicant submitting proof of an action that will result in relocation (e.g. notice of unsustainable rent increase, notice to vacate, etc.), households must:

a. meet income eligibility requirements
b. occupy a unit located in incorporated Menlo Park for a minimum of twelve (12) months
c. have a current valid lease or rental agreement with landlord
d. not be delinquent on rental payments

3.2 Households in the process of an eviction are not eligible.

3.3 Households must have income at or below 150% of the Area Median Income (AMI) for San Mateo County, as may be adjusted from time to time. Income determination is based on household income at the time of receipt of the qualifying relocation action notice.

3.4 Households must request assistance from the program administrator and must consent to providing information and documentation as requested for eligibility determination.

3.5 Relocation assistance shall not exceed $5,000 per household. Only one relocation assistance payment per unit is permitted, even if more than one household lives in a unit. Relocation assistance payments will be disbursed directly to vendors on behalf of eligible households. Eligible expenses include:

a. Rent payment
b. Rental/lease deposit

c. Moving related expenses
d. Other customary and directly related relocation expenses as determined by program administrator

3.6 Legal fees are not an eligible relocation expense.
3.7 Relocation assistance is available one time only.

4. FUNDING AND REPORTING

4.1 The City will provide one-time initial program funding of $100,000 from the General Fund and expects other private sector partners to contribute to the program. Donations shall be made directly to program administrator and designated to support the Menlo Park Tenant Relocation Program.

4.2 Funds will be disbursed on a first come first served basis. This is a pilot program and no entitlement to funds shall be created by virtue of eligibility.

4.3 All decisions of the program administrator shall be final.

4.4 Program administrator shall track and report on the status of funds received and program administration on a periodic basis as specified in a funding agreement. City Community Development/Housing staff will review reports and provide summary reports to the Housing Commission and City Council on program performance.

COMMUNITY FUNDING AGREEMENT

City Manager's Office
701 Laurel St., Menlo Park, CA 94025
tel 650-330-6620

CITY OF MENLO PARK

Agreement #:
AGREEMENT BETWEEN THE CITY OF MENLO PARK AND SAMARITAN HOUSE
THIS AGREEMENT made and entered into at Menlo Park, California, this______day of____________, ______, by and between the CITY OF MENLO PARK, a Municipal Corporation, hereinafter referred to as "CITY", and SAMARITAN HOUSE, hereinafter referred to as "FIRST PARTY."
WITNESSETH: WHEREAS, FIRST PARTY provides a tenant relocation assistance program on behalf of the City of Menlo Park; and WHEREAS, FIRST PARTY has requested financial assistance in order to conduct the program for residents of City during the fiscal years commencing July 1, 2018, and ending June 30, 2020; and WHEREAS, City has reviewed said request and desires to allocate to FIRST PARTY the sum of one hundred twelve thousand and no/100 dollars ($112,000). NOW, THEREFORE, the parties hereto do hereby agree as follows:
1. FINANCIAL ASSISTANCE
City shall allocate to FIRST PARTY the sum of one hundred twelve thousand and no/100 dollars ($112,000) for exclusive use by FIRST PARTY during the fiscal year commencing 5/13/2019, and ending 5/12/2020, solely for the purposes described in paragraph 2.
2. USE OF FUNDS
FIRST PARTY shall use the funds provided pursuant to paragraph 1 solely for the Program purposes described in the approved Tenant Relocation Assistance Program, with no less than 88 percent of City funds and other private donations to the program used for direct services as opposed to administrative costs.
3. CHANGES TO PROGRAM
No changes in the program described in this agreement which are funded by the financial assistance provided under paragraph 1 shall be made without the prior written consent of City.
4. PAYMENTS
FIRST PARTY shall keep detailed and accurate records of all expenditures made and expenses incurred which are funded under this agreement. Payments of funds allocated pursuant to paragraph 1 shall be made to FIRST PARTY once the agreement is executed.
5. STANDARD OF SERVICE

FIRST PARTY warrants to City that it will perform all Program activities funded hereunder in accordance with the highest standards and shall be responsible for, and hold City harmless from any failure to provide such activities in accordance with such standard. FIRST PARTY shall verify that all activities funded hereunder benefit only residents within City's corporate limits.

6. ANNUAL REPORT

FIRST PARTY shall submit a narrative report to City at the end of the fiscal year describing the activities funded under this agreement. Said report shall include the total number of direct beneficiaries with demographic information regarding ethnicity, age and other data as required by City.

7. FINANCIAL STATEMENT/ANALYSIS; AUDIT

FIRST PARTY shall make available to City, or the public, upon request, a financial statement and analysis setting forth in detail the manner in which, and the specific purposes for which, the funds paid hereunder were expended to the date of such accounting. In addition to the foregoing, and in any event, FIRST PARTY shall submit to City no later than 6/30/2020, a detailed financial statement and analysis setting forth the foregoing information. Said statement and analysis may be combined with the end of the year narrative report submitted pursuant to paragraph 6.

8. AUDIT; MONITORING

City may audit the records and accounts of FIRST PARTY for the purpose of verifying expenditures by FIRST PARTY of funds provided hereunder or verifying statements or analyses made or provided by FIRST PARTY hereunder. FIRST PARTY shall respond to, and comply with, any audit exception made or taken by City relating to FIRST PARTY's performance or failure to perform hereunder. FIRST PARTY shall pay City the full amount owing to City determined to be owing as a result of any such audit exception.

9. CONTRACTOR'S STATUS

In the performance of the obligations set forth in this agreement, FIRST PARTY shall have the status of an independent contractor and shall not be deemed to be an employee, agent or officer of City.

10. HOLD HARMLESS

FIRST PARTY hereby agrees to defend, indemnify and save harmless City, its Council, officers, boards, commissions, agents, and employees (collectively, "Indemnities") against and from any and all claims, suits or actions of every name, kind and description, which may be brought against Indemnities, or any of them, by reason of any injury to, or death of, any person (including corporations, partnerships and association) or damage suffered or sustained by any such person arising from, or alleged to have arisen from, any act or omission to act, negligent or otherwise, of FIRST PARTY, its officers, agents or employees under this agreement.

The duty of FIRST PARTY to defend, indemnify and save harmless, as set forth herein, shall include the duty to defend as set forth in Section 2778 of the California Civil Code; provided, however, that nothing herein shall be construed to require FIRST PARTY to indemnify Indemnities against any responsibility or liability in contravention of Section 2782 of the California Civil Code.

11. NON-DISCRIMINATION AND EQUAL OPPORTUNITY
FIRST PARTY hereby warrants and agrees that, in the performance of this agreement, it will not, in connection with the employment, advancement or discharge of employees, or in connection with the terms, conditions or privileges of their employment, discriminate against person because of their age, except upon the basis of bona fide occupational qualification, retirement plan or statutory requirement, and will not specify, in solicitations or advertisement for employees to work on this agreement, a maximum age limit, unless such limit is based upon bona fide occupational qualification, retirement plan or statutory requirement. FIRST PARTY further warrants and agrees that it will comply with all provisions of executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor; and that it will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. FIRST PARTY will take affirmative action to ensure that applicants are employed and that employees are treated during employment, without regard to their race, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.
12. NON-DISCRIMINATION BASED ON DISABILITY
FIRST PARTY hereby agrees that it will comply with the provisions of Section 504 of the Rehabilitation Act of 1973 and the American with Disabilities Act (ADA) providing equal access and reasonable accommodations in employment programs and services to persons who are disabled.
13. INTEREST OF PUBLIC OFFICIALS
No members, officers, or employees or agents of the City of Menlo Park, no member of the City Council and no other public official who exercises any function or responsibility with respect to this agreement or FIRST PARTY's Program during his or her tenure, or for one year thereafter, shall have any interest, direct or indirect, in this agreement or a related subcontract agreement, or the proceeds thereof. FIRST PARTY shall incorporate in all subcontract agreements hereunder a provision prohibiting such interest.
14. LOBBYING PROHIBITED
Funds provided under this agreement shall not be used by FIRST PARTY for publicity or propaganda purposes designed to support or defeat legislation pending before federal, state, or local government.
15. RELIGIOUS ACTIVITY PROHIBITED
There shall be no religious worship, instruction or proselytizing as a part of, or in connection with the performance of this agreement.
16. PARAGRAPH HEADINGS
Paragraph headings and sub-paragraph headings are used herein are for convenience only and shall not be deemed to alter or modify the provisions of the paragraphs or sub-paragraphs headed thereby.

SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day and year first above written.

FIRST PARTY:

Signature	Date
Printed Name	Title
Tax ID#	

APPROVED AS TO FORM:

William L. McClure, City Attorney	Date

CITY OF MENLO PARK:

Starla Jerome-Robinson, Interim City Manager	Date

ATTEST:

Judi A. Herren, City Clerk	Date

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CITY OF
MENLO PARK

STAFF REPORT

City Council
Meeting Date: **5/7/2019**
Staff Report Number: **19-079-CC**

Consent Calendar: **Award the contract for citywide independent audit services for fiscal years 2018-19 through 2020-21 at a total cost of $170,323 for the initial three-year term and authorize the city manager to execute the contract agreement**

Recommendation

Staff recommends that the City Council award the contract for the City/Agency audit service for fiscal years 2018-19 through 2020-21 at a total cost of $170,343 for the initial three-year period including the possibility of an extension of up to two years to Lance, Soll & Lunghard, LLP (LSL) and authorize the city manager to execute the contract agreement.

Policy Issues

Local government agencies are required by law to have an independent audit of their annual financial statements (published as the comprehensive annual financial report or CAFR.) The purpose of audit by the independent audit firm is to express an opinion about whether the financial statements are free of material misstatement, in conformance with generally accepted accounting principles (GAAP), and in compliance with the Governmental Accounting Standards Board (GASB) statements. It is important to obtain an unqualified opinion for a clean audit for validation of the City's financial management practices, to earn awards, and to receive an excellent bond rating.

Background

The City has been audited by Badawi & Associates, CPA, for the last five years. For the five years prior thereto, Odenberg, Ullakko, Muranishi & Company**,** CPA, was the City's auditor. It has been the practice for the City to periodically solicit bids for audit services and March 1, staff issued a request for proposals (RFP) and received responses from three firms. Badawi and Associates, CPA did not submit a proposal. A review panel comprised of staff and a subcommittee from the Finance and Audit Committee interviewed all three firms Wednesday, April 24, and references were checked for each firm following the interviews. Each of the firms which submitted a proposal was determined by both staff and the Finance and Audit Committee audit selection subcommittee to be fully qualified to perform audit services for the City.

Analysis

Each proposal was evaluated on a number of mandatory elements, technical qualifications and price. The mandatory elements section focused on basic licensing and ability to meet the requirements of an independent audit. The technical qualifications section included expertise and experience both firm-wide as well as for the particular personnel proposed to be assigned to the engagement, as well as an outline of the proposed audit approach. The final element of the proposals was simply price; however, price was noted in the request for proposals as not being the primary factor in selection of an audit firm. In addition to evaluating the proposals received as part of the RFP process, staff and a subcommittee from the Finance and Audit Committee interviewed representatives from each firm in order to ask additional clarifying questions about their proposals and matters especially pertinent to the City of Menlo Park.

Mandatory elements

All proposals scored similarly in the mandatory elements section, with each proposal demonstrating appropriate independence and the requisite licenses for work in the state of California as well as the most recent external quality control review. Vavrinek, Trine, Day & Co. (VTD) did not include a proposed schedule for the audit but instead indicated that it would be dependent upon the CAFR deadline. As the RFP specified a target date for publishing the CAFR, this was the only difference between proposals in the mandatory elements category. This omission was not considered disqualifying but rather a data point for consideration in conjunction with other elements.

Technical qualifications

Each of the proposals included substantial expertise and experience on a firm-wide basis and with respect to comparable government engagements and on the quality of the firm's professional personnel to be assigned to the engagement. Due to the relative size of the firms, VTD and LSL proposed a greater level of specialization between staff while the proposal from Van Lant & Fankhanel, LLP (VLF) included a higher relative share of senior-level engagement. Each of these differences contains risks and advantages and was not considered to create a meaningful differentiation between proposals and all proposals were considered fully qualified on this element.

In addition to expertise, the RFP solicited a description of audit approach with respect to staff plans for the engagement, adequacy of sampling techniques, and adequacy of analytical procedures. The proposals received from LSL and VLF were substantially similar with respect to expected volume of work and the anticipated rigor of the sampling and analytical techniques while the proposal received from VTD included a lower labor-hour estimate and less detail in terms of sampling and analytical techniques. While the difference between proposals does not prove a difference in ability to adequately perform the requisite services, staff determined the outlier proposal by VTD to represent an increased risk of lower thoroughness and the proposals by LSL and VLF to be substantially similar.

Price

As outlined in the RFP, price was not considered a primary evaluation factor. Based on the previous contract amount for independent audit services and similarity in price, LSL and VLF were determined to have an in-market price and VTD was determined to have a below-market price. Table 1 below outlines the cost proposals for each firm over the initial three-year term.

Table 1: Cost proposals by firm

Firm	Proposed fees	Hours per year	Average hourly rate	First year increase / (decrease) from fiscal year 17-18
Lance, Soll & Lunghard, LLP (LSL)	$170,343	454	$375	4.66%
Van Lant & Fankhanel, LLP (VLF)	$173,219	462	$375	6.42%
Vavrinek, Trine, Day & Co. (VTD)	$121,524	370	$328	(25.35%)

Interview impressions

In conjunction with the subcommittee of the Finance and Audit Committee, staff conducted interviews with each firm that submitted a proposal, covering a number of topics which allowed more nuanced explanations of potential approaches to concerns specific to San Mateo County or City of Menlo Park. Based on the responses given during these interviews, each of the firms which submitted proposals confirmed for the interview panel their ability to adequately perform an independent audit for the City and no substantive concerns were raised. However, LSL demonstrated to staff a level of attention to the City's prior year CAFR which indicated additional research and preparation beyond that of VLF and VTD. This familiarity does not detract from either VLF or VTD but does create an additional data point for consideration. Finally, VTD and LSL by virtue of their larger organizations indicated a greater capacity for providing additional services that does not limit VLF's ability to adequately provide independent audit services but which has the potential to require additional contracts in the event that the City pursues substantial projects during the contract period (e.g., financial accounting software upgrade or replacement.)

Finance and Audit Committee subcommittee recommendation

During its meeting February 6, 2019, the Finance and Audit Committee selected Ron Shepherd as the subcommittee to recommend an audit firm to the City Council. Outlined in Attachment A, the subcommittee recommended selection of VTD to perform the City's independent audit. Due to the timing of the RFP, interviews, and the necessity of timeliness in selecting an audit firm, the full Finance and Audit Committee was not able to meet to review the subcommittee's recommendations.

Overall comparison

Each of the responsive firms was determined by both staff and the Finance and Audit Committee's audit selection subcommittee to be qualified to conduct an independent audit with some variation in advantage and risk between firms. Table 2 below outlines the most substantive differences between the three firms and includes the recommendations by both staff and the subcommittee.

Table 2: Overall relative comparison between firms

Firm	Advantages	Risks	Subcommittee recommendation	Staff recommendation
Lance, Soll & Lunghard, LLP (LSL)	City-specific preparation, depth of proposal, staff specialization, availability of additional services	n/a	Qualified	Recommended
Van Lant & Fankhanel, LLP (VLF)	Senior-level staff attention, depth of proposal	n/a	Qualified	Qualified
Vavrinek, Trine, Day & Co. (VTD)	Overall price, staff specialization, availability of additional services	Significant under-estimation of hours required for engagement	Recommended	Qualified

Impact on City Resources

The impact on City resources is dependent on City Council selection of independent audit firm. The specified contract amount will be included in the City's operating budget for each respective fiscal year.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it is a minor change that will not result in any direct or indirect physical change in the environment.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Finance and Audit Committee audit selection subcommittee recommendation

Report prepared by:
Patricia Barboza, Senior Accountant
Dan Jacobson, Finance and Budget Manager

Report reviewed by:
Nick Pegueros, Assistant City Manager

To:	Dan Jacobsen, Patricia Barboza
Copy:	Starla Jerome-Robinson
	FAC for information only
From:	Ronald W Shepherd
Date:	April 27, 2019
Re:	Auditor Selection Interviews

On April 24, 2019 I met with Dan Jacobsen and Patricia Barboza (Senior Accountant) to interview three firms who had responded to the RPF to provide professional auditing services to the City of Menlo Park. The three firms were Van Lant & Fankhanel LLP (VLF), LSL and Vavrinek, Trine, Day & Co., LLP (VTD)

SELECTED INFORMATION ON EACH FIRM:

Name	Location	Staff Size	Fees over five years	Hours to complete
VLF	Loma Linda	4 (small)	$294,549	460
LSL	Sacramento	about 100	$289,658	454
VTD	Palo Alto	large	$206,692	370

SPECIFIC COMMENTS

During the interviews Dan Jacobsen reported that all the firms interviewed had the qualifications to perform the audit. VLF is a small firm, two partners and two staff, specializing in auditing governmental entities, mainly in Southern California. LSL is a medium sized firm that has many governmental entity clients. Their staff has served on several GASB advisory committees. VTD is a large firm (one of the top 100 in the nation). They specialize in providing auditing services for governmental entities.

On reviewing the RFPs (before the interviews) I was concerned that VTD could perform the assignment in about 90 hours less than others. I called VTD's Palo Alto office and expressed my concern to Nathan Edelman, technical review partner, listed in the organization chart, page 5 of the RFP. In addition, I told him that staff was concerned as VTD had provided services several years ago to the City of Menlo Park and was dissatisfied with lack of responsiveness to phone call inquiries, giving them the name of their staff person who was called. Edelman told me he would investigate and call back, which he did the next day. He said that the number of hours required was correct, emphasizing that their hours did not include travel time as they were local, and that their audit approach was extremely efficient due to their vast experience in auditing governmental entities. Moreover, their fee was fixed so any additional hours required would "be on them". He also advised me that the Palo Alto office had not performed any work for Menlo Park, and the staff person mentioned had not been an employee of that office.

RECOMMENDATION

I recommend contracting with VTD, they are a large local firm very experienced in providing the required services. Their fees are about 30% less than the other respondents. When the finance department upgrades its IT system VTD has experienced staff who could assist if required. Finance department staff were concerned that VTD might require more assistance from them in preparing audit schedules. Based on my auditing experience I would suggest that any firm selected would request staff to complete as many audit schedules as appropriate to reduce their costs.

Staff also suggested that FAC hold a special meeting on or about April 30, 2019 to review my recommendation and make a committee recommendation to the Council. I said that there was not enough time, but that I was meeting with the Mayor and City Manager later in the day and would ask their opinion. The mayor did not attend that meeting. The city Manager said that she would inquire of the Mayor and respond.

STAFF REPORT

City Council
Meeting Date: **5/7/2019**
Staff Report Number: **19-083-CC**

Consent Calendar: **Adopt Resolution No. 6499 to adopt a debt management policy and debt disclosure policy as required by Government Code Section 88559(i)**

Recommendation

Staff recommends that City Council adopt Resolution No. 6499 (Attachment D) to adopt a debt management policy (Attachment B) and debt disclosure policy (Attachment C.)

Policy Issues

California Government Code Section 8855(i) requires that local government agencies have a debt policy and the Government Finance Officers of America (GFOA) considers adoption of a debt management policy to be a best practice.

Background

The administrative services department is in the process of reviewing existing policies and procedures to ensure compliance with various regulations. As part of the review, it was found that the City does not have a City Council adopted debt management policy as required by Government Code Section 88559(i), effective January 1, 2017, or a debt disclosure policy.

Analysis

The attached policies have been drafted in compliance with guidance from the California Debt and Investment Advisory Commission (CDIAC) and Government Code Section 888559(i). The City's financial adviser, Public Financial Management (PFM), has reviewed the policy and the Finance and Audit Committee reviewed and recommended adoption of the attached policies at its meeting July 31, 2018 (Attachment A.)

Impact on City Resources

The policies mandate certain training and reporting requirements that are expected to have a nominal impact on staff capacity in the administrative services department. The adoption of debt management and debt disclosure policies do not affect any current or future debt without additional action by the City Council.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it is a minor change that will not result in any direct or indirect physical change in the environment.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Staff report 18-001-FA recommending review of draft policies to Finance and Audit Committee
B. Draft City Council policy CC-19-008 debt management
C. Draft City Council policy CC-19-009 debt disclosure
D. Resolution No. 6499 adopting a debt management policy and a debt disclosure policy

Report prepared by:
Dan Jacobson, Finance and Budget Manager
Nick Pegueros, Assistant City Manager

STAFF REPORT

Finance and Audit Committee
Meeting Date: **7/31/2018**
Staff Report Number: **18-001-FA**

Regular Business: Recommend City Council Adoption of a Debt Management Policy and Debt Disclosure Policy

Recommendation

The recommendation is that the Finance and Audit Committee review and recommend City Council adoption of a Debt Management Policy and a Debt Disclosure Policy.

Policy Issues

The City Council seeks recommendations from the Finance and Audit Committee to help inform their decisions on matters of debt financing.

Background

The Administrative Services Department is in the process of reviewing existing policies and procedures to ensure compliance with various regulations. As part of the review, it was found that the City does not have a City Council adopted Debt Management Policy as required by Government Code Section 88559(i), effective January 1, 2017, or a Debt Disclosure Policy.

Analysis

The attached policies have been drafted in compliance with guidance from the California Debt and Investment Advisory Commission (CDIAC) and Government Code Section 888559(i). The City's financial advisor, PFM, has reviewed the policy.

Impact on City Resources

The policies mandate certain training and reporting requirements that are expected to have a nominal impact on staff capacity in the Administrative Services Department.

Environmental Review

No environmental review is required for the Committee's discussion.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 24 hours prior to the special meeting.

Attachments

A. Draft Debt Management Policy
B. Draft Debt Disclosure Policy

Report prepared by:
Nick Pegueros, Administrative Services Director

DEBT MANAGEMENT

City Council Procedure #CC-19-008
Effective 5/7/2019
Resolution No. 6499

Purpose

This debt policy is intended to comply with Government Code Section 8855(i), effective on January 1, 2017, and shall govern all debt undertaken by the City of Menlo Park ("Issuer").

The Issuer hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the Issuer's sound financial position.
- Ensure the Issuer has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the Issuer's credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the Issuer.
- Ensure that the Issuer's debt is consistent with the Issuer's planning goals and objectives and capital improvement program or budget, as applicable

Authority for this City Council policy is provided by City Council Resolution No. 6499, adopted on May 7, 2019. The debt policy may be amended by the City Council as it deems appropriate from time to time in the prudent management of the debt of the Issuer. Any approval of debt by the City Council that is not consistent with this debt policy shall constitute a waiver of this debt policy.

Section I. Purposes for which debt may be issued

1. Long-term debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the Issuer.

   1.1. Long-term debt financings are appropriate when the following conditions exist:
   - When the project to be financed is necessary to provide basic services.
   - When the project to be financed will provide benefit to constituents over multiple years.
   - When total debt does not constitute an unreasonable burden to the Issuer and its taxpayers and ratepayers.
   - When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

   1.2. Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

   1.3. The Issuer may use long-term debt financings subject to the following conditions:
   - The project to be financed must be approved by the City Council.
   - The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20 percent.
   - The Issuer estimates that sufficient revenues will be available to service the debt through its maturity.
   - The Issuer determines that the issuance of the debt will comply with the applicable state and federal law.

2. Short-term debt. Short-term debt may be issued to provide financing for the Issuer's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the Issuer may undertake lease-purchase financing for equipment.

3. Financings on behalf of other entities. The Issuer may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of Issuer. In such cases, the Issuer shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein.

Section II. Types of debt

For purposes of this debt policy, “debt” shall be interpreted broadly to mean bonds, notes, certificates of participation, financing leases, or other financing obligations, but the use of such term in this debt policy shall be solely for convenience and shall not be interpreted to characterize any such obligation as an indebtedness or debt within the meaning of any statutory or constitutional debt limitation where the substance and terms of the obligation comport with exceptions thereto.

The following types of debt are allowable under this debt policy:

- general obligation bonds
- bond or grant anticipation notes
- lease revenue bonds, certificates of participation and lease-purchase transactions
- other revenue bonds and certificates of participation
- tax and revenue anticipation notes
- land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- tax increment financing to the extent permitted under state law
- conduit financings, such as financings for affordable rental housing and qualified 501(c)(3) organizations

The Issuer may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this debt policy.

Debt shall be issued as fixed rate debt unless the Issuer makes a specific determination as to why a variable rate issue would be beneficial to the Issuer in a specific circumstance.

Section III. Relationship of debt to capital improvement program and budget

The Issuer is committed to long-term capital planning. The Issuer intends to issue debt for the purposes stated in this debt policy and to implement policy decisions incorporated in the Issuer’s capital budget and the capital improvement plan.

The Issuer shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The Issuer shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

The Issuer shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the Issuer’s public purposes.

The Issuer shall seek to avoid the use of debt to fund infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce annual budgetary expenditures.

The Issuer shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

Section IV. Policy goals related to planning goals and objectives
The Issuer is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The Issuer intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the Issuer's annual operations budget. It is a policy goal of the Issuer to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs. The Issuer will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges. When refinancing debt, it shall be the policy goal of the Issuer to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings equal to or greater than 3.0 percent of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100 percent of any escrow fund negative arbitrage.
Section V. Internal control procedures
When issuing debt, in addition to complying with the terms of this debt policy, the Issuer shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. The Issuer will periodically review the requirements of and will remain in compliance with the following: • any continuing disclosure undertakings under SEC Rule 15(c)(2)-12, • any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and • the Issuer's investment policies as they relate to the investment of bond proceeds. It is the policy of the Issuer to ensure that proceeds of debt are spent only on lawful and intended uses. Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the Issuer will submit written requisitions for such proceeds. The Issuer will submit a requisition only after obtaining the signature of the administrative services director. In those cases where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the administrative services director shall retain records of all expenditures of proceeds through the final payment date for the debt.

DEBT DISCLOSURE

City Council Procedure #CC-19-009
Effective 5/7/2019
Resolution No. 6499

CITY OF MENLO PARK

Purpose

This disclosure policy and procedure (the “Disclosure Procedure”) of the City of Menlo Park (the “City”) are intended to ensure that the City is in compliance with all applicable federal and state securities laws.

Authority for this City Council policy is provided by City Council Resolution No. 6499, adopted on May 7, 2019.

Section I. Disclosure Coordinator

The chief financial officer of the City shall be the disclosure coordinator of the City (the “Disclosure Coordinator”).

Section II. Review and approval of official statements

The Disclosure Coordinator of the City shall review any official statement prepared in connection with any debt issuance by the City in order to ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the City.

In connection with its review of the official statement, the Disclosure Coordinator shall consult with third parties, including outside professionals assisting the City, and all members of City staff, to the extent that the Disclosure Coordinator concludes they should be consulted so that the official statement will include all “material” information (as defined for purposes of federal securities law).

As part of the review process, the Disclosure Coordinator shall submit all official statements to the City Council for approval. The cover letter used by the Disclosure Coordinator to submit the official statements shall be in substantially the form of Exhibit A.

The approval of an official statement by the City Council shall be docketed as a new business matter and shall not be approved as a consent item. The City Council shall undertake such review as deemed necessary by the City Council, following consultation with the Disclosure Coordinator, to fulfill the City Council’s responsibilities under applicable federal and state securities laws. In this regard, the Disclosure Coordinator shall consult with the City’s disclosure counsel to the extent the Disclosure Coordinator considers appropriate.

Section III. Continuing disclosure filings

Under the continuing disclosure undertakings that the City has entered into in connection with its debt offerings, the City is required each year to file annual reports with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system in accordance with such undertakings. Such annual reports are required to include certain updated financial and operating information, and the City’s audited financial statements.

The City is also required under its continuing disclosure undertakings to file notices of certain events with EMMA.

The Disclosure Coordinator is responsible for establishing a system (which may involve the retention or one or more consultants) by which:

i. the City will make the annual filings required by its continuing disclosure undertakings on a complete and timely basis, and
ii. the City will file notices of enumerated events on a timely basis.

Section IV. Public statements regarding financial information

Whenever the City makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets, the City is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

Section V. Training
The Disclosure Coordinator shall ensure that the members of the City staff involved in the initial or continuing disclosure process and the City Council are properly trained to understand and perform their responsibilities. The Disclosure Coordinator shall arrange for disclosure training sessions conducted by the City's disclosure counsel. Such training sessions shall include education on these Disclosure Procedures, the City's disclosure obligations under applicable federal and state securities laws and the disclosure responsibilities and potential liabilities of members of the City's staff and members of the City Council. Such training sessions may be conducted using a recorded presentation

RESOLUTION NO. 6499

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK ADOPTING A DEBT MANAGEMENT POLICY FOR THE CITY OF MENLO PARK

WHEREAS, Senate Bill 1029 (SB 1029) was signed by the California Governor on September 12, 2016 and results in amendments to California Government Code Section 8855, which established the California Debt and Investment Advisory Commission ("CDIAC") as a state agency managed by the California State Treasurer; and

WHEREAS, SB 1029 requires any issuer of debt of state or local government that submits a preliminary report of proposed debt to CDIAC after January 1, 2017 to have adopted local debt policies which include specific provisions concerning the use of debt: the purposes for which the debt proceeds may be used, the types of debt that may be issued, the relationship of the debt to, and integration with, the issuers CIP budget, policy goals related to the issuer's planning goals and objectives, and the internal control procedures that the issuer has implemented, or will implement, to ensure the proceeds of the proposed debt issuance will be directed to the intended use; and

WHEREAS, the Securities and Exchange Commission (the "SEC") recommends that issuers of municipal securities adopt policies and procedures to govern compliance and implement training with respect to their initial disclosure and continuing disclosure undertakings; and

WHEREAS, the attached Debt management policy was drafted by City staff and reviewed by the City municipal advisor firm and Finance and Audit Committee; and

WHEREAS, the attached Debt management policy includes all required components of SB 1029, responds to the SEC's recommendations with respect to disclosure policies and procedures, will advance sound financial management practices and provides flexibility for the City Council to make decisions regarding debt that is in the best interest of the City; and

WHEREAS, the City Council has considered all information related to this matter, as presented at the public meetings of the City Council identified herein, including any supporting reports by City staff, and any information provided during public meetings.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Menlo Park, as follows:

1. The City Council hereby finds that the facts set forth in the recitals to this resolution are true and correct, and establish the factual basis for the City Council's adoption of this resolution.
2. The City Council hereby adopts the City's Debt Management and disclosure policies, attached hereto as Exhibit "A".
3. The City Council hereby directs the City Manager to designate this resolution as a City Council Policy Resolution. The City Council hereby directs the City Clerk to organize and publish this resolution as a part of the City Council Policy Resolutions.
4. This Resolution shall take effect immediately upon its adoption.

I, Judi A. Herren, City Clerk of Menlo Park, do hereby certify that the above and foregoing City Council resolution was duly and regularly passed and adopted at a meeting by said City Council on the seventh day of May, 2019, by the following votes:

YES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this XXX day of May, 2019.

____

Judi A. Herren, City Clerk

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AGENDA ITEM G-5
Public Works

STAFF REPORT

City Council	
Meeting Date:	**5/7/2019**
Staff Report Number:	**19-075-CC**
Consent Calendar:	**Adopt Resolution No. 6495 to adopt the Bay Area integrated regional water resources management plan update**

Recommendation

Adopt Resolution No. 6495 (Attachment A) to adopt the Bay Area integrated regional water resources management plan update.

Policy Issues

Adopting the Bay Area integrated regional water resources management plan update (IRWMP) is consistent with the City's goal in assessing existing hazards, future risks and integrating findings with the City's general plan, local hazard mitigation plan, and capital improvement program.

Background

The development of the Bay Area IRWMP is responsive to the state's requirement that grant funds are only provided for projects included in an adopted IRWMP. The Bay Area IRWMP, initially developed in 2006 and updated in 2013, is a landmark effort to coordinate a strategic approach to regional water resources management in the nine-county Bay Area region. In order to apply for and receive money from department of water resources (DWR) IRWMP grant program, a local agency must adopt the IRWMP and all associated updates. The plan is available online (Attachment C.)

The Bay Area IRWMP informs future water resource planning by creating a road map that helps to enhance water supply reliability, protect water quality, manage flood protection, maintain public health standards, improve habitat conditions, and enhance the overall health of San Francisco Bay.

The San Francisquito Creek improvement project has been designated as a priority project in the Bay Area IRWMP, and as such enjoys support from a coalition of agencies throughout the Bay Area. This coupled with the project's multiple benefit objectives of flood protection and ecosystem restoration with accommodation of future sea level rise make it well suited for this grant program.

Analysis

In order to apply for and receive money from DWR's IRWM grant program, a local agency must adopt the regional IRWMP and all associated updates. In 2011, the San Francisquito Creek Joint Powers Authority (SFCJPA) Board adopted the Bay Area IRWMP in order to be eligible for grant funding from Proposition 1E and in June 2015 adopted the Bay Area IRWMP update.

The City of Menlo Park as a member of the (SFCJPA) has been requested to adopt the Bay Area IRWMP to allow the SFCJPA to continue to apply for and receive grant funds for both the upper and lower creek improvements segments. All partner agencies are requested to adopt the plan.

Impact on City Resources

Adoption of the Bay Area IRWMP does not entail a direct commitment of resources and implementation of each project will be the responsibility of the project proponent and any applicable project partners and there is no joint commitment or responsibility by the Bay Area IRWMP participants to implement any or all of the projects.

Environmental Review

The Bay Area IRWMP is exempt from the California Environmental Quality Act pursuant to CEQA Guidelines §15262 and § 15306 as the IRWMP consists of basic data collection that would not result in the disturbance of any environmental resource and involves planning studies for possible actions that the participating agencies have not yet approved.

Any project that is identified in the plan may require environmental review. At the time that such a project is being developed, environmental review will be conducted.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Resolution No. 6495 adopting the Bay Area integrated water resources management plan update
B. Hyperlink – 2013 San Francisco Bay Area Integrated Regional Water Management Plan: http://bayareairwmp.org/irwm-plans/
C. Hyperlink – http://bayareairwmp.org/irwm-plans/

Report prepared by:
Christopher Lamm, Assistant Director of Public Works – Engineering

RESOLUTION NO. 6495

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK ADOPTING THE SAN FRANCISCO BAY AREA INTEGRATED REGIONAL WATER MANAGEMENT PLAN UPDATE

WHEREAS, the State electorate approved multiple statewide bond measures since 2000, including Propositions 50, 84, and 1, to fund water and natural resource projects and programs, including the integrated regional water management plan (IRWMP); and

WHEREAS, the benefits of IRWMP activities include increased efficiency or effectiveness, enhanced collaboration across agencies and stakeholders, and improved responsiveness to regional needs and priorities; and

WHEREAS, state statute and guidelines require that an IRWMP be adopted by the governing boards of participating agencies before IRWMP grant funds would be provided for water resources management projects that are part of the IRWMP; and

WHEREAS, more recent state statutes and guidelines require that the Bay Area IRWMP be updated before agencies may receive future IRWMP grant funding; and

WHEREAS, the Bay Area IRWMP, most recent update September 2013, provides an implementation framework for tracking accomplishments, developing lists of prioritized projects and periodically updating the Bay Area IRWMP as conditions warrant, providing funding and resources are available to carry out these activities; and

WHEREAS, adoption of the Bay Area IRWMP does not entail a direct commitment of resources and implementation of each project, as such will be the responsibility of the project proponent and any applicable project partners, and there is no joint commitment or responsibility by the Bay Area IRWMP participants to implement any or all of the projects; and

WHEREAS, the City of Menlo Park has reviewed the Bay Area IRWMP, as updated September 2013, and determined that it is exempt from the California Environmental Quality Act pursuant to CEQA Guidelines §15262 and §15306 because the IRWMP consists of basic data collection that would not result in the disturbance of any environmental resource and involves planning studies for possible actions that the participating agencies have not yet approved; and

WHEREAS, the IRWMP is meant to be complementary to participating agencies' individual plans and programs and does not supersede such plans and programs, and adoption of the IRWMP does not prohibit or effect in any way a participating agencies' planning efforts separate from the IRWMP.

NOW, THEREFORE BE IT RESOLVED, that the City of Menlo Park, acting by and through its City Council, having considered and been fully advised in the matter and good cause appearing therefore do hereby adopt the Bay Area integrated regional water management plan update.

I, Judi A. Herren, City Clerk of Menlo Park, do hereby certify that the above and foregoing City Council resolution was duly and regularly passed and adopted at a meeting by said City Council on the seventh day of May, 2019, by the following votes:

YES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this seventh day of May, 2019.

____
Judi A. Herren, City Clerk

CITY OF MENLO PARK

STAFF REPORT

City Council
Meeting Date: **5/7/2019**
Staff Report Number: **19-077-CC**

Consent Calendar: **Adopt Resolution No. 6497 endorsing the San Mateo County Flood and Sea Level Rise Agency proposal and authorizing the expenditure of $40,000 annually for three fiscal years**

Recommendation

Adopt Resolution No. 6497 (Attachment A) endorsing the San Mateo County Flood and Sea Level Rise Resiliency Agency proposal (proposal) (Attachment C) and authorizing the expenditure of $40,000 annually for three fiscal years 2019-20 through 2021-22 to support the San Mateo County Flood and Sea Level Rise Resiliency Agency start-up.

Policy Issues

A Countywide Flood and Sea Level Rise Resiliency Agency (Agency) is consistent with the City's goal in assessing existing hazards and future risks and integrating findings with the City's general plan, local hazard mitigation plan, and capital improvement program.

Background

Sea level rise (SLR) is one of the most serious consequences of climate change and it will have a significant effect on San Mateo County (County), which has more people and property value at risk from the rising sea than any other county in the state. The San Mateo County sea level rise vulnerability assessment completed in March 2018 found that in the event of a mid-level 2100 SLR scenario, property with an assessed value of $34 billion would be flooded on the Bayshore and on the Coastside north of Half Moon Bay.

Efforts to address flooding, SLR and coastal erosion in the County are already underway. Since 1959, the San Mateo County Flood Control District (FCD) has addressed flooding issues in three county flood zones with an annual budget of $3.8 million. The County's flood resilience program was started in 2016 with the mission to address cross-jurisdictional flood risks. The flood resilience program is currently leading project development in seven cities pursuant to three memoranda of understanding (MOU): Bayfront Canal (Redwood City, Atherton, Menlo Park, Unincorporated County); Belmont Creek (Belmont, San Carlos, Unincorporated County); and Navigable Slough (South San Francisco, San Bruno, Unincorporated SMC). The County's office of sustainability has several planning initiatives related to SLR and climate change more broadly, including the sea change San Mateo County initiative. Several cities have pursued their own flood and SLR protection projects. The City/County Association of Governments (C/CAG) is helping cities and the County identify and fund regional stormwater management infrastructure that will improve water quality and mitigate downstream flood risk. However, since 2013, San Mateo County and the 20 cities and towns have increasingly recognized their competitive disadvantage in pursuing grant funding to respond to flooding and SLR in comparison with neighboring counties that have countywide agencies working on those issues.

In 2017, C/CAG established its Countywide Water Coordination Committee (Committee) as a standing committee to address flooding, regional stormwater, and SLR issues within the County. The Committee was convened in May 2017 and decided, in partnership with the County, to develop a proposal for a water management agency that could be considered by the C/CAG board of directors and County board of supervisors. To achieve this goal, the Committee convened a Staff Advisory Team (SAT) comprised of 18 staff representatives from C/CAG, the County, cities, and other water-related agencies and interests to help develop the draft proposal.

The Committee's recommendation is to modify the existing San Mateo County FCD by legislation to expand its scope, restructure its governance and renaming it the Agency. The Agency proposal (Attachment C) has been endorsed by the C/CAG board of directors and the San Mateo County board of supervisors at their respective January 10 and January 29 meetings.

The Agency mission would be to address SLR, flooding, coastal erosion and large-scale stormwater infrastructure improvements through integrated regional planning, design, permitting, project implementation, and long-term operations and maintenance to create a resilient "one shoreline" San Mateo County by year 2100. The Agency would work with stakeholders to plan, implement and maintain multijurisdictional projects that mitigate risks from SLR, flooding, and coastal erosion and enhance public benefits such as water quality, habitat, restoration and recreation.

Analysis

Governance

Consistent with the current FCD, the Agency would be a Countywide Special District and would have all the necessary legal authority to carry out its mission and secure funding. As part of the legislation needed to create the Agency, governance would be shifted from the County board of supervisors to a governing board made up of seven members consisting of two members from the board of supervisors (one of whom would be the supervisor representing District 3, which covers most of the coast) and five city council members. Four of the city council members would represent specific geographic areas (north, central, south and coastal), and one city council member would represent the cities at large. The candidates for the five city council member positions on the Agency's Board would apply to, and be appointed by, the C/CAG board of directors. Menlo Park would be represented in the south geographic area. C/CAG is seeking letters of interest to serve on the Agency Board until May 31 with appointments expected to occur June 13.

Funding

The proposal calls for $1.5 million in annual funding contributions for three years, split equally between the County and the 20 cities and towns. Annual city/town contributions for agency start-up are proposed to fall into three population-based tiers, with seven small-size cities/towns paying $25,000, nine medium-size cities paying $40,000, and four large-size cities paying $55,000, for a cumulative city/town contribution of $755,000 (Attachment B.) Menlo Park's base contribution would be $40,000 per year.

Cities, such as Menlo Park, participating in existing or future memorandum of understanding (MOU) projects will also contribute to the funding of their respective projects. This may be through in-kind staffing services if the city is the project lead, the city's local share for grant matching funds, or direct financial contributions toward consultant or construction costs.

Additionally, the Agency would continue to collect the committed property tax revenue for the FCD. This property tax revenue would continue to be restricted to only fund projects within the designated Flood Zones, such as San Francisquito Creek, where the revenue is generated. As such, the Agency would continue to serve as a member of the San Francisquito Creek Joint Powers Authority.

Finally, the Agency would continue to annually impose, collect and direct to C/CAG two countywide property-related fees on the tax rolls that fund the Countywide water pollution prevention program. These fees generate approximately $1.5 million per year for the C/CAG program and are restricted to efforts by C/CAG to support the County and the cities in complying with State requirements to address water quality issues associated with stormwater runoff.

Work plan

A primary objective of the agency in the first three years will be to design an investment plan in order to establish a source of sustainable funding. The County and the respective cities would make their annual financial contributions for three years following the Agency's formation. During this three-year time period, the Agency would pursue an alternative and more sustainable long term funding structure such as an Enhanced Infrastructure Financing District, a Geologic Hazard Abatement District, or a targeted special tax. This would require community and stakeholder engagement and outreach. In the event a long-term funding structure is not in place within this three-year period, the annual funding contributions of the County and the cities will be extended for up to an additional two years provided as follows:

1. The Agency is demonstrating sufficient progress toward meeting its objectives.
2. The cities and the County agree to continue their respective funding contributions.

The following table summarizes the primary tasks in the three-year work plan.

Table 1			
	Year 1	**Year 2**	**Year 3**
Agency startup services	• Begin work on the flood and SLR plan • Release RFP* and select consultant teams that will support Agency staff	• Complete work on the flood and SLR plan • Seek state/federal funds as appropriate • Explore possible long-term sustainable revenue sources • Recruit additional staff	• Pursue a long-term sustainable revenue source, including a public engagement program
MOU services	• Develop implementation plan and preliminary designs for the navigable slough feasibility study projects • Develop preliminary design and an implementation plan for the Belmont Creek flood management plan projects • Finalize design plans and permitting for the Bayfront Canal/Atherton Channel flood management plan projects	• Launch CEQA and/or environmental engineering planning process for MOU projects • Pursue potential new projects under new MOUs	• Begin implementing MOU projects

*request for proposals

Next steps
The C/CAG board of directors endorsed the proposal at January 10 meeting. The County board of supervisors endorsed the proposal at January 29 meeting. All San Mateo County cities have endorsed the proposal and committed funding with the exception of Menlo Park and one other city, which is also scheduled to review it in May 2019.

Impact on City Resources

The City's $40,000 annual funding commitment would be budgeted in the City's fiscal year 2019-20 budget. Funding for subsequent years would be included in future year budgets as applicable.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it has no potential for resulting in any direct or indirect physical change in the environment.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Resolution No. 6497
B. Flood and Sea Level Rise Resiliency Agency proposal – executive summary
C. Flood and Sea Level Rise Resiliency Agency proposal
D. Hyperlink - February 26 flood and sea level Rise info item: menlopark.org/DocumentCenter/View/20709/I2---Flood-and-Sea-Level-Rise---SR?bidId=

Report prepared by:
Chris Lamm, Assistant Public Works Director – Engineering

RESOLUTION NO. 6497

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK IN SUPPORT OF THE ESTABLISHMENT OF THE FLOOD AND SEA LEVEL RISE RESILIENCY AGENCY

WHEREAS, flooding and sea level rise are immediate and long-term risks to San Mateo County, its residents, and employers; and

WHEREAS, addressing the risks and impacts of flooding and sea level rise requires cooperation and participation by multiple agencies; and

WHEREAS, in San Mateo County there is not a single voice to advocate at countywide, regional, state, and federal levels for grants and legislation to support climate change resiliency efforts, placing the cities and County at a distinct disadvantage when pursuing funding for important flooding, regional stormwater, and sea level rise infrastructure projects; and

WHEREAS, infrastructure to address regional stormwater and flooding impacts is expensive and often requires State and Federal grant funding; and

WHEREAS, grant funding is highly competitive and difficult to obtain by cities acting individually and legislators and regulatory agencies encourage development of a countywide effort to address regional stormwater and flooding issues; and

WHEREAS, regional and flood infrastructure projects require permits from multiple agencies and the expertise in obtaining the permits is seldom available within local government since the permitting process is used infrequently in most cities; and

WHEREAS, erosion is already a problem along the San Mateo coastline and existing levees along the San Francisco Bay are not adequate to address sea level rise by year 2100; and

WHEREAS, the Regional Water Quality Control Board is expanding requirements that require storm water retention, trash capture, green infrastructure, and other multi-benefit storm water infrastructure projects to meet the Municipal Regional Permit; and

WHEREAS, the Countywide Water Coordination Committee of the City/County Association of Governments (C/CAG) developed a proposal for the formation of the Flood and Sea Level Rise Resiliency Agency (AGENCY); and

WHEREAS, the mission of the proposed AGENCY will be to address current and future sea level rise, flooding, coastal erosion, and storm water vulnerabilities through integrated regional planning, design, permitting, and project implementation and maintenance to create a resilient San Mateo County by year 2100; and

WHEREAS, the proposal recommends the modification of the existing San Mateo County Flood Control District to revise its governance to include two members of the Board of Supervisors and five City or Town Council members appointed by the C/CAG Board of Directors; and

WHEREAS, the County, in cooperation with Assembly Member Kevin Mullin and State Senator Jerry Hill are advancing legislation required to form the AGENCY by modifying the existing Flood Control District; and

WHEREAS, with support from the cities in the County, start-up efforts will begin over the next three years to ensure the sustainability of the AGENCY; and

WHEREAS, the start-up efforts will include development of a flood and sea level rise resiliency investment plan; public outreach and education about flood, sea level rise, and regional storm water infrastructure needs; and investigate the feasibility of available public infrastructure funding and financing methods to fund the on-going operations of the AGENCY; and

WHEREAS, the AGENCY will continue the on-going efforts of the existing Flood Control District and San Mateo County flood resiliency program using their existing funding sources; and

WHEREAS, there is a need for resources to advance regional storm water and flood resiliency projects since most cities do not have the depth of staff and specialized expertise to advance these large projects; and

WHEREAS, the C/CAG Board of Directors and the San Mateo County Board of Supervisors endorse the proposal and recommend that all cities within the County support the formation of the AGENCY.

NOW, THEREFORE BE IT RESOLVED, that the City of Menlo Park, acting by and through its City Council, having considered and been fully advised in the matter and good cause appearing therefore do hereby:

1. Endorse the proposal for the formation of the AGENCY
2. Agree to provide $40,000 per year for three years per the funding allocation to help fund the formation of the AGENCY

I, Judi A. Herren, City Clerk of Menlo Park, do hereby certify that the above and foregoing City Council resolution was duly and regularly passed and adopted at a meeting by said City Council on the seventh day of May, 2019, by the following votes:

YES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this seventh day of May, 2019.

____
Judi A. Herren, City Clerk

City and Countywide Benefits

A vision for 2100: One Resilient Shoreline

Project Assistance. Will plan, permit, design, construct and provide long-term maintenance for projects.

Funding Access. Will access and leverage state and federal funds.

Public Education. Will educate stakeholders and the public on the need for any potential revenue measures to fund the Agency or implementation of projects.

Prioritized Multibenefit Projects. Will ensure that collaborative projects will be coordinated, won't create unintended consequences, and won't duplicate efforts.

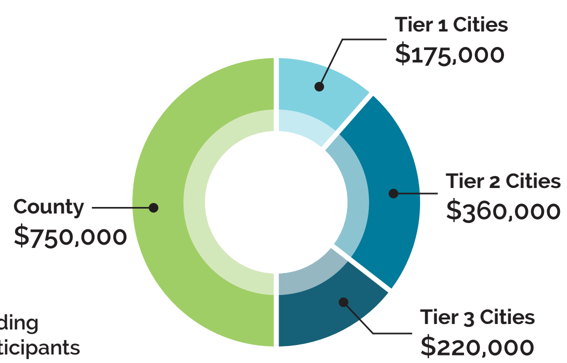
Stormwater Detention Solutions. Will be implemented from C/CAG's plan for countywide compliance on the Municipal Regional Permit.

A Resilient Future

Accomplishing these efforts together will ensure that collectively we build our resilient future

Annual Funding

50%
COUNTY
+
50%
CITIES
(BASED ON POPULATION)
+
Additional funding from MOU participants



CITY BREAK-DOWN
(BASED ON POPULATION)

TIER	POPULATION	COST PER CITY	# OF CITIES
1	0 - 20,000	$25,000	7
2	20,001 - 60,000	$40,000	9
3	60,001 +	$55,000	4

LONG TERM FUNDING

A primary objective of the agency in the first 3 years, will be to design an Investment Plan in order to establish a source of sustainable funding. The County and the City would make their annual financial contributions for three years following the Agency's formation. During this three year time period the Agency would pursue an alternative and more sustainable long term funding structure. In the event a long term funding structure is not in place within this three year period, and provided the cities and County agree, the annual funding contributions of the County and the cities will be extended for up to an additional two years.

Financial Benefit of Acting Now to Create a Resilient Shoreline

Each $1 spent on mitigation saves an average of $6 in future disaster costs.

Natural Hazard Mitigation Saves: 2017 Interim Report, www.nibs.org/page/mitigationsaves

Contact

Are you ready to leverage our opportunities to create a one shoreline resilient county? Contact **Erika Powell**, San Mateo County, epowell@smcgov.org, (650) 599-1488

ATTACHMENT B

EXECUTIVE SUMMARY

Flood and Sea Level Rise Resiliency Agency Proposal

21st Century Solutions for One Resilient Shoreline

"The sea is rising and we are not prepared. It's really time for us to pull together across city boundaries to help our citizens in the battle against rising waters and the rising costs of coping with this global threat.

To do that, San Mateo County cities must create a joint agency along with the County to ask for federal help."

–Jackie Speier,
U.S. Congresswoman

1959 to Today

San Mateo County and its cities have been addressing sea level rise, flooding, coastal erosion, and stormwater retention in a variety of ways

San Mateo County Flood Control District (FCD)

Formed in 1959; addresses flooding in three county flood zones; oversees a budget of approximately $3.8 million

Colma Creek
Issued bonds to alleviate flooding in South San Francisco

San Bruno
Improved channels and culverts in lower San Bruno Creek

San Francisquito
Member of the San Francisquito Creek Joint Powers Authority

Independent City Efforts

Several cities have pursued flood mitigation projects

Foster City Levees
Will be improved using recent bond money

North Shoreview Flood Projects
Will protect the City of San Mateo from storm surges along the bayshore

Other County Efforts

These planning efforts include County and City/County collaborations that have engaged numerous stakeholders

Stormwater
(C/CAG)

SeaChange Vulnerability Assessment
(Office of Sustainability)

Operational Landscape Units
(SFEI)

San Mateo Plain Groundwater Assessment
(SMC Environmental Health)

Flood Resilience Program (FRP)

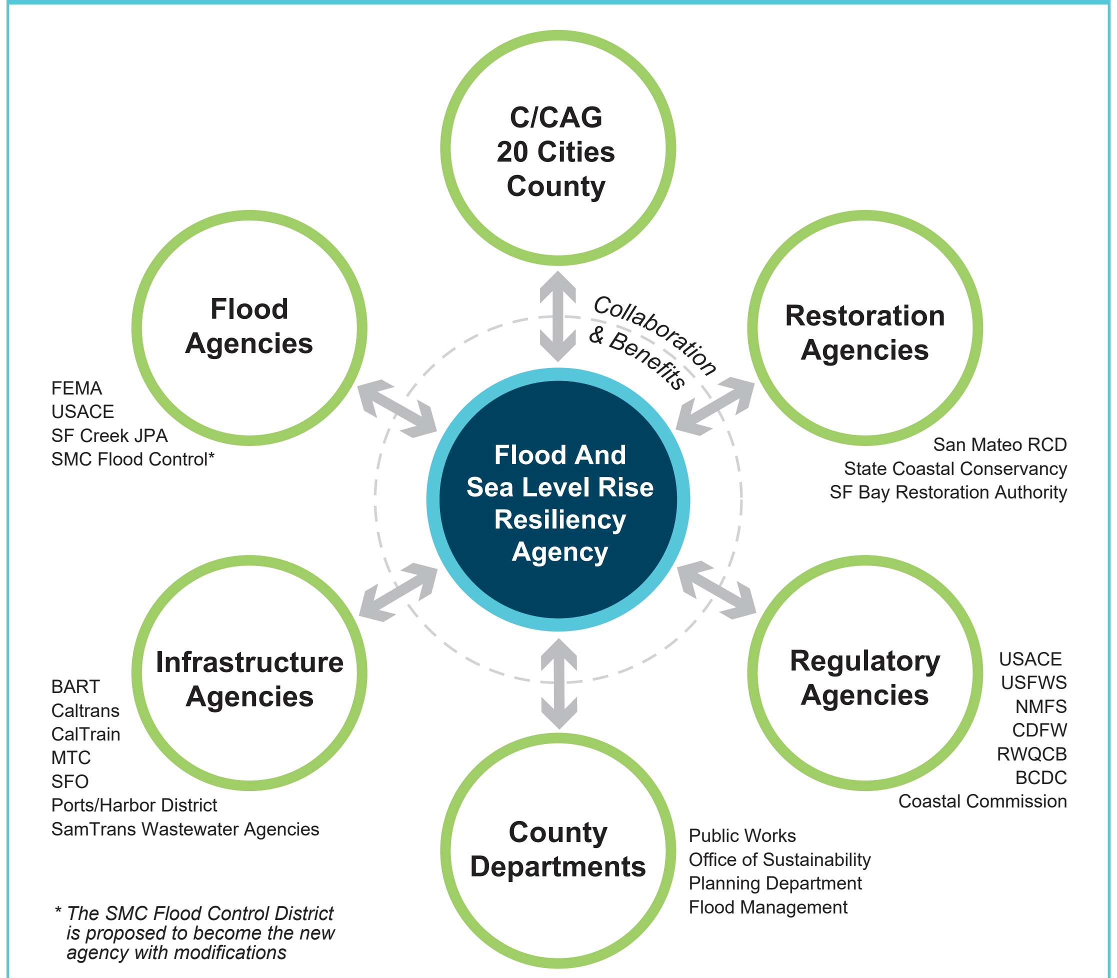
A County initiative that addresses flood risks in cross-jurisdictional areas through memorandums of understanding (MOUs)

Belmont Creek
Developed a Watershed Management Plan to obtain grants

Navigable Slough
Leveraged existing resources to identify near-term solutions

Bayfront Canal
Applied for over $14 million worth of state/federal construction funding

A Unified Voice for a One Shoreline Solution



Looking Ahead to 2019-2100

*The **Flood and Sea Level Rise Resiliency Agency** will speak with one voice without boundaries across San Mateo County to create a resilient shoreline*

Focus on 2100

The agency would develop and implement a plan to prepare San Mateo County's Bayshore and Coastside for 2100 sea level rise.

Mission & Vision of the Flood and Sea Level Rise Resiliency Agency

The Agency's Mission. The agency would consolidate the work of the SMC Flood Control District and Flood Resiliency Program and initiate new countywide efforts to address sea level rise, flooding, coastal erosion, and large-scale stormwater infrastructure improvements through integrated regional planning, project implementation, and long-term maintenance.

Create Multi-Jurisdictional Solutions. The agency would facilitate and monitor existing FRP MOUs, and create new MOUs, addressing cross-jurisdictional issues.

Leverage State & Federal Funding. By prioritizing and coordinating projects countywide, the agency would position the County to seek substantial state and federal funding.

First Priority Actions

Create the Agency. The Flood and Sea Level Rise Resiliency Agency would be created by modifying the existing FCD through state legislation. A 7 person board (2 county supervisors, 5 city councilmembers) will govern the agency.

Priority Plan. Develop a Flood & Sea Level Rise Resiliency Investment Plan.

Secure Long-term Funding. Secure sustainable long term funding for the agency.

Project Funding. Pursue state and federal grants for planning and implementation of projects.

MOU Services. Continue existing FRP MOUs and create additional MOUs.

Continued Success

Successful FRP efforts will be carried over into the new priority plan

Navigable Slough
Feasibility Study

Belmont Creek
Flood Management Plan

The Bayfront Canal & Atherton Channel
Flood Management and Habitat Restoration Project

Proposal

Flood and Sea Level Rise Resiliency Agency Proposal

DECEMBER 21, 2018

COUNTY OF SAN MATEO FOUNDED 1856

C/CAG City/County Association of Governments of San Mateo County

Table of Contents

1. Introduction

Sea level rise (SLR) is one of the most serious consequences of climate change and it will have a significant effect on San Mateo County, which has more people and property value at risk from the rising sea than any other county in the state. The San Mateo County Sea Level Rise Vulnerability Assessment completed in March 2018 found that in the event of a mid-level 2100 sea level rise scenario, property with an assessed value of $34 billion would be flooded on the Bayshore and on the Coastside north of Half Moon Bay. In addition, the Vulnerability Assessment found that $932 million in assessed property value could be at risk from erosion on the Coastside north of Half Moon Bay.

Congresswoman Jackie Speier identified the need for a countywide agency to address the challenges of flooding, sea level rise and coastal erosion at the "Floods, Droughts, Rising Seas, Oh My!" water summit convened by the County and the City/County Association of Governments (C/CAG) in March 2018. A countywide agency would: allow San Mateo County and its cities to coordinate across jurisdictional lines; avoid duplication of efforts and build expertise; and create a unified voice that would far better position the County and its cities to obtain state and federal funds for addressing flooding, SLR and coastal erosion.

Several efforts to address flooding, sea level rise and coastal erosion in San Mateo County are already underway. Since 1959, the San Mateo County Flood Control District (FCD) has addressed flooding issues in three county flood zones with an annual budget of $3.8 million. The County's Flood Resilience Program was started in 2016 with the mission to address cross-jurisdictional flood risks. The Flood Resilience Program is currently leading project development in seven cities pursuant to three Memoranda of Understanding (MOU): Bayfront Canal (Redwood City, Atherton, Menlo Park, Unincorporated SMC); Belmont Creek (Belmont, San Carlos, Unincorporated SMC); and Navigable Slough (South San Francisco, San Bruno, Unincorporated SMC). The County's Office of Sustainability has several planning initiatives related to sea level rise and climate change more broadly, including the Sea Change San Mateo County initiative. Several cities have pursued their own flood and sea level rise protection projects, particularly the cities of San Mateo and Foster City. C/CAG is helping cities and the County identify and fund regional stormwater management infrastructure that will improve water quality and mitigate downstream flood risk. However, as identified by the 2014 Grand Jury Report, "Flooding Ahead: Planning for Sea Level Rise," the County and its 20 cities need a coordinated approach to effectively address flooding, SLR and coastal erosion across the County as a whole.

In April of 2018, C/CAG's Countywide Water Coordination Committee, which consists of eight elected officials from across the County, formed an 18-person Staff Advisory Team (SAT) consisting of city, County, and other agency staff to develop a proposal to form an agency to address SLR, flooding, coastal erosion, and regional stormwater infrastructure on a countywide basis. The SAT completed an intensive six-month engagement and collaboration process (Phase 1), resulting in the creation of this Agency Proposal. The C/CAG Water Coordination Committee has reviewed the Agency Proposal and recommends that it be endorsed by the C/CAG Board of Directors and the San Mateo County Board of Supervisors. After analyzing different governance approaches and agency models, the Water Coordination Committee's recommendation is to modify the FCD by legislation to expand its scope, restructure its governance, and rename it the Flood and Sea Level Rise Resiliency Agency (Agency).

The discussion below outlines the Agency Proposal which reflects the identified needs and priorities of the 20 cities and the County. Supporting materials are provided in **Appendix A**.

Figure 1 summarizes the process to date and anticipated process for review and potential endorsement of the Agency Proposal by C/CAG, the County Board of Supervisors, and the 20 cities..

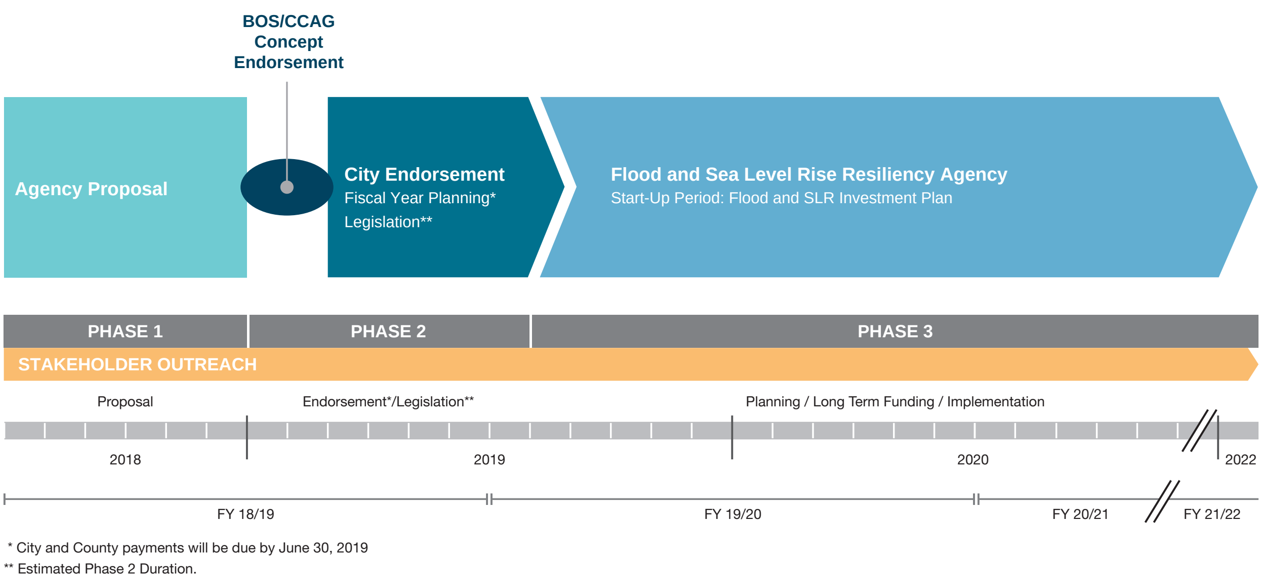


Figure 1. Anticipated Agency Proposal Review Process

2. Agency Mission & Role

The Agency's mission would be to address sea level rise, flooding, coastal erosion, and large-scale stormwater infrastructure improvements through integrated regional planning, design, permitting, project implementation, and long-term operations and maintenance to create a resilient "one shoreline" San Mateo County by 2100. The Agency will work with stakeholders to plan, implement, and maintain multi-jurisdictional projects that mitigate risks from SLR, flooding, and coastal erosion and enhance public benefits such as water quality, habitat, restoration, and recreation.

Rather than create a new agency, the existing FCD would be modified to create the Agency. The FCD would need to be modified through passage of legislation which could be completed as early as June 2019. The cities (on a population-scaled basis) and the County would contribute funding to support the Agency for a three-year period beginning on July 1, 2019 (Startup Period). The Flood Resiliency Program would continue to be funded by the County and the existing FCD would utilize its existing property tax revenue to advance its projects.

During this Startup Period, the Agency would do the following:

- **Develop an Integrated Flood and Sea Level Rise Resiliency Investment Plan (Flood and SLR Plan).** The Agency would develop an Integrated Flood and Sea Level Rise Resiliency Investment Plan for the Bayshore and the Coastside to address short-term (2050) and long-term (2100) SLR, flooding, and coastal erosion. The plan would be a living document that provides a mechanism for regional prioritization of projects and would recommend funding and financing options for long-term implementation.
- **Secure Long-Term Funding.** During the Startup Period the Agency would pursue a stable long-term funding structure to fund its operations, such as an Enhanced Infrastructure Financing District, a Geologic Hazard Abatement District, or a targeted special tax. This would require community and stakeholder engagement and outreach on the need for long-term resiliency and any potential revenue measure.
- **Continue Implementation of Flood Resiliency Program Projects.** The Agency would implement existing and new projects in collaboration with individual cities or groups of cities pursuant to MOUs, creating multi-jurisdictional solutions.
- **Existing Flood Control Zone Services:** The Agency would continue oversight, management, and execution of projects in the three existing Flood Control Zones. This work would be contracted back to the County during some or all of the Startup Period.
- **Leverage State and Federal Funding.** By prioritizing and coordinating projects countywide, the agency would position the County to seek substantial state and federal funding.

3. Organization Type and Governance

Consistent with the current FCD, the Agency would be a Countywide Special District and would have all the necessary legal authority to carry out its mission and secure funding. As part of the legislation needed to create the Agency, governance would be shifted from the Board of Supervisors to a governing board made up of seven members consisting of two members from the Board of Supervisors (one of whom would be the Supervisor representing District 3, which covers most of the coast) and five city council members. Four of the city council members would represent specific geographic areas (North, Central, South, and Coastal), and one council member would represent the cities at large. The candidates for the five city council member positions on the Agency's Board would apply to, and be appointed by, the C/CAG Board.

The existing Colma Creek Flood Control Advisory Committee that is made up of elected officials and citizens would be retained for oversight and continuity on the Colma Creek watershed projects that are currently the responsibility of the FCD. In addition, an Advisory/Technical Committee would be formed to advise the governing board of the Agency.

It is anticipated that all the cities and the County will participate in the Agency. There is critical work to be performed by the Agency to address sea level rise, flooding, coastal erosion, and large-scale stormwater infrastructure improvements that benefit all cities within the county, all of which are within the existing FCD's jurisdiction.

4. Agency Funding

Identifying and securing reliable on-going funding will be the top priority for the agency and is essential for its long-term viability. Funding for the first three years of the Agency's services would be provided through three sources:

- Existing FCD revenue within the existing flood zones from pre-Prop 13 property tax allocations
- County contribution
- Cities' contributions

Financial Benefit of Acting Now to Create a Resilient Shoreline

Each $1 spent on mitigation saves an average of $6 in future disaster costs.

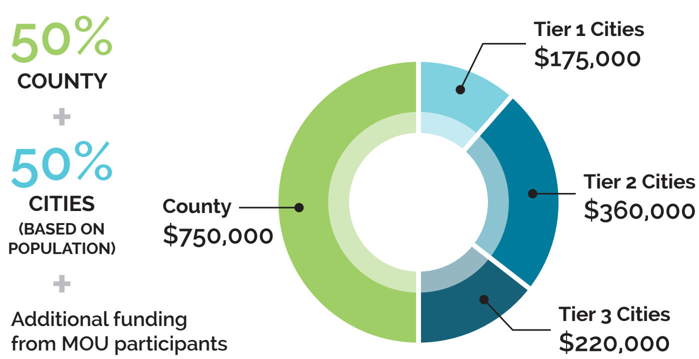
Natural Hazard Mitigation Saves: 2017 Interim Report, www.nibs.org/page/mitigationsaves

SERVICES	ESTIMATED FUNDING AMOUNT (PER YEAR)	FUNDING SOURCE	ENTITY PARTICIPANTS
Agency Startup Services*	• $1.1 million	• SMC pays $350k • 20 cities pay $750k	• All 21 entities
MOU Services	• $400k + potential new MOU funding	• $400k from SMC • $TBD – depending on specific project needs	• Participating cities and the County
Flood Control District Services • Countywide Stormwater Fees Collection	• $3.8 million • $1.5 million	• Per existing Flood Control District (Pre-Proposition 13 property tax revenue) • Existing FCD (Countywide fees on tax roll on behalf of C/CAG)	• Existing Active Flood Control District Flood Zones • C/CAG

**Agency startup services include developing an Integrated Flood and Sea Level Rise Resiliency Investment Plan and securing long-term funding for the Agency.*

Table 1. Agency Description of Roles & Responsibilities by Funding Level.

The annual funding contribution by the County and by cites (allocated by population) would be as follows:



CITY BREAK-DOWN
(BASED ON POPULATION)

TIER	POPULATION	COST PER CITY	# OF CITIES
1	0 - 20,000	$25,000	7
2	20,001 - 60,000	$40,000	9
3	60,001 +	$55,000	4

Figure 2. 50/50 Cost-Share Based on Population.

Cities participating in existing or future MOU Projects will also contribute to the funding of their respective projects. This may be through in-kind staffing services if the city is the project lead, the city's local share for grant matching funds, or direct financial contributions towards consultant or construction costs.

A primary objective of the agency in the first 3 years, will be to design an Investment Plan in order to establish a source of sustainable funding. The County and the City would make their annual financial contributions for three years following the Agency's formation. During this three year time period the Agency would pursue an alternative and more sustainable long term funding structure such as an Enhanced Infrastructure Financing District, a Geologic Hazard Abatement District, or a targeted special tax. This would require community and stakeholder engagement and outreach. In the event a long term funding structure is not in place within this three year period, the annual funding contributions of the County and the Cities will be extended for up to an additional two years provided that (1) the Agency is demonstrating sufficient progress toward meeting its objectives, and (2) the cities and the County agree to continue their respective funding contributions.

The Agency would continue to collect the committed property tax revenue for the FCD. However, this property tax revenue will continue to be restricted to only fund projects within the designated Flood Zones where the revenue is generated. The FCD currently collects approximately $3.8 million annually in pre-Proposition 13 property tax revenue from three flood zones. Most of the revenue is generated and spent in the Colma Creek Flood Zone. In addition, the Agency would continue to annually impose, collect, and direct to C/CAG two countywide property-related fees on the tax rolls that fund the Countywide Water Pollution Prevention Program. These fees generate approximately $1.5 million per year for the C/CAG program and are restricted to efforts by C/CAG to support the County and the cities in complying with State requirements to address water quality issues associated with stormwater runoff.

5. Initial Staffing

The governing board of the Agency will hire an Executive Director who will be charged with managing the Agency. In addition, the two County staff members now working on cross-jurisdictional flood risks under the three existing MOUs would join the Agency. The Agency would hire additional staff members and also utilize consultant services as appropriate.

During most or all of the initial three year Startup Period, the agency would enter into an agreement with San Mateo County to manage and operate the FCD. At such time as the Agency has hired its own staff and/or consultants with the expertise to handle this function, the agreement with the County would terminate.

The Agency will obtain an accounting system such as Cost Accounting Management System (CAMS) to allocate staff time based on actual time spent (documented on employee timecards) to the various functions or projects they are working on. This will ensure that both direct and indirect (overhead) costs are tracked and charged to the appropriate areas (i.e., MOU projects, FCD functions, or Agency startup services) based upon the actual amount of time spent in each area and avoid subsidizing one functional area with funds derived from another. For example, the Executive Director may spend 20 hours of his or her time on FCD matters, 10 hours on MOU projects, and 10 hours on Agency startup services in a given week. For cost recovery purposes CAMS would then allocate his/her staff time charges as follows: 50% to the FCD, 25% to the MOU projects, and 25% to Agency startup services.

6. Preliminary Work Plan

A preliminary work plan for the Agency during the initial three-year Startup Period is described in Table 2 below. This plan would be refined, and modified as appropriate, by the governing board and Executive Director after the Agency is created.

	YEAR 1	YEAR 2	YEAR 3
Agency Startup Services	• Begin work on the Flood and SLR Plan • Release RFP and select consultant teams that will support Agency staff	• Complete work on the Flood and SLR Plan • Seek state/federal funds as appropriate • Explore possible long-term sustainable revenue sources • Recruit additional staff	• Pursue a long-term sustainable revenue source, including a public engagement program
MOU Services	• Develop implementation plan and preliminary designs for the Navigable Slough Feasibility Study projects • Develop preliminary design and an implementation plan for the Belmont Creek Flood Management Plan projects • Develop conceptual designs for the Bayfront Canal/ Atherton Channel Flood Management Plan projects	• Launch CEQA and/or environmental engineering planning process for MOU projects. • Pursue potential new projects under new MOUs	• Begin implementing MOU projects

Table 2. Work Plan Year 1 to 3.

Appendix A. Supporting Graphics

- Figure A1. Functions Matrix
- Figure A2. Collaboration Opportunities and Benefits
- Flood Resiliency Program Factsheet

Flood and Sea Level Rise Resiliency Agency | Functions Matrix

	Function / Responsibility as it Relates to Flooding, Sea Level Rise, Erosion, and Regional Stormwater	County		C/CAG		Cities		FSLRRA
		Current	Future	Current	Future	Current	Future	Future
Advocacy and Outreach on stormwater, flooding, erosion and Sea Level Rise	Public outreach and education	Secondary	Secondary	Secondary	Secondary	Support	Support	Secondary
	Agency outreach and education	Secondary	Secondary	Secondary	Secondary	Not Involved	Not Involved	Primary
	Legislative advocacy	Support	Support	Not Involved	Not Involved	Not Involved	Not Involved	Primary
Planning, Design, Permitting, Construction, and Technical Assistance on stormwater, flooding, erosion and Sea Level Rise projects	Project planning and design	Secondary	Secondary	Support	Support	Secondary	Secondary	Primary
	Permitting and construction	Secondary	Secondary	Not Involved	Not Involved	Secondary	Secondary	Primary
	Technical assistance to local agencies on PDPC and related issues (FEMA, NFIP, etc.)	Secondary	Secondary	Not Involved	Not Involved	Secondary	Secondary	Primary
Cross-Jurisdictional Coordination on stormwater, flooding, erosion and Sea Level Rise	Integrated planning	Secondary	Secondary	Secondary	Secondary	Not Involved	Not Involved	Primary
	General plan/policy development	Secondary	Secondary	Not Involved	Not Involved	Primary	Primary	Support
	Regional Stormwater	Not Involved	Not Involved	Secondary	Secondary	Not Involved	Not Involved	Primary
Funding for stormwater, flooding, erosion and Sea Level Rise	Grant applications	Secondary	Secondary	Support	Support	Not Involved	Not Involved	Primary
	Pursuing countywide revenue streams	Not Involved	Not Involved	Support	Support	Not Involved	Not Involved	Primary
	Distributing funding for planning and project construction	Secondary	Not Involved	Support	Support	Not Involved	Not Involved	Primary

Primary   Secondary   Support   Not Involved

Note: This matrix is currently in draft form and is subject to change due to agency feedback.

Figure A1. Functions Matrix

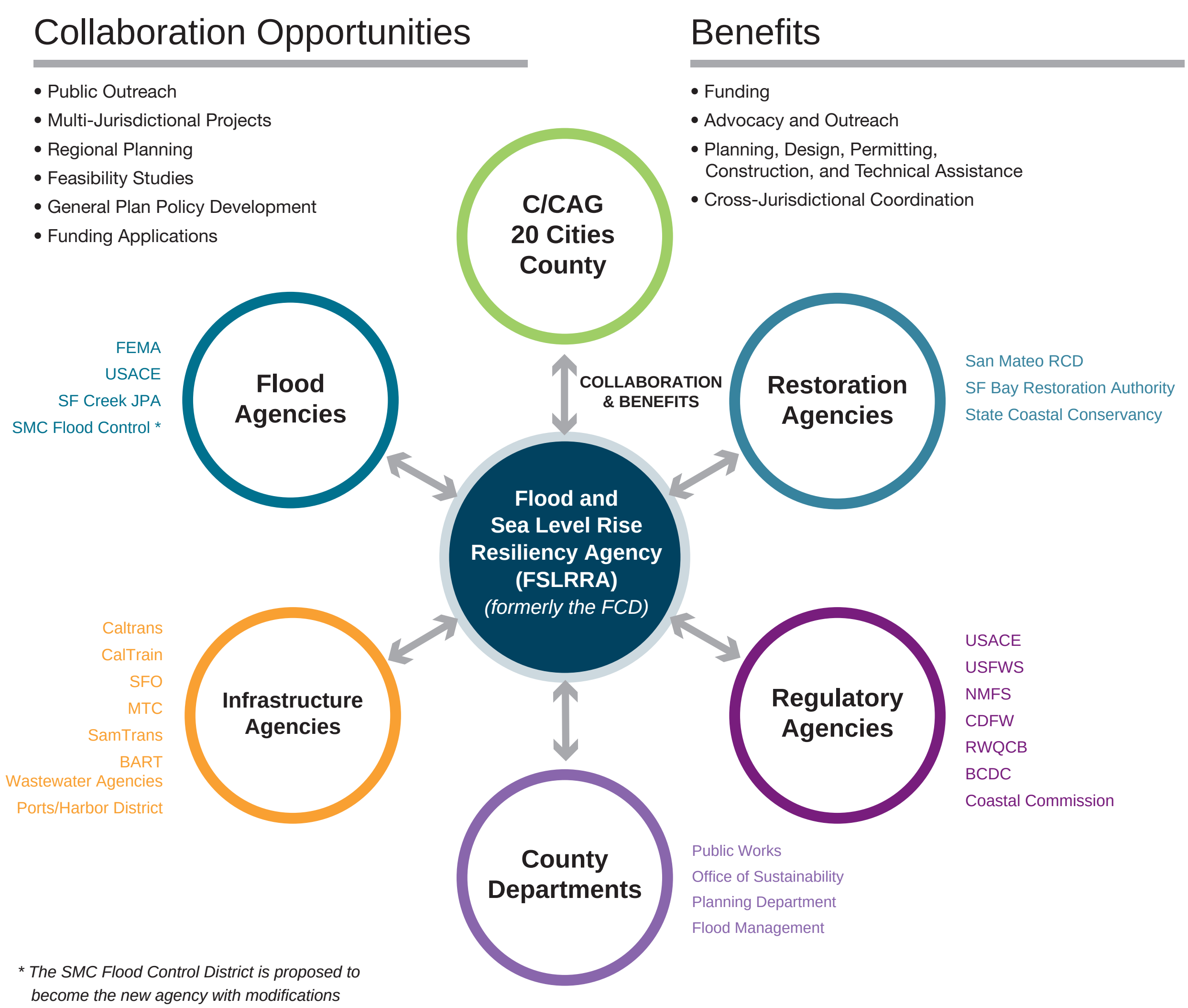


Figure A2. Collaboration Opportunities and Benefits

San Mateo County Flood Resilience Program

Addressing flooding in San Mateo County has never been more complex or urgent.

Floods cross multiple jurisdictions, making it difficult to determine who is responsible. Local government budgets are already strapped thin. New requirements to protect ecosystems and consider future conditions make project implementation expensive and highly specialized. The Flood Resilience Program strategically addresses flooding by bringing together affected parties to catalyze solutions.

By working together to build resilience through collaboration, the Flood Resilience Program turns shared risks into shared benefits throughout our watersheds.

Building Resilience One Watershed at a Time

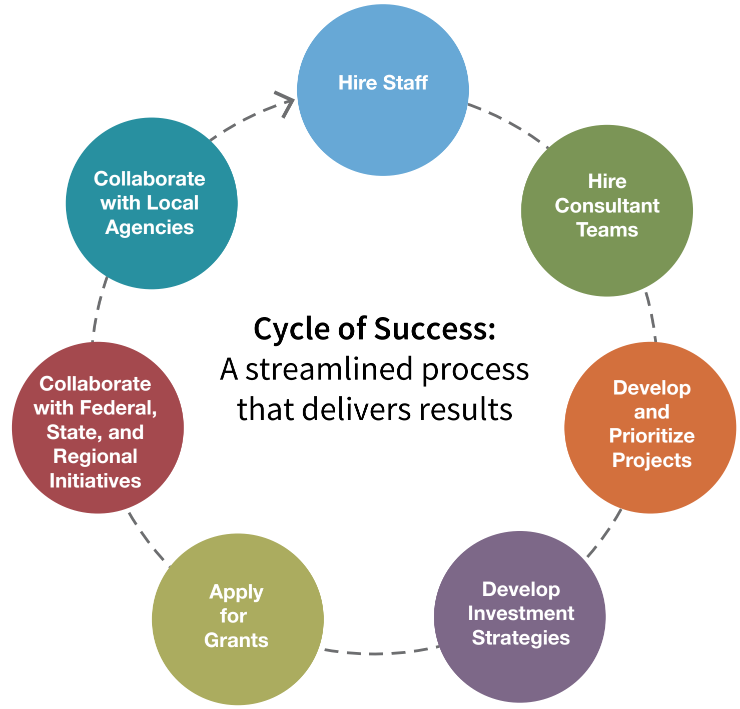
The Flood Resilience Program was established in 2016 by the San Mateo County Board of Supervisors, and is managed within San Mateo County Public Works. With a staff of two, the program has already achieved impressive results.

- **Trust.** Three Memorandums of Understanding (MOUs) were signed with 7 cities to share funding and collaborate on flooding solutions.
- **Leadership.** The Program leads partner agencies in a collaborative process to solve flooding issues, guiding tasks such as selecting consultant teams and coordinating with regional, state and federal agencies.
- **Results.** Several projects, many of which were under discussion for decades, are now being implemented. With 14 applications for grants worth nearly $18 million and over $75 million invested in multi-benefit flood risk management measures, the program is generating results.

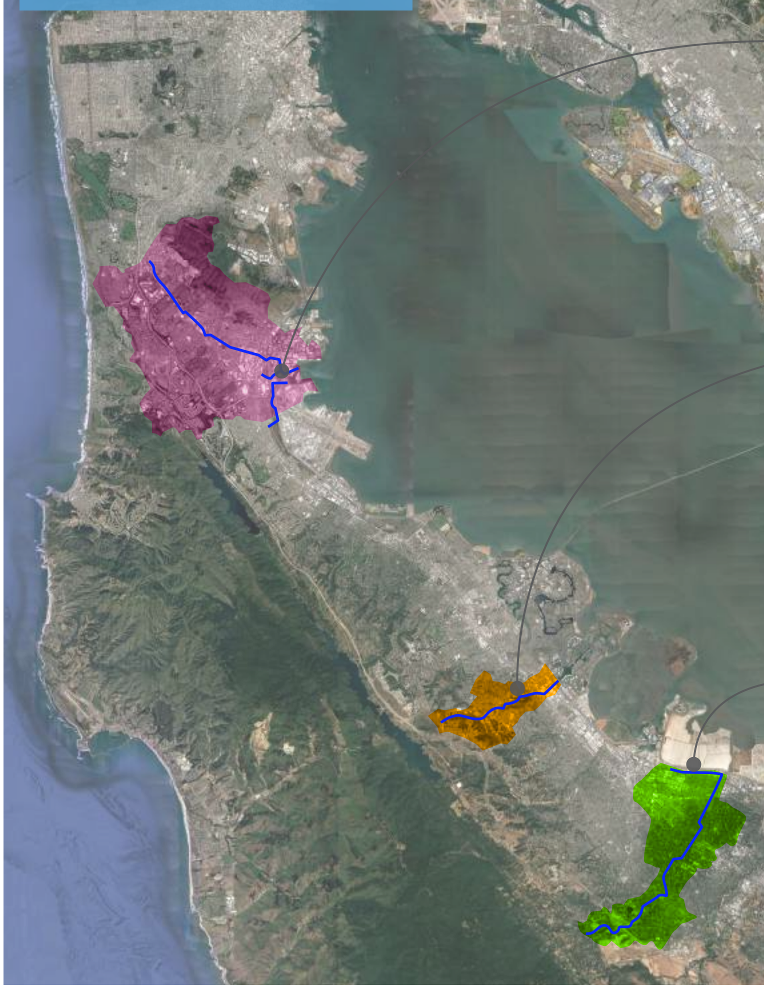
Program Benefits

The Program:

- Creates a platform for efficient collaboration
- Navigates complex federal and state permitting landscape through understanding of agency expectations
- Finds new funding opportunities
- Solves multi-jurisdictional problems with multi-benefit solutions
- Turns adversaries into advocates

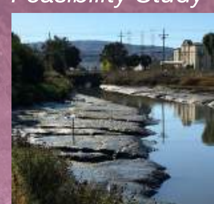


Project Profiles



Navigable Slough

Feasibility Study



Navigable Slough is nestled between San Bruno Creek and Colma Creek and is the focus of a recently challenged Flood Insurance Rate Map. The project develops a regional watershed management plan and begins to explore adaptive management solutions. This project brings together the Cities of San Bruno and South San Francisco and leverages existing studies, technical data, and other stakeholder flood resilience efforts to identify near-term solutions for flood mitigation and Sea Level Rise.

Belmont Creek

Flood Management Plan

The Program collaborated with the Cities of Belmont and San Carlos to enter an MOU to address chronic flooding in multi-jurisdictional areas. The Collaboration between the agencies has resulted in a multi-beneficial Flood Management Plan that includes upstream detention, erosion management, flood risk management for larger storms, and a potential for public-private partnerships. The Program, as lead for the Collaborative, has pursued $3.4 million in planning and construction grants for the project.

The Bayfront Canal & Atherton Channel

Flood Management and Habitat Restoration Project

The project is a collaboration between the Cities of Redwood City, Town of Atherton, and Menlo Park. The cities entered a $1 million MOU to provide regional flood risk management. The Program has built public-private partnerships, has pooled resources with Redwood City to use its $1.2 million Prop. 84 grant, and has applied for $14.9 million worth of construction funding. The project will improve water quality and mitigate flooding for five disadvantaged communities.

Appendix B.
Frequently Asked Questions

Flood and Sea Level Rise Resiliency Agency
Frequently Asked Questions

Background and Need

1. **<u>Why is this agency needed?</u>**
   Flooding and erosion are immediate and long-term risks to San Mateo County and its residents. It is estimated that by 2100, over 40% of the County lands, including property with an assessed value of $34 billion, could be adversely affected by flooding and erosional processes related to sea level rise (SLR) and climate change[1]. By forming or modifying an agency, San Mateo County and its cities would create a unified voice and leverage their combined power to take advantage of existing federal and state money to address coastal and flood issues.

2. **<u>Why is the agency needed now?</u>**
   A proactive approach is much better than a reactive approach – every $1 spent on mitigation saves an average of $6 in future disaster costs[2]. By providing an integrated response, San Mateo County may be able to reduce exposure to future SLR and associated future costs, position the County for available state and federal funding programs, and improve coordination among jurisdictions that are grappling with these issues.

3. **<u>Why a new agency at all?</u>**
   The issues related to flooding and erosion associated with SLR are enormous, and are beyond the capabilities of a single agency to absorb the responsibility for response and adaptation into their existing missions. SLR crosses jurisdictional boundaries. A new agency would have the following benefits:
   - Coordinate a more focused and effective response to Flood/Erosion/SLR and Regional stormwater infrastructure improvements
   - Realize economies of scale for planning, project development and implementation. Implement planning at a regional scale to bridge jurisdictional boundaries
   - Position the region for State/Federal Funding opportunities to address the issues at the appropriate scale
   - Leverage expertise among agencies to focus on implementation of large, multi-benefit projects that affect multiple jurisdictions

4. **<u>If San Francisco protected the area with flood gates at the Golden Gate Bridge, would our sea level rise and flood control issues be resolved?</u>**
   This solution is not technically feasible nor is it desirable from an environmental and economic perspective. Regardless, we do not have a singular voice within the County that could represent the cities and county in any discussion with San Francisco about tidal gates or other regional solutions. The proposed agency would allow the county and cities to participate more effectively in regional

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[1] SeaChange Sea Level Rise Vulnerability Assessment for San Mateo County, https://seachangesmc.org/vulnerability-assessment/
[2] Natural Hazard Mitigation Saves: 2017 Interim Report, www.nibs.org/page/mitigationsaves

solutions. If a regional solution is found and agreement reached, our participation in the funding of the project would benefit from the proposed Flood and Sea Level Rise Resiliency Agency (Agency)[3].

5. **Shouldn't this start as a public information campaign and not an infrastructure agency? There may be a lack of resident support for flood control, shoreline protection, and sea level rise issues.**
One of the first priorities of the Agency would be to initiate a public information campaign. This campaign will be required to gain support for reliable on-going funding for the agency. However, the first step is to organize the cities and county into an entity with the authority to secure tax revenue, issue bonds, and take other actions that may be required to implement the needed projects. The Office of Sustainability (OoS) is already educating the public about the County's vulnerabilities to SLR, most notably through the SeaChange Sea Level Rise Vulnerability Assessment. The agency would take these existing planning efforts and begin implementing projects based on the assessment's recommendations.

6. **What are the mission and goals of the agency?**
The mission of the Agency would be to address current and future sea level rise, flooding, coastal erosion, and regional stormwater vulnerabilities through integrated regional planning, design, permitting, and project implementation to create a resilient San Mateo County by 2100. The Agency will work with stakeholders from all 21 jurisdictions to fund and build multi-jurisdictional projects that reduce risks from sea level rise, flooding, and coastal erosion and enhance public benefits such as habitat, restoration, and recreation.

The Agency would develop an integrated Flood and Sea Level Rise Resiliency Implementation and Funding Plan for the Bayshore and the Coastside to address short-term (2050) and long-term (2100) sea level rise, flooding, and coastal erosion impacts.

7. **Why are cities responsible for flood control and shoreline protection?**
Almost all flood control and shoreline protection solutions have land use impacts and building code implications, which are within the purview of cities. Additionally, there is no countywide or regional agency available to either assist with or conduct the necessary funding, design, and construction of these types of projects. Zones covered by the existing San Mateo County Flood Control District (FCD) and its associated pre-Prop 13 revenue are the only areas where the County currently has flood control responsibilities.

Agency Structure and Governance

8. **What governance structures were explored for the Agency?**
A recommended governance structure is identified as part of the Agency Proposal. See response to Question 10. Several options for governance structure were considered as part of Agency proposal development, including: Joint Powers Authority (JPA) or Memorandum of Understanding (MOU) between the Cities and the County, Special District by action of the State Legislature, an Advisory Committee reporting to a Board of Directors, a department within the County of San Mateo, or a branch of an existing agency such as C/CAG. Criteria such as ease of establishment, ability to

[3] The name of the proposed agency is being discussed and could change.

leverage Federal and State Funding, and legal authority were used to select the recommended governance structure.

9. **<u>What governance options were ruled out?</u>**
    - *<u>MOUs</u>* will be used for new projects, but they would not provide the range of functions proposed for the new agency.
    - A *<u>new special district</u>* does not provide any advantage over a modified County FCD and could not incorporate work funded by pre-Prop 13 revenue within existing FCD. It would likely take longer to form and encounter greater political resistance in Sacramento.
    - *<u>Modifying the C/CAG JPA</u>* would require modifications to the existing JPA, would need to include all 21 agencies in the county from the beginning and would represent a significant shift in the focus of the agency to include design, construction and maintenance of flood and sea level rise improvements.
    - Using *<u>San Mateo Public Works Departmen</u>*t is not a viable option. The Department currently manages the flood resiliency projects and the existing FCD. It can provide implementation of projects for a new agency. However, governance would need to remain the Board of Supervisors which would not likely be supported by some cities. It would not be feasible to modify the governance structure to include city partners.
    - Forming a *<u>new JPA</u>* would take a significant amount of time to draft the agreement and obtain support from local agencies. It would not be as effective in developing a reliable on-going revenue stream and bonding for projects could be more complicated. Pre-Prop 13 revenue to the Flood Control District could not be transferred to JPA.

10. **<u>What is the recommended governance structure?</u>**
    The Staff Advisory Team (SAT) supports modifying the existing San Mateo FCD through legislation to include flooding, SLR, coastal erosion and stormwater infrastructure in its mission. The recommended legislation to move governance from the Board of Supervisors to a City/County Board removes one of the largest drawbacks to the FCD option. The pre-Prop 13 revenue would be retained and could help fund staffing as it is related to eligible projects. MOU projects within the adapted FCD would retain local agency control of projects from which they benefit.

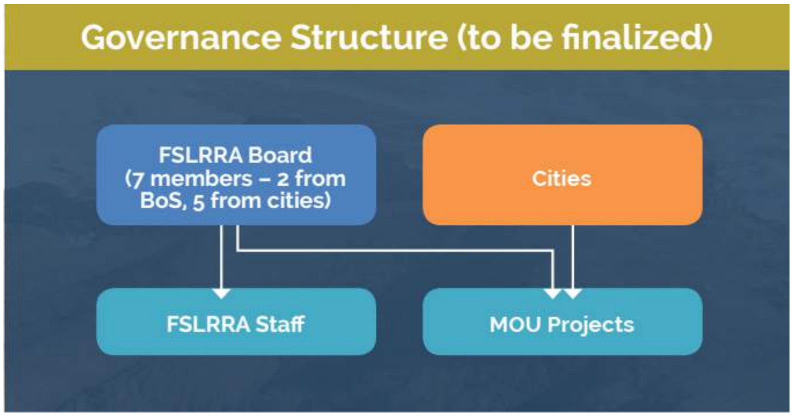

Figure 1 - Proposed Governance Structure

11. **<u>Is this just a new County expansion scheme?</u>**
No, this project would not include any net new benefits for existing County staff. The Agency would be made up of mostly new staff, with the exception of two County staff members now working on cross-jurisdictional flood risks under the three existing MOUs who would join the Agency. This isn't the County's expansion scheme – it is a response to meet our long term SLR challenges.

12. **<u>Is there a SLR/Climate Scientist hired as part of the initial team?</u>**
Not initially. The agency may utilize a consultant with expertise related to climate science and SLR.

13. **<u>How will other agencies participate?</u>**
Through an 18-member Staff Advisory Team (SAT), a Stakeholder Outreach Program has been developed to engage agencies throughout the County. We have completed a series of six interview meetings to facilitate input into this process, followed by two meetings in November and December at which we shared progress to date in the creation of the Agency. The SAT will also engage other key collaborations in the County, including C/CAG, City/County Engineers Association, and others. See Appendix **Figure A2 – Collaboration Opportunities and Benefits** for examples of collaborations and crossover.

14. **<u>What will be the relationship between this Agency and the County's Office of Sustainability?</u>**
The two agencies would work very closely together in public outreach, communications, and funding priorities on SLR. The Agency would take the lead on prioritizing and implementing projects that OoS identifies to create a resilient county by 2100.

15. **<u>What will be the new responsibilities as related to SLR for this Agency, C/CAG, and cities/county?</u>**
The Agency would work with the cities to develop multi-jurisdictional MOU projects and take the lead on regional stormwater infrastructure improvements that would create multi-jurisdictional benefits. C/CAG would continue to lead and manage the stormwater regional permit. Local agencies retain local control of local or multi-agency projects with the Agency being a partner in the process. The agency would provide those services required to advance these projects. The Functions Matrix, provided in the Agency Proposal, delineates the current and future responsibilities of these entities related to SLR.

Questions Specific to Cities

16. **<u>How will multi-jurisdictional projects that require multiple agencies participating be funded under the Agency?</u>**
It is anticipated that multi-jurisdictional projects would be advanced under new MOUs. It is also likely that sea level rise needs may require a county-wide response (at least in the planning and project development phases). For example, the work performed by the OOS could provide a basis upon which the Agency would identify specific projects county-wide. Likely these projects would be advanced and funded through individual MOUs between the agencies affected and benefiting.

17. **<u>What will the overall costs be, and what will this cost cities?</u>**
Cities obligations would be $750,000 annually for the first three years, based on the three tiers by population, as demonstrated in the table below. The estimated total cost for the Agency's services

over the first three years would be $1.5 million dollars, which would be paid by the county (50%) and the cities (50%). Additional MOU services, and continuing FCD responsibilities, would be paid by participating cities and the existing flood zones, respectively.

Table 1. Cost Breakdown by Population.

Tiers based on Population	City Break-Down Population	# of Cities	Cost Per City
1	0-20,000	7	$25,000
2	20,001-60,000	9	$40,000
3	60,001+	4	$55,000

18. <u>What will motivate cities with existing MOU projects to participate in the Agency</u>*?*
The County has been providing the bulk of the funding for the MOU projects. This funding will expire in June 2019. This Proposal recommends that the County provide half of the Agency funding for the first three years of its operation. The Agency is designed to provide assistance and coordination for these projects and would be formally a part of the new agency. A key function that the Agency would be expected to provide is the pursuit of Regional, State, and Federal funding opportunities. The MOU projects will be expensive so their progress will depend on the success in obtaining grants. For these reasons participation by the cities with MOUs in the Agency would be mandatory to advance the projects beyond June 2019.

19. <u>What will motivate cities with NO existing MOU projects to participate in the Agency?</u>
The initial work related to flooding, SLR, erosion, and stormwater improvements would provide value to most, if not all, agencies in the county. The cost of this initial work, when spread over most agencies within the County, would be modest and should justify broad participation. Much like the other MOU projects, it would be necessary for the Agency to enter into some agreement with the participating agencies to fund this effort prior to initiating the work. In addition, it would be anticipated that other MOUs would be created. For example, the Seymour Ditch erosion problem might trigger an MOU between the County, the Agency, and Half Moon Bay.

20. <u>What will the first MOU projects be?</u>
In addition to continuing the existing MOU projects – see the Factsheet to learn about the Navigable Slough Feasibility Study, the Belmont Creek Flood Management Plan, and the Bayfront Canal & Atherton Channel Flood Management & Restoration Project – new MOU projects would be developed with cities interested in collaboration. The new agency would be the lead in developing the MOU, the scope of work, hiring the consultants, and overall management of moving the MOU projects forward.

21. <u>If a city joins the new Agency for one project do they enter for every project? Similarly, if a city has only one project, can they exit once the project is complete?</u>
As discussed above in Question 16, broader issues like multi-jurisdictional flooding, sea level rise, erosion, and stormwater improvements will warrant funding countywide. Funding for this type of broader need would be in addition to the requirements of an individual MOU. The funding for a project is defined by the MOU participants. A city would not participate in the funding of another project governed by a separate MOU.

22. **Can a city exit from the Agency once they join?**
    With the desire for the agency to perform maintenance of completed projects that was expressed by cities, cities would not be allowed an ability to exit. The first three years will be critical to get the agency started and focused on a new implementation and funding plan and would require a three-year commitment.

23. **What will be requested of cities that are already paying for their own flood protection (i.e., Foster City bond measure)?**
    This answer will vary depending on the specific funding mechanism. Using the benefit district concept, it is conceivable that what is paid within a jurisdiction will vary depending on the anticipated benefits. For example, if San Mateo needs to develop and fund projects to meet 2050 sea level rise conditions, the property owners might pay more than in Foster City where 2050 needs are being constructed but assistance may be needed to meet 2100 needs. These considerations will be taken into account as we devise our finance and funding strategies in 2019.

24. **What does staffing look like in the interim (between Flood Control District and New Agency) vs. long-term?**
    The staffing through the County Department of Public Works would continue for the existing FCD work. Staffing would remain unchanged for the Flood Resiliency Program unless modified through changes in the existing MOUs to fund and execute an expanded scope of work. The key technical activity for the Agency will be the Implementation and Funding Plan which will be consultant-driven with the Agency providing project management. The Interim Director with consultant support will lead the other initial functions (legislation and on-going funding). A staffing plan beyond the initial 3-year period will be part of the Implementation and Funding Plan. See Section 5 of the Agency Proposal for more details.

25. **Will there be problems related to use of funds if not all cities participate?**
    We have based the new agency's success on full participation by all cities in the county for the benefit of a greater, more resilient San Mateo County shoreline. The pre-Prop 13 monies that are currently received by the existing FCD will be restricted and can only be used in the flood zone from which they were collected. Bonds issued without all cities participating would also create some restricted funds. Issuance of bonds would be related to one or more specific MOU project(s) and would naturally be restricted for use on that project only.

Legislation-related Questions

26. **Are there potential risks with the legislative action required to change governance and other aspects of the existing Flood Control District?**
    Yes. This would be considered a "district bill" in the state legislature (i.e. only applicable to the district and thus of less importance to everyone else). However, it will still undergo strict scrutiny by the local government committees and the taxpayer advocates for its precedential importance. Once the idea is further refined we will contact Assemblymember Kevin Mullin and ask that the Assemblymember introduce the concept to the Assembly Local Government Committee for guidance.
27. **Will it take too long legislatively to modify the existing Flood Control District?**
    The hope is that modifying an existing Flood Control District should require much less time than forming a new district. In discussion with consultants, attorneys, and legislative advocates, it is anticipated we can complete the process as soon as June 2019. In the interim, the work can proceed

in parallel to the legislation and under the direction of Board of Supervisors with the existing C/CAG Water Committee acting as an advisory board to the County. This will allow the existing projects to progress and work to begin identifying an on-going funding source. It would also permit grant applications to be submitted from a single entity.

Progress and Next Steps

28. What is the process for forming this new agency?

Please see Section 1 of the Proposal.

29. How will existing agencies transition into the Agency?

See Section 5 of the Proposal.

30. What is the timing for specific items, such as implementing the Flood Protection and Resiliency Implementation and Funding Plan, creating a new board, and setting up a program funding measure?

It is anticipated that by Q2 2019, we will have asked for all 20 cities and the county's full endorsement and funding of the agency. We will begin developing legislative action to modify the FCD by Quarter 1 2019 and the new agency will be effective by July 1, 2019. The Water Committee will solicit applications for new board members in Q1 2019 to be governing by July 1, 2019. The new board will hire an Executive Director by Q3 2019. We will also initiate a new Implementation and Funding Plan in Q3 2019, which will initiate the details for a funding measure.

Appendix C.
Development of New Agency Proposal, Supporting Information.

Webpage Link to be Provided.

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CITY OF MENLO PARK

STAFF REPORT

City Council
Meeting Date: **5/7/2019**
Staff Report Number: **19-078-CC**

Consent Calendar: **Adopt Resolution No. 6498 amending Resolution No. 6491 regarding the list of projects eligible for fiscal year 2019-20 funds from Senate Bill 1: The Road Repair and Accountability Act of 2017**

Recommendation

Staff recommends that the City Council adopt Resolution No. 6498 (Attachment A) amending Resolution No. 6491 regarding the list of projects eligible for fiscal year 2019-20 funds from Senate Bill 1: The Road Repair and Accountability Act of 2017 (SB1.)

Policy Issues

There are no policy issues for consideration. Action is required to amend the resolution to incorporate data required by the California Transportation Commission (CTC.)

Background

On April 9, the City Council adopted Resolution No. 6491 (Attachment B) approving the list of projects eligible for fiscal year 2019-20 funds from SB1. Upon submission of the resolution and project information to the CTC, it was discovered that additional information was required to be submitted in this year's submission. Information on the type of work, schedule for completion and useful life must be included in the resolution for eligibility. An amended resolution must be provided to the CTC by June 1.

Analysis

Resolution No. 6491 established a list of projects eligible for funding. Resolution No. 6498 amends Exhibit A of Resolution No. 6491 to include additional information required by the CTC including description of work, schedule, and useful life of work being performed.

Impact on City Resources

There is no impact on City resources associated with this action.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it is a minor change that will not result in any direct or indirect physical change in the environment.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Resolution No. 6498
B. Hyperlink – April 9, 2019 Resolution No. 6491 approving the list of projects eligible for fiscal year 2019-20 funds from Senate Bill 1: The Road Repair and Accountability Act of 2017: menlopark.org/DocumentCenter/View/21182/H3-20190409-SB1-Road-Repair-CC

Report prepared by:
Chris Lamm, Assistant Public Works Director

RESOLUTION NO. 6498

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MENLO PARK AMENDING RESOLUTION NO. 6491 REGARDING LIST OF PROJECTS ELIGIBLE FOR FISCAL YEAR 2019-20 FUNDS FROM SENATE BILL 1: THE ROAD REPAIR AND ACCOUNTABILITY ACT OF 2017

WHEREAS, on April 9, 2019, the City Council of the City of Menlo Park adopted Resolution No. 6491 approving the list of projects eligible for fiscal year 2019-20 funds from Senate Bill 1: The Road Repair and Accountability Act (RMRA) of 2017; and

WHEREAS, it is necessary to include additional information on the project list including type of work, schedule for completion, and useful life.

NOW, THEREFORE, BE IT RESOLVED, that Exhibit A of Resolution No. 6491 is replaced in its entirety as follows:

The fiscal year 2019-20 list of projects to be funded with RMRA revenues include the projects in "Exhibit A"

I, Judi A. Herren, City Clerk of Menlo Park, do hereby certify that the above and foregoing City Council resolution was duly and regularly passed and adopted at a meeting by said City Council on the seventh day of May, 2019 by the following votes:

YES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS THEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this seventh day of May, 2019.

____

Judi A. Herren, City Clerk

Table 1: Menlo Park streets included in the 2019 street resurfacing project						
		Location			Useful life	
Item	Street name	Begin cross street	End cross street	Description	Years	Completion
1	Alma Street	Mielke Drive	Burgess Drive	Project consistss of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
2	Bieber Avenue	Plumas Avenue	Market Place	Project consistss of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
3	Bohannon Drive	Campbell Avenue	Marsh Road	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
4	Bohannon Drive	1110' S of Scott Drive	Campbell Avenue	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
5	Cathy Place	Wallea Drive	End of Cathy Place	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
6	Eastridge Avenue	Sharon Park Drive	Monte Rosa Drive	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
7	Grace Drive	Oakdell Drive	End of Grace Drive	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
8	Hamilton Avenue	Modoc Avenue	Almanor Avenue	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
9	Harkins Avenue	City Limit	Altschul Avenue	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
10	Haven Avenue	3585 Haven Avenue	End of Avenue (N City Limit)	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
11	Henderson Avenue	Newbridge Street	Ivy Drive	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
12	Hillview Place	Hillview Drive	End of Hillview Place	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
13	Hollyburne Avenue	Bay Road	Van Buren Road	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
14	Market Place	Ivy Drive	Alpine Avenue	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
15	Market Place	Ivy Drive	Pierce Road	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
16	Marsh Road	Bay Road	Bohannon Drive	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
17	Noel Drive	Ravenswood Avenue	Laurel Street	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19

		Location			Useful life	
Item	Street name	Begin cross street	End cross street	Description	Years	Completion
18	O'Brien Drive	Casey Court	Willow Road	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
19	San Mateo Drive	Santa Cruz Avenue	Middle Avenue	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
20	Santa Monica Avenue	95 East of San Luis Drive	San Clemente Drive	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
21	Shirley Way	Gilbert Avenue	End of Shirley Way	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
22	Sonoma Avenue	Bay Road	Oakwood Place	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
23	Tioga Drive	Continental Drive	Lassen Drive	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
24	Trinity Drive NB	Tioga Drive N end	85' South of Tioga Drive	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
25	Trinity Drive NB	580' N of Klamath Drive	Tioga Drive	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
26	Valparaiso Avenue	Cotton Street	Victoria Drive	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19
27	Wallea Drive	San Mateo Drive S end	San Mateo Drive N end	Project consists of 2" to 3" deep grind and asphaltic overlay	12 to 15	Oct-19

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CITY OF MENLO PARK

STAFF REPORT

City Council
Meeting Date: **5/7/2019**
Staff Report Number: **19-080-CC**

Regular Business: **Provide direction on the development of a local minimum wage ordinance**

Recommendation

The recommendation is that the City Council provide direction to staff on the following elements necessary to establish a local minimum wage ordinance (LMWO):

- LMWO draft work plan (Attachment A)
- Level of public engagement
- Additional data required to determine the appropriate local minimum wage applicable to for-profit, non-profit and government employers (Attachment B, C, D, E, F and G)

Policy Issues

The California constitution allows the general law cities to adopt LMWO that is higher than the minimum wage set by the general laws of the State of California.

Background

As part of the City Council's 2019-20 adopted priorities and work plan, the City Council expressed a desire to explore LMWO. Currently, all employers in Menlo Park are subject to the State of California's minimum wage laws (Senate Bill 3, signed in 2016) which gradually increase the minimum wage to $15.00 per hour by 2022 or 2023, depending on an employer's payroll headcount. A year after the minimum wage reaches $15.00 per hour, the hourly rate increases annually based on a calculation tied to the consumer price index (CPI.) The implementation schedule is as follows.

Table 1: California minimum wage (2016 SB3)

Effective date	Employers with 25 or fewer employees	Employers with 26 or more employees
January 1, 2019	$ 11.00	$ 12.00
January 1, 2020	$ 12.00	$ 13.00
January 1, 2021	$ 13.00	$ 14.00
January 1, 2022	$ 14.00	$ 15.00
January 1, 2023	$ 15.00	$ 15.00 + CPI
January 1, 2024	$ 15.00+ CPI	AMW + CPI

CPI = consumer price index, capped at 3.5% per year

AMW = adjusted minimum wage, provided to reflect that CPI compounds

For additional information about the State's minimum wage to the State of California's Department of Industrial Relations.

While the State has adopted a minimum wage that targets $15.00 per hour, several local agencies have adopted a LMWO. As catalogued by the UC Berkeley Labor Center, Attachment C, the following local agencies have adopted a LMWO (year of adoption noted in parentheses): Belmont (2017), Cupertino (2016), Daly City (2019), Los Altos (2016), Milpitas (2017), Palo Alto (2015), Redwood City (2018), San Jose (2016), San Mateo (2016), Santa Clara (2015), and Sunnyvale (2014). Upon consideration of the work completed in San Mateo and Santa Clara counties to adopt aLMWO, the City of Menlo Park could adopta LMWO that is substantially similar to another agency. Attachments D, E, F provide information presented to the City of Redwood City in their consideration of aLMWO.

Analysis

The City Council identified consideration of LMWO as part of the 2019-20 priorities and work plan development earlier this year. This report transmits information available to staff largely through the City of Redwood City's efforts on a LMWO. This report also provides a draft LMWO work plan and identifies critical questions that require City Council input to inform staff's future effort on a LMWO.

Local minimum wage ordinance draft work plan (Attachment A)

Staff has prepared a draft work plan which outlines a comprehensive outreach process to develop, adopt and implement an LMWO. A notable inclusion in the draft work plan is an estimated 751 hours to amend labor agreements in Menlo Park should the City desire to apply the LMWO to local government agencies.

In summary, the draft work plan estimates a total initial cost of 1,941 staff hours or $268,612 including staff in the city manager's office, community development department (economic development), administrative services department (finance and human resources), and the city attorney's office for ongoing maintenance of the LMWO, including contract enforcement, staff estimates annual costs at approximately $51,675. In addition to the estimated maintenance cost, applying an LMWO to city labor agreements has the potential to significantly impact both the personnel budget and the City's unfunded pension liability. Given that wages are subject to meet-and-confer negotiation with organized labor units, the City Council should refrain from public discussion on the LMWO applying to local governments.

City Council direction sought

The draft work plan (Attachment A) reflects an initial pass at a full public engagement initiative. If the City Council desires to move forward with an LMWO, staff will amend the work plan based on City Council direction resulting from a discussion of the following questions:

1. What level of public engagement is desired?

   If the City Council desires to move forward with an LMWO, the first decision required is to determine the level of public engagement. As a broad-reaching public policy, staff strongly recommends a thorough and thoughtful public engagement process to ensure that all parties impacted have the opportunity to provide feedback. The City of Redwood City's outreach effort required an estimated 1,000 staff hours and generally spanned an 18-month timeframe. If the City Council concurs with staff's recommendation, the LMWO will go into effect January 1, 2021, at which time the state's minimum wage would be $14.00 per hour. If the City Council desires an earlier implementation, the work plan requires adjustments such as the following:

- Avoid any new research or data sought to understand the scope and impacts of LMWO. The City Council could find that the data provided in this report and attachments are sufficient to justify an LMWO

- Direct staff to adapt an already adopted LMWO to meet Menlo Park's needs. Attachment C identifies a number of local agency examples that the City could adapt
- Truncate public engagement. A truncated public engagement plan would include one or two information sessions to solicit feedback on the City Council's preferred LMWO. Every effort would be made to identify times and locations that are convenient to stakeholders

2. What data are necessary to determine the appropriate local minimum wage applicable to for-profit employers?

   As provided in the Attachments D, E and F, the City of Redwood City reported on data points from the California Family Economic and Self-Sufficiency Standard, UC Berkeley's Institute for Research on Labor and Employment, and the San Mateo County Health System. If the City Council finds that the data included in the Redwood City staff reports are sufficient to make a decision, little to no work is required to pursue data specific to Menlo Park. If the City Council desires additional analysis, the following options may provide information necessary to set a local minimum wage for for-profit employers:

- In-depth City business license data analysis. Attachment G provides a listing of the City's principal employers as reported in the City of Menlo Park's comprehensive annual financial report for the fiscal year ended June 30, 2018,
- Survey of businesses and employees
- Third-party market research data on market rate wages to employees working in for-profit and non-profit sectors in either Menlo Park or a sub-regional zone

3. What data are necessary to determine the appropriate local minimum wage applicable to non-profit and government employers?

   Several cities have elected to provide LMWO exclusions or exceptions for non-profit and government employers. For non-profit employers, a local minimum wage may put pressure on an already stretched budget resulting in a degradation of services responsive to their core mission. For government employers (city and special districts), a LMWO may result in an upward cascade effect on negotiated salary schedules which often have built-in dependent relationships between employees. For example, a labor agreement may provide that the second lowest paid employee receives a certain percentage higher than the lowest paid employee. With a linkage between employees, adjustment to the lowest wage can result in an upward cascade through the entire salary schedule. An upward cascade effect could have a significant impact on an agency's financial condition including unfunded pension liabilities. In Redwood City's example, the upward cascade effect resulted in an estimated increase in city costs for workers paid below the minimum wage of $122,000 and an additional $378,000 for workers making more than the minimum wage. If the City Council desires further analysis, the following options may provide information necessary to set a local minimum wage for non-profit and government employers:

- Consultation with the city's independent actuary on the impact of LMWO on the city's unfunded pension liability. The hourly wage for all existing benefited employees is higher than $15.00 per hour, and collective bargaining agreements provide for across the board salary increases in July and July 2020. An LMWO would impact temporary workers in the library and community services departments, and there has been no analysis to understand whether Menlo Park would experience an upward cascade similar to Redwood City.
- Work with Menlo Park Fire Protection District, San Francisquito Creek Joint Powers Authority, West Bay Sanitary District, and other governmental agencies located in Menlo Park to estimate the impact of LMWO, if any. LMWO cannot be imposed on federal, state or county agencies, including school districts.

- Work with large non-profits in Menlo Park to assess the impact of LMOW, if any. Approximately 477 organizations located in ZIP code 94025 are registered as 501(c)(3) tax-exempt. Notable non-profit employers include SRI International and private schools.

Next steps

Staff will update the LMWO draft work plan to reflect the direction provided by the City Council May 7 and return for City Council approval of the final draft work plan June 4. In addition, June 4, staff will identify any need to retain professional services as part of the work plan.

Following City Council adoption of a final work plan June 4, staff will begin the process of initiating the public engagement plan. One of the first tasks will be to assess the "community landscape" to ensure that all groups are included in the outreach, to the extent allowed by the adopted work plan. One stakeholder who has already emerged is Rayna Lehman representing the AFL-CIO Community Services San Mateo County Central Labor Council. Ms. Lehman's recommendations are included as Attachment H.

Impact on City Resources

As outlined in the LMWO draft work plan (Attachment A), a comprehensive public engagement process is estimated to require the use of 1,941 staff hours which equates to approximately $268,612. The estimated staff costs are already budgeted; however, the devotion of staff resources to this project will reduce staff capacity for to work on unforeseen projects and delay lower priority projects, as necessary to meet timelines approved in the final LMWO work plan. The most significant impact is estimated in the human resources team as a consequence of the impact of LMWO on existing labor agreement.

As the final work plan is developed, a budget may be necessary to cover the costs associated with meeting facilitation, print media, actuarial calculations to assess the impact of aLMWO on unfunded pension liabilities, translation services, etc.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it is a minor change that will not result in any direct or indirect physical change in the environment.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Local minimum wage ordinance draft work plan
B. Hyperlink – State of California Department of Industrial Relations minimum wage: https://www.dir.ca.gov/dlse/faq_minimumwage.htm
C. Hyperlink – UC Berkeley Labor Center Inventory of US city and county minimum wage ordinances: http://laborcenter.berkeley.edu/minimum-wage-living-wage-resources/inventory-of-us-city-and-county-minimum-wage-ordinances/
D. Local minimum wage in Redwood City report to the City Council, September 5, 2017
E. Local minimum wage in Redwood City report to the City Council, March 26, 2018

F. Hyperlink – City of Redwood City local minimum wage: https://www.redwoodcity.org/departments/city-manager/city-manager-s-initiatives/proposed-local-minimum-wage
G. Principal employers
H. Email from Rayna Lehman to Nick Pegueros dated April 22

Report prepared by:
Nick Pegueros, Assistant City Manager

Local Minimum Wage Ordinance (LMWO) Draft Work Plan					
Item	**Activity**	**Approximate timeframe**	**Est. Level of effort (staff hours)**	**Estimated Cost**	**City staff involved**
First City Council meeting	Preliminary research, prepare staff report and presentation, and develop draft work plan	5/7/19 City Council meeting	46	$ 7,532	City Manager's Office (CMO), Administrative Services (AS)
Prepare public engagement plan	Identify stakeholders, establish level of public engagement (low to high), identify resources and tools necessary for engagement efforts (e.g., facilitator, survey, technology tools, etc.)	5/8/19 to 5/31/19	116	$ 16,370	CMO, AS, Economic Development (ED), City Attorney's Office (CAO)
Second City Council meeting	Follow-up to City Council questions from 5/7; City Council adoption of the public engagement plan	6/4/2019	39	$ 6,116	CMO, AS, ED, CAO
Initiate public engagement plan	Establish meeting schedules, secure necessary resources, develop communication tools which could include a project webpage, mailers to community based organizations, mailers to businesses, etc. Translate appropriate materials as necessary	6/5/19 to 6/30/19	224	$ 26,648	CMO, AS, CAO
Focus group meetings	Host a series of focus group meetings to introduce the LMWO and hear initial feedback, concerns, recommendations (estimate 10 - meetings: downtown businesses, Chamber of Commerce, labor, non-profits, Bayfront employers, Sand Hill Road employers, hospitality representatives, childcare operators, etc.)	7/8/19 to 9/27/19 Meeting prep Actual meetings	172 56	$ 20,165 $ 6,980	CMO, ED
Third City Council meeting	Report on initial feedback from focus groups, adjust public engagement plan if necessary, adjust LMWO if necessary	10/29/2019	84	$ 10,805	CMO, AS, ED, CAO
Community meeting	One meeting with representatives from focus groups	November 2019	72	$ 9,385	CMO, ED
Fourth City Council meeting	Analysis of proposed LMWO on city finances and pension liabilities	11/19/2019	187	$ 33,344	CMO, AS, ED, CAO
City-wide outreach	Mailings, email, social media, in-person meetings, respond to inquiries	November 2019 to January 2020	90	$ 9,370	CMO, ED
Fifth City Council meeting	First reading of LMWO	February 2020	53	$ 9,277	CMO, AS, ED, CAO
Sixth City Council meeting	Second reading of LMWO	March 2020	28	$ 4,475	CMO, AS, ED, CAO
Labor agreement negotiations	Incorporate LMWO into four city labor agreements	March to May 2020	450	$ 72,288	CMO, AS, ED, CAO
Seventh City Council meeting	Adopt labor agreement amendments to incorporate the LMWO	June 2020	114	$ 15,094	CMO, AS, ED, CAO
Implementation	Notices to businesses, develop enforcement program, etc.	July 2020 to December 2020	210	$ 20,762	CMO, ED
		Estimated Initial Cost	**1941**	**$ 268,612**	
Annual maintenance	City staff administration: Noticing, enforcement follow-up, etc.	Annual	210	$ 24,152	CMO, ED
Annual maintenance	Contract services enforcement	Annual		$ 30,000	TBD
Impact on labor costs	Annual increase in salary and unfunded pension liabilities if implemented	Annual		unknown	
		Estimated Annual Cost		**$ 54,152**	

REPORT

To the Honorable Mayor and City Council
From the City Manager

September 25, 2017

SUBJECT
Local Minimum Wage in Redwood City

RECOMMENDATION
Receive information on a local minimum wage and provide direction to staff on policy options and community outreach program

BACKGROUND
As part of the FY 2017-18 budget development process, on June 12, 2017, the City Council provided direction to consider establishing a local minimum wage for employers that maintain a business in the City or perform any work/service within the City limits. Additionally, the City Council directed staff to work with the City Council's Finance and Audit Sub-Committee as staff examines and prepares a recommended local minimum wage ordinance. This report will provide an initial look at local minimum wage requirements and identify potential policy options for the Council to consider.

In preparation for this report, on August 28, 2017, staff met with the Finance and Audit Sub-committee to review local minimum wage requirements and community outreach strategies.

Federal, State and Local Minimum Wages
The minimum wage established by Federal, State and local government law sets the lowest wage an employer may legally pay to workers. As of January 1, 2017, California law requires the minimum wage for all industries to be no less than $10.00 per hour for businesses with less than 25 employees and $10.50 per hour for businesses with 26 or more employees. The Federal minimum wage for covered nonexempt employees has been $7.25 per hour since July 24, 2009.

On April 4, 2016, California Governor Jerry Brown signed legislation (SB 3, Leno) which will raise California's minimum wage to $15.00 per hour by 2022. After January 1, 2023, future wage increases are tied to inflation, reflecting increases in the Consumer Price Index, up to 3.5% per year. Under the new state law, the wage increase schedule may be temporarily suspended by the Governor during economic downturns. The increased minimum wage levels would be applied uniformly across the state. The law also maintains existing exemptions in the State's minimum wage law. This legislation gives California the highest minimum wage in the country along with New York.

State of California Minimum Wage		
Effective Date	Employers w/ 25 Employees or Less	Employers w/ 26 Employees or More
January 1, 2016	$10.00	$10.00
January 1, 2017	$10.00	$10.50
January 1, 2018	$10.50	$11.00
January 1, 2019	$11.00	$12.00
January 1, 2020	$12.00	$13.00
January 1, 2021	$13.00	$14.00
January 1, 2022	$14.00	$15.00
January 1, 2023	$15.00	$15.00+CPI

Local governments retain the ability to adopt local wage ordinances. Such ordinances can increase the minimum wage more rapidly than the statewide timeframe or can increase the minimum wage beyond the level set by the State. Currently, Redwood City employers are subject to Federal and State minimum wage laws. When there are conflicts in the laws, the employer must follow the strictest standard, meaning that employers must follow the standard that is most favorable to the employee. Since the State's law on minimum wage is higher than the Federal law, covered employers are required to pay the State's minimum wage. Similarly, should the City enact a minimum wage ordinance that is higher than State law, covered employers are required to pay the City's minimum wage.

In 2012, only five local agencies (cities and counties) nation-wide had enacted a minimum wage ordinance. As of July 2017, forty local agencies across the country had enacted a local minimum wage ordinance. Sixteen of the forty agencies are cities located in the Bay Area (Attachment A).

Currently, the City of San Mateo is the only city in San Mateo County with an adopted minimum wage ordinance. In addition to Redwood City, three other cities are now considering a minimum wage ordinance including Belmont, Brisbane and Daly City.

- Belmont – The City Council developed a priority in February 2017 to consider increasing the minimum wage for employers in Belmont. The City Council held a study session on August 22, 2017 and asked for the item to come back before the Council at a future meeting.

- Brisbane – A proposed increase to the minimum wage is currently scheduled for October.

- Daly City – The City Council discussed a proposed minimum wage increase on August 21, 2017. At the meeting, the City Council asked staff to bring back a draft minimum wage ordinance for discussion before taking it out to the community for comment.

- In addition, the County of San Mateo recently adopted a Living Wage Ordinance. This Ordinance requires contractors providing services under contract with the County of San Mateo to pay $15.00 per hour to their employees (as of July 1, 2017). Government entities providing services under County contract do not need to comply with the ordinance; including cities, counties and school districts. The ordinance does not affect wages for County employees.

City of San Mateo Minimum Wage Ordinance
On August 15, 2016, the City of San Mateo adopted a minimum wage ordinance that requires annual increases in the minimum wage paid within the city boundaries, beyond the wage required by the State. The City Council adopted a wage schedule whereby most employers are required to pay $15.00 per hour by 2019. Non-profit organizations that are tax-exempt per Section 501(c)(3) of the tax code are provided with an extended period to reach $15.00 per hour. Beginning January 1, 2020, and annually thereafter, the City will adjust the minimum wage based on the Regional Consumer Price Index.

Beginning January 1, 2017, employers who are subject to the City of San Mateo Business License Tax or who maintain a facility in the City of San Mateo must pay each employee working in the City of San Mateo local minimum wages. The local minimum wage for most employers is $12.00 per hour, with the exception of employers who are non-profit corporations that are tax-exempt per Section 501(c)(3) of the tax code who must pay a minimum wage of $10.50 per hour.

The minimum wage requirement set forth in the City of San Mateo Minimum Wage Ordinance applies to both adult and minor employees who work two or more hours per week (tips not included). Covered employees are entitled to these rights regardless of immigration status. The minimum wage is adjusted annually beginning on January 1 of each year.

City of San Mateo Minimum Wage		
Effective Date	**Citywide**	**Nonprofit**
January 1, 2016	$10.00	$10.00
January 1, 2017	$12.00	$10.50
January 1, 2018	$13.50	$12.00
January 1, 2019	$15.00	$13.50
January 1, 2020	$15.00+ CPI	$15.00+CPI
January 1, 2021	CPI	CPI
January 1, 2022	CPI	CPI
January 1, 2023	CPI	CPI

Under the Ordinance, employees who assert their rights to receive the City's minimum wage are protected from retaliation. Employees may file a civil lawsuit against their employers for any violation of the Ordinance or may file a complaint with the City of San Mateo. The City contracts with the City of San Jose to investigate possible violations and requires access to payroll records. The City of San Mateo enforces violations of their minimum wage ordinance by ordering reinstatement of employees, payment of back wages unlawfully withheld, and penalties.

Demographics of Low Wage Workers in San Mateo County and Redwood City
The San Mateo County Health System conducted a high-level analysis in 2015 to create a profile of low-wage workers, defined as those who earn $15.00 per hour or less, in San Mateo County. They used data from the 2009-2013 Census to determine that about 25% (88,000) of workers in San Mateo County earn $15.00 an hour or less.

They also made the following key findings about workers earning $15.00 or less within the County:

- The vast majority of low-wage workers are in the middle of their careers with nearly three quarters between 25-64 years old while only one fifth are 18-24 years old.
- Low-wage workers' racial and ethnic backgrounds parallel that of the County overall and primarily include Latino (35%), Asian (29%) and White (27%) workers. However, Latinos are three times more likely to be low-wage workers than Whites.
- One-third of low-wage workers live in households that earn below 200% of the Federal Poverty Level, or $48,600 in annual income for a family of four.
- Approximately 70% of low-wage workers are U.S. citizens.
- More than half of low-wage workers have had at least some college education, and one-fifth have a Bachelor's degree or higher.
- Many low-wage workers (43%) are a part of married couples in which both adults work, and a significant number (14%) are in households headed by single working women.
- Nearly half (43%) live in households with children.
- Low-wage workers are found in all industries but are concentrated in Professional, Scientific, and Technical Services; Retail Trade; Health Care and Social Assistance; Accommodation and Food Services; and Arts, Entertainment and Recreation.

The information used to create a profile of low-wage workers in San Mateo County is only available at the County level and could not be used to identify information about Redwood City. City staff intends to use a survey to business owners about a proposed increase to minimum wage to better understand the number of low-wage workers in Redwood City. However, the San Mateo County Health System did assist with developing a profile of the overall work force in Redwood City, which according to 2014 U.S. Census Bureau data had 53,007 workers.

Some of their key findings included:

- The majority of workers in Redwood City (67%) are age 30 to 54, while 17% of the remaining work force are 29 and younger and 19% are 55 and older.
- A vast majority of workers (73%) make more than $3,333 per month, while 18% make between $1,251 and $3,333 per month and 9% make $1,250 per month or less.
- The workforce is split fairly evenly between men (54%) and women (46%).
- About 20% of workers identify as Hispanic or Latino, with the remaining 80% identifying their ethnicity as not Hispanic or Latino.
- A large percent of the city's workers (63%) are employed in five main industries: Information; Professional, Scientific, and Technical Services; Health Care and Social Assistance; Retail Trade and Public Administration. Two industries that have a high concentration of low-wage workers in the County - Accommodation and Food Services, and Arts, Entertainment, and Recreation - make up a smaller portion of Redwood City industries, 5% and .7% respectively.
- The largest concentration of jobs in Redwood City are geographically located in four primary locations: Charter, Downtown, the Port and Redwood Shores (Attachment B).

ANALYSIS

In examining the development of a local minimum wage ordinance, areas of policy significance include: the dollar amount and time frame to increase a local minimum wage; exceptions and exemptions; minimum wage ordinance enforcement; community engagement and communication activities; and potential City impacts. This next section provides information on these policy areas and includes policy options for the Council to consider.

Dollar Amount to Increase Minimum Wage

The minimum wage amount in California is set to reach $15.00 by 2022. National advocates for a higher minimum wage have promoted the "Fight for $15" campaign. Nationally, many economists see $15.00 per hour as an amount that enables a full-time worker to earn enough to be safely out of poverty without relying upon public assistance. However, this is dependent upon regional cost of living, which is substantially higher in San Mateo County than elsewhere in the state and country. According to the California Family Economic Self-Sufficiency Standard, each adult in a family of four with two working adults and two children would need to earn $24.77 per hour to meet basic needs in San Mateo County. UC Berkeley's Institute for Research on Labor and Employment (IRLE) recently conducted a more detailed analysis of the $15.00 minimum wage and its impact on local economies in June 2016 titled "The Effects of a $15 Minimum Wage by 2019 in San Jose and Santa Clara County." A short analysis of the study and the full report are included as Attachments C and D.

Time Frame of Increasing the Minimum Wage

Almost all increases in the minimum wage at a statewide or local level have phased-in the increase. This includes the State's legislation, which increases the wage to $15.00 over a six-year period. Currently, of the sixteen cities in the Bay Area that have enacted minimum wage ordinances, all but two are phasing in their minimum wage increases over three to four years. Out of those fourteen cities, six are phasing in their increases over three years and eight are phasing in their increases over four years. Thirteen of the sixteen cities are working towards a $15.00 minimum wage. Of those cities expected to reach a $15.00 minimum wage, five cities are expected to reach the $15.00 by 2018, seven cities will reach it by 2019 and the last city will reach it by 2020.

A phased approach provides time for businesses to adapt their cost structure and pricing to reflect the increase. As further described in the policy options, the Council could provide policy direction for a phased approach in increasing the minimum wage more rapidly in Redwood City than the statewide level. This policy direction could also include tying future increases in the minimum wage to changes in the Consumer Price Index as the State and many cities do.

Exceptions and Exemptions

Based on business and stakeholder feedback, a number of cities have included different exceptions and exemptions for types of industries, business sizes, youth workers (training wages), collective bargaining agreements, and other specifications that are in their local minimum wage ordinances. For example, in San Mateo, the city made an exception for non-profits, allowing non-profits to have additional time (one year) to comply with the increased levels. The City of Mountain View included an exemption for State, Federal, and County agencies, including school districts, to allow these government agencies to not pay the local minimum wage when the work performed is related to their governmental function. Both San Mateo and Mountain View included waivers for collective bargaining agreements, which allow for all or any portion of the minimum wage requirements to be waived in a bona fide collective bargaining agreement, if such a waiver is part of the agreement.

Minimum Wage Ordinance Enforcement

Establishing appropriate enforcement provisions is a key component of a minimum wage ordinance. As part of adopting a local minimum wage ordinance, the City will need to implement mechanisms to enforce its ordinance. Several cities with existing minimum wage ordinances in Santa Clara County and the City of San Mateo have contracted with the City of San Jose Office of Equality Assurance for enforcement services through a complaint-driven model billed on a per task/fee basis. The City of San Jose is open to entering into similar agreements with other cities in the region.

Community Engagement and Outreach Strategy

Conducting robust community engagement and communication activities with business stakeholders and the community is of utmost importance in the successful examination, preparation and implementation of a local minimum wage ordinance. Staff met with representatives from the cities of Mountain View and San Mateo who recently implemented local minimum wage ordinances for their respective cities. Both stressed the importance of engaging businesses, business associations, nonprofits, labor groups, local government agencies and the community at-large. Staff plans to conduct significant outreach efforts to communicate and obtain feedback. The recommended community engagement and outreach strategy entails a two-pronged approach of face-to-face interactions with stakeholders and community members and the use of online survey tools and communication activities to solicit feedback.

As outlined in the work plan presented in May 2017, Attachment E, over the next four months, staff will undertake the following outreach and communication initiatives to obtain community input:

- Conduct an online business survey in partnership with the Chamber of Commerce to better target the business community (Attachment F)
- Issue an online community survey
- Make presentations to the Chamber of Commerce, Downtown Business Group and the Redwood City Improvement Association
- Conduct three business outreach meetings/roundtables with businesses, non-profits, and government agencies
- Conduct two community outreach meetings on minimum wage
- Mail postcards to every Redwood City business with a City business license on file promoting the City's business survey
- Meet with the California Restaurant Association, healthcare officials, hoteliers, education officials, and labor leaders
- Visit small businesses in Redwood City
- Establish a City webpage with information on the City's efforts to study the issue and engage the business community, including FAQs.
- Use other communication channels including social media platforms (Nextdoor, Facebook, Twitter), email newsletters, print newsletters, and purchasing advertisements in local newspapers, including Spanish and Chinese publications
- Translate educational materials in Spanish and Chinese

Members of the Finance and Audit Sub-committee also expressed interest in conducting outreach to businesses and community stakeholder groups and promoting opportunities for people to be engaged in the process

The community engagement and outreach process will culminate with a presentation of stakeholder and community member input and feedback to the City Council in February 2018.

Estimated City Impacts

A preliminary review of the types and number of current City employees that could be affected by an increase in the minimum wage to $15.00 per hour indicates a total of 226 full-time equivalent employees (FTE) concentrated in classifications in three departments: Administrative Services (2 FTEs), Library (34 FTEs), and Parks, Recreation and Community Services (190 FTEs). A large number of the affected positions in Parks, Recreation and Community Services are in the Youth and Teen

Services program. While most of the work is seasonal, some positions work part-time on a year-round basis. An increase in City wages to $15.00 per hour, without any phasing, would cost approximately $122,000. However, the total fiscal impact would likely be higher as wage increases for these classifications would likely prompt changes to the City's salary structure beyond employees at the minimum wage level.

An additional fiscal impact is the dedication of staff and fiscal resources towards the ongoing implementation of the ordinance, which includes staff enforcement costs to track and ensure compliance with a new City minimum wage ordinance. Typical duties of enforcement include community outreach, compliance review, and managing a complaint process. While the size and cost of the enforcement structure is unknown at this time, some of the cost could be offset by the collection of penalties from noncompliant employers. The City could also choose to contract for enforcement services. Although the City does not have an estimated cost for this service, the City of San Mateo is currently budgeting $30,000 per year for this service.

Policy Options

The State action means that the minimum wage in Redwood City will increase to $15.00 by 2022 if the City does not take any further action. The key policy issue for the Council is whether the minimum wage in Redwood City should increase to $15.00 faster than the statewide timeframe or to a higher amount on an established timeframe.

In light of the information provided in this report, staff seeks direction on the following policy options:

- Adopt a local minimum wage ordinance that increases the minimum wage in Redwood City to $15.00 on a faster phased timeline than the statewide timeline (e.g. by 2019, 2020 or 2021) and annually thereafter, the City will adjust the minimum wage based on the Consumer Price Index.

- Adopt a local minimum wage ordinance that increases the minimum wage in Redwood City to $15.00 at one time rather than over a phased timeline.

- Adopt a local minimum wage ordinance that increases the minimum wage in Redwood City above $15.00 on an established timeline.

City staff also seeks the Council's feedback on whether a local minimum wage ordinance should or should not include any exceptions or exemptions, and feedback on the proposed community engagement and outreach strategy for this initiative.

Next Steps:

Staff will incorporate Council's feedback and move forward with community outreach. This includes conducting citywide engagement and communication activities to solicit feedback from businesses and the community on the City's consideration of a local minimum wage ordinance. Staff envisions this process will take place over the next four months and anticipates returning to the Council in February 2018 to present community feedback received and a recommended policy framework for drafting a local minimum wage ordinance. If a minimum wage ordinance is approved the City Council in the spring, implementation (including education of employers and establishment of enforcement mechanisms) would take place over approximately six to eight months. This would allow the ordinance to take effect on January 1, 2019.

ALTERNATIVES

- Take no action at the local level with Redwood City employers adhering to the State's phased-in minimum wage schedule, which will reach $15.00 an hour by 2022.

FISCAL IMPACT

Increasing the minimum wage to $15.00 as required by the State or through a potential local ordinance would have a minimum estimated cost impact to the City of approximately $122,000. However, the total fiscal impact is unknown at this time; any wage increase would necessitate changes to the City's salary structure beyond employees at the minimum wage level and costs of administration and enforcement of a new minimum wage ordinance have not been determined.

Staff estimates expending $4,000-$10,000 to design, print and mail postcards to every business in Redwood City and to translate outreach materials into Spanish and Chinese.

ENVIRONMENTAL REVIEW

This activity is not a project under CEQA as defined in CEQA Guidelines, Section 15378, because it has no potential for resulting in either a direct or a foreseeable physical change in the environment.

Attachment A - Bay Area Ordinances
Attachment B - Map of Geographical Job Concentrations
Attachment C - Wage Study Summary Analysis
Attachment D - Wage Study Full Version
Attachment E - Minimum Wage Work Plan
Attachment F - Draft Minimum Wage Business Survey Questions

ALEX KHOJIKIAN
DEPUTY CITY MANAGER

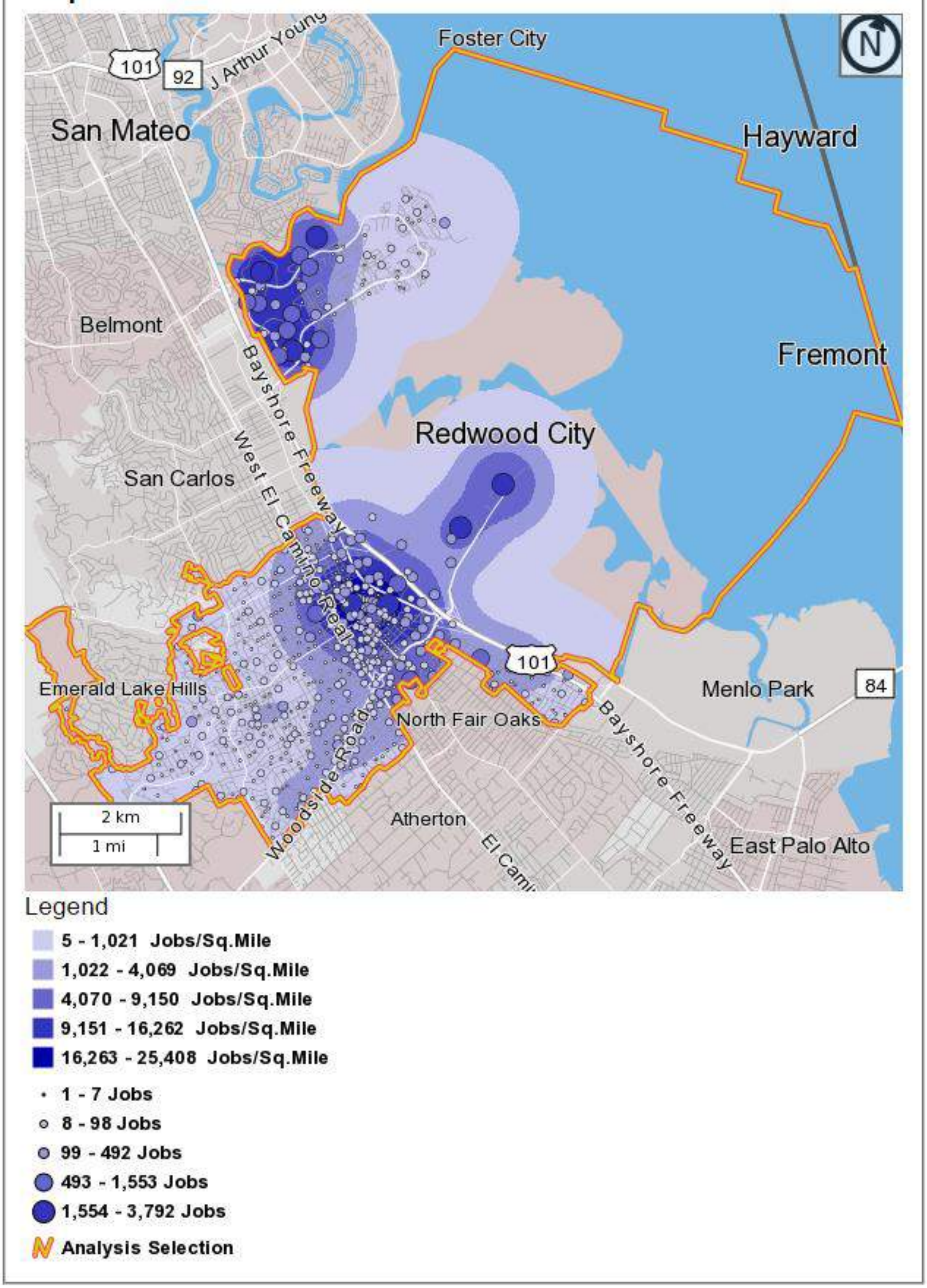
Melissa Stevenson Diaz

MELISSA STEVENSON DIAZ
CITY MANAGER

Bay Area Cities Minimum Wage Increase Schedules as of September 12, 2017

Locality (year enacted)	Wage before first increase	1st step		2nd step		3rd step		4th step		5th step	
		New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase
Berkeley, CA (2016)	$11.00	$12.53	10/1/2016	$13.75	10/1/2017	$15.00	10/1/2018				
Cupertino, CA (2016)	$10.00	$12.00	1/1/2017	$13.50	1/1/2018	$15.00	1/1/2019				
El Cerrito, CA (2015)	$10.00	$11.60	7/1/2016	$12.25	1/1/2017	$13.60	1/1/2018	$15.00	1/1/2019		
Emeryville, CA (2015) *large businesses (more than 55 employees)*	$9.00	$14.44	7/1/2015	$14.82	7/1/2016	$15.00	7/1/2017	$16.00	7/1/2018	$16.00	7/1/2019
Emeryville, CA (2015) *small businesses (55 or fewer employees)*	$9.00	$12.25	7/1/2015	$13.00	7/1/2016	$14.00	7/1/2017	$15.00	7/1/2018	Same rate as large businesses	7/1/2019
Los Altos, CA (2016)	$10.00	$12.00	1/1/2017	$13.50	1/1/2018	$15.00	1/1/2019				
Milpitas, CA (2017)	$10.50	$11.00	7/1/2017	$12.00	1/1/2018	$13.50	7/1/2018	$15.00	7/1/2019		
Mountain View, CA (2015)	$10.30	$11.00	1/1/2016	$13.00	1/1/2017	$15.00	1/1/2018				
Oakland, CA (2014)	$9.00	$12.25	1/1/2015	$12.55	1/1/2016	$12.86	1/1/2017				
Palo Alto, CA (2015)	$9.00	$11.00	1/1/2016	$12.00	1/1/2017	$13.50	1/1/2018	$15.00	1/1/2019		
Richmond, CA (2014)	$9.00	$9.60	1/1/2015	$11.52	1/1/2016	$12.30	1/1/2017	$13.00	1/1/2018		
San Francisco, CA (2014)	$11.05	$12.25	5/1/2015	$13.00	7/1/2016	$14.00	7/1/2017	$15.00	7/1/2018		
San Jose, CA (2016)	$10.50	$12.00	7/1/2017	$13.50	1/1/2018	$15.00	1/1/2019				
San Leandro, CA (2016)	$10.50	$12.00	7/1/2017	$13.00	7/1/2018	$14.00	7/1/2019	$15.00	7/1/2020		
San Mateo, CA (2016)	$10.00	$12.00	1/1/2017	$13.50	1/1/2018	$15.00	1/1/2019				
San Mateo, CA (2016) *nonprofits*	$10.00	$10.50	1/1/2017	$12.00	1/1/2018	$13.50	1/1/2019	same as other businesses	1/1/2020		
Santa Clara, CA (2015)	$10.00	$11.00	1/1/2016								
Sunnyvale, CA (2014; amended 2016)	$9.00	$10.30	1/1/2015	11.00	7/1/2016	$13.00	1/1/2017	$15.00	1/1/2018		

Map



Foster City
J Arthur Young
101
92
San Mateo
Hayward
Belmont
Fremont
Bayshore Freeway
Redwood City
San Carlos
West El Camino Real
101
Emerald Lake Hills
Menlo Park
84
North Fair Oaks
Bayshore Freeway
Woodside Road
2 km
1 mi
Atherton
El Cami
East Palo Alto
Legend
5 - 1,021 Jobs/Sq.Mile
1,022 - 4,069 Jobs/Sq.Mile
4,070 - 9,150 Jobs/Sq.Mile
9,151 - 16,262 Jobs/Sq.Mile
16,263 - 25,408 Jobs/Sq.Mile
1 - 7 Jobs
8 - 98 Jobs
99 - 492 Jobs
493 - 1,553 Jobs
1,554 - 3,792 Jobs
Analysis Selection

Summary Analysis
"The Effects of a $15 Minimum Wage by 2019 in San Jose and Santa Clara County"

U.C. Berkeley's Institute for Research on Labor and Employment (IRLE) completed a study in June 2016 analyzing "The Effects of a $15 Minimum Wage by 2019 in San Jose and Santa Clara County" (full report provided as Attachment D). The study came to two main conclusions. First that a $15 countywide minimum wage would increase earnings for workers and "the improvement in living standards would outweigh the small effect on employment." Second, with the expected positive and negative effects on employment offsetting each other, "the impacts of the minimum wage will be employee turnover reductions, productivity increases and modest price increases."

Some of the supporting key findings include:

- An increase of the minimum wage to $15 would increase earnings for 115,000 (31%) San Jose workers and 250,000 (25%) Santa Clara County workers.

- The median annual earnings of workers who would get a raise ($18,100 – San Jose, $17,821 – Santa Clara County, in 2014 dollars) is about one-third of the median earnings for all workers in San Jose ($50,507) and Santa Clara County ($57,956).

- Restaurants and food service businesses would be most affected with 77.8% (San Jose) and 71% (Santa Clara County) workers in the restaurant industry expected to see a wage increase.

- Total wage costs are expected to increase by 10% (San Jose), 9.5% (Santa Clara County) for restaurants, 1.3% (San Jose), and 1% (Santa Clara County) across all employers. Since the workers receiving the increases are the lowest paid workers in the work force, the increases represent only 8.3% (San Jose) and 6.1% (Santa Clara County) of total wages.

- Businesses could increase prices by about .2-.3% in the overall economy and between 2.9-3.1% in the restaurant industry to cover this increase in payroll costs.

- Overall, the $15 minimum wage results in a slight slowing of employment growth (loss of 80-100 jobs) in San Jose and Santa Clara County respectively when taking into account the effects on the overall region.

CWED
Center on Wage and Employment Dynamics

Institute for Research on Labor and Employment
University of California, Berkeley

The Effects of a $15 Minimum Wage by 2019 in San Jose and Santa Clara County

By Michael Reich, Claire Montialoux, Sylvia Allegretto, Ken Jacobs, Annette Bernhardt, and Sarah Thomason

With the assistance of Saika Belal and Ian Perry

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CONTENTS

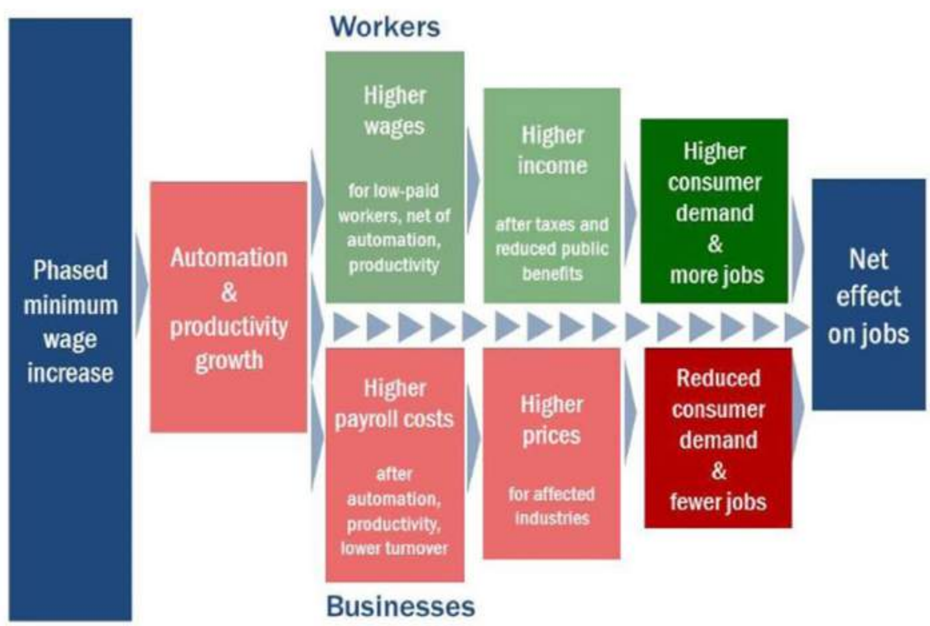
KEY FINDINGS

We present here, at the request of the City of San Jose, an analysis of the impact of minimum wage increases for both San Jose and all of Santa Clara County. Both scenarios begin on January 1, 2017 and increase to $15 by January 1, 2019.[1]

Critics of minimum wage increases often cite factors that will reduce employment, such as automation or reduced sales, as firms raise prices to recoup their increased costs. Advocates often argue that better-paid workers are less likely to quit and will be more productive, and that a minimum wage increase positively affects jobs and economic output as workers can increase their consumer spending. Here we take into account all of these often competing factors to assess the net effects of the policy.

Our analysis applies a new structural labor market model that we created specifically to analyze the effects of a $15 minimum wage. We take into account how workers, businesses, and consumers are affected and respond to such a policy and we integrate these responses in a unified manner. In doing so, we draw upon modern economic analyses of labor and product markets. As we explain in the report, the main effects of minimum wages are made up of substitution, scale, and income effects. The figure below provides a guide to the structure of our model.

Figure 1. UC Berkeley IRLE minimum wage model



Source: UC Berkeley IRLE Minimum Wage Research Group

Our data are drawn from the Census Bureau's American Community Survey and from other Census and U.S. Bureau of Labor Statistics datasets. We also make use of the extensive research conducted by economists—including ourselves—in recent years on minimum wages, and upon research on related economic topics.

Our estimates of the effects of a $15 minimum wage are also based upon existing research on labor markets, business operations, and consumer markets. Our estimates compare employment numbers if the policy were to be adopted to employment numbers if the policy is not adopted. Other factors that may affect employment by 2019 are therefore outside the scope of our analysis. We have successfully tested our model with a set of robustness exercises.

Our analysis does not incorporate the recent state minimum wage law passed in April 2016. Since the San Jose and Santa Clara County scenarios are on a faster timeline, the number and demographics of workers affected would be similar if we had included the scheduled statewide increases. However, the size of the average wage increase and the effect on firms compared to the new baseline established by the state would be somewhat smaller.

SCENARIO A: KEY FINDINGS FOR A $15 MINIMUM WAGE INCREASE IN SAN JOSE – BY 2019

Economic context

- When accounting for inflation, median earnings in San Jose were 10.5 percent lower in 2014 compared to their 2007 pre-recession level. Median annual earnings in San Jose are 20.9 percent higher than the state as a whole, but 17.3 percent less than median earnings in Santa Clara County.

- Unemployment rates have declined significantly for the state and San Jose. The April 2016 unemployment rate for California was 5.3 percent, down to its 2007 pre-recession rate. Annual unemployment in San Jose had was 4.5 percent in 2015, lower than its pre-recession rate (5.2 percent in 2007).[2]

Effects on workers – by the end of 2019

- Increasing the minimum wage to $15 would increase earnings for 115,000 workers, or 31.1 percent of the city's workforce.

- Among those getting raises in San Jose, annual pay would increase 17.8 percent, or about $3,000 (in 2014 dollars) on average. These estimates include a ripple effect: some workers who already earn $15 will also receive an increase.

- 96 percent of workers who would get increases are over 20 and 56 percent are over 30—with a median age of 32.

- The proposed minimum wage increase would disproportionately benefit Latinos, who represent 53 percent of affected workers.

- Workers who would get pay increases are less-educated than the overall workforce, but almost half (48 percent) have some college experience or higher.

- The median annual earnings of workers who would get raises ($18,100 in 2014 dollars) are 36 percent of median earnings for all workers in San Jose ($50,507). Workers getting increases are disproportionately employed in part-time jobs, and are also less likely to have health insurance through their employer.

- Workers who would get pay increases disproportionately live in low-income families; on average, they earn close to half of their family's income.

- The research literature suggests downstream benefits from the proposed wage increase, such as improved health outcomes for both workers and their children, and increases in children's school achievement and cognitive and behavioral outcomes.

Effects on businesses and consumers – by the end of 2019

- Three industries account for over half of the private sector workers getting increases in San Jose: restaurants (21.0 percent), retail trade (19.1 percent), and administrative and waste management services (14.7 percent).

- 77.8 percent of workers in the restaurant industry in the private sector would receive a wage increase, compared to 11.5 percent in manufacturing.

- Total wages would increase by 10.1 percent for restaurants and 1.3 percent across all employers. This increase is much smaller than the minimum wage increase because many businesses already pay over $15 and many workers who would get pay increases are already paid more than the current minimum wage. In addition, the workers who would receive pay increases are the lowest paid workers in San Jose and their wages represent only 8.3 percent of total wages.

- Employee turnover reductions, automation, and increases in worker productivity would offset some of these payroll cost increases.

- Businesses could absorb the remaining payroll cost increases by increasing prices slightly—by 0.3 percent through 2019. This price increase is well below annual inflation of 2.5 percent over the past five years. Price increases in restaurants would be higher, 3.1 percent.

- Price increases would be much smaller than labor cost increases because labor costs average about 22 percent of operating costs; compared to 31 percent for restaurants and 11 percent for retail.

- The consumers who would pay these increased prices range across the entire income distribution.

Net effect on employment in San Jose, Santa Clara County and nine nearby counties – by the end of 2019

- Our estimate projects slightly slower employment growth during the phase-in period than without the minimum wage increase: cumulatively, 960 fewer jobs by the end of 2019 in San Jose, which corresponds to 0.3 percent of projected 2019 employment. In comparison, employment in the state is projected to grow 1.32 percent annually in the same time period.

- Most of the reduction in job growth in San Jose reflects leakage of the increased spending by workers getting increases into the rest of the region. A substantial share of San Jose workers who would get pay increases live and spend their increased income in neighboring areas. Taking into account the increased spending in surrounding areas, we estimate there would be 80 fewer jobs over the larger regional area than without the wage increase. This area includes the following counties: Santa Clara, Alameda, San Mateo, San Francisco, Santa Cruz, Monterey, and San Benito.

SCENARIO B: KEY FINDINGS FOR A $15 MINIMUM WAGE INCREASE IN ALL OF SANTA CLARA COUNTY – BY 2019

Economic context

- After accounting for inflation, the earnings of typical workers in the county declined by 8.3 percent between their pre-recession level in 2007 and 2014. Median annual earnings in Santa Clara County are 49.6 percent higher than in the state as a whole.
- Santa Clara County has experienced rapid employment growth in the recovery from the recession. Over 62 percent of Santa Clara County's working age residents are employed, compared to 57 percent in the state as a whole.
- The unemployment rate in Santa Clara County was 4.2 percent in 2015, significantly below the pre-recession rate and falling.

Effects on workers – by the end of 2019

- Increasing the minimum wage to $15 would increase earnings for about 250,000 workers in Santa Clara County, or 25.3 percent of the county's workforce.
- Among those getting raises in Santa Clara County, annual pay would increase 19.4 percent, or $3,200 (in 2014 dollars) on average. These estimates include a ripple effect in which some workers who already earn $15 will also receive an increase.
- The demographics of the affected workers in Santa Clara County mirror those in San Jose: 95.5 percent are over the age of 20, with a median age of 32; 37.0 percent are married; 33.9 percent have children; nearly half are Latino.
- The median annual earnings of affected workers ($17,821 in 2014 dollars) are about one-third of the median for all workers in Santa Clara County ($57,956).

Effects on businesses and consumers – by the end of 2019

- Three industries account for nearly half of the private sector workers getting increases in Santa Clara County: food services (20.2 percent), retail trade (16.1 percent), and administrative and waste management services (11.9 percent).
- 71 percent of workers in the restaurant industry in the private sector would receive a wage increase, compared to 11.2 percent in manufacturing.

- Total wages would increase by 9.5 percent for restaurants and one percent across all employers. This increase is much smaller than the minimum wage increase because many businesses already pay over $15 and many workers who will get pay increases are already paid over the current minimum wage. In addition, the workers who would receive pay increases are the lowest paid workers in Santa Clara County and their wages represent only 6.1 percent of total wages.

- Employee turnover reductions, automation, and increases in worker productivity would offset some of these payroll cost increases.

- Businesses would absorb the remaining payroll cost increases by increasing prices slightly—by 0.2 percent through 2019. This price increase is well below annual inflation of nearly 2.5 percent over the past five years. Price increases in restaurants would be higher at 2.9 percent.

- Price increases would be much smaller than labor cost increases because labor costs average about 22 percent of operating costs; compared to 31 percent for restaurants and 11 percent for retail.

- The consumers who would pay these increased prices range across the entire income distribution.

Net effect on employment in Santa Clara County and nine nearby counties – by 2019

- Our estimate projects slower employment growth over the phase-in period than without the minimum wage increase: cumulatively, 1,350 fewer jobs by the end of 2019 in Santa Clara County, which corresponds to 0.1 percent of projected 2019 employment. In comparison, employment in the state is projected to grow 1.32 percent annually in the same time period.

- Based upon regional commuting and spending patterns, we estimate a net gain of less than one hundred jobs over the larger region that includes the counties of Santa Clara, Alameda, San Mateo, San Francisco, Santa Cruz, Monterey, and San Benito. The employment gains generated by a $15 minimum wage within Santa Clara County are spread over nearby counties.

LIMITS TO OUR STUDY

- Any prospective impact study involves an inherent level of uncertainty. Actual effects may differ from our estimates if future economic conditions vary from current forecasts.
- We estimate the net effects on jobs in the city, county and region. The effects will vary for particular industries.
- We do not take into account the effects of higher wages on worker health and on worker training, which are likely to be positive. Also, although higher parental earnings have well-documented effects on children's health, educational outcomes, and future earnings, these long-run effects are beyond the time scope of our study.
- These results cannot be generalized to minimum wages higher than $15. Our model predicts additional negative effects would occur at some higher minimum wage.

CONCLUSION

- Like all forecasts, our results may differ if other economic conditions change.
- A $15 countywide minimum wage by 2019 would generate a significant increase in earnings for about 115,000 workers in San Jose and 250,000 workers in Santa Clara County. The improvement in living standards would outweigh the small effect on employment.
- How can such a major improvement in living standards occur without adverse employment effects? While a higher minimum wage induces some automation, as well as increased worker productivity and slightly higher prices, it simultaneously increases worker purchasing power. These positive and negative effects on employment largely offset each other. In the end, the impacts of the minimum wage will be employee turnover reductions, productivity increases and modest price increases.

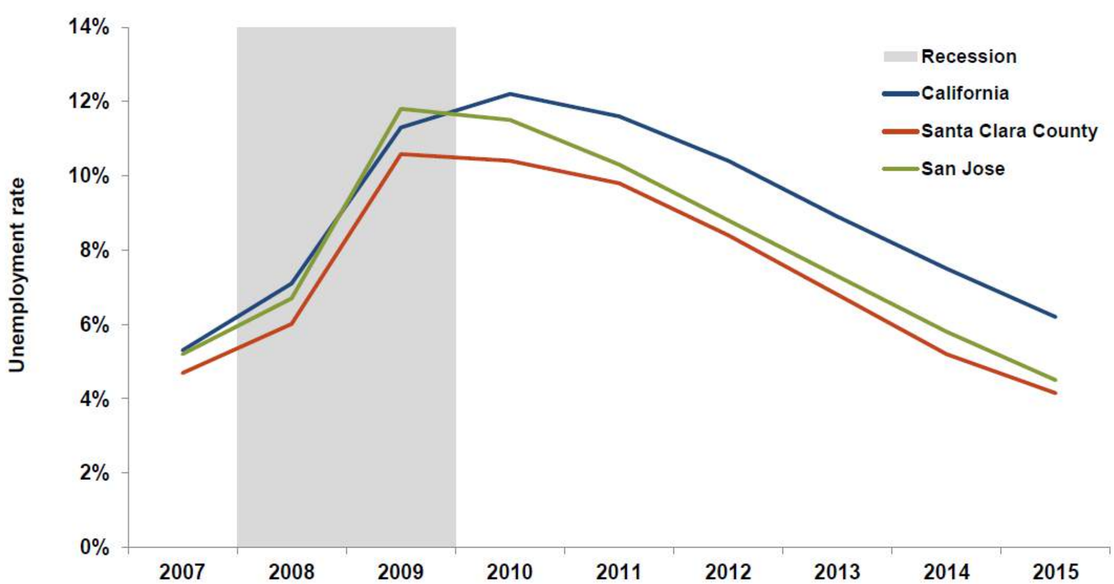
PART 1. THE POLICY CONTEXT

1. THE ECONOMIC CONTEXT

We review here the current economic conditions in Santa Clara County, the City of San Jose and, for context, California. We focus on four economic indicators over the Great Recession and recovery: unemployment rates, job growth, employment rates, and earnings. Each provides a somewhat different perspective on the nature of the current recovery.

The Great Recession started near the end of 2007 and officially lasted until June 2009. California was hit hard by the recession as state unemployment rates soared into double digits as did the rates for San Jose and Santa Clara County (Figure 2). Unemployment rates started to decline as the economy improved. The April 2016 unemployment rate for California was 5.3 percent, down to its 2007 pre-recession rate. The 2015 annual unemployment in San Jose was 4.5 percent, lower than its pre-recession rate (5.2 percent in 2007).

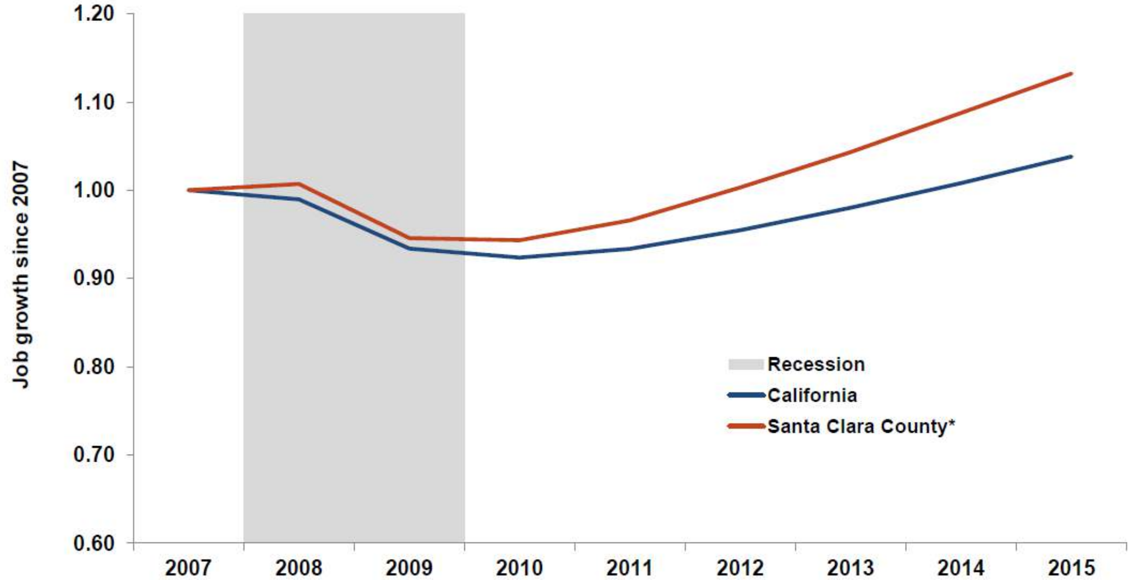
Figure 2. Annual unemployment rates, 2007-2015



Source: Annual unemployment rates are from the California Employment Development Department.

Unemployment rates improved as job growth strengthened over the last several years. Figure 3 shows the sizable job losses in Santa Clara County and California during the recession. Job growth returned in 2011—at a faster pace in Santa Clara County than in California—and that higher pace of job growth in Santa Clara County has increased even as job growth in the state steadily improved.

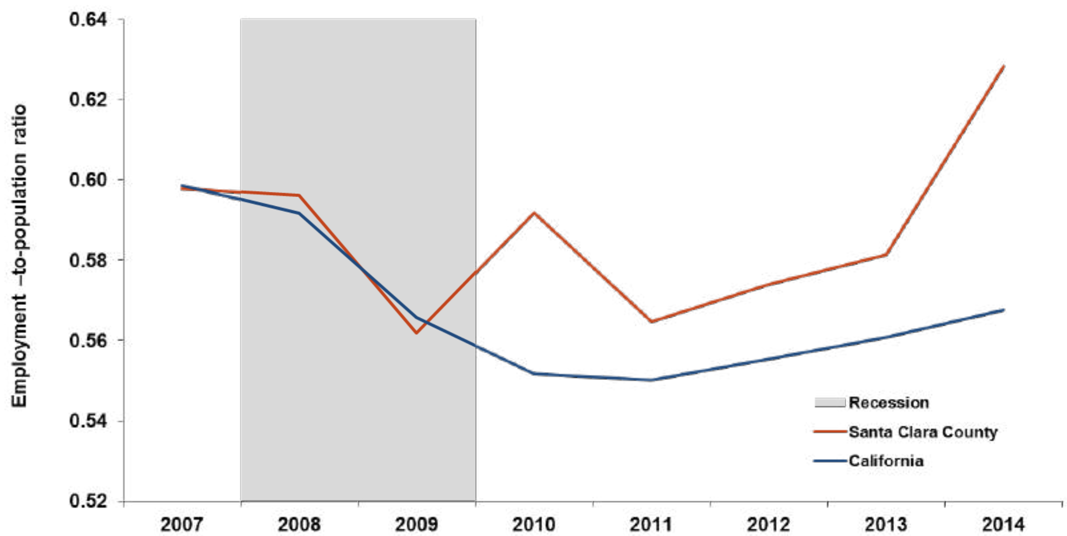
Figure 3. Job growth, California and Santa Clara County, 2007-2015



Source: Authors' calculation of growth in total nonfarm payrolls (annual averages) from Current Employment Statistics.

Note: *Data for Santa Clara County refers to the San Jose–Sunnyvale–Santa Clara MSA

Figure 4. The employment rate (EPOPS), 2007-2014

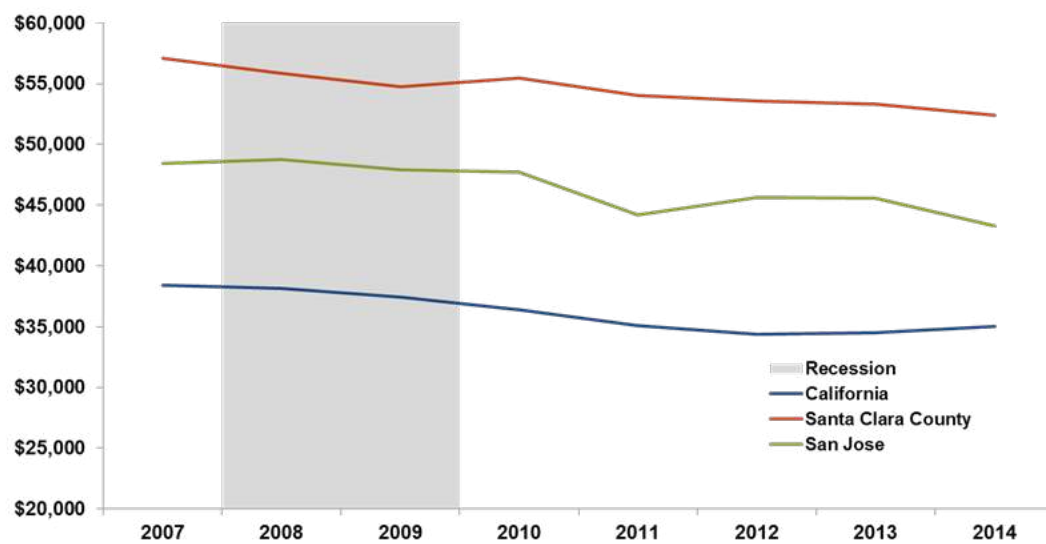


Sources: California state employment-to-population ratios are calculated using annual employment data from the CPS and annual population data from the U.S. Census. Santa Clara County ratios are calculated using annual employment data from EDD and annual population data from the U.S. Census.

Figure 4 depicts trends in the employment rate - the share of the working age population that is employed. This indicator is a companion to the unemployment rate as it counts workers who stopped looking for work and those who want more hours of work. Santa Clara County has experienced rapid employment growth over the recovery. Over 62 percent of Santa Clara County residents are employed compared to 57 percent for the state as a whole. Figure 4 shows that the earnings of typical workers in Santa Clara County far outpace earnings for workers in San Jose and the state overall. Median annual earnings in Santa Clara County are $52,377 (in 2014 dollars) which is 49.6 percent higher than the state as a whole. Annual earnings in San Jose are $43,313 (in 2014 dollars), which is 20.9 percent higher than the state as a whole, but 17.3 percent less than median earnings in Santa Clara County.

However, pay in both the county and the state is lower than it was in 2007. In Santa Clara County, after accounting for inflation, earnings of typical workers have declined by 8.3 percent, compared to pre-recession levels. The pay of typical workers in the City of San Jose is 10.5 percent lower compared to the 2007 per-recession level. These patterns suggest that inequality has continued to increase even during economic expansions.[3]

Figure 5. Real median earnings, 2007-2014



Source: American Community Surveys 2007-2014.
Note: Median annual earnings for workplace geography in real 2014 inflation-adjusted dollars for workers 16 years and over with earnings.

In summary, unemployment and employment trends show that California's economic recovery has strengthened substantially in recent years—and even more so in Santa Clara County and San Jose. Median annual earnings are considerably higher in Santa Clara County and San Jose than in the state as a whole. However, the earnings of typical workers have declined despite the economy recovery.

2. THE MINIMUM WAGE INCREASE SCHEDULES

Both of the scenarios considered in this report would phase in minimum wage increases over three years, starting with $12 an hour in 2017 and reaching $15 an hour in 2019. In Scenario A, this minimum wage schedule is adopted in San Jose. In Scenario B, this minimum wage schedule is adopte throughout Santa Clara County, including San Jose. Tables 1 and 2 compare these two minimum wage scenarios to the "baseline" schedules currently in effect (as of March 1, 2016). In the impact analyses that follow, our logic will be to estimate the effects of Scenario A and B, relative to their respective baseline schedules. (Our analysis does not take into account the recent state minimum wage increase signed into law in April 2016).

Table 1. San Jose Minimum Wage Schedule: Scenario A

	2017	2018	2019
Baseline schedule*	$10.53	$10.76	$11.00
Scenario schedule	$12.00	$13.50	$15.00

* Based on San Jose's minimum wage schedule as of March 1, 2016. It does not take into account the state minimum wage increase enacted on April 4, 2016. San Jose's minimum wage was indexed to the U.S. All Cities CPI-W. We estimate each year's minimum wage using the average annual increase in the CPI-W over the past 10 years.

Table 2. Santa Clara County Minimum Wage Schedule: Scenario B

	2015 workforce	2017	2018	2019
Baseline schedules				
San Jose & Sunnyvale	431,000	$10.53*	$10.76*	$11.00*
Palo Alto & Santa Clara City	211,000	$11.25*	$11.50*	$11.75*
Mountain View	84,000	$13.00	$15.00	$15.37*
Rest of Santa Clara County (state schedule)	180,000	$10.00	$10.00	$10.00
Scenario schedule				
Santa Clara County (except Mountain View)	906,000	$12.00	$13.50	$15.00

Note: The baselines for these schedules were in effect as of March 1, 2016. Proposals being considered by individual cities were not used. We do not take into account the state minimum wage increase enacted on April 4, 2016.

* Where minimum wages are scheduled to increase according to CPI, we estimate the increase using the average annual CPI increase over the past 10 years. Mountain View's minimum wage is indexed to the San Francisco CMSA CPI-W. All other cities are indexed to the U.S. All Cities CPI-W.

PART 2. EMPLOYMENT IMPACT ANALYSIS IN SAN JOSE AND SANTA CLARA COUNTY

1. PREVIOUS MINIMUM WAGE RESEARCH

In the past two decades, economists have conducted numerous econometric studies of the effects of minimum wages. The overwhelming majority have focused on the employment effects (Belman and Wolfson 2014; Belman and Wolfson 2015; Schmitt 2015). Typically these studies make use of panel data on workers or firms from standard government sources such as the Current Population Survey or the Quarterly Census on Employment and Wages.

Most extant research on minimum wages does not detect significant effects on workers age 20 and over. Some observers attribute the lack of visible effects to the relatively small proportion of adults who were affected by past minimum wage increases in the U.S.[4] These observers argue that minimum wage effects should be detectible by examining groups that are more affected, notably teens and restaurant workers (Brown 1999).

Economists have therefore focused on these two groups. After two decades of methodological controversy among researchers, the literature has produced some areas of agreement. In particular, recent studies of the effects on restaurant workers by researchers with opposing methodological views have arrived at a consensus: the employment effects are either extremely small or non-existent.[5] The effects of minimum wages on teen employment remain somewhat controversial. Some researchers find significant but not large negative effects (Neumark, Salas, and Wascher 2014) while others find effects that are much smaller, close to zero (Allegretto et al. 2015).

The remaining controversy over effects on teens has become less relevant than it once was. While teens once represented one-fourth of all workers affected by minimum wages nationwide, their importance has fallen to less than half that level today. We find that teens represent only 4.5 percent of the workers who would be affected by the proposed $15 Santa Clara County minimum wage. Moreover, compared to teens, the rest of the low-wage workforce is older and has more work experience and schooling than was the case in previous decades. Results that are specific to teens are therefore not as informative for the effects on the workforce as a whole.

This minimum wage research uses quasi-experimental methods, exploiting time and state variation between 1979 and 2012 in federal and state minimum wages to identify causal effects. The most credible of the studies use state of the art statistical methods to ensure that the causal comparisons are apples to apples. However, the minimum wage changes in these past experiences, which peak at about $10, generated increases for at most 8-10 percent of the workforce. In contrast, approximately 31 percent of all workers would receive a wage increase in the $15 San Jose scenario and 25 percent in the $15 Santa Clara County scenario, far higher than is the case in the minimum wage research literature to date. As a result, this previous research is at best only suggestive of the effects we consider here.

Moreover, this quasi-experimental econometric approach does not tell us whether employment effects are the result of automation, or price increases, or other possible mechanisms. Instead, it incorporates the results of all these mechanisms without identifying which are at work.

Since the quasi-experimental econometric approach is not appropriate for our study, we draw here upon the other major empirical method used by economists—building and calibrating a structural model. Thus, in order to better understand the impacts of a larger minimum wage increase, we model how the minimum wage policy works its way through the San Jose and Santa Clara County economy, examining workers, businesses, and consumers. We incorporate outcomes from economists' best research on labor markets, business practices, and consumer spending to construct a structural, multi-iterative model to estimate the effects of the scenarios for San Jose and Santa Clara County.

2. THE UC BERKELEY IRLE MINIMUM WAGE MODEL

In 2015, the UC Berkeley Institute for Research on Labor and Employment (IRLE) minimum wage group developed a structural model to study the prospective impacts of a $15 minimum wage in Los Angeles.[6] This model was further enhanced to study the effects of a $15 minimum wage in New York State (Reich et al. 2016). The current report, which uses that model, contains two components:

- A wage simulation model that predicts the number of workers that will be affected by (i.e., receive) minimum wage increases. The results of this model are described in the first part of this report, and the model itself is described in detail in the appendix.

- An economic impact model that predicts the effect of minimum wage increases, given the structure of the workforce affected, on consumer demand. We focus on the latter in this section.

We also adapt the model to apply to San Jose and Santa Clara County in particular. Our estimates draw on standard government data sources, the large body of economic research on the minimum wage, other research studies, and a standard regional economic model (IMPLAN). These data sources and models are fully documented in the text, accompanying endnotes, and in the appendix.

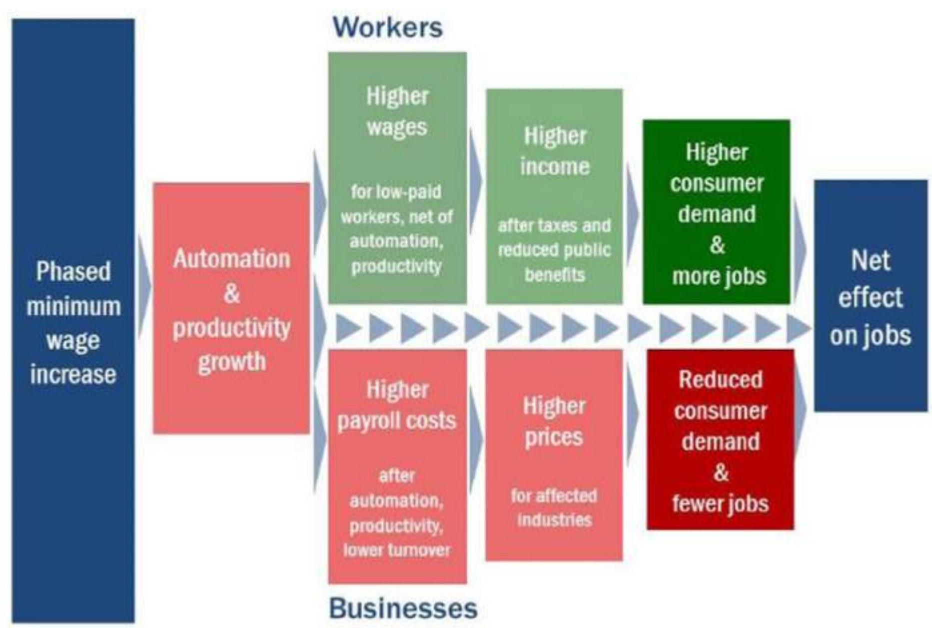
Our economic impact model recognizes that higher minimum wages will affect labor supply and labor demand. Adjustments to labor supply include lower employee turnover and lower job vacancy rates. Adjustments to labor demand include possible substitutions of capital for labor and skilled labor for unskilled labor, greater worker productivity when wages rise, reductions in employment because higher prices reduce sales, and increases in employment because workers' spending out of their higher income will increase sales and employment. The net effect depends upon the magnitudes of the individual adjustments, again taking into account interactions among them.

The labor demand model draws from standard labor economic textbook analyses. For industry labor demand, these analyses incorporate "substitution" and "scale" effects in labor, capital, and goods markets. For a formal version of this labor demand model, see Cahuc, Carcillo and Zylberg (2014). Since our concern here is on the effects of an economy-wide minimum wage, we add an "income effect." The income effect accounts for changes in the level of economic output when wage increases lead to increased consumer demand.

Model Structure

Figure 6 summarizes our model qualitatively in a flow diagram. The green boxes refer to the effects on workers and the red boxes refer to the effects on businesses. The automation and productivity box is placed first to highlight how businesses will respond to a minimum wage. Automation here refers only to capital-labor substitution that is induced by the minimum wage, not to the much larger degree of automation that has taken place for decades. Productivity growth can come from automation, from workers working harder or smarter when pay is high, and from workers having more experience, as when minimum wages reduce employee turnover.

Figure 6. UC Berkeley IRLE minimum wage model



Source: UC Berkeley IRLE Minimum Wage Research Group

Examine next the effects on workers, shown in the green boxes and move from left to right. The first green box refers to the higher wages received by lower-paid workers. The next green box accounts for the net effect of taxes and reduced receipt of public benefit programs on workers' income. Workers will pay more in taxes as their wages increase and eligibility for public benefits will decline. The third box refers to how workers' increased spending power out of their higher net income translates into higher consumer demand and more jobs. We will refer to this mechanism as the *income effect* of minimum wages.

Examine now the effects on businesses and again move from left to right. The higher minimum wage will increase businesses' payroll costs, but some of these higher costs will be offset because employee turnover will fall, generating savings in recruitment and retention costs. Firms may also find that higher-paid and more experienced workers will be more productive, which could also offset payroll cost increases. In other words, one effect of a higher minimum wage is to induce more efficient management practices.

Higher payroll costs (net of turnover and productivity savings) will lead firms to increase prices, leading to reduced consumer demand. We will refer to this adjustment mechanism as the *scale effect*, as it identifies reductions in the scale of output that will reduce the demand for workers.

As we have already mentioned, businesses may also respond to higher minimum wages by increasing their investment in equipment. This *substitution effect* (think automation) also reduces their demand for workers.

The income effect has a positive effect on employment, while the scale and substitution effects each have negative effects on employment. The sum of the income, scale, and substitution effects determines the net employment effect of the minimum wage, as shown in the blue box on the right side of Figure 6.

Figure 6 is useful for understanding the basic structure of our model. But it leaves out some important details. First, the effects on businesses and workers in the red and green boxes of the model occur simultaneously, not sequentially. The effects in reality are therefore captured only by examining the net effects on the economy and employment. These net effects are symbolized by the blue box at the right of the diagram. Second, Figure 6 omits some feedback loops that would make the figure unwieldy, but which are included in our calculations.

Model calibration and dynamics

The net effect of minimum wages on employment equals the sum of the income, scale, and substitution effects. The income effect will always be positive, while the scale and substitution effects will always be negative. Whether the net effect is positive, zero, or negative therefore depends upon the relative magnitudes of its three components.

These relative magnitudes in turn depend upon the quantitative responses of workers and businesses to a minimum wage increase. We refer to the model's parameters as the inputs that determine these multiple quantitative responses. Some of these parameters, such as the propensity to substitute capital for labor, may not vary with the magnitude of the minimum wage increase. Other parameters, such as turnover cost savings, are likely to vary with the size of the increase. As with any economic model, we calibrate our model using the best data and research findings available. The details are presented in Section 5 below and in Appendix A2.

The model's parameters and dynamics must be consistent with two conditions. First, the model must be consistent with the very small effects that researchers find for the smaller pre-2015 increases in federal and state minimum wages. Second, although labor demand in low-wage labor markets may be much less responsive to wages than is commonly thought, labor demand is not completely unresponsive. The model must therefore be consistent with growing negative effects if minimum wages were to reach extremely high levels, such as at $25 or $40 per hour. The big unknown, of course, is: At what level do the effects become visibly negative and how quickly do they become more negative?

In a forthcoming paper, Reich et al. (2016) show that our calibrated model predicts extremely small effects for minimum wage increases of up to 25 percent, to a minimum wage of $10. At this minimum wage, the income, scale, and substitution effects are each very small. As the minimum wage reaches higher levels, the (positive) income effect weakens since the increase in the proportion of workers getting pay increases slows down, and because the propensity to consume of higher-paid workers is lower than that of lower paid workers. At the same time, the (negative) scale effect strengthens because turnover cost savings diminish and the price elasticity of consumer demand becomes higher for higher-priced goods.[7] Our model is thus consistent with growing negative employment effects at higher minimum wage levels.

We have tested our model's calibration by undertaking a series of robustness tests. The tests show that this net effect changes by small amounts when we vary the model's parameters (Reich et al. 2016). In the next sections, we discuss how we quantify the effects in each of the boxes in Figure 6.

3. EFFECTS ON WORKERS

We begin by analyzing the effects of the Scenario A (San Jose) and Scenario B (Santa Clara County) minimum wage increases on workers. To estimate these effects, we use publicly-available government datasets to model (a) the number of workers who would receive pay increases under the two minimum wage scenarios and (b) the size of those wage increases. We exclude federal and state government employees, local school district employees, In Home Supportive Services (IHSS) workers, and self-employed workers from our analysis, since those groups of workers would not be eligible for local minimum wage laws.

Specifically, for each scenario, our model produces two different simulations of the future wage distribution. First, we conduct a baseline simulation, in which we assume that the minimum wage will increase each year according to minimum wage laws that are already in effect (see Tables 1 and 2 above). For Scenario B (Santa Clara County), we assume that cities that do not have their own minimum wage law will follow the state minimum wage schedule in effect as of January 1, 2016 (again, this analysis does not take into account the new state minimum wage law signed in April 2016). Second, we conduct a simulation that models the future wage distribution under each of the two minimum wage increase scenarios.

We then compare the baseline and scenario simulations and estimate, for each yearly phase-in step, the number of workers that would be affected by the scenario and the additional wages they would receive as a result, above and beyond any currently scheduled minimum wage increases. In constructing these estimates, our model adjusts for expected growth in employment, wages and inflation over time. Our estimates also take into account what is often referred to as a “ripple” or “compression” effect: workers who make slightly more that the scenario minimum wage are also likely to receive wage increases. More information on our methodology is available in Appendix A1.

3.1 Workforce Impacts

Table 3 shows the estimated number and percentage of eligible workers affected under Scenario A (San Jose) and Scenario B (Santa Clara County). Under Scenario A, we estimate that 115,000 workers in San Jose will receive a pay raise by 2019, or about 31.1 percent of the eligible workforce. Of these, 92,000 are directly affected workers (earning less than $15 per hour when the scenario would be fully implemented in 2019) and 23,000 are indirectly affected (earning slightly more than $15 per hour when the scenario would be fully implemented in 2019).

Under Scenario B, 250,000 workers, or about 25.3 percent of the eligible workforce in Santa Clara County, would receive a pay raise by 2019. Of these, 198,000 are directly affected workers and 52,000 are indirectly affected workers. Estimates for Santa Clara County include San Jose.

Table 3. Estimated cumulative impacts on workers by 2019

Cumulative workforce impacts	Scenario A: San Jose	Scenario B: Santa Clara County
Percent of eligible workforce receiving pay increases	31.1%	25.3%
Total number of workers receiving increases	115,000	250,000
Number of workers affected directly	92,000	198,000
Number of workers affected indirectly	23,000	52,000
Average hourly wage increase (2014 dollars)	$1.81	$1.92
Average annual earnings increase for workers receiving increases (2014 dollars)	$3,000	$3,200
Average percent annual earnings increase for workers receiving increases	17.8%	19.4%
Total aggregate increase in wages (2014 dollars)	$345 million	$796 million

Source: Authors' analysis of ACS, OES, and QCEW data. See Appendix A1 for details.

Note: Santa Clara County impacts include those for the entire county, including San Jose. Eligible workers are those that work in the city/county where the new minimum wage policy is implemented. Directly affected workers earned between 50% of the old minimum wage and 100% of the new minimum wage. Indirectly affected workers earned between 100% and 115% of the new minimum wage. Average annual earnings is per worker, not per job.

We also estimate the additional earnings that affected workers would receive under each scenario, relative to their earnings under current minimum wage schedules. Table 3 shows the estimated cumulative increase in affected workers' hourly wages, annual earnings, and percentage increase in annual earnings, as well as the cumulative total earnings increase for all affected workers. By full implementation in 2019, we estimate that the wages of affected workers will have risen by about $1.92 per hour in Santa Clara County and $1.81 per hour in San Jose. That amounts to an estimated additional $3,000 in earnings per year for impacted workers in San Jose and $3,200 for impacted workers in Santa Clara County. In total, we estimate that affected workers will earn an additional $796 million by 2019 in Santa Clara County. In San Jose, we estimate that affected workers will earn an additional $345 million by 2019. All estimates are listed in 2014 dollars.[8]

3.2 Impact on Benefits Eligibility and Poverty

Some policymakers have expressed concern that affected workers and their families could ultimately be worse off after minimum wage increases if they are no longer eligible for means-tested social assistance programs. However, research suggests that most workers will come out well ahead financially, because the benefits from most social assistance programs phase out as recipients' income rises. This means that as the earnings of affected workers rise, the benefits they receive will gradually decline instead of being eliminated all at once.[9] In fact, the Congressional Budget Office (Congressional Budget Office 2012) has estimated that the average marginal tax rate for low-and moderate-income workers is 34.8 percent, meaning that affected workers will keep 65.2 cents of each additional dollar they earn. So while taxes and reductions in social assistance benefits will erode some of the additional earnings for affected workers, most families will still see significant gains in income under the scenario minimum wage increases. Finally, Arin Dube has estimated that for each percentage increase in the minimum wage, household poverty is reduced by -0.24 percent (2013). Applying this measure of the elasticity of poverty with respect to the minimum wage, we estimate that an increase to $15 would reduce the number of households in poverty by 8.5 percent in San Jose and 8.2 percent in Santa Clara County.

3.3 Demographics of Affected Workers

Next, we analyze the demographic and job characteristics of the workers who would be affected by the two minimum wage scenarios (including both directly and indirectly affected workers). Table 4 profiles workers affected by Scenario A in San Jose. In the first column, we display the characteristics of all eligible workers. For example, 58.3 percent of San Jose workers are men and 41.7 percent are women. In the second column, we show the *distribution of affected workers* by 2019. For example, we estimate that 51.4 percent of affected workers are men and 48.6 percent are women. In the third column, we present the *share of each demographic group that will receive a wage increase*. For example, we estimate that 27.4 percent of male workers and 36.2 percent of female workers eligible for the proposed increase will receive a raise.

Contrary to the common perception that minimum wage workers are mainly teens, we estimate that 95.6 percent of affected workers in San Jose are in their twenties or older and 56.3 percent are in their thirties or older. The scenario will be particularly beneficial to Latino/a workers in San Jose, as half of these workers (50.8 percent) will receive a raise. Workers of all education levels would benefit from the scenario, with less educated workers benefitting the most. About half of affected workers have no college education (51.2 percent)

We estimate that over a third of affected workers in San Jose have children (33.9 percent) and 37.1 percent are married. Affected workers in San Jose disproportionately live in low-income families, with 40.3 percent at or below 200 percent of the federal poverty level. Fully 91.8 percent of workers in poor families will receive a pay increase. On average, affected workers in San Jose bring home 48.5 percent of their family's income, suggesting that they are primary breadwinners in their families and are not providing supplementary income.

We estimate that the median annual earnings of affected workers ($18,100 in 2014 dollars) is less than half (35.8 percent) of the median earnings for all workers in San Jose. Affected workers are disproportionately employed in part-time or part-year jobs, and are much less likely to have health insurance provided by their employer than the overall San Jose workforce.[10]

Table 4. Demographic and job characteristics of affected workers in Scenario A - San Jose

	Percent of eligible workers	Percent of eligible workers getting a raise	Percent of group getting a raise
Gender			
Male	58.3	51.4	27.4
Female	41.7	48.6	36.2
Median Age	39	32	
Age			
16-19	1.6	4.4	86.6
20-29	22.4	39.3	54.4
30-39	27.2	22.8	26.1
40-54	35.6	23.7	20.7
55-64	13.3	9.8	22.9
Race/Ethnicity			
White (Non-Latino)	33.8	20.9	19.2
Black (Non-Latino)	2.6	3.1	37.5
Latino/a	29.9	50.8	52.8
Asian (Non-Latino)	31.0	22.7	22.7
Other	2.6	2.4	28.7
Education			
Less than High School	11.1	23.9	66.7
High School or G.E.D.	16.5	27.3	51.4
Some College	20.2	26.7	41.0
Associate's Degree	7.1	7.7	33.4
Bachelor's Degree or Higher	45.0	14.4	9.9
Country of Birth			
U.S. Born	51.8	48.0	28.8
Foreign Born	48.2	52.0	33.5
Family Structure			
Married	55.0	37.1	20.9
Has Children	44.2	33.9	23.8
Family Income Relative to Poverty Level (FPL)			
Less than 100% of FPL	3.8	11.4	91.8
100% to 150% of FPL	5.1	14.3	86.6
150% to 200% of FPL	6.0	14.7	75.8
200% to 300% of FPL	13.0	24.2	57.7
Greater than 300% of FPL	72.1	35.5	15.3
Average Worker Share of Family Income	62.9	48.5	
Median Individual Annual Earnings (2014 Dollars)	$50,507	$18,100	
Full-Time / Part-Time Worker			
Full-Time (35 or More Hours per Week)	82.8	64.6	24.2
Part-Time (Fewer than 35 Hours per Week)	17.2	35.4	64.0
Full-Year / Part-Year Worker			
Full-Year (50-52 Weeks per Year)	87.1	80.2	28.6
Part-Year (Fewer than 50 Weeks per Year)	12.9	19.8	47.7
Health Insurance Provided by Employer			
Yes	77.1	52.0	20.9
No	22.9	48.0	65.1

Source: Authors' analysis of ACS, OES, and QCEW data. See Appendix A1 for details.

In Table 5, we show the demographic and job characteristics of the affected workers under Scenario B in Santa Clara County. Affected workers in Santa Clara County as a whole share many of the same characteristics as affected workers in San Jose. Nearly half of Latino/a workers would receive a raise as a result of the proposed law. Over half are in their thirties or older (56.6 percent) and most are in their twenties or older (95.5 percent). About a third have children (33.9 percent).

As in San Jose, a disproportionate number of affected workers in Santa Clara County live in families at or below 200 percent of the federal poverty level (39.9 percent), and most workers living in families below the poverty line will receive a pay increase (91.1 percent). On average, affected workers bring home almost half of their family's income (48.0 percent).

The earnings gap between affected workers and the overall workforce is higher for Santa Clara County than for San Jose. We estimate that the median annual earnings of affected workers ($17,821 in 2014 dollars) is less than one third (30.7 percent) of the median earnings for all workers in Santa Clara County. As in San Jose, affected workers in Santa Clara County are disproportionately employed in part-time or part-year jobs, and are much less likely to have health insurance provided by their employer than the overall Santa Clara County workforce.[11]

Table 5. Demographic and job characteristics of affected workers in Scenario B - Santa Clara County

	Percent of eligible workers	Percent of eligible workers getting a raise	Percent of group getting a raise
Gender			
Male	57.3	49.2	24.4
Female	42.7	50.8	33.3
Median Age	39	32	
Age			
16-19	1.4	4.5	86.7
20-29	21.6	38.9	50.6
30-39	28.0	22.7	23.3
40-54	35.9	24.1	18.9
55-64	13.2	9.8	20.6
Race/Ethnicity			
White (Non-Latino)	34.9	21.1	17.3
Black (Non-Latino)	2.5	3.2	35.6
Latino/a	26.2	49.3	50.8
Asian (Non-Latino)	33.6	23.9	20.6
Other	2.8	2.5	25.8
Education			
Less than High School	9.3	22.9	66.0
High School or G.E.D.	14.2	26.5	50.0
Some College	18.8	26.8	39.0
Associate's Degree	7.0	8.0	31.3
Bachelor's Degree or Higher	50.7	15.9	9.2
Country of Birth			
U.S. Born	51.5	48.2	26.3
Foreign Born	48.5	51.8	30.2
Family Structure			
Married	56.2	37.0	18.7
Has Children	44.8	33.9	21.4
Family Income Relative to Poverty Level (FPL)			
Less than 100% of FPL	3.3	11.2	91.1
100% to 150% of FPL	4.4	14.2	86.4
150% to 200% of FPL	5.2	14.5	75.2
200% to 300% of FPL	11.7	24.0	55.3
Greater than 300% of FPL	75.4	36.1	13.7
Average Worker Share of Family Income	63.9	48.0	
Median Individual Annual Earnings (2014 Dollars)	$57,956	$17,821	
Full-Time / Part-Time Worker			
Full-Time (35 or More Hours per Week)	84.1	64.7	21.9
Part-Time (Fewer than 35 Hours per Week)	15.9	35.3	60.3
Full-Year / Part-Year Worker			
Full-Year (50-52 Weeks per Year)	87.4	79.7	25.8
Part-Year (Fewer than 50 Weeks per Year)	12.6	20.3	44.8
Health Insurance Provided by Employer			
Yes	79.8	53.2	19.0
No	20.2	46.8	62.7

Source: Authors' analysis of ACS, OES, and QCEW data. See Appendix Section A1 for details.

3.5 Downstream effects

The increases in earnings shown in Tables 4 and 5 would be substantial and would have an immediate impact on the lives of low-wage workers and their families in San Jose and Santa Clara County. But it is important to recognize that there are longer-term effects of minimum wage increases as well.

Low wages have been shown to affect workers negatively in a variety of ways, but the health impacts are most pronounced. All else being equal, low wages (and in turn poverty) result in increased rates of high blood pressure and high levels of stress, as well as shorter life expectancy (Leigh and Du 2012). A recent study from the United Kingdom found that by reducing the financial strain on low-wage workers, an increase in the minimum wage improves mental health at a level comparable to the effect of antidepressants on depression (Reeves et al. 2016). In another study, additional income led to fewer arrests for parents and increases in parental supervision of their children (Akee et al. 2010). Similarly, increases in Earned Income Tax Credit (EITC) program payments led to improvements in the mental health of mothers (Evans and Garthwaite 2010; Congressional Budget Office 2012).

Multiple rigorous studies also establish a causal negative effect of low incomes on outcomes for children. A recent review of peer-reviewed articles found that 29 of 34 studies established a negative effect of poverty on children's outcomes (K. Cooper and Stewart 2013). Using data from a randomized control trial of the Minnesota Family Investment Program, researchers found positive, significant effects on children's social behavior and school engagement due to increases in income (Morris and Gennetian 2003). Other researchers analyzed data from ten such studies and found significant effects of increased income on school achievement (Rodgers 2004).

Generally, these studies show that additional income has a positive effect on the outcomes of children in households of all income levels. However, multiple studies also suggest that additional income has a larger effect in very-low-income households compared to middle-income households (Dahl and Lochner 2012); (Akee et al. 2010); (Costello et al. 2003). Some evidence indicates that additional income early in life is important to cognitive outcomes, whereas additional income in later childhood may be more important in terms of behavioral outcomes (K. Cooper and Stewart 2013).

4. EFFECTS ON BUSINESSES

How a higher minimum wage affects a firm depends on how much the firm's operating costs change and on how the firm responds to those changes. In this section, we first identify the industries that will be highly affected by the two minimum wage increase scenarios. We then estimate the impact of the minimum wage increases on firms' operating costs across the entire economy and for highly affected industries, taking into account savings from reduced turnover. We describe the effects on businesses separately for Scenario A (San Jose) and Scenario B (Santa Clara County).

4.1 Scenario A: San Jose

Minimum wage increases do not affect all industries equally. We therefore begin with an analysis of the impact of Scenario A at the industry level. Table 6 shows the estimated distribution of affected workers across San Jose's industries by 2019. In the first column, we show the percentage of the overall eligible San Jose workforce in each industry. The second column displays our estimate of *the distribution across industries* of workers getting a raise under the scenario. The third column presents our estimate of the percentage of workers getting a raise *within each industry*.

Over half of affected workers are employed in just three service sector industries: food services (21.0 percent), retail (19.1 percent), and administrative and waste management services (14.7 percent), which is comprised mainly of building services contractors and employment agencies. The service sector also dominates the list of industries that have high rates of low-wage work—that is, industries where we estimate a high share of workers will get a raise (for example, 77.8 percent in food services and 50.7 percent in administrative and waste management services).

We also examine the sectoral distribution of affected workers in Table 6. Our estimates show that affected workers are largely employed in the private, for-profit sector. Nonprofit and public sector workers are less likely to be affected than the overall San Jose workforce.

Table 6. Cumulative impact estimates for major industries in San Jose by 2019

	Percent of eligible workers	Percent of eligible workers getting a raise	Percent of industry getting a raise
All Sectors			
Agriculture, Forestry, Fishing, Hunting, and Mining	0.2	0.3	
Construction	6.0	6.5	33.3
Manufacturing	16.5	6.1	11.5
Wholesale Trade	4.6	3.2	21.2
Retail Trade	12.7	19.1	46.8
Transportation, Warehousing, and Utilities	2.8	2.8	31.0
Information	3.1	0.9	9.5
Finance, Insurance, Real Estate, and Rental and Leasing	4.8	3.1	20.1
Professional, Scientific, and Management	11.9	2.7	7.2
Administrative and Waste Management Services	9.0	14.7	50.7
Educational Services	1.9	1.6	25.9
Health Services	8.5	5.5	20.4
Social Assistance	1.7	2.4	45.4
Arts, Entertainment, Recreation, and Accommodation	2.8	4.5	49.2
Food Services	8.4	21.0	77.8
Other Services	3.1	4.7	47.9
Public Administration	2.0	0.7	10.7
Total	100.0	100.0	
By Sector			
Private, For-Profit	90.0	93.8	32.4
Private, Non-Profit	6.0	4.6	23.6
Public	4.0	1.6	12.6
Total	100.0	100.0	

Source: Authors' analysis of ACS, OES, and QCEW data. See Appendix A2 part B for details.

Note: Blank value for "Percent of Industry That is Getting a Raise" indicates insufficient sample size for that category.

Changes in a firm's operating costs due to a minimum wage increase are determined by the following factors: the share of workers receiving wage increases, the average size of the wage increases, and the labor share of operating costs within the firm. As we saw in Table 6, in most industries only a minority of workers in San Jose will receive a wage increase under Scenario A. Furthermore, among workers that do receive an increase, not everyone will receive the full increase (because many of the affected workers already earn more than the current minimum). Specifically, we estimate that the total wages of all affected workers will increase by 15.3 percent in San Jose. However, affected workers' wages represent only 8.3 percent of all workers' wages in San Jose. As a result, total wages in San Jose will increase by 1.3 percent.

Economic research suggests that some of the increased labor costs that businesses face as a result of a higher minimum wage can be offset through lower turnover. In our calculations below, we take the midpoint of those estimates and assume that 17.5 percent of increased labor costs are absorbed via turnover savings in the first year.[12] These savings are likely to accrue at smaller rates as wage levels go higher; we therefore assume that by 2019 the marginal increase in earnings relative to 2017 no longer yields any additional turnover savings. As a result, we estimate that the total savings from turnover at a $15 minimum wage in 2019 would be 11.3 percent of increased labor costs.[13]

Table 7 shows our estimates of the increase in business operating costs (net of savings from reduced turnover) in retail and restaurants, the two industries with the largest number of workers receiving a raise under Scenario A. By 2019, we estimate that businesses in the restaurant industry would see their payroll costs rise by 10.2 percent and businesses in the retail industry would see their payroll costs rise by 2.2 percent; these cost estimates include payroll taxes and workers' compensation insurance expenses.[14] Across the entire San Jose economy, we estimate that payroll costs would rise by 1.2 percent by 2019.

However, operating costs will rise by a much smaller amount, because labor costs only make up a portion of the total costs that businesses face. We estimate that labor costs excluding health benefits currently account for 30.7 percent of restaurant operating costs, 10.8 percent of retail operating costs, and 22.1 percent for the overall economy (these percentages will increase over time as labor costs rise faster than other costs due to the proposed minimum wage increase). We therefore estimate that by 2019, total operating costs would rise by 3.1 percent for restaurants, 0.2 percent for retail, and 0.3 percent for the overall economy. (See Appendix A2.2 for more detail on how we estimate the labor share of operating costs by industry.)

Table 7. Cost impacts for businesses in San Jose by 2019

	Percent change in payroll costs	Labor costs as percent of operating costs	Percent change in operating costs and prices
All	1.2	22.1	0.3
Restaurants	10.2	30.7	3.1
Retail	2.2	10.8	0.2

Source: US Census Annual Wholesale Trade Report and authors' analysis of ACS, OES, and QCEW data. See Appendix A2 Part B for details.

4.2 Scenario B: Santa Clara County

Table 8 shows the estimated distribution of affected workers across industries in Santa Clara County under Scenario B. As in Scenario A, over half of affected workers are employed in three service sector industries: food services (20.2 percent), retail (16.1 percent), and administrative and waste management services (11.9 percent). These same industries have a high proportion of low-wage workers who would get a raise in the scenario (for example, 71.0 percent in food services and 47.6 percent in administrative and waste management services).

Affected workers in Santa Clara County are also mostly employed in the private, for-profit sector. Nonprofit and public sector workers are less likely to be affected than the overall Santa Clara County workforce.

Table 8. Cumulative impact estimates for major industries in Santa Clara County by 2019

	Percent of eligible workers	Percent of eligible workers getting a raise	Percent of industry getting a raise
All Sectors			
Agriculture, Forestry, Fishing, Hunting, and Mining	0.3	0.9	67.8
Construction	4.4	5.5	31.9
Manufacturing	16.6	7.4	11.2
Wholesale Trade	3.8	3.0	20.1
Retail Trade	9.2	16.1	44.4
Transportation, Warehousing, and Utilities	1.9	2.2	28.7
Information	7.5	1.4	4.6
Finance, Insurance, Real Estate, and Rental and Leasing	3.7	2.7	18.9
Professional, Scientific, and Management	16.0	4.1	6.5
Administrative and Waste Management Services	6.4	11.9	47.6
Educational Services	3.8	3.8	25.2
Health Services	10.2	7.7	19.1
Social Assistance	2.0	3.3	43.0
Arts, Entertainment, Recreation, and Accommodation	2.3	4.2	46.2
Food Services	7.2	20.2	71.0
Other Services	2.7	4.8	45.4
Public Administration	2.0	0.7	9.4
Total	100.0	100.0	
By Sector			
Private, For-Profit	88.7	92.3	26.4
Private, Non-Profit	7.3	5.9	20.4
Public	4.0	1.8	11.3
Total	100.0	100.0	

Source: Authors' analysis of ACS, OES, and QCEW data. See Appendix A2 Part B for details.

Note: Blank value for "Percent of Industry That is Getting a Raise" indicates insufficient sample size for that category.

We estimate that the total wages of all affected workers in Santa Clara County will increase by 16.4 percent. But again, because affected workers' wages represent only 6.1 percent of all workers' wages in Santa Clara County, total wages in the county will increase by 1.0 percent.

Table 9 shows our estimates of the increase in business operating costs for Santa Clara County for retail and restaurants, the two industries with the largest number of workers receiving a raise under the proposed minimum wage law, as well as for businesses across all industries. After accounting for reductions in turnover we estimate that businesses in the restaurant industry will see their payroll costs rise by 9.5 percent and businesses in the retail industry will see their payroll costs rise by 2.1 percent.[15] Across the entire Santa Clara County economy, we estimate that payroll costs will rise by 1.0 percent by 2019.

We therefore estimate that by 2019, total operating costs will rise by 2.9 percent for restaurants, 0.2 percent for retail, and 0.2 percent for the overall economy.

Table 9. Cost impacts for businesses in Santa Clara County by 2019

	Percent change in payroll costs	Labor costs as percent of operating costs	Percent change in operating costs and prices
All	1.0	22.1	0.2
Restaurants	9.5	30.7	2.9
Retail	2.1	10.8	0.2

Source: US Census Annual Wholesale Trade Report and authors' analysis of ACS, OES, and QCEW data. See Appendix A2 Part B for details.

5. EFFECTS ON EMPLOYMENT

A principal goal of the proposed minimum wage policy for San Jose (Santa Clara County) is to raise the earnings of low-wage workers, while minimizing the tradeoffs in economic costs. In previous sections, we have assessed the benefits to low-wage workers as well as the impact on businesses' operating costs in particular industries. In this section we consider whether the proposed policy would generate net gains or losses to the city's (county's) economy.

In Section 5.1, the key issues concern how much employers will substitute equipment or skilled labor for unskilled labor and how much of their cost increases employers will pass on in the form of higher prices. In Section 5.2, we discuss who might pay the costs of the higher minimum wage. Higher prices reduce consumption demand, which translates into reductions in employment and economic activity.

Section 5.3 examines the increased spending that derives from the higher income of low-wage workers. We take into account the effects of taxes and reduction in public benefits on the affected workers' take-home pay and the rate at which their households spend income compared to others. Greater spending from consumers increases economic demand, which translates into increases in employment and economic activity.

The net effects on the economy will then depend upon the sum of the effects estimated in each of these three sections. Section 5.4 estimates these net impacts on economic activity and employment.

5.1 Automation, productivity and substitution away from unskilled labor

It is often argued that a higher minimum wage will lead firms to reduce their use of workers. This reduction in labor demand can occur through two different channels: one involves substituting capital for labor, *i.e.*, automation or mechanization of jobs while keeping sales at the same level; the other involves lower demand for workers when prices increase and sales fall. We discuss here the automation channel and consider the effect on sales in the following section.

Automation: economic theory and measurement

Mechanization does not necessarily lead to a net loss of jobs. As David Autor (2014a; 2014b) points out, machines (including smart robots) do not just substitute for labor; they are also complements to existing jobs and they can lead to the creation of new jobs and industries. Indeed, previous rounds of automation and computerization have created more jobs than they destroyed. Moreover, automation does not involve only the replacement of labor by machines. It also involves the replacement of old machines (think manual cash registers) with newer ones (think electronic cash registers and electronic screens like iPads).

In general, the effect of automation on employment depends upon the elasticity of substitution of capital for labor (sigma)—the change in the relative prices of capital and labor—and the share of profits in revenue. The lower is sigma, the more difficult it is to substitute capital for labor. Robert Chirinko, the leading economist specializing in estimates of sigma, finds an economy-wide sigma of about 0.4 (Chirinko and Mallick 2016). While the estimates in this study are identified across all economic sectors, most of the variation occurs among manufacturing industries. Lawrence (Lawrence 2015) also finds that the economy-wide sigma is less than 1 and that it is lower still in low-wage manufacturing industries than in high-wage manufacturing industries.

Alvarez-Cuadrado, Van Long and Poschke (2015) estimate substitution elasticities separately for manufacturing and services using data on 16 countries. They find that service sector elasticities are considerably lower than in manufacturing. However, their study does not examine low-wage services separately. The results in these papers nonetheless suggest, as Autor et al. conjectured, that automation possibilities are lower in low-service jobs.

Aaronson and Phelan (Aaronson and Phelan 2015) have carefully studied the short-run impact of minimum wages on the automation of different kinds of low-wage jobs. Their study is the first to examine automation within low-wage industry contexts. Aaronson and Phelan find that minimum wage increases do reduce routinized low-wage jobs (such as cashiers) and increase the number of less-routinized low-wage jobs (such as food preparation). As it turns out, the changes offset each other almost equally, resulting in no net change in employment. Thus, Aaronson and Phelan (2015) find that sigma is essentially zero in low-wage occupations.

We use a sigma of 0.2 in our calculations, half-way between Chirinko and Mallick and Aaronson and Phelan. This conservative assumption may therefore result in an over-estimate of the magnitude of the automation effect.

Aaronson and Phelan's findings also suggest very little substitution of highly skilled workers for lower skilled workers. Dube, Lester and Reich (2016) obtained a similar result. Consequently, we do not include any effect of skilled labor being substituted for unskilled labor in our model.

Automation in practice

Machines that process automated transactions—at airports and in airplanes, banks, self-checkout stations in retail stores, parking garages, and gasoline stations—have become particularly widespread over the past 30 years. During this period, the price of computer-related machines has rapidly declined. Labor-saving automation will occur even when wages do not rise, insofar as the technological change continues to push down the price of equipment, making investments in new equipment and software profitable.

The effects of a rising minimum wage on actual automation depend in part upon whether new labor-saving technology that has not yet been adopted continues to become available. We suggest that much of existing labor-saving technological change has already been embodied in low-wage industries, in equipment and software such as smart electronic cash registers, remote reservations, and ordering systems. An increase in the minimum wage is likely only to generate small increases in the adoption of more automated systems.

Equally important, the rate of adoption of technical change depends on changes in the relative prices of capital and labor, not just on the price of low-wage labor. Although the prices of computer-related equipment and software have fallen dramatically, by approximately a factor of ten in the past several decades, the decline in the past five years is much smaller. Meanwhile, median wages have stagnated and real minimum wages remain lower than they were in the early 1970s.

The declining cost of capital is also reflected in declines in long-term interest rates in recent decades. Five-year and ten-year inflation-protected interest rates have also fallen dramatically. These changes in relative prices have been the main impetus to increased automation. Even a doubling of the minimum wage policy, which would imply (according to (Allegretto et al. 2015) an average wage increase of about 22 percent, would have very little impact in comparison. However, interest rates are unlikely to fall further. It is therefore likely that actual automation in low-wage industries is slowing.

To summarize, empirical estimates of the elasticity of substitution of capital for labor that include low-wage industries in their sample range between 0 and 0.4. We use 0.2, the midpoint of this range. Since Aaronson and Phelan find a much smaller elasticity, our use of 0.2 is conservative.

Reductions in paid hours relative to working hours

Some commentators assert that a higher minimum wage will lead employers to cheat workers of a portion of their wages. However, such practices already exist; the question at hand is how much the minimum wage increase will increase their prevalence and intensity. Although it is difficult to measure changes in wage theft, we know that employee-reported increases in pay (to a census surveyor) after a minimum wage increase match up well to employer-reported increases in pay on administrative reports that determine payroll taxes (Dube, Lester, and Reich 2010). These results suggest that most employers comply about as much after the increase as before.

Employee turnover and employer recruitment and retention costs

The correlation between low wages and high employee turnover is well known (Cotton and Tuttle 1986).[16] Over the last decade, annual employee turnover in accommodation and food service averaged 70 percent a year, compared to 41.4 percent in other services, 30.5 percent in health care and social assistance, and 32 percent in non-durable manufacturing (Statistics 2014).[17] Quits are higher in low-wage occupations because workers leave to find higher-wage jobs or because they are unable to stay in their jobs due to problems such as difficulties with transportation, child care, or health.

Recent labor market research has gone beyond establishing a correlation between pay and turnover. We now know minimum wage increases have well-identified causal impacts that reduce worker turnover. Dube, Naidu and Reich (2007) found that worker tenure increased substantially in San Francisco restaurants after the 2003 minimum wage law, especially in limited service restaurants. Dube, Lester and Reich (2016) found that a 10 percent increase in the minimum wage results in a 2.1 percent reduction in turnover for restaurant workers and for teens. Jacobs and Graham-Squire (2010) reviewed studies of the impact of living wage laws on employment separations and found that a 1 percent increase in wages is associated with a decline in separations of 1.45 percent.

Turnover creates financial costs for employers (Blake 2000; Dube, Freeman, and Reich 2010; Hinkin and Tracey 2000). These costs include both direct costs for administrative activities associated with departure, recruitment, selection, orientation, and training of workers, and the indirect costs associated with lost sales and lower productivity as new workers learn on the job. Hinkin and Tracey (2000) estimate the average turnover cost for hotel front desk employees at $5,864. A study of the cost of supermarket turnover by the Coca Cola Research Council estimates the replacement cost for an $8 an hour non-union worker at $4,199 (Blake 2000). Boushey and Glynn (2012) estimate that the median replacement cost for jobs paying $30,000 or less equals 16 percent of an employee's annual salary.

Pollin and Wicks-Lim (2015) estimate that 20 percent of the increased costs from a minimum wage increase are offset by reductions in turnover. Similar estimates can be found in Fairris (2005) and Jacobs and Graham-Squire (2010). In a small case study of quick service restaurants in Georgia and Alabama (Hirsch, Kaufman, and Zelenska 2011), managers reported they offset 23 percent of the labor cost increases through operational efficiencies.

For our calculations below, we assume that 17.5 percent of the increase in payroll costs is absorbed through lower turnover in the early years of the proposed minimum wage increase.[18] However, these turnover savings do not continue to grow at higher wage levels. Dube, Lester and Reich (2016) find that most of the reduction in turnover occurs among workers with less than three months of job tenure.

This result suggests that the effect of higher wages on increasing tenure dissipates as wage levels increase. We therefore assume that the increases in wages after 2018 no longer result in turnover reductions, yielding an overall lower rate of savings from turnover of 13.4 percent in 2019.

Impact of higher wages on worker performance

Paying workers more can also affect worker performance, morale, absenteeism, the number of grievances, customer service, and work effort, among other metrics (Hirsch, Kaufman, and Zelenska 2011; Reich, Jacobs, and Dietz 2014; Ton 2012; Wolfers and Zilinsky 2015).

Efficiency wage models of the labor market argue that wage increases elicit higher worker productivity, either because when employers pay workers more, workers are more willing to be more productive, or because they remain with the firm longer and thereby gain valuable experience, or because higher pay tends to reduce idleness on the job. This theoretical result holds whether one company raises its wage above the market-clearing level, or whether all do (Akerlof and Yellen 1986).

Reduced employee turnover means that workers will have more tenure with the same employer, which creates incentives for both employers and workers to increase training and therefore worker productivity. A large scholarly literature makes this point, and it has been emphasized recently by firms such as Walmart, TJ Maxx, and The Gap as principal reasons underlying their announced policies to increase their minimum wages nationally to $10. However, because of the lack individual- or firm-level productivity data, the earlier efficiency wage literature does not provide a reliable quantitative assessment of the importance of the effect on worker productivity among low-wage workers.

A new paper by Burda, Gedanek and Hamermesh (2016) does just that. Using microdata for 2003- 2012 from the American Time Use Study, Burda et al. find that working time while on the job increases when wages are higher. Their results imply that an increase in hourly pay from $10 to $15 increases the level of productivity by 0.05 percent.

Burda et al.'s estimate may be too high, given the difficulty of disentangling cause from effect in their loafing data. On the other hand, they do not have measures of worker engagement while working, which could make the actual worker productivity improvement potentially twice as large. To capture this range of productivity effects in our model, we use the Burda et al. estimate of 0.05 percent.[19]

Another relevant new paper (Card et al. 2016) appeared after the analysis for this report was completed. This paper uses firm-based data on value added per worker and pay to examine how much the rise of wage inequality derives from increases in firm-based productivity differences. The results in this paper (Card, personal communication) imply that a one percent wage increase leads to a 0.04 percent increase in log of productivity, which translates into a productivity increase of 0.1 percent. Consequently, our productivity estimate may be too low, which offsets our automation estimates, which may be too high.

A recent study by John Abowd et al. (Abowd et al. 2012) demonstrates the substantial room for productivity and wage growth in low-wage industries in the U.S. Using longitudinally linked employer-employee data, Abowd et al. disentangle wage differentials among industries that are attributable to individual heterogeneity (such as the demographic, educational, and work experience characteristics of workers in the industry), which they label person effects, from the characteristics of the product market and bargaining power of firms in the industry, which they label industry effects.

Abowd et al. can observe wage changes when individual workers move from one employer to another. They find very strong industry average firm effects, particularly for industries that have high average pay and low average pay. Among restaurants, for example, they find that 70 percent of the relatively low wages in the industry are attributable to firm effects, and only 30 percent to person effects. These findings suggest that a change in an industry's environment can have large effects on worker pay.

Effects on prices

As we have seen, previous prospective studies have made different assumptions on how much costs will affect prices—and therefore also profits. Card and Krueger (1995) provide an extensive discussion of this issue. As they point out, from the point of view of an individual employer in a perfectly competitive industry, profits would be unaffected only in the extreme case in which firms can costlessly replace low-wage labor with high-skill labor and/or capital, and without cutting output. Since such substitutions are costly, from this perspective a minimum wage increase would have to reduce profits. Firms do not envision a price increase as a solution, as it fears losing sales to its competitors.

A different result emerges when Card and Krueger consider the point of view of an industry as a whole. This perspective is necessary since the minimum wage increase applies to all the firms in an industry. Now, when individual firms respond to the prospect of reduced profits by raising their prices, they find that other firms are doing the same. Some of the price increases will stick and the industry will recapture some of the reduced profits. However, since demand for the industry's product is not fixed, this increase in price entails some reduction in product demand, implying that industry output (and therefore employment) will fall. In other words, the price increase will permit employers to recover only a portion of their reduced profits. Card and Krueger do not, however, take into account the income effect that will increase sales when a minimum wage applies to an entire economy, not just a single industry.

The evidence on whether profits do fall is extremely scant. The most important study remains the one in Card and Krueger (1995). These authors obtained mixed results when examining the effects of minimum wage changes on shareholder returns for fast-food restaurant chains. Using British data, Draca et al. (2011) find a small negative effect on profits. However, one segment of this study uses data for firms in the British residential care industry. Firms in this industry were not permitted to increase prices, making the results not very useful for other sectors. Harasztosi and Lindner (2015) examine a large (60 percent) and persistent increase in the Hungarian minimum wage, which affected much of manufacturing. These authors find that cost increases were entirely passed through, but employment did not change and profits did not fall. Of course, the relevance of the British and Hungarian studies for the U.S. is highly uncertain.

In our model, employers pass all of the increase in operating costs stemming from a minimum wage increase onto prices, after accounting for the above-mentioned turnover savings, automation, and productivity growth. Studies of price effects of minimum wages are consistent with this model. These studies generally examine data on restaurants. Aaronson (2001) and Aaronson, French and MacDonald (2008) both find complete pass through of costs. However, their data come from a period of much higher inflation, are based on a handful of observations per metro area, and they do not correct their standard errors for clustering. In contrast, Allegretto and Reich (2015) collected a large sample of restaurant price data in and near San Jose, before and after a 25 percent minimum wage increase in 2013 (from $8.00 to $10.00). Their results indicate that most of the costs are passed through to consumers in higher prices. Using scanner data from supermarkets, Montialoux et al. (forthcoming) find a similar effect for retail prices.

Effects on profits and rent

Some economists have argued that many firms have captured above-normal profits in recent decades. An increase in the minimum wage could therefore reduce such economic rents. We attempted to include such an effect in our model, but were stymied by limited data on the proportion of reduced profits that would be borne within the study area.

Our simulations did confirm that insofar as payroll cost increases are partly absorbed by profits, then the scale effect is smaller. The reduced profits have much less effect on the income effect because propensities to spend are low among shareholders and managers, and because much of the profit decline affects capital owners outside of the study area. As a consequence, including a fall in profits in our model would have led to more positive effects on employment.

Minimum wage increases will likely affect the composition of businesses within and among industries. Aaronson, French and Sorkin (2015) find that minimum wage increases raise both exit and entry rates among restaurants, suggesting that entering firms arrive with a business model that is more oriented to the higher wage minimums. These higher-wage firms could be instituting business methods that improve productivity or improve product quality, or both. It is not possible for us to quantify these secondary effects, as they require more data on such adjustment mechanisms than are available.

Franchisee-franchiser relationships and commercial rental leases could also be altered by minimum wage increases. Franchises are particularly important among restaurants. In principle, franchisees could pass their increased costs to franchisers, either through a relaxation of fees or land rent. However, data on such changes are not available, to our knowledge. Effects on commercial rents are also difficult to detect, in part because of the lack of data and in part because such leases are typically of longer duration.

5.2 Scale effects of increased prices on reduced sales of consumer goods

Economists use the term price elasticity of consumer demand to refer to the effect of an increase in prices on reducing consumer demand. Taylor and Houthakker (2010) report price elasticities for six categories of goods and services that together cover all of consumption. We adjust their health care elasticity to -0.20, to take into account changes in the structure of health care provision since the 1990s, and then compute a weighted average elasticity across the six categories using personal consumption expenditure shares from the U.S. Consumer Expenditure Survey (McCully 2011). The result is a price elasticity of consumer demand of -0.72.[20]

This estimate is compatible with, but somewhat larger than, price elasticities estimated from aggregate panel data. Hall (2009), for example, obtains a price elasticity of -0.50. On the other hand, our estimate is very close to that of Blundell et al. (1993).

5.3 Income effects

We consider here the increased spending that derives from the higher income of low-wage workers. Our model takes into account the effects of taxes and reduction in public benefits on the affected workers' take-home pay and the rate at which their households spend (as opposed to save) income compared to others. Greater spending by consumers increases economic demand, which translates into increases in employment and economic activity.

We do not expect all of the increases in household incomes to translate into increased consumption demand. A substantial portion of minimum wage earners come from households in the middle of the household wage distribution. These households will save some of their increased income. The amount of such savings will depend on their current savings rates and on the extent to which they view the increase in income as permanent, rather than a short-term windfall.

Economic research has found that changes in permanent income generate much higher consumption effects than changes that are, or are perceived as, transitory. Low wage-earners who are young and have more education may regard their low-wage status as transitory. These earners may regard a minimum wage increase as transitory.

However, recent research has found that an increasing proportion of minimum wage workers are stuck in minimum wage careers (Boushey 2005; Casselman 2015). These results suggest that the proportion of workers who regard a minimum wage increase as constituting a one-time increase will be small. Moreover, economic theory and evidence suggests strongly that the distinction between permanent and transitory income does not apply to workers who are credit-constrained and whose households have accumulated very little in assets (Achdou et al. 2014). The majority of minimum wage workers fit this description.

The IMPLAN model does not account for savings that come from transitory income. The considerations above indicate that any such effects are likely to be small. This is nonetheless a topic for future research.

5.4 Model calculations and net effects on employment for scenario A: a $15 minimum wage increase in San Jose

Table 10 displays the results of our model for 2019. Note that the estimates in this table are *cumulative*. They are estimated relative to the city's minimum wage in each year, and therefore capture the full effect of increases in the suggested city minimum wage in previous years.

Table 10. Scenario A: Cumulative net changes in employment in San Jose

	Impacts in San Jose	Additional impact in the rest of Santa Clara County & nine nearby counties	Total impact of a $15 MW increase in San Jose, the rest of Santa Clara County and nine nearby counties
A. Cumulative reduction in wage bill due to capital-labor substitution and productivity gains			
Reduction in number of jobs from substitution effects and productivity gains	-1,190	n.a.	-1,190
B. Scale effect: Cumulative reduction in consumer spending			
Reduction in consumer spending from price increase (millions)	-$107	n.a.	n.a.
Reduction in number of jobs due to the scale effect	-580	n.a.	n.a.
Reduction in GDP due to the scale effect (millions)	-$64	n.a.	n.a.
C. Income effect: Cumulative increase in consumer demand			
Aggregate increase in consumer spending (millions)	$204	+$101	$305
Increase in number of jobs due to the income effect	800	+890	1,690
Increase in GDP due to the income effect	$92	+$105	$197
D. Cumulative net change in employment			
Net change in employment	-960	+880	-80
Net change in employment, as a percent of total employment	-0.3%	+0.3%	0.0%
Net change in GDP (millions)	$25	+$105	$130
Net change in GDP, as a percent of total GDP	0.0%	+0.1%	0.1%

Source: Authors' calculations using the regional economic impact model IMPLAN.

Note: The nine nearby counties taken into account are: Alameda, San Mateo, San Francisco, Santa Cruz, Monterey, San Benito, Contra Costa, San Joaquin, and Merced. All estimates are in 2019 dollars.

Panel A: Reduction in employment due to capital-labor substitution and productivity gains

Panel A in Table 10 shows our estimates for the reduction in the number of jobs due to both capital-labor substitution effects and productivity gains. With an assumed capital-labor substitution elasticity of 0.2 and a productivity effect of 0.005, we find a negative employment effect of about 1,190 jobs.

Panel B: Scale effects due to reduced consumer spending

Panel B in Table 10 presents our estimates of the reductions in consumer spending from the higher payroll costs that are generated by the suggested minimum wage increase in 2019, in both (1) San Jose and (2) in San Jose, the rest of Santa Clara County and 9 nearby counties (Alameda, San Mateo, San Francisco, Santa Cruz, Monterey, San Benito, Contra Costa, San Joaquin, and Merced). Row 3 restates the total net percentage increase in payroll costs from the proposed policy, accounting for savings from reduced turnover costs. This number comes from the top line of Table 6, using the same assumption that expected savings from reduced turnover will be 17.5 percent in 2017, 17.5 percent in 2018 and 11.30 in 2019. Similarly, Row 4 in Table 8 restates the percentage change in prices from Table 6. Percentage changes in prices are equal to the percentage change in operating costs (after accounting for savings from turnover).

Row 5 presents our estimate of the reduction in consumer spending in San Jose from the price increase. As previously discussed, we estimate that each 1 percent increase in consumer prices results in a -0.72 percent decline in consumer spending. We apply this price elasticity of demand to the percentage increase in prices and then multiply by annual consumer spending in San Jose.[21]

The result is an estimate of $64 million cumulative reduction in consumer spending by 2019. We then use IMPLAN to estimate the total reduction in consumer demand, including multiplier effects.[22] Row 6 then translates these results into numbers of jobs.

Panel C: Income effect-- cumulative increases in wages from proposed minimum wage increase

Panel C of Table 10 presents the estimated income effect: increases in consumer demand deriving from increased incomes of low-paid workers. The income effects are presented first for San Jose (column 1), and then detailed for a broader region (column 3). The additional increase in income effects coming from the broader region is detail in column 2. We estimate that only 65 percent of workers are affected by scenario A work and live in San Jose. As a consequence, the income effect presented in column 1 captures only the positive effects of a boosted consumption for 65 percent of affected workers. Column 3 presents a more complete picture of these income effects: 99 percent of affected San Jose workers live in Santa Clara County and nine nearby counties.

Row 7 shows the total wage increase from the proposed law for all affected workers. These estimates are taken from Table 4, converted to nominal dollars in 2019. Row 8 adjusts the total wage increase for an estimated loss of 14.75 percent due to reduced eligibility for public assistance programs, as well as lost worker income due to reductions in consumer spending from

Panel A.[23] The result is an estimated net income increase of $204 million by 2019 in San Jose, and $305 million in Santa Clara County and nine nearby counties. We then use IMPLAN to estimate the increase in employment for San Jose resulting from the increased household spending triggered by the income increase, accounting for multiplier effects and spending leakage outside the city (respectively outside Santa Clara County and nine nearby counties).[24] Row 9 shows the employment change associated with this increase in income in San Jose (column 1), and in Santa Clara County and nine nearby counties (column 3).

Panel D: Net effect

As we have previously mentioned, the substitution productivity, scale, and income effects in Parts A to C occur simultaneously, not sequentially. It is thus not correct to infer that the employment changes in Parts A to C actually occur. Net employment changes occur only to the extent that is registered after we add Parts A to C together to obtain the net effects.

Panels A to C do tell us that the net effects will likely differ by job wage rates. In particular, the automation and productivity effects in Part A will occur entirely among low-wage jobs. The scale and income effects of Parts B and C, however, will affect jobs throughout the state's consumer demand industries and among a much broader wage distribution. We have not been able to quantify these differences, as they depend on the relative concentration of scale and income effects in low-wage industries.

In Panel D of Table 10, we present our estimate of the net change in employment from scenario A.

- For San Jose only (column 1), we estimate a cumulative net loss in employment, due to the policy, of 960 jobs by 2019, or -0.3 percent of total employment. To put this estimate in context, we project, based on past QCEW data on employment that San Jose will grow annually by 1.32 percent from 2014 to 2019. (For more details see Appendix A2.)

- For Santa Clara County as a whole and nine nearby counties (column 3), we estimate a cumulative net loss in employment, due to the policy, of 80 jobs by 2019, or -0.0 percent of total employment. We've also assumed that this broader region will grow annually by 1.32 percent from 2014 to 2019, at the same pace as San Jose. (For more details see Appendix A2.)

We emphasize again that our cumulative estimate will be spread over the preceding years of the minimum wage increase—the 2019 estimate includes effects in 2016, 2017, 2018 and 2019.

The key point in Table 10 is that a $15 minimum wage has negligible effect on net on employment when examining the region as a whole.

5.5 Model calculations and net effects on employment for scenario B: a $15 minimum wage increase in Santa Clara County

We conduct a similar analysis as in section 5.3 for a $15 minimum wage increase in Santa Clara County. In Table 11 we present our results for Santa Clara County in column 1 and for Santa Clara County and nine nearby counties. We estimate that 84 percent of Santa Clara County affected workers are also living in Santa Clara County and therefore spend their additional income in this county. We also estimate that 99 percent of Santa Clara County affected workers live in Santa Clara County and nine surrounding counties.

Panel A: Reduction in employment due to capital-labor substitution and productivity gains
Panel A in Table 11 shows our estimates for the reduction in the number of jobs due to both capital-labor substitution effects and productivity gains. With an assumed capital-labor substitution elasticity of 0.2 and a productivity effect of 0.005, we find a negative employment effect of about 2,700 jobs.

Panel B: Scale effects due to reduced consumer spending
Panel B in Table 11 presents our estimates of the reductions in consumer spending from the higher payroll costs that are generated by the proposed minimum wage law in 2019.

We estimate that scenario B would lead to a $214 million cumulative reduction in consumer spending by 2019. We then use IMPLAN to estimate the total reduction in consumer demand, including multiplier effects. Row 6 then translates these results into numbers of jobs.

Panel C: Income effect--cumulative increases in wages from proposed minimum wage increase
Panel C of Table 11 presents the estimated income effect: increases in consumer demand deriving from increased incomes of low-paid workers.

We estimate that scenario B could trigger a net income increase of $602 million by 2019 in Santa Clara County, and $706 million in Santa Clara County and nine nearby counties (column 3), i.e. an additional $104 million (column 2). We then use IMPLAN to estimate the increase in employment for Santa Clara County resulting from the increased household spending triggered by the income increase, accounting for multiplier effects and spending leakage outside the city (respectively outside Santa Clara County and nine nearby counties).[25] Row 9 shows the employment change associated with this increase in income in Santa Clara County (column 1), and in Santa Clara County and nine nearby counties (column 3).

Panel D: Net effect
Panel D of Table 11 presents our estimate of the net change in employment in scenario B.

- For Santa Clara County only (column 1), we estimate a cumulative net loss in employment, due to the policy, of 1,350 jobs by 2019, or -0.1 percent of total employment.

- For Santa Clara County and nine nearby counties (column 3), we estimate a cumulative net gain in employment, due to the policy, of 60 jobs by 2019, or 0.0 percent of total employment.

Scenario B, as scenario A would lead to negligible effect on net employment by 2019 if the benefits of the income effect are fully taken into account. The job losses are greater if the area of study is smaller.

Table 11. Scenario A: Cumulative net changes in employment in Santa Clara County

	Impacts in Santa Clara County only	Additional impact in nine nearby counties	Total impact of a $15 MW increase in Santa Clara County and nine nearby counties
A. Cumulative reduction in wage bill due to capital-labor substitution and productivity gains			
Reduction in number of jobs from substitution effects and productivity gains	-2,700	n.a.	-2,700
B. Scale effect: Cumulative reduction in consumer spending			
Reduction in consumer spending from price increase (billions)	-$214	n.a.	n.a.
Reduction in number of jobs due to the scale effect	-1,120	n.a.	n.a.
Reduction in GDP due to the scale effect (millions)	-$130	n.a.	n.a.
C. Income effect: Cumulative increase in consumer demand			
Aggregate increase in consumer spending (millions)	$602	+$104	$706
Increase in number of jobs due to the income effect	2,480	+1,410	3,890
Increase in GDP due to the income effect (millions)	$285	+$170	$455
D. Cumulative net change in employment			
Net change in employment	-1,350	+1,410	60
Net change in employment, as a percent of total employment	-0.1%	+0.1%	0.0%
Net change in GDP (in millions)	$160	+$170	$330
Net change in GDP, as a percent of total GDP	0.1%	+0.0%	0.1%

Source: Authors' calculations using the regional economic impact model IMPLAN.

Note: The nine nearby counties taken into account are: Alameda, San Mateo, San Francisco, Santa Cruz, Monterey, San Benito, Contra Costa, San Joaquin, and Merced. All estimates are in 2019 dollars.

PART 3. POLICY ISSUES

IMPACTS ON SPECIFIC SUBPOPULATIONS

Young Adults and Learners

California regulation allows for "learner" employees to be paid 85 percent of the minimum wage during their first 160 hours of employment in occupations in which the employee has no previous similar or related experience (California Department of Industrial Relations 2013).

Local minimum wage laws typically incorporate state definitions of which employees are covered by state labor law. Of the 18 local minimum wage laws in California:

- 11 have no other special provisions for teens or learners
- 4 exempt youth training programs operated by a non-profit corporation or government agency (Sacramento, Richmond, Berkeley, San Diego).
- 1 exempts publicly subsidized job-training and apprenticeship programs for teens (San Francisco)
- 2 extend the state learner provision to 480 hours or 6 months (Santa Monica, Long Beach)
- 2 restrict the learner provision to youth under the age of 18 (Los Angles, Pasadena)

The goal behind exempting young workers from minimum wage requirements is to avoid creating disincentives for hiring such workers. In theory, higher minimum wages could reduce the incentive for employers to hire less skilled workers, thus disadvantaging teens. On the other hand, higher minimum wages might draw more teen workers into the labor market, leading to an increase in teen employment.

Teens make up a shrinking share of the workforce. We estimate that teens will constitute 4 percent of workers affected by the proposed increase (see Table 4). A large body of research suggests that the effect of minimum wage laws on teen employment is either negligible or very small, and may run in either direction (Manning 2016). Giuliano (2013) finds a small increase in relative employment of teens after a minimum wage increase using personnel data from a large U.S. retail firm. Neumark and Wascher (1992) find a modest negative impact on teen employment through cross-state comparisons. Allegretto, Dube and Reich (2011) follow Neumark and Wascher's methods, but control for regional differences and find no measurable impact on teen employment.[26]

On the downside, subminimum or training wages for teens may create an incentive to hire middle-class teenagers over low-wage adult workers in high-turnover industries such as food-fast restaurants. When state or federal law has included a subminimum wage for teens, very few employers made use of it (Card and Krueger 1995).[27]

To summarize, it appears that differential treatment for teens beyond what is already permissible in California law is not necessary.

Transitional Jobs Programs

Transitional jobs programs provide short-term, subsidized employment and supportive services through a non-profit organization to help participants overcome barriers to employment. This may include programs for the formerly incarcerated, youth from disadvantaged backgrounds, adults with mental health challenges and the homeless. The programs typically provide a mix of services to their client employees including vocational training, legal services, counseling, etc.

Most minimum wage laws treat transitional jobs programs the same as other non-profit organizations. To the degree the programs are funded by public contracts and philanthropy, the considerations for these programs may not be significantly different from other non-profit health and human service agencies. In Los Angeles and Santa Monica, participants in transitional jobs programs that meet specified criteria are exempted from the higher minimum wage for a maximum of 18 months.

Other Exemptions

General exemptions under state law

As discussed above, local minimum wage laws generally incorporate the definition of who is an eligible employee from state law. Under California law the following employees are exempt from the state minimum wage:

- A parent, child or spouse of the employer.
- A person under the age of 18 employed as a babysitter for a minor child of the employer in the employer’s home.
- Persons employed by the federal government.
- “Outside salespersons” who spend more than half of their time away from their employer’s place of business.

People employed in “executive, administrative or professional capacities” are exempt from most state wage orders (overtime, meal breaks, etc.). In order to be an exempt employee in California, the employee must earn a salary equal to twice the state minimum wage.

Subminimum wages for workers with severe mental or physical disabilities

Workers with severe mental or physical disabilities may be paid a sub-minimum wage if an employer has received a special license from the state labor commissioner. Wages are set based on the individuals’ productivity and the prevailing wage for similar work. There is no legal wage floor for these programs.

This practice, which dates back to the passage of the Fair Labor Standards Act in 1938 has become more controversial in recent years. Opponents include the National Disability Rights Network and the National Federation for the Blind (“Groups Supporting the Repeal of Section 14(c) of the Fair Labor Standards Act” 2016). They argue that this allows for exploitation of disabled individuals. Proponents, such as Goodwill Industries, argue that it provides opportunities to work for people who otherwise would not be employable due to their lower productivity. Maryland abolished the subminimum wage for people with disabilities earlier this year (Marans 2016).

Nonprofit organizations

Nonprofits comprise a wide range of organizations. Some are large institutions (universities, hospitals, large services providers) that have sizeable annual budgets with varied funding streams and that are therefore able to absorb minimum wage increases. Such institutions account for a significant portion of the nonprofit sector. At the same time, other nonprofits may face real constraints on their ability to adjust to minimum wage. These are typically smaller nonprofits dependent on a few public funding streams that are fixed over the short or even medium term, and over which they have little leverage.

A local minimum wage policy offers an opportunity to address the problem of low-wage work in certain nonprofit service-providing sectors—a problem that impacts the well-being of both workers and program clients through the quality of care provided. Raising wages in human services and early care and education has benefits for clients as well as workers.

There is a well-documented link between quality jobs, worker turnover and quality care in human services and early care and education.

Larson et al. (2004) found that, in the field of developmental disability services, high vacancies are associated with lower consumer and family satisfaction. Furthermore, families reported increased stress, greater financial challenges, and more job losses due to reduction in services that were at least in part connected to high turnover and vacancies. Wage increases have been shown to reduce turnover and vacancies. For example, after Wyoming legislation increased wages for developmental disability industry workers, turnover rates fell from 52 percent to 32 percent in just two years (Harmuth and Dyson 2005). Similarly, turnover decreased 17 percent among home care workers in San Francisco after an increase in wages (Howes 2002).

Other studies have directly linked wages and quality care. The National Childcare Staffing Study (Whitebook, Howes, and Phillips 1989) found that staff wages provided the strongest predictor of child care quality. Observations in child care centers in Wisconsin revealed an increase in the quality of care after a wage increase (Center on Wisconsin Strategy (COWS) 2002). Child care quality in turn has long-term impacts on children's learning, health and development (Whitebook, Howes, and Phillips 2014). Larson et al.'s 2004 study similarly found a link between lower wages in developmental disabilities services and lower quality of life assessments for consumers (Larson et al. 2004).

A higher minimum wage would help to reduce turnover in lower paid occupations within the nonprofit sector and improve quality outcomes for consumers. Exempting groups of nonprofit organizations from a minimum wage increase, conversely, could have negative effects on the quality of care by increasing employee turnover. If certain nonprofits pay lower wages than the rest of the market, it will make it harder for them to attract and retain workers. But requiring higher wages without addressing the need to increase funding streams, or without providing sufficient phase-in time, is likely to result in cuts to services.

Ultimately, the solution is to increase public funding for the services provided by these nonprofits. San Jose and Santa Clara County could choose to fund the higher wages in certain sectors. San Francisco's C-Wages program, for example, provides County wage subsidies to child care centers and family child care providers that meet certain quality measures and enroll at least 25 percent of their children from low-income families. Funding for this program was increased to assist providers in meeting the higher minimum wage in 2015. San Jose could also engage with private philanthropy to help support nonprofit agencies through the transition. This should include both financial aid and technical assistance and management support in adjusting to the higher wage rate.

A number of city minimum wage laws have provided for slower phase-ins for nonprofit organizations to provide more time to adjust to the higher minimum wage. In San Francisco's 2003 law, implementation was delayed by one year for nonprofits; however, its recent 2014 law had no such phase-in. Berkeley's 2014 law exempts nonprofits for one year, at which point they are required to pay the same minimum wage as for-profit firms. Los Angeles allows nonprofit organizations to seek a one year deferral provided that either the chief executive officer earns a salary that is less than five times the lowest paid employee; it is a transitional employer as discussed above; it serves as a child care provider; or it is primarily funded by public grants or reimbursements. The new California minimum wage law treats nonprofits the same as all employers.

Small Businesses

The California State minimum wage law and a number of the city laws that reach $15 an hour have provided slower phase-ins for small businesses. The State of California, Los Angeles, Los Angeles County, Long Beach and Santa Monica all delay the raises by one year for businesses with 25 or fewer employees. Emeryville has a slower phase-in for businesses with 55 or fewer employees (combined with a one year 60 percent increase in the minimum wage for larger firms). San Francisco, Sunnyvale, Mountain View and El Cerrito treat all firms equally, regardless of size.

In all of these cases the wages ultimately converge between large and small firms. This is important to reduce any perverse incentives created by permanently different wage structures for different business sizes. The State of California and Los Angeles area policies all begin indexing the year after the small firms reach the final mandated wage level, leaving the wage for larger firms at $15 for two consecutive years. Emeryville increased the wage for large firms to $14.44 in one step in 2015 and began indexing the following year. Wages for small firms reach $15 in 2018 and are increased to match the rate for larger businesses the following year (estimated at $16 an hour).

If San Jose or other cities in Santa Clara County choose to go this route, another important consideration is the definition of what counts as a business for the purpose of counting employees. Large firms often operate via multiple small establishments (i.e., retail clothing stores or bank branches); therefore, a small business definition based on establishment size will erroneously include large national or multinational firms. We would therefore recommend a definition based on firm, rather than establishment size. The same principle holds in the case of franchises—i.e., all franchises or other businesses owned by a given owner or group of owners should be counted toward firm size.[28]

Whether or not the City institutes a longer phase-in period for certain small businesses, the Cities may want to seek ways to assist small businesses through the transition, including providing access to small business loans and technical assistance and training.

WAGE LEVEL

Economists often look at two summary statistics when assessing a proposed minimum wage increase schedule. The first measures the ratio of the minimum wage to the median full-time wage, a common metric used both in the U.S. and in other countries (Organization for Economic Co-operation and Development (OECD) 2013). The second estimates the percentage of the workforce directly or indirectly affected by the minimum wage increase. Both metrics provide a measure of scale of impact and therefore give us insight into the ability of an economy to absorb higher minimum wage levels (the two metrics are related but do not necessarily move in strict tandem). Table 11 shows our estimates of these metrics for the San Jose and Santa Clara County minimum wage scenarios at $15 in 2019.

We begin with the ratio of the minimum wage to the median full-time wage (minimum-to-median ratio for short). Historically, this ratio reached a high of 55 percent in 1968 at the federal level (Dube 2014). The average for OECD countries is 49 percent; five, including France and New Zealand, have minimum-to-median ratios of 60 percent or more (2013). The United Kingdom recently pegged the minimum wage to a ratio of 60 percent (O'Connor 2016).

Table 11 shows that $15 an hour in 2019 would result in a minimum to median ratio of 41 percent in San Jose and Santa Clara County, well within the historical range in the United States. Even at $20, the minimum to median ratio in San Jose or Santa Clara County would be below 55 percent. This compares to 62 percent for $15 in California when full phased in in 2023. New York City is projected to reach 57 percent, Los Angeles 62 percent, Seattle 53 percent and San Francisco 46 percent at the point of full implementation in each of those cities.

It is important not to place too much weight on the minimum to median wage measure. While the minimum to median ratio provides a simple tool of thumb for comparisons across geographical areas, it can be misleading on its own, especially for small geographic areas, and is best used in combination with other measures.

Table 11. Minimum wage to median ratio, bite and average percent increase per year

	Minimum Wage to Median Full-Time Ratio	Share of workers getting pay increases (Percent)	Average Percent Earnings Increase (Percent)
San Jose ($15)	0.41	31	18
Santa Clara County ($15)	0.41	25	19
San Jose ($20)	0.55	NA	NA
Santa Clara County ($20)	0.54	NA	NA
California	0.62	39	24
New York City	0.57	35	28
Los Angeles City	0.62	39	29
Seattle	0.53	29	NA
San Francisco	0.46	23	16

Sources: UC Berkeley-IRLE calculations using ACS data and Cooper (2016) for New York State; Reich et al. (2015) for a $15.25 minimum wage in Los Angeles and in Seattle; Reich et al. (2014) for a $15 minimum wage by 2018 in San Francisco.

Notes: The figures are provided for the end point of the minimum wage increase. The end point for California is 2023. It is 2019 for New York City and Los Angeles and 2018 for Seattle and San Francisco. The Share of workers getting pay increases for Seattle is the percent of employees who earn $15 or under and live and work in Seattle.

Our second metric shows that that the percentage of workers directly and indirectly affected under the proposed law. The share of affected workers in San Jose (31 percent) and Santa Clara County (25 percent), are below each of the other $15 minimum wage laws, with the exception of San Francisco (23 percent). Similarly, the average projected increase per worker in San Jose (18 percent) and Santa Clara County (19 percent) are well below the other policies, again with the exception of San Francisco (16 percent). In contrast, state and federal minimum wage increases between 1979 and 2012 have generally affected 10 percent or less of the workforce (D. H. Autor, Manning, and Smith 2016).

Effects of a $20 Minimum Wage

Setting a higher minimum wage (such as $20) can be expected to amplify each of the effects discussed in the minimum wage model, but not to the same degree. The higher wage level is likely to increase the negative consumption effects caused by higher prices, and negative employment effects from automation and increased productivity. Since more of the individuals receiving wage increases would have higher income levels, either as a result of the wage increase or because the increases are reaching farther up into the wage distribution, a greater portion of the increased wages is likely to be saved rather than spent. This means that the positive consumption effects from higher wages will decline as the size of the increase goes up. As a result, a $20 minimum wage in 2019 is likely to generate larger negative net employment effects. To understand the size of those effects would require further research. Any projections at wage levels much higher than previously studied necessarily entail greater uncertainty.

Raising the minimum wage steeply over a short period of time is also likely to generate greater disruption of existing firms (Aaronson and Phelan 2015). While by some of the indicators discussed above San Jose and Santa Clara County may well be able to absorb a higher minimum wage than $15 an hour, if the City and County were to pursue such an option, a longer phase in time should be considered and assistance provided to non-profit human service agencies and small businesses as they make the transition to higher wages.

CONCLUSION

The proposal to increase the minimum wage to $15 by 2019 will generate benefits and costs for workers and businesses in Santa Clara County and San Jose. Like all forecasts, our estimates of the benefits and costs are subject to some uncertainty. First, economic conditions, such as employment and wage growth in the absence of the policy, may differ in future years from the standard forecasts that we rely upon in this report. For example, in a recession employment would fall and wages would not grow as quickly. Our cost estimates might then be somewhat larger, but then so would our benefit estimates. Our estimates of the net effects are therefore likely to change, but not by a large amount. Second, our estimates rely on parameters that are themselves estimated with some uncertainty. We have tested the sensitivity or our calculations to these parameters. The results were encouraging, but require further research.

The proposed policy would result in substantial benefits to low-wage workers and their families. The policy will raise wages for 115,000 workers in San Jose and 250,000 in Santa Clara County by 2019. On average, for workers getting increases, their annual earnings will increase by 17.8 percent or $3,000, in San Jose and $3,200 or 19.4 percent in Santa Clara County by 2019.

These large increases in pay will raise overall wages in for-profit businesses by only 1.3 percent in San Jose and one percent in Santa Clara County. This amount is surprisingly small because many businesses already pay more than $15, because many of the workers who are now paid below $15 are already paid above the current minimum wage, and because the pay of low-wage workers makes up a smaller share of total payroll costs.

Businesses will absorb the additional payroll costs partly through savings on employee turnover costs, higher worker productivity gains, and some automation (the substitution effect). Most of the increase in costs will likely be passed on to consumers via increased prices. Since labor costs make up only about one-fourth of operating costs, consumer prices will increase only slightly—about 0.3 percent in San Jose and 0.2 percent in Santa Clara County over the entire phase-in period. Prices will be most affected in the restaurant industry, where they will increase by 3.1 percent in San Jose and 2.9 percent in Santa Clara County.

These higher prices by themselves would reduce consumer sales and reduce the demand for labor (the scale effect). But simultaneous positive effects on increased consumer spending from workers receiving wage increases will offset the scale and substitution effects.

After taking into account all of these factors, we estimate that the proposed minimum wage policy would result in slower employment growth, reducing overall net employment (as a percent of total employment) in San Jose by 0.3 percent and in Santa Clara County by 0.1 percent by 2019, over the baseline. This estimate is cumulative (and so will be spread over several the phase-in period). In comparison, employment in the state is projected to grow 1.32 percent annually in the same time period. Most of the job declines reflect leakage of the increased spending into the rest of the region. When taking into account the surrounding counties, the net effect on jobs is close to zero.

In sum, it is possible to effect a substantial improvement in living standards for a quarter of the workforce in San Jose and nearly a third of the workforce in Santa Clara County without generating a significant net adverse employment effect. It can do so through induced efficiencies (more automation, productivity gains, and turnover savings) and slight price increases borne by all consumers. Based on our analysis, we conclude that the proposed minimum wage will have its intended effects in improving incomes for low-wage workers. Any effects on employment and overall economic growth are likely to be small. The net impact of the policy will therefore be positive.

APPENDIX: DATA AND METHODS

In this appendix, we document the data and methods we use in this study. Section A1 details how the Census' American Community Survey was used both to estimate pay increases for affected workers and the median full-time wages in San Jose and Santa Clara County. Section A2 describes the data and methods we use to calibrate the UC Berkeley IRLE minimum wage model.

A1. THE WAGE SIMULATION MODEL

In this section, we describe our simulation model for estimating the number of workers that would be affected by the Scenario A and Scenario B minimum wage increases. We provide a general overview of our methodology here. For full documentation of the model and data we use, see Perry, Thomason and Bernhardt (2016).

The logic of our method is to simulate the future San Jose and Santa Clara County wage distributions with and without the scenario minimum wage increases. First, we use our model to run a "baseline" simulation of the wage distribution through 2019 assuming existing minimum wage schedules (see Table 2 and Table 3). We then use our model to run a "scenario" simulation of the wage distribution through 2019 assuming the minimum wage increases specified in the two scenarios.

We then compare the baseline and scenario simulated wage distributions to identify the impact of the minimum wage increase scenarios above and beyond currently scheduled minimum wage increases. With this comparison, we are able to estimate (a) the number of workers affected by each scenario, and (b) the additional wages earned as a result of the increase. In our estimate of affected workers, we include those workers who earn just above the new minimum wage but who also receive an increase via the ripple effect (see below). Our estimates are adjusted for projected wage and employment growth.

Dataset

We combine the 2013 and 2014 IPUMS American Community Survey (ACS) (https://usa.ipums.org/usa/) in order to attain sufficient sample size for our analysis (Ruggles et al. 2015). The American Community Survey is the largest annual survey conducted by the U.S. Census Bureau, and interviews more than 2.3 million households throughout the United States. The ACS is better suited than the Current Population Survey (CPS) for conducting labor market analyses at the state or sub-state level for two main reasons: first, the ACS sample size is much larger than the CPS; and second, the ACS contains place of work data, while the CPS data are limited to place of residence. This allows us to disaggregate wage and employment data for sub-state geographical units.

Sample definition

We make the following adjustments to our ACS sample:

1. We restrict the sample to individuals age 16 to 64 who had positive wage and salary income in the previous 12 months, who worked in the previous 12 months, and who were not self-employed or unpaid family workers.

2. We exclude the following workers from our sample who would not be eligible for a municipal or county minimum wage law:

    a. Federal and state government workers would not be eligible for the minimum wage increases in Scenario A and Scenario B because local governments do not have jurisdiction over federal or state employees.

    b. Public education employees are excluded from our sample because local school districts are state entities and are exempt from local minimum wage laws.

    c. In-Home Supportive Service (IHSS) workers are also excluded because IHSS programs are administered at the county level and are exempt from local minimum wage laws.

Wage measure

Because the ACS only records workers' annual earnings, it is necessary to estimate an hourly wage variable in order to perform simulations of the effects of minimum wage increases. The hourly wage is estimated for all workers in the sample using their reported annual earnings, usual hours of work per week, and weeks worked in the previous year. The annual earnings measure includes wages, salaries, commissions, cash bonuses, and tips from all jobs, before deductions for taxes. The "number of weeks worked in the previous year" variable is a categorical variable of intervals of weeks worked (such as 14–26 weeks or 50–52 weeks). This variable is converted to a discrete variable using the mid-point of each interval. The hourly wage variable is then estimated as annual earnings divided by the product of the number of weeks worked in the previous year and usual hours worked per week. Workers in occupations that receive tips as the majority of their earnings are coded with hourly wage values equal to state minimum wage, since we only want to measure wages paid by their employer in this study.

Geography

The smallest geographic unit for the ACS place-of-work variable is the county. In order to estimate the impact of the minimum wage scenarios for cities within Santa Clara County, we conduct our simulation as described above using county-level data, and then estimate the number of affected workers in the city by applying the percentage of affected workers to city-level employment estimates from the Quarterly Census of Employment and Wages (QCEW). This step introduces additional assumptions; namely, that the wage distribution of those who work in the city (not all of whom live in the city) is the same as the wage distribution of those who work in the county, and that future wage and employment growth trends in the city will mirror those at the county level. We therefore make two adjustments to our county-level ACS data to better approximate the city-level wage distribution:

1. We use data from the California Employment Development Department to adjust the industry and sector distribution of the county-level ACS data to match the city's distribution.

2. We adjust wages for two high-impact industries where QCEW data show a significant difference in wages in San Jose and Santa Clara County.

Our model for Santa Clara County takes into account the different local minimum wage laws in effect within the county (see Table 3).

Identifying affected workers

Our model estimates the impact of minimum wage increases on three groups of affected workers: minimum wage workers, subminimum wage workers, and those who are indirectly affected (via spill-over effects). The spill-over effect means that workers who make slightly more than the new proposed minimum wage level are also likely to receive wage increases.

The main group of affected workers – minimum wage workers – consists of those who earn between the old minimum wage and the new minimum wage. Given measurement error, we include in this group workers who earn somewhat below the old minimum wage (down to 90 percent of the old minimum wage). Subminimum wage workers include those earning between 50 percent to 89 percent of the old minimum wage. Indirectly affected workers are those earning between 100 and 115 percent of the new minimum wage.[29]

We then estimate the additional wages earned by affected workers as a result of the minimum wage increase scenario, as summarized in Table A1. Minimum wage workers simply receive the new minimum wage. Subminimum wage workers receive a percentage wage increase of the same size as the percentage change in the statutory minimum wage. Indirectly affected workers receive a quarter of the difference between their current wage and the upper bound of the spill-over band (115 percent of the new minimum wage).

This model is used to simulate the scenario minimum increases for each of the phase-in years from 2017 to 2019, but also to simulate baseline minimum wage increases between 2013 and 2019 (i.e. minimum wage increases that have already occurred or are planned under existing law). We model overall regional wage growth over time using the average annual growth rate of the San Francisco CMSA CPI-W Urban Wage Earners & Clerical Workers between 2005 and 2014 (2.45 percent).

A2. CALIBRATING THE UC BERKELEY IRLE MINIMUM WAGE MODEL

A2.1 Structure of the model, and calculations step by step

Table A1 summarizes the structure of our model. The table has four components. The top part describes the number of workers in the state who will receive pay increases by 2021. Part A describes the effects of automation and worker productivity gains. Part B describes how much consumer prices will increase and how much those increases will reduce consumer demand and employment. Part C describes how we calculate the income effect: how pay increases will increase consumer spending and employment. Part D describes how we calculate the net effect on employment. In this section we document in detail the data and methods that we use in each part of Table A1. In section A2.2, we document the source of the key parameters used to calibrate our model.

Top part: Workers affected and wage increase

Lines [1] to [3] in Table A1 use our estimates (described in detail in the first section of the appendix) on how the labor force will grow and how the proposed minimum wage increase would affect the wage distribution of workers in San Jose (respectively Santa Clara County). The wage estimates include the number of workers directly and indirectly affected by the two scenarios, and their nominal wages with and without the policy. We also use our estimate of the total wage bill by 2019: it will be $31.1 billion in San Jose with minimum wage increase (as described in scenario A) and $30.7 billion without the minimum wage increase. In Santa Clara County, we estimate that the total wage bill will be 90.0 billion with the minimum wage increase (as described in scenario B) and 89.1 billion without the minimum wage increase.

Part A: Impact of capital-labor substitution and productivity gains

Part A calculates the impact of capital-labor substitution and productivity gains on employment and the total wage bill. Our estimates are calculated as follows:

The reduction in number of jobs from substitution effects (line [5] in Table A2) is calculated by multiplying four components: (i) the capital-labor substitution elasticity (see section A2.2) (ii) the average wage increase of workers getting increases, that we estimate to be 18 percent based in San Jose (respectively 19 percent in Santa Clara County), (iii) the profit share of revenues (see section A2.2), and (iv) the total number of affected workers.

The reduction in number of jobs from productivity gains ([6]) is calculated by multiplying two components: (i) the productivity gains (see section A2.2 for a description of the values we use to calibrate the model) and (ii) the total number of affected workers (that we estimate to be 115,000 in San Jose and 250,000 million in Santa Clara County according to our wage simulation model).

The reduction in wage bill due to substitution effects and productivity gains ([7]) is calculated by multiplying the reduction in number of jobs due to capital-labor substitution and productivity gains ([8]) by the nominal average annual earnings of workers who would otherwise remained employed ([9]).

Table A1. Structure of the UC Berkeley IRLE minimum wage model for the case of San Jose

A. Workers affected and wage increases	
Total employment	[1]
Total number of affected (directly and indirectly) workers in San Jose in 2019	[2]
Working age population growth from 2014 to 2019	[3]
B. Impact of K-L substitution and productivity gains on number of jobs and wage bill	
Reduction in # of jobs from substitution effects and productivity gains	[4]=[5]+[6]
Reduction in # of jobs from substitution effects in 2019	[5]
Reduction in # of jobs from productivity gains in 2019	[6]
Reduction in wage bill due to substitution effects and productivity gains job loss (in millions)	[7]=[8]*[9]/1e6
Reduction in # of jobs from substitution effects and productivity gains	[8]=[4]
Nominal average annual earnings of directly and indirectly affected workers without the policy	[9]
C. Scale effects: increase in consumer prices and reduction in consumer demand	
Percentage increase in consumer prices	[10]=[11]
Percentage increase in operating costs	[11]=[12]*[13]
Payroll share of operating costs	[12]
Net percentage payroll increase, accounting for savings from reduced turnover and productivity gains	[13]
Annual reduction in consumer demand from price increase (in millions)	[14]=[15]*[16]
Percentage reduction in demand from price increase	[15]
Annual aggregate consumer spending in San Jose (in millions)	[16]
Reduction in # of jobs from consumer spending reduction in San Jose	[17]
Reduction in # of jobs, as a percentage of total employment	[18]
D. Income effects: effects of pay increases on consumer spending and employment	
Net change in compensation for workers in San Jose (in millions)	[19]=[20]-[21]
Total wage increase for state workers in San Jose from proposed minimum wage increase (in millions)	[20]
SNAP and ACA benefit reduction	[21]
Increase in # of jobs from wage increase in San Jose (respectively in SC county and nine counties)	[22]
Increase in # of jobs, as a percentage of total employment	[23]
E. Net effects	
Cumulative net change in # of jobs in San Jose	[24]
Cumulative net change in # of jobs, as a percent of total employment	[25]=[24]/[1]
Annual net change in # of jobs in San Jose	[26]=[24]/5
Annual net change in # of jobs, as a percent of total employment	[27]=[25]/5

Source: UC Berkeley minimum wage model.

Part B: Scale effects: increase in consumer prices and reduction in consumer demand

Part B of Table A1 estimates the percentage increase in consumer prices due to an increase in operating costs for firms and the annual reduction in consumer demand from price increase. We use the 2014 IMPLAN model to calculate the impact of this reduction in consumer spending on employment. Our estimates are calculated as follows:

- The percentage increase in consumer prices ([10]) is assumed to be equal to the percentage increase in operating costs ([11]), following the widely-used Dixit-Stiglitz model of monopolistic competition (Dixit and Stiglitz 1977).

- The percentage increase in operating costs ([11]) is obtained by multiplying the net percentage payroll increase ([13]) by the labor share of operating costs ([12]).

- The net percentage payroll increase ([13]) includes savings from reduced turnover and the reduction in wage bill due to substitution effects and productivity gains. We estimate the total wage bill increase to be $389 million in San Jose by 2019 (respectively $899 million in Santa Clara County). We subtract the reduction in total wage bill due to substitution effects and productivity gains ([1]). We also account for the increase in payroll costs that corresponds to Medicare, Social Security, and Workers' Compensation costs. This share equals 10.36 percent in 2019 (see section A2.2 for the source). To compute the net percentage increase in payroll costs, we apply a partial offset for turnover cost savings (see section A2.2 for the source).

- The labor share of operating costs ([12]): we estimate the economy-wide labor share of operating costs to be 22.1 percent in 2016 (see section A2.2 for the source).

- The reduction in consumer demand from price increase ([14]) is obtained by multiplying the percentage reduction in demand from price increase ([15]) by the annual aggregate consumer spending in San Jose (respectively Santa Clara County) ([16]). The estimated reduction in consumer demand due to higher prices equals $107 million in San Jose (respectively $214 million in Santa Clara County). The key components of this calculation are:

    - The percentage reduction in consumer demand from price increase ([14]). It depends on two parameters: (i) the percentage increase in consumer prices as calculated in line [10], and (ii) the price elasticity of demand (see section A2.2 for the source). The bigger the price elasticity of demand is, the more sensitive the consumers are to a price change and the greater the percentage reduction in demand from price increase is.

    - Annual aggregate consumer spending ([16]) is obtained by multiplying the projected annual GDP for San Jose and Santa Clara County in 2019 by an overall estimated share of consumer spending in GDP. We estimate San Jose GDP and

Santa Clara County GDP so that it is consistent with the underlying value of the GDP in IMPLAN in 2019 (see section A2.2), and we estimate that the share of consumer spending in GDP is 58.8 percent (see section A2.2). We estimate that the annual aggregate consumer spending is $57.9 billion in 2019 in San Jose and 146.5 billion in Santa Clara County.

- The annual reduction in jobs resulting from price increases is estimated using the 2014 IMPLAN model (see (Day 2013) for documentation on this software). We adjust those estimates by working age population growth from 2014 to 2019, estimated to be 6.79 percent for the overall period in both San Jose and Santa Clara County (see section A2.2).

Part C: Income effects

Part C of Table A1 estimates the income effects resulting from pay increases for low-wage workers, the resultant increase in consumer demand, and its impact on employment. Our estimates are calculated as follows:

- The net change in compensation for affected workers ([19]) is calculated as the total wage bill increase for affected workers ([20]) minus the wage bill reduction from a reduction in the Supplemental Nutrition Assistance Program (SNAP) and in premium tax credits under the Affordable Care Act benefit reduction ([21]).

- The offset from SNAP and premium tax credits ([21]) under the ACA is estimated to be 14.75 percent of the total wage increase (see Appendix A2) and is applied to the total wage bill increase for all households, as there is no easy way to separate this out by income brackets.

- The annual increase in jobs resulting from higher consumer demand is estimated using the 2014 IMPLAN model. We adjust those estimates by the working age population growth from 2014 to 2019, estimated to be 6.79 percent for the overall period in both San Jose and Santa Clara County (see section A2.2 for the source).

Part D: Net effects

Part D of Table A1 estimates the cumulative net effect on employment ([24]), simply by subtracting the reduction in employment due to substitution effects, productivity gains ([4]), and scale effects ([17]) from ([the employment gains due to income effects 22]). We compute the annual estimates by dividing the cumulative effects on employment by five, to account for the number of years needed for the policy to be fully phased in. These numbers are therefore approximate annual averages.

A2.2 Key parameters and assumptions used in the model

Our key parameters are drawn from the best available evidence. We vary some of them in our robustness tests. We explain and document below the range of those parameters and the sources we used. The values of the key parameters used in the model are summarized in table A2.

Table A2. Key parameters of the model

	In San Jose	In Santa Clara County
A. Workers affected and wage increases		
Working age population growth from Dec 31 2012 to July 1 2021	6.79%	6.79%
B. Impact of K-L substitution and productivity gains on number of jobs and wage bill		
Capital-Labor substitution	0.2	0.2
Profit share (taking into account the share going to intermediate inputs and materials) of revenues	0.15	0.15
Productivity gains - in levels	0.005	0.005
C. Scale effects: increase in consumer prices and reduction in consumer demand		
Labor percent of operating costs	22.1%	22.1%
Percent of wage costs for Medicare, Social Security, and worker compensation	10.36%	10.36%
Turnover reduction (as share of payroll increase)	0.11	0.11
Price elasticity of demand	-0.72	-0.72
Annual GDP in 2019 (in millions)	$98,420	$249,225
Share of consumer spending in GDP	0.588	0.588
D. Income effects: effects of pay increases on consumer spending and employment and employment		
Percentage offset from reduced SNAP benefits and lower premium tax credits	14.75%	14.75%
Offset from reduced EITC	0.60%	0.60%
Offset from reduced SNAP benefits	4.20%	4.20%
Offset from lower premium tax credits under the ACA	2.30%	2.30%
Offset from reduced payroll taxes	7.65%	7.65%
E. Net effects		
No key parameters used in this section		

Source: UC Berkeley minimum wage model.

Future Employment Growth

Our estimate of future employment growth in San Jose and Santa Clara County comes from data supplied by the California Employment Development Department (EDD) (2015).

Capital-labor substitution

For a discussion about capital-labor substitution and the sources we used, see section 4.2 in the main report.

Profit share of revenues

We use Table 1.14. “Gross Value Added of Domestic Corporate Business in Current Dollars and Gross Value Added of Nonfinancial Domestic Corporate Business in Current and Chained Dollars” of the National Income and Product Accounts Tables (NIPA) published by the Bureau of Economic Analysis to estimate the labor and capital share of national income. Using the 2014 data, we estimate that the labor share of national income is 62 percent and the capital share of national income (including capital depreciation) is 38 percent. Knowing that the labor share of operating costs is 22.1 percent in 2016, we apply the growth rate of payroll costs to estimate the labor share of operating costs in 2019 and estimate that the profit share of revenues is therefore estimated to be 0.15 in 2021. The remainder of businesses revenues is composed of materials, intermediate inputs and rent.

Productivity gains

For a discussion of productivity gains and the sources we used, see section 5.1 in the main report.

Labor share of operating costs

Net payroll cost increases for businesses are a function of three factors: (1) the total wage bill increase, after reduction due to substitution effects and productivity gains; (2) Medicare, Social Security, and Workers' Compensation increases, and (3) turnover costs savings. The payroll costs increase as total compensation increases and decrease with turnover costs savings.

- The total wage bill increase from 2016 to 2019 is estimated with our wage simulation model based on micro data. For each year, we calculate the reduction in wage bill due to job losses from substitution effects and productivity gains, assuming that capital-labor substitution and productivity gains are constant over the years. We assume in our calculations that capital-labor substitution is equal to 20 percent every year, and that productivity gains are equal to 5 percent every year.

- Employers' costs for Medicare, Social Security, and Workers' Compensation will equal 10.36 percent of wages from 2016 to 2019. We estimate the three components—Medicare (1.45 percent), Social Security (6.2 percent), and Workers' Compensation costs—separately. Since we are estimating only the effects of a minimum wage increase, we assume the Medicare and Social Security rates will not change between 2016 and 2019. For Workers' Compensation costs, we draw from a report of the National Academy of Social Insurance {Citation}(2013). Table 14 (p. 37) of this report indicates that Workers' Compensation employer costs in 2013 amounted to $1.50 per $100 of eligible wages. These costs increased $0.11 cent increase a year over 2011–2013, slightly more than the 2009–2011 change. To account for these cost increases, we adjust the 2013 cost by $0.34. Consequently, we estimate that Workers' Compensation costs will equal 1.84 percent of wages in San Jose and Santa Clara County from 2016 to 2019.

- Turnover costs savings are based on the estimates of Pollin and Wicks-Lim (2015), Fairris (2005), Dube, Freeman and Reich (2010), Dube, Lester and Reich (2016), Boushey and Glynn (2012), and Jacobs and Graham-Squire (2010). See section 5.1 in the main report.

The labor share of operating costs by industry

For each industry, we estimate labor costs as the sum of the annual wage costs, payroll taxes and employer paid insurance premiums (except health insurance), and other benefits (other than contributions to pension plans). The labor share is estimated using 2012 Census Bureau surveys—the most recent year available. We use these surveys only for select individual industries: retail trade; food services; wholesale trade; manufacturing; administrative and waste management services; health care and social assistance (including ambulatory care, hospitals, and long-term care); and other services. We document here our sources and methods for these individual industries as well as for our estimates of the labor share of operating costs in the overall economy.

- Retail trade (including grocery stores): The 2012 U.S. Census Annual Retail Trade Reports provides data on retail sales, payroll costs, merchandise purchased for resale, and detailed operating expenses. We add operating expenses and purchases together to determine total operating costs. We add the costs of payroll taxes, employer paid insurance premiums, and employer benefits (excluding health insurance and retirement benefits) to annual payroll to estimate total labor costs. Health and retirement benefits are excluded since, unlike payroll taxes and Workers' Compensation insurance, the costs of the benefits will not change if wages are increased. Dividing labor costs by operating costs gives us the labor share in retail trade.

- Food services industry: Industry data on gross operating surplus are available from the Bureau of Economic Analysis Input-Output Account Data, before Redefinitions, Producer Value. We subtract gross operating surplus from sales to obtain total restaurant operating costs, and then proceed as we did for retail to obtain labor cost data.

- Wholesale trade: Data are from the U.S. Census Annual Wholesale Trade Report. We follow the same methods as with retail trade.

- Manufacturing: Data are from the 2012 Economic Census (Table EC1231I1). To determine operating expenses we add together payroll costs and benefits, total cost of materials, total capital expenditures, depreciation, rental or lease payments, and all other operating expenses. To determine labor costs we add together payroll costs and payroll taxes, employer paid insurance premiums, and employer benefits (excluding health insurance and retirement benefits).

- Administrative and waste management services, health care and social assistance (including ambulatory care, hospitals, and long-term care), and other services: Data are from the U.S. Census Annual Services Report, which provides data on payroll and operating expenses. Total operating expenses are reported directly in the data. To determine labor costs we add together payroll costs and payroll taxes, employer paid insurance premiums, and employer benefits (excluding health insurance and retirement benefits).

- Overall economy: We sum the total labor and operating costs across all industries with available data and then divide the aggregate labor costs by the aggregate operating costs. In addition to the industries listed above, we are able to use the Annual Services Report to gather data on the following industries: utilities; transportation and warehousing; information; finance and insurance; real estate and rental and leasing; professional, scientific, and technical services; educational services; and arts, entertainment, and recreation. We are missing data for the following industries, and as a result they are not included in our calculation: agriculture, forestry, fishing, and hunting; mining, quarrying, and oil and gas extraction; construction; accommodation; and public administration. Overall, we estimate that the labor share of operating costs is 22.1 percent in 2012, and assume it is constant between 2012 and 2016.

Share of payroll costs for Medicare, Social Security and Workers' compensation

The share of Medicare, Social Security, and Workers' Compensation is assumed to continue to be 10.36 percent from 2016 to 2019. We estimate the Medicare, Social Security, and Workers' Compensation costs separately. Employers are liable for 6.2 percent Social Security taxes and 1.45 percent Medicare taxes. We estimate that the Workers' Compensation employer cost is 2.71 percent of wages in California. The estimate of 2.71 comes from Workers' Compensation Insurance Rating Bureau of California (2014), Chart 6 for "all industries": http://www.wcirb.com/sites/default/files/documents/state_of_the_wc_system_report_140815.pdf.

Turnover reduction

For a discussion on savings generated by turnover reduction and the sources we used, see section 5.1 in the main report.

Price elasticity of demand

The price elasticity of demand measures the effect of a price increase on reducing consumer demand. We use a price elasticity of 0.72. This estimate is based on Taylor and Houthakker (2010), who report price elasticities for six categories of goods and services. We adjust their estimates to account for changes in the elasticity of health care spending attributable to the Affordable Care Act and other changes in the health care system.

GDP for San Jose and Santa Clara County in 2019

The 2019 GDP used in our model has been forecasted using the following methodology:

- We start with the 2014 GDP reported in IMPLAN, i.e. $84.4 billion in San Jose, and $213.7 billion in Santa Clara County;

- We then forecast the GDP for San Jose (respectively for Santa Clara County) by applying the employment growth of 6.79 percent from 2014 to 2019 (respectively 6.79 percent for Santa Clara County), the projected wage growth using the last 10 years of CPI-W growth of

12.9 percent (respectively 12.9 percent for Santa Clara County), and the GDP deflator in IMPLAN for 2019 (1.039 for both San Jose and Santa Clara County).

Share of consumer spending in GDP

Our estimate of the share of consumer spending in GDP includes only consumer spending that flows through households. We therefore reduce the BEA's estimate of the consumption share by 14.1 percent.

Offsets from benefit reductions and payroll tax increases

We estimate that the total offset from reduced EITC to be 0.6 percent, the offset from reduced SNAP benefits to be 4.20 percent, the offset from lower premium tax credits under the ACA to be 2.3 percent, and the offset from reduced payroll taxes to be 7.65 percent (the remaining personal income taxes are removed by IMPLAN). These estimates have been calculated using Congressional Budget Office (2012). These results are for the year 2012, and we assume they will remain constant until 2021.

Share of in-commuters

We use 2014 ACS data to estimate the proportion of affected workers in Santa Clara County who live outside of the county (16.2 percent). However, we are not able to estimate the share of in-commuters for San Jose with ACS data alone because the ACS does not provide place of work data at the city level. LEHD Origin Destination Employment Statistics (LODES) data accessed through the Census Bureau's On the Map website provides employer location and worker residence data at the city level, but is not as reliable as ACS data because employers' addresses do not always correspond to a worker's physical workplace. To estimate the share of in-commuters for San Jose, we therefore first calculate the ratio of the ACS estimate of the share of in-commuters in Santa Clara County to the LODES estimate of the share of in-commuters in Santa Clara County. We then apply that ratio to the LODES estimate to the share of in-commuters in San Jose.

ENDNOTES

[1] Portions of this report draw from Reich et al. 2016.

[2] The April 2016 non-seasonally adjusted unemployment rate for San Jose reported by California EDD was 4.1 percent. We do not include this statistic here because it is not seasonally adjusted.

[3] See, for example, the report on inequality from the California Budget and Policy Center: http://calbudgetcenter.org/wp-content/uploads/Inequality-and-Economic-Security-in-Silicon-Valley-05.25.2016.pdf

[4] However, Aaronson, Agarwal and French (2012), Table A-3, report a positive earnings effect for adults and nonetheless find no detectable effect on employment.

[5] Neumark, Salas and Wascher (2014), the best-known researchers who find negative effects, report a 0.06 minimum wage employment elasticity for restaurants, very close to the findings in Allegretto et al. (2015).

[6] The study was prepared for the Los Angeles City Council; see Reich, Jacobs, Bernhardt and Perry (2015).

[7] The capital-labor substitution elasticity is not likely to be higher or lower at higher minimum wage rates.

[8] Constant dollar values are calculated using the average annual change for the past ten years of the San Francisco-Oakland-San Jose Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

[9] One exception is child care assistance, which does have a maximum income threshold that, once exceeded, results in the immediate loss of benefits. However, since there is a substantial waiting list for child care assistance benefits, any affected workers who lose eligibility will be replaced by lower-wage workers not currently receiving benefits. Workers who are no longer eligible for Medi-Cal will be eligible for subsidized health care through Covered CA. While most families will come out well ahead financially, the change in costs for specific families will depend on income and health care utilization.

[10] This analysis is based on data gathered before the full implementation of the Affordable Care Act.

[11] This analysis is based on data gathered before the full implementation of the Affordable Care Act.

[12] Hirsch, Kaufman, and Zelenska (2011) and Reich, Hall, and Jacobs (2003) found improvements in worker productivity following higher wage mandates.

[13] The turnover savings are considered constant in 2017 and 2018, at 17.5 percent of increased labor costs, a midpoint estimate in the literature (Hirsch, Kaufman, and Zelenska 2011; Reich, Hall, and Jacobs 2003). These savings are likely to accrue at smaller rates as wage levels go higher; we therefore assume that by 2019 the marginal increase in earnings relative to 2017 no longer yields any additional turnover savings. As a result, we estimate that the total savings from turnover at a $15 minimum wage in 2019 would be 11.3 percent of increased labor costs for San Jose and 11.9 percent of increased labor costs for Santa Clara County.

[14] We use a payroll tax rate of 7.65 percent (6.2 percent for Social Security and 1.45 percent for Medicare). Workers' compensation insurance rates vary by industry (see Table 6: http://www.wcirb.com/sites/default/files/documents/state_of_the_wc_system_report_140815.pdf.

[15] The turnover savings are considered constant in 2017 and 2018, at 17.5 percent of increased labor costs, a midpoint estimate in the literature (Hirsch, Kaufman, and Zelenska 2011; Reich, Hall, and Jacobs 2003). These savings are likely to accrue at smaller rates as wage levels go higher; we therefore assume that by 2019 the marginal increase in earnings relative to 2017 no longer yields any additional turnover savings. As a result, we estimate that the total savings from turnover at a $15 minimum wage in 2019 would be 11.3 percent of increased labor costs for San Jose and 11.9 percent of increased labor costs for Santa Clara County.

[16] Since workers often increase their wages by moving from one employer to another, we cannot assume that the correlation between wages and turnover indicates that low wages are causing higher turnover. As we discuss below, however, policy experiments with living wages and minimum wages have provided the evidence needed to determine that wages do, in fact, affect turnover.

[17] These averages include the low-turnover period of the Great Recession, and can be expected to increase towards higher pre-recession levels as the labor market tightens.

[18] The estimate of 17.5 percent represents the midpoint between the 20 percent estimate of Pollin and Wicks-Lim (2015) and a 15 percent (unpublished) estimate that draws upon Dube, Freeman and Reich (2010) and Dube, Lester and Reich (2016).

[19] Burda et al. 2016, Table 6 (cols. 3 and 5) reports that a $1 increase in weekly pay reduces the incidence of shirking by -.027 (.0054), on a base of .032 (from Table 1). For a full-time worker, going from $10 to $15 per hour raises weekly pay by $200, so the effect on productivity would be about .2x.027 = .005, or 0.5 percent. This estimate measures just the effect of reducing

idleness. Positive effects on absenteeism and worker engagement would add to the productivity improvement.

[20] Taylor and Houthakker's industry elasticities are based on regressions of U.S. panel data across over 300 cities and pooled over 1996-99. As we discuss below in Section 5.5, we do not expect that a substantial component of consumer sales will move outside the state's borders. Liu and Chollet (2006)'s review essay suggests that the price elasticity of demand for out-of-pocket individual healthcare expenses is -0.2. Our health care elasticity recognizes that employers shift their cost of health care on to employees. We also recognize that for those with subsidized coverage, increases in premium costs for lower-income families—who are more price-sensitive—are borne by the federal government.

[21] Annual consumer spending for San Jose (respectively Santa Clara County) is estimated at 58.8 percent of IMPLAN's estimated GDP for San Jose (respectively Santa Clara County). This percentage excludes the government share of health care costs.

[22] IMPLAN household spending model (proportional to city consumer spending patterns by household income level), using reduced consumer spending in Row 3 and forcing IMPLAN to apply 100 percent of the reduction in the city; see the appendix for details on IMPLAN modeling.

[23] This includes an offset of 4.20 percent for reduction in SNAP, and 2.3 percent in lower premium tax credits and cost sharing subsidies under the ACA (Congressional Budget Office 2012). We also reduce the aggregate increase in wages by lost earnings due to estimated job loss in Panel A. This offset may be too high. According to Chodorow-Reich and Karabarbounis (2015), the consumption expenditures of the unemployed equal 75 percent of the consumption expenditures of the employed, even after taking into account the limited duration of unemployment insurance benefits. Their result echoes a similar result by Aguiar and Hurst (2005) for food expenditures only.

[24] IMPLAN household income model for New York State, using net wage increase from Row 5 and subtracting net wage increase going to affected workers who live outside New York State; see Appendix A2 and Day (2013) for more details on IMPLAN. The net wage increase is distributed across household income categories by the household distribution of increased wages from the minimum wage increase. Our wage simulation model estimates that 6.6 percent of increased wages will go to workers living outside the state.

[25] IMPLAN household income model for New York State, using net wage increase from Row 5 and subtracting net wage increase going to affected workers who live outside New York State; see Appendix A2 and Day (2013) for more details on IMPLAN. The net wage increase is distributed across household income categories by the household distribution of increased wages from the

minimum wage increase. Our wage simulation model estimates that 6.6 percent of increased wages will go to workers living outside the state.

[26] Neumark, Salas and Wascher (2014) have criticized these findings. A response paper (Allegretto et al. 2015) refutes the criticisms.

[27] Federal law permits a 90-day subminimum wage for workers under the age of 20.

[28] For example, the State of California uses the following definition in SB-3 Sec. 3(b)(4): "Employees who are treated as employed by a single qualified taxpayer under subdivision (h) of Section 23626 of the [California] Revenue and Taxation Code, as it read on the effective date of this section, shall be considered employees of that taxpayer for the purposes of this ordinance."

[29] There is no single consensus estimate of the size of the ripple-effect from minimum wage increases. We draw on Wicks-Lim (2006), who finds a modal ripple effect of 115 percent across state and federal minimum wage increases from 1983-2002. Cooper (2013) uses a common convention of defining the ripple-effect band as equal to the new minimum wage plus the absolute value of the minimum wage increase being studied.

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Institute for Research on Labor and Employment

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Center on Wage and Employment Dynamics

irle.berkeley.edu/cwed

CWED was established within IRLE in 2007 to provide a focus for research and policy analysis on wage and employment dynamics in contemporary labor markets.

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Local Minimum Wage Workplan

Anticipated Task/Deliverable	Level of Effort (Hours)	City Staff Involved
Research/Data Analysis • Analysis of UC Berkeley Minimum Wage Study for Santa Clara County • Analysis of State minimum wage law and local authority • Definition of big/small businesses • Number of small businesses in RWC • Number of businesses currently paying staff above minimum wage • Review actions taken by other local jurisdictions • Analyze financial impact to City – Citywide–time wages, contracts, ongoing enforcement • Demographics and health indicators of low wage workers • Analyze enforcement requirements • Provide an estimated number of low wage workers in Redwood City • Analysis of phase–in concepts and inflation once $15 is achieved	110 hours	CMO – CM CMO – Deputy City Manager (DCM) Finance Human Resources (HR) City Attorney Office (CAO)
Prepare Study Session # 1 Staff Report and PowerPoint Presentation • Introduce City of San Mateo Approach to Minimum Wage Adoption • Exceptions – consult w/ CAO • Factors to test through outreach: exceptions/carve outs, phase-in approaches	30 hours	CMO – CM CMO – DCM CAO
Follow–Up Research Based On Council Feedback, As Needed	8 hours	CMO – DCM

Anticipated Task/Deliverable	Level of Effort (Hours)	City Staff Involved
Develop A Communications and Outreach Plan • Communication mediums– print, online, mailings, emails, meetings, media etc. • Develop project webpage • Translation of materials – Spanish/Chinese	30 hours	CMO – DCM CMO – Communications staff (Com) CMO – Economic Development Manager (EDM)
Business Wage Survey/Resident-Employee Survey • Draft a voluntary wage survey for local businesses. The survey will provide business wage information. • Draft a voluntary minimum wage survey for residents and employees in Redwood City • Mailings • Conduct outreach to businesses and residents • Analyze data/develop report	100 hours	CMO – CM CMO – EDM CMO – Com
Focus Group meetings Regarding a Local Minimum Wage • Meet with: DBG, RCIA, Chamber, nonprofits, labor stakeholders – roundtable discussions • 2 community outreach meetings **Some Key Stakeholders:** • Raise the Wage Coalition, California Restaurant Association, Chamber, nonprofits, local restaurant owners, labor groups, health care, child care	100 hours	CMO – DCM CMO – EDM
Prepare Study Session #2 Staff Report and PowerPoint Presentation	30 hours	CMO – CM CMO – DCM
Follow-Up Research Based on Council Feedback, as Needed	8 hours	CMO – DCM
Citywide Outreach • Mailings, email, social media, In person meetings, responding to inquiries	120 hours	CMO – DCM CMO – EDM
Negotiate Enforcement Contract With City of San Jose	10 hours	CMO – DCM CAO

Anticipated Task/Deliverable	Level of Effort (Hours)	City Staff Involved
Prepare First Reading Staff Report, Draft Ordinance and PowerPoint Presentation	44 hours	CMO – CM CMO – DCM CAO
Prepare Second Reading Staff Report	8 hours	CMO – DCM
Implementation Yearly notification to all businesses Annual Mailer# 1 (October) Annual Mailer #2 (December) Respond to Inquires Note: City of San Mateo DCM spends about 500 hours/.25 FTE annually on this task	150 hours	CMO – DCM CMO – EDM
Implementation Outreach • Social media • Post Cards • Fliers • Posters • Translation of materials	150 hours	CMO – DCM CMO – Com CMO – EDM
Contingency For Further Outreach/ Change of Direction/Opposition	~110 hours	CMO – DCM CMO – EDM

Total Hours 898 – 1008 hours (.43–.48 FTE)

Draft Minimum Wage Business Survey Questions

The City of Redwood City would like to thank you for taking this short survey. The City is currently reviewing the issue of minimum wage and would like to hear from local business owners and managers as the City evaluates a potential minimum wage ordinance in Redwood City. Your feedback will be used to inform the City Council as it weighs minimum wage requirement options.

Questions

1. What position do you hold in this firm? [Select “Business Owner”, “Business Manager”, “Other”(describe)]

2. What industry category best describes the type of business you manage? [Choose one category]
   - Retail
   - Full Service Restaurant—Table Service Dining
   - Limited Service Restaurant—Fast Food Dining
   - Personal Service (Nail, Hair, etc.)
   - Technology
   - Medical or dental
   - Office
   - Grocery
   - Residential Care and/or Social Assistance
   - Information, Legal, Finance, Insurance, Real Estate, or Professional Services
   - Construction
   - Wholesale Trade and/or Transportation
   - Non-Profit
   - Lodging Services or Other Food Services (catering, banquet, etc.)
   - Manufacturing
   - Education
   - Healthcare
   - Repair and Maintenance or Other Services
   - Other

3. Employee count – full and part time
   - How many of your employees are full-time? [Type in number]
   - How many of your employees are part-time? [Type in number]

4. How many youth employees do you employ (16-20 year olds)?
   - [Type in response]

5. Where do most of your employees live? (choose all that apply)
   - Redwood City
   - Other cities in San Mateo County
   - Santa Clara County

- San Francisco
- East Bay
- Other

6. What is the minimum wage you pay to your lowest-paid employees ($/per hour)? [Type in number]

7. Do your hourly employees receive benefits? [Check yes or no]

   If so, what benefits do they receive? [Check all that apply]

   - Medical
   - Dental
   - Vision
   - Other (Explain)

8. How many of your current employees receive wages at or near the minimum wage ($10.50 -
   $12.00)?
   - [Type in response]

9. How many of your current employees receive wages above $15.00 an hour?
   - [Type in response]
   -

10. How many of your youth employees (16-20 year olds) receive wages at or near the minimum wage ($12.00 or under)? [Select Proportion]
    - [Type in response]

11. Other comments you would like to add (open ended) [Type in response]

12. What is the name of your business? (Optional) [Type in name]

13. Where is your business located? (Optional) [Type in address]

The City Council began discussions about this important issue on September 25, 2017 at their regularly scheduled meeting. Additional Business Round Table events will be taking place this fall. If you would like to be notified of these future meetings and discussion opportunities, please click here to register your email. (Link that takes them to a form to enter their email information)

REPORT

To the Honorable Mayor and City Council
From the City Manager

March 26, 2018

SUBJECT
Local Minimum Wage in Redwood City

RECOMMENDATION
Waive first reading and introduce an Ordinance to add Chapter 46 "Minimum Wage Ordinance" to the Redwood City Code adopting an increase of the minimum wage for employees working within the city of Redwood City to fifteen dollars ($15.00) per hour by 2020 and finding that the proposed ordinance is not a project under CEQA and, in any event, exempt under Section 15061 of the CEQA guidelines

BACKGROUND
As part of the annual budget approval process in June 2017, the City Council determined that it would be appropriate to consider increasing the local minimum wage for employers who maintain a business in the City or perform any work/service within the City limits. At a September 25, 2017 Study Session, staff presented an informational report related to the minimum wage, and the City Council provided the following policy direction:

- Develop a minimum wage ordinance that increases the minimum wage to $15.00 per hour in Redwood City faster than the State of California's minimum wage, which will reach $15.00 per hour by 2022; and
- Not to include exceptions in the minimum wage ordinance; and
- Seek business and community input on timing and the potential phasing of a local minimum wage increase

Over the past five months, City Councilmembers and City staff have conducted a robust outreach program to business owners and residents about the proposed increase to the local minimum wage. Staff prepared the draft ordinance after considering feedback received. The Finance and Audit Sub-committee members reviewed the feedback received in the community outreach process and the draft local minimum wage ordinance. Though Sub-Committee members preferred differing schedules for phasing in a local minimum wage in Redwood City, Sub-Committee members generally supported key parameters of a local minimum wage ordinance, and either staff's recommended approach or Alternative C.

Federal, State and Local Minimum Wages

The minimum wage established by Federal, State and local government law sets the lowest wage an employer legally may pay to workers. As of January 1, 2018, California law requires the minimum wage for all industries to be no less than $10.50 per hour for businesses with less than 25 employees and $11.00 per hour for businesses with 26 or more employees. The Federal minimum wage for covered nonexempt employees has been $7.25 per hour since July 24, 2009.

On April 4, 2016, California Governor Jerry Brown signed legislation (SB 3, Leno) which will raise California's minimum wage to $15.00 per hour by 2022. After January 1, 2023, future wage increases are tied to inflation, reflecting increases in the Consumer Price Index, up to 3.5% per year. Under the new state law, the Governor may suspend the wage increase schedule during economic downturns. The increased minimum wage levels would be applied uniformly across the state. The law also maintains existing exemptions in the State's minimum wage law. This legislation gives California the highest minimum wage in the country along with New York.

State of California Minimum Wage		
Effective Date	Employers w/ 25 Employees or Less	Employers w/ 26 Employees or More
January 1, 2016	$10.00	$10.00
January 1, 2017	$10.00	$10.50
January 1, 2018	$10.50	$11.00
January 1, 2019	$11.00	$12.00
January 1, 2020	$12.00	$13.00
January 1, 2021	$13.00	$14.00
January 1, 2022	$14.00	$15.00
January 1, 2023	$15.00	$15.00+CPI

Local governments retain the ability to adopt local wage ordinances. Such ordinances can increase the minimum wage more rapidly than the statewide timeframe or can increase the minimum wage beyond the level set by the State. Currently, Redwood City employers are subject to Federal and State minimum wage laws. When there are conflicts in the laws, the employer must follow the strictest standard, meaning that employers must follow the standard that is most favorable to the employee. Since the State's law on minimum wage is higher than the Federal law, covered employers are required to pay the State's minimum wage. Similarly, should the City enact a minimum wage ordinance that is higher than State law, covered employers are required to pay the City's minimum wage.

Twenty-nine states and the District of Columbia have wages higher than the federal floor of $7.25 an hour. As of December 2017, forty-one local agencies (cities and counties) across the country had enacted a local minimum wage ordinance. Seventeen of the forty-one agencies are cities located in the Bay Area (Attachment A).

Currently, the City of San Mateo and the City of Belmont are the two cities in San Mateo County with adopted minimum wage ordinances. In addition to Redwood City, two other cities were examining minimum wage ordinances. Those cities were Brisbane and Daly City.

- San Mateo – On August 15, 2016, the San Mateo City Council adopted a Minimum Wage Ordinance with a wage schedule whereby most employers are required to pay $15 per hour by 2019. Non-profit organizations that are tax-exempt per Section 501(c)(3) of the tax code are provided with an extended time frame to reach $15 per hour beginning January 1, 2020.

City of San Mateo Minimum Wage		
Effective Date	**Citywide**	**Nonprofit**
January 1, 2016	$10.00	$10.00
January 1, 2017	$12.00	$10.50
January 1, 2018	$13.50	$12.00
January 1, 2019	$15.00	$13.50
January 1, 2020	$15.00+ CPI	$15.00+CPI
January 1, 2021	CPI	CPI
January 1, 2022	CPI	CPI
January 1, 2023	CPI	CPI

- Belmont – On November 14, 2017, the City Council adopted an ordinance to increase Belmont's Minimum Wage rate to $15.00 an hour by 2020. Beginning on January 1, 2021, the minimum wage will adjust annually based on the regional Consumer Price Index (CPI). In January 2021, the Belmont minimum wage will be increased by the 2020 and 2019 CPI; this will align Belmont's minimum wage with the City of San Mateo's minimum wage program - $15.00 + 2020 CPI + 2019 CPI.

City of Belmont Minimum Wage	
Effective Date	**Citywide**
July 1, 2018	$12.50
January 1, 2019	$13.50
January 1, 2020	$15.00
January 1, 2021	$15.00 + 2020 CPI + 2019 CPI
January 1, 2022	+ CPI
January 1, 2023	+ CPI

- Brisbane – further discussion on examining a local minimum wage will be part of the City's upcoming budget process.

- Daly City – The City Council discussed a proposed minimum wage increase on August 21, 2017. According to City staff, the City is no longer considering a minimum wage ordinance at this time.

- In addition, the County of San Mateo adopted a Living Wage Ordinance. This Ordinance requires contractors providing services under contract with the County of San Mateo to pay $15.00 per hour to their employees (as of July 1, 2017). Government entities providing services under County contract do not need to comply with the ordinance; including cities, counties and school districts.

Cost to Support a Family in San Mateo County
The California Budget and Policy Center, a Sacramento nonprofit agency, published a December 2017 report (Attachment B), "Making Ends Meet: How Much Does it Cost to Support a Family in California," which measures the cost of basic budgets for families and single individuals in each of the state's 58 counties. In San Mateo County, the combined salary of two full-time minimum wage workers will not cover a basic family budget. Taking into account housing, food, childcare, transportation, medical needs, and basics such as clothing, housekeeping supplies and telephone service, along with income and payroll taxes, a California family of four with two working parents needs annual earnings of $108,109 on average to afford basic necessities. This is equivalent to each working parent having a full-time job that pays $25.98 an hour. A family with only one working parent would need to earn $40.87 an hour to make ends meet, the report estimates.

Exceptions for Federal, State, County agencies, including School Districts
The City cannot impose a minimum wage on Federal, State or County agencies, including school districts. Each has their own jurisdiction and is not subject to our

oversight when it relates to their government function. They can subject themselves to the City's Ordinance, if they choose, but they are voluntarily consenting to the City's regulations in that case.

Community Engagement and Outreach

Over the past five months, City Councilmembers and City staff have conducted robust outreach to business owners and residents about the proposed increase to the local minimum wage in Redwood City. Communication activities included: mailing postcards to all businesses located in Redwood City (approximately 6,100 businesses) inviting businesses to attend roundtable meetings and/or take an online business survey, and email feedback. Engagement activities included: 250 one-on-one business visits, ten stakeholder meetings, two citywide business roundtable meetings, and one citywide community meeting. In addition, the City established a dedicated web page for the minimum wage initiative, which included a subpage of frequently asked questions, and a dedicated email address to solicit minimum wage community feedback: localminimumwage@redwoodcity.org.

City Councilmembers and City staff met with the following key business stakeholder groups:

- California Restaurant Association
- Downtown Business Group
- Raise the Wage Coalition
- Redwood City Auto Dealerships
- Redwood City Improvement Association
- Redwood City-San Mateo County Chamber of Commerce
- San Mateo County Central Labor Council
- San Mateo County Convention and Visitors Bureau
- Seaport Industrial Association
- Ten Nonprofit Agencies via the Thrive Alliance of Nonprofits in San Mateo County

Local government entities:

- Belmont-Redwood Shores School District
- County of San Mateo
- Redwood City Elementary School District
- Sequoia Union High School District
- Silicon Valley Clean Water

Postcard/Online Survey

In November, the City mailed a postcard notice to all businesses with an active business license inviting them to participate in an online survey regarding their businesses and one of two business roundtable meetings hosted by the City. The survey, available in English, Spanish, and Chinese, asked respondents questions regarding the number of employees the business had, where the majority of the employees live, whether benefits are provided and wage information. The survey also asked if a change to the local minimum wage would affect their business and whether they would support the change. The survey was open from November 13, 2017 until January 31, 2018. Twenty-two businesses participated in the survey during this period.

While a majority of the survey participants indicated that they pay their employees higher than the current minimum wage, those that paid their employees at or near the current minimum wage of $10.50 an hour indicated that those employees were tipped employees. Their non-tipped employees were paid closer to $15.00 an hour. Sixty percent of the 22 respondents did not support raising the minimum wage to $15.00 an hour by 2019. Respondents commented that the increased minimum wage may negatively impact their business due to an increase in the cost of goods. This would have a greater impact on their business since they are already paying their employees at the higher rates.

One-on-One Business Outreach Visits

Between November 2017 and January 2018 City Councilmembers and City staff visited 250 businesses across the City. The goal of these visits was to notify local business owners and managers of the Council's consideration of a local minimum wage ordinance, provide an informational flyer, promote the City's online survey, invite owners and managers to attend business roundtable meetings, receive input, and share that the City Council will consider a draft Minimum Wage Ordinance at the March 2018 Council Meeting.

Stakeholder feedback

<u>Businesses</u>

In the business visits and the business roundtable and stakeholder meetings participants generally expressed support for establishing a local minimum wage in Redwood City. Many businesses are currently paying close to or more than $15.00 an hour and see this wage as necessary to attract and retain quality employees due to the high cost of living in the Bay Area.

Some businesses and the California Restaurant Association expressed concerns, and recommended the City phase-in the minimum wage increase, as it would be difficult for businesses to adjust to a fifteen-dollar minimum wage in one step. Also, some businesses stated that the wage increases should take effect in one-year increments rather than six month increments as there is significant payroll administration work that has to be conducted to readjust employee wages, and six months is not enough time before they have to readjust wages again. Some businesses had concerns regarding wage compaction for veteran and up line employees, as most businesses currently pay above the state minimum wage, and if there is a new local minimum wage, they will need to pay their employees higher than the local minimum wage. Some conveyed that the increase in minimum wage would also increase operating costs on FICA, Medicare and workers compensation as they are tied to employee compensation. Additionally, some restaurateurs had concerns around the impact of restaurant servers (tipped employees) and the wage disparity with kitchen staff. A common theme from business owners was that rent increases were a greater burden than prospective minimum wage increases.

Attendees at the various stakeholder meetings including the Downtown Business Group, Redwood City Auto Dealerships, Redwood City Improvement Association, Redwood City – San Mateo County Chamber of Commerce, San Mateo County Convention and Visitors Bureau, and the Seaport Industrial Association all indicated that they were in general support of the increase to the minimum wage. Many of the members of these organizations were already paying their employees $15.00 an hour or more in order to attract and retain quality employees within their organizations and businesses. In addition to their support of the increase, each of these organizations committed to assisting the City in helping to distribute information about the proposed change to their members who were not present at the meeting. Additionally, the Chamber of Commerce surveyed their membership and the majority of respondents supported the City's proposed wage increase.

<u>Nonprofits</u>

Ten nonprofit organizations located in Redwood City attended a minimum wage roundtable discussion organized by the Thrive Alliance of Nonprofits in San Mateo County. The majority of nonprofit agencies in attendance supported the City moving forward with a minimum wage increase. Every nonprofit agency in attendance was currently paying their employees more than $15.00 per hour. They stated that the increased salary is needed to retain staff as staff members have left and moved away due to the high cost of housing. Nonprofit employers are challenged to pay more than the minimum wage because most have fixed revenue streams and are not able to charge higher prices or receive additional funding from the state, foundations, or donors. Some nonprofits advocated for training wages for new employees for a training period at the beginning of employment.

Government Entities
The City convened five local government entities: the Belmont-Redwood Shores School District, County of San Mateo, Redwood City Elementary School District, Sequoia Union High School District and Silicon Valley Clean Water. Almost all of these employers pay their employees more than $15.00 per hour. The only positions that pay sub $15.00 per hour wages are on campus student employees and interns. The City cannot impose a minimum wage on Federal, State or County agencies, including school districts.

Organized Labor
When meeting with representatives from the Raise the Wage Coalition and the San Mateo County Central Labor Council there was overwhelming support to move forward with a $15.00 per hour minimum wage. Attendees recommended the inclusion of a waiver for employees covered by collective bargaining agreements, proactive communications from the City notifying businesses of the new minimum wage and where to place minimum wage posters in prominent areas frequented by employees on the business premises, along with whistleblower protections and proactive enforcement of the proposed ordinance.

Community Meeting
Thirty-five people attended the minimum wage community meeting; residents and employees working in Redwood City with ties to labor organizations were well represented. General sentiment was that the minimum wage increase cannot happen soon enough: due to the high cost of living, even with a $15.00 per hour minimum wage it will still be difficult for low-wage workers to live in Redwood City and surrounding areas. Attendees also asked for whistleblower protections, stiff penalties for enforcement, and proactive communications from the City notifying businesses of the new minimum wage.

ANALYSIS

Proposed Ordinance
Based on the direction at the September 25, 2017 City Council Study Session and input from key stakeholders, staff recommends the following key parameters in the proposed ordinance:

Covered Employees
The minimum wage requirement set forth in the draft ordinance applies to adult and minor employees who work two or more hours per week within the City's geographic

boundaries. Covered employees are entitled to these rights regardless of immigration status.

Amount and Timeframe

The draft ordinance increases the minimum wage for employees working in Redwood City in increments. The rate of increase follows similar minimum wage increases enacted in the Cities of San Mateo and Belmont: San Mateo began an increased minimum wage program in January 2017 and Belmont will begin their program in July 2018.

The first local wage increase for Redwood City would occur in January 2019 to allow for public outreach/notification, contract for implementation services, and to provide businesses lead time to prepare business plans and budgets to adapt to the wage increase. The draft ordinance increases the minimum wage in two increments in 2019 and 2020. The first increase would occur on January 1, 2019 and increases the minimum wage from the statewide level of $12.00 per hour to $13.50 per hour. The second increase would occur on January 1, 2020 and raises the wage to $15.00 per hour. To align with the State and other local minimum wage ordinances, the step increases occur on January 1 of the respective year. While the State provides two tiers for minimum wage increases (one for businesses with 25 or fewer employees, one for employers with 26 or more employees), the draft Redwood City ordinance has a single minimum wage schedule for all employers.

Starting on January 1, 2021, all employers in Redwood City would be subject to annual Consumer Price Index (CPI) increases based on the San Francisco-Oakland-San Jose regional CPI. In January 2021 the Redwood City minimum wage will be increased by the 2020 and 2019 CPI; this will align Redwood City's minimum wage with the City of Belmont and City of San Mateo minimum wage programs. It is important to note that, with this schedule, the City of Redwood City minimum wage will always be higher than the state minimum wage, because the City CPI increases would go into effect two years earlier than the state CPI increases (which begin in 2023).

City of Redwood City Proposed Minimum Wage		
Effective Date	**State of CA (26 + Employees)**	**City of Redwood City (Proposed)**
January 1, 2019	$12.00	$13.50
January 1, 2020	$13.00	$15.00
January 1, 2021	$14.00	$15.00 + 2020 CPI + 2019 CPI*
January 1, 2022	$15.00	+ CPI
January 1, 2023	$15.00 + CPI	+ CPI

* In January 2021 the Redwood City minimum wage will be increased by the 2020 and 2019 CPI; this will align Redwood City's minimum wage with the City of Belmont and City of San Mateo minimum wage programs.

Training/Learners Wage

The draft ordinance defaults to the State definition of a "learner's wage" of 85% of the applicable minimum wage for the first 160 hours of employment. Staff believed that adhering to the State standard instead of creating a new local standard was the most prudent action to address the needs of both employees and businesses.

Tipped vs. Non-Tipped Employees

Consistent with Council's direction and the State Legislative Counsel's opinion (Attachment C), the draft ordinance does not allow for a different minimum wage for tipped employees versus non-tipped employees. All employees would be subject to the same wage requirement regardless of tips or gratuities received.

Noticing and Enforcement

The draft ordinance includes various provisions regarding notification to employees and businesses, implementation procedures, and enforcement mechanisms. Pending Council adoption of this ordinance, staff would conduct extensive outreach this summer and fall to notify employees and businesses of the higher minimum wage requirement beginning on January 1, 2019. Currently the City of San Jose Office of Equality Assurance provides contractual minimum wage enforcement services to seven cities, including Cupertino, Los Altos, Mountain View, Palo Alto, San Mateo, Santa Clara and Sunnyvale. San Jose has expressed interest to provide contractual as-needed enforcement services to the City of Redwood City. This is the most cost effective means for enforcement of a local minimum wage ordinance. Pending Council adoption of this ordinance, staff would enter into an agreement with the City of San Jose to provide third-party enforcement.

Employee Protections

Under this draft ordinance, employees who assert their rights to receive the City's minimum wage are protected from retaliation. Employees may file a civil lawsuit against their employers for any violation of the draft ordinance or may file a complaint with the City. The City will investigate (via City of San Jose) possible violations and will require access to payroll records. The City may enforce violations of the minimum wage ordinance by ordering reinstatement of employees, payment of back wages unlawfully withheld, and penalties.

Collective Bargaining Waiver

The draft ordinance includes language that allows for all or any portion of the minimum wage requirements to be waived in a bona fide collective bargaining agreement if such a waiver is explicitly set forth in an agreement. The San Mateo County Central Labor Council has requested language in the ordinance that would create an exception for “property services workers” such as janitors, landscapers, and security guards. Staff recommends inclusion of this exception to keep this provision uniform with the two other cities in San Mateo County who have adopted local minimum wage ordinances (Belmont and San Mateo).

Exemptions

The draft ordinance includes an exemption for Federal, State, and County agencies, including school districts. The City cannot impose a minimum wage on these government entities. Each has their own jurisdiction and is not subject to the City’s oversight when it relates to their government function. Government agencies can subject themselves to the City’s ordinance on a voluntary basis.

Estimated City Impacts

A preliminary review of City employees indicates that the City has 226 hourly employees, representing a full-time employee equivalent (FTE) of 62.25 FTE, which would be affected by an increase in the minimum wage to $15.00 per hour. These employees are concentrated in classifications in three departments: Administrative Services (.25 FTEs), Library (17 FTEs), and Parks, Recreation and Community Services (45 FTEs). A large number of the affected positions in Parks, Recreation and Community Services are in the Youth and Teen Services program. While most of the work is seasonal, some positions work part-time on a year-round basis. An increase in City wages to $15.00 per hour, without any phasing, would cost approximately $122,000. However, the total fiscal impact is higher as wage increases for these classifications would prompt changes to the City’s hourly wage structure beyond employees at the minimum wage level. Staff estimates that the total adjustment of wage ranges for the positions that are directly and indirectly impacted by the minimum wage increase would cost approximately $500,000; this cost would be phased in over a two-year period. Approximately half this cost is anticipated in the preliminary Five Year General Fund Forecast presented February 26, 2018. Should the City Council increase the City’s minimum wage, staff will conduct a comprehensive review and redesign of hourly compensation.

An additional fiscal impact is the dedication of staff and fiscal resources towards the ongoing implementation of the ordinance, which includes enforcement costs to track and ensure compliance with a new City minimum wage ordinance. Typical duties of enforcement include community outreach, compliance review, and managing a complaint process. Should the City choose to contract with the City of San Jose for enforcement services, staff recommends that the City budget approximately $30,000 annually for these services. Some of the enforcement cost could be offset by the collection of penalties from noncompliant employers.

Next Steps:
As a next step, staff recommends that the second reading and adoption of this ordinance be scheduled for the April 9, 2018 Council meeting. If adopted, the ordinance would go into effect in 30 days with the first minimum wage increase beginning January 1, 2019.

ALTERNATIVES

- **Alternative A:** Take no action at the local level with Redwood City employers adhering to the State's phased-in minimum wage schedule, which will reach $15.00 an hour by 2022.
- **Alternative B:** Adopt a local minimum wage ordinance that increases the minimum wage in Redwood City to $15.00 per hour at one time on January 1, 2019 and annually thereafter, the City will adjust the minimum wage based on the Consumer Price Index.
- **Alternative C:** Adopt a local minimum wage ordinance that increases the minimum wage in Redwood City to $13.50 per hour beginning July 1, 2018 and $15.00 per hour on January 1, 2019 in a phased approach and annually thereafter, the City will adjust the minimum wage based on the Consumer Price Index.

Alternatives					
Effective Date	**State of CA (26 + Employees)**	**City of Redwood City (Proposed)**	**Alternative A**	**Alternative B**	**Alternative C**
July 1, 2018	$11.00	$11.00	$11.00	$11.00	$13.50
January 1, 2019	$12.00	$13.50	$12.00	$15.00	$15.00
January 1, 2020	$13.00	$15.00	$13.00	+ CPI	+ CPI
January 1, 2021	$14.00	$15.00 + 2020 CPI + 2019 CPI	$14.00	+ CPI	+ CPI
January 1, 2022	$15.00	+ CPI	$15.00	+ CPI	+ CPI
January 1, 2023	$15.00 + CPI	+ CPI	$15.00 + CPI	+ CPI	+ CPI

FISCAL IMPACT

Increasing the minimum wage to $15.00 as required by the State or through a potential local ordinance would have an estimated cost impact to the City of approximately $500,000 annually. The City would also budget $30,000 annually for a third party enforcement contract.

ENVIRONMENTAL REVIEW

This activity is not a project under CEQA as defined in CEQA Guidelines, Section 15378, because it has no potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment. In the event that the Ordinance is found to be a project under CEQA, it is subject to the CEQA exemption contained in CEQA Guidelines section 15061(b)(3) because it can be seen with certainty to have no possibility of having a significant effect on the environment.

ALEX KHOJIKIAN
DEPUTY CITY MANAGER

MELISSA STEVENSON DIAZ
CITY MANAGER

ATTACHMENTS:

1. Ordinance
2. Bay Area Ordinances
3. San Mateo County Monthly Family Budget
4. Minimum Wage Legislative Counsel Opinion

ORDINANCE NO. _____

ORDINANCE ADDING A NEW CHAPTER 46 OF THE CODE OF THE CITY OF REDWOOD CITY RELATING TO A CITY-WIDE MINIMUM WAGE

WHEREAS, the State of California has enacted a minimum wage that will reach $15.00 per hour for all Employers in January of 2023; and

WHEREAS, in an effort to help working households achieve economic security and acknowledging the higher relative cost of living on the Peninsula, the City Council of the City of Redwood City wishes to enact a citywide minimum wage to reach $15.00 per hour before 2023; and

WHEREAS, the City of Redwood City may adopt a higher minimum wage pursuant to the powers vested in the City under the laws and Constitution of the State of California, including but not limited to the police powers vested in the City pursuant to Article XI, Section 7 of the California Constitution.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF REDWOOD CITY DOES ORDAIN AS FOLLOWS:

Section 1. The purpose and intent of this Ordinance is to adopt a new Chapter 46 of the Code of the City of Redwood City to provide a minimum wage that increases annually and reaches the level of $15.00 per hour on January 1, 2020.

Section 2. The recitals set forth above are true and correct and are hereby incorporated herein by this reference as if fully set forth in their entirety.

Section 3. The City Council hereby finds that the proposed Ordinance is in the public interest.

Section 4. The proposed Ordinance is not a project within the meaning of section 15378 of the CEQA Guidelines because it has no potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, either directly or ultimately. In the event that this Ordinance is found to be a project under CEQA, it is subject to the CEQA exemption contained in CEQA Guidelines section 15061(b)(3) because it can be seen with certainty to have no possibility of having a significant effect on the environment.

Section 5. If any section, subsection, clause or phrase of this Ordinance is for any reason held to be invalid, such decision shall not affect the validity of the remaining portion or sections of the Ordinance. The City Council of the City of Redwood City hereby declares that it would have adopted the Ordinance and each section, subsection, sentence, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared unconstitutional.

Section 6. Chapter 46 is added to the Code of the City of Redwood City to read as follows:

"**CHAPTER 46: – Minimum Wage Ordinance**

SEC. 46.010. – Short title: This Chapter shall be known as the "Minimum Wage Ordinance."

SEC. 46.020. – Definitions. The following terms shall have the following meanings:

a. **Calendar Week** shall mean a period of seven consecutive days starting on Sunday.

b. **Employee** shall mean any person who:

   1. In a calendar week performs at least two (2) hours of work for any Employer (as defined below); and

   2. Qualifies as an employee entitled to payment of a minimum wage from any Employer under the California minimum wage law, as provided under Sec. 1197 of the California Labor Code and wage orders published by the California Industrial Welfare Commission. Employees shall contain learners as defined in this section.

c. **Employer** shall mean any person, including corporate officers or executives, as defined in Sec. 18 of the California Labor Code, who directly or indirectly through any other person, including through the services of a temporary employment agency, staffing agency, or similar entity, employs or exercises control over the wages, hours, or working conditions of any employee and who is either subject to the City's business license requirements or maintains a business facility in the City.

d. **Learner** shall mean an employee who is a Learner as defined by California Welfare Commission Order No. 4-2001.

e. **Minimum Wage** shall mean the minimum wage set forth in Section 46.030 of this Chapter.

SEC. 46.030. – Minimum Wage.

a. Employers shall pay Employees no less than the minimum wage set forth in this Chapter for each hour worked within the geographic boundaries of the City.

b. On January 1, 2019, the Minimum Wage shall be an hourly rate of thirteen dollars and fifty cents ($13.50). On January 1, 2020, the Minimum Wage shall be an hourly rate of fifteen dollars ($15.00). To align the Minimum Wage with other cities in San Mateo County, on January 1, 2021 the Minimum Wage shall increase by the sum of the cost of living increase, if any, for 2019 and 2020. (For example, if the cost of living increases by 3% in 2019 and by 2% in 2020, then on January 1, 2021, the Minimum Wage will increase by 5%.) To prevent inflation from eroding its value, beginning on January 1, 2022, and each year thereafter, the Minimum Wage shall increase by an amount corresponding to the prior year's increase, if any, in the cost of living. The increase in the cost of living for any year shall be measured by the percentage increase, if any, in the Consumer Price Index for San Francisco-Oakland-San Jose (or its successor index) as published by the U.S. Department of Labor or its successor agency (CPI). The increase shall be calculated by using the August to August change in the CPI. A decrease in the CPI shall not result in a decrease in the Minimum Wage.

c. An Employee who is a Learner shall be paid no less than eighty-five percent (85%) of the applicable Minimum Wage for the first 160 hours of employment. Thereafter, the Employee shall be paid the applicable Minimum Wage.

d. An Employer may not deduct an amount from wages due an Employee on account of any tip or gratuity, or credit the amount or any part thereof, of a tip or gratuity, against, or as part of, the wages due the Employee from the Employer.

e. No Employer may fund increases in compensation required by this Chapter, nor otherwise respond to the requirements of this Chapter, by reducing the wage rate paid to any Employee, nor by increasing charges to them for parking, meals, uniforms or other items, nor by reducing the citation or other non-wage benefits of any such Employee, nor by increasing the share any Employee pays towards her/his benefits, except to the extent such prohibition would be pre-empted by the Federal Employee Retirement Income Security Act.

f. A violation for unlawfully failing to pay the Minimum Wage shall be deemed to continue from the date immediately following the date that the wages were due and payable as provided in Part 1 (commencing with Section 200) of Division 2 of the California Labor Code, to the date immediately preceding the date the wages are paid in full.

SEC. 46.040. – Exempt Organizations.

a. State, federal, and county agencies, including school districts, shall not be required to pay minimum wage when the work performed is related to their governmental function. However, for work that is not related to their governmental function, including, but not limited to: booster or gift shops, non-K-12 cafeterias, on-site concessions and similar operations, minimum wage shall be required to be paid. Minimum wage shall also be required to be paid by lessees or renters of facilities or space from an exempt organization.

b. Any organization claiming "auxiliary organization" status under California Education Code Sec. 89901 or Sec. 72670(c) shall not be required to pay minimum wage. The organization, upon request of the City, shall provide documentary proof of its auxiliary organization status.

SEC. 46.050. – Waiver Through Collective Bargaining. All or any portion of the applicable requirements of this Chapter may be waived in a bona fide collective bargaining agreement, provided that such waiver is explicitly set forth in such agreement in clear and unambiguous terms and provided that the waiver may not be applied retroactively. The waiver allowed by this provision does not apply to Employees in the property services industry (e.g. janitors, landscapers, groundskeepers, and security guards).

SEC. 46.060. – Notice, posting and payroll records.

a. By November 1 of each year, the City shall publish and make available to Employers a bulletin announcing the adjusted Minimum Wage rate for the upcoming year, which shall take effect on January 1 of each year. In conjunction with this bulletin, the City shall, by November 1 of each year, publish and make available to Employers a notice suitable for posting by Employers in the workplace informing Employees of the current minimum wage rate and of their rights under this Chapter. Such notice shall be in English and other languages as provided in any regulations promulgated pursuant to Section 46.080(a).

b. Every Employer shall post in a conspicuous place at any workplace or job site where any Employee works the notice published each year by the City informing Employees of the current Minimum Wage rate and of their rights under this Chapter. Every Employer shall post such notices in English and other languages as provided in any regulations promulgated pursuant to Section 46.080(a). Every Employer shall also provide each Employee at the time of hire with the Employer's name, address and telephone number in writing.

c. Employers shall retain payroll records pertaining to Employees for a period of three (3) years, and shall allow the City access to such records, with appropriate notice and at a mutually agreeable time, to monitor compliance with the requirements of this Chapter. Where an Employer does not maintain or retain adequate records documenting wages paid or does not allow the City reasonable access to such records, the Employee's account of how much he or she was paid shall be presumed to be accurate, absent clear and convincing evidence otherwise.

SEC. 46.070. – Retaliation prohibited.

a. It shall be unlawful for an Employer or any other party to discriminate in any manner or take adverse action against any person in retaliation for exercising rights protected under this Chapter. Rights protected under this Chapter include, but are not limited to: the right to file a complaint or inform any person about any party's alleged noncompliance with this Chapter; and the right to inform any person of his or her potential rights under this Chapter and to assist him or her in asserting such rights. Protections of this Chapter shall apply to any person who mistakenly, but in good faith, alleges noncompliance with this Chapter.

b. Taking adverse action against a person, including, without limitation, terminating employment, within one hundred twenty days (120) days of the person's exercise of rights protected under this Chapter shall raise a rebuttable presumption of having done so in retaliation for the exercise of such rights.

SEC. 46.080. – Implementation.

a. **Regulations.** The City Manager may promulgate regulations for the implementation and enforcement of this Chapter. Any regulations promulgated by the City Manager shall have the force and effect of law and may be relied on by Employers, Employees, and other parties to determine their rights and responsibilities under this Chapter. Any regulations may establish procedures for ensuring fair, efficient and cost-effective implementation of this Chapter, including supplementary procedures for helping to inform Employees of their rights under this Chapter, for monitoring Employer compliance with this Chapter, and for providing administrative hearings to determine whether an Employer or other person has violated the requirements of this Chapter.

b. **Reporting violations.** An Employee or any other person may report to the City in writing any suspected violation of this Chapter. The City shall encourage reporting pursuant to this subsection by keeping confidential, to the maximum extent permitted by applicable laws, the name and other identifying information of the Employee or person reporting the violation, provided, however, that with the authorization of such person, the City may disclose his or her name and identifying information as necessary to enforce this Chapter or other Employee protection laws. In order to further encourage reporting by Employees, if the City notifies an Employer that the City is investigating a complaint, the City shall require the Employer to post or otherwise notify its Employees that the City is conducting an investigation, using a form provided by the City.

c. **Investigation.** The City shall be responsible for investigating any possible violations of this Chapter by an Employer or other person. The City shall have the authority to inspect workplaces, interview persons, and request the City Attorney to subpoena books, papers, records or other items relevant to the enforcement of this Chapter.

d. **Informal resolution.** The City shall make every effort to resolve complaints informally, in a timely manner.

SEC. 46.090. – Enforcement.

a. Where prompt compliance is not forthcoming, the City shall take any appropriate enforcement action to secure compliance. In addition to all other civil remedies, the City may enforce this Chapter pursuant to Article II of Chapter 1 of the Redwood City Code. To secure compliance, the City may use the following enforcement measures:

   1. The City may issue an administrative citation with a fine of not more than fifty dollars ($50) for each day or portion thereof and for each Employee or person as to whom the violation occurred or continued.

   2. The City may issue an administrative compliance order.

   3. The City may initiate a civil action for injunctive relief and damages and civil penalties in a court of competent jurisdiction.

b. Any person aggrieved by a violation of this Chapter, any entity a member of which is aggrieved by a violation of this Chapter, or any other person or entity acting on behalf of the public as provided for under applicable state law may bring a civil action in a court of competent jurisdiction against the Employer or other person violating this Chapter and, upon prevailing, shall be awarded reasonable attorneys' fees and costs and shall be entitled to such legal or equitable relief as may be appropriate to remedy the violation including, without limitation, the payment of any back wages unlawfully withheld, the payment of an additional sum as a civil penalty in the amount of fifty dollars ($50) to each Employee or person whose rights under this Chapter were violated for each day that the violation occurred or continued, reinstatement in employment, and/or injunctive relief; provided, however, that any person or entity enforcing this Chapter on behalf of the public as provided for under applicable state law shall, upon prevailing, be entitled only to equitable, injunctive or restitutionary relief to Employees and reasonable attorneys' fees and costs.

c. This section shall not be construed to limit an Employee's right to bring legal action for a violation of any other laws concerning wages, hours, or other standards or rights, nor shall exhaustion of remedies under this Chapter be a prerequisite to the assertion of any right.

d. Except where prohibited by state or federal law, City agencies or departments may revoke or suspend any registration certificates, permits, or licenses held or requested by the Employer until such time as the violation is remedied.

e. **Relief.** The remedies for violation of this Chapter include, but are not limited to:

    1. Reinstatement, and the payment of back wages unlawfully withheld, and the payment of an additional sum as a civil penalty in the amount of fifty dollars ($50) to each Employee or person whose rights under this Chapter were violated for each day or portion thereof that the violation occurred or continued, and fines imposed pursuant to other provisions of this code or State law.

    2. Interest on all due and unpaid wages at the rate of interest specified in subdivision (b) of Sec. 3289 of the California Civil Code, which shall accrue from the date that the wages were due and payable as provided in Part 1 (commencing with Sec. 200) of Division 2 of the California Labor Code, to the date the wages are paid in full.

    3. Reimbursement of the City's administrative costs of enforcement and reasonable attorney's fees.

f. **Posted notice.** If a repeated violation of this Chapter has been finally determined, the City may require the Employer to post public notice of the Employer's failure to comply in a form determined by the City.

SEC. 46.100. – Relationship to other requirements.

This Chapter provides for payment of a local minimum wage and shall not be construed to preempt or otherwise limit or affect the applicability of any other law, regulation, requirement, policy, or standard that provides for payment of higher or supplemental wages or benefits, or that extends other protections. This Chapter shall not be construed to limit a discharged Employee's right to bring a common law cause of action for wrongful termination.

SEC. 46.110. – Fees.

Nothing herein shall preclude the City Council from imposing a cost recovery fee on all Employers to pay the cost of administering this Chapter.

SEC. 46.120. – Federal or State Funding. This Chapter shall not be applied to the extent it will cause the loss of any federal or state funding of City activities."

<u>Section 7</u>. This Ordinance shall go into effect thirty (30) days after the date of its passage and adoption.

***   *   ***

Bay Area Cities Minimum Wage Increase Schedules as of September 12, 2017

Locality (year enacted)	Wage before first increase	1st step		2nd step		3rd step		4th step		5th step	
		New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase	New minimum wage	Date of increase
Belmont, CA (2017)	$11.00	$12.50	7/1/2018	$13.50	1/1/2019	$15.00	1/1/2020				
Berkeley, CA (2016)	$11.00	$12.53	10/1/2016	$13.75	10/1/2017	$15.00	10/1/2018				
Cupertino, CA (2016)	$10.00	$12.00	1/1/2017	$13.50	1/1/2018	$15.00	1/1/2019				
El Cerrito, CA (2015)	$10.00	$11.60	7/1/2016	$12.25	1/1/2017	$13.60	1/1/2018	$15.00	1/1/2019		
Emeryville, CA (2015) *large businesses (more than 55 employees)*	$9.00	$14.44	7/1/2015	$14.82	7/1/2016	$15.00	7/1/2017	$16.00	7/1/2018	$16.00	7/1/2019
Emeryville, CA (2015) *small businesses (55 or fewer employees)*	$9.00	$12.25	7/1/2015	$13.00	7/1/2016	$14.00	7/1/2017	$15.00	7/1/2018	Same rate as large businesses	7/1/2019
Los Altos, CA (2016)	$10.00	$12.00	1/1/2017	$13.50	1/1/2018	$15.00	1/1/2019				
Milpitas, CA (2017)	$10.50	$11.00	7/1/2017	$12.00	1/1/2018	$13.50	7/1/2018	$15.00	7/1/2019		
Mountain View, CA (2015)	$10.30	$11.00	1/1/2016	$13.00	1/1/2017	$15.00	1/1/2018				
Oakland, CA (2014)	$9.00	$12.25	1/1/2015	$12.55	1/1/2016	$12.86	1/1/2017				
Palo Alto, CA (2015)	$9.00	$11.00	1/1/2016	$12.00	1/1/2017	$13.50	1/1/2018	$15.00	1/1/2019		
Richmond, CA (2014)	$9.00	$9.60	1/1/2015	$11.52	1/1/2016	$12.30	1/1/2017	$13.00	1/1/2018		
San Francisco, CA (2014)	$11.05	$12.25	5/1/2015	$13.00	7/1/2016	$14.00	7/1/2017	$15.00	7/1/2018		
San Jose, CA (2016)	$10.50	$12.00	7/1/2017	$13.50	1/1/2018	$15.00	1/1/2019				
San Leandro, CA (2016)	$10.50	$12.00	7/1/2017	$13.00	7/1/2018	$14.00	7/1/2019	$15.00	7/1/2020		
San Mateo, CA (2016)	$10.00	$12.00	1/1/2017	$13.50	1/1/2018	$15.00	1/1/2019				
San Mateo, CA (2016) *nonprofits*	$10.00	$10.50	1/1/2017	$12.00	1/1/2018	$13.50	1/1/2019	same as other businesses	1/1/2020		
Santa Clara, CA (2015)	$10.00	$11.00	1/1/2016								
Sunnyvale, CA (2014; amended 2016)	$9.00	$10.30	1/1/2015	11.00	7/1/2016	$13.00	1/1/2017	$15.00	1/1/2018		

California Budget & Policy Center

Making Ends Meet

San Mateo County

Monthly Family Budget

Expenses Per Month and as a Percentage of Budget

This budget represents the total income required to cover a family's basic needs in this county through earnings only, without government benefits or supports.

	Single Adult	Single-Parent Family	Two-Parent Family (One Working)	Two-Working-Parent Family
Housing and Utilities	$1,915 52.5%	$3,018 36.1%	$3,018 42.6%	$3,018 33.5%
Food	$268 7.3%	$577 6.9%	$773 10.9%	$773 8.6%
Child Care	$0 0.0%	$1,800 21.5%	$474 6.7%	$1,800 20.0%
Health Care (Employer-Based)	$150 4.1%	$564 6.7%	$589 8.3%	$589 6.5%
Transportation	$304 8.3%	$437 5.2%	$437 6.2%	$567 6.3%
Miscellaneous	$361 09.9%	$463 5.5%	$787 11.1%	$787 8.7%
Taxes	$648 17.8%	$1,510 18.0%	$1,007 14.2%	$1,475 16.4%
MONTHLY TOTAL	$3,645	$8,370	$7,085	$9,009
ANNUAL TOTAL	$43,745	$100,440	$85,020	$108,109
Monthly Total With Unsubsidized Marketplace Health Care	$3,890	$8,510	$7,611	$9,544
Annual Total With Unsubsidized Marketplace Health Care	$46,683	$102,123	$91,334	$114,526

Note: All family types except "single adult" are assumed to have two children, one preschool-aged and one school-aged. Main budget totals include health care costs with employer-based health insurance, while totals with unsubsidized marketplace health care include health care costs with unsubsidized health insurance purchased on the individual marketplace (Covered California). Amounts correspond to calendar year 2017. Numbers and percentages may not sum due to rounding. For methodology details, see the full 2017 *Making Ends Meet* report.

This estimated family budget is from the California Budget & Policy Center report, *Making Ends Meet: How Much Does It Cost to Support a Family in California?* (December 2017). Visit calbudgetcenter.org/MakingEndsMeet.

LEGISLATIVE COUNSEL BUREAU

A TRADITION OF TRUSTED LEGAL SERVICE TO THE CALIFORNIA LEGISLATURE

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October 7, 2015

Honorable Roger Hernández
Room 5016, State Capitol

LOCAL MINIMUM WAGE: TIP CREDIT - #1528001

Dear Mr. Hernández:

You have asked whether a charter city ordinance that authorizes an employer to pay an employee less than the local minimum wage of $12.50 per hour, but no less than the state minimum wage, if the employee's total pay, including tips, is at least $15 per hour, would be preempted by state law.

1. Background

With certain exceptions,[1] the state minimum wage is currently $9 per hour, and will increase to $10 per hour on January 1, 2016. (Lab. Code, § 1182.12.)[2] However, the state minimum wage requirement does not "restrict the exercise of local police powers in a more stringent manner." (§ 1205, subd. (b).) As such, state law permits cities and counties to set local minimum wages that are higher than the state minimum wage. However, section 351 specifically prohibits tip crediting as follows:

> "351. *No employer* or agent *shall* collect, take, or receive any gratuity or a part thereof that is paid, given to, or left for an employee by a patron, or *deduct any amount from wages due an employee on account of a gratuity*, or require an employee to *credit* the amount, or any part thereof, of *a gratuity against and as a part of the wages due the employee from the employer*. Every gratuity is hereby declared to be the sole property of the employee or employees to whom it was paid, given, or left for. An employer that permits patrons to pay gratuities by

[1] There are exceptions for "any individual employed as an outside salesman or any individual participating in a national service program carried out using assistance provided under Section 12571 of Title 42 of the United States Code." (Lab. Code, § 1171.)

[2] All further section references are to the Labor Code, unless otherwise indicated.

credit card shall pay the employees the full amount of the gratuity that the patron indicated on the credit card slip, without any deductions for any credit card payment processing fees or costs that may be charged to the employer by the credit card company. Payment of gratuities made by patrons using credit cards shall be made to the employees not later than the next regular payday following the date the patron authorized the credit card payment." (Emphasis added.)

Accordingly, in relevant part, section 351 provides that tips are the "sole property" of the employee, and prohibits an employer from deducting "any amount from wages due an employee an account of a gratuity" or from crediting a tip "against and as a part of the wages due the employee from the employer."

A charter city ordinance that authorizes an employer to pay an employee less than the local minimum wage of $12.50 per hour, but no less than the state minimum wage, if the employee's total pay including tips is at least $15 per hour (hereafter proposed ordinance) allows an employer to pay an employee a lower wage than is otherwise legally required based upon the tips received by the employee. Therefore, we must determine if section 351 would preempt the proposed ordinance.

2. Preemption

In general, a city may "make and enforce within its limits all police, sanitary, and other ordinances ... not in conflict with general laws." (Cal. Const., art. XI, § 7.) "A conflict exists if the local legislation '"duplicates, contradicts, or enters an area fully occupied by general law, either expressly or by legislative implication."' [Citations.]" (*O'Connell v. City of Stockton* (2007) 41 Cal.4th 1061, 1067; italics omitted.) However, a charter city may adopt ordinances that conflict with general laws, provided that the subject of the ordinance is a "municipal affair" and the general state law does not address a matter of "statewide concern." (Cal. Const., art. XI, § 5; *American Financial Services Ass'n. v. City of Oakland* (2005) 34 Cal.4th 1239, 1251.) Because the proposed ordinance is specific to a charter city, in order for section 351 to preempt the proposed ordinance, section 351 must both address a matter of statewide concern and conflict with the proposed ordinance.

3. Matter of statewide concern

In order to determine whether section 351 would preempt a charter city ordinance we must first determine whether it addresses a matter of statewide concern. One could argue that, to the extent section 351 applies to a higher local minimum wage, but not the state minimum wage, it addresses a municipal, rather than a statewide, concern. However, although no case has specifically held that minimum wages or tip credits are matters of statewide concern, the California Supreme Court has expressed its opinion that a question regarding tip credits is "of statewide importance." (*Henning v. Industrial Welfare Com.* (1988) 46 Cal.3d 1262, 1265; hereafter *Henning*.) Further, California Constitution article XIV, section 1 specifically authorizes the Legislature to "provide for minimum wages and for the general welfare of employees."[3] The Legislature has exercised this authority by enacting the Labor Code and expressly providing, as follows:

> "It is the policy of this state to vigorously enforce minimum labor standards in order to ensure employees are not required or permitted to work under substandard unlawful conditions or for employers that have not secured the payment of compensation, and to protect employers who comply with the law from those who attempt to gain a competitive advantage at the expense of their workers by failing to comply with minimum labor standards." (§ 90.5, subd. (a).)

Based upon these authorities, one could conclude that a state law prohibiting tip credits in either the state or local minimum wage context would be a matter of statewide concern.

In support of this conclusion is the fact that a tip credit prohibition serves an employee welfare function. As explained above, the Legislature has specific constitutional authority to provide for the general welfare of employees (Cal. Const., art. XIV, § 1), and section 351 provides that tips are the "sole property" of the employee or employees. Further, the Legislature has expressly declared that a purpose of the section 351 is "to prevent fraud upon the public in connection with the practice of tipping and [that it was] passed for a public reason" that is "part of the social policy of the state." (§ 356.)

Moreover, an Attorney General opinion recognizes the extent to which a tip credit may generally harm employee welfare by illustrating the following scenario if a tip credit was permitted:

> ""It would not be long before employers discovered which of their employees were costing them the most money. Obviously, the [workers] who received the least in tips would have to be paid the highest wages to make up the [minimum wage]. Gradually the [workers] receiving low tips would be dismissed, whether efficient or not, and those with ability to wile larger tips from an irresponsible public would be employed in their places. The workers would be no slower than the employers in discovering the effects of the reporting system on their welfare. The dismissal of one or two workers would be sufficient to warn the others that if they were to retain their jobs their tips must equal those of their more fortunate coworkers. There is always one effective way out of a situation like this for a worker who is desperately in need of a job, and that is to report to the employer a greater amount of tips than actually received. The whole purpose of the minimum wage law, that of

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[3] The California Constitution also provides plenary authority to charter cities to provide for the compensation of municipal officers and employees (Cal. Const., art. XI, § 5, subd. (b)(4)), but no law or case extends this authority to the compensation of other types of employees.

guaranteeing the worker a living wage, would be defeated if this practice were permitted and the State authorities would be almost helpless to correct the situation."'" (11 Ops.Cal.Atty.Gen. 291 (1948).)

Based on the foregoing authorities, and the fact that "[a]ny fair, reasonable and substantial doubt whether a matter is a municipal affair or broader state concern must be resolved in favor or the legislative authority of the state" (*Cox Cable San Diego, Inc. v. City of San Diego* (1987) 188 Cal.App.3d 952, 962), it is our opinion that section 351 addresses a matter of statewide concern and would preempt the proposed ordinance in the event of a conflict.

4. Conflict

We must now determine whether the second element of preemption is met, that there is a conflict between section 351 and the proposed ordinance. The proposed ordinance authorizes an employer to reduce the wages due an employee under the charter city's higher minimum wage ordinance if the employee earns enough tips. Section 351 prohibits an employer from deducting "any amount from *wages due* an employee on account of a gratuity." (Emphasis added.) Therefore, the proposed ordinance would conflict with section 351 if the "wages due an employee" under section 351 include wages due under local charter city minimum wage laws, even where those wages are not due under state minimum wage laws.

In construing a statute, courts begin with the statutory language because it is generally the most reliable indication of legislative intent, and if the statutory language is unambiguous, courts presume the Legislature meant what it said, and the plain meaning of the statute controls. (*Committee for Green Foothills v. Santa Clara County Bd. of Supervisors* (2010) 48 Cal.4th 32, 45.) Section 351 does not specify which wages an employer may not credit tips against; the prohibition is just generally against "wages due" and does not distinguish wages due under state law from wages due under municipal or federal law. As such, one could argue that the prohibition applies to all wages, including wages due under a local minimum wage ordinance, because courts may not read into a statute an exception not incorporated therein by the Legislature. (*Phillippe v. Shapell Industries* (1987) 43 Cal.3d 1247, 1265.) However, a court may apply an unwritten exception if such an exception must reasonably and necessarily be implied. (*Ibid.*) In our view, there are two competing arguments concerning whether an exception to section 351 may be reasonably and necessarily implied for wages due under a local ordinance that are above the state minimum wage, and thus not due pursuant to the state minimum wage law.

4.1 Narrow interpretation argument

The first argument supports a narrow interpretation of section 351 and assumes that the section's prohibition against tip crediting applies to credits against only an employer's minimum wage obligations under state law, not against his or her minimum wage obligations under local law. In support of this narrow interpretation is the rule of construction that the words of a statute should be construed in their statutory context. (*City of Alhambra v. County of Los Angeles* (2012) 55 Cal.4th 707, 719.) Thus, one could argue that, in the context of the

Labor Code, "wages due" refers only to wages due under that code, and thus, that the term would not apply to wages due under local, higher minimum wage laws. In other words, when the Legislature referenced wages in section 351, it did so in the context of the state minimum wage required under section 1182.12.

One could also contend that this narrow interpretation is supported by the legislative history of section 351. In this regard, the Legislature amended section 351 in 1975 by, among other things, removing an exception to the tip credit prohibition for "a valid regulation of the Industrial Welfare Commission." (Stats. 1975, ch. 324; hereafter A.B. 232.) The digest of A.B. 232 provided that "This bill would eliminate the authority of the Industrial Welfare Commission to permit an employer to receive or deduct from employee wages any part of a gratuity given to or left for an employee by a patron." (*Henning, supra*, 46 Cal.3d at pp. 1274-1275.) The Senate Committee on Industrial Relations stated that the purpose of the bill was "To eliminate the authority of the Industrial Welfare Commission to permit employers to credit tips against the wages of employees." (*Id.* at p. 1275; Sen. Com. on Ind. Relations, Mem. on A.B. 232 (1975-1976 Reg. Sess.) as amended May 19, 1975, p. 1.) It could be reasoned that these portions of the legislative history of section 351 support the narrow interpretation by evincing that the Legislature intended to remove only the state's authority to authorize a tip credit against the state minimum wage, not a charter city's authority to authorize a tip credit against a local minimum wage.

4.2 Broad interpretation argument

The second argument supports a broad interpretation of section 351 and assumes that the section's prohibition against tip crediting applies to credits against all of the wages legally due to an employee, including those due under a higher local minimum wage ordinance. As described above, the plain language supports a broad interpretation of section 351 that applies to all "wages due" without an exception for higher local minimum wages. Additionally, the rule of statutory construction that a statute should be construed in its statutory context can also be found to support this argument. Examining all provisions of section 351, it is notable that the section explicitly provides that tips are the "sole property" of employees. Accordingly, the plain language of section 351, when read in its entirety, is inconsistent with a construction of section 351 that allows a reduction in the value of a tip such that the benefit of the tip accrues to the employer.

Additionally, even going beyond the plain language of the statute, courts have examined the legislative intent behind section 351 and found that it provides support for a broad interpretation. For instance, in *Henning, supra*, 46 Cal.3d at pages 1274-1275, the court thoroughly examined the legislative history of section 351 to invalidate an Industrial Welfare Commission (IWC) order establishing a two-tier minimum wage system that fixed a lower wage for tipped employees. Although the IWC order did not impose a traditional tip credit, just an alternative lower minimum wage for tipped employees, the court found that the "Legislature could not have intended to allow indirectly what it forbade directly." (*Id.* at p. 1276.) The court stated that "We might have come to a different result if the words and legislative history of [section 351] revealed an intent on the part of the Legislature to prohibit only the 'tip credit' and not its effect ... ." (*Id.* at p. 1279.) In regard to that legislative history, the court found that the effect that section 351 was intended to remedy is that of an employer benefiting from "his employee's tips by paying the employee a wage lower than he would be obligated to pay if the employee did not receive tips." (*Ibid.*) This legislative intent was reiterated by the California Supreme Court in *Lu v. Hawaiian Gardens Casino* (2010) 50 Cal.4th 592, 600, in which the court explained that the legislative history of section 351 confirms that "the Legislature's ultimate goal was to prevent an employer from taking any part of an employee's gratuity by crediting an employee's tips against *any* wages earned. [Citations.]" (Emphasis added.)

Therefore, the weight of the legislative history of section 351, as described by the courts, displays that the law was intended to prevent an employer from benefiting from an employee's tips by crediting them against any wages due to the employee. This intent is best served by applying section 351 broadly to wages due under a higher local minimum wage ordinance.

Courts have also made statements in dicta[4] that support a broad interpretation of section 351, applying its prohibition to wages due under local law. For instance, in analyzing section 351, one court has stated that the law must be "'vigilant in its protection of the property rights of ordinary working people.'" (*Leighton v. Old Heidelberg, Ltd.* (1990) 219 Cal.App.3d 1062, 1072, fn. 6.) Presumably, the rights of working people would be better served by a tip credit prohibition that applies to all wages. Moreover, examining the legality of a tip pooling arrangement under section 351, another court made the following cautionary statement:

> "Even though an employer can no longer use tip sharing to subsidize minimum wages of non-tipped employees, it is possible that an employer could use tip sharing to subsidize *market wages* of non-tipped employees, resulting in the same evil. Thus, when considering tip pooling, it is important to make certain that the employer is not using the tip pool as a de facto tip credit against market wages." (*Etheridge v. Reins Intern. California, Inc.* (2009) 172 Cal.App.4th 908, 915; emphasis in original.)

Following this line of reasoning, if tip credits cannot be used as a credit toward an employer's obligation to pay market wages, then it is unlikely that they can be used as a credit toward an employer's obligation to pay higher local minimum wages. Lastly, in upholding a Los Angeles minimum wage ordinance that required that certain hotel workers be paid $15.57 per hour, not including gratuities, the court stated: "The California Labor Code *prohibits* the state and municipalities from establishing minimum wages that distinguish between

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[4] Although dicta is not controlling, "it does not follow that the dictum of a court is always and at all times to be discarded." (*San Joaquin & Kings River Canal & Irrigation Co. v. Stanislaus County* (1908) 155 Cal. 21, 28.)

tipped and non-tipped workers. [Citations.]" (*American Hotel & Lodging Assn. v. City of Los Angeles* (C.D. Cal., May 13, 2015, No. CV 14-09603-AB (SSx)) __ F.Supp.3d __ [2015 WL 4576463, at p. 15]; emphasis in original.) Although the court was not specifically applying section 351, this dicta implies that the prohibition against tip credits applies equally to higher local minimum wage ordinances passed by municipalities.

It is our view, based upon the plain language of section 351 and the relevant cases, that the legislative intent in enacting section 351 was to protect an employee's tips as his or her "sole property," not merely to enforce a state minimum wage. Therefore, we conclude that the second argument is the stronger argument, and that a court would be more likely to interpret section 351 to apply to wages due under higher local minimum wage ordinances. Because section 351 prohibits an employer from deducting any amount of wages due on account of a tip, in our opinion, section 351 would conflict with the proposed charter city ordinance.

5. Conclusion

For the foregoing reasons, it is our opinion that section 351 both addresses a matter of statewide concern and would conflict with the proposed ordinance. Consequently, in our opinion, a charter city ordinance that authorizes an employer to pay an employee less than the local minimum wage of $12.50 per hour, but no less than the state minimum wage, if the employee's total pay, including tips, is at least $15 per hour, would be preempted by state law.

Very truly yours,

Diane F. Boyer-Vine
Legislative Counsel

Lisa C. Goldkuhl

By for
Joanna E. Varner
Deputy Legislative Counsel

JEV:sjk

From:	Rayna Lehman
To:	Pegueros, Nick M
Cc:	Mueller, Ray; Julie
Subject:	Re: Min Wage Ordinance
Date:	Monday, April 22, 2019 12:42:08 PM
Attachments:	CMP_Email_Logo_100dpi_05d92d5b-e8e3-498f-93a6-d0da509bd602111111111.png

Hi Nick - thanks for your response.

In our effort to support you as you move forward, we suggest that the Redwood City Minimum Wage Ordinance is a good template – and we highlight the following as important components:

• $15 for all City of Menlo Park employees by July 2019 (should there be any classifications under $15) and for all employees citywide by January 2020, with no exemptions, staggered roll ins, or different rates based on number of employees. The cleaner the language the easier it is for both business owners and workers to understand, and the easier it is to enforce.

• After you hit $15, adjust for Bay Area CPI every year thereafter to avoid wage stagnation. Every other local ordinance, as well as the State, has CPI adjustment language.
Example (from San Mateo's Ordinance which hit $15 in 2019): Beginning on January 1, 2020 and each January thereafter, the minimum wage shall increase by an amount equal to the prior year's increase, if any, in the Consumer Price Index (CPI) for San Francisco-Oakland-San Jose as determined by the US Department of Labor. The change shall be calculated by using the August to August change in the CPI to calculate the annual increase, if any. A decrease in the CPI shall not result in a decrease in the minimum wage.

• Strong enforcement language, with a clear path for those needing to report violations, and strict penalties for those found in violation.

• A robust public information campaign as part of the rollout, so that workers know what they're entitled to when, and where to go if they are not receiving it. This should include mandated posting of the wage information in employee accessible areas by every city employer, notification included with every worker's paystub each time the wage changes and ensuring that this information is available in multiple languages as is reflective of your diverse workforce. The Redwood City Ordinance contains good sample language.

• A collective bargaining waiver, as requested in other jurisdictions by Unite HERE Local 2 and SEIU-USWW. Please let us know if you have questions about this waiver.
Sample language: Waiver Through Collective Bargaining: All or any portion of the applicable requirements of this Ordinance may be waived in a bona fide collective bargaining agreement, provided that such waiver is explicitly set forth in such agreement in clear and unambiguous terms and provided that the waiver may not be applied retroactively. The waiver allowed by this provision does not apply to Employees in the property services industry (e.g. janitors, landscapers, groundskeepers and security guards).

Please keep us in the loop!
best, Rayna

Rayna Lehman, Director
AFL-CIO Community Services
San Mateo County Central Labor Council
Labor Liaison to United Way Bay Area
Office   650 341 7711
Fax   650 572 2481

From: Pegueros, Nick M <nmpegueros@menlopark.org>
Sent: Monday, April 15, 2019 5:13 PM
To: Rayna Lehman
Subject: RE: Min Wage Ordinance

Thank you for reaching out Rayna. I apologize for the delayed response but I do want to confirm that we are moving forward with a report to seek City Council direction on May 7th. Quick question – Does the Labor Council have any comments on the Redwood City ordinance? Areas for improvement?

Best,
Nick

Nick M. Pegueros
Assistant City Manager
City Hall - 2nd Floor
701 Laurel St.
tel 650-330-6619
menlopark.org

From: Rayna Lehman [mailto:rlehman@uwba.org]
Sent: Friday, April 12, 2019 12:26 PM
To: Pegueros, Nick M <nmpegueros@menlopark.org>
Cc: Mueller, Ray <RDMueller@menlopark.org>; Julie <smclcjulie@sbcglobal.net>
Subject: Min Wage Ordinance

Hi Nick - I am following up on the voicemail I left for you and forwarding my initial email to Clay on the subject.
We are disappointed to learn that Minimum Wage Ordinance was removed from the upcoming study session on Tuesday.
Attached again, for your consideration, is the Redwood City MWO - an excellent template for Menlo Park.
This week, the South San Francisco City Council directed staff to draft a MWO that will bring all City of SSF employees to $15 an hour by July 1, 2019 and cover all workers / businesses city wide by **January 1, 2020.**
Menlo Park is literally surrounded by cities that have passed MWOs (Belmont, Los Altos, Palo Alto, Mountain View, Redwood City, Sunnyvale) and are already at or near $15 and hour - putting us at a competitive disadvantage. San Mateo and Daly City also passed MWO's.
Facebook went to $15 an hour years ago and Bank Of America just set their

minimum wage at $20 an hour. Even our McDonald's is closer to $16 and hour.
It is crazy to think families can survive much less prosper on $15 and hour - $31,200 a year before taxes - but we have to start somewhere, as 20% of Menlo Park households earn under $50,000 a year, with average rents here at $46,800 a year.

We hope to see an Ordinance that

- Reaches **$15 by January 2020** and codifies CPI adjustments going forward
- Includes a strong public information campaign
- Includes strong enforcement language
- Includes a collective bargaining waiver

As a Menlo Park resident, I say this is a no brainer.
Please follow up with me, I understand this item will be on an agenda in May - I would like to be added to the notification list.

thanks in advance,
Rayna

Rayna Lehman, Director
AFL-CIO Community Services
San Mateo County Central Labor Council
Labor Liaison to United Way Bay Area
Office 650 341 7711
Fax 650 572 2481

From: Rayna Lehman
Sent: Tuesday, March 26, 2019 2:32 PM
To: cjcurtin@menlopark.org
Cc: Mueller, Ray; Julie
Subject: Min Wage Ordinance

Hi Clay - I attached the Redwood City Minimum Wage Ordinance for consideration as Menlo Park moves forward. It's a good example, comprehensive.
The current California state min wage is $12 an hour - I am confident Menlo Park can get to $15 by 2020 for **all** employers - and I think that is a reasonable target.
$13.00 an hour July 2019
$14.00 an hour Jan 2020
$15.00 an hour July 2020
$15.00 + CPI Jan 2021
All of the Min Wage Ordinances codify the CPI adjustments upon reaching $15 an hour, as should ours.
City of San Mateo reached $15 an hour on Jan 1, 2019, with no negative impacts on local business. Most business already pay $15 an hour or more, just to remain competitive and attract and retain a workforce, but business input is important.
Please know that the San Mateo Labor Council also supports strong enforcement language and a collective bargaining waiver.

Please let me know the date and time (and location if different from Council chambers) of the upcoming Study Session.

I look forward to working with you on this important issue.
best, Rayna

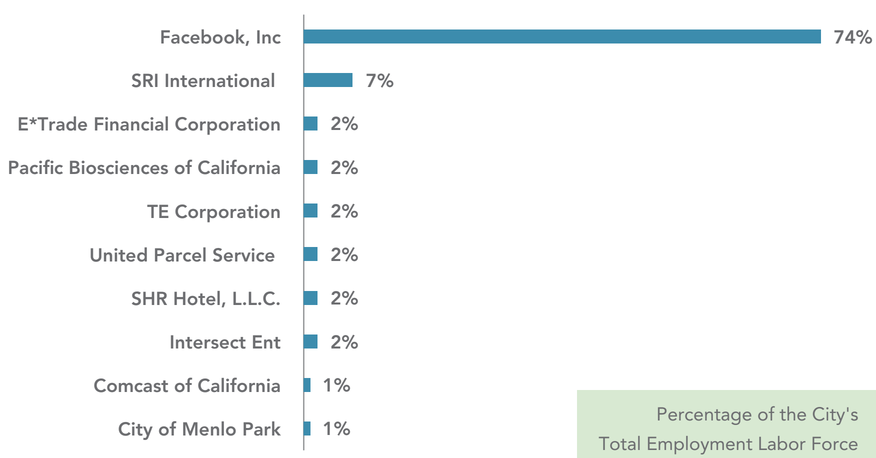
Rayna Lehman, Director
AFL-CIO Community Services
San Mateo County Central Labor Council
Labor Liaison to United Way Bay Area
Office 650 341 7711
Fax 650 572 2481

PRINCIPAL EMPLOYERS

Current Fiscal Year and Ten Years Prior

		Fiscal Year 2017–18		Fiscal Year 2008–09	
City's Principal Employers	Rank	Total Employees	Percentage of Total City's Labor Force	Total Employees	Percentage of Total City's Labor Force
Facebook, Inc	1	14,674	74%	not available	not available
SRI International	2	1,400	7%	1,462	9%
E*Trade Financial Corporation	3	388	2%	450	3%
Pacific Biosciences of California	4	348	2%	217	1%
TE Corporation	5	345	2%	1,084	7%
United Parcel Service	6	335	2%	245	not available
SHR Hotel, L.L.C.	7	330	2%	250	not available
Intersect Ent	8	301	2%	not available	not available
Comcast of California	9	265	1%	not available	not available
City of Menlo Park	10	268	1%	240	1%
TOP 10 EMPLOYERS		**18,654**	**95%**	**3,948**	**24%**
TOTAL EMPLOYMENT OF THE CITY'S LABOR FORCE		**19,700**	**100%**	**16,500**	**100%**

CITY'S TOP 10 EMPLOYERS, 2017-18



Source:
City of Menlo Park, self reported; non-profit organizations' data is not available
State of California, Employment Development Department, Labor Force Report, Unemployment Rates/Labor Force, June 2004, 2013

STAFF REPORT

City Council
Meeting Date: 5/7/2019
Staff Report Number: 19-081-CC

Informational Item: Annual review of taser program for the period beginning April 1, 2018, and ending April 1, 2019,

Recommendation

This is an informational item and does not require City Council action.

Policy Issues

This informational report is being presented to comply with City Council direction requesting an annual assessment of the police department's taser program.

Background

On October 7, 2014, staff presented the one-year results of the police department taser assessment. Following that review, City Council approved the purchase and deployment of the taser device department-wide and to continue a quarterly assessment of the taser program. The quarterly assessment was later changed to a biannual report.

On April 17, 2018, City Council approved moving the taser reviews from biannually to annually.

Analysis

All of the department's officers, detectives and sergeants have been issued a taser device and received training. Additionally, a large number of sworn personnel have attended the San Mateo County crisis intervention training (CIT.) The 40-hour course's curriculum was formulated by a partnership between the National Alliance on Mental Illness San Mateo County, the sheriff's office and Behavioral Health Recovery Services. Fifteen additional Menlo Park police officers are scheduled to attend CIT training during the next reporting period.

Between April 1, 2018, through April 1, 2019, the department had two taser deployments. The sworn personnel involved in each of the two incidents had previously attended CIT training.

In the first event, the taser was effectively deployed after an officer responded to two subjects physically fighting outside a restaurant. Upon the arrival of the officer at the scene, one of the subjects appeared intoxicated and maintained an aggressive stance. The subject refused to comply with the officers verbal commands and was taken into custody after the taser was effectively deployed.

In the second incident, the taser was deployed at the conclusion of foot pursuit of a suspect fleeing from a stolen vehicle. The suspect was also wanted in connection with a robbery that had occurred in the City of Mountain View. The suspect was failing to respond to lawful orders and the taser was effectively deployed allowing for the suspect to be safely taken into custody.

During the same time period, a taser was utilized on eight occasions in a “display only” manner. In all of these situations, officers displayed their taser device in an effort to control suspects who were disobeying lawful orders and actively resisting or threatening officers. In all cases, the suspects immediately complied when confronted by the taser device.

Impact on City Resources

There are no policy issues related to this informational item.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it is a minor change that will not result in any direct or indirect physical change in the environment.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

None.

Report prepared by:
William A. Dixon, Police Commander

CITY OF MENLO PARK

STAFF REPORT

City Council
Meeting Date: **5/7/2019**
Staff Report Number: **19-082-CC**

Informational Item: **Annual review of data captured by automated license plate readers for the period beginning April 1, 2018, through April 1, 2019,**

Recommendation

This is an informational item and does not require City council action.

Policy Issues

This report is presented pursuant to Menlo Park Ordinance No. 1007.

Background

On September 24, 2013, the City Council approved the purchase and installation of mobile automated license plate readers (ALPRs) mounted on three police vehicles.

At the May 13, 2014, City Council meeting, the City Council approved Ordinance No. 1007 regarding the use of automated license plate readers. It states, "Northern California Regional Information Center (NCRIC) will give a quarterly report to the police department which shall indicate the number of license plates captured by the ALPR in the City of Menlo Park, how many of those license plates were "hits" (on an active wanted list), the number of inquiries made by Menlo Park personnel along with the justifications for those inquiries, and information on any data retained beyond six months and the reasons for such retention." Staff has consistently applied with the reporting requirement.

On April 17, 2018, City Council approved moving the ALPR reviews from biannually to annually.

Analysis

Menlo Park data retention agreement with NCRIC provide only six months of retrievable data.

From October 2018 through April 2019, the Menlo Park police ALPR system captured 272,275 license plates. The data captured resulted in 108 “hits” that a captured license plate was currently on an active wanted list. The vast majority of the hits were subsequently deemed to be a “false read” after further review by the ALPR operator. A “false read” is when a photograph of the license plate and the computer’s interpretation of the number/letter combination from the photo do not match. For example, a photograph of a license plate with the number “8” could be digitally interpreted as a “B.”

From April 2018 through 2019 current year, the ALPR system was responsible for the recovery of one stolen vehicle. Also during this period, Menlo Park police personnel made 100 inquiries into the database during the investigation of crimes occurring within the City of Menlo Park or its surrounding communities.

Impact on City Resources

There is no impact on City Resources.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it is a minor change that will not result in any direct or indirect physical change in the environment.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

None.

Report prepared by:
William A. Dixon, Police Commander

STAFF REPORT

City Council	
Meeting Date:	**5/7/2019**
Staff Report Number:	**19-074-CC**
Informational Item:	**Samaritan House facility rental agreement to expand services to Menlo Park**

Recommendation

This is an information item only and does not require action by the City Council.

Policy Issues

The agreement with Samaritan House to use City facilities to expand services to Menlo Park residents and rental fee waiver are consistent with existing City Council community funding policy to provide emergency assistance and low income support to meet basic needs such as food and shelter, etc. as well as the City's user fee cost recovery policy.

Background

Samaritan House is a nonprofit organization that provides services to help meet the essential needs of more than 12,000 low-income people each year in San Mateo County, California. The organization provides safety net services for individuals and families in need while ultimately helping them move toward self-reliance, financial stability and opportunity. Samaritan House is one of eight Core Service Agencies that work in close collaboration with the Human Services Agency in San Mateo County to provide basic emergency and support services to stabilize a client's living situation.

Services provided by Samaritan House include:

- Food services such as grocery programs, mobile produce, mobile hot meals, kid's lunch programs and more
- Shelter services for emergency, short-term and transitional housing
- Short-term rental/deposit/mortgage payment assistance
- Utility bill financial assistance and identifying on-going utility payment programs for low incomes
- Health services that include free primary and specialty medical, dental and vision care appointment visits
- Kids closet for free clothes, books, bikes, helmets, backpacks with school supplies and more
- A worker resource center where temporary workers and employers connect for one-time job opportunities
- Case management and counseling services for evaluation and assistance with financial, health, educational, housing and basic needs
- Holiday programs for holiday food, toys, books and warm coats program

In July 2018, representatives from Samaritan House met with former City Manager Alex McIntyre and other City staff to provide information on their services and to explore opportunities to expand their services to Menlo Park. As a result of the meeting, Menlo Park police and other City staff were provided valuable resources for sharing with residents who might benefit from the various services that Samaritan House provides. The other outcome was to identify potential locations for expansion of services in the Belle Haven neighborhood. After a number of facility site visits, it was determined that the Onetta Harris Community Center (100 Terminal Avenue) or the Neighborhood Services Center (871 Hamilton Avenue) would be a suitable locations to expand the organization's case management and referral services.

Analysis

On May 20, the City and Samaritan House will enter into a facility rental agreement for one year that can be renewed upon consent of both parties. During this pilot, Samaritan House may use the Onetta Harris Community Center and the Neighborhood Services Center for a total of up to eight hours per week for the purposes of office hours to provide basic emergency and support services to Menlo Park residents. A facility use schedule will be approved by the community services director on a quarterly basis to ensure such use does not conflict with other scheduled events and programs. Currently we anticipate that Samaritan House will use the Onetta Harris Community Center for four hours in the afternoon during week days and will experiment with usage of the Neighborhood Services Center as an alternate location for its office hours.

As part of the agreement, the City agrees to waive the hourly rental fee but Samaritan House is expected to adhere to all other facility use requirements including but not limited to providing the City with the necessary liability insurance coverage. A copy of the rental information and contract is attached (Attachment A.) The fee waiver is within the city manager's contract authority per award authority and bid requirements procedure No.CC-19-002 that was recently updated by the City Council at their meeting February 12.

Impact on City Resources

Per the City's master fee schedule, the rental fee for the Onetta Harris Community Center conference room is $31 for residents and $42 for non-residents with a 50 percent discount offered to non-profit organizations such as Samaritan House. The rental agreement provides for up to eight hours per week or 416 hours a year. The maximum fee waiver with applicable discounts is estimated to be approximately $6,448 for the one year term. The fee waiver is within the city manager's contract authority per the award authority and bid requirements procedure No.CC-19-002 that was recently updated by the City Council at their meeting February 12.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it is a minor change that will not result in any direct or indirect physical change in the environment.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Rental information and contract for Samaritan House

Report prepared by:
Derek Schweigart, Community Services Director

ATTACHMENT A

ONETTA HARRIS COMMUNITY CENTER RENTAL INFORMATION

Community Services
100 Terminal Ave., Menlo Park, CA 94025
tel 650-330-2250

CITY OF MENLO PARK

Facility description

Onetta Harris Community Center offers room rentals for residents and non-residents. Although preference is given to ongoing and city sponsored programs, reservations can be made for any day of the week. Weekend rentals require a three hour minimum and weekdays require a two hour minimum. Any time in the building, including set up and clean up, is chargeable to the renter. Room rental includes; the use of our tables and chairs, kitchen and facility attendant. Onetta Harris Community Center is located next to Kelly Park and Belle Haven Pool. The facility offers 4 rooms of various sizes, as well as a gymnasium for rent to accommodate a variety of activities. All rentals must end by 10 p.m.

Reservation process

1. Facility application: Applications are accepted in person only on a first come, first serve basis and can be submitted up to one year in advance. To secure a reservation, payment must include the security deposit and a minimum of two-three hours rent. The remaining balance is due two weeks before the date of your reservation. Reservations are not accepted with less than two weeks' notice. Verification of residency must be provided at the time of reservation and the applicant must be at least 18 years of age. We reserve the right to refuse rental or use to groups or individuals who have previously used the facility and left it in poor condition. In the event that the reserved room(s) is needed for City use or maintenance, the City of Menlo Park reserves the right to reschedule, relocate, or deny a request previously approved. In this event, the group or individual will be given as much advance notice as possible.

2. Liability insurance: A Certificate of Liability Insurance is required for all facility rentals. The renter must bring proof of insurance from their insurance company for 1 million dollars, naming the City of Menlo Park as additionally insured. The certificate must be submitted at least two weeks before the rental date. No reservation will be confirmed without proof of insurance. A Certificate of Liability Insurance can be issued by the renter's homeowner's or other insurance carrier. In order for the certificate to be valid, it must contain the following:
   - The renter's name must be listed as the one "insured."
   - The policy must not expire before the event date.
   - The policy must be for $1,000,000.
   - The "description" should list the rental location, day and event planned.
   - The City of Menlo Park at 701 Laurel Street, Menlo Park, CA 94025 must be listed as "additional insured."

3. Confirmation: No reservation is confirmed until the completed reservation form has been approved, all fees and security deposit have been paid, and the insurance certificate is submitted. Approval is dependent upon intended use, availability, and applicants' agreement to abide by the terms and conditions listed herein.

4. Cancellations: A $25.00 service & handling fee will be assessed for cancellations made within 30 days from the date of reservation. Any reservation that is held for more than 30 days and then canceled, will forfeit the full amount of the deposit. Any cancellation within two weeks of the rental date with result in forfeiture of the deposit and three hours rent.

5. Refunds: Refunds on security deposits are based on compliance with the rental contract, as well as the security and clean-up requirements. To receive a full refund on the security deposit, the building must be cleaned and cleared of all guests, rental party, and caterers at the agreed upon time. Caterers, musicians, etc., may continue cleaning up during the last hour of the rental time. The renter is responsible for caterers, musicians, photographers and guests tardiness and may have all or part of their security deposit withheld if they go over the agreed upon rental time. The renter will be billed for any damages or extra staff time not covered by the deposit. Deposits are generally refunded within 2-3 weeks.

Rules and regulations

A. Renter conduct: The renter is solely responsible for any and all accidents or injuries to persons or property resulting from the use of the facility. The renter is responsible for the control and supervision of all people in attendance. The renter shall take care that no damage is done to the facility and that all of the attendees conduct themselves in an orderly manner in and around the facility including the surrounding park areas and parking lot. If damages or behavior of the group are deemed inappropriate or unsafe for any reason, the function may be stopped in progress and denied further use of the facilities. In addition, if it becomes necessary during the course of the function to summon the police for any reason, all or part of the security deposit will be forfeited. Groups composed of minors (under the age of 18) must be supervised by 1 adult for every 20 minors. Minors must be under adult supervision at all times.

B. Alcohol: Only beer, wine and champagne can be served. No liquor will be allowed at any time. If alcohol is present at your event, you are required to hire one licensed security guard if your attendance is less than 100. If your estimated attendance is more than 100, you must hire two security guards. (Falsification of estimates could result in the loss of your deposit.) Proof of a contracted licensed security guard(s) is required two weeks before the rental. Any event serving alcohol will require a security deposit of $500, increased from the standard $250 deposit, and must have the approval of the Community Services Director before the event. Underage drinking at any event is strictly prohibited.

C. Smoking: Smoking is not allowed on any premises, including patios and entry areas.

D. Decorations: The renter is responsible for taking down all decorations, removing trash to the proper area and removing tablecloths, utensils, and bottles from the rented room. Decorations are limited to tables, windows and glass areas only. No tape, nails, tacks, paper, or any kind of decorations are allowed on walls, ceiling or wood. Any open flame is strictly prohibited. Decorations can be put up only on the day of the rental, not the night before. If extra time is required, the rental will be charged for extra staff hours and room rental. Absolutely no confetti is allowed indoors or outdoors.

E. Floor: If necessary and depending on the type of rental, the renter is responsible for sweeping, vacuuming and/or mopping the room's floor to ensure it is left in the same condition as before rental began.

F. Kitchen and restrooms: The supplies and equipment in the kitchen are not for general use. The kitchen area must be left in the condition it was found. The stove may only be used for re-heating purposes and may not be used for cooking. Sinks, stoves, and counters should be wiped down, garbage, trash, food and utensils removed. Restrooms are to be left in a clean and orderly fashion.

G. Damages: Any damage incurred to the walls, windows, tables, chairs, or any of the property will be deducted from the cleaning deposit and is the responsibility of the renter. This includes litter in the parking lot, patio area, and lobby or any excessive cleaning done by our staff. Renter will be billed for damages, cleaning expenses, and staff overtime in excess of the deposit or for total damages.

H. Storage: Storage is not available either before or after the event. This includes food, beverages, floral arrangements, equipment, etc.

I. Opening/closing checklist: If the renter finds anything to their dissatisfaction upon entering the building, staff should be notified **immediately** so that prompt action can be taken to correct the situation. Failure to do so may result in all or partial withholding of the security deposit. In addition, the renter must check with staff before leaving and after cleaning up to ensure everything on the checklist has been completed.

J. Hours of reservation: In the event that the renter has not exited the building within the time parameters noted on the contract, a penalty will be assessed. It is not an option for the renter to add additional time to their reservation on the day of the event itself. Any and all time changes must be made at least one week in advance. There are no partial refunds/prorated fees if an event ends earlier than the scheduled time.

K. Facility Attendant: A facility attendant will be on duty for the duration of your event. They will unlock and lock the building, inform the renter the of equipment location, answer any questions, and enforce the rules of the facility. The attendant is there to assist the renter; however the renter is responsible for their own set-up and clean-up. Please report any facility issues to the attendant immediately.

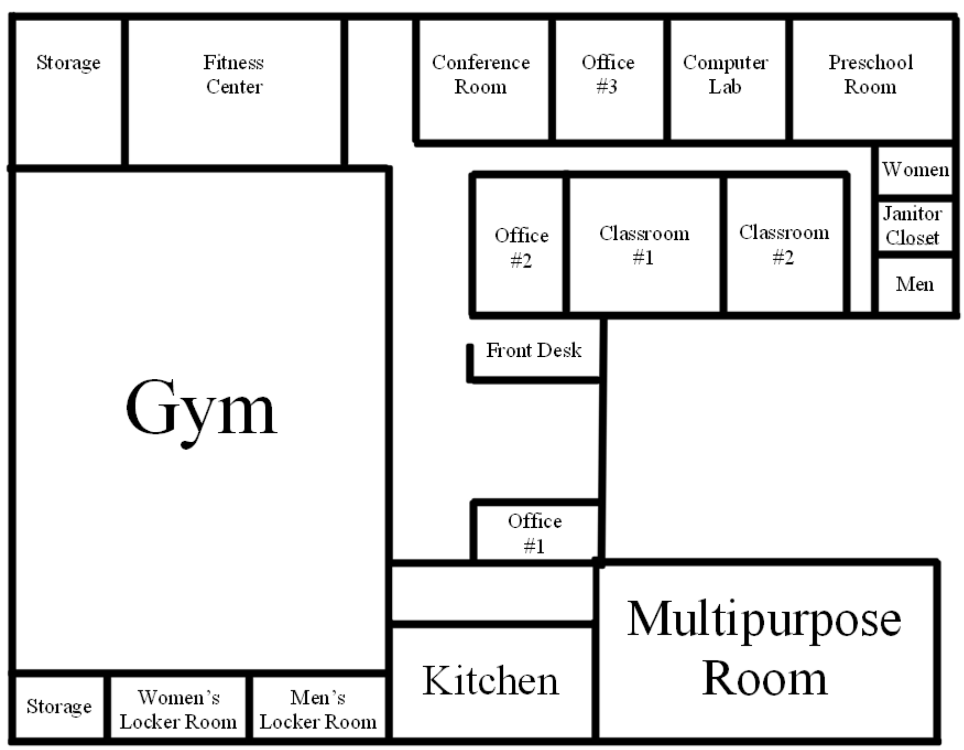
L. Solicitations & Sales: Facility users may not charge a registration fee, admission fee, or entrance fee of any sort. No solicitations or sales presentations may be made on City property. Failure to adhere to this policy will seriously jeopardize the status of any future rental and may result in your event being shut down. Permission to hold a fundraiser must be approved by the Community Services Director.

Facility fee schedule and information

Room	Dimensions	Capacity	Resident per hour	Non-resident per hour
Multipurpose	56x37	120	$81	$110
Gymnasium	102x66	460	$65	$88
Conference room	21x13	25	$32	$43
Classroom 1	39x15	30	$66	$89
Security deposit	$250 / $500			

- There is a 50% discount for nonprofit organizations for organizational meetings and events on the hourly rental rate however nonprofit paperwork must be presented declaring nonprofit status in the form of a 501c3 form.
- Weekend rentals require a three hour minimum and weekdays require a two hour minimum.
- Weekday rentals that are business meetings do not required a security deposit or insurance.
- If the time between the rental request and the actual event is less than two weeks, payments must be made by credit card, cashier's check, money order or cash. Deposits made with a personal check will be reimbursed 3-4 weeks after the event date.

Facility map



FACILITY RENTAL CONTRACT

Community Services
100 Terminal Ave., Menlo Park, CA 94025
tel 650-330-2250

CITY OF MENLO PARK

Facility
The City of Menlo Park and Samaritan House hereby enter into this one year pilot program commencing on May 20, 2019 and ending on June 30, 2020. During this pilot, Samaritan House may use the Onetta Harris Community Center and the Neighborhood Services Center for a total of up to 8 hours per week for the purposes of office hours to provide emergency housing services to Menlo Park residents. A facility use schedule shall be approved by the Community Services Director on a quarterly basis to ensure such use does not conflict with other scheduled events. The parties currently anticipate that Samaritan House will use the Onetta Harris Community Center for 4 hours in the afternoon during week days and will experiment with usage of the Neighborhood Services Center as an alternate location for its office hours.

Renter's contact information			
Name:	Organization:		
Address:	City:	State:	Zip:
Primary phone:	Secondary phone:		
Email:			

Event information		
Event description:	Estimated attendance:	
		# of security guards:
Outdoor furniture use: ☐ Yes ☐ No	Tables:	Chairs:

Room rental information					
Room name	Date	Start time	End time	Total hours	Cost per hour (waived)

Total rental fees
During this pilot program, all rental fees will be waived for the use of the facilities as described above. If Samaritan House desires to use the facilities for other purposes (such as fundraising or other special events requiring enhanced city services), a separate facilities rental agreement shall be required.

Additional Terms
I hereby certify and agree that Samaritan House shall be responsible for any damages sustained by the facility, furniture, or equipment, as a result of the occupancy of said facility by Samaritan House. Samaritan House hereby waives, releases, discharges and agrees to indemnify, defend and hold harmless the City, its officers, employees, and agents from and against any and all claims by any person or entity, demands, causes of action or judgements for personal injury, death, damage or loss of property, or any other damage and/or liability occasioned by, arising out of, or resulting from this reservation or use of the facilities. Samaritan House hereby declare that it has read and understands and agrees to abide by and to enforce the rules, regulations, and policies affecting the use of the facilities.

Signature of applicant | Date

Signature of supervisor | Date

OFFICE USE ONLY:

Deposit: ☐ Cash ☐ Check ☐ Card **R#:** ________ **Date:** ________ **Processed by:** ________

Partial Payment: ☐ Cash ☐ Check ☐ Card **R#:** ________ **Date:** ________ **Processed by:** ________

Final Payment: ☐ Cash ☐ Check ☐ Card **R#:** ________ **Date:** ________ **Processed by:** ________

☐ **Insurance** ☐ **Proof of Security** ☐ **Proof of 501c3** ☐ **Application Complete**

FACILITY RENTAL CHECKLIST

Community Services
100 Terminal Ave., Menlo Park, CA 94025
tel 650-330-2250

CITY OF MENLO PARK

Facility (please circle): Arrillaga Rec Center Onetta Harris Senior Center		
Organizer/Renter:		
Phone:	• Event date:	
Employee working rental:	• Event start time:	• Event end time:

Opening Checklist

- ☐ Staff was on time
- ☐ Call Supervisor on duty to confirm arrival
- ☐ Conduct facilities walkthrough for inspection of overall facility condition
- ☐ Room was clean and ready for rental
- ☐ Restrooms and kitchen were clean and in an orderly fashion
- ☐ Any concerns of existing damages were reported to the staff person
- ☐ Other____

During Event Checklist

- ☐ Staff is present throughout duration of entire event
- ☐ Staff is available for assistance and to answer any questions
- ☐ Beer, Wine, or Champagne is served only, and only for reservations approved for alcohol. Security Guard is present and no liquor is being served.
- ☐ The renter took care to see that no damage is done to the facility and that all the attendants conducted themselves in an orderly manner
- ☐ Police are not summoned for any reason as a result of the guests
- ☐ Only the rented room is being used and the remainder of the building is locked and not accessible to guests.
- ☐ Other____

Closing Checklist

Check all that apply; if box is not checked, list reason under comments.

- ☐ Entire rental group was out at scheduled time
- ☐ Sinks, stoves, and counters are wiped down.
- ☐ Garbage & recyclables are removed from building and placed in the proper containers outside.
- ☐ Food & all outside rental equipment are removed from the building.
- ☐ All decorations were removed
- ☐ Restrooms were left clean and in an orderly fashion
- ☐ Floor has been swept if necessary
- ☐ No breakage, graffiti, or damage to premise, furniture, or equipment
- ☐ No excessive cleaning was required by city staff
- ☐ Both staff and renter sign off on checklist and place it in the Supervisors box
- ☐ Once all guests have left the building, conduct a final walkthrough to secure building and set alarm
- ☐ Call supervisor on duty to confirm departure
- ☐ Comments:

_____________________________________ _____________________________________

Employee Signature Date

Renter Signature Date

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