



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 01/19/2021

ITEM NO: 8

DATE: January 12, 2021

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Discuss and Approve the Following Actions to Continue the Town's Support of Economic Recovery and Community Vitality in Response to the Ongoing COVID-19 Pandemic, Including:

- a. Approve Continued Rent Forgiveness for Town-Owned Properties;
- b. Approve Business License Forgiveness for Specific Commercial Sectors Unable to Operate Due to the Santa Clara County Public Health Order for the First Quarter of 2021 and the Second Quarter if the Orders Continue to Prohibit Those Sectors from Operating, and Suspend Late Fees on All Business Licenses through 2021;
- c. Approve a Parklet Incentive Program for Semi-Permanent Parklets, Including:
 - 1. Approve a Maximum Grant of \$10,000 Per Business Who Would Like to Build a Semi-Permanent Parklet,
 - 2. Direct Staff to Work with Industry Professionals to Procure a Parklet Design or Set of Design Guidelines,
 - 3. Approve the Payment of the Town Pamphlet Application Fee from the Town's Economic Recovery Fund for Any Semi-Permanent Parklet Application Received by June 30, 2021, with Construction Completed by March 31, 2022,
 - 4. Approve a Sunset Date of September 19, 2021 for the Temporary Krail Parklets to Further Incentivize the Construction of Semi-Permanent Parklets, and
 - 5. Continue the Grey's Lane Street Closure to Facilitate Placemaking and the Installation of Semi-Permanent Parklets in This Area; and
- d. Approve Additional Process Streamlining and Community Vitality Opportunities, Including:
 - 1. \$2,500 for Public Health Order Signage from the Town's Economic Recovery Fund,

PREPARED BY: Monica Renn
Economic Vitality Manager

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, Police Chief, Finance Director, Community Development Director, and Parks and Public Works Director.

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2. \$35,000 for Lighting Upgrades from the Town's Economic Recovery Fund,
3. Continuing the Council's Previous Direction to Absorb 50% of Conditional Use Permit Fees through December 31, 2021,
4. Providing New Direction that Removes the Limit of Ten Personal Service Businesses that May Open in the C-2 Zone Without a Conditional Use Permit Utilizing the Economic Recovery Agreement,
5. Adopting a Revised Economic Recovery Resolution to Allow up to Five New Non-Restaurant Conditional Use Permits to be Approved at Development Review Committee,
6. Convening a Joint Town Council/Planning Commission Study Session to Discuss Retail Trends with Local Experts, and
7. Providing Direction on Other Ideas.

RECOMMENDATION:

Discuss and approve the following actions to continue the Town's support of economic recovery and community vitality in response to the ongoing COVID-19 pandemic, including:

- a. Approve continued rent forgiveness for Town-owned properties;
- b. Approve business license forgiveness for specific commercial sectors unable to operate due to the Santa Clara County Public Health Order for the first quarter of 2021 and the second quarter if the Orders continue to prohibit these sectors from operating, and suspend late fees on all business licenses through 2021;
- c. Approve a Parklet Incentive Program for semi-permanent parklets, including:
 1. Approve a maximum grant of \$10,000 per business who would like to build a semi-permanent parklet,
 2. Direct staff to work with industry professionals to procure a parklet design or set of design guidelines,
 3. Approve the payment of the Town Parklet Application fee from the Town's Economic Recovery Fund for any semi-permanent parklet application received by June 30, 2021, with construction completed by March 31, 2022.
 4. Approve a sunset date of September 19, 2021 for the temporary krail parklets to further incentivize the construction of semi-permanent parklets, and
 5. Continue the Grey's Lane street closure to facilitate placemaking and the installation of semi-permanent parklets in this area; and

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RECOMMENDATION (continued):

- d. Approve additional process streamlining and Community Vitality opportunities, including:
 1. \$2,500 for Public Health Order signage from the Town's Economic Recovery Fund,
 2. \$35,000 for lighting upgrades from the Town's Economic Recovery Fund,
 3. Continuing the Council's previous direction to absorb 50% of Conditional Use Permit fees through December 31, 2021,
 4. Providing new direction that removes the limit of ten personal service businesses that may open in the C-2 zone without a Conditional Use Permit utilizing the Economic Recovery Agreement,
 5. Adopting a revised Economic Recovery Resolution to allow up to five new non-restaurant Conditional Use Permits to be approved at Development Review Committee,
 6. Convening a joint Town Council/Planning Commission study session to discuss retail trends with local experts, and
 7. Providing direction on other ideas.

BACKGROUND:

The COVID-19 pandemic has created a truly unprecedented set of circumstances for the Los Gatos community and beyond. Since March 2020, the Town Council has been working to remain supportive and adaptive to the community's stakeholders, delicately balancing competing interests and continuing to consider how to provide available assistance. Without a doubt, the health and safety of the community remain a top priority.

Some of the steps taken to support stakeholders include rent forgiveness for Town-owned properties, expanded support through community grants, and community and economic vitality support including:

- April 7, 2020 - Amended existing human services grant agreements with West Valley Community Services, Counseling and Support Services for Youth, Next Door Solutions, and Live Oak Senior Nutrition to donate an additional \$10,000 to each organization, for a total of \$40,000, to assist Town residents with needed services due to COVID-19 and related Public Health Orders.
- April 21, 2020 - Approved the waiver of rent and utilities for the Town of Los Gatos lessees New Museum of Los Gatos (NUMU), Friends of the Library, Billy Jones Railroad, Soccer and Little Leagues, and Los Gatos-Saratoga Community Education and Recreation (LGS Rec) for the duration of the Santa Clara County shelter-in-place order due to significant business disruption.

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BACKGROUND (continued):

- June 2020 – Funded \$2,800 toward protein purchases for House of Hope food pantry.
- May – November -Funded \$6,475 toward deep COVID cleaning for the LG Methodist Church Shower Ministry to maintain weekly showers for the Homeless.

Specifically related to economic vitality, the Town has been working to streamline and update business processes to provide modernized provisions with greater flexibility and opportunity for businesses to locate and thrive in Los Gatos for several years. This has been an ongoing effort with various streamlining and process modifications taking place pre-COVID. Attachment 1 provides an overview and timeline of these efforts from 2015 through 2019.

When the COVID-19 pandemic took effect in March of 2020 and the business community was required to drastically modify or close their operations, economic vitality efforts remained strong to support the Los Gatos businesses community including:

- June 2, 2020 - Adopted an Economic Recovery Resolution (Attachment 2) to create further streamlining and flexibility for businesses to adapt to the dynamic economic environment which included the implementation of parklets to accommodate outdoor retail and dining, and curbside parking spaces for quick turn and pick up customer parking. Since June, the Town has provided several krail installations and moves to support the changing needs of the businesses. Additionally, businesses with private outdoor property (e.g., parking lots) have been able to implement parklets and outdoor service areas of their own.
- June 10, 2020 - Moved to a subsidy-based model for the Chamber of Commerce's contract for services related to the Visitor Information and Experience Los Gatos services to allow for more support as their service model and deliverables adapted to the pandemic.
- October 6, 2020 - Approved the continuation of the Economic Recovery parklet program (temporary with krail) through March of 2021, adopted a grant match program for businesses who make ADA accommodations to these temporary parklets, extended the duration of the pilot parklet program (adopted in February of 2019) to a semi-permanent timeframe with no set end date, and directed staff to return to Council in January 2021 with a semi-permanent parklet incentive program.

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BACKGROUND (continued):

- September 15, 2020 - Granted the Chamber of Commerce up to \$150,000 to partner on a holiday lights campaign that installed light features throughout the Town.

Over the duration of the pandemic, the Town Council has authorized the use of the streetscape funds previously allocated for a potential downtown project to fund the parklet krail rental, installation, maintenance, and holiday light campaign. Approximately \$1.5 million remains available. For the Council's reference, krail rental remains an ongoing cost at the rate of \$10,000 per month. If the Council so chooses, these funds could also be used to support the initiatives outlined in this report or other recovery efforts.

DISCUSSION:

Continued Rent Forgiveness for Town-Owned Properties

Given the continued significant disruption to the business models of the Town's lessees, staff recommends the continuation of rent forgiveness for the entire fiscal year 2020/21. Tenants understand that as updated guidelines make their businesses operable again rent will resume on a prorated basis proportionate to building utilization and programming. Each quarter of rent and utility forgiveness equates to an estimated donation of \$85,000. If approved, the Mid-Year Budget report will include a budget adjustment to backfill this revenue from the Economic Recovery Project Fund. Total rent forgiveness since March 2019 shelter in place order until this fiscal year end estimated to be approximately \$433,000.

Options for Business License Forgiveness for Specific Commercial Sectors Unable to Operate Due to the Santa Clara County Public Health Order, and the Suspension of Late Fees on All Business Licenses through 2021.

The Town requires all businesses located within Los Gatos and/or those that operate within Los Gatos to obtain a business license. The amount of business license tax paid by each business is based on its business activity. Fees for activities such as wholesale sales and manufacturing are charged on a sliding scale based on gross receipts, as is retail, with retail being capped at \$975. These gross receipt activities account for approximately 25% of annual business licenses, while the remaining 75% are flat fee businesses. Annual renewal payments are due on January 2 of each year. Payments for new flat-fee-based businesses are pro-rated by quarter.

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DISCUSSION (continued):

Many business sectors continue to thrive during the pandemic and collecting business license fees remains appropriate, while others have been completely shut down by the provisions set forth in the State and County Public Health Orders. In such cases, the businesses are technically not operating. It is important to note that the business license taxes were approved by ballot measure and most changes would likely need to be approved by a ballot measure, so the options to modify what is paid are limited for Council action.

All of this considered, the Council may wish to offer business license forgiveness on a quarterly basis for specific business sectors that are completely unable to operate during the current shutdown. Staff is recommending that the Council consider a first quarter 2021 forgiveness of business license fees for sectors required to be closed at this time, given that they are legally unable to provide their services in their Los Gatos location. Such sectors include professional business licenses for hair stylist, nail technicians, and other similar personal service industries. Should the shutdown remain in effect through the second quarter of 2021, staff recommends that the Council allow the forgiveness to continue for this quarter as well.

Business License taxes, budgeted to generate \$1.2 million in FY 2020/21, is a general tax that provides services an infrastructure Town-wide for businesses and residents. Staff estimates a reduced revenue of \$20,000 per quarter if personal service businesses unable to operate are granted forgiveness.

In addition, staff is recommending that all late fees for business licenses be suspended for 2021. The combined effect of decreased gross receipts, business closures, quarterly business license exemption, and late fee suspension will be reflected in the amount of the business license tax collected at the end of current fiscal year.

A Parklet Incentive Program for semi-permanent parklets

It has become apparent that outdoor dining and business services are going to be a crucial component to economic recovery and business success for the foreseeable future. It also seems that many customers will be more comfortable in an outdoor environment for some time, even after the pandemic comes to an end. Thus, providing businesses with the ability to utilize outdoor space is an opportunity for the Town to support the businesses further through economic recovery and provide the community with comfortable options to patronize Los Gatos businesses.

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DISCUSSION (continued):

On October 6, 2020, the Council received an update on the parklets in downtown. For this conversation, there are two types of parklets: (1) krail parklets and (2) semi-permanent parklets. The krail parklets are those implemented on a temporary basis as a part of the Town's Economic Recovery efforts from COVID-19 using krail, at no cost to the business. The semi-permanent parklets are those that started as a part of the parklet pilot program, adopted in February 2019 as a three-year pilot for downtown. At its October 6 meeting, the Council voted to extend the timeline of the semi-permanent parklets to a date uncertain, stopping just short of calling them permanent.

With each semi-permanent parklet, the Town and sponsoring business and/or property owner enter into a private-public partnership agreement. The agreement allows the business to construct the parklets at their expense, use the public land and parklet space for their private business, maintain the space at all times, and have it available to the public during any hours when the business is not open, while the Town provides its public property for the parklet at no expense.

The Council also voted unanimously to extend the krail parklets until at least March of 2021 and directed staff to return to the Council in January with a recommendation for a semi-permanent parklet program.

The semi-permanent process requires the business to submit a parklet application (Attachment 3) and work with industry professionals to draw, engineer, and build the parklet after gaining approval from the Town. Depending on scope and size, staff understands these parklets to cost between \$40,000 and \$90,000. Approximately \$10,000 - \$15,000 of this cost goes toward Town's application fee and the cost to have the space designed.

Staff is recommending that the Town Council (1) approve an incentive program offering grants to businesses who would like to build a semi-permanent parklet; (2) direct staff to work with industry professionals to procure a design, or set of design guidelines that make it easier on businesses to implement a parklet by reducing the design costs to each business/property owner for each location; (3) Approve the payment of the Town Parklet Application fee for any semi-permanent parklet applications received by June 30, 2021 from the Economic Recovery Fund; (4) approve a sunset date for the temporary krail parklets to further incentivize the construction of semi-permanent parklets; and (5) approve the continued closure of Grey's Lane to facilitate placemaking and the installation of semi-permanent parklets in this area.

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DISCUSSION (continued):

First, for the grant, staff is recommending an amount of \$10,000 to each business who builds a semi-permanent parklet to be issued following the approval of the parklet application. In the case where two or more businesses are located in close proximity to one another and would like to combine resources to build one larger parklet that is divided, staff would like to still award each business the \$10,000 to encourage the build-out of larger parklets that include multi businesses rather than trying to squeeze in individual parklets or set up a scenario where businesses are competing for spaces. In such a case, businesses would need to come together to file one parklet application that provides space for each contributing business to operate.

Second, staff is recommending that the Council provide direction for them to explore the option of buying a set of standards, guidelines, or plans from an architect or engineer that could be provided to applicants at no charge. This would reduce the soft costs for each business, and the investment made by the Town would be one that could benefit multiple businesses, ultimately making the incentive program more valuable for businesses. Additionally, using such a set of guidelines could reduce the amount of staff time and review necessary to approve the parklets. The Town could potentially buy the rights to at least one design if continuity is important, or multiple designs if the Council prefers to offer options to the businesses. If the designs can be procured under the Manager's authority of \$50,000, then the Council would not need to take subsequent action. Alternatively, the Council could direct that the design options return to Council as well as the consideration of the contract with the vendor.

Third, to further incentivize semi-permanent parklets, staff recommends that the Town pay for the Town Parklet Application fee for any semi-permanent parklet applications received and approved by June 30, 2021. Funds to support this recommendation would come from the Economic Recovery Fund.

Fourth, to make this incentive process most successful and allow for funds to be redirected from the kral rental to the semi-permanent parklets, staff is recommending a sunset date for the temporary kral parklets of Sunday, September 19, 2021. This would allow the temporary parklets to remain in place through the summer to support recovery.

Finally, as the Council considers the semi-permanent parklet program as a whole, staff is recommending that the temporary Grey's Lane closure continue to facilitate placemaking and encourage the adjacent businesses to install semi-permanent parklet(s). Any semi-permanent parklets would reduce the public space area to, at a minimum, a walkway being preserved through the center of the Lane as a pedestrian connection between the parking lots and N. Santa Cruz Avenue.

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DISCUSSION (continued):

What would these actions mean for a long-term streetscape project in downtown?

As the Council considers a parklet incentive program and the addition of semi-permanent parklets as a part of the current and immediate term downtown streetscape, it may wish to think about a future, long-term streetscape upgrade project. While such a project would likely be at least ten years out due to the need to accumulate approximately \$10M to have the resources for a comprehensive streetscape project, the Council may wish to identify a specific amount to seed such an effort from the Economic Recovery project fund. As a reminder, in 2020, the Town Council repurposed the Downtown Streetscape Capital Project to fund COVID Economic Recovery. Alternatively, the Council may wish to consider the identification of other revenue sources in future budget cycles to save for a downtown streetscape redesign.

What about businesses with private property/parking lots, or those outside of downtown?

The Economic Recovery Resolution allows for outdoor business use of private parking lots. This is especially useful for businesses outside of the downtown, including shopping centers. If Council would like to provide additional opportunities, staff appreciates Council input and direction on the following ideas:

- For businesses outside of downtown with available on-street parking, similar to areas in the C-1 zone, just North of Los Gatos-Saratoga Road on N. Santa Cruz Avenue, a similar semi-permanent parklet incentive program could be extended to these businesses and staff could work with them individually to decide if the parking space placement could support an on-street parklet.
- For businesses with private commercial parking lots, the Town Council could consider allowing the parklets or similar outdoor service areas that are allowed as a part of the Economic Recovery Resolution to become semi-permanent rather than sunsetting with the Economic Recovery Resolution.
- As an alternative to one or both of the options above, the Council could allow the temporary parklets and patio areas in private parking lots and commercial centers to continue as long as the Economic Recovery Resolution is in place, as previously directed by the Council, or consider a sunset date at a later point in time.

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DISCUSSION (continued):

Additional Process Streamlining and Community Vitality Opportunities

The Town was an early adopter of an Economic Recovery Resolution, creating opportunities for existing businesses to adapt their business models frequently and attracting new businesses to fill vacancies. As the time of the pandemic lengthens, there may be a need to increase flexibility on a temporary basis to continue to promote retention and attraction. Staff recommends considering the following:

- Given that full economic recovery is deeply dependent on adherence of Public Health safety guidelines (e.g., mask wearing), staff is requesting funding of \$2,500 for increased public safety signage throughout Town.
- After experiencing the attraction of tree lights and holiday lights, staff is requesting that \$35,000 be allotted to additional holiday lights on street poles, and the electrical upgrades that would be required to support them.
- At the Town Council's special meeting on May 26, 2020 discussing Economic Recovery, Council moved to absorb 50% of all commercial Conditional Use Permit (CUP) fees for a period of one year. This incentive has been especially attractive for new and existing businesses. Staff recommends that the Council consider extending this incentive through the end of the calendar year, December 31, 2021.
- During the Council's discussion on May 26, 2020, staff recommended removing the need for personal service businesses to require a CUP during the period of Economic Recovery starting with a limit of ten Personal Service businesses that may open in downtown (the C2 zone) without a CUP to understand the impact this change may have. The Council agreed to a limit of ten in the discussion, however it was not adopted in the resolution or captured in the motion. While the limit of ten has not been reached yet, we are close, at about eight businesses with little to no impact on the retail vacancies. Before allowing additional personal service businesses beyond ten, staff felt it was appropriate to raise the question with the Council. It is important to note that the Economic Recovery Agreements are not transferable and do not run with the land as a CUP does. Thus, they are meant to assist a specific business operator with recovery during this time and this provision would sunset with the Economic Recovery Resolution.

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DISCUSSION (continued):

- Currently only restaurants and group classes are heard by the Development Review Committee (DRC) while bars, markets, and other commercial CUP uses are assigned to the Planning Commission and Town Council, creating a time and cost hurdle that is less than attractive at this time. Staff recommends expanding the business use types that the DRC may hear to include markets, bars, and/or other miscellaneous type CUPs on a temporary basis as a part of the revised Economic Recovery Resolution (Attachment 4). There has been an increase in interest for businesses to open to-go style markets with the option to sell beer, wine, and other craft cocktails as a part of the to-go meals. Because they are not defined as a restaurant use by the Town Code, such a use would require Town Council approval, increasing the time and cost significantly. To take a cautious approach, the proposed revision to the Economic Recovery Resolution limits up to five new non-restaurant CUPs to be approved at DRC before further review by the Town Council.
- Staff recommends that the Council consider a joint study session with the Planning Commission at which retail industry professionals would be invited to explain what it takes to attract and lease spaces in the changing economic environment. This could provide the opportunity for those doing the work in Los Gatos to share real time examples of trends, thus giving the Council insight for future streamlining decisions.

CONCLUSION:

Staff is recommending that the Council consider to public testimony, discuss the ideas contained in this report and those provided by the public, and take action on items to continue support of economic recovery and community vitality in response to the ongoing COVID-19 pandemic.

Discuss and approve the following actions to continue the Town's support of economic recovery and community vitality in response to the ongoing COVID-19 pandemic as noted in the Recommendation section of this report.

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PUBLIC OUTREACH:

Though email, What's New, and other social media outlets, staff provided outreach and welcomed input from the community regarding this agenda item. It is anticipated that there will be some written and verbal comment ideas that come forward not contained within this report. Those received before 11:00 a.m. on Thursday, January 14 have been included with this report as Attachment 5. Staff is available at the direction of the Council to explore the feasibility of any additional ideas. See public comments in Attachment 5.

COORDINATION:

This report was drafted in collaboration with the Town Manager and Town Attorney's Offices, and the Finance, Police, Community Development, and Parks and Public Works Departments.

FISCAL IMPACT:

If Council were to approve all of the proposed recommendations contained in this report, the costs will be dependent upon the number of parklet grants provided, and should be funded from remaining \$1.5 million in the former streetscape bucket unless otherwise specified by the Council. An estimated summary of the major costs of the recommendations in this report are:

Rent Forgiveness	\$ 433,000
Business License Recommendation (\$20k per quarter)	40,000
Semi-Permanent Parklet Grants (30 @ \$10k each)	300,000
Health Order Signs	2,500
Light Upgrades	<u>35,000</u>
TOTAL	\$ 810,500

Some of these costs may be reimbursable through future federal or state COVID-19 recovery funding.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

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Attachments:

1. Economic Vitality and Land Use Streamlining
2. Economic Recovery Resolution
3. Parklet Application
4. Proposed Revised Economic Recovery Resolution
5. Public Comment received before 11:00 a.m. on Thursday, January 14.