bae urban economics

PUBLIC REVIEW DRAFT

# Fiscal Impact Analysis of Proposed Development at 389 El Camino Real, Menlo Park, CA


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**Submitted to:**
City of Menlo Park

May 17, 2012


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# Introduction

New development brings increased demands on local government services and infrastructure but also generates new local government revenues through additional taxes and fees. Fiscal Impact Analysis describes a systematic analysis of these increased expenditures and revenues to inform the question of whether a proposed new development would pay its own way.

The City of Menlo Park (City) retained BAE Urban Economics (BAE) to conduct a Fiscal Impact Analysis Study for a 26-unit residential development proposed by The Matteson Companies. This development would involve approximately 1.23 acres of land situated at 389 El Camino Real. At the City's request, the Study additionally includes a complete fiscal impact analysis for five alternative development programs on the same site. This alternatives analysis provides a comparison of the potential fiscal impact outcomes from development programs other than what is currently proposed by the developer.

# Fiscal Impact Methodology

The major objective of any fiscal impact analysis is the determination of changes in public revenues and costs associated with development of a proposed project. This study examines the potential impact that the proposed new development would have on revenues and expenditures accruing to the City of Menlo Park and the following affected special districts:

- Menlo Park Fire District;
- Bear Gulch Water District;
- West Bay Sanitary District;
- Elementary & high school districts;
- County Office of Education Special District;
- San Mateo County Community College District;
- Midpeninsula Regional Open Space District; and
- Sequoia Hospital District

This analysis focuses on impacts to the City General Fund and special district operating funds, which represent the portion of municipal and district budgets that finance the ongoing provision of basic services. To pay for these services, the General Fund and operating funds are dependent on discretionary revenue sources, such as property taxes, sales taxes, transient occupancy taxes, and various local taxes, as well as revenues allocated by the State of California and the federal government. Within this report, the annual ongoing fiscal impact of the proposed new development is described in 2011[1] dollars, focused on a future point in time when the Project would be fully built out and would have achieved stabilized operations.

## Service Population

The cost of providing government services is often linked to the number of persons served. In general, as the "service population" increases there is a need to hire additional police officers, fire fighters, and other government employees, as well as an increase in spending on material budgets.

As a commonly accepted practice in fiscal impact analysis, service population is defined as 100 percent of residents residing within a jurisdiction plus 50 percent of employees. Calculating service population in this manner is intended to reflect that local employment contributes to a jurisdiction's daytime population, thereby increasing demands for governmental services. Nonetheless, residential population is generally considered to constitute a larger share of demand for services.

While a fiscal impact methodology based on service population is an important and useful means for estimating increased expenditures, in some instances other approaches are more appropriate.

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[1] Expenditures are expressed in 2011 dollars, based on figures presented in the budget for Fiscal Year 2011-2012, which covers the period from July 2011 through June 2012.

[2] California Government Code Sections 65915 – 65918.

[3] The figures for the Project in Table 3 correspond to a 27 dwelling unit project that is being modeled for this

Where other methodologies are used for specific revenue, such as property taxes, and specific expenditure items, such as public works expenditures, these are explained in the relevant sections below. Shown in Table 1 on the following page are the service population for Menlo Park, the County, and relevant special districts.

**Table 1: Existing Service Population, 2011** (a)

| **City of Menlo Park** | **2011** |
|---|---|
| Employment | 30,321 |
| Population | 32,319 |
| **Service Population (b)** | **47,480** |
| | |
| **San Mateo County** | |
| Employment | 351,568 |
| Population | 724,702 |
| **Service Population** | **900,486** |
| | |
| **Midpeninsula Open Space District (c)** | |
| Employment | 376,582 |
| Population | 605,773 |
| **Service Population (b)** | **794,064** |
| | |
| **Sequoia Healthcare District (d)** | |
| Employment | 108,650 |
| Population | 181,321 |
| **Service Population (b)** | **235,646** |
| | |
| **Menlo Park Fire District (e)** | |
| Employment | 46,228 |
| Population | 93,131 |
| **Service Population (b)** | **116,245** |

Notes:
(a) Menlo Park, other residents per CA Dept. of Finance, 2011. Employment for all jurisdictions is per U.S. Census, American Community Survey, 2008-2010 (2011 considered within margin of error for 2010).
(b) Service Population is defined as all residents plus one half of employment.
(c) Midpeninsula Open Space District includes Atherton, Cupertino, East Palo Alto, Half Moon Bay, Los Altos Hills, Los Gatos, Menlo Park, Monte Sereno, Mountain View, Palo Alto, Portola Valley, Redwood City, San Carlos, Saratoga, Sunnyvale, and Woodside.
(d) Sequoia Healthcare District includes Redwood City, San Carlos, Belmont, Menlo Park, Woodside, Atherton, and Portola Valley
(e) Menlo Park Fire District includes Menlo Park, Atherton, East Palo Alto, and unincorporated areas of San Mateo County

Sources: U.S. Census ACS 2008-2010; Menlo Park Fire Protection District, 2011; Menlo Park Water District 2011; CA State Dept. of Finance, 2011; BAE, 2011.

## Revenue Items

This analysis uses a number of different techniques to estimate increased revenues. As appropriate, estimates for many revenue items rely on per capita, per employee, or per service population calculations, depending on which groups are associated with particular revenue sources. Other estimation methodologies are more specialized, such as those for property tax revenues. Detailed information regarding revenue estimation methodologies is provided in each of the relevant sections below.

## Expenditure Items

Expenditure items are based on one of two estimation methods. Where possible, specific actual or "marginal costs" were identified. Marginal costs represent direct estimates of the costs associated with the addition of staff, equipment, and/or supplies needed to provide services to new development. BAE contacted representatives of the affected City departments, including the Finance, Community Development, Community Services, Library, and Police departments, as well as representatives of the Fire District and School Districts. Discussions with department and district staff addressed issues related to the adequacy of existing staffing levels and equipment to service new development and specific needs for increased personnel, equipment, supplies, and facilities.

In cases where it was impractical to identify specific marginal costs, an "average cost" method was used to calculate increased public service costs. This method was used to estimate costs associated with the Community College, Open Space, and Hospital districts because of the small size of the proposed development. Estimation with average costs involves the calculation of cost multipliers, such as the cost to provide police services in Menlo Park on a per officer basis. This multiplier is calculated by dividing the entire police department budget by the current number of officers in the department. The cost multiplier is then applied to an estimate of the number of new service units needed to serve new development (e.g., the number of new police officers required). To determine the number of new service units needed, BAE calculated the current ratio on a per employee or per service population basis, as appropriate, with adjustments made based on input from department/district staff. Detailed information regarding expenditure estimation methodologies is provided in each of the relevant sections below.

## Report Organization

This report is organized into the following sections:

- ***Development Program Overview.*** This section provides an overview of the proposed project as well as five alternative development programs identified by the City for the site.
- ***City of Menlo Park General Fund Fiscal Impact Analysis.*** This section provides a Fiscal Impact Analysis focused on the City's General Fund. Specific topics are listed below.
  - *General Fund Revenues.* This section describes methodologies for estimating revenues and provides a detailed source-by-source estimate of City General Fund revenues.
  - *General Fund Expenditures.* This section describes methodologies for estimating expenditures and provides a detailed, department-by-department estimate of City General Fund expenditures.
  - *Summary of Annual Ongoing Net Fiscal Impact.* This section provides an estimate of the annual ongoing net fiscal impact to the City General Fund resulting from the project/alternatives by comparing the findings of the two preceding sections.
- ***Special District Fiscal Impact Analysis.*** This section presents methodologies for estimating special district revenues and expenditures and presents the net annual fiscal impact to the operating budget of each of the affected special districts for the proposed project and the five alternatives.

# Development Program Overview

Matteson Development Partners, Inc. (Matteson) has proposed a 26-unit residential project on a 1.23-acre parcel that currently has four units on-site. The FIA evaluates the impacts that would be associated with a 27-unit project, in order to account for the potential impacts if the project is granted a "density bonus" that may be available to it, pursuant to State law.[2]

This Fiscal Impact Analysis considers the potential impact of the proposed project ("Project") as well as five alternative development programs ("Alternatives"). These Alternatives were derived from the environmental review process and analysis of them is meant to provide a useful comparison of different fiscal impact outcomes which could be generated from the site, depending on the type of future uses that occur there.

The Project or Alternatives involve different development programs for the site, referred to as the "Project Site". A map of this Project Site is shown on the following page and a list of proposed reconfiguration by Matteson of the parcels that constitute the Project site is provided in Table 2.

**Table 2: Overview of 389 El Camino Real**

| | Site Area | |
|---|---|---|
| **Site Address** | **Square Feet** | **Acres** |
| Lot 1 | 42,516 | 0.98 |
| Lot 2 | 11,146 | 0.26 |
| **Total** | **53,662** | **1.23** |

Sources: Matteson, 2011; BAE, 2011.

[2] California Government Code Sections 65915 – 65918.

**Figure 1: Map of the Project Site**


Source: Google Earth, 2011.

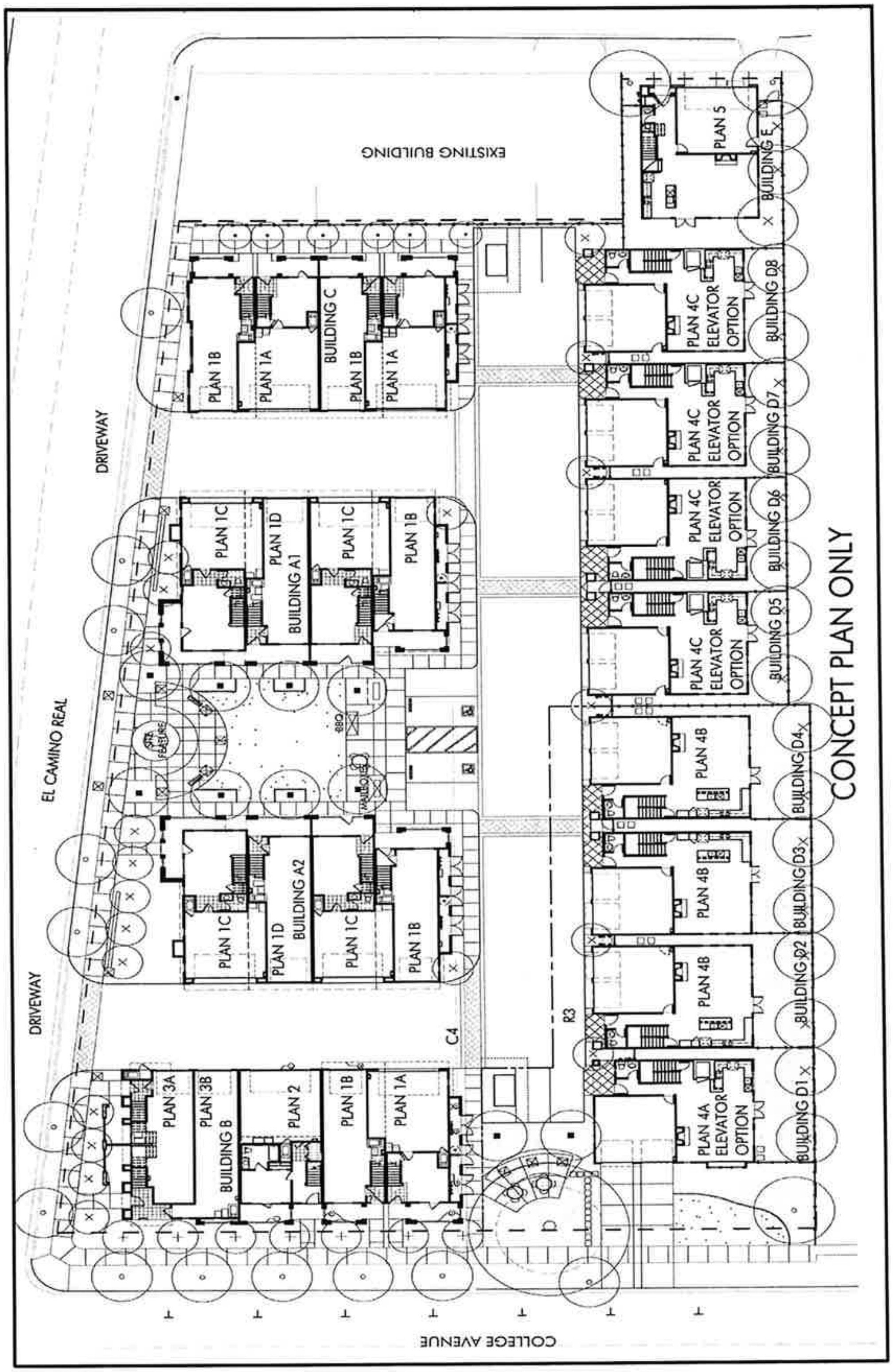
### *Project Development Program*

The Project proposed by Matteson consists of 9 single-family residential units (SFR) and 17 townhouse units (TH). The Project would result in two parcels held in common by a homeowners' association, and all units would be condominiums on these parcels. Three of the townhouse units would be affordable to low-income households. Although some of the alternatives have commercial space, the proposed Project is strictly residential. The types and number of units, and their configuration and size are shown below:

| Floorplan/Type | Quantity | Configuration | Square Footage |
|---|---|---|---|
| 1A, 1B, 1D (TH) | 10 | 3 Bedroom/3 Bath | 1,471 – 1,684 |
| 2, 1C (TH) | 5 | 3 Bedroom/3.5 Bath | 1,855 – 2,009 |
| 3A, 3B (TH) | 2 | 2 Bedroom/2.5 Bath | 1,342 – 1,381 |
| 4A, 4B, 4C, 5 (SFR) | 9 | 4 Bedroom/2.5 Bath | 1,925 – 2,059 |

For the purposes of this FIA, the Project is being analyzed as if it contained an additional townhouse unit, for a total of 27 dwelling units, in order to show the maximum impacts that could result if the Project were to utilize provisions for density bonuses pursuant to State law.

**Figure 2: Proposed Project Development Program**




Sources: Matteson Companies,, from 389 El Camino Real Inclusionary Housing Program, April 24, 2012.

### *Alternative Development Programs*

The five alternatives formulated by the City during the environmental review process consider a range of development scenarios for the Project Site:

**Alternative 1** is the "No Project Alternative" and would involve no new construction on the Project Site and assumes that the existing four residential units would remain. Analysis of this No Project Alternative provides a picture of the fiscal outcome for the City that would result if no new development occurs on the Project Site.

**Alternative 2** is the "Baseline Zoning Alternative," and would involve the build out of the Project Site to the maximum density allowed under current zoning. This alternative would include three single-family units and 23,000 square feet of retail space.

**Alternative 3** is the "Reduced Residential Alternative," and would result in 12 residential units. This alternative would include five single-family units and seven townhouse units, one of which would be an affordable unit in accordance with the City's Below Market Rate (BMR) requirements..

**Alternative 4** is the "Mixed-use Alternative," and would include 22 multifamily units and 13,400 square feet of commercial space. The residential units in this alternative would be for sale condominiums, with three affordable units in accordance with the City's BMR requirements.

**Alternative 5** is the "Senior Housing Alternative," and would result in 26 age-restricted independent living residential units. The units under this alternative would be townhouses and would include three affordable units in accordance with the City's BMR requirements .

For the Project and Alternatives 2 through 4, residential population was calculated assuming 2.4 persons per household, as calculated in the Draft Environmental Impact Report for the Project. The residential population in senior housing was calculated assuming 2-person households, which might consist of either a senior couple or a senior living with an adult child. This calculation reflects the maximum potential occupancy in senior housing units and provides a capacity-based analysis. A summary of the development program for the Project or Alternatives is provided in Table 3[3].

[3] The figures for the Project in Table 3 correspond to a 27 dwelling unit project that is being modeled for this FIA, as described earlier in this section, even though the Project as proposed would contain 26 dwelling units.

**Table 3: Proposed Project and Alternative Development Programs**

**Analysis for Project Includes Additional Townhouse Unit, per Report.**

| | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| | | No Project | Baseline Zoning Alternative | Reduced Residential Alternative | Mixed Use Alternative | Senior Housing Alternative |
| **Total Project** | | | | | | |
| # of SF-D Units | 9 | 1 | 3 | 5 | 0 | 0 |
| # of Townhouse Units | 18 | 0 | 0 | 7 | 0 | 26 |
| # of Multifamily Units | 0 | 3 | 0 | 0 | 22 | 0 |
| # of BMR Units | 3 | 0 | 0 | 1 | 3 | 3 |
| Total # of BRs | 88 (c) | 6 | 12 (e) | 34 (f) | 44 (f) | 52 (g) |
| *Gross New Population* (a) | *65* | *3* (d) | *7* | *29* | *53* | *52* |
| Number of Parcels | 2 | 5 | 4 | 2 | 1 | 2 |
| Workers employed in housing project | 0 | 0 | 0 | 0 | 0 | 2 (i) |
| Commercial SF | 0 | 0 | 23,000 | 0 | 13,400 | 0 |
| Employment Density (Sq Ft/Worker) | 350 | 350 | 350 | 350 | 350 | 350 |
| *Gross New Employment* (h) | *0* | *0* | *66* | *0* | *39* | *2* |
| Gross New Service Population (b) | 65 | 3 | 41 | 29 | 73 | 53 |
| Less: Existing Service Population on Site | 3 | 3 | 3 | 3 | 3 | 3 |
| **Net New Service Population** | **62** | **0** | **38** | **26** | **70** | **50** |

Notes:

(a) Population in new housing units is based on an assumption of 2.4 residents per household, per the Draft EIR for the Project. Residential population increase for the Project is higher for the fiscal analysis than projected in the Draft EIR because the fiscal analysis is based on a 27-unit project rather than the proposed 26-unit project, as discussed in the report. Senior households are assumed to have two persons per household.

(b) Service population equals the resident population, plus one-half the employment population to reflect the reduced demand from commercial uses.

(c) Assumes 16 three-bedroom (with added unit for analysis), 9 four-bedroom, and 2 two-bedroom units.

(d) Based on information from Matteson.

(e) Assumes all units have four bedrooms.

(f) Assumes units are mix of two- and three-bedroom townhomes, four-bedroom single-family units.

(g) Assumes a range of bedroom mixes, averaging two-bedrooms per unit for market rate and affordable units.

(h) Calculated by dividing commercial square footage by employment density and rounding up, e.g. 23,000 sq. ft. divided by 350 sq. ft./worker = 66 workers.

(i) Staffing for the Senior Housing Alternative assumes an independent living facility, and is based on current staffing at comparably sized independent living developments in Menlo Park.

Sources: SCAG Employment Density Study, 2001; City of Menlo Park, 2011; LSA, 2011; Matteson, 2011; BAE, 2011.

### *Employment Generation*

As Table 3 shows, the standard community retail use employment density factor of 350 square feet per worker was used to estimate employment generation for the Alternatives that contain commercial uses. Using this employment density factor, the alternatives that include commercial uses would support either 66 retail employees (Alternative 2) or 38 retail employees (Alternative 4). As the Project and Alternative 3 do not include commercial development, they would not directly generate new on-site employment. The senior independent living facility shown in Alternative 5 would be expected to employ a small number of administrative and maintenance personnel. Based on City analysis of current staffing at comparably sized independent living facilities in Menlo Park, the analysis assumes that Alternative 5 would generate two full-time employees.

### *Residential Sale Prices*

Sale prices of comparable units in Menlo Park form the basis for estimating the sale prices of the Project or Alternatives' residential units. New residential projects with units for sale, along with sales data for new and existing housing units in mid-2011, were reviewed to determine estimates of comparable sales prices for new single-family, townhouse, and multifamily units in Menlo Park. At the time the analysis was conducted, market activity was modest and residential market conditions are generally considered to have improved since then.

Data from the California Department of Housing and Community Development as well as conversations with Menlo Park staff regarding previous affordable unit sales, interest rates, and down payment programs informed the below market rate (BMR) unit sale price estimates. Table 4 shows the assumed market rate and BMR unit sale prices that this FIA uses.

**Table 4: Comparable New Residential Sales Prices, Menlo Park, 2011**

| | | Market-Rate Price (a) | | BMR Sales Price (b) |
|---|---|---|---|---|
| **Unit Type** | **Avg. Unit Size (Sq. Ft.)** | **Price per Sq. Ft.** | **Sales Price** | **Low Income** |
| **Single-Family Units** | | | | |
| 4BR | 1,911 | $623 | $1,190,000 | $325,000 |
| **Townhouses** | | | | |
| 2BR | 1,616 | $495 | $800,000 | $270,000 |
| 3BR | 1,777 | $506 | $900,000 | $295,000 |
| **Condominiums** | | | | |
| 2BR | 1,400 | $500 | $700,000 | $270,000 |

Notes:
(a) Based on an assessment of comparable units in and near Menlo Park
(b) BMR prices were set based on input from the Housing Mangager of the City of Menlo Park

Sources: City of Menlo Park, 2011; Hanley-Wood 2011; Dataquick 2011; BAE, 2011.

# City General Fund Fiscal Impact Analysis

## Annually Recurring General Fund Revenues

The Project would generate revenue for the City and various special districts from a variety of sources, including sales tax and property tax, as well as business licenses, fines, fees, and charges for services.

The following section details BAE's methodology for calculating these revenues and provides an estimate of revenues that would be generated by the Project or Alternatives.

### *Sales and Use Tax*

The City receives sales tax revenues equal to 0.95 percent of local taxable sales that occur within the City limits. Sales tax revenues associated with the Project or Alternatives would be expected to accrue from new residents' taxable retail spending at the retail spaces. Although two of the alternatives include retail commercial space, some or even a majority of that space might be occupied by non- or low-sales tax generating tenants, e.g. personal services (salons, cleaners, specialty fresh food, etc.) or professional services and office users (e.g. bank branches, realtors offices, insurance agents, etc.). As noted in the next section, Menlo Park already captures more sales in food, dining, and specialty goods, categories than its population supports (due to purchases by outside residents); therefore, new tenants in these categories would not necessarily result in a net increase in taxable sales. In order to provide a conservative projection of fiscal impacts, this analysis only considers sales taxes from new resident spending as net new revenues.

*Resident Generated Sales Tax Revenues*

According to the California State Board of Equalization (SBOE), in 2009 taxable expenditures in Menlo Park were approximately $16,982 per person. At the same time, San Mateo and Santa Clara county residents each spent $22,785 on taxable sale items, indicating that Menlo Park residents had to leave the City to purchase certain items, potentially due to limited availability, while other items drew shoppers from outside the City. According to the SBOE, Menlo Park residents purchased some portion of home furnishings, building materials, and apparel goods elsewhere in San Mateo and Santa Clara counties, while county residents came to Menlo Park to purchase food, gas, dining, and specialty goods. After deducting purchases by Menlo Park residents that typically occur outside of Menlo Park, taxable purchases by Menlo Park residents that are made within the City average an estimated $14,707 per resident annually, as shown in Table 5.

The FIA assumes that new residents will generate the same amount of annual taxable sales per resident within Menlo Park as existing Menlo Park residents. This figure ($14,707) was then multiplied by the number of new residents for each alternative. As Table 5 shows, sales tax revenues from the Project are estimated at $8,600 per year. Sales tax revenue from the Alternatives would range from a high of $9,800 in annual revenues resulting from Alternative 4 to $0 generated under Alternative 1[4].

**Table 5: Projected Sales Tax Revenues from New Residents**

| | 2009 Taxable Sales Per Capita | | | | |
|---|---|---|---|---|---|
| **Business Category** | **Menlo Park (a)** | **San Mateo + Santa Clara Counties (b)** | **Leakage of Sales out of City (c)** | **Est. Percent of Resident Sales in City (d)** | **Est. Taxable Sales per New Resident (e)** |
| Retail and Food Services | | | | | |
| Home Furnishings and Appliance Stores | $725 | $931 | 22% | 78% | $725 |
| Bldg. Matrl. and Garden Equip. and Supplies | $383 | $776 | 51% | 49% | $383 |
| Food and Beverage Stores | $1,817 | $610 | (198%) | 100% | $610 |
| Gasoline Stations | $1,511 | $1,076 | (40%) | 100% | $1,076 |
| Clothing and Clothing Accessories Stores | $496 | $934 | 47% | 53% | $496 |
| Food Services and Drinking Places | $2,187 | $1,625 | (35%) | 100% | $1,625 |
| Other Retail Group | $4,525 | $3,900 | (16%) | 100% | $3,900 |
| *SUBTOTAL: Retail and Food Services* | *$11,090* | *$9,851* | *(13%)* | *100%* | *$8,815* |
| All Other Outlets | $5,892 | $12,933 | 54% | 46% | $5,892 |
| **Total** | **$16,982** | **$22,785** | | | **$14,707** |

| **Projected Sales Tax Revenues** | **Project** | **Alternative 1** | **Alternative 2** | **Alternative 3** | **Alternative 4** | **Alternative 5** |
|---|---|---|---|---|---|---|
| Number of New Residents | 62 | 0 | 38 | 26 | 73 | 49 |
| Taxable Sales per New Resident | $14,707 | $14,707 | $14,707 | $14,707 | $14,707 | $14,707 |
| Total Taxable Sales | $908,898 | $0 | $558,869 | $379,443 | $1,073,618 | $720,647 |
| Sales Tax Rate (Menlo Park General Fund Only) | 0.95% | 0.95% | 0.95% | 0.95% | 0.95% | 0.95% |
| **Total New Sales Tax Revenue** | **$8,600** | **$0** | **$5,300** | **$3,600** | **$10,200** | **$6,800** |

Notes:

(a) 2009 data inflated to 2011 dollars. Data not available for certain categories due to confidentiality restrictions.

(b) 2009 data inflated to 2011 dollars. Comparison trade area includes San Mateo and Santa Clara counties. Retail spending by project residents is assumed to be equal to per capita spending patterns for the two counties.

(c) If Menlo Park residents' spend fewer dollars per capita than the trade area, the analysis assumes the difference leaks out to other shopping centers in the trade area. A zero percent leakage means residents can get all shopping needs met in Menlo Park. Negative figures indicate that Menlo Park receives a net injection, i.e. more sales than are attributable to just its population.

(d) Based on data in column (c); estimates the percentage of resident spending within a category that will occur in Menlo Park numbers cannot be greater than 100%.

(e) Equals Column (b) x Column (d). Assumes that Menlo Park will capture most or all new residents' retail spending in categories with low/no leakage and will capture little spending in high leakage categories; based on current spending patterns.

Sources: State Board of Equalization, 2009; BAE, 2011.

[4] The previous use on the site, commercial vehicle sales, generated sales tax revenues as part of the dealer's activities. The "No Project" analysis assumes the site continues to be unused, generating no sales tax revenue, rather than formulating an assumption as to what type of taxable or non-taxable uses might occur in the future on the unimproved site. This analysis does not include potential new taxable sales from new employees in commercial space, as the amount would vary widely depending on tenant types, employee classifications for those tenants, and associated employee wages, creating a potential broad range in resulting employee spending.

**Table 5: Projected Sales Tax Revenues from New Residents**

| Business Category | 2009 Taxable Sales Per Capita: Menlo Park (a) | San Mateo + Santa Clara Counties (b) | Leakage of Sales out of City (c) | Est. Percent of Resident Sales in City (d) | Est. Taxable Sales per New Resident (e) |
|---|---|---|---|---|---|
| Retail and Food Services | | | | | |
| Home Furnishings and Appliance Stores | $725 | $931 | 22% | 78% | $725 |
| Bldg. Matrl. and Garden Equip. and Supplies | $383 | $776 | 51% | 49% | $383 |
| Food and Beverage Stores | $1,817 | $610 | (198%) | 100% | $610 |
| Gasoline Stations | $1,511 | $1,076 | (40%) | 100% | $1,076 |
| Clothing and Clothing Accessories Stores | $496 | $934 | 47% | 53% | $496 |
| Food Services and Drinking Places | $2,187 | $1,625 | (35%) | 100% | $1,625 |
| Other Retail Group | $4,525 | $3,900 | (16%) | 100% | $3,900 |
| *SUBTOTAL: Retail and Food Services* | *$11,090* | *$9,851* | *(13%)* | *100%* | *$8,815* |
| All Other Outlets | $5,892 | $12,933 | 54% | 46% | $5,892 |
| **Total** | **$16,982** | **$22,785** | | | **$14,707** |

| Projected Sales Tax Revenues | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| Number of New Residents | 62 | 0 | 38 | 26 | 70 | 50 |
| Taxable Sales per New Resident | $14,707 | $14,707 | $14,707 | $14,707 | $14,707 | $14,707 |
| Total Taxable Sales | $908,898 | $0 | $558,869 | $379,443 | $1,029,496 | $735,354 |
| Sales Tax Rate (Menlo Park General Fund Only) | 0.95% | 0.95% | 0.95% | 0.95% | 0.95% | 0.95% |
| **Total New Sales Tax Revenue** | **$8,600** | **$0** | **$5,300** | **$3,600** | **$9,800** | **$7,000** |

Notes:
(a) 2009 data inflated to 2011 dollars. Data not available for certain categories due to confidentiality restrictions.
(b) 2009 data inflated to 2011 dollars. Comparison trade area includes San Mateo and Santa Clara counties. Retail spending by project residents is assumed to be equal to per capita spending patterns for the two counties.
(c) If Menlo Park residents' spend fewer dollars per capita than the trade area, the analysis assumes the difference leaks out to other shopping centers in the trade area. A zero percent leakage means residents can get all shopping needs met in Menlo Park. Negative figures indicate that Menlo Park receives a net injection, i.e. more sales than are attributable to just its population.
(d) Based on data in column (c); estimates the percentage of resident spending within a category that will occur in Menlo Park numbers cannot be greater than 100%.
(e) Equals Column (b) x Column (d). Assumes that Menlo Park will capture most or all new residents' retail spending in categories with low/no leakage and will capture little spending in high leakage categories; based on current spending patterns.

Sources: State Board of Equalization, 2009; BAE, 2011.

### *Property Taxes*

Property taxes are a key source of City General Fund revenues, as well as the primary revenue source for a number of special districts. Property taxes are applicable to real property, defined as land and the buildings attached to it, and certain types of personal property, including furniture, fixtures, and equipment (FF&E) owned by businesses.[5] Properties in San Mateo County are subject to a base 1.0 percent property tax rate, which is shared among various local jurisdictions including the County, City, and special districts, as well as the State, which is allocated a portion of funds known as Education Revenue Augmentation Funds ("ERAF"). See Appendix A for more information on the ERAF shift. In addition to the base 1.0 percent tax rate, within certain areas in

[5] All businesses with personal property worth $100,000 or more are required to file a personal property tax statement.

the County, supplemental property taxes apply. The Project Site is subject to supplemental property taxes to pay for bonds issued for park and recreation, school district, and community college district purposes. Supplemental property taxes apply only to real property and not to business personal property. Table 6 shows a distribution of the base 1.0 percent tax rate as well as supplemental taxes applicable to the Project or Alternatives.[6] The City gets 10.15 percent of the base 1.0 percent tax, with the remainder going to various other jurisdictions. To estimate future property tax revenues resulting from new development, one must estimate the new assessed value the County tax assessor would assign to the property and apply the applicable tax rate.

**Table 6: Distribution of Property Tax Assessment by Jurisdiction**

| Jurisdictions | Base 1.0% Property Tax |
|---|---|
| City of Menlo Park | 10.15% |
| San Mateo County | 14.49% |
| Menlo Park City Elementary School District | 16.97% |
| Sequoia High School District | 15.87% |
| San Mateo Community College District | 6.89% |
| Menlo Park Fire District | 14.23% |
| San Fransquito Creek Flood Zone 2 | 0.20% |
| Midpeninsula Regional Open Space District | 1.87% |
| Bay Area Air Quality Management | 0.21% |
| County Harbor District | 0.28% |
| Mosquito Abatement | 0.16% |
| Sequoia Healthcare District | 1.49% |
| County Office of Education | 3.59% |
| ERAF Share of Base 1.0% Tax | 13.61% |
| | 100.0% |
| | |
| **Supplemental Taxes** | **Tax Rate** |
| Menlo Park & Recreation Bond | 0.017% |
| Menlo Park City Elementary Bonds | 0.041% |
| Sequoia High School Bonds | 0.031% |
| San Mateo Community College Bonds | 0.019% |
| | |
| Total Property Tax Rate | 1.108% |

Sources: Santa Mateo County Controller, 2011; BAE 2011.

The assessed value of real property consists of two components: land value, and improvement value. Proposition 13 provides that the value of each of these components cannot increase by more than 2 percent per year, except where a property is transferred to a new ownership entity or, in the case of improvement value, where construction activity occurs. The current assessed value of the Project site, as shown in Table 7, is $6.14 million.

In order to calculate the assessed value associated with the Project or Alternatives, the mix of single-family, townhouse, and condominium units applicable to each development program was applied to the comparable residential values shown in Table 4. The ratio of 16:2 3-bedroom to 2-bedroom townhouse units for the Project was applied to the Alternatives that included townhouse units in order to project assessed value. Retail space assessed value was calculated assuming $3

[6] The Sites are located in County Tax Rate Area 08-010.

per square foot per month triple-net, and applying a capitalization rate of 7.5 percent to the resulting net operating income to project a value of $480 per square foot.

The existing assessed value of the site needs to be subtracted from the assessed value of new development in order to calculate the increase in assessed value that will result in increased property tax revenues. As shown in Table 7, the resulting net increase in assessed value ranges from $18.8 million for the Project to no net increase for Alternative 1.

**Table 7: Projected Net New Assessed Value for Project and Alternatives**

| **Existing Assessed Value** | | FY 11-12 | | |
|---|---|---|---|---|
| **Site Address** | **Parcel Number** | **Land Value** | **Improvement Value** | **Total Assessed Value** |
| (No Address) | 071-412-430 | $2,990,806 | $33,876 | $3,024,682 |
| 327 El Camino Real | 071-412-220 | $571,693 | $6,350 | $578,043 |
| 321 El Camino Real | 071-412-230 | $548,402 | $6,350 | $554,752 |
| 612 Partridge Ave | 071-412-250 | $580,162 | $63,521 | $643,683 |
| 603 College Ave | 071-412-170 | $1,180,441 | $158,803 | $1,339,244 |
| Alto Lane (a) | | $0 | $0 | $0 |
| **Total Existing Assessed Value** | | **$5,871,504** | **$268,900** | **$6,140,404** |

| **Assessed Value from New Development** | **Project** | **Alternative 1** (d) | **Alternative 2** | **Alternative 3** | **Alternative 4** | **Alternative 5** |
|---|---|---|---|---|---|---|
| **Development Program** | | | | | | |
| # of Single Family Detached Units | 9 | 1 | 3 | 5 | 0 | 0 |
| # of Townhouse Units | 18 | 0 | 0 | 7 | 0 | 26 |
| # of Multifamily Units | 0 | 3 | 0 | 0 | 22 | 0 |
| # of BMR Units | 3 | 0 | 0 | 1 | 3 | 3 |
| Commercial SF | 0 | 0 | 23,000 | 0 | 13,400 | 0 |
| | | | | | | |
| **New Assessed Values** (b) | | | | | | |
| Single Family Detached Units | $10,710,000 | $6,140,404 | $3,570,000 | $5,950,000 | $0 | $0 |
| Townhouse Units | $13,335,000 | $0 | $0 | $6,223,000 | $0 | $20,447,000 |
| Multifamily Condominium Units | $0 | N/A | $0 | $0 | $13,300,000 | $0 |
| BMR Units | $847,500 | $0 | $0 | $282,500 | $810,000 | $847,500 |
| Commercial Space (c) | $0 | $0 | $11,040,000 | $0 | $6,432,000 | $0 |
| Gross New Assessed Value of Development | $24,892,500 | $6,140,404 | $14,610,000 | $12,455,500 | $20,542,000 | $21,294,500 |
| Less Existing Assessed Value | $6,140,404 | $6,140,404 | $6,140,404 | $6,140,404 | $6,140,404 | $6,140,404 |
| **Net Increase in Assessed Value** | **$18,752,096** | **$0** | **$8,469,596** | **$6,315,096** | **$14,401,596** | **$15,154,096** |

Notes:

(a) This property has clouded title, leading to no current assessed value, the project will rectify title. Per the City, a non-monetary transfer will occur for this parcel.

(b) Values are based on the average value for each unit type as shown in Table 4. Sale prices for townhouse units are calculated for the Project as an average from Table 4 based on 16 3-bedroom units and 2 2-bedroom units. This same proportion is applied to townhouse units for the other Alternatives. The resulting average sale price for townhouse units is: $889,000

(c) Assumes the following value for commercial space in Menlo Park:

| | |
|---|---|
| Average annual commercial rent per square foot, triple-net, 2011 | $36 |
| Cap Rate | 7.5% |
| Value per square foot (triple-net rent divided by cap rate) | $480 |

(d) New assessed value for Alternative 1 is shown to be equivalent to the current assessed value because this alternative involves no change to the Site. Actual assessed value could potentially be reassessed and reduced based on current market values.

Sources: San Mateo County Assessor, 2011; BAE, 2011.

These assessed value calculations are used to estimate property tax, property tax in-lieu of vehicle license fees, and property transfer tax revenues. As Table 8 shows, the full estimated increase in assessed value for the Project or Alternatives ranges from a high of $18.8 million for the Project to a low of $0 for Alternative 1 (i.e. the assessed value for the no action alternative is its current assessed value). Based on the City's share of property tax revenues from 10.15 percent of the base 1.0 percent property tax assessment, the City would receive approximately $19,000 in additional annual property tax revenues from the Project, compared to annual property tax revenues of between $6,400 to $15,400 for the Alternatives (excepting Alternative 1, which results in no net increase in property tax revenues to the City). Revenues for the County and affected Districts are also shown.

**Table 8: Projected Property Tax Revenues**

| Estimated Assessed Value | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| Net New Assessed Value | 18,752,096 | 0 | 8,469,596 | 6,315,096 | 14,401,596 | 15,154,096 |
| One Percent Basic Property Tax | 187,521 | 0 | 84,696 | 63,151 | 144,016 | 151,541 |

| Base 1.0% Tax (Post-ERAF Distribution) | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| City of Menlo Park | 19,000 | 0 | 8,600 | 6,400 | 14,600 | 15,400 |
| San Mateo County | 27,200 | 0 | 12,300 | 9,200 | 20,900 | 22,000 |
| Menlo Park City Elementary School District | 31,800 | 0 | 14,400 | 10,700 | 24,400 | 25,700 |
| Sequoia High School District | 29,800 | 0 | 13,400 | 10,000 | 22,900 | 24,100 |
| San Mateo Community College District | 12,900 | 0 | 5,800 | 4,400 | 9,900 | 10,400 |
| Menlo Park Fire District | 26,700 | 0 | 12,100 | 9,000 | 20,500 | 21,600 |
| San Fransquito Creek Flood Zone 2 | 400 | 0 | 200 | 100 | 300 | 300 |
| Midpeninsula Regional Open Space District | 3,500 | 0 | 1,600 | 1,200 | 2,700 | 2,800 |
| Bay Area Air Quality Management | 400 | 0 | 200 | 100 | 300 | 300 |
| County Harbor District | 500 | 0 | 200 | 200 | 400 | 400 |
| Mosquito Abatement | 300 | 0 | 100 | 100 | 200 | 200 |
| Sequoia Healthcare District | 2,800 | 0 | 1,300 | 900 | 2,100 | 2,300 |
| County Office of Education | 6,700 | 0 | 3,000 | 2,300 | 5,200 | 5,400 |
| **Basic Property Tax Revenues** | **162,000** | **0** | **73,200** | **54,600** | **124,400** | **130,900** |

Sources: San Mateo County Controller, 2011; BAE, 2011.

### *Property Tax In-Lieu Vehicle License Fee Revenues*

Beginning in the 2005-2006 fiscal year, the State ceased to provide backfill funds to counties and cities in the form of Motor Vehicle In-Lieu Fees (VLF) as it had through the 2004-2005 fiscal year. As a result of the complicated financial restructuring enacted as part of the State's budget balancing process, counties and cities now receive revenues from the State in the form of what is known as property tax in-lieu of vehicle license fees, or ILVLF. This State-funded revenue source is tied to a city's total assessed valuation. In 2005-2006, former vehicle license fee revenues were swapped for ILVLF revenues, which set the local jurisdiction's ILVLF "base." The base increases each year thereafter proportionate to the increase in total assessed valuation within the jurisdiction. Thus, if total assessed valuation increases by ten percent from one year to the next, the ILVLF base would increase by ten percent.

In order to calculate the incremental increase in ILVLF revenues that would result from the proposed Project or Alternatives, the analysis first determines the total assessed value within the City, and the City's current year ILVLF revenues. The analysis then determines the percentage by which the Project or Alternatives would increase the City's assessed valuation and applies those percentage increases to the current year's ILVLF revenues in order to determine the incremental amount of ILVLF attributable to the Project or Alternatives.

The improvements from the proposed Project would generate a 0.19 percent increase in the City's total assessed value, resulting in Project-generated ILVLF revenues of approximately $4,500 per year, compared to revenue increases for Alternatives 1 through 5 that range from $0 to $3,700 per year. Table 9 shows the projected ILVLF revenues from the proposed Project or Alternatives based on the current allocation formula.

**Table 9: Projected Property Tax In Lieu of VLF Revenues**

| **Assumptions** | |
|---|---|
| Menlo Park Assessed Value, FY09-10 (a) | $10,016,523,183 |
| Current ILVLF Payment | $2,414,720 |

| **Projected ILVLF Revenues FY11-12** | **Project** | **Alternative 1** | **Alternative 2** | **Alternative 3** | **Alternative 4** | **Alternative 5** |
|---|---|---|---|---|---|---|
| Net Increase in Assessed Value (b) | $18,752,096 | $0 | $8,469,596 | $6,315,096 | $14,401,596 | $15,154,096 |
| % Increase Menlo Park Assessed Value | 0.19% | 0.00% | 0.08% | 0.06% | 0.14% | 0.15% |
| **ILVLF Revenue to City of Menlo Park (c)** | **$4,500** | **$0** | **$2,000** | **$1,500** | **$3,500** | **$3,700** |

Notes:
(a) This calculation is for projected FY2011-2012 revenues. It is based on the increase to the City's assessed value from the Project an
Alternatives, based on FY1009-2010 assessed value figure available when the analysis was prepared.
(b) See Table 7 for Projected Assessed Value of Project/Alternatives.
(c) Calculated based on multiplying percent increase in total Citywide AV times the current ILVLF payment.

Sources: City of Menlo Park 2011; BAE, 2011.

### *Property Transfer Tax – Annual Proceeds*

When a property changes ownership, the City collects property transfer taxes. These taxes total $1.10 per $1,000 of assessed value, of which the City collects $0.55. The County collects the remaining $0.55. This analysis assumes that residential property changes ownership every seven years, or turns over at an annual rate of 14 percent, while commercial property changes ownership every 15 years, or turns over at an annual rate of 6.7 percent. Table 10 shows the projected property transfer tax revenues from the proposed Project on a stabilized basis (i.e. this would not represent revenues in the first couple years after the Project was built, before resale of units commenced). Table 10 shows that the City can anticipate approximately $1,500 in average annual property transfer tax revenues on an ongoing basis from the Project and average annual property transfer tax revenues ranging from $0 to $1,200 per year for Alternatives 1 through 5. The next section of this report contains an analysis of the one-time transfer tax proceeds resulting from the initial sale of units.

**Table 10: Projected Property Transfer Tax Revenues**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Assumptions** | | | | | | |
| Transfer Tax Rate per $1 Assessed Value: | $0.00055 | | | | | |
| Holding Period for Residential, Years | 7 | | | | | |
| Holding Period for Non-Residential, Years | 15 | | | | | |
| | | | | | | |
| **Projected Property Transfer Tax Revenues** | **Project** | **Alternative 1** | **Alternative 2** | **Alternative 3** | **Alternative 4** | **Alternative 5** |
| Net New Assessed Value, Residential Units | $18,752,096 | $0 | ($2,570,404) | $6,315,096 | $7,969,596 | $15,154,096 |
| Net New Assessed Value, Non-Res Space | $0 | $0 | $11,040,000 | $0 | $6,432,000 | $0 |
| Total Net New Assessed Value | $18,752,096 | $0 | $8,469,596 | $6,315,096 | $14,401,596 | $15,154,096 |
| | | | | | | |
| Annual Transfer Tax Revenue Residential | $1,500 | $0 | ($200) | $500 | $600 | $1,200 |
| Annual Transfer Tax Revenue, Non-Residential | $0 | $0 | $900 | $0 | $500 | $0 |
| **Projected Annual Transfer Tax Revenue** | **$1,500** | **$0** | **$700** | **$500** | **$1,100** | **$1,200** |

Sources: City of Menlo Park, 2011; BAE, 2011.

### *Utility User Tax*

The City of Menlo Park currently collects a Utility User Tax (UUT) assessed on gas, electric, water, and telephone bills, capped at $12,000 annually per business entity per address. The UUT sets a maximum 3.5 percent tax on gas, electrical and water usage, and a maximum 2.5 percent tax on cable, telephone and wireless services. However, since its inception in 2007 the UUT has been temporarily set at a single 1.0 percent rate, which for the purposes of this analysis is assumed to continue. Hence, businesses incurring annual combined billings of $1,200,000 at a given location are subject to the annual cap. For Alternatives with retail and commercial space, one entity is assumed to be responsible for all gas, electric, water, and telephone expenditures.

Data from PG&E, the West Bay Sanitary District, and the City of Menlo Park indicate that in Fiscal Year (FY) 2011-2012, each residential unit will generate $3,420 in utility expenditures, while each commercial use will generate utility expenditures of $8 per square foot. As Table 11 shows, the City can anticipate UUT revenues ranging from $1,900 under Alternative 2 to $0 under Alternative 1.

**Table 11: Projected Utility Users Tax Revenues**

| Assumptions | FY 2011- 2012 | | | | | |
|---|---|---|---|---|---|---|
| Est. Annual Utility Expenditure, Non-Resid'l | $8 | per sf | | | | |
| Est. Annual Utility Expenditure, Residential | $3,420 | per unit | | | | |
| Utility Tax Rate | 1.0% | of Total Utility Expenditures | | | | |
| **Projected Utility User Tax Revenues** | **Project** | **Alternative 1** | **Alternative 2** | **Alternative 3** | **Alternative 4** | **Alternative 5** |
| New Residential Units (a) | 23 | 0 | 0 | 8 | 18 | 22 |
| New Commercial SF | 0 | 0 | 23,000 | 0 | 13,400 | 0 |
| **Projected Utility Tax Revenues** | | | | | | |
| UUT Revenue from Residential | $787 | $0 | $0 | $274 | $616 | $752 |
| UUT Revenue from Commercial | $0 | $0 | $1,936 | $0 | $1,128 | $0 |
| **Total Projected UUT Revenues** | **$800** | **$0** | **$1,900** | **$300** | **$1,700** | **$800** |

(a) These figures are net of the existing residential units on site, as shown in Alternative 1, No Project, in Table 3.

Sources: Menlo Park Finance Dept., 2011; West Bay Sanitary District 2011; BAE, 2011.

## *Other Revenues*

### *Licenses and Permits*

The City of Menlo Park receives approximately $3.3 million per year from the issuance of Licenses and Permits. Business License Taxes are charged to businesses operating in the City pursuant to a schedule that calculates the tax based on gross receipts[7], subject to a cap of $8,000 per business per year.

Although the proposed Project does not include any commercial space, and therefore would not generate Business License Tax revenues, Alternatives 2 and 4 do include retail space that would be subject to Business License Taxes. To estimate Business License Tax revenues under Alternatives 2 and 4, this analysis used an average retail sales per square foot estimate of $350[8]. As Table 12 shows, Alternative 2 would generate approximately $4,000 in Business License Taxes, while Alternative 4 would generate approximately $2,000.

This analysis does not consider other License and Permit revenues, such as Building Permits, which are generally revenue neutral (i.e., they are a charged to directly offset the cost of providing a service, such as building inspection), and Parking Permits, which would not be relevant to the Project or Alternatives because parking would be provided on-site.

[7] The tax schedule is based on increments of $25,000 for annual gross receipts under $100,000; increments of $100,000 for gross receipts up to $1 million; and in increments of $1 million, up to the cap on the tax amount.

[8] This figure also serves as a reasonable estimate for gross revenues for non-retail, i.e. service businesses that might also occupy commercial space.

**Table 12: Business License Fee Revenues**

| | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| Commercial square footage | 0 | 0 | 23,000 | 0 | 13,400 | 0 |
| Estimated number of business | | | 12 | | 7 | |
| Estimated square footage per business | | | 1,917 | | 1,914 | |
| Estimates sales per square foot | | | $350 | | $350 | |
| Estimated gross receipts per business | | | $670,833 | | $670,000 | |
| Annual license tax per business (b) | | | $350 | | $350 | |
| Number of businesses | 0 | 0 | 12 | 0 | 7 | 0 |
| **Business license tax revenues** | **$0** | **$0** | **$4,000** | **$0** | **$2,000** | **$0** |

Notes:
(a) BAE Estimate, using data from interviews with commercial real estate brokers active in Menlo Park
(b) Per City's schedule for business license taxes.

Sources: Menlo Park; BAE, 2011.

### *Franchise Fees and Fines*

In addition to the major revenue sources described above, the City also generates approximately 4.7 percent of General Fund revenues from Franchise Fees[9] and 2.6 percent of General Fund revenues from Fines. Both types of revenues tend to increase as the City's service population grows. In the case of Franchise Fees, these are generally set as a percentage of gross receipts and increase as expenditures on items such as gas and electricity increase. In the case of Fine revenues, these are primarily collected by the Police Department for parking and traffic citations, and can be assumed to increase as the residential and employment base of the City grow.

According to the FY 11-12 budget, the City will receive approximately $57 per service population in Fines and Franchise Fee revenues. Once complete and fully occupied, the Project would be expected to generate new service population based on the calculations set forth in Table 3. Assuming a commensurate increase in the amount of Franchise Fees and Fines collected each year, the Project would generate annual Fines and Franchise Fees revenues of $3,500, while Alternative 1 would result in no new revenues. Revenue resulting from the Alternatives is shown in Table 13.

[9] Franchise Fees or local access fees are paid by utilities to local governments in exchange for the exclusive right to provide service within a community and in exchange for access to municipal rights-of-way. PG&E is the largest payer of Franchise Fees in the City of Menlo Park.

| Table 13: Projected Fines and Franchise Fee Revenues | |
|---|---|
| **Revenue by Source** | **FY 2011- 2012** |
| Franchise Fees | $1,743,000 |
| Fines | $970,000 |
| Total Fines and Franchise Fee Revenues | $2,713,000 |
| Citywide Service Population | 47,480 |
| **Revenue Per Service Population** | **$57.14** |

| | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| New Service Population | 62 | 0 | 38 | 26 | 70 | 50 |
| **Projected Fines & Franchise Fee Revenues** | **$3,500** | **$0** | **$2,200** | **$1,500** | **$4,000** | **$2,900** |

Sources: City of Menlo Park, 2011; BAE, 2011.

### *Summary of Annually Recurring Revenues*

Table 14 shows that the Project would generate approximately $37,900 in new annual revenues for the City's General Fund. As summarized in Table 14 and shown in Figure 3, these revenues would primarily come from Property Taxes (50 percent), followed by Sales Tax revenues (23 percent), Vehicle In-Lieu License Fees (12 percent), and Fines and Franchise Fee Revenues (9 percent), with UUT and other revenues making up the remaining six percent.

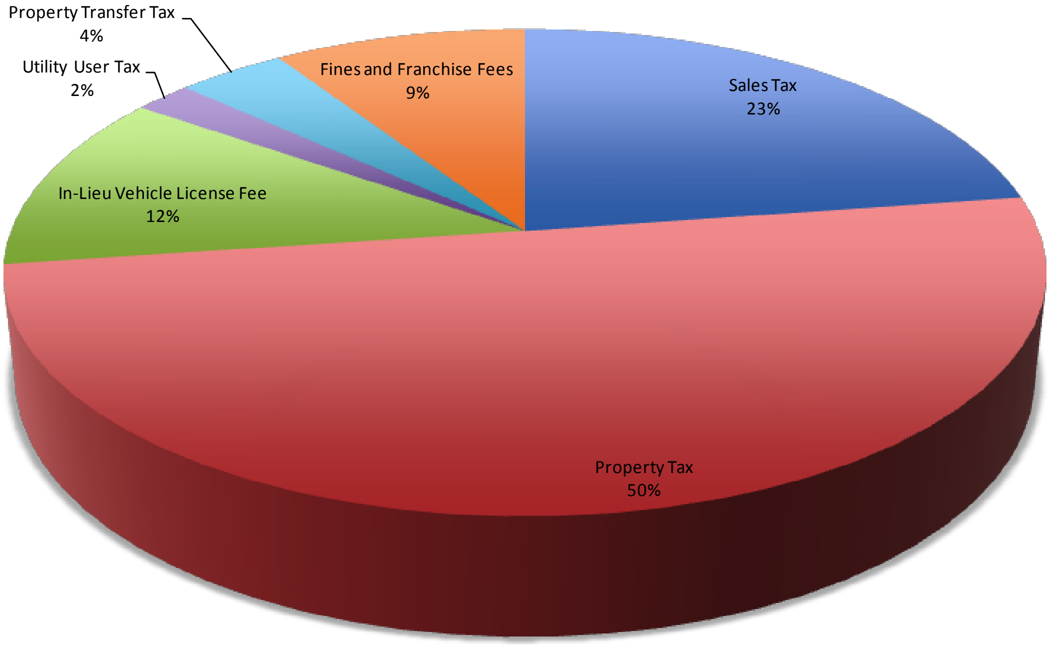
By comparison, annual recurring revenues from Alternatives 1 through 5 would generate anywhere from $0 to $36,700 in new annual revenues for the City's General Fund.

**Table 14: Summary of Annual Recurring Revenues**

| Revenues | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| Sales Tax Revenue | $8,600 | $0 | $5,300 | $3,600 | $9,800 | $7,000 |
| Property Tax (City of Menlo Park share) | $19,000 | $0 | $8,600 | $6,400 | $14,600 | $15,400 |
| In-Lieu Vehicle License Fee | $4,500 | $0 | $2,000 | $1,500 | $3,500 | $3,700 |
| Recurring Transfer Tax | $1,500 | $0 | $700 | $500 | $1,100 | $1,200 |
| Utility User Tax | $800 | $0 | $1,900 | $300 | $1,700 | $800 |
| Business License | $0 | $0 | $4,000 | $0 | $2,000 | $0 |
| Fines and Franchise Fee Revenues | $3,500 | $0 | $2,200 | $1,500 | $4,000 | $2,900 |
| **Total Revenues** | **$37,900** | **$0** | **$24,700** | **$13,800** | **$36,700** | **$31,000** |

Sources: City of Menlo Park, 2011; BAE, 2011

**Figure 3: General Fund Annual Revenues from Proposed Project**




## One-Time/Non-Recurring Revenues

In addition to recurring revenues, there are certain revenues that occur only when property is sold, developed, or substantially renovated. The following section discusses these revenue sources. These revenues are relatively small in comparison to recurring revenues and in the case of development impact fees they are charged to offset the anticipated impacts of new development, including increased traffic and demands on sewer, water, and other infrastructure systems.

### *Property Transfer Taxes*

As noted in the previous section, the City receives a property transfer tax of $0.55 per $1,000 of assessed value when properties are sold or transferred, which results in annual receipts. This section of the report calculates the one-time proceeds associated with the initial sale of units. Property transfer taxes are factored based on the market value of the property at the time of transfer. This value is ordinarily the sale price of the property; however, where a property is not sold as part of an arms length transaction, the assessor will determine the current market value of the property through an appraisal process. This analysis assumes that all residential units would be for-sale, and the value of commercial uses equals their construction cost, or the market value of the completed improvements.

As Table 15 shows, upon completion of the Project and sale of the units, including the sale of the commercial units that are included in some of the Alternatives, the City would receive approximately $13,700 in property transfer tax revenues, while Alternative 1 would result in $3,400 one-time property transfer tax revenues, and revenues from Alternatives 2 through 5 would range from $6,900 to $11,700.

**Table 15: Projected One-Time Property Transfer Tax Revenues**

Transfer Tax Rate per $1 Assessed Value: $0.00055 ($0.55 per $1,000 Assessed Value)

| | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| New Assessed Value, Residential Units | $24,892,500 | $6,140,404 | $3,570,000 | $12,455,500 | $14,110,000 | $21,294,500 |
| New Assessed Value, Non-Residential | $0 | $0 | $11,040,000 | $0 | $6,432,000 | $0 |
| Total Net New Assessed Value | $24,892,500 | $6,140,404 | $14,610,000 | $12,455,500 | $20,542,000 | $21,294,500 |
| One-Time Transfer Tax Revenue Residential | **$13,700** | **$3,400** | **$8,000** | **$6,900** | **$11,300** | **$11,700** |

Sources: City of Menlo Park, 2011; BAE, 2011.

### *Impact Fees and Capital Facilities Charges*

The City of Menlo Park, as well as some special districts, collect impact fees and capital facilities charges for public services, such as water, sewer, traffic mitigation, below market rate housing, and schools. These impact fees represent a one-time revenue source from the Project and are intended to offset impacts to infrastructure systems, which are generated by new development. Based on impact fee rates as of 2011, the Project, which results in 44,977 square feet of net new development, would generate a total of $1,094,800 in impact fees and capital facilities charges. As shown in Table 16, $115,800 represents new sewer connection fees; the City would receive $845,500 from its various impact fees; and the school districts would receive $133,500 (Menlo Park City Elementary School District receives $80,100 and the Sequoia Union High School District receives $53,400), with smaller amounts generated by the Alternatives.

The figures in Table 16 do not include a potential Fire Services development impact fee that may be implemented in the near future, as discussed in the subsequent section on the Menlo Park Fire Protection District. The Project would pay any new Fire Services development impact fee that is in effect as of the date that permits are secured for new construction.

Details regarding the methodology for impact fee calculations are shown in Appendix B. It should be noted that impact fees are adjusted periodically. Hence, the revenues shown below are an estimate based on current impact fee schedules.

**Table 16: Impact Fees and Facilities Charges** (a)

| | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| Sewer Connection Fee | | | | | | |
| Residential | $115,800 | $0 | $12,900 | $51,500 | $94,400 | $111,500 |
| Retail | $0 | $0 | $44,900 | $0 | $26,100 | $0 |
| Storm Drainge Connection Fee | | | | | | |
| Multifamily Residential | $1,400 | $0 | $0 | $1,100 | $3,300 | $3,900 |
| Single Family Residential | $8,100 | $0 | $1,400 | $2,300 | $0 | $0 |
| Retail | $0 | $0 | $5,500 | $0 | $3,200 | $0 |
| Recreation In-Lieu Fee | | | | | | |
| Residential | $736,000 | $0 | $0 | $256,000 | $576,000 | $704,000 |
| Transportation Impact Fee | | | | | | |
| Residential | $47,800 | $0 | $400 | $17,900 | $29,600 | $36,400 |
| Retail | $0 | $0 | $94,300 | $0 | $54,900 | $0 |
| BMR Housing In-Lieu Fee | | | | | | |
| Residential | N/A (b) | $0 | $0 | $135,000 | $42,000 | $144,000 |
| Commercial | $0 | $0 | $181,000 | $0 | $105,000 | $0 |
| Building Street Repair Fee | $52,200 | $0 | $28,500 | $18,400 | $46,400 | $31,300 |
| Menlo Park City Elem. School Distr. | | | | | | |
| Residential | $80,100 | $0 | $2,700 | $28,300 | $47,400 | $48,100 |
| Commercial | $0 | $0 | $6,000 | $0 | $4,000 | $0 |
| Sequoia High School District | | | | | | |
| Residential | $53,400 | $0 | $1,800 | $18,900 | $31,600 | $32,100 |
| Commercial | $0 | $0 | $4,000 | $0 | $3,000 | $0 |
| *Subtotal: City of Menlo Park* | *$845,500* | *$0* | *$311,100* | *$430,700* | *$860,400* | *$919,600* |
| **Total** | **$1,094,800** | **$0** | **$383,400** | **$529,400** | **$1,066,900** | **$1,111,300** |

Notes:
(a) See Appendix B and Table B-1 for units costs, quanities, and calculation notes applied to determine the above impact fees.
(b) Per Menlo Park City Staff, BMR Housing In-Lieu Fee will not apply to the Project because the Project is providing three units that will be affordable to low-income households.

Sources: BAE, 2011.

## General Fund Expenditures

### *Administrative Services*

Administrative Services includes a number of City Departments that provide services to support the overall operation of the City of Menlo Park. These include the City Council, City Clerk, City Manager's Office, Finance Department, and Personnel Department. As the City's service population expands, costs for administrative services are also expected to expand. For example, increased personnel throughout various City Departments would create the need for increased employee support.

As shown in Table 17, the General Fund expenditures per service population unit for administrative services is $84 in FY 11-12. Assuming General Fund expenditures per service population unit remain at current levels, the Project's service population would generate annual expenditures of $5,200. For Alternatives 2 through 5, the annual expenditures would range from $2,200 to $5,900.

**Table 17: Projected Administrative Services Expenditures**

| Administrative Services Functions (a) | FY 2011- 2012 |
|---|---|
| Service Excellence | $276,166 |
| Elections and Records | $84,613 |
| Community Engagement | $199,388 |
| Finance/Asset Preservation | $1,204,704 |
| Information Support | $879,201 |
| Internet and World Wide Web | $24,650 |
| Employee Support | $848,973 |
| Legal Services | $295,805 |
| Business Development | $196,416 |
| **Total Administrative Services Expenditures** | **$4,009,916** |
| | |
| Total Service Population | 47,480 |
| Admin. Services Expenditures Per Service Population | $84 |

| Projected Administrative Services Expenditures | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| New Service Population | 62 | 0 | 38 | 26 | 70 | 50 |
| **Projected Administrative Services Expenditures** | **$5,200** | **$0** | **$3,200** | **$2,200** | **$5,900** | **$4,200** |

Note:
(a) Only includes General Fund expenditures.

Sources: City of Menlo Park, Proposed Budget FY 11-12; BAE, 2011.

### *Community Development*

The Community Development Department includes the City's Building Division, Planning Division, and Housing and Redevelopment Division. The Building Division is responsible for the enforcement of the City's building code and other policies related to the construction of new developments. The Planning Division coordinates the City's land use issues and processes applications for residential, commercial, and industrial development projects.

Interviews with Community Development Department staff indicated that the Project would not generate fiscal impacts for the Department because individual developments do not generate long-term impacts to the Department. Rather, the number of current projects and applications coming into the Department drives the demand for services within the Department.

The Department operates on a cost-recovery basis; application fees have been structured to cover the costs of staff time required for application processing. The Project would pay necessary application, license, and permit fees that would offset the costs of staff time dedicated to development. Any new redevelopment in the area induced by the Project would generate demand for staff time. However, fees associated with applications for these redevelopment projects would cover the staff costs.

In FY 11-12, the General Fund contribution to the Community Development Department was $2.7 million. However, service charges and license and permit fees that the Department collects offset a large part of the General Fund contribution. After subtracting out charges for services and license and permit fees, the total General Fund costs impacted by growth is $277,900, or $5.85 per service population unit. As shown in Table 18, the Project would generate $400 of expenditures annually. For Alternatives 2 though 5, the annual expenditures would range from $200 to $400.

**Table 18: Projected Community Development Department Expenditures**

| Community Development Dept. Expenditures (a) | FY 2011- 2012 |
|---|---|
| Comprehensive Planning | $277,890 |
| Land and Building Development Services (b) | $0 |
| **Total Community Development Expenditures** | **$277,890** |
| | |
| Total Service Population | 47,480 |
| Expenditures Per Service Population | $5.85 |

| Projected Expenditures | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| New Service Population | 62 | 0 | 38 | 26 | 70 | 50 |
| **Projected Community Dev. Dept. Expenditures** | **$400** | **$0** | **$200** | **$200** | **$400** | **$300** |

Notes:
(a) Only includes General Fund expenditures.
(b) Revenues from Land and Development Services result in negative net General Fund expenditures. In order to provide a conservative analysis, this model assumes this function's expenditures cannot be less than zero (i.e. not negative).

Sources: City of Menlo Park, Proposed Budget FY 2011-12; BAE, 2011.

### *Community Services*

The Community Services Department operates 13 parks, 2 community centers, 2 swimming pools, 2 childcare centers, and 2 gymnasiums and provides recreational and cultural programs for children, adults, and seniors. Many Community Services Department programs operate on a cost recovery basis. While some programs east of Highway 101 are partially subsidized because of the lower-income households in the neighborhood, programs west of Highway 101 are cost recovery programs. The Department's adult sports programs are operated on a cost recovery basis.

To derive the total General Fund costs impacted by growth, charges were subtracted for services, donations, intergovernmental transfers, and other revenue from the Department's total General Fund revenue. According to Community Services staff, 66 percent of registered participants in programs were residents of the City of Menlo Park; the remaining 34 percent of participants were non-residents. This distribution was used to calculate the total General Fund costs impacted by growth attributable to residents and non-residents. Of the non-resident costs, the Community Services Director estimated that approximately 50 percent of costs are attributable to people who work in Menlo Park, while the remaining 50 percent is related to residents of neighboring jurisdictions who use City facilities and programs. Based on this distribution, the Department's General Fund cost per resident is $39, while the cost per employee is $11. As Table 19 shows, the Project would generate annual costs of $2,400. For the Alternatives, the annual expenditures would range from $0 to $2,400.

**Table 19: Projected Community Services Expenditures**

| Community Services Department Expenditures (a) | FY 2011- 2012 |
|---|---|
| Social Services & Childcare | $1,425,956 |
| Recreation/Physical Activities (b) | $502,618 |
| **Total Community Services Expenditures** | **$1,928,574** |
| | |
| Share of Expenditures Attributable to Residents | 66% |
| Share of Expenditures Attributable to Workers | 17% |
| | |
| FY 11-12 Expenditures for Residents | $1,272,859 |
| FY 11-12 Expenditures for Workers | $327,858 |
| | |
| Total Existing Residents | 32,319 |
| Total Existing Workers | 30,321 |
| | |
| Expenditures per Resident | $39.38 |
| Expenditures per Worker | $10.81 |

| Projected Community Services Dept. Expenditures | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| New Resident Population | 62 | 0 | 4 | 26 | 50 | 49 |
| New Workers | 0 | 0 | 66 | 0 | 39 | 2 |
| **Projected Community Services Dept. Expenditures** | **$2,400** | **$0** | **$900** | **$1,000** | **$2,400** | **$2,000** |

Notes:
(a) Only includes General Fund expenditures.
(b) Assumes that negative General Fund expenditures (net revenues) would be zero.

Sources: City of Menlo Park, Proposed Budget FY 2011-12; BAE, 2011.

### *Library*

The City of Menlo Park Library system operates a main library at the Civic Center and a branch library at Belle Haven Elementary School. The main library is open daily, offering a wider range of materials, services, and programs than the branch library. The Belle Haven Library is a small, joint-use library with the Ravenswood City School District. Built in 1999, this branch library is open on Tuesdays through Saturdays and focuses primarily on children. The City of Menlo Park is a member of the Peninsula Library System, a consortium that allows anyone within San Mateo County to use the City libraries.

According to staff, residential developments have the greatest impact because of the demand for children's programs, many of which currently operate at or near full capacity. Non-residential uses generally have little impact on the library system. Therefore, this analysis estimates annual General Fund costs on a per resident basis. In FY 11-12, the City budgeted $56.79 in General Fund expenditures per resident. As Table 20 shows, the proposed Project would result in ongoing annual Library costs of $3,500. For Alternatives 2 through 5, the annual expenditures would range from $200 to $2,800.

**Table 20: Projected Library Expenditures**

| Library Expenditures (a) | FY 2011- 2012 |
|---|---|
| Library Collections, Online Resources | $1,453,111 |
| Reading Promotion and Life Skills | $365,080 |
| **Total Library Expenditures** | **$1,818,191** |
| | |
| Total Resident Population | 32,319 |
| Expenditures per Resident | $56.26 |

| Projected Library Expenditures | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| New Residents | 62 | 0 | 4 | 26 | 50 | 49 |
| **Projected Library Expenditures** | **$3,500** | **$0** | **$200** | **$1,500** | **$2,800** | **$2,800** |

Note:
(a) Only includes General Fund expenditures.

Sources: City of Menlo Park, Proposed Budget FY 2011-12; BAE, 2011.

### *Police*

The Police Department currently employs 73.75 Full Time Equivalent (FTE)[10] personnel, of which approximately 69.15 are funded through the General Fund. According to the FY 11-12 budget, the Department's General Fund cost per service population is $263. The expenditure impacts of the Project and alternatives were determined by multiplying the new service population by the General Fund costs per service population, showing that the Project would create annual costs of $16,200, while Alternatives 2 through 5 would create annual costs that range from $6,800 to $18,400. Table 21 provides the estimated expenditure increase for the Project or Alternatives.

[10] A full time equivalent corresponds to one full time position for one year, and is used as a standard measure for describing staffing levels because full and part time positions can be combined into a single figure.

**Table 21: Projected Police Department Expenditures**

| Police Department Expenditures (a) | FY 2011- 2012 |
|---|---|
| Community Safety | $8,473,984 |
| Patrol Support (b) | $2,322,462 |
| Emergency Preparedness | $262,423 |
| Traffic and School Safety | $1,414,403 |
| **Total Police Expenditures** | **$12,473,272** |
| | |
| Total Service Population | 47,480 |
| Expenditures per Service Population | $262.71 |

| Projected Police Dept. Expenditures | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| New Service Population | 62 | 0 | 38 | 26 | 70 | 50 |
| **Projected Police Dept. Expenditures** | **$16,200** | **$0** | **$10,000** | **$6,800** | **$18,400** | **$13,100** |

Notes:
(a) Only includes General Fund expenditures.
(b) Assumes that negative General Fund expenditures would be zero.

Sources: City of Menlo Park, Proposed Budget FY 2011-12; BAE, 2011.

### *Public Works*

The Public Works Department is responsible for constructing, repairing, and maintaining City streets, sidewalks, storm drains, buildings, and other facilities. The Department includes the City's Engineering, Transportation, Maintenance, and Environmental Programs Divisions. Generally, the Public Works Department would see increased costs if new streets or other facilities are needed to serve the Project. New roadways would not be required as El Camino Real, Alto Lane, and College Avenue currently serve the Project Site. However, the Project may require additional transportation infrastructure improvements in the area. The developer would be required to pay a traffic impact fee based on the new construction. Currently, the Department collects $2,776.70 per single family unit; $1,704.34 per multifamily units; and $4.10 per square foot of retail space. In addition to the traffic impact fee, the developer would pay the building construction street repair fee, amounting to 0.58 percent of construction value, to cover roadway maintenance and repair related to damages caused by building construction activity.

The Department manages Menlo Park's stormwater drainage system, which is a component of the Stormwater Management program. The Project or Alternatives would likely result in a minimal increase in runoff, given planned storm water treatment measures. Modest increases in runoff could be accommodated with no changes in current maintenance practices. As such, the Project or Alternatives would not result in an increase in expenditures for the Stormwater Management program.

Finally, the Project may require improvements to the water infrastructure to the site to ensure sufficient water pressure for fire suppression. The Public Works Department would need to conduct additional tests to determine the existing water flow capacity to the Project Site. If the existing capacity is insufficient, the developer would need to install a booster pump or increase the size of the pipes to achieve the minimum water flow requirements. Matteson would be responsible for the entire cost of these improvements.

### *Summary of Annually Recurring Expenditures*

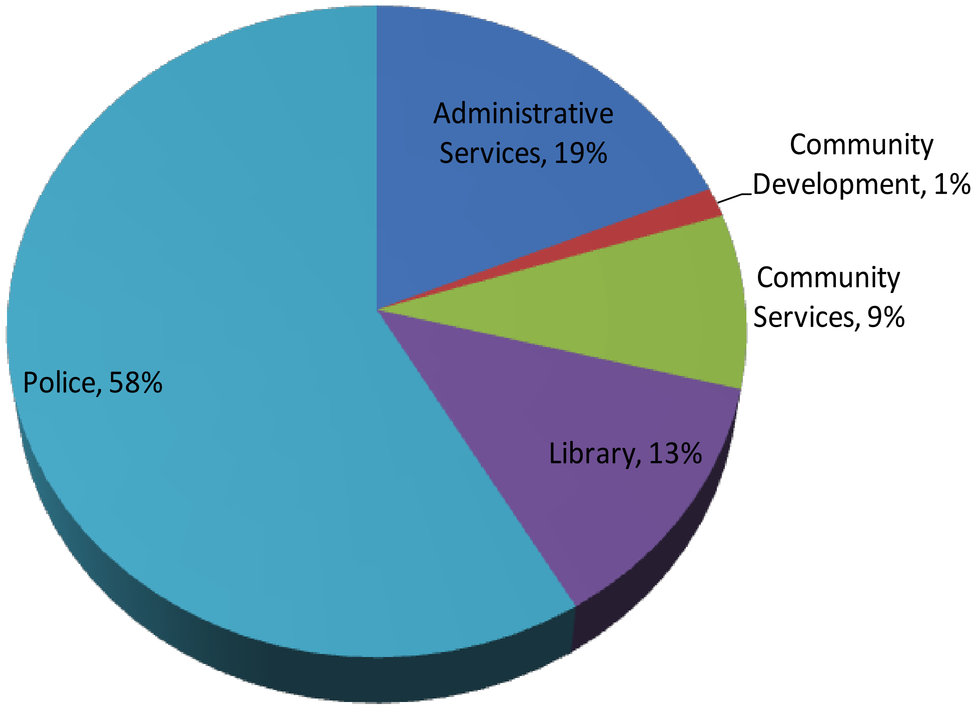
In total the Project would generate approximately $27,700 in annually recurring expenditures for the City General Fund, with the recurring annual expenditures for Alternatives 2 through 5 ranging from $11,700 to $29,900. As summarized in Table 22 and shown in Figure 4, these expenditures would be primarily for Police (58 percent) and Administrative Services (19 percent) with smaller amounts for Library (13 percent), Community Services (9 percent), and Community Development (1 percent).

**Table 22: Projected Menlo Park General Expenditures for Project, Alternatives**

| Expenditures | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| Administrative Services | $5,200 | $0 | $3,200 | $2,200 | $5,900 | $4,200 |
| Community Development | $400 | $0 | $200 | $200 | $400 | $300 |
| Community Services | $2,400 | $0 | $900 | $1,000 | $2,400 | $2,000 |
| Library | $3,500 | $0 | $200 | $1,500 | $2,800 | $2,800 |
| Police | $16,200 | $0 | $10,000 | $6,800 | $18,400 | $13,100 |
| **Total Expenditures** | **$27,700** | **$0** | **$14,500** | **$11,700** | **$29,900** | **$22,400** |

Sources: City of Menlo Park, Budget FY 2011-12; BAE, 2011.

## Figure 4: General Fund Annual Expenditures from Proposed Project



## Summary of Net Fiscal Impact

Table 23 shows a summary of the annually recurring net fiscal impact of the Project or Alternatives. As shown, the Project would generate approximately $37,900 per year in revenues for the City, including $19,000 from property tax revenues. By comparison, the Project would generate $27,700 in new costs for the City, including $16,200 of additional Police expenditures. Added together, the net fiscal impact of the Project would be an annual fiscal surplus for the City of $10,200 per year, representing approximately 0.03 percent of the City's FY 11-12 $37.4 million General Fund budget. The annual net fiscal impact for the Alternatives would range from $0 (Alternative 1) to $10,200 (Alternative 2).

**Table 23: Summary of Projected Menlo Park General Fund Net Fiscal Impacts**
**Figures in 2011 Dollars.**

| Projected Revenues | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| Sales Tax Revenue | $8,600 | $0 | $5,300 | $3,600 | $9,800 | $7,000 |
| Property Tax (City of Menlo Park share) | $19,000 | $0 | $8,600 | $6,400 | $14,600 | $15,400 |
| In-Lieu Vehicle License Fee | $4,500 | $0 | $2,000 | $1,500 | $3,500 | $3,700 |
| Property Transfer Tax | $1,500 | $0 | $700 | $500 | $1,100 | $1,200 |
| Utility User Tax | $800 | $0 | $1,900 | $300 | $1,700 | $800 |
| Business License | $0 | $0 | $4,000 | $0 | $2,000 | $0 |
| Fines and Franchise Fee Revenues | $3,500 | $0 | $2,200 | $1,500 | $4,000 | $2,900 |
| **Projected Revenues** | **$37,900** | **$0** | **$24,700** | **$13,800** | **$36,700** | **$31,000** |
| | | | | | | |
| **Projected Expenditures** | **Project** | **Alternative 1** | **Alternative 2** | **Alternative 3** | **Alternative 4** | **Alternative 5** |
| Administrative Services Department | $5,200 | $0 | $3,200 | $2,200 | $5,900 | $4,200 |
| Community Development Department | $400 | $0 | $200 | $200 | $400 | $300 |
| Community Services Department | $2,400 | $0 | $900 | $1,000 | $2,400 | $2,000 |
| Library | $3,500 | $0 | $200 | $1,500 | $2,800 | $2,800 |
| Police Department | $16,200 | $0 | $10,000 | $6,800 | $18,400 | $13,100 |
| **Projected Expenditures** | **$27,700** | **$0** | **$14,500** | **$11,700** | **$29,900** | **$22,400** |
| | | | | | | |
| **NET FISCAL SURPLUS/(DEFICIT)** | **$10,200** | **$0** | **$10,200** | **$2,100** | **$6,800** | **$8,600** |

Source: BAE, 2011.

# Special District Fiscal Impact Analysis

In addition to impacts to the City, the Project would generate fiscal impact to various special districts. The following section describes impacts to the Menlo Park Fire Protection District and affected school districts. Impacts to other special districts are also addressed in this section.

## Menlo Park Fire Protection District

The Menlo Park Fire Protection District services approximately 30 square miles, including the communities of Atherton, Menlo Park, East Palo Alto, and some unincorporated areas of San Mateo County. The District operates five fire stations in Menlo Park, one station in Atherton, and one station in East Palo Alto. Station 6, Oak Grove Avenue, is the closest fire station to the Project Site at a distance of 0.6 miles. Three firefighting personnel staff Station 6, which was completed in 1953. The Station houses Engine 77, a 1992 Pierce combination pumper, and is designated a wild land strike team engine to be deployed in the event of a wildfire.

The MPFPD is in the process of evaluating formal adoption of Standards of Coverage by its Board of Directors. The first step in this process is designating primary response routes. Once primary response routes are designated, the Board will consider the issue of Standards of Coverage. One of the purposes of this review is to tailor standards to the District's goals and policies. Industry standards (NFPA 1710 and ISO) will be considered.

The MPFPD is in the process of preparing an AB1600 nexus study to support the establishment of a Fire Services development impact fee. The impact fee study will be District-wide and satisfy the requirements of State law for establishment of a fee that would cover the cost of new equipment, station expansion, and other items (e.g., signal preemption) that arise from new development in the MPFPD's service area. While some of these needs and associated costs have been identified, others would be determined during the course of the nexus study. This fee could also include costs to cover increased personnel expenditures to meet increased service needs. The study will consider new revenues from future property tax growth in the MPFPD's service area, including any potential impacts of slower increases in future years. Since the amount of that impact fee is unknown at this time, its amount has not been included in the estimation of impact fees for this FIA.

The MPFPD considers the totality of circumstances in assessing future service needs caused by all new development within its boundaries, rather than on a project-by-project basis. These include the needs of the MPFPD to maintain current levels of service for existing development and projected growth, including, the need for new buildings, facilities, vehicles, equipment and personnel-related items.

The cost of improvements to existing fire stations is currently unfunded (a total of four of the seven stations need to be rebuilt, according to the MPFPD). It is anticipated that every new development would pay a new Fire Services impact fee, as determined by the upcoming nexus study, which would offset its fiscal impact to the District. However, individual projects may also present special needs that would not be included in the improvement program for the proposed impact fee, and that may be funded by a project separate from the impact fee.

Apart from any revenue generated by the proposed impact fee, the Project would generate increased revenues for the District primarily through property taxes and would trigger increased expenditures for the District in order to pay for providing services to additional residents and workers.

### *Revenues*

The major source of revenue for the Fire District is property taxes. In the FY 11-12 budget, property taxes comprise 91.9 percent of the District's projected revenues of $31.3 million. After accounting for the ERAF shift, the District receives 14.23 percent of the base one percent property tax for parcels located in the applicable Tax Rate Area. Based on the estimated increase in property values that would be generated by the Project, it is estimated that it would generate $26,700 in property taxes annually for the Fire District.

The District expects to generate $654,100 from licenses, permits, and service charges in FY 11-12. For purposes of this analysis, revenues from licenses, permits, and service charges are estimated on a per service population basis. Other revenues, including monies from intergovernmental transfers and use of money and property have been assumed not to change as a result of new development. Based on the estimated increase in service population from the Project, it is estimated that it would generate $300 per year in revenues from licenses, permits, and service charges.

### *Expenditures*

According to the FY 11-12 operating budget, the Fire District spends approximately $23.9 million providing services to its existing service population. Using the current service population and the District's budget generates current per service population expenditure estimate of $206. This estimate is then applied to the projected new service population resulting from the Project or Alternatives to estimate annual Fire District expenditures. Based on this methodology, the Project's service population increase of 62 persons would result in approximately $12,700 in annual Menlo Park Fire District operating expenses[11].

### *Net Impact*

As shown in Table 24, revenues related to the Project would exceed costs, leading to a net surplus to the District of $14,300 annually. Also presented below are revenues, expenditures and net impacts for the Alternatives, which would generate for Alternatives 2 through 5 a net annual fiscal surplus ranging from $3,800 to $11,600.

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[11] The same estimate of increased expenditures results from an alternate methodology of multiplying the Fire District's current ratio for fire safety personnel of 1.03 positions per 1,000 service population times the service population increase of 62 for the Project, and then multiplying that figure by the estimated $200,000 per year fully loaded cost per additional fire safety personnel.

## Table 24: Projected Fire District Impacts

| Assumptions | FY 2011- 2012 |
|---|---|
| Service Population | 116,245 |
| | |
| **Fire District Annual Revenues** | |
| Licenses, Permits, and Service Charges | $654,100 |
| **Total Fire District Revenues** (a) | **$654,100** |
| Licenses, Permits, Charges per Service Pop. | $5.63 |
| Share of One Percent Basic Property Tax | 14.23% |
| | |
| **Fire District Annual Expenditures** | **FY 2011- 2012** |
| Wages and Compensation | $20,179,900 |
| Overtime | $1,008,400 |
| Materials and Supplies | $434,400 |
| Contracts | $1,365,700 |
| Project Specific | $935,900 |
| **Total Expenditures** (b) | **$23,924,300** |
| Total Expenditures per Service Population | $206 |

| Projected Fiscal Impact | Project | Alt. 1 | Alt. 2 | Alt. 3 | Alt. 4 | Alt. 5 |
|---|---|---|---|---|---|---|
| New Service Population | 62 | 0 | 38 | 26 | 70 | 50 |
| | | | | | | |
| Projected Property Tax Revenues | $26,700 | $0 | $12,100 | $9,000 | $20,500 | $21,600 |
| Projected Licenses, Permits, Service Charges | $300 | $0 | $200 | $100 | $400 | $300 |
| **Projected Revenues** | $27,000 | $0 | $12,300 | $9,100 | $20,900 | $21,900 |
| Less Projected Costs | $12,700 | $0 | $7,800 | $5,300 | $14,400 | $10,300 |
| **Net Projected Fiscal Surplus/(Deficit)** | **$14,300** | **$0** | **$4,500** | **$3,800** | **$6,500** | **$11,600** |

Note:
(a) Does not include any other revenues that are not expected to increase with development.
(b) Does not include transfers that are not expected to increase with development.

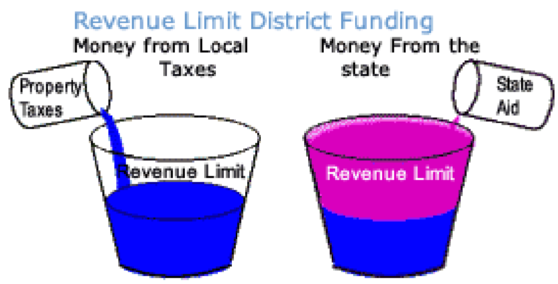
Sources: Menlo Park Fire District, 2010; BAE, 2011.

## School Districts

The Project site is located within the Menlo Park City Elementary School District and the Sequoia Union High School District, both of which are "Basic Aid Districts" and would therefore receive ongoing operating revenues from the Project. However, due to the complexities of the State's educational funding system, this is not typical of how development affects school finances, as explained in the following section.

Interviews with Menlo Park City Elementary School District staff and review of its Enrollment Projection Consultants 2009 report indicate that each new residential unit will generate 0.39 new City of Menlo Park Elementary School District students. Sequoia Union High School District staff indicate that each new residential unit will generate 0.2 new high school district students, resulting in nine new elementary/middle school students and five new high school students for the Project.[12]

### *Revenues*



Source: EdSource.org

*Revenue Limit Districts*

In California, a majority of public schools are subject to the "Revenue Limit," a per student amount determined by the State. Within Revenue Limit districts local property taxes are not sufficient to meet the State requirement. Hence, in Revenue Limit districts, local property taxes are supplemented with State funds in order to meet required per pupil funding levels. Within Revenue Limit districts, as local property tax revenues increase State funding is reduced by a commensurate amount, so that these districts do not realize increased revenues as property tax revenues increase.

Source: EdSource.org

*Basic Aid Districts*

By comparison, if local property taxes are sufficient to exceed the Revenue Limit established by the State, the district is considered a "Basic Aid" district and receives only minimal State funding, traditionally $120 per student per year. Within Basic Aid districts, as assessed property values increase, the district can keep additional property tax revenues. The distinction between Revenue Limit and Basic Aid districts is important as it determines whether a district can expect new operating revenues as a result of new development that increases the local property tax rolls.

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[12] This is within the range of impact identified in the *389 El Camino Real Project Draft EIR*, prepared by LSA Associates, August 2011.

Both the Sequoia High School District and Menlo Park City Elementary School District are Basic Aid districts, meaning that operating revenues are affected by increases in the property tax values within the district. This means that development of the Project would increase the local property tax base, resulting in an estimated increase in property tax revenues of approximately $31,800 per year for the Menlo Park City Elementary School District, and $29,800 per year for the Sequoia Union High School District. These estimates are based on the Menlo Park City Elementary School District receiving 16.97 percent of the base one percent property tax, and the Sequoia Union High School District receiving a 15.87 percent share of the base one percent property tax assessment for all properties within its jurisdiction.

Both school districts will continue to receive $120 per student in "Basic Aid" funding from the State, resulting in an increase in "Basic Aid" funds to both districts following development of the Project. For the Menlo Park City Elementary School District, the increase would total $1,080; for the Sequoia High School District, the increase would total $600.

#### *Parcel Taxes*

In addition to property tax allocations and Basic Aid funding, both school districts receive funding for operations through parcel taxes that are assessed on property that the districts serve. (This analysis excludes property tax rates that generate revenues for repayment of bond debt service associated with new school facilities, as those payments are fixed.) The Menlo Park Elementary School District currently receives $773.80 per parcel per year to fund various operational costs. The Project would create a total of two parcels, compared to five parcels under the current configuration of the site, with the per parcel formula resulting in a decrease in parcel tax revenue to the Menlo Park Elementary School District equal to approximately $2,300. Parcel taxes accruing to the Sequoia High School District equal $11.70 per dwelling unit per year, and are used to finance operation of recreational facilities. Since the Project would create 23 additional dwelling units on the site, the increase in parcel taxes to the Sequoia High School District would total approximately $270 per year.

### ***Expenditures***

Discussions with Menlo Park City Elementary School District staff indicate that local elementary and middle schools are presently at or beyond capacity, until implementation of the District's *Plan for Reconfiguration of the Elementary Schools* that is underway and funded by the Measure U bond measure approved by local voters in 2006 is completed[13]. High schools can absorb a small amount of new students[14]. State law (SB50) requires that development impact fees paid by new developments are considered to fully mitigate their facility impacts, and with payment of the development impact fees the addition of approximately 13 school aged children would not be considered to result in a significant impact to schools and mitigation would not be required.[15]

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[13] Ibid.

[14] Ibid.

[15] Ibid. Note that this includes one less student than calculated by BAE due to differences in assumptions in the housing values for new development as applied to the Menlo Park City Elementary School District's real estate value-based student generation model.

Using current average daily attendance rates and each District's current budget generates a current per student expenditure estimate for discretionary spending, these are $12,121 per student per year for the Menlo Park City Elementary School District, and $9,608 per student per year for the Sequoia Union High School District. These estimates are then applied to the projected number of new students resulting from the Project or Alternatives to estimate annual expenditures in each district. The Project would result in approximately $109,100 in annual City of Menlo Park Elementary School District operating expenses and $48,000 in annual Sequoia Union High School District expenditures.

### *Net Impact*

As Table 25 shows, the proposed Project or Alternatives would generate net fiscal deficits for both the Menlo Park City Elementary School District and Sequoia Union High School District. Deficits to the Menlo Park City Elementary School District would be approximately $78,500 annually, while the Sequoia Union High School District would have an annual deficit of approximately $17,300. For Alternatives 2 through 5, the net fiscal impact for the Menlo Park Elementary School District would range between an annual deficit of $27,700 to an annual surplus of $23,400 while for the Sequoia Union High School District, the net fiscal impact would range from a deficit of $8,900 to a surplus of $24,400. This range in the Alternatives reflects the differences between the relative amounts of new residential development that would house children of school age versus commercial development that does not generate school attendance.

This is an insignificant amount relative to the annual budgets of these districts (nearly $30 million for Menlo Park City Elementary and $70 million for Sequoia Union High), and is not unexpected for primarily residential projects, as opposed to mixed-use or commercial projects which generate fewer or no students while still generating increases in property tax revenues for the school district. Given the current annual per-student spending ($12,121), the District's average student generation rate per single-family home (0.39), and the property tax allocation of the base one percent property tax rate to the Menlo Park City Elementary School District (16.97%), a new single-family home would have to be valued at over $2.7 million dollars to generate sufficient property tax revenue to have a neutral net fiscal impact on the District. Due to the District's lower student generation rate per multifamily home (.12), a multifamily unit would have to be valued at approximately $850,000 to generate sufficient property tax revenue to have a neutral net fiscal impact on the District. It should be kept in mind that for each District as a whole, some projects will have negative net fiscal impacts (deficits) and others will generate positive net fiscal impacts (surpluses).

The finding of negative fiscal impacts to the school districts is thus the result of limiting the revenue generation analysis to the Project, rather than a fuller consideration of all future increases in revenues and expenditures from all uses within each District's boundaries. By comparison, BAE recently completed an analysis of the fiscal impact on the school districts that would result from the development described in the City's proposed El Camino Real/Downtown Specific Plan, which includes the Project Site. That analysis, which included consideration of all new commercial, mixed-use, and residential development in the Specific Plan area, found that both school districts would have a positive net fiscal benefit (surplus) from the total development described in the Plan, including both residential and commercial uses.

**Table 25: Projected School District Impacts**

| Assumptions | City Elementary School District | Sequoia Union High School District |
|---|---|---|
| **Annual Impacts** | | |
| Revenues | | |
| Share of One Percent Basic Property Tax | 16.97% | 15.87% |
| Parcel Taxes (a) | $773.80 | $11.70 |
| Expenditures | | |
| FY11-12 Budget | $29,938,117 | $69,851,632 |
| Projected Average Daily Attendance | 2,470 | 7,270 |
| Average Cost per Student | $12,121 | $9,608 |
| Student Generation Rate, per Single-Family Unit (b) | 0.39 | 0.20 |
| Student Generation Rate, per Multifamily Unit (b) | 0.12 | 0.09 |

| Projected Ongoing School District Impacts | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| Estimated Assessed Value | $18,752,096 | $0 | $8,469,596 | $6,315,096 | $14,401,596 | $15,154,096 |
| New Menlo Park City Elem. School Distr. Students | 9 | 0 | 0 | 3 | 2 | 0 |
| New Sequoia Union High School District Students | 5 | 0 | 0 | 2 | 2 | 0 |
| Net Change in Number of Dwelling Units | 23 | 0 | -1 | 8 | 18 | 22 |
| Net Change in Number of Parcels | -3 | 0 | -1 | -3 | -4 | -3 |
| **Menlo Park City Elementary School District** | | | | | | |
| Projected Annual Property Tax Revenues | $31,800 | $0 | $14,400 | $10,700 | $24,400 | $25,700 |
| State "Basic Aid" School District Funding (c) | $1,080 | $0 | $0 | $360 | $240 | $0 |
| Projected Change in Annual Parcel Tax Revenues | ($2,321) | $0 | ($774) | ($2,321) | ($3,095) | ($2,321) |
| *Total Revenues* | *$30,600* | *$0* | *$13,600* | *$8,700* | *$21,500* | *$23,400* |
| Less Projected Annual Expenditures | *$109,100* | *$0* | *$0* | *$36,400* | *$24,200* | *$0* |
| **Menlo Park City Elementary School District Projected Fiscal Surplus/(Deficit)** | **($78,500)** | **$0** | **$13,600** | **($27,700)** | **($2,700)** | **$23,400** |
| **Sequoia Union High School District** | | | | | | |
| Projected Annual Revenues | $29,800 | $0 | $13,400 | $10,000 | $22,900 | $24,100 |
| State "Basic Aid" School District Funding (c) | $600 | $0 | $0 | $240 | $240 | $0 |
| Projected Change in Annual Parcel Tax Revenues | $269 | $0 | ($12) | $94 | $211 | $257 |
| *Total Revenues* | *$30,700* | *$0* | *$13,400* | *$10,300* | *$23,400* | *$24,400* |
| Less Projected Annual Expenditures | *$48,000* | *$0* | *$0* | *$19,200* | *$19,200* | *$0* |
| **Sequoia Union High School District Projected Fiscal Surplus/(Deficit)** | **($17,300)** | **$0** | **$13,400** | **($8,900)** | **$4,200** | **$24,400** |

Notes:

(a) Parcel taxes for the Menlo Park City Elementary School District are charged on a per-parcel basis; parcel taxes for the Sequoia Union High School District are charged on a per-dwelling unit basis.

(b) Calculations based on housing product type provided in Project, Alternatives to provide a conservative student generation impact. Estimates for high school and elementary school generation rates from the Draft Environmental Impact Report (DEIR). The Menlo Park City Elementary School District figure for single-family unit student generation corresponds to the "Middle Value" generation figure shown in the DEIR.

(c) "Basic Aid" school district funding from the State provides $120 per student per year.

Sources: Menlo Park City Elementary School District, 2011; Sequoia Union High School District, 2011; LSA DEIR, 2011; BAE, 2011.

## Water and Sanitary Districts

### *Bear Gulch Water District*

The Bear Gulch Water District, which is part of the California Water Service Company (Cal Water), owns and operates the water distribution system that serves the 389 El Camino Real Site. The Bear Gulch Water District is a private firm that serves Portola Valley, Woodside, Atherton, and parts of Menlo Park and Redwood City. Since Cal Water is a private firm, and not a Special District, this analysis does not consider the impacts from new development.

### *West Bay Sanitary District*

The West Bay Sanitary District provides wastewater treatment services to areas in Menlo Park, Atherton, Portola Valley, East Palo Alto, Woodside, and unincorporated San Mateo County and Santa Clara County. The District owns and operates the South Bayside System Authority Regional Treatment Plant in San Carlos in conjunction with the cities of Redwood City, Belmont, and San Carlos. As the West Bay Sanitary District operates on a cost recovery basis, the Project and alternatives are not anticipated to have an ongoing fiscal impact on its budget.

## San Mateo County Community College District

The San Mateo County Community College District (SMCCCD) offers Associate in Arts and Science degrees and Certificates of Proficiency at three campuses. Collectively, Cañada College in Redwood City, College of San Mateo in the City of San Mateo, and Skyline College in San Bruno, serve more than 40,000 students each year.

### *Revenues*

A majority of General Fund revenues are derived from the Base Revenue, which is comprised of student enrollment fees, local property taxes, and a State apportionment. Base Revenue is determined by the State based on the district's enrollment.[16] For FY 11-12, SMCCCD's projected base revenue of $108.5 million or approximately $5,100 per Full-Time Equivalent Student (FTES). However, since SMCCCD is currently turning students away, and anticipates further reductions in the near future, this analysis assumes that new development cannot result in new student enrollment (although it might marginally increase the excess of demand for available enrollment). Thus, revenue projections are solely based on property tax revenue increases resulting from increases in assessed value.

### *Expenditures*

Since SMCCCD does not anticipate increasing its current workload, or accepting more students than it currently has, staff does not anticipate any increased expenditures resulting from new development. Due to state-level budget cuts, SMCCCD reduced its number of FTES by seven percent between FY 10-11 and FY 11-12, and anticipates additional reductions in future years. Thus, there will be no new expenditures resulting from the development of the proposed Project or

[16] Enrollment for revenue calculation purposes is measured in Full Time Equivalent Students (FTES). A FTES is equal to 15 course credits.

Alternatives.

### *Net Impact*

Shown in Table 26, the proposed Project or Alternatives would result in a net fiscal surplus for SMCCCD. Under the proposed Project, SMCCCD would receive approximately $12,900 in annual fiscal benefits.

**Table 26: Projected San Mateo County Community College District Impacts**

| **Assumptions** | **FY 2011-2012 Budget (a)** | | | | | |
|---|---|---|---|---|---|---|
| **Existing Student Population** | | | | | | |
| Total Existing Service Population | 900,486 | | | | | |
| Full Time Equivalent Student (FTES) (b) | 21,361 | | | | | |
| | | | | | | |
| **Revenues** | | | | | | |
| Non-Property Tax Base Revenue (c) | $51,768,883 | | | | | |
| Net Miscellaneous Student Fees (d) | $804,125 | | | | | |
| **Total Non-Property Tax Revenues** | **$52,573,008** | | | | | |
| Revenues per FTES | $2,461 | | | | | |
| Share of One-Percent Basic Property Tax | 6.89% | | | | | |
| | | | | | | |
| **Expenditures (e)** | | | | | | |
| Site Allocations | $90,922,719 | | | | | |
| Salaries and Benefits | $14,084,381 | | | | | |
| Staff Development / HR | $1,407,992 | | | | | |
| Technology | $1,141,333 | | | | | |
| Other | $7,781,430 | | | | | |
| **Total Expenditures** | **$115,337,855** | | | | | |
| Expenditures per FTES | $5,399 | | | | | |
| | | | | | | |
| **Projected Fiscal Impact** | **Project** | **Alternative 1** | **Alternative 2** | **Alternative 3** | **Alternative 4** | **Alternative 5** |
| New FTES (f) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | |
| Property Tax Revenues | $12,900 | $0 | $5,800 | $4,400 | $9,900 | $10,400 |
| Other Revenues | $0 | $0 | $0 | $0 | $0 | $0 |
| **Projected Revenues** | **$12,900** | **$0** | **$5,800** | **$4,400** | **$9,900** | **$10,400** |
| Less Projected Costs | $0 | $0 | $0 | $0 | $0 | $0 |
| **Net Projected Fiscal Surplus/(Deficit)** | **$12,900** | **$0** | **$5,800** | **$4,400** | **$9,900** | **$10,400** |

Notes:
(a) Budget for the Unrestricted General Fund, the district's operating fund. Other district funds are operated primarily on a cost recovery basis.
(b) FTES - Full Time Equivalent Student equals 525 class hours.
(c) Includes student enrollment fees, and state apportionment. Based on FY10-11 allocations.
(d) Does not include pay-for-fee revenues. Based on FY10-11 allocations.
(e) Does not include expenditures paid for by direct fees also excluded from revenues.
(f) The Community College is currently turning students away and does not plan to accept more students in the future.

Sources: San Mateo County Community College District, 2011; BAE 2011.

## Other Districts

Potential fiscal impacts to the Office of Education Special District, the Midpeninsula Regional Open Space District, and the Sequoia Healthcare District were also analyzed.

Local property taxes are a major revenue source for the County Office of Education, the Midpeninsula Regional Open Space District, and the Sequoia Healthcare District. Each district receives a share of the base one percent property tax. After accounting for the ERAF shift, the County Office of Education receives 3.59 percent of the base tax; the Open Space District and the Healthcare District receive 1.87 percent and 1.49 percent, respectively.

An average cost approach was used to determine additional expenditures each district would bear as a result of increased service population generated from the proposed Project or Alternatives. For each district, costs not anticipated to be impacted by growth have been subtracted from the total costs to derive a cost impacted by growth per service population unit. A discussion of each district and its expenditures is provided below.

### *County Office of Education Special District*

The San Mateo County Office of Education provides support for public schools throughout the County through instructional services, fiscal and operational services, and student services. The Office's instructional services include teacher support, educational technology, and professional development. The fiscal services division assists school districts with accounting, budgeting, payroll functions, and maintaining compliance. The County Office also operates Special Education programs for students with severe disabilities, Court and Community Schools for at-risk students, and career technical preparation programs for high school students.

*Revenues*

The District operates as a Revenue Limit District, meaning that increases in local property taxes do not translate into new District revenues. Office of Education staff indicates that the District receives approximately $150 per countywide enrolled student to provide oversight services to all of the districts. It receives other revenues for providing its special education and at-risk education services. However, staff indicated that while a portion of the students generated from the proposed Project would require these services, the number of students would be very small and would not significantly impact the District.[17]

*Costs*

According to the Office of Education, the total student enrollment in San Mateo County school districts is 94,500. The Office of Education's service population was defined as its student enrollment. The proposed Project or Alternatives would generate new students Countywide, with an annual central office cost per student of approximately $247.

[17] There are only 250 Special Education and at-risk students Countywide in 2011.

*Net Impact*

After receipt of new per student revenues, the District can anticipate receiving an annual net fiscal surplus of approximately $2,800 from the proposed Project. Table 27 shows the impacts to the Office of Education District.

**Table 27: County Office of Education Net Fiscal Impacts**

| Assumptions | FY 2011-2012 Budget |
|---|---|
| Total Existing Student Enrollment (a) | 94,500 |
| Student Generation Rate (b) | 0.59 |
| **Revenues** | |
| Revenues per Countywide Student (c) | $151 |
| **Expenditures** | |
| Salaries and Benefits | $15,645,742 |
| Books and supplies | $1,233,194 |
| Services and Operating Expenditures | $6,488,612 |
| **Total Expenditures** | **$23,367,548** |
| Expenditures Per Student | $247 |

| Projected Fiscal Impact | Project | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 | Alternative 5 |
|---|---|---|---|---|---|---|
| Estimated Number of Students | 16 | 2 | 2 | 7 | 13 | 15 |
| Property Tax Revenues | $6,700 | $0 | $3,000 | $2,300 | $5,200 | $5,400 |
| Less Projected Costs | $3,900 | $600 | $400 | $1,800 | $3,200 | $3,800 |
| **Net Projected Fiscal Surplus/(Deficit)** | **$2,800** | **($600)** | **$2,600** | **$500** | **$2,000** | **$1,600** |

Note:
(a) 2009-10 student enrollment in San Mateo County school districts, http://www.ed-data.k12.ca.us/welcome.asp
(b) Student generation rate is the sum of the Elementary and High School Districts' student generation rates.
(c) Does not include debt service costs that are not expected to increase with number of students.

Sources: San Mateo County Office of Education, 2010; BAE, 2011

### *Midpeninsula Regional Open Space District*

The Midpeninsula Regional Open Space District preserves open space and provides opportunities for low-intensity recreation and environmental education. The District covers an area of 550 square miles and consists of 17 cities, including the City of Menlo Park. To date, the Open Space District has preserved over 57,000 acres of open space and created 26 open space preserves, of which 24 are open to the public.

According to District staff, the Project would have minimal impact on the Open Space District. The District does not maintain a per capita service standard for the acreage of land preserved and it would not increase its land acquisition efforts as a direct result of the Project. In addition, the District's debt service expenditures would not increase due to development at the Project Site. These two expenditure categories were deducted from the District's total costs to derive the cost impacted by growth. In the FY 11-12 budget, costs impacted by growth total $15.2 million or $19 per service population unit. These costs include property management expenses, major projects, fund medical retirement, and operating expenses. After receiving its share of property tax revenues from new development and other miscellaneous revenues expected to increase due to the new service population, the proposed Project would result in an annual fiscal surplus of approximately $2,300. Table 28 shows the net fiscal impacts to the Midpeninsula Regional Open Space District.

**Table 28: Projected Mid-Peninsula Regional Open Space District Impacts**

| Assumptions | FY 2011-2012 Budget | | | | | |
|---|---|---|---|---|---|---|
| Existing Service Population | 794,064 | | | | | |
| | | | | | | |
| **Revenues** | | | | | | |
| Other Revenues (a) | $518,550 | | | | | |
| Other Revenues per Service Population | $0.65 | | | | | |
| Share of Basic 1% Property Tax | 1.87% | | | | | |
| | | | | | | |
| **Expenditures (b)** | | | | | | |
| Salaries and Benefits | $11,675,900 | | | | | |
| Services and Supplies | $3,562,722 | | | | | |
| **Total Expenditures** | **$15,238,622** | | | | | |
| Expenditures per Service Population | $19.19 | | | | | |
| **Projected Fiscal Impact** | **Project** | **Alternative 1** | **Alternative 2** | **Alternative 3** | **Alternative 4** | **Alternative 5** |
| New Service Population | 62 | 0 | 38 | 26 | 70 | 50 |
| | | | | | | |
| Property Tax Revenues | $3,500 | $0 | $1,600 | $1,200 | $2,700 | $2,800 |
| Other Revenues | $0 | $0 | $0 | $0 | $0 | $0 |
| **Projected Revenues** | **$3,500** | **$0** | **$1,600** | **$1,200** | **$2,700** | **$2,800** |
| Less Projected Costs | $1,200 | $0 | $700 | $500 | $1,300 | $1,000 |
| **Net Projected Fiscal Surplus/(Deficit)** | **$2,300** | **$0** | **$900** | **$700** | **$1,400** | **$1,800** |

Notes:
(a) Does not include property tax income or income that is not expected to increase with the service populations (i.e., grants, interest income, property management-rental income, and land donations.
(b) Does not include costs that are not expected to increase with service population (i.e., debt service, and fixed assets).

Sources: Midpeninsula Regional Open Space District, 2011; BAE, 2011

### *Sequoia Health Care District*

The Sequoia Healthcare District serves Redwood City, San Carlos, Belmont, Menlo Park, Woodside, Atherton, and Portola Valley. The Redwood City Council formed the District to operate the Sequoia Hospital, which opened in 1950. Today, the Healthcare District jointly governs the Hospital with Catholic Healthcare West, but is not actively involved in operating the Hospital.[18] The Healthcare District provides community grants, nursing education, and ongoing support for various long-term healthcare initiatives. The District is undergoing a strategic planning process to determine what other healthcare services it can directly or indirectly provide to offset service inadequacies within the District.

[18] In 1996, the Sequoia Hospital became a member of Catholic Healthcare West (CHW). CHW, a nonprofit organization, funds the operational costs of the Hospital primarily through hospital revenues; it does not receive any public funds.

According to the Sequoia Healthcare District, the District primarily serves its residents. Thus, the analysis estimated the costs on a per resident basis. Excluding expenses not expected to increase with new development (e.g., investment fees, etc.), the District spends approximately $15 per resident to provide health care services. After receiving its share of property tax revenues, it is estimated that the proposed Project would result in an annual fiscal surplus of approximately $1,900. Table 29 shows the net impact to the Sequoia Healthcare District.

**Table 29: Sequoia Healthcare District Net Fiscal Impacts**

| Assumptions | FY 2011-2012 Budget | | | | | |
|---|---|---|---|---|---|---|
| Existing Resident Population | 181,321 | | | | | |
| **Revenues** | | | | | | |
| Share of Basic 1% Property Tax | 1.49% | | | | | |
| **Expenditures** | | | | | | |
| Administrative Expenses | $124,100 | | | | | |
| Property Expenses | $47,000 | | | | | |
| Program Expenses | $2,580,000 | | | | | |
| **Total Expenditures (a)** | **$2,751,100** | | | | | |
| Cost Per Service Population | $15.17 | | | | | |
| **Projected Fiscal Impact** | **Project** | **Alternative 1** | **Alternative 2** | **Alternative 3** | **Alternative 4** | **Alternative 5** |
| New Residents | 62 | 0 | 4 | 26 | 50 | 49 |
| **Property Tax Revenues** | **$2,800** | **$0** | **$1,300** | **$900** | **$2,100** | **$2,300** |
| Less Projected Costs | $900 | $0 | $100 | $400 | $800 | $700 |
| **Net Projected Fiscal Surplus/(Deficit)** | **$1,900** | **$0** | **$1,200** | **$500** | **$1,300** | **$1,600** |

Note:
(a) Does not include Grant expenses, or administrative or property expenses not expected to increase with service population.

Sources: Sequoia Healthcare District, 2010; BAE, 2011.

# Conclusion

This FIA analyzes the potential annual fiscal impacts from the proposed Project at the 1.23 acre site located at 389 El Camino Real, to the City of Menlo Park's General Fund, and other special district budgets that service Menlo Park. The development analyzed includes the proposed Project, with 27 residential dwelling units that include townhouses and single-family detached units.

Alternatives identified in the Draft Environmental Impact Report were also evaluated, including: No Project (site remains "as is"); Baseline Zoning (three dwelling units and 23,000 square feet of commercial); Reduced Residential (12 dwelling units); Mixed-Use Development (22 condominiums and13,400 square feet of commercial space); and Senior Housing (26 dwelling units).

A fiscal impact methodology developed to evaluate proposed projects in Menlo Park was applied to both the new annual revenues and new annual expenditures that would affect the City's General Fund, as well as the budgets of special districts. The methodology estimates new service costs from the new service population associated with the Project or Alternatives (new residents plus one-half of new workers), applied to the current per person cost of providing those services. For certain items, additional analysis was conducted to develop a more detailed estimate. One time development impact fees and other facilities charges were also evaluated.

New revenue items that were evaluated include sales taxes; property taxes; in-lieu vehicle license fees; recurring property transfer taxes; utility users taxes; business license fees; and fine and franchise fee revenues. New City General Fund expenditures that were evaluated include administrative services; community development; community services; library; and police. Special district services expenditures that were evaluated include fire protection; schools; water and sanitary; community colleges; and open space.

The FIA findings for the City's General Fund are that the Project would have a generate a slight positive fiscal impact (surplus), while the Alternatives would range between no net impact and positive fiscal impacts, as shown below:

**Summary of Projected Menlo Park General Fund Net Fiscal Impacts**
**Figures in 2011 Dollars.**

| | | *Alternatives* | | | | |
|---|---|---|---|---|---|---|
| | Project | No Project | Baseline Zoning | Reduced Residential | Mixed-Use | Senior Housing |
| Projected Revenues | $37,900 | $0 | $24,700 | $13,800 | $36,700 | $31,000 |
| Projected Expenditures | $27,700 | $0 | $14,500 | $11,700 | $29,900 | $22,400 |
| **NET FISCAL SURPLUS/(DEFICIT)** | **$10,200** | **$0** | **$10,200** | **$2,100** | **$6,800** | **$8,600** |

Source: BAE, 2011.

All special districts would experience a positive net fiscal impact from the Project or Alternatives, except for the Menlo Park City Elementary School District and the Sequoia Union High School District. The Project would create a negative annual fiscal impact for the elementary school district of $78,500 per year, and a negative annual fiscal impact for the high school district of $17,300 per year. Alternatives ranged in whether they would create negative or positive net fiscal impact.

One-time payment of impact fees and capital facilities charges to the City and special districts (excluding a potential new fire protection development impact fee) would total approximately $1.1 million.

# Appendix A: ERAF Distribution of Property Tax

**Table A-1: ERAF Distribution of Property Tax Assessment by Jurisdiction**

| Jurisdictions | Pre-ERAF Distribution | ERAF Share | Base 1.0% Property Tax |
|---|---|---|---|
| City of Menlo Park | 12.22% | 16.97% | 10.15% |
| San Mateo County | 24.09% | 39.84% | 14.49% |
| Menlo Park City Elementary School District | 16.97% | 0.00% | 16.97% |
| Sequoia High School District | 15.87% | 0.00% | 15.87% |
| San Mateo Community College District | 6.89% | 0.00% | 6.89% |
| Menlo Park Fire District | 16.01% | 11.15% | 14.23% |
| San Fransquito Creek Flood Zone 2 | 0.23% | 16.20% | 0.20% |
| Midpeninsula Regional Open Space District | 1.87% | 0.00% | 1.87% |
| Bay Area Air Quality Management | 0.21% | 0.00% | 0.21% |
| County Harbor District | 0.36% | 22.37% | 0.28% |
| Mosquito Abatement | 0.20% | 15.90% | 0.16% |
| Sequoia Healthcare District | 1.49% | 0.00% | 1.49% |
| County Office of Education | 3.59% | 0.00% | 3.59% |
| ERAF Share of Base 1.0% Tax | | | 13.61% |
| | 100.00% | | 100.0% |
| | | | |
| **Supplemental Taxes** | | | **Tax Rate** |
| Menlo Park & Recreation Bond | | | 0.017% |
| Menlo Park City Elementary Bonds | | | 0.041% |
| Sequoia High School Bonds | | | 0.031% |
| San Mateo Community College Bonds | | | 0.019% |
| | | | |
| Total Property Tax Rate | | | 1.108% |

Sources: Santa Mateo County Controller, 2011; BAE 2011.

# Appendix B: Impact Fee and Facilities Charges Assumptions

The City and various special districts collect a variety of impact fees and capital facility charges to off-set impacts of new development. Below is a discussion of the assumptions and methodologies for estimating revenues from these sources. A schedule of fees and charges is also presented in Table B-1 on the following page.

The West Bay Sanitary District assesses a sewer connection charge based on the estimated volume of wastewater discharge per day. The District provides credit for the existing use and entitled wastewater discharge volume, requiring the developer to pay a connection fee based on the estimated net new discharge volume only. Based on the proposed development program, the West Bay Sanitary District estimates that it would charge a sewer connection fee of $4,289.20 for each residential unit, and $19.50 per gallon per day plus a flat fee of $585 for commercial uses. The District estimates that commercial uses would generate approximately 10 percent of its square footage in gallons per day of wastewater discharge. Discussions with District staff indicated that each unit would require a separate connection. The Project would be subject to $115,800 for sewer connections.

The City of Menlo Park collects recreation in-lieu, transportation, and below market rate housing impact fees based on the net new square footage of the development. The recreation in-lieu fee is $0.008 per unit times the value of land per acre. The transportation impact fee is calculated at $2,776.70 per single family dwelling unit; $1,704.34 per multifamily units; and $4.10 per square foot of retail space. The City also collects a building street repair fee of 0.58 percent of construction value to provide for roadway maintenance and repair related to damages caused by building construction activity. Below market rate housing fees of $7.87 per net new square foot for retail commercial development would be charged to the Alternatives that include retail commercial development. The City also charges a BMR housing in-lieu fee for fractions of affordable units not built. These fees are equal to three percent of the sale price of any fractions of unbuilt affordable units required. The unbuilt units are calculated as those that are “uncovered” by the provided BMR units, e.g. for a 26 unit project with three BMR units divided by the 15 percent requirement means there are 20 “covered units” and the in-lieu fee would be applied against the six “uncovered” units. City staff note that the BMR housing in-lieu fee will not be assessed on the Project due to the inclusion of affordable units in the development.

## Table B-1: Menlo Park Impact Fee Rates, Quantities for Project and Alternatives

| | | | QUANTITY PER ALTERNATIVE | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Impact Fees and Facility Charges** | **Rate** | **Unit** | **Project** | **Alternative 1** | **Alternative 2** | **Alternative 3** | **Alternative 4** | **Alternative 5** |
| Sewer Connection Fee | | | | | | | | |
| Residential | $4,289.20 | unit | 27 | 0 | 3 | 12 | 22 | 26 |
| Retail | $19.50 | Per Gallon per Day +$585 | 0 | 0 | 2,300 | 0 | 1,340 | 0 |
| Storm Drainge Connection Fee | | | | | | | | |
| Multifamily/SFR Common Lot Resid'l | $150.00 | Per Unit | 9 | 0 | 0 | 7 | 22 | 26 |
| Single Family (Fee Simple Lot) | $450.00 | Per Lot | 18 | 0 | 3 | 5 | 0 | 0 |
| Retail | $0.24 | Per Sq. Ft. of Impervious Surface | 0 | 0 | 23,000 | 0 | 13,400 | 0 |
| Recreation In-Lieu Fee | | | | | | | | |
| Residential | $0.008 | Net # of New Units x | 23 | 0 | 0 | 8 | 18 | 22 |
| | | value of land/acre (c) | $4,000,000 | $4,000,000 | $4,000,000 | $4,000,000 | $4,000,000 | $4,000,000 |
| Transportation Impact Fee | | | | | | | | |
| Residential - Single Family Unit | $2,776.70 | Net Dwelling Unit | 8 | 0 | 2 | 4 | (1) | (1) |
| Residential - Multifamiliy Unit | $1,704.34 | Net Dwelling Unit | 15 | 0 | (3) | 4 | 19 | 23 |
| Retail | $4.10 | Net New Sq. Ft. | 0 | 0 | 23,000 | 0 | 13,400 | 0 |
| BMR Housing In-Lieu Fee | | | | | | | | |
| Residential | 3% | of the sale price of fractional affordable housing units (a) | N/A (b) | $0 | $0 | $135,000 | $42,000 | $144,000 |
| Commercial | $7.87 | per sf | 0 | 0 | 23,000 | 0 | 13,400 | 0 |
| Building Street Repair Fee | 0.58% | Construction Value | $8,995,400 | $0 | $4,906,600 | $3,176,600 | $8,000,000 | $5,400,000 |
| Menlo Park City Elem. School Distr. | | | | | | | | |
| Residential | $1.782 | Net New Sq. Ft. | 44,977 | 0 | 1,533 | 15,883 | 26,600 | 27,000 |
| Commercial | $0.282 | Net New Sq. Ft. | 0 | 0 | 23,000 | 0 | 13,400 | 0 |
| Sequoia High School District | | | | | | | | |
| Residential | $1.188 | Net New Sq. Ft. | 44,977 | 0 | 1,533 | 15,883 | 26,600 | 27,000 |
| Commercial | $0.188 | Net New Sq. Ft. | 0 | 0 | 23,000 | 0 | 13,400 | 0 |
| **Construction Value of Alternatives** | | | **Project** | **Alternative 1** | **Alternative 2** | **Alternative 3** | **Alternative 4** | **Alternative 5** |
| Floor Area | | | | | | | | |
| Residential | | | 44,977 | 0 | 1,533 | 15,883 | 26,600 | 27,000 |
| Retail | | | 0 | 0 | 23,000 | 0 | 13,400 | 0 |
| Total | | | 44,977 | 0 | 24,533 | 15,883 | 40,000 | 27,000 |
| Construction Value (d) | | | $8,995,400 | $0 | $4,906,600 | $3,176,600 | $8,000,000 | $5,400,000 |

Notes:

(a) Even with affordable units provided, the 15 percent requirement results in fractional units that are not built. The number of "uncovered" units above the provided below market rates units (e.g. 3 BMR units divided by 15% = 20 "covered" units) generate in-lieu fees equal to three percent of market rate sale prices.

| | Project | Alt. 1 | Alt. 2 | Alt. 3 | Alt. 4 | Alt. 5 |
|---|---|---|---|---|---|---|
| **Total Housing Units** | | | | | | |
| Single Family Detached | 9 | 1 | 3 | 5 | 0 | 0 |
| Townhouse | 18 | 0 | 0 | 7 | 0 | 26 |
| Multifamily | 0 | 3 | 0 | 0 | 22 | 0 |
| Total | 27 | 4 | 3 | 12 | 22 | 26 |
| BMR Requirement (15%) | 3.9 | 0 | 0 | 1.8 | 3.3 | 3.9 |
| **BMR Units to be Built (Qualifying for Density Bonus)** | | | | | | |
| Mod. Income (110% AMI) | 3 | 0 | 0 | 1 | 3 | 3 |
| **In-Lieu Payments on Unbuilt Fractions of Units** | | | | | | |
| "Uncovered" Units | N/A (b) | 0 | 0 | 5 | 2 | 6 |
| In-Lieu Fee per Unit | $27,000 | $0 | $0 | $27,000 | $21,000 | $24,000 |
| **Project In-Lieu Fee** | N/A (b) | **$0** | **$0** | **$135,000** | **$42,000** | **$144,000** |

(b) Per Menlo Park City Staff, BMR Housing In-Lieu Fee will not apply to the Project because the Project is providing three units that will be affordable to low-income households.

(c) City of Menlo Park Staff use $4,000,000 per acre for the current market value of land in the project area.

(d) Assumes average $200 per square foot for residential and commercial construction costs.

Sources: Matteson Development Partners; City of Menlo Park; West Bay Sanitary District; Sequoia Union High School District; Menlo Park City School District; Menlo Park BMR Housing Program; BAE, 2011.

# Appendix C: Key Personnel Contacted

Below is a list of key personnel contacted at the City of Menlo Park, Santa Clara County, and the various affected districts. These people provided information for the preceding analysis through phone calls, and/or email correspondence.

**Table C-1: Contacts**

| City of Menlo Park Department | Position | Name |
|---|---|---|
| Community Services Department | Housing Manager | Douglas Frederick |
| Finance | Finance Director | Carol Augustine |
| Public Works | Public Works Director/Deputy City Manager | Kent Steffens |
| Library | Library Director | Sue Holmer |
| Community Development Department | Community Development Director | Arlinda Heineck |
| Community Services Department | Community Services Director | Cherise Brandell |
| Community Services Department | Community Services Manager Recreation | Katrina Whiteaker |
| Police | Commander | Lacey Burt |
| **Special District** | **Position** | **Name** |
| Menlo Park City Elementary School District | Chief Business Official | Diane White |
| Sequoia Union High School District | Controller | Martin Fuentes |
| San Mateo County Office of Education | Administrator for Board Support and Community Relations | Nancy Magee |
| San Mateo County Community College District | Chief Financial Officer | Kathy Blackwood |
| San Mateo County Community College District | Budget Officer | Rachelle Minong |
| Bear Gulch Water District | District Manager | Tony Carrasco |
| West Bay Sanitation District | District Manager | Phil Scott |
| Fire District | Fire Chief | Harold Schapelhouman |
| Fire District | Division Chief | Geoffrey Aus |
| Fire District | Accounting Technician | John Hitchcock |

Source: BAE, 2011.