

bae urban economics

ConnectMenlo

Fiscal Impact Analysis

September 7, 2016

Summary of Findings

This Fiscal Impact Analysis (FIA) presents the findings by BAE Urban Economics (BAE), a consultant hired by the City of Menlo Park, regarding the fiscal impacts of the proposed General Plan Update (Land Use and Circulation Elements) and M-2 Area Zoning Update, together known as ConnectMenlo (the Project). The Project consists of up to four million square feet of nonresidential development, 425 hotel rooms, and 5,500 residential units, generating an increase of approximately 14,150 new residents and 9,900 new employees. The FIA also analyzes a Reduced Non-Residential Intensity Alternative and a Reduced Intensity Alternative.

The FIA addresses the net increase in revenues and expenditures and resulting net fiscal impact of the Project for the:

- City of Menlo Park General Fund,
- Menlo Park Fire Protection District,
- School districts that serve the project area, and
- Other special districts serving the area.

Selected FIA findings are summarized in the following table (other special districts are not included below because of the negligible fiscal impact or benefits they would experience; information on the fiscal impact they would experience is presented in Appendix B of this FIA).

Selected Net Fiscal Impact Findings for the Project at Buildout in 2040

All figures in 2015 dollars

Jurisdiction	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
City of Menlo Park	\$9,006,729	\$5,559,929	\$7,327,236
Special Districts			
Menlo Park Fire Protection District	\$2,790,661	\$1,874,558	\$2,373,861
Sequoia Union High School District	(\$5,484,300)	(\$6,989,900)	(\$4,083,800)
Ravenswood Elementary School District	N/A	N/A	N/A
Redwood City Elementary School District	N/A	N/A	N/A
Las Lomas Elementary School District	(\$794,700)	(\$794,700)	(\$794,700)
Menlo Park City Elementary School District	(\$4,539,900)	(\$4,539,900)	(\$4,539,900)

- The Ravenswood and Redwood City Elementary School Districts are revenue limit districts, so all new property tax revenues offset payments to the Districts by the State, and do not result in increased revenue to the Districts.

- See report for explanation of Project and Alternatives, methodologies, and limiting conditions.

Source: BAE, 2015.

As shown above, the FIA estimates that the Project and both Alternatives would result in a net positive annual fiscal impact to the City of Menlo Park and the Menlo Park Fire Protection District, and a net negative fiscal impact to the Sequoia Union High School District, Las Lomas Elementary School District, and Menlo Park City Elementary School District. There would be no net fiscal impact

to the Ravenswood Elementary School District and the Redwood City School District because both are revenue limit districts. The City's General Fund would receive an estimated annual net positive fiscal impact of \$9.0 million from the Project.

Report Organization

The FIA report on the following pages provides a fuller description of the Project, the methodology and analysis used to determine these findings, and discussion of limiting conditions.

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INTRODUCTION

New development brings increased demands on local government services and infrastructure, but also generates new revenues for local government through additional taxes and fees. A fiscal impact analysis describes a systematic approach to analysis of these increased expenditures and revenues in order to evaluate whether proposed new development would generate sufficient new fiscal revenues to cover new fiscal costs associated with provision of public services.

The City of Menlo Park (City) retained BAE Urban Economics (BAE) to conduct a Fiscal Impact Analysis (FIA) for the proposed General Plan Update (Land Use and Circulation Elements) and M-2 Area Zoning Update, together known as ConnectMenlo (the Project). As discussed in the Draft Environmental Impact Report (DEIR) for the Project, the General Plan Land Use Element provides a policy framework to guide the type and scale of development that may occur in Menlo Park over the next 24 years (2016-2040). Land use changes proposed in the General Plan Update and implemented by the Zoning Update, are focused in the M-2 Area of the City. The M-2 Area comprises the northern-most portion of Menlo Park, and is generally bounded by San Francisco Bay to the north; Redwood City to the west; East Palo Alto to the southeast; and the Menlo Park neighborhoods of Belle Haven, Flood Triangle, Suburban Park, and Lorelei Manor to the south.

This FIA estimates the fiscal impacts of full buildout of the Project. The baseline condition use in this FIA is the existing development built on the ground plus planned and reasonably foreseeable projects (i.e., pending applications, recently approved, or under construction). The FIA addresses the fiscal impact to the City's General Fund from the Project as well as the fiscal impact to special districts that provide services to residents and businesses in Menlo Park. The following sections of the FIA address a series of revenue and expense topics in turn, outline the methodology used for the FIA, and present the findings from the analysis. The appendices contain additional technical information on selected topics.

FISCAL IMPACT METHODOLOGY

The objective of any fiscal impact analysis is the projection of changes in public revenues and costs associated with development of a project. This FIA examines the potential impact that the proposed new development would have on revenues and expenditures accruing to the City's General Fund and the following affected special districts:

- Menlo Park Fire Protection District
- Menlo Park Municipal Water District
- West Bay Sanitary District
- Ravenswood City Elementary School District
- Redwood City Elementary School District
- Sequoia Union High School District
- San Mateo County Office of Education Special District
- San Mateo County Community College District
- Midpeninsula Regional Open Space District
- Sequoia Healthcare District

This analysis focuses on impacts to the City's 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 City's 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 FIA, except as otherwise noted in the text, the annual ongoing fiscal impact of the Project is described in constant 2015 dollars, based on the future point in time when the Project would be fully built out, which is assumed to be in year 2040. In addition, this FIA provides an inflation-adjusted annual projection of fiscal impact through 2040 to describe year-by-year fiscal impacts that could result from the Project.

Throughout this FIA, all revenue and expenditure estimates presented in tables are rounded to the nearest \$100 increment. The data and other inputs that are used to calculate revenue and expenditure estimates are not rounded.

Service Population

The cost of providing government services is often based on the number of persons served. In general, as the "service population" increases, there is a need to hire additional public safety and other government employees, as well as a need to increase spending on equipment and supply budgets.

Accepted practice in fiscal impact analysis is to define the service population as 100 percent of residents residing within a jurisdiction plus one third of the employees who work within the jurisdiction. Calculating service population in this manner is intended to reflect that while local employment contributes to a jurisdiction's daytime population, thereby increasing demands for governmental services, the residential population typically generates a larger share of demand for services and is located within the jurisdiction for a longer portion of each day.

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, such as estimation of the increase in revenue or costs directly attributable to a project. Where other methodologies are used for specific revenues, such as property taxes, these are explained in the relevant sections. Shown in Table 1 are the service populations for Menlo Park, the County, and relevant special districts.

Table 1: Existing Service Population, 2015

<u>Jurisdiction</u>	2015 <u>Residents (a)</u>	2015 <u>Employment (b)</u>
Menlo Park	33,273	31,552
Menlo Park Fire Protection District (c)	87,980	41,150
San Mateo County	753,123	387,483
Midpeninsula Regional Open Space District (d)	658,511	448,296
Sequoia Healthcare District (f)	220,000	N/A

<u>Jurisdiction</u>	2015 Service <u>Population (e)</u>
Menlo Park	43,790
Menlo Park Fire Protection District	101,697
San Mateo County	882,284
Mid Peninsula Open Space District	807,943
Sequoia Healthcare District (f)	220,000

Notes:

(a) Population estimates for Menlo Park, San Mateo County, the Midpeninsula Regional Open Space District, and the Sequoia Healthcare District per CA Dept. of Finance, 2015. Population estimate for the Menlo Park Fire Protection District provided by the Fire District based on analysis from Seifel Consulting.

(b) Employment estimates for Menlo Park, the Midpeninsula Regional Open Space District, and the Sequoia Healthcare District per ACS, 2010-2014. Employment estimates for San Mateo County per ACS, 2014. All employment figures assumed to be within the margin of error for 2015.

(c) The Menlo Park Fire Protection District serves Atherton, East Palo Alto, Menlo Park, portions of unincorporated San Mateo County and some Federal facilities. Population and employment figures for the District are based on analysis by Seifel Consulting for the draft 2015 MPFPD Impact Fee Nexus Study.

(d) Midpeninsula Open Space District includes Atherton, Cupertino, East Palo Alto, Half Moon Bay, Los Altos, Los Altos Hills, Los Gatos, Menlo Park, Monte Sereno, Mountain View, Palo Alto, Portola Valley, Redwood City, San Carlos, Saratoga, Sunnyvale, and Woodside.

(e) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population for this analysis, each employee is multiplied by 1/3.

(f) The Sequoia Healthcare District serves Atherton, Belmont, Redwood City, Portola Valley, San Carlos, Woodside, and portions of Menlo Park, Foster City, and San Mateo. District population estimate per the Sequoia Healthcare District website. Employment figures not calculated because the District primarily serves residents rather than workers.

Sources: U.S. Census ACS 2010-2014; California State Department of Finance, 2015; Seifel Consulting Inc., 2015; Sequoia Healthcare District, 2015; BAE, 2016.

Revenue Items

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

Except as noted, all revenue figures are presented in constant 2015 dollars in order to facilitate comparisons.

Expenditure Items

Expenditure estimates are based on one of two estimation methods. Where practical, specific incremental 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. Representatives of City departments, including the Community Services, Library, and Police departments, as well as representatives of the special districts providing fire protection and other services were provided with questionnaires as part of the EIR process, which were used to determine whether marginal cost estimates could be reasonably calculated. BAE also relied on prior fiscal analysis experience with the City of Menlo Park to evaluate the potential impacts of new development on various City departments and special districts.

In cases where it was impractical to identify specific marginal costs, an “average cost” method was used to calculate the impact to public service costs. Calculation of average costs involves the calculation of unit costs on a per service population basis, such as the cost to provide recreation programs and other services in Menlo Park through the Community Services Department. This unit cost is calculated by dividing the entire Community Services Department budget by the jurisdiction’s current service population. The unit cost is then applied to an estimate of the increase in service population projected from new development. Detailed information regarding expenditure estimation methodologies is provided in each of the relevant sections below.

All expenditure figures are presented in constant 2015 dollars, except as noted, in order to facilitate comparisons.

REPORT ORGANIZATION

This report is organized into the following sections:

- ***Development Program Overview.*** This section provides an overview of the Project.
- ***City's General Fund Fiscal Impact Analysis.*** This section provides an 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 the City's revenues.
 - *General Fund Expenditures.* This section describes methodologies for estimating expenditures and provides a detailed, department-by-department estimate of the City's 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's General Fund resulting from the Project by comparing the findings of the two preceding sections.
 - *24-Year Projection.* This section presents the year-by-year and total net fiscal impact of the Project across a 24-year period (2016-2040), expressed in nominal dollars adjusted for inflation, along with a net present value calculation in constant 2015 dollars.
- ***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 Project.

DEVELOPMENT PROGRAM OVERVIEW

The Project analyzed in this FIA and the DEIR consists of the proposed General Plan Update (Land Use and Circulation Elements) and M-2 Area Zoning Update, together known as ConnectMenlo. This FIA estimates the fiscal impacts of the full buildout that would be possible due to the Project, using the existing development built on the ground plus planned and reasonably foreseeable projects (i.e., pending applications, recently approved, or under construction) as the baseline condition.¹ The Project includes both the remaining development potential under the City's current General Plan, which includes development potential in the M-2 area and in the remainder of the City, and the additional development potential that would be allowable with adoption of ConnectMenlo, which would occur in the M-2 area only. The DEIR also analyzes a Reduced Non-Residential Intensity Alternative and a Reduced Intensity Alternative, which are also analyzed in the FIA. The development programs for the Project and both alternatives are shown in Table 2.

This section provides an overview of the type and quantity of development analyzed in this FIA. It should be noted that all figures presented in this section are estimates representing a conceptual development program that could result from the Project or the Alternatives. The development programs outlined below are based on an in-depth analysis conducted by City staff and the consultant team to identify the likely mix of uses that would result from ConnectMenlo and the existing General Plan. However, the specific mix of uses presented in this analysis is not proscriptive, and the actual mix of uses resulting from the Project or Alternatives could differ from the development programs presented below, particularly for non-residential uses.

Project Development Program

According to the DEIR, the Project totals 1.6 million square feet of office, 2.1 million square feet of life sciences uses, 282,000 square feet of commercial uses, 425 hotel rooms, and 5,500 multifamily residential units, as shown in Table 2.² The majority of this development would occur in the M-2 area. Of the total development included in the Project, the increment that exceeds the development potential under the City's current General Plan consists of 2.3 million square feet of non-residential uses, 4,500 residential units, and 400 hotel rooms, all of which would be located in the M-2 area.

¹ This FIA does not analyze the impacts of the proposed Facebook campus expansion, which has been analyzed in a separate FIA.

² For the purpose of the FIA, all 200,000 square feet of commercial development are assumed to be comprised of a mix of retail uses.

As discussed in the ConnectMenlo DEIR, future residential units in the M-2 area are expected to consist of a mix of multifamily units and corporate housing for Facebook employees. Outside of the M-2 area, residential development is expected to consist of multifamily units and single-family units developed as second units on lots where single-family units currently exist. The FIA assumes that 25 percent of new residential units (1,375 units) would be for-sale housing, and the remaining 75 percent (4,125 units) would be rental units. The assumed ratio of for-sale to rental units reflects recent trends in multifamily residential development in Menlo Park and neighboring communities, which have generally demonstrated a robust multifamily rental market and a somewhat more moderate market for condominiums.

Alternative Development Programs

Compared to the Project, the Reduced Non-Residential Intensity Alternative and the Reduced Intensity Alternative show a smaller increment of development in excess of the remaining development potential under the Current General Plan. Similar to the Project, both alternatives include the remaining full development potential under the City's current General Plan.

Reduced Non-Residential Intensity Alternative

Under the Reduced Non-Residential Intensity Alternative, the increment of non-residential development in excess of the development potential from the current General Plan would be reduced by approximately half. The increment would decrease from 2.3 million square feet of non-residential uses and 400 hotel rooms under the Project to 1.2 million square feet of non-residential uses and 200 hotel rooms under the Reduced Non-Residential Intensity Alternative. The FIA assumes that the reduction in non-residential square footage would be proportional across office, life sciences, and commercial uses. The quantity of residential development would be the same as under the Project.

Reduced Intensity Alternative

Under the Reduced Intensity Alternative, the increment of all development in excess of the development potential from the current General Plan would be reduced by 25 percent. This reduction results in an increment totaling 1.7 million square feet of non-residential uses, 300 hotel rooms, and 3,375 residential units in excess of the development allowed under the current General Plan. The FIA assumes that the reduction in non-residential square footage would be proportional across office, life sciences, and commercial uses.

Table 2: Development Program at Full Buildout

Project	Proposed	Current General Plan (b)		Total Project
	M-2 Area (a)	M-2 Area	Remainder of City	
Total Non-Residential sq. ft.	2,300,000	1,360,000	342,000	4,002,000
Office	700,000	585,000	335,000	1,620,000
Life Sciences	1,400,000	700,000	-	2,100,000
Retail	200,000	75,000	7,000	282,000
Hotel Rooms (c)	400	-	25	425
Residential Units (d)	4,500	150	850	5,500
Rental Units	3,375	113	638	4,125
Condominiums	1,125	38	213	1,375
Reduced Non-Residential Intensity Alternative				
Total Non-Residential sq. ft. (e)	1,200,000	1,360,000	341,900	2,901,900
Office	365,217	585,000	334,900	1,285,117
Life Sciences	730,435	700,000	-	1,430,435
Retail	104,348	75,000	7,000	186,348
Hotel Rooms (c)	200	-	25	225
Residential Units (d)	4,500	150	850	5,500
Rental Units	3,375	113	638	4,125
Condominiums	1,125	38	213	1,375
Reduced Intensity Alternative				
Total Non-Residential sq. ft. (e)	1,700,000	1,360,000	341,600	3,401,600
Office	517,391	585,000	334,900	1,437,291
Life Sciences	1,034,783	700,000	-	1,734,783
Retail	147,826	75,000	6,700	229,526
Hotel Rooms (c)	300	-	25	325
Residential Units (d)	3,375	150	850	4,375
Rental Units	2,531	113	638	3,281
Condominiums	844	38	213	1,094

Notes:

(a) The Proposed Bayfront Area development potential represents increased development potential for the Bayfront Area only, but does not include the Facebook Campus Expansion Project.

(b) This represents what could be built if the proposed project were not approved, which is the ongoing development potential of the "No Project" condition discussed in Chapter 5 of the DEIR. The figures do not include the Facebook Campus Expansion project.

(c) An unknown number of additional hotel rooms could be proposed under the current General Plan. This analysis assumes that no hotels would be built in the M-2 Area under the current General Plan and that hotel rooms in the remainder of the City would consist of a small boutique hotel (approx. 13,000 sq. ft.) in the El Camino Real/Downtown Specific Plan Area. Alternatively, the net increase in hotel rooms and hotel square footage in the remainder of the City could result from demolition and redevelopment of existing hotels. Hotel square footage in the M-2 and remainder of the City is not included in non-residential square feet.

(d) Residential units proposed in the M-2 Area would include multi-family units and corporate housing. Residential units proposed throughout the remainder of the city could include multi-family units and single-family units developed as second units where single-family units currently exist.

(e) Total proposed M-2 Area non-residential square footage for each alternative is from the DEIR. The FIA assumes that office, life sciences, and retail development will each account for the same proportion of total non-residential square footage in the each of the alternatives as in the Project.

Sources: PlaceWorks, 2015; City of Menlo Park, 2016; BAE, 2016.

Population Increase

The DEIR estimates that the Project and the Reduced Non-Residential Intensity Alternative would generate 14,150 net new Menlo Park residents. The Reduced Intensity Alternative would generate 11,258 net new Menlo Park residents.

In total, the DEIR estimates that the Project would result in a maximum Citywide population of 50,350 residents by 2040, up from 32,900 residents in 2015.³ The Reduced Non-Residential Intensity Alternative would generate the same number of residents as the Project, and therefore would also result in the same maximum Citywide population. The Reduced Intensity Alternative would result in a Citywide population of approximately 47,460 residents.

Employment Generation

The DEIR estimates that the Project would generate 9,900 net new employees in the City, while the Reduced Non-Residential Intensity Alternative would result in 7,150 net new employees and the Reduced Intensity Alternative would result in 8,525 net new employees. As shown in Table 3, this results in a net increase of 3,300 service population members from new employment under the Project, 2,383 service population members from employment under Reduced Non-Residential Intensity Alternative, and 2,842 service population members from employment under the Reduced Intensity Alternative.⁴

The DEIR estimates that Citywide employment would increase from 30,900 in 2015 to 53,250 in 2040 as a result of implementation of the Project.⁵ The Reduced Non-Residential Intensity Alternative would result in 50,500 employees Citywide and the Reduced Intensity Alternative would result in 51,875 employees Citywide.

³ The DEIR and FIA rely on different data sources to estimate the 2015 population in Menlo Park, resulting in slightly different estimates in the DEIR than in Table 1 of the FIA.

⁴ As discussed in the methodology section, each new employee is counted as an increase in service population of one-third.

⁵ The DEIR and FIA rely on different data sources to estimate the 2015 employment in Menlo Park, resulting in slightly different estimates in the DEIR than in Table 1 of the FIA.

Table 3: Projected Change to Menlo Park Service Population at Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net New Service Population (a)	17,450	16,533	14,100
Net New Service Population from Employees (a)	3,300	2,383	2,842
Net New Service Population from Residents (a)	14,150	14,150	11,258
New Employees (b)	9,900	7,150	8,525
New Residents (b)	14,150	14,150	11,258

Notes:

(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, employees are multiplied by 1/3.

(b) Net increase in employees and residents based on the ConnectMenlo DEIR.

Sources: PlaceWorks, 2015; BAE, 2016.

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 the methodology for calculating these revenues and provides an estimate of revenues that would be generated by the Project.

Sales and Use Tax

According to the State Board of Equalization (SBOE), the City receives sales tax revenues equal to 0.95 percent of local taxable expenditures that occur within the City limits. Although the Bradley-Burns Local Sales and Use Tax specifies that one percent of the total sales tax is distributed to the local jurisdiction, cities within many California counties, including San Mateo County, share five percent of sales tax revenues with the county government to cover administrative and other costs, retaining 95 percent of the one percent sales tax, or 0.95 percent of total taxable sales, for themselves. Sales tax revenues associated with the Project would be expected to accrue from new residents' and employees' taxable retail spending at Menlo Park retailers as well as business-to-business taxable transactions resulting from new Menlo Park businesses that are accommodated through the Project.

The Project would include a net increase in retail space. The new retail space is expected to consist primarily of neighborhood-serving retail uses, supported at least in part by the net increase in residents and workers in the M-2 area. The FIA does not include an estimate of sales tax revenue from new retail space that would be included as part of the Project. Because the FIA calculates sales tax revenue from residents' and employee's spending, the FIA does not separately calculate revenues from new retail space to avoid double-counting these revenues.

Sales Tax Revenues from New Residents' Spending

According to the SBOE, in 2013 taxable expenditures were \$14,035 per person in Menlo Park and \$13,227 per person throughout San Mateo and Santa Clara County.⁶ Although overall per capita spending in Menlo Park was similar to spending throughout San Mateo and Santa Clara County, the SBOE data demonstrates variation in the expenditures in particular store categories, indicating that Menlo Park residents had to leave the City to purchase certain

⁶ As of the date that this analysis was completed, 2013 data were the most recent annual SBOE data available. All figures are shown in 2015 dollars. Taxable expenditure estimates shown in this section do not include expenditures in the category that SBOE classifies as "All Other Outlets" because sales in this category consist primarily of business-to-business sales taxes, which are not impacted by population growth.

items, potentially due to limited availability, while other items drew shoppers from outside the City. The SBOE data suggest that 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 accounting for 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 \$11,683 per resident annually, as shown in Table 4.

Table 4: Estimated Annual Taxable Expenditures per Resident, Menlo Park, 2015

Business Category	2013 Taxable Sales Per Capita (a)		Leakage of Sales out of City (b)	Estimated % of Resident Sales in City (c)	Estimated New Resident Taxable Sales in Menlo Park (d)
	Menlo Park	San Mateo & Santa Clara Counties			
Retail and Food Services					
Home Furnishings and Appliance Stores	\$822	\$1,123	27%	73%	\$822
Bldg. Matrl. and Garden Equip. and Supplies	\$559	\$988	43%	57%	\$559
Food and Beverage Stores	\$1,968	\$693	(184%)	100%	\$693
Gasoline Stations	\$2,084	\$1,573	(32%)	100%	\$1,573
Clothing and Clothing Accessories Stores	\$428	\$1,242	66%	34%	\$428
Food Services and Drinking Places	\$2,400	\$2,159	(11%)	100%	\$2,159
Other Retail Group	<u>\$5,774</u>	<u>\$5,449</u>	(6%)	100%	<u>\$5,449</u>
Total (e)	\$14,035	\$13,227			\$11,683

Notes:

(a) 2013 data inflated to 2015 dollars. Population estimates from the California Department of Finance used to calculate 2013 per capita sales. Population estimates for 2013:

Menlo Park: 32,852
San Mateo County: 739,804
Santa Clara County: 1,844,389

(b) Retail spending for Menlo Park residents is assumed to be equal to per capita spending patterns for the two counties. If Menlo Park residents spend fewer dollars per capita than in San Mateo and Santa Clara Counties, the analysis assumes the difference leaks out to other shopping centers in the two counties. A zero percent leakage indicates that 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 likely attributable to just Menlo Park residents.

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

(d) Equals (Taxable Sales per Capita in San Mateo and Santa Clara Counties) x (Estimated % of Residents Sales in City). 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, and assumes that the mix of retail offerings in Menlo Park remains relatively consistent.

(e) Total does not include taxable sales in the category that SBOE classifies as "All Other Outlets" because taxable sales in that category consist primarily of business-to-business sales taxes that would not be impacted by population growth.

Sources: CA Department of Finance, 2013; State Board of Equalization, 2013; BAE, 2015.

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 (\$11,641) was multiplied by the number of new residents projected for the Project. As Table 5 shows, sales tax revenues associated with new residents' spending from the Project and Reduced Non-Residential Intensity Alternative are estimated at \$1.6 million per year. The Reduced Intensity

Alternative would generate an estimated \$1.2 million per year in sales tax revenue from new residents' spending.

Table 5: Estimated Annual Sales Tax Revenues to the City of Menlo Park from New Resident Spending at 2040 Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Total New Sales Tax Revenue (a)	\$1,570,400	\$1,570,400	\$1,249,500
Total Taxable Sales	\$165,307,622	\$165,307,622	\$131,521,781
Number of Net New Residents	14,150	14,150	11,258

Note:

(a) Sales tax rate to the Menlo Park General Fund:
0.95% of total taxable sales.

Source: BAE, 2016.

Sales Tax Revenues from New Employees' Spending

Sales tax revenues associated with new employees' taxable retail spending generally consists of on- and off-site food purchases (e.g., lunches) and other convenience goods retail purchases. The International Council of Shopping Centers (ICSC) publishes a detailed survey of office worker spending patterns, which provides a useful estimate of likely spending by employees that the Project would generate. According to these data, employees at suburban office locations spend an average of \$7,912 annually on food and retail purchases near their place of work (both taxable and non-taxable retail sales). Of this total, an estimated \$1,576 is spent in drug or grocery stores. Purchases in drug and grocery stores typically consist largely of sales of items that are not taxable in California, with roughly 30 percent of sales in these stores falling into taxable categories. Based on these assumptions, the annual taxable sales per employee is estimated at \$6,809.

The FIA assumes that half of employee spending occurs at Menlo Park retail and restaurant locations to account for some spending in neighboring jurisdictions. In addition, reducing employee spending estimates by half accounts for the possibility that some employers may provide employee meals on site free of charge, which would not be taxable, thereby reducing employee lunch purchases at Menlo Park restaurants. However, it is expected that the majority of new employees will not be provided with free meals on site.⁷

As shown in Table 6, the new employee spending from the Project is estimated to generate \$320,200 per year in sales tax revenue to the City of Menlo Park. Sales tax revenue from new

⁷ Facebook is a significant employer that is planning an expansion in Menlo Park and does provide employee meals on site free of charge. However, the fiscal impacts of the proposed Facebook campus expansion are analyzed in a separate FIA and therefore this FIA does not estimate employee spending generated by the proposed Facebook expansion.

employee spending would total \$231,200 per year under the Reduced Non-Residential Intensity Alternative and \$275,700 per year under the Reduced Intensity Alternative.

Table 6: Estimated Annual Sales Tax Revenues to the City of Menlo Park from New Employee Spending at 2040 Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Sales Tax Receipts to City of Menlo Park	\$320,200	\$231,200	\$275,700
Net Additional Employment	9,900	7,150	8,525
Estimated Annual Taxable Retail Spending in Menlo Park	\$33,703,700	\$24,341,500	\$29,022,600
Assumptions			
Annual Spending per Worker Near Workplace(a)			\$7,912
Spending per Worker in Drug and Grocery Stores (a)			\$1,576
Percent of Drug and Grocery Store Sales that are Taxable (b)			30%
Taxable Worker Spending in Drug and Grocery Stores (b)			\$473
Spending per Worker in All Other Outlets (c)			\$6,336
Total Taxable Retail Sales per Worker (d)			\$6,809
Taxable Sales in Menlo Park per Worker (d)			\$3,404
Share of Spending in Menlo Park (e)			50%
Menlo Park Share of Sales Tax Receipts			0.95%
Menlo Park Sales Tax Revenue from Worker Spending (per worker)			\$32.34

Notes:

- (a) Based on data from International Council of Shopping Centers (ICSC), Office-Worker Retail Spending in a Digital Age, 2012. Spending estimates adjusted to 2015 dollars.
- (b) Taxable drug and grocery store spending estimated to total 30 percent of purchases at drug and grocery stores because the remaining sales at these stores are assumed to be non-taxable.
- (c) Spending in all other outlets is equal to total annual spending per worker less spending in drug and grocery stores.
- (d) Total taxable retail sales per office worker is equal to taxable spending in drug and grocery stores (i.e., 30 percent of drug and grocery store spending) plus spending at all other outlets (assumed to be 100 percent taxable).
- (e) Assumption for which portion of spending would occur in Menlo Park rather than East Palo Alto, Redwood City, Atherton, Palo Alto, or other neighboring areas. Although Menlo Park will likely capture approximately half of worker spending, some share of retail spending will likely be captured in neighboring cities with retail in close proximity to Menlo Park.

Sources: ICSC, 2012; BAE, 2015.

Business-to-Business Sales Tax Revenues

The Project could potentially generate sales tax revenue through business-to-business and other non-retail transactions for which Menlo Park is identified as the point of sale. As opposed to retail transactions where the point of sale is at the retail location, for non-retail sales of taxable goods to final users, the State Board of Equalization defines the point of sale as the seller’s location where the principal sales negotiations are carried out – typically the company sales office. This can be a significant source for Silicon Valley companies that sell computers, telecommunications hardware, and other equipment subject to sales tax.

To estimate non-retail sales taxes, BAE examined confidential sales tax data provided by the City of Menlo Park Finance Department for several office and life sciences developments in the City. These developments are listed below and are considered a representative sample of the City's newer office developments. In total, these developments include approximately 2.3 million square feet of office space.

Table 7: Representative Office Developments, Menlo Park, 2016

Address(es)	Gross Floor Area (Sq. Ft.)
275 Middlefield Rd & 155 Linfield Dr	140,830
333 Middlefield Rd	44,386
120-160 Scott Dr	121,940
180-200 Jefferson Dr	210,000
2800 Sand Hill Rd	65,325
2725-2775 Sand Hill Rd	146,000
1000 El Camino Real	38,100
1600 El Camino Real	51,915
3850 Bohannon Dr & 990 Marsh Rd	11,646
3805 Bohannon Dr & 1000 Marsh Rd	40,250
4100-4700 Bohannon Dr	360,000
1601 Willow Road	1,035,840
TOTAL	2,266,232

Sources: City of Menlo Park, 2016; BAE, 2016.

Table 8 shows a representative sample of life sciences development in Menlo Park. In total, these developments include approximately 686,800 square feet. Of this total, approximately 41,300 square feet were added to the City's life sciences inventory in 2008, while the rest of the square footage was constructed prior to 2000.

Table 8: Representative Life Sciences Developments, Menlo Park, 2016

Address(es)	Gross Floor Area (Sq. Ft.)
20 Kelly Ct	35,700
125 Constitution Dr	63,600
127 Independence Dr	47,885
171-199 Jefferson Dr	40,000
960 Hamilton Ct	29,902
1050-1098 Hamilton Ct	45,000
1360 O'Brien Dr	109,335
1380 Willow Rd	33,792
1430 O'Brien Dr	65,952
1455 Adams Dr	57,657
3565 Haven Ave	31,168
3885 Bohannon Dr	85,543
4040 Campbell Ave (built 2008)	41,284
Total After 2008	686,818
Total Before 2008	645,534

Sources: City of Menlo Park; BAE, 2016.

For each of these developments, the Finance Department provided total annual sales tax revenue between 2000 and 2015, excluding sales tax revenues generated in any ground floor retail space. As shown in Table 9, business-to-business sales tax revenues from office developments ranged from a high of approximately \$4.5 million to a low of \$183,917. Divided by the total amount of square footage in these developments, revenues ranged from \$81 to \$1,981 per 1,000 square feet of gross floor area. The dramatic year-to-year differences result from sales amounts recorded by a very small number of tenants. When a tenant leaves or enters a development, or when its sales are unusually high or low during a given year, or when the location of the point of sale changes, the amount of business-to-business sales taxes generated varies widely.⁸

⁸ State law protects the confidentiality of sales tax data to protect the proprietary information of businesses. Hence individual business names are not provided in this report and all data is aggregated.

Table 9: Business-to-Business Sales Tax Generation from Existing Large Office Developments in Menlo Park

Historic Business-to-Business Sales Tax Revenues (a)	Total Revenues (b)	\$ Per 1,000 Sq. Ft.
Low-Range	\$183,917	\$81
Median (Mid-Range)	\$969,372	\$428
High-Range	\$4,488,428	\$1,981

Notes:

(a) All figures have been adjusted to 2015 dollars based on Bay Area CPI for All Urban Consumers.

(b) Revenues generated in existing large office developments in Menlo Park.

Sources: City of Menlo Park, 2016; BAE, 2016.

As shown in Table 10, business-to-business sales tax revenues from life sciences developments ranged from a high of \$915,232 to a low of \$146,887. Divided by the total amount of square footage in these developments, revenues ranged from \$228 to \$1,333 per 1,000 square feet of gross floor area.

Table 10: Business-to-Business Sales Tax Generation from Existing Life Sciences Developments in Menlo Park

Historic Business-to-Business Sales Tax Revenues (a)	Total Revenues (b)	\$ Per 1,000 Sq. Ft.
Low-Range	\$146,887	\$228
Median (Mid-Range)	\$633,044	\$957
High-Range	\$915,232	\$1,333

Notes:

(a) All figures have been adjusted to 2015 dollars based on Bay Area CPI for All Urban Consumers.

(b) Revenues generated in existing large office developments in Menlo Park.

Sources: City of Menlo Park, 2015; BAE, 2016.

Table 11 shows the estimated range of potential annual business-to-business sales tax revenue from the Project, based on data in Table 9 and Table 10. Assuming revenues at the high end of the range, the Project would annually generate \$6,006,700 in business-to-business sales tax revenue, compared to \$2,702,600 in the middle range, and \$609,300 at the low end. The Reduced Non-Residential Intensity Alternative would generate between \$429,800 and \$4,451,500 per year in business-to-business sales tax revenue. The Reduced Intensity Alternative would generate \$511,300 to \$5,158,400 per year in business-to-business sales tax revenue.

Actual business-to-business sales tax revenue generation would depend on the specific mix of tenants who occupy the space in the Project. Certain types of office tenants tend to generate substantial business-to-business sales tax revenues, including high technology hardware corporations sales offices, while social media and professional and financial services firms tend to generate little or no business-to-business sales tax revenues. The median values shown in Table 11 are used in the FIA to estimate total business-to-business sales tax revenue generated by the Project, Reduced Non-Residential Intensity Alternative, and Reduced Intensity Alternative.

Table 11: Estimated Increase in Annual Business-to-Business Sales Tax Revenues to the City of Menlo Park at 2040 Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Total Estimated Business-to-Business Sales Tax			
Low Estimate	\$609,300	\$429,800	\$511,300
Median (Mid-Range) Estimate	\$2,702,600	\$1,918,700	\$2,275,000
High Estimate	\$6,006,700	\$4,451,500	\$5,158,400
Estimated Business-to-Business Sales Tax from Office			
Low Estimate	\$131,500	\$104,300	\$116,600
Median (Mid-Range) Estimate	\$692,900	\$549,700	\$614,800
High Estimate	\$3,208,300	\$2,545,300	\$2,846,700
Square footage	1,619,900	1,285,117	1,437,291
Estimated Business-to-Business Sales Tax from Life Sciences			
Low Estimate	\$477,800	\$325,500	\$394,700
Median (Mid-Range) Estimate	\$2,009,700	\$1,369,000	\$1,660,200
High Estimate	\$2,798,400	\$1,906,200	\$2,311,700
Square footage	2,100,000	1,430,435	1,734,783
Estimated Business-to-Business Sales Tax per 1,000 sq. ft.			
Office			
Low Range			\$81
Median			\$428
High Range			\$1,981
Life Sciences			
Low Range			\$228
Median			\$957
High Range			\$1,333

Source: BAE, 2016.

Property Taxes

Property taxes are a key source of the City's 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.⁹ Property in California is 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”). Appendix C provides more information on the ERAF shift of property tax revenues to the State.

In addition to the base 1.0 percent tax rate, within certain areas of the County and local jurisdictions supplemental property taxes apply. The Project site is subject to supplemental property taxes to pay for bonds issued for school district, community college district, and City parks and recreation purposes. Supplemental property taxes are restricted for specific uses and apply only to real property and not to business personal property. This analysis focuses on the City’s General Fund revenues and does not calculate supplemental taxes for non-discretionary services.

The distribution of the base 1.0 percent property tax revenues varies based on the Tax Rate Area (TRA) that a property is located in, as do the supplemental taxes that apply to the property. Table 12 shows the median share of the base 1.0 percent property tax to the City of Menlo Park across all TRAs in the City, along with the median share to the special districts analyzed in the FIA. Some special districts (e.g., each of the elementary school districts) cover only portions of the City, and therefore collect property taxes only from those TRAs within the jurisdiction of the district. For these special districts, the figures in Table 12 show the median across all TRAs in the City that fall within the district, rather than across all TRAs in the City.

To estimate future property tax revenues resulting from new development, one must estimate the new assessed value that the San Mateo County Assessor’s office would assign to the new development, calculate the base property tax payment, and then allocate it to each jurisdiction based on its share. Because the specific location of new development resulting from the Project will be determined in part by property owner interest in developing particular land uses on individual sites, it is not possible to definitively determine which TRAs will accommodate new uses. The FIA uses the median share of the base 1.0 percent property tax to calculate property tax revenues to the City and special districts.

⁹ All San Mateo County businesses with personal property worth \$100,000 or more are required to file an annual personal property tax statement.

Table 12: Distribution of Base 1% Property Tax Assessment, 2016

Jurisdiction (a)	Pre-ERAF Distribution (b)	ERAF Shift (c)	Post-ERAF Distribution (d)
City of Menlo Park	10.98%	17.24%	9.08%
Las Lomas Elementary School District	20.58%	0.00%	20.58%
Menlo Park City Elementary School District	18.24%	0.00%	18.24%
Ravenswood Elementary School District	32.70%	0.00%	32.70%
Redwood City Elementary School District	22.49%	0.00%	22.49%
Sequoia Union High School District	15.18%	0.00%	15.18%
San Mateo Community College District	6.59%	0.00%	6.59%
Menlo Park Fire District	15.10%	11.22%	13.40%
Midpeninsula Regional Open Space District	1.79%	0.00%	1.79%
Sequoia Hospital District	1.49%	0.00%	1.49%
County Office of Education	3.43%	0.00%	3.43%

Note:

(a) Only those jurisdictions analyzed in the FIA are shown.

(b) Pre-ERAF distribution reflects the median of all tax rate areas in Menlo Park that are within each of the jurisdictions shown. Percentages sum to more than 100 percent because each TRA is in only one of the four elementary school districts.

(c) The ERAF shift shown represents the percentage reduction of property taxes to each jurisdiction to fund ERAF, based on FY 2014-15 figures provided by the San Mateo County Controller's Office.

(d) Percentages shown for each jurisdiction after any reductions due to ERAF shifts.

Sources: San Mateo County Controller; BAE, 2015.

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 two percent per year, except when a property is transferred to a new ownership entity, in which case it is reappraised at current market value; or for construction of new improvements, in which case the assessed value is increased by the value of the construction.

BAE used current market data and standard development assumptions to estimate the assessed value of development that could result from the Project. The valuation of rental residential units and nonresidential development is based on the projected net operating income for each use type, using standard assumptions regarding rental rates, occupancy, operating expenses, and cap rates. Rental rate assumptions are based on BAE market research, including review of data from CoStar and other published sources, recent BAE experience with development projects in Menlo Park, and interviews with real estate professionals with expertise in each use type.

For each nonresidential and rental residential development type, the current average rental rate used to estimate the assessed value is ten percent lower than current average rental rates, but within the range that developers would be likely to require in order to undertake development projects. Because the valuation is meant to capture the market trends necessary to support new development, which would drive the initial assessed property value after development, the rental rate assumptions used in this analysis may be slightly higher than would be expected based on averages during the past seven to ten years. Nonetheless,

these assumptions likely represent a slight underestimate of current property values in Silicon Valley, which are high at present due to current strong market conditions. Overall, these assumptions provide a conservative estimate that accounts for potential market variation over the 24-year time horizon for the FIA.

The FIA assumes that a portion of new rental units will be affordable to moderate- and lower-income households. Among units that are not owned by nonprofit affordable housing operators, the FIA assumes that 15 percent will be affordable to very low-, low-, or moderate-income households. These affordable units would likely consist largely of affordable units incorporated into market-rate developments pursuant to the State Density Bonus Law or into mixed-use market-rate developments to satisfy the City of Menlo Park's Below Market Rate Housing requirements for commercial development. To a lesser extent, some of these units may be affordable due to small unit sizes or other unit-specific features.

All capitalization rate assumptions are based on published sources and prior BAE research.¹⁰ This analysis relies on conservative cap rate assumptions that may understate the current value of both residential and non-residential use types in order to account for potential market variation over the long-term planning horizon for the Project.

The projected valuation of market-rate for sale condominiums is based on the median sale price for recently-constructed (built in 2010 or later) condominiums sold in Redwood City, Palo Alto, Menlo Park, and Mountain View between January and November 2015, according to data from Redfin. Because the Project is a longer-term plan, the median sale price used in the FIA is 10 percent lower than the median sale price shown in the data to account for potential fluctuations in the market over time.

The FIA assumes that 15 percent of all for sale residential units (206 units) would be offered for below market rates (BMR units) in accordance with the City's Below Market Rate Housing program. The City's BMR Housing Program stipulates that BMR for-sale condominiums are assumed to be restricted to remain affordable to households earning 110 percent of the median household income. These units are valued based on the maximum affordable sale price for a household earning 110 percent of the median income for a four-person household in San Mateo County, assuming that mortgage payments, property taxes, insurance, and homeowner association fees do not exceed 30 percent of household income, pursuant to the provisions of the City's existing BMR Housing program.

¹⁰ A capitalization rate is defined as the net operating income that a property generates divided by the sale price or estimated value of the property. Capitalization rates are a common metric used to estimate the value of properties based on net operating income, and vary by land use type, location, and other property-specific characteristics.

Table 13: Assessed Value Assumptions, Nonresidential and Rental Residential Uses, Menlo Park, 2015

<u>Office</u>		<u>Hotel</u>	
NNN Rent (per sq. ft. per year) (a)	\$55	Average RevPar (f)	\$200
Vacancy Rate (b)	5%	Other revenue as a % of total revenue (g)	20%
NOI (per sq. ft.) (c)	\$52	Gross Revenue per occupied room night	\$250
Capitalization Rate (d)	6.00%	Occupancy Rate (h)	72%
Estimated Value (per sq. ft.) (e)	\$871	Expenses as a % of Revenue (g)	64%
		NOI (per sq. ft.) (c)	\$23,605
		Capitalization Rate (d)	6.75%
		Estimated Value (per room) (e)	\$349,699
<u>Life Sciences</u>		<u>Rental Residential</u>	
NNN Rent (per sq. ft. per year) (a)	\$55	Average Market-Rate Monthly Rent (i)	\$3,800
Vacancy Rate (b)	5%	Avg. Monthly Rent for Privately-Owned Affordable Units (j)	\$1,878
NOI (per sq. ft.) (c)	\$52	Privately-Owned Affordable Units as a % of Market-Rate Units (j)	15%
Capitalization Rate (d)	6.00%	Weighted Average Monthly Rent for Market-Rate Development (k)	\$3,512
Estimated Value (per sq. ft.) (e)	\$871	Vacancy Rate (b)	5%
		Average Annual Expenses per Unit (l)	\$13,000
		NOI (per sq. ft.) (c)	\$27,033
		Capitalization Rate (d)	5.00%
		Estimated Average Value (per privately-owned unit) (e)	\$540,668
<u>Commercial</u>			
NNN Rent (per sq. ft. per year) (a)	\$30		
Vacancy Rate (b)	5%		
NOI (per sq. ft.) (c)	\$29		
Capitalization Rate (d)	5.75%		
Estimated Value (per sq. ft.) (e)	\$496		

Notes:

- (a) Rent net of operating expenses. All figures are approximately 10 percent lower than current market rents, rounded to the nearest \$5 increment, to provide a conservative estimate of assessed value. developer
- (b) Vacancy rates per standard assumptions and bank underwriting criteria.
- (c) Net operating income (NOI) = annual gross income expenses and vacancy.
- (d) Capitalization rates based on current market conditions. Rates are slightly higher than current rates for comparable projects to provide a conservative estimate of assessed value. less
- (e) Value = NOI/capitalization rate. Average value of residential rental units applies to privately-owned units only. Affordable units owned by nonprofits are exempt from property tax and therefore would have no assessed value for the purpose of calculating property tax.
- (f) Average daily room rate based on STR data for hotels in the Menlo Park market area. Figure represents the October 2014-September 2015 average, discounted by 10 percent to provide a conservative estimate of assessed value.
- (g) Other revenue and expenses as a % of total revenue based on STR market data.
- (h) Hotel occupancy rate based on bank underwriting criteria for hotel properties.
- (i) Average monthly rent based on BAE market research. Rental rate is 10 percent lower than current market rents to provide a conservative estimate of assessed value.
- (j) Privately-owned affordable units could include affordable units incorporated into market-rate developments pursuant to the State Density Bonus Law, units incorporated into residential portions of mixed-use developments to satisfy Menlo Park's BMR requirements for commercial development, or units that are affordable to lower-income households due to unit size, amenities, or other unit features. Average rent assumption for these units is based on the maximum monthly rental cost for a one-bedroom BMR unit, according to the 2015 City of Menlo Park BMR Housing Program Guidelines.
- (k) Weighted average assuming 85 percent of rental units at market rate and 15 percent of units affordable to lower-income households.
- (l) Average annual expenses per unit based on BAE market research.

Sources: CoStar, 2015; STR, 2015; BAE, 2016.

Based on the assumptions shown in Table 12, Table 13 and Table 14, the projected increase in assessed value associated with the Project would total \$6.82 billion at buildout, as shown in Table 14. The projected increase in assessed value would total \$5.83 billion from the Reduced Non-Residential Intensity Alternative and \$5.61 billion from the Reduced Intensity Alternative. These assessed values assume that in addition to any affordable units owned by

for-profit entities (e.g., affordable units in mixed-income projects), 15 percent of all new rental units are affordable units owned and operated by nonprofit entities, and therefore are not subject to property tax. The total estimated assessed value for residential units could reflect a range of scenarios related to affordable housing, including a larger number of nonprofit-owned affordable units and fewer privately-owned affordable units.

The net increase in assessed value for the Project and each of the Alternatives could differ from the amounts shown if market fluctuations lead to significantly different sale prices or rental rates. These figures provide the basis for calculating the projected increase in property tax revenues resulting from the Project.

Since the tenants that would occupy new development resulting from the Project or alternatives are not known at this time, the assessed values shown in Table 14 do not include the value of items that would be subject to personal property tax, which would vary substantially in value depending on the specific tenants. This leads to a more conservative analysis because the inclusion of the value of personal property would increase the assessed value and property tax revenues associated with the Project and alternatives.

Table 14: Projected Increase in Assessed Property Values at 2040 Buildout

Project	Proposed		Current General Plan		Total Project
	M-2 Area	M-2 Area	Remainder of City		
Net Increase in Property Value	\$ 4,763,231,250	\$ 1,245,324,375	\$ 812,751,125	\$ 6,821,306,750	
Office	\$ 609,000,000	\$ 508,950,000	\$ 291,363,000	\$ 1,409,313,000	
Life Sciences	\$ 1,218,000,000	\$ 609,000,000	\$ -	\$ 1,827,000,000	
Commercial	\$ 100,000,000	\$ 37,500,000	\$ 3,350,000	\$ 140,850,000	
Hotel	\$ 140,000,000	\$ -	\$ 8,750,000	\$ 148,750,000	
Residential	\$ 2,696,231,250	\$ 89,874,375	\$ 509,288,125	\$ 3,295,393,750	
Condominiums	\$ 1,144,237,500	\$ 38,141,250	\$ 216,133,750	\$ 1,398,512,500	
Rental Units	\$ 1,551,993,750	\$ 51,733,125	\$ 293,154,375	\$ 1,896,881,250	
Reduced Non-Residential Intensity Alternative					
Net Increase in Property Value	\$ 3,771,622,554	\$ 1,245,324,375	\$ 812,751,125	\$ 5,829,698,054	
Office	\$ 317,739,130	\$ 508,950,000	\$ 291,363,000	\$ 1,118,052,130	
Life Sciences	\$ 635,478,261	\$ 609,000,000	\$ -	\$ 1,244,478,261	
Commercial	\$ 52,173,913	\$ 37,500,000	\$ 3,350,000	\$ 93,023,913	
Hotel	\$ 70,000,000	\$ -	\$ 8,750,000	\$ 78,750,000	
Residential	\$ 2,696,231,250	\$ 89,874,375	\$ 509,288,125	\$ 3,295,393,750	
Condominiums	\$ 1,144,237,500	\$ 38,141,250	\$ 216,133,750	\$ 1,398,512,500	
Rental Units	\$ 1,551,993,750	\$ 51,733,125	\$ 293,154,375	\$ 1,896,881,250	
Reduced Intensity Alternative					
Net Increase in Property Value	\$ 3,551,477,785	\$ 1,245,324,375	\$ 812,751,125	\$ 5,609,553,285	
Office	\$ 450,130,435	\$ 508,950,000	\$ 291,363,000	\$ 1,250,443,435	
Life Sciences	\$ 900,260,870	\$ 609,000,000	\$ -	\$ 1,509,260,870	
Commercial	\$ 73,913,043	\$ 37,500,000	\$ 3,350,000	\$ 114,763,043	
Hotel	\$ 105,000,000	\$ -	\$ 8,750,000	\$ 113,750,000	
Residential	\$ 2,022,173,438	\$ 89,874,375	\$ 509,288,125	\$ 2,621,335,938	
Condominiums	\$ 858,178,125	\$ 38,141,250	\$ 216,133,750	\$ 1,112,453,125	
Rental Units	\$ 1,163,995,313	\$ 51,733,125	\$ 293,154,375	\$ 1,508,882,813	
Assumptions (a)					
Average Assessed Improvement Value per Square Foot of Office					\$870
Average Assessed Improvement Value per Square Foot of Life Sciences					\$870
Average Assessed Improvement Value per Square Foot of Commercial					\$500
Average Assessed Improvement Value per Hotel Room					\$350,000
Average Assessed Improvement Value per Residential Unit					
Condominium					\$1,120,000
BMR Condominium					\$434,000
Rental Unit					\$541,000
BMR Share of Condominiums (b)					15%
Nonprofit-Owned Affordable Rental Units as a Share of Total Rental Units (c)					15%

Notes:

(a) Assessed value assumptions for nonresidential and rental residential uses per calculations in Table 11. Market rate condominium assessed value assumptions based on 2015 home sale prices in Menlo Park and the surrounding market area. BMR Condominium sale price based on the maximum affordable sale price for a household earning 110% of AMI for a four-person household in San Mateo County.

(b) Per City of Menlo Park BMR program requirements.

(c) Estimated share of total rental unit buildout that could consist of affordable rental units owned by nonprofits, which would be exempt for property tax. This analysis reduces the total assessed value of new residential rental units by this proportion to account for affordable units that would be exempt from property tax.

Source: BAE, 2016.

Based on the City’s share of property tax revenues as shown in Table 12, the City would receive approximately \$6.2 million in annual property tax revenues from the Project at build out, as shown in Table 15. The Reduced Non-Residential Intensity Alternative would result in approximately \$5.3 million in annual property taxes to the City, and the Reduced Intensity Alternative would result in approximately \$5.1 million in annual property taxes to the City.

Table 15: Projected Increase in Annual Property Tax Revenues to the City of Menlo Park General Fund at 2040 Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
City of Menlo Park Property Tax Revenue	\$6,195,600	\$5,294,900	\$5,095,000
Net Change in Assessed Value	\$6,821,306,750	\$5,829,698,054	\$5,609,553,285
1% Property Tax Base	\$68,213,068	\$58,296,981	\$56,095,533

Assumptions

Menlo Park Share of 1% Property Tax Base	9.1%
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Sources: San Mateo County Assessor's Office, 2015; BAE, 2016.

The figures in Table 15 are reasonable estimates based on real estate market trends and the anticipated type and location of future new development, and could vary from the actual revenues that the Project, Reduced Non-Residential Intensity Alternative, and Reduced Intensity Alternative would generate. Due to the conceptual nature of the Project and alternatives, several factors will impact the actual future increases in property tax revenues to the City, including but not limited to: changes in rents, vacancy rates, home sale prices, and/or capitalization rates; the share of new units that are affordable to lower-income households; the share of new units that are owned and operated by nonprofit entities; and the City’s share of property taxes in the TRAs where new development occurs.

Property Tax In-Lieu of Vehicle License Fee Revenues

Beginning in FY2005-2006, 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 FY2004-2005. 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 (ILVLF). This State-funded revenue source is tied to a city’s total assessed valuation. In FY2005-2006, former VLF revenues were swapped for ILVLF revenues, which set the local jurisdiction’s ILVLF “base.” The base increases each year thereafter in proportion to the increase in total assessed valuation within the jurisdiction. For example, if total assessed valuation increases by five percent from one year to the next, the ILVLF base and resulting revenues would increase by five percent.

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

The Project would generate a 50 percent increase in the City's total assessed value. Applied to the ILVLF payment for FY 2015-2016, this would result in Project-generated ILVLF revenues of approximately \$1.6 million per year. The Reduced Non-Residential Intensity Alternative would result in \$1.4 million in ILVLF revenues to the City per year and the Reduced Intensity Alternative would result in \$1.3 million in ILVLF revenues to the City per year. Table 16 shows the projected ILVLF revenues from the Project based on the current allocation formula.

Table 16: Projected Increase in Property Tax In Lieu of VLF Revenues at 2040 Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
ILVLF Revenue to City of Menlo Park (a)	\$1,637,400	\$1,399,400	\$1,346,500
Projected Net Increase in Assessed Value	\$6,821,306,750	\$5,829,698,054	\$5,609,553,285
Percent Increase in Total Menlo Park Assessed Value	50.8%	43.4%	41.8%

Assumptions

Total Assessed Value in Menlo Park, FY 15-16	\$13,420,964,589
ILVLF Payment FY 15-16	\$3,221,593

Notes:

(a) Percent increase in total Citywide assessed value multiplied by the 2015-16 payment.

Sources: City of Menlo Park, BAE; 2016.

Transient Occupancy Taxes (TOT)

The City collects Transient Occupancy Taxes (TOT), or lodging "room taxes", when visitors stay in local hotels. The Project includes 425 hotel rooms, which would generate new TOT revenues for the City's General Fund. The City's current TOT rate is 12 percent, applicable to all room and parking revenues.

BAE used data from STR to estimate hotel room revenues that would be subject to TOT. The hotel market data used for this FIA is based on actual room and occupancy rates for 12 upscale and upper upscale Silicon Valley hotels with 150 to 248 rooms. The hotels included in the STR sample are shown in Table 17.

Table 17: Comparable Hotels in Menlo Park Market Area, 2015

Hotel Name, City (a)	Affiliation Date (b)	Number of Rooms
Hilton Garden Inn, Cupertino	1998	164
Juniper Hotel, Cupertino	2015	224
Hilton Garden Inn, Mountain View	1999	160
Westin, Palo Alto	2000	184
Crowne Plaza, Palo Alto	1998	195
Joie De Vivre Avatar, Santa Clara	2010	168
Plaza Suites, Santa Clara	2001	219
Hyatt House, Santa Clara	2012	150
Joie De Vivre Wild Palms, Sunnyvale	2000	204
Sheraton, Sunnyvale	1999	173
Residence Inn I, Sunnyvale	1985	248
Residence Inn II, Sunnyvale	1983	<u>231</u>
Total		2,320

Notes:

(a) List includes comparable upscale and upper upscale hotels with 150-250 rooms in Cupertino, Mountain View, Palo Alto, Santa Clara and Sunnyvale.

(b) Affiliation date refers to the date when the property began operating under its current brand.

Source: Smith Travel Research, 2015; BAE, 2015.

The hotel trend data that the FIA uses to estimate future TOT revenues cover the period from October 2008 through September 2015, and therefore include data on trends during the recent recession and subsequent economic recovery, demonstrating a range of potential outcomes based on varying market conditions. Between 2008 and 2015, annual occupancy at the hotels in the sample ranged from 62 to 83 percent. As shown, 2008-2009 was the low-revenue year, with revenue per available room (RevPAR) of \$96 per night. By comparison, 2014-2015 is the high-revenue year, with RevPAR of \$182 per night. During this entire seven-year period, the average daily rate was \$178 and occupancy averaged 78 percent for the hotels in the sample.

Table 18: Hotel Occupancy and Room Rate Trends, Menlo Park Market Area, 2008-2015

Time Period	Occupancy	Average Daily Rate		RevPar (b)
		Nominal \$	2015 \$ (a)	2015\$
Oct 2008-Sept 2009	62.9%	\$132.87	\$153.25	\$96.38
Oct 2009-Sept 2010	75.6%	\$131.04	\$149.10	\$112.67
Oct 2010-Sept 2011	77.0%	\$148.92	\$165.15	\$127.21
Oct 2011-Sept 2012	81.2%	\$160.85	\$173.71	\$141.09
Oct 2012-Sept 2013	81.9%	\$176.32	\$186.25	\$152.56
Oct 2013-Sept 2014	82.8%	\$195.57	\$200.87	\$166.33
Oct 2014-Sept 2015	82.0%	\$221.78	\$221.78	\$181.83
Low	62.9%		\$149.10	\$96.38
High	82.8%		\$221.78	\$181.83
Average	77.6%		\$178.59	\$139.72

Notes:

(a) Figures have been adjusted to 2015 dollars based on Bay Area CPI for All Urban Consumers.

(b) Revenue per available room (RevPAR) is calculated by multiplying the average daily rate by the average occupancy. This figure represents average daily revenue for all rooms in the sample after accounting for vacancy.

Source: Smith Travel Research, 2015; BAE, 2016.

Table 19 shows the estimated TOT that the Project would generate for the City of Menlo Park. As shown, the Project is estimated to generate between \$1.8 million and \$3.4 million per year in TOT revenue to the City of Menlo Park. The low end of this range is based on the low annual average room rate and occupancy levels shown in Table 18, while the high end of the range is based on the high annual averages. Annual TOT revenues would range from \$949,800 and \$1.8 million under the Reduced Non-Residential Intensity Alternative and from \$1.4 million and \$2.6 million under the Reduced Intensity Alternative. Actual TOT revenues would likely fall somewhere within these ranges for each development scenario.

To calculate net fiscal impacts from the Project in subsequent sections of this report, the FIA assumes that TOT revenues will average \$2.6 million at buildout, which reflects the estimated revenues based on the 2008-2015 average room and occupancy rates shown in Table 18. Similarly, the FIA uses the average values to estimate the TOT revenues that would be generated by both alternatives. Because these averages include data from recession years as well as from economic boom years, this assumption accounts for potential shifts in hotel market trends over the long-term planning horizon for the ConnectMenlo project.

Table 19: Projected Annual Transient Occupancy Tax Revenues to Menlo Park at 2040 Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Estimated Increase in TOT Revenues			
Average	\$2,601,000	\$1,377,000	\$1,989,000
Low Estimate	\$1,794,100	\$949,800	\$1,372,000
High Estimate	\$3,384,800	\$1,791,900	\$2,588,400
Annual Hotel Revenues Subject to TOT			
Average	\$21,674,747	\$11,474,866	\$16,574,806
Low Estimate	\$14,951,186	\$7,915,334	\$11,433,260
High Estimate	\$28,206,513	\$14,932,860	\$21,569,686
Hotel Rooms	425	225	325
Assumptions			
RevPAR (a)			
Average			\$139.72
Low Estimate			\$96.38
High Estimate			\$181.83
City of Menlo Park TOT Rate			12%

Notes:

(a) RevPAR based on STR research of 12 150- to 250-room upscale and upper upscale hotel properties in the market area for the years 2009 to 2015.
 Source: City of Menlo Park, 2015; Smith Travel Research, 2015; BAE, 2016.

Utility User Tax

The City currently collects a Utility User Tax (UUT) at a rate of one percent, assessed on gas, electric, water, wireless, cable, and telephone bills. For business entities with more than \$1.2 million in annual combined electric, gas and water bills, the City Council has established a maximum combined electric, gas, and water UUT payment of \$12,000 (i.e., one percent of \$1.2 million) per year. The cap applies separately to each location that a particular entity operates, meaning that a business with multiple locations in Menlo Park could pay \$12,000 per year in electric, gas, and water UUT for each location in the City that generates at least \$1.2 million in combined electric, gas, and water utility expenditures. Utility service users may combine all gas, water, and electric billings from a contiguous location for the purposes of calculating the maximum tax amount.

Table 20 shows estimated utility expenditures per resident and per employee that are subject to UUT, based on total estimated revenues in the 2015-2016 fiscal year. These figures are based on actual revenues collected rather than estimated utility expenditures, and therefore account for the impact of the UUT cap on electric, gas, and water expenditures. UUT revenues were split between residential and commercial users based on information provided by utility

service providers for the 2011-2012 fiscal year, the most recent year for which these estimates are available.

Table 20: Per Capita and Per Employee Utility User Tax Revenues, FY 2015-16

<u>Citywide Revenues</u>	<u>Estimated Revenues, FY 2015-16</u>		
	<u>Total</u>	<u>Residential (b)</u>	<u>Commercial (b)</u>
Water, Gas, and Electric User Tax Revenues (a)			
Electric	\$473,339	\$117,988	\$355,351
Gas	\$118,335	\$72,316	\$46,018
Water	<u>\$139,294</u>	<u>\$100,062</u>	<u>\$39,232</u>
Total Water, Gas, and Electric User Tax Revenues	\$730,968	\$290,366	\$440,601
Est. Annual Water, Gas, & Electric Expenditures in Residential Subject to UUT, per Resident			\$873
Est. Annual Water, Gas, & Electric Expenditures in Non-Residential Subject to UUT, per Employee			\$1,396
Other Utility Tax Revenues			
Telecommunications	\$143,909	\$57,166	\$86,743
Wireless	\$215,929	\$85,775	\$130,155
Cable	<u>\$92,541</u>	<u>\$83,287</u>	<u>\$9,254</u>
Total Other Utility Tax Revenues	\$452,379	\$226,228	\$226,152
Est. Annual Other Utility Expenditures in Residential, per Resident			\$680
Est. Annual Other Utility Expenditures in Non-Residential, per Employee			\$717
Utility Tax Rate	1.0%		

Note:

(a) The City of Menlo Park caps the combined total of electric, gas, and water expenditures that are subject to UUT at \$1,200,000 per year per address (\$12,000 in UUT revenue); other utility taxes are based on 1% of expenditures (no cap).

(b) Split between residential and commercial use is based on split in the 2011-2012 fiscal year, the most recent year for which this information is available.

Sources: City of Menlo Park, 2011; BAE, 2015.

As shown in Table 21, based on typical utility usage, the Project would result in a net increase in annual City UUT revenues of approximately \$428,900 at buildout. UUT revenues from the Reduced Non-Residential Intensity Alternative and the Reduced Intensity Alternative would total approximately \$370,800 and \$354,900 per year, respectively. Since the figures in Table 21 are based on the average taxable UUT expenditures shown in Table 20, these estimates account for the impact of the UUT cap on electric, gas, and water expenditures.

Table 21: Projected Increase in Annual Utility User Tax Revenues to the City of Menlo Park at Buildout

Project	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Projected Total Utility User Tax Revenues	\$428,900	\$370,800	\$354,900
Projected New Gas, Electric, and Water Expenditures	\$26,173,000	\$22,332,900	\$21,729,200
New Other Utility Expenditures	\$16,716,700	\$14,745,600	\$13,764,900
Total Expenditures Subject to Utility User Tax (a)	\$42,889,700	\$37,078,500	\$35,494,100
Net New Residents	14,150	14,150	11,258
Net New Employees	9,900	7,150	8,525

Note:

All figures are in net constant 2015 dollars.

(a) The City of Menlo Park caps the combined total of electric, gas, and water expenditures that are subject to UUT at \$1,200,000 per year per address (\$12,000 in UUT revenue); other utility taxes are based on 1% of expenditures (no cap).

Sources: City of Menlo Park, 2012 & 2015; BAE, 2016.

Other Revenues

Charges for Service, Franchise Fees, and Fines

The City generates approximately 17 percent of General Fund revenues from charges for service, four percent of General Fund revenues from franchise fees¹¹ and two percent of General Fund revenues from fines. Each of these revenues tend to increase as the City's service population grows. The City collects charges for service to recover some or all of the costs associated with providing certain City services. Examples of charges for service include fees that the Community Services Department charges for certain recreation classes and planning fees paid by developers to cover the cost for processing of development applications. Franchise fees are generally set as a percentage of gross receipts and increase as expenditures on utilities, such as gas and electricity, increase. Fine revenues are primarily collected by the Police Department for parking and traffic citations, and can be expected to increase as the residential and employment base of the City grows.

According to the FY2015-2016 budget, the City anticipates receiving approximately \$256 per person in the service population in charges for service, fines, and franchise fee revenues. 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 charges for service, franchise fees, and fines collected each year, the Project would generate additional fines and franchise fees revenues of \$4.9 million annually, as shown in Table 22. The Reduced Non-

¹¹ Franchise fees or local access fees are paid by utilities to local governments in exchange for the right to provide service within a community. PG&E is the largest payer of franchise fees in the City.

Residential Intensity Alternative would generate \$4.6 million annually from these revenue sources, while the Reduced Intensity Alternative would generate \$3.9 million annually.

Property Transfer Tax Revenues

When a property changes ownership, the City collects property transfer taxes. These taxes total \$1.10 per \$1,000 of assessed value, which is split evenly between the City and County. This analysis assumes that residential property changes ownership every 11 years, or turns over at an annual rate of nine percent, while commercial property changes ownership every 15 years, or turns over at an annual rate of seven percent. Table 22 shows the projected property transfer tax revenues from the proposed Project on a stabilized basis after buildout. The calculation shows that the City would receive approximately \$268,700 in average annual property transfer tax revenues on an ongoing basis from the Project. Annual property transfer tax revenues to the City would total approximately \$232,400 from the Reduced Non-Residential Intensity Alternative or \$220,500 from the Reduced Intensity Alternative.

Business License Revenues

Business license fees are charged to businesses operating in the City at varying rates based on business types. The City charges administrative offices based on the number of employees at the business, with fees ranging from \$50 per year for businesses with five employees or less to \$1,250 per year for businesses with over 200 employees. Most businesses, including retail outlets, are charged based on annual gross receipts, ranging from \$50 per year for businesses with annual gross receipts of \$25,000 or less to a cap of \$8,000 per site per year.

The FIA uses two different methods to estimate business license fee revenue to the City of Menlo Park. For retail businesses and hotels, the FIA estimates gross receipts and derives the business license fee revenue based on the City of Menlo Park's fee schedule. For office and life sciences businesses, the City of Menlo Park provided BAE with the total business license revenue generated in the 2015/16 fiscal year by businesses in the office buildings shown in Table 7 and the life sciences buildings shown in Table 8. BAE used these data to calculate the average business license fee revenue per 1,000 square feet of each use, and applied this average to the new square footage that would be included in the Project, Reduced Non-Residential Project Alternative, and Reduced Project Alternative.

As shown in Table 22, the Project is projected to generate \$358,900 per year in additional business license fee revenue to the City. The Reduced Non-Residential Intensity Alternative and Reduced Intensity Alternative would generate \$270,100 and \$312,300 per year in additional business license fee revenue to the City, respectively.

**Table 22: Other Projected Annually Recurring Revenues to the City of Menlo Park
General Fund at 2040 Buildout**

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Total Other Revenue	\$5,087,900	\$4,728,500	\$4,136,700
New Franchise Fees, Fines, Forfeitures, and Charges for Service	\$4,460,300	\$4,226,000	\$3,603,900
New Service Population (a)	17,450	16,533	14,100
New Property Transfer Tax Revenues	\$268,700	\$232,400	\$220,500
Transfer Tax Revenue - Residential	\$69,900	\$69,900	\$55,600
Transfer Tax Revenue - Commercial	\$198,800	\$162,500	\$164,900
Net New Business License Fee Revenue	\$358,900	\$270,100	\$312,300
New Office Space (sq. ft.)	1,619,900	1,285,117	1,437,291
Business License Fee Revenue	\$245,500	\$194,700	\$217,800
New Life Sciences Space (sq. ft.)	2,100,000	1,430,435	1,734,783
Business License Fee Revenue	\$65,400	\$44,600	\$54,000
New Retail Space (sq. ft.)	281,700	186,048	229,526
Est. Number of Retail Businesses	56	37	46
Business License Fee Revenue	\$42,000	\$27,750	\$34,500
New Hotel Rooms	425	225	325
Est. Number of Hotels	2	1	2
Business License Fee Revenue	\$6,000	\$3,000	\$6,000
Assumptions			FY 2015-16
Franchise Fees, Fines, Forfeitures & Charges for Service			
Franchise Fees			\$1,940,013
Fines and Forfeitures			\$1,067,643
Charges for Service			<u>\$8,185,335</u>
Total Franchise Fee, Fines, Forfeiture, and Charges for Service Revenues			<u>\$11,192,991</u>
2015 Citywide Service Population (a)			43,790
Revenue Per Service Population			\$255.60
Property Transfer Tax			
Transfer Tax Rate per \$1 Assessed Value:			\$0.00055
Holding Period for Residential (Years)			11
Holding Period for Non-Residential (Years)			15
Business License Fees			
Avg. Business License Fee Revenue per 1,000 SF of Office (b)			\$152
Avg. Business License Fee Revenue per 1,000 SF of Life Sciences (c)			\$31
Avg. Sq. Ft. per Retail Business			5,000
Estimated Retail Sales per Sq. Ft.			\$350
Estimated Annual Gross Receipts per Retail Business			\$1,750,000
Estimated Business License Fee Revenue per Hotel			\$750
Avg. # of rooms per hotel			200
Average RevPAR (per night) (d)			\$140
Estimated Annual Gross Receipts per Hotel			\$10,199,881
Estimated Business License Fee Revenue per Hotel			\$3,000

Notes:

- (a) Service Population defined as all residents plus one third of all employment.
 - (b) Average across office buildings shown in Table 7. 2015/16 revenues from City of Menlo Park.
 - (c) Average across life sciences buildings shown in Table 8. 2015/16 revenues from City of Menlo Park.
 - (d) RevPAR is based on STR research of twelve comparable properties in the market area, 2009-2015.
- Sources: City of Menlo Park, 2016; STR, 2015; BAE, 2016.

Summary of Annually Recurring Revenues

Based on the revenues discussed in this section, Table 23 shows that the Project would generate approximately \$20.4 million annually in new revenues for the City's General Fund. The Reduced Non-Residential Intensity Alternative would generate \$16.8 million annually in City General Fund revenues, and the Reduced Intensity Alternative would generate \$16.6 million annually in City General Fund revenues. The actual amount generated by the Project and alternatives would depend on a number of factors, including hotel room and occupancy rates, the extent to which projects developed pursuant to the Project generate business-to-business sales tax revenues, and extent to which new employees make taxable purchases in the City.

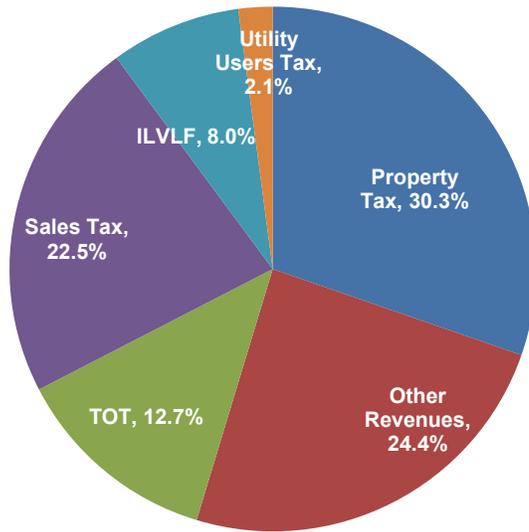
Table 23: Summary of Annually Recurring General Fund Revenues to the City of Menlo Park at 2040 Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Total Revenues	\$20,431,800	\$16,801,900	\$16,622,700
Sales Tax	\$4,593,200	\$3,720,300	\$3,800,200
Property Tax	\$6,195,600	\$5,294,900	\$5,095,000
ILVLF	\$1,637,400	\$1,399,400	\$1,346,500
TOT	\$2,601,000	\$1,377,000	\$1,989,000
Utility Users Tax	\$428,900	\$370,800	\$354,900
Other Revenues	\$4,975,700	\$4,639,500	\$4,037,100

Source: BAE, 2016.

Figure 1 shows the relative share of annual revenues generated by the Project from each of the categories in Table 23.

Figure 1: Distribution of Added Annual City General Fund Revenues from Project at Build Out



Source: BAE, 2016.

One-Time/Non-Recurring Revenues

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

Impact Fees and Capital Facilities Charges

The City and 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 are established pursuant to State law, and represent a one-time revenue source from the Project and are intended to offset impacts to infrastructure systems that are generated by new development. Based on impact fee rates as of 2015, the Project would generate a total of \$187.2 million in impact fees and capital facilities charges to the City of Menlo Park, as shown in Table 24. Impact fees to be paid to the individual school districts would range between \$455,900 and \$11.7 million.

It should be noted that the revenues shown below are an estimate based on current impact fee schedules. Impact fees are adjusted periodically, and ConnectMenlo calls for an update to the City's impact fees. The impact fees that apply to specific future projects will be based on

the fees in effect at the time building permits are issued, which may vary from the City's current fee rates.

Each of the alternatives would include a smaller amount of development, and therefore would generate less impact fee revenue. The Reduced Non-Residential Intensity Alternative would generate \$161.8 million in impact fee revenue to the City and \$455,900 to \$11.4 million in impact fee revenue to each of the school districts that serve Menlo Park, as shown in Table 25. As shown in Table 26, the Reduced Intensity Alternative would result in \$153.6 million in impact fee revenue to the City and \$455,900 to \$9.5 million in impact fee revenue to each of the school districts.

The revenues presented in Table 24, Table 25, and Table 26 do not account for any potential waivers or reductions to impact fees which might apply to projects that provide affordable housing, subject to City action to provide such a waiver or reduction. Such waivers or reductions would decrease the impact fee revenue to the City associated with the Project.

The figures in Table 24, Table 25, and Table 26 do not include a potential Fire Services development impact fee that may be implemented in the future, as discussed in the subsequent section on the Menlo Park Fire Protection District. New development associated with the Project would pay any new Fire Services development impact fee that is in effect as of the date that it secures building permits.

Table 24: Impact Fees and Facilities Charges from the Project

Impact Fees and Facility Charges	Rate	Unit	Project	
			Quantity	Total Fees
Storm Drainage Connection				
Commercial	\$0.24	Impervious Surface sf	(a)	(a)
Transportation				
Office	\$4.63	Net New sf	1,620,000	\$7,500,600
R&D	\$3.33	Net New sf	2,100,000	\$6,993,000
Retail & Restaurant	\$4.63	Net New sf	282,000	\$1,305,700
Hotel	\$1,833.73	Per Room	425	\$779,300
Multifamily	\$1,927.02	Per Unit	5,500	<u>\$10,598,600</u>
Total				\$27,177,200
BMR Housing In-Lieu Fee				
Office and R&D	\$15.57	Net New sf	3,720,000	\$57,920,400
Other Commercial or Industrial (b)	\$8.45	Net New sf	645,000	<u>\$5,450,300</u>
Total				\$63,370,700
Recreation In-Lieu Fees (c)	\$56,000	Per Unit	1,375	\$77,000,000
Building Construction Street Repair Fee (d)	0.58%	Construction Value	\$3,410,653,375	\$19,781,800
Total City of Menlo Park Impact Fees				\$187,329,700
Water Capital Facilities Charge (e)		Varies by meter size	(e)	(e)
Sewer Connection Fee (e)		Varies based on usage	(e)	(e)
Las Lomitas Elementary School District				
Commercial (f)	\$0.32	Net New sf	114,000	\$36,500
Residential (g)	\$2.02	Net New sf	207,600	<u>\$419,400</u>
Total				\$455,900
Menlo Park City Elementary School District				
Commercial (f)	\$0.32	Net New sf	241,000	\$77,100
Residential (g)	\$2.02	Net New sf	1,179,600	<u>\$2,382,800</u>
Total				\$2,459,900
Redwood City Elementary School District				
Commercial (f)	\$0.31	Net New sf	457,779	\$140,100
Residential (g)	\$1.92	Net New sf	1,155,600	<u>\$2,218,800</u>
Total				\$2,358,900
Ravenswood Elementary School District				
Commercial (f)	\$0.28	Net New sf	3,552,221	\$1,001,700
Residential (g)	\$1.78	Net New sf	4,472,400	<u>\$7,960,900</u>
Total				\$8,962,600
Sequoia Union High School District				
Commercial - in Las Lomitas or MPC ESD (f)	\$0.22	Net New sf	355,000	\$78,100
Residential - in Las Lomitas or MPC ESD (g)	\$1.34	Net New sf	1,387,200	\$1,858,800
Commercial - in Redwood City ESD (f)	\$0.23	Net New sf	457,779	\$107,100
Residential - in Redwood City ESD (g)	\$1.44	Net New sf	1,155,600	\$1,664,100
Commercial - in Ravenswood ESD (f)	\$0.26	Net New sf	3,552,221	\$916,500
Residential - in Ravenswood ESD (g)	\$1.58	Net New sf	4,472,400	<u>\$7,066,400</u>
Total				\$11,691,000
Menlo Park Fire Protection District (h)	TBD	TBD	TBD	TBD

Notes:

- (a) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. This analysis assumes that the Project will decrease the square footage of impervious surface, consistent with other recent projects in the Bayfront area, and the fee will therefore not apply.
- (b) Analysis assumes two hotels in the M-2 Area with 200 rooms each, totaling 350,000 square feet, plus 13,000 net new square feet of hotel uses in the ECR/Downtown Specific Plan Area. All hotel square footages are inclusive of circulation, lobby, back of house functions, an all other functions.
- (c) Recreation in-lieu fee for multi-family units = 0.008 x the number of units x the land value per acre of the development generating the fee. Impact fee calculations use a \$7 million per acre land value, based on BAE review of recent land sales and land appraisal reports in Menlo Park and adjacent cities. Fee is charged only on projects that include a subdivision map, and therefore would not apply to multifamily rental units included in the Project.
- (d) Assumes construction value = half of assessed value, based on BAE proforma analysis for recent projects in Menlo Park.
- (e) This analysis assumes that Water Facilities Charges and Sewer Connection Fees cover the cost of extending services to new development.
- (f) Commercial square footage is allocated to each school district based on a parcel-by-parcel evaluation conducted with City staff, Sept. 2015
- (g) This analysis assumes an average residential unit size of 1,200 square feet, inclusive of common areas and circulation. Residential units allocated to each elementary school district based on figures shown in the DEIR.
- (h) The City of Menlo Park has not yet adopted a Menlo Park Fire Protection District Impact Fee.

Sources: City of Menlo Park, 2015; Sequoia Union School District, 2015; ConnectMenlo DEIR, 2016; BAE, 2016.

Table 25: Impact Fees and Facilities Charges from the Reduced Non-Residential Intensity Alternative

Impact Fees and Facility Charges	Rate	Unit	Project	
			Quantity	Total Fees
Storm Drainage Connection				
Commercial	\$0.24	Impervious Surface sf	(a)	(a)
Transportation				
Office	\$4.63	Net New sf	1,285,117	\$5,950,100
R&D	\$3.33	Net New sf	1,430,435	\$4,763,300
Retail & Restaurant	\$4.63	Net New sf	186,348	\$862,800
Hotel	\$1,833.73	Per Room	225	\$412,600
Multifamily	\$1,927.02	Per Unit	5,500	<u>\$10,598,600</u>
Total				\$22,587,400
BMR Housing In-Lieu Fee				
Office and R&D	\$15.57	Net New sf	2,715,552	\$42,281,100
Other Commercial or Industrial (b)	\$8.45	Net New sf	374,348	<u>\$3,163,200</u>
Total				\$45,444,300
Recreation In-Lieu Fees (c)	\$56,000	Per Unit	1,375	\$77,000,000
Building Construction Street Repair Fee (d)	0.58%	Construction Value	\$2,914,849,027	\$16,906,100
Total City of Menlo Park Impact Fees				\$161,937,800
Water Capital Facilities Charge (e)		Varies by meter size	(e)	(e)
Sewer Connection Fee (e)		Varies based on usage	(e)	(e)
Las Lomas Elementary School District				
Commercial (f)	\$0.32	Net New sf	114,000	\$36,500
Residential (g)	\$2.02	Net New sf	207,600	<u>\$419,400</u>
Total				\$455,900
Menlo Park City Elementary School District				
Commercial (f)	\$0.32	Net New sf	241,000	\$77,100
Residential (g)	\$2.02	Net New sf	1,179,600	<u>\$2,382,800</u>
Total				\$2,459,900
Redwood City Elementary School District				
Commercial (f)	\$0.31	Net New sf	354,975	\$108,600
Residential (g)	\$1.92	Net New sf	1,155,600	<u>\$2,218,800</u>
Total				\$2,327,400
Ravenswood Elementary School District				
Commercial (f)	\$0.28	Net New sf	2,380,025	\$671,200
Residential (g)	\$1.78	Net New sf	4,472,400	<u>\$7,960,900</u>
Total				\$8,632,100
Sequoia Union High School District				
Commercial - in Las Lomas or MPC ESD (f)	\$0.22	Net New sf	355,000	\$78,100
Residential - in Las Lomas or MPC ESD (g)	\$1.34	Net New sf	1,387,200	\$1,858,800
Commercial - in Redwood City ESD (f)	\$0.23	Net New sf	354,975	\$83,100
Residential - in Redwood City ESD (g)	\$1.44	Net New sf	1,155,600	\$1,664,100
Commercial - in Ravenswood ESD (f)	\$0.26	Net New sf	2,380,025	\$614,000
Residential - in Ravenswood ESD (g)	\$1.58	Net New sf	4,472,400	<u>\$7,066,400</u>
Total				\$11,364,500
Menlo Park Fire Protection District (h)	TBD	TBD	TBD	TBD

Notes:

- (a) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. This analysis assumes that the Project will decrease the square footage of impervious surface, consistent with other recent projects in the Bayfront area, and the fee will therefore not apply.
- (b) Analysis assumes two hotels in the M-2 Area with 100 rooms each, totaling 175,000 square feet, plus 13,000 net new square feet of hotel uses in the ECR/Downtown Specific Plan Area. All hotel square footages are inclusive of circulation, lobby, back of house functions, and all other functions.
- (c) Recreation in-lieu fee for multi-family units = 0.008 x the number of units x the land value per acre of the development generating the fee. Impact fee calculations use a \$7 million per acre land value, based on BAE review of recent land sales and land appraisal reports in Menlo Park and adjacent cities. Fee is charged only on projects that include a subdivision map, and therefore would not apply to multifamily rental units included in the Project.
- (d) Assumes construction value = half of assessed value, based on BAE proforma analysis for recent projects in Menlo Park. (e) This analysis assumes that Water Facilities Charges and Sewer Connection Fees cover the cost of extending services to new development.
- (f) Commercial square footage is allocated to each school district based on a parcel-by-parcel evaluation conducted with City staff, Sept. 2015
- (g) This analysis assumes an average residential unit size of 1,200 square feet, inclusive of common areas and circulation. Residential units allocated to each elementary school district based on figures shown in the DEIR.
- (h) The City of Menlo Park has not yet adopted a Menlo Park Fire Protection District Impact Fee.

Sources: City of Menlo Park, 2015; Sequoia Union School District, 2015; ConnectMenlo DEIR, 2016; BAE, 2016.

Table 26: Impact Fees and Facilities Charges from the Reduced Intensity Alternative

Impact Fees and Facility Charges	Rate	Unit	Project	
			Quantity	Total Fees
Storm Drainage Connection				
Commercial	\$0.24	Impervious Surface sf	(a)	(a)
Transportation				
Office	\$4.63	Net New sf	1,437,291	\$6,654,700
R&D	\$3.33	Net New sf	1,734,783	\$5,776,800
Retail & Restaurant	\$4.63	Net New sf	229,526	\$1,062,700
Hotel	\$1,833.73	Per Room	325	\$596,000
Multifamily	\$1,927.02	Per Unit	4,375	<u>\$8,430,700</u>
Total				\$22,520,900
BMR Housing In-Lieu Fee				
Office and R&D	\$15.57	Net New sf	3,172,074	\$49,389,200
Other Commercial or Industrial (b)	\$8.45	Net New sf	505,026	<u>\$4,267,500</u>
Total				\$53,656,700
Recreation In-Lieu Fees (c)	\$56,000	Per Unit	1,094	\$61,250,000
Building Construction Street Repair Fee (d)	0.58%	Construction Value	\$2,804,776,643	\$16,267,700
Total City of Menlo Park Impact Fees				\$153,695,300
Water Capital Facilities Charge (e)		Varies by meter size	(e)	(e)
Sewer Connection Fee (e)		Varies based on usage	(e)	(e)
Las Lomas Elementary School District				
Commercial (f)	\$0.32	Net New sf	114,000	\$36,500
Residential (g)	\$2.02	Net New sf	207,600	<u>\$419,400</u>
Total				\$455,900
Menlo Park City Elementary School District				
Commercial (f)	\$0.32	Net New sf	241,000	\$77,100
Residential (g)	\$2.02	Net New sf	1,179,600	<u>\$2,382,800</u>
Total				\$2,459,900
Redwood City Elementary School District				
Commercial (f)	\$0.31	Net New sf	536,931	\$164,300
Residential (g)	\$1.92	Net New sf	866,700	<u>\$1,664,100</u>
Total				\$1,828,400
Ravenswood Elementary School District				
Commercial (f)	\$0.28	Net New sf	3,048,069	\$859,600
Residential (g)	\$1.78	Net New sf	3,411,300	<u>\$6,072,100</u>
Total				\$6,931,700
Sequoia Union High School District				
Commercial - in Las Lomas or MPC ESD (f)	\$0.22	Net New sf	355,000	\$78,100
Residential - in Las Lomas or MPC ESD (g)	\$1.34	Net New sf	1,387,200	\$1,858,800
Commercial - in Redwood City ESD (f)	\$0.23	Net New sf	536,931	\$125,600
Residential - in Redwood City ESD (g)	\$1.44	Net New sf	866,700	\$1,248,000
Commercial - in Ravenswood ESD (f)	\$0.26	Net New sf	3,048,069	\$786,400
Residential - in Ravenswood ESD (g)	\$1.58	Net New sf	3,411,300	<u>\$5,389,900</u>
Total				\$9,486,800
Menlo Park Fire Protection District (h)	TBD	TBD	TBD	TBD

Notes:

- (a) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. This analysis assumes that the Project will decrease the square footage of impervious surface, consistent with other recent projects in the Bayfront area, and the fee will therefore not apply.
- (b) Analysis assumes two hotels in the M-2 Area with 150 rooms each, totaling 262,500 square feet, plus 13,000 net new square feet of hotel uses in the ECR/Downtown Specific Plan Area. All hotel square footages are inclusive of circulation, lobby, back of house functions, and all other functions.
- (c) Recreation in-lieu fee for multi-family units = 0.008 x the number of units x the land value per acre of the development generating the fee. Impact fee calculations use a \$7 million per acre land value, based on BAE review of recent land sales and land appraisal reports in Menlo Park and adjacent cities. Fee is charged only on projects that include a subdivision map, and therefore would not apply to multifamily rental units included in the Project.
- (d) Assumes construction value = half of assessed value, based on BAE proforma analysis for recent projects in Menlo Park. (e) This analysis assumes that Water Facilities Charges and Sewer Connection Fees cover the cost of extending services to new development.
- (f) Commercial square footage is allocated to each school district based on a parcel-by-parcel evaluation conducted with City staff, Sept. 2015
- (g) This analysis assumes an average residential unit size of 1,200 square feet, inclusive of common areas and circulation. Residential units allocated to each elementary school district based on figures shown in the DEIR.
- (h) The City of Menlo Park has not yet adopted a Menlo Park Fire Protection District Impact Fee.

Sources: City of Menlo Park, 2015; Sequoia Union School District, 2015; ConnectMenlo DEIR, 2016; BAE, 2016.

General Fund Expenditures

The City's General Fund expenditures generally increase as the City's service population increases. Based on the Menlo Park 2015/16 Budget, BAE evaluated the City's current expenditures per member of the service population by service category to estimate the increase in General Fund expenditures that would be assignable to the Project. While a number of City Departments provide services to support the overall operation of the City, not all are expected to incur additional costs as a direct result of the Project. In particular, expenditures in the City Clerk's Office, City Manager's Office, Finance Department, and Information Services were excluded from per service population calculations based on the assumption that these departments would not incur material additional costs due to the Project.

Human Resources

Costs for human resources services are expected to expand as the service population expands. For example, increases in City personnel to serve population increases will likely create the need for additional employee support.

As shown in Table 27, the City's projected 2015-2016 General Fund expenditures for the Human Resources Department average approximately \$31 per member of the service population. Assuming the City's General Fund expenditures per service population unit remain at the current levels, the Project's increase in service population would generate additional annual Human Resources Department expenditures totaling approximately \$546,600. Additional annual Human Resources Department Expenditures would total \$517,900 from the Reduced Non-Residential Intensity Alternative and \$441,700 from the Reduced Intensity Alternative.

Table 27: Projected Annual Human Resources Services Department General Fund Expenditures at Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net New Service Population (a)	17,450	16,533	14,100
Total New Expenditures	\$546,600	\$517,900	\$441,700
Baseline Assumptions			FY 2015-16
Total Human Resources Expenditures (b)			\$1,371,783
2016 Service Population (a)			43,790
Human Resources Expenditures Per Service Population			\$31.33

Notes:

(a) Service Population defined as all residents plus one third of all employees.

(b) Includes only General Fund expenditures.

Sources: City of Menlo Park Budget FY 15-16; BAE, 2015.

Community Development

The City’s General Fund contribution to the Community Development Department was budgeted as \$5.14 million in FY 2015-2016. Many functions performed by the Community Development Department operate on a cost-recovery basis; application fees have been structured to cover the costs of staff time required for application processing. Development associated with the Project would pay necessary application, license, and permit fees that would offset the costs of staff time dedicated to processing of development applications. These revenues are included in the charges for service calculated in Table 22 above.

Service charges and license and permit fees that the Community Development Department collects offset a large part of the City’s General Fund contribution to the Community Development Department. Charges for service are accounted for in Table 22 above. Building permit revenues are subtracted from total Community Development Department expenditures in Table 28 below to determine departmental expenditures net of revenue in from building permit fees.

As shown in Table 28, the City’s General Fund expenditures per service population for this department, net of building permit revenues, averages approximately \$45. Assuming per constant expenditures per service population member, annual Community Development Department expenditures would increase by \$789,800 from the Project, \$748,300 from the Reduced Non-Residential Intensity Alternative, and \$638,200 from the Reduced Intensity Alternative. However, a large share of Community Development Department costs would be recovered through application, license, and permit fees, as well as other charges for service calculated in Table 22 above.

Table 28: Projected Annual Community Development Department General Fund Expenditures at Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net New Service Population (a)	17,450	16,533	14,100
Total New Expenditures	\$789,800	\$748,300	\$638,200
Baseline Assumptions			FY 2015-16
Total Community Development Expenditures (b)			\$5,140,492
Less: Building Permit Revenues			(\$3,158,503)
Expenditures Net of Building Permit Revenues			\$1,981,989
2016 Service Population (a)			43,790
Community Development Expenditures Per Service Population			\$45.26

Notes:

(a) Service Population defined as all residents plus one third of all employees.

(b) Includes only General Fund expenditures.

Sources: City of Menlo Park Budget FY 15-16; BAE, 2015.

Community Services

The Community Services Department operates 13 parks, two community centers, two public swimming pools, three childcare centers, one gymnasium, and one gymnastics center, in addition to providing recreational and cultural programs for children, adults, and seniors. The facilities are open to Menlo Park residents and workers as well as residents of adjacent cities. Many Community Services Department programs operate on a full or partial cost recovery basis, but many other programs generate costs to the City that are not recouped through charges for service. Staff from the Community Services Department indicate that while the department has capacity to meet demand for park and recreation service overall, it is at capacity during peak times at several of its sports fields, in preschool and sports activity classes, and at one of the swimming pools.

Community Services Department staff have indicated that while some Menlo Park employees utilize some of the programs and services that the Department offers, they tend to do so at far lower rates than Menlo Park residents. In addition, new employment-generating developments are increasingly providing employee-serving amenities on site, further reducing the likelihood that employees associated with the Project or Alternatives will use the City's Community Services Department facilities extensively. To account for lower utilization rates among employees, the Community Services service population generated by the Project is estimated at 15 percent of the increase in employment generated by the Project, rather than one third of the increase in employment. This assumption is consistent with prior FIAs that have been conducted for nonresidential development in the M-2 area.

As shown in Table 29, the City's FY 2015-2016 budget projects \$7.86 million in General Fund expenditures for the Community Services Department. Assuming commensurate additional

expenditures per net new increase in service population, the Project would result in \$2.8 million in additional General Fund expenditures at buildout. The Reduced Non-Residential Intensity Alternative would result in \$2.7 million in additional General Fund expenditures at buildout and the Reduced Intensity Alternative would result in \$2.3 million in additional General Fund expenditures at buildout. However, a large share of Community Services Department costs would be recovered through charges for service calculated in Table 22 above.

Table 29: Projected Annual Community Services Department General Fund Expenditures at Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net New Service Population (a)	15,635	15,223	12,537
Total New Expenditures	\$2,806,400	\$2,732,300	\$2,250,300
Baseline Assumptions			FY 2015-16
Total Community Services Expenditures (b)			\$7,860,090
2016 Service Population			43,790
Community Services Expenditures Per Service Population			\$179.49

Notes:

(a) Service Population defined as all residents plus a portion of employees. Since employees typically have little impact on Community Services expenditures, service population for this department is calculated by multiplying employees by 15%.

(b) Includes only General Fund expenditures.

Sources: City of Menlo Park Budget FY 15-16; BAE, 2016.

Library

The City Library system operates a main library at the Civic Center, as well as a branch library at Belle Haven Elementary School. The main library is open daily and offers a wider range of materials, services, and programs, while the Belle Haven Library is much smaller and only open Tuesday through Saturday. Menlo Park libraries are part of the Peninsula Library System, a consortium that allows any resident of San Mateo County to use City and County branch libraries.

Similar to the Community Services Department, the Menlo Park Library has historically found that employees generated in the M-2 area are unlikely to utilize the City libraries at high rates, in part because the M-2 area is located east of Highway 101 with inconvenient access to the main library. Since the majority of the employment-generating uses included in the Project would be located in the M-2 Area, the Library service population generated by the Project is estimated as 100 percent of residents plus 15 percent of employees generated by the Project, rather than 100 percent of residents plus one third of the increase in employees.

As of 2015, the Menlo Park Library system had 14 full-time equivalent employees (FTE), or 0.37 FTEs per 1,000 members of the service population.¹² To maintain a similar ratio of employees to service population, the Library would need an additional 5.8 FTEs to serve the development that could result from the Project, 5.6 FTEs to serve the development that would result from the Reduced Non-Residential Intensity Alternative, and 4.6 FTEs to serve the development that would result from the Reduced Intensity Alternative.

In FY 2015-2016, the City’s General Fund contribution to the Library was \$2.54 million, or \$67 per service population unit. Assuming General Fund expenditures per service population remain consistent, the Project would result in approximately \$908,500 in additional annual General Fund expenditures to the Library Department. Because workers have a relatively small impact on library services, the Reduced Non-Residential Intensity Alternative would also result in approximately \$884,500 in additional annual General Fund expenditures to the Library Department. The Reduced Intensity Alternative would result in \$728,500 in additional annual General Fund expenditures to the Library Department. For each of the alternatives, the annual operating cost per FTE would average approximately \$181,750, including salaries and other associated operating costs.

Table 30: Projected Annual Library Department General Fund Expenditures at Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net New Service Population (a)	15,635	15,223	12,537
Total New Expenditures	\$908,500	\$884,500	\$728,500
Baseline Assumptions			FY 2015-16
Total Library Expenditures (b)			\$2,544,568
2016 Service Population			43,790
Library Expenditures Per Service Population			\$58.11

Note:

(a) Service Population defined as all residents plus a portion of the employment population. Since employees typically have little impact on Library expenditures, service population for this department is calculated by multiplying net new employees by 15%.

(b) Includes only General Fund expenditures.

Sources: City of Menlo Park Budget FY 15-16; BAE, 2016.

The figures provided in Table 30 account for increases in ongoing operating costs (e.g. salaries) to serve new patrons, but do not account for any capital improvements that would be necessary to serve an increase in service population. Menlo Park Library staff have indicated

¹² A full time equivalent corresponds to one full-time position, and is used as a standard measure for describing staffing levels so that full- and part-time positions can be combined into a single figure.

needs for new or expanded facilities are existing and unrelated to future population growth, and according to the DEIR, the Menlo Park Library has long-range strategies to ensure adequate facilities to serve current and future Menlo Park residents. Since the General Plan buildout will occur over a 24-year time period, new demand for Library services and any associated need for new or expanded Library facilities will occur on an incremental basis.

Police

The Police Department currently employs 70 Full Time Equivalent personnel (FTE), comprised of 48 sworn FTE and 22 professional staff FTE, all of which are funded through the City's General Fund.¹³ Sworn officers consist of one chief, two commanders, eight sergeants, and 37 police officers. Based on the service population shown in Table 1, the Department currently has 1.10 sworn officers per 1,000 members of the City service population.

Among other Police Department needs, City staff have noted a need for additional officers to address code enforcement and traffic enforcement needs as the Project is built out. Staff indicated that there is an existing staffing deficiency in Code Enforcement services. According to staff, recent budget shortfalls in the City have resulted in the Department assigning this task to non-sworn staff in order to maintain service levels. The current non-sworn Code Enforcement Officer is not able to conduct proactive enforcement and is unable to respond to complaints in a timely manner. Department staff reported no other existing deficiencies in either sworn staffing, facilities, or equipment.

In FY 2015-16, the City's General Fund budget for the Police Department was \$16.4 million, or \$375 per member of the service population. Based on the service population associated with the Project and Alternatives as shown in Table 3 above, the Project would generate \$6.5 million in Police Department expenditures. The Reduced Non-Residential Intensity Alternative would generate \$6.2 million in annual Police Department expenditures. The Reduced Non-Residential Intensity Alternative would generate \$5.3 million per year in Police Department expenditures.

¹³ A full time equivalent corresponds to one full-time position, and is used as a standard measure for describing staffing levels so that full- and part-time positions can be combined into a single figure.

Table 31: Projected Annual Police Department General Fund Expenditures at Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net New Service Population (a)	17,450	16,533	14,100
Total New Expenditures	\$6,535,274	\$6,191,969	\$5,280,526
Baseline Assumptions			FY 2015-16
Total Police Department Expenditures (b)			\$16,400,105
Total Service Population (a)			43,790
Police Department Expenditures Per FTE			\$374.51

Notes:

(a) Service Population defined as all residents plus one third of all employees.

(b) Only General Fund expenditures are calculated.

Sources: City of Menlo Park Budget FY 15-16; ConnectMenlo DEIR, 2016; BAE, 2016.

Although the Police Department does expect some increases in operating costs due to the Project, the Department does not anticipate a need for new facilities. The Department opened a neighborhood service center and police substation in the Belle Haven neighborhood in 2014, which has assisted the Department in providing services to the Belle Haven and M-2 areas. The service center and substation houses the City’s Code Enforcement Officer and City Safety Police Officer, while all other Police Department functions continue to be based at the main Police Department at City Hall.

Public Works

The Department of Public Works is responsible for constructing, repairing, and maintaining City streets, sidewalks, storm drains, buildings, and other facilities. The Department includes the City’s Capital Improvements, Engineering, Maintenance, Transportation, and Utilities Divisions. Generally, the Public Works Department would see increased costs if new streets or other facilities are needed or if maintenance needs increase as a result of the Project.

Although the projected increase in service population that would be generated by the Project is expected to lead to additional road maintenance costs, the Public Works Department does not currently have any metrics to determine the cost of road maintenance on a per-service population or per-housing unit basis. Public Works Department costs for road maintenance are mitigated somewhat because several key roads in Menlo Park, including El Camino Real, Willow Road, and the Bayfront Expressway, are State Highways, with Caltrans responsible for maintenance. In addition, developers of new projects will pay Transportation Impact Fees and Building Construction Impact Fees, as shown in Table 24.

The Department also manages Menlo Park’s stormwater drainage system, which is a component of the Stormwater Management program. According to the City’s Grading and Drainage Guideline, new developments in Menlo Park are required to provide for stormwater

retention on site to the extent possible. Furthermore, developers are required to pay for any needed extension of stormwater infrastructure to new projects. The Public Works Department also has costs associated with meeting stormwater regulatory requirements. Revenue from the stormwater fee may increase if there is an increase in impervious area. This revenue will not have a significant fiscal impact to the Stormwater Assessment District. Therefore, the Project is not expected to have a fiscal impact related to the City’s stormwater system.

Summary of Annually Recurring Expenditures

Table 32 shows that, at full buildout, the Project would result in \$11.6 million in total annually recurring expenditures from the City’s General Fund. Annually-recurring General Fund expenditures would total \$11.1 million under the Reduced Non-Residential Intensity Alternative and \$9.3 million under the Reduced Intensity Alternative.

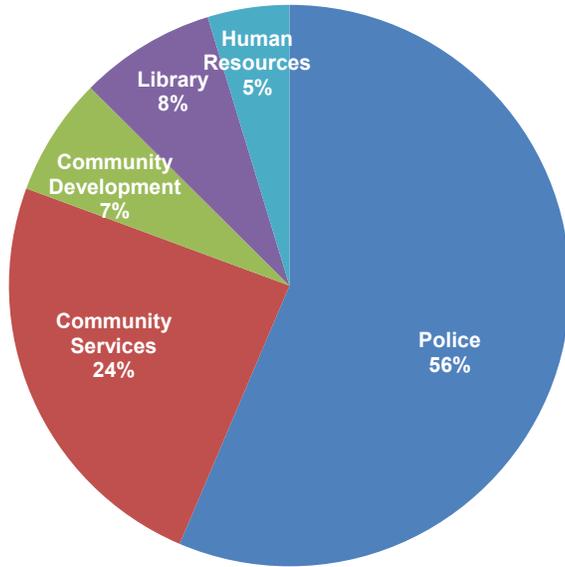
Table 32: Summary of Annual Recurring General Fund Expenditures at 2040 Buildout

Project	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Total Expenditures	\$11,586,574	\$11,074,969	\$9,339,226
Human Resources	\$546,600	\$517,900	\$441,700
Community Development	\$789,800	\$748,300	\$638,200
Community Services	\$2,806,400	\$2,732,300	\$2,250,300
Library	\$908,500	\$884,500	\$728,500
Police	\$6,535,274	\$6,191,969	\$5,280,526

Note:
 Only General Fund expenditures are calculated.
 Source: BAE, 2016.

Figure 2 shows the distribution of these expenditures for the Project. As shown, the majority of expenditures are for Police (56 percent), followed by Community Services (24 percent), Community Development (7 percent), Library (8 percent), and Human Resources (5 percent). These figures do not account for any charges for service that allow individual departments to recoup a share of costs. Because departments vary in the extent to which each is able to recoup costs through charges for service, the distribution of expenses net of charges for service may differ from the distribution shown in Figure 2.

Figure 2: Distribution of Annually Recurring City General Fund Expenditures from Project at Buildout



Source: BAE, 2016.

Summary of Net Fiscal Impact to the General Fund

Table 33 provides a summary of the annual recurring net fiscal impact of the Project at full build out and occupancy, in constant 2015 dollars. As shown, the Project would generate approximately \$20.4 million annually in new General Fund revenues to the City and increase the City’s General Fund expenditures by approximately \$11.6 million annually, resulting in an annual net positive fiscal impact of approximately \$8.8 million at buildout and full occupancy. The Reduced Non-Residential Intensity Alternative would have a positive net fiscal impact totaling approximately \$5.7 million per year and the Reduced Intensity Alternative would have a positive net fiscal impact totaling approximately \$7.3 million per year.

Table 33: Summary of Net Fiscal Impact to the City of Menlo Park General Fund at Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Total Revenues	\$20,431,800	\$16,801,900	\$16,622,700
Sales Tax	\$4,593,200	\$3,720,300	\$3,800,200
Property Tax	\$6,195,600	\$5,294,900	\$5,095,000
ILVLF	\$1,637,400	\$1,399,400	\$1,346,500
TOT	\$2,601,000	\$1,377,000	\$1,989,000
Utility Users Tax	\$428,900	\$370,800	\$354,900
Other Revenues	\$4,975,700	\$4,639,500	\$4,037,100
Total Expenditures	\$11,586,574	\$11,074,969	\$9,339,226
Human Resources	\$546,600	\$517,900	\$441,700
Community Development	\$789,800	\$748,300	\$638,200
Community Services	\$2,806,400	\$2,732,300	\$2,250,300
Library	\$908,500	\$884,500	\$728,500
Police	\$6,535,274	\$6,191,969	\$5,280,526
Net Fiscal Impact	<u>\$8,845,226</u>	<u>\$5,726,931</u>	<u>\$7,283,474</u>

Figures presented are constant 2015 dollars.
Source: BAE, 2016.

Total 24-Year Impact

The analysis in Table 33 does not account for the long-term impact of inflation on revenues, expenditures, and the resulting net fiscal impact to the City. Table 34 provides a long-term view of the possible total fiscal impact of the Project to the City's General Fund over a 24-year timeframe. It provides the projected revenues and expenditures on a year-by-year basis, adjusted for inflation each year, over the course of full build out and occupancy of the Project. This type of projection can be useful because it accounts for the effect of inflation on revenues and expenses over time. It should be understood that this type of long-term analysis is sensitive to changes in the assumptions for inflation and other factors.

The figures shown in Table 34 are based on a constant pace of growth between 2017 and 2040. The actual phasing of development will result in different amounts of development in different years. However, since the actual future phasing of development is not known, the FIA uses a constant pace throughout the planning period to approximate the change over time. Appendix A shows the assumed buildout in each year over the course of the planning period.

Several inflation assumptions were formulated for this FIA. Sales tax revenues were inflated two percent per year, which represents the 10-year average annual projected increase in the City's budget forecast. Property tax and ILVLF revenues were inflated two percent per year, which is the maximum allowed by the Proposition 13 limit on annual increases in tax

assessments.¹⁴ Expenditures were inflated at a four percent annual rate, which represents recent California municipal experience with increases in personnel benefits costs.¹⁵

As shown in Table 34, the net positive fiscal impact of the Project is expected to increase over the course of the projection period. Starting in 2017, there is a positive fiscal impact as new development is built and occupied. The net fiscal impact of the Project would increase in each year through 2040 as additional development is added to the City's inventory, and remains positive through 2040.

¹⁴ In order to provide a conservative analysis, increases in property tax revenues from future sale and subsequent reassessment of new development is not included. The amount of these proceeds may vary for a wide range of reasons, and a more detailed analysis that is beyond the scope of this study would be needed to formulate a reasonable assumption.

¹⁵ These costs have continued to increase even as salaries have been flat or reduced, due to increasing costs for health care, pensions, and other employment-related expenses. A four percent annual increase in expenditures is consistent with many cities budgeting practices throughout the Bay Area.

Table 34: Projected Net Fiscal Impact of the Project to the City of Menlo Park General Fund, 2016-2040

Project	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Revenues	\$ -	\$ 874,500	\$ 1,798,700	\$ 2,773,200	\$ 3,801,200	\$ 4,886,300	\$ 6,032,600	\$ 7,237,200	\$ 8,507,000
Sales Tax	\$ -	\$ 195,100	\$ 398,300	\$ 609,200	\$ 828,700	\$ 1,056,600	\$ 1,293,100	\$ 1,538,900	\$ 1,793,900
Property Tax (a)	\$ -	\$ 263,400	\$ 537,200	\$ 821,900	\$ 1,117,600	\$ 1,425,000	\$ 1,744,300	\$ 2,075,700	\$ 2,419,700
ILVLF	\$ -	\$ 69,600	\$ 141,900	\$ 217,200	\$ 295,400	\$ 376,600	\$ 460,900	\$ 548,600	\$ 639,500
TOT	\$ -	\$ 112,700	\$ 234,400	\$ 365,700	\$ 507,100	\$ 659,300	\$ 822,700	\$ 998,300	\$ 1,186,500
Utility Users Tax	\$ -	\$ 18,600	\$ 38,600	\$ 60,300	\$ 83,600	\$ 108,800	\$ 135,600	\$ 164,600	\$ 195,700
Other Revenues	\$ -	\$ 215,100	\$ 448,300	\$ 698,900	\$ 968,800	\$ 1,260,000	\$ 1,576,000	\$ 1,911,100	\$ 2,271,700
Total Expenditures	\$ -	\$ (502,100)	\$ (1,044,400)	\$ (1,629,100)	\$ (2,259,000)	\$ (2,936,900)	\$ (3,665,300)	\$ (4,447,100)	\$ (5,285,700)
Human Resources	\$ -	\$ (23,700)	\$ (49,300)	\$ (76,800)	\$ (106,600)	\$ (138,600)	\$ (173,000)	\$ (209,800)	\$ (249,400)
Community Development	\$ -	\$ (34,200)	\$ (71,200)	\$ (111,000)	\$ (154,000)	\$ (200,100)	\$ (249,900)	\$ (303,200)	\$ (360,300)
Community Services	\$ -	\$ (121,600)	\$ (253,000)	\$ (394,600)	\$ (547,100)	\$ (711,400)	\$ (887,700)	\$ (1,077,100)	\$ (1,280,300)
Library	\$ -	\$ (39,400)	\$ (81,900)	\$ (127,800)	\$ (177,100)	\$ (230,300)	\$ (287,400)	\$ (348,700)	\$ (414,400)
Police	\$ -	\$ (283,200)	\$ (589,000)	\$ (918,900)	\$ (1,274,200)	\$ (1,656,500)	\$ (2,067,300)	\$ (2,508,300)	\$ (2,981,300)
Net Fiscal Impact	\$ -	\$ 372,400	\$ 754,300	\$ 1,144,100	\$ 1,542,200	\$ 1,949,400	\$ 2,367,300	\$ 2,790,100	\$ 3,221,300

Note:

Figures presented are adjusted for inflation.

Revenue Escalation factor: 4.00%

Sales Tax Escalation Factor 2.00%

Property Tax Inflation Rate: 2.00%

Expenditure Inflation Rate: 4.00%

(a) A somewhat greater portion of revenue may be realized from new development in former redevelopment project areas until the City's debt obligations under the Recognized Obligation Payment Schedule are repaid.

Source: BAE, 2015.

(continued on following page)

Table 34: Projected Net Fiscal Impact of the Project to the City of Menlo Park General Fund, 2016-2040 (continued)

Project	2025	2026	2027	2028	2029	2030	2031	2032
Total Revenues	\$ 9,843,100	\$ 11,249,200	\$ 12,731,000	\$ 14,288,100	\$ 15,927,900	\$ 17,650,700	\$ 19,462,500	\$ 21,367,400
Sales Tax	\$ 2,058,500	\$ 2,332,900	\$ 2,617,700	\$ 2,912,800	\$ 3,218,400	\$ 3,535,400	\$ 3,863,700	\$ 4,203,600
Property Tax (a)	\$ 2,776,700	\$ 3,146,800	\$ 3,530,700	\$ 3,928,600	\$ 4,341,300	\$ 4,768,700	\$ 5,211,500	\$ 5,670,200
ILVLF	\$ 733,800	\$ 831,600	\$ 933,200	\$ 1,038,300	\$ 1,147,300	\$ 1,260,200	\$ 1,377,400	\$ 1,498,500
TOT	\$ 1,388,300	\$ 1,604,100	\$ 1,835,200	\$ 2,082,100	\$ 2,345,900	\$ 2,627,300	\$ 2,927,600	\$ 3,247,700
Utility Users Tax	\$ 228,900	\$ 264,500	\$ 302,700	\$ 343,300	\$ 386,800	\$ 433,300	\$ 482,800	\$ 535,500
Other Revenues	\$ 2,656,900	\$ 3,069,300	\$ 3,511,500	\$ 3,983,000	\$ 4,488,200	\$ 5,025,800	\$ 5,599,500	\$ 6,211,900
Total Expenditures	\$ (6,184,300)	\$ (7,146,200)	\$ (8,175,300)	\$ (9,275,300)	\$ (10,450,100)	\$ (11,704,300)	\$ (13,041,800)	\$ (14,467,600)
Human Resources	\$ (291,800)	\$ (337,200)	\$ (385,600)	\$ (437,600)	\$ (493,000)	\$ (552,200)	\$ (615,400)	\$ (682,500)
Community Development	\$ (421,600)	\$ (487,100)	\$ (557,300)	\$ (632,200)	\$ (712,300)	\$ (797,800)	\$ (888,900)	\$ (986,100)
Community Services	\$ (1,497,900)	\$ (1,730,800)	\$ (1,980,200)	\$ (2,246,600)	\$ (2,531,100)	\$ (2,834,900)	\$ (3,158,900)	\$ (3,504,200)
Library	\$ (484,900)	\$ (560,300)	\$ (641,000)	\$ (727,300)	\$ (819,400)	\$ (917,800)	\$ (1,022,600)	\$ (1,134,500)
Police	\$ (3,488,100)	\$ (4,030,800)	\$ (4,611,200)	\$ (5,231,600)	\$ (5,894,300)	\$ (6,601,600)	\$ (7,356,000)	\$ (8,160,300)
Net Fiscal Impact	\$ 3,658,800	\$ 4,103,000	\$ 4,555,700	\$ 5,012,800	\$ 5,477,800	\$ 5,946,400	\$ 6,420,700	\$ 6,899,800

Note:

Figures presented are adjusted for inflation.

Revenue Escalation factor: 4.00%

Sales Tax Escalation Factor 2.00%

Property Tax Inflation Rate: 2.00%

Expenditure Inflation Rate: 4.00%

(a) A somewhat greater portion of revenue may be realized from new development in former redevelopment project areas until the City's debt obligations under the Recognized Obligation Payment Schedule are repaid.

Source: BAE, 2015.

(continued on following page)

Table 34: Projected Net Fiscal Impact of the Project to the City of Menlo Park General Fund, 2016-2040 (continued)

Project	2033	2034	2035	2036	2037	2038	2039	2040
Total Revenues	\$ 23,374,500	\$ 25,477,100	\$ 27,688,000	\$ 30,008,000	\$ 32,444,000	\$ 35,004,100	\$ 37,688,900	\$ 40,507,600
Sales Tax	\$ 4,555,800	\$ 4,920,200	\$ 5,297,500	\$ 5,687,800	\$ 6,091,600	\$ 6,509,500	\$ 6,941,200	\$ 7,387,900
Property Tax (a)	\$ 6,145,000	\$ 6,636,500	\$ 7,145,400	\$ 7,671,900	\$ 8,216,600	\$ 8,779,900	\$ 9,362,700	\$ 9,965,200
ILVLF	\$ 1,624,000	\$ 1,753,900	\$ 1,888,500	\$ 2,027,600	\$ 2,171,500	\$ 2,320,400	\$ 2,474,500	\$ 2,633,700
TOT	\$ 3,588,800	\$ 3,951,800	\$ 4,338,200	\$ 4,749,300	\$ 5,186,000	\$ 5,650,400	\$ 6,143,500	\$ 6,667,200
Utility Users Tax	\$ 591,800	\$ 651,700	\$ 715,300	\$ 783,100	\$ 855,200	\$ 931,900	\$ 1,013,000	\$ 1,099,400
Other Revenues	\$ 6,869,100	\$ 7,563,000	\$ 8,303,100	\$ 9,088,300	\$ 9,923,100	\$ 10,812,000	\$ 11,754,000	\$ 12,754,200
Total Expenditures	\$ (15,986,700)	\$ (17,604,400)	\$ (19,325,500)	\$ (21,156,600)	\$ (23,102,900)	\$ (25,171,100)	\$ (27,368,100)	\$ (29,700,000)
Human Resources	\$ (754,200)	\$ (830,600)	\$ (911,800)	\$ (998,100)	\$ (1,089,900)	\$ (1,187,600)	\$ (1,291,300)	\$ (1,401,100)
Community Development	\$ (1,089,700)	\$ (1,200,100)	\$ (1,317,400)	\$ (1,442,200)	\$ (1,574,900)	\$ (1,715,800)	\$ (1,865,500)	\$ (2,024,500)
Community Services	\$ (3,872,200)	\$ (4,263,900)	\$ (4,680,800)	\$ (5,124,400)	\$ (5,595,700)	\$ (6,096,600)	\$ (6,628,900)	\$ (7,193,700)
Library	\$ (1,253,500)	\$ (1,380,400)	\$ (1,515,200)	\$ (1,658,900)	\$ (1,811,600)	\$ (1,973,700)	\$ (2,146,000)	\$ (2,328,800)
Police	\$ (9,017,100)	\$ (9,929,400)	\$ (10,900,300)	\$ (11,933,000)	\$ (13,030,800)	\$ (14,197,400)	\$ (15,436,400)	\$ (16,751,900)
Net Fiscal Impact	\$ 7,387,800	\$ 7,872,700	\$ 8,362,500	\$ 8,851,400	\$ 9,341,100	\$ 9,833,000	\$ 10,320,800	\$ 10,807,600

Note:

Figures presented are adjusted for inflation.

Revenue Escalation factor: 4.00%

Sales Tax Escalation Factor: 2.00%

Property Tax Inflation Rate: 2.00%

Expenditure Inflation Rate: 4.00%

(a) A somewhat greater portion of revenue may be realized from new development in former redevelopment project areas until the City's debt obligations under the Recognized Obligation Payment Schedule are repaid.

Source: BAE, 2015.

Net Present Value Calculation of Net Fiscal Impact

Net Present Value (NPV) calculation is a financial method for determining what a stream of future payments (or costs) would be worth measured in today's dollars. In other words, it calculates an up-front lump sum dollar amount that is equivalent to a series of payments (or costs) occurring over a number of years in the future. It accounts for the time value of money which exists due to the fact that each year interest payments increase the value of each dollar of investment.

An NPV calculation was done to identify the current (2015) dollar value of the annual net fiscal impacts from the Project as shown in Table 34. This was done by identifying a discount factor that represents the time value of money for the City of Menlo Park, based on the potential return that it might obtain from other risk-free investments available to it.¹⁶ A discount factor of four percent was used, which is common for municipal financial analysis.

Table 35 presents two separate figures. The first column shows the net fiscal impact for each year in current (inflated) dollars. The second column shows the NPV of the net fiscal impacts through 2040. As shown, the total net fiscal impact of the Project in current dollars is positive \$129.0 million and the NPV in constant 2015 dollars is positive \$66.4 million (i.e. a payment in 2015 of \$66.4 million, that earns a return of four percent, would be equal to the net revenues each year as shown in Table 34 that total \$129.0 million by 2040).

Table 35: Total Net Fiscal Impact and Net Present Value of Fiscal Impacts to City of Menlo Park General Fund from the Project, 2016-2040

Project	Total Net Impact, 2015 Dollars	Net Present Value of Total Net Impact, 2015 Dollars (a)
Revenues	\$410,622,800	\$205,688,716
Expenditures	(\$281,629,800)	(\$139,262,492)
Net Fiscal Impact	\$128,993,000	\$66,426,224

Note:

(a) Discount rate used for municipal financial analysis:

4.0%

Source: BAE, 2015.

¹⁶ Private investors, who have a higher tolerance for risk and therefore can earn a higher return, would typically use a higher discount rate for NPV calculations than a public agency.

SPECIAL DISTRICT FISCAL IMPACT ANALYSIS

In addition to impacts to the City's General Fund, the Project would generate fiscal impacts to various special districts. The following section describes impacts to the Menlo Park Fire Protection District and the three school districts that serve the M-2 area. Fiscal impacts to other special districts that serve Menlo Park would be much less significant and are described in Appendix B of this study.

Menlo Park Fire Protection District

The Menlo Park Fire Protection District (MPFPD) provides fire protection services to Menlo Park, Atherton, East Palo Alto, portions of unincorporated San Mateo County, and federal facilities such as the veteran's hospital, United States Geological Survey facility, and the Stanford Linear Accelerator, covering approximately 30 square miles. The MPFPD also has agreements with the neighboring departments, including the cities of Palo Alto, Redwood City, Fremont, and the Woodside Fire District, to provide automatic aid. The MPFPD serves approximately 87,980 residents and 41,150 employees, with a service population of 101,697.¹⁷

The District operates three fire stations in Menlo Park, two fire stations in unincorporated San Mateo County, one station in Atherton, and one station in East Palo Alto. Each of the seven fire stations is equipped with a heavy fire engine and is continuously staffed by three crew members. The District is currently reconstructing Station 2, located at 2290 University Avenue in East Palo Alto, and has plans to reconstruct Station 6. Station 77, located at 1467 Chilco Street in Menlo Park, is located in the M-2 area. According to staff, Station 77 will need to be significantly remodeled or rebuilt in order to accommodate any significant service population growth. Currently, Station 77 can only house and support three personnel at any given time.

The MPFPD currently employs 113.8 FTEs. Based on the MPFPD's service population of 101,700, the current service ratio of the MPFPD is 1.12 FTEs per thousand members of the service population. In order to maintain current staffing levels, the Department would need to add 15 FTEs to serve the increase in service population that would be associated with the Project. Staff has indicated that Department resources are strained by traffic congestion and growth, specifically on the northern side of the District in the Belle Haven and M-2 area, and that additional equipment and personnel would be needed to accommodate additional growth and increased congestion.

¹⁷ Service population is defined as all residents plus one third of all employees.

Revenues

After accounting for the ERAF shift, the MPFPD receives approximately 13.4 percent of the 1.0 percent base property tax collected from properties in Menlo Park, based on the median of the District's share of property tax across the TRAs in the City. However, the District's share of property tax revenues tends to be slightly lower in the TRAs that comprise the M-2 area, with a post-ERAF median value of approximately 12.2 percent. Because most of the development under the Project and alternatives would be located in the M-2, this FIA estimates property taxes to the MPFPD at a rate of 12.2 percent of the base 1.0 percent property tax. Based on the estimated increase in property values that would be generated by the Project, the MPFPD would receive \$8.3 million in additional property taxes annually after build out of the Project. The Reduced Non-Residential Intensity Alternative would generate \$7.1 million annually in additional property taxes to the District, and the Reduced Intensity Alternative would generate \$6.8 million annually in additional property taxes to the District.

Other sources of General Fund revenues for the MPFPD include licenses and permits, monies from intergovernmental transfers, current service charges, and use of money and property. The MPFPD expects to generate \$985,800 from licenses, permits, and service charges in FY 2015-2016, averaging \$9.69 per member of the service population. For this FIA, revenues from licenses, permits, and service charges are estimated on a per service population basis and are assumed to be the only revenue source other than property tax that would be affected by new development. Based on the estimated increases in service population, it is expected that additional MPFPD revenues from licenses, permits, and service charges would total \$169,200 per year from the Project, \$160,300 per year from the Reduced Non-Residential Intensity Alternative, and \$136,700 per year from the Reduced Intensity Alternative.

The MPFPD Board of Directors has adopted a Fire Services development impact fee to 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. If the fee is adopted by the Menlo Park City Council, developers of projects that would be subject to the fee and which receive building permits after the fee is implemented would be responsible for payment of the fee. If the City Council does not adopt the fee, the MPFPD may be able to rely on other revenue sources, such as the net increase in annual operating revenues identified below, to fund the District's capital improvement plan as needed to serve new development.

Expenditures

Costs to the MPFPD generated by the Project are estimated on a per service population basis, which tends to overestimate the impacts of new development on fire protection services and therefore provides a conservative analysis of the potential fiscal impacts to the MPFPD. The MPFPD budget for the 2015-2016 fiscal year includes \$33 million in expenditures from its General Fund, at an average rate of \$325 per member of the service population, as shown in Table 36.

Assuming that costs increase in accordance with service population, the Project would generate an estimated \$5.7 million in annual costs to the District. If the District were to require 15 additional FTEs due to the Project to maintain current staffing levels, these expenditures would average approximately \$290,000 per FTE. The Reduced Non-Residential Intensity Alternative would generate an estimated \$5.4 million in annual costs to the District and the Reduced Intensity Alternative would generate an estimated \$4.6 million in annual costs to the District

Net Fiscal Impact

Based on the revenue and expenditure estimates shown in Table 36, the Project and both alternatives would have a positive net fiscal impact on the MPFPD. The net positive fiscal impact associated with the Project is estimated to total \$2.8 million annually. The positive annual net fiscal impact to the District would total \$1.9 million under the Reduced Non-Residential Intensity Alternative and \$2.4 million under the Reduced Intensity Alternative.

Table 36: Projected Impacts to the Menlo Park Fire Protection District at Build Out

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net Fiscal Impact	\$2,790,661	\$1,874,558	\$2,373,861
New License, Permit, Service Charge Revenues	\$169,200	\$160,300	\$136,700
New Property Tax Revenues	\$8,288,561	\$7,083,658	\$6,816,161
Less: Projected Expenditures	(\$5,667,100)	(\$5,369,400)	(\$4,579,000)
Net Increase in Assessed Value	\$6,821,306,750	\$5,829,698,054	\$5,609,553,285
Base 1% Property Tax	\$68,213,068	\$58,296,981	\$56,095,533
Fire Services Development Impact Fee (a)	TBD	TBD	TBD
Assumptions			FY 2015-16
Service Population			101,697
Revenues			
License and Permit Revenues			\$925,000
Current Service Charges			\$60,800
Licenses, Permits, and Service Charges per Service Population			\$9.69
Fire District Share of Base 1% Property Tax			12.2%
General Fund Expenditures			
Operating Expenditures			\$33,027,200
Expenditures per Service Population			\$324.76

Notes:

(a) The Menlo Park Fire Protection District has conducted a study to establish an impact fee to fund the cost of capital expenditures needed to serve new development. If the Menlo Park City Council adopts the fee, individual developments that receive building permits after fee adoption could generate impact fee revenue to the District.

Sources: Menlo Park Fire Protection District, 2015; BAE, 2016.

School Districts Serving the Project

In addition to evaluation of the fiscal impacts on the City's General Fund departments, this study also evaluates the fiscal impacts and student population growth impacts for the school districts that serve the area that would be directly affected by the Project. Elementary and middle school students living in Menlo Park attend one of four school districts, all of which serve children in kindergarten through eighth grade: Menlo Park City School District, Las Lomas Elementary School District, Ravenswood City School District, or Redwood City School District. Of these four districts, the Ravenswood City and Redwood City School Districts are the districts that serve students living in the M-2 Area, and are therefore the districts that would be impacted by the net increase in new development from ConnectMenlo. However, the Menlo Park City and Las Lomas Elementary School Districts could also experience an increase in student enrollment and property tax revenue due to new development that could occur under the City's existing General Plan. The Sequoia Union High School District serves high school students throughout Menlo Park.

There are two types of potential impacts that can arise from growth in households which in turn leads to an increase in student population. The first potential impact is related to the additional costs of instruction for new students, and how those costs will be covered. The second potential impact is if there is a need for additional facilities to accommodate more students. Both of these impacts are addressed in the following sections.

In addition to the Project, there are a range of other demographic and socioeconomic factors that are also affecting near- and long-term school district enrollment. Thus, the findings on school district impacts in this study should be treated as indicative of the potential range and types of impacts from the Project, but not as an actual projection of the future fiscal and facility impacts that will be experienced by the school districts that serve Menlo Park residents.

Facility Needs and Master Planning

As student population has grown, it has created capacity constraints in the Ravenswood City and Sequoia Union School Districts. Both of these districts have embarked on planning efforts to meet future demand, and the Sequoia Union High School District has initiated a campus expansion project at the Menlo-Atherton campus, which serves Menlo Park. Current enrollment projects and associated expansion plans for these districts do not account for the growth that would be generated by the Project.

Enrollment in the Redwood City Elementary School District is currently within the District's capacity limits. As shown in the DEIR for the project, there is existing capacity for 423 elementary school students and 490 middle school students in the two District schools that are located near the M-2 Area, far exceeding the anticipated student generation for the District that would be associated with the Project (135 elementary and middle school students; see Table 40 below). According to the DEIR, the Redwood City Elementary School District projects

that elementary and middle school enrollment will decline over the next ten years, and has no current plans for new or expanded facilities. Due to these factors, this section of the FIA does not evaluate facilities needs for the Redwood City Elementary School District.

According to the Project DEIR, the Project could cause student enrollment to exceed the capacity of four of the five elementary school districts that serve Menlo Park. Student enrollment currently exceeds capacity in the Menlo Park City, Las Lomas Elementary, and Sequoia Union High School Districts. The Project and Alternatives would generate additional students for each of these districts, as estimated in Table 37 through Table 39 and Table 41 below, potentially causing enrollment to further exceed capacity. While the Ravenswood School District has a small amount of existing enrollment capacity, the projected increase in enrollment due to the Project (see Table 39 below) would exceed this remaining capacity. The Redwood City School District is the only school district that serves Menlo Park that has sufficient existing capacity to accommodate the students in the District that the Project would generate.

Despite current and potential capacity shortfalls in the Menlo Park City, Las Lomas Elementary, Ravenswood City, and Sequoia Union High School Districts, the DEIR for the Project found that the Project would have a less than significant impact on each of the school districts that serve Menlo Park. As detailed in the DEIR, all four districts with current or potential capacity constraints are undertaking planning efforts to accommodate enrollment growth, some with expansions or new facilities that will be operational within the next two years, and the number of students generated by the Project would be consistent with enrollment trends and planned facilities expansions. In addition, new development would be required to pay school impact fees to the districts in which the development takes place, which would be used to support the construction of new or expanded facilities, and development pursuant to the Project and any associated student enrollment would occur on an incremental basis throughout the 24-year buildout horizon of the Project.

Fiscal Impacts Analysis

This section estimates the impact of the Project and Alternatives on ongoing school district operating revenues and expenditures. The FIA estimates the increase in student enrollment based on the number of residential units in each district that would result from the Project and Alternatives, as specified in the DEIR, and the student generation rates that each district uses for enrollment projections.

The Project and Alternatives both include 55 single-family units that would be constructed as second units on lots where single-family homes currently exist, which could be constructed on any qualifying parcel in the City. According to the DEIR, there are single-family parcels that meet the City's requirements for second units in the Menlo Park City, Las Lomas Elementary and Ravenswood City School Districts. While it is unlikely that all 55 second units would be constructed in any one elementary/middle school district, the DEIR shows all 55 second units

in the residential unit counts for each of these three school districts in order to capture the full potential impacts of the Project on each district. As a result, the residential unit counts shown in the DEIR and FIA for individual elementary/middle school districts sum to a higher number than the total number of residential units from the Project or Alternatives.

In order to estimate the property tax revenue to each elementary/middle school district, the FIA portions the new development from the Project and Alternatives between each district. The FIA assumes that new residential development would be distributed between school districts as shown in the DEIR, as discussed above. However, the DEIR does not estimate the manner in which non-residential development from the Project will be distributed between school districts. Consequently, the FIA relies on estimates of the development potential within subareas of the M-2 Area and the remainder of the City to allocate the quantity of new non-residential development that would occur in each school district due to the Project and Alternatives.

Due to the complexities of the State's educational funding system, the impact to each of the districts that serve the M-2 area would differ with respect to ongoing revenues and expenditures for instructional costs. A primary distinction between districts serving the City lies in whether each district is a "Revenue Limit" or "Basic Aid District".

California School Financing

Revenue Limit Districts

In California, a majority of public schools are subject to the "Revenue Limit," a per-student funding amount determined by the State. Within Revenue Limit districts, local property taxes are not sufficient to meet the State funding 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 (including from new development), State funding is reduced by a commensurate amount so that these districts do not realize increased revenues as property tax revenues increase. Conversely, any increase in the gap between the State-mandated per-pupil spending minimum and property tax revenues, due to either increased enrollment or reduced property tax revenue, is met with a commensurate increase in State aid.

Basic Aid Districts

By comparison, if local property taxes are sufficient to exceed the Revenue Limit established by the State, a district can choose to become a "Basic Aid" district and receive only minimal State funding. Within Basic Aid districts, as assessed property values increase, the district can keep additional property tax revenues. While this can support higher levels of student spending in districts with a strong property tax base, it also means that property taxes from new development are the primary source of funds for additional annual operating costs to educate any new students. Therefore, the distinction between Revenue Limit and Basic Aid

districts is important as it determines whether a district can retain new operating revenues as a result of new development that increases the local property tax rolls.

Menlo Park City School District

Since the Menlo Park City School District does not overlap with the M-2 Area, all development that could occur from the Project would be due to the remaining development potential under the current General Plan, which is the same for the Project and Alternatives. As a result, the Project would have the same impact on the District as the Alternatives.

Revenues

The Menlo Park City School District is a Basic Aid District and therefore gets the bulk of its revenue from property taxes, with a minimal amount of funding from other state and local sources.

Among the TRAs in Menlo Park that are within the Menlo Park City School District boundaries, the District's share of the base one percent property tax averages 18.2 percent. Based on this percentage, the estimated increase in assessed values shown in Table 14, and the estimated share of new development that would occur within the Menlo Park City School District, at build out the increase in annual property tax revenues to the District as a result of the Project or Alternatives is estimated to total \$1.45 million.

Expenditures

The Menlo Park City Elementary School District uses a student generation rate of 0.18 students per single-family dwelling and 0.44 students per multifamily dwelling. The Project would generate up to 55 single-family units and 928 multifamily units in the Menlo Park City School District, resulting in an estimated 418 net new students in the District at buildout of the Project or Alternatives.

As shown in Table 37, the District budget for FY 2015-16 includes \$42 million in total expenditures, at a rate of \$14,316 per student. At build out, the increase in annual operating expenditures for students generated by the Project or Alternatives would total \$5.99 million.

Net Impact

After accounting for the projected increase in property tax revenues and the projected increase in annual educational expenditures, the Project would result in a net deficit to the Menlo Park City School District totaling \$4.5 million annually. This is equivalent to approximately eleven percent of the District's FY 2015-2016 budget.

Table 37: Projected Annual Impacts to the Menlo Park City School District at Build Out

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net Fiscal Impact to District	(\$4,539,900)	(\$4,539,900)	(\$4,539,900)
Projected Annual Property Tax Revenues	\$1,447,200	\$1,447,200	\$1,447,200
Change in Annual Revenues from ADA (a)	\$0	\$0	\$0
Less: Projected Annual Expenditures	(\$5,987,100)	(\$5,987,100)	(\$5,987,100)
 Net Increase in Residential Units (b)	 983	 983	 983
Multifamily	928	928	928
Single-Family	55	55	55
 Net Increase in Students	 418	 418	 418
Net Increase in Assessed Value (c)	\$ 793,259,738	\$ 793,259,738	\$ 793,259,738
Base 1% Property Tax	\$7,932,597	\$7,932,597	\$7,932,597
Assumptions			
Menlo Park City Elementary School District Share of Base 1% Property Tax (d)			18.2%
Student Generation Rate			
Multifamily			0.44
Single-Family			0.18
Expenditures			
FY 15-16 Budget			\$41,515,205
2015-16 Estimated ADA			2,900
Average Cost per Student			\$14,316

Notes:

(a) Menlo Park City Elementary School District is a Basic Aid district, which means that the school district does not receive revenues based on ADA to compensate for any changes in the District's per-student property tax revenue.

(b) The MPCSD is located outside of the M-2 Area, and therefore new residential development in the MPCSD would consist of multifamily units and single-family units developed as second units where single-family units currently exist. Since the development outside of the M-2 Area is the same in the Project and both Alternatives, the number of students generated is consistent across alternatives. Residential unit counts are from the ConnectMenlo DEIR.

(c) Net increase in assessed value is based on the total increase in assessed value of each land use from the Project and Alternatives, as shown in Table 14, and the share of development of each land use that is expected to occur in the school district.

(d) Figure represents the MPCSD share of the base 1.0% property tax across all TRAs in Menlo Park that are within the MPCSD boundaries.

Sources: ConnectMenlo DEIR, 2016; Menlo Park City Elementary School District, 2015; BAE, 2016.

Las Lomas Elementary School District

Similar to the Menlo Park City School District, the Las Lomas Elementary School District does not overlap with the M-2 Area, and therefore the Project would have the same impact on the District as the Alternatives.

Revenues

Like the Menlo Park City School District, the Las Lomas Elementary School District is a Basic Aid District that gets the bulk of its revenue from property taxes, with a minimal amount of funding from other state and local sources.

Among the TRAs in Menlo Park that are within the Las Lomas Elementary School District boundaries, the District's share of the base one percent property tax averages 20.6 percent. Based on this percentage, the estimated increase in assessed values shown in Table 14, and the estimated share of new development that would occur within the Las Lomas Elementary School District, at build out the increase in annual property tax revenues to the District as a result of the Project or Alternatives is estimated to total \$417,500.

Expenditures

The Las Lomas Elementary School District uses a student generation rate of 0.40 students per dwelling unit (multifamily or single-family). The Project would generate up to 55 single-family units and 118 multifamily units in the Las Lomas Elementary School District, resulting in an estimated 69 net new students in the District at buildout of the Project or Alternatives.

As shown in Table 37, the District budget for FY 2015-16 includes \$24 million in total expenditures, at a rate of \$17,517 per student. At build out, the increase in annual operating expenditures for students generated by the Project or Alternatives would total \$1.2 million.

Net Impact

After accounting for the projected increase in property tax revenues and the projected increase in annual educational expenditures, the Project would result in a net deficit to the Las Lomas Elementary School District totaling \$794,700 annually. This is equivalent to approximately three percent of the District's FY 2015-2016 budget.

Table 38: Projected Annual Impacts to the Las Lomas Elementary School District at Build Out

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net Fiscal Impact to District	(\$794,700)	(\$794,700)	(\$794,700)
Projected Annual Property Tax Revenues	\$417,500	\$417,500	\$417,500
Change in Annual Revenues from ADA (a)	\$0	\$0	\$0
Less: Projected Annual Expenditures	(\$1,212,200)	(\$1,212,200)	(\$1,212,200)
Net Increase in Residential Units (b)	173	173	173
Multifamily	118	118	118
Single-Family	55	55	55
Net Increase in Students	69	69	69
Net Increase in Assessed Value (c)	\$ 202,835,113	\$ 202,835,113	\$ 202,835,113
Base 1% Property Tax	\$2,028,351	\$2,028,351	\$2,028,351
Assumptions			
Las Lomas Elementary School District Share of Base 1% Property Tax (d)			20.6%
Student Generation Rate			
Multifamily			0.40
Single-Family			0.40
Expenditures			
FY 15-16 Budget			\$23,788,613
2015-16 Estimated ADA			1,358
Average Cost per Student			\$17,517

Notes:

(a) Menlo Park City Elementary School District is a Basic Aid district, which means that the school district does not receive revenues based on ADA to compensate for any changes in the District's per-student property tax revenue.

(b) The LLSD is located outside of the M-2 Area, and therefore new residential development in the LLSD would consist of multifamily units and single-family units developed as second units where single-family units currently exist. Since the development outside of the M-2 Area is the same in the Project and both Alternatives, the number of students generated is consistent across alternatives. Residential unit counts are from the ConnectMenlo DEIR.

(c) Net increase in assessed value is based on the total increase in assessed value of each land use from the Project and Alternatives, as shown in Table 14, and the share of development of each land use that is expected to occur in the school district.

(d) Figure represents the LLSD share of the base 1.0% property tax across all TRAs in Menlo Park that are within the LLSD boundaries.

Sources: ConnectMenlo DEIR, 2016; Las Lomas Elementary School District, 2015; BAE, 2016.

Ravenswood Elementary School District

Revenues

The Ravenswood Elementary School District is a Revenue Limit district. Therefore, ongoing instructional costs in the District are funded primarily through property taxes and State aid, with adjustments to State aid to account for any changes in the gap between property taxes and the required per-student funding level.

In the TRAS in Menlo Park that are within the Ravenswood City Elementary School District, the District's share of the base one percent property tax averages 32.7 percent. Using this percentage, the estimated increase in assessed values shown in Table 14, and the estimated share of new development that would occur within the District, at build out the increase in annual property tax revenues to the District as a result of the Project are estimated to total \$16.9 million. The Reduced Non-Residential Intensity Alternative and Reduced Intensity Alternative would support smaller quantities of development within the District, and would therefore generate less property tax revenue to the District.

Expenditures

The Ravenswood City Elementary School District uses a student generation rate of 0.39 students per single-family dwelling and 0.56 students per multifamily dwelling. The Project would generate up to 55 single-family units and 3,672 multifamily units in the Ravenswood School District, resulting in an estimated 2,078 net new students in the District at buildout of the Project. The Reduced Non-Residential Intensity Alternative would support the same number of residential units and students as the Project. The Reduced Intensity Alternative would generate 1,583 net new students in the District.

As shown in Table 39, the District budget for FY 2015-2016 includes \$46.5 million in total expenditures, at a rate of \$14,136 per student. At build out, the increase in annual operating expenditures for students generated by the Project or Reduced Non-Residential Intensity Alternative would total \$29.4 million. The increase in annual operating expenditures from the Reduced Intensity Alternative would total \$22.4 million.

Net Impact

The Project and Alternatives would result in costs to the District that exceed the increase in annual property tax revenues to the District. However, since Ravenswood City is a Revenue Limit district, the State would increase State Aid to maintain the necessary level of per-student funding, resulting in no net fiscal surplus or deficit to the District.

Table 39: Projected Annual Impacts to the Ravenswood City Elementary School District at Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net Fiscal Impact to District	\$0	\$0	\$0
Projected Annual Property Tax Revenues	\$16,883,217	\$13,791,419	\$13,469,349
Change in Annual Revenues from ADA (a)	\$12,488,983	\$15,580,781	\$8,902,751
Less: Projected Annual Expenditures	(\$29,372,200)	(\$29,372,200)	(\$22,372,100)
Net Increase in Residential Units (b)	3,727	3,727	2,843
Multifamily	3,672	3,672	2,788
Single-Family	55	55	55
Net Increase in Students	2,078	2,078	1,583
Net Increase in Assessed Value (c)	\$ 5,162,591,702	\$ 4,217,174,310	\$ 4,118,690,957
Base 1% Property Tax	\$51,625,917	\$42,171,743	\$41,186,910
Assumptions			
Ravenswood Elementary School District Share of Base 1% Property Tax (d)			32.7%
Student Generation Rate			
Multifamily			0.56
Single-Family			0.39
Expenditures			
FY 15-16 Budget			\$46,522,928
2015-16 Estimated ADA			3,291
Average Cost per Student			\$14,136

Notes:

(a) Ravenswood Elementary is a Revenue Limit District, which means that the district receives an allotted amount of State Aid per student and any changes in the amount of property tax revenues per student lead to an adjustment in State aid to maintain the allotted amount of per-student revenue received by the District.

(b) Net increase in residential units from the ConnectMenlo DEIR.

(c) Net increase in assessed value is based on the total increase in assessed value of each land use from the Project and Alternatives, as shown in Table 14, and the share of development of each land use that is expected to occur in the school district.

(d) Figure represents the Ravenswood ESD share of the base 1.0% property tax across all TRAs in Menlo Park that are within the Ravenswood ESD boundaries.

Sources: Ravenswood Elementary School District, 2015; BAE, 2016.

Redwood City School District

Revenues

The Redwood City School District is also a Revenue Limit district, with ongoing instructional costs in the District funded primarily through property taxes and State aid, and adjustments to State aid to account for any changes in the gap between property taxes and the required per-student funding level.

In the Menlo Park TRAs that are within the Redwood City School District, an average of 22 percent of the base one percent property tax goes to the District. Using this percentage, the estimated increase in assessed values shown in Table 14, and the estimated share of new development that would occur within the District, at build out the increase in annual property tax revenues to the District as a result of the Project are estimated to total \$2.0 million. The Reduced Non-Residential Intensity Alternative and Reduced Intensity Alternative would support smaller quantities of development within the District, and would therefore generate less property tax revenue to the District.

Expenditures

The Redwood City Elementary School District uses a Student Generation Rate of 0.46 students per detached single-family dwelling, 0.24 students per attached single-family dwelling, and 0.14 students per multifamily dwelling.¹⁸ All 963 net new units in the Redwood City Elementary School District would all be multifamily units, resulting in an estimated 135 net new students in the District at buildout of the Project. The Reduced Non-Residential Intensity Alternative would generate the same number of residential units and students, and the Reduced Intensity Alternative would generate 722 multifamily units and 101 net new students.

As shown in Table 40, the District budget for FY 2015-2016 includes \$92.1 million in total expenditures, at a rate of \$10,454 per student. At buildout, the increase in annual operating expenditures for students generated by the Project or Reduced Non-Residential Intensity Alternative would total \$1.4 million. Annual operating expenditures for students generated by the Reduced Intensity Alternative would total \$1.1 million

Net Impact

The Project and Alternatives would result in annual property tax revenues to the Redwood City School District that exceed the annual increase in District costs. However, since Redwood City Elementary is a Revenue Limit district, this would allow the State to decrease State Aid, resulting in no net fiscal surplus or deficit to the District.

¹⁸ Single-family detached student generation rates = 0.36 elementary school students plus 0.10 middle school students per unit; single-family attached student generation rates = 0.18 elementary school students plus 0.06 middle school students per unit; multifamily student generation rates = 0.10 elementary school students plus 0.04 middle school students per unit.

Table 40: Projected Annual Impacts to the Redwood City School District at Buildout

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net Fiscal Impact to District	\$0	\$0	\$0
Projected Annual Property Tax Revenues	\$1,956,540	\$1,852,730	\$1,579,093
Change in Annual Revenues from ADA (a)	(\$547,140)	(\$443,330)	(\$522,093)
Less: Projected Annual Expenditures	(\$1,409,400)	(\$1,409,400)	(\$1,057,000)
Net Increase in Residential Units (b)	963	963	722
Multifamily	963	963	722
Single-Family	0	0	0
Net Increase in Students	135	135	101
Net Increase in Assessed Value (c)	\$ 869,893,853	\$ 823,739,119	\$ 702,077,704
Base 1% Property Tax	\$8,698,939	\$8,237,391	\$7,020,777

Assumptions

Redwood City Elementary School District Share of Base 1% Property Tax (d)	22.5%
Student Generation Rate	
Multifamily	0.14
Single-Family	0.46
Expenditures	
FY 15-16 Budget	\$92,075,998
2015-16 Estimated ADA	8,808
Average Cost per Student	\$10,454

Notes:

(a) Ravenswood Elementary is a Revenue Limit District, which means that the district receives an allotted amount of State Aid per student and any changes in the amount of property tax revenues per student lead to an adjustment in State aid to maintain the allotted amount of per-student revenue received by the District.

(b) Net increase in residential units from the ConnectMenlo DEIR.

(c) Net increase in assessed value is based on the total increase in assessed value of each land use from the Project and Alternatives, as shown in Table 14, and the share of development of each land use that is expected to occur in the school district.

(d) Figure represents the Redwood City ESD share of the base 1.0% property tax across all TRAs in Menlo Park that are within the Redwood City ESD boundaries.

Sources: Redwood City Elementary School District, 2015; BAE, 2016.

Sequoia Union High School District

The Sequoia Union High School District serves all of Menlo Park, and therefore all new development that would occur under the Project or Alternatives would generate students and property tax revenue in the District.

Revenues

The Sequoia Union High School District is a Basic Aid District and therefore gets the bulk of its revenue from property taxes, with a minimal amount of funding from other state and local sources.

Among the TRAs in Menlo Park, the District's share of the base one percent property tax averages 15 percent. Based on this percentage and the estimated increase in assessed values shown in Table 14, at build out the increase in annual property tax revenues to the District as a result of the Project is estimated to total \$10.4 million. Annual property tax revenue would total \$8.9 million from the Reduced Non-Residential Intensity Alternative or \$8.5 million from the Reduced Intensity Alternative.

Expenditures

The District has not established its own student generation rate, and instead uses the State-wide figure of 0.2 students per dwelling for high-school districts established by the State's School Facility Program. This rate is often considered to overstate student generation from multifamily dwellings, and therefore could overestimate the number of students that the Project would generate. Using the 0.20 student per unit ratio results in an estimated net increase of 1,100 students to the District at buildout of the Project or Reduced Non-Residential Intensity Alternative and 875 students at buildout of the Reduced Intensity Alternative.

As shown in Table 41, the District budget for FY 2015-16 includes \$128 million in total expenditures, at a rate of \$14,402 per student. At build out, the increase in annual operating expenditures for students generated by the Project or Reduced Non-Residential Intensity Alternative would total \$15.8 million. The increase in annual operating expenditure from the Reduced Intensity Alternative would total \$12.6 million.

Net Impact

After accounting for the projected increase in property tax revenues and the projected increase in annual educational expenditures, the Project would result in a net deficit to the Sequoia Union High School District totaling \$5.5 million annually. This is equivalent to approximately four percent of the District's FY 2015-2016 budget. The Reduced Non-Residential Intensity Alternative would result in a net deficit to the District totaling \$7.0 million annually, or five percent of the District's FY 2015-2016 budget. The Reduced Intensity Alternative would result in a net deficit to the District totaling \$4.1 million annually, or three percent of the District's FY 2015-2016 budget.

However, if a lower 0.13 student per multifamily unit generation rate were used, which would be consistent with the rate used in the FIA for the City's Housing Element Update, the Project would generate an estimated 715 students, resulting in \$10.3 million in annual expenditures. This lower expenditure amount would result in a small net positive fiscal impact to the District of approximately \$60,400 per year, essentially leading to a net neutral fiscal impact on the District.

Table 41: Projected Annual Impacts to the Sequoia Union High School District at Build Out

	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net Fiscal Impact to District	(\$5,484,300)	(\$6,989,900)	(\$4,083,800)
Projected Annual Property Tax Revenues	\$10,357,500	\$8,851,900	\$8,517,600
Change in Annual Revenues from ADA (a)	\$0	\$0	\$0
Less: Projected Annual Expenditures	(\$15,841,800)	(\$15,841,800)	(\$12,601,400)
Net Increase in Residential Units	5,500	5,500	4,375
Net Increase in Students	1,100	1,100	875
Net Increase in Assessed Value	\$ 6,821,306,750	\$ 5,829,698,054	\$ 5,609,553,285
Base 1% Property Tax	\$68,213,068	\$58,296,981	\$56,095,533
Assumptions			
Sequoia Union School District Share of Base 1% Property Tax (c)			15.2%
Student Generation Rate (b)			0.20
Expenditures			
FY 15-16 Budget			\$127,987,287
2015-16 Estimated ADA			8,887
Average Cost per Student			\$14,402

Notes:

(a) Sequoia Union High School District is a Basic Aid district, which means the that the school district does not receive revenues based on ADA to compensate for any changes in the District's per-student property tax revenue.

(b) Sequoia Union High School District uses the State of California student generation rate of 0.2 students per housing unit for all unit types.

(c) Figure represents the Sequoia USD share of the base 1.0% property tax across all TRAs in Menlo Park, all of which are also within the Sequoia USD boundaries.

Sources: Sequoia Union High School District, 2015; BAE, 2016.

APPENDIX A: PROJECT PHASING

Table A-1: Project Phasing, 2016-2040

Project	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Non-residential square feet	-	167,292	334,583	501,875	669,167	836,458	1,003,750	1,171,042	1,338,333	1,505,625	1,672,917
Office	-	67,208	134,417	201,625	268,833	336,042	403,250	470,458	537,667	604,875	672,083
Life Sciences	-	87,500	175,000	262,500	350,000	437,500	525,000	612,500	700,000	787,500	875,000
Commercial	-	12,583	25,167	37,750	50,333	62,917	75,500	88,083	100,667	113,250	125,833
Hotel Rooms	-	17	33	50	67	83	100	117	133	150	167
Residential Units	-	229	458	688	917	1,146	1,375	1,604	1,833	2,063	2,292
Condominium	-	57	115	172	229	286	344	401	458	516	573
Rental Units	-	172	344	516	688	859	1,031	1,203	1,375	1,547	1,719
Net New Service Population (a)	-	727	1,454	2,181	2,908	3,635	4,363	5,090	5,817	6,544	7,271
New Employees (b)	-	413	825	1,238	1,650	2,063	2,475	2,888	3,300	3,713	4,125
New Residents (b)	-	590	1,179	1,769	2,358	2,948	3,538	4,127	4,717	5,306	5,896

Notes:

Phasing assumes that developments resulting from the Project would begin to be completed and reach full occupancy in 2020, with a constant pace of growth between 2020 and 2040. The actual phasing of development will result in different amounts of development in different years.

(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, employees are multiplied by: 1/3

(b) Net increase in employees and residents from the ConnectMenlo DEIR.

Sources: PlaceWorks, 2015; BAE, 2015.

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Table A-1: Project Phasing, 2016-2040 (continued)

Project	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Total Non-residential square feet	1,840,208	2,007,500	2,174,792	2,342,083	2,509,375	2,676,667	2,843,958	3,011,250	3,178,542	3,345,833
Office	739,292	806,500	873,708	940,917	1,008,125	1,075,333	1,142,542	1,209,750	1,276,958	1,344,167
Life Sciences	962,500	1,050,000	1,137,500	1,225,000	1,312,500	1,400,000	1,487,500	1,575,000	1,662,500	1,750,000
Commercial	138,417	151,000	163,583	176,167	188,750	201,333	213,917	226,500	239,083	251,667
Hotel Rooms	183	200	217	233	250	267	283	300	317	333
Residential Units	2,521	2,750	2,979	3,208	3,438	3,667	3,896	4,125	4,354	4,583
Condominium	630	688	745	802	859	917	974	1,031	1,089	1,146
Rental Units	1,891	2,063	2,234	2,406	2,578	2,750	2,922	3,094	3,266	3,438
Net New Service Population (a)	7,998	8,725	9,452	10,179	10,906	11,633	12,360	13,088	13,815	14,542
New Employees (b)	4,538	4,950	5,363	5,775	6,188	6,600	7,013	7,425	7,838	8,250
New Residents (b)	6,485	7,075	7,665	8,254	8,844	9,433	10,023	10,613	11,202	11,792

Notes:

Phasing assumes that developments resulting from the Project would begin to be completed and reach full occupancy in 2020, with a constant pace of growth between 2020 and 2040. The actual phasing of development will result in different amounts of development in different years.

(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, employees are multiplied by:

(b) Net increase in employees and residents from the ConnectMenlo DEIR.

Sources: PlaceWorks, 2015; BAE, 2015.

1/3

(Continued on following page)

Table A-1: Project Phasing, 2016-2040 (continued)

Project	2037	2038	2039	2040
Total Non-residential square feet	3,513,125	3,680,417	3,847,708	4,015,000
Office	1,411,375	1,478,583	1,545,792	1,613,000
Life Sciences	1,837,500	1,925,000	2,012,500	2,100,000
Commercial	264,250	276,833	289,417	302,000
Hotel Rooms	350	367	383	400
Residential Units	4,813	5,042	5,271	5,500
Condominium	1,203	1,260	1,318	1,375
Rental Units	3,609	3,781	3,953	4,125
Net New Service Population (a)	15,269	15,996	16,723	17,450
New Employees (b)	8,663	9,075	9,488	9,900
New Residents (b)	12,381	12,971	13,560	14,150

Notes:

Phasing assumes that developments resulting from the Project would begin to be completed and reach full occupancy in 2020, with a constant pace of growth between 2020 and 2040. The actual phasing of development will result in different amounts of development in different years.

(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, employees are multiplied by:

(b) Net increase in employees and residents from the ConnectMenlo DEIR.

Sources: PlaceWorks, 2015; BAE, 2015.

APPENDIX B: FISCAL IMPACT FOR OTHER SPECIAL DISTRICTS

In addition to impacts to the fire and school districts, the Project would have fiscal impacts on several other special districts, as described below.

Water and Sanitary Districts

The Menlo Park Municipal Water District (MPMWD), which is part of the City's Department of Public Works, owns and operates its distribution system and purchases water from the San Francisco Public Utilities Commission. The MPMWD serves approximately one-half of the City's population, covering the Sharon Heights area and portions of the City north of El Camino Real, including the Project site.

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 Silicon Valley Clean Water in Redwood City in conjunction with the cities of Redwood City, Belmont, and San Carlos.

Both the MPMWD and the West Bay Sanitary District operate on a cost recovery basis, covering operational costs through user fees. As such, the Project is not anticipated to have an ongoing fiscal impact to the two districts.

The Project would generate connection fees for both districts, providing one-time fee revenue to cover the cost of service connections. The MPMWD assesses connection fees based on the water meter size, while the West Bay Sanitary District collects connection fees that vary based on land use and volume of wastewater discharge. One-time impact fee revenues are listed in Table 24 above.

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: Cañada College in Redwood City, College of San Mateo in the City of San Mateo, and Skyline College in San Bruno. The District currently has 18,915 Full Time Equivalent Students (FTES)¹⁹, which amounts to approximately 0.02 FTES per member of the service population. Assuming the same the proportion of new service population members enrolls in District community

¹⁹ Enrollment for revenue calculation purposes is measured in Full Time Equivalent Students (FTES). A FTE is equal to 15 course credits.

colleges, the Project would result in 374 additional students, the Reduced Non-Residential Intensity Alternative would result in 354 additional students, and the Reduced Intensity Alternative would result in 302 additional students.

Revenues

The San Mateo Community College District became a Basic Aid district beginning in FY2012-2013. Similar to elementary and high school Basic Aid Districts, this means that property tax revenues in the District exceed the State's revenue limit, and therefore monetary contributions from the State are limited mainly to categorical funds that do not contribute to the District's Unrestricted General Fund. As a result, most of the District's Unrestricted General Fund revenues are derived from local property taxes and student enrollment fees. As shown in Table B-1, at buildout the Project is projected to result in a \$4.5 million increase in annual property tax revenue to the District. The Reduced Non-Residential Intensity Alternative would result in an estimated \$3.8 million increase in annual property tax revenue to the District. The Reduced Intensity Alternative would result in an estimated \$3.7 million increase in annual property tax revenue to the District.

For FY 2015-2016, SMCCCD's enrollment fees and other miscellaneous student fees are projected to total \$13.1 million, or approximately \$691 per Full-Time Equivalent Student (FTES). Based on this figure, at buildout the Project is projected to result in \$258,500 per year in additional student fees from new enrollment. Additional student fees from new enrollment would total \$244,900 per year under the Reduced Non-Residential Intensity Alternative or \$208,800 under the Reduced Intensity Alternative.

Net Impact

Table B-1 shows that the Project would result in a positive fiscal impact to SMCCCD, totaling \$1.5 million per year. The Reduced Non-Residential Intensity Alternative would have a positive net fiscal impact totaling \$1.0 million per year and the Reduced Intensity Alternative would have a positive net fiscal impact totaling \$1.3 million per year.

Table B-1: Projected San Mateo County Community College District Impacts at Buildout

Project	Project	Reduced Non-Residential Intensity	Reduced Intensity
		Alternative	Alternative
Net Fiscal Impact	\$1,541,048	\$1,042,513	\$1,309,657
Property Tax Revenues	\$4,497,748	\$3,843,913	\$3,698,757
Student Fees	\$258,500	\$244,900	\$208,800
Less: Projected Costs	(\$3,215,200)	(\$3,046,300)	(\$2,597,900)
Net Increase in Assessed Value	\$6,821,306,750	\$5,829,698,054	\$5,609,553,285
Base 1% Property Tax	\$68,213,068	\$58,296,981	\$56,095,533
Net New Service Population	17,450	16,533	14,100
New FTES	374	354	302

Assumptions	FY 2015-16 Budget (a)
Full-Time Equivalent Students	
Total Existing Full Time Equivalent Student (FTES) (b)	18,915
Service Population	882,284
FTES per Service Population Member	0.02
Revenues	
Student Fees	\$9,895,153
Miscellaneous Student Fees	<u>\$3,172,825</u>
Total Student Fee Revenues (c)	\$13,067,978
Student Fees per FTES	\$691
Community College District Share of Base 1% Property Tax	6.6%
Expenditures	
Certificated Salaries	\$57,141,011
Classified Salaries	\$34,520,181
Employee Benefits	\$37,020,256
Materials and Supplies	\$6,728,549
Operating Expenses	<u>\$27,150,568</u>
Total Expenditures (d)	\$162,560,565
Expenditures per FTES	\$8,594

Notes:

- (a) Budget for the Unrestricted General Fund, which is the district's primary operating fund. All other funds are restricted or and/or are required to be self-supporting.
 - (b) FTES - Full Time Equivalent Student equals 525 class hours.
 - (c) Does not include revenues that are not expected to increase with added enrollment, e.g. interest, non-resident tuition.
 - (d) Does not include capital outlay.
- Sources: San Mateo County Community College District, 2015; BAE 2016.

Other Districts

Potential fiscal impacts to the San Mateo County Office of Education, the Midpeninsula Regional Open Space District, and the Sequoia Healthcare District were also analyzed. Local property taxes are a major revenue source for each of these districts, and each receives a share of the base one percent property tax.

County Office of Education

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.

The Project is not expected to have a fiscal impact to the Office of Education. The Office of Education operates as a Revenue Limit District, meaning that the State counterbalances any change in the gap between property tax revenues and the required per-student funding level with a commensurate change in State Aid, resulting in no net fiscal impact to the District.

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 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 District does not maintain a per capita service standard for the acreage of land preserved and is therefore unlikely to 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 the Project. As a result, salaries, benefits, services, and supplies, which total \$21.2 million in the FY2015-2016 budget, are the only District expenditures that are likely to be impacted by growth. This results in estimated expenditures equal to \$26 per member of the service population. 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 Project would result in a net positive annual fiscal impact of approximately \$760,400, as shown in Table B-2. The annual positive net fiscal impact would total \$607,300 from Reduced Non-Residential Intensity Alternative or \$631,800 from the Reduced Intensity Alternative.

Table B-2: Projected Impact to the Midpeninsula Regional Open Space District at Buildout

Project	Project	Reduced Non-Residential Intensity	
		Alternative	Alternative
Net Projected Fiscal Surplus/(Deficit)	\$760,400	\$607,300	\$631,800
Property Tax Revenues	\$1,217,900	\$1,040,800	\$1,001,500
Less: Projected Costs	(\$457,500)	(\$433,500)	(\$369,700)
Net Increase in Service Population	17,450	16,533	14,100
Net Increase in Assessed Value	\$6,821,306,750	\$5,829,698,054	\$5,609,553,285
Base 1% Property Tax	\$68,213,068	\$58,296,981	\$56,095,533
Assumptions			
Existing Service Population			807,943
Open Space District Share of Base 1% Property Tax			1.79%
Expenditures			
Salaries and Benefits			\$15,393,844
Services and Supplies			<u>\$5,789,463</u>
Total Expenditures (b)			\$21,183,307
Expenditures per Service Population			\$26.22

Notes:

(a) Other revenues do not include property taxes or revenues that are not expected to increase with service population, i.e. grant income, interest income, and land donation.

(b) Total expenditures do not include expenditures that are not expected to increase with service population, i.e. debt service and fixed assets.

Sources: Midpeninsula Regional Open Space District, 2015; BAE, 2015.

Sequoia Healthcare District

The Redwood City Council formed the Sequoia Healthcare 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.²⁰ The Healthcare District provides community grants, nursing education, and ongoing support for various long-term healthcare initiatives.

The Sequoia Healthcare District serves Atherton, Belmont, Redwood City, Portola Valley, San Carlos, Woodside, and portions of Menlo Park, Foster City, and San Mateo. According to the Sequoia Healthcare District, the District primarily serves its residents. Thus, the FIA estimated costs to the District on a per resident basis rather than a per service population basis. Based on a parcel-by-parcel analysis of potential development capacity conducted by City staff and PlaceWorks in Fall 2015 and Summer 2016, the FIA estimates the share of new residents from the Project and Alternatives that would reside in the Sequoia Healthcare District, as well

²⁰ 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.

as the share of new development that would contribute property tax revenue to the Sequoia Healthcare District.

Excluding expenses not expected to increase with new development (e.g., investment fees, etc.), the District spends approximately \$18 per resident to provide health care services. After receiving its share of property tax revenues, it is estimated that the Project would result in a small net annual positive fiscal impact of approximately \$168,600, as shown in Table B-3. The Reduced Non-Residential Intensity Alternative and Reduced Intensity Alternative would result in a small net positive impact of approximately \$161,800 and \$154,700, respectively.

Table B-3: Projected Annual Impacts to the Sequoia Healthcare District at Buildout

Project	Project	Reduced Non-Residential Intensity Alternative	Reduced Intensity Alternative
Net Projected Fiscal Surplus/(Deficit)	\$168,600	\$161,800	\$154,700
Property Tax Revenues	\$257,300	\$250,500	\$231,800
Less: Projected Costs	(\$88,700)	(\$88,700)	(\$77,100)
Net Increase in Resident Population (a)	4,867	4,867	4,233
Net Increase in Assessed Value (a)	\$1,729,862,247	\$1,683,670,942	\$1,558,529,520
Base 1% Property Tax	\$17,298,622	\$16,836,709	\$15,585,295
Assumptions			
Existing Resident Population			220,000
Healthcare District Share of Base 1% Property Tax			1.49%
Expenditures (b)			
Administrative Expenses			\$505,800
Property Expenses			\$61,000
Program Expenses			\$3,441,000
Total Expenditures			\$4,007,800
Expenditures per Service Population			\$18.22

Notes:

(a) Net increase in residents and assessed value is based on the total increase in assessed value of each land use in the Sequoia Healthcare District, as shown in Table 14, and the share of development of each land use that is expected to occur in the District.

(b) Does not include grant expenses, pension expenses, or administrative or property expenses not expected to increase with service population.

Sources: Sequoia Healthcare District, 2015; BAE, 2016.