bae urban economics

Fiscal Impact Analysis of Proposed Facebook Project

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Submitted to:
City of Menlo Park

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Summary of Findings

The Fiscal Impact Analysis study (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 project by Facebook for two sites located at the intersection of the Bayfront Expressway (State Route 84) and Willow Road in Menlo Park. One site involves reuse of the former Sun Microsystems/Oracle campus while allowing more employees; the other site involves development of new buildings. This would result in a net increase of 5,800 employees and 312,604 square feet of built space for the two sites.

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

- City of Menlo Park General Fund (with two scenarios for revenue generation);
- City of Menlo Park Las Pulgas Redevelopment Project Area Fund;
- City of Menlo Park and other agencies from development impact fees;
- Menlo Park Fire Protection District, and other special districts serving the sites; and
- Ravenswood Elementary School District and Sequoia Union High School District.

Additionally, the FIA addresses the fiscal impacts for the City and local school districts from 254 new dwelling units, serving households at various income levels, which could be induced by the project based on a separate analysis by Keyser Marston Associates. Finally, because Sun Microsystems/Oracle was previously a major generator of business-to-business sales tax revenue for the City, the FIA analyzes the potential sales and use tax revenue that are potentially generated from an alternate mix of business(es).

Selected FIA findings are summarized in the following table (net negative figures are in red)[1]:

Selected Fiscal Impact Findings for the Facebook Proposed Project, Menlo Park, CA

All figures in 2011 Dollars. ANNUAL IMPACTS	City of Menlo Park Scenario 1	City of Menlo Park Scenario 2	Menlo Park Fire Protection District	Sequoia Union High School District	Ravenswood Elementary District	Menlo Park City Elementary District
Fiscal Impact - Operations						
New Revenues	$565,800	$658,800	$303,500	$308,500	$78,000	n/a
New Expenditures	492,200	492,200	200,000	0	78,000	n/a
Net Fiscal Impact	**$73,600**	**$166,600**	**$103,500**	**$308,500**	**$0**	**$0**
Fiscal Impact - Induced Housing						
New Revenues	$312,400	$312,400	n/a	$455,900	$342,900	$94,000
New Expenditures	332,600	$332,600	n/a	336,300	342,900	363,600
Net Fiscal Impact	**($20,200)**	**($20,200)**		**$119,600**	**$0**	**($269,600)**
Redevelopment Revenues (Prior to Dissolution of Redevelopment)	**$298,500**	**$298,500**	n/a	n/a	n/a	n/a
ONE-TIME IMPACTS						
Development Impact Fees from Proposed Project	**$8,556,300**	**$8,556,300**	**TBD**	**$58,800**	**$88,200**	n/a

- Fiscal impact from operations, induced housing measures impact to the City of Menlo Park's General Fund.
- TBD means to be determined, based on pending fire development impact fee nexus study. Excludes cost of additional project specific mitigations that may be identified.
- n/a indicates that the impact is not applicable or was not analyzed for the agency, or it does not collect these funds.
- Induced housing demand split 50/50 between elementary districts, but no split of Proposed Project property taxes.
- See report for explanation of scenarios, methodologies and limiting conditions.

Source: BAE, 2011.

[1] This analysis predates the State Supreme Court ruling that led to dissolution of Redevelopment Agencies. The findings regarding Redevelopment Agency revenues shown above have been left in this final report for informational purposes. The City and other agencies shown here, along with San Mateo County and other jurisdictions, will receive additional funds from the dissolution of redevelopment, however the actual amounts are yet to be determined.

An analysis of potential sales and use tax revenues from an alternative mix of businesses at the sites other than Facebook identifies a potential range of $431,000 to $827,000 in annual revenues.

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

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Introduction

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

The City of Menlo Park (City) retained BAE Urban Economics (BAE) to conduct a Fiscal Impact Analysis study (FIA) for the Proposed Facebook Project (Project). The Project would involve reuse of the former Sun Microsystems/Oracle campus at Willow Road and Bayfront Expressway (CA Highway 84), at higher employment density than currently allowed, along with redevelopment of a property at the southwest corner of the same intersection into a new multi-building campus.

The FIA addresses the fiscal impact from the Project for the City's General Fund and Community Development Agency (CDA), as well as the fiscal impact to special districts that provide services to residents and businesses in Menlo Park. In addition, the FIA includes an evaluation of the potential fiscal impacts of new housing development induced by the Project (assuming the housing is constructed in Menlo Park), as well as an analysis of potential sales tax generation that could occur from an alternative tenant at the site. The following sections of the FIA addresses each of these topics in turn, outlining the methodology used for the FIA and its findings. The appendices contain additional technical information on selected topics.

Fiscal Impact Methodology

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

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

This analysis focuses on impacts to the City's General Fund, CDA, 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 report, except as otherwise noted in the text, the annual ongoing fiscal impact of the Project is described in constant 2011 dollars, focused on a future point in time when the Project would be fully built out and would have achieved stabilized operations. In addition to a description of the annual recurring fiscal impact at build out, projected for Fiscal Year (FY) 2015-2016[2], a 20-year projection that is adjusted for inflation is provided to describe year-by-year and total fiscal impacts that could result from the Project.

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 material budgets.

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

[2] The fiscal year runs from July 1 to June 30.

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: Service Population

Jurisdiction	2011 Residents	Employment (a)
Menlo Park (a)	32,319	30,321
San Mateo County (b)	724,702	351,568
Midpeninsula Regional Open Space District (c)	605,773	376,582
Sequoia Healhcare District (d)	181,321	108,650
Menlo Park Fire Protection District (e)	93,131	46,228
Menlo Park Municipal Water District (f)	14,100	26,400

Service Population Calculation = Residents + 50% of Employment

Jurisdiction	2011 Service Population
Menlo Park	47,480
San Mateo County	900,486
Mid Peninsula Open Space District	794,064
Sequoia Healhcare District	235,646
Menlo Park Fire District	116,245
Menlo Park Municipal Water District	27,300

Notes:
(a) Menlo Park residents per CA Dept. of Finance, 2011. Employment for all jurisdictions is per U.S. Census, American Community Survey, 2008-2010 (2011 considered within margin of error for 2010).
(b) County includes all cities, unincorporated areas in San Mateo Co. Uses same data sources as (a).
(c) Midpeninsula Open Space District includes Atherton, Cupertino, East Palo Alto, Half Moon Bay, Los Altos Hills, Los Gatos, Menlo Park, Monte Sereno, Mountain View, Palo Alto, Portola Valley, Redwood City, San Carlos, Saratoga, Sunnyvale, and Woodside.
(d) Sequoia Healthcare District includes Redwood City, San Carlos, Belmont, Menlo Park, Woodside, Atherton, and Portola Valley.
(e) Menlo Park Fire District includes Menlo Park, Atherton, East Palo Alto, and some unincorporated areas of San Mateo County.
(f) Data from City's Menlo Park Municipal Water District staff.

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

Revenue Items

This FIA uses a variety of techniques to estimate increased revenues. As appropriate, estimates for many revenue items rely on per capita, per employee, or per service population calculations, depending on which groups are associated with particular revenue sources. Other estimation methodologies are 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.

All revenue figures are presented in constant 2011 dollars, except as noted, 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. BAE contacted representatives of the affected City departments, including the Finance, Community Development, Community Services, Library, Police, and Public Works departments, as well as representatives of the special districts providing fire protection, educational, and other services to determine whether marginal cost estimates could be reasonably calculated. Discussions with department and district staff addressed issues related to the adequacy of existing staffing levels and equipment to serve new development and specific needs for increased personnel, equipment, supplies, and facilities.

In cases where it was impractical to identify specific marginal costs, an "average cost" method was used to calculate increased public service costs. Calculation of average costs involves the calculation of cost multipliers, on a per service population basis, such as the cost to provide library services in Menlo Park. This multiplier is calculated by dividing the entire library system budget by the jurisdiction's current service population. The cost multiplier is then applied to an estimate of the number of new service population anticipated 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 2011 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 a Fiscal Impact Analysis focused on the City's General Fund. Specific topics are listed below.
  - *General Fund Revenues.* This section describes methodologies for estimating revenues and provides a detailed source-by-source estimate of City'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.
  - *20-Year Projection.* This section presents the year-by-year and total net fiscal impact of the Project across a 20-year period, expressed in nominal dollars adjusted for inflation, along with a net present value calculation in constant 2011 dollars.
- ***City's Community Development Agency Analysis.*** This section presents an analysis of the new tax increment that the Project would generate for the Community Development Agency and projects in its Las Pulgas Redevelopment Project Area Implementation Plan. It also includes the value of set-asides for affordable housing, pass-throughs pursuant to negotiated agreements to other agencies and schools, and other pass-throughs to property-tax receiving agencies (including the City's General Fund).
- ***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.
- ***Induced Development Fiscal Impact Analysis.*** This section presents the net fiscal impact to the City's General Fund and School Districts based on the potential induced housing demand generated by the Project.
- ***Alternative Tenant(s) Sales Tax Analysis.*** This section presents an alternative sales tax revenue analysis based on a different type of business moving into the proposed Facebook campus sites. The alternative analysis estimates the potential tax revenues that could accrue to the City's General Fund from a business(es) that generates business-to-business sales tax revenues.

Development Program Overview

Facebook has proposed developing a campus occupying two separate sites that total approximately 3.4 million square foot or 79.4 acres. The Project involves different development programs for the two sites, referred to as the East and West Campuses ("Project Area"). Maps of the Project Area are shown on the following page.

The East Campus, which is the previous Sun Microsystems/Oracle campus site, measures approximately 57.3 acres, and is located at 1601 Willow Road (State Highway 114). A portion of Facebook's staff already occupies one of the buildings based on the East Campus' existing entitlements for up to 3,600 employees.

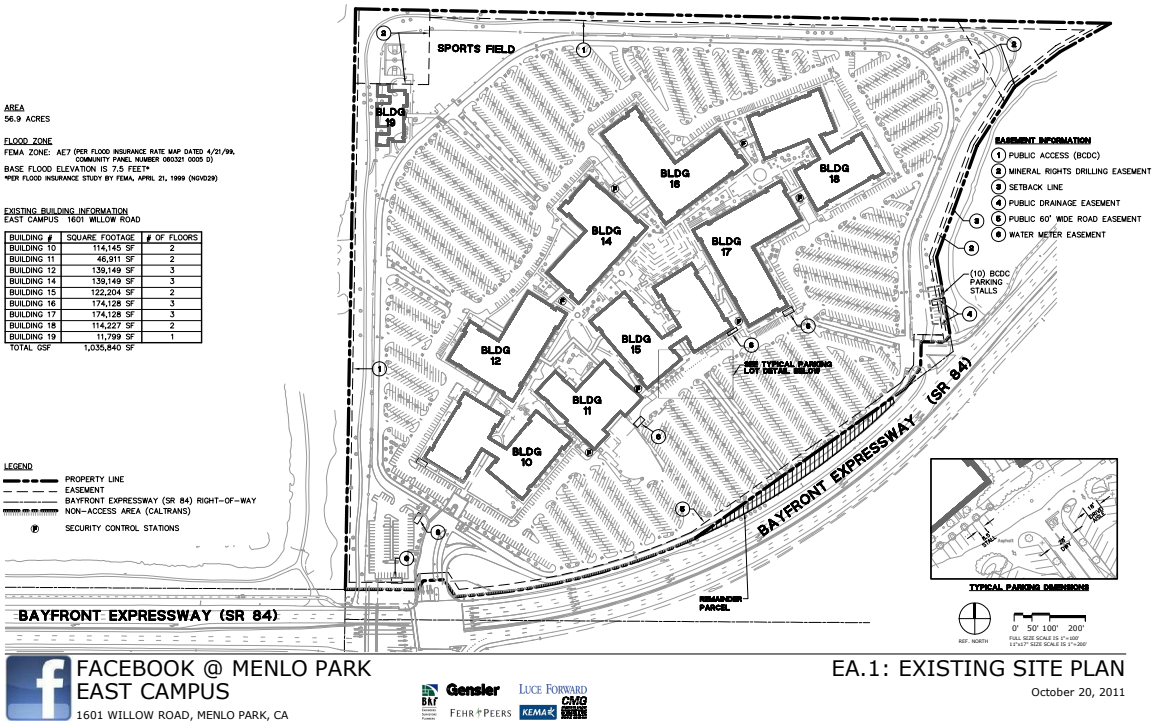
The West Campus measures approximately 22.1 acres and is located at 312 and 313 Constitution Drive, at the southwest corner of Willow Road and Bayfront Expressway (CA Highway 84). Facebook anticipates beginning demolition of existing structures and construction of new buildings in 2013, and commencing occupancy by mid to late 2014. The East and West campuses are physically connected by a California Department of Transportation-permitted tunnel under Highway 84. Table 2 shows the acreage of and new square footage proposed for each site.

Table 2: Overview of East and West Campus Sites

	Site Area	
Site Address	**Square Feet**	**Acres**
East Campus	2,478,907	57.3
West Campus	963,684	22.1
Total	**3,442,591**	**79.4**

Sources: Facebook; BAE, 2011.

Figure 1: Map of the East Campus Project Area



FACEBOOK @ MENLO PARK
EAST CAMPUS
1601 WILLOW ROAD, MENLO PARK, CA

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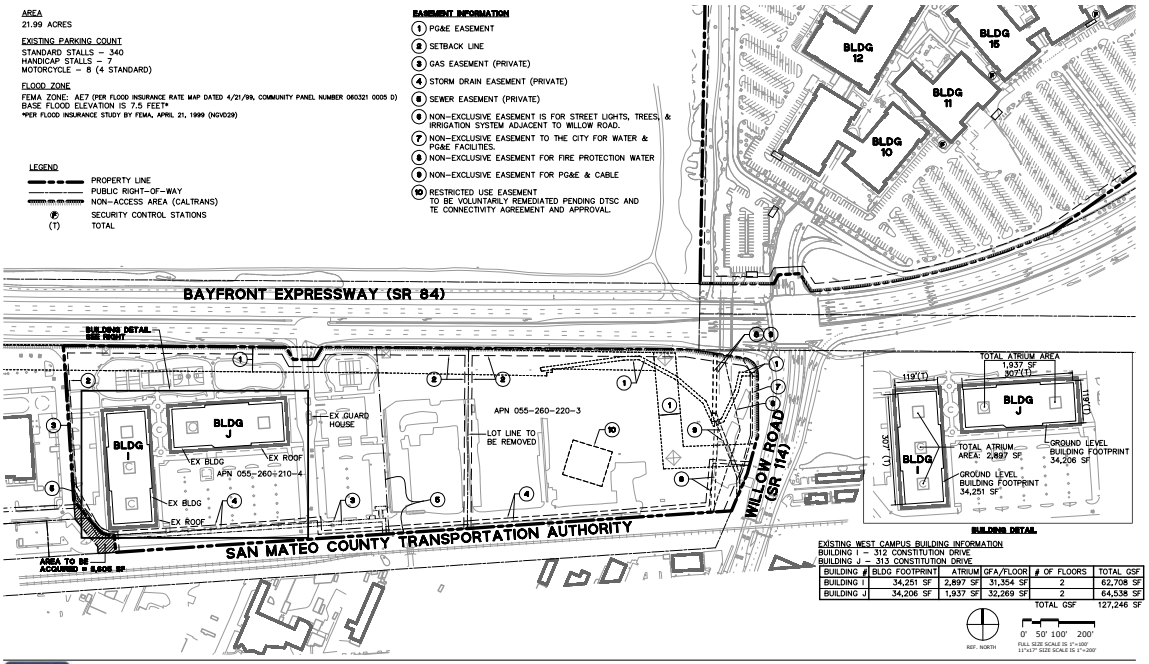
EA.1: EXISTING SITE PLAN
October 20, 2011

Figure 2: Map of the West Campus Project Area



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WA.1: EXISTING SITE PLAN
October 20, 2011

Project Development Program

The Project proposed by Facebook consists of space for offices, food service, and amenities and services within the non-contiguous East and West Campuses that comprise the Project Area. Table 3 provides an overview of the development program, while Figures 3 shows the proposed development plan for the West Campus (the East Campus work will consist of tenant improvement work and courtyard landscaping and improvements).

The East Campus portion of the Project currently consists of eight office buildings totaling just over one million square feet. The renovated buildings would house 862,903 square feet of office space, 161,138 square feet of office/café spaces, and 11,799 square feet of fitness center space. Parking for the East Campus could be provided in approximately 3,450 spaces in the existing surface parking lot.

The West Campus portion of the Project would consist of the demolition of two existing office buildings totaling 127,246 square feet and the construction of five new office buildings and a new parking structure. Total development on the West Campus would measure 439,850 square feet, including 333,500 square feet of office space, 89,100 square feet of office/café spaces, and 17,250 square feet of amenities and service spaces. Parking for the West Campus would be provided in a five-story parking structure and one level of parking below two of the office buildings.

Table 3: Development Program

	East Campus	West Campus	Total
Gross Built Area, Sq. Ft.			
Office	862,903	333,500	1,196,403
Office/Café	161,138	89,100	250,238
Amenities and Services	11,799	17,250	29,049
Total	**1,035,840**	**439,850**	**1,475,690**
Land Area, Sq. Ft.	2,478,907	963,684	3,442,591
Floor Area Ratio	0.42	0.46	

(a) Excludes non-occupiable parking structure area.

Sources: Atkins; BAE, 2011.

Figure 3: Conceptual Development Plan, West Campus

Employment Generation

The Draft Environmental Impact Report (DEIR) prepared by Atkins consultants estimates the Project's employment for each campus, based on land use. As Table 4 shows, the Project would result in an estimated 5,800 new employees at the Project Area across the categories of workers in offices, food services, amenities and services, and building services, resulting in a new service population increase of 2,900 persons.

Table 4: Estimated Employment

Number of Employees by Category	East Campus	West Campus	Total
Office	6,291	2,666	8,957
Food Services	150	61	211
Amenities and Services	26	16	42
Building Services	133	57	190
Less: Employees per Existing Entitlements	(3,600)	-	(3,600)
Net Additional Employees	**3,000**	**2,800**	**5,800**
Net Increase in Service Population at 50% of Additional Employment (a)			**2,900**

Note:
(a) For the FIA, except where noted, service population is calculated as 50% of additional employment, due to lower demand for services as compared to residents. The report identifies where an alternative calculation is made for impacts from new employment.

Sources: City of Menlo Park; BAE, 2011.

Alternative Development Program

A reduced intensity alternative has been prepared for the DEIR. The alternative includes a 25 percent trip reduction. However, as the development program and built area, including design capacity, would not change, the alternative only would have a somewhat reduced net fiscal impact. The net increase in the service population under this alternative would be 1,725 employees or approximately 59 percent of the increase in service population for the Project. An overview of the net fiscal impact findings for this reduced intensity alternative follows the discussion of the net fiscal impact for the Project, in the following section of this report.

City General Fund Fiscal Impact Analysis

Annually Recurring General Fund Revenues

The Project would generate revenue for the City, CDA 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 sales 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 0.5 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 employees' taxable retail spending, as well as visitor spending, at local retailers elsewhere in the City[3]. (The Project is not expected to generate business-to-business sales tax opportunities given the current business activities of Facebook.) This analysis identifies two scenarios that provide a potential range of sales tax revenues to the City from the Project. Scenario 1, as discussed below, reflects the assumption that a lower amount of the potential Facebook employee and visitor taxable retail spending would occur within Menlo Park. Scenario 2, as discussed below, assumes that a larger share of potential Facebook employee and visitor taxable retail spending could be captured within Menlo Park.

Employee Sales Tax Revenues

Employees at the Project would generate new sales tax revenues through off-site spending at businesses located in Menlo Park. This type of 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 on office worker spending patterns, which provides a useful estimate of likely spending by Project employees. According to these data, employees at suburban office locations spend approximately $3,880 annually on food and retail purchases near their place of work (both taxable and non-taxable retail sales). Many of the retail purchases included in the ICSC data are non-taxable in California. In addition, the Project includes space for Facebook to prepare and provide free meals to employees that would not be subject to

[3] Facebook provides free meals and other items to its employees. This analysis assumes that no sales tax accrues from these free goods, and that sales of cold, unprepared food to Facebook's food service operation is also not taxable.

sales tax.[4] Both Scenario 1 and Scenario 2 assume that Facebook employees consume all lunches on-site,[5] and that half of convenience goods (e.g. grocery purchases on the trip home) are not taxable. Based on these assumptions, the annual taxable sales per employee is estimated at $2,124.

Visitor Sales Tax Revenues

The City would also receive sales tax revenues from purchases by visitors to the new Facebook campus. Consultants retained by Facebook estimate that it would generate approximately 5,766 new potential employee interviewee visitors and 14,412 new special events visitors per year at build out. Each of these visitors is assumed to stay an average of 1.5 days. It is projected that each potential employee interviewee would spend approximately $75 per day based on the per diem provided by Facebook, while special events visitors would spend $50 per day of their own funds. Both of these figures are reduced by eight percent to account for the portion of daily expenditures that would be for non-taxable items, based on federal government calculations of per diem incidental expenses.[6]

A portion of employee and/or visitor spending would be expected to occur within the City, while a portion would be expected to occur in nearby communities. The location of spending could also be affected by the location of lodging for out of town visitors, as described in the subsequent section on transient occupancy tax calculations. It would also be affected by Facebook's provision of food and convenience retail on site. A scan of other nearby food and convenience retail locations near the Project Area shows the most readily accessible options to be along Willow Road in Menlo Park and along University Avenue in East Palo Alto. Nearby destination retail options are located in downtown Menlo Park, downtown Redwood City, downtown Palo Alto and at the Stanford Shopping Center in Palo Alto.

Because it is uncertain how much of the employee and visitor taxable sales would occur in Menlo Park, two scenarios were formulated that reflect different assumptions of the potential sales tax revenue that the City could capture. Based on the distance of the Project Area from key retail nodes in Menlo Park, and the availability of food and retail options on-site and in other communities, Scenario 1 assumes that 50 percent of employee- and visitor-generated taxable retail spending would occur in Menlo Park, while Scenario 2 assumes 75 percent of this spending would occur within Menlo Park.

Table 5 shows the results of these assumptions applied to Scenario 1 and Scenario 2. For Scenario 1, the City would receive $36,800 in annual sales tax revenues, while Scenario 2 would generate annual sales tax revenues of $55,200.

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[4] This assumes Facebook hires people directly to prepare and serve food to its employees. If Facebook contracts with a vendor to provide these services, the cost of meals provided would be taxable. Assuming Facebook provides this food itself generates a conservative estimate of sales tax revenues.

[5] Draft EIR.

[6] The actual ratio of taxable to non-taxable purchases by any visitor will vary depending on what combination of services, fresh vs. prepared food, and other spending choices are made.

Table 5: Projected Sales Tax Revenues

	SCENARIO 1		SCENARIO 2	
Assumptions	Daily (c)	Annual/Each (c)	Daily (c)	Annual/Each (c)
Annual Taxable Spending per Office Worker (a)	$8.85	$2,124	$8.85	$2,124
Annual Taxable Spending per Potential Employee (b)	$69	$104	$69	$104
Annual Taxable Spending per Special Events Visitor (b)	$46	$69	$46	$69
Estimated Location of Spending (d)				
Spending in other nearby communities		50%		25%
Spending in City of Menlo Park		50%		75%
Estimate of Taxable Retail Sales				
Net Additional Employment		2,900		2,900
Net New Potential Employee/Interview Visitors (e)		5,766		5,766
Net New Visitors / Special Events (e)		14,412		14,412
Estimated Annual Retail Spending in Menlo Park		$3,876,100		$5,814,100
Estimate of Sales Tax Revenues				
Local Share of Sales Tax Receipts		0.95%		0.95%
Sales Tax Receipts to City of Menlo Park		**$36,800**		**$55,200**

Notes:
(a) Based on data from International Council of Shopping Centers (ICSC), *Office Worker Retail Spending Patterns, 2004, pg. 106* Excludes lunch expenditures based on Facebook providing free food to its employees. Excludes half of convenience goods as non-taxable sales (e.g., grocery).
(d) Potential interviewee figure is based on $75 per diem provided by Facebook. $50 per day is assumed for other visitors. Average visit is assumed to be 1.5 days. Both figures area adjusted to assume 8% of spending is non-taxable, based on US GSA breakdown of incidental vs. meal expenses for San Mateo Co. (actual meals may be varying combination of taxable and non-taxable purchases, depending upon whether purchased food items are fresh or prepared/hot or cold items).
(c) ICSC data described in note (a) is inflated to 2011 dollars based on CPI.
(d) Assumption for which portion of spending would occur in East Palo Alto, Redwood City, Atherton, Palo Alto, etc.
(e) Based on analysis by Facebook. Assumes the average visit is 1.5 days per visitor.

Sources: ICSC, 2004; BLS, 2011; Brion and Associates, 2011; BAE, 2011.

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, as well as fixtures, and equipment (FF&E) owned by businesses.[7] Properties in California are subject to a base 1.0 percent property tax rate, which is shared among various local jurisdictions including the County, City, and special districts, as well as the State, which is allocated a portion of funds known as Education Revenue Augmentation Funds ("ERAF"). Appendix A 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 Area is subject to supplemental property taxes to pay for bonds issued for park and recreation, school district, and community college district purposes, as well as City assessments for landscaping and storm water management. Supplemental property taxes, are restricted, 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.

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

Table 6 shows the allocation of the base 1.0 percent tax rate to various jurisdictions, as well as supplemental taxes applicable to the Project's West Campus Site.[8] The City's allocation is approximately 8.39 percent of the base 1.0 percent tax for the West Campus, with the remainder going to various other jurisdictions. As Table 6 shows, although the West Campus is located within two different tax rate areas, the allocation of property tax revenues is the same for each one. To estimate future property tax revenues resulting from new development, one must estimate the new assessed value that would be determined by the San Mateo County Assessor's office, calculate the base property tax payment, and then allocate it to each jurisdiction based on its share as shown in Table 6 (the percentage figures in Table 6 are after calculation of ERAF).

Since the East Campus (but not the West Campus) is located in the City of Menlo Park Las Pulgas Community Development Project redevelopment project area, as defined by California's Community Redevelopment Law (CRL), the City's Community Development Agency (CDA) receives the increment of new property taxes above the base assessed value established for the project area. The CDA then sets aside a portion of the increment for affordable housing, as required by CRL, and passes through other portions of the increment to other property tax receiving jurisdictions pursuant to fiscal sharing agreements that were negotiated when the project area was established. Another portion of the increment is allocated to various San Mateo County jurisdictions, including the City's General Fund.

This means the City's General Fund receives a smaller share of new property taxes from the East Campus than if the site were located outside the project area. The remaining tax increment, after all set asides and pass-throughs, is available to the CDA for expenditures that implement the adopted redevelopment project area plan, consistent with the requirements of the CRL that prohibit the use of these funds for municipal operating costs. In other words, as a result of the City's decision to address blight by establishing the redevelopment project area, its General Fund will receive a smaller amount from the additional property taxes generated by the East Campus, while the CDA receives funds for capital improvements. The Community Development Agency fiscal impacts section of this report analyzes the CDA's, City's, and special districts' property tax revenues from the East Campus.

[8] The East Campus is located in County Tax Rate Area 08-080 and the West Campus is located in County Tax Rate Areas 08-021 and 08-081.

Table 6: Distribution of Property Tax Assessment by Jurisdiction

Jurisdiction (a)	Distribution of Base 1.0% Property Tax, West Campus, TRA 08-021, 08-081 (b)
City of Menlo Park	8.39%
San Mateo County	11.99%
Ravenswood Elementary School District (c)	32.70%
Sequoia High School District (c)	13.13%
San Mateo Community College District (d)	5.70%
Menlo Park Fire District	11.77%
Ravenswood Slough Flood Zone	0.03%
Mid Peninsula Regional Open Space District	1.54%
Bay Area Air Quality Management District	0.18%
County Harbor District	0.23%
Mosquito Abatement	0.14%
County Office of Education	2.97%
ERAF Share of Base 1.0% Tax	11.23%
	100.0%
Supplemental Taxes	**Tax Rate**
Menlo Park & Recreation Bond Assessment	0.0169%
Redwood City Elementary Bonds Assessments	0.0364%
Sequoia High School Bonds Assessments	0.0311%
San Mateo Community College Bonds Assessments	0.0193%
Total Property Tax Rate: Base 1% Rate + Supplemental Taxes	1.1037%

Note:

(a) Table does not include the East Campus because it is located in a Community Development Agency (CDA) Redevelopment Project Area, with distribution of tax increment revenues above base Assessed Value pursuant to agreements with agencies, Community Redevelopment Law. See Table 25.

(b) Per County Assessor, tax rates are the same for both Tax Rate Areas (TRA). Percentages shown for each jurisdiction is its share after the ERAF shift of 16.97%, i.e. Share x (1-.1697).

Sources: San Mateo County Controller; BAE, 2011.

The assessed value of real property consists of two components: land value and improvement value. Proposition 13 provides that the value of each of these components cannot increase by more than two percent per year, except when a property is transferred to a new ownership entity, in which case it is reappraised to current market value; or for construction of new improvements, in which case the assessed value is increased by the value of the construction. Table 7 shows the current assessed value of the two sites. The East Campus, because it is fully developed with high quality modern office space, has a much higher current assessed value ($207.5 million) than the West Campus, which has two smaller obsolete buildings that will be demolished ($20.5 million current assessed value).

Table 7: Existing Assessed Value

Site Address	Parcel Number	Current Assessed Value, FY2011-2012				
		Land	Improvements	Personal Property	Fixtures	Total
East Campus, 1601 Willow Road						
Bldgs 10, 11, 12, and 14	055-411-110	$31,334,183	$20,654,365	$61,088,355	$24,463,452	$137,540,355
Bldg 15	055-411-120	$13,097,890	$8,765,511	$0	$0	$21,863,401
Bldgs 16 and 19	055-411-130	$8,564,005	$5,742,921	$0	$0	$14,306,926
Bldgs 17 and 18	055-411-140	$20,251,353	$13,500,902	$0	$0	$33,752,255
Total East Campus		$73,247,431	$48,663,699	$61,088,355	$24,463,452	**$207,462,937**
West Campus						
312 & 313 Constitution Dr.	055-260-210	$10,400,000	$3,600,000	$0	$0	$14,000,000
Constitution Dr.	055-260-220	$6,525,000	$0	$0	$0	$6,525,000
Total West Campus		$16,925,000	$3,600,000	$0	$0	**$20,525,000**
Total		$90,172,431	$52,263,699	$61,088,355	$24,463,452	**$227,987,937**

Sources: San Mateo County Assessor's Office; BAE, 2011.

Data provided by Facebook on the construction cost for its East Campus tenant improvements, and new building construction for the West Campus, along with discussion with the Assessor of its valuation methodologies, was used to project the new assessed value of land and improvements on the sites after development. For the East Campus, the total cost of tenant improvements is projected to be $59.4 million. The total construction value of the West Campus site is projected to be $185 million, which would include hard construction costs, as well as soft costs for professional (architect, engineer, etc.) services. The existing assessed value for fixtures at the East Campus is assumed to remain the same, while the cost for fixtures at the West Campus is built into the construction cost estimate. These values are used for this FIA. However, the County Assessor will compare final construction cost with building cost data from Marshall & Swift Company, and may calculate a higher assessed value than actual construction cost if it is supported by the data. Should this occur, property tax proceeds would be higher than what is projected in this FIA.

A final component of assessed value is personal property, which is property that is not secured to real property and is not a lien against real property. It consists largely of business personal property owned by tenants, including office equipment, machinery, and furniture, and equipment. Businesses owning more than $100,000 worth of personal property are required to report the value of their personal property to the assessor, which is subject to property taxes at the same rate as real property.[9]

The assessed values for the East Campus on the current tax roll (as shown in Table 7) include the value of personal property owned by Sun Microsystems/Oracle, the previous owner of the site. This property is expected to be removed from the site in the first quarter of 2012. In order to calculate the future assessed value of personal property, Facebook provided an estimate of personal property that would be used for the "baseline" East Campus, corresponding to the existing 3,600 employee entitlement. This includes the value of personal property it will relocate there as well as

[9] State Board of Equalization. *California Property Tax.* Publication 29, September 2005.

the purchase of additional personal property for new employees up to the 3,600 employee figure (based on an average Facebook estimate of $4,700 in personal property for each new employee). Facebook estimates that the resulting baseline personal property figure for the East Campus is currently $66.2 million.[10] The current assessed value for the West Campus property does not include an amount for personal property.

Based on information provided by Facebook of an average of $4,700 in personal property per new employee, it is estimated for the Project that the East Campus would see an increase in the assessed value of personal property of $14.1 million. Using this same cost per new employee for new personal property, with an additional $15 million investment at the West Campus, it is estimated that the West Campus would see an increase in personal property assessed value of $28.2 million.

Table 8 shows the projected increase in assessed value for the Project after completion of all improvement work and acquisition of new personal property[11]. The East Campus would see an increase in assessed value of $73.5 million, while the West Campus would see an increase in assessed value of $209.6 million. These increases are the basis for calculating increases in new property tax revenues.

Table 8: New Assessed Value

Site Address	Land	Improvements	Personal Property (a)	Fixtures	Total
East Campus, 1601 Willow Road					
Current FY2011-12 Assessed Value	$73,247,000	$48,664,000	$66,180,000 (b)	$24,463,452	$212,554,452
Improvements, Additions	$0	$59,405,000	$14,100,000	$0	$73,505,000
Projected Assessed Value at Buildout	$73,247,000	$108,069,000	$80,280,000	$24,463,452	$286,059,452
Net Increase in Assessed Value	$0	$59,405,000	$14,100,000	$0	$73,505,000
West Campus					
Current FY2011-12 Assessed Value	$16,925,000	$3,600,000	$0	$0	$20,525,000
Improvements, Additions	$0	$185,000,000	$28,160,000	$0	$213,160,000
Projected Assessed Value at Buildout	$16,925,000	$185,000,000 (c)	$28,160,000	$0	$230,085,000
Net Increase in Assessed Value	$0	$181,400,000	$28,160,000	$0	$209,560,000

Notes:
(a) Personal Property estimates based on data provided by Facebook, and includes: (1) new investment of $59.6 million for East Campus; $15 million for West Campus; plus (2) average investment $4,700 per new worker (cost for 1,400 new East Campus workers included in baseline personal property figure).
(b) Existing tax roll AV is for Sun/Oracle personal property; this figure is calculated based on Facebook estimates for its personal property.
(c) Existing improvements are demolished and fully replaced by new improvements.

Sources: Facebook; BAE, 2011.

Based on the City's share of property tax revenues, 8.39 percent for the West Campus, and the tax increment calculations for the East Campus in the Las Pulgas redevelopment project area (shown in

[10] Depending on the data of assessment, Facebook's value of personal property will either be included in the 2012 or 2013 tax rolls.

[11] All Table 8 figures for the assessed value of personal property represent a projection of Facebook "baseline" personal property for the East Campus corresponding to what is needed for employees up to the current 3,600 employee cap; or a projection based on the Project for the personal property needed to support additional employees in the East Campus and new employees in the West Campus.

Table 25), the City would receive approximately $182,000 in annual property tax revenues from the completed Project. Table 9 shows the projected property tax revenues at full build out.

Table 9: Projected Property Tax Revenues to General Fund

Projected Assessed Value	Project
East Campus	
Net Increase in Assessed Value	$73,505,000
Tax Increment Pass-Through - AB1290 (a)	$54,610
City General Fund Share of Tax Increment Distribution (b)	11.16%
West Campus	
Net Increase in Assessed Value	$209,560,000
New Property Taxes at Base 1.0% Rate	$2,095,600
City Post-ERAF Share Based on Base Tax Distribution	8.39%
Projected Property Tax Revenues at Build Out	**Project**
East Campus	$6,100
West Campus	$175,900
Total Menlo Park City Property Tax Revenues	$182,000

(a) Share of Project Area tax increment passed through to jurisdictions for distribution according to their share of base 1% property tax payments. Rest of increment distributed per other agreements, or for redevelopment.
(b) Calculated based on tax rate area allocations, see Table 25.

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

Property Tax In-Lieu 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, or 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 improvements from the Project would generate a 2.83 percent increase the City's total assessed value. Applied to the ILVLF payment for FY 2010-2011, the most recent year for which actual

payment information is available[12], this would result in Project-generated ILVLF revenues of approximately $68,200. Table 10 shows the projected ILVLF revenues from the Project based on the current allocation formula.

Table 10: Projected Property Tax In Lieu of VLF Revenues

Assumptions (a)	
Total Assessed Value in Menlo Park, FY10-11	$10,140,346,118
ILVLF Payment FY10-11	$2,444,078
Projected ILVLF Revenues	**Project**
Projected Net Increase in Assessed Value (b)	$283,065,000
Percent increase in Total Menlo Park Assessed Value	2.79%
ILVLF Revenue to City of Menlo Park (c)	**$68,200**

Notes:
(a) FY10-11 figures used as most recent actual amounts (FY11-12 are projected).
(b) See Table 8 for Projected Assessed Value of Project.
(c) Calculated based on multiplying percent increase in total Citywide AV times the current ILVLF payment.

Sources: City of Menlo Park; BAE, 2011.

The City classifies ILVLF revenues as a type of property tax revenue. Therefore, in calculation of net fiscal impact, ILVLF revenues are combined with other property tax revenues.

Transient Occupancy Taxes (TOT)

The City collects Transient Occupancy Taxes (TOT), or lodging "room taxes", when visitors stay in local hotels. Although the Project does not include a hotel component, Facebook projects that potential employee visits and special events visitors would generate new hotel demand for Menlo Park. This demand would generate new TOT revenues for the City's General Fund. The City's TOT tax rate is 10 percent, applicable to all room and parking revenues.

Facebook provided its hotel demand estimates for use in this FIA, including calculations of the room nights that would be generated by the Project from the East Campus and West Campus, along with assumptions regarding average daily room rates and parking utilization and rates. Facebook estimates that the total annual increase in hotel room nights from the Project would be 8,773 with parking at one-half those room nights[13]. The assumption for average room rate, at $200 per night, and parking charges, at $25 per night, are consistent with the local market and other City FIA studies that include lodging projects and uses.

A key question for the analysis of TOT from the Project is what percentage of the new Facebook-generated room night demand will be in Menlo Park hotels. Menlo Park currently has a small inventory of lodging facilities, ranging from the 5-star Rosewood Sand Hill hotel, to mid-to-lower end motel properties along El Camino Real. An inventory of three, four, and five-star hotels in

[12] Figures for ILVLF for the current fiscal year are only projected at this time, and are considered unlikely to increase more than one percent.

[13] This figure excludes the portion of room night usage that would be associated with the existing baseline entitlements for the East Campus.

Menlo Park, Palo Alto, East Palo Alto, and Redwood City, which represent the types of properties most likely to appeal to business travelers, shows that only 19 percent of the approximately 2,000 existing hotel rooms in these four cities are located in Menlo Park. The proposed new hotel at the Menlo Gateway project when built could attract a substantial amount of this room night demand, especially if Facebook and the hotel operator reach agreement on rates and terms of use. Because of the limited current inventory, but potential for more substantial usage in the future, two scenarios for TOT generation were formulated, similar to the analysis of sales tax revenue.

Table 11 shows the results of two scenarios for TOT generation. Scenario 1 assumes that 25 percent of new room night demand will be in Menlo Park hotels, resulting in $46,600 in new annual TOT generation. Scenario 2 assumes that 65 percent of new room night demand will be in Menlo Park hotels, resulting in $121,200 in new annual TOT generation.

Table 11: Projected Transient Occupancy Tax Revenues

Assumptions		
Net New Hotel Room Night Demand (a)		8,773
Est. Room Nights Generating Parking Revenue TOT, at 50%		4,387
Average Daily Room Rate		$200
Average Daily Parking Rate		$25
Menlo Park Hotel Demand Capture Rate (b)		
Scenario 1 Capture Rate		25%
Scenario 2 Capture Rate		65%
Projected TOT Revenues	**Scenario 1**	**Scenario 2**
Annual Hotel Revenues Subject to TOT	$438,650	$1,140,490
Annual Parking Revenues Subject to TOT	$27,400	$71,300
Total Annual Revenues Subject to TOT	$466,050	$1,211,790
City of Menlo Park TOT Rate	10%	10%
Annual Projected TOT Revenues	**$46,600**	**$121,200**

(a) Based on Facebook estimates of room night generation, excluding room nights attributed to existing East Campus entitlements (baseline).
(b) Reflects different scenarios for proprtion of Facebook-related hotel usage that is captured in Menlo Park hotels vs. other communities.

Sources: Facebook; Brion & Associates; BAE, 2011.

Utility User Tax

The City currently collects a Utility User Tax (UUT) assessed on gas, electric, water, wireless, cable, and telephone bills. The UUT sets a maximum 3.5 percent tax on gas, electrical and water usage, and a maximum 2.5 percent tax on cable, telephone and wireless services. However, since its inception in 2007, the UUT has been set at a single 1.0 percent rate, which for the purposes of this analysis is assumed to continue. For businesses that generate more than $1.2 million in water, gas, and electricity utility expenditures, combined, the City caps the total combined water, gas, and electricity utility tax bill at $12,000 annually per business entity per address.

For the Project, Facebook would be responsible for all gas, electric, water, wireless, cable, and

telephone expenditures. Since the Bayfront Expressway separates its East and West Campuses, the two sites are considered to be non-contiguous, and therefore a separate UUT cap would be calculated for each address. As Table 12 shows, based on typical office utility usage, both campuses would generate utility spending on water, gas, and electricity in excess of $1.2 million annually and would, therefore, be subject to the annual $12,000 cap. Facebook would be responsible for paying utility taxes on the full cost of telephone, wireless, and cable utility expenditures. As shown in Table 12, the Project would result in total new City UUT revenues of approximately $76,400.

Table 12: Projected Utility User Tax Revenues

City-Wide Revenues	FY 2011- 2012	Residential	Commercial
User Tax Revenues			
Electric	$560,000	$139,590	$420,410
Gas	$122,666	$74,963	$47,703
Water	$84,240	$63,597	$20,642
Total User Tax Revenues	$766,906	$278,150	$488,756
Est. Annual Water, Gas, and Electric Utility Expenditures in Non-Residential, per Employee (a)			$1,612
Other Utility Tax Revenues			
Telecommunications	$130,000	$47,150	$82,850
Wireless	$210,000	$76,165	$133,835
Cable	$90,000	$32,642	$57,358
Total Other Utility Tax Revenues	$430,000	$155,957	$274,043
Est. Annual Other Utility Expenditures in Non-Residential, per Employee (a)			$904
Utility Tax Rate	1.0%	of Total Utility Expenditures	
Cap on Tax Base for User (Electric, Gas, Water) Tax	$1,200,000	per Year per Address	

Projected Utility User Tax Revenues Calculations	Project
New Employment Above Baseline, East Campus	3,000
New Employment, West Campus	2,800

	East Campus	West Campus	Total
Projected New Electric Gas, and Water Expenditures	$4,835,815	$4,513,427	$9,349,242
Capped Amount for Electric, Gas, and Water Taxes	$1,200,000	$1,200,000	$2,400,000
New Other Utility Expenditures	$2,711,414	$2,530,653	$5,242,067
Total Expenditures Subject to Utility User Tax	$3,911,414	$3,730,653	$7,642,067
Projected Total Utility User Tax Revenues (b)	**$39,100**	**$37,300**	**$76,400**

Notes:
(a) Based on consumption per new employee, including above East Campus baseline usage.
(b) Electric, gas, and water combined are at the $12,000 per year per address cap; other utility taxes are based on 1% of expenditures (no cap).

Sources: Menlo Park Finance Dept., BAE, 2011.

Other Revenues

Licenses and Permits

The City receives approximately $3.3 million from the issuance of licenses and permits. Business license fees are charged to businesses operating in the City at a rate of $250 per $1 million of gross receipts, subject to a cap of $8,000 per business site per year.

Facebook's gross receipts exceed the highest level of the business license fee schedule and therefore, is capped at $8,000 per site. City staff indicates that the East Campus and West Campus would be considered separate business sites, so Facebook would pay $16,000 per year in business license fees.

This analysis does not consider other license and permit revenues, such as building permits, which are generally revenue neutral (i.e., they are charged to directly reimburse the cost of providing a public service, such as building inspection), and parking permits, which would not be relevant to the Project because it provides for parking on-site.

Franchise Fees and Fines

The City generates approximately 4.7 percent of General Fund revenues from franchise fees[14] and 2.6 percent of General Fund revenues from fines. Both types of revenues tend to increase as the City's service population grows. In the case of franchise fees, these are generally set as a percentage of gross receipts and increase as expenditures on items, such as gas and electric, increase. In the case of fine revenues, these are primarily collected by the Police Department for parking and traffic citations, and can be assumed to increase as the residential and employment base of the City grows.

According to the FY2011-2012 budget, the City will receive approximately $48.72 per person in the service population in fines and franchise fee revenues, excluding cable TV franchise fees. Once complete and fully occupied, the Project would be expected to generate new service population based on the calculations set forth in Table 4. Assuming a commensurate increase in the amount of franchise fees and fines collected each year, the Project would generate annual fines and franchise fees revenues of $141,300. Table 13 shows the projected fines and franchise fee revenues.

[14] 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.

Table 13: Projected Fines, Franchise Fee Revenues

Revenue by Source	FY 2011- 2012
Franchise Fees	$1,743,000
Fines	$970,000
Less Cable TV Franchise Fees (a)	($400,000)
Total Fines and Franchise Fee Revenues	$2,313,000
Citywide Service Population	47,480
Revenue Per Service Population	**$48.72**

Projected Fines and Franchise Fee Revenues	Project
New Service Population (b)	2,900
Total New Revenues	**$141,300**

Notes:
(a) Cable Franchise Fees primarily paid by residential users are excluded from this analysis.
(b) New Service Population defined as one half of additional employment.

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

Summary of Annually Recurring Revenues

Based on the revenues and two scenarios discussed in this section, Table 14 shows that the Project would generate annually for Scenario 1 approximately $567,300 and for Scenario 2, $660,300 in new revenues for the City's General Fund. The actual amount of new revenues would likely fall within the range defined by these figures, with the actual amount depending on the extent to which Facebook employees, prospective employees, and visitors make taxable retail sales elsewhere in Menlo Park, as well as utilize Menlo Park hotels.

Table 14: Summary of Annual Recurring Revenues

Revenues in 2011 Dollars	Scenario 1	Scenario 2
Sales Tax Revenues	$36,800	$55,200
Property Tax Revenues	$182,000	$182,000
Property Tax In-Lieu of VLF Revenues	$68,200	$68,200
Transient Occupancy Taxes	$46,600	$121,200
Utility User Tax	$76,400	$76,400
Business License	$16,000	$16,000
Fines and Franchise Fees	$141,300	$141,300
Total Revenues	**$567,300**	**$660,300**

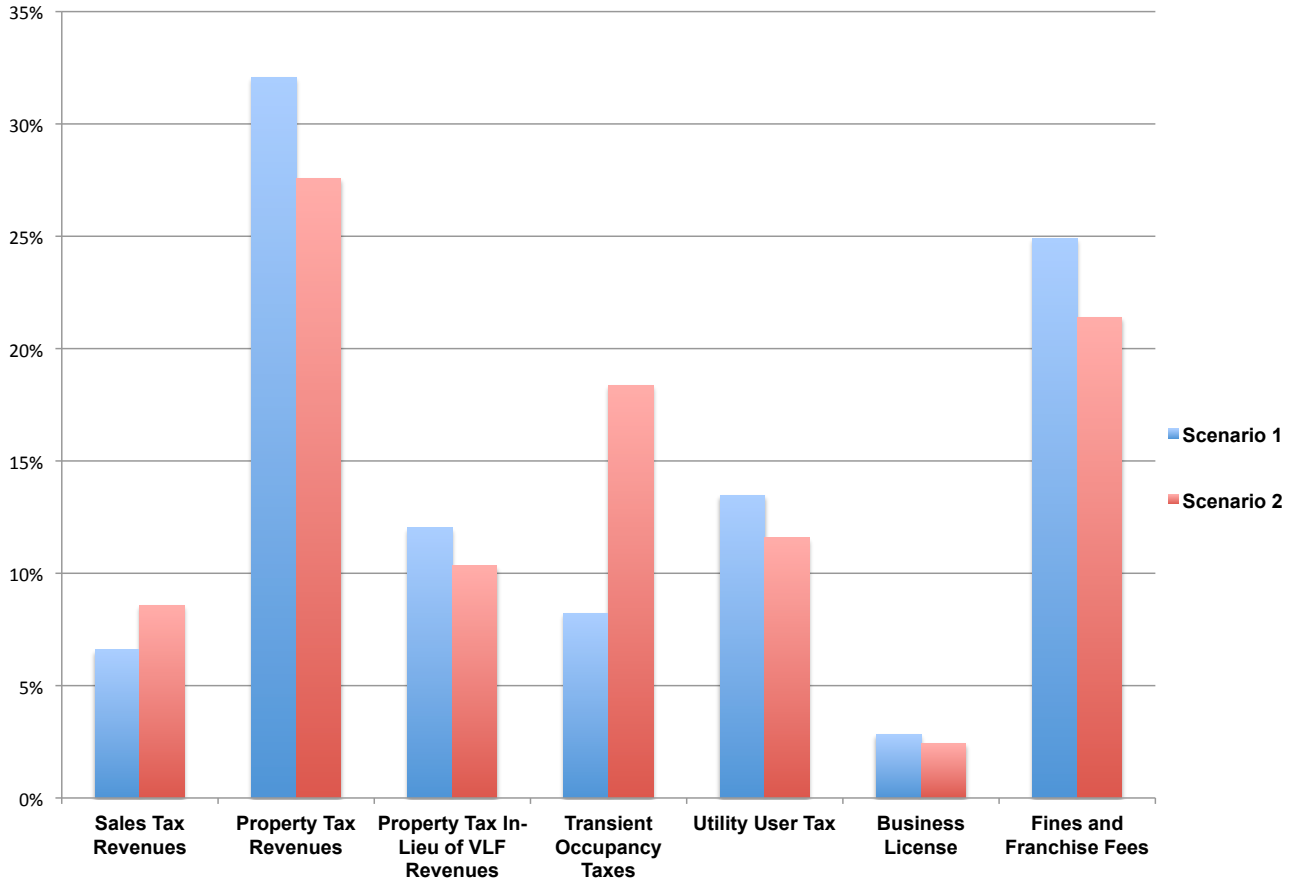
Scenarios correspond to alternative assumptions for sales tax, TOT generation, as shown in Tables 5, 11.

Source: BAE, 2011.

Figure 4 shows for each of the categories in Table 14, the relative share of annual revenues from Scenario 1 versus Scenario 2.

Figure 4: Distribution of Added Annual City General Fund Revenues from Project

At Build Out Based on Constant 2011 Dollars.



One-Time/Non-Recurring Revenues

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

Property Transfer Taxes

The City receives a property transfer tax of $0.55 per $1,000 of assessed value when properties are sold or transferred. Currently, Facebook owns the West Campus, but has a long-term lease for the East Campus. It has an option to purchase the East Campus at a future date, and if that occurs, it would need to pay the requisite property transfer taxes. Property transfer taxes are calculated based on the market value of the property at the time of transfer. This value is ordinarily the sale price of the property; however, where a property is not sold as part of an arms length transaction, the Assessor's office will determine the current market value of the property through an appraisal

process. However, as neither the likelihood nor value of a potential future purchase of the East Campus is known at this time, no property transfer tax has been calculated for this FIA.

Impact Fees and Capital Facilities Charges

The City, as well as some special districts, collect impact fees and capital facilities charges for public services such as water, sewer, traffic mitigation, below market rate housing, and schools. These impact fees 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 2011, the Project, which results in a net increase of 312,604 square feet of new development on the West Campus, along with tenant improvements on the East Campus, would generate a total of $8.6 million in impact fees and capital facilities charges, as shown in Table 15. Additional information regarding impact fee calculations is provided in Appendix B. It should be noted that impact fees are adjusted periodically, and that payment is based on the fees in effect at the time building permits are issued. The revenues shown below are an estimate based on current impact fee schedules.

The figures in Table 15 do not include a potential Fire Services development impact fee that may be implemented in the near future, as discussed in the subsequent section on the Menlo Park Fire Protection District. The West Campus would pay any new Fire Services development impact fee that is in effect as of the date that Facebook secures permits for new construction.

Table 15: Impact Fees and Facilities Charges

Impact Fees and Facility Charges	Rate	Unit	Project Quantity (a)	Total Impact Fees
Water Capital Facilities Charge (a)		Unit		
Office	$90,124	6" Meter	1	$90,100
Parking/Site	$40,595	4" Meter	1	$40,600
Fire Services (b)	$1,000	Per Site	1	$1,000
Administration Fees	25%	of Connection Fees		$32,925
Sewer Connection Fee				
Office	$19.50	Gallons/Day+$585	52,782 (c)	$1,029,800
Ravenswood Elementary School District				
Commercial	$0.282	Net New sf	312,604	$88,200
Sequoia High School District				
Commercial	$0.188	Net New sf	312,604	$58,800
Total Water, Sewer, and School District Impact Fees and Facilities Charges				**$1,341,425**
Storm Drainage Connection Fee				
Commercial	$0.24	Impervious Surface sf	99,918 (d)	$24,000
Traffic				
Office	$4.10	Net New sf	312,604	$1,281,700
BMR Housing In-Lieu Fee				
Commercial (e)	$14.50/$7.87	per sf	312,604	$4,491,700
Building Street Repair Fee	0.58%	Construction Value (f)	$244,405,000	$1,417,500
City of Menlo Park Impact Fees				**$7,214,900**
Total Impact Fees and Facilities Charges, All Agencies				**$8,556,325**

Notes:
(a) Only includes net new square feet.
(b) Assumes buildings are fitted with sprinklers.
(c) Based on efficient water usage of 30 gallons per square foot per day, with building operating 5 days/week, 50 weeks/year, per *Commercial and Institutional End Users of Water* study.
(d) Calculation by City staff on increase in impervious area from West Campus improvements.
(e) $14.50 for office space, and $7.87 for non-office uses.
(f) Per Facebook. Equals the sum of improvements and fixtures.

Sources: City of Menlo Park; Ravenswood School District; Sequoia Union School District; Atkins; Water Research Foundation; Facebook; BAE, 2011.

General Fund Expenditures

Administrative Services

Administrative Services include a number of City Departments that provide services to support the overall operation of the City. These include the City Clerk, City Manager's Office, Finance Department, and Personnel Department. As the City's service population expands, costs for administrative services are also expected to expand. For example, increases in personnel to serve population increases create the need for additional employee support.

As shown in Table 16, the City's General Fund expenditures per service population for administrative services is $84 in FY2011-2012. Assuming the City's General Fund expenditures

per service population unit remain at current levels, the Project's increase in service population would generate additional annual expenditures of $244,900.

Table 16: Projected Administrative Services Expenditures

Administrative Services Functions (a)	FY 2011- 2012
Service Excellence	$276,166
Elections and Records	$84,613
Community Engagement	$199,388
Asset Preservation (b)	$1,204,704
Information Support	$879,201
Internet and World Wide Web	$24,650
Employee Support	$848,973
Legal Services	$295,805
Business Development	$196,416
Total Administrative Services Expenditures	**$4,009,916**
Total Service Population	47,480
Administrative Services Expenditures Per Service Population	$84
Projected Administrative Services Expenditures	
New Service Population (c)	2,900
Total New Expenditures	**$244,900**

Note:
(a) Only includes General Fund expenditures. Does not include Policy Development and City Council Support expenditures, which would not increase with new development.
(b) Does not include General Transfers (out) to other funds.
(c) New Service Population defined as one half of net additional employment.

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

Community Development

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

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

In FY2011-2012, the City's General Fund contribution to the Community Development Department was $2.7 million. However, service charges and license and permit fees that the Department collects offset a large part of the City's General Fund contribution. After subtracting out charges for services and license and permit fees, the total City General Fund costs impacted by growth is $277,900, or $5.85 per service population. As shown in Table 17, the Project would

generate $17,000 of annual expenditures.

Table 17: Projected Community Development Dept. Expenditures

Community Development Department Expenditures (a)	FY 2011- 2012
Comprehensive Planning	$277,890
Land and Building Development Services (b)	$0
Total Community Development Expenditures	**$277,890**
Total Service Population	47,480
Expenditures Per Service Population	$5.85
Projected Community Development Department Expenditures	**Project**
Total Service Population (b)	2,900
Total New Expenditures	**$17,000**

Notes:
(a) Charges for Services and Licenses and Permits are General Fund Revenue sources.
(b) New Service Population defined as one half of net additional employment.

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

Community Services

The Community Services Department operates 14 parks, two community centers, two swimming pools, four childcare centers, and two gymnasiums, and provides recreational and cultural programs for children, adults, and seniors. The facilities are open to both Menlo Park residents and workers, as well as residents of adjacent cities. Many Community Services Department programs operate on a cost recovery basis. While some programs east of Highway 101 are partially subsidized because of the lower-income households in the neighborhood, programs west of Highway 101 are cost recovery programs. The Department's adult sports programs operate on a 75 percent cost recovery basis.

To derive the total Department General Fund costs impacted by growth, charges were subtracted for services, donations, intergovernmental transfers, and other revenue from the Department's total General Fund revenue. Additionally, social services and childhood-related expenditures were deducted because these costs are either for age-restricted programs (e.g. senior programs) or targeted at disadvantaged populations in order to increase their access to recreational programs, neither of which is expected to apply to Facebook employees. The budget for recreation and physical activities was adjusted for service charges; any Facebook employee who utilizes fee-based programs would pay fees the same as any other user. After these adjustments, the net FY2011-2012 General Fund expenditures for the Community Services Department is $383,000 or $8.06 per service population.

An additional adjustment was made to the estimate of new service population based on Department staff's estimate of the maximum potential usage by Facebook employees, reducing it to 15 percent of the additional employment (rather than the 50 percent figure used for other calculations of new expenditures). This adjustment is based on the wide range of recreational amenities and services that will be provided on-site by Facebook, and also reflects the Department's prior experience with

usage by employees of Sun Microsystems when it occupied the East Campus. As Table 18 shows, new employment from the Project would generate annual costs of $7,000.

Table 18: Projected Community Services Expenditures

Community Services Department Expenditures (a)	FY 2011- 2012
Social Services & Childhood Programs	$0
Recreation/Physical Activities	$382,857
Net Community Services General Fund Expenditures	**$382,857**
Total Service Population	47,480
Expenditures Per Service Population	$8.06
Projected Community Services Department Expenditures	**Project**
Adjusted New Service Population (b)	870
Total New Expenditures	**$7,000**

Notes:
(a) Only General Fund expenditures, net of fees collected, are calculated. General Fund expenditures to increase access for Belle Haven residents are excluded.
(b) Calculated as 15% of 5,800 net additional employees. Per Community Services Dept. this reflects expectation of limited impact from new workers because of recreational facilities and services provided on-site by Facebook.

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

Library

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

Library staff stated that generally non-residential uses have little impact on the library system. According to staff, residential developments have the greatest impact because of the demand for children's programs, many of which currently operate at or near full capacity. However, with a development of this size, there could be potential impacts from new employees.

In FY2011-2012, the City's General Fund contribution to the Library was $1.8 million. As Table 19 shows, the City General Fund cost is $38.29 per service population. An additional adjustment was made to the estimate of new service population based on Department staff's estimate of the maximum potential usage by Facebook employees, reducing it to 15 percent of the additional employment (rather than the 50 percent figure used for other calculations of new expenditures). The Project's employees would be projected to result in increased costs to the Department of approximately $33,300.

Table 19: Projected Library Expenditures

Library Expenditures (a)	FY 2011- 2012
Library Collections and Online Resources	$1,453,111
Reading Promotion and Life Skills	$365,080
Total Library General Fund Costs	$1,818,191
Total Service Population	47,480
Expenditures Per Service Population	$38.29
Projected Library Expenditures	**Project**
Adjusted New Service Population (b)	870
Total New Expenditures	**$33,300**

Note:
(a) Only General Fund expenditures are calculated.
(b) Calculated as 15% of the 5,800 net additional employees. Per Library Dept., this reflects the limited impact of new workers on Library services.

Sources: City of Menlo Park, Proposed Budget FY11-12; BAE, 2011.

Police

The Police Department currently employs 73.75 Full Time Equivalent personnel (FTE)[15], of which approximately 69.15 are funded through the City's General Fund. According to the FY2011-2012 budget, the Department's General Fund cost per sworn FTE is $180,400.

Menlo Park Police Department staff met with Facebook security staff to determine the new levels of service demand that the Project would put on the Police Department. Potential primary impacts to the Police Departments are likely to include impacts from increased traffic, overall calls for service, increased administrative impacts from servicing search warrant requests from out-of-state law enforcement agencies, increased investigations, and providing security for protests and dignitary visits. Because the City may seek to obtain reimbursement for some of these costs, the analysis of Police Department expenditures has been split into non-reimbursable versus potentially reimbursable items.

Non-Reimbursable Impacts

Traffic Impacts. According to local Police staff, the East Campus is located at one of the more hazardous intersections in Menlo Park. Traffic moves at freeway speeds on Highway 84 heading to and from the Dumbarton Bridge in front of the East and West Campuses. Because traffic is flowing at high speeds, the intersection of Willow Road (Highway 114) and the Bayfront Expressway (Highway 84) has a high traffic accident rate and a high rate of pedestrian related accidents. Adding more auto traffic from employees traveling to work, as well as pedestrian traffic from employees walking to local eateries, could lead to more traffic related incidents. However, Facebook states that it has an encroachment permit from Caltrans for the existing pedestrian tunnel that goes under Bayfront Expressway. As part of the Project, Facebook intends to improve and

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

maintain the tunnel, which provides a direct connection between the East and West Campus. Encouraging employees to use this tunnel would improve safety and reduce pedestrian accidents. Menlo Park Police Department staff indicates that the City can absorb new calls related to traffic without having to increase its FTEs.

Service Impacts. Increasing the service population would lead to an overall increase in service calls to the Police Department. Currently, Facebook employees place a substantial number of accidental calls to 911 dispatch, resulting from a phone system configured to require dialing "9" to get an outside line, followed by "1" for a long distance or international call, which can result in accidentally pressing "1" again and inadvertently placing an emergency call. Facebook is educating its workforce to remain on the line when this occurs and let the 911 dispatcher know that the call was made in error, rather than just hanging up, which requires a police response to confirm that there is no actual emergency. In addition, Facebook is considering routing all 911 calls originating from its offices through a central location.

The majority of actual emergency calls placed from Facebook are related to medical incidents. In order to reduce the impacts to the Police Department and Fire District, Facebook plans to employ two trained Emergency Medical Technicians EMTs onsite. In addition, Facebook will train its employees to utilize the Police Department's website to file reports online and reduce the number of visits officers must make to Facebook's campus for car break-ins or to take information for other types of Police reports. Police staff indicates that if Facebook routes its 911 calls through an internal call center, and educates its workforce to file police reports online, the Department would be able to absorb the additional service impacts without increasing its FTEs.

Investigations. Because Facebook's headquarters are currently in Palo Alto, that city's Police Department receives an increasing number of requests for investigations related to identity theft and other crimes that involve users of Facebook. Facebook provides its own security services and assistance to users via its website, but not by phone. When users are unsatisfied with the communication or speed of Facebook customer support, they often contact the Police Department to request a formal investigation. Facebook security staff has stated that it will provide a new portal system that allows Facebook users access to customer service representatives in order to reduce calls to the Police Department. Menlo Park Police Department staff indicates that it does not have the capacity to absorb additional investigations and would require one additional Detective FTE to provide these services in addition to other staffing needs outlined in the next subsection on search warrant services.

Search Warrants. Because Facebook is a microcosm of society, crimes that occur in society can have a connection to Facebook. Law enforcement agencies around the world require access to Facebook's files to search for evidence related to violent criminal activities and other felonies. An investigating agency from outside the local area must contact the local law enforcement agency (currently Palo Alto, and then the Menlo Park Police Department once Facebook moves its headquarters to the East Campus by the end of 2011) to request a search warrant from a local judge, serve the warrant to Facebook staff, collect the requested information, and send it back to

the original requesting agency. For example, this represents up to nine hours of Police work for a homicide warrant. As Facebook's user population continues to grow tremendously, the impact on local law enforcement has been substantial. The Palo Alto Police Department has limited its service of search warrants to cases involving homicides, kidnappings, and child abuse; in 2010 it served over 40 warrants to Facebook from more than 300 requests. (In addition to these search warrants, Facebook's own legal team directly deals with more than 800 law enforcement requests per week that the law does not require go through the local Police Department.)

As Facebook continues to grow, search warrant requests are expected to increase. This represents a serious potential workload for the Menlo Park Police Department, which is considerably smaller than Palo Alto's. Furthermore, the Menlo Park Police Department believes warrants should be served for more categories of serious felonies than the three types currently being handled by the Palo Alto Police Department. Facebook has indicated that it will dedicate a security staff member to be a liaison to the Police Department to reduce workload. However, it is not possible to predict the rate of growth and future service costs. The Menlo Park Police Department has identified the need for one additional Detective FTE to handle search warrant requests. Depending on the rate of growth in search warrants to be served, one or more additional Detective FTE's could be needed (Detective FTE's can only be added in increments of 1.0).

Reimbursable Impacts – Protests and Dignitary Visits

Based on recent experience (approximately four times per year), a group will protest at Facebook's office, and/or a dignitary or celebrity who requires police protection will visit. Depending on the event, local police may need to provide security.

Dignitary visits can range in the level of support that is required. At the high end, a recent local visit from President Obama required over 100 officers from area police departments including Menlo Park, and cost $35,000 per day to the Menlo Park Police Department in security costs, which was not reimbursed. Because of the size of the Menlo Park police force, it would need to use its mutual aid agreements with neighboring jurisdictions to provide adequate security detail for a visit by a high profile dignitary that could include route road closures, crowd control, and continuity of service for local residents and employees. For dignitaries requiring lower levels of protection, the California Highway Patrol (CHP) provides security details, reducing the impacts to the Police Department. However, local police always provide crowd control for dignitary visits and/or planned protests. Facebook indicates that it would provide advance notice of events to the Police Department and will work with the City to determine a cost recovery formula for major events.

This FIA assumes that Facebook and the City will establish a cost-recovery agreement that reimburses the City for all security costs related to protests and dignitary visits. Such a cost reimbursement arrangement would mean that protest and dignitary-related activities would not result in a General Fund expenditure increase for the City.

Summary of Police Department Expenditures

Based on discussions with Menlo Park Police Department staff, the Department would need to hire one additional Detective FTE at a cost of $190,000 per year. Thus, as Table 20 shows, projected expenditures due to the Project would be approximately $190,000 annually. As investigation, search warrant, or other activities might require the addition of an additional (or multiple) detective(s), this FIA assumes that the cost of each additional Detective FTE at $190,000 per year would be fully reimbursed by Facebook for the term of the Development Agreement.

Table 20: Projected Police Department Expenditures

Police Department Expenditures (a)	FY 2011- 2012
Community Safety	$9,872,771
Patrol Support	$3,171,846
Emergency Preparedness	$262,423
Traffic and School Safety	$1,414,403
Total Police Expenditures	**$14,721,443**
Total Full-Time Equivalent Employees (FTEs)	73.75
General Fund Expenditures per Sworn FTE	$180,400
General Fund Expenditures per FTE, Detectives (b)	$190,000
Projected Police Department Expenditures	**Project**
New Detective FTE (b)	1.00
Total New Expenditures	**$190,000**

Notes:
(a) This includes all expenditures, not just General Fund, but excludes intergovernmental transfers for services to other agencies where revenues fully offset costs.
(b) Per Menlo Park Police Dept.

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

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 Engineering, Transportation, Maintenance, and Environmental Programs Divisions. Generally, the Public Works Department would see increased costs if new streets or other facilities were needed to serve the Project. However, as the following sections discuss, either Caltrans or Facebook would be required to pay for and maintain any necessary improvements. Thus, the Project would not impact the Department of Public Works' annual General Fund expenditures.

Street Maintenance

The Project would not generate the need for new roadways. In addition, since the two main roads that serve the Project Area, the Bayfront Expressway (Highway 84) and Willow Road (Highway 84), are both California Highways, Caltrans is responsible for their maintenance. Thus, the City would not be responsible for increased maintenance resulting from heavier traffic flows.

However, the Project may require additional transportation infrastructure improvements in the area. The developer would be required to pay a traffic impact fee based on the square footage of new construction. Currently, the Department collects $4.10 per square foot of net new office development in the City.[16] Additional impacts resulting from the Project that are not mitigated by the impact fee would be subject to negotiation between Facebook and the City during the Development Agreement process.

The full extent of the traffic impacts and the adequacy of the impact fee will be identified in the

[16] Table 15 shows the development impact fees for the Project.

EIR, and could include costs for additional improvements to be paid by Facebook, such as the cost for new traffic signals and associated maintenance, even though these items are located in Caltrans' right-of-way for the State Highway. In addition to the traffic impact fee, the developer would pay the building construction street repair fee, amounting to 0.58 percent of construction value, to cover roadway maintenance and repair related to damages caused by building construction activity.

Stormwater Drainage System

The Department also manages Menlo Park's stormwater drainage system, which is a component of the Stormwater Management program, and whose maintenance is funded by assessment fees that are not part of the City's General Fund. However, Public Works Department staff stated that the Project Area drains to a Caltrans operated pump station, and therefore, would not impact the City's General Fund. The analysis assumes that Facebook would pay for all required upgrades.

Caltrain Shuttle

Another potential area of impact within the Public Works Department is the City's Caltrain Shuttle Service, which is part of the Department's Transportation Demand Management program. The average daily ridership of the shuttle is approximately 246 or approximately 9.18 riders per 1,000 Menlo Park employees. Program administration of the shuttle program falls under the Transportation Demand Management budget. However, the operating costs of the shuttle are funded from sources other than the City's General Fund. Since Facebook plans to operate its own shuttle service, increases in shuttle service costs would be minimal, and with no appreciable increase in the City's General Fund administrative expenditures.

Water Infrastructure System

For the West Campus, the Project will deed to the City a portion of the existing private 12 inch fire service lateral in Willow Road. Once the Project connects to this line for both domestic water and fire service as a secondary point of connection, there will be adequate flows available to service the West Campus.

Summary of Annually Recurring Expenditures

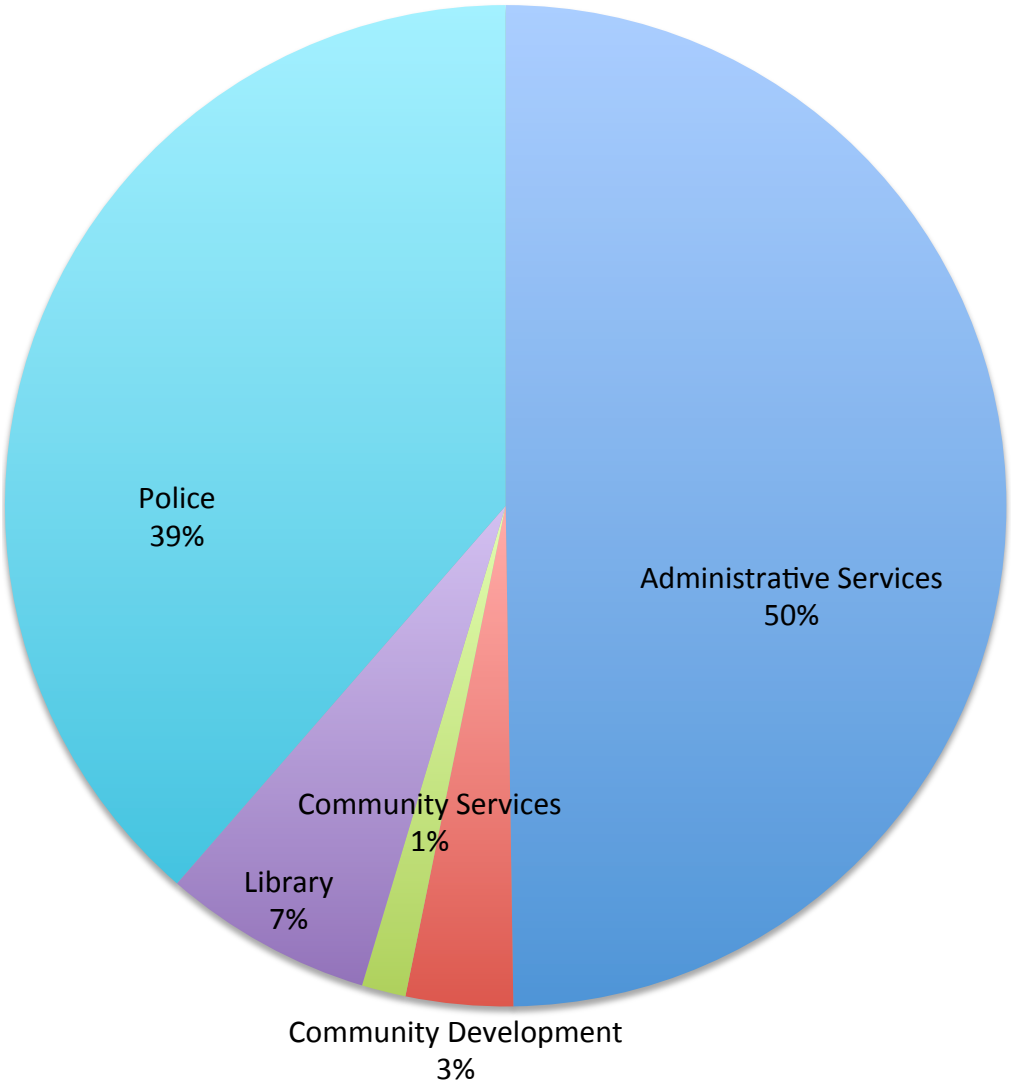
Table 21 shows that the Project would generate $492,200 in annually recurring expenditures for the City's General Fund. Figure 5 shows the distribution of these expenditures, primarily for administrative services (50 percent), police (39 percent), library (7 percent), and community development (3 percent), and community services (1 percent).

Table 21: Summary of Annual Recurring Expenditures

Expenditures in 2011 Dollars	Project
Administrative Services	$244,900
Community Development	$17,000
Community Services	$7,000
Library	$33,300
Police	$190,000
Total New Expenditures	**$492,200**

Source: BAE, 2011.

Figure 5: Distribution of Annually Recurring City General Fund Expenditures



Summary of Net Fiscal Impact to the General Fund

Table 22 provides a summary or "snapshot view" of the annual recurring net fiscal impact of the Project once it is fully built out and occupied, in constant 2011 (no inflation adjustment). The net fiscal impact is shown for Scenarios 1 and 2 as described previously, which vary based on assumptions for potential sales tax and TOT generation.

For Scenario 1, the Project would annually generate $567,300 in new General Fund revenues for the City, but increase the City's General Fund expenditures by $492,200 resulting in an annual net positive fiscal impact (surplus) of $75,100 at build out and full occupancy.

For Scenario 2, the Project would annually generate $660,300 in new City General Fund revenues, and with the same increase in General Fund expenditures of $492,200, there would result an annual net positive fiscal impact (surplus) of $168,100 at build out and full occupancy.

Table 22: Summary of Net Fiscal Impact at Build Out

Figures in Constant 2011 Dollars at Build Out and Full Occupancy.

Projected Revenues	**Scenario 1**	**Scenario 2**
Sales Tax Revenue	$36,800	$55,200
Property Tax Revenues	$182,000	$182,000
Property Tax In-Lieu of VLF Revenues	$68,200	$68,200
Transient Occupancy Tax Revenues	$46,600	$121,200
Utility User Tax	$76,400	$76,400
Business License	$16,000	$16,000
Fines and Franchise Fees	$141,300	$141,300
Total Revenues	**$567,300**	**$660,300**
Projected Expenditures		
Administrative Services	$244,900	$244,900
Community Development	$17,000	$17,000
Community Services	$7,000	$7,000
Library	$33,300	$33,300
Police	$190,000	$190,000
Total Expenditures	**$492,200**	**$492,200**
Net Fiscal Impact - Surplus (Deficit)	**$75,100**	**$168,100**

See report for discussion of Scenarios 1 and 2.

Source: BAE, 2011.

Alternative Development Program

A summary net fiscal impact analysis was prepared for the reduced intensity alternative with a 25 percent trip reduction, and a lower net increase in the service population of 1,725 employees. The fiscal impact model prepared for the Project was modified to account for the lower net increase in service population. The findings for the Scenario 1 in the reduced intensity alternative are projected new annual General Fund revenues of $431,000 with new General Fund expenditures of $368,000 resulting in a net fiscal impact of $62,000. For Scenario 2 the projections are $485,000

in new annual General Fund revenues, with $368,000 in General Fund expenditures, resulting in a net fiscal impact of $117,000.

Total 20-Year Impact

The analysis in Table 22 does not account for the fact that the actual service population increase (and associated revenues and expenses) will occur over several years while Facebook adds employees to fully occupy the East Campus and constructs and occupies the West Campus buildings; nor does it account for the long-term impact of inflation on revenues, expenditures, and the resulting long-term net fiscal impact to the City.

Table 23 at the end of this section provides a long-term view of the possible total fiscal impact to the City's General Fund of the Project over a 20-year timeframe for both Scenarios 1 and 2. It provides the projected revenues and expenditures on a year-by-year basis, adjusted for inflation each year (current dollars), with revenues and expenses pro-rated in the initial years prior to full build out and occupancy of the Project. This type of projection is important because it accounts for the effect of how inflation affects revenues and expenses differently 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.

What this type of analysis highlights, which is not unique to the Project, is the unsustainable nature of the present fiscal environment for California cities, with continuing large increases in costs while revenue growth is constrained due to Proposition 13. Of course, cities cannot incur ongoing General Fund deficits, so expenditures are cut – through reduction in staff, services, programs, and other items – to bring expenses into line with available revenues or revenues are raised.

Several inflation assumptions were formulated for FIA. Sales tax and transient occupancy tax revenues were inflated four percent per year, which represents the 10-year average annual 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. Expenditures were inflated at a four percent annual rate, which represents recent California municipal experience with increases in personnel benefits costs.[17]

This projection begins in FY2012-2013; by FY2013-2014 it is assumed the East Campus will be fully occupied with 3,000 additional new employees. Per the EIR, construction on the West Campus would begin in early calendar year 2013, with the Project completed by the end of FY2013-2014. Occupancy of the West Campus is assumed to commence in FY2014-2015, with the buildings fully occupied by the end of FY2015-2016.

For Scenario 1, there is a negative net fiscal impact in FY2012-2013 of $150,700. This is largely because the new full-time Police Detective must be hired by this year, even though the City does not yet receive the benefit of the new property tax revenues from West Campus construction, or

[17] These costs have continued to increase even as salaries have been flat or reduced. A four percent annual increase in expenditures is consistent with many cities budgeting practices throughout the Bay Area.

other revenue increases from the full increase in service population. By the following fiscal year, FY2013-2014, the net fiscal impact has become positive at $6,000 and continues to grow. The peak positive net fiscal impact (surplus) is in the year of full build out but prior to full occupancy and associated costs, with $70,400 in FY2014-2015. Thereafter, the positive net fiscal impact (surplus) shrinks each year because revenue growth is expected to be more constrained than the growth in expenditures. In FY2025-2026, the Project would have a negative net fiscal impact (deficit) of $2,300 and this would continue to grow each year, peaking at a negative $48,600 in FY2030-2031.

This trend for Scenario 1 changes in the last year of the 20-year period studied, FY2031-2032, when the Las Pulgas redevelopment project area expires, and the property tax increment that currently goes to various other agencies and redevelopment projects is eliminated. At this point, the property tax revenues from the East Campus would be distributed in the same manner as those from the West Campus, resulting in a $120,100 increase in property tax revenues for the City. This results in a positive net fiscal impact (surplus) for Scenario 1 of $53,300 in FY2031-32. This positive net fiscal impact would continue in subsequent years, but would continue to decrease because revenue growth is assumed to continue to be constrained while expenditure growth is not.

Scenario 2 also has a negative net fiscal impact (deficit) of $125,800 in FY2012-2013, for the same reasons as previously outlined for Scenario 1. However, there is a positive net fiscal impact (surplus) the following year FY2013-2014. The peak positive net fiscal impact (surplus) occurs in the year after buildout and full occupancy, FY2015-2016, because of the impact of greater sales tax and TOT generation, with a positive net fiscal impact (surplus) of $168,000. Thereafter, it declines each year due to how revenue growth is constrained while expenditure growth is not. However, a positive net fiscal impact (surplus) remains for each year of the period, with an amount of $147,300 in FY2030-2031. As in Scenario 1, the expiration of the Las Pulgas Redevelopment Project Area leads to a substantial increase in the positive net fiscal impact (surplus), growing to $257,100 in FY2031-2032.

Table 23 on the following pages provides the year-by-year calculations of net fiscal impact for both Scenarios 1 and 2, from FY2013-2013 through FY2031-2032.

Table 23: Annual Summary of Fiscal Impacts to General Fund, FY2012-2013 through 2031-2032

Scenarios correspond to alternative assumptions for sales tax, TOT generation, as described in report.
Full occupancy of built out space as of FY2015-2016.

SCENARIO 1

Budget Item/Year	2012-2013 (e)	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Sales Tax Revenue and TOT (a)	$22,464	$46,617	$71,223	$97,566	$101,469	$105,528	$109,749	$114,139	$118,704	$123,452	$128,390
Property Tax Revenues (b)	$21,624	$193,514	$265,514	$270,825	$276,241	$281,766	$287,401	$293,149	$299,012	$304,992	$311,092
Other Revenues (c)	$84,104	$140,377	$205,311	$266,626	$275,691	$285,118	$294,923	$305,120	$315,725	$326,754	$338,224
Expenditures (d)	($278,928)	($374,558)	($471,655)	($575,804)	($598,837)	($622,790)	($647,702)	($673,610)	($700,554)	($728,576)	($757,719)
Net Fiscal Impact	($150,736)	$5,950	$70,393	$59,212	$54,564	$49,622	$44,371	$38,798	$32,887	$26,622	$19,988

SCENARIO 2

Budget Item/Year	2012-2013 (e)	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Sales Tax Revenue and TOT (a)	$47,424	$98,750	$150,480	$206,363	$214,618	$223,202	$232,130	$241,416	$251,072	$261,115	$271,560
Property Tax Revenues (b)	$21,624	$193,514	$265,514	$270,825	$276,241	$281,766	$287,401	$293,149	$299,012	$304,992	$311,092
Other Revenues (c)	$84,104	$140,377	$205,311	$266,626	$275,691	$285,118	$294,923	$305,120	$315,725	$326,754	$338,224
Expenditures (d)	($278,928)	($374,558)	($471,655)	($575,804)	($598,837)	($622,790)	($647,702)	($673,610)	($700,554)	($728,576)	($757,719)
Net Fiscal Impact	($125,776)	$58,083	$149,649	$168,009	$167,713	$167,297	$166,753	$166,075	$165,255	$164,285	$163,157

Notes:
(a) Assumes sales tax revenues and TOT revenues increase at a rate of 4 percent annually.
(b) Assumes property tax and ILVLF revenues increase at 2 percent per year, per Prop 13 limits. Revenue increase in FY2031-32 is due to expiration of Redevelopment Project Area.
(c) Assumes business license revenues constant; fines increase at 4% per year; utility user tax at 4% per year subject to cap per Table 12.
(d) Assumes expenses increase at a rate of 4 percent per year, based on current trends in municipal benefit and other expenditure cost increases.
(e) Assumes that East and West Campus are fully built-out and staffed at full capacity by beginning of FY2015-2016.
Revenues and expenses are pro-rated: buildings based on completion dates; personal property on in service dates; and other items by growth in employee population.

Sources: City of Menlo Park; BAE, 2011.

Table 23: Annual Summary of Fiscal Impacts to General Fund, FY2012-2013 through 2031-2032

Scenarios correspond to alternative assumptions for sales tax, TOT generation, as described in report.
Full occupancy of built out space as of FY2015-2016.

SCENARIO 1

Budget Item/Year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
Sales Tax Revenue and TOT (a)	$133,526	$138,867	$144,422	$150,199	$156,207	$162,455	$168,953	$175,711	$182,740
Property Tax Revenues (b)	$317,314	$323,660	$330,134	$336,736	$343,471	$350,340	$357,347	$364,494	$484,593
Other Revenues (c)	$350,153	$362,559	$375,462	$388,880	$402,835	$417,349	$432,443	$448,140	$464,466
Expenditures (d)	($788,028)	($819,549)	($852,331)	($886,424)	($921,881)	($958,757)	($997,107)	($1,036,991)	($1,078,471)
Net Fiscal Impact	$12,965	$5,537	($2,314)	($10,609)	($19,369)	($28,613)	($38,364)	($48,646)	$53,328

SCENARIO 2

Budget Item/Year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
Sales Tax Revenue and TOT (a)	$282,422	$293,719	$305,468	$317,686	$330,394	$343,610	$357,354	$371,648	$386,514
Property Tax Revenues (b)	$317,314	$323,660	$330,134	$336,736	$343,471	$350,340	$357,347	$364,494	$484,593
Other Revenues (c)	$350,153	$362,559	$375,462	$388,880	$402,835	$417,349	$432,443	$448,140	$464,466
Expenditures (d)	($788,028)	($819,549)	($852,331)	($886,424)	($921,881)	($958,757)	($997,107)	($1,036,991)	($1,078,471)
Net Fiscal Impact	$161,861	$160,389	$158,732	$156,878	$154,819	$152,542	$150,037	$147,291	$257,102

Net Present Value Calculation for Net Fiscal Impact

Net Present Value (NPV) calculation is a financial method for determining what a stream of future payments would be worth measured in today's dollars. In other words, it identifies an up-front lump sum dollar amount that is equivalent to a series of payments made over a number of years. It accounts for the time value of money, since over time interest payments increase the value of each dollar of investment, and allows a discounting of the future value of an investment back to today.

An NPV calculation was done for Scenarios 1 and 2 in order to identify the current (2011) dollar value of the net fiscal impacts from each scenario. This was done by identifying a discount factor that represents the time value of money for the City of Menlo Park. A discount factor of four percent was used, which is common for municipal financial analysis.

Table 24 presents two separate figures for each scenario. The first figure is the total net fiscal impact for each period, which adds up each year's net fiscal impact in the current (inflated) dollars for each year. The second figure is the NPV of the net fiscal impacts over the 20-year time period.

As shown in Table 24, for Scenario 1 the total net fiscal impact in current (inflated) dollars is $197,700 and the NPV in constant 2011 dollars is $154,400. For Scenario 2, the total net fiscal impact in current dollars is $2.9 million and the NPV is $1.9 million.

Table 24: Total Net Fiscal Impact and Net Present Value of Fiscal Impacts to General Fund, FY2012-2013 through 2031-2032

SCENARIO 1

Budget Items	Total Net Impact, Current Dollars	Total Net Impact, Constant 2011 Dollars (NPV) (a)
Sales Tax Revenue and TOT	$2,452,381	$1,545,817
Property Tax Revenues	$6,013,221	$3,871,787
Other Revenues	$6,480,259	$4,119,037
Expenditures	($14,748,127)	($9,382,269)
Net Fiscal Impact	**$197,734**	**$154,372**

SCENARIO 2

Budget Items	Total Net Impact, Current Dollars	Total Net Impact, Constant 2011 Dollars (NPV) (a)
Sales Tax Revenue and TOT	$5,186,945	$3,269,476
Property Tax Revenues	$6,013,221	$3,871,787
Other Revenues	$6,480,259	$4,119,037
Expenditures	($14,748,127)	($9,382,269)
Net Fiscal Impact	**$2,932,298**	**$1,878,031**

Constant 2011 Dollars calculated using Net Present Value. Based on data for Scenarios 1, 2, in Table 23.
Notes:
(a) Uses a 4 percent discount rate for municipal financial analysis.

Sources: BAE, 2011.

Menlo Park Community Development Agency Fiscal Impact Analysis

In addition to impacts to the City's General Fund, the Project would generate fiscal impacts to the Menlo Park Community Development Agency, as outlined in this section. (This section was prepared prior to the State Supreme Court decision to uphold the legislation that requires the dissolution of redevelopment agencies. This section now be considered a qualitative discussion that highlights the impacts of the dissolution. There is a great deal of uncertainty surrounding various issues related to the dissolution process. For the sake of comparison, an informal analysis suggests that the City's General Fund could potentially receive as much as an additional $55,000 per year in revenues above what is shown elsewhere in this FIA. Proportional increases in revenues would also be received by those jurisdictions that receive a share of the base one percent property tax revenues, including the Sequoia Union High School District (potentially up to $60,000), the County, the Menlo Park Fire Protection District (potentially up to $49,000), and other agencies shown in Table 6. There would not be any increase in General Fund expenditures associated with the dissolution.)

Menlo Park Community Development Agency

The Menlo Park Community Development Agency (Agency) serves as the City's Redevelopment Agency. It oversees one redevelopment project area, the Las Pulgas Community Development Project Area (project area). The Agency and project area were created in 1981 to address physical, social, and economic deterioration and blight using tax increment financing from the redevelopment of properties within the project area, pursuant to the provisions of California's Community Redevelopment Law (CRL). The Agency receives the tax increment from redevelopment and uses those funds for affordable housing opportunities and infrastructure, as well as to support projects that would generate employment, reduce blight, and meet other community objectives, as set forth in its adopted implementation plan. The project area is located in the northeastern part of the City and includes the East Campus (but not the West Campus).

Because the East Campus resides within the project area, the Agency would receive any tax increment from increases in the assessed value of real and personal property at the East Campus. The Agency is obligated to set aside a portion of the tax increment for affordable housing, pass through other payments to local school districts and other jurisdictions pursuant to negotiated fiscal sharing agreements, and make additional pass-through payments to local jurisdictions, including the City's General Fund, pursuant to other provisions of the CRL. The increment that remains after payment of all set asides and pass-throughs constitutes funds that the Agency can spend on projects.

Table 25 shows that, based on a $73.5 million increase in assessed value for the East Campus, there would be $735,000 in new tax increment generated each year (and that amount could increase up to two percent per year, pursuant to the provisions of Proposition 13, until the expiration of the project area at the end of FY2030-2031). This additional tax increment would annually allow $146,000 in set asides for affordable housing, $4,600 to the City's General Fund, and $299,000 for

redevelopment project area plan improvements.

Table 25: Projected Community Development Agency Revenues

Figures in 2011 Dollars.

Calculation of Available Increment			**FY 2012- 2013**
Total Increase in Menlo Park Las Pulgas Project Area (East Campus)			$73,505,000
Tax Increment at 1%			$735,050
Less County Administrative Fee at 1%			$7,351
Net Increment			$727,700
Less Affordable Housing Set-Aside at 20% (a)			$145,540
Increment for Distribution and Pass-Throughs			**$582,160**
Distributions Pursuant to Fiscal Agreements (b)	**Percentage**		
Menlo Park City, Redwood Elementary School Districts	(b)		$10,000
Ravenswood Elementary School District (c)	10.32525%		$60,109
Sequoia Union High School District	4.49550%		$26,171
San Mateo County Office of Education	1.06430%		$6,196
San Mateo County	13.38000%		$77,893
Menlo Park Fire Protection District	5.86000%		$34,115
San Mateo County Community College District	2.49831%		$14,544
Total Distributions Pursuant to Agreements			**$229,028**
Distributions to Local Agencies Pursuant to AB1290 (d)	**9.38053%**		**$54,610**
Allocation to Individual Agencies (No ERAF Adjustment):			
San Mateo County	21.99365%	$12,011	
City of Menlo Park	11.15804%	$6,093	
Ravenswood Elementary School District	36.09135%	$19,709	
Sequoia Union High School District	14.49227%	$7,914	
San Mateo County Community College District	6.29323%	$3,437	
Menlo Park Fire Protection District	5.96086%	$3,255	
Ravenswood Slough Flood Zone	0.03639%	$20	
Mid Peninsula Regional Open Space District	0.00000%	$0	
Bay Area Air Quality Management	0.19393%	$106	
County Harbor District	0.32713%	$179	
Mosquito Abatement	0.17806%	$97	
County Office of Education	3.27507%	$1,789	
ERAF Share of Base 1.0% Tax (e)	0.00000%	$0	
Increment Available for Redevelopment Project Area Plan			**$298,522**

Notes:
(a) Pursuant to CA Community Redevelopment Law.
(b) Pursuant to existing revenue-sharing agreements between Community Development Agency, listed agencies. Project area was established prior to AB1290, so pass-through amounts are as negotiated in agreements. Payments to Menlo Park City and Redwood Elementary School are fixed amounts determined pursuant to alternative calculation methodologies in the fiscal agreements with the listed school/college districts.
(c) Percentage increases to 11.91612% in FY2020-21 through expiration of Project Area at end of FY2030-31.
(d) Payments to local property tax receiving agencies due to amendment of Project Area post-AB1290. Allocations pursuant to TRA rates, excluding Midpeninsula Open Space District, who does not receive increment, per City. This results in additional payments to some agencies that also receive funds through fiscal agreements.
(e) Does not apply to RDA tax increment calculations, per San Mateo Co. Controller's Office.

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

As noted in the introduction to this section of the FIA, the dissolution of redevelopment agencies means that the new tax increment shown in Table 25 that are not needed to fund existing obligations will be distributed to jurisdictions that receive property tax revenues, including the

City's General Fund, in the same proportion as the distribution of the base one percent property tax (see Table 6 in this report). The final amounts available for distribution have yet to be determined and will be affected by the actions of the Oversight Board established to oversee the Successor Agency to the Redevelopment Agency, as well the State.

Special District Fiscal Impact Analysis

In addition to impacts to the City's General Fund and Community Development Agency, the Project would generate fiscal impacts to various special districts. The following section describes impacts to the Menlo Park Fire Protection District, and affected school districts. Impacts to other special districts that would be less substantial are described in Appendix C.

Menlo Park Fire Protection District

The Menlo Park Fire Protection District (MPFPD) services approximately 30 square miles, including the communities of Atherton, Menlo Park, East Palo Alto, and some unincorporated areas of San Mateo County. The District operates 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. Station 77, located at 1467 Chilco Avenue in Menlo Park, is the closest fire station to the Project Area, at a distance of less than one mile. Three firefighting personnel and two shop personnel staff Station 77, which was completed in 1998. The Station includes a new modern shop facility and operates a 2001 Pierce Saber engine, an air boat, USAR vehicles, and other various District-owned utility vehicles.

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

The MPFPD has issued a Request for Proposals for qualified consultants to prepare a nexus study on the establishment of a Fire Services development impact fee. The impact fee study will be District-wide and satisfy the requirements of State law for establishment of a fee that would cover the cost of new equipment, station expansion, and other items (e.g., signal preemption) that arise from new development in the MPFPD's service area. While some of these needs and associated costs have been identified, others would be determined during the course of the nexus study. This fee could also include costs to cover increased personnel expenditures to meet increased service needs. The study will consider new revenues from future property tax growth in the MPFPD's service area, including any potential impacts of slower increases in future years.

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

The cost of improvements to existing fire stations is currently unfunded (a total of four of the seven stations need to be rebuilt, according to the MPFPD). It is anticipated that every new development

would pay a new Fire Services impact fee, as determined by the upcoming nexus study, which would offset its fiscal impact to the District. However, individual projects may also present special needs that would not be included in the improvement program for the proposed impact fee, and that may be funded by a project separate from impact fee.

Expenditures

An analysis of impacts to fire services was prepared by Atkins consultants for the Draft Environmental Impact Report for the Project. This analysis considered the impact of new service population on the ratio of fire safety personnel per 1,000 service population, as well as the MPFPD's 2004 Public Protection Classification Study by the Insurance Services Organization (ISO). The findings from this analysis were that the East Campus and West Campus would reduce the ratio of fire safety personnel by 0.03 fire safety personnel per 1,000 service population, and would not require the acquisition of additional equipment. In order to maintain current staffing ratios, one additional firefighter/fire safety person would need to be added. The MPFPD has indicated that the fully loaded cost for an additional position is $200,000 per year, and that cost is included in this FIA.

The analysis by Atkins notes that MPFD staff has indicated that ladder trucks are required to respond to emergencies at buildings greater than three stories. Because the West Campus would include buildings above three stories in height, an aerial apparatus could be required for emergencies. A new ladder truck would replace an existing engine, require modifications to an existing fire station to accommodate it, and would also require an additional firefighter per shift (for a total of three firefighter positions) to staff the truck[18]. Currently, the MPFD owns and operates one ladder truck. Truck 1 is housed at Station 1 and its 100-foot ladder is pre-plumbed for elevated water application. Located 1.8 miles south of the West Campus, the response time for Truck 1 to the Project site would be within the acceptable standard of eight minutes, depending on traffic conditions. In addition, based on the MPFD's 2004 Public Protection Classification Study completed by the Insurance Services Organization (ISO), the ladder truck is within the acceptable distance of a 2.5-mile radius from the Project site. Therefore, although the MPFD has indicated the purchase of an aerial ladder truck for Station 77 would be necessary to serve the West Campus, the above guidelines suggest the purchase of additional equipment to service taller structures would not be necessary.

[18] The balance of the text in this paragraph is from the Atkins report.

For the purposes of this FIA, if an additional ladder truck and/or other equipment needs to be acquired, it is assumed that new equipment would service both the Project as well as other future development in the MPFPD's service area. The nexus study for the Fire Services development impact fee would include the cost of necessary new equipment and station improvements, allocate that cost across projected development, and determine the fee that each new development project would pay. As noted previously, the impact fee could also include costs to cover increased personnel expenditures to meet increased service needs, and would consider new revenues from future property tax growth in the MPFPD's service area, including any potential impacts of slower increases in future years. Since the amount of that impact fee is unknown at this time, its amount has not been included in the estimation of impact fees for this FIA.

Revenues

The major source of revenue for the MPFPD is property taxes. In its FY2011-2012 budget, property taxes comprise 91.9 percent of the MPFPD's projected revenues of $31.3 million. After accounting for the ERAF shift, the MPFPD receives 11.77 percent of the 1.0 percent base property tax for West Campus, along with a fiscal sharing payment and pass through payment from the tax increment generated by the East Campus. Based on the estimated increase in property values that would be generated by the Project, the MPFPD would receive $284,000 in property taxes annually.

The MPFPD expects to generate $654,100 from licenses, permits, and service charges in FY2011-2012, accounting for less than two percent of total revenues. For purposes of this FIA, revenues from licenses, permits, and service charges are estimated on a per service population basis. Other revenues, including monies from intergovernmental transfers and use of money and property are assumed to be unaffected by new development. Based on the estimated increase in service population from the Project, it is estimated that it would generate $16,300 per year in revenues from licenses, permits, and service charges.

Net Impact

As discussed earlier, the pending service standard review by the MPFPD as well as cost estimates for future services will be used in an upcoming nexus study to establish a development impact fee consistent with the requirements of California law. The MPFPD's intent in seeking to establish a new impact fee is to ensure that the combination of impact fee receipts and its share of property taxes from new development would cover the cost of providing increased services to new development. The study needs to be completed before it is possible to identify any potential impact fee payment by the Project. It is assumed that the Project would be responsible for payment of the impact fee only if it has been approved by the time that building permits are ready to be issued for the West Campus buildings.

For this FIA, it is assumed that the new fire services impact fee would be in place by the time building permits are issued for the West Campus. An increase in expenditures of $200,000 per year is assumed for the costs of an additional firefighter/fire safety person. As shown in Table 26, based on the increased new revenues and additional expenditure, the Project is considered to have a positive net fiscal impact for the MPFPD of $100,400 per year.

Table 26: Projected Fire District Impacts

Assumptions	FY 2011- 2012
Service Population	116,245
Fire District Annual Revenues FY2010-11	
Total Fire District Revenues (a)	$654,100
Licenses, Permits, and Service Charges per Service Population	$5.63
Projected Fiscal Impact	
New License, Permit, Service Charge Revenues	$16,318
New Property Tax Revenues, West Campus	$246,669
New Property Tax Revenues, East Campus	$37,370
Projected Property Tax Revenues	$300,357
Less Projected Expenditures - 1 New Firefighter (c)	$200,000
Net Fiscal Impact	**$100,357**
Capital Facilities, Equipment, and Personnel Impact Fees & Mitigations	
Fire Services Development Impact Fee (d)	**TBD**

Note:
(a) Excludes property taxes, but includes fees tied to service population as shown.
(b) Service Population is one half of additional employment, equals 2,900.
(c) Based on fully loaded cost for a new firefighter position, per the Fire District.
(d) City and Fire District have agreed to a nexus study to establish an impact fee to fund cost of increased services tied to new development. Payment by the project may be subject to timing of the nexus study and issuance of building permits.

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

School Districts

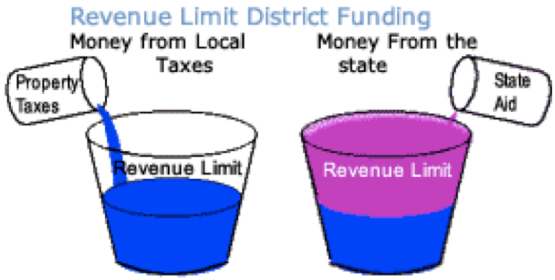
The Project Area is located within the Ravenswood Elementary School District and the Sequoia Union High School District, and would generate one-time development impact fee revenues for these two districts. However, since the Project does not include residential units and would not generate new students, it would not directly affect the districts' ongoing operations. Due to the complexities of the State's educational funding system, the impact to the elementary and high school districts would be different. As explained in more detail below, the Project would not have a material impact on the Ravenswood Elementary School District's operating budget. By comparison, for the Sequoia Union High School District, the Project would lead to a substantial ongoing benefit to that District's operating budget.

Indirect impacts to affected school districts based on new housing induced by the Project are described in the Induced Housing Demand section of this FIA.

Revenues

Revenue Limit Districts

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



Source: EdSource.org

Basic Aid Districts

Source: EdSource.org

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

The Ravenswood Elementary School District is a Revenue Limit district, meaning that revenues are unaffected by increases in assessed property tax values within the district and are instead determined on a per student basis according to a schedule determined by the State. Any additional property tax revenues that would pass through to the District would then result in an offset to payments by the State, and therefore would not result in additional revenues per student. In other words, these revenues would benefit the State, but not the school district. Hence, the Ravenswood Elementary School District would not receive any additional tax revenue as a result of the Project.

By comparison, the Sequoia Union High School District is a Basic Aid district, meaning that operating revenues are affected by increases in the property tax values within the district. This means that development of the Project would increase the local property tax base, resulting in estimated revenues of approximately $309,300 per year. This estimate is based on the Sequoia Union High School District receiving 13.13 percent of the increase in the 1.0 percent base property tax payment for the West Campus, and pass through amounts from the Agency based on the fiscal sharing agreement and other pass-through payments for the East Campus.

Expenditures

The Project does not involve any residential units and, hence, would not directly lead to new enrollment or additional expenditures by the elementary and high school districts. Potential indirect impacts from new housing demand induced by the Project, including additional revenues, as well as expenditures for local school districts, are described in the Induced Housing Demand section of this report.

Net Impact

Because the Project does not include any residential component, it does not result in any additional expenditure for either school district. It would result in a positive fiscal impact to the Sequoia Union High School District. As Table 27 shows, the Project would generate approximately $308,500 of annual revenues for the Sequoia Union High School District. It would not generate any net revenues for the Ravenswood Elementary School District, as additional property tax payments would be offset by a reduction in State Revenue Limit aid.

Table 27: Projected School District Impacts

Assumptions	Ravenswood Elementary School District	Sequoia Union High School District
Annual Impacts		
Revenues		
State Revenue Limits, per Average Daily Attendance (ADA) (a)	$5,124	n/a
Expenditures		
FY11-12 Budget (b)	$32,799,914	$69,851,632
Projected Average Daily Attendance (ADA)	3,382	7,270
Average Cost per Student	$9,698	$9,608
Student Generation Rate, per Single-Family Housing Unit (c)	0.39	0.20
Student Generation Rate, per Multifamily Housing Unit (d)	0.12	0.09
Projected Ongoing School District Impacts		
Net Increase in Assessed Value, East Campus	$73,505,000	$73,505,000
Net Increase in Assessed Value, West Campus	$209,560,000	$209,560,000
New Students	0	0
Calculation of Net Fiscal Impact		
Projected New Property Tax Revenues	$79,819	$309,264
Less Offsetting Reduction in State Aid per Revenue Limit	($79,819) (e)	$0 (f)
LESS: Projected Annual Expenditures	$0	$0
Net Fiscal Impact	**$0**	**$309,264**

Notes:

(a) Ravenswood Elementary is a Revenue Limit District, which means that it receives an allotted amount per student, regardless of new property tax revenues.

(b) Does not include budget expenditure items that are not expected to increase with enrollment.

(c) Based on middle-housing value single family residences. Estimates for high school district and elementary generation rates are consistent with the El Camino Real and Downtown Specific Plan Draft Environmental Impact Report (DEIR), as reported by Sequoia UHSD. Ravenswood does not calculate generation rates, figures from Menlo Park City Elementary are used instead.

(d) Based on multifamily residences. Estimates for high school district and elementary generation rates are consistent with the El Camino Real and Downtown Specific Plan DEIR, as described in note (c).

(e) Represents pass-through funds from Redevelopment Project Area. Because the District is a Revenue Limit District, as described in the report, State payments are offset by an equivalent amount

(f) District is a Basic Aid district, meaning it retains all new property tax revenues.

Sources: Ravenswood Elementary School District, 2011; Enrollment Projection Consultants, 2009; Sequoia Union High School District, 2011; DEIR, 2011; BAE, 2011.

Indirect Impacts: Induced Housing Demand

While the Project does not include a residential component, new employment in the Project would be expected to increase demand for housing in the City (and other jurisdictions). It would also potentially increase the housing unit allocations assigned to the City through the State mandated Regional Housing Needs Allocation (RHNA) process, which would need to be addressed in the updated Housing Element that the City is required to prepare. This section analyzes the indirect fiscal impacts to the City associated with new housing resulting from the Project[19].

Keyser Marston Associates (KMA) prepared a housing needs analysis for the Project based on new employment generation. The analysis estimated the housing need in five income categories. As Table 28 shows, KMA projects that Menlo Park's share of the induced housing demand would be 254 units, or 666 new residents.

Table 28: Menlo Park's Share of Induced Housing Demand

Income Category	Annual Household Income (a)	Projected Housing Units
Upper Income Units (150%+ AMI)	> $137,200	104
Above Moderate Income Units (120%-150% AMI)	$137,200	33
Moderate Income Units (80%-120% AMI) (b)	$100,595	46
Low-Income Units (50%-80% AMI) (c)	$57,720	43
Very Low-Income Units (0%-50% AMI)	$48,100	28
Total Units		254
Average Household Size, Menlo Park (d)		2.6
Net New Population		**666**

Notes:
(a) Based on a three-person household, 2011 HCD income limits
(b) Assumes all households will have incomes that are 110% of AMI.
(c) Assumes all households will have incomes that are 60% of AMI.
(d) Estimate by BAE in advance of Department of Finance calculation of household size.

Sources: KMA; California State Department of Finance; BAE, 2011.

City Indirect Fiscal Impacts

Revenues

New housing units in the City would generate additional property tax revenue, property transfer tax revenue from the sale of housing units, sales tax revenue from household spending, utility user tax revenue, and franchise fee and fine revenues.

The analysis in this section assumes that the induced increase in housing demand would result in the construction of the specified number of units at the specified income levels, as shown in Table

[19] It excludes any City costs associated with creation of affordable housing units through its Housing Authority or other mechanisms because it is not a General Fund activity. Potential funding sources include redevelopment affordable housing set aside and other funds.

29. If fewer units are built, new revenues would be lower than is projected here.

Property Taxes

A variety of unit types would be necessary to meet the demands from the various income groups. A rental project targeting households at up to 60 percent of Area Median Income (AMI) that uses low-income housing tax credits (LIHTC) would provide units that serve very low-income and low-income households. An LIHTC project could require little to no City subsidies (although cities often assist these types of projects in obtaining sites at no or low-cost). Since the City does not have an affordable housing program specifically targeting low-income households, an LIHTC project would be the most likely means for serving this group's housing needs. Because this project would use LIHTCs, it is assumed that it would be developed by a non-profit entity exempt from property tax payments. Such units would be developed in multifamily developments.

Income-restricted for-sale units that utilize the City's affordable housing programs would serve moderate-income households (up to 110 percent AMI). These units' maximum sale prices would require that no more than 33 percent of household income to be dedicated toward total housing costs including mortgage payments, taxes, insurance, utilities, and maintenance costs. Based on calculations shown in Appendix Table D-1, a three-person moderate-income household could afford to purchase a home with a sale price of approximately $315,500 using this affordable housing program.[20] It is assumed for this analysis that these units would be developed as for-sale multifamily developments, as condominium units.

Market rate rental units would be assumed to serve new demand from above moderate-income households (120 percent to 150 percent AMI) as incomes in this range are insufficient to cover the mortgage and other costs associated with purchase of new market-rate for-sale housing in Menlo Park, that would range from $800,000 to $1.2 million or higher, based on market research for other projects in the City. According to RealFacts, a third party data vendor that tracks rent and occupancy rates for market rate rental projects with more than 50 units, in the Second Quarter of 2011, the average two-bedroom one-bath rental residential unit in Menlo Park rented for approximately $2,385 per month. However, new construction rental units of higher quality may be able to support higher rents. In order to calculate the market value of new rental residential units, and the resulting property taxes, a series of assumptions were formulated. These include using the annual household income for households in the 120 percent to 150 percent AMI range, assuming that 33 percent of income is available for housing costs, and that the market value of the rental unit is based on operating costs at 40 percent of gross revenues and a market capitalization rate for valuation of 6.0 percent. This results in a projected assessed value per new market rate rental residential unit of $350,100. (It should be noted that this is a calculation for valuation purposes, and does not ensure that it would be financially feasible for a developer to build a new rental residential units based on land prices and construction costs.) It is assumed for this analysis that all housing for households in this income range would be developed in multifamily rental developments.

[20] Discussions with City staff indicate that although income-restricted units could target low-income households, the City would likely target households up to 110 percent AMI.

Finally, above 150 percent AMI households would purchase new market rate for-sale residential units. According to DataQuick, a vendor who tracks recent sales from the County's Assessor rolls, as of May 2011, the median sale price of a two-bedroom townhouse unit was $800,000. It is assumed for this analysis that all housing for households in this income range would be developed as either for-sale single family residences or townhouses.

Based on the estimate of a 254-unit increase in the City's housing supply arising from induced housing demand from the Project (which assumes the City's affordable housing program could support this level of increase for the affordable units), assessed values in the City would increase by $111.6 million, leading to approximately $113,900 of additional property tax revenues and $26,900 of additional ILVLF revenues for the City's General Fund. (This analysis assumes that none of the new residential units are built in the City's redevelopment project area. If this were to occur for some of the units, new property taxes from those units would be substantially less because of the redirection of tax increment to required set-aside and pass-through payments, and funding of redevelopment projects.)

Property Transfer Tax Revenues

The City would also receive property transfer tax revenues when any of the units subject to property tax revenues turn over. The City receives property transfer tax revenues at a rate of $0.55 per $1,000 of assessed value. This analysis assumes that on average, for-sale housing units turn over every seven years, or at a rate of 14 percent per year. Ownership of commercial properties, including multifamily rental residential units, would turn over once every 20 years, or at a rate of five percent per year. LIHTC units are assumed to be subject to long-term affordability covenants, and owned by tax-exempt entities, and therefore would not generate property transfer taxes. Based on these assumptions, new residential units generated by the induced housing demand would provide the City with $8,100 in annual property transfer tax revenues.

Sales Tax and Other Revenues

Sales tax revenue per household was calculated using the City's retail taxable sales for calendar year 2009 (the most recent available data). Based on the FY2011-2012 budget, the City collects $34 in utility user tax per household. Franchise fee and fine revenues were calculated on a per service population basis, assuming an average household size of 2.6 persons per household.[21] In total, induced housing from the Project would result in $163,500 in sales tax and these other revenues.

Summary of Revenues

Table 29 shows that the induced housing demand resulting from the Project would generate total revenues of $312,400 for the City.

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[21] An estimate using California State Department of Finance data shows the average household size in Menlo Park was 2.6 persons as of 2011. This figure has been rounded to three persons for this portion of the analysis to be consistent with income category definitions, which are not published for fractional household sizes.

Table 29: New Revenues Generated by Induced Housing Demand

New Housing Units by Income Level	Project
Upper Income Units (150%+ AMI)	104
Above Moderate Income Units (120%-150% AMI)	33
Moderate Income Units (80%-120% AMI)	46
Low-Income Units (50%-80% AMI)	43
Very Low-Income Units (0%-50% AMI)	28
Total New Units	254
Projected Property Tax Revenue	
Assessed Value Per New Multifamily Unit	
Upper Income (market rate for sale) (a)	$800,000
Above Moderate Income (market rate rental unit) (b)	$421,800
Moderate Income (110% AMI for sale) (c)	$315,600
Low Income (60% AMI rental unit) (d)	n/a
Property Tax Rate	1.00%
City of Menlo Park Share of Property Tax (k)	10.20%
Total New Assessed Value	$111,637,000
Property Tax Revenue to City (i)	$113,900
ILVLF Revenue	$26,900
Total New Property Tax Revenue to City	**$140,800**
Projected Property Transfer Tax Revenue	
Percentage of For-Sale Units Turning Over Annually (e)	14%
Percentage of Rental Units Resold Annually (f)	5%
Transfer Tax Rate, per $1,000 AV	$0.55
Annual Property Transfer Tax, For-Sale Units	$7,700
Annual Property Transfer Tax, Rental Units (g)	$400
Total New Property Transfer Tax Revenue to City	**$8,100**

Projected Sales Tax Revenue	Project
Retail Taxable Sales in Menlo Park (h)	$617,455,214
Number of Households	12,761
Retail Taxable Sales per Household	$48,387
Local Share of Sales Tax Receipts	0.95%
New Sales Tax Revenue	**$116,800**
Projected Utility Tax Revenue	
Utility User Tax Revenue per Household, 2011	$34
New Utility User Tax Revenue	**$8,700**
Projected Fines and Franchise Fee Revenue	
Citywide Service Population	47,480
Franchise Fee, FY 2008-2009	$1,743,000
Franchise Fee per Service Population Unit	$36.71
Fines, FY 2008-2009	$970,000
Fines per Service Population Unit	$20.43
Estimated Household Size (j)	2.6
New Service Population	666
Franchise Fees	$24,400
Fines	$13,600
Total Fees and Fines	**$38,000**
Total Revenue	**$312,400**

Notes:
(a) Based on median sales price in Menlo Park, May 2011, per DataQuick.
(b) Based on a three-bedroom market rate unit with monthly rent of $3,700 per month and valuation based on a net income capitalization rate of 6%. Operating expenses at 40% of gross revenues.
(c) Based on sales price affordable to a household earning 110% AMI, spending 33 percent of household income on housing.
(d) Assumed that tax credit units will be developed by non-profit entities exempt from property taxes.
(e) Assumes households sell their units every seven years, on average.
(f) Assumes ownership of rental units turnover every 20 years, on average.
(g) Only includes market rate rental units, since tax credit units are assumed to be not subject to property taxes.
(h) Retail taxable sales for new Menlo Park residents, Calendar Year 2009, as reported by the State Board of Equalization, inflated to 2011 dollars based on Bay Area CPI for all urban consumers.
(i) Assumes no new units are built in the City's Redevelopment Project Area.
(j) Estimate by BAE, pending publication by CA Dept. of Finance of 2011 average household size data. For sales tax generation estimates, a household size of 3.0 persons is used for consistency with income category definitions.
(k) Based on Citywide average of property tax proceeds received by City, rather than share for any individual Tax Rate Area.

Sources: Keyser Marston Associates; State Board of Equalization; City of Menlo Park;DataQuick; BAE, 2011.

Expenditures

New housing units would create additional demands on City departments, resulting in increased costs. Utilizing the FY2011-2012 budget, increased expenditures by department were estimated on a simplified average cost basis that does not account for the impact of specific developments in particular locations. The same per service population basis as used in the fiscal impact analysis for the Project, assuming an average household size of 2.6 persons per household. It should be noted that, unlike the Project, the induced housing demand would create impacts on City streets and storm water system, and other public works functions, and therefore, those costs have been calculated for the new service population. Similarly, the budgets and associated impacts for Community Services and the Library are higher than what is shown in the analysis for the Project, because the induced housing units would serve residents that would be expected to utilize the full

range of services provided by the City. Table 30 shows that induced housing demand associated with the Project would cost the City an additional $332,600.

Table 30: New Expenditures Generated by Induced Housing Demand

Assumptions		
Service Population Including Workers	47,480	
General Fund Expenditures Impacted by Development	**Total FY 2011- 2012**	**Cost per Service Population Unit**
Administrative Services	$4,009,916	$84.46
Community Development	$277,890	$5.85
Community Services (a)	$1,808,783	$38.10
Library	$1,818,191	$38.29
Police (b)	$12,350,456	$260.12
Public Works (c)	$3,449,469	$72.65
Projected Expenditures		**Project**
New Housing Units		254
New Population		666
Administrative Services		$56,200
Community Development		$3,900
Community Services		$25,400
Library		$25,500
Police		$173,200
Public Works		$48,400
Total		**$332,600**

(a) This budget figures includes all social services, child-related, and recreational access expenses that were excluded from the analysis of Facebook service population impacts.
(b) This figure is net of all revenue sources, in order to compare new General Fund expenditures with new property tax revenues. The budget in Table 20 includes all revenue sources.
(c) While the Facebook Project does not have a Public Works General Fund impact, as discussed in the report the induced housing units would impact the General Fund portion of the budget.

Sources: Keyser Marston Associates; City of Menlo Park; BAE, 2011.

Net Impact

Table 31 provides a summary that shows the induced housing demand from the Project would create a net fiscal deficit (deficit) for the City's General Fund of $20,200 per year. This represents a very small portion of current City General Fund expenditures, slightly more than 0.05 percent. The actual impact from the induced housing demand may vary considerably from this finding, depending upon whether any units are built and the number and types of units that may be built, their location, and the specific impacts that would be associated with particular projects. Future evaluation of specific residential development projects and their actual impacts may find that, depending on their particulars, they do not necessarily generate as high a level of new expenditures as is indicated by this analysis using on an average cost basis.

Table 31: Net Fiscal Impacts Resulting from Induced Housing Demand

New Housing Units	254
Total Revenues	$312,400
Total Expenditures	$332,600
Net Fiscal Impact	**($20,200)**

Sources: BAE, 2011.

School District Induced Housing Fiscal Impacts

The Project Area is located within the Ravenswood City Elementary School District and the Sequoia Union High School District. In addition, the Menlo Park City Elementary School District would likely serve some portion of new households that would live in new residential units built within its boundaries. This section estimates the potential impacts to these three districts.

The impact to each school district depends on the percentage of housing that would be located in each. Because it is difficult to predict where in Menlo Park housing development would occur, this analysis assumes that the location of new housing would be divided equally between the Ravenswood and Menlo Park City elementary school districts, and that all new housing would be located in the Sequoia Union High School District, which serves the entire City. For the Project, this results in 127 new housing units in each elementary school district, and 254 units in the high school district. The findings from this analysis would change if the locations of the new housing units varies.

Revenues

In California, a majority of public school districts' General Fund revenues are provided through the "revenue limit," a per student amount determined by the state annually for each district. Local property taxes and State funds are combined to make up districts' revenue limit funding. If local property taxes are sufficient to meet or exceed the revenue limit established by the State, the District is eligible to become a "Basic Aid" district and receive only minimal state funding. However, for most districts, the local property tax revenue falls short of the revenue limit. In these "Revenue Limit" districts, the State funds the difference between the revenue limit amount and the local property tax revenue, thus guaranteeing that the District would receive the full per student revenue limit amount established by the State.

The relatively high property values in Menlo Park have resulted in both the Menlo Park City Elementary School District and Sequoia Union High School District becoming Basic Aid districts that are funded primarily through local property taxes. These Districts do not receive state funding based on the per student revenue limit. Rather, tax revenue for these Basic Aid districts is limited to property tax revenues, including increases resulting from new development located in the district. The amount of new property tax revenue for each district was calculated by applying the applicable property tax rate to the assumed assessed values of induced housing units in Menlo Park, including new market-rate (non-income restricted) housing units. The Sequoia Union High School District also receives the new property tax revenues generated by the Project.

Revenue for the Ravenswood Elementary School District is based on the per student revenue limit established by the State. Using student generation rates provided by the school districts, the

analysis multiplies the revenue limit per student by the number of new students generated from new housing to determine the total revenues. This District also receives additional federal and state funds to cover the gap between the revenue limit funds and its per student cost of operation; this FIA assumes that these sources along with revenue limit funds would cover the cost of instruction for new students.

As Table 32 shows, induced housing from the Project and other sources would generate $94,000 in revenues to the Menlo Park City Elementary School District, $291,000 to the Ravenswood Elementary School District, and $455,900 to the Sequoia Union High School District.

Expenditures

School district expenditures are based on the number of new students generated from new development. Each District typically calculates its "student generation rate" for each housing type to determine the number of new students attributable to single-family and multifamily housing units. Interviews with Menlo Park City Elementary School District staff, Ravenswood Elementary District staff,[22] and a review of 2011 El Camino Real/Downtown Specific Plan Environmental Impact Report (EIR) report indicates that each new single-family and townhouse[23] residential unit would generate 0.39 new elementary/middle school students, while multifamily units would generation 0.12[24] new elementary/middle school students. New single-family and townhouse units would generate 0.2 new Sequoia Union High School District students per unit[25], while new multifamily development would generate 0.09[26] high school students per unit. These figures are for student generation through 2019, due to the fact that projections are based primarily on existing enrollments and birth data, which does not permit longer-range estimates. Thus, through 2019, the Project would generate 30 new students in each of the elementary/middle school districts and 35 new high school students.

Discussions with Menlo Park City Elementary School District staff indicate that local elementary and middle schools are presently at or beyond capacity, until implementation of the District's *Plan for Reconfiguration of the Elementary Schools,* which is underway, is completed. High schools can absorb a small amount of new students. Ravenswood staff also indicated that its schools are not at capacity, and could easily absorb all 30 new elementary/middle school students.

To meet its facility needs, the Menlo Park City Elementary School District is using Measure U

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[22] Ravenswood elementary staff stated that they do not have student generation rates for the District. This analysis uses the Menlo Park City Elementary School District's student generation to estimate the number of new students in each district.

[23] The analysis treats townhouse units as single-family units for school district impacts, rather than multifamily units, because each unit has three bedrooms and is considered more likely to attract families, as compared to condominiums.

[24] ESA. *El Camino Real/Downtown Specific Plan Environmental Impact Report.* April 2011. Page 4.12-28.

[25] According to Sequoia Union High School District staff.

[26] ESA. *El Camino Real/Downtown Specific Plan Environmental Impact Report.* April 2011. Page 4.12-29.

bond funds to expand and modernize its facilities to accommodate future student growth.[27] State law (SB 50) requires that development impact fees paid by new developments are considered to fully mitigate their facility impacts. Thus, build out for the Project through 2019 would not be considered to negatively impact either district's classroom facilities.

Using current average daily attendance rates and the districts' FY2011-2012 budgets generates current per student expenditure estimates on discretionary spending. These estimates are then applied to the projected number of new students resulting from the Project under each scenario to project annual expenditures in the school districts. As discussed in the section on calculation of property taxes for the induced housing demand, only new housing for households above 150 percent AMI is projected to be built as single-family or townhouse residences (104 of the 254 total units). All other housing units are projected to be built as multifamily residences, which each district projects to generate fewer students on a per-household basis.

As Table 32 shows, serving students from the Project's induced housing would cost the Menlo Park City Elementary District $363,600 per year, while it would cost the Ravenswood District $291,000 per year, and the Sequoia Union High School District $336,300 per year.

[27] Ibid.

Net Impact

As Table 32 shows, the induced housing demand of the Project would result in divergent fiscal outcomes for each of the three school districts.

The Sequoia Union High School District, because of new property tax revenues from induced housing as well as the Project, would actually have a net positive fiscal impact of $119,600 per year. This is because the Project itself generates a substantial property tax payment to the District but does not itself include any residential units.

The Ravenswood Elementary School District would have no net fiscal impact, because it is assumed that the current combination of State Revenue Limit funding, combined with its other funding sources for the different between the Revenue Limit and the average cost per student, would be sufficient to cover the cost of 35 additional students.

By comparison, the Menlo Park City Elementary School District would experience a negative fiscal impact (deficit) of $269,600 per year. This fiscal impact finding largely occurs because the District does not receive any of the new property tax generated by the Project, while this induced housing demand fiscal impact analysis assumed that it absorbs half the induced housing demand. The District's considerably higher per student cost of instruction, 25 percent higher than the Ravenswood District, is also a factor in the size of this net fiscal impact. (FY2011-2012 enrollment figures for the District became available after release of the Public Review Draft of the FIA; it shows an increase in enrollment of 29 students. Because more students results in a *lower* average cost per student for instruction, the negative fiscal impact to the District would be reduced by approximately $4,200 per year, to $265,400 if all other assumptions remain the same. This is not considered to have a significant impact upon the findings of the FIA.)

This finding for the Menlo Park City Elementary School District should be understood as arising largely from the assumptions used for the analysis, as well as the District's status as a Basic Aid district. Because the analysis does not consider other new commercial-only development within District boundaries, it does not account for the fiscal benefit that the District would get from other development (analogous to the fiscal benefit the Sequoia Union High School District receives from the Project because it has no residential units).

Essentially, the finding of a substantial negative fiscal impact is largely the result of limiting the revenue generation analysis to the induced housing units, rather than a fuller consideration of all future increases in revenues and expenditures from all uses within the District's boundaries. By comparison, BAE recently completed for the City's El Camino Real/Downtown Specific Plan an analysis of the fiscal impact on the District that would result from the development described in the Plan. That analysis, which included consideration of all new commercial, mixed-use, and residential development in the Specific Plan area, found that the District would have a positive net fiscal benefit (surplus) of $275,000 per year.

Table 32: Projected School District Impacts, Induced Housing[28]

Assumptions	Menlo Park City Elementary School District	Ravenswood Elementary School District	Sequoia Union High School District
Annual Impacts			
Revenues			
State Revenue Limits, per Average Daily Attendance (ADA) (a)	n/a	$5,124	n/a
Expenditures			
FY11-12 Budget (b)	$29,938,117	$32,799,914	$69,851,632
Projected Average Daily Attendance (ADA)	2,470	3,382	7,270
Average Cost per Student	$12,121	$9,698	$9,608
Student Generation Rate, per Single-Family/Townhouse Unit (c)	0.39	0.39	0.20
Student Generation Rate, per Multifamily Housing Unit (d)	0.12	0.12	0.09
Projected Ongoing School District Impacts			
New Single Family Units - 150%+ AMI per Table 29 (e)	52	52	104
New Multifamily Units - All Other AMI per Table 29 (e)	75	75	150
	127	127	254
New Students - Single Family Units	21	21	21
New Students - Multifamily Units	9	9	14
	30	30	35
Calculation of Net Fiscal Impact			
Projected Annual Revenues	$94,000	$291,000	$455,900
Less Projected Annual Expenditures	$363,600	$291,000	$336,300
Net Fiscal Impact	**($269,600)**	**$0**	**$119,600**
Estimated Total Assessed Value from Induced Housing	$111,637,000		

Notes:

(a) Ravenswood Elementary is a Revenue Limit District, which means that it receives an allotted amount per student, new property tax revenues leads to equivalent reduction in State aid. Other districts are Basic Aid, not subject to ADA.

(b) Does not include expenditures not expected to increase with enrollment, e.g. debt service.

(c) Based on middle-housing value single family/townhouse residences. This provides a conservative student generation impact from the proposed new development. Estimates for high school district and elementary generation rates are from the El Camino Real/Downtown Specific Plan Draft Environmental Impact Report (DEIR), as reported by Sequoia Union High and Menlo Park City Elementary School Districts. Ravenswood does not calculate student generation rates; Menlo Park City elementary rates are applied to Ravenswood.

(d) Estimate for multifamily student generation rates from the El Camino Real/Downtown Specific Plan DEIR. See note (c) regarding student generation rates.

(e) Assumes only 150%+ AMI households are in new single-family/townhouse units; all others in multifamily, including participants in the City's 110% AMI for-sale affordable housing program.

Sources: Menlo Park City Elementary School District, 2011; Enrollment Projection Consultants, 2009; Sequoia Union High School District, 2011; DEIR, 2011; BAE, 2011.

[28] See text on prior page regarding updated enrollment figures for Menlo Park City School District that slightly reduces the net fiscal impact figure shown in this table. Also see the note in the section on the Community Development Agency regarding additional funds Sequoia Union High School District will obtain from the dissolution of redevelopment.

Alternative Business-to-business Sales Tax Analysis

This section presents an alternative sales tax revenue analysis that considers the potential revenues to the City based on a different type of business(es) moving into the Project. This is of interest to the City because the previous business at the East Campus site, Sun Microsystems/Oracle, sold hardware and software and generated substantial business-to-business sales tax revenues for the City. By comparison, Facebook's business does not currently generate business-to-business sales tax revenues. This reflects a larger pattern in the Silicon Valley economy, where some companies, typically hardware manufacturers, are substantial generators of sales tax revenues (Apple, Cisco, etc.) while others, typically providers of services, are minimal generators of sales tax revenues relative to their size (Google, eBay, etc.)[29]. The alternative analysis described in this section estimates the potential tax revenues that could accrue to the City's General Fund from an alternate mix of business(es), including ones that generates business-to-business sales tax revenues, based on an analysis of average revenues.

The analysis consists of two sections. The first section analyzes current business-to-business sales tax generation by current Menlo Park businesses located in office buildings, and its implication for potential sales tax generation if the Project were tenanted by a similar mix of businesses. The second section analyzes business-to-business sales tax generation in Silicon Valley by high tech firms, and how that information could be used to evaluate potential sales tax generation by a similar mix of high tech businesses occupying the Project.

It should be noted that this analysis assumes that an alternate business(es) located in the Project would generate business-to-business sales tax revenues similar to the average figures that are presented here. It is entirely possible that a particular alternate business(es) in the Project might generate a lower amount or no revenues. It is also possible that such an alternate business(es) might generate greater revenues. Reuse of the Project as a multi-tenant property with a larger number of tenants would be expected to decrease the risk of greater variance from the figures presented in this section.

Menlo Park Business-to-business Sales Tax Revenues

With approximately one million square feet of office space existing at the East Campus, and a total of 440,000 square feet proposed for the West Campus, the sites could potentially house businesses that could generate a substantial amount of sales tax revenue through business-to-business and other non-retail transactions where the sites are 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 (SBOE) defines the point of sale for non-retail

[29] Taxable sales are calculated based on the recorded location of the sale. Companies have discretion in where sales are recorded, therefore even for Silicon Valley companies that generate substantial sales tax revenues, a substantial portion of those revenues may go to jurisdictions outside the Valley.

transactions as the seller's location where the principal sales negotiations are carried out – typically the company sales office. This can be a major revenue source for Silicon Valley cities with companies that sell computing, telecommunications, and other equipment subject to sales tax.

To estimate non-retail sales taxes, the analysis uses confidential sales tax data provided by the City's Finance Department for several comparable, multi-tenant office developments in the City. These developments are listed below and are considered a representative sample of the City's newer and higher quality office developments. In total, these developments include approximately 1.2 million square feet of space, as shown in Table 33.

Table 33: Comparable Office Developments in Menlo Park

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
TOTAL	**1,230,392**

Sources: City of Menlo Park; BAE, 2011.

For each of these developments, the Finance Department provided total annual sales tax revenue over the previous 11 years, excluding sales tax revenues generated in any ground floor retail space. BAE inflated prior year's data using the All Urban Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area, and determined the average annual sales tax revenue during each of the prior years, expressed in current 2011 dollars. As shown in Table 34, business-to-business sales tax revenues ranged from a high of $1.1 million in 2003 to a low of $97,400 in 2002. Divided by the total amount of square footage in these developments, revenues ranged from $79 to $875 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, the amount of business-to-business sales taxes generated varies widely.[30]

These ranges for sales tax revenues were used to estimate the potential sales tax revenue generation from businesses similar to existing Menlo Park businesses that might tenant the Project, as shown in Table 34. Using the high end of the range, the Project would generate $1.3 million in annual sales tax revenue; the middle end of the range would generate $431,000 in annual sales tax revenues; and the low end of the range would generate $115,000 in annual sales tax revenues.

[30] 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.

Actual sales tax revenue generation would depend on the specific mix of tenants who occupy the spaces. Certain types of office tenants tend to generate substantial sales tax revenues, including high technology corporate sales offices, while professional and financial services firms tend to generate little or no sales tax revenues.

Table 34: Estimated Business-to-business Sales Tax Revenues, Menlo Park

Historic Business-to-Business Sales Tax Revenues (a)		
Year	**Total Revenues (b)**	**$ Per 1,000 Sq. Ft. (c)**
2000	$366,172	$298
2001	$887,136	$721
2002	$97,421	$79
2003	$1,076,170	$875
2004	$214,447	$174
2005	$141,856	$115
2006	$563,768	$458
2007	$454,691	$370
2008	$1,033,205	$840
2009	$158,854	$129
2010	$328,738	$267
Low-Range	$97,421	$79
Median (Mid-Range)	$366,172	$298
High-Range	$1,076,170	$875
Projected Business-to-Business Sales Tax Revenues	**Project**	
Office Square Footage	1,446,641	
Low-Range	$114,543	
Median (Mid-Range)	$430,529	
High-Range	$1,265,314	

Notes:
(a) All figures have been adjusted to 2011 dollars based on Bay Area CPI for All Urban Consumers.
(b) Revenues generated in existing large office developments in Menlo Park.
(c) Per square foot revenues are calculated based on the Gross Floor Area of the developments surveyed:
Total Gross Bldg. Area per City of Menlo Park Planning Department in sq. ft: 1,230,392
Square footage of these developments did not change during the period considered.

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

Consideration of Taxable Transactions per Employee by Key NAICS Sector

This section presents an alternative methodology for estimating revenues from a "typical" Silicon Valley office space user, based on reported taxable transactions per employee for the types of businesses that dominate the area economy and that also are potential office users. (These taxable transactions are separate and apart from employee and/or visitor spending.)

While most taxable sales are generated in the retail sector, even office users sometimes undertake transactions subject to sales and use taxes in California, either through direct sales by manufacturers (where the office location is the point of sale), or through the in-house use of their

own manufactured products or use of products purchased out of state and subject to use taxes.

In order to estimate the potential impact for typical Silicon Valley office uses, at BAE's request research staff at the SBOE performed a special tabulation of taxable transactions for key three-digit NAICS[31] codes, for Santa Clara and San Mateo Counties combined, and for the entire state. SBOE provided most recently available four quarters of data at the time of the request, from July 2009 through June 2010.

As shown in Table 35, BAE selected NAICS codes that represent a cross-section of the high-tech sector in Silicon Valley, since no single code would encompass the entirety of this sector. These codes include various manufacturing subsectors, as well as information, professional, and managerial sectors. While at first glance manufacturing firms might not seem to be users of office space, the Silicon Valley economy includes the headquarters of many companies considered to be manufacturers (e.g., Hewlett Packard, Apple) where their primary space consumption is office space, and thus these companies need to be considered in the analysis. To the extent that their office locations are a point of sale or use, they are generating taxable transactions (as was the case for Sun Microsystems/Oracle). The manufacturing codes selected cover the range of high-tech activities in the Valley, ranging from biotech firms in NAICS 325 (chemical manufacturing) to aerospace in 336 (transportation equipment manufacturing). Facebook itself would be in NAICS sector 519, other information services.

Using employment data obtained from the State Employment Development Department (EDD) for these same three-digit NAICS codes (using 2010 annual average data), BAE then estimated annual taxable transactions per employee for each of the NAICS codes. For two NAICS codes, because of confidentiality rules regarding data reported by either SBOE or EDD, sales per employee could not be estimated for either one or both geographies.

[31] The North American Industry Classification System (NAICS) is the standard used by federal statistical agencies, as well as states and researchers, in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

Table 35: Taxable Transactions per Employee by Key NAICS Sector

NAICS	Description	Annual Taxable Transactions per Employee	
		San Mateo and Santa Clara Counties	California
325	Chemical manufacturing	$28,296	$38,613
333	Machinery Manufacturing	$33,456	$51,760
334	Computer and electronic product manufacturing	$31,414	$30,006
335	Electrical equipment, appliance, and component manufacturing	$37,851	$32,063
336	Transportation equipment manufacturing	na	$9,618
517	Telecommunications	$66,791	$48,545
518	Data processing, hosting and related services	$6,553	$17,984
519	Other information services	na	na
541	Professional, scientific, and technical services	$4,482	$4,349
551	Management of companies and enterprises	$406	$437
561	Administrative and support services	$2,642	$2,303

Sources: BAE, based on data from State Board of Equalization (SBOE) and CA Employment Development Department (EDD) Quarterly Census of Employment and Wages (QCEW).

For the NAICS codes considered, annual taxable transactions ranged from $406 per employee (for NAICS 551, management of companies and enterprises) to $66,791 (for NAICS 517, Telecommunications). As a comparison, per-employee taxable sales numbers for retailers are considerably higher; for example, general merchandise stores (NAICS 452) per employee taxable sales for the combined two counties for the same one-year period were over $200,000. Unfortunately, the NAICS code for Facebook itself, 519, has no taxable sales estimate available due to disclosure issues related to keeping individual firm data confidential. However, SBOE only counts 22 reporting businesses in NAICS 519 on January 1, 2010 for the two counties, far fewer than the establishment count of 215 reported for the employment data; this indicates that the large majority of firms in this NAICS code are not reporting taxable transactions.

These numbers should provide a general idea as to the level of sales and use tax generation for some typical office-using sectors in Menlo Park, but these should be considered "generic" numbers; any particular business might vary depending on its operations and products.

Estimate of Sales and Use Tax Generation for Alternative Use of Project Site

If Facebook were not to occupy the Project site, other users could eventually reuse the existing East Campus and develop the West Campus site (with the timing depending upon the strength of market conditions). This use could be either a single user or a set of multiple users, but the particular type of use, and hence the potential for taxable transactions associated with the sites, is unknown at this time. In the absence of knowledge of actual users, average per employee taxable transactions has been assumed based on the numbers above, weighted by the number of employees in San Mateo and Santa Clara County for each three-digit NAICS sector for which data are available. The calculated weighted average[32] is $15,062 in annual taxable transactions per employee for high-tech industries in the two counties; it should be noted that this does not include non-taxable transactions

[32] The weighting is by number of employees in each three-digit NAICS sector. There is considerable variation in average annual taxable transactions by employee between NAICS sectors, ranging from $437 per employee (management of companies) to $51,760 per employee (machinery manufacturing).

and is therefore not the same as company annual revenues per employee. For the purposes of the analysis here, this has been rounded to $15,000.

This figure was then applied to the additional employment that would result from the Project, and to be conservative an employment density (square feet per employee) was assumed that is consistent with the previous use of the East Campus by Sun Microsystems, as well as other Class A office users in the region. This figure, applied to the baseline 3,600 employees in the existing entitlements for the East Campus would generate annual sales and use taxes of $513,000. As shown in Table 36, using this figure for the Project provides a projections for sales and use tax generation for the Project of $827,000 annually for the City. If these figures are converted to annual sales per square foot, based on an average of 150 square feet per employee, the resulting annual sales tax receipts to the City of $1,000 per 1,000 square feet figure would be higher than what the City received per 1,000 square feet from its existing Class A office tenants, on an inflation-adjusted basis, in any year from 2000 through 2010, as shown in Table 34. To put it another way, this method nearly doubles the sales tax revenues compared to a median figure based on existing Menlo Park Class A tenants who generate business-to-business taxable sales.

Table 36: Alternative Estimates of Sales and Use Tax Generation

	Project	
	Employees	**Sales Tax**
East Campus		
Additional Employment at Buildout	3,000	$428,000
West Campus	2,800	$399,000
Total	**5,800**	**$827,000**

Sales taxes estimates rounded to nearest thousand dollars.
Baseline scenario assumes employment at current levels on East Campus, as per current entitlements. Employment at West Campus assumed at same density as East Campus under existing conditions, at 288 square feet per employee.

Taxable Annual Transactions per Employee	$15,000	based on analysis of SBOE and EDD data (see text).
Share to Menlo Park	0.95%	

Sources: BAE, based on information from State Board of Equalization, State Employment Development Department, and City of Menlo Park.

Conclusion

The analysis of potential business-to-business sales tax generation from an alternative mix of business(es) at the Project site utilized two different methods but reached similar conclusions on the range of potential sales tax revenues that the City would receive.

If the Project site were tenanted with a business(es) similar to the current mix of office-based businesses in Menlo Park, it is reasonable to expect that the City would generate at least the business-to-business sales tax revenue on a per square foot basis in the mid-range of what these businesses have generated over the past 11 years, on an inflation adjusted basis. As shown in Table

34, using the median sales tax generation figure from 2000 through 2010 would result in the Project generating $431,000 or more in annual business-to-business sales tax revenues for the City. Should the Project be occupied by a business(es) that generated the business-to-business sales tax revenue at the peak of what has occurred in the City over the past 10 years, this would generate $1.3 million in annual business-to-business sales tax revenue for the City.

Basing the analysis on average per employee business-to-business taxable sales, for the sectors that comprise the Silicon Valley high tech economy, and applied to increase in employment represented by the Project, would result in annual business-to-business sales tax revenue for the City of $827,000, as shown in Table 36.

These two alternative calculation methods, and the resulting findings, can be used to project that the range of business-to-business sales tax revenue that could be generated from a typical Silicon Valley mix of companies at the Project would range from $431,000 per year to $827,000 per year. However, it is possible that a particular alternate business(es) locating in the Project might generate revenues below or above this range.

Appendix A: ERAF Distribution of Property Tax

Table A-1: ERAF Shift by Jurisdiction, West Campus

	West Campus (a)		
Jurisdictions	**Pre-ERAF Distribution**	**ERAF Share**	**Post-ERAF Distribution**
City of Menlo Park	10.11%	16.97%	8.39%
San Mateo County	19.93%	39.84%	11.99%
Ravenswood Elementary School District	32.70%	0.00%	32.70%
Sequoia High School District	13.13%	0.00%	13.13%
San Mateo Community College District	5.70%	0.00%	5.70%
Menlo Park Fire District	13.25%	11.15%	11.77%
Ravenswood Slough Flood Zone	0.03%	16.20%	0.03%
Midpeninsula Regional Open Space District	1.54%	0.00%	1.54%
Bay Area Air Quality Management	0.18%	0.00%	0.18%
County Harbor District	0.30%	22.37%	0.23%
Mosquito Abatement	0.16%	15.90%	0.14%
County Office of Education	2.97%	0.00%	2.97%
ERAF Share of Base 1.0% Tax	0.00%		11.23%
	100.00%		100.0%
Supplemental Taxes	**Tax Rate**		**Tax Rate**
Menlo Park & Recreation Bond	0.0169%		0.0169%
Redwood City Elementary Bonds	0.0364%		0.0364%
Sequoia High School Bonds	0.0311%		0.0311%
San Mateo Community College Bonds	0.0193%		0.0193%
Total Property Tax Rate	1.1037%		1.1037%

Note:
(a) Does not include the East Campus because it is located in a CDA Project Area.

Sources: Santa Mateo County Controller; BAE, 2011.

Appendix B: Impact Fee Rates Background

The City and various special districts collect a variety of impact fees and capital facility charges to offset impacts of new development. Table 16 in the FIA presents the impact fee and facilities charges rate schedules and revenues generated by the Project. Below is a discussion of the assumptions and methodologies for estimating revenues from these sources.

The Menlo Park Municipal Water District (MPMWD) collects a capital facilities charge for water service installation. Charges are based on the meter size and are required for new meter installation only. According to modeling for the Project, the new development at the West Campus site would require one six-inch meter for domestic water service, one four-inch meter for site needs, plus a connection for fire sprinkler supply, as well as administration and installation fees. The Project would pay $173,600 in capital facilities charges to the MPMWD.

The West Bay Sanitary District assesses a sewer connection charge based on the estimated volume of wastewater discharge per day. The District provides credit for the existing use and entitled wastewater discharge volume, requiring the developer to pay a connection fee based on the estimated net new discharge volume only. Using an average 30 gallons per day (gpd) per square foot of California office space from the Water Research Foundation, the Project would generate approximately 52,800 net new gpd of wastewater discharge at the West Campus site. The District would collect a connection fee of $19.50 per gallon per day plus a flat fee of $585 per connection. Thus, the Project would be subject to $1.0 million for sewer connections.

The City collects storm drain connection, traffic mitigation, and below market rate housing impact fees based on the net new square footage of the development. The City charges a storm drain connection fee of $0.24 per square foot of impervious surfaces for commercial uses. The current traffic impact fee rate is $4.10 per net new square foot of commercial development. The City also collects a building street repair fee of 0.58 percent of construction value to provide for roadway maintenance and repair related to damages caused by building construction activity. Finally, the City charges below market rate housing fees of $14.50 per net new office square foot, and $7.87 per net commercial non-office square foot. Under its current fee structure, the City would collect $24,000 in storm drain connection fees, $1.3 million in traffic impact fees, $1.4 million in building street repair fees, and $4.5 million in below market rate housing fees from the Project.

In addition to City fees, the developer would have to pay school impact fees to the Ravenswood Elementary School District and the Sequoia Union High School District, the two districts in which the Project Area is located. The Sequoia Union High School District collects school impact fees for itself and its feeder elementary school districts. For new commercial development located in the Ravenswood Elementary School District, impact fees are $0.47 per square foot of net new commercial development and $2.97 per square foot of new residential space, of which 40 percent goes to Sequoia Union High School District and 60 percent goes to the Ravenswood Elementary School District. These fees are established pursuant to the requirements of State Law (SB50), and pursuant to that law are deemed to fully meet the requirements for new facilities. The Project

would generate $88,200 for the Ravenswood Elementary School District and $58,800 for the Sequoia Union High School District, based on current rates.

Appendix C: 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 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. The Project Area is located within the service area of the MPMWD.

The West Bay Sanitary District provides wastewater treatment services to areas in Menlo Park, Atherton, Portola Valley, East Palo Alto, Woodside, and unincorporated San Mateo County and Santa Clara County. The District owns and operates the South Bayside System Authority Regional Treatment Plant in San Carlos in conjunction with the cities of Redwood City, Belmont, and San Carlos.

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

The Project would generate one-time revenues for both districts associated with connection fees. 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 is listed in Table 15 in the FIA.

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. These campuses collectively serve more than 40,000 students each year.

Revenues

A majority of the District's General Fund revenues are derived from its Base Revenue, which is comprised of student enrollment fees, local property taxes, and a state apportionment. Base Revenue is determined by the State based on the district's enrollment.[33] For FY2011-2012,

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

SMCCCD's projected base revenue of $108.5 million or approximately $5,100 per Full-Time Equivalent Student (FTES). However, since SMCCCD is currently turning students away, and anticipates further reductions in the near future, this analysis assumes that new development will not result in new student enrollment. Thus, revenue projections are solely based on property tax revenue increases resulting from increases in assessed value. SMCCCD would receive property tax revenues from development on the West Campus site, as well as from pass through agreements the District has with the CDA regarding tax increment accruing to the East Campus site.

Expenditures

Since SMCCCD does not anticipate increasing its current load, or accepting more students than it currently has, its staff does not anticipate any increased expenditures resulting from new development. Due to state-level budget cuts, SMCCCD reduced its number of FTES by seven percent between FY2010-2011 and FY2011-2012, and anticipates additional reductions in future years. Thus, there will be no new expenditures resulting from the Project.

Net Impact

Table C-1 shows that the Project would result in a net fiscal surplus for SMCCCD. SMCCCD would receive approximately $137,200 in annual fiscal benefits from the Project.

Table C-1: Projected San Mateo Co. Community College District Impacts

Assumptions	FY 2011-2012 Budget (a)
Full-Time Equivalent Students	
Total Existing Service Population	900,486
Total Existing Full Time Equivalent Student (FTES) (b)	21,361
Revenues	
Non-Property Tax Base Revenue (c)	$51,768,883
Net Miscellaneous Student Fees (d)	$804,125
Total Non-Property Tax Revenues	**$52,573,008**
Revenues per FTES	$2,461
Share of Tax Increment Pass-Through, East Campus	$17,981
Share of One-Percent Basic Property Tax, West Campus	5.70%
Expenditures (e)	
Site Allocations	$90,922,719
Salaries and Benefits	$14,084,381
Staff Development / HR	$1,407,992
Technology	$1,141,333
Other	$7,781,430
Total Expenditures	**$115,337,855**
Expenditures per FTES	$5,399
Projected Fiscal Impact	**Project**
New FTES (f)	0
Property Tax Revenues, East Campus (g)	$17,981
Property Tax Revenues, West Campus	$119,500
Other Revenues	$0
Projected Revenues	$137,481
Less Projected Costs	$0
Net Fiscal Impact	**$137,481**

Notes:
(a) Budget for the Unrestricted General Fund, which is the district's operating fund. Other district funds are managed primarily on a cost recovery basis.
(b) FTES - Full Time Equivalent Student equals 525 class hours.
(c) Includes student enrollment fees, and state apportionment. Based on FY10-11 allocations.
(d) Does not include pay-for-fee revenues. Based on FY10-11 allocations.
(e) Does not include expenditures paid for by direct fees; fees also excluded from revenues.
(f) The Community College is currently turning students away and does not plan to accept additional students in the future.
(g) Tax increment pass-through from Project Area is capped at $218,000 for FY 11-12, limiting the benefit to District from the increase in assessed value.

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

Other Districts

Potential fiscal impacts to the San Mateo County Office of Education and the Midpeninsula Regional Open Space District were also analyzed.

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

2.99 percent of the base tax for the West Campus site, and tax increment pass through payments and fiscal sharing payments from the City's Community Development Agency for the East Campus. The Open Space District receives 1.54 percent of the base tax for the West Campus properties.

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

County Office of Education

The San Mateo County Office of Education provides support for public schools throughout the County including 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.

According to County Office staff, it operates as a Revenue Limit District, meaning that increases in local property taxes would be offset with decreased State revenues, and therefore not translate into new District revenues. Office of Education staff indicates that the District receives approximately $151 per Countywide enrolled student to provide oversight services to all of the school districts. Since the Project would not result in direct increases in student enrollment, the County Office of Education would not receive any additional revenues from development, nor would it incur any costs. Thus, the net fiscal impact would be zero.

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 Project would have minimal impact on the Open Space District. The District does not maintain a per capita service standard for the acreage of land preserved and it would not increase its land acquisition efforts as a direct result of the Project. In addition, the District's debt service expenditures would not increase due to development at the Project site. Therefore, this FIA assumes that there would be no increase in District expenditures associated with the Project.

The District's share of new property tax revenues from the West Campus would total $33,200 per year. Therefore, the Project would be considered to have a net positive fiscal impact for the Open Space District of $33,200 per year.

Appendix D: Induced Housing Assumptions

Table D-1: Affordable Housing Prices and Rents

Household Income	2011 Family Size 3 Person
50% AMI (Very Low Income)	$48,100
60% AMI	$57,720
80% AMI (Low Income)	$76,950
110% AMI (Moderate Income)	$100,595
150% AMI (Above Moderate)	$137,175
Assumptions, For Sale Units	
Interest Rate	4.50%
Loan Term in Years	30
Down Payment %	5.00%
Monthly HOA Dues	$500
Monthly Utilities	$126
Mortgage Insurance	0.50%
Taxes	1.11%
Insurance	0.40%
Monthly Maintenance	$100
Percent Income Avail. for Principal, Interest, Taxes, Insur.	33.00%
Moderate-Income For-Sale Price, 2 Bed (110 % AMI)	
Maximum Sales Price	**$315,552**
Down Payment	$15,778
Loan Amount Needed	$299,774
Payment (P+I)	$1,519
Taxes	$291
Insurance	$125
Flood Insurance	$0
Mortgage Insurance	$125
Mello Roos	$0
HOA Dues	$500
Monthly Utilities (a)	$126
Monthly Maintenance	$100
Monthly Payment	$2,766
Annual Income	$100,595
% of Median Income	33%
Low-Income Rental Rate, 2 Bed (60% AMI)	
Percent Income Avail. for Principal, Interest, Taxes, Insur.	30%
Gross Rental Rate	$1,202
Approximate Utility Payment (a)	($161)
Net Rental Rate	**$1,041**

(a) From the San Mateo County Housing Authority.

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

Appendix E: Key Personnel Contacted

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

Table E-1: Interviews Conducted for the Fiscal Impact Analysis

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

Source: BAE, 2011.