

The logo for BAE Systems, consisting of the lowercase letters 'bae' in a sans-serif font. The 'a' and 'e' are purple, and the 'b' is green.

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# **Draft Fiscal Impact Analysis**

## **Menlo Gateway Project**

Overview Presentation

November 3, 2009

## Purpose of the Fiscal Impact Analysis (FIA)

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- **BAE hired by the City to do an independent analysis**
- **Understand net fiscal impact on all local government budgets for proposed Project + 5 alternatives**
  - Project and alternatives as set forth in Draft EIR
- **Evaluate other potential indirect impacts**
  - New housing demand created by Project / increases in required housing production
  - Increased development demand for adjacent parcels
- **Identify potential additional public revenue generation from the Project**
- **Draft report details methodology, data sources, assumptions, limiting conditions, and findings**

## Scope of FIA: Jurisdictions Studied

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- **Estimate all new revenues plus full range of new facilities, equipment, staffing, and other costs**
- **All potentially impacted jurisdictions studied:**
  - City of Menlo Park General Fund
  - Menlo Park Fire District
  - Menlo Park Municipal Water District
  - West Bay Sanitary District
  - Four elementary school districts plus Sequoia Union High School Districts
  - County Office of Education Special District
  - San Mateo County Community College District
  - Midpeninsula Regional Open Space District; and
  - Sequoia Hospital District

## Fiscal Cost Methodology

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- **Budget reviews for all jurisdictions to evaluate existing costs of service delivery**
- **Interview Department / Agency heads to identify marginal costs of new services for the alternatives**
  - Marginal costs are those caused by the alternative
  - All costs: facilities, equipment, labor, overhead, misc.
- **Where marginal costs could not be identified, estimates developed based on service population**
  - Service population is residents + non-resident workers (worker impacts generally estimated at 50% of residents')
  - Fine-tuned in consultation with departments / agencies

## Fiscal Revenue Methodology

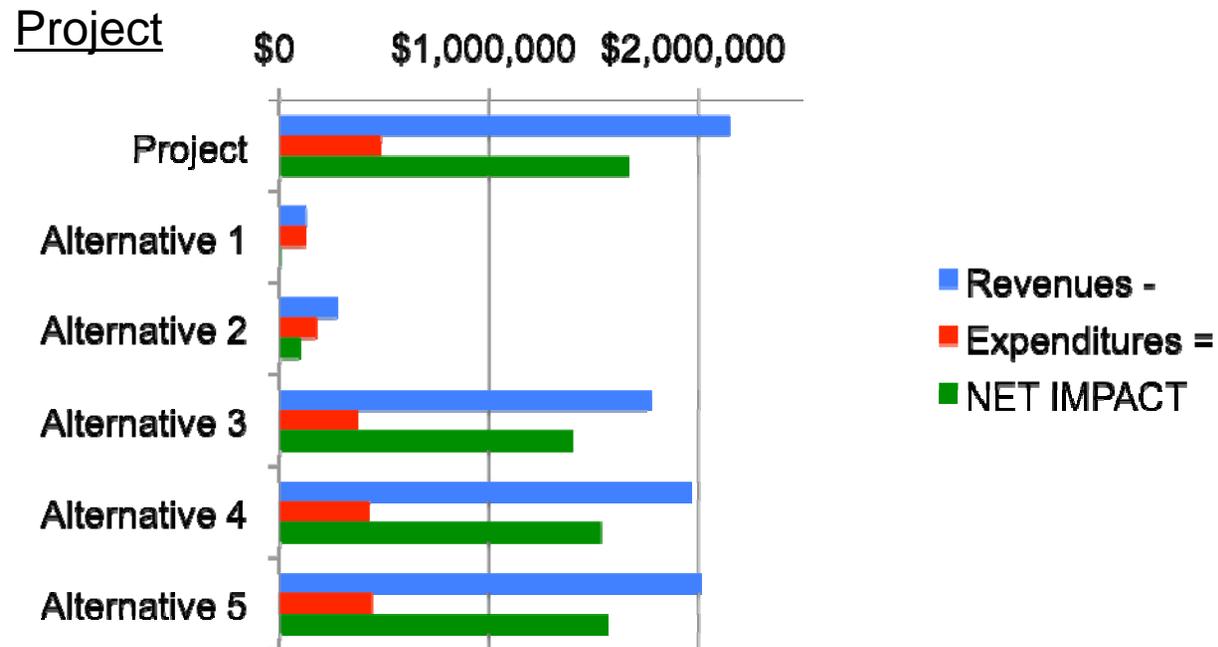
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- **Calculate major revenue sources: new property taxes, sales taxes, transient occupancy (“room”) tax**
  - Evaluate factors affecting collections: tenant mix for sales/use tax; hotel demand and occupancy rates
  - Test how changes in these factors affect revenues; estimate potential ranges for revenues
  - Account for effect of economic conditions on revenues
- **Calculate other revenue sources: vehicle license, utility user tax, licenses and permits; franchise fees**
- **Calculate one-time revenue sources: property transfer taxes, impact fees / capital facilities charges**

## Findings: Net Fiscal Impact to City

- **General Fund “stabilized” revenues, service costs after project built and fully leased, all alternatives:**

Net Annual Fiscal Impact to City General Fund, Stabilized



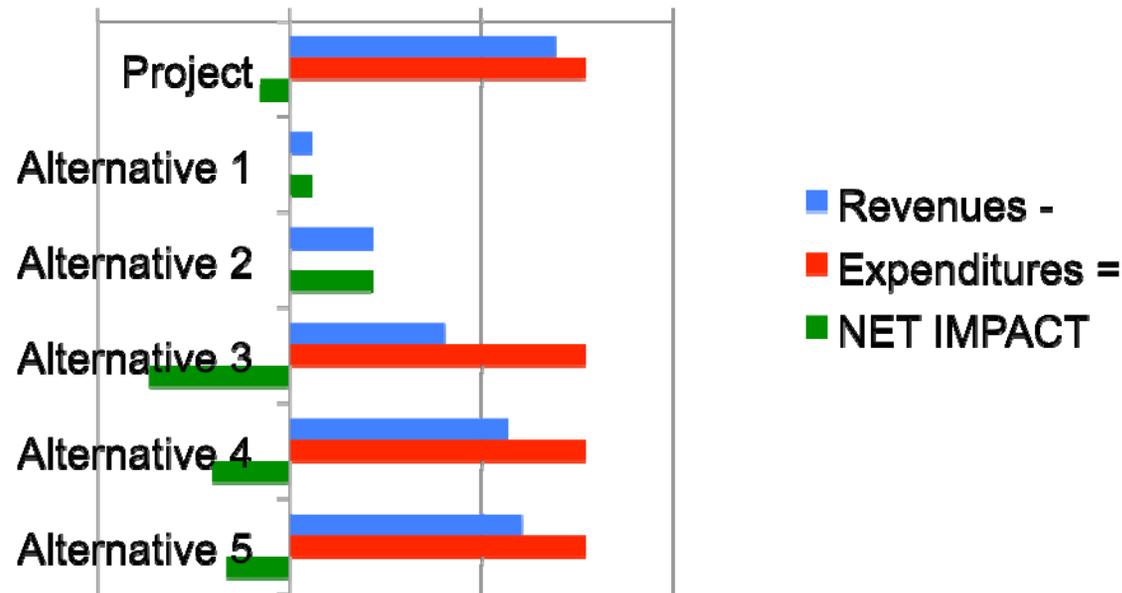
- **Report with appendices has detailed tables for all revenues, costs, plus 20-year cash flow model**

## Findings: Net Fiscal Impact to Fire District

- Fire District “stabilized” revenues, service costs after project built and fully leased, all alternatives:

Net Annual Fiscal Impact to Fire District, Stabilized Project

(\$400,000)    \$0    \$400,000    \$800,000

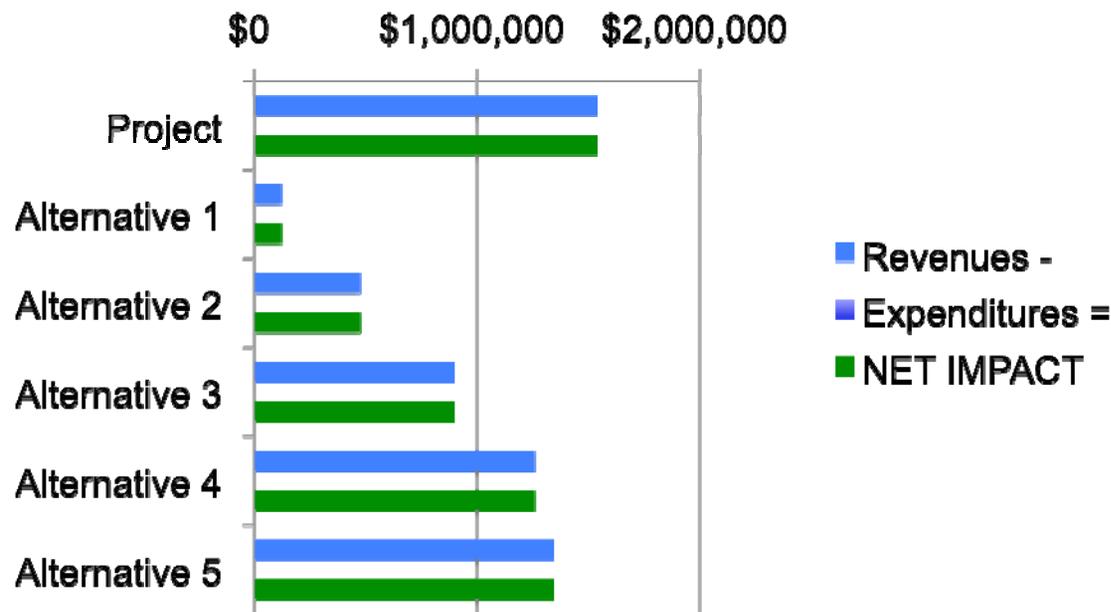


- Need for new ladder truck; additional one-time cost of \$1 million+

## Findings: Net Fiscal Impact to Schools

- Calculated “stabilized” revenues and service costs after project built and fully leased, all alternatives:

Net Annual Fiscal Impact to School Districts, Stabilized Project

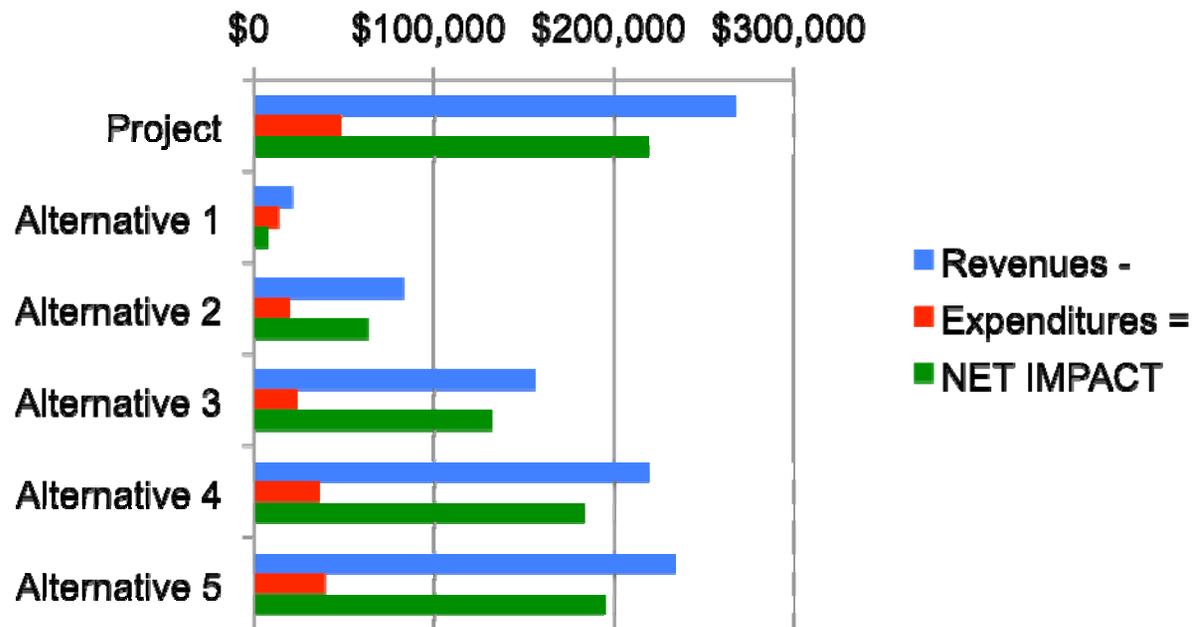


- Project located in Redwood City Elementary District
- No added student population, so no direct costs

# Findings: Net Fiscal Impact to All Other Special Districts (Combined)

- Calculated “stabilized” revenues and service costs after project built and fully leased, all alternatives:

Net Annual Fiscal Impact to Other Special Districts, Stabilized Project



- Reflects modest to minimal impacts to Special Districts

## Potential Induced Housing Demand

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- **Potential induced housing demand considers future increases in Regional Housing Needs Allocation (RHNA)**
- **EIR Housing Needs Analysis identified potential increase in RHNA from Project of up to 76 units**
- **Same fiscal impact analysis conducted on potential induced housing demand for all alternatives.**  
**Findings include:**
  - Slight negative fiscal to General Fund for all alternatives
  - Some school districts have negative fiscal impact from Project of up to \$45,000/year, but other districts positive
  - Net for all districts negative \$13,000/year, but more than offset by Project direct fiscal revenues (previous slide)

## Potential Adjacent Land Use Changes

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- **Area around project is 91 acres, including 15 acres for Project. Mostly office, warehouse, flex space.**
  - Zoned M-2, General Industrial, allows office to 35 feet
- **Factors affecting potential for redevelopment:**
  - Small parcels adjacent to Project (average 1.3 acres), many owners, requires land assembly for development
  - Parcels east of Project include newer larger buildings with likely difficult economics for near-term development
  - A number of owner/users in the area who need facilities for business operations, likely less interest in development
- **Redevelopment for office in longer-term likely, subject to land assembly, City willingness to rezone**

## Additional Fiscal Benefit Opportunities

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- **Potential opportunities include:**
  - Increase development impact fees – needs to be tied to new capital improvement needs
  - In-lieu sales tax generating proceeds to match the increase from rezoning the area for higher sales tax generating uses
- **Development Agreement can include negotiated provisions for various benefits, including:**
  - One-time and/or recurring payments to offset impacts
  - Require hotel built first or pay in-lieu sales tax / TOT
  - Project property transfer and reassessment after rezoning to increase new property taxes
  - Capture more of construction-related sales taxes
  - Create a Community Benefit Fund