Final Draft Report

FISCAL IMPACT ANALYSIS
OF
BOHANNON PROPERTIES:
INDEPENDENCE AND CONSTITUTION SITES
MENLO PARK, CALIFORNIA

Prepared for
The David Bohannon Organization

Prepared by
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1. Introduction

This study presents a fiscal impact analysis of development alternatives for two closely located sites owned by the David Bohannon Organization in the M-2 District in the City of Menlo Park. Two development scenarios for this double-site project (on Independence Drive and Constitution Drive) are presented in comparison to an existing-conditions scenario that assumes 100% occupancy of existing buildings. For ease of identification, the three analyzed alternatives are labeled as follows:

- *Existing Development*: no change to current office / R&D space buildings, assuming full occupancy
- *Existing Zoning Alternative*: new office and parking under existing zoning
- *Proposed Mixed Use Alternative:* new office, new hotel, restaurant/café, health club and parking assuming new zoning[1]

A primary objective of this analysis is to determine the extent that each development alternative provides fiscal value to the City in terms of new net revenues after consideration of new city service costs. City revenues impacted by the proposed development alternatives are: property tax, sales tax, transient occupancy tax, business licenses, and other per-capita revenues such as franchise fees, other permits, and fines. City costs are analyzed for the following General Fund departments: Police, Public Works, Community Services, Administration Services, Community Development and Library. Each of these would be impacted by the selected alternative. The analysis is based on the City's Proposed 2004-2005 Annual Budget and current demographics for the City.

The Bohannon Organization retained Brion & Associates to prepare this study to provide the City of Menlo Park with a basis for considering these fiscal impacts of the project. Brion & Associates has worked closely with the Bohannon development team and City Staff to prepare this analysis.

Brion & Associates worked with City Staff to review and discuss the assumptions and approach – methodology for this fiscal impact analysis during 2004. Staff provided various data for the analysis and reviewed the report and provided detailed comments and edits. As a result, Table B-8 in Appendix B was added to the report, which documents the source of each assumption used in the analysis and is referenced by table number and subject. City staff from the Planning Department, the Finance Department and the City Manager's office participated and indicated that the methodology seemed appropriate and that the assumptions appeared reasonable for purposes of this study.

[1] Also referred to as the "proposed project" in the report.

SUMMARY OF FINDINGS

The following section provides a discussion of the fiscal balance for each of the development alternatives – *Existing Development*, *Existing Zoning Alternative,* and *Proposed Mixed Use Alternative* – under either a "Low" or "Moderate" Sales Tax Scenario (see **Appendix A** for analysis and discussion of these two scenarios). **Table S-1** provides a summary of fiscal results for the three development alternatives, while **Table S-2** provides a summary of fiscal benefits by alternative both annually and over twenty years. More detailed results of the fiscal analysis are shown in **Tables 10** and **11** in **Chapter 4** of this report.

1. The Proposed Mixed Use Alternative would generate about $574,000 per year in net revenues with Low Sales Tax assumptions, and about $592,000 per year in net revenues under the Moderate Sales Tax scenario when the project is completed.

This fiscal analysis estimates the net new revenues for each alternative, which represent total city revenues minus expenditures.[2] With Floor Area Ratios (FARs) of 1.0 at the two locations, the *Proposed Mixed Use Alternative* has the highest density but also by far the highest revenues of the three alternatives analyzed. This alternative has about 250,000 more square feet of office use than the *Existing Zoning Alternative* (i.e., existing zoning) and a 130-room hotel with related uses including a restaurant and a health club. These new uses would generate a total of $574,000 to $592,000 for the City's General Fund (depending on the sales tax scenario). The greatest component of this increased revenue would come from the hotel, through Transient Occupancy Tax or TOT revenues, which is not included in either the *Existing Development* or *Existing Zoning Alternatives*. About $430,000 of TOT from the hotel is expected from this alternative. TOT revenues present about 50% of the total revenues of the proposed project. The variation between "Low" and "Moderate" Sales tax assumptions accounts for the $18,000 spread within the *Proposed Mixed Use Alternative*. This alternative would generate a roughly 3,000% increase in revenues to the City from these two sites over existing development.

2. The Existing Development Alternative generates about $18,000 per year after expenditures under either Low or Moderate Sales Tax Scenarios.

The FAR of *Existing Development* ranges from 0.27 to 0.30 at the two sites. The property is currently developed with about 112,000 square feet of office space and about 58,500 square feet of R&D uses. Assuming the sites are 100% occupied, General Fund revenues from these uses total about $109,000, mostly from sales tax, property tax and business license fees. Expenditures associated with existing uses total about $91,000.

[2] The figures reported here are not net of existing net revenues from existing development, which are minimal as discussed below.

The two sites are actually about 40% vacant right now, and revenues from existing development are actually less than that estimated for this analysis. There is no difference in overall fiscal benefit for sales tax, however, because the *Existing Development* figures come from actual available sales tax data generated at the two sites and not from sales tax projections, as with the other two alternatives.

3. The Existing Zoning Alternative would generate about $44,000 per year with Low Sales Tax assumptions and about $53,000 with Moderate Sales Tax.

The FAR of *Existing Zoning Alternative* development is 0.45 at both sites based on existing zoning allowed at the sites. This alternative would allow for about 266,000 square feet of office use. Under the Low Sales Tax Scenario this alternative performs significantly better than the *Existing Development* on the site by approximately $26,000. Under the Moderate Sales Tax Scenario, this alternative also performs better than *Existing Development*, yielding about $35,000 more. The *Existing Zoning Alternative* assuming existing zoning for the site would generate about 144% to 194% more revenues to the City that existing development.

4. Regardless of sales tax scenario, the greatest fiscal benefit or net new revenues to the City would come from the Proposed Mixed Use Alternative.

The *Proposed Mixed Use Alternative* represents a higher density development, and the fiscal benefits to the City would be substantial. The positive effect upon the City's General Fund is significantly stronger with more office space and a hotel and retail uses than *Existing Development* or *Existing Zoning Alternatives*. Under the Low Sales Tax Scenario, the *Proposed Mixed Use Alternative* generates $556,000 more annually in General Fund revenues, while under the Moderate Sales Tax Scenario it generates $574,000 more than *Existing Development*.

5. The Proposed Mixed Use Alternative will generate 977 construction jobs, compared to the Existing Zoning Alternative of 415 construction jobs.

Construction benefits are expressed as "job years" and given the significant increase in development under the *Proposed Mixed Use Alternative*, the construction benefits would be double that of the *Existing Zoning Alternative (see **Table S-1**)*. *Existing Development* would not generate any new construction jobs years except through minor renovations or tenant improvements, which are not expected to be significant.

6. The Proposed Mixed Use Alternative would generate approximately $6.5 million in combined water, sewer, school, traffic, and below market rate housing impact fees for the City of Menlo Park.

Alternatively, the *Existing Zoning Alternative* would generate less one-quarter of that amount at approximately $1.4 million (see **Table S-1**). All net new development in the City of Menlo Park is assessed impact fees for schools, traffic mitigation, and the below market rate housing program in addition to standard fees for sewer, water, and fire. Given the significant amount of net new development associated with the *Proposed Mixed Use Alternative*, it would generate significantly higher impact fee revenues for the City. This represents a one-time benefit of the project.

7. The City would also receive revenue for Parks and Recreation from the new development alternatives. This figure is currently estimated to be about $4,000 and could increase to $10,000 to $27,000 per year, depending on the alternative, as shown in Table S-2.

The City receives additional property tax revenues for parks and recreations through additional assessments levied on real property, including a voter-passed bond. These revenues are in addition to those estimated for the General Fund. These revenues provide additional benefit to an important city service and community amenities. While the *Existing Development* scenario and the *Existing Zoning Alternative* generate about $4,000 and $10,000 respectively, the *Proposed Mixed Use Alternative* generates approximately $27,000, significantly higher than either of the other alternatives.

8. Over a twenty-year period, it is projected that under either Sales Tax Scenario the Proposed Mixed Use Alternative will generate significantly higher revenues for the City of Menlo Park than either of the two other alternatives, totaling slightly over $12 million.

Over twenty years, the City of Menlo Park will receive approximately $12 million in total net new revenues from the *Proposed Mixed Use Alternative*, regardless of the Sales Tax Scenario. In comparison, the *Existing Development Alternative* would generate only $440,000 over twenty years, and the *Existing Zoning Alternative* would generate only about $1.0 million under the Low Sales Tax Scenario and approximately $1.3 million under the Moderate Sales Tax Scenario. Development of the *Proposed Mixed Use Alternative* would represent a roughly 2,700% increase in revenues over the *Existing Development Alternative* and a 1,100% increase in revenues over the *Existing Zoning Alternative*.

With the proposed project, the net new total revenues over that of existing development would equal about $11.6 million under the Low Sales Tax Scenario, and $11.9 million under the Moderate Sales Tax Scenario.

9. The Proposed Mixed Use Alternative will generate greater individual benefits for the General Fund, such as property tax revenue, transient occupancy tax (TOT), and sales tax.

When revenues are considered on an individual basis, the *Proposed Mixed Use Alternative* still performs significantly better, as shown in **Table S-2**. The *Proposed Mixed Use Alternative* is projected to generate almost $3.5 million in property tax revenue for the General Fund over twenty years, compared to $500,000 for the *Existing Development* and $1.3 million for the *Existing Zoning Alternative*. Additionally, the *Proposed Mixed Use Alternative* will generate $8.6 million in TOT revenue, as compared to zero TOT revenue from either of the other alternatives. Sales tax revenues are also higher for the *Proposed Mixed Use Alternative*, at approximately $1.8 million for the Low Sales Tax Scenario and $2.1 million for the Moderate Sales Tax Scenario.

Table S-1
Summary of Fiscal Analysis and Other Benefits by Alternative
Bohannon Fiscal Impact Analysis

Scenario and Item	Summary of Project Revenues by Alternative		
	Existing Development 100% Occupied	**Existing Zoning**	**Proposed Mixed Use**
Annual On-Going Benefits	*all dollar figures rounded to nearest $1,000*		
Low Sales Tax Scenario			
Total Gen Fund Revenues	$109,000	$194,000	$877,000
Total General Fund Expenditures	$91,000	$150,000	$303,000
Net GF Fiscal Benefit/(Shortfall)	**$18,000**	**$44,000**	**$574,000**
Amt. over Existing Developent		$26,000	$556,000
% over Existing Development		144%	3089%
Moderate Sales Tax Scenario			
Total Gen Fund Revenues	$109,000	$203,000	$895,000
Total General Fund Expenditures	$91,000	$150,000	$303,000
Net GF Fiscal Benefit/(Shortfall)	**$18,000**	**$53,000**	**$592,000**
Amt. over Existing Developent		$35,000	$574,000
% over Existing Development		194%	3189%
One-Time Benefits			
Permanent Jobs	539	887	1,796
Amt. over Existing Developent		347	1,257
% over Existing Development		64%	233%
Construction Jobs Years (1)	na	415	977
Property Transfer Tax Revenues (2)	na	**$19,000**	**$52,000**
Impact Fees		**$1,417,705**	**$6,527,740**
Total One-Time Revenues		**$1,436,705**	**$6,579,740**

(1) Job years represents one year of local construction employment.
(2) This revenue is generated from Independence site only due to assumed restructuring of ownership.
Source: Brion & Associates.

Table S-2
Summary of Economic Benefits from Proposed Project by Alternative
Annual and 20-Year Benefits (1)
Bohannon Fiscal Impact Analysis

Benefits	Annual or One-Time Benefit: Existing Development 100% Occupied	Annual or One-Time Benefit: Proposed Base Alt	Annual or One-Time Benefit: Proposed Mixed Use	20-Year Totals in Constant Current Dollars: Existing Development 100% Occupied	20-Year Totals in Constant Current Dollars: Proposed Base Alt	20-Year Totals in Constant Current Dollars: Proposed Mixed Use
Total Benefits			*all figures are rounded to nearest thousand*			
General Fund Net Benefit						
Low Sales Tax Scenario	$18,000	$44,000	$574,000	$360,000	$880,000	$11,480,000
Moderate Sales Tax Scenario	$18,000	$53,000	$592,000	$360,000	$1,060,000	$11,840,000
Other Menlo Park Tax Revenue	$4,000	$10,000	$27,000	$80,000	$200,000	$540,000
Overall Net Revenue Benefit						
Low Sales Tax Scenario	$22,000	$54,000	$601,000	$440,000	$1,080,000	$12,020,000
Moderate Sales Tax Scenario	$22,000	$63,000	$619,000	$440,000	$1,260,000	$12,380,000
Individual Benefits (2)						
Property Tax Revenue						
City's General Fund	$25,000	$67,000	$173,000	$500,000	$1,340,000	$3,460,000
Elementary Schools	$49,000	$132,000	$340,000	$980,000	$2,640,000	$6,800,000
Menlo Park Fire District	$33,000	$88,000	$227,000	$660,000	$1,760,000	$4,540,000
County of San Mateo	$49,000	$132,000	$341,000	$980,000	$2,640,000	$6,820,000
Other Agencies	$62,000	$167,000	$431,000	$1,240,000	$3,340,000	$8,620,000
Total Property Tax Revenue	$218,000	$586,000	$1,512,000	$4,360,000	$11,720,000	$30,240,000
Transit Occupancy Tax Revenue	$0	$0	$430,000	$0	$0	$8,600,000
Sales Tax Revenue						
Low Sales Tax Scenario	$28,000	$35,000	$89,000	$560,000	$700,000	$1,780,000
Moderate Sales Tax Scenario	$28,000	$44,000	$106,000	$560,000	$880,000	$2,120,000

(1) 20 year estimates are derived from annual figures multiplied by 20 and in constant dollars. No inflation or changes in real assessed value are assumed. Actual 20 year totals for property tax would be higher with increases in assessed value. Other revenues may increase too such as room rates and and taxable sales rates.
(2) These revenues are subsummed in the estimate of Net General Fund fiscal benefit above and are broken out separately to highlight key revenues from the project.
Source: Brion & Associates.

BACKGROUND

The real estate market has yet to fully recover from the dot-com crash. There is a significant amount of office and R&D space available throughout Silicon Valley. In Santa Clara County there is an 18.1% vacancy rate for office and R&D space, according to BT Commercial. In San Mateo County there is about 10.0 million sqft of vacant office and R&D space with a 19.65% average vacancy rate, and in Menlo Park, there is 1.7 million sqft of vacant office and R&D space with a 22.3% average vacancy rate as of May 2005. When the market does turn around, the Bohannon Organization would like to have all its entitlements in place so construction at this site can proceed quickly. One of the development alternatives, *Proposed Mixed Use*, varies from current M-2 General Industrial District zoning in terms of proposed uses, FAR, and building height. These issues will be addressed by adoption of a new zoning district designation and General Plan amendments for the two sites referred to in this study.

The purpose of this analysis is to provide a tool for measuring the fiscal implications of different development alternatives for the project site, and to address the net fiscal benefit the City will receive under each. In the case of the *Proposed Mixed Use Alternative*, the City's net fiscal benefit can be seen as one important consideration for the requested mixed use and higher density development. In general, the City's key net benefit from the proposed project derives from transient occupancy tax revenues from a 130-room hotel, and, to a somewhat lesser extent, from sales tax revenues from retail and non-retail uses.[3]

PURPOSE OF FISCAL IMPACT ANALYSES

A fiscal impact analysis evaluates the fiscal implications of new development on the City's operating budget or its annual revenues and expenditures. Fiscal analyses generally focus on the General Fund, which is the main fund impacted by new development. Other city funds typically have dedicated revenues, such as user fees, to cover their costs; these revenues can be increased to cover increased costs. The General Fund is the source for all "discretionary" revenues; i.e., revenues that can be spent at the city council's discretion. These include property tax, sales tax, transient occupancy tax, etc. Dedicated revenues include revenues that must be spent on a particular expenditure or within a particular department. Examples of such revenues include grants, or some State and Federal monies, such as gas tax revenues. Typically, fiscal impact analyses do not forecast these dedicated revenues or assume they could fund project costs.

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[3] See Appendix A, which includes a detailed analysis of the City's existing sales tax revenues from non-retail businesses and has been conducted under separate cover for this effort, in order to assist in developing sales tax generation factors for office space. This analysis has resulted in the recommendation to use low and moderate sales tax assumptions for all office uses, bracketing the range of sales tax that might be generated by the office uses included on each site. It should be noted that both of the sales tax assumptions recommended are lower than the existing two sites actually generated in sales tax in Fiscal Year 02-03.

Fiscal impact analyses evaluate the "proposed" development in terms of today's fiscal environment by using the current city budget. By law, a city must balance its budget year to year; thus, exact expenditures and revenues are somewhat dynamic but certain trends are always present. The analysis provides an estimate of how the new development will perform fiscally assuming the current cost and revenue structure, including current tax-sharing agreements and local rates for items such as transient occupancy tax, etc. The focus of the analysis is to determine whether the new development will pay for itself and whether it will generate net new revenues for the city that can be used to fund services and projects elsewhere in the city. In the case of this study, an analysis of the existing development is provided and contrasted with the new *Proposed Mixed Use Alternative* and an *Existing Zoning Alternative* so that the City and community can evaluate the net new benefits of allowing mixed use in the M-2 and increased development capacity on the site.

Fiscal impact analyses are different than detailed budget forecasts at the departmental level, such as those with detailed staffing plans. Fiscal impact analyses use current demographic data and service standards and apply them to the new population and employment generated by the project. In this study, the project would generate only employment and not population. Thus, for this study the analysis is on the costs of serving employment-related land uses. These types of studies are very useful in evaluating multiple alternative land use plans and in conducting sensitivity analyses of key project assumptions.

Brion & Associates has conducted many fiscal impact analyses for new development projects, as well as fiscal impact analyses of general plan updates throughout Northern California. **Appendix D** provides Brion & Associates Statement of Qualifications.

REPORT ORGANIZATION

This report has four chapters and a series of technical appendices that follow the main body of the report. Chapter 1 contains an introduction and general background for the analysis. Chapter 2 includes the development assumptions for the project and the demographic information and market values used in the analysis. Chapter 3 presents the assumptions and approach used in the fiscal analysis. Chapter 4 covers the findings and conclusions that can be drawn from the analysis. Appendix A presents the sales tax analysis conducted by Brion & Associates for this effort. Appendix B presents the detailed calculations and supporting data for the fiscal analysis, including documentation of all model assumptions (see Table B-8). Appendix C contains a copy of a letter summarizing local hotel market data. Appendix D provides a Statement of Qualifications for Brion & Associates.

2. Development and Market Assumptions

This study analyzes three alternatives for Bohannon properties in the M-2 District in the City of Menlo Park. These alternatives involve the use of two separate sites in close proximity to one another in the eastern area of Menlo Park referred to as the M-2 District. The Independence Drive site lies adjacent to Bayshore Freeway (US 101) just northeast of the freeway's Marsh Road exit, and encompasses 309,527 square feet of land, or 7.11 acres in total. The Constitution Drive site is about one block to the north, immediately south of Bayfront Expressway, and has 281,737 square feet of land, or 6.7 acres in total. The double-site project would encompass about 13.6 acres of land in total. **Figure 1** shows the two site areas and general land uses envisioned for each street location.

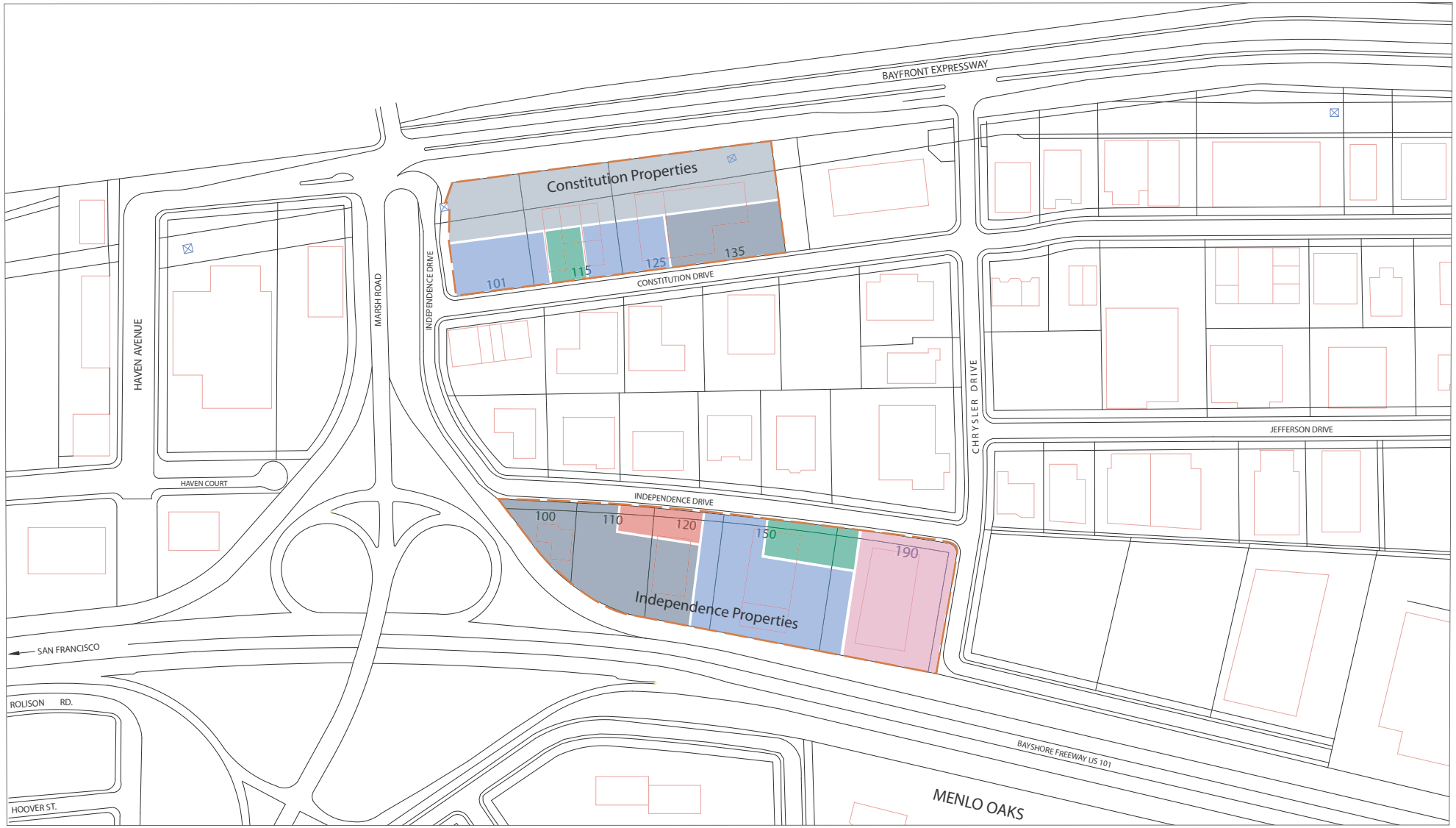
The projections for three alternatives in this analysis, including the *Proposed Mixed Use Alternative*, are based on current conditions and upon key assumptions that are described in detail in **Table B-8**. This analysis looks at the fiscal impact for the two-site project as a whole under these alternatives, each with different components as summarized below:

- *Existing Development*: Current uses of office and R&D, 170,184 sq. ft. of space in total, at 100% occupancy.
- *Existing Zoning Alternative:* about 266,100 sq. ft. of new office space and surface parking located on both sites, assuming the maximum allowed under existing zoning.
- *Proposed Mixed Use Alternative:* about 514,500 sq. ft. of new office and structured parking located on both sites, and a new 130-room hotel with a 9,300 sq. ft. health club and a 9,300 sq. ft. restaurant on Independence Drive.

Current zoning for properties in the M-2 Industrial District requires that the floor area ratio (FAR) not exceed 0.50 for general industrial uses (including R&D) and 0.45 for offices. By way of comparison, the *Existing Development* for these sites as a whole has a 0.29 FAR, which is about half the allowable density. The *Existing Zoning Alternative* has an FAR of 0.45 for the sites, consistent with existing zoning. The FAR of *Proposed Mixed Use Alternative* is 1.00 on Constitution and Independence. Parking assumptions by alternative include rough estimates of surface and structured parking.

PROJECTED LAND USE AND POPULATION GROWTH

Table 1 provides an overview of land use in terms of gross building area, number of hotel rooms, and parking count as applicable to each site and each alternative. These figures are provided for both the Constitution and Independence sites, and totaled for each alternative as a whole. These quantities form the basis for all other analyses in the fiscal analysis.



LEGEND

- Open Space
- Hotel
- Office
- Restaurant/Cafe & Health Club
- Surface Parking
- Structured Parking
- Project Boundary

Figure 1: Land Use Concept

Independence and Constitution Drive Properties

Menlo Park, CA

Not to Scale

November 30, 2004

Bohannon Development Company
David D. Bohannon Organization
125 Constitution Associates, LP

COMMUNITY DESIGN + ARCHITECTURE
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Table 1
Project Description by Site, Land Use and Alternative
Bohannon Fiscal Impact Analysis

Area/Site Land Use	Unit of Measure		Alternative: Existing Development 100% Occupied (1)	Alternative: Existing Zoning	Alternative: Proposed Mixed Use
Independence					
Total Site FAR			0.27	0.45	1.00
Office	sqft		53,377	139,287	232,797
R&D	sqft		31,680		
Vacant	sqft				
Restaurant	sqft			-	9,312
Health Club	sqft			-	9,312
Hotel	rooms			-	130
Structured Parking	spaces	(2)		-	807
Constitution					
Total Site FAR			0.30	0.45	1.00
Office	sqft		58,302	126,782	281,746
R&D	sqft		26,825		
Vacant	sqft				
Structured Parking	spaces	(2)			578
Total Both Sites					
Total Site FAR			0.29	0.45	1.00
Office	sqft		111,679	266,069	514,543
R&D	sqft		58,505	-	-
Vacant	sqft		-	-	-
Restaurant	sqft		-	-	9,312
Health Club	sqft		-	-	9,312
Hotel	rooms	(3)	-	-	130
Structured Parking	spaces	(2)	-	-	1,385

(1) For Existing Development land uses and areas, see Table A-8.
(2) Based on rough estimates of structure parking; additional surface parking will be provided as required by City standards.
(3) Maximum hotel square footage expected to be 76,000 sqft.

See Appendix B-8 for sources of assumptions and additional notes.
Sources: Community Design + Architecture; Bohannon Organization; Brion & Associates.

Table 2 summarizes current demographic estimates for population, households, and employment in the City of Menlo Park for 2005 based on data from ABAG's *Projections 2005*. These figures are used to quantify per-employee costs and revenues shown elsewhere in the analysis.

Table 2
Current City Demographics
Bohannon Fiscal Impact Analysis

Item		Current City-Wide Estimates 2005
Population	(1)	30,800
Households	(1)	12,450
Employment	(1)	25,180

(1) Data based on ABAG Projections 2005.
See Appendix B-8 for sources of assumptions and additional notes.

Sources: ABAG; Brion & Associates.

Table 3 shows the projected full-time equivalent employment increases implied by each of the alternatives. The employment attributable to the project would be either 887 or 1,796 employees for the *Existing Zoning Alternative* or *Proposed Mixed Use Alternative*, respectively. As a comparison, under the current *Existing Development* alternative, there would be about 539 employees if the buildings were fully occupied. Currently the properties are about 40% vacant, according to data from the Bohannon Organization. In order to maintain consistency with other studies being done for the project, the analysis assumes fully occupied office space for each proposed alternative.

The proposed project description for the *Proposed Mixed Use Alternative* is consistent with the project application filed with the City of Menlo Park Planning Department in December 2004.

Table 3
Total Project Population and Employment
Bohannon Fiscal Impact Analysis

Land Use	Assumptions		Unit of Measure	Alternative: Existing Development 100% Occupied	Alternative: Existing Zoning	Alternative: Proposed Mixed Use
Employment						
Office	300	(1)	sqft per emp.	372	887	1,715
R&D	350	(1)	sqft per emp.	167	-	-
Restaurant	400	(1)	sqft per emp.	-	-	23
Health Club	500	(1)	sqft per emp.	-	-	19
Hotel	0.3	(1)	emp. per room	-	-	39
Total Employees				539	887	1,796

(1) See Appendix B-8 for sources of assumptions and additional notes.

Sources: Brion & Associates.

ESTIMATED MARKET AND ASSESSED VALUES

Table 4 derives total assessed values for each alternative, either from property tax assessment statements for the *Existing Development* alternative, or by applying estimated market values for the new development alternatives. For this analysis, the market value of new development is considered to be its assessed value upon project completion. This analysis is presented in constant 2005 dollars and project completion is not expected until the office market turns around and thus, is not time specific for this analysis.

Because the project sponsor intends to create a new ownership entity for the Independence site upon its development, the change in ownership would trigger an assessment equal to current market value once the new ownership is created. For the Constitution site, this restructuring of ownership occurred in 2000 and thus, the assessed value per square foot for this site is based on construction costs only (and excludes land value), and is estimated at $200 per sqft. For the Independence site, the assessed value is assumed to be $245 per sqft of office space, which includes land and buildings. For this analysis a weighted average value of $220 per sqft is used to estimate market value/assessed value for property tax estimating purposes.

The hotel is assumed to have an assessed value of $100,000 per room, or a total of about $13 million.

The *Proposed Mixed Use Alternative* would result in about $151.1 million of assessed value, as compared to $58.6 million for the *Existing Zoning Alternative* and approximately $22 million in current assessed value for both sites (see **Table B-7**). The lower assessed value of the existing Independence properties reflects the tax limiting effects of Proposition 13. The values of new development are also indicative of property tax revenue potential, to be discussed later in the report.

In the two new development alternatives, projected market values for each land use are presented on an applicable per-unit basis (gross sq. ft., hotel room, or parking space) in **Table 4**. In the case of *Existing Development*, the Market Value figures for Office and R&D are shown for comparison purposes, and come from calculations based on data from the sites' property tax statements. The current average assessed value is about $129 per building square foot.[4] In the *Proposed Mixed Use Alternative*, the office component comprises about 75% of total market value, followed by structured parking on both sites (14%), the hotel (9%), the health club (1%), and the restaurant (1%).

[4] See Table B-7 for detailed assessed value by parcel for the two sites.

Table 4
Market Values by Land Use and Estimated Assessed Value
Bohannon Fiscal Impact Analysis

Land Use	Status	Unit of Measure	Average Market Value/Price	Existing Development 100% Occupied	Existing Zoning	Proposed Mixed Use
				(1)		
Non-Residential						
Office	Existing Dev.	sqft	$129 (1)			
R&D	Existing Dev.	sqft	$129 (1)			
Office	New Dev.	sqft	$220 (2)		$58,630,846	$113,384,465
Restaurant	New Dev.	sqft	$225 (2)		$0	$2,095,200
Health Club	New Dev.	sqft	$200 (2)		$0	$1,862,400
Hotel	New Dev.	room	$100,000 (3)		$0	$13,000,000
Str. Parking	New Dev.	space	$15,000		$0	$20,775,000
Total Assessed Value				**$21,887,925**	**$58,630,846**	**$151,117,065**

(1) Based on actual Assessed Value for all properties on Independence and Constitution sites for Tax Bill 2003-2004. See Table A-6 for detail by site. The average value is calculated for both sites.

(2) Assumes land and building value for Independence site and presumes ownership restructuring by the Bohannon Org, which triggers new assessment to market value. For Constitution, new building value only as property ownership would not change.

This figure assumes $245 per sqft for Independence and $200 per sqft for Constitution and a weighted average value.
(3) Based on construction cost data from Hilton Hotels, Fred Smith (April 2004).

See Appendix B-8 for sources of assumptions and additional notes.

Sources: Bohannon Organization; Brion & Associates.

3. Fiscal Impact Analysis

This chapter describes the methodology and assumptions used in the fiscal analysis, followed by the fiscal impacts of the alternatives proposed for the Bohannon sites. Refer to Appendix **Table B-8** for detailed information about the sources of the assumptions used in this analysis. The fiscal impact analysis analyzes the project's impacts on the City's General Fund Budget—both revenues and expenditures—at build out. Figures are presented in constant 2005 dollars for comparison purposes. General Fund revenues include discretionary revenues such as property tax, sales tax, transient occupancy tax, and other per-employee revenues. General Fund expenditures include costs for city services, such as police, administrative services, and public works costs.

Only those General Fund revenues impacted by the project are forecasted in the analysis. Certain other categories are not analyzed, as they are not impacted or are offset by equal departmental expenses.[5] The Fire District is not presumed to have any fiscal impact as it has adequate revenues to serve development through property tax revenues. In addition, the Fire District has also indicated that they believe the new development can be adequately serviced through existing facilities and staffing. Fire service will be further reviewed and analyzed in the project EIR.[6]

METHODOLOGY AND ASSUMPTIONS

The fiscal model is based on the revenues and expenditures included in the City's Proposed 2004-2005 Annual Budget. For some revenue or expenditure items, the average per-employee figure is based on current demographics and the current budget for a particular item. Current citywide per-employee budget factors are then applied to the new development associated with the proposed project alternatives and existing development's estimated employment. The approach and method used for each General Fund revenue and expenditure item is described below. Detailed revenue estimates and supporting data are provided in **Appendix B**.

GENERAL FUND REVENUES

Table 5 summarizes the City's current General Fund revenues and the assumptions used in the analysis. Only those General Fund revenues that are impacted by any of the development alternatives are forecasted: Property, Sales and Transient Occupancy taxes, Franchise Fees, Business Licenses, and Fines. Other revenues, which are either not

[5] Examples of non-impacted General Fund revenues are Other Permits, Other State & Federal Revenue, Other Financing Sources, and Donations. Examples of revenues with offset costs are Building Permits and Charges for Services.
[6] Based on personal communication with Chief Wilson, Menlo Park Fire District, during March 2004; both sites could be served with existing facilities and staffing but further review would be undertaken during the EIR analysis.

Table 5
General Fund Revenues
Bohannon Fiscal Impact Analysis

Revenue Item	Proposed FY 2004-05 City Budget	Forecasting Method or Reference		Current Per Employee Factor
Property Tax	$6,416,000	See Table B-1		
Sales Tax	$5,815,000	See Table B-2		
Transient Occupancy	$1,000,000	See Table B-3		
Franchise Fees	$1,190,000	Per Employee	(1)	$25.52
Business Licenses	$1,500,000	Per Employee		$59.57
Building Permits	$1,165,000	Offset Costs - Not Forecast		
Other Permits	$68,600	Not forecasted		
Other State & Federal Revenue	$945,588	Not forecasted		
Motor Vehicle In Lieu	$1,800,000	Not forecasted		
Fines	$914,025	Per Employee	(2)	$18.15
Interest and Rent Income	$1,168,200	Not forecasted		
Charges for Services	$3,763,312	Offset Costs - Not Forecast		
Other Financing Sources	$513,220	Not forecasted		
Donations	$11,500	Not forecasted		
Total General Fund Revenues	**$26,270,445**			

(1) Based on City Finance Department data for 1997-98 usage, businesses contributed 54% and residential customers contributed 46% of total franchise fee revenues. Analysis assumes 54% of franchise fees are from employment uses: this figure is then divided by the current number of city employees.

(2) Assumes 50% are from employment uses and 50% from residential uses.

See Appendix B-8 for sources of assumptions and additional notes.

Sources: City of Menlo Park; Brion & Associates.

expected to be impacted from the alternatives, or which are used to directly offset departmental costs, are not forecasted in this analysis.

Property Tax

Refer to "Estimated Market and Assessed Values" section and **Table 4,** above, for derivation of assessed values of each development alternative. Property tax for *Existing Development* is from County-secured property tax statements for Fiscal Year 2003-04. Property tax in the State of California equals 1.0 % of the assessed value and can increase at 2% per year, or if resold, assessed at current market value. Of this one percent, the City receives 11.4% in the M-2 District.[7] Detailed property tax revenue estimates are shown in **Table B-1** in **Appendix B**. The City also receives additional tax revenue for the Parks and Community Services Department; this additional revenue is shown in **Table B-1** but is restricted for park bond debt service and other park and recreation improvements.

Sales Tax

The City receives 1.0% of the total State-levied sales tax rate of 8.25% in San Mateo County. **Appendix C** presents the full sales tax analysis conducted for this study to develop sales tax assumptions for office space.[8] While the majority of the City's sales tax comes from retail space, office space often generates sales tax revenue as well although at lower rates than retail. Hotel uses also generate sales tax directly from sales on site and indirectly by visitor spending in the city. Detailed estimates of sales tax for the project alternatives are provided in **Table B-2a** and **Table B-2b** in **Appendix B. Table B-8 in Appendix B** also provides documentation of model assumptions on sales tax. For the purposes of this analysis, sales tax comes from the following sources and utilizing the following estimating methodology and assumptions by source:

- *Commercial businesses occupying leased space (non-retail) that generate sales tax through direct product sales*: This analysis estimates taxable sales per square foot based on actual sales tax data from the State Board of Equalization for Menlo Park, provided by the City Finance Department, and M-2 land use information provided by the City Planning Department, and as analyzed by Brion & Associates. The taxable sales per square foot factors are applied to the square footage by land use to arrive at taxable sales for each alternative. These taxable sales factors range from $1.72 to $5.15 per square foot for office uses, representing a low to moderate sales tax assumption for the project sites. These factors are considered to be on the conservative side. To illustrate how high some of the business establishments of this type in the M-2 District could go in generating taxable sales, note that the survey revealed the highest sales tax

[7] Based on information from City Finance Department and San Mateo County Assessor's office.
[8] The sales tax factors used in this study are based on a detailed analysis of the City's actual sales tax data by business for non-retail businesses in the M-2 District, and for property owned by the Bohannon Organization. This analysis is presented in a technical memorandum prepared by Brion & Associates dated April 8, 2004, entitled "Menlo Park Sales Tax Research and Analysis" and included in Appendix C.

performers to have taxable sales of $42.62, $28.52, and $8.68 per square foot of office space. For comparison purposes, the overall effects on fiscal revenues pertaining to low versus moderate sales tax assumptions are captured in **Tables 10 and 11** in Chapter 4.

- *Retail sales from hotel guests:* The analysis models taxable purchases by hotel guests, including their expenditures at the hotel and at other Menlo Park establishments, at about $25 per occupied room night, which is conservatively less than the standard Federal government employee's expense allowance of $46 per diem.[9] Based on this expenditure assumption and the occupancy levels used to estimate TOT revenue as shown in **Table B-3,** retail expenditures from hotel guests are estimated.

- *Retail sales from gym and restaurant:* Only 200 of the gym's total 9,300 square feet of space are assumed to generate sales tax revenue, with a taxable sales rate of $100 per square foot. For the restaurant space, a taxable sales factor[10] of $200 per square foot is used, based on a review of all sales tax-generating restaurants in the City. Both of these factors are considered conservative.

- *Retail sales from employees working in project office space:* Relying upon data in a 2004 employee retail spending survey, the analysis estimates that employees will spend about $14.30 per workday on average on taxable retail sales in the City.[11] Reflecting the location of the project sites (east of Highway 101), we assume a conservative average expenditure per office worker that is 50% less that this reported factor. The analysis projects this daily rate over a 240-workday year and makes a deductive adjustment for the project's restaurant so as not to double-count its sales. The analysis uses the employee estimates shown in **Table 3** to estimate potential sales tax from employees.

Transit Occupancy Tax

As shown in **Table B-3**, the analysis assumes that 74 percent of hotel rooms will be occupied on average per year, purchased at an average room rate of $123 per night. These assumptions are based on an analysis by RSBA & Associates, hotel consultants for the Bohannon Organization, and represent expected stabilized rates for 2008-2009, rather than current room rates and occupancy rates (see **Appendix D** for data on hotel market conditions and rates).

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[9] The GSA allows $46 per diem for meals and incidental expenses in San Mateo County: see http://policyworks.gov/org/main/mt/homepage/mtt/perdiem/perdiem.cfm?st=CALIFORNIA&yr=2003

[10] Taxable sales factors represent the average total gross sales per sqft generated by a business; sales tax that accrues to the City is equal to 1% of these taxable sales. Businesses are required to report their taxable sales to the State Board of Equalization; we have used this SBE data for Menlo Park, as described in Appendix C.

[11] Based on 50% average annual expenditures per week ($143) for suburban locations times 48 work weeks divided by 240 workdays. (Source: International Council for Shopping Centers, "Office Work Retail Spending Patterns", 2004).

Other Per-Capita Revenues

The City receives other General Fund revenues from new population and employment. This analysis assumes that the City will receive these revenues at the same rate as those associated with the current budget on a per employee basis, as follows:

General Fund Revenue Item *	FY 03-04 Rate	Method − Unit of Measure
Franchise Fees	$25.52	per employee
Business License Fees	$59.57	per employee
Fines	$18.15	per employee

* Excerpted from Table 5

All other revenues that are part of the General Fund, shown in **Table 5**, are either offset by General Fund costs or are unchanged by growth attributable to this project. For instance, motor vehicle in-lieu revenues are not directly associated with employment growth or hotel use and are derived based on the City's population; thus, these revenues are not forecast. Other revenues are used to directly offset departmental costs. Only net departmental costs are forecast, as discussed below.

GENERAL FUND EXPENDITURES

General Fund expenditures by City Department are shown in **Table 6**. The City receives revenues to the General Fund that directly offset City departmental costs. These include charges for services to the public, permit fees, building inspection fees, and charges for planning services such as environmental reports. These revenues are subtracted from each departmental cost to estimate a 'net' departmental cost. The analysis assumes that the City will continue to charge for services at the current rates, and that new development will generate charges for services at the same rates as existing development. In reality, the City may increase charges for services over time, and net costs may be less.

Departments also have overall fixed costs that are not directly impacted by growth. An example of such fixed costs would be the City Council, which does not add council members as the city grows. These assumptions vary by department and are shown in the third column of **Table 6** (below). The analysis forecasts the expenditures by City Department, using an average variable cost per employee approach. After subtracting departmental revenues and fixed costs, the departmental expenditure is reduced to its variable cost portion. An estimate of how much of the variable cost is attributable to employment leads to the Variable Cost per Employee (see below), which is then aggregated by the number of employees to estimate expenditure impacts for each project alternative. As indicated below, police services generate the greatest costs, followed by

Public Works, Community Services, and Administration Services. These findings are further discussed in Chapter 4.

General Fund Expenditure Factors*

General Fund Departmental Expenditure – Factor	Variable Cost Per Employee
Administration Services – 25%	$34.37
Community Development – 25%	$5.58
Community Services – 25%	$22.37
Library – 25%	$4.49
Police – 10%	$75.97
Public Works – 25%	$26.09
Total GF Expenditures	**$168.86**

*excerpted from Table 6

Table 6
General Fund Expenditures
Bohannon Fiscal Impact Analysis

Expenditure	FY 2004-05 City Budget Expenditures	Less Departmental Revenues (1)	Net Departmental Cost	Percent of Costs that are Fixed (3)	Net Variable Costs	Amount Attributable to Employment Uses (4) Percent	Amount Attributable to Employment Uses (4) Amount	Current Per Employee Cost Factor
Administration Services	7,132,021	$208,022	$6,923,999	50%	$3,462,000	25%	$865,500	$34.37
Community Development	1,957,131	$1,395,500 (2)	$561,631	0%	$561,631	25%	$140,408	$5.58
Community Services	5,353,316	$2,850,213	$2,503,103	10%	$2,252,793	25%	$563,198	$22.37
Library	1,669,602	$162,500	$1,507,102	25%	$1,130,327	10%	$113,033	$4.49
Police	9,312,203	$310,222	$9,001,981	15%	$7,651,684	25%	$1,912,921	$75.97
Public Works	3,804,817	$301,500	$3,503,317	25%	$2,627,488	25%	$656,872	$26.09
Total General Fund	**$29,229,090**	**$5,227,957**	**$24,001,133**	**26%**	**$17,685,921**	**24%**	**$4,251,931**	**$168.86**
Percent of Expenditures		18%	82%					

(1) Represents revenue used to offset department costs like permit fees and charges for services; these revenues are not forecast and are net from total department costs.
(2) Includes charges for both services and building permit fees.
(3) Represents an estimate of what percent of a department's cost are fixed and not directly impacted by growth.
(4) Assumptions are from the City of Menlo Park's Fiscal Impact Manual and Report dated 2.5.02, with the exception of Community Service. The City's report assumes 40% of this department is employment driven; we have used 25% based on a review of the services offered by Community Services. Child care services are assumed to be used by employees and residents but most other community services are oriented towards residents.

See Appendix B-8 for sources of assumptions and additional notes.
Sources: City of Menlo Park; Brion & Associates.

OTHER BENEFITS AND REVENUES

Temporary Employment

Table 7 shows the expected temporary construction employment associated with the *Existing Zoning* and *Proposed Mixed Use* development alternatives. Construction employment is typically expressed in "job years or one full year of employment in the construction industry," as these jobs are not considered permanent employment. Based on assumed construction costs by type of development within each development alternative, a number of temporary jobs are expected to be created. Temporary jobs are calculated by taking fifty percent of total construction costs (estimated labor costs) and dividing that amount by the average commercial construction salary, which is approximately $75,000 for San Mateo County.[12] For the *Existing Zoning Alternative*, a total of 415 job years are expected to be created, while for the *Proposed Mixed Use* development, 977 job years are expected to be created. It is anticipated that most of the construction jobs associated with either alternative will be held by residents and businesses from surrounding communities.

Impact Fee Revenues

Another source of revenues to the City comes from one-time impact fees for public services such as water, fire, sewer, traffic mitigation, schools, and the City's below market rate housing program. Impact fees are assessed only on net new development. As there is currently approximately 170,000 sqft of office and R&D development on the sites, this existing square footage is subtracted from the total proposed square footage from each alternative in order to calculate the net new development for each alternative scenario. **Table 8** summarizes the impact fee revenue for each of the alternatives; the *Existing Development* alternative would not generate any impact fees.

The City of Menlo Park charges impact fees for water meter connections, depending on the size of the meter, as well as a fee for fire services. The *Existing Zoning Alternative* would generate approximately $6,300 per year in such revenues to the City, while the *Proposed Mixed Use Alternative* would generate approximately $10,500.[13]

The West Bay Sanitary District is the local agency which assesses sewer fees on new development. Based on the sewer capacity required for different types of development, it is estimated that the *Existing Zoning Alternative* would pay approximately $23,000 for sewer and the *Proposed Mixed Use Alternative* would pay approximately $702,000. These fees were estimated based on the amount of net new development and type of development proposed in each alternative.[14] First, a total capacity for each development

[12] This amount is based on the California Employment Development Department's average salaries for 2003 for San Mateo County.
[13] It is not clear at this time how size meters exist on the two sites and it may be that no new meter connection fees would be due; to be conservative we have estimated some new meter fees.
[14] Per personal communication with Sharon Hogan at the West Bay Sanitary District who estimated fees based on the different development proposals.

Table 7
Construction Costs and Employment
Bohannon Fiscal Impact Analysis

Estimated Construction Costs, Both Sites

Land Use	Construction Unit Cost (1)	Unit of Measure	Quantity Proposed Base Alt	Quantity Proposed Mixed Use	Cost Proposed Base Alt	Cost Proposed Mixed Use
Office	$200	/sqft	266,069	514,543	$53,213,800	$102,908,600
Restaurant	$200	/sqft	-	9,312	$0	$1,862,400
Health Club	$150	/sqft	-	9,312	$0	$1,396,800
Hotel	$80,000	/room	-	130	$0	$10,400,000
Structured Parking	$15,000	/space	-	1,385	$0	$20,775,000
In-tract Sitework	$12	/sqft	591,264	591,264	$7,095,168	$7,095,168
Surface Parking	$4	/sqft	125,440	125,440	$501,760	$501,760
Landscape Areas	$5	/sqft	136,355	136,355	$681,775	$681,775
Street Scape & Street Trees	$45	/LF	2,475	2,475	$111,375	$111,375
Hardscape Areas	$10	/sqft	56,630	56,630	$566,300	$566,300
Total Est. Construction Cost					**$62,170,178**	**$146,299,178**

Temporary Construction Employment

			Assumption	Proposed Base Alt	Proposed Mixed Use
Direct Labor Cost	**(1)**	50%	of const. cost (see above)	$31,085,089	$73,149,589
Avg. Commercial Construction Salary	**(2)**	$74,877	per year per person		
Total Construction Job Years				**415**	**977**

Notes
(1) Source of construction unit cost estimates and other project construction assumptions: Bohannon Organization.
(2) Commercial Construction Salary based upon Calif CDD data for San Mateo County, 2003.
Source:
California Employment Development Department, Labor Market Information, Quarterly Census of Employment and Wages (QCEW)
Industry Detail - see website:

http://www.calmis.ca.gov/file/es202/CEW-Detail_NAICS.cfm?MajorIndustryCode=1012&GeoCode=06081&Year=2003&OwnCode=5&Qtr=00

Table 8
Impact Fee Revenues & Project Infrastructure Costs
Bohannon Fiscal Impact Analysis

Land Use		Impact Fee	Unit of Measure	Quantity (1) Proposed Base Alt	Quantity (1) Proposed Mixed Use		Total Impact Fees Proposed Base Alt	Total Impact Fees Proposed Mixed Use
Impact Fees								
Water - Capital Facilities Charge, Office	(2)	$1,073	1-1/2" meter	2	2		$2,145	$2,145
Water - Capital Facilities Charge, Restaurant	(2)	$1,073	1-1/2" meter	-	1		$0	$1,073
Water - Capital Facilities Charge, Hotel	(2)	$3,153	3" meter	-	1		$0	$3,153
Water - Capital Facilities Charge, Site/Parking	(2)	$1,073	1-1/2" meter	2	2		$2,145	$2,145
Fire - Capital Facilities Charge, Independence	(2)	$1,000	location	1	1		$1,000	$1,000
Fire - Capital Facilities Charge, Constitution	(2)	$1,000	location	1	1		$1,000	$1,000
Sewer Fees	(3)	$13.43	gallon				$23,000	$702,000
Traffic Impact Fee	(4)	$1.60	sqft	95,885	438,983	(5)	$153,416	$702,373
BMR Housing In-Lieu Fee for Office and R&D	(6)	$12.54	sqft	95,885	344,359		$1,202,398	$4,318,262
BMR Housing In-Lieu Fee for Other Commercial Dev.	(6)	$6.82	sqft	-	94,624	(5)	$0	$645,336
School Impact Fee	(7)	$0.34	sqft	95,885	438,983		$32,601	$149,254
Total Impact Fees							**$1,417,705**	**$6,527,740**
Total Impact Fees							**$1,417,705**	**$6,527,740**
Total Fee per Sqft of Net New Space							$14.79	$14.87

(1) The impact fees for traffic, schools, and BMR Housing are all based on net new development. Therefore, the impact fee revenues calculated here reflect net new development. The combined sites currently have 170,184 sqft of office and R&D space. This amount is subracted from the total proposed new development square footage in order to calculate the amount of net new development on which impact fees will be assessed.
(2) City of Menlo Park Master Fee Schedule, Rev. July 1 2004
(3) Sewer Fees are based on estimates from the West Bay Sanitary District, which services Menlo Park. The calculation is based on the discharge capacity required for each alternative minus the current discharge capacity, in order to allocate costs for net new development under each alternative. The current value used is $13.43 per gallon.
(4) Traffic fees provided by the City of Menlo Park Transportation Department.
(5) Estimated 76,000 sqft of development for the 130-room hotel.
(6) Below market rate housing information is from the City of Menlo Park Planning Department website.
(7) School impact fees for the City of Menlo Park are assessed by the Sequoia Union High School district.

Sources: City of Menlo Park; Bohannon Organization; Brion & Associates.

alternative was established and then a fee of $13.43 per gallon of that capacity was assessed. According to the West Bay Sanitary District, the current capacity for the sites is 20,454 gallons per day. The *Existing Zoning* A*lternative* would require a capacity of 22,175 gallons per day (1,700 more gallons per day than current capacity allows). The *Mixed Use Alternative* would require approximately 45,000 gallons per day, which is significantly higher than the current capacity.

The City of Menlo Park also assesses an impact fee for traffic mitigation. The traffic fee is calculated at $1.60 per sqft. Under the two alternative development scenarios, the *Existing Zoning Alternative* would generate approximately $153,000 in traffic revenues and the *Proposed Mixed Use Alternative* would generate approximately $702,000.

The City of Menlo Park has a Below Market Rate (BMR) housing program requiring all new commercial development that brings new employees to the city to pay an in-lieu fee that contributes to programs that increase the amount of low and moderate housing supply in the city. The fee is currently $12.54 per square foot of office or R&D development and $6.82 per square foot for all other types of commercial development. At these rates, the *Existing Zoning Alternative* would generate approximate revenues of $1.2 million while the *Proposed Mixed Use* Alternative would generate approximately $5.0 million.

Another impact fee that new development is required to pay is for schools. The Sequoia Union High School District assesses the fees for development in Menlo Park. New non-residential development is assessed a fee of $0.34 per sqft. The *Existing Zoning Alternative* would generate school revenues of approximately $32,600 while the *Proposed Mixed Use Alternative* would generate approximately $149,000.

In sum, the *Existing Zoning Alternative* would generate $1.4 million in impact fee revenue and the *Proposed Mixed Use Alternative* would generate $6.5 million in one-time impact fee revenue for the City or 360% more than the *Existing Zoning Alternative*.

4. Fiscal Results and Conclusions

This chapter presents the results of the fiscal analysis, along with conclusions. As discussed in the introduction, this report analyzes project impacts on the City's General Fund revenues and expenditures, based on the City's current Adopted Budget (FY 04-05) and existing demographic conditions. It provides a snapshot of how the project would perform fiscally, assuming today's budget conditions. This type of analysis is not a budget forecast, as discussed in the Introduction. However, it provides useful information as to the potential costs and benefits of a project, and is a functional planning tool.

As there are low and moderate projections of sales tax revenues for office uses[15], two sets of fiscal results are reported below. These represent a conservative to moderate estimate of potential net revenues resulting from site development under the project alternatives and existing conditions.

FISCAL RESULTS

Table 9 summarizes key project assumptions for each alternative:

Table 9
Summary of Project Assumptions by Alternative

Item	Existing 100%	Base Alt.	Mixed Use - B1
FAR, Independence.	0.27	0.45	1.00
FAR, Constitution	0.30	0.45	1.00
Office Sq Ft	111,679	266,069	514,543
R&D Sq Ft	58,505		
Hotel Rooms			130
Retail – Gym Sqft			18,624

To quantify the estimated fiscal benefit to the City for each alternative, we estimated the Net Fiscal Balance, or the difference between expected revenues and expenditures from

[15] Discussed in greater detail above in the **Sales Tax** of Chapter 3 and modeled in Tables B-2a and B-2b in **Appendix B.**

each alternative's impact to the City's General Fund. The fiscal analysis shows positive fiscal balances for all alternatives, and an especially large fiscal benefit from the *Proposed Mixed Use Alternative*. Regardless of whether a low or moderate sales tax scenario is used, all alternatives create a positive effect on the General Fund. When hotel and retail space is included in the mix, as in the *Proposed Mixed Use Alternative*, the beneficial effect on the General Fund balance is significantly greater. Results under each scenario are discussed below.

Low Sales Tax Scenario

This scenario assumes an average sales tax factor for office use of $1.72 in taxable sales per square foot of space. **Table 10** summarizes all the City revenues and expenditures forecast for this analysis, based on the methodology and assumptions described in Chapter 3 above. The highest fiscal balance in this scenario is that of the *Proposed Mixed Use Alternative*, which leads to a financial benefit for the City of about $574,000 per year. In contrast, the *Existing Development* and *Existing Zoning Alternative* possibilities have rather modest but still positive net fiscal balances of about $18,000 and $44,000 respectively. The relatively high fiscal balance of the *Proposed Mixed Use Alternative*, with its 130-room hotel, can be largely attributed to Transient Occupancy Tax (TOT) revenue, which equals about $430,000, or 50% of this alternative's General Fund revenues.

Moderate Sales Tax Scenario

This scenario assumes an average sales tax factor for office use of $5.15 in taxable sales per square foot of space. **Table 11** summarizes all City revenues and expenditures forecast for this analysis, based on the methodology and assumptions described in Chapter 3. With somewhat higher sales tax projections than the preceding scenario, the results are similar, except that the impact of sales tax revenues on the fiscal balances is somewhat greater, especially in the *Proposed Mixed Use Alternative*, which has a significant retail-spending market component, the users of the hotel. In this scenario, the *Proposed Mixed Use Alternative* leads to a greater financial benefit for the City in comparison to the other two alternatives, generating about $591,600 in net fiscal benefit to the City's General Fund.

The *Existing Zoning Alternative* possibilities lead to a fiscal balance of about $53,000. As was the case in the low sales tax scenario, the *Proposed Mixed Use Alternative's* TOT is the highest contributor to new revenues for the City (48%). The difference between Moderate and Low Sales Tax scenarios for this alternative of about $17,600, a 3% swing in the fiscal balance, is entirely attributable to the difference in sales tax revenue projections: $106,400 for moderate versus $88,800 for low sales tax projections.

Table 10
Summary of Fiscal Analysis by Alternative: Low Sales Tax Scenario
Bohannon Fiscal Impact Analysis

General Fund Category	Existing Development 100% Occupied	Proposed Base Alt	Proposed Mixed Use (B1)
General Fund Revenues			
Property Tax	$25,040	$67,074	$172,878
Sales Tax	$28,289	$35,015	$88,781
Transient Occupancy	$0	$0	$430,134
Franchise Fees	$13,766	$22,634	$45,836
Business Licenses	$32,134	$52,833	$106,992
Fines	$9,790	$16,097	$32,598
Total General Fund Revenues	$109,019	$193,653	$877,219
General Fund Expenditures			
Administration Services	$18,541	$30,485	$61,735
Community Development	$3,008	$4,945	$10,015
Community Services	$12,065	$19,837	$40,172
Library	$2,421	$3,981	$8,062
Police	$40,980	$67,377	$136,445
Public Works	$14,072	$23,137	$46,854
Total General Fund Expenditures	$91,087	$149,763	$303,283
General Fund Net Fiscal Balance	**$17,932**	**$43,890**	**$573,936**
Other Tax Revenues			
Non Gen Fund Parcel Taxes for Park & Recreation	**$3,918**	**$10,495**	**$27,050**

Sources: City of Menlo Park; Brion & Associates.

Table 11
Summary of Fiscal Analysis by Alternative: Moderate Sales Tax Scenario
Bohannon Fiscal Impact Analysis

General Fund Category	Existing Development 100% Occupied	Existing Zoning	Proposed Mixed Use
General Fund Revenues			
Property Tax	$25,040	$67,074	$172,878
Sales Tax	$28,289	$44,141	$106,430
Transient Occupancy	$0	$0	$430,134
Franchise Fees	$13,766	$22,634	$45,836
Business Licenses	$32,134	$52,833	$106,992
Fines	$9,790	$16,097	$32,598
Total Gen Fund Revenues	$109,019	$202,779	$894,868
General Fund Expenditures			
Administration Services	$18,541	$30,485	$61,735
Community Development	$3,008	$4,945	$10,015
Community Services	$12,065	$19,837	$40,172
Library	$2,421	$3,981	$8,062
Police	$40,980	$67,377	$136,445
Public Works	$14,072	$23,137	$46,854
Total Gen Fund Expenditures	$91,087	$149,763	$303,283
General Fund Net Fiscal Balance	**$17,932**	**$53,016**	**$591,585**
Other Tax Revenues			
Non Gen Fund Parcel Taxes for Park & Recreation	**$3,918**	**$10,495**	**$27,050**

Sources: City of Menlo Park; Brion & Associates.

CONCLUSIONS

A summary of the major findings and conclusions of this analysis is presented in Chapter 1. Assuming 100% occupancy of the two sites, existing development generates a modest positive fiscal balance to the City. The proposed intensification of the site into a mixed-use development clearly generates substantial revenue to the City. The inclusion of a hotel and retail space is the basis of the significantly positive fiscal balance, which would be over half a million dollars on an annual basis. Again, this analysis presumes constant 2005 dollars and buildout of each alternative and stabilized room rates, which are expected by 2008. If the project were phased over a few years, the fiscal balance would be proportionately lower during construction, but still positive.

The purpose of this analysis is to test project alternatives or envelopes of development for the site and to consider these results in light of other project impacts. Thus, this analysis needs to be considered in conjunction with other technical analyses being conducted by the Bohannon consultant team; and ultimately with the EIR that will be prepared during the project approval process.

Once a preferred alternative is selected, additional sensitivities can be explored on various project assumptions like room rates, sales tax rates, and occupancy rates. We believe that the sales tax assumptions developed for this analysis are sound and represent a range of the potential sales tax that will be generated by office uses.

While the project is not envisioned for immediate development and thus would not produce immediate revenues for the City, it is in the City's interest to have a project that is ready for development when the market turns around. This will enable the City to capture the upside of the market as soon as the real estate market and economy shift and there is demand for new office and hotel uses on the Peninsula.

Appendix A: Menlo Park Sales Tax Research and Analysis Prepared by Brion & Associates (April 2004)

BRION & ASSOCIATES

M E M O R A N D U M

To: David Bohannon, David B. Bohannon Organization
David Boesch, City Manager, Menlo Park
cc: Justin Murphy, Planning, Menlo Park
Tim Tosta, Tim Cremins, Miriam Montesinos, SLW
CD+A, Phil Erickson and Sue Chan
Rebecca Kohlstrand

From: Joanne Brion, Brion & Associates and Ed Richkind

Subject: Menlo Park Sales Tax Research and Analysis; B&A #2041

Date: April 9, 2004

For the last month we have been analyzing detailed sales tax data for the City of Menlo Park's M-2 District to determine average sales tax per sqft of office, industrial and other uses. This revenue factor will be used in the fiscal analysis of the proposed Bohannon projects on Independence and Constitution in the M-2 District. To date we have analyzed two sets of data. Please give us a call at 510-451-4168 if you have comments or questions at 510-451-4168 or send me an email, at the address below.

Conclusions and Recommendations

Overall, we have significant concerns about using the City's M-2 land use data for this analysis as the nature of the data dilutes the sales tax per sqft factors because in most cases we cannot tie the sales tax generated by a business to a specific amount of square footage for that business.

The Bohannon Analysis includes 35 (non-retail) tenants/businesses and about 1.2 million square feet of space, and $60,000 in sales tax to the City (excluding retail businesses). On a square foot basis the Bohannon properties represent about 15% of the M-2 space, and about 11.5% of the City's M-2 business sales tax. We believe that the Bohannon list 1) is sufficiently extensive and representative of the businesses in the M-2 District; 2) is more precise than the M-2 list; and 3) its dataset matches sales to tenant square footage more readily than is possible with M-2 data.

We suggest at this point that without much more significant research and work to revise the land use labels of buildings in the City's database and conducting site visits that we use the sales tax in office as a sensitivity analysis. We do not believe that it is prudent to spend a great deal more time and money on this issue. We suggest analyzing two scenarios in the fiscal model:

1. Low taxable sales for office - $1.72 per sqft overall average of office uses, based on the M-2 analysis; and
2. Average taxable sales for office - $5.15 per sqft overall average of all office uses, based on the Bohannon Analysis

The low rate represents a very conservative assumption and the higher rate a more realistic assumption we believe. The two sites under consideration actually generated an average taxable sales factor of $9.56 per sqft during FY 02 -03, based on the occupied space at that time, which was about 100,000 sqft.

We suggest taking this approach because the Bohannon Family will not feel comfortable guaranteeing a certain amount of sales tax. In the end, we believe that the ability of the City to attract businesses that generate sales tax will depend more on developing tenanting strategies and other economic development incentives than on what type of space is built. We can discuss with Dave Johnson and David Bohannon what types of strategies might be employed and whether we can work together to attract tenants that generate sales tax.

Data Sources

To analyze the propensity of a particular use to generate sales tax, we are using a city sales tax data by business and address. To identify their building area and use, we are looking at two alternative sources: 1) "Bohannon Tenants" and 2) "M-2 Parcels." A comparison of these two sources is provided below:

1. **Sales tax data for all of the Bohannon properties in Menlo Park by address, and tenant.** Of the two available sources, this one is arguably more reliable for assessing user type and square footage, as it shows accurately measured (or fairly accurately estimated) areas for each tenant. The information in this source is also more easily connected with city sales tax data, because it is defined by business (tenant) and not by building (which might be multi-tenanted). However, with 35 non-retail tenants and 1.2 million square feet of space, this dataset is not as large as the M-2 dataset.

2. **M-2 Parcel Land Use Database created during the M-2 Rezoning Effort by the City.** This dataset is from a survey estimate of existing building space in the M-2 based on parcel data, city building permit data, and other field tours by City staff. It has more addresses than the Bohannon Tenants list, but also presents a few problems for use in our analysis. The square foot estimates by land use are at the parcel level and in many cases contain multiple addresses and businesses. For example, one parcel can have office, retail and industrial space listed. But because this space is not tied to a particular address, a direct match with sales tax data listed by business is difficult. For instance, a parcel may have 3 businesses of which only one generates sales tax; in such cases we cannot readily determine how much building area is occupied by the sales tax-generating business. This poses several challenges in estimating average sales tax per square foot.

In addition, the City data has several more land use categories than we are using for this analysis. In order to remain consistent with the main fiscal analysis, we have grouped the City's ten designations into five land use categories: 1) Office; 2) R&D Flex; 3) Industrial; 4) Retail and 5) Service Commercial. We then excluded categories such as "other," amenities, service

commercial, and retail from our analysis of the dataset as these uses are not the focus of the analysis

The results of the analysis vary considerably between sources largely due to the sensitivity to how the buildings are labeled for land use purposes. For instance, an outdoor construction materials company is called "distribution" in the M-2 Parcels list, but might more appropriately be termed "service commercial." Another example is the city's largest sale tax generator, Boise Cascade, which occupies an office – flex building with a warehouse distribution center behind its corporate headquarters. This use is labeled distribution but it is the office space (i.e., sales office) where the seller's permit is registered with the State that generates the sales tax.

When we analyze the Bohannon dataset we find less variation in sales tax factors by land use than when we analyze the City's land use data. We have not relabeled buildings or parcels in the City's database but rather grouped them into the categories mentioned above. In addition, in the case of parcels with multiple uses, we took the use that was dominant and assumed that use for the sales tax generation. Again, we cannot match precise sales tax data to a specific amount of sqft related to that tenant without significant fieldwork and surveys.

Site Tour of Top 15 Sales Tax Generators

On Monday, March 15 Phil and Sue with CD+A, Ed and I toured the M-2 to look at the top 15 Business-to-Business sales tax generators in M-2 and the buildings they occupy. The City has labeled most of these as industrial uses of one type or another. **Table 1** summarizes these businesses and their square footage and the City's labels combined with our re-labeling indicated by the different color groupings in the header/labels. We have added comments about these buildings and their tenants on the side.

As shown, most of these uses do have some type of industrial space associated with the building but it is not always clear whether this space is being used for any type of industrial activity. Three of the top generators are printing businesses, including a financial printing business in an older office building. Several of the businesses do have some type of warehouse – distribution activity going on. They include businesses that sell materials and supplies for contractors and landscaping. One of the biggest sales tax generators sells rocks and soils on an open lot and has a run down building on the site. Generally speaking, there appear to be three types of businesses: 1) sells products like paper, materials, and supplies; 2) producing products like printing and cabinets, which are taxable; 3) producing or selling high-tech and electronics goods. There was some turnover in the businesses and a few were not longer present or had moved, including one that had relocated to a larger building.

Table 1
Survey of Top 15 M-2 Business to Business Sales Tax Generators
Bohannon Fiscal Impact Analysis

Rankings		Address Information				Business Information per City			Gross Building Area By			
M-2 Sales Tax Rank	M-2 Sales Tax/Sqft Rank	St Number	St Name	St Type	More than 1 address	Business Name	City's M-2 Primary Building Use	SFGross	SFGeneral Office	SFProfessionalOffice	SF R&D/Flex	SFRetail/Restaurant
1	3	1315	OBrien	Dr		BOISE CASCADE OFFICE PRODUCTS	Indust	217,770				
2	4	10	Kelly	Ct		DM FIGLEY COMPANY	Indust	18,000				
3	1	4060	Campbell	Ave		AUTOMATIC RAIN COMPANY	Indust	10,000				10,000
4	46	300	Constitution	Dr	Multi	Multi	Indust	1,189,929	180,346	-	135,611	-
5	2	3615	Haven	Ave		REDWOOD GARDEN & BLDG MATERIAL	Indust	3,583				
6	12	181	Constitution	Dr	Multi	Multi	Office	44,723	44,723			
7	8	104	Constitution	Dr	Multi	Multi	Indust	23,880			4,776	
8	5	1100	OBrien	Dr	Multi	Multi	Indust	13,300				
9	9	980	Hamilton	Ave		AVID TECHNOLOGY	Indust	23,450				
10	6	167	Constitution	Dr		TECHNICA USA	Indust	20,649				
11	10	4020	Campbell	Ave		PACIFIC FINANCIAL PRINTING	Indust	22,050				
12	7	190	Constitution	Dr		PRODIGY PRESS	Indust	15,000				
13	19	1530	OBrien	Dr		METCAL INCORPORATED	Indust	35,125				
14	17	1460	OBrien	Dr		BAY ADVANCED TECHNOLOGIES	Indust	32,870				
15	16	1490	OBrien	Dr		ACCOM	Indust	32,000				

"Multi" Locations (by		Address in Sales Tax List:			Business Name
4	46	300	Constitution	Dr	TYCO ELECTRONICS CORPORATION
4	46	300	Constitution	Dr	GUCKENHEIMER SANDWICH SHOPPE
4	46	301	Constitution	Dr	QUINSTREET
4	46	303	Constitution	Dr	TYCO ELECTRONICS CORPORATION
6	12	181	Constitution	Dr	KANA COMMUNICATIONS
6	12	185	Constitution	Dr	(Not in Sales Tax Data)
7	8	104	Constitution	Dr	PROTOTYPES PLUS
7	8	104	Constitution	Dr	DIABLO VALLEY CABINETRY
7	8	104	Constitution	Dr	THE LASER SHOP
7	8	104	Constitution	Dr	PENINSULA JANITORIAL SERVICE
8	5	1100	OBrien	Dr	AMERICAN PRINTING & COPY
8	5	1100	OBrien	Dr	CONSULTEX
8	5	1100	OBrien	Dr	EARTHWINE CORPORATION

Note: Rankings are based on sales tax data for FY 02-03; land use data is from 2001.
Sources: City of Menlo Park; Brion & Associates.

Table 1
Survey of Top 15 M-2 Business to Business Sale
Bohannon Fiscal Impact Analysis

Rankings		Address Information			Land Use Designations per City						B&A Gross Building Area by Use Category				
M-2 Sales Tax Rank	M-2 Sales Tax/Sqft Rank	St Number	St Name	St Type	SFManuAss	SFGenIndust- not manufacturing or assembly related	SFDistrib	SFWarehouse	SFAmenities	Other	Office	R&D	Retail	Indust	Excluded
1	3	1315	OBrien	Dr			217,770				-	-	-	217,770	-
2	4	10	Kelly	Ct		9,000	9,000				-	-	-	18,000	-
3	1	4060	Campbell	Ave							-	-	10,000	-	-
4	46	300	Constitution	Dr	636,765	11,500	184,461	41,246			180,346	135,611	-	873,972	-
5	2	3615	Haven	Ave			3,583				-	-	-	3,583	-
6	12	181	Constitution	Dr							44,723	-	-	-	-
7	8	104	Constitution	Dr	4,776	7,164		4,776	2,388		-	4,776	-	16,716	2,388
8	5	1100	OBrien	Dr	13,300						-	-	-	13,300	-
9	9	980	Hamilton	Ave			23,450				-	-	-	23,450	-
10	6	167	Constitution	Dr			20,649				-	-	-	20,649	-
11	10	4020	Campbell	Ave	22,050						-	-	-	22,050	-
12	7	190	Constitution	Dr	15,000						-	-	-	15,000	-
13	19	1530	OBrien	Dr	35,125						-	-	-	35,125	-
14	17	1460	OBrien	Dr	32,870						-	-	-	32,870	-
15	16	1490	OBrien	Dr	32,000						-	-	-	32,000	-

"Multi" Locations (by		Address in Sales Tax List:			(Square footages are indeterminate)
4	46	300	Constitution	Dr	
4	46	300	Constitution	Dr	
4	46	301	Constitution	Dr	
4	46	303	Constitution	Dr	
6	12	181	Constitution	Dr	
6	12	185	Constitution	Dr	
7	8	104	Constitution	Dr	
7	8	104	Constitution	Dr	
7	8	104	Constitution	Dr	
7	8	104	Constitution	Dr	
8	5	1100	OBrien	Dr	
8	5	1100	OBrien	Dr	
8	5	1100	OBrien	Dr	

Note: Rankings are based on sales tax data for FY (
Sources: City of Menlo Park; Brion & Associates.

Additional Research and Analysis

We have conducted some additional research as follows and the results of this analysis are presented below. For this analysis we have excluded Boise Cascade as they are an outlier and generate significantly more sales tax for the city than any other business. We also analyze the firms that are above and below the average sales tax generation per firm, and those below.

1. ***How many Business-to-Business sales tax generators are there (i.e., non–retail) in the City?***

Table 2
Summary of Business-to-Business Sales Tax

Item	B-to-B Firms*
B-to-B sales tax generators in City	307
B-to-B sales tax generators in M2	87
M2 Firms as % of City Total	28%
Citywide	
Total sales tax, B-to-B firms in City	$855,906
Average sales tax per B-to-B firm	$2,788
Average taxable sales per B-to-B firm in City	$278,797
M-2 District	
Total Sales Tax in M-2 B-to-B Firms	$518,905
Average per M-2 B-to-B Firm	$5,964

**excludes Boise Cascade*.
Sources: City of Menlo Park; Brion & Associates.

2. ***What is the average sales tax and taxable sales per non-retail business?***

As shown above, the average sales tax is about $2,788 per firm. Total sales tax from Business-to-Business firms is about $856,000 to the City for FY 02-03. OF the total citywide Business-to-Business firms, 87 or about 28% of the total are located in the M-2 District. This is much lower percentage than we expected. However, these 87 firms generate 61% of the Business-to-Business sales tax of the M-2 District. The average sales tax per firm is almost twice that of the rest of the City, or about $6,000 per business.

3. ***What are the differences in those 36 businesses with sales above the average and those below the average sales tax citywide?***

As shown, 77% of the Business-to-Business sales tax is generated by 36 firms which constitute 12% of the total number of firms, excluding Boise Cascade. The average sales tax of these generators is significantly higher than the average citywide, or at about $18,000 per firm. The remaining 88% of firm (271 in total) fall in the below-average sales tax generating category, and generate about $700 per firm.

Table 3
Above and Below Average Sales Tax Generators

Item	All Business-to-Business Firms*					
	Above Average Generators		*Below Average Generators*		*All Generators*	
No of B-to-B sales tax generators	36	12%	271	88%	307	100%
Total sales tax	$657,353	77%	$198,553	23%	$855,906	100%
Average sales tax	$18,260		$733		$2,788	
Average taxable sales	$1,825,981		$73,267		$278,797	

**excludes Boise Cascade*.
Sources: City of Menlo Park; Brion & Associates.

4. ***What type of businesses by industry or sector generates the top 77% of the Business-to-Business sales tax for the City?***

Table 4
Type of Business and Economic Segments
Business-to-Business Sales Tax Generators

The Above-Average B-to-B Sales Tax Generators:				
	Above-average*		***All B-to-B Firms****	
Item	Number	Percent	Number	Percent
Business-to-Business firms	37	100%	308	100%
Business-to-Business firms in M-2:	21	57%	88	29%
By Economic Segment				
Light Industry	10	27%	90	29%
Leasing	8	22%	51	17%
Business Services	6	16%	108	35%
Electronic Equipment	5	14%	18	6%
Heavy Industry	4	11%	15	5%
Office Equipment	3	8%	24	8%
Chemical Products	1	3%	2	1%
By Business Code				
Leasing	8	22%	51	17%
Light Industry	9	24%	71	23%
Business Services	6	16%	108	35%
Electronic Equipment	5	14%	18	6%
Heavy Industry	4	11%	9	3%
Office Equipment	2	5%	18	6%
Chemical Products	1	3%	2	1%
Office Machines	1	3%	6	2%
Rental/Other Repair	1	3%	19	6%
Mfg. Matl/Textiles	0	0%	6	2%

**includes Boise Cascade.*
Note: sum of percentages may not foot to totals shown due to rounding.
Sources: City of Menlo Park; Brion & Associates.

As shown, the firms with sales tax above the citywide average are concentrated in a few industries; nearly half of these are considered light industrial or leasing. Printing businesses are included in Business Services. The distribution of all Business-to-Business generators is quite different with more firms in the Business Services category. However, in groups, light industry, leasing and business services dominate.

Analysis Results for Fiscal Impact Analysis

The purpose of this analysis is to develop sales tax factors per sqft of office space for the fiscal impact analysis. The following tables show the analysis for the Bohannon data and the M-2 datasets. As shown, there are some differences between the two datasets.

Table 5 summarizes the analysis of the Bohannon dataset. As shown, most of the Bohannon non-retail tenants are office or R&D tenants and one is industrial and two are service commercial. Of office tenants, 33% generate sales tax; of R&D tenants, 38% generate sales tax. Neither of the industrial or service commercial tenants generates sales tax.

The total average taxable sales per sqft for all office tenants (i.e., those with and without sales tax) is $5.15 per sqft. For R&D this figure is $8.64 per sqft. Actual taxable sales per sqft for those businesses generating sales tax are also shown at the bottom of the table. Overall, the total average taxable sales per sqft for all Bohannon tenants is $5.07 per sqft. This includes a total of about 1.2 million sqft of space and 35 tenants; overall 31% of these tenants generate sales tax.

Table 6 present the same analysis but for the M-2 District. As discussed above this dataset is problematic because it is a parcel level database and not a tenant database. Thus, this is a more gross level of analysis than the Bohannon dataset. Of office parcels, 48% generate sales tax; of R&D parcels, 57% generate sales tax, and of the industrial parcels, 66% generated sales tax; overall, 59% or 89 of the entire 150 parcels, generate sales tax. We have integrated Bohannon tenant data when available into the analysis. Thus, there are a few more precise entries by tenant in the M-2 dataset. However, this additional detail did not change the results significantly.[1]

The total average taxable sales per sqft for all office parcels (i.e., those with and without sales tax) is $1.72 per sqft. For R&D this figure is $4.93 per sqft. Taxable sales per sqft for those office and R&D businesses generating sales tax is also shown at the bottom of the table at $15.09 and $5.56, respectively. Overall, the total average taxable sales per sqft for all M-2 non-retail uses is $6.75 per sqft. This includes a total of about 7.7 million sqft of space located on 150 parcels, of which 59% of these parcels generate sales tax.

[1] Our grouping of the City's land use categories for this analysis is highlighted in Table 1 by color coding. We have collapsed a few of the City's categories to make them more directly comparable to the Bohannon analysis and to have fewer categories.

Table 5
Summary of Sales Tax by Land Use - Bohannon Properties
City of Menlo Park - Fiscal Year 02-03

		Building Use				
Item		**Office**	**R&D**	**Industrial**	**Service Commercial**	**Total, Occupied (1)**
Number of Tenants		**24**	**8**	**1**	**2**	**35**
Sales tax generating tenants		**8**	**3**	**-**	**-**	**11**
Percentage of total no. of tenants		**33%**	**38%**	**0%**	**0%**	**31%**
Total Square Feet		**821,706**	**195,909**	**55,108**	**94,135**	**1,166,858**
Sales Tax:						
Sales Tax Rate	1%					
Total Sales Tax		**$42,285**	**$16,920**	**$0**	**$0**	**$59,205**
All tenants:						
Avg Sales Tax /SqFt		$0.05	$0.09	$0.00	$0.00	$0.05
Sales tax generating tenants:						
Low Sales Tax /SqFt		$0.004	$0.01	$0.00	$0.00	
High Sales Tax /SqFt		$0.98	$0.25	$0.00	$0.00	
Avg Sales Tax /SqFt		$0.30	$0.15	$0.00	$0.00	
Taxable Sales:						
Total Taxable Sales		**$4,228,500**	**$1,692,000**	**$0**	**$0**	**$5,920,500**
All tenants:						
Avg Taxable Sales /SqFt		$5.15	$8.64	$0.00	$0.00	$5.07
Sales tax generating tenants:						
Low Taxable Sales /SqFt		$0.38	$0.86	$0.00	$0.00	
High Taxable Sales /SqFt		$97.53	$25.27	$0.00	$0.00	
Avg Taxable Sales /SqFt		$29.67	$14.64	$0.00	$0.00	

(1) Excludes space that was vacant during FY 02-03

Sources: City of Menlo Park; Bohannon Organization; Brion & Associates.

Table 6
Menlo Park M-2 District Sales Tax and Taxable Sales FY 2002-03
City of Menlo Park - Fiscal Year 02-03

		Office	R&D	Indust	All Types
Number of buildings		**42**	**23**	**85**	**150**
Sales tax generating buildings		**20**	**13**	**56**	**89**
Percentage of total no. of buildings		48%	57%	66%	**59%**
Total Gross Square Feet		**2,965,539**	**768,724**	**3,950,675**	**7,684,938**
Sales Tax:					
Sales Tax Rate	1%				
Total Sales Tax		**$51,145**	**$37,879**	**$429,881**	**$518,905**
All buildings:					
Avg Sales Tax /SqFt		$0.02	$0.05	$0.11	**$0.07**
Sales tax generating buildings:					
Avg Sales Tax /SqFt		$0.06	$0.15	$0.47	**$0.33**
High Sales Tax /SqFt		$0.42	$0.82	$6.10	**$6.10**
Taxable Sales:					
Total Taxable Sales		**$5,114,500**	**$3,787,900**	**$42,988,100**	**$51,890,500**
All buildings:					
Avg Taxable Sales /SqFt		$1.72	$4.93	$10.88	**$6.75**
Sales tax generating builidings:					
Avg Taxable Sales /SqFt		$5.56	$15.09	$47.09	**$33.08**
High Taxable Sales /SqFt		$42.28	$82.38	$609.66	**$609.66**

Sources: City of Menlo Park; Brion & Associates.

Appendix B: Detailed Revenue and Data Tables

Appendix B:
Detailed Revenue and Expenditures Projections
Bohannon Fiscal Impact Analysis

Table #	Table Name
Table B-1	Property Tax Revenues by Alternative
Table B-2a	Sales Tax Revenues by Alternative: Moderate Sales Tax
Table B-2b	Sales Tax Revenues by Alternative: Low Sales Tax
Table B-3	Transient Occupancy Tax by Alternative
Table B-4	Real Property Transfer Tax - One Time Revenue
Table B-5	Distribution of Charges for Services Revenue to City Departments
Table B-6	Detailed City Revenues
Table B-7	Detailed Existing Assessed Value by Parcel
Table B-8	Fiscal Model Input Assumptions and Sources
Table B-9	Existing Land Uses by Location and Address

Source: Brion & Associates.

Table B-1
Property Tax Revenues by Alternative
Bohannon Fiscal Impact Analysis

Land Use		Project Alternatives		
		Existing Development 100% Occupied	**Existing Zoning**	**Proposed Mixed Use**
		(1)		
Assessed Value, Both Sites				
Office	sqft		$58,630,846	$113,384,465
R&D	sqft			
Restaurant	sqft		$0	$2,095,200
Health Club	sqft		$0	$1,862,400
Hotel	rooms		$0	$13,000,000
Structured Parking	spaces		$0	$20,775,000
Total Assessed Value		**$21,887,925**	**$58,630,846**	**$151,117,065**
1% Property Tax Revenue	1%	$218,879	$586,308	$1,511,171
Distribution of 1% Property Tax				
City of Menlo Park - GF	11.4% **(2)**	**$25,040**	**$67,074**	**$172,878**
Elementary Schools	22.5%	$49,226	$131,861	$339,862
Menlo Park Fire District	15.0%	$32,810	$87,888	$226,524
County of San Mateo	22.6%	$49,357	$132,213	$340,769
Other Agencies	28.5%	$62,446	$167,274	$431,137
Other Parcel Taxes	(3)			
Menlo Park Park & Rec	0.0129%	$2,824	$7,563	$19,494
Menlo Park Park Debt Ser.	0.0050%	$1,094	$2,932	$7,556
Total Other Parcel Taxes		**$3,918**	**$10,495**	**$27,050**
Total Menlo Park Revenue		**$28,958**	**$77,569**	**$199,928**

(1) Based on actual Assessed Value for all properties on Independence and Constitution sites for Tax Bill 2003-2004.

(2) Based on information from Finance Department and County Auditor's Office; TAFs in M2 are slightly lower than the citywide average of 12.2%.

(3) These other parcel taxes are restricted for park and recreation activity and debt service and do not flow to the General Fund; however, they are a benefit of the project.

See Appendix B-8 for sources of assumptions and additional notes.

Sources: City of Menlo Park; Brion & Associates.

Table B-2a
Sales Tax Revenues by Alternative: Moderate Sales Tax
Bohannon Fiscal Impact Analysis

Sales Tax Scenario:
Moderate

Land Use	Assumption	Alternative Name and Number: Existing Development 100% Occupied	Existing Zoning	Proposed Mixed Use
Commercial Development Square Feet				
Office		111,679	266,069	514,543
R&D		58,505	-	-
Restaurant			-	9,312
Health Club	(1)			200
Taxable Sales per Sqft				
Office	$5.15 (2)		$1,370,255	$2,649,896
Restaurant	$200 (3)		$0	$1,862,400
Health Club	$100 (1)		$0	$20,000
Taxable Sales		$977,600	$1,370,255	$4,532,296
Sales Tax from Development	1% (4)	**$9,776**	**$13,703**	**$45,323**
Retail Sales from Hotel Guests				
Average Expenditure per Occupied Rm	$25.00 (7)			
Occupied Room Nights			-	35,113
Retail Sales Tax from Hotel Uses		**$0**	**$0**	**$8,778**
Retail From Employees				
Estimated Total Employment		539	887	1,796
Average Daily Expenditures	$14.30 (5)			
Annual Workdays	240			
Total Taxable Sales from Employees		$1,851,291	$3,043,829	$6,164,034
Minus Restaurant Sales	50% (6)	$0	$0	($931,200)
Net New Tax. Sales from Employees		$1,851,291	$3,043,829	$5,232,834
Sales Tax Revenue from Employees	1%	**$18,513**	**$30,438**	**$52,328**
Total Sales Tax from Development		**$28,289**	**$44,141**	**$106,430**

(1) Square footage shown represents the portion of the health club that would have retail sales such as a small snack bar/café section.
(2) Based on average taxable sales per sqft for office.
Scenario 1: Low Sales Tax is based on data for office parcels in the entire M-2 District.
Scenario 2: Moderate Sale Tax is based on data for office buildings and tenants owned in Bohannon Org. in Menlo Park, as of FY 02-03.
(3) Based on average taxable sales for restaurants and cafes in Menlo Park for FY 02-03.
(4) Sales Tax from Existing Development based on actual reported sales tax generated for existing uses for FY 02-03.

(5) Based on 50% average annual expenditures per week ($143) for suburban locations times 48 work weeks divided by 240 workdays. (Source: International Council for Shopping Centers "Office Work Retail Spending Patterns" 2004)

(6) Assumes that half of the restaurant business would come from project employees and hotel visitors.
(7) Includes expenditures at hotel, and throughout Menlo Park during visit.
Some meals are assumed to be captured by restaurant but not all expenditures; corporate visitors usually spend $50 to $100 per day on meals and other expenses.

See Appendix B-8 for sources of assumptions and additional notes.
Sources: City of Menlo Park; Brion & Associates.

Table B-2b
Sales Tax Revenues by Alternative: Low Sales Tax
Bohannon Fiscal Impact Analysis

Sales Tax Scenario:
Low

Land Use	Assumption	Alternative Name and Number: Existing Development 100% Occupied	Existing Zoning	Proposed Mixed Use
Commercial Development Square Feet				
Office		111,679	266,069	514,543
R&D		58,505	-	-
Restaurant			-	9,312
Health Club	(1)			200
Taxable Sales per Sqft				
Office	$1.72 (2)		$457,639	$885,014
Restaurant	$200 (3)		$0	$1,862,400
Health Club	$100 (1)		$0	$20,000
Taxable Sales		$977,600	$457,639	$2,767,414
Sales Tax from Development	1% (4)	**$9,776**	**$4,576**	**$27,674**
Retail Sales from Hotel Guests				
Average Expenditure per Occupied Rm	$25.00 (7)			
Occupied Room Nights			-	35,113
Retail Sales Tax from Hotel Uses		**$0**	**$0**	**$8,778**
Retail From Employees				
Estimated Total Employment		539	887	1,796
Average Daily Expenditures	$14.30 (5)			
Annual Workdays	240			
Total Taxable Sales from Employees		$1,851,291	$3,043,829	$6,164,034
Minus Restaurant Sales	50% (6)	$0	$0	($931,200)
Net New Tax. Sales from Employees		$1,851,291	$3,043,829	$5,232,834
Sales Tax Revenue from Employees	1%	**$18,513**	**$30,438**	**$52,328**
Total Sales Tax from Development		**$28,289**	**$35,015**	**$88,781**

(1) Square footage shown represents the portion of the health club that would have retail sales such as a small snack bar/café section.
(2) Based on average taxable sales per sqft for office.
Scenario 1: Low Sales Tax is based on data for office parcels in the entire M-2 District.
Scenario 2: Moderate Sale Tax is based on data for office buildings and tenants owned in Bohannon Org. in Menlo Park, as of FY 02-03.
(3) Based on average taxable sales for restaurants and cafes in Menlo Park for FY 02-03.
(4) Sales Tax from Existing Development based on actual reported sales tax generated for existing uses for FY 02-03.

(5) Based on 50% average annual expenditures per week ($143) for suburban locations times 48 work weeks divided by 240 workdays. (Source: International Council for Shopping Centers "Office Work Retail Spending Patterns" 2004)

(6) Assumes that half of the restaurant business would come from project employees and hotel visitors.
(7) Includes expenditures at hotel, and throughout Menlo Park during visit.
Some meals are assumed to be captured by restaurant but not all expenditures; corporate visitors usually spend $50 to $100 per day on meals and other expenses.

See Appendix B-8 for sources of assumptions and additional notes.
Sources: City of Menlo Park; Brion & Associates.

Table B-3
Transient Occupancy Tax by Alternative
Bohannon Fiscal Impact Analysis

Land Use	Assumption	Existing Development 100% Occupied	Existing Zoning	Proposed Mixed Use
New Hotel				
Rooms by Alternative		-	-	130
Average Occupied Rooms Per Night	74% (1)	-	-	96
Occupied Room Nights Per Year	365	-	-	35,113
Average Room Rate & Room Revenue	$123 (1)	$0	$0	$4,301,343
TOT Rate & Revenue	10%	$0	$0	$430,134

(1) Represents expected stabilized room rates and occupancy as of 2008-2009 for a mid-priced limited service hotel with a range of rooms of 120 to 160 rooms; prepared for the Bohannon Organization by RSBA & Associates (Feb. 2004). See Appendix D.

See Appendix B-8 for sources of assumptions and additional notes.
Sources: Brion & Associates.

Table B-4
Real Property Transfer Tax - One Time Revenue
Bohannon Fiscal Impact Analysis

Land Use	Tax Rate Assumption	Project Alternatives: Existing Development 100% Occupied	Existing Zoning	Proposed Mixed Use
Real Transfer Tax Revenue				
AV of New Development		$21,887,925	$34,125,315	$94,767,865
Turnover or New Ownership		none	Independence Site Only (1)	Independence Site Only (1)
Tax Rate per $1,000 AV	$0.55 (2)			
Real Transfer Tax Revenue		**na**	**$18,769**	**$52,122**

(1) There would be no change in ownership with the Constitution site, and thus no transfer tax.
Assumes $245 per sqft for office use; other AV is as shown in Table A-1 for hotel, retail, gym and structured parking.
(2) The tax is $1.10 per $1,000 AV, but half goes to San Mateo County and half to the City of Menlo Park.

Sources: City of Menlo Park; Brion & Associates.

Table B-5
Distribution of Charges for Services Revenue to City Departments
Bohannon Fiscal Impact Analysis

Current Services Revenues	Proposed Adopted Budget	Department Assignment	Subtotal by Department
1732 - Finance Charges	$500	Administration	
1733 - Printing - Outside Agency	$14,200	Administration	
1735 - Advertisement Fees	$0	Administration	
1736 - Maps & Publications	$75	Administration	
1791 - Misc General Charge	$32,215	Administration	
1792 - Money Short/Over	$0	Administration	
1793 - Reimbursement Revenue	$161,032	Administration	$208,022
1751 - Planning Fees	$175,000	Com Development	
1752 - Records Search	$5,000	Com Development	
1754 - Document Prep & Storage Fee	$17,500	Com Development	
1755 - Environmental Site Check Fee	$25,000	Com Development	
1757 - Constr & Demo Admin Fee	$8,000	Com Development	$230,500
1721 - 1721	$143,150	Com Services	
1722 - Swimming Pool - Burgess	$140,610	Com Services	
1723 - Swimming Pool- Belle Haven	$5,250	Com Services	
1724 - Resident Recreation Fees	$1,257,375	Com Services	
1725 - Non-Resident Recreation Fees	$131,311	Com Services	
1728 - Child Care Fees/Certified	$19,973	Com Services	
1729 - Child Care Fee/Non-Certified	$1,152,544	Com Services	$2,850,213
1712 - Library Book Fines	$162,500	Library	$162,500
1740 - Fingerprint Fees	$3,700	Police	
1741 - Police Fees	$15,850	Police	
1742 - Alarm Citation Fees	$90,000	Police	
1743 - Abandoned Vehicle Service Auth	$18,000	Police	
1744 - Drunk Driving Program	$97,760	Police	
1746 - Vehicle Impound	$53,462	Police	
1747 - Criminal Justice Admin Fee	$250	Police	
1748 - Repossession Fees	$200	Police	
1749 - Towing Co. Annual Fee	$31,000	Police	$310,222
1771 - Street Department Fees	$20,000	Public Works	
1781 - Subdivision Inspection Fees	$26,000	Public Works	
1782 - Const. Plans and Specs	$5,000	Public Works	
1783 - Improvement Plan Check	$15,000	Public Works	
1784 - Abandonments Engineering	$0	Public Works	
1787 - Curb Cut Permits	$25,000	Public Works	
1789 - Final Parcel Maps	$500	Public Works	
1785 - Encroachment Permits	$20,000	Public Works	
1788 - Street Opening Permits	$175,000	Public Works	
1756 - Tree Permit Fee	$15,000	Public Works	$301,500
Total Current Services Fees	$4,062,957		$4,062,957

See Appendix B-8 for sources of assumptions and additional notes.
Sources: City of Menlo Park; Brion & Associates.

Table B-6
Detailed City Revenues
Bohannon Fiscal Impact Analysis

Item	2003-2004 Adopted	2004-2005 Proposed
Total Revenues	**26,301,140**	**26,270,445**
Sales Tax	6,629,470	5,815,000
Property Tax	5,899,768	6,416,000
Trans Occupancy Tax	1,000,000	1,000,000
110 - Franchise Fees Total	1,142,477	1,190,000
120 - Licenses & Permits	2,585,600	2,733,600
130 - Inter Governmental Revenue	2,594,631	2,745,588
140 - Fines	774,025	914,025
150 - Interest and Rent Income	1,085,242	1,168,200
170 - Charges For Services	4,062,957	3,763,312
180 - Donations Total	13,750	11,500
300 - Other Financing Sources	513,220	513,220
100 - Taxes	**13,529,238**	**13,231,000**
1001 - Secured Property Tax-Current	4,861,600	5,304,000
1002 - Supplemental Tax	200,000	200,000
1003 - Unsecured Personal Prop Tax	522,668	500,000
1004 - Redemptions- Property Tax	-	-
1005 - Property Transfer	250,000	350,000
1006 - Homeowners Prop Tax Rel.	65,500	62,000
1021 - Sales Tax	6,464,000	5,650,000
1022 - 1/2 Cent Sales Tax/Public Safety	165,470	165,000
1041 - Transient Occupancy Tax	1,000,000	1,000,000
110 - Franchise Fees Total	**1,142,477**	**1,190,000**
1111 - Garbage Franchise	272,950	275,000
1121 - Electric Franchise	510,759	505,000
1131 - Gas Franchise	110,195	130,000
1141 - Water Franchise	98,573	100,000
1151 - Cable TV Franchise	150,000	180,000
120 - Licenses & Permits	**2,585,600**	**2,733,600**
1211 - Business Licenses	1,408,000	1,500,000
1212 - Business License Penalties	-	-
1221 - Building Permits	1,000,000	1,013,000
1231 - Plumbing Permits	66,000	76,000
1241 - Electrical Permits	56,000	76,000
1251 - Parking Permits	51,300	63,300
1252 - Residential Parking Permits	2,800	2,800
1271 - Other Permits	1,500	2,500
130 - Inter Governmental Revenue	**2,594,631**	**2,745,588**
1303 - Motor Vehicle In-Lieu	1,734,000	1,800,000
1304 - Off Highway Motor Vehicle Fee	740	800
1351 - Grants - State of California	651,671	696,203
1352 - State Mandated Costs	-	-
1353 - State Open Space Subvent	940	940
1381 - Grants - Federal	121,080	122,807
1383 - Post Reimbursement	46,200	30,000
1391 - Other Intergovernment Rev	40,000	94,838
140 - Fines	**774,025**	**914,025**
1401 - Traffic Fines - Violations	247,500	247,500
1402 - Traffic fines- Parking	526,525	666,525
150 - Interest and Rent Income	**1,085,242**	**1,168,200**
1511 - Interest Income	800,000	850,000
1513 - Gain/Loss-Sale of Investments	-	-
1521 - Rental Income	285,242	318,200

Table B-6
Detailed City Revenues
Bohannon Fiscal Impact Analysis

Item	2003-2004 Adopted	2004-2005 Proposed
170 - Charges For Services	**4,062,957**	**3,763,312**
1740 - Fingerprint Fees	3,700	1,500
1712 - Library Book Fines	162,500	180,000
1721 - 1721	143,150	68,800
1722 - Swimming Pool - Burgess	140,610	430
1723 - Swimming Pool- Belle Haven	5,250	10,000
1724 - Resident Recreation Fees	1,257,375	1,224,792
1725 - Non-Resident Recreation Fees	131,311	151,020
1728 - Child Care Fees/Certified	19,973	20,000
1729 - Child Care Fee/Non-Certified	1,152,544	1,103,257
1732 - Finance Charges	500	500
1733 - Printing - Outside Agency	14,200	6,700
1735 - Advertisement Fees	-	-
1736 - Maps & Publications	75	75
1741 - Police Fees	15,850	5,650
1742 - Alarm Citation Fees	90,000	125,000
1743 - Abandoned Vehicle Service Auth	18,000	18,000
1744 - Drunk Driving Program	97,760	50,000
1746 - Vehicle Impound	53,462	53,460
1747 - Criminal Justice Admin Fee	250	250
1748 - Repossession Fees	200	200
1749 - Towing Co. Annual Fee	31,000	5,000
1751 - Planning Fees	175,000	170,000
1752 - Records Search	5,000	5,000
1754 - Document Prep & Storage Fee	17,500	15,000
1755 - Environmental Site Check Fee	25,000	30,000
1756 - Tree Permit Fee	15,000	15,000
1757 - Constr & Demo Admin Fee	8,000	10,000
1771 - Street Department Fees	20,000	26,000
1781 - Subdivision Inspection Fees	26,000	30,000
1782 - Const. Plans and Specs	5,000	8,000
1783 - Improvement Plan Check	15,000	40,000
1784 - Abandonments Engineering	-	-
1785 - Encroachment Permits	20,000	24,000
1787 - Curb Cut Permits	25,000	7,500
1788 - Street Opening Permits	175,000	8,500
1789 - Final Parcel Maps	500	2,000
1791 - Misc General Charge	32,215	13,104
1792 - Money Short/Over	-	-
1793 - Reimbursement Revenue	161,032	334,574
180 - Donations Total	**13,750**	**11,500**
1801 - Donations	13,750	11,500
300 - Other Financing Sources	**513,220**	**513,220**
3001 - Sale of Property	-	-
3011 - Transfer from Other Funds	513,220	513,220
Total Revenues	**26,301,140**	**26,270,445**

See Appendix B-8 for sources of assumptions and additional notes.
Source: City of Menlo Park Finance Department.

Table B-7
Detailed Existing Assessed Value by Parcel
Bohannon Fiscal Impact Analysis

Parcels by Address	Land Value	Improvement Value	AV -03-04	Sqft of Land	Land AV per Sqft of Land	Sqft of Space	Total AV per Sqft of Space
101 Constitution	$2,325,600		$2,325,600			0	na
115 Constitution	$2,448,000	$510,000	$2,958,000			20,949	$141
125-135 Constitution	$5,100,000	$3,743,400	$8,843,400			64,178	$138
Total	$9,873,600	$4,253,400	$14,127,000	281,737	$35.05	85,127	$166
110 Independence	$143,367		$143,367			0	na
100 Independence	$1,190,674	$718,193	$1,908,867			6,500	$294
120 Independence	$933,365	$584,758	$1,518,123			15,197	$100
150 Independence	$638,247	$1,964,965	$2,603,212			31,680	$82
190 Independence	$337,720	$1,249,636	$1,587,356			31,680	$50
Total	$3,243,373	$4,517,552	$7,760,925	309,527	$10.48	85,057	$91
Total Both Sites	**$13,116,973**	**$8,770,952**	**$21,887,925**	**$591,264**	**$22.18**	**170,184**	**$129**

See Appendix B-8 for sources of assumptions and additional notes.
Sources: County of San Mateo Secured Property Tax statements for 2003-04 provided by Bohannon Organization; Brion & Associates.

Table B-8
Fiscal Model Input Assumptions and Sources
Bohannon Fiscal Impact Analysis

Table #	Item	Amount	Unit	Notes and Sources
Project Description:				
1	Project Areas, hotel room count, FAR and parking count	See Below	See Below	Project Application with City dated 11.23.04 (Source: Bohannon Organization; DES; Community Design + Architecture)
Demographics:				
2	Population, 2005	30,800	residents	Source: Projections 2005 ABAG
2	Households, 2005	12,450	households	Source: Projections 2005 ABAG
2	Employment, 2005	25,180	jobs	Source: Projections 2005 ABAG
2	Avg Household Income, 2005	$ 148,800	annual	Source: Projections 2005 ABAG
Employee Loads by Land Use:				
3	Office	300	sqft per emp.	Typical average densities used in planning and traffic analysis (Source: ITE Manual 1997; EnviroTrans Solutions; Brion & Associates.)
3	R&D	350	sqft per emp.	Typical average densities used in planning and traffic analysis (Source: ITE Manual 1997; EnviroTrans Solutions; Brion & Associates.)
3	Restaurant	400	sqft per emp.	Typical average densities used in planning and traffic analysis (Source: ITE Manual 1997; EnviroTrans Solutions; Brion & Associates.)
3	Health Club	500	sqft per emp.	Estimated (Based on interview with former Gym manager in San Francisco; Brion & Associates)
3	Hotel	0.3	emp. per room	Estimated based on typical staffing needs for a 123 room hotel (Source: RSBA Hotel Consultant for Bohannan Organization)
Market Values by Land Use:				
4	Office, Existing	$ 128.61	per sqft, average of both sites	Based on actual Assessed Value for all properties on Independence and Constitution sites for Tax Bill 2003-2004. See Table A-6 for detail by site. The average value per sqft is calculated for both sites; see Table A-6. (Source: Bohannon)
4	R&D, Existing	$ 128.61	per sqft, average of both sites	Based on actual Assessed Value for all properties on Independence and Constitution sites for Tax Bill 2003-2004. See Table A-6 for detail by site. The average value per sqft is calculated for both sites; see Table A-6. (Source: Bohannon)
4	Office, New	$ 220	per sqft, average of both sites	For Independence site, assumes land, building, and tenant improvement value and presumes ownership restructuring by the Bohannon Org, which triggers new assessment to market value. For Constitution site, land is excluded. (Source: Bohannon Organization; Brion & Associates)
4	Restaurant, New	$ 225	per sqft	For Independence site, assumes land, building, and tenant improvement value and presumes ownership restructuring by the Bohannon Org, which triggers new assessment to market value. For Constitution site, land is excluded. (Source: Bohannon Organization; Brion & Associates)
4	Health Club, New	$ 200	per sqft	For Independence site, assumes land, building, and tenant improvement value and presumes ownership restructuring by the Bohannon Org, which triggers new assessment to market value. For Constitution site, land is excluded. (Source: Bohannon Organization; Brion & Associates)
4	Hotel, New	$ 100,000	per room	Based on actual average construction cost data, and includes soft costs and land costs (Source: Hilton Hotels, Fred Smith, April 2004).
4	Structured Parking, New	$ 15,000	per space	Estimated based on $50 per sqft of space and average of 300 sqft per parking space (Source: Brion & Associates)
Fiscal Budget Amounts:				
5,6	General Fund Revenues and Expenses			(Source: City of Menlo Park Budget Report, 2003-04)
General Fund Revenue Impacts:				
5, A-1	Property Tax			(See Property Tax Revenues below)
5, A-2	Sales Tax			(See Sales Tax Revenues below)
5, A-3	Transient Occupancy			(See Transient Occupancy Tax Revenues below)

Table B-8
Fiscal Model Input Assumptions and Sources
Bohannon Fiscal Impact Analysis

Table #	Item	Amount	Unit	Notes and Sources
5	Franchise Fees	$ 25.52	per employee	Based on City Finance Department data for 1997-98 usage, businesses contributed 54% and residential customers contributed 46% of total franchise fee revenues. Analysis assumes 54% of franchise fees are from employment uses: this figure is then divided by the current number of city employees.
5	Business Licenses	$ 59.57	per employee	Based on current business license revenue divided by current employees. (Source: City of Menlo Park Finance Department; Brion & Associates)
5	Fines	$ 18.15	per employee	Assumes 50% are from employment uses and 50% from residential uses based on actual recent data. (Source: City of Menlo Park Finance Department; Brion & Associates)
5	Use of Money & Property			Not forecasted
5, A-4	Charges for Services			Not forecasted but used to offset departmental costs in General Fund Expenditure Analysis (Sources: City of Menlo Park; Brion & Associates)
General Fund Expenditure Impacts:				
	Fixed Cost Percentages:			
6	Administration Services	50%	of expenditures	Estimated portion of departmental cost that is fixed and not directly impacted by growth based on preparation of about 50 fiscal impact studies and detailed budget analysis of various City department expenses and expenditure patterns. Approved by City Manager and Finance Department. (Source: Brion & Associates)
6	Community Development	0%	of expenditures	
6	Community Services	10%	of expenditures	
6	Library	25%	of expenditures	
6	Police	15%	of expenditures	
6	Public Works	25%	of expenditures	
	Employment Use Percentages			
6	Administration Services	25%	of net variable cost	Approved by City Manager and Finance Department. (Source: City of Menlo Park's Fiscal Impact Manual and Report dated 2.5.02, with the exception of Community Service. The City's report assumes 40% of this department is employment driven; we have used 25%; Brion & Associates)
6	Community Development	25%	of net variable cost	Same as Above
6	Community Services	25%	of net variable cost	Same as Above
6	Library	10%	of net variable cost	Same as Above
6	Police	25%	of net variable cost	Same as Above
6	Public Works	25%	of net variable cost	Same as Above
Construction Costs and Employment:				
7	Construction Unit Costs and Other Project Construction Assumptions			Bohannon Organization.
7	Avg. Commercial Construction Salary	$74,877	per year per person	Calif CDD data for San Mateo County, 2003
Impact Fee Revenues & Project Infrastructure Costs:				
8	Water and Fire Facilities Charges			City of Menlo Park Master Fee Schedule, Rev. July 1 2004; Cal Water
8	Sewer Fees			West Bay Sanitary District
8	Traffic Fees			Menlo Park Transportation Department
8	Below Market Rate Housing Information			City of Menlo Park Planning Department website
8	School Impact Fees			Sequoia Union High School District
Property Tax Assessment:				
B-1, B-7	Assessed Value, Existing Development			Based on actual Assessed Value for all properties on Independence and Constitution sites for Tax Bill 2003-2004. (Sources: Bohannon and San Mateo County Recorder)

Table B-8
Fiscal Model Input Assumptions and Sources
Bohannon Fiscal Impact Analysis

Table #	Item	Amount	Unit	Notes and Sources
B-1	Assessed Value, New Development			Based on market value estimates. (See Market Values by Land Use, new, above)
Property Tax Revenues:				
B-1	Property Tax Rate	1.0%	of AV	(Source: State of California)
	Distribution of 1% Property Tax:			
B-1	City of Menlo Park - GF	11.4%	of Property Tax	Based on tax rate area for the M-2 District and individual parcel numbers for proposed sites (Sources: Finance Department and County of San Mateo Auditor's Office)
B-1	County of San Mateo	22.6%	of Property Tax	
B-1	Elementary Schools	22.5%	of Property Tax	
B-1	Menlo Park Fire District	15.0%	of Property Tax	
B-1	Other Agencies	28.5%	of Property Tax	
	Other Parcel Taxes:			
B-1	Menlo Park Park & Rec	0.0129%	of Property Tax	For park and recreation not flowing to the General Fund; based on Independence and Constitution sites for Tax Bill 2003-2004 and approved by Finance Department. (Source: County of San Mateo Auditor's Office and City of Menlo Park)
B-1	Menlo Park Park Debt Ser.	0.0050%	of Property Tax	
Sales Tax Revenues:				
	Taxable Sales:			
B-2	Office, Low Scenario	$ 1.72	per sqft	Based on data for office parcels in the entire M-2 District (See Sales Tax Analysis; See Appendix B) (Sources: City of Menlo Park; Brion & Associates)
B-2	Office, Moderate Scenario	$ 5.15	per sqft	Based on data for office buildings and tenants owned in Bohannon Org. in Menlo Park, as of FY 02-03 (See Sales Tax Analysis; See Appendix B) (Sources: City of Menlo Park; Brion & Associates)
B-2	Restaurant	$ 200	per sqft	Based on average taxable sales for restaurants and cafes in Menlo Park for FY 02-03; 50% of the taxable sales are not counted as they are assumed to be from project employees and visitors; see employee retail and visitor retail below (Source: City of Menlo Park; Brion & Associates)
B-2	Health Club	$ 100	per sqft	Based on portion of the health club that would have retail sales such as a small snack bar/café section (Source: Brion & Associates)
B-2	Sales Tax from Existing Development	$ 9,776	per year	Based on actual reported sales tax generated for existing uses for FY 02-03. (Source: City of Menlo Park Sales Tax Data; City of Menlo Park; Brion & Associates)
B-2	Sales Tax from New Development	1%	of Taxable Sales	Estimated (Source: State of California)
B-2	Retail Sales from Hotel Guests	$ 25.00	per room night	Conservative estimate: Includes expenditures at hotel, and throughout Menlo Park during visit. Some meals are assumed to be captured by restaurant but not all expenditures; corporate visitors estimated to spend $50 to $100 per day on meals (for themselves and their guests) and other expenses. (Source: Brion & Associates) Federal Government employee per diem rate for San Mateo County is $46.00. (Source: GSA website)
	Retail From Employees			

Table B-8
Fiscal Model Input Assumptions and Sources
Bohannon Fiscal Impact Analysis

Table #	Item	Amount	Unit	Notes and Sources
B-2	Average Daily Expenditures	$ 14.30	per day	Based on 50% average annual expenditures per week ($143) for suburban locations times 48 work weeks divided by 240 workdays. (Source: International Council for Shopping Centers "Office Work Retail Spending Patterns" 2004)
B-2	Minus Restaurant Sales	50%	of Restaurant Sales	Assumes that half of the restaurant business would come from project employees and hotel visitors (Source: Brion and Associates)
Transient Occupancy Tax Revenues:				
B-3	Average Occupancy	74%	of rooms per night	Represents expected stabilized room rates and occupancy as of 2008-2009 for a mid-priced limited service hotel with a range of rooms of 120 to 160 rooms. (Source: prepared for the Bohannon Organization by RSBA & Associates, Feb. 2004)
B-3	Average Room Rate & Room Revenue	$ 122.50	per room night	
B-3	TOT Rate	10.0%		(Source: City of Menlo Park)
Other:				
B-4	Transfer Tax Rates			(Source: City of Menlo Park)
B-5	Distribution of Charges for Services Revenue to City Departments			(Source: Finance Department; City of Menlo Park)
B-6	Detailed City Revenues			(Source: Finance Department; City of Menlo Park)

Source: Brion & Associates.

Table B-9
Existing Land Uses by Location and Address
Bohannon Fiscal Impact Analysis

BOHANNON PARK - Existing Land Use as of May 13, 2002

February 5, 2000

Address	Tenant	Total Leasable Area	Office Space Vacant	Office Space Occupied	R&D Space Vacant	R&D Space Occupied
115 Constitution, #1 [1]	Ancot Corporation	8,150				8,150
115 Constitution, #5	Ideo Product Development	4,376				4,376
115 Constitution, #3	Vacant	4,975	4,975			0
115 Constitution, #7	Vacant	3,448	3,448			0
Total 115 Constitution		**20,949**	**8,423**			**12,526**
125 Constitution, 1st Fl	Boxer Cross	14,292		14,292		
125 Constitution, 2nd Fl	Netflip	5,587		5,587		
Total 125 Constitution		**19,879**		**19,879**		
135 Constitution	Vacant	44,299	30,000		14,299	
100 Independence	Atlantes Services, Inc.	6,500		6,500		
120 Independence	Vacant	15,197	15,197			
150 Independence	Ultraclean Technology	31,680				31,680
190 Independence	Elan Pharmaceutical (Neurex Corporation) Subleased to: Geocast	31,680		31,680		
Total Per Site						
Constitution		**85,127**	**38,423**	**19,879**	**14,299**	**12,526**
Independence		**85,057**	**15,197**	**38,180**	**0**	**31,680**
Total Both Sites		**170,184**	**53,620**	**58,059**	**14,299**	**44,206**
Percent R&D vs Office - Occupied		**100%**	**32%**	**57%**		**43%**

Source: 1/23/04-DDB Revised by CD+A to generalize land use type in each building to one use category; 1/29/04.
Land Use/Tenant data for May 13, 2002

Sources: Community Design + Architecture; Bohannon Organization; Brion & Associates.

Appendix C: Supporting Background Data for Hotel Market

RSBA & ASSOCIATES
400 Spear Street, Suite 106, San Francisco, CA 94105
415-541-7722 / Fax 415-541-5333
E-mail: rickswig@rsbaswig.com / www.rsbaswig.com

February 10, 2004

Mr. David D. Bohannon II
Senior Vice President
Bohannon Development Company
60 - 31st Avenue
San Mateo, CA 94403-3497

Dear David,

This report identifies potential hotel types in both mid-priced/upscale and, separately, extended stay hotels, which would be potentially suitable for the Bohannon development site on the east side of Highway 101 at the Marsh Road exit. This report provides general analysis of mid-Peninsula neighborhood hotel activity, including current occupancy and average daily rate ("ADR") performance.

Background Methodology

Utilizing Smith Travel Research data for the mid-Peninsula region (San Mateo to Sunnyvale), hotels in both mid-priced/upscale and extended stay segments were selected to compare occupancy and ADR performance in their mutual competitive tiers.

An extended stay hotel would be one option for the site, as there is little supply in the area with potential for demand in this segment. Potential demand may only be definitively determined in a more formal market study for the site. Hotels were selected based on their segment appropriateness, brand quality, and location. The extended hotel set includes:

Residence Inn – Sunnyvale, CA
Staybridge Suites – San Jose, CA
Woodfin Suites – Sunnyvale, CA
Summerfield Suites – Belmont, CA
Towneplace Suites – Redwood City, CA

This hotel group performed at a 70.9% occupancy and $97.69 ADR in 2003. It would be expected that this group would ultimately stabilize in a range of 75% - 77% occupancy, but this will not occur for another three or four years due to the business instability in the area. Rates would be expected to increase in a range of 2% - 4% between 2004 and 2009. It is expected that in 2008 or 2009 terms this segment would be performing in a range of the aforementioned stabilized occupancy range within an ADR range of $115 - $120. This projection does not consider a formal market study or the potential of added hotel supply in the segment.

The choice of brand for the Bohannon site would most likely be Residence Inn or Homewood Suites, which with their Marriott and Hilton relationships, respectively, would provide the best occupancy and rate premium. The Residence Inn in Sunnyvale, along with its nearby counterpart, is believed to be performing in a range of 55% - 60% occupancy and a $95 - $100 ADR. They are the area leader. The nearest Homewood Suites is located in Newark, which is one of the most distressed and competitive markets in the Bay Area. Its performance for 2003 was 49.97% with an $81.45 ADR.

It would be reasonable to expect that an upscale extended stay hotel operating at the Bohannon site would have operated in range of 58% - 60% at $95 - $100 in 2003. Accurate operating abstracts for an all-suite hotel at the Bohannon site are not available without a further study.

A mid-priced limited service or focused service hotel would be the second option for the site. There is some segment supply in the mid-Peninsula region, but the primary preferences of a Hilton Garden Inn and a Courtyard by Marriott would not be restricted by geographical protection. Demand for this segment and product type would be determined in a more formal market study for the site. Hotels were selected based on their segment appropriateness, brand quality, and location. This hotel segment set includes:

Courtyard by Marriott – Foster City, CA
Hampton Inn – Redwood City, CA
Hilton Garden Inn – San Mateo/Foster City, CA
Comfort Inn – Redwood City, CA

This mid-priced hotel segment performed at a 59.7% occupancy and $102.50 ADR in 2003, which represented a downward trend in both occupancy (-9.8%) and ADR (-8.3%) from 2002 levels due to the area's poor economy. It would be expected that this group would ultimately stabilize in a range of 73% - 75% occupancy, but this will not occur for another three or four years due to the business instability in the area. Rates would be expected to increase in a range of 2% - 4% annually between 2004 and 2009. It is

expected that in 2008 or 2009 terms this specific hotel grouping would perform in a range of the aforementioned occupancy range within an ADR range of $120 - $125. This projection does not consider a formal market study or the potential of added hotel supply in the segment.

The choice of brand for the Bohannon site would most likely be Marriott Courtyard or Hilton Garden Inn, which with their Marriott and Hilton relationships, respectively, would provide the best occupancy and rate premium. The Hilton Garden Inn in San Mateo/Foster City performed at 62.83% occupancy and a $109.56 ADR in 2003, while another Hilton Garden Inn in Mountain View performed at a 51.48% at a $143.55 ADR. The Marriott Courtyard in San Mateo was believed to perform at a 60.5% occupancy and $95.00 in 2003.

It would be reasonable to expect that a focused service hotel operating at the Bohannon site would have operated in range of 55% - 60% at $105 - $110 in 2003.

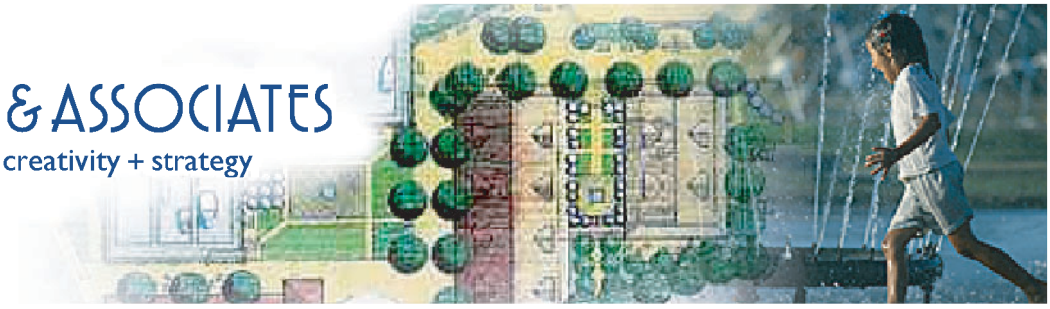
Regards,

Rick Swig, ISHC
President

Appendix D: Brion & Associates Statement of Qualifications

BRION & ASSOCIATES

economics + creativity + strategy



Statement of Qualifications

1. Firm Overview
2. Areas of Expertise
3. Project Profiles & Experience
4. Resume
5. Collaborations
6. References & Contact Information

2641 Barndance Lane • Santa Rosa, CA 95407 • tel/fax 707.570.1477 • joanne@brionassociates.com

BRION & ASSOCIATES
economics + creativity + strategy

FIRM OVERVIEW

Brion & Associates is a private consulting firm that offers a breadth of knowledge and experience in all facets of planning and urban economics. We are dedicated to the principles of new urbanism, sustainable development, and neighborhood livability.

Through careful listening and skillful consensus building, **Brion & Associates** weaves technical and economic analysis with sound planning principles to create a practical response tailored to our clients' precise needs. Our firm's core values include being *flexible*, *balanced* and *strategic* and applying these values to every job:

Flexible We approach each situation free of preconceptions and definitions, knowing that every set of circumstances is unique. We weigh all available information, examining every aspect of the situation and talking to all parties involved, then tailor a solution specific to the assignment.

Balanced **Brion & Associates** excels at mediating seemingly intractable situations, employing careful listening and skillful consensus building to create a satisfactory outcome for everybody concerned. Our ultimate goal: to develop sound policy solutions that balance private sector economics with public sector policy concerns.

Strategic Our deep understanding of community dynamics, based on 20 years of experience in Bay Area urban economics, helps our clients navigate the often-complicated pathways of development. We provide strategic advice and guidance on broader issues of politics, personalities, and processes, offering a sophisticated perspective that's different from the very start.

"Brion & Associates has been an invaluable consultant to our firm over the past three years. Their technical expertise, common sense and firm resolve in explaining the work they've done has put them out on point on many important issues for our firm."

—Chris Truebridge, Shapell Industries of Northern California

About the Firm

Drawing on 20 years of experience in Bay Area urban economics, Brion & Associates offers an insightful, realistic, savvy approach that gets the job done, within budget and on time.

Our open-minded methodology embodies the essence of creative problem-solving -- the ability to think outside the box. Our resources extend beyond economic analysis to the ability to communicate the big-picture perspective that clients need.

Because we are willing to work with our client's particular needs and resources, we can adapt the level of analysis to the issues at hand. Brion & Associates presumes a win-win solution from the start, seeking an outcome that balances all aspects of opportunities and constraints. The public good is as important as the private bottom line. Good planning and development requires that both sides of the equation be thoughtfully addressed.

We tailor our work to the particular needs of each assignment, never approaching projects with a preconceived outcome in mind. Every situation offers a variety of views to consider, be they those of developers, agency staff, local governments, or the community. Similarly, every player brings something to the table, though their precise contribution may be difficult to see in a conflict.

We take the middle way, never presuming right and wrong. Our balanced, objective approach is flexible enough to address the unique issues posed by each project. We consider the resources of the client, the political challenges of the situation, and the ultimate audience of the work in crafting a creative solution that meets our clients' exact needs.

Joanne Brion

Joanne Brion has twenty years of professional consulting and research experience in urban economics, real estate feasibility and development, and environmental review. She has managed over 60 studies involving growth, development, and fiscal/financial issues in a public policy context. Her areas of expertise include:

- development and real estate feasibility
- fiscal impact and cost/benefit analysis
- development impact fees and nexus studies
- child care policy and finance
- public policy analysis

Ms. Brion has extensive experience managing technical staff and teams of subconsultants to produce concise reports based on sound technical analysis. She is skilled at presenting complex technical information to the general public, city councils, and other public bodies. One of her main strengths is untangling apparently intractable problems -- taking apart complex issues piece by piece, carefully listening in order to understand the capacities and constraints of each participant, and skillfully mediating diverse parties to a win-win solution.

Areas of Expertise

The core of our work is the successful blend of economics, public policy, and creative vision and strategy.

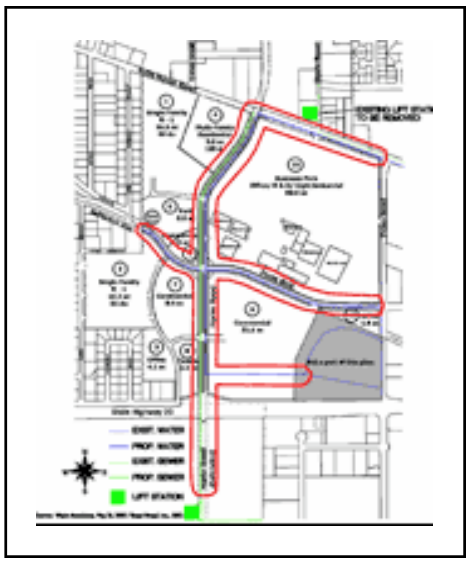
Brion & Associates provides cities, counties and developers with vital aspects of long-range planning: general and specific plans, feasibility studies of development projects, fiscal impact studies, and other public policy evaluation. Our in-depth knowledge of urban economics combines with a thorough understanding of local governments' fiscal and financial needs, limitations, and legal restrictions.

Brion & Associates assists cities and counties in working with developers, community groups and neighborhoods to understand the economic opportunities and constraints they face, and in generating realistic development plans. We also work for the private sector in developing sound development proposals.

Financial Analysis and Financing Plans

Harter Specific Plan Financing Plan (2003), Yuba City, California

Brion & Associates as prime, working with Renaissance Project Management, prepared a detailed public financing plan, infrastructure phasing plan, and cash flow analysis for a 180-acre mixed-use specific plan on the west side of Yuba City. The project, which at the time included a proposed Wal-Mart, was being challenged by opponents on the grounds that the Specific Plan provided inadequate financial and phasing information. **Brion & Associates** worked with both the City and developers to define a public financing plan that met City requirements, addressed issues of feasibility, and was based on a fair-share allocation of infrastructure costs to all land uses. By reframing the basic approach and bringing opposing parties onto the same page, we created a more collaborative perspective that resulted in a balancing of resources and constraints. Developers came to understand the need to upfront some infrastructure costs; in turn, the development would receive credits to citywide fee programs.



"Joanne's work is thorough, insightful, complete, realistic, on-budget and on-time! It's no wonder why we hired her for a second job."

—Bill Lambert, Economic Development Manager, City of Oakland

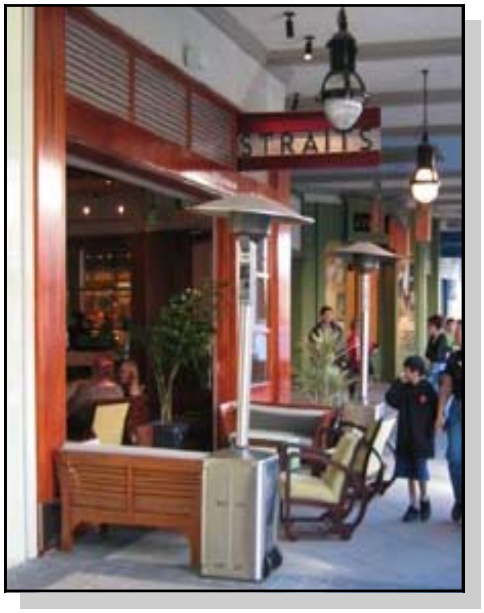
Fiscal Impact Analysis

Dougherty Valley Fiscal Audit and Negotiations (2001 to present) San Ramon, California

Brion & Associates has been working for Dougherty Valley developers for three years on the revenue-sharing agreement between Contra Costa County, the City of San Ramon, and the Community Services District. The project includes updating and expanding a detailed fiscal model to track project revenues and expenditures and to project costs and revenues over a five-year period. The analysis is based on a Court Settlement Agreement for the project, which was sued in the 1990s. The City, County and developers are currently negotiating a reimbursement agreement. Brion & Associates represents Shapell Industries in these negotiations and provides technical analysis and policy advice as needed. The fiscal model, which has been turned over to the City, will be used to track revenues and service costs associated with project overtime, which in turn will be used as the basis for a reimbursement contract from the County to the City of San Ramon.

FEASIBILITY STUDIES

Shop Local Campaign Research Study (2001), Berkeley, California

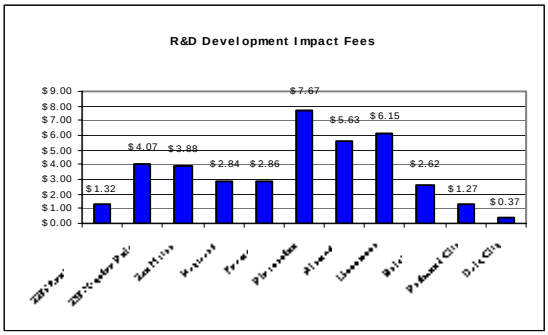


The City of Berkeley selected Brion & Associates as prime consultant to conduct an assessment of 'shop local' campaigns aimed at residents and businesses. Phase 1 of the study included case studies of 'shop local' programs in cities similar to Berkeley in terms of size and geographic location, identification of the city's major retail shopping districts and market niches, and an assessment of existing retail conditions by area and market niche. Phase 2 included a focused definition of the successful components of a 'shop local' or 'shop regional' campaign, with an emphasis on what will work in Berkeley. The study concluded with recommendations for shop local campaigns at two different budget levels, including components aimed at attracting regional residents and visitors to Berkeley's many unique shopping districts. As a direct result of this project, Berkeley retail merchants formed a consortium to supportcollaborative action on shared issues, emphasizing cooperation over competition.

DEVELOPMENT IMPACT FEE NEXUS STUDIES AND AB1600 CRITIQUES

Development Impact Fee Peer Review (2001-2003), Gilroy, California

On behalf of local developers including Shapell Industries and the Home Builders Association of Northern California (HBA), Brion & Associates prepared a comprehensive technical review of the City's park, police and library impact fee programs. The City's total impact fee program was scheduled to increase from an average of about $27,000 per residential unit to nearly $70,000 per unit over the next 20 years – a figure which developers contended was not only economically unfeasible, but also legally incorrect. Brion & Associates reviewed all available information and synthesized its findings into a clear analysis of the situation and a comprehensive overview of necessary action and alternatives. An assessment detailing the legal and technical problems of this approach, including its inconsistencies with AB1600, was submitted to the City, along with a list of recommendations.

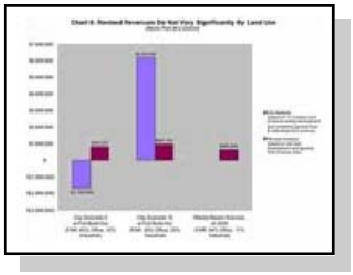


"Joanne is a team player who has provided invaluable analysis on several cases involving development impact fees. In a lawsuit challenging the city's adoption of eight fees, Joanne provided essential litigation support that helped me unwind the city's complex web of calculations."

—Dan Muller, Attorney, Morgan Miller Blair

PLANNING AND PUBLIC POLICY

Menlo Park M-2 Zoning Study (2002), Menlo Park, California



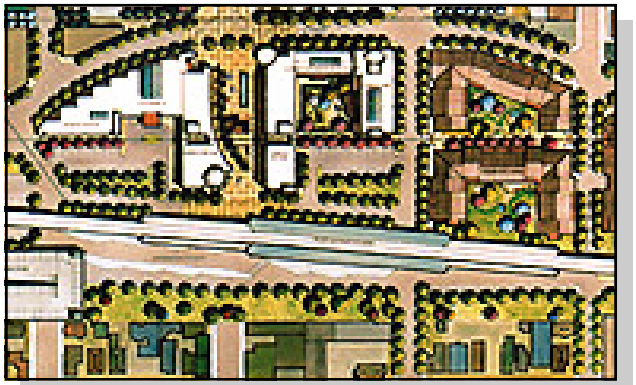
Working in conjunction with a team of consultants with Steefel, Levitt & Weiss (SLW) as prime, Brion & Associates provided analytical and technical support on urban economic and planning issues related to the proposed down-zoning of the major business district (called M-2) in Menlo Park. This effort included a critique of the City's fiscal impact model and other data and analyses prepared in support of the zoning proposal. The proposal's attempt to exclude office development from the M-2 failed to recognize that the real estate market in Menlo Park has long since transitioned from industrial to office and R&D. The client, David D. Bohannon Organization, is a large property owner in the M-2 District. The next phase of work includes preparing a fiscal impact analysis and other economic analysis supporting a development agreement for two large parcels owned by the Bohannons. This effort includes working collaboratively with the City Manager and other staff to better address costs and benefits associated with office development and mixed-use projects.

> *"Joanne's background in municipal finance, economics, and land use planning is impressive, and her prior (and continuing) experience working for cities lends additional credibility to her already excellent work."*
>
> —Timothy Tosta, Attorney, Steefel, Levitt & Weiss

MARKET ASSESSMENTS AND SITE PLANNING

Transit-Oriented Development (TOD) Retail Market Study and White Paper – Case Studies (2003)
Dublin, California

Brion & Associates is preparing an assessment of the retail potential at East Dublin's transit-oriented development center, including a detailed assessment of the type, mix, location and amount of retail that can be supported at this location. This work is being conducted for the East Bay Community Foundation through the Livable Communities Initiative and was provided to the City of Dublin for consideration in the East Dublin BART Station Specific Plan. The project also includes a White Paper that addresses general concerns of retail and TOD, provides a summary of retail trends, and includes three detailed case studies of TODs with retail in various locations nationwide.



CHILD CARE & PUBLIC POLICY

Over the last few years, Brion & Associates has developed a unique expertise regarding the important public policy issue of child care development. Child care can be considered a type of quasi-public service, in that facilities seldom generate enough profit to fund expansions. Local governments increasingly recognize that quality child care is a key component of a community's quality of life.

Employers are also realizing that good community-based child care services are a prerequisite for attracting and retaining workers. Brion & Associates is actively involved in developing strategies and partnerships linking the real estate/developer community with cities, non-profits and child care intermediaries. Such new models of collaboration encourage the growth of public policies, programs and financing support for the development of child care facilities, helping to move forward a public policy issue impacting millions of families throughout California.

CHILD CARE POLICY

Child Care and Housing Linkage Research Study (2003)
San Mateo County, California

Working with the County of San Mateo and the Child Care Coordinating Council, Inc. of San Mateo County, Brion & Associates as prime consultant with Vernazza Wolfe Associates, Inc. prepared a comprehensive assessment of policies and programs that could help link the provision of child care facilities with housing development. The study evaluated 16 potential policies and programs with a detailed description and history of each, along with an assessment of its particular strengths and weaknesses and an examination of its specific usefulness in San Mateo County. The study also includes the first comprehensive overview of the supply and demand of child care spaces compared to existing and projected household growth by city. Six case studies of housing developments with child care facilities were presented, including four affordable projects and two market-rate projects. The study concluded with a series of recommendations as to which policies would most directly support child care needs and efforts. The study was presented at the first Countywide Children's Summit in September 2003.

CHILD CARE PUBLIC FINANCE

Child Care Facility Impact Fee Nexus Study (2001-2002), South San Francisco, California

Brion & Associates was selected by the City of South San Francisco to prepare a Child Care Impact Fee Nexus Study establishing a development impact fee program (based on the requirements of state law AB1600) to provide child care facilities in the City. As housing prices escalate in the City, child care has become scarcer and more expensive. Brion & Associates examined the implications of an impact fee targeting increasing the supply of child care, through funding new facilities or renovating/expanding existing facilities. The City Planning Commission and City Council unanimously approved the child care impact fee in October 2001. Brion & Associates then assisted the City in implementing the new program, including developing an innovative new grant program for Family Child Care Home providers in conjunction with the San Mateo Child Care Coordinating Council. The City of South San Francisco's new impact fee program was recently honored with the Gold Award for systems that support children by the Peninsula Partnership for Children, Youth and Families.

SELECTED PROJECT EXPERIENCE

- Alameda Impact Fee Update and Nexus Study, City of Alameda (EPS)
- Benicia Economic Development Element, Benicia (EPS)
- Benicia General Plan Fiscal Impact Analysis, Benicia (EPS)
- Buchanan Airport Reuse Fiscal Impact Analysis, Concord (current)
- Blue Rock Country Club Technical Support, Hayward
- Capital Facilities Improvement Fee Nexus Study, Santa Rosa (EPS)
- Capital Impact Fee Study, Fairfield (EPS)
- Child Care Facilities Impact Fee Nexus Study and Implementation, South San Francisco
- Child Care Impact Fee Nexus Study, Palm Desert (current)
- Child Care Policy Feasibility Study, Palo Alto
- Child Care and Housing Linkage Research Study, San Mateo County
- Dougherty Valley Financial Audit and Negotiations Support, San Ramon (current)
- Dublin/Pleasanton BART Station Market Study, Dublin/Pleasanton (EPS)
- Economic Impact of Fees, and Capital Facilities Impact Fee Nexus Study, Fairfield (EPS)
- El Dorado County Growth Control Initiative Analyses (3 Studies/EPS)
- Elk Grove Traffic Fee Peer Review for BIA, Elk Grove
- Gale Ranch– Dougherty Valley Child Care Needs Assessment, San Ramon
- Gilroy Impact Fee Peer Review for Home Builders Association, Gilroy (current)
- Harter Specific Plan Financing Plan, Yuba City (current)
- Hercules Fiscal Impact Analysis, Hercules (EPS)
- Los Banos Impact Fee Peer Review, Los Banos
- MacArthur BART Market and Financial Feasibility Study, Oakland (EPS)
- McCarthy Ranch GPA Fiscal and Financial Analysis, Milpitas (EPS)
- Menlo Park M-2 Zoning Study, Menlo Park
- Menlo Park – Bohannon Fiscal Analysis – DA Support, Menlo Park (current)
- Mission District Rezoning Study, San Francisco
- Neighborhood Quality of Life Study, Berkeley/Oakland (EPS)
- North Coyote Valley Feasibility Study, San Jose (EPS)
- Paso Robles Impact Fee Peer Review for HBA, Paso Robles
- Rio Vista Army Base Reuse Plan, and Retail Market Study, Rio Vista (EPS)
- Rio Vista Marina Feasibility Study, Rio Vista (EPS)
- San Jose 2020 General Plan Fiscal and Financial Analysis, San Jose (EPS)
- San Jose – Industrial Conversion to Retail Analysis, San Jose
- Shop Local Campaign Research Study, Berkeley
- South Berkeley Grocery Market Study, Berkeley (EPS)
- Southwest Santa Rosa Retail Market Study, Santa Rosa, (EPS)
- Stanley Ranch Resort, Fiscal and Financial Analysis, Napa (EPS)
- Stone Creek Specific Plan Fiscal Impact Analysis, Los Banos
- SW and SE Area Financing and Implementation Plans, Santa Rosa (EPS)
- Traffic and Property Value Impacts, Fagan Canyon, Santa Paula
- Transit-Oriented Development (TOD) Retail Market Study, Dublin
- Walpert Ridge Fiscal, Financial and Economic Analysis, Hayward (EPS)

JOANNE BRION RESUME

Joanne Brion has over 20 years of professional consulting and research experience in urban economics, real estate feasibility and development, and environmental review. She has managed over 60 studies involving growth, development, and fiscal/financial issues in a public policy context. Areas of expertise include development and real estate feasibility, fiscal impact analysis, development impact fees and nexus studies, jobs/housing analysis, budget and demographic forecasting, and public policy analysis. Prepare grants, proposals, and responses to Requests for Proposals, and Statement of Qualifications. Experience managing technical staff and subconsultants to produce concise reports with sound technical analysis and presenting technical analysis and information to the general public, city councils, and other public bodies.

PROFESSIONAL EXPERIENCE

July 2000 - Present	Principal ***Brion & Associates,*** Oakland, CA
1990 - 2000	Vice President, Urban Economist ***Economic & Planning Systems, Inc.***, Berkeley, CA
August 1989 - December 1989	Data Analyst ***Wharton Econometrics Forecasting (WEFA)***, New York, NY
August 1989 - December 1989	Research Analyst ***Regional Plan Association***, New York, NY
January 1988 - July 1989	Staff Research Analyst ***Urban Research Center, New York University***, New York, NY.
July 1985 - January 1988	Associate, Planning and Economics Division ***Environmental Science Associates***, San Francisco, CA
Spring 1986 & Fall 1984	Planning Intern ***San Francisco Department of City Planning***, SF, CA

EDUCATION

- Masters of Urban Planning (1990), New York University, Wagner Graduate School of Public Service, Public Policy and Economics focus.
- Bachelor of Arts, San Francisco State University (1987), Urban Studies Program with City Planning focus.

HONORS AND ACTIVITIES

- Member, Congress for the New Urbanism
- Phi Beta Kappa and Magna Cum Laude
- The APA 1989 Weinberg Award for academic excellence in planning, New York Metro Chapter

COLLABORATIONS AND ASSOCIATES

Brion & Associates collaborates with a number of other firms and individuals to provide the broad range of services required by each assignment. Our associates include urban designers, civil engineers, land use lawyers and other urban economists. Some of these include:

- **Phil Erickson, Community Design + Architecture**
  http://www.community-design.com

  CD+A provides urban design and transportation planning services at the project, neighborhood, city and regional levels. B&A often teams with CD+A in design and planning efforts to provide economic analysis determining the appropriate land use type and mix. CD+A has a unique ability to thoroughly integrate economics into their work.

- **Timothy Tosta, Land Use Attorney, Steefel, Levitt & Weiss**
  http://www.steefel.com/main.php?section=attorney&page=attorneys/tosta

  Brion & Associates provides economic and strategic planning services in conjunction with SLW to Bay Area developers in the context of entitlements and public policy planning. Mr. Tosta provides more than just legal advice -- he knows how to fully integrate the many aspects of design, environmental, economic, planning and politics to successfully navigate projects through the entitlement maze.

- **Daniel Muller, Land Use Attorney, Morgan Miller Blair**
  http://www.mmblaw.com/attorneys/atty_d_muller.htm

  Brion & Associates collaborates with Dan Muller in the context of development impact fee review and litigation throughout the greater Bay Area. Mr. Muller provides targeted, thoughtful, and precise legal assessments, thoroughly integrating technical and economic analysis into his legal opinions and advice.

- **Marian Wolfe, Ph.D., Vernazza Wolfe Associates, Inc.**
  http://www.vernazzawolfe.com

  Brion & Associates collaborates with VWA, Inc. on public policy and urban economic projects. VWA offers in-depth knowledge of affordable housing policies and programs, real estate economics, redevelopment and other economic policy analyses.

- **Sheila Brady, Licensed Landscape Architect** (sheila.brady@lsa-assoc.com)

  Ms. Brady has 30 years experience in the field of environmental design. She consults with local governments, non-profit organizations, private and institutional clients on land use, design and planning issues.

- **Edward Richkind, Renaissance Project Management** (edward@renpm.com)

  Edward Richkind, who primarily provides technical support in developing complex financial models for Brion & Associates, brings to the company's diverse clientele over 20 years of integrated consulting experience in real estate investments, development, architecture and construction.

- **Michelle Nilsson, Nilsson Consulting** (michelle@nilssonconsulting.com)

  Ms. Nilsson provides Brion & Associates with research services and technical support. Currently she is overseeing our Child Care Impact Fee Nexus Study in Palm Desert.

REFERENCES

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