Fiscal Impact Analysis of Proposed Development on Constitution and Independence Sites

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City of Menlo Park

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Introduction

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

The City of Menlo Park (City) retained Bay Area Economics (BAE) to conduct a Fiscal Impact Analysis Study for a new office, hotel, and health club development proposed by the Bohannon Development Company (Bohannon). This development would involve approximately 16 acres of land situated near the intersection of Marsh Road and Highway 101. At the City's request, the Study additionally includes a complete fiscal impact analysis for five alternative development programs on the same site. This alternatives analysis provides a comparison of the potential fiscal impact outcomes from development programs other than what is currently proposed by the developer.

BAE was also asked to evaluate three related questions as supplemental analyses to the Fiscal Impact Analysis:

1) What would be the fiscal impact of housing development induced by the proposed project?
2) To what extent would development of the proposed project potentially induce demand for changes in land use and new development on adjacent sites?
3) What alternative revenue generating mechanisms exist that could be used to obtain additional public benefits from the proposed project, in addition to existing revenue streams?

Fiscal Impact Methodology

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

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

This analysis focuses on impacts to the City General Fund and special district operating funds, which represent the portion of municipal and district budgets that finance the ongoing provision of basic services. To pay for these services, the General Fund and operating funds are dependent on discretionary revenue sources, such as property taxes, sales taxes, transient occupancy taxes, and various local taxes, as well as revenues allocated by the State of California and the federal government. Within this report, the annual ongoing fiscal impact of the proposed new development is described in constant 2008 dollars, focused on a future point in time when the project would be fully built out and would have achieved stabilized operations. In addition to a description of the annual recurring fiscal impact, a 20-year cash flow analysis is provided as an appendix to describe year-by-year and cumulative fiscal impacts that would result from the proposed development.

This analysis was prepared in the midst of a severe economic downturn, which has led to a steep decline in key sources of municipal revenues for communities around the country, including declines in property tax, sales tax, and transient occupancy tax revenues. This analysis assumes that by the time the proposed development would be completed, the economy will have recovered substantially. Nonetheless, recognizing the cyclical nature of the economy, where possible, this analysis estimates revenues for key revenue sources based on historic data covering several years, encompassing the highs and lows of the previous economic cycle. For transient-occupancy tax revenues, which represent the main source of potential revenue from the proposed new development, an estimate of revenues is provided for years of strong, weak, and average performance by the hotel sector.

Service Population

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

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

While a fiscal impact methodology based on service population is an important and useful means for estimating increased expenditures, in some instances other approaches are more appropriate. Where other methodologies are used for specific revenue, such as property taxes, and specific expenditure items, such as public works expenditures, these are explained in the relevant sections below. Shown in Table 1 are the service population for Menlo Park, the County, and relevant special districts.

Table 1: Service Population of Menlo Park and Special Districts

City of Menlo Park	2008 Current Year
Employment (a)	26,805
Population (a)	31,296
Service Population (b)	44,699
San Mateo County	
Employment (a)	352,549
Population (a)	733,300
Service Population (b)	909,575
Midpeninsula Open Space District (c)	
Employment (a)	374,983
Population (a)	598,657
Service Population (b)	786,149
Sequoia Healthcare District (d)	
Employment (a)	109,709
Population (a)	179,289
Service Population (b)	234,143
Menlo Park Fire District (e)	
Employment (a)	47,734
Population (a)	94,107
Service Population (b)	117,973

Notes:

(a) Based on ABAG projections of employment and population in 2005, adjusted to specific years using average annual growth rates.

(b) Service Population is defined as all residents plus one half of employment.

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

(d) Sequoia Healthcare District includes Redwood City, San Carlos, Belmont, Menlo Park, Woodside, Atherton, and Portola Valley

(e) Menlo Park Fire District includes Menlo Park, Atherton, East Palo Alto, and unincorporated areas of San Mateo County

Sources: ABAG Projections, 2007; BAE, 2008

Revenue Items

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

Expenditure Items

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

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

Report Organization

This report is organized into the following sections:

- ***Development Program Overview.*** This section provides an overview of the proposed project as well as five alternative development programs identified by the City for the site.
- ***City of Menlo Park General Fund Fiscal Impact Analysis.*** This section provides a Fiscal Impact Analysis focused on the City's General Fund. Specific topics are listed below.
    - *General Fund Revenues.* This section describes methodologies for estimating revenues and provides a detailed source-by-source estimate of City General Fund revenues.
    - *General Fund Expenditures.* This section describes methodologies for estimating expenditures and provides a detailed, department-by-department estimate of City General Fund expenditures.
    - *Summary of Annual Ongoing Net Fiscal Impact.* This section provides an estimate of the annual ongoing net fiscal impact to the City General Fund resulting from the project/alternatives by comparing the findings of the two preceding sections.
    - *Cumulative 20-Year Cash Flow Analysis.* This section presents the year by year and cumulative net fiscal impact of the project across a 20 year period, expressed in constant 2008 dollars.
- ***Special District Fiscal Impact Analysis.*** This section presents methodologies for estimating special district revenues and expenditures and presents the net annual fiscal impact to the operating budget of each of the affected special districts for the proposed project and the five alternatives.
- ***Induced Development Fiscal Impact Analysis.*** This section presents the net fiscal impact to the City's General Fund and School Districts based on the potential induced housing demand generated by the project and the five alternatives.
- ***Land Use Change on Adjacent Sites.*** This section describes the potential induced demand for land use changes and new development on the adjacent sites resulting from development of the proposed project and the five alternatives.
- ***Additional Fiscal Benefit Opportunities.*** This section describes potential alternative revenues streams which could be used to obtain additional fiscal benefits from the proposed project.

Development Program Overview

Bohannon has proposed amendments to the City General Plan and Zoning Ordinance affecting several parcels totaling 15.9 acres in order to allow a proposed development program for two sites within the City. Currently these parcels house approximately 219,000 square feet of office/R&D space, developed at a floor-to-area ratio (FAR) of 31 percent.

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

The Project and Alternatives involve different development programs for two sites, referred to as the Constitution and Independence Sites ("Project Area"). A map of this Project Area is shown on the following page and a list of parcels that constitute each portion of the Project Area is provided in Table 2. The Constitution Site measures approximately 8.9 acres and is bounded by Constitution Drive, Chrysler Drive, the Bayfront Expressway, and Marsh Road. The Independence Site measures approximately 7.1 acres and is bounded by Independence Drive, Chrysler Drive, Highway 101, and the Marsh Road off ramp.

Table 2: Overview of Project Area

Map ID	Site Address	Parcel Number	Site Area (Acres)
1	101 Constitution	55-234-240	1.5
2	115 Constitution	55-234-250	1.6
3	125-135 Constitution	55-234-260	3.4
4	155 Constitution	55-234-270	2.4
	Total Constitution Site		**8.9**
5	100 Independence	55-235-040	0.6
6	110 Independence	55-235-050	1.1
7	120 Independence	55-235-080	1.1
8	130-150 Independence	55-235-100	2.1
9	180-190 Independence	55-235-110	2.2
	Total Independence Site		**7.1**
	Total Both Sites		**15.9**

Note: Map ID corresponds to labels in Figure 1.
Sources: DataQuick, 2008; San Mateo County Assessor, 2008; BAE, 2008.

Figure 1: Map of the Project Area

Project Development Program

The Project proposed by Bohannon consists of a mixed use hotel, office, and health club development on the non-contiguous Project Area. Totaling approximately 950,000 square feet with an overall FAR of 137.5 percent, the Project is the most intensive development program considered for this analysis. A diagram of the proposed site plan is shown on the following page in Figure 2.

The Constitution Site portion of the Project would consist of two eight-story office buildings totaling 502,000 square feet. These buildings would house 495,000 square feet of office space and approximately 7,000 square feet of retail/community space. Parking for the Constitution Site would be primarily provided in two parking structures (one four stories, the other five stories), plus a small surface parking lot.

The Independence Site portion of the Project would consist of an eight-story office building and an 11-story, 230-room hotel/health club. In total, the development on the Independence Site would measure 447,000 square feet, including 200,000 square feet of office space; 172,000 square feet of hotel space; 69,000 square feet of health club space; 4,000 square feet for a restaurant use; and 3,000 square feet of retail/community space. Parking for the Independence Site would be provided in a five-story parking structure.

Figure 2: Proposed Project Development Program

Alternative Development Programs

The five Alternatives formulated by the City during the environmental review process consider a range of lower-intensity development scenarios for the Project Area.

Alternative 1 is the “No Project Alternative” and would involve no new construction in the Project Area and assumes that the existing office/R&D buildings, which measure 219,000 square feet and are built at a combined FAR of 32 percent, would be renovated and reoccupied. Analysis of this No Project Alternative provides a picture of the fiscal outcome for the City that would result if no new development occurs in the Project Area.

Alternative 2 would involve the build out of the Project Area to the maximum FAR allowed under existing M-2 zoning. This alternative would see the demolition of existing buildings, with the exception of 155 Constitution Drive, a 48,000 square foot office building completed in 1985. New M-2 development under this Alternative would be similar to 155 Constitution Drive, an existing two-story office/R&D building with surface parking. The maximum development allowed under existing zoning is a combined 313,000 square feet of office/R&D space, built at an FAR of 45 percent.

Alternative 3 would leave existing M-2 zoning in place for the development of new office buildings, while allowing as an additional element the proposed hotel development on the south portion of the Independence Site. Under this alternative, new two-story office buildings with surface parking would be built, similar to Alternative 2. The hotel/health club development in this scenario is identical to the Project, with a 230 room hotel, with a 69,000 square foot health club use, and ancillary restaurant and retail/community space.

Alternative 4 represents a scaled back version of the Project with a lower total FAR and less office square footage. Overall, Alterative 4 has an FAR of 109 percent, which corresponds approximately to Bohannon’s original Project for the site. Development on the Independence Site would be identical to the Project, including an eight story office building measuring 200,000 square feet and a 230-room hotel/health club. Development on the Constitution Site would consist of two six-story office buildings totaling 311,000 square feet. Theses buildings would house 304,000 square feet of office space and approximately 7,000 square feet of retail/community space.

Alternative 5 is also a scaled back version of the Project. It was formulated as an alternative through the EIR process to model the impact of a smaller project with reduced air quality and noise impacts. Alternative 5 totals 809,000 square feet with an FAR of 116 percent. The hotel/health club component on the Independence Site would be identical to the Project. In addition, the Independence Site would have 128,000 square feet of office development. Development on the Constitution Site would consist of 427,000 square feet of office space and approximately 7,000 square feet of retail/community space.

A summary of the development program for the Project and Alternatives is provided in Table 3.

Table 3: Overview of Project and Alternative Development Programs

	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Independence Site		No Project; Existing Buildings Re-Occupied	Build-Out of Sites Under Existing M-2 Zoning	Office at Current M-2 Maximum (0.45 FAR); Hotel/Health Club per Current Proposal	Total FAR per Prior Proposal; Hotel/Health Club per Current Proposal	Reduced-Intensity Alternative Based on Sensitivity Analysis
Built Area, Sq.Ft.						
Office/R&D	200,000	85,057	138,967	138,967	200,000	127,500
Restaurant	4,245	0	0	4,245	4,245	4,245
Health Club	68,519	0	0	68,519	68,519	68,519
Hotel	171,563	0	0	171,563	171,563	171,563
Retail/Community	3,000	0	0	3,000	3,000	3,000
Total	**447,327**	**85,057**	**138,967**	**386,294**	**447,327**	**374,827**
Lot Area, Sq.Ft.	308,815	308,815	308,815	308,815	308,815	308,815
Floor Area Ratio	144.9%	27.5%	45.0%	125.1%	144.9%	121.4%
Constitution Site						
Built Area, Sq.Ft.						
Office/R&D	494,669	133,694	173,660	173,660	303,677	426,542
Restaurant	0	0	0	0	0	0
Health Club	0	0	0	0	0	0
Hotel	0	0	0	0	0	0
Retail/Community	7,420	0	0	7,420	7,420	7,420
Total	**502,089**	**133,694**	**173,660**	**181,080**	**311,097**	**433,962**
Lot Area, Sq.Ft.	385,854	385,854	385,854	385,854	385,854	385,854
Floor Area Ratio	130.1%	34.6%	45.0%	46.9%	80.6%	112.5%
Total Project						
Built Area, Sq.Ft.						
Office/R&D	694,669	218,751	312,627	312,627	503,677	554,042
Restaurant	4,245	0	0	4,245	4,245	4,245
Health Club	68,519	0	0	68,519	68,519	68,519
Hotel	171,563	0	0	171,563	171,563	171,563
Retail/Community	10,420	0	0	10,420	10,420	10,420
Total	**949,416**	**218,751**	**312,627**	**567,374**	**758,424**	**808,789**
Lot Area, Sq.Ft.	694,669	694,669	694,669	694,669	694,669	694,669
Floor Area Ratio	136.7%	31.5%	45.0%	81.7%	109.2%	116.4%

Source: City of Menlo Park, 2009; BAE, 2009.

Employment Generation

BAE used standard employment density factors for office and retail uses to estimate employment generation for the Project and Alternatives. For the hotel, health club, and restaurant component of the development, BAE used data provided by Marriott, the proposed operator of the hotel, which is based on their experience with similar properties. Table 4 presents employment density factors and estimated employment for the Project and Alternatives. Approximately 2,500 employees would work at the Project. Employment totals for the Alternatives are shown below.

Table 4: Employment Generation for Project and Alternatives

Estimated Employment Density per Land Use

Employment Density			Comment/Source:
Office	300	sq. ft. per emp.	SCAG Employment Density Study, 2001.
Retail/Community	350	sq. ft. per emp.	SCAG Employment Density Study, 2001.
Restaurant	89	sq. ft. per emp.	Per Brion 2007 FIA. Based on data provided by Marriott.
Health Club	1,064	sq. ft. per emp.	Per Brion 2007 FIA. Based on data provided by Marriott.
Hotel	0.35	emp. per room	Per Brion 2007 FIA. Based on data provided by Marriott.

Estimated Employment at Proposed Development and Alternatives

Number of Employees by Type	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Office/R&D	2,316	729	1,042	1,042	1,679	1,847
Restaurant	48	0	0	48	48	48
Health Club	64	0	0	64	64	64
Hotel	81	0	0	81	81	81
Retail/Community	30	0	0	30	30	30
	2,538	729	1,042	1,264	1,901	2,069

Note: Office and retail employment density factors already account for an ordinary vacancy rate so no further adjustment is required to account for expected vacancies.
Restaurant, health club, and hotel employment density factors are based on estimated employment for each use as provided by Marriott.
Sources: SCAG Employment Density Study, 2001; Brion, 2007; BAE, 2008.

City General Fund Fiscal Impact Analysis

Annually Recurring General Fund Revenues

The Project would generate significant revenue for the City and various special districts from a variety of sources, including the transient occupancy tax (TOT, also known as the room or lodging tax), property tax, and sales tax as well as business licenses, fines, fees, and charges for services.

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

Transient Occupancy Tax

The Project, as well as Alternatives 3, 4, and 5, includes a 230 room hotel. For the Project and these alternatives, transient occupancy taxes (TOT) would be the most significant source of new revenues for the City's General Fund. The City's TOT tax rate is 10 percent, applicable to all room and parking revenues. Special districts do not receive TOT revenue.

To estimate hotel revenues, BAE evaluated five years of market data for comparable hotel properties located in and around Menlo Park. A list of comparable properties is provided below, which includes similar hotels in Menlo Park and adjacent communities.

Table 5: Hotel Competitive Supply, Menlo Park Trade Area, 2009

Hotel Name, City (a)	Affiliation Date (b)	Number of Rooms	Share of Market Segment
Sheraton, Palo Alto	1998	346	39.0%
Westin, Palo Alto	2000	184	20.7%
Stanford Park Hotel, Menlo Park	1995	163	18.4%
Crown Plaza, Palo Alto	1998	194	21.9%
Total		887	100.0%

Notes:
(a) List includes comparable full-service, upscale hotels in Menlo Park and Palo Alto.
(b) Affiliation date refers to the date when the property began operating under its current brand.
Source: Smith Travel Research, 2009; BAE, 2009.

Table 6 presents inflation adjusted market data for these comparable hotels, covering a six year period from 2003 to 2008, during which the local economy recovered from the previous economic downturn. As shown, 2003 was the low-revenue year during this time period with Average Daily Rates (ADR) of $194 and an average occupancy of 60.1 percent. By comparison, 2007 was the high-revenue year with an ADR of $202 and an average occupancy of 80.7 percent. During this period ADRs averaged $197 and occupancies averaged 72.5 percent for the selected set of comparable hotels.

Table 6: Hotel Market Trends, Menlo Park Trade Area, 2003 to 2008

Annual Average Daily Room Rates

Year	Unadjusted ADRs	Inflation Adjusted ADRs (a)
2003	$170.74	$193.66
2004	$169.77	$190.24
2005	$177.77	$195.37
2006	$185.62	$197.66
2007	$195.87	$201.96
2008	$201.35	$201.35
Average		$196.71

Annual Occupancy

Year	
2003	60.1%
2004	66.0%
2005	72.8%
2006	77.5%
2007	80.7%
2008	78.1%
Average	72.5%

Note: (a) All figures have been adjusted to 2008 dollars based on Bay Area CPI for All Urban Consumers.
Source: Smith Travel, 2009; BAE, 2009.

As TOT revenues would be expected to account for approximately 60 percent of the fiscal benefit from the Project, BAE prepared a sensitivity analysis, to estimate what hotel revenues and the resulting TOT receipts would be during low, average, and high revenue years as shown in Table 7. Hotel revenues from the new property can reasonably be expected to fall somewhere within this range, with fluctuations expected year to year based on conditions in the broader economy. At the low end, (assuming occupancy of 60 percent and an average daily room rate of $194), an upscale, full-service 230-room hotel could be expected to generate approximately $1.05 million of TOT revenue per year. In the middle, (assuming occupancy of 73 percent and an average daily room rate of $197) an upscale, full service hotel could be expected to generate $1.29 million in TOT revenues per year. At the high end, (assuming occupancy of 81 percent and an average daily room rate of $202) this type of hotel could be expected to generate $1.47 million of TOT revenue per year.

Table 7: Estimated Transient Occupancy Tax Revenues

	Low Year for Hotel Revenue	Average Year for Hotel Revenue	High Year for Hotel Revenue
Average Rate Per Room Night	$194	$197	$202
Average Parking Revenue Per Room Night (a)	$15	$15	$15
Total Average Taxable Revenue Per Room Night	$209	$212	$217
Occupancy Rate	60%	73%	81%
Number of Rooms	230	230	230
Nights per Year	365	365	365
Available Room Nights Per Year	83,950	83,950	83,950
Total Annual Taxable Revenue Per Year	$10,527,827	$12,891,161	$14,698,630
Transient Occupancy Tax Rate	10%	10%	10%
Transient Occupancy Tax Revenues	**$1,052,783**	**$1,289,116**	**$1,469,863**

Notes:
(a) Average Parking Revenue Per Room Night based on market comparables and other Renaissance Club Sport properties.
Sources: Smith Travel Research, 2009; City of Menlo Park, 2009; BAE, 2009.

By comparison, Marriott estimates that the proposed hotel would achieve an ADR of $244 expressed in 2012 dollars with an average occupancy of 75 percent. Adjusted to 2008 dollars based on a 20 year average of Bay Area CPI, this ADR would be approximately $216[1]. Hence, based on Marriott's own projections, the hotel would generate approximately $1.45 million in TOT revenues, an estimate that falls within the range presented above.[2]

[1] The average annual rate of inflation between 1988 and 2008 as measured by Bay Area CPI for all Urban Consumers has been 3.2 percent.

[2] *Projected Hotel Revenue by Type*. Provided by Brion & Associates to the City in an email sent May 2009.

Sales and Use Tax

The City receives sales tax revenues equal to 0.95 percent of local taxable sales that occur within the City limits. Hence, sales tax revenues from the Project would be expected to represent an important source of funds to the City, albeit substantially smaller than TOT and property tax revenues. Sales tax revenues associated with the Project would be expected to accrue from three sources: business-to-business sales tax revenues generated by office tenants; taxable retail spending at the hotel, restaurant, health club, and retail spaces; and spending elsewhere in the City by employees working in the Project.

Business to Business Sales Tax Revenues

With approximately 700,000 square feet of office space proposed, the office component of the Project could potentially generate a significant amount of sales tax revenue through business-to-business and other non-retail transactions for which the project is identified as the point of sale. As opposed to retail transactions where the point of sale is at the retail location, for non-retail sales of taxable goods to final users, the State Board of Equalization defines the point of sale for non-retail transactions as the seller's location where the principal sales negotiations are carried out – typically the company sales office. This can be a significant source for Silicon Valley companies that sell computing, telecommunications, and other equipment subject to sales tax.

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

Table 8: Comparable Office Developments, Menlo Park

Address(es)	Gross Floor Area (Sq. Ft.)
275 Middlefield Rd & 155 Linfield Dr	140,830
333 Middlefield Rd	44,386
120-160 Scott Dr	121,940
180-200 Jefferson Dr	210,000
2800 Sand Hill Rd	65,325
2725-2775 Sand Hill Rd	146,000
1000 El Camino Real	38,100
1600 El Camino Real	51,915
3850 Bohannon Dr & 990 Marsh Rd	11,646
3805 Bohannon Dr & 1000 Marsh Rd	40,250
4100-4700 Bohannon Dr	360,000
TOTAL	**1,230,392**

Sources: City of Menlo Park, 2008; BAE, 2008.

For each of these developments, the Finance Department provided total annual sales tax revenue over the previous ten years, excluding sales tax revenues generated in any ground floor retail space.

BAE inflated prior year's data using the All Urban Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area, and determined the average annual sales tax revenue during each of the prior years, expressed in current 2008 dollars. As shown in Table 9, business-to-business sales tax revenues ranged from a high of $688,000 in 2003 to a low of $53,000 in 1998. Divided by the total amount of square footage in these developments, revenues ranged from $43 to $559 per 1,000 square feet of Gross Floor Area. The dramatic year to year differences result from sales amounts recorded by a very small number of tenants. When a tenant leaves or enters a development or when its sales are unusually high or low during a given year, the amount of business-to-business sales taxes generated varies widely.[3]

Table 9: Estimated Business to Business Sales Tax Revenue

Business-to-Business Sales Tax Revenue Generation from Existing Large Office Developments in Menlo Park

Business-to-Business

Year	Total Revenues	$ Per 1,000 Sq. Ft. (b)
1998	$52,963	$43
1999	$121,030	$98
2000	$102,358	$83
2001	$193,654	$157
2002	$68,811	$56
2003	$688,270	$559
2004	$196,323	$160
2005	$79,570	$65
2006	$187,504	$152
2007	$143,428	$117
Low-Range	$52,963	$43
Median (Mid-Range)	$132,229	$107
High-Range	$688,270	$559

Estimate of Business-to-Business Sales Tax Revenues

	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Office Square Footage	694,669	218,751	312,627	312,627	503,677	554,042
Low-Range	$29,902	$9,416	$13,457	$13,457	$21,681	$23,849
Median (Mid-Range)	$74,655	$23,509	$33,598	$33,598	$54,130	$59,542
High-Range	$388,591	$122,367	$174,881	$174,881	$281,752	$309,926

Notes:
(a) All figures have been adjusted to 2008 dollars based on Bay Area CPI for All Urban Consumers.
(b) Per square foot revenues are calculated based on the Gross Floor Area of the developments surveyed:
Total Gross Floor Area of developments surveyed per City of Menlo Park Planning D 1,230,392 sq. ft.
Square footage of these developments did not change during the period considered.

Sources: City of Menlo Park, 2008; BAE, 2008.

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

Based on these data, BAE estimated sales tax revenue generation from the Project and the Alternatives as shown in Table 9. Assuming revenues at the high end of the range the Project would generate $389,000 in sales tax revenue, compared to $75,000 in the middle range, and $30,000 at the low end. Actual sales tax revenue generation would depend on the specific mix of tenants who occupy the space in the Project or the Alternatives. Certain types of office tenants tend to generate substantial sales tax revenues, including high technology corporate sales offices, while professional and financial services firms tend to generate little or no sales tax revenues.

Retail Sales Tax Revenues

Hotel Component. In addition to room revenues, full-service hotels generate taxable sales, primarily through the sale of food and beverages. These sales include food and beverages purchased at on-site restaurants, through room service, and in banquet facilities. This analysis estimates food and beverage sales, using data for comparable hotels, purchased from Smith Travel Research (STR).[4] According to STR, comparable full-service hotel properties located in San Mateo and Santa Clara counties have average sales of food and beverage of approximately $81 per occupied room night. Shown in Table 10, the proposed 230-room hotel would have annual food and beverage sales of $4.5 million. As the City receives 0.95 percent of local taxable sales as sales tax revenues, it would receive approximately $43,000 per year from on site taxable food and beverage sales at the hotel.

Health Club Component. In addition to revenue sources, such as membership dues, initiation fees, and personal training/spa services which are not subject to sales taxes, health clubs generate a certain amount of taxable sales through food and beverage concession and sales of clothing and other miscellaneous items. To estimate revenue from this source, BAE reviewed data provided by the Marriott Corporation and reported in Brion & Associates' 2007 Fiscal Impact Analysis. As reported, the health club is expected to generate approximately $1.35 million in annual spa and retail spending, of which Brion & Associates estimated 25 percent or $338,000 per year would be taxable.[5] This estimate appears reasonable, if not conservative, for purposes of estimating taxable sales. Based on these assumptions, as shown in Table 10, after applying the local sales tax rate of 0.95 percent, the City of Menlo Park would receive an estimated $3,000 per year in taxable sales from the health club use.[6]

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[4] Smith Travel Research maintains a database of hotel performance for more than 24,500 hotel properties, which is updated on a monthly basis. BAE purchased data regarding 10 comparable properties in the Peninsula and South Bay to determine typical food and beverage revenues per occupied room night.

[5] As shown in Table 9, these revenues have been adjusted into current dollars based on a 20-year average of Bay Area CPI. In the Brion & Associates' 2007 Fiscal Impact Analysis, taxable retail spending at the health club is reported as $1.53 million, expressed in 2012 dollars.

[6] Brion describes a target of 10,000 members for the health club. Hence, annual taxable sales of $338,000 translate to approximately $34 dollars per year, a relatively conservative assumption.

Table 10: Retail Sales Tax Generation for Hotel & Health Club Use

Assumptions		
Occupancy Rate	66%	*Low to Mid-Range occupancy based on STR data.*
Food and Beverage Revenues Per Occupied Room Night	$81.45	*Per Smith Travel Research data for comparable properties in Peninsula.*
Local Sales Tax Rate	0.95%	*Per SBOE Annual Report, 2006-2007, Table 23A.*
Estimate of Hotel Retail Sales Tax Revenue		
Average Annual Occupied Nights Per Room	241	*Calculated as 365 calendar days per year x occupancy rate*
Average Annual Food and Beverage Revenues Per Room	$19,621	*Calculated as avg. rev. per occupied room night x avg. annual occupied nights*
Number of Hotel Rooms	230	*Per development program*
Estimated Annual Food and Beverage Revenues	$4,512,900	
Hotel Sales Tax Revenues to City of Menlo Park	**$42,873**	
Estimate of Health Club Retail Sales Tax Revenue		
Estimated Spa and Retail Spending (a)	$1,353,000	*Per Table A-10 of Brion's 2007 FIA of the Constitution/Independence Project*
Taxable Portion of Spa and Retail Spending	$338,250	*Assumes 25% of spa and retail spending is taxable consistent with Brion's FIA*
Health Club Sales Tax Revenues to City of Menlo Park	**$3,213**	
Total Hotel and Health Club Sales Tax Revenues to City	**$46,086**	

Note:
(a) Based on estimated 2012 revenues, adjusted to 2008 dollars based on a 20-year average of Bay Area CPI for all urban consumers.
(b) As shown below, Table A-10 of Brion's 2007 Fiscal Impact Analysis identifies $1,532,000 as the estimated amount of Health Club revenue that would be subject to sales tax. Brion presented these revenues in 2012 dollars and they have been discounted to 2008 dollars for purposes of this analysis using a 20-year average of Bay Area CPI.

Estimated Annual Health Club Revenues	Current Dollars	2012 Dollars	*2012 Revenues as reported in Brion's 2007 Fiscal Impact Analysis*
Membership and Initiation	$10,840,000	$12,277,000	*Not Subject to Sales Tax*
Spa and Retail	$1,353,000	$1,532,000	*Brion estimated 25% subject to sales tax*
Programming	$1,525,000	$1,727,000	*Not Subject to Sales Tax*
Total	$13,718,000	$15,536,000	

Sources: Smith Travel Research, Custom Host Report, 2008; Brion, 2007; State Board of Equalization, 2006; BAE, 2008.

Retail/Community Component. The Project includes 10,000 square feet of space identified as neighborhood-serving convenience retail / community facilities. Consistent with Brion & Associates' 2007 Fiscal Impact Analysis for the Project, this analysis assumes this space would not generate retail sales tax revenue. This assumption potentially understates revenues from the space, which could be occupied by small retail uses such as a café or convenience store. Typical taxable sales at such establishments range from $150 to $300 per square foot per year or $1.5 to $3.0 million in total annual taxable sales. Applying the local share of sales taxes 0.95 percent, the City could receive between $14,250 and $28,500 per year from this space. However, as explained above, the use for this space has not been programmed as yet and hence no sales tax revenues are assumed from this space when describing the net fiscal impact of the Project.

Employee Sales Tax Revenues

Spending by Employees. In addition to taxable sales occurring on-site, employees at the Project would generate new sales tax revenues through off-site spending at businesses located in Menlo Park. This type of spending generally consists of off-site food purchases (e.g., lunch) and other miscellaneous retail purchases. The International Council of Shopping Centers publishes a detailed survey on office worker spending patterns, which provides a useful estimate of likely spending by Project employees. According to these data, employees at suburban office locations spend approximately $3,700 annually on food and retail purchases near their place of work.

In the case of the Project Area, a portion of employee spending would be expected to occur within the City of Menlo Park, while a portion would be expected to occur in nearby communities. A scan of nearby food and convenience retail locations shows the most readily accessible options to be along Marsh and Woodside Roads in Redwood City and along Willow Road in Menlo Park. Nearby destination retail options are located in downtown Menlo Park, downtown Redwood City, downtown Palo Alto and at the Stanford Shopping Center in Palo Alto. Based on the distance of the Project Area from key retail nodes in Menlo Park; its separation from the western portion of Menlo Park by Highway 101; and the availability of nearby food and retail options in other communities, this analysis assumes two-thirds of employee-generated retail spending would occur outside of Menlo Park, with the remaining spending occurring in Menlo Park.

Assuming one-third of off-site employee spending occurs locally, each employee would generate approximately $1,200 in taxable sales annually. Hence the Project would generate approximately $30,000 in sales tax revenues for the City, with the Alternative land use programs generating smaller sums, as shown in Table 11.

Table 11: Sales Tax Revenue Generated by Employees

Assumptions			**Daily**	**Annual**		
Average Annual Retail Spending per Office Worker (a)			$15.45	$3,707		
Estimated Distribution of Spending			**Percent**	**Dollars**		
Spending in other nearby communities (b)			67%	$2,473		
Spending in City of Menlo Park			33%	$1,234		
Estimate of Taxable Retail Sales	**Project**	**Alt. 1**	**Alt. 2**	**Alt. 3**	**Alt. 4**	**Alt. 5**
Employment	2,538	729	1,042	1,264	1,901	2,069
Estimated Annual Retail Spending in Menlo Park	$3,132,911	$900,114	$1,286,393	$1,560,889	$2,347,019	$2,554,260
Estimate of Sales Tax Revenues						
Local Sales Tax Rate	0.95%					
Sales Tax Revenues to City of Menlo Park	$29,763	$8,551	$12,221	$14,828	$22,297	$24,265

Notes:
(a) Based on data from International Council of Shopping Centers, *Office Worker Retail Spending Patterns,* 2004, pg. 106.
(b) Assumes a portion of spending would occur in Redwood City, Atherton, Palo Alto, etc.
Data inflated to 2008 dollars based on CPI.
Sources: ICSC, 2004; BAE, 2008.

Property Taxes

Property taxes are a key source of City General Fund revenues, as well as the primary revenue source for a number of special districts. Property taxes are applicable to real property, defined as land and the buildings attached to it, and certain types of personal property, including furniture, fixtures, and equipment (FF&E) owned by businesses.[7] Properties in San Mateo County are subject to a base 1.0 percent property tax rate, which is shared among various local jurisdictions including the County, City, and special districts, as well as the State which is allocated a portion of funds known as Education Revenue Augmentation Funds ("ERAF"). See Appendix 1 for more information on the ERAF shift. In addition to the base 1.0 percent tax rate, within certain areas in the County, supplemental property taxes apply. The Project Area is subject to supplemental property taxes to pay for bonds issued for park and recreation, school district, and community college district purposes. Supplemental property taxes apply only to real property and not to business personal property. Table 12 shows a distribution of the base 1.0 percent tax rate as well as supplemental taxes applicable to the Project and Alternatives.[8] The City gets 9.53 percent of the base 1.0 percent tax, with the remainder going to various other jurisdictions. To estimate future property tax revenues resulting from new development, one must estimate the new assessed value the County tax assessor would assign to the property and apply the applicable tax rate.

[7] All businesses with personal property worth $100,000 or more are required to file a property tax statement.
[8] The Sites are located in County Tax Rate Area 08-010.

Table 12: Distribution of Property Tax Assessment by Jurisdiction

Jurisdictions	Distribution of Base 1.0% Property Tax
City of Menlo Park	9.53%
San Mateo County	13.48%
Redwood City Elementary School District	22.49%
Sequoia High School District	14.86%
San Mateo Community College District	6.45%
Menlo Park Fire District	13.34%
Midpeninsula Regional Open Space District	1.75%
Bay Area Air Quality Management	0.20%
County Harbor District	0.26%
Mosquito Abatement	0.15%
Sequoia Hospital District	1.39%
County Office of Education	3.36%
ERAF Share of Base 1.0% Tax	12.74%
	100.0%
Supplemental Taxes	**Tax Rate**
Menlo Park & Recreation Bond	0.019%
Redwood City Elementary Bonds	0.025%
Sequoia High School Bonds	0.021%
San Mateo Community College Bonds	0.017%
Total Property Tax Rate	1.081%

Sources: Santa Mateo County Controller, 2008; Bay Area Economics, 2008.

The assessed value of real property consists of two components: land value, and improvement value. Proposition 13 provides that the value of each of these components cannot increase by more than 2 percent per year, except where a property is transferred to a new ownership entity or, in the case of improvement value, where construction activity occurs. Table 13 shows the current assessed value of the Sites. The Constitution Site has a much higher assessed value ($23.6 million) than the Independence Site ($8.40 million), reflecting the fact that most of the Constitution Site was sold and reassessed to market value in 2001, whereas none of the Independence Site has been sold or reassessed to market value since 1997.

Table 13: Existing Assessed Value

Site Address	Parcel Number	Sale Date	FY 07-08 Land Value	FY 07-08 Improvement Value	FY 07-08 Total Assessed Value	Current Ownership
100 Independence	55-235-040	Nov-93	$1,287,142	$776,380	$2,063,522	Bohannon Development Company
110 Independence	55-235-050	NA	$154,980	$0	$154,980	David D Bohannon Organization
120 Independence	55-235-080	Mar-97	$1,008,985	$632,133	$1,641,118	David D Bohannon Organization
130-150 Independence	55-235-100	Apr-79	$689,957	$2,124,166	$2,814,123	Bohannon Development Company
180-190 Independence	55-235-110	Apr-79	$365,081	$1,350,880	$1,715,961	Bohannon Development Company
Total			**$3,506,145**	**$4,883,559**	**$8,389,704**	
101 Constitution	55-234-240	NA	$2,514,019	$0	$2,514,019	125 Constitution Associates LP
115 Constitution	55-234-250	Jul-01	$2,646,337	$551,319	$3,197,656	125 Constitution Associates LP
125-135 Constitution	55-234-260	Jul-01	$5,513,205	$4,046,691	$9,559,896	125 Constitution Associates LP
155 Constitution	55-234-270	Mar-97	$2,351,283	$5,985,473	$8,336,756	Bohannon Trust Partnership II
Total			**$13,024,844**	**$10,583,483**	**$23,608,327**	
Total Both Sites			**$16,530,989**	**$15,467,042**	**$31,998,031**	

Sources: DataQuick, 2008; San Mateo County Assessor, 2008; BAE, 2008.

Bohannon has indicated that it would not transfer three of the four Constitution Site parcels to a new ownership entity prior to proceeding with the Project. Hence, the current assessed land value for the 101 Constitution, 115 Constitution, and 125-135 Constitution properties would remain after the Project was completed, subject to annual increase of not more than 2 percent. Bohannon has expressed an intention to transfer the 155 Constitution parcel prior to proceeding with development, triggering a reassessment to market value. To estimate what new assessed land value would be after the completion of the Project, BAE conducted market research regarding the current sale price of commercial land in Silicon Valley. Land sale prices are often quoted in terms of price per buildable square foot.[9] Shown in Appendix 2, comparable land sale prices have averaged approximately $50 per buildable square foot.[10] The new assessed land value for the 155 Constitution property was calculated based on the $50 per buildable square foot average and the existing 48,000 square feet building on site. BAE assumed that the entire Independence Site would be transferred and reassessed to market value based on the existing M-2 zoning. Based on these assumptions, Table 14 shows the new assessed land value for the Project and Alternatives. For purposes of analysis, BAE has assumed that, under Alternative 1, the site would not be sold; hence, the current assessed value is shown. Assessed land values range from the current value of $16.5 million, to a high of $20.0 million for the Project.

[9] Buildable square footage is determined by local land use regulations. Where existing entitlements are not yet in place, land sale contracts are often contingent on the ability to receive entitlement to build a specified square footage. This is sometimes described as price per FAR (floor area ratio) foot.

[10] Land sale prices are highly sensitive to economic conditions. Actual assessed value will be based on market conditions at the time the project is transferred.

Table 14: Estimate of New Assessed Land Value

	Current	Estimated New Assessed Land Value					
Constitution Site	**Assessment**	**Project**	**Alt. 1**	**Alt. 2**	**Alt. 3**	**Alt. 4**	**Alt. 5**
Assessed Land Value (a)	$13,024,844	$13,073,561	$13,024,844	$13,073,561	$13,073,561	$13,073,561	$13,073,561
Built Area, Sq. Ft.	133,694	502,089	133,694	173,660	181,080	311,097	433,962
Independence Site							
Assessed Land Value (b)	$3,506,145	$6,948,350	$3,506,145	$6,948,350	$6,948,350	$6,948,350	$6,948,350
Built Area, Sq. Ft.	85,057	447,327	85,057	138,967	386,294	447,327	374,827
Both Sites							
Assessed Land Value	$16,530,989	$20,021,911	$16,530,989	$20,021,911	$20,021,911	$20,021,911	$20,021,911
Built Area, Sq. Ft.	218,751	949,416	218,751	312,627	567,374	758,424	808,789

Notes:
(a) Assumes all parcels except 155 Constitution would not be transferred and would not trigger a reassessment. 155 Constitution would be transferred and reassessed. New assessed value for 155 Constitution calculated assuming $50 per buildable square foot and the existing built area on the site. Comparable land sale prices in Silicon Valley have averaged approximately $50 per buildable square foot.
(b) Assumes entire site would be reassessed. New assessed value calculated assuming $50 per buildable square foot per the maximum M-2 buildout.
Sources: DataQuick, 2008; San Mateo County Assessor, 2008; BAE, 2008.

To determine the assessed value of improvements, one accepted method is based on the total construction cost of the project. Per State guidelines, total construction costs include "hard costs" (i.e., labor and materials) as well as "soft costs" such as architecture, engineering, and consulting services, finance costs and an ordinary rate of economic return for the developer.[11] To estimate construction costs BAE used published data from the *2008 RS Mean Square Foot Costs* construction cost manual. BAE also relied on prior knowledge from evaluating construction costs for projects throughout the Bay Area. Table 15 provides a summary of development costs, while Appendix 3 provides a detailed breakdown of construction costs assumptions. As shown, the total construction cost of the Project, including hard and soft costs would be $363.0 million.

[11] State Board of Equalization. *Assessor's Handbook.* Last modified 2007. http://www.boe.ca.gov/proptaxes/ahcont.htm

Table 15: Construction Cost Estimates

Cost Assumptions				
Building Costs, Per Sq. Ft.	**Hard Cost (a)**	**Soft Costs (b)**	**Total Cost**	
Office/R&D/Retail	$220	$78	$298	Per Sq. Ft.
Hotel/Health Club/Restaurant	$200	$71	$271	Per Sq. Ft.
Parking Cost, Per Space				
Surface	$5,000	$1,769	$6,769	Per Space
Structured	$25,000	$8,843	$33,843	Per Space

Development Program						
New Construction, Sq. Ft.	**Project**	**Alt. 1 (c)**	**Alt. 2**	**Alt. 3**	**Alt. 4**	**Alt. 5**
Office/R&D/Retail, Sq. Ft.	705,089	NA	312,627	323,047	514,097	564,462
Hotel/Health Club/Restaurant, Sq. Ft.	244,327	NA	0	244,327	244,327	244,327
Parking (d)						
Surface, Spaces	126	NA	1,042	579	126	126
Structured, Spaces	2,540	NA	0	1,109	2,199	2,367

Estimated Value of Improvements						
	Project	**Alt. 1 (c)**	**Alt. 2**	**Alt. 3**	**Alt. 4**	**Alt. 5**
Office/R&D/Retail	$209,990,000	Existing	$93,110,000	$96,210,000	$153,110,000	$168,110,000
Hotel/Health Club/Restaurant	$66,150,000	Assessed	$0	$66,150,000	$66,150,000	$66,150,000
Surface Parking	$850,000	Improvement	$7,050,000	$3,920,000	$850,000	$850,000
Structured Parking	$85,960,000	Value	$0	$37,540,000	$74,420,000	$80,100,000
Total Construction Cost	$362,950,000	$15,467,042	$100,160,000	$203,820,000	$294,530,000	$315,210,000

Notes:

(a) Per square foot construction costs are based on RS Means data, adjusted for locational and quality factors.

(b) Soft construction costs include architects & engineers, legal fees, insurance, contingencies, permits and other misc services. Also included are financing costs and a regular rate of return for the developer, all of which factor into assessed value.

(c) Alternative 1 does not involve new construction, hence construction costs for this alternative are not applicable.

(d) Parking for Project is per Bohannon's Development Permit Application dated 3-18-08.

Parking for the Alternatives is based on the following parking ratios:

Office/R&D	1 Space /	300	SF
Restaurant	1 Space /	200	SF
Health Club	1 Space /	200	SF
Hotel	1 Space /	1	Hotel Room
Retail/Community	1 Space /	200	SF

This analysis makes the following assumptions regarding the split between surface and structured parking: (The amount of surface versus structured parking affects development costs)

Project - Per Bohannon's Development Permit Application 126 spaces are provided in a surface lot with the remainder in parking structures.

Alternative 2 - All spaces provided in surface lots consistent with typical practice of developers building in the M-2 zone.

Alternative 3 - Development on the Constitution Site is assumed to be parked in surface lots consistent with M-2 zoning. Development on the Independence Site is assumed to be parking in structures consistent with the Bohannon hotel proposal.

Alternative 4 - Consistent with the Project, 126 spaces are assumed to be provided in a surface lot with the remainder in parking structures.

Alternative 5 - Consistent with the Project, 126 spaces are assumed to be provided in a surface lot with the remainder in parking structures.

Sources: RS Means, 2008; BAE, 2008

A final component of assessed value is unsecured property, which is property that is not secured to real property and is not a lien against real property. It consists largely of business personal property owned by tenants, including office equipment, machinery, and furniture, fixtures, and equipment (FF&E).[12] Businesses owning more than $5,000 worth personal property are required to report the value of their personal property to the assessor, which is subject to property taxes at the same rate as real property. Marriot has provided an estimate of $7 million for the value of FF&E at the proposed hotel, health club, and restaurant. For the remaining portion of the development, the assessed value of unsecured property is estimated as a percentage of the construction value, based on the ratio of approximately $78 of unsecured property valuation in the City of Menlo Park for every $1,000 of secured valuation.[13]

Table 16 shows the full estimated assessed value for the Project and Alternatives, which range from a high of $412 million for the project to a low of $33 million for Alternative 1. Based on the City's share of property tax revenues, 9.53 percent of the base 1.0 percent property tax assessment, the City would receive approximately $392,000 in annual property tax revenues from the Project, compared to current revenues as shown for Alternative 1 of approximately $31,000 per year. Revenues for the County and affected Districts are also shown. Although located in the City of Menlo Park, the Project Area is actually in the Redwood City Elementary School District. Consequently property tax revenues from the Project would flow to this Elementary District. A detailed description on impacts to schools is described later in this report.

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

[13] Per the FY 2007-2008 Tax Year, the total unsecured assessed value in Menlo Park was $698,733,726, compared to a total secured assessed value of $8,970,558,766.

Table 16: Estimate of Property Tax Revenues

Estimated Assessed Value						
Estimated Assessed Value	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Land	*$20,021,911*	*$16,579,706*	*$20,021,911*	*$20,021,911*	*$20,021,911*	*$20,021,911*
Improvements (a)						
Hotel/Health Club/Restaurant Improvements	$86,945,544	Existing	$0	$83,041,962	$88,858,704	$89,008,544
Office/R&D/Retail Improvements	$276,004,456	Assess. Value	$100,160,000	$120,778,038	$205,671,296	$226,201,456
Total Improvements	*$362,950,000*	*$15,467,042*	*$100,160,000*	*$203,820,000*	*$294,530,000*	*$315,210,000*
Personal Property						
Hotel/Health Club Unsecured Property (b)	$7,000,000	$0	$0	$7,000,000	$7,000,000	$7,000,000
Office/R&D/Retail Unsecured Property (c)	$21,528,348	$1,206,429	$7,812,480	$9,420,687	$16,042,361	$17,643,714
Total Personal Property	*$28,528,348*	*$1,206,429*	*$7,812,480*	*$16,420,687*	*$23,042,361*	*$24,643,714*
Total Assessed Value	**$411,500,259**	**$33,253,177**	**$127,994,391**	**$240,262,598**	**$337,594,272**	**$359,875,625**

Property Tax Revenues by Jurisdiction						
Base 1.0% Tax (Post-ERAF Distribution)	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
City of Menlo Park	$392,000	$32,000	$122,000	$229,000	$322,000	$343,000
San Mateo County	$555,000	$45,000	$173,000	$324,000	$455,000	$485,000
Redwood City Elementary School District	$925,000	$75,000	$288,000	$540,000	$759,000	$809,000
Sequoia High School District	$611,000	$49,000	$190,000	$357,000	$502,000	$535,000
San Mateo Community College District	$266,000	$21,000	$83,000	$155,000	$218,000	$232,000
Menlo Park Fire District	$549,000	$44,000	$171,000	$320,000	$450,000	$480,000
Midpeninsula Regional Open Space District	$72,000	$6,000	$22,000	$42,000	$59,000	$63,000
Bay Area Air Quality Management	$8,000	$1,000	$3,000	$5,000	$7,000	$7,000
County Harbor District	$11,000	$1,000	$3,000	$6,000	$9,000	$9,000
Mosquito Abatement	$6,000	$1,000	$2,000	$4,000	$5,000	$6,000
Sequoia Hospital District	$57,000	$5,000	$18,000	$33,000	$47,000	$50,000
County Office of Education	$138,000	$11,000	$43,000	$81,000	$113,000	$121,000
General Property Tax Revenues	**$3,590,000**	**$291,000**	**$1,118,000**	**$2,096,000**	**$2,946,000**	**$3,140,000**
Supplemental Taxes						
Menlo Park & Recreation Bond	$77,000	$6,000	$24,000	$45,000	$63,000	$67,000
Redwood City Elementary Bonds	$103,000	$8,000	$32,000	$60,000	$84,000	$90,000
Sequoia High School Bonds	$84,000	$7,000	$26,000	$49,000	$69,000	$74,000
San Mateo Community College Bonds	$70,000	$6,000	$22,000	$41,000	$58,000	$62,000
Supplemental Property Tax Revenues	**$334,000**	**$27,000**	**$104,000**	**$195,000**	**$274,000**	**$293,000**

Note:
(a) Total improvement value is apportioned between the hotel and office components based on the respective share of total estimated building costs represented by each.
(b) Marriott reports expected FF&E costs of $7.0 million or approximately $30,000 per room.
(c) Per the FY 07-08 County Assessor's Tax Roll, there are approximately $78 of unsecured property valuation for every $1,000 of secured property valuation. The above analysis assumes the same ratio for the Office/R&D/Retail component of the project.

Sources: San Mateo County Controller, 2008; BAE, 2008.

In-Lieu Vehicle License Fee Revenues

In place of imposing a property tax on motor vehicles, the State of California charges an “In-Lieu” Fee on vehicle registrations equal to 2 percent of the vehicle value. These funds are then distributed to jurisdictions based on the total assessed property values within the jurisdiction.

To estimate the amount of In-Lieu Vehicle License Fee (ILVLF) revenues that would result from the Project/Alternatives, the analysis calculates the current amount of ILVLF revenue that the City receives per $1,000 of assessed value. As shown in Table 17, the City collects $0.24 per $1,000 of assessed value. As described in Table 16, the Project would have an estimated assessed value of approximately $400 million. Hence, it would generate $99,000 of ILVLF revenue. The amount of ILVLF revenue generated by each of the alternatives is presented below.

Table 17: Estimate of Property Tax In Lieu of VLF Revenues

Property Tax In Lieu of Vehicle License Fees Revenue Assumptions	
Total Assessed Value in Menlo Park, FY 07-08	$9,712,223,606
Current ILVLF Payment	$2,331,340
ILVLF payments per $1,000 of Total Assessed Value	$0.24

Estimate of ILVLF Revenues

	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Estimated Assessed Value of Project/Alternative (a)	$411,500,259	$33,253,177	$127,994,391	$240,262,598	$337,594,272	$359,875,625
ILVLF Revenue to City of Menlo Park (b)	$99,000	$8,000	$31,000	$58,000	$81,000	$86,000

Notes:
(c) See Table 16 for Estimated Assessed Value of Project/Alternatives.
(d) Calculated based on current amount of ILVLF payment

Sources: San Mateo County Tax Assessor, 2008; BAE, 2008.

The City classifies ILVLF revenues as a type of property tax revenue. Hence, in the fiscal impact summary and the cash flow analysis presented below, ILVF revenues are grouped with other property tax revenues.

Utility User Tax

The City of Menlo Park currently collects a Utility User Tax (UUT) assessed on gas, electric, water, and telephone bills, capped at $12,000 annually per business entity per address. The UUT sets a maximum 3.5 percent tax on gas, electrical and water usage, and a maximum 2.5 percent tax on cable, telephone and wireless services. However, since its inception in 2007 the UUT has been temporarily set at a single 1.0 percent rate, which for the purposes of this analysis is assumed to continue. Hence, businesses incurring annual combined billings of $1,200,000 at a given location are subject to the annual cap. At the hotel / health club / restaurant, one entity is assumed to be responsible for all gas, electric, water, and telephone expenditures. Based on typical hotel utility usage, a property of this size would generate utility spending in excess of $1.2 million annually and would therefore be subject to the annual $12,000 payment cap.

In the office/R&D/retail components of the project, it is assumed there were be multiple tax paying entities/addresses. For gas, electric, and water, this analysis assumes the Independence Site office building would be one entity and the Constitution Site office buildings would be a separate entity. For telephone expenditures, this analysis assumes office tenants who would be responsible for paying their own UUT. With multiple tax paying entities, no one entity would likely have expenditures in excess of $1.2 million. Hence, none would be subject to the annual cap and all utility revenues from the office component are assumed to be fully taxable at the 1.0 percent rate.

Based on data published by the Building Owners and Manager's Association and the U.S. Department of Energy and on data supplied by the City finance department, BAE estimated utility usage expenditures including gas, electric, and water of $2.25 per square foot per year and annual telephone/wireless usage expenditures of $1.10 per square foot per year for the office/R&D/retail component of the project. With approximately 705,000 square feet of this type of space, the project would generate approximately $2.4 million in annual utility expenditures from the office/R&D/retail component and generate approximately $24,000 in UUT revenues.

Table 18 on the following page shows combined UUT revenues from the Project would be $36,000 per year.

Table 18: Utility Users Tax

Assumptions						
Annual Utility Expenditures in Office/R&D/Retail			Source:			
Gas, Electric, Water	$2.25	Per Sq. Ft. (a)	*BOMA, EPA Energy Star, City of Menlo Park*			
Telephone/Wireless Communiciation	$1.10					
Utility Tax Rate	1.0%	of Total Utility Expenditures				

Development Program						
Development Program	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Independence Site - Office/R&D/Retail, Sq. Ft.	203,000	85,057	138,967	141,967	203,000	130,500
Constitution Site - Office/R&D/Retail, Sq. Ft.	502,089	133,694	173,660	181,080	311,097	433,962
Total	**705,089**	**218,751**	**312,627**	**323,047**	**514,097**	**564,462**
Estimated Annual Utility Expenditures at Office/R&D/Retail Component						
Gas, Electric, Water						
Independence Site Expenditures	$456,750	$191,378	$312,676	$319,426	$456,750	$293,625
Constitution Site Expenditures	$1,129,700	$300,812	$390,735	$407,430	$699,968	$976,415
Telephone/Wireless Communiciation						
Independence Site Expenditures	$223,300	$93,563	$152,864	$156,164	$223,300	$143,550
Constitution Site Expenditures	$552,298	$147,063	$191,026	$199,188	$342,207	$477,358
Combined Total Expenditures						
Independence Site Expenditures	$680,050	$284,941	$465,539	$475,589	$680,050	$437,175
Constitution Site Expenditures	$1,681,998	$447,875	$581,761	$606,618	$1,042,175	$1,453,773
Total	$2,362,048	$732,816	$1,047,300	$1,082,207	$1,722,225	$1,890,948
Estimated Utility User Tax Revenues						
UUT Revenue from Office/R&D/Retail	$24,000	$7,000	$10,000	$11,000	$17,000	$19,000
UUT Revenue from Hotel/Health Club/Restaurant (b)	$12,000	$0	$0	$12,000	$12,000	$12,000
Total UUT Revenues	$36,000	$7,000	$10,000	$23,000	$29,000	$31,000

Note:
(a) Gas, Water, and Electric usage based on data published by the Building Owners and Management Association and the EPA Energy Star Program. Telephone and wireless communication expenditures are estimated at 1/3 of total utility expenditures based on UUT revenues collected by the City of Menlo Park.
(b) Based on typical utility usage by a 200+ room hotel/restaurant and 75,000 square foot health club, this component of the project is expected to have utility expenditures in excess of $1.2 million annually and be subject to the $12,000 annual cap on UUT per tax paying entity per address.
Sources: BOMA, 2007; EPA, 2008; Menlo Park Finance Dept., 2008; BAE, 2008.

Other Revenues

Licenses and Permits

The City of Menlo Park receives approximately $3.9 million from the issuance of Licenses and Permits, including approximately $1.5 million in Business License Taxes. Business License Taxes are charged to businesses operating in the City at a rate of $250 per $1 million of gross receipts, subject to a cap of $8,000 per business per year.

To estimate Business License Tax revenues from office uses, BAE used data regarding typical gross receipts for key office employment sectors in San Mateo County. As shown below, gross receipts vary widely by industry. Based on the median of these data, BAE uses a figure of $185,000 of gross receipts per employee to calculate business license tax revenues from the office/R&D component of the Project and Alternatives.[14]

Shown in Table 19, the Project would generate approximately $107,000 in Business License Taxes from office/R&D tenants. To this amount, BAE added $7,500 of assumed business license fee revenues from the hotel/health club/restaurant tenant, based on estimated gross receipts as reported below. Hence overall Business License Taxes from the Project would be approximately $114,500 per year.[15]

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

[14] The City collects $1.5 million annual of business license fee revenues. This implies that total gross business receipts in the City must be at least $6.0 billion. With approximately 31,000 jobs in Menlo Park this translates to an average amount of gross receipts per employee of approximately $193,000 per year. Hence, the figure of $175,000 used above is a conservative estimate that is generally consistent with the City's past experience.

[15] An alternative approach to the estimation of Business License Tax revenues is determine the average Business License Tax revenue per job in the City ($48/job) and to multiply this amount by the number of employees that a project would generate (2,316 jobs + the hotel use). This approach results in an estimate of $112,000 from the office/R&D use plus an additional $7,500 from the hotel.

Table 19: Business License Fee Revenues (a)

Gross Receipts Per Employee, Key Economic Sectors

	Avg. Gross Receipts 2008(b)
Information Services	$470,000
Legal Services	$184,000
Securities & Investments	$183,000
Scientific Research and Development Services	$163,000
Architectural and Engineering Services	$134,000
Median for Key Sectors (c)	$185,000

Estimated Business License Fee Revenues

	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Office/R&D Employment	2,316	729	1,042	1,042	1,679	1,847
Office/R&D Gross Receipts in Millions	$428.0	$109.0	$156.0	$156.0	$252.0	$277.0
Hotel Gross Receipts in Millions (d)	$30.0	NA	NA	$30.0	$30.0	$30.0
Estimated Business License Tax Revenues by Use						
Office/R&D	$107,000	$27,250	$39,000	$39,000	$63,000	$69,250
Hotel/Health Club/Restaurant (d)	$7,500	$0	$0	$7,500	$7,500	$7,500
	$114,500	$27,250	$39,000	$46,500	$70,500	$76,750

Notes:
(a) The City of Menlo Park charges a business license fee of $250 per $1.0 million of gross receipts, subject to a cap of $8000 per business per year.
(b) Gross receipts per IMPLAN, 2006 dollars inflated to 2008 dollars using the Bay Area CPI for all urban consumers, San Mateo County.
(c) Rounded to the nearest $5,000.
(d) Hotel/health club/restaurant revenues are the sum of estimated room, food and beverage, and health club revenues as reported in prior tables.
Sources: City of Menlo Park, 2008; BAE, 2008.

Franchise Fees and Fines

In addition to the major revenue sources described above, the City also generates approximately 5.1 percent of General Fund revenues from Franchise Fees[16] and 3.7 percent of General Fund revenues from Fines. Both types of revenues tend to increase as the City's service population grows. In the case of Franchise Fees, these are generally set as a percentage of gross receipts and increase as expenditures on items such as gas and electric increase. In the case of Fine revenues, these are primarily collected by the Police Department for parking and traffic citations, and can be assumed to increase as the residential and employment base of the City grow.

Once complete and fully occupied, the Project would be expected to generate approximately 2,500 jobs in the City translating to an increase of 2.8 percent in the City's service population. Assuming a commensurate increase in the amount of Franchise Fees and Fines collected each year, the Project would generate annual Franchise Fees revenues of $41,000 and Fine revenues of $29,000, respectively. Revenue resulting from the Alternatives is shown in Table 20.

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

Table 20: Estimate of Other Revenues by Development Alternative

Other Revenue Assumptions	
Revenue by Source	**FY 2008- 2009**
Franchise Fees	$1,445,600
Fines	$1,033,520
Citywide Service Population	44,699
Revenue Per Service Population	
Franchise Fees	$32.34
Fines	$23.12

Revenue Impacts of New Development	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Service Population	1,269	365	521	632	951	1,035
Franchise Fees	$41,040	$11,791	$16,851	$20,447	$30,745	$33,460
Fines	$29,341	$8,430	$12,048	$14,618	$21,981	$23,922
Total Revenues	**$70,381**	**$20,221**	**$28,899**	**$35,065**	**$52,726**	**$57,381**

Sources: City of Menlo Park, 2008; BAE, 2008.

Summary of Annually Recurring Revenues

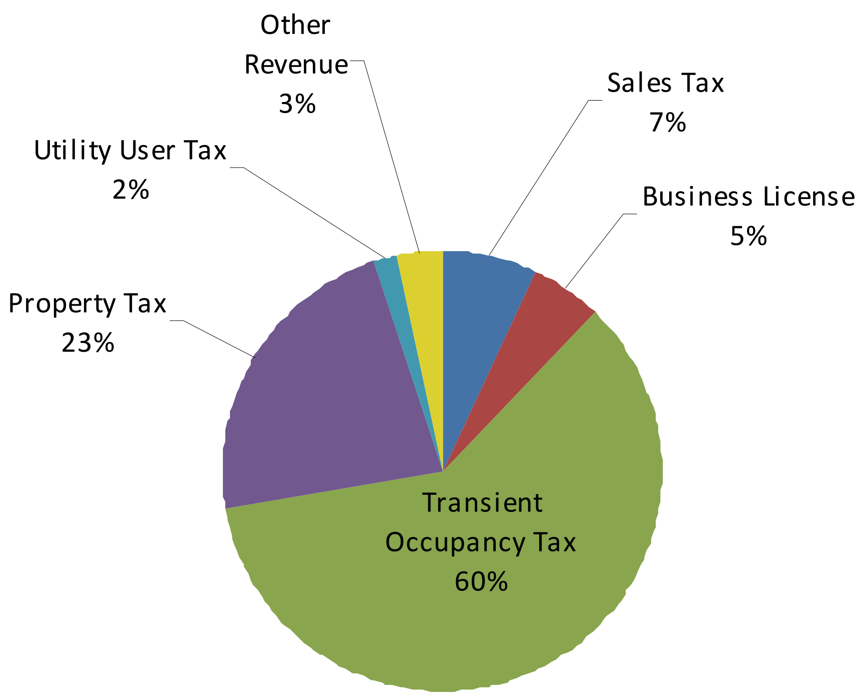
In total the Project would generate approximately $2.15 million in annually recurring revenues for the City General Fund. As summarized in Table 21 and shown in Figure 3, these revenues would primarily come from TOT (60 percent), followed by Property Taxes (23 percent), Sales Taxes (seven percent), with UUT, business license taxes, and other revenues making up the remaining 10 percent.

Table 21: Summary of Annually Recurring Revenues

Recurring Revenues	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Transient Occupancy Tax (b)	$1,289,116	$0	$0	$1,289,116	$1,289,116	$1,289,116
Sales Tax Revenue						
Business-to-Business (c)	$74,655	$23,509	$33,598	$33,598	$54,130	$59,542
Retail	$46,086	$0	$0	$46,086	$46,086	$46,086
Employee Spending	$29,763	$8,551	$12,221	$14,828	$22,297	$24,265
Property Tax (City of Menlo Park share)	$491,000	$40,000	$153,000	$287,000	$403,000	$429,000
Utility User Tax	$36,000	$7,000	$10,000	$23,000	$29,000	$31,000
Business License	$114,500	$27,250	$39,000	$46,500	$70,500	$76,750
Other Revenue	$70,381	$20,221	$28,899	$35,065	$52,726	$57,381
Total Revenues	**$2,151,501**	**$126,531**	**$276,717**	**$1,775,193**	**$1,966,854**	**$2,013,141**

Notes:
(a) Fiscal impacts estimated at Project build-out in 2008 $.
(b) Assumes middle-range estimate of transient occupancy tax revenue.
(c) Assumes middle-range estimate of business-to-business sales tax revenue.
Sources: City of Menlo Park, 2008; BAE, 2008.

Figure 3: Distribution of General Fund Tax Revenue Generation from Project



One-Time/Non-Recurring Revenues

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

Property Transfer Taxes

The City receives a property transfer tax of $0.55 per $1,000 of assessed value when properties are sold or transferred. Bohannon has indicated that it intends to keep three of the four Constitution Site parcels in the same ownership structure, while all of the Independence Site would be transferred to a new ownership entity prior to development of the new project. Transfer of the Independence Site would trigger a need to pay property transfer taxes for this site. On the Constitution Site, property transfer tax would be collected from the 155 Constitution parcel only.

Property transfer taxes are factored based on the market value of the property at the time of transfer. This value is ordinarily the sale price of the property; however, where a property is not sold as part of an arms length transaction, the assessor will determine the current market value of the property through an appraisal process. BAE assumes the assessed value of improvements would not increase when the sites transfer, based on their increasing obsolescence, while it is assumed the value of land would increase to approximately $50 per buildable square foot under existing M-2 zoning, consistent with property tax analysis described earlier. The current assessed value of the 155 Constitution parcel would increase slightly from $8.3 million to $8.4 million. Currently, the assessed value of the Independence Site is $8.4 million, including an assessed improvement value of $4.9 million and an assessed land value of $3.5 million. The new assessed value of the site is estimated at $11.8 million. Applying the transfer tax rate, the City would realize $11,100 of transfer tax revenues were the 155 Constitution parcel and the Independence Site to transfer ownership, prior to any approved change in zoning.

Table 22: Property Transfer Tax

	Current Assessed Value		New Assessed Value
155 Constitution			
Improvement Value (a)	$5,985,473		$5,985,473
Land Value (b)	$2,351,283		$2,400,000
Total Assessed Value	$8,336,756		$8,385,473
Independence Site			
Improvement Value (a)	$4,883,559		$4,883,559
Land Value (b)	$3,506,145		$6,948,350
Total Assessed Value	$8,389,704		$11,831,909
Transfer Tax Rate	$0.55	per	$1,000
Transfer Tax Revenue			$11,100

Note:
(a) Assumes improvement value would not increase when site transfers.
(b) New assessed land value is based on $50 per built square foot and the existing building square footage.
(c) New assessed land value is based on $50 per built square foot and the maximum development potential under M-2 zoning.
Sources: City of Menlo Park, 2008; BAE, 2008.

Impact Fees and Capital Facilities Charges

The City of Menlo Park, as well as some special districts, collects impact fees and capital facilities charges for public services, such as water, sewer, traffic mitigation, below market rate housing, and schools. These impact fees represent a one-time revenue source from the Project and are intended to offset impacts to infrastructure systems which are generated by new development. Based on impact fee rates as of 2008, the Project, which results in 731,000 square feet of net new development, would generate a total of $14.0 million in impact fees and capital facilities charges, with smaller amounts generated by the Alternatives. Additional details regarding impact fee calculations are shown in Appendix 4. It should be noted that impact fees are adjusted periodically. Hence, the revenues shown below are an estimate based on current impact fee schedules.

Table 23: Impact Fees and Facilities Charges

Fee Revenues by Development Alternative						
Water	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Office	$0	$0	$0	$0	$0	$0
Restaurant	$0	$0	$0	$0	$0	$0
Hotel	$24,929	$0	$0	$24,929	$24,929	$24,929
Parking/Site	$0	$0	$0	$0	$0	$0
Fire Services	$32,000	$0	$32,000	$32,000	$32,000	$32,000
Administration Fees	$14,232	$0	$8,000	$14,232	$14,232	$14,232
Total	*$71,161*	*$0*	*$40,000*	*$71,161*	*$71,161*	*$71,161*
Sewer Connection Fee	$3,614	$0	$1,445	$3,614	$3,614	$3,614
Office/R&D	$1,686,300	$0	$758,835	$758,835	$1,223,772	$1,344,222
Restaurant	$24,090	$0	$0	$24,090	$24,090	$24,090
Health Club	$240,900	$0	$0	$240,900	$240,900	$240,900
Hotel	$385,440	$0	$0	$385,440	$385,440	$385,440
Retail/Community	$24,090	$0	$0	$24,090	$24,090	$24,090
Less Existing Entitled Volume	($520,248)	$0	($520,248)	($520,248)	($520,248)	($520,248)
Total	*$1,844,186*	*$0*	*$240,033*	*$916,721*	*$1,381,658*	*$1,502,108*
Traffic	*$1,169,600*	*$0*	*$150,400*	*$558,400*	*$864,000*	*$944,000*
BMR Housing In-Lieu Fee						
Office/R&D	$6,568,800	$0	$1,297,200	$1,297,200	$3,933,000	$4,623,000
Other Commercial Development	$1,912,500	$0	$0	$1,912,500	$1,912,500	$1,912,500
Total	*$8,481,300*	*$0*	*$1,297,200*	*$3,209,700*	*$5,845,500*	*$6,535,500*
Building Street Repair Fee	*$2,105,400*	*$0*	*$581,160*	*$1,182,040*	*$1,708,100*	*$1,828,160*
School Impact Fee						
Redwood City Elementary School District	$206,142	$0	$26,508	$98,418	$152,280	$166,380
Sequoia High School District	$137,428	$0	$17,672	$65,612	$101,520	$110,920
Total	*$343,570*	*$0*	*$44,180*	*$164,030*	*$253,800*	*$277,300*
Total	**$14,015,217**	**$0**	**$2,352,973**	**$6,102,052**	**$10,124,219**	**$11,158,229**

Sources: City of Menlo Park, 2008; West Bay Sanitary District, 2008; Sequoia Union High School District, 2008; BAE, 2008

General Fund Expenditures

Administrative Services

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

As shown in Table 24, the General Fund expenditures per service population unit for administrative services is $115 in FY 08-09. Assuming General Fund expenditures per service population unit remain at current levels, the Project's employment would generate expenditures of $145,000.

Table 24: Administrative Services Department Expenditures

Expenditure Assumptions						
Policy Development and City Council Support	$885,732					
Service Excellence	$288,234					
Elections and Records	$97,537					
Community Relations	$348,574					
Asset Preservation	$12,657,876					
Information Support	$953,002					
Internet and World Wide Web	$85,803					
Employee Support	$1,506,050					
Legal Services	$420,343					
Business Development	$331,272					
Total Administrative Services Costs	$17,574,423					
Less Special Funds and Other Sources	($9,921,701)					
Less Transfers	($2,534,200)					
Total General Fund Costs	$5,118,522					
Total Service Population	44,699					
General Fund Cost Per Service Population Unit	$115					
Expenditure Impacts of New Development						
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
General Fund Cost Per Service Population Unit	$115	$115	$115	$115	$115	$115
Service Population	1,269	365	521	632	951	1,035
Expenditures	**$145,311**	**$41,749**	**$59,666**	**$72,398**	**$108,860**	**$118,472**

Sources: City of Menlo Park, Proposed Budget FY 08-09; BAE, 2008.

Community Development

The Community Development Department includes the City's Building Division, Planning Division, and Housing and Redevelopment Division. The Building Division is responsible for the enforcement of the City's building code and other policies related to the construction of new developments. The Planning Division coordinates the City's land use issues and processes applications for residential, commercial, and industrial development projects. The Department's Housing and Redevelopment Division provides a variety of housing services aimed at affordable housing production and preservation and also addresses poorly maintained buildings and inadequate infrastructure through various improvement projects.

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

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

In FY 08-09, the General Fund contribution to the Community Development Department was $3.2 million. However, service charges and license and permit fees that the Department collects offset a large part of the General Fund contribution. After subtracting out charges for services and license and permit fees, the total General Fund costs impacted by growth is $106,000, or $2.37 per service population unit. As shown in Table 25, the Project would generate $3,000 of expenditures annually.

Table 25: Community Development Department Expenditures

Expenditure Assumptions						
Affordable Housing	$2,022,535					
Community Development Area/Agency	$8,037,506					
Comprehensive Planning	$516,351					
Land and Building Development Services	$2,694,746					
Total Community Development Costs	$13,271,138					
Less Special Funds and Other Sources	($10,060,041)					
Total General Fund Costs	$3,211,097					
Less Charges for Services (a)	($805,200)					
Less Licenses and Permits (a)	($2,300,000)					
Total General Fund Costs Impacted by Growth	$105,897					
Total Service Population	44,699					
General Fund Cost Per Service Population Unit	$2.37					
Expenditure Impacts of Development						
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
General Fund Cost Per Service Population Unit	$2.37	$2.37	$2.37	$2.37	$2.37	$2.37
Service Population	1,269	365	521	632	951	1,035
Expenditures	**$3,006**	**$864**	**$1,234**	**$1,498**	**$2,252**	**$2,451**

Notes:
(a) Charges for Services and Licenses and Permits are General Fund Revenue sources.
Sources: City of Menlo Park, Proposed Budget FY 08-09; BAE, 2008.

Community Services

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

Department staff believe that the proposed health club on the Independence Site would absorb some demand for recreational services generated by employees at the project. If the health club component were not included in the project, the Department would potentially consider adding new programs, particularly around lunch hours. During interviews with the Community Services Department staff indicated that the Project would not generate a need for additional facilities or programs.

To derive the total General Fund costs impacted by growth, charges were subtracted for services, donations, intergovernmental transfers, and other revenue from the Department's total General Fund revenue. According to Community Services staff, 74 percent of registered participants in winter 2008 programs were residents of the City of Menlo Park; the remaining 26 percent of participants were non-residents. This distribution was used to calculate the total General Fund costs impacted by growth attributable to residents and non-residents. Of the non-resident costs, the Community Services Director estimated that 50 percent of costs are attributable to people who work in Menlo Park, while the remaining 50 percent is related to residents of neighboring jurisdictions who use City facilities and programs. Based on this distribution, the Department's General Fund cost per employee is $12.62. As Table 26 shows, with approximately 2,500 employees, the Project would generate costs of $32,000.

Table 26: Community Services Department Expenditures

Expenditure Assumptions	
Social Services & Childcare	$3,796,113
Recreation/Physical Activities	$3,074,868
Total Community Services Costs	$6,870,981
Less Special Funds and Other Sources	($145,032)
Total General Fund Costs	$6,725,949
Less Charges for Services (a)	($3,306,561)
Less Donations (a)	($18,500)
Less Intergovernmental and Other Sources (a)	($799,176)
Total General Fund Costs Impacted by Growth	$2,601,712
Portion Attributable to Residents (b)	$1,925,267
Portion Attributable to Non-Residents (b)	$676,445
General Fund Cost Per Resident	$61.52
General Fund Cost Per Employee (c)	$12.62

Expenditure Impacts of Development	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
General Fund Cost Per Employee	$12.62	$12.62	$12.62	$12.62	$12.62	$12.62
Employees	2,538	729	1,042	1,264	1,901	2,069
Expenditures	$32,023	$9,201	$13,149	$15,955	$23,990	$26,109

Notes:
(a) Charges for Services, Donations, and Intergovernmental Revenues are revenue sources for the General Fund.
(b) Total General Fund Costs attributable to residents and non-residents are based on participant registration in Winter 2008 programs.
Residents: 74%
Non-residents: 26%
per interview with Community Services Department Director.
(c) Estimated percent of non-resident costs attributable to persons who work in Menlo Park: 50%
per interview with Community Services Department Director.
Sources: City of Menlo Park, Proposed Budget FY 08-09; BAE, 2008.

Library

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

Library staff does not expect costs to increase as a result of the Project. Generally non-residential uses have little impact on the library system. According to staff, residential developments have the greatest impact because of the demand for children programs, many of which currently operate at or near full capacity.

In addition to the non-residential character of the Project, Library staff also indicated that the site location suggests minimal impact to the library system. The Independence and Constitution Sites are not in close proximity to the main library and employees at the project would need to cross Highway 101 to go to the library.

While the Department indicated that the Project would not generate new costs, BAE estimated library costs attributable to non-resident employees to provide a conservative assessment of potential fiscal impacts. The Department estimates that 50 percent of library users are residents of the City of Menlo Park and 50 percent of users are non-residents. The non-resident users of the library are diverse, including people who work in the City, people who shop in the City, and residents of neighboring cities. Based on the estimated distribution of library users, BAE calculated the Library Department's General Fund costs by growth attributable to residents and non-residents. Of the non-resident costs, BAE assumed that 50 percent of non-resident library users are people who work in the City of Menlo Park.[17] With a General Fund cost of $15.94 per non-resident employee in Menlo Park, the Project's employees would be projected to cost the Department approximately $40,000.

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[17] Because there is no data regarding the composition of non-resident library users, BAE used a conservative estimate of the percent of non-resident users who work within the City of Menlo Park.

Table 27: Library Department Expenditures

Expenditure Assumptions	
Library Collections and Online Resources	$1,864,568
Reading Promotion and Life Skills	$633,713
Total Library Costs	$2,498,281
Less Special Funds and Other Sources	($416,429)
Total General Fund Costs	$2,081,852
Less Charges for Services (a)	($226,782)
Less Donations (a)	($2,250)
Less Intergovernmental and Other Sources (a)	($143,700)
Total General Fund Costs Impacted by Growth	$1,709,120
Portion Attributable to Residents (b)	$854,560
Portion Attributable to Non-Residents (b)	$854,560
General Fund Cost Per Resident	$27.31
General Fund Cost Per Employee (c)	$15.94

Expenditure Impacts of Development	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
General Fund Cost Per Employee	$15.94	$15.94	$15.94	$15.94	$15.94	$15.94
Employees	2,538	729	1,042	1,264	1,901	2,069
Expenditures	**$40,455**	**$11,623**	**$16,611**	**$20,156**	**$30,307**	**$32,983**

Notes:
(a) Charges for Services, Donations, and Intergovernmental Revenues are revenue sources for the General Fund.
(b) Total general fund costs attributable to residents and non-residents are based on estimated usage per interview with the Director of Library Services.

Residents:	50%
Non-residents:	50%

(c) Estimated percent of non-resident costs attributable to persons who work in Menlo Park: 50%
Sources: City of Menlo Park, Proposed Budget FY 08-09; BAE, 2008.

Police

The Police Department currently employs 76.01 Full Time Equivalent personnel (FTE)[18], of which approximately 50 are sworn officers. According to an interview with a Menlo Park Police Department Sergeant, the Department determines staffing needs on a service needs basis rather than a per capita basis. Service needs are based on call generations and historical patterns.

The Police Department indicated that hotels have low call generation rates. The Stanford Park Hotel, which is comparable to the hotel proposed on Independence Drive, generates very little activity for the Department. Motels along El Camino Real also create little demand for services from the Police Department. The largest concern for the Department would be traffic issues.

Police Department staff estimated that the Department may require an additional 1.5 sworn officers as a result of the Project. The small addition to sworn staffing would not require an increase in non-sworn support staff. The Project's staffing need was scaled back for Alternative 1 and

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

Alternative 2 using a ratio of the Alternative's development size to the Project size. It was assumed that Alternatives 3, 4, and 5 require the same staffing level as the Project.

According to the FY 08-09 budget, the Department's General Fund cost per FTE is $175,807. The expenditure impacts of the Project and alternatives were determined by multiplying the FTE demand by the General Fund costs per FTE. Table 28 provides the estimated expenditure increase for the Project and Alternatives based on of the Department's estimate of 1.5 new FTE required for the project.

Table 28: Police Department Expenditures

Expenditure Assumptions						
Police Budget FY 07-08						
Patrol Service	$9,550,312					
Patrol Support	$3,207,849					
Emergency Preparedness	$166,750					
Traffic and School Safety	$1,761,238					
Total Police Costs	$14,686,149					
Less Special Funds and Other Sources	($1,323,033)					
Total General Fund Costs	$13,363,116					
Current Staffing Levels (FTEs)						
# Sworn Officers	50.0					
# Non-Sworn Personnel	26.0					
Total FTEs	76.0					
General Fund Costs per FTE	$175,830					
Expenditure Impacts of Development						
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Personnel Costs per FTE	$175,830	$175,830	$175,830	$175,830	$175,830	$175,830
Sworn Officers for Development (a)	1.50	0.35	0.49	1.50	1.50	1.50
Non-Sworn Officers for Development	0.00	0.00	0.00	0.00	0.00	0.00
Total FTE for Development	1.50	0.35	0.49	1.50	1.50	1.50
Expenditures	**$263,746**	**$60,769**	**$86,847**	**$263,746**	**$263,746**	**$263,746**

Notes:
(a) Menlo Park Police Sergeant estimated the Project would require 1.5 new sworn officers. BAE assumed Alternative 3, 4, and 5 generates the same demand for sworn officers as the Project. Demand for sworn officers for Alternative 1 and Alternative 2 was derived using a ratio of the total development size total development size.
Sources: City of Menlo Park, Proposed Budget FY 08-09; BAE, 2008.

Public Works

The Public Works Department is responsible for constructing, repairing, and maintaining City streets, sidewalks, storm drains, buildings, and other facilities. The Department includes the City's Engineering, Transportation, Maintenance, and Environmental Programs Divisions. Generally, the Public Works Department would see increased costs if new streets or other facilities were needed to serve the Project. New roadways would not be required as Independence and Constitution Drives currently serve the Project Area. However, the Project may require additional transportation infrastructure improvements in the area. The developer would be required to pay a traffic impact fee based on the square footage of new construction. Currently, the Department collects $1.60 per square foot of new commercial development in the City. However, the traffic impact fee is likely to increase as a result of a study currently in progress by the Department. Additional impacts resulting from the project that are not mitigated by the impact fee would be subject to negotiation between Bohannon and the City during the development agreement process. The full extent of the traffic impacts and the adequacy of the impact fee will not be known until the completion of the EIR and the adoption of the new impact fee schedule. In addition to the traffic impact fee, the developer would pay the building construction street repair fee, amounting to 0.58 percent of construction value, to cover roadway maintenance and repair related to damages caused by building construction activity.

While new roadways would not be constructed in the Project Area, Department staff indicated the Project may impact a pump station that is part of the City's stormwater drainage system and the City's Caltrain Shuttle Service. However, these impacts would be minimal and would not result in significant increased expenditures for the Public Works Department.

The Department manages Menlo Park's stormwater drainage system, which is a component of the Stormwater Management program. As part of the stormwater drainage system, the Department owns and operates the Bohannon Pump Station, located on Chrysler Street between Independence and Constitution Drives. The pump, which is required due to low ground elevation, serves the area between Marsh Road, Chilco Street, Bay Front Expressway, and Highway 101. The Bohannon Pump Station collects storm water runoff from this area and pumps the water to Bay Front Park and into San Francisco Bay. Built in the late 1950s, the station includes two pumps and a backup generator.

The Project and Alternatives may increase the storm water runoff that is collected by the Bohannon Pump Station. However, Public Works Department staff indicated that the anticipated increase in runoff would be minimal given planned storm water treatment measures. Modest increases in runoff to the Bohannon Pump Station could be accommodated with no changes in current maintenance practices. As such, the Project and Alternatives would not result in an increase in expenditures for the Stormwater Management program.

The second area of impact within the Public Works Department is the City's Caltrain Shuttle Service, which is part of the Department's Transportation Demand Management program. The average daily ridership of the shuttle is approximately 246 or about 9.18 rider per 1,000 employees. Program administration of the shuttle program falls under the Transportation Demand Management budget. However, the operating costs of the shuttle come from sources other than the General Fund. In particular, developers of new commercial space are required to pay an annual fee of $0.105 per square foot of net new development to offset the operating costs of the Shuttle Service.

According to the Director of Public Works, increases to shuttle service could be made with no appreciable increase in General Fund administrative expenditures.

Finally, the Project may require improvements to the water infrastructure to the site to ensure sufficient water pressure for fire suppression. Based on the proposed development program, the Fire District estimated the Project would need water flow requirements of up to 8,000 gallons per minute at 20 pounds per square inch. The Public Works Department would need to conduct additional tests to determine the existing water flow capacity to the project site. If the existing capacity is insufficient, the developer would need to install a booster pump or increase the size of the pipes to achieve the minimum water flow requirements. Bohannon would be responsible for the entire cost of these improvements.

Summary of Annually Recurring Expenditures

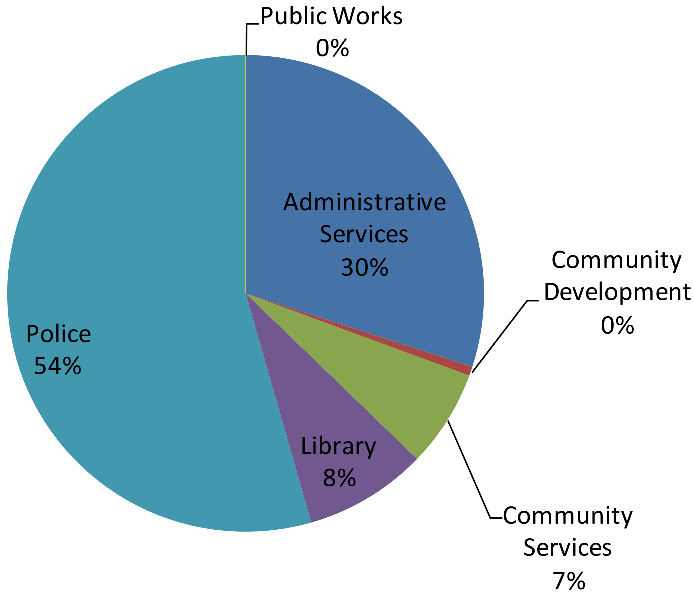
In total the Project would generate approximately $485,000 in annually recurring expenditures for the City General Fund. As summarized in Table 29 and shown in Figure 4, these expenditures would be primarily for Police (54 percent) and Administrative Services (30 percent) with a smaller amount for Library, Community Services, and Community Development.

Table 29: Summary of Annually Recurring Expenditures

	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Expenditures						
Administrative Services (a)	$145,311	$41,749	$59,666	$72,398	$108,860	$118,472
Community Development (b)	$3,006	$864	$1,234	$1,498	$2,252	$2,451
Community Services (c)	$32,023	$9,201	$13,149	$15,955	$23,990	$26,109
Library (c)	$40,455	$11,623	$16,611	$20,156	$30,307	$32,983
Police (d)	$263,746	$60,769	$86,847	$263,746	$263,746	$263,746
Total Expenditures	**$484,542**	**$124,205**	**$177,507**	**$373,752**	**$429,155**	**$443,761**

Notes:
(a) Expenditures estimated at Project build-out, in 2008 dollars.
(b) Expenditures calculated on a per service population basis.
(c) Expenditures, less charge for service and license and permit fees, calculated on a per service population basis.
(d) Expenditures estimated on a per non-resident, employee basis.
Sources: City of Menlo Park, Proposed Budget FY 2008-09; BAE, 2008.

Figure 4: Distribution of General Fund Expenditure Needs Generated by Project



Summary of Net Fiscal Impact

Table 30 shows a summary of the annually recurring net fiscal impact of the Project and Alternatives. As shown, the Project would generate approximately $2.15 million per year in revenues for the City, including $1.29 million from TOT revenues. Other significant revenue sources include property taxes ($491,000 per year) and businesses license tax revenues ($114,500 per year). By comparison, the project would generate $485,000 in new costs for the City, including $264,000 of additional Police expenditures and $145,000 of additional Administrative Services costs. Added together, the net fiscal impact of the Project would be an annual fiscal surplus for the City of $1.67 million per year.

The net fiscal impact of the Alternatives is also shown in Table 30. As with the Project, Alternatives 3, 4, and 5 generate an annual recurring surplus to the City in excess of $1 million, owing to TOT revenues. By comparison, the smaller, office only alternatives generate a small fiscal benefit. Alternative 1 generates an estimated fiscal benefit of approximately $2,000 per year, while Alternative 2 generates a small surplus of approximately $99,000 per year.

This summary of net fiscal impacts is based on the mid range of expected TOT and business to business sales tax revenues. Appendix 5 presents a fiscal impact summary using the low and high range of revenues from these sources.

Table 30: Summary of Annual Fiscal Impacts to City of Menlo Park, 2008

Revenues	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Transient Occupancy Tax (b)	$1,289,116	$0	$0	$1,289,116	$1,289,116	$1,289,116
Sales Tax Revenue						
Business-to-Business (c)	$74,655	$23,509	$33,598	$33,598	$54,130	$59,542
Retail	$46,086	$0	$0	$46,086	$46,086	$46,086
Employee Spending	$29,763	$8,551	$12,221	$14,828	$22,297	$24,265
Property Tax (City of Menlo Park share)	$491,000	$40,000	$153,000	$287,000	$403,000	$429,000
Utility User Tax	$36,000	$7,000	$10,000	$23,000	$29,000	$31,000
Business License	$114,500	$27,250	$39,000	$46,500	$70,500	$76,750
Other Revenue	$70,381	$20,221	$28,899	$35,065	$52,726	$57,381
Total Revenues	**$2,151,501**	**$126,531**	**$276,717**	**$1,775,193**	**$1,966,854**	**$2,013,141**

Expenditures	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Administrative Services	$145,311	$41,749	$59,666	$72,398	$108,860	$118,472
Community Development	$3,006	$864	$1,234	$1,498	$2,252	$2,451
Community Services	$32,023	$9,201	$13,149	$15,955	$23,990	$26,109
Library	$40,455	$11,623	$16,611	$20,156	$30,307	$32,983
Police	$263,746	$60,769	$86,847	$263,746	$263,746	$263,746
Total Expenditures	**$484,542**	**$124,205**	**$177,507**	**$373,752**	**$429,155**	**$443,761**

Net Fiscal Impact of Development	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Net Surplus (Deficit)	$1,666,959	$2,326	$99,210	$1,401,442	$1,537,699	$1,569,380

Notes:
(a) Fiscal impacts estimated at Project build-out in 2008 $.
(b) Assumes middle-range estimate of transient occupancy tax revenue.
(c) Assumes middle-range estimate of business-to-business sales tax revenue.
Sources: City of Menlo Park, 2008; BAE, 2008.

Cumulative 20-Year Impact

Table 31 provides the cumulative fiscal impact of the Project and Alternatives over a 20 year timeframe, adjusted to constant 2008 dollars. Revenues and expenditures were inflated at a 4.0 percent annual rate, per the standard practice of the City Finance Department for purposes of budget forecasting. The one exception is that property tax revenues have been assumed to increase by only 2 percent per year, consistent with the Proposition 13 limit on annual increases in tax assessments. All revenues have been brought back to current dollars, using the 20-year average of the Bay Area CPI for all urban consumers (3.2 percent). This cash flow analysis begins in 2014, which is assumed to be the first full year of occupancy of the Project. As shown, the Project would continue to generate a substantial fiscal surplus throughout the period considered, resulting in a cumulative fiscal surplus of $36.8 million over a 20 year period. By comparison Alternative 1, the "No Project" alternative would generate a cumulative benefit of $256,000.

Table 31: Summary of Annual Fiscal Impacts to City of Menlo Park, 2014-2034

	2014	2019	2024	2029	2034	Cumulative 2014-2034
Total Revenues						
Project	$2,203,690	$2,252,250	$2,305,462	$2,363,378	$2,426,061	$48,487,165
Alternative 1	$136,028	$144,600	$153,825	$163,762	$174,474	$3,241,293
Alternative 2	$302,383	$325,868	$351,457	$379,354	$409,783	$7,416,184
Alternative 3	$1,887,944	$1,988,367	$2,095,142	$2,208,754	$2,329,734	$44,103,366
Alternative 4	$2,098,130	$2,215,545	$2,340,872	$2,474,750	$2,617,878	$49,290,129
Alternative 5	$2,148,741	$2,270,114	$2,399,755	$2,538,338	$2,686,598	$50,532,688
Total Expenditures						
Project	$509,463	$531,207	$553,879	$577,519	$602,168	$11,646,374
Alternative 1	$130,594	$136,167	$141,979	$148,039	$154,357	$2,985,379
Alternative 2	$186,637	$194,603	$202,909	$211,569	$220,599	$4,266,541
Alternative 3	$392,975	$409,747	$427,235	$445,470	$464,482	$8,983,433
Alternative 4	$451,228	$470,486	$490,567	$511,504	$533,336	$10,315,105
Alternative 5	$466,585	$486,499	$507,263	$528,913	$551,487	$10,666,164
Net Surplus (Deficit)						
Project	$1,694,227	$1,721,042	$1,751,582	$1,785,859	$1,823,894	$36,840,791
Alternative 1	$5,434	$8,432	$11,846	$15,723	$20,117	$255,914
Alternative 2	$115,746	$131,265	$148,549	$167,785	$189,185	$3,149,643
Alternative 3	$1,494,969	$1,578,620	$1,667,907	$1,763,285	$1,865,251	$35,119,932
Alternative 4	$1,646,903	$1,745,059	$1,850,305	$1,963,246	$2,084,542	$38,975,023
Alternative 5	$1,682,157	$1,783,616	$1,892,492	$2,009,425	$2,135,112	$39,866,524

Notes:
Except for property tax revenues, all revenues and expenditures are inflated at a 4.0 percent annual rate, per the direction of the City Finance Department.
Property Tax Revenues are inflated at a 2.0 percent annual rate, per the Proposition 13 limit.
All dollars are brought back to current 2008 dollars, based on the 20 year average of Bay Area CPI for all urban consumers: 3.2 percent.
Each year shows impacts for that year alone and not cumulative impacts.
Sources: City of Menlo Park, 2008; BAE, 2008

Special District Fiscal Impact Analysis

In addition to impacts to the City, the Project would generate fiscal impact to various special districts. The following section describes impacts to the Menlo Park Fire Protection District and affected school districts. Impacts to other special districts would be less significant and are described in Appendix 6.

Menlo Park Fire Protection District

The Menlo Park Fire Protection District covers approximately 30 square miles, including the communities of Atherton, Menlo Park, East Palo Alto, and some unincorporated areas of San Mateo County. The District operates five fire stations in Menlo Park, one station in Atherton, and one station in East Palo Alto. Station 2 in East Palo Alto and Station 77 in Menlo Park are the only two stations located east of Highway 101. Station 77 is the closest fire station to the project site at a distance of just under one mile. Three firefighting personnel and two shop personnel staff Station 77, which was completed in 1998. The Station houses Engine 77, a 2001 Pierce Saber Engine, an Air Boat, USAR Vehicles, and other utility vehicles.

The Project would generate increased revenues for the District primarily through property taxes and would trigger increased expenditures for the District in order to pay for additional equipment and personnel.

Revenues

The major source of revenue for the District is property taxes. In the FY 08-09 budget, property taxes comprise 96.5 percent of the District's projected revenues of $30.4 million. After accounting for the ERAF shift, the District receives 13.34 percent of the base 1.0 percent property tax for parcels located in the applicable Tax Rate Area. Based on the estimated increase in property values that would be generated by the Project, it is estimated that it would generate $549,000 in property taxes annually.

The District expects to generate $512,000 from licenses, permits, and service charges in FY 08-09, accounting for less than 2.0 percent of total revenues. For purposes of this analysis, revenues from licenses, permits, and service charges are estimated on a per service population basis. Other revenues, including monies from intergovernmental transfers and use of money and property have been assumed not to change as a result of new development. Based on the estimated increase in service population from the Project, it is estimated that it would generate $5,500 in revenues from licenses, permits, and service charges.

Expenditures

Based on interviews with the Fire Chief and Fire Marshall, the District's expenditures are anticipated to increase due to the need for a new aerial apparatus or ladder truck.

District staff indicated that ladder trucks are required to respond to emergencies at buildings of more than three stories. Because eight-story office buildings and an 11-story hotel are proposed in the Project Area, an aerial apparatus would be required to respond to emergencies at the property. Currently, the District owns and operates one ladder truck. Truck 1 is housed at Station 1 and its 100 foot ladder is pre-plumbed for elevated water application. Located 3.35 miles away at 300 Middlefield Road, west of Highway 101, Truck 1's response time to the project site would be within 8 minutes, depending on traffic conditions. While this response time is in keeping with applicable standards, its distance from the Project Area is not.[19] Based on the District's 2004 Public Protection Classification Study completed by the Insurance Services Organization (ISO), ladder trucks should be located within a 2.5 mile radius.

District staff indicate that an additional ladder truck, located east of Highway 101, would be needed to meet acceptable standards for urban aerial ladder truck coverage. It is expected this new ladder truck would replace an existing fire engine and be located at Station 77, the closest station to the Sites. Station 77, at 1467 Chilco Street, is within 1.45 miles from the Project Area and has a response time to the Site of approximately two minutes. Based on estimates provided by the District, the one-time capital cost for purchasing a ladder truck would range from $1.0 million to $1.5 million. The existing engine at Station 77 was purchased in 2001 and per Schedule I of the Menlo Park Fire Protection District Budget is currently due to be replaced. It has an estimated replacement cost of $625,000. Hence, the acquisition of an additional ladder truck would represent a net new capital cost to the District of approximately $375,000 to $875,000 over and above the existing need.[20]

A new aerial apparatus at Station 77 would generate additional personnel and maintenance requirements that would increase the District's annual expenditures. Currently three shifts with three personnel each staff the fire engines. However, the District's Tentative Agreement with the Firefighters Union would require four personnel to staff ladder trucks. The replacement of an engine with a ladder truck would result in the need for three additional FTE (one person for each of three shifts). According to the Fire Chief, costs for each position range from $165,700 to $244,900, depending on seniority and skill level. For purposes of estimation, an average staff cost of $205,000 per year has been used, including salary, fringe benefits, and overhead costs. In total, these new costs from additional staff and maintenance costs would amount to $615,000 annually.

[19] The National Fire Protection Association 1710 Standard requires a response time of 8 minutes.

[20] Note that to the extent that the existing engine has a substantial resale value it may further reduce the net new capital cost to the Fire District for acquiring an additional ladder truck.

As this type of equipment and the associated personnel are not currently required to serve development east of Highway 101, and as the existing zoning east of Highway 101 does not allow building heights that necessitate a ladder truck, additional costs associated with the operation and maintenance of a new ladder truck were designated as impacts of the Project.

What portion of these potential costs Bohannon would pay to the District would be subject to agreement between the District and the developer. To date the Fire District has not charged projects to the extent that they create additional District labor costs, although this could change. Should Bohannon reach an agreement to pay the upfront cost of a ladder truck and/or its associated staffing increase, they have expressed interest that a cost recovery agreement be established such that they recoup money from other property owners should other development occur in the area that would benefit from the ladder truck and its additional personnel.

Net Impact

As shown in Table 32, costs related to the Project would exceed revenues, leading to a net cost to the District of $62,000 annually. Also presented are revenues, expenditures and net impacts for the Alternatives.

Table 32: Menlo Park Fire District Net Fiscal Impacts

	Project	Alt. 1	Alt. 2	Alt. 3	Alt. 4	Alt. 5
Cost Impact of Development						
FY 2008-2009 Budget						
Administration	$5,519,600					
Operations	$16,252,000					
Training	$2,038,600					
Fire Prevention	$3,092,400					
Transfers	$4,057,800					
Total Costs	**$30,960,400**					
	Project	**Alt. 1**	**Alt. 2**	**Alt. 3**	**Alt. 4**	**Alt. 5**
Incremental Staffing Needs for Ladder Truck (FTE) (a)	3	0	0	3	3	3
Staffing cost per FTE (b)	$205,300	$0	$0	$205,300	$205,300	$205,300
Total Costs	**$615,900**	**$0**	**$0**	**$615,900**	**$615,900**	**$615,900**
Revenue Impact of Development						
FY 2008-2009 Budget						
Property Taxes	$ 29,296,900					
Licenses, Permits, and Service Charges	$511,600					
Other Revenue	$ 544,800					
Total Revenue	**$30,353,300**					
Total Existing Service Population	117,973					
Licenses, Permits, and Service Charges Per Service Pop. Unit	$4.34					
	Project	**Alt. 1**	**Alt. 2**	**Alt. 3**	**Alt. 4**	**Alt. 5**
Assessed Property Value	$411,500,259	$33,204,460	$127,994,391	$240,262,598	$337,594,272	$359,875,625
Fire District Share of Base 1.0% Property Tax Assessment	13.34%	13.34%	13.34%	13.34%	13.34%	13.34%
Licenses, Permits, and Service Charges Per Service Pop. Unit	$4	$4	$4	$4	$4	$4
Service Population	1,269	365	521	632	951	1,035
Licenses, Permits, and Service Charges Revenue	$5,503	$1,581	$2,260	$2,742	$4,123	$4,487
Property Tax Revenue	$548,783	$44,282	$170,695	$320,418	$450,221	$479,935
Total Revenue	**$554,286**	**$45,863**	**$172,955**	**$323,159**	**$454,343**	**$484,422**
Net Fiscal Impact of Development						
	Project	**Alt. 1**	**Alt. 2**	**Alt. 3**	**Alt. 4**	**Alt. 5**
Total Costs	$615,900	$0	$0	$615,900	$615,900	$615,900
Total Revenues	$554,286	$45,863	$172,955	$323,159	$454,343	$484,422
Net Surplus (Deficit)	**($61,614)**	**$45,863**	**$172,955**	**($292,741)**	**($161,557)**	**($131,478)**
Capital Costs						
	Project	**Alt. 1**	**Alt. 2**	**Alt. 3**	**Alt. 4**	**Alt. 5**
New Ladder Truck (equipped) (c)	$1,250,000	$0	$0	$1,250,000	$1,250,000	$1,250,000

Note:
(a) The Tentative Agreement between the District and the Firefighters Union requires engines to be staffed by three firefighters and ladder trucks be staffed by four firefighters. There would be a need of three additional firefighters (one per shift) to staff a ladder truck. Email correspondence with Fire Chief, 6/4/09.
(b) The staffing cost per firefighter ranges from $165,700 to $244,887 depending on seniority. Analysis assumes the average between the two costs. Based on email correspondence with Fire Chief, 6/4/09.
(c) Estimate of Ladder Truck cost provided by Fire Chief, email correspondence, 6/4/09.
Sources: Menlo Park Fire District, 2009; BAE, 2009

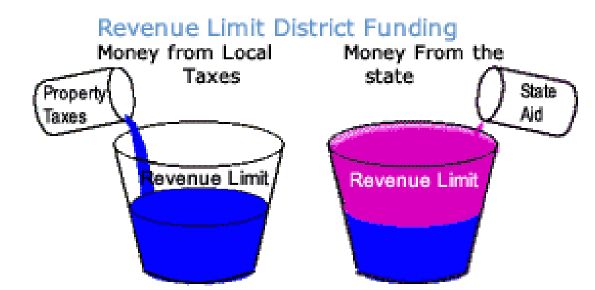
School Districts

The Project site is located within the Redwood City Elementary School District and the Sequoia Union High School District. Two nearby elementary school districts serving Menlo Park residents are the Ravenswood City School District and the Menlo Park City School District.

The Project would generate one-time impact fee revenues for the districts in which it is located, Redwood City Elementary School District and the Sequoia Union High School District. In addition, the Project would affect ongoing operating revenues for these districts. However, due to the complexities of the State's educational funding system, the impact to the elementary and high school districts would be different. As explained in more detail below, the Project would not have a material impact on the Redwood City Elementary School District's operating budget. By comparison, for the Sequoia Union High School District the Project would lead to a substantial ongoing benefit to the District's operating budget.

Indirect impacts to affected school districts are described the Induced Housing Demand section of this Study.

Annually Recurring Revenues



Source: EdSource.org

Revenue Limit Districts

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

Source: EdSource.org

Basic Aid Districts

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

The Redwood City Elementary School District is a Revenue Limit district, meaning that revenues are unaffected by increases in assessed property tax values within the district and are instead determined on a per student basis according to schedule determined by the State. Hence, the Redwood City Elementary School District would not receive any additional tax revenue as a result of the Project. The adjacent elementary school district, Ravenswood City, is also a Revenue Limit district. Thus, regardless of any potential future changes in district boundaries, neither the Redwood City nor Ravenswood City school districts would receive additional operating revenues as a result of an increase in property taxes resulting from the Project, since State funding would be reduced by an amount equal to any increase in local property tax revenues.

By comparison, the Sequoia High School District is a Basic Aid district, meaning that operating revenues are affected by increases in the property tax values within the district. This means that development of the Project would increase the local property tax base, resulting in an estimated increase in revenues of approximately $611,000 per year. This estimate is based on the Sequoia Union High School District receiving a 14.86 percent share of the base 1.0 percent property tax assessment for all properties within its jurisdiction. The Menlo Park City School District is also nearby and is a basic aid district. If district boundaries were changed, this school district could benefit from property taxes generated by the Project.

Impact Fee Revenues

In addition to annual property tax revenue, new development generates one-time school facility impact fees for the school districts within which it is located. The Sequoia Union High School District collects school impact fees for itself and its feeder elementary school districts. Impact fees vary depending on the elementary school district. For new commercial development located in the Redwood City Elementary School District, impact fees are $0.47 per square foot of net new development, of which $0.188 (40 percent) goes to Sequoia Union High School District and $0.282 (60 percent) goes to Redwood City Elementary School District.[21] The Project would generate $137,000 for the Sequoia Union High School District and $206,000 for the Redwood City

[21] Impact fee schedules are the same in the Ravenswood School District as for the Redwood City Elementary School District. If the Project were located in the Ravenswood School District it would generate a one-time school facility impact fee for a $137,000 for the Sequoia Union High School District and $206,000 for the Ravenswood Elementary School District.

Elementary School District, based on current rates.

Expenditures

The Project and Alternatives do not involve any residential units and, hence, would not directly lead to new enrollment or additional expenditures by the elementary and high school districts. Potential indirect impacts are described in the Induced Housing Demand section of this Study.

Net Impact

Because the Project and Alternatives do not include any residential component, they would result in a positive fiscal impact to the Redwood City Elementary School District and Sequoia Union High School District. As Table 33 shows, the Project would generate approximately $611,000 of additional annual revenues for the Sequoia Union High School District and would generate combined one time impact fee revenues for the two districts of $343,000.

Table 33: School District Net Fiscal Impacts

Revenue Assumptions						
Share of Base 1.0 Percent Property Tax						
Redwood City Elementary School District	NA					
Sequoia Union High School District	14.86%					
Impact Fees (a)						
Redwood City Elementary School District	$0.282	per net new sq. ft.				
Sequoia Union High School District	$0.188	per net new sq. ft.				
Revenue Impacts of Development						
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Estimated Assessed Value	$411,500,259	$33,204,460	$127,994,391	$240,262,598	$337,594,272	$359,875,625
Net New Development (Sq. Ft.)	730,665	-	93,876	348,623	539,673	590,038
Annual Property Tax Revenue						
Redwood City Elementary School District	$0	$0	$0	$0	$0	$0
Sequoia High School District	$611,469	$49,340	$190,193	$357,018	$501,648	$534,757
Total	**$611,469**	**$49,340**	**$190,193**	**$357,018**	**$501,648**	**$534,757**
Impact Fee Revenue (One-time)						
Redwood City Elementary School District	$206,048	$0	$26,473	$98,312	$152,188	$166,391
Sequoia High School District	$137,365	$0	$17,649	$65,541	$101,459	$110,927
Total	**$343,413**	**$0**	**$44,122**	**$163,853**	**$253,646**	**$277,318**

Notes:
(a) Sequoia Union High School District collects school impact fees for high school district and feeder elementary school districts. Specific fees for Redwood City Elementary School District and Sequoia Union High School District provided by Annette Rickey, Maintenance Office, Sequoia Union High School District, 5/14/09.
Sources: Sequoia Union High School District, 2008; BAE, 2008

Indirect Impacts: Induced Housing Demand

While the Project and Alternatives do not include a residential component, new employment in the Project Area could increase demand for housing in the City and potentially increase the housing unit allocations assigned to the City through the State mandated Regional Housing Needs Allocation (RHNA) process, which would need to be addressed in the updated Housing Element that the City is required to prepare. This section will analyze the indirect fiscal impacts to the City of Menlo Park associated with new housing resulting from the Project and Alternatives.

Keyser Marston Associates (KMA) prepared for the City a housing needs analysis for the Project, based on new employment generation. As part of its analysis, KMA estimated the impact of the Project on the number of housing units allocated to Menlo Park in the next Housing Element Cycle, 2015-2022. The estimated increase in the City's RHNA ranges from zero units to 76 units in the next housing cycle. This Study's analysis of indirect impacts assumes the Project would result in the larger impact: an increase of 76 housing units resulting from the next RHNA, divided among the following income categories:

Table 34: Projected Incremental Increase In Regional Housing Needs Allocation

Income Category	Annual Household Income (a)	Projected Increase in RHNA (b) (Additional Housing Units)
Very Low	Less than $50,900	17
Low	$50,901 to $81,450	12
Moderate	$81,451, to $102,600	15
Above Moderate	More than $102,600	32
Total		**76**

Notes:
(a) Income range is for a three-person family in San Mateo County as defined by HUD and the State of California.
(b) Projected Increase in RHNA is per the high-end estimate of the KMA analysis.
Sources: San Mateo County Department of Housing, 2008; BAE, 2008.

The increased housing demand for each Alternative was calculated using a ratio of the Alternatives' development square footage to the Project's development square footage.

City of Menlo Park Indirect Fiscal Impacts

Revenues

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

For this analysis very low and low income housing units were assumed to generate no property tax revenues. This assumption is consistent with Section 214 of the California Revenue and Taxation Code, which allows for a property tax exemption for lower income housing developments. For moderate income households, this analysis assumes these units would be sold as income restricted units with their maximum sale price determined, such that no more than 30 percent of household income is dedicated toward total housing costs including mortgage payments, taxes, and insurance. Based on Calculations shown in Appendix 7, a three-person moderate income household could afford to purchase a home with a sale price of approximately $372,000. For above moderate income units, this analysis assumes assessed values would be equal to the median sale price for condominiums in Menlo Park, which was approximately $767,500 in 2008. Hence based on the high-end estimate of a 76-unit increase in the City's RHNA resulting from the Project, assessed values in the City would increase by $30 million, leading to approximately $36,000 of additional property tax revenues for the City General Fund.

As described above this analysis assumes that any increase in the City's RHNA would actually result in the construction of the specified number of units at specified income levels. While State Housing Element law places an affirmative duty on cities to designate a sufficient amount of land to accommodate medium to high density housing development, it does not place an affirmative duty on cities to assure that specified quantities of low and moderate income housing are actually built. Hence, while the City's duty to plan for medium to high density housing would increase based on an increase in its RHNA, it is not necessarily the case that additional housing would actually be built as a result of this increase in the RHNA nor that it would necessarily be low to moderate income housing as identified in the RHNA. Hence, this analysis provides a conservative estimate of possible property tax generation from the induced housing demand, assuming that low and moderate income housing would actually be built in accordance with the increase in the City's RHNA.

Sales tax revenue per household was calculated using the City of Menlo Park's retail taxable sales for fourth quarter 2006 to third quarter 2007 (the most recent four quarters of available data). As previously discussed, the City receives 0.95 percent of taxable sales. Based on the FY 08-09 budget, the City collects $27 in utility user tax per household. Franchise fee and fine revenues were calculated on a per service population basis, assuming an average household size of three persons per household.[22]

[22] According to Claritas, Inc., the average household size in Menlo Park was 2.5 persons as of 2008. This figure has been rounded to three persons for this portion of the analysis to be consistent with income category definitions, which are not published for fractional household sizes.

As shown in Table 35, the induced housing demand associated with the Project would generate additional revenues of $74,000 for the City.

Table 35: Revenue Impacts of Induced Housing Demand

New Housing Units by Income Level	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Very Low Income	17	-	3	5	11	13
Low Income	12	-	2	4	8	9
Moderate Income	15	-	3	4	10	11
Above Moderate Income	32	-	6	9	21	24
Total New Units	76	-	13	22	49	56
Property Tax						
Assessed Value Per New Unit						
Very Low and Low Income	$0					
Moderate	$372,000					
Above Moderate (c)	$767,500					
Property Tax Rate	1.00%					
City of Menlo Park Share of Property Tax	9.53%					
Total New Assessed Value	$30,140,000	$0	$5,214,298	$8,919,656	$19,531,439	$22,328,939
Property Tax Revenue to City	$28,730	$0	$4,970	$8,502	$18,618	$21,285
ILVLF Revenue Per Unit	$7,235	$0	$1,252	$2,141	$4,688	$5,360
Total New Property Tax Revenue to City	**$35,965**	**$0**	**$6,222**	**$10,644**	**$23,306**	**$26,644**
Sales Tax Revenue						
Retail Taxable Sales in Menlo Park (a)	$407,118,930					
Number of Households	12,660					
Retail Taxable Sales per Household	$32,157					
Local Sales Tax Rate	0.95%					
New Sales Tax Revenue	**$23,217**	**$0**	**$4,017**	**$6,871**	**$15,045**	**$17,200**
Utility Users Tax						
Utility Tax Revenue, FY 2008-2009	$1,075,000					
% of Utility Usage Attributable to Res. Users (d)	31.60%					
Number of Households, 2008	12,660					
Utility User Tax Revenue per Household	$27					
New Utility User Tax Revenue	**$2,039**	**$0**	**$353**	**$603**	**$1,321**	**$1,511**
Other Revenue						
Citywide Service Population	44,699					
Franchise Fee, FY 2008-2009	$1,445,600					
Franchise Fee per Service Population Unit	$32.34					
Fines, FY 2008-2009	$1,033,520					
Fines per Service Population Unit	$23.12					
Estimated Household Size	3.0					
New Service Population	228	0	39	67	148	169
Franchise Fees	$7,374	$0	$1,276	$2,182	$4,778	$5,463
Fines	$5,272	$0	$912	$1,560	$3,416	$3,906
Total Fees and Fines	**$12,646**	**$0**	**$2,188**	**$3,742**	**$8,195**	**$9,368**
Total Revenue						
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Total Revenue	**$73,867**	**$0**	**$12,779**	**$21,860**	**$47,868**	**$54,724**

Notes:
(a) Retail taxable sales for Menlo Park, Q4 2006 - Q3 2007, as reported by the State Board of Equalization, inflated to 2008 dollars based on Bay Area CPI for all urban consumers.
(b) Keyser Marston Associates estimated the project would generate an induced demand of 76 housing units between 2015-2022. Housing estimates for the Alternatives were determined using a ratio of Alternative employment to Project employment generated.
(c) Based on median sales price in Menlo Park, September 2008, per DataQuick.
(d) Based on the residential and non-residential PG&E billings for gas and electric usage during the 12 months ending May 2005.
Sources: Keyser Marston Associates, 2008; State Board of Equalization, 2007; City of Menlo Park, 2008; DataQuick, 2008; BAE, 2008

Expenditures

New housing units would create additional demands on City Departments, resulting in increased costs for each Department. Utilizing the FY 08-09 budget, increased Departmental General Fund expenditures were estimated on a per service population basis, assuming an average household size of three persons per household. For the Community Services Department and Library Department, increased expenditures are based on Departmental expenditures attributed to residents only. Table 36 shows that induced housing demand associated with the Project would cost the City an additional $142,000, while housing resulting from the Alternatives would have smaller impacts.

Table 36: Expenditure Impacts of Induced Housing Demand

Assumptions		
Citywide Service Population	44,699	
Esitmated Household Size	3.0	
General Fund Expenditures Impacted by Development	**Total FY 2008- 2009**	**Cost per Service Population Unit**
Administrative Services	$5,118,522	$114.51
Community Development	$105,897	$2.37
Community Services (a)	$1,925,267	$61.52
Library (a)	$854,560	$27.31
Police	$13,363,116	$298.96
Public Works	$5,201,431	$116.37

Expenditures	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
New Housing Units (b)	76	0	13	22	49	56
New Population	228	0	39	67	148	169
Administrative Services	$26,109	$0	$4,517	$7,727	$16,919	$19,342
Community Development	$540	$0	$93	$160	$350	$400
Community Services	$14,026	$0	$2,427	$4,151	$9,089	$10,391
Library	$6,226	$0	$1,077	$1,842	$4,034	$4,612
Police	$68,163	$0	$11,792	$20,172	$44,171	$50,498
Public Works	$26,532	$0	$4,590	$7,852	$17,193	$19,656
Total	**$141,595**	**$0**	**$24,496**	**$41,904**	**$91,757**	**$104,899**

Notes:
(a) Departmental expenditures attributable to residents only.
(b) Keyser Marston Associates estimated the project would generate an induced demand of 76 housing units between 2015-2022.
Housing estimates for the Alternatives were determined using a ratio of Alternative employment to Project employment generated.
Sources: Keyser Marston Associates, 2008; City of Menlo Park, 2008; Claritas, 2008; BAE, 2008

Net Impact

Table 37 provides a summary that shows the induced housing demand from the Project would create a net fiscal deficit for the City of $68,000 per year.

Table 37: Net Fiscal Impact of Induced Housing Demand

	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
New Housing Units	76	-	13	22	49	56
Total Revenues	$73,867	$0	$12,779	$21,860	$47,868	$54,724
Total Expenditures	$141,595	$0	$24,496	$41,904	$91,757	$104,899
Net Surplus (Deficit)	($67,728)	$0	($11,717)	($20,043)	($43,889)	($50,175)

Sources: Keyser Marston Associates, 2008; City of Menlo Park, 2008; BAE, 2008

School District Indirect Fiscal Impacts

The Independence and Constitution Sites are located within the Redwood City Elementary School District and the Sequoia Union High School District. In addition, the Menlo Park City Elementary School District, Las Lomitas Elementary School District and the Ravenswood City Elementary School District serve areas of the City of Menlo Park and potential impacts to these districts are also described in this analysis.

The impact to each school district depends on the percentage of housing that would be located in each. Because it is difficult to predict where in Menlo Park housing development would occur, it was assumed that the new housing would be divided equally between the four elementary school districts that serve the City. For the Project, this results in 19 new housing units in each elementary school district. Because Sequoia Union High School District serves the entire City, all 76 housing units associated with the Project were allocated to the District. As an alternative analysis, estimated fiscal impacts for each elementary school district were calculated assuming all induced housing would be located within that district. This alternative analysis can be found in Appendix 8.

Revenues

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

Because of the relatively high property values in Menlo Park, three of the five school districts serving the City are basic aid districts. Las Lomitas Elementary School District, Menlo Park City

Elementary School District, and Sequoia Union High School District are basic aid districts that are funded primarily through local property taxes. These three districts would not receive state funding for additional students based on the per student revenue limit. Rather, new revenue for these basic aid districts would be limited to increases in property tax revenue resulting from new housing units located in the district. The amount of new property tax revenue for each district was calculated by applying the applicable property tax rate to the median sales price of new homes in Menlo Park.

Revenue for the Ravenswood Elementary School District and the Redwood City Elementary School District is based on the per student revenue limit established by the state. Using student generation rates provided by the school districts, the revenue limit per student was multiplied by the number of new students generated from new housing.

Expenditures

As a result of increased enrollment, the school districts may need to hire additional teachers in order to maintain current teacher-pupil ratios. The average teacher-pupil ratios were used to estimate the need for new teachers at each District generated by the induced housing demand of the Project. The increased expenditures associated with the new teachers are based on average teacher salaries and benefits for each District.

Table 38 on the following page summarizes these revenue and expenditure assumptions.

Table 38: Revenue and Expenditure Assumptions, Indirect School Impacts

Cost Assumptions	
Las Lomitas Elementary School District	**2008**
Student Generation Rate (Students Per Housing Unit) (b)	0.45
Average Pupil-Teacher Ratio within District (c)	15.2
Estimated Average Teacher Salary + Benefits (d)	$107,522
Menlo Park City Elementary School District	
Student Generation Rate (Students Per Housing Unit) (b)	0.27
Average Pupil-Teacher Ratio within District (c)	17.1
Estimated Average Teacher Salary + Benefits (d)	$96,525
Ravenswood Elementary School District	
Student Generation Rate (Students Per Housing Unit) (b)	0.56
Average Pupil-Teacher Ratio within District (c)	17.9
Estimated Average Teacher Salary + Benefits (d)	$68,787
Redwood City Elementary School District	
Student Generation Rate (Students Per Housing Unit) (b)	0.95
Average Pupil-Teacher Ratio within District (c)	17.4
Estimated Average Teacher Salary + Benefits (d)	$80,844
Sequoia Union High School District	
Student Generation Rate (Students Per Housing Unit) (b)	0.19
Average Pupil-Teacher Ratio within District (c)	20.0
Estimated Average Teacher Salary + Benefits (d)	$79,077

Revenue Assumptions	
Las Lomitas Elementary School District (e)	**2008**
Median Assessed Value Per Unit (f)	$396,579
Property Tax Rate	1.00%
Menlo Park City Elementary School District Share of Property Tax	21.00%
Total Revenue Per Unit	$833
Menlo Park City Elementary School District (e)	
Median Assessed Value Per Unit (f)	$396,579
Property Tax Rate	1.00%
Menlo Park City Elementary School District Share of Property Tax	16.84%
Total Revenue Per Unit	$668
Ravenswood Elementary School District	
Revenues Distributed on Basis of Average Daily Attendance (ADA)	$7,497
Redwood City Elementary School District	
Revenues Distributed on Basis of Average Daily Attendance (ADA)	$6,365
Sequoia Union High School District (e)	
Median Assessed Value Per Unit (f)	$396,579
Property Tax Rate	1.00%
Menlo Park City Elementary School District Share of Property Tax	15.12%
Total Revenue Per Unit	$600

Note:

(a) The assumed annual rate of increase in costs/benefits for future years is as follows:

Salaries/Benefits:	6.10%
Revenues based on ADA:	4.42%

Salary/benefit costs are inflated based on the historic rate of increase in salaries between 2000 and 2007, as reported by the California Dept. of Education. Revenues are inflated based on the hirstoric rate of increase (2000-2007) in the Price Index for Local and State Government Consumption Expenditures (published by the U.S. Department of Commerce). This index serves as the statutory basis for annual increases in revenue limit.

(b) Based on interviews and correspondence with Redwood City, Menlo Park, and Las Lomitas District personnel. Student generation rate for Ravenswood Elementary is an average of the three other elementary schools. Sequoia Union High School District student generation rate based on Fremont Union High School District Rate. Ravenswood Elementary and Sequoia Union High School District Staff did not return calls.

(c) As reported to the California Dept of Education for 2006-07

(d) Salary as reported to the California Dept of Education for 2006-07 and inflated to 2008 dollars. Benefits are calculated as a percent of salary per 2006-2007 school district budget.

Las Lomitas Elementary School District Benefits as % of Salary:	20%
Menlo Park City School District Benefits as % of Salary:	17%
Ravenswood Elementary School District Benefits as % of Salary:	20%
Redwood City Elementary School District Benefits as % of Salary:	21%
Sequoia Union High School District Benefits as % of Salary:	12%

(e) Las Lomitas, Menlo Park City Elementary, and Sequoia Union High School Districts are Basic Aid School Districts. In basic aid districts, local property taxes exceed the state determined revenue limit per student. As a result, the district receives only minimal funding from the state. New revenue for basic aid districts are based on increases in property taxes the district collects.

(f) Based on weighted average of assessed value for very low-, low-, moderate-, and above moderate-income units.

Sources: Las Lomitas Elementary School District, 2008; Menlo Park City School District, 2008, Ravenswood Elementary School District, 2008; Redwood City Elementary School District, 2008; Sequoia Union High School District, 2008; California Department of Education, 2007; DataQuick News, 2008; BAE, 2008

Net Impact

Table 39 shows that the induced housing demand of the Project would result in a net fiscal deficit for the Las Lomitas Elementary School District of $45,000 per year. Menlo Park City Elementary School District and Sequoia Union High School District would see smaller net fiscal deficits of $16,000 and $12,000 per year, respectively. Ravenswood Elementary School District and Redwood City Elementary School District could expect fiscal surpluses as a result of induced housing demand from the Project and Alternatives.

Table 39: School District Net Fiscal Impacts of Induced Housing Demand

Las Lomitas Elementary School District						
Projected Costs	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Number of Net New Housing Units in School District (a)	19	0	3	6	12	14
Estimated Number of New Students in Proposed Development	8.55	0.00	1.48	2.53	5.54	6.33
Need Generated for New Teacher (Full-Time Equivalent)	0.56	0.00	0.10	0.17	0.36	0.42
New Costs	**$60,481**	**$0**	**$10,463**	**$17,899**	**$39,193**	**$44,807**
Projected Revenues						
New Property Tax Revenues	$15,670	$0	$2,711	$4,638	$10,155	$11,609
New Revenues	**$15,670**	**$0**	**$2,711**	**$4,638**	**$10,155**	**$11,609**
Net Fiscal Surplus/(Deficit)	**($44,811)**	**$0**	**($7,752)**	**($13,261)**	**($29,038)**	**($33,198)**
Menlo Park City Elementary School District						
Projected Costs	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Number of Net New Housing Units in School District (a)	19	0	3	6	12	14
Estimated Number of New Students in Proposed Development	5.13	0.00	0.89	1.52	3.32	3.80
Need Generated for New Teacher (Full-Time Equivalent)	0.30	0.00	0.05	0.09	0.19	0.22
New Costs	**28,958**	**0**	**5,010**	**8,570**	**18,765**	**21,453**
Projected Revenues						
New Property Tax Revenues	12,568	0	2,174	3,719	8,144	9,311
New Revenues	**12,568**	**0**	**2,174**	**3,719**	**8,144**	**9,311**
Net Fiscal Surplus/(Deficit)	**($16,389)**	**$0**	**($2,835)**	**($4,850)**	**($10,621)**	**($12,142)**
Ravenswood Elementary School District						
Projected Costs	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Number of Net New Housing Units in School District (a)	19	0	3	6	12	14
Estimated Number of New Students in Proposed Development	10.60	0.00	1.83	3.14	6.87	7.85
Need Generated for New Teacher (Full-Time Equivalent)	0.59	0.00	0.10	0.18	0.38	0.44
New Costs	**$40,742**	**$0**	**$7,048**	**$12,057**	**$26,402**	**$30,183**
Projected Revenues						
Average Daily Attendance Revenues (b)	$75,510	$0	$13,063	$22,347	$48,933	$55,941
New Revenues	**$75,510**	**$0**	**$13,063**	**$22,347**	**$48,933**	**$55,941**
Net Fiscal Surplus/(Deficit)	**$34,768**	**$0**	**$6,015**	**$10,289**	**$22,531**	**$25,758**
Redwood City Elementary School District						
Projected Costs	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Number of Net New Housing Units in School District (a)	19	0	3	6	12	14
Estimated Number of New Students in Proposed Development	18.13	0.00	3.14	5.36	11.75	13.43
Need Generated for New Teacher (Full-Time Equivalent)	1.04	0.00	0.18	0.31	0.68	0.77
New Costs	**$84,217**	**$0**	**$14,570**	**$24,923**	**$54,575**	**$62,391**
Projected Revenues						
Average Daily Attendance Revenues (b)	$109,608	$0	$18,962	$32,437	$71,028	$81,202
New Revenues	**$109,608**	**$0**	**$18,962**	**$32,437**	**$71,028**	**$81,202**
Net Fiscal Surplus/(Deficit)	**$25,391**	**$0**	**$4,393**	**$7,514**	**$16,454**	**$18,810**
Sequoia Union High School District						
Projected Costs	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Number of Net New Housing Units in School District (a)	76	0	13	22	49	56
Estimated Number of New Students in Proposed Development	14.44	0.00	2.50	4.27	9.36	10.70
Need Generated for New Teacher (Full-Time Equivalent)	0.72	0.00	0.12	0.21	0.47	0.53
New Costs	**$57,094**	**$0**	**$9,877**	**$16,896**	**$36,998**	**$42,297**
Projected Revenues						
New Property Tax Revenues	$45,135	$0	$7,808	$13,357	$29,248	$33,438
New Revenues	**$45,135**	**$0**	**$7,808**	**$13,357**	**$29,248**	**$33,438**
Net Fiscal Surplus/(Deficit)	**($11,959)**	**$0**	**($2,069)**	**($3,539)**	**($7,750)**	**($8,860)**

Notes:
(a) Based on Housing Needs Analysis, Keyser Marston Associates, 2008. It is assumed that new households are divided equally between Las Lomitas, Menlo Park City, Ravenswood, and Redwood City Elementary School Districts.
(b) BAE used a factor of 95% to translate enrollment to Average Daily Attendance.

Sources: Las Lomitas Elementary School District, 2008; Menlo Park City School District, 2008, Ravenswood Elementary School District, 2008; Redwood City Elementary School District, 2008; Sequoia Union High School District, 2008; California Department of Education, 2007; DataQuick News, 2008; BAE, 2008

Land Use Change on Adjacent Sites

This section evaluates the potential for land use changes on parcels in the vicinity of the Project, specifically the area bounded by US-101, Marsh Road, Bayfront Expressway, and Chilco Street, with particular focus on the 12 interior parcels situated between the Constitution and Independence sites. This evaluation was done to answer the question of whether the Project could induce additional development in this area. Relying on quantitative and qualitative data, this section discusses the readiness of these parcels for redevelopment and any potential constraints to land use changes.

Site Overview

The area in the vicinity of the Project contains an assortment of low-density uses. These mostly one- to two-story office, warehouse, and flex space buildings are surrounded by surface parking. Most date to the 1960s, with only a few built after 1970. In total, the area encompasses 90.9 acres, including the 12 interior parcels that lie between the Project Area, which consists of 15.3 acres. The area houses a wide range of businesses, including firms in the legal, aerospace and defense, telecommunications, medical, and real estate industries.

Menlo Park's General Plan designates land north of the Dumbarton Rail Corridor in the vicinity of the Project as Limited Industry. The land is zoned M-2, General Industrial, which permits uses such as warehousing, manufacturing, printing, and assembling, as well as offices. The M-2 district limits the height of structures to thirty-five feet and the floor area ratio (FAR) to 55 percent for general industrial uses and 45 percent for offices.

Factors Affecting Development Potential

Ownership

The twelve interior parcels west of Chrysler Drive are relatively small, ranging in size from 0.68 acres to 2.61 acres with an average of 1.27 acres. These parcels are much smaller than the Independence and Constitution Sites, which total 7.07 acres and 8.84 acres, respectively. As such, multiple sites would need to be assembled for a redevelopment project of any significant size.

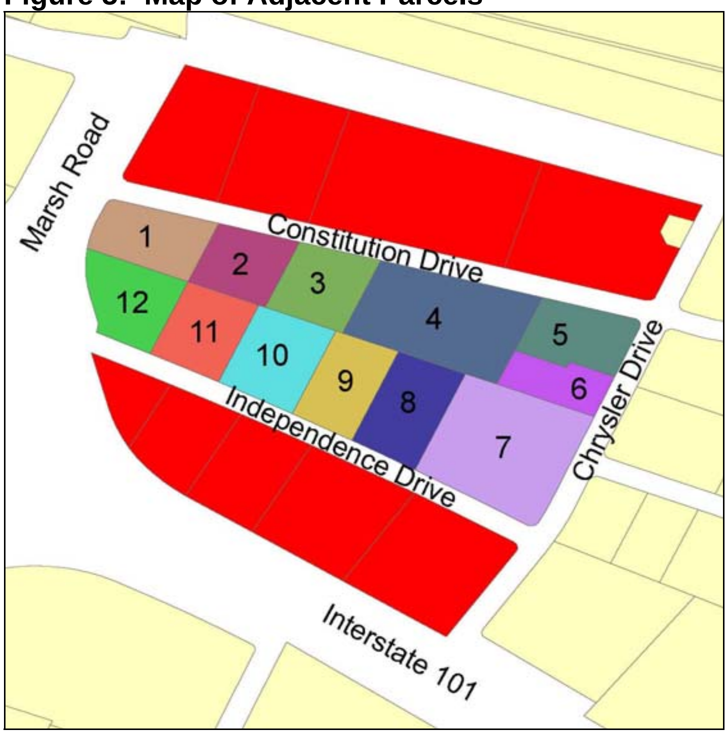
As shown in Table 41 and Figure 5, the twelve parcels are owned by different entities, with no apparent common ownership of property between Independence Drive and Constitution Drive.

Table 40: Adjacent Parcel Information

	Address	Owner	Business (a)	Built Sq. Ft.	Year Built	Lot Size (Acres)	Last Sales Date
1	104 Constitution	Delucchi Associates	ABC Decorative Rugs Wholesale	23,800	1963/1967	1.08	Not Available
2	110 Constitution	Coyne, Patrick Living Trust	Communication Arts	24,084	1960/1965/1969	0.93	June 30, 1998
3	120 Constitution	120 Constitution Dr Inv LLC	Gunderson Dettmer	22,500	1962	1.03	June 10, 1998
4	130 Constitution	Brock Properties	L3 Communications	25,200	1962/1964	2.38	Dec. 29, 1986
5	150 Constitution	Dooman, Kristina W 2008 Trust	L3 Communications	24,000	1963/1995	1.02	July 9, 2008
6	1215 Chrysler	Albera, James N & Joseph A Etal	Vacant	12,697	1963	0.68	Feb. 25, 1997
7	1205 Chrysler	King, Jack E & Billie A	Comcast	41,488	1963/1973/1981	2.61	Aug. 21, 1996
8	127 Independence	DP Ventures LLC	Cabochan Aesthetics/Dollinger Prop.	14,000	1963	1.20	Nov. 30, 2007
9	123 Independence	Johnson, Andrew R Trust Etal	L3 Communications	12,800	1961/1994	1.04	Nov. 9, 2005
10	119 Independence	Carter, Christopher P	The Care of Trees	13,190	1963	1.19	Dec. 20, 1991
11	115 Independence	Bourgeois, Philip A & Anne M	Studio Red	16,492	1966	1.02	Feb. 26, 1997
12	111 Independence	Mehdipour, Massy	Document Technologies Inc.	15,376	1972/1981	1.08	March 4, 2002

Notes:
(a) Based on a windshield survey conducted by BAE on 10/7/08.
Source: DataQuick, 2008; City of Menlo Park, 2008; San Mateo County Assessor's Office, 2008; BAE, 2008.

Figure 5: Map of Adjacent Parcels



The area in the vicinity of the Project to the east of Chrysler Drive contains approximately 75.6 acres of land, encompassing 32 parcels. Among these parcels, the Bohannon Development Company and related entities own 14 parcels totaling 36.1 acres. Two of these parcels contain newer office development, built since 1998, while the remainder of the Bohannon-owned properties primarily consist of older light industrial and warehouse buildings, which could be candidates for redevelopment with higher intensity land uses. Aside from the Bohannon properties, most parcels east of Chrysler Drive are held by separate owners, including 16 smaller parcels ranging in size from 0.69 acres to 3.00 acres. Otherwise, there are two larger parcels, one measuring 6.4 acres in size and occupied by an office building and another measuring 12.1 acres in size used as a distribution center. Neither of these parcels is considered a likely candidate for redevelopment in the near term as both have considerable value in the buildings compared to the land. Moreover, the larger parcel is owned by Diageo, one of the world's largest distributors of alcoholic beverages. Parcels are generally considered less likely for redevelopment with new uses when they are owned by a business that has an operational facility on the site.

Hence, aside from the Bohannon-owned parcels east of Chrysler Drive these findings suggest that the need for site assembly would delay redevelopment of property in the vicinity of the Project. The process of assembling multiple parcels into a coherent series of developable sites typically presents a challenging and time consuming process with considerable risk of failure. Different property owners would have varying priorities; some may be willing to sell their property, while others may choose to continue leasing out their space. The land assembly process is one that developers are usually reluctant to undertake, as they would rather focus their efforts on more readily available property that takes less time and involves less risk to obtain.

A windshield survey of the area was used to compare the business names displayed on the buildings with the listed property owners. This survey suggests that most, if not all, businesses lease, rather than own, their space. While BAE did not contact businesses or property owners as part of this assessment, the windshield survey indicates that the subject buildings are generally not owner-occupied.

The presence of various tenants on the parcels may further complicate the site assembly process, with different tenants' lease agreements expiring at different times. In addition to discussions with property owners, a developer seeking to assemble parcels may need to negotiate with building tenants and buy out leases.

Zoning and Entitlement

Given the relatively modest building envelope allowed under M-2 zoning designation, developers of parcels in the vicinity of the Project would need to apply for General Plan amendments to allow for greater office densities. Bohannon is currently undertaking this process for the Project. General Plan amendments and rezonings must be approved by the City Council after a public hearing, and both are subject to the provisions of the California Environmental Quality Act (CEQA). As evidenced by the ongoing entitlement process for the Project, the process of obtaining General Plan and Zoning Ordinance amendments is long and uncertain. Under the current Master

Fee Schedule, such privately-initiated proposals also require the payment of substantial fees for the cost of the staff and consultant time spent reviewing the application, which may be a barrier to some potential applicants. General Plan and Zoning Ordinance amendments ultimately require a discretionary vote by the City Council, which as a legislative act may be brought to a referendum if sufficient community interest exists to cause such a vote.

As an alternative to dealing with rezoning applications on a case-by-case basis, the City may choose to develop a specific plan for the area in question. By establishing a set of development standards that apply to this area, a specific plan represents a more comprehensive approach than evaluating projects individually, and engages property owners in a single, coordinated planning process. However, specific plan processes generally take between one and three years to complete, once again slowing any potential redevelopment of the interior parcels.

Market Factors

Future demand for office space in Menlo Park would play a large role in determining redevelopment pressures in the vicinity of the Project.

To evaluate this demand for new office space, the Association of Bay Area Government's (ABAG) employment forecast for various industry sectors was used to project the number of new office-based jobs in Menlo Park through 2035. The percentage of office jobs in each sector is based on the profile of professions in each industry. Appendix 9 contains additional detail on this methodology. This analysis suggests that Menlo Park will add approximately 6,100 new office jobs between 2010 and 2035 (see Table 41).

Table 41: Supportable Office Space Projections, Menlo Park, 2010-2035

	2005	2010	2015	2020	2025	2030	2035	Total Change 2010-2035	Supportable Office Sq. Ft. (b)	Supportable Sq. Ft. / Yr.
Jobs	28,820	30,490	33,380	36,510	39,430	42,790	45,810	15,320		
Office Jobs (a)	10,839	11,525	12,640	13,879	15,039	16,350	17,608	6,083	**1,825,000**	**73,000**

Notes:
(a) Based on BAE estimates of the percent of employees in different job sectors who work in offices.
(b) Assumes an employee density of:
300 sq. ft. per employee
Based on SCAG Employment Density Study, 2001
Sources: ABAG, 2007; BAE 2008.

Next, the new office jobs were translated into demand for office space, assuming 300 square feet per employee. As shown in Table 42, this analysis indicates that the City may experience demand for approximately 1.8 million square feet of additional office space between 2010 and 2035.

In order to determine the net demand for office space in Menlo Park through 2035, planned and proposed office developments and existing vacancies were subtracted from the total supportable office space. This adjustment assumes that vacant, planned, and proposed space would be absorbed before new office space would be developed. For the purposes of this analysis, current office vacancies in Menlo Park were estimated based on an average of second quarter 2008 figures reported by CBRE and Cushman & Wakefield. Averaging data from these two firms indicates approximately 182,000 vacant square feet in the City. An additional 605,000 square feet of space is currently in the development "pipeline" for Menlo Park (see Appendix 10).

After netting out current vacancy and pipeline office projects, this analysis suggests that Menlo Park could absorb approximately 1.0 million square feet of net new office space through 2035 (see Table 42).

Table 42: Net Supportable Office Space, Menlo Park, 2010-2035

Supportable Office Sq. Ft. (a)	1,825,000
Less Vacancy (b)	(181,504)
Less Planned & Proposed (c)	(605,453)
Net Supportable Office Sq. Ft.	1,038,043
Net Supportable Office Sq. Ft. / Yr.	41,522

Notes:
(a) Based on ABAG employment projections and an employmee density of 300 employees per sq. ft.
(b) Based on an average office vacancy reported by CBRE and Cushman & Wakefield for Q2 2008.
(c) Near-term development projects in the City of Menlo Park, May 2008.

Sources: City of Menlo Park, 2008; BAE, 2008

The demand for new office space in Menlo Park must be considered in conjunction with the capacity for additional office space under the City's General Plan. The General Plan estimates the total build-out capacity for commercial and industrial space in Menlo Park is 18.9 million square feet. According to Planning Department staff, the City currently has approximately 14.6 million square feet of commercial and industrial space, in line with the General Plan's 2010 projections. Based on this information, the City of Menlo Park can accommodate approximately 4.3 million square feet of additional commercial and industrial space, including office development. As such, the demand for approximately 1.0 million square feet of new office space through 2035 could be accommodated under the City's current General Plan.

Site Conditions

The potential for the redevelopment of properties in the vicinity of the Project is affected by the sites' desirability in relation to other areas in Menlo Park that may be appropriate for new office space.

The City's General Plan provides for expansion of professional and administrative offices along Sand Hill Road, Menlo Park's Central Area, El Camino Real, Middlefield Road, portions of Willow Road, and within M-2 industrial areas, such as along Independence Drive and Constitution Drive.

Planning Department staff indicated that the Sand Hill Road, Middlefield Road, and Willow Road areas are near capacity with regard to office development. El Camino Real and M-2 industrial park areas remain more underutilized. Therefore, the El Camino Real corridor and the parcels in the vicinity of the Project appear well positioned for redevelopment relative to other areas of the City.

The El Camino Real commercial corridor generally has smaller parcels and is generally built out at a higher density than parcels in the vicinity of the Project. As a result, redevelopment along El Camino Real may face greater site assembly and planning challenges, adjacency issues with neighboring land uses, and potentially higher demolition costs. At the same time, sites along El Camino Real are more centrally located within the community. These conditions suggest that smaller scale, mixed-use redevelopment may be most appropriate along El Camino Real, including professional service offices that benefit from proximity to the rest of Menlo Park.

Compared to El Camino Real, the Independence Drive and Constitution Drive sites cater to more typical large suburban office developments. The sites enjoy access and visibility to Highway 101, Highway 84, and the Dumbarton Bridge, attractive qualities for developers looking for larger scale office redevelopment opportunities.

Summary of Findings

In the long term, redevelopment of the parcels in the vicinity of the Project is logical when comparing current development densities with much more intensive development currently occurring elsewhere in the market place, the potential for larger footprint buildings, and the parcels' freeway access and visibility. Long-term market projections also point to ongoing demand for new office space in Menlo Park over the next 15 to 20 years. The completion of the Project would help establish this area as a suitable location for new office projects and increase the potential for redevelopment over time.

However, the entitlement processes could take a number of years for developers to complete before redevelopment of parcels could take place. Also, for many sites, the challenges of complex site assembly and tenant lease buyouts may well delay or even stall development for many years. Moreover, in the near term, the current economic crisis and tightening of credit markets will depress demand for new office development over the short- and potentially medium-term. Once the economy recovers and once office space included in the Project has been fully tenanted, there is likely to be further interest by developers in additional high density office development in the area. Nonetheless, such pressures for redevelopment are expected to be at least several years away given the severity of the ongoing recession.

While future City Councils would act under their own discretion on any such potential applications, the current City Council could frame an approval of the Project to more explicitly encourage or discourage such future applications, if desired. For example, the approval actions could be coupled with clear policy direction about such future changes. Similarly, the structure and language of the proposed General Plan and Zoning Ordinance amendments could potentially be revised to more clearly encourage or prohibit future applications, without changing the substance of the Project.

Fiscal Impact of Potential Change

Consistent with the findings of the fiscal impact analysis for the Project and Alternatives, redevelopment of parcels in the vicinity of the Project Area with high density commercial uses could be expected to have a beneficial impact on the City General Fund as new revenues for commercial uses would be expected to exceed new service demands in the area. Explained below is the potential increase in sales tax and property tax revenues which could be realized through redevelopment of surrounding parcels with commercial uses similar to the Project.[23]

Sales Tax Revenue

Currently, parcels in the vicinity of the Project, generate an average of $147,000 of sales tax revenue per year for the General Fund. This amount translates to approximately $1,600 per acre per year. Based on mid-range estimates for the Project, high density commercial development would generate approximately $9,400 of sales tax revenue per acre per year.[24] Hence, redevelopment of parcels in the vicinity of the Project Area could be expected to lead to an approximately $7,800 of additional sales tax revenue per year for the General Fund each acre redeveloped with high density commercial uses.

Property Tax Revenue

Currently the total real assessed property value of all 44 parcels located in the vicinity of the Project is approximately $2.17 million per acre, including land and improvements. Based on this assessed value these parcels generate an average of $2,000 of property tax revenues per acre per year for the General Fund. By comparison, the Project would have an estimated real assessed property value of $22.7 million per acre, including land and improvements and generate

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[23] Sale tax and property tax revenues are the two principal General Fund revenue sources generated by office uses.

[24] The Project would generate approximately $150,000 of sales tax revenues, while the Project Area measures 15.9 acres in size.

approximately $22,000 of property tax revenue per acre per year for the General Fund. Hence, redevelopment of parcels in the vicinity of the Project Area could be expected to lead to an additional $20,000 of property tax revenue per year for the General Fund for each acre redeveloped with high density commercial uses.

Additional Fiscal Benefit Opportunities

In addition to established sources of tax revenues, capital facility charges, and impact fees, the City seeks to identify other mechanisms for consideration that might generate additional fiscal benefits for the City. The following section provides a conceptual discussion of tools and approaches used by other communities. The City would need to ensure that specific mechanisms it structures are legally permissible, and that the amounts generated do not negatively affect the financial feasibility of the Project.

Impact Fees

Impact fees are fees charged to offset the impact of new development on municipal infrastructure, broadly defined. Among the most common type of impact fee is a traffic impact fee. Other types of impact fees include fees to be used for the creation of parks, affordable housing, childcare, library, and other community facilities. By State law, impact fees can only be charged to new development where a "nexus study" exists, demonstrating the link or nexus between a given type of new development and a need for a particular community facility. Moreover, impact fees must be proportional to the level of impact imposed by a project, so that new development is not charged more than its fair share of the cost to build or improve a community's infrastructure.

Per existing ordinances, the City would realize significant impact fee revenues from the Project, including $1.1 million in traffic impact fees and $8.4 million in affordable housing impact fees. Also, the Project would generate approximately $150,000 of impact fee revenues each for the Redwood City Elementary School District and Sequoia Union High School Districts.

As shown in Table 43, while these revenues are significant, in some instances the City's rates are lower than fees charged in adjacent communities and other communities around the Bay Area. Moreover, the City does not charge impact fees for certain items, while other jurisdictions do. As an example, the City of San Francisco collects $1.00 per square foot for new office development for the development of childcare facilities. If applied to the Project, such a fee could generate approximately $695,000.

If the City believes that its existing impact fee structure does not necessarily address all improvements that are needed to accommodate new development, it may wish to update or conduct new nexus studies in order to increase fees or add fees for other types of infrastructure/community facilities. Alternatively, instead of updating or commissioning nexus studies, the City may be able to negotiate the payment of a fee to offset an impact through a Development Agreement as described later in this section.

Table 43: Comparison of Impact Fee Charges, Menlo Park & Other Bay Area Cities

	Fee Per Sq. Ft. of New Office Development			
Impact Fees	**Menlo Park**	**Redwood City**	**Palo Alto**	**San Francisco**
Affordable Housing Impact Fee	$13.80	NA	$17.08	$19.96 (a)
Parks Impact Fees	NA	NA	$3.85	$2.00 (b)
Traffic Impact Fees	$1.60	$3.45	See Note (c)	$10.94
Childcare Impact Fees	NA	NA	NA	$1.00 (d)
Community Center Fees	NA	NA	$0.22 psf	NA
Library Capital Fees	NA	NA	$0.21 psf	NA

Notes:

(a) Applicable to office developments larger than 25,000 sq.ft.

(b) San Francisco's Parks Impact Fee is only activated within the C3 zoning district.

(c) $2,684 per new net trip per Traffic Study.

(d) Applicable to office developments larger than 50,000 sq.ft.

Sources: Planning Departments of Menlo Park, Redwood City, Palo Alto and San Francisco; BAE, 2008.

In Lieu Sales Taxes

The City currently charges a few sales tax in-lieu fees when issuing conditional use permits to allow non-retail businesses to operate within viable retail space in certain commercial districts. Fees range depending on the quality of sites for retail usage and are adjusted annually based on the CPI. The fee is charged to property owners and the fee amount can be reduced as retail sales taxes are in fact generated from the subject site.

To apply the same type of revenue generation mechanism to the Independence and Constitution Sites, one would need to determine the baseline amount of sales tax revenues that could be expected from the Project Area if it were rezoned for retail usage. Based on standard assumptions shown in Table 44, if the Project Area were developed with a retail center, it could accommodate approximately 175,000 square feet of retail development and could generate nearly $750,000 dollars of sales tax revenue annually for the City.

Table 44: Potential Retail Sales Tax Generation from Independence and Constitution Sites

Assumptions			
Retail FAR (a)	0.25		
Local Sales Tax Rate	0.95%		
Taxable Sales per Sq.Ft.(b)	$450		

	Independence	Constitution	Combined
Lot Area, Sq.Ft.	308,815	385,854	694,669
Potential Retail, Sq.Ft.	77,204	96,464	173,667
High Range Sales Tax Potential	$330,046	$412,381	**$742,427**

Note:
(a) BAE assumption per typical FARs at big box retail sites.
(g) Per HdL 2*007 Retail Store Taxable Sales Estimates.* High end range of taxable sales for discount department store, (e.g., Target)
http://www.hdlcompanies.com/download/index.cfm?fuseaction=download&cid=605
Sources: HdL, 2007; BAE, 2008.

By comparison the Project would be expected to generate sales tax revenues in the range from approximately $76,000 to $435,000 from business-to-business sales tax revenues and taxable sales at the hotel/health club/restaurant, far below a typical retail center. However, if TOT revenues in the range from $880,000 to $1.4 million per year are also considered, the Project would outperform a typical retail center in terms of tax revenue generation for the City. Added together, the Project would generate revenues of between $950,000 and $1.8 million from sales taxes and TOT.

Similar to existing practice, the City could require that the owner of the Project pay a fee of $750,000 per year or some other amount as a condition of the use permit and allow both sales and TOT tax revenues to be considered as a credit against this amount. The result would be that the City would be guaranteed at least $750,000 in revenue from these sources from the Project, with actual annual revenues expected to well exceed the required amount. Although possible through a conditional use permit approval, such a requirement would likely be negotiated through a Development Agreement as described below.

Given the ongoing turmoil in capital markets and weakening in commercial real estate markets, including the hotel sector, it is possible that the applicant would wish to delay the hotel component of the Project until after the office component is built. Instituting this type of sales tax and TOT in-lieu fee could reduce market risk for the City by providing it with the anticipated fiscal benefit even if the hotel is delayed.

Development Agreement

Large development projects in California are often governed by Development Agreements (DA), contracts between developers and cities or counties, which provide developers with a vested right to build, in exchange for certain commitments/concessions made for the public benefit.

One-Time Fee Payments

Unlike impacts fees, DAs are not subject to the same legal tests including "rational nexus" and "proportionality." DAs are voluntary contracts in which a developer may agree to certain upfront or ongoing payments, a particular schedule for timing and sequencing of development, and/or other actions in exchange for a legally binding commitment from a City to allow a particular development program, regardless of future changes in local land use regulations.

One type of payment agreed to through DA negotiation is a payment to offset development impacts of a Project. While Menlo Park has an impact fee ordinance in place, it may consider this ordinance inappropriate because of the unique nature of the Project or because the City has identified additional types of impacts that it believes should be addressed going forward. As described before, the City does not charge impact fees to commercial development for childcare facilities, park and recreational facilities, library facilities, or other community facilities. The City is currently exploring revisions to the traffic impact fee rates.

The City could use a DA to require payment for any anticipated Project-related impacts, including impacts to the City or affected special districts such as the Fire District. As described before, the Project would generate a substantial upfront capital cost for the Fire District to purchase a new ladder truck, as well as a substantial ongoing cost to maintain and properly staff the vehicle.

Timing/Sequencing

In addition to establishing required fee payments, DAs are typically concerned with the timing/sequencing of development. Cities are reluctant to provide an open-ended promise to allow development and often require that certain actions be taken by specified dates, in order for the DA to remain in force. DAs also often spell out which phases of development must move first or concurrently. In the case of the Project, the hotel development would be the main driver of surplus revenues to the City. To the extent that the City wishes to realize an ongoing fiscal surplus from the Project, it will be essential to assure that the hotel portion of the Project is in fact built. Without a DA that specifies sequencing, it would be possible to build the office component and not move forward with the hotel component, e.g. due to market conditions. A DA could specifically identify the acceptable timeframe for completing the hotel relative to the office buildings.

Sales & TOT In-Lieu Fee Payments

Alternatively, if the City agrees to allow office development ahead of hotel development it may wish to require an ongoing payment sales tax and TOT in-lieu fee payment, as described above, with credit available for the amount of sales and TOT taxes actually realized from the Project. Such an agreement would allow the developer some flexibility as to which components to move forward with, while also providing the City with a guaranteed minimum revenue stream from the property.

Property Tax Reassessment

Another strategy to generate additional revenues from the Project would be to negotiate an agreement with Bohannon that it would agree to transfer all portions of the Project Area to a new ownership entity or entities in order to trigger a wholesale reassessment of the Project Area to market value based on the proposed new zoning. This transfer and reassessment would capture the higher land value of the properties associated with new zoning that allows for higher density development. Any transfers of the Project Area would be between entities wholly owned by Bohannon and solely for the purposes of triggering reassessment.[25] Under State law properties may only be reassessed to market value when a sale occurs, and otherwise can only increase in assessed value by a maximum of 2 percent per year.

Currently, Bohannon has expressed the intent to transfer the Independence Site, and 155 Constitution, but not the remaining three parcels of the Constitution Site. For the purpose of the above fiscal impact analysis, BAE has assumed that the property transfers would occur prior to development under the current M-2 zoning designation. The reassessment of the properties to be transferred was estimated assuming $50 per built square foot at the maximum buildout allowed under M-2 zoning. As presented in Table 14 earlier, the estimated land value of the Project Area based on these assumptions is $20.0 million.

The estimated land value of the Project Area would be substantially higher if the land were to be reassessed based on proposed zoning, which allows for much higher development density. Based on an assumed price of $50 of land value per built square foot and the Project's proposed built area of 949,000 square feet, the assessed market land value of the Project Area under new zoning would be $47.5 million. This represents a difference of $27.7 million over the estimated land value of the Project Area under current M-2 zoning. Based on the City's share of property tax revenues, the City would realize an additional $26,200 per year if the Constitution Site is reassessed.

[25] Developers commonly establish limited liability corporations or other wholly owned subsidiaries to own certain properties, in order to limit risk or for other legal and accounting reasons. A transfer under such an agreement would be between subsidiaries created and owned by Bohannon.

Table 45: Estimate of Additional Property Tax Revenue if Project Area is Reassessed Based on New Zoning

Estimated Land Value if 155 Constitution and Independence Site Reassessed at M-2 Zoning (a)	$20,021,911	
Potential Assessed Land Value if Project Area is Reassessed based on New Zoning (b)		
Proposed Built Area, Sq. Ft.	949,416	
Land Value Per Built Sq. Ft.	$50	
Assessed Land Value	$47,470,800	
Difference in Assessed Value	$27,448,889	
City Share of Base 1.0% Property Taxes	9.53%	
Additional Property Tax Revenue to City	**$26,165**	**(annually recurring)**

Notes:
(a) Estimate calculated under assumptions presented in Table 14.
(b) Assumes all parcels in the Independence and Constitutions sites would be reassessed under new zoning.
Source: BAE, 2008.

If the City chooses to negotiate for the Project Area to be transferred prior to development as part of a DA, the timing of such a transfer would be important. The Site would have a greater value, once a DA is in place, securing entitlements for a specified development program. If the Project Area is transferred, prior to entitlements being in place, the assessed value will be lower, reflecting uncertainty about Bohannon's ability to move forward with development of the Project Area.

Supplemental Payment Based on Hotel Revenue

Through the negotiation of a DA, the City may be able to obtain additional revenue from the hotel portion of the Project, over and above the existing 10 percent TOT rate charged on hotel room and parking expenditures. Under such an agreement, the developer would agree to collect an additional fee to be added to the existing TOT paid by guests. Annual room and parking revenues from the Project are estimated at $12.9 million dollars annually. A payment of 1.0 percent of revenues would net $129,000 for the City annually. The specific structuring of this fee would need to be reviewed by counsel to ensure that it does not trigger requirements for voter approval of new taxes.

Construction Contract Sales and Use Tax Allocation

Construction contractors may elect to allocate the local sales and use tax derived from construction contracts of $5 million or more to the local jurisdiction where the jobsite is located. The qualifying contract price of $5 million applies to each contract or sub-contract for work performed at the jobsite. The allocation is accomplished by the contractor obtaining a sub-permit of their seller's permit for a specific jobsite and allocating the local tax to that jobsite on Schedule C of their sales and use tax return. Otherwise, the taxes collected on construction contracts go to the County pool.

Menlo Park typically receives only a small allocation of the county pool of sales and use taxes, based on the amount of local sales taxes generated by each city. The allocation would provide the City with 100% of the local tax on materials consumed and fixtures furnished by the contractor of the project directly, and it would also increase the percentage of the county pool allocation of sales and use taxes for the period of construction. Through the negotiation of a DA, the City may require that Bohannon allocate the local sales and use tax in this manner.

Community Benefit Fund

The Community Benefit Fund concept is a variation on the Community Benefit Agreement contracts common between developers and community groups under which the developer agrees to provide specified benefits such as increased employment opportunity, new community facilities, or other contributions to a community or neighborhood, in exchange for community support for a proposed development.

The concept for a Community Benefit Fund is that it would provide a means for the Project to enhance the quality of life for all Menlo Park residents, and mitigate the impacts to the City's character that many residents feel the project would create. Rather than provide funds to a community group or non-profit organization, Bohannon and the City could agree on an amount that would be provided to a Community Benefit Fund to be managed by the City. This amount could then be used by the City to finance any combination of additional public improvements, community services, or other items to improve the quality of life in the City.

There may be a potential to structure such a contribution so that it can generate a tax deduction. The Project would benefit indirectly, as measures to enhance the quality of Menlo Park's built environment and the quality of life for residents can enhance the attractiveness of the Project for potential tenants, hotel guests, and others.

Appendix 1: ERAF Distribution of Property Tax

Table A-1: ERAF Distribution of 1.0 percent Property Tax

Jurisdictions	Pre-ERAF Distribution	ERAF Share	Distribution of Base 1.0% Property Tax after ERAF Shift
	(A)	(B)	(A) * (1-B)
City of Menlo Park	11.44%	16.68%	9.53%
San Mateo County	22.55%	40.23%	13.48%
Redwood City Elementary School District	22.49%	0.00%	22.49%
Sequoia High School District	14.86%	0.00%	14.86%
San Mateo Community College District	6.45%	0.00%	6.45%
Menlo Park Fire District	14.99%	11.04%	13.34%
Midpeninsula Regional Open Space District	1.75%	0.00%	1.75%
Bay Area Air Quality Management	0.20%	0.00%	0.20%
County Harbor District	0.34%	22.57%	0.26%
Mosquito Abatement	0.18%	15.91%	0.15%
Sequoia Hospital District	1.39%	0.00%	1.39%
County Office of Education	3.36%	0.00%	3.36%
ERAF Share of Base 1.0% Tax			12.74%
	100.00%		100.0%
Supplemental Taxes			**Tax Rate**
Menlo Park & Recreation Bond			0.019%
Redwood City Elementary Bonds			0.025%
Sequoia High School Bonds			0.021%
San Mateo Community College Bonds			0.017%
Total Property Tax Rate			1.081%

Sources: Santa Mateo County Controller, 2008; Bay Area Economics, 2008.

Appendix 2: Comparable Land Sales Prices

Table A-2: Comparable Office/R&D Land Transactions

Location	COE/ (d) Contract Date	Sale Price	Acres	Sales Analylsis Land Unit Price per Square Foot	Price per Acre	Building Unit Floor Area Ratio	Buildable Area	Price per FAR Foot
1999 through 2004								
W Moffett Park Drive, Hwy 101 & 237, btwn Jagels and Lockhead	Nov-99	$46,772,160	24	$44.74	$1,948,840	NA	NA	NA
Mathila Ave at 5th Ave. , E Street and 11th Ave.	Jan-01	$189,000,000	79.94	$54.28	$2,364,273	NA	NA	NA
W/S McCarthy Blvd., N of Nwy 237 Milpitas	Jan-01	$23,467,950	10	$53.88	$2,346,795	35%	152,460	$153.93
Por. Of Lockheed Plant Site 1 Sunnyvale	Jan-01	$188,055,000	79	$54.65	$2,380,443	35%	1,204,434	$156.14
SWC N First St & Component Dr. San Jose	Feb-01	$278,500,000	40.07	$159.56	$6,950,337	81%	1,421,000	$195.99
1925 Amphitheatre Pkwy Mtn View	Sep-01	$17,500,000	6.93	$57.97	$2,525,253	53%	159,992	$109.38
901 San Antonio Rd Palo Alto	Jun-02	$33,189,400	12.1	$62.97	$2,742,926	16%	84,332	$393.56
2305 Mission College Blvd. Santa Clara	Sep-02	$25,650,000	15.78	$37.32	$1,625,475	51%	353,159	$72.63
SWC Thomas Rd & Montague Expy Santa Clara	Sep-02	$964,000	0.528	$41.91	$1,825,758	38%	8,800	$109.55
4275-4295 Burton Drive, Santa Clara	Jan-03	$7,501,824	4.95	$34.79	$1,515,520	75%	161,717	$46.39
Land at O'Nel Dr. San Jose	Mar-03	$30,000,000	15.75	$43.73	$1,904,762	48%	331,541	$90.49
SWC O'Neil Drive and Gaudalupe Parkway, San Jose	May-03	$29,215,000	15.75	$42.58	$1,854,921	100%	686,070	$42.58
NWC South Milpitas Blvd. and Los Coches Street, Milpitas	May-03	$1,450,000	1.49	$22.34	$973,154	40%	25,962	$55.85
555 Clyde Avenue, Mountain View	Dec-03	$3,441,000	2.96	$26.69	$1,162,500	35%	45,143	$76.22
1015 Martin Avenue, Santa Clara	Mar-04	$6,150,000	4.51	$31.30	$1,363,636	NA	NA	NA
1125 Coleman Avene, San Jose	Dec-04	$89,750,000	74.87	$27.52	$1,198,744	69%	2,250,322	$39.88
2005 through Present								
411 N Pastoria Ave, Sunnyvale	May-05	$4,541,515	4.58	$22.76	$991,597	45%	89,777	$50.59
11th and H Street, Sunnyvale	Jun-06	$80,198,316	51.9	$35.47	$1,545,247	75%	1,695,573	$47.30
Patrick Henry, Tasman, and Old Ironsides, Santa Clara	Jul-06	$100,000,000	46.02	$49.88	$2,172,968	100-150%	2,004,631 to 3,006,947	$33.26 to $49.88
301 Industrial Road, San Carlos	Sep-06	$25,750,000	18.09	$32.68	$1,423,438	61%	480,680	$53.57
1125 Coleman Avene, San Jose	3rd Q 06	$26,797,475	23.23	$26.48	$1,153,572	68%	688,091	$38.94
Via Del Oro, Santa Teresa, San Ignacio, Great Oaks, San Joses	Feb-07	$28,676,447	33.76	$19.50	$849,421	68%	999,998	$28.68
Orchard Pkwy, Trimble Rd, San Jose	Mar-07	$40,000,000	16.5	$55.65	$2,424,242	120%	862,488	$46.38
SWC N First St & Component Dr. San Jose	Mar-07	$108,000,000	39.81	$62.28	$2,712,886	161%	2,791,939	$38.68
690 E. Middlefield Rd, Mountain View	Apr-07	$43,820,541	15.64	$64.32	$2,801,825	50%	340,639	$128.64
2325 Orchard Pkwy, San Jose	May-07	$40,000,000	16.5	$55.65	$2,424,242	120%	862,488	$46.38
Americal Center Site, NS Hwy 237 @ Great America Pkwy San Jose	NA	$73,200,000	38	$44.22	$1,926,316	55%	915,000	$80.00
AVERAGES - 1999 through 2004				**$42.44** (a)	**$1,848,867** (a)			**$100.83 (a)**
AVERAGES - 2005 through Present				**$39.41** (c)	**$1,716,774** (c)			**$47.83 (c)**

Notes:

(a) Excludes SWC N First St & Component Dr., San Jose.

(b) Excludes 901 San Antonio Rd, Palo Alto.

(c) Excludes 690 E. Middlefield Road, Mountain View and Patrick Henry, Santa Clara

(d) COE = "close of escrow."

Sources: Recent area appraisals (proprietary), 2008; Bay Area Economics, 2008.

Appendix 3: Construction Cost Estimates

Table A-3: Construction Cost Estimates

Development Program	Project	Alternative 1 (a)	Alternative 2	Alternative 3	Alternative 4	Alternative 5
New Construction Sq. Ft.						
Office/R&D	694,669	NA	312,627	312,627	503,677	554,042
Restaurant	4,245		0	4,245	4,245	4,245
Health Club	68,519		0	68,519	68,519	68,519
Hotel	171,563		0	171,563	171,563	171,563
Retail/Community	10,420		0	10,420	10,420	10,420
Total	949,416		312,627	567,374	758,424	808,789
Hotel Rooms	230		0	230	230	230
Parking (b)						
Surface Parking Spaces	126		1,042	579	126	126
Structured Parking Spaces	2,540		0	1,109	2,199	2,367
Total Parking	2,666		1,042	1,688	2,325	2,493
Cost Assumptions						
HARD COSTS						
Parking and Site Improvements						
Surface Parking - Cost Per Space	$5,000		$5,000	$5,000	$5,000	$5,000
Structure Parking - Cost Per Space	$25,000		$25,000	$25,000	$25,000	$25,000
Building Construction Costs (Shell & Core) (c)						
Office/R&D/Retail - $ Per SF		NA				
Tenant Improv.	$60.00		$60.00	$60.00	$60.00	$60.00
Shell & Core	$160.00		$160.00	$160.00	$160.00	$160.00
Hotel/Restaurant/Health Club - $ Per SF	$200.00		$200.00	$200.00	$200.00	$200.00
SOFT COSTS						
General Soft Construction Costs - % Hard Costs	15%		15%	15%	15%	15%
Construction Loan						
Points - % of Total Soft & Hard Costs	2.0%		2.0%	2.0%	2.0%	2.0%
Interest Rate	7.0%		7.0%	7.0%	7.0%	7.0%
Construction Period (Months)	24		24	24	24	24
Average Amount of Loan Outstanding	50%		50%	50%	50%	50%
Developer Profit as % of Total Development Costs	8%		8%	8%	8%	8%
PERSONAL PROPERTY						
Hotel Furniture, Fixtures & Equip. - $ Per Room	$30,000		$30,000	$30,000	$30,000	$30,000
Development Costs						
HARD COSTS						
Parking and Site Improvements						
Surface Parking	$630,000		$5,210,450	$2,894,333	$630,000	$630,000
Structure Parking	$63,500,000		$0	$27,728,583	$54,971,083	$59,168,167
Subtotal Parking Hard Costs	$64,130,000		$5,210,450	$30,622,917	$55,601,083	$59,798,167
Building Construction Costs						
Office/R&D/Retail	$155,119,580	NA	$68,777,940	$71,070,340	$113,101,340	$124,181,640
Hotel/Restaurant/Health Club	$48,865,400		$0	$48,865,400	$48,865,400	$48,865,400
TOTAL HARD COSTS	$268,114,980		$73,988,390	$150,558,657	$217,567,823	$232,845,207
SOFT COSTS						
Soft Construction Costs	$40,217,247		$11,098,259	$22,583,799	$32,635,174	$34,926,781
Construction Loan Cost	$27,749,900		$7,657,798	$15,582,821	$22,518,270	$24,099,479
Developer Profit	$26,886,570		$7,419,556	$15,098,022	$21,817,701	$23,349,717
TOTAL SOFT COSTS	$94,853,718		$26,175,613	$53,264,642	$76,971,145	$82,375,977
TOTAL DEVELOPMENT COSTS	**$363,000,000**	**EXISTING VALUE**	**$100,200,000**	**$203,800,000**	**$294,500,000**	**$315,200,000**
PERSONAL PROPERTY						
Hotel Furniture, Fixtures & Equip	$7,000,000	NA	$0	$7,000,000	$7,000,000	$7,000,000

Notes:
(a) Alternative 1 does not involve new construction, hence construction costs for this alternative are not applicable
(b) Parking for Project is per Bohannon's Development Permit Application dated 3-18-08
Parking for the Alternatives is based on the following parking ratios:

Office/R&D	Space /	300 SF
Restaurant	Space /	200 SF
Health Club	Space /	200 SF
Hotel	Space /	1 Hotel Room
Retail/Community	Space /	200 SF

This analysis makes the following assumptions regarding the split between surface and structured parking
(The amount of surface versus structured parking affects development costs)
Project - Per Bohannon's Development Permit Application 126 spaces are provided in a surface lot with the remainder in parking structures.
Alternative 2 - All spaces provided in surface lots consistent with typical practice of developers building in the M-2 zone
Alternative 3 - Development on the Constitution Site is assumed to be parked in surface lots consistent with M-2 zoning. Development on the Independence Site is assumed to be parking in structures consistent with the Bohannon hotel proposa
Alternative 4 - Consistent with the Project, 126 spaces are assumed to be provided in a surface lot with the remainder in parking structures
Alternative 5 - Consistent with the Project, 126 spaces are assumed to be provided in a surface lot with the remainder in parking structures
(c) Per square foot construction costs are based on RS Means data, adjusted for locational and quality factors
(d) Marriott reports expected FF&E costs of $7.0 million or approximately $30,000 per room.
Other tenants are not assumed to have significant personal property holdings that would require a tax filing

Sources: RS Means, 2008; BAE, 2008

Appendix 4: Impact Fee and Facilities Charges Assumptions

The City and various special districts collect a variety of impact fees and capital facility charges to off-set impacts of new development. Table 23 presented the impact fee and facilities charges revenue generated by the Project and Alternatives. Below is a discussion of the assumptions and methodologies for estimating revenues from these sources. A schedule of fees and charges is also presented below in Table A-4.

The Menlo Park Municipal Water Department (MPMWD) collects a capital facilities charge for water service installation. Charges are based on the meter size and are required for new meter installation only. According the MPMWD, eight 1.5 inch water meters currently exist on the Constitution Site; there are six 2-inch meters and one 1-inch meter on the Independence Site. The Project would require a new 3-inch water meter for the hotel and health club, but the remainder of the project could be served by existing water connections. The MPMWD also collects a capital facilities charge for fire services per site, which amounts to $1,000 plus an estimated $15,000 for the installation of services.[26] The Project would pay $71,000 in capital facilities charges to the MPMWD.

The West Bay Sanitary District assesses a sewer connection charge based on the estimated volume of wastewater discharge per day. The District provides credit for the existing use and entitled wastewater discharge volume, requiring the developer to pay a connection fee based on the estimated net new discharge volume only. According to District staff, the Independence and Constitution Sites are currently entitled for 22,000 gallons per day (gpd) of wastewater discharge. Based on the proposed development program, the West Bay Sanitary District estimates that the Project would generate 98,000 gpd of wastewater discharge. The District would collect a connection fee of $24.09 per gallon per day plus a flat fee of $722.70 per connection. Discussions with District staff indicated that each building would require a separate connection. The Project would be subject to $1.8 million for sewer connections.

The City of Menlo Park collects traffic mitigation and below market rate housing impact fees based on the net new square footage of the development. The traffic impact fee is expected to increase in the near future once the City completes an ongoing traffic impact fee study. The current rate is $1.60 per net new square foot of commercial development. The City also collects a building street repair fee of 0.58 percent of construction value to provide for roadway maintenance and repair

[26] According to Julie Robinson, MPMWD, the installation cost of fire services ranges from $10,000 to $20,000. BAE assumed a mid-range estimated of $15,000 would be paid by the Project for development of each of its Sites. This estimate assumes that there would be one fire service to each Site.

related to damages caused by building construction activity. Below market rate housing fees of $13.80 per net new square foot for office and R&D development and $7.50 per square foot of all other commercial development would be charged to the Project. Under its current fee structure, the City would collect $1.1 million in traffic impact fees, $2.1 million in building street repair fees, and $8.4 million in below market rate housing fees from the Project.

In addition to fees collected by the City, the developer would have to pay school impact fees to the Redwood City Elementary School District and the Sequoia Union High School District, the two districts in which the Site are located. The Project would generate $343,000 of impact fees for the two school districts.

Table A-4: Schedule of Impact Fees and Facilities Charges

Impact Fees and Facilities Charges Rates, 2008

			Quantity per Alternative					
			Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Water Capital Facilities Charge (a)		Unit						
Office	$8,486	1-1/2" Meter	0	0	0	0	0	0
Restaurant	$8,486	1-1/2" Meter	0	0	0	0	0	0
Hotel	$24,929	3" Meter	1	0	0	1	1	1
Parking/Site	$8,486	1-1/2" Meter	0	0	0	0	0	0
Fire Services	$16,000	Per Site	2	0	2	2	2	2
Administration Fees	25%	of Connection Fees						
Sewer Connection Fee (b)	$722.70	Per Connection	5	-	2	5	5	5
Office/R&D	$24.09	Per Gallon per Day	70,000	-	31,500	31,500	50,800	55,800
Restaurant	$24.09	Per Gallon per Day	1,000	-	-	1,000	1,000	1,000
Health Club	$24.09	Per Gallon per Day	10,000	-	-	10,000	10,000	10,000
Hotel	$24.09	Per Gallon per Day	16,000	-	-	16,000	16,000	16,000
Retail/Community	$24.09	Per Gallon per Day	1,000	-	-	1,000	1,000	1,000
Less Existing Entitled Volume	$24.09	Per Gallon per Day	(21,596)		(21,596)	(21,596)	(21,596)	(21,596)
Traffic (c)	$1.60	Net New Sq. Ft.	See Table Below					
BMR Housing In-Lieu Fee (d)								
Office/R&D	$13.80	Net New Sq. Ft.						
Commercial Development	$7.50	Net New Sq. Ft.						
Building Street Repair Fee	0.58%	Construction Value						
School Impact Fee (e)								
Redwood City Elementary School District	$0.282	Net New Sq. Ft.	See Table Below					
Sequoia High School District	$0.188	Net New Sq. Ft.	See Table Below					

Net New Development (Sq. Ft.)

Floor Area	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Office/R&D	476,000	0	94,000	94,000	285,000	335,000
Restaurant	4,000	0	0	4,000	4,000	4,000
Health Club	69,000	0	0	69,000	69,000	69,000
Hotel	172,000	0	0	172,000	172,000	172,000
Retail/Community	10,000	0	0	10,000	10,000	10,000
	731,000	0	94,000	349,000	540,000	590,000
Construction Value	$363,000,000	NA	$100,200,000	$203,800,000	$294,500,000	$315,200,000

Notes:
(a) Capital facilities charges for water service is based on meter size. Water capital facilities charges for fire services is based on the assumption that the project will have fire sprinklers. Capital facilities charges assessed only where new water meters need to be installed. The Independence Site has 6-2 inch meters and 1-1inch meter. The Constitution Site has 8-1 1/2 inch meters. Based on conversation with Menlo Park Water District.
(b) Sewer connection fees are based on gallons, and include a flat fee per connection (assuming one connection per building) and a fee based on estimated gallons per day (gpd). Developers are credited with the existing entitled volume on site and must pay connection fees only for the estimated net new volume (gpd). Existing entitled volume provided by West Bay Sanitary District Administrative Assistant. Gpd estimates provided for the Project by West Bay Sanitary District Project Manager, based on square footage for each use. Gpd estimates for Alternatives 2-5 are based on the ratio of square footage in the Alternative to Project square footage.
(c) The City is currently undertaking a study to update the traffic impact fee. According to Ruben Nino, Director of Public Works, the new fee will be higher than the current fee.
(d) Based on interview with Megan Nee, Management Analyst, City of Menlo Park Housing and Redevelopment Division, 8/4/08
(e) Sequoia Union High School District collects school impact fees for high school district and feeder elementary school districts. Specific fees for Redwood City Elementary School District and Sequoia Union High School District provided by Sequoia Union High School District Maintenance Office, 5/14/09.
Sources: City of Menlo Park, 2008; West Bay Sanitary District, 2008; Sequoia Union High School District, 2008; BAE, 2008

Appendix 5: Summary of Fiscal Impacts, Low and High Range Estimates

TOT revenues and business-to-business sales tax revenues are important sources of revenue from the project and there is some uncertainty as to the amounts of revenues that would actually be generated from each. As a type of sensitivity analysis for these revenue sources, BAE estimated the low-, middle-, and high-range for both, based on historic market data. Presented on the following page are the low- and high-range fiscal impact summaries for the Project and Alternatives.

As shown in Table A-5.1, the Project could generate annual TOT revenues as low as $1.05 million per year and business-to-business sales tax revenues as low as $29,000 per year. Under this low-revenue scenario, the net fiscal impact of the Project would remain strongly positive and would be approximately $1.39 million per year.

Table A-5.1: Summary of Ongoing Fiscal Impacts, Low-Revenue Scenario

Revenues	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Transient Occupancy Tax (b)	$1,052,783	$0	$0	$1,052,783	$1,052,783	$1,052,783
Sales Tax Revenue						
Business-to-Business (c)	$29,902	$9,416	$13,457	$13,457	$21,681	$23,849
Retail	$46,086	$0	$0	$46,086	$46,086	$46,086
Employee Spending	$29,763	$8,551	$12,221	$14,828	$22,297	$24,265
Property Tax (City of Menlo Park share)	$491,000	$40,000	$153,000	$287,000	$403,000	$429,000
Utility User Tax	$36,000	$7,000	$10,000	$23,000	$29,000	$31,000
Business License	$114,500	$27,250	$39,000	$46,500	$70,500	$76,750
Other Revenue	$70,381	$20,221	$28,899	$35,065	$52,726	$57,381
Total Revenues	**$1,870,414**	**$112,438**	**$256,577**	**$1,518,719**	**$1,698,072**	**$1,741,114**

Expenditures	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Administrative Services	$145,311	$41,749	$59,666	$72,398	$108,860	$118,472
Community Development	$3,006	$864	$1,234	$1,498	$2,252	$2,451
Community Services	$32,023	$9,201	$13,149	$15,955	$23,990	$26,109
Library	$40,455	$11,623	$16,611	$20,156	$30,307	$32,983
Police	$263,746	$60,769	$86,847	$263,746	$263,746	$263,746
Public Works	$0	$0	$0	$0	$0	$0
Total Expenditures	**$484,542**	**$124,205**	**$177,507**	**$373,752**	**$429,155**	**$443,761**

Net Fiscal Impact of Development	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Net Surplus (Deficit)	$1,385,872	($11,767)	$79,069	$1,144,968	$1,268,917	$1,297,353

Notes:
(a) Fiscal impacts estimated at Project build-out in 2008 $.
(b) Assumes low-range estimate of transient occupancy tax revenue.
(c) Assumes low-range estimate of business-to-business sales tax revenue.
Sources: City of Menlo Park, 2008; BAE, 2008.

As shown in Table A-5.2, the Project could generate annual TOT revenues as high as $1.47 million per year and business-to-business sales tax revenues as high as $389,000 per year. Under this high-revenue scenario, the net fiscal impact of the Project would exceed $2.16 million per year.

Table A-5.2: Summary of Ongoing Fiscal Impacts, High-Revenue Scenario

Revenues	Project	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Transient Occupancy Tax (b)	$1,469,863	$0	$0	$1,469,863	$1,469,863	$1,469,863
Sales Tax Revenue						
Business-to-Business (c)	$388,591	$122,367	$174,881	$174,881	$281,752	$309,926
Retail	$46,086	$0	$0	$46,086	$46,086	$46,086
Employee Spending	$29,763	$8,551	$12,221	$14,828	$22,297	$24,265
Property Tax (City of Menlo Park share)	$491,000	$40,000	$153,000	$287,000	$403,000	$429,000
Utility User Tax	$36,000	$7,000	$10,000	$23,000	$29,000	$31,000
Business License	$114,500	$27,250	$39,000	$46,500	$70,500	$76,750
Other Revenue	$70,381	$20,221	$28,899	$35,065	$52,726	$57,381
Total Revenues	**$2,646,184**	**$225,389**	**$418,000**	**$2,097,223**	**$2,375,223**	**$2,444,272**
Expenditures	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Administrative Services	$145,311	$41,749	$59,666	$72,398	$108,860	$118,472
Community Development	$3,006	$864	$1,234	$1,498	$2,252	$2,451
Community Services	$32,023	$9,201	$13,149	$15,955	$23,990	$26,109
Library	$40,455	$11,623	$16,611	$20,156	$30,307	$32,983
Police	$263,746	$60,769	$86,847	$263,746	$263,746	$263,746
Public Works	$0	$0	$0	$0	$0	$0
Total Expenditures	**$484,542**	**$124,205**	**$177,507**	**$373,752**	**$429,155**	**$443,761**
Net Fiscal Impact of Development	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Net Surplus (Deficit)	$2,161,642	$101,184	$240,493	$1,723,472	$1,946,068	$2,000,511

Notes:
(a) Fiscal impacts estimated at Project build-out in 2008 $.
(b) Assumes high-range estimate of transient occupancy tax revenue.
(c) Assumes high-range estimate of business-to-business sales tax revenue.
Sources: City of Menlo Park, 2008; BAE, 2008.

Appendix 6: Detailed Fiscal Impact Tables for Other Special Districts

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

Water and Sanitary Districts

The Menlo Park Municipal Water District (MPMWD), which is part of the City of Menlo Park Department of Public Works, owns and operates its distribution system and purchases water from the San Francisco Public Utilities Commission. The MPMWD serves one-third of the City's population, covering the Sharon Heights area and portions of the City north of El Camino Real. The Independence and Constitution Sites are located within the service area of the MPMWD.

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

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

The Project and Alternatives would generate one-time revenues for both districts associated with connection fees. The MPMWD assesses connection fees based on the water meter size while the West Bay Sanitary District collects connection fees that vary based on land use and volume of wastewater discharge. One time impact fee revenues were listed earlier in Table 23.

San Mateo County Community College District

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

The Community College District's budget is comprised of a restricted and unrestricted General Fund along with a number of special funds. The restricted portion, which accounts for approximately 20 percent of the General Fund, includes money from federal, state, and local sources that must be spent for a specific purpose by law or regulation. Approximately 80 percent of the General Fund is made up of the unrestricted portion and supports most of the general programs of the District. Based on discussions with College District staff, the analysis of the impact to District finances focuses on the Unrestricted General Fund budget.

Revenues

A majority of Unrestricted General Fund revenues are derived from the Base Revenue, which is comprised of student enrollment fees, local property taxes, and a state apportionment. Base Revenue is determined by the state based on the district's enrollment.[27] For FY 08-09, the College District's received base revenue of $92.5 million or approximately $4,300 per Full-Time Equivalent Student (FTES). An estimate of increased revenues is based on the Base Revenue per FTES and the expected enrollment generated by the project.

Expenditures

Demand for the College District's services may increase if employees of the Project enroll in evening classes at one of the three campuses. Cañada College in Redwood City, located 5.3 miles from the Independence and Constitution Sites, is the nearest campus to the Project. District staff indicated that employees may also choose to enroll in courses at Foothill College, which is part of the Foothill De Anza Community College District and is located 9.1 miles from the project site. Enrollment at Foothill College would diminish the demand generated by the project for services at San Mateo County Community College District campuses. However, because Cañada College is closer to the Independence and Constitution Sites than Foothill College, a conservative approach was used that assumes all demand for community college services generated by the project would be absorbed by the San Mateo Community College District. The increase in student enrollment generated by the project is estimated based on the ratio of the District's existing student enrollment to San Mateo County's current service population.

The College District's Unrestricted General Fund expenditures are estimated on a FTES basis. Discussions with College District staff indicated that the estimated new employment resulting from the Project would not trigger the need for new capital outlays. As such, an average cost approach is appropriate for estimating increased expenditures associated with the new demand.

Net Impact

Shown in Table A-6.1, estimated District revenues that would be generated by the Project and Alternatives are approximately equal to estimated District expenditures. The Project would lead to an estimated net annual fiscal cost to the district of approximately $24,000.

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

Table A-6.1: San Mateo County Community College District Net Fiscal Impacts

Cost Impact of Development						
FY 2008-2009 Budget (a)						
Site Allocations	$75,778,595					
Salaries and Benefits	$26,623,407					
Staff Development / HR	$678,000					
Technology	$904,300					
Other	$10,371,915					
Total Costs	**$114,356,217**					
Less Costs Not Impacted by Growth						
Retirement Reserve Transfer	$1,500,000					
Museum of Tolerance	$50,000					
Total Costs Impacted by Growth	**$112,806,217**					
Total Existing Service Population	909,575					
Total Existing Full Time Equivalent Student (FTES) (b)	21,902					
FTES / Service Population Unit	0.02					
Cost Per New FTES	$5,150					
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Cost Per New FTES	$5,150	$5,150	$5,150	$5,150	$5,150	$5,150
Service Population	1,269	365	521	632	951	1,035
FTES	31	9	13	15	23	25
Total Costs	**$157,378**	**$45,216**	**$64,620**	**$78,409**	**$117,900**	**$128,310**
Revenue Impact of Development						
FY 2008-2009 Budget (a)						
Base Revenue (c)	$92,515,968					
Non-Resident Tuition	$1,517,175					
Other	$ 20,323,073					
Total Revenue	**$114,356,216**					
Base Revenue per FTES	$4,224					
Non-Resident Tuition per FTES	$69					
Revenue Anticipated to Increase with Enrollment per FTES	$4,293					
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Base Revenue	$131,187	$37,691	$53,866	$65,361	$98,279	$106,957
Non-Resident Tuition	$2,117	$608	$869	$1,055	$1,586	$1,726
Total Revenue	**$133,304**	**$38,299**	**$54,735**	**$66,415**	**$99,865**	**$108,683**
Net Fiscal Impact of Development						
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Total Costs	$157,378	$45,216	$64,620	$78,409	$117,900	$128,310
Total Revenues	$133,304	$38,299	$54,735	$66,415	$99,865	$108,683
Net Surplus (Deficit)	**($24,074)**	**($6,917)**	**($9,885)**	**($11,994)**	**($18,035)**	**($19,628)**

Note:
(a) Budget for the Unrestricted General Fund, which is the district's operating fund. Other district funds are operated primarily on a cost recovery basis.
(b) FTES - Full Time Equivalent Student equals 15 units per semester. FTES estimated for 2008-2009 in SMCCCD FY 08-09 budget.
(c) Includes property tax revenue, fees, and state apportionment. State apportionment equals base revenue per FTES less property taxes and enrollment fees.

Sources: San Mateo County Community College District, 2008, BAE 2008

Other Districts

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

Local property taxes are a major revenue source for the County Office of Education, the Midpeninsula Regional Open Space District, and the Sequoia Healthcare District. Each district receives a share of the City of Menlo Park's base 1.0 percent tax. After accounting for the ERAF shift, the County Office of Education receives 3.36 percent of the base tax; the Open Space District and the Healthcare District receive 1.75 percent and 1.39 percent, respectively.

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

County Office of Education Special District

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

According to the Office of Education, the total student enrollment in San Mateo County school districts is 88,479. The Office of Education's service population was defined as its student enrollment. No direct impact on student enrollment in the County's school districts is anticipated as a result of the Project or Alternatives; hence no direct impact is identified.

Midpeninsula Regional Open Space District

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

According to District staff, the Project would have minimal impact on the Open Space District. The District does not maintain a per capita service standard for the acreage of land preserved and it would not increase its land acquisition efforts as a direct result of the Project. In addition, the District's debt service expenditures would not increase due to development at the project site. These two expenditure categories were deducted from the District's total costs to derive the cost impacted by growth. In the FY 08-09 budget, costs impacted by growth total $18,885,000 or $24.02 per service population unit. These costs include property management expenses, major projects, fund medical retirement, and operating expenses.

Sequoia Health Care District

The Sequoia Health Care District serves Redwood City, San Carlos, Belmont, Menlo Park, Woodside, Atherton, and Portola Valley. The Redwood City Council formed the District to operate the Sequoia Hospital, which opened in 1950. Today, the Health Care District jointly governs the Hospital with Catholic Healthcare West, but is not actively involved in operating the Hospital.[28] The Health Care District provides community grants, nursing education, and ongoing support for various long-term healthcare initiatives. The District is undergoing a strategic planning process to determine what other healthcare services it can directly or indirectly provide that are currently inadequate within the District.

According to the Sequoia Healthcare District, the District primarily serves its residents, and the addition of new employees associated with the Project would not impact the District's expenditures. To be conservative, it was assumed that the District's program expenses and associated administrative costs would increase on a per service population basis. However, grant expenses, property expenses, and associated administrative costs, which comprise a majority of the District's costs, were assumed to not be impacted by employment growth. Of the District's $9.7 million budget for FY 08-09, $3.3 million or $13.91 per service population unit, is assumed to be impacted by growth.

Net Impact

Summarized in Table A-6.2 are net impacts to each of these Districts. As shown the Project would have a net positive impact, as the districts would receive increased property tax revenues that exceed any anticipated increase in costs to meet service demands. Detailed tables regarding the impact to these Districts are show in Tables A-6.3 through A-6.5.

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

Table A-6.2: Other Districts' Net Fiscal Impact

Cost Impact of Development			
FY 2008-2009 Budget	**Open Space District**	**Office of Education (a)**	**Healthcare District**
Total Costs	$63,260,000	$122,559,588	9,712,300
Less Costs Not Impacted by Growth	($44,375,000)	($2,707,218)	(6,454,300)
Total Costs Impacted by Growth	**$18,885,000**	**$119,852,370**	**3,258,000**
Total Existing Service Population	786,149	88,479	234,143
Cost Impacted by Growth per Service Population Unit	$24.02	$1,354.59	$13.91
Service Population			
Project	1,269	-	1,269
Alternative 1	365	-	365
Alternative 2	521	-	521
Alternative 3	632	-	632
Alternative 4	951	-	951
Alternative 5	1,035	-	1,035
Cost Impact			
Project	$30,483	$0	$17,657
Alternative 1	$8,758	$0	$5,073
Alternative 2	$12,517	$0	$7,250
Alternative 3	$15,187	$0	$8,797
Alternative 4	$22,837	$0	$13,228
Alternative 5	$24,853	$0	$14,396
Revenue Impact of Development			
FY 2008-2009 Budget	**Open Space District**	**Office of Education**	**Healthcare District**
Total Revenue	$37,468,000	$124,008,392	$10,035,000
Share of Property Tax Assessment (Base 1.0% Tax)	1.75%	3.36%	1.39%
Assessed Property Value			
Project	$411,500,259	$411,500,259	$411,500,259
Alternative 1	$33,253,177	$33,253,177	$33,253,177
Alternative 2	$127,994,391	$127,994,391	$127,994,391
Alternative 3	$240,262,598	$240,262,598	$240,262,598
Alternative 4	$337,594,272	$337,594,272	$337,594,272
Alternative 5	$359,875,625	$359,875,625	$359,875,625
Revenue Impact			
Project	$71,899	$138,186	$57,308
Alternative 1	$5,810	$11,167	$4,631
Alternative 2	$22,364	$42,982	$17,825
Alternative 3	$41,980	$80,683	$33,460
Alternative 4	$58,986	$113,367	$47,015
Alternative 5	$62,879	$120,850	$50,118
Net Fiscal Impact of New Development			
Net Surplus (Deficit)	**Open Space District**	**Office of Education**	**Healthcare District**
Project	$41,416	$138,186	$39,651
Alternative 1	($2,948)	$11,167	($442)
Alternative 2	$9,847	$42,982	$10,575
Alternative 3	$26,792	$80,683	$24,663
Alternative 4	$36,149	$113,367	$33,788
Alternative 5	$38,026	$120,850	$35,723

Notes:

(a) Student enrollment in San Mateo County school districts is used as the service population for the County Office of Education. No direct impact on student enrollment is anticipated in County schools as a result of the Project or Alternatives

Sources: Midpeninsula Regional Open Space District, 2008; San Mateo County Office of Education, 2008; Sequoia Healthcare District, 2008; BAE, 2008

Table A-6.3: Midpeninsula Open Space District Net Fiscal Impacts

Cost Impacts of Development						
FY 2008-2009 Budget						
Land Acquisition	$36,787,000					
Major Projects	$3,466,000					
Property Management and Operating Expenses	$13,519,000					
Fund Medical Retirement	$1,900,000					
Debt Service	$7,588,000					
Total Costs	**$63,260,000**					
Less Costs Not Impacted by Growth						
Debt Service	$7,588,000					
Land Acquisition	$36,787,000					
Total Costs Impacted by Growth	**$18,885,000**					
Total Existing Service Population	786,149					
Cost Impacted by Growth per Service Population Unit	$24.02					
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Cost Impacted by Growth per Service Population Unit	$24.02	$24.02	$24.02	$24.02	$24.02	$24.02
Service Population	1,269	365	521	632	951	1,035
Total Costs	**$30,483**	**$8,758**	**$12,517**	**$15,187**	**$22,837**	**$24,853**
Revenue Impacts of Development						
FY 2008-2009 Budget						
Property Tax Revenue	$25,632,000					
Other Revenue	$11,836,000					
Total Revenue	**$37,468,000**					
Total Existing Service Population	786,149					
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Increase in Assessed Property Value	$411,500,259	$33,253,177	$127,994,391	$240,262,598	$337,594,272	$359,875,625
District Share of Property Tax Assessment (Base 1.0% Tax)	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Property Tax Revenue	$71,899	$5,810	$22,364	$41,980	$58,986	$62,879
Total Revenue	**$71,899**	**$5,810**	**$22,364**	**$41,980**	**$58,986**	**$62,879**
Net Fiscal Impact of Development						
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Total Costs	$30,483	$8,758	$12,517	$15,187	$22,837	$24,853
Total Revenues	$71,899	$5,810	$22,364	$41,980	$58,986	$62,879
Net Surplus (Deficit)	**$41,416**	**($2,948)**	**$9,847**	**$26,792**	**$36,149**	**$38,026**

Sources: Midpeninsula Regional Open Space District, 2008; BAE, 2008

Table A-6.4: San Mateo County Office of Education Net Fiscal Impacts

Cost Impacts of Development						
FY 2008-2009 Budget						
Salaries and Benefits	$44,614,404					
Books and supplies	$2,177,533					
Services and Operating Expenditures	$16,786,291					
Transfers	$57,995,093					
Other	$986,267					
Total Costs	**$122,559,588**					
Less Costs Not Impacted by Growth						
Debt Service	$613,313					
Transfers	$2,093,905					
Total Costs Impacted by Growth	**$119,852,370**					
Total Existing Student Enrollment (a)	88,479					
Cost Impacted by Growth Per New Student	$1,355					
Student Generation Rate (b)	0.34					
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Estimated Number of Students	0	0	0	0	0	0
Costs	$0	$0	$0	$0	$0	$0
Total Costs	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Revenue Impacts of Development						
FY 2008-2009 Budget						
Revenue Limit	$1,811,380					
Taxes	$44,904,666					
Other Sources	$77,292,346					
Total Revenue	**$124,008,392**					
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Assessed Property Value	$411,500,259	$33,253,177	$127,994,391	$240,262,598	$337,594,272	$359,875,625
District Share of Property Tax Assessment (Base 1.0% Tax)	3.36%	3.36%	3.36%	3.36%	3.36%	3.36%
Property Tax Revenue	$138,186	$11,167	$42,982	$80,683	$113,367	$120,850
Total Revenue	**$138,186**	**$11,167**	**$42,982**	**$80,683**	**$113,367**	**$120,850**
Net Fiscal Impact of Development						
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Total Costs	$0	$0	$0	$0	$0	$0
Total Revenues	$138,186	$11,167	$42,982	$80,683	$113,367	$120,850
Net Surplus (Deficit)	**$138,186**	**$11,167**	**$42,982**	**$80,683**	**$113,367**	**$120,850**

Note:
(a) 2006-07 student enrollment in San Mateo County school districts, http://www.ed-data.k12.ca.us/welcome.asp
(b) Student generation rate equals 2006-07 enrollment divided by total households in San Mateo County in 2007
Sources: San Mateo County Office of Education, 2008; BAE, 2008

Table A-6.5: Sequoia Healthcare District Net Fiscal Impacts

Cost Impact of Development						
FY 2008-2009 Budget						
Administrative Expenses	$3,401,800					
Grant Expenses	$5,973,500					
Property Expenses	$77,000					
Program Expenses	$260,000					
Total Costs	**$9,712,300**					
Less Costs Not Impacted by Growth						
Administrative Expenses	$403,800					
Grant Expenses	$5,973,500					
Property Expenses	$77,000					
Total Costs Impacted by Growth	**$3,258,000**					
Total Existing Service Population	234,143					
Cost Per Service Population Unit	$13.91					
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Program Cost Per Service Population Unit	$13.91	$13.91	$13.91	$13.91	$13.91	$13.91
Service Population	1,269	365	521	632	951	1,035
Total Program Costs	**$17,657**	**$5,073**	**$7,250**	**$8,797**	**$13,228**	**$14,396**
Revenue Impact of Development						
FY 2008-2009 Budget						
Property Tax Revenue	$6,860,000					
Other Revenue	$ 3,175,000					
Total Revenue	**$10,035,000**					
Total Existing Service Population	234,143					
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Increase in Assessed Property Value	$411,500,259	$33,253,177	$127,994,391	$240,262,598	$337,594,272	###########
District Share of Property Tax Assessment (Base 1.0% Tax)	1.39%	1.39%	1.39%	1.39%	1.39%	1.39%
Property Tax Revenue	$57,308	$4,631	$17,825	$33,460	$47,015	$50,118
Total Revenue	**$57,308**	**$4,631**	**$17,825**	**$33,460**	**$47,015**	**$50,118**
Net Fiscal Impact of New Development						
	Project	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Total Costs	$17,657	$5,073	$7,250	$8,797	$13,228	$14,396
Total Revenues	$57,308	$4,631	$17,825	$33,460	$47,015	$50,118
Net Surplus (Deficit)	**$39,651**	**($442)**	**$10,575**	**$24,663**	**$33,788**	**$35,723**

Sources: Sequoia Healthcare District, 2008; BAE, 2008

Appendix 7: Calculation of Maximum Affordable Sale Price

Table A-7.1: Calculation of Maximum Affordable Sale Price, Menlo Park, 2008

	Household Income (a)	Sale Price	Down Payment (b)	Total Mortgage (b)	Monthly Mortgage	Monthly Property Tax (c)	Mortgage Insurance (d)	Monthly Homeowner's Insurance (e)	Total Monthly PITI (f)
Moderate (120% AMI)									
3 Person HH	$102,600	$372,000	$37,200	$334,534	$2,136.53	$335.11	$0.00	$93.36	$2,565.00

Notes:

(a) Published by California Tax Credit Allocation Committee and HUD. Income limits for San Mateo County. <http://www.hcd.ca.gov/hpd/hrc/rep/state/inc2k8.pdf>

(b) Mortgage terms:		
Annual Interest Rate (Fixed)	6.60%	10-year historical monthly average, Freddie Mac's Primary Mortgage Market Survey.
Term of mortgage (Years)	30	
Percent of sale price as down payment	10.0%	
(c) Initial property tax (annual)	1.08%	Initial Property Tax Rate, County Assessor.
(d) Mortgage Insurance as percent of loan amount	0.00%	PMI- Private Mortgage Insurance Website (http://www.pmi-us.com/)
(e) Annual homeowner's insurance rate as percent of sale price	0.30%	CA Dept. of Insurance website, based on average of quoted rates.
(f) PITI = Principal, Interest, Taxes, and Insurance		
Percent of household income available for PITI	30.0%	

Sources: CA HCD 2008; Freddie Mac 2008; CA Department of Insurance, 2008; BAE 2008.

Appendix 8: School District Indirect Housing Impacts – Secondary Analysis

This analysis of school district fiscal impacts assumes that all new housing units induced by the Project and Alternatives would occur within each particular school district rather than dividing them equally among the four elementary school districts. Table A-8 presents the results of this alternative analysis of school impacts.

Table A-8: School District Net Fiscal Impacts of Induced Housing Demand

Las Lomitas Elementary School District						
Projected Costs	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Number of Net New Housing Units in School District (a)	76	0	13	22	49	56
Estimated Number of New Students in Proposed Development	34.20	0.00	5.92	10.12	22.16	25.34
Need Generated for New Teacher (Full-Time Equivalent)	2.25	0.00	0.39	0.67	1.46	1.67
New Costs	**$241,924**	**$0**	**$41,854**	**$71,595**	**$156,773**	**$179,227**
Projected Revenues						
New Property Tax Revenues	$62,682	$0	$10,844	$18,550	$40,619	$46,437
New Revenues	**$62,682**	**$0**	**$10,844**	**$18,550**	**$40,619**	**$46,437**
Net Fiscal Surplus/(Deficit)	**($179,242)**	**$0**	**($31,009)**	**($53,045)**	**($116,153)**	**($132,790)**

Menlo Park City Elementary School District						
Projected Costs	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Number of Net New Housing Units in School District (a)	76	0	13	22	49	56
Estimated Number of New Students in Proposed Development	20.52	0.00	3.55	6.07	13.30	15.20
Need Generated for New Teacher (Full-Time Equivalent)	1.20	0.00	0.21	0.36	0.78	0.89
New Costs	**115,831**	**0**	**20,039**	**34,279**	**75,061**	**85,812**
Projected Revenues						
New Property Tax Revenues	50,273	0	8,697	14,878	32,578	37,244
New Revenues	**50,273**	**0**	**8,697**	**14,878**	**32,578**	**37,244**
Net Fiscal Surplus/(Deficit)	**($65,558)**	**$0**	**($11,342)**	**($19,401)**	**($42,483)**	**($48,568)**

Ravenswood Elementary School District						
Projected Costs	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Number of Net New Housing Units in School District (a)	76	0	13	22	49	56
Estimated Number of New Students in Proposed Development	42.41	0.00	7.34	12.55	27.48	31.42
Need Generated for New Teacher (Full-Time Equivalent)	2.37	0.00	0.41	0.70	1.54	1.76
New Costs	**$162,969**	**$0**	**$28,194**	**$48,229**	**$105,607**	**$120,734**
Projected Revenues						
Average Daily Attendance Revenues (b)	$302,042	$0	$52,254	$89,386	$195,730	$223,765
New Revenues	**$302,042**	**$0**	**$52,254**	**$89,386**	**$195,730**	**$223,765**
Net Fiscal Surplus/(Deficit)	**$139,073**	**$0**	**$24,060**	**$41,157**	**$90,123**	**$103,031**

Redwood City Elementary School District						
Projected Costs	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Number of Net New Housing Units in School District (a)	76	0	13	22	49	56
Estimated Number of New Students in Proposed Development	72.50	0.00	12.54	21.46	46.98	53.71
Need Generated for New Teacher (Full-Time Equivalent)	4.17	0.00	0.72	1.23	2.70	3.09
New Costs	**$336,869**	**$0**	**$58,279**	**$99,693**	**$218,299**	**$249,566**
Projected Revenues						
Average Daily Attendance Revenues (b)	$438,431	$0	$75,850	$129,750	$284,114	$324,808
New Revenues	**$438,431**	**$0**	**$75,850**	**$129,750**	**$284,114**	**$324,808**
Net Fiscal Surplus/(Deficit)	**$101,563**	**$0**	**$17,571**	**$30,057**	**$65,815**	**$75,242**

Sequoia Union High School District						
Projected Costs	**Project**	**Alternative 1**	**Alternative 2**	**Alternative 3**	**Alternative 4**	**Alternative 5**
Number of Net New Housing Units in School District (a)	76	0	13	22	49	56
Estimated Number of New Students in Proposed Development	14.44	0.00	2.50	4.27	9.36	10.70
Need Generated for New Teacher (Full-Time Equivalent)	0.72	0.00	0.12	0.21	0.47	0.53
New Costs	**$57,094**	**$0**	**$9,877**	**$16,896**	**$36,998**	**$42,297**
Projected Revenues						
New Property Tax Revenues	$45,135	$0	$7,808	$13,357	$29,248	$33,438
New Revenues	**$45,135**	**$0**	**$7,808**	**$13,357**	**$29,248**	**$33,438**
Net Fiscal Surplus/(Deficit)	**($11,959)**	**$0**	**($2,069)**	**($3,539)**	**($7,750)**	**($8,860)**

Notes:
(a) Based on Housing Needs Analysis, Keyser Marston Associates, 2008.
(b) BAE used a factor of 95% to translate enrollment to Average Daily Attendance.

Sources: Las Lomitas Elementary School District, 2008; Menlo Park City School District, 2008, Ravenswood Elementary School District, 2008; Redwood City Elementary School District, 2008; Sequoia Union High School District, 2008; California Department of Education, 2007; DataQuick News, 2008; BAE, 2008

Appendix 9: Methodology for Estimating Office-Based Jobs

Table A-9.1: Office-Based Job Percentages for ABAG Job Sectors, San Mateo County

		San Mateo County			
		# of Jobs (b)	**% Within Sector**	**% Office-Based Jobs (c)**	**% Office-Based Jobs within Sector (d)**
Agriculture and Natural Resource Jobs					
11	Agriculture, Fishing, and Forestry	2,036	98%	0%	
21	Mining	45	2%	0%	
TOTAL		2,081	100%		**0%**
Manufacturing, Wholesale and Transportation Jobs					
22	Utilities	787	1%	5%	
31-33	Manufacturing	30,844	44%	0%	
42	Wholesale trade	12,213	17%	10%	
48-49	Transportation & Warehousing	26,010	37%	0%	
TOTAL		69,854	100%		**2%**
Retail Jobs					
44-45	Retail Trade	35,876		10%	**10%**
Financial and Professional Service Jobs					
52	Finance & insurance	15,088	18%	90%	
53	Real estate & rental & leasing	6,503	8%	25%	
54-55	Professional, Sciene, Tech Svcs, & Mgmt of Companies	44,332	52%	90%	
56	Administrative, Support, Waste Mgmt, & Remediation Svcs	19,774	23%	30%	
TOTAL		85,697	100%		**71%**
Health, Educational and Recreational Service Jobs					
61	Educational services	4,845	6%	5%	
62	Health care & social assistance	26,848	33%	50%	
71	Arts, entertainment, & recreation	6,009	7%	10%	
72	Accommodation & foodservices	29,596	36%	0%	
81	Other services (except public administration)	14,089	17%	20%	
TOTAL		81,387	100%		**21%**
Other Jobs					
23	Construction	19,272	29%	5%	
51	Information	17,731	27%	95%	
92	Government	28,823	44%	5%	
TOTAL		65,826	100%		**29%**

Notes:
(a) ABAG provides employment projections for six job sectors, each defined by the particular NAICS categories listed below the sector.
(b) Employment data by NAICS category reported for San Mateo County, 3rd Quarter 2007, by California EDD.
(c) The percent of office-based jobs for each NAICS category estimated by BAE based on the profile of professions within each sector.
(d) The percent of office-based jobs for each ABAG job sector is the weighted average of the percent of office-based jobs for each NAICS category.
Sources: ABAG, 2007; California EDD, 2008, BAE, 2008

Appendix 10: Planned & Proposed Development in Menlo Park

Table A-10.1: Planned and Proposed Office Development in Menlo Park

Project Address	Existing Office Sq. Ft. to be Replaced	New Office Sq. Ft.	Net New Office Sq. Ft.	Status
1283 Willow Road	NA	3,800	3,800	Approved
110 Linfield Drive	-17,500	NA	-17,500	Approved (Replace office space)
175 Linfield Drive	-38,000	NA	-38,000	Approved (Replace office space)
1460 El Camino Real	NA	26,800	26,800	Approved
145 El Camino Real	NA	7,836	7,836	Built and occupied
321 Middlefield Road	-48,400	NA	-48,400	Approved (Replace office space)
2825 Sand Hill Road	NA	100,000	100,000	Approved
75 Willow Road	-39,000	NA	-39,000	Proposed (Replace office space)
64 Willow	-26,192	32,247	6,055	Approved
4040 Campbell	-48,508	41,284	-7,224	Built but not occupied
100-155 Constitution Drive & 100-190 Independence Drive	-111,679	694,726	583,047	Proposed
2490 Sand Hill Road	NA	4,849	4,849	Proposed
2550 Sand Hill Road	NA	23,190	23,190	Approved and under construction
Total	-329,279	934,732	605,453	

Sources: City of Menlo Park, 2009; BAE, 2009.

Appendix 11: Key Personnel Contacted

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

Table A-11.1: Key Personnel Contacted

Department or District	Position	Name
City Departments		
Community Development Department	Director	Arlinda Heineck
Community Development Department, Housing and Redevelopment Division	Management Analyst	Megan Nee
Community Services Department	Director	Barbara George
Finance Department	Director	Carol Agustine
Library	Director	Susan Holmer
Police Department	Sergeant	Matt Bacon
Public Works Department	Director	Kent Steffens
Public Works Department	Assistant Director	Ruben Nino
Public Works Department	Transportation Systems Manager	Debbie Helming
Public Works Department	Water Quality Technician	Julie Robinson
Special Districts		
Menlo Park Fire Protection District	Fire Chief	Harold Schapelhouman
Menlo Park Fire Protection District	Fire Marshall	Geoff Aus
Mid Peninsula Regional Open Space District	Public Affairs Manager	Rudy Jurgensen
San Mateo County Assessor's Office		Cherie Reyes
San Mateo County Community College District	Director of Community and Government Relations	Barbara Christensen
San Mateo County Community College District	Chief Financial Officer	Cathy Blackwood
Sequoia Healthcare District	Intererim Executive Director	Dev Mahadevan
Sequoia Union High School District	Maintenance Office	Annette Rickey
West Bay Sanitary District	Project Manager	Bill Kitajima
West Bay Sanitary District	Administrative Assistant	Todd Reese

Source: BAE, 2009.