bae urban economics

Fiscal Impact Analysis Report for Proposed Facebook Expansion

September 21, 2016

Summary of Findings

This Fiscal Impact Analysis (FIA) presents the findings by BAE Urban Economics (BAE), a consultant hired by the City of Menlo Park, regarding the fiscal impacts of the proposed Facebook Expansion Project (Project) located at the former TE Connectivity Campus. The Project would consist of the construction of two office buildings and a hotel totaling approximately 1,137,200 square feet that could accommodate approximately 6,550 employees.

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

- City of Menlo Park General Fund,
- Menlo Park Fire Protection District,
- Ravenswood Elementary School District and Sequoia Union High School District, and
- Other special districts serving the site.

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

Selected Fiscal Impact Findings for the Proposed Facebook Campus Expansion Project and the Project Alternative, Menlo Park, CA

All figures in 2015 dollars **ANNUAL IMPACTS**	**City of Menlo Park**	**Menlo Park Fire Protection District**	**Sequoia Union High School District**	**Ravenswood Elementary District**
Project				
New Revenues	$2,291,600	$661,500	$717,100	$0
New Expenditures	$1,106,800	$644,100	$0	$0
Net Fiscal Impact	**$1,184,800**	**$17,400**	**$717,100**	**N/A**
Project Alternative				
New Revenues	$1,943,300	$486,900	$529,100	$0
New Expenditures	$749,600	$436,300	$0	$0
Net Fiscal Impact	**$1,193,700**	**$50,600**	**$529,100**	**N/A**
IMPACT FEES				
Project	**$11,465,600**	**TBD**	**$77,800**	**$85,000**
Project Alternative	**$4,803,800**	**TBD**	**$3,300**	**$3,600**

- Impact fees paid to the Menlo Park Fire Protection District are subject to approval of a pending Fire Services development impact fee and adoption of the fee schedule by Menlo Park City Council.
- The Ravenswood Elementary School District is a revenue limit district, so all new property tax revenues offset payments to the District by the State, and do not result in increased revenue to the District.
- See report for explanation of Project, methodologies, and limiting conditions.

Source: BAE, 2015.

As shown above, the Project is estimated to result in a net positive annual fiscal impact to the City of Menlo Park, the Menlo Park Fire Protection District, and the Sequoia Union High School District.

There would be no net fiscal impact to the Ravenswood Elementary School District because it is a revenue limit district. The City's General Fund would receive an estimated annual net positive fiscal impact of approximately $1.2 million from both the Project and the Project Alternative.

The total one-time impact fee generation for the Project was also calculated, as shown above. The Project would generate an estimated $11.5 million in impact fees to the City and a total of $162,800 in impact fees to the Sequoia Union High School and Ravenswood Elementary School Districts. Potential impact fees for the Menlo Park Fire Protection District were not estimated, as the fee is pending approval by the Menlo Park City Council. It is assumed that the Project would pay any adopted fire services development impact fee that is in effect at the time building permits are issued.

Report Organization

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

Table of Contents

Table of Tables

Table of Figures

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. A fiscal impact analysis describes a systematic approach to analysis of these increased expenditures and revenues in order to evaluate whether proposed new development would generate sufficient new fiscal revenues to cover new fiscal costs associated with the provision of public services.

The City of Menlo Park (City) retained BAE Urban Economics (BAE) to conduct a Fiscal Impact Analysis (FIA) for the proposed Facebook Campus Expansion Project (Project) located at the former TE connectivity campus south of Bayfront Expressway (CA Highway 84). The Project site is accessed by Constitution Drive and bounded by Bayfront Expressway to the north, Chilco Street to the west and south, the Dumbarton Rail Corridor to the south, and Facebook Building 20 to the east. The Project will involve the demolition of existing onsite buildings and the construction of two new office buildings, and a hotel. The Project is an expansion of Facebook's West Campus, which is located adjacent to the Project site.

The FIA addresses the fiscal impact for the City's General Fund from the Project, as well as the fiscal impact to special districts that provide services to residents and businesses in Menlo Park. The following sections of the FIA address a series of revenue and expense topics in turn, outlining the methodology used for the FIA, and presenting the findings from the analysis. The appendices contain additional technical information on selected topics.

Fiscal Impact Methodology

The objective of any fiscal impact analysis is the projection of changes in public revenues and costs associated with development of a project. This FIA examines the potential impact that the proposed new development would have on revenues and expenditures accruing to the City's General Fund and the following affected special districts:[1]

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

This analysis focuses on impacts to the City's General Fund and special district operating funds, which represent the portion of municipal and district budgets that help finance the ongoing provision of basic services. To pay for these services, the City's General Fund and operating funds are dependent on discretionary revenue sources such as property taxes, sales taxes, transient occupancy taxes, and various local taxes, as well as revenues allocated by the State of California and the federal government.

Within this FIA, except as otherwise noted in the text, the annual ongoing fiscal impact of the Project is described in constant 2015 dollars, based on the future point in time when the Project would be fully built out and would have achieved stabilized operations. In addition, an inflation-adjusted annual projection of fiscal impact through Fiscal Year (FY) 2034-2035[2] is provided to describe year-by-year fiscal impacts that could result from the Project.

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

Service Population

The cost of providing government services is often based on the number of persons served. In general, as the "service population" increases, there is a need to hire additional public safety

[1] The FIA does not calculate fiscal impacts to the Sequoia Healthcare District because the Project site is located outside of the boundaries of the District.

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

and other government employees, as well as a need to increase spending on equipment and material budgets.

Accepted practice in fiscal impact analysis is to define the service population as 100 percent of residents residing within a jurisdiction, plus one third of the employees who work at firms located within the jurisdiction. Calculating service population in this manner is intended to reflect the fact that local employment contributes to a jurisdiction's daytime population, thereby increasing demands for governmental services. The residential population is generally considered to generate 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 revenues, these are explained in the relevant sections. Shown in Table 1 are the service populations for Menlo Park, the County, and relevant special districts.

Table 1: Existing Menlo Park and Special District Service Populations, 2015

Jurisdiction	2015 Residents (a)	2015 Employment (b)
Menlo Park	33,273	31,552
Menlo Park Fire Protection District (c)	87,980	41,150
San Mateo County	753,123	387,483
Midpeninsula Regional Open Space District (d)	658,511	448,296

Jurisdiction	2015 Service Population (e)
Menlo Park	43,790
Menlo Park Fire Protection District	101,697
San Mateo County	882,284
Mid Peninsula Open Space District	807,943

NOTE: Service Population = total residents + 1/3 of employment

Notes:
(a) Population estimates for Menlo Park, San Mateo County, and the Midpeninsula Regional Regional Open Space District per CA Dept. of Finance, 2015. Population estimate for the Menlo Park Fire Protection District provided by the Fire District based on analysis from Siefel Consulting.
(b) Employment estimates for Menlo Park and the Midpeninsula Regional Open Space District per ACS, 2010-2014. Employment estimtes for San Mateo County per ACS, 2014. All employment figures assumed to be within the margin of error for 2015.
(c) The Menlo Park Fire Protection District serves Atherton, East Palo Alto, Meno Park, portions of unincorporated San Mateo County and some Federal facilities. Populuation and employment figures for the District are based on analysis by Seifel Consulting for the draft 2015 MPFPD Impact Fee Nexus Study.
(d) Midpeninsula Open Space District includes Atherton, Cupertino, East Palo Alto, Half Moon Bay, Los Altos, Los Altos Hills, Los Gatos, Menlo Park, Monte Sereno, Mountain View, Palo Alto, Portola Valley, Redwood City, San Carlos, Saratoga, Sunnyvale, and Woodside.
(e) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population for this analysis, each employee is multiplied by: 1/3

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

Revenue Items

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

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

Expenditure Items

Expenditure estimates are based on one of two estimation methods. Where practical, specific incremental or “marginal costs” were identified. Marginal costs represent direct estimates of the costs associated with the addition of staff, equipment, and/or supplies needed to provide services to new development. BAE contacted representatives of affected City departments, including the Finance, Community Development, Community Services, Library, Police, and Public Works departments, as well as representatives of the special districts providing fire protection and other services, to determine whether marginal cost estimates could be reasonably calculated. Discussions with department and district staff addressed issues related to the adequacy of existing staffing levels and equipment to serve new development and specific needs for increased personnel, equipment, supplies, and facilities.

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

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

Report Organization

This report is organized into the following sections:

- ***Development Program Overview.*** This section provides an overview of the Project.
- ***City's General Fund Fiscal Impact Analysis.*** This section provides an analysis focused on the City's General Fund. Specific topics are listed below.
  - *General Fund Revenues.* This section describes methodologies for estimating revenues and provides a detailed source-by-source estimate of the City's revenues.
  - *General Fund Expenditures.* This section describes methodologies for estimating expenditures and provides a detailed, department-by-department estimate of the City's General Fund expenditures.
  - *Summary of Annual Ongoing Net Fiscal Impact.* This section provides an estimate of the annual ongoing net fiscal impact to the City's General Fund resulting from the Project by comparing the findings of the two preceding sections.
  - *20-Year Projection.* This section presents the year-by-year and total net fiscal impact of the Project across a 20-year period (2015-2035), expressed in nominal dollars adjusted for inflation, along with a net present value calculation in constant 2015 dollars.
- ***Special District Fiscal Impact Analysis.*** This section presents methodologies for estimating special district revenues and expenditures and presents the net annual fiscal impact to the operating budget of each of the affected special districts for the Project.

Development Program Overview

Hibiscus Properties, LLC (a wholly-owned subsidiary of Facebook, Inc.) has proposed redeveloping the existing approximately 58-acre industrial site known as the TE Connectivity Campus located at 300 to 309 Constitution Drive (the Site) in the City of Menlo Park. The Project will expand the existing Facebook West Campus located just south of Bayfront Expressway/State Route 84. Facebook's West Campus currently consists of Building 20, which encompasses approximately 435,555 gross square feet. Building 20 became operational in 2015 and accommodates approximately 2,800 employees.

This analysis considers the potential impacts of the proposed project (Project) and a reduced intensity alternative development program (Project Alternative). A map of the Project Area is shown on the following page in Figure 1. There were ten buildings on the Project Site at the time of the Notice of Preparation (NOP) with industrial, warehouse, office, and research and development (R&D) uses totaling over 1 million gross square feet. The proposed Project and the Project Alternative provide for the demolition of the existing onsite buildings, with the exception of Building 23 (formerly addressed 300 Constitution Drive), and the construction of two new office buildings (Buildings 21 and 22), and a hotel. A list of the buildings located on the Project Site at the time of the NOP is provided in Table 2.

Table 2: Overview of Project Area

Site Address	Size (gsf)
Building 23	180,108
301 Constitution Dr.	34,465
302 Constitution Dr.	30,174
303, 304, and 306 Constitution Dr.	155,095
305 Constitution Dr.	289,718
307 Constitution Dr.	156,414
308 Constitution Dr.	120029
309 Constitution Dr.	47,708
Chemical Transfer Facility	2,235
Total Parcel (a)	**1,015,946**
Total Project Site Area (b)	**511,687**

Notes:
(a) Parcel Number 055-260-250.
(b) Excludes buildings located at 300 and 307-309 Constitution Drive. Building 23 (formerly building 300) is currently being renovated by Facebook under a separate conditional use permit. Buildings 307-309 are anticipated to be demolished under a separate ministerial permit.

Facebook is currently renovating an existing warehouse on the southwestern portion of the Site (located at 300 Constitution Drive) under a previously approved separate conditional use permit. Renovation and occupancy of the building (Building 23) will be completed in mid-2016. Therefore, while Building 23 is located on the Project site, its renovation and occupancy is not included as part of the Project for the purposes of this FIA. Similarly, the buildings located at 307 and 308-309 Constitution Drive are anticipated to be demolished prior to implementation of the Project under a separate ministerial permit. In total, the existing buildings that will be demolished as part of implementation of this Project encompass approximately 511,700 gross square feet. This amounts to approximately 50 percent of the gross existing improved square footage on the parcel.

Figure 1: Map of the Project Area

Source: Gehry Partners, LLP, 2015.

The proposed Site development plan for the Project is shown in Figure 2. Site plans for the Project include at grade parking, public open space, and a pedestrian and bicycle bridge. Eventually, Buildings 21 and 22 will connect to the existing Building 20 internally by open or enclosed pedestrian bridges.

Figure 2: Conceptual Development Plan

Source: Gehry Partners, LLP, 2016.

Project Development Program

Development of the two office buildings and hotel are expected to result in a net increase of approximately 625,513 square feet over existing conditions.[3] The proposed Building 21 will contain approximately 512,900 gross square feet of office and event uses, while proposed Building 22 will include approximately 449,500 gross square feet of office uses. Both buildings will also include amenities to serve the Project's applicants, which is included in the gross office square footage for the Project. In addition, the Project will include a 200-room limited-service hotel (174,800 gross square feet).

The construction schedule for the Project envisions demolition of Buildings 301-306 and the Chemical Transfer Facility in 2017. Construction of Building 21 is expected to be completed in early 2018 and Building 22 will be completed in early 2019. If constructed, the hotel is anticipated to be completed in late 2019.

Reduced Project Alternative Development Program

This FIA also considers the potential impacts of the Reduced Project Alternative defined in the Draft Environmental Impact Report (DEIR) for the Project. The Project Alternative would include a 30 percent reduction in the amount of office floor area and number of employees

[3] All calculations of gross and net square footage on the Site are not inclusive of the buildings located at 300 or 307-309 Constitution. Buildings 307-309 (324,151 gsf) will be demolished under a separate ministerial permit, so they are not included as part of the Project for the purposes of this FIA.

compared to the Project. In total, the Project Alternative would result in 673,680 gross square feet of office building area in Buildings 21 and 22, as well as a 200-room limited-service hotel (174,800 gross square feet). The Project Alternative would accommodate approximately 4,630 employees (4,480 Facebook employees and 150 hotel employees). The development programs for the Project and the Project Alternative are summarized in Table 3.

Table 3: Development Program

	Project	Project Alternative
Gross New Square Footage	**1,137,200**	**848,480**
Office	962,400	673,680
Hotel	174,800	174,800
Demolition of Existing	**511,687**	**511,687**
Industrial	447,048	447,048
Warehouse	0	0
Office	64,639	64,639
Net New Service Population (a)	**1,983**	**1,343**
Gross New Employees	6,550	4,630
Less: Existing Employment on Site (b)	(600)	(600)
Net New Employees	5,950	4,030

Notes:
(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, employees are multiplied by 1/3.
(b) According to information provided by City staff, there were approximately 600 workers on the Project site prior to the initiation of the Project. The fiscal analysis includes these 600 workers in the baseline conditions, which differs from the approach used in the DEIR, in order to fully capture the impacts of the change in the amount of employment on site as a result of the Project. See report text for additional information.
Sources: City of Menlo Park, 2015; ICF, 2016; BAE, 2015.

Employment Generation

The DEIR prepared by ICF International estimates that the Project would have a capacity to accommodate approximately 6,550 employees and the Project Alternative would accommodate approximately 4,630 employees. Employees working in the Facebook offices would account for approximately 6,400 employees in the Project and 4,480 employees in the Project Alternative. Both the Project and the Project Alternative would include 150 hotel employees.

For the purposes of this FIA, existing employment at the Project site is estimated at 600 employees, which is the approximate number of workers on the Project site prior to initiation of the Project, according to information provided by City staff. This approach differs from the DEIR, which assumes zero employees on site at initiation of the project in order to ensure that the DEIR fully captures the impacts of all employees attributable to the Project. However, the fiscal impacts of employees on site include both revenues to the City (for example, sales tax revenues from employee purchases in Menlo Park) and City expenditures to provide municipal services. Because the fiscal impacts of new employees are bi-directional, the FIA calculates a net increase in workers resulting from the Project and Project Alternative using the 600 existing employees on site as the baseline in order to fully capture all impacts of the change in employment on site.

As shown in Table 3, this results in a net increase of 5,950 employees (6,550 new employees minus 600 existing employees), or a net increase of 1,983 service population from the Project. The Project Alternative results in a net increase of 4,030 employees, or a net increase of 1,343 service population.[4]

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

City General Fund Fiscal Impact Analysis

Annually Recurring General Fund Revenues

The Project would generate revenue for the City and various special districts from a variety of sources. These include sales and property taxes, business licenses, fines, fees, and charges for services. The following section details the methodology for calculating these revenues and provides an estimate of the revenues that would be generated by the Project and the Project Alternative.

Sales and Use Tax

According to the State Board of Equalization (SBOE), the City receives sales tax revenues equal to 0.95 percent of the local taxable expenditures that occur within the City limits. Although the Bradley-Burns Local Sales and Use Tax specifies that one percent of the total sales tax is distributed to the local jurisdiction, cities within many California counties, including San Mateo County, share five percent of sales tax revenues with the county government to cover administrative and other costs, retaining 95 percent of the one percent sales tax, or 0.95 percent of total taxable sales, for themselves.

Sales tax revenues associated with the Project would be expected to accrue from new employees' taxable retail spending, as well as visitor spending, at local retailers in the City.[5] (The Project is not expected to generate business-to-business sales tax opportunities given the current business activities of Facebook). This analysis identifies two scenarios to provide a potential range of sales tax revenues to the City from the Project. Scenario 1, as discussed below, reflects the more conservative assumption that a lower amount of Facebook employee and visitor taxable retail spending would occur within Menlo Park. Scenario 2, also discussed below, assumes that a larger share of potential Facebook employee and visitor taxable retail spending could be captured within Menlo Park.

Employee Sales Tax Revenues

Employees at the Project would generate new sales tax revenues through off-site spending at businesses located in Menlo Park. This type of spending generally consists of on- and off-site food purchases (e.g., lunches) and other convenience goods retail purchases. The International Council of Shopping Centers (ICSC) publishes a detailed survey of 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 $7,880 annually on food and retail purchases near their place of work (both taxable and non-taxable retail sales). However, many of the retail purchases included in the ICSC data are non-taxable in California. In addition, the Project includes space for Facebook to prepare and provide free

[5] Facebook provides free meals and other items to its employees. This analysis assumes that no sales tax accrues from these free goods, and that sales of cold, unprepared food to Facebook's food service operations is untaxed.

meals to employees that would not be subject to sales tax. Both scenarios assume that Facebook employees consume all lunches on site, and that half of convenience goods (e.g. grocery purchases on the trip home) are not taxable. Based on these assumptions, the annual taxable sales per Facebook employee is estimated at $3,165.[6]

Visitor Sales Tax Revenues

The City would also receive sales tax revenues from purchases made by visitors to the expanded Facebook campus. Facebook has not provided estimates of the number of visitors that the Project would generate. However, BAE used visitor estimates that Facebook provided in 2012 for its prior expansion to estimate the number of visitors that would be associated with the Project. The 2012 data projected that Facebook's prior expansion would generate approximately 5,766 new potential employee interviewee visitors and 14,412 new special events visitors per year. On a per-employee basis, these figures suggest approximately two potential employee visitors and five special events visitors per new employee on the site.

Applying these same ratios of visitors to the net increase in Facebook employment from the Project yields an estimate of 12,725 new potential employee interviewee visitors and 31,806 new special events visitors per year from the Project at build out. Applying these ratios to the Project Alternative yields an estimate of 8,907 new potential employee interviewee visitors and 22,264 new special events visitors per year from the Project Alternative at build out. Each of these visitors is assumed to stay an average of 1.5 days, consistent with the assumptions used in the 2012 FIA for the prior Facebook expansion. It is projected that each potential employee interviewee will spend approximately $75 per day (based on the per diem provided by Facebook in 2012, inflated to 2015 dollars), while special events visitors are anticipated to spend $50 per day of their own funds. Both of these figures are reduced by eight percent to account for the portion of daily expenditures that would be for non-taxable items, based on federal government calculations of per diem incidental expenses.[7]

As mentioned previously, a portion of employee and/or visitor spending would be expected to occur within the City, while a portion would be expected to occur in nearby communities. A scan of the food and convenience retail locations near the Project Area shows the most readily accessible options to be along Willow Road in Menlo Park and along University Avenue in East Palo Alto. Additional nearby retail option destinations are located in downtown Menlo Park, downtown Redwood City, downtown Palo Alto, as well as the Stanford Shopping Center in Palo Alto.

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[6] According to the ICSC data, suburban employees spend an average of $12.66 daily on taxable purchases. This figure was multiplied by 250, or the estimated number of working days in a year, to estimate annual taxable sales per Facebook employee ($3,165).

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

Because it is uncertain how much of the employee and visitor taxable sales would occur in Menlo Park, two scenarios were formulated that reflect different assumptions of the potential sales tax revenue that the City could capture. Based on the distance of the Project Area from key retail nodes in Menlo Park, as well as the availability of food and retail options both on-site and in other communities, the conservative estimate assumes that 25 percent of employee- and visitor-generated taxable retail spending would occur in Menlo Park, while the higher estimate assumes 50 percent of this spending would occur within Menlo Park.

Table 4: Estimated Annual Sales Tax Revenues from Employee and Visitor Spending at Build Out

Project	Conservative Estimate	High Estimate
Sales Tax Receipts to City of Menlo Park	**$52,600**	**$105,200**
Estimated Annual Retail Spending in Menlo Park	$5,534,500	$11,068,900
Gross Additional Office Employment (d)	6,400	6,400
Net Additional Office Employment (d)	5,800	5,800
Net New Potential Employee/Interview Visitors (e)	12,725	12,725
Net New Visitors / Special Events (e)	31,806	31,806
Project Alternative		
Sales Tax Receipts to City of Menlo Park	**$35,500**	**$70,900**
Estimated Annual Retail Spending in Menlo Park	$3,731,700	$7,463,400
Gross Additional Office Employment (d)	4,480	4,480
Net Additional Office Employment (d)	3,880	3,880
Net New Potential Employee/Interview Visitors (e)	8,907	8,907
Net New Visitors / Special Events (e)	22,264	22,264
Assumptions	**Daily**	**Annual (c)**
Annual Taxable Spending per Office Worker (a)	$12.66	$3,165
Annual Taxable Spending per Potential New Employee (b)	$74	$111
Annual Taxable Spending per Special Events Visitor (b)	$49	$74
Estimated Location of Spending		
Conservative Estimate		25%
High Estimate		50%
Local Share of Sales Tax Receipts		0.95%

Notes:
(a) Based on data from International Council of Shopping Centers (ICSC), *Office-Worker Retail Spending in a Digital Ag* e. Excludes full-service restaurant and lunch expenditures based on Facebook providing free food to its employees. Excludes half of convenience goods as non-taxable sales (e.g., grocery).
(b) Potential interviewee figure based on $75 per diem provided by Facebook. $50 per day assumed for other visitors. Average visit is assumed to be 1.5 days. Both figures are adjusted to assume 8% of spending is non-taxable, based on US GSA breakdown of incidental v. meal expenses for San Mateo Co. in FY2016.
(c) ICSC and Facebook data described in notes (a) and (b) inflated to 2015 dollars based on Bay Area CPI.
(d) Net new employment figures used in this tables does not included hotel employees in order to provide a more conservative estimate.
(e) Based on information provided by Facebook for prior FIA in 2012, adjusted for gross additional Facebook employment for current Project. Assumes the average visit is 1.5 days per visitor.
Sources: ICSC, 2012; BAE, 2015.

Table 4 shows the results of these assumptions applied to both scenarios for the Project and the Project Alternative. Assuming that 25 percent of off-site employee spending occurs locally, the City would receive $52,600 in annual sales tax revenues. Applying the less conservative assumption that 50 percent of off-site employee spending occurs locally, the Project would generate approximately $105,200 in annual sales tax revenues. Annual sales tax revenues from the Project Alternative would range from a low of $35,500 to a high of $70,900.

Business-to-Business Sales Tax Revenues

Businesses on the Site have historically generated business-to-business sales tax revenues to the City of Menlo Park. As opposed to retail transactions where the point of sale is at the retail location, for non-retail sales of taxable goods to final users, the State Board of Equalization defines the point of sale as the seller's location where the principal sales negotiations are carried out – typically the company sales office. This can be a significant source for Silicon Valley companies that sell computers, telecommunications hardware, and other equipment subject to sales tax. According to City staff, businesses on the Site have historically generated approximately $84,200 annually in business-to-business sales tax revenues to the City of Menlo Park.

Because Facebook does not currently generate business-to-business sales tax revenues in Menlo Park, this analysis assumes that the Project will not generate business-to-business sales tax to the City, resulting in a net decrease of $84,200 in business-to-business sales tax revenues to the City relative to the historical level of sales tax generated on the Project Site. The Project Alternative would also result in a decrease of $84,200 in business-to-business sales tax revenues to the City, as shown in Table 5.

Facebook reports that the company is engaged in multiple businesses that may generate future sales of taxable goods, which are not accounted for in this analysis. To the extent that future activities in the Project or Project Alternative generate taxable sales with the Project Site as the point of sale, the Project or Project Alternative could result in a smaller net decrease in sales tax revenues than shown in Table 5 or a net increase in sales tax revenue to the City. The magnitude of any future impact on City sales tax revenues from the Project or Project Alternative will depend on the amount of taxable sales on site at a future point in time.

Table 5: Estimated Change in Annual Business-to-Business Sales Tax Revenues to the City of Menlo Park at 2035 Buildout

Project	Net Change
Estimated Business-to-Business Sales Tax	**($84,200)**
New Business-to-Business Sales Tax Revenue	**$0**
Less: Historic Site Business-to-Business Sales Tax Revenue (a)	**$84,200**
Project Alternative	
Estimated Business-to-Business Sales Tax	**($84,200)**
New Business-to-Business Sales Tax Revenue	**$0**
Less: Historic Site Business-to-Business Sales Tax Revenue (a)	**$84,200**

Notes:
(a) Figure provided by City of Menlo Park and represents a 30-year average of annual business-to-business sales tax revenues generated by businesses on the Site. Figure rounded to the nearest $100.
Sources: City of Menlo Park, 2015; BAE, 2015.

Property Taxes

Property taxes are a key source of the City's General Fund revenues, as well as the primary revenue source for a number of special districts. Property taxes are applicable to real property, defined as land and the buildings attached to it, and certain types of personal property, including furniture, fixtures, and equipment (FF&E) owned by businesses.[8] Property in California is subject to a base 1.0 percent property tax rate, which is shared among various local jurisdictions including the County, City, and special districts, as well as the State, which is allocated a portion of funds known as Education Revenue Augmentation Funds ("ERAF"). Table 6 shows the ERAF shift for jurisdictions that receive property tax revenue from the Project Site. In addition to the base 1.0 percent property tax rate, the Project Area is subject to supplemental property taxes to pay for bonds issued for parks and recreation, school district and community college district purposes, as well as City assessments for landscaping and storm water management. Supplemental property taxes are restricted for specific uses and apply only to real property, and not to business personal property. This analysis focuses on the City's General Fund revenues and does not calculate supplemental taxes for non-discretionary services.

The distribution of the base 1.0 percent property tax revenues varies based on the Tax Rate Area (TRA) in which a property is located. As shown in Table 6, approximately 8.4 percent of the base 1.0 percent property tax revenues from the Project site accrue to the City of Menlo Park.

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

Table 6: Distribution of Base 1% Property Tax Assessment in TRA 008-063

Jurisdiction	Distribution Before ERAF	ERAF Shift (a)	Effective Distribution
City of Menlo Park	10.11%	17.24%	8.37%
San Mateo County	19.93%	40.71%	11.82%
Ravenswood Elementary School District	32.71%	0.00%	32.71%
Sequoia Union High School District	13.14%	0.00%	13.14%
San Mateo Community College District	5.70%	0.00%	5.70%
Menlo Park Fire District	13.25%	11.22%	11.76%
Midpeninsula Regional Open Space District	1.54%	0.00%	1.54%
Bay Area Air Quality Management	0.18%	0.00%	0.18%
County Harbor District	0.30%	22.74%	0.23%
Mosquito Abatement	0.16%	16.20%	0.14%
County Office of Education	2.97%	0.00%	2.97%
ERAF shift	0.00%	0.00%	11.44%
	100.0%		100.0%

Note:
(a) The ERAF shift shown represents the percentage reduction of property taxes to each jurisdiction to fund ERAF, based on FY 2014-15 figures provided by the San Mateo County Controller's Office.
Sources: San Mateo County Controller; BAE, 2015.

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. The assessed value of real property consists of two components: land value and improvement value. Proposition 13 provides that the value of each of these components cannot increase by more than two percent per year, except when a property is transferred to a new ownership entity, in which case it is reappraised to current market value; or for construction of new improvements, in which case the assessed value is increased by the value of the construction. Table 7 shows the current assessed value of the Project site, according to records provided by the San Mateo County Assessor.

Table 7: Current Assessed Value of the Project Site, 2015

Site	Parcel Number	Site Assessed Value, 2015 Improvements	Land	Total Value
300-309 Constitution Drive	055-260-250	$2,000,000	$128,000,000	$130,000,000
Total		**$2,000,000**	**$128,000,000**	**$130,000,000**

Sources: City of Menlo Park; San Mateo County Assessor's Office; BAE, 2015.

Facebook purchased the Project site in 2014, so this FIA does not assume any increase in land value other than the two percent maximum annual increase in assessed value that is allowed under Proposition 13. However, the Project will result in an increase in the assessed value of improvements as the existing improvements on site are demolished and replaced with new construction, which will cause the County Assessor to re-assess the site's improvement value.

The assessed values on the current tax roll (as shown in Table 7) include the value of improvements for all ten buildings that were located on the parcel at the time of assessment. An estimate for the value of improvements at Buildings 301-306 Constitution Drive was established based on the average 2015 assessed value of improvements per square foot for the entire parcel, multiplied by the total gross square footage of the buildings to be demolished. Based on these assumptions, the estimated value of improvements to be demolished for the implementation of the Project is $1,003,000, as shown in Table 8.

Table 8: Estimated Value of Improvements to be Demolished, 301-306 Constitution Drive, Menlo Park, 2015

Buildings to be Demolished	Area (gsf)
301 Constitution Dr.	34,465
302 Constitution Dr.	30,174
303, 304, and 306 Constitution Dr.	155,095
305 Constitution Dr.	289,718
Chemical Transfer Facility	2,235
Total	**511,687**
Estimated Assessed Value of Improvements to be Demolished (a)	**$1,003,000**
Assumptions	
Total 2015 Assessed Improvement Value on Project Site	$2,000,000
Total 2015 Improvement Square Footage (b)	1,020,276
Average Assessed Value of Improvements per Square Foot, 2015	$1.96

Notes:
(a) Based on average 2015 assessed value of improvements per square foot.
(b) Total Site improvement square footage at the time of assessment. Total includes the square footage of former Building 300 (184,438 gsf), prior to its renovation.
Sources: City of Menlo Park; San Mateo County Assessor's Office; BAE, 2015.

The FIA estimates the projected assessed value of the two new office buildings that would be constructed on-site (Buildings 21 and 22), based on construction cost data provided by Facebook in 2011 for its West Campus (Building 20). Buildings 21 and 22 will be similar to Building 20 and are therefore likely to have similar construction costs. In 2011, the estimated construction costs for Building 20 totaled $185 million, averaging $427 per square foot, or $496 per square foot inflated to 2015 dollars.[9] Applying this figure to the office square footage in the Project suggests an office construction cost for the Project totaling approximately $476.9 million for Buildings 21 and 22. As shown in Table 9, office construction costs for the Project Alternative are estimated at $333.8 million.

The projected assessed values for Buildings 21 and 22 (as shown in Table 9) reflect conservative assumptions based on estimated construction costs, and may be lower than the actual future assessed value of Buildings 21 and 22. Facebook has submitted an application

[9] Construction costs were adjusted to 2015 dollars using the Turner Building Cost Index, which measures non-residential building construction costs in the United States.

to the San Mateo County Assessor to adjust the assessed value of Building 20, and expects the assessed value of Building 20 be re-assessed at values that are 60 to 80 percent higher on a per square foot basis than the estimated assessed office values shown in Table 9. Since Buildings 21 and 22 are likely to be of a construction type and quality that is relatively comparable to Building 20, the assessed value of Buildings 21 and 22 could also be higher than shown in Table 9. However, since the County's re-assessment has not been completed at the time of this analysis, the figures estimated in Table 9 are based on estimated construction costs rather than the future assessed value of Building 20.

The valuation of the proposed hotel is based on the projected net operating income that a developer would be likely to require in order to construct a new hotel, which would then drive the initial assessed value of the property after development. Because the valuation is meant to capture the market trends necessary to support new development, the hotel room rate assumptions used in this analysis are slightly higher than would be expected based on averages during the past seven to ten years. Nonetheless, these assumptions likely represent a slight underestimate of current hotel values in Silicon Valley, which are high at present due to current strong market conditions. Overall, these assumptions provide a conservative estimate that accounts for potential market variation over the 20-year time horizon for the FIA and the volatility of hotel room and occupancy rates.

Hotel net operating income assumptions are based on data from Smith Travel Research (STR), a private data vendor that tracks hotel market trends. According to STR data for a sample of upscale and upper upscale hotels in Silicon Valley, hotel room rates averaged $221 per night between October 2014 and September 2015.[10] The analysis uses an average occupancy rate of 72 percent, which is consistent with bank loan underwriting criteria for hotel properties. Using data from STR on hotel income and operating costs in the Menlo Park area, this analysis assumes that room revenues account for 80 percent of total hotel revenue and operating costs are equal to 64 percent of revenue, resulting in net income equal to $90 per occupied room night and $65 per room per night after accounting for vacancy. The FIA uses a 6.75 percent hotel capitalization rate, which is slightly higher than current hotel capitalization rates in Menlo Park, in order to provide a conservative estimate of potential value. As shown in Table 9, the assessed value for the hotel is estimated at $350,000 per room, or $70 million for the 200-room hotel.

Table 9 shows the total net projected increase in assessed value generated by the Project (i.e. the new assessed value net of the current assessed value). As shown, the net increase in assessed value associated with the Project at build out totals approximately $545.9 million. The net increase in assessed value associated with the Project Alternative totals $402.8 million. These two figures are used as the basis for calculating increases in new property tax revenues for the Project and the Project Alternative in subsequent sections of this report.

[10] More information on the hotels used for the STR sample is provided in the following section on Transient Occupancy Tax revenues.

Table 9: Projected Increase in Assessed Property Values at Build Out

Project	Net Change
Net Increase in Property Value	**$545,909,600**
Projected New Assessed Value in Improvements	$546,912,600
Office	$476,912,600
Hotel	$70,000,000
Less: Existing Property Improvements Value	$1,003,000
Project Alternative	
Net Increase in Property Value	**$402,835,800**
Projected New Assessed Value in Improvements	$403,838,800
Office	$333,838,800
Hotel	$70,000,000
Less: Existing Property Improvements Value	$1,003,000
Assumptions	
Facebook Office Assessed Value per Square Foot (a)	$496
Hotel Assessed Value per Room (b)	$350,000

Notes:
(a) Projected assessed value of Facebook office buildings based on construction cost estimates for Building 20 provided by Facebook in 2011. Figure adjusted to 2015 dollars using the Turner Building Cost Index.
(b) Hotel assessed value based on projected net operating income, using standard assumptions regarding room rental and occupancy rates, operating expenses, and cap rates. See report text for additional detail.
Sources: San Mateo County Assessor's Office; BAE, 2015.

Based on the City's share of property tax revenues (as shown in Table 6), the City would receive approximately $456,900 in annual property tax revenues from the Project and $337,200 from the Project Alternative at full build out. Table 10 shows the projected increases in property tax revenues for both scenarios, based on the current property tax base distribution at the Project Site. If the assessed value of the Project or Project Alternative exceeds the projected assessed value shown in Table 9, property tax revenue to the City will be higher than shown in Table 10.

Table 10: Projected Increase in Annual Property Tax Revenues to the City of Menlo Park General Fund at Build Out

Project	Net Change
City of Menlo Park Property Tax Revenue	**$456,900**
Net Change in Assessed Value	$545,909,600
1% Property Tax Base	$5,459,096
Project Alternative	
City of Menlo Park Property Tax Revenue	**$337,200**
Net Change in Assessed Value	$402,835,800
1% Property Tax Base	$4,028,358
Menlo Park Share of 1% Property Tax Base	
TRA 008-063	8.4%

Sources: San Mateo County Assessor's Office, 2014 & 2015;
BAE, 2015.

Property Tax In-Lieu of Vehicle License Fee Revenues

Beginning in FY 2005-2006, the State ceased to provide “backfill” funds to counties and cities in the form of Motor Vehicle In-Lieu Fees (VLF) as it had through FY 2004-2005. As a result of the complicated financial restructuring enacted as part of the State’s budget balancing process, counties and cities now receive revenues from the State in the form of what is known as property tax in-lieu of vehicle license fees, or ILVLF. This State-funded revenue source is tied to a city’s total assessed valuation. In FY 2005-2006, former VLF revenues were swapped for ILVLF revenues, which set the local jurisdiction’s ILVLF “base.” The base increases each year thereafter in proportion to the increase in total assessed valuation within the jurisdiction. For example, if total assessed valuation increases by five percent from one year to the next, the ILVLF base and resulting revenues would increase by five percent.

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

Table 11 shows the projected ILVLF revenues from the Project and the Project Alternative based on the current allocation formula. As shown, the Project would generate a 4.5 percent increase in the City’s total assessed value, which would result in Project-generated ILVLF revenues of approximately $131,000 per year. The Project Alternative would generate a 3.4 percent increase in the City’s total assessed value and would result in ILVLF revenues of approximately $96,700 per year.

Table 11: Projected Increase in Property Tax In Lieu of VLF Revenues at Build Out

Project	Net Change
ILVLF Revenue to City of Menlo Park (a)	**$131,000**
Projected Net Increase in Assessed Value	$545,909,600
Percent Increase in Total Menlo Park Assessed Value	4.1%
Project Alternative	
ILVLF Revenue to City of Menlo Park (a)	**$96,700**
Projected Net Increase in Assessed Value	$402,835,800
Percent Increase in Total Menlo Park Assessed Value	3.0%
Assumptions	
Estimated Total Assessed Value in Menlo Park, FY 15-16	$13,420,964,589
Estimated ILVLF Payment FY 15-16	$3,221,593

Notes:
(a) Percent increase in total Citywide assessed value multiplied by the estimated FY 2015-2016 payment.
Sources: City of Menlo Park, BAE; 2015.

Transient Occupancy Taxes (TOT)

The City collects Transient Occupancy Taxes (TOT), or lodging "room taxes", when visitors stay in local hotels. The Project and the Project Alternative both include a 200 room limited-service hotel, which would generate new TOT revenues for the City's General Fund. The City's current TOT rate is 12 percent, applicable to all room and parking revenues. In order to provide a conservative estimate of future TOT revenues, the FIA assumes that all new hotel room demand generated by the Project is absorbed by the new hotel on site, and does not estimate any additional TOT other than that which would be generated by the hotel itself.

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

Table 12: Comparable Hotels in Menlo Park Market Area, 2015

Hotel Name, City (a)	Affiliation Date (b)	Number of Rooms	Share of Market Segment
Hilton Garden Inn, Cupertino	1998	164	7.1%
Juniper Hotel, Cupertino	2015	224	9.7%
Hilton Garden Inn, Mountain View	1999	160	6.9%
Westin, Palo Alto	2000	184	7.9%
Crowne Plaza, Palo Alto	1998	195	8.4%
Joie De Vivre Avatar, Santa Clara	2010	168	7.2%
Plaza Suites, Santa Clara	2001	219	9.4%
Hyatt House, Santa Clara	2012	150	6.5%
Joie De Vivre Wild Palms, Sunnyvale	2000	204	8.8%
Sheraton, Sunnyvale	1999	173	7.5%
Residence Inn I, Sunnyvale	1985	248	10.7%
Residence Inn II, Sunnyvale	1983	231	10.0%
Total		2320	100.0%

Notes:
(a) List includes comparable upscale and upper upscale hotels with 150-250 rooms in Cupertino, Mountain View, Palo Alto, Santa Clara and Sunnyvale.
(b) Affiliation date refers to the date when the property began operating under its current brand.
Source: Smith Travel Research, 2015; BAE, 2015.

The hotel trend data that the FIA uses to estimate future TOT revenues covers the period from October 2008 through September 2015, and therefore include data on trends during the recent recession and subsequent recovery, demonstrating a range of potential outcomes based on varying market conditions. Between 2008 and 2015, annual occupancy at the hotels ranged from 63 to 83 percent. As shown in Table 13, 2008-2009 was the low-revenue year, with revenue per available room (RevPAR) of $96 per night. By comparison, 2014-2015 was the high-revenue year, with RevPAR of $182 per night. The average daily rate for hotels in the sample during the seven-year period totaled $178, while occupancy averaged 78 percent.

Table 13: Hotel Occupancy and Room Rate Trends, 2008 to 2015

		Average Daily Rate		RevPar (b)
Time Period	**Occupancy**	**Nominal $**	**2015 $ (a)**	**2015$**
Oct 2008-Sept 2009	62.9%	$132.87	$152.71	$96.04
Oct 2009-Sept 2010	75.6%	$131.04	$148.57	$112.27
Oct 2010-Sept 2011	77.0%	$148.92	$164.56	$126.76
Oct 2011-Sept 2012	81.2%	$160.85	$173.09	$140.58
Oct 2012-Sept 2013	81.9%	$176.32	$185.58	$152.02
Oct 2013-Sept 2014	82.8%	$195.57	$200.15	$165.74
Oct 2014-Sept 2015	82.0%	$221.78	$221.78	$181.83
Low	62.9%		$148.57	$96.04
High	82.8%		$221.78	$181.83
Average	77.6%		$178.06	$139.32

Notes:
(a) Figures have been adjusted to 2015 dollars based on Bay Area CPI for All Urban Consumers.
(b) Revenue per available room (RevPAR) is calculated by multiplying the average daily rate by the average occupancy. This figure represents average daily revenue for all rooms in the sample after accounting for vacancy.

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

BAE prepared a sensitivity analysis to estimate hotel revenues and resulting TOT receipts during low, average, and high revenue years. The results are shown in Table 14. Hotel revenues from the new property can reasonably be expected to fall somewhere within this range, with fluctuations expected year to year based on broader economic conditions. At the low end, assuming RevPar of $96, an upscale to upper-upscale 200-room hotel could be expected to generate approximately $841,300 of TOT revenue per year. Assuming an average RevPar of $139, the same hotel could be expected to generate $1.2 million of TOT revenue per year. At the high end, assuming RevPar of $182, this type of hotel could be expected to generate $1.6 million of TOT revenue per year.

To calculate net fiscal impacts in subsequent sections of this report, the FIA assumes that TOT revenues will average $1.2 million at buildout, which reflects the revenues based on the 2008-2015 average RevPar shown in Table 13. Because these averages include data from recession years as well as economic boom years, these assumptions help account for potential shifts in hotel market trends over the long-term planning horizon for the Project.

Table 14: Projected Annual Transient Occupancy Tax (TOT) Revenues to Menlo Park at Build Out

Project	Net Change
Estimated Increase in TOT Revenues	
Average	$1,220,400
Low Estimate	$841,300
High Estimate	$1,592,800
Annual Hotel Revenues Subject to TOT	
Average	$10,170,337
Low Estimate	$7,010,819
High Estimate	$13,273,653
Hotel Rooms	200
Project Alternative	
Estimated Increase in TOT Revenues	
Average	$1,220,400
Low Estimate	$841,300
High Estimate	$1,592,800
Annual Hotel Revenues Subject to TOT	
Average	$10,170,337
Low Estimate	$7,010,819
High Estimate	$13,273,653
Hotel Rooms	200
Assumptions	
RevPar (a)	
Average	$139.32
Low Estimate	$96.04
High Estimate	$181.83
City of Menlo Park TOT Rate	12%

Notes:
(a) Based on STR research of twelve comparable properties in the market area for the years 2008 to 2015. Revenue per available room (RevPAR) is calculated by multiplying the average daily rate by the average occupancy. This figure represents average daily revenue for all rooms in the sample after accounting for vacancy.
Source: City of Menlo Park, 2015; Smith Travel Research, 2015; BAE, 2015.

Utility User Tax

Menlo Park collects a Utility User Tax (UUT) at a rate of one percent, assessed on gas, electric, water, wireless, cable, and telephone bills. For business entities with more than $1.2 million in annual combined electric, gas and water bills, the City Council has established a maximum combined electric, gas, and water UUT payment of $12,000 (i.e., one percent of $1.2 million) per year. The cap applies separately to each address that a particular business entity operates, meaning that a business with multiple locations in Menlo Park would pay $12,000 per year in electric, gas, and water UUT for each location in the City that generated at least $1.2 million in combined electric, gas, and water utility expenditures.

Since the buildings that will be constructed as part of the Project will be contiguous to an existing Facebook property that already meets the combined gas, electric, and water UUT cap, this analysis assumes that the Project will not generate any additional gas, electric, or water UUT revenues. The analysis assumes that the Project will generate UUT revenues from expenditures on telecommunications, wireless and cable services, which are taxed at the normal rate of 1% of expenditures (no cap).

Table 15: Per Capita and Per Employee Utility User Tax Revenues, FY 2015-16

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

Note:
(a) The City of Menlo Park caps the combined total of electric, gas, and water expenditures that are subject to UUT at $1,200,000 per year per address ($12,000 in UUT revenue); other utility taxes are based on 1% of expenditures (no cap).
(b) Split between residential and commercial use is based on split in the 2011-2012 fiscal year, the most recent year for which this information is available.
Sources: City of Menlo Park, 2011; BAE, 2015.

Table 15 shows estimated UUT revenues per resident and per employee based on total estimated revenues in the 2015-2016 fiscal year. UUT revenues were split between residential and commercial users based on information provided by utility service providers for the 2011-2012 fiscal year, which is the most recent year for which this data is available. According to these data, annual non-residential expenditures on water, gas, and electricity equal an estimated $1,396 per employee, and other non-residential utility expenditures, including those for telecommunications, wireless, and cable services, equal an estimated $717 per employee.

Based on the assumptions provided in Table 15, the Project would generate combined water, gas, and electricity expenditures of approximately $9.1 million annually. However, since the new buildings will be contiguous to an existing Facebook property that already meets the cap, none of this amount would be subject to UUT. The other utility expenditures generated by the Project (approximately $4.7 million) would be fully taxable at the one percent rate. As shown in Table 16, the Project would result in a net increase in annual UUT revenues of approximately $30,600 at buildout, net of estimated UUT revenues from existing commercial space that would be demolished as part of the Project.[11] The Project Alternative would result in a net increase in UUT revenues of approximately $16,900 per year.

Table 16: Projected Increase in Annual UUT Revenues to the City of Menlo Park at Buildout

Project	Net Change
Net New UUT Revenue (a)	**$30,600**
Net New UUT Revenue from Gas, Electric and Water	-$12,000
Net New Other UUT Revenue	$42,600
Gross New UUT Revenue	$46,900
Gross New UUT Revenue from Gas, Electric and Water (b)	$0
Gross New Other UUT Revenue (c)	$46,900
Less: Existing Site UUT Revenue	$16,300
Existing UUT Revenue from Gas, Electric and Water (d)	$12,000
Existing Other UUT Revenue (c)	$4,300
Gross New Employees	6,550
Projected New Gas, Electric, and Water Expenditures	$9,146,609
New Other Utility Expenditures	$4,694,772
Total Expenditures Subject to Utility User Tax	$4,694,772
Project Alternative	
Net New UUT Revenue (a)	**$16,900**
Net New UUT Revenue from Gas, Electric and Water	-$12,000
Net New Other UUT Revenue	$28,900
Gross New UUT Revenue	$33,200
Gross New UUT Revenue from Gas, Electric and Water (b)	$0
Gross New Other UUT Revenue (c)	$33,200
Less: Existing Site UUT Revenue	$16,300
Existing UUT Revenue from Gas, Electric and Water (d)	$12,000
Existing Other UUT Revenue (c)	$4,300
Gross New Employees	4,630
Projected New Gas, Electric, and Water Expenditures	$6,465,465
New Other Utility Expenditures	$3,318,594
Total Expenditures Subject to Utility User Tax	$3,318,594
Assumptions	
Existing Site UUT Revenue from Gas, Electric and Water (d)	$12,000

Notes:
All figures are in net constant 2015 dollars. Figures may differ slightly from results shown by manual calculation due to rounding.
(a) The City of Menlo Park caps the combined total of electric, gas, and water expenditures that are subject to UUT at $1,200,000 per year per address ($12,000 in UUT revenue); other utility taxes are based on 1% of expenditures (no cap).
(b) The Project will not generate any additional gas, electric, or water UUT revenue because the new buildings will be contiguous to an existing Facebook property that already meets the gas, electric, and water UUT cap.
(c) UUT revenue estimates for telecommunications, wireless, and cable are based on typical annual commercial UUT expenditures, which are provided in Table 15.
(d) Figure provided by City of Menlo Park.
Sources: City of Menlo Park; BAE, 2015.

[11] According to City staff, existing site UUT revenues from gas, electric, and water total approximately $12,000 per year.

Other Revenues

Franchise Fees, Fines, and Charges for Service

The City generates approximately 17 percent of General Fund revenues from charges for service, four percent of General Fund revenues from franchise fees,[12] and two percent of General Fund revenues from fines. Each of these revenues tend to increase as the City's service population grows. The City collects charges for service to recover some or all of the costs associated with providing certain City services. Examples of charges for service include fees that the Community Services Department charges for certain recreation classes and planning fees paid by developers to cover the cost for processing of development applications. Franchise fees are generally set as a percentage of gross receipts and increase as expenditures on utilities, such as gas and electricity, increase. Fine revenues are primarily collected by the Police Department for parking and traffic citations, and can be expected to increase as the residential and employment base of the City grows.

According to the FY 2015-2016 budget, the City would receive approximately $256 per person in the service population in fines, franchise fee, and service charge revenues. Once complete and fully occupied, the Project would be expected to generate new service population based on the calculations set forth in Table 3. Assuming a commensurate increase in the amount of franchise fees, fines, and service charge revenues collected each year, the Project would generate additional revenues of $506,900 annually, as shown in Table 17. The Project Alternative would generate additional revenues of $343,400 annually.

Business License Revenues

Business license fees are charged to businesses operating in the City at varying rates based on business types. Business license fees are charged at a rate of up to $750 for the first $2 million in gross receipts, plus $250 per each additional $1 million of gross receipts, subject to a cap of $8,000 per business site per year.

For the purpose of calculating business license fees, BAE assumes that the entity that will occupy the office portion of the Project will be an expansion of Facebook's existing campus, and therefore the City will not require Facebook to obtain an additional business license as a result of the Project. Facebook's annual gross receipts exceed the gross revenue figures needed for an entity to meet the City's business license fee cap, so this analysis assumes that Facebook's existing business license fees are already capped at $8,000 for the existing campus. Since the office portion of the Project would fall under this existing cap, the Project would not result in any additional business license fee revenues from Facebook operations. However, it should be noted that Facebook has obtained multiple business licenses for separate business ventures located in the existing campus in Menlo Park, and could also

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

obtain separate business licenses for ventures located in the Project, thereby generating additional business license revenue to the City in excess of the figures shown in Table 17.

The hotel portion of the Project would require a separate business license and would generate business license fee revenues based on annual hotel revenues, which are shown in Table 17. As seen in the table, after accounting for historical license fee revenues generated on the Site, the Project would result in a net decrease of approximately $22,650 in business license fee revenues to the City. The Project Alternative would also result in a net decrease of approximately $22,650 in business license fee revenues at buildout.

Table 17: Projected Franchise Fees, Fines, and Charges for Services Revenues

Project	**Net Change**
Total Other Revenue	**$484,300**
New Revenue from Franchise Fees, Fines, Forfeitures, and Charges for Service	**$506,900**
New Service Population (a)	1,983
Net New Business License Fee Revenue (b)	**($22,650)**
New Business License Fee Revenue	$3,000
Less: Existing Site Business License Fee Revenue	$25,650
Project Alternative	
Total Other Revenue	**$320,800**
New Revenue from Franchise Fees, Fines, Forfeitures, and Charges for Service	**$343,400**
New Service Population (a)	1,343
Net New Business License Fee Revenue (b)	**($22,650)**
New Business License Fee Revenue (b)	$3,000
Less: Existing Site Business License Fee Revenue	$25,650
Assumptions	**FY 2015-16**
Franchise Fees, Fines, Forfeitures & Charges for Service	
Franchise Fees	$1,940,013
Fines and Forfeitures	$1,067,643
Charges for Service	$8,185,335
Total Fines and Franchise Fee Revenues	$11,192,991
Citywide Service Population	43,790
Revenue Per Service Population	**$255.60**
Business License Fees	
Total Hotel Rooms	200
Average RevPar (c)	$139.32
Annual Hotel Revenues Subject to Business License Fees	$10,170,337
Estimated New Hotel Business License Fee Revenue	**$3,000**
Existing Site Business License Fee Revenue (d)	**$25,650**

Notes:
(a) Service Population defined as all residents plus one third of all employment.
(b) Business License Fee revenues are calculated according to the City fee schedule. Net change reflects revenues from new development less the estimated revenues from the existing uses.
(c) Represents the average estimate shown in Table 13.
(d) Figure provided by City of Menlo Park.

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

Property Transfer Taxes

The City receives a property transfer tax of $0.55 per $1,000 of assessed value when properties in the City are sold or transferred. This value is ordinarily the sale price of the property; however, where a property is not sold as part of an arm's length transaction, the Assessor's office would determine the current market value of the property through an appraisal process. Currently, Hibiscus Properties, LLC, a subsidiary of Facebook, owns the entire site. This analysis assumes that Hibiscus Properties will retain the Project in its property portfolio for the long-term, rather than selling the property after development. As development of the Project will not include a property sale that would lead to payment of property transfer taxes, no property transfer tax has been calculated for this FIA.

Summary of Annually Recurring Revenues

Based on the revenues discussed in this section, the Project would generate approximately $2.3 million annually in new revenues for the City's General Fund. As summarized in Table 18, these revenues would primarily come from TOT, which would account for more than half of all revenues generated by the Project, as well as property taxes and charges for services. The actual amount would depend on a number of factors, including hotel room rental and occupancy rates and the extent to which new employees make taxable purchases in the City. The Project Alternative would generate approximately $1.9 million annually in new revenues for the City's General Fund.

Table 18: Summary of Annually Recurring General Fund Revenues at Build Out

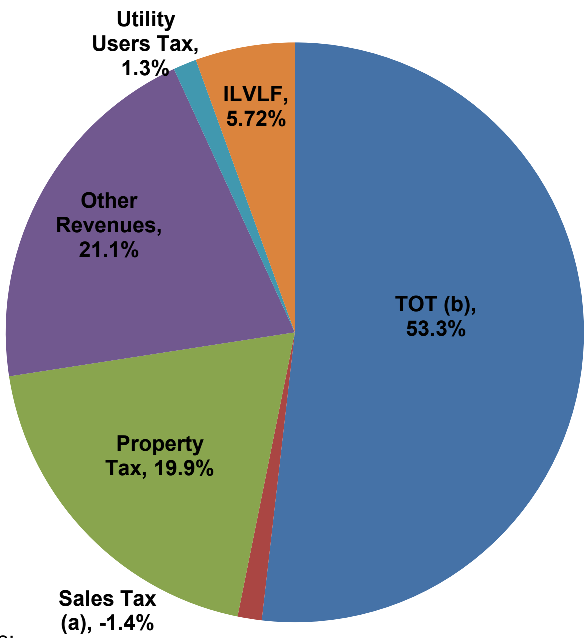
Project	Net Change
Total Revenues	**$2,291,600**
Sales Tax (a)	($31,600)
Property Tax	$456,900
ILVLF	$131,000
TOT (b)	$1,220,400
Utility Users Tax	$30,600
Other Revenues	$484,300
Project Alternative	
Total Revenues	**$1,943,300**
Sales Tax (a)	($48,700)
Property Tax	$337,200
ILVLF	$96,700
TOT (b)	$1,220,400
Utility Users Tax	$16,900
Other Revenues	$320,800

Notes:
(a) Sales tax figure represents conservative estimate shown in Table 4.
(b) Transit Occupancy Tax figure represents average estimate shown in Table 13.

Source: BAE, 2015.

Figure 3 shows the relative share of annual revenues generated by the Project from each of the categories in Table 18.

Figure 3: Distribution of Added Annually Recurring City General Fund Revenues from Project at Build Out



Notes:
(a) Sales tax figure represents conservative estimate shown in Table 4.
(b) Transit Occupancy Tax figure represents average estimate shown in Table 13.

Source: BAE, 2015.

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 over the long term in comparison to recurring revenues, or in the case of development impact fees, are charged to offset the anticipated impacts of new development, including increased traffic and demands on sewer, water, and other infrastructure systems.

Impact Fees and Capital Facilities Charges

The City and some special districts collect impact fees and capital facilities charges for public services such as water, sewer, traffic mitigation, below market rate housing, and schools. These impact fees are established pursuant to State law, and represent a one-time revenue source from the Project and are intended to offset impacts to infrastructure systems that are generated by new development. Based on impact fee rates as of 2015, the Project would generate a total of $11.5 million in impact fees and capital facilities charges to the City of

Menlo Park, as shown in Table 19A. The Project Alternative would generate approximately $4.8 million in impact fee and capital facilities charges as shown in Table 19B. It should be noted that impact fees are adjusted periodically, and that payment is based on the fees in effect at the time building permits are issued.

The revenues presented in Table 19A and Table 19B do not account for any potential waivers or reductions to impact fees which might apply to projects that provide affordable housing, subject to City action to provide such a waiver or reduction. Such waivers or reductions would decrease the impact fee revenue to the City associated with the Project.

As the figures in Table 19A and Table 19B are based on 2015 impact fee schedules, the estimates do not include a potential Fire Services development impact fee that may be implemented in the future, as discussed in the subsequent section on the Menlo Park Fire Protection District. New development associated with the Project would pay any new Fire Services development impact fee that is in effect as of the date that it secures building permits.

Table 19A: Impact Fees and Facilities Charges from the Project

Impact Fees and Facility Charges	Rate	Unit	Quantity Removed (a)	Project Net Change	Project Total Fees
Storm Drainage Connection					
Commercial	$0.24	Imperv. Surf.	(b)	(b)	(b)
Transportation					
Office	$4.63	Net New sf	357,641	604,759	$2,800,000
R&D	$3.33	Net New sf	77,762	(77,762)	($258,900)
Manufacturing	$2.28	Net New sf	400,435	(400,435)	($913,000)
Hotel	$1,833.73	Per Room	0	200	$366,700
Total					$1,994,800
BMR Housing In-Lieu Fee (c)					
Office and R&D	$15.57	Net New sf	435,403	526,997	$8,205,300
Other Commercial or Industrial	$8.45	Net New sf	400,435	(225,635)	($1,906,600)
Total					$6,298,700
Construction Street Impact Fee	0.58%	Construct. Value	N/A	$546,912,600	$3,172,100
Total City of Menlo Park Impact Fees					**$11,465,600**
Water Capital Facilities Charge (d)		Varies	N/A	(d)	(d)
Sewer Connection Fee (d)		Varies	N/A	(d)	(d)
Ravenswood Elementary School Dist.					
Commercial	$0.282	Net New sf	835,838	301,362	$85,000
Sequoia Union High School Dist.					
Commercial	$0.258	Net New sf	835,838	301,362	$77,800
Menlo Park Fire Protection Dist. Fee (e)	TBD			TBD	TBD

Notes:
(a) The square footage removed that is shown in this table differs from the quantity demolished as reported elsewhere in this report because the figures in this table include Buildings 307, 308, and 309, which are not part of the Project as defined in the fiscal analysis and DEIR. The demolition of Buildings 307, 308, and 309 will be included in the calculation of the net change in square footage on the Project site for the purpose of calculating impact fees.
(b) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. This analysis assumes that the Project will decrease the square footage of impervious surface, consistent with other recent projects in the Bayfront area, and the fee will therefore not apply.
(c) The City of Menlo Park requires developers of commercial buildings of 10,000 square feet or more to mitigate the demand for affordable housing created by these projects. Commercial developers are encouraged to provide BMR units on site if allowed by zoning or off site if on-site construction of BMR units is not feasible, but have the option to pay an in-lieu fee if it is not possible to provide BMR units on or off site. Although there are no residential units planned on site as part of the Project or Project Alternative, the BMR housing in-lieu fee from the Project or Project Alternative would be reduced to the extent that the Project applicant provides BMR units off site.
(d) This analysis assumes that Water Facilities Charges and Sewer Connection Fees cover the cost of extending services to new development.
(e) The Menlo Park Fire Protection District has conducted a nexus study to establish an impact fee for new development. If the fee is adopted by the City of Menlo Park before building permits are issued for the Project, the Project developer would be responsible for payment of the fee. The fee rate that the City would potentially adopt may differ from the rate established by the nexus study, and therefore is not yet established.
Sources: City of Menlo Park, 2015; Sequoia Union School District, 2015; BAE, 2015.

Table 19B: Impact Fees and Facilities Charges from the Project Alternative

Impact Fees and Facility Charges	Rate	Unit	Quantity Removed (a)	Project Alternative Net Change	Total Fees
Storm Drainage Connection					
Commercial	$0.24	Imperv. Surf.	(b)	(b)	(b)
Transportation					
Office	$4.63	Net New sf	357,641	316,039	$1,463,300
R&D	$3.33	Net New sf	77,762	(77,762)	($258,900)
Manufacturing	$2.28	Net New sf	400,435	(400,435)	($913,000)
Hotel	$1,833.73	Per Room	0	200	$366,700
Total					$658,100
BMR Housing In-Lieu Fee (c)					
Office and R&D	$15.57	Net New sf	435,403	238,277	$3,710,000
Other Commercial or Industrial	$8.45	Net New sf	400,435	(225,635)	($1,906,600)
Total					$1,803,400
Construction Street Impact Fee	0.58%	Construct. Value	N/A	$403,838,800	$2,342,300
Total City of Menlo Park Impact Fees					**$4,803,800**
Water Capital Facilities Charge (d)		Varies	N/A	(b)	(b)
Sewer Connection Fee (d)		Varies	N/A	(b)	(b)
Ravenswood Elementary School Dist.					
Commercial	$0.282	Net New sf	835,838	12,642	$3,600
Sequoia Union High School Dist.					
Commercial	$0.258	Net New sf	835,838	12,642	$3,300
Menlo Park Fire Protection Dist. Fee (e)	TBD			TBD	TBD

Notes:
(a) The square footage removed that is shown in this table differs from the quantity demolished as reported elsewhere in this report because the figures in this table include Buildings 307, 308, and 309, which are not part of the Project as defined in the fiscal analysis and DEIR. The demolition of Buildings 307, 308, and 309 will be included in the calculation of the net change in square footage on the Project site for the purpose of calculating impact fees.
(b) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. This analysis assumes that the Project will decrease the square footage of impervious surface, consistent with other recent projects in the Bayfront area, and the fee will therefore not apply.
(c) The City of Menlo Park requires developers of commercial buildings of 10,000 square feet or more to mitigate the demand for affordable housing created by these projects. Commercial developers are encouraged to provide BMR units on site if allowed by zoning or off site if on-site construction of BMR units is not feasible, but have the option to pay an in-lieu fee if it is not possible to provide BMR units on or off site. Although there are no residential units planned on site as part of the Project or Project Alternative, the BMR housing in-lieu fee from the Project or Project Alternative would be reduced to the extent that the Project applicant provides BMR units off site.
(d) This analysis assumes that Water Facilities Charges and Sewer Connection Fees cover the cost of extending services to new development.
(e) The Menlo Park Fire Protection District has conducted a nexus study to establish an impact fee for new development. If the fee is adopted by the City of Menlo Park before building permits are issued for the Project, the Project developer would be responsible for payment of the fee. The fee rate that the City would potentially adopt may differ from the rate established by the nexus study, and therefore is not yet established.
Sources: City of Menlo Park, 2015; Sequoia Union School District, 2015; BAE, 2015.

General Fund Expenditures

The City's General Fund expenditures generally increase as the City's service population increases. Based on the Menlo Park 2015-16 Budget, BAE evaluated the City's current expenditures by service category per member of the service population to estimate the increase in General Fund expenditures that would be assignable to the Project. The service cost estimates shown in this section are based on the net increase in service population on site (as shown in Table 3 above), which is calculated by subtracting the historical service population on the Project Site from the gross increase in service population attributable to the Project.

While a number of City Departments provide services to support the overall operation of the City, not all are expected to incur additional costs as a direct result of the Project. In particular, expenditures in the City Clerk's Office, City Manager's Office, Finance Department, and Information Services were excluded from per service population calculations based on the assumption that these departments would not incur additional costs due to Project development.

Human Resources

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

As shown in Table 20, the City's projected 2015/16 General Fund expenditures for the Human Resources Department average approximately $31 per member of the service population. Assuming the City's General Fund expenditures per service population unit remain at current levels, the Project's increase in service population would generate additional annual Human Resources Department expenditures totaling $62,100. The Project Alternative's increase in service population would generate additional annual expenditures of $42,100.

Table 20: Projected Annual Human Resources Services Department Expenditures at Build Out

Project	**Net Change**
Net New Service Population (a)	1,983
Total New Expenditures	**$62,100**
Project Alternative	
Net New Service Population (a)	1,343
Total New Expenditures	**$42,100**
Administrative Services Functions	**FY 2015-16**
Total Human Resources Expenditures (b)	$1,371,783
Total Service Population (a)	43,790
Human Resources Expenditures Per Service Population	**$31.33**

Notes:
(a) Service Population defined as all residents plus one third of all employees.
(b) Includes only General Fund expenditures.
Sources: City of Menlo Park Budget FY 15-16; BAE, 2015.

Community Development

The City's General Fund contribution to the Community Development Department was budgeted as $5.14 million in FY 2015-16. Many functions performed by the Community Development Department operate on a cost-recovery basis; application fees have been structured to cover the costs of staff time required for application processing. Development associated with the Project would pay necessary application, license, and permit fees that would offset the costs of staff time dedicated to processing of development applications. These revenues are included in the charges for services calculated in Table 17 above.

Building permit revenues are subtracted from total Community Development Department expenditures in Table 21 below to determine departmental expenditures net of revenue in from building permit fees. As shown in Table 21, the City's General Fund expenditures per service population for this department averages approximately $45. Assuming per capita expenditures remain constant, the Project's increase in service population would generate additional annual expenditures of $89,800. The Project Alternative would generate additional annual expenditures of $60,800.[13]

Table 21: Projected Annual Community Development Department Expenditures at Build Out

Project	**Net Change**
Net New Service Population (a)	1,983
Total New Expenditures	**$89,800**
Project Alternative	
Net New Service Population (a)	1,343
Total New Expenditures	**$60,800**
Baseline Assumptions	**FY 2015-16**
Total Community Development Expenditures (b)	$5,140,492
Less: Building Permit Revenues	($3,158,503)
Expenditures Net of Building Permit Revenues	$1,981,989
Total Service Population (a)	43,790
Community Dev. Expenditures Per Service Population	**$45.26**

Notes:
(a) Service Population defined as all residents plus one third of all employees.
(b) Includes only General Fund expenditures.
Sources: City of Menlo Park Budget FY 15-16; BAE, 2015.

Community Services

The Community Services Department operates 13 parks, two community centers, two public swimming pools, three childcare centers, one gymnasium, and one gymnastics center, in addition to providing recreational and cultural programs for children, adults, and seniors. The facilities are open to Menlo Park residents and workers as well as residents of adjacent cities. Many Community Services Department programs operate on a full or partial cost recovery

[13] In addition to building permit fees, there are other service charges and fees that the Community Development Department collects to offset a large part of the City's General Fund contribution to the Department. These charges for service are accounted for as charges for service in Table 17 (Projected Franchise Fees, Fines, and Charges for Services Revenues) above.

basis, but many programs generate costs to the City that are not recouped through charges for service. Staff from the Community Services Department indicate that while the department has capacity to meet demand for park and recreation service overall, it is at capacity during peak times at several of its sports fields, in preschool and sports activity classes, and at one of the swimming pools.

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

As shown in Table 22, General Fund expenditures for the Community Services Department in FY 2015-2016 totaled $7.86 million. Assuming commensurate additional expenditures per net new increase in service population, the Project would result in $160,200 in additional General Fund expenditures at build out. The Project Alternative would generate an additional $108,500 in General Fund expenditures at build out based on these assumptions.

Table 22: Projected Annual Community Services Department General Fund Expenditures at Build Out

Project	**Net Change**
Net New Service Population (a)	893
Total New Expenditures	**$160,200**
Project Alternative	
Net New Service Population (a)	605
Total New Expenditures	**$108,500**
Community Services Department Functions	**FY 2015-16**
Total Community Services Expenditures (b)	$7,860,090
Total Service Population (a)	43,790
Community Services Expenditures Per Service Population	**$179.49**

Notes:
(a) Service Population defined as all residents plus a portion of the employment employment population. Since employees typically have little impact on Community Services expenditures, service population for this department is calculated by multiplying net new employees by 15%.
(b) Includes only General Fund expenditures.
Sources: City of Menlo Park Budget FY 15-16; BAE, 2015.

Library

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

Menlo Park Library staff indicated that the Belle Haven Branch Library has limited capacity to deal with any additional demand. As future development occurs in Menlo Park, new or expanded library facilities may be needed to meet the needs of the associated population growth.

As the project does not include a residential component, the Project's impact on the City's Library system is expected to be relatively small. According to Menlo Park Library staff, employees generated by the Project are unlikely to utilize the City libraries at high rates because the Project is located east of Highway 101, with inconvenient access to the main library. As a result, the Library service population generated by the Project is estimated at 15 percent of the increase in employment generated by the Project, rather than one third of the increase in employment.

In FY 2015-2016, the City's General Fund contribution to the Library was $2.54 million, or $58 per service population unit. Assuming General Fund expenditures per service population remain at current levels, the Project would result in $51,900 in additional annual General Fund expenditures to the Library Department. The Project Alternative would result in $35,100 in additional Library Department General Fund expenditures.

Table 23: Projected Annual Library Department General Fund Expenditures at Build Out

Project	Net Change
Net New Service Population (a)	893
Total New Expenditures	**$51,900**
Project Alternative	
Net New Service Population (a)	605
Total New Expenditures	**$35,100**
Library Expenditures	**FY 2015-16**
Total Library Expenditures (b)	$2,544,568
Total Service Population (a)	43,790
Library Expenditures Per Service Population	**$58.11**

Note:
(a) Service Population defined as all residents plus a portion of the employment employment population. Since employees typically have little impact on Library expenditures, service population for this department is calculated by multiplying net new employees by 15%.
(b) Includes only General Fund expenditures.
Sources: City of Menlo Park Budget FY 15-16; BAE, 2015.

Police

The Menlo Park Police Department operates a main headquarters and one substation in the City of Menlo Park. The main headquarters is located approximately 2 miles from the Project site. The substation, which houses the Department's Code Enforcement Officer and Community Safety Police Officer, is located approximately 0.3 miles from the Project site.

Patrol services are organized into three beats. The Police Department currently employs 70 Full Time Equivalent personnel (FTE)[14], comprised of 48 sworn FTE and 22 professional staff FTE, all of which are funded through the City's General Fund. According to the FY 2015-2016 budget, the Department's General Fund costs per sworn FTE is approximately $341,700.

While Police Department staff anticipates that the Project will generate an increased demand for police protection services and calls for services, the Project is not anticipated to mandate any increase in the Department's FTEs given the Department's current service boundaries and existing staffing levels. The current ratio of officers to service population equals approximately 1.1 sworn officer for every 1,000 service population, which is above the Department's standard ratio of one sworn officer for every 1,000 service population.

As described in the DEIR for the Project, the existing Facebook campus requires police services for investigations, search warrants, protests, and dignitary or celebrity visits, in addition to standard police services. These additional services include investigations related

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

to identity theft and other crimes that involve Facebook users and search warrants from out-of-state police agencies for active out-of-state investigations that have connections to the information stored on Facebook servers. In addition, major events occur at the Facebook campus on an irregular basis that attract a large number of visitors as well as dignitaries and celebrities. These events often require police services for crowd control, protest abatement, personal protection and security, and motorcades. The need for these additional police services could increase due to the Project, despite sufficient current Police Department staffing levels to provide standard police services to the Project on a day-to-day basis.

In FY 2015-2016, the City's net General Fund contribution to the Police Department was $16.4 million, or approximately $375 per service population. Assuming that expenditures per service population would be similar for new development, additional Police Department General Fund expenditures generated by the Project would total $742,800 per year at build out. Police Department General Fund expenditures would total $503,100 for the Project Alternative.

Table 24: Projected Annual Police Department Expenditures at Build Out

Project	**Net Change**
Net New Service Population (a)	1,983
Total New Expenditures	**$742,800**
Project Alternative	
Net New Service Population (a)	1,343
Total New Expenditures	**$503,100**
Administrative Services Functions	**FY 2015-16**
Total Police Department Expenditures (b)	$16,400,105
Total Service Population (a)	43,790
Police Dept. Expenditures Per Service Population	**$374.51**

Note:
(a) Service Population defined as all residents plus one third of all employees.
(b) Only General Fund expenditures are calculated.
Sources: City of Menlo Park Budget FY 15-16; BAE, 2015.

The Police Department expenditure estimate shown in Table 24 is based on an average cost approach, which may overstate expenditures given that the Department does not anticipate a need for additional FTEs on a regular basis due to the Project. These figures are included in the analysis as a conservative measure to account for any increases in operating costs due to additional police service costs resulting from investigations, search warrants, major events, or other factors, as described above.

Public Works

The Department of Public Works is responsible for constructing, repairing, and maintaining City streets, sidewalks, storm drains, buildings, and other facilities. The Department includes the City's Engineering, Transportation, and Maintenance Divisions. Generally, the Public Works

Department would see increased costs if new streets or other facilities are needed, or if maintenance needs increase as a result of the Project. However, either Caltrans or Facebook would typically be required to pay for and maintain any necessary improvements. For this reason, the Project would not likely impact the Department of Public Works' annual General Fund expenditures.

Since the two main roads that serve the Project Area (the Bayfront Expressway and Willow Road/Highway 84) are both California Highways, Caltrans is responsible for their maintenance. Thus, the City would not be responsible for any increased maintenance on these two main roads resulting from heavier traffic flows induced by the Project. The Project would generate one-time revenues to the Department through Transportation Impact Fees and Building Street Repair Fees, which would provide funding to mitigate some of the potential impacts to the roads that serve the Project site, as shown in Table 19.

The Department also manages Menlo Park's stormwater drainage system, which is a component of the Stormwater Management program. According to the City's Grading and Drainage Guidelines, new developments in Menlo Park are required to provide for stormwater retention on site to the extent possible. Furthermore, developers are required to pay a stormwater impact fee for any increases in impervious area on a project site and pay for any needed extension of stormwater infrastructure to new projects. However, the Project is likely to reduce the amount of impervious area on the Project site through increased landscaped areas and other features of the Project site, and it is already served by stormwater infrastructure. As a result, the Project is not expected to generate increased operating costs for the City's stormwater system.

Summary of Annually Recurring Expenditures

Table 25 shows that, at build out, the Project would result in $1,106,800 in total annual expenditures from the City's General Fund. The Project Alternative would result in annual expenditures of approximately $749,600.

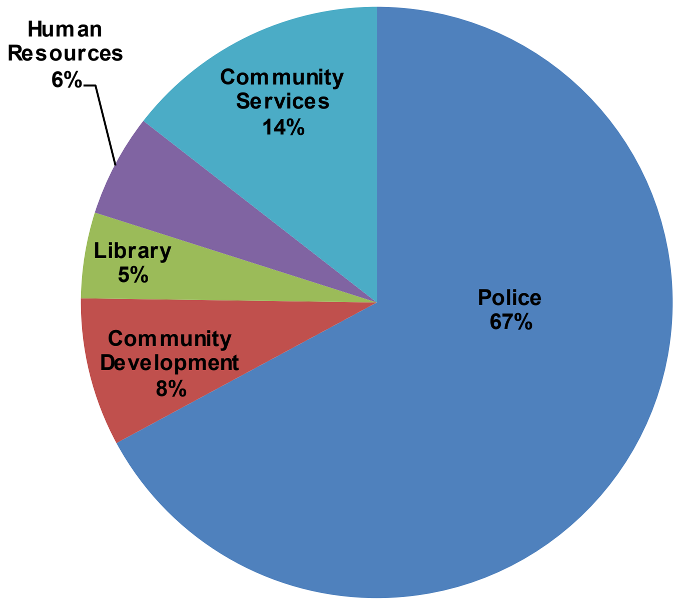
Table 25: Summary of Annually Recurring General Fund Expenditures at Build Out

Project	Net Change
Total Expenditures	**$1,106,800**
Human Resources	$62,100
Community Development	$89,800
Community Services	$160,200
Library	$51,900
Police	$742,800
Project Alternative	
Total Expenditures	**$749,600**
Human Resources	$42,100
Community Development	$60,800
Community Services	$108,500
Library	$35,100
Police	$503,100

Note:
Only General Fund expenditures are calculated.
Source: BAE, 2015.

Figure 4 shows the distribution of these expenditures for the Project. As shown, the majority of expenditures are for Police (67 percent), followed by Community Services (14 percent), Community Development (8 percent), Human Resources (6 percent), and Library (5 percent). These figures do not account for any charges for service that allow individual departments to recoup a share of costs. Because departments vary in the extent to which each is able to recoup costs through charges for service, the distribution of expenses net of charges for service may differ from the distribution shown in Figure 4.

Figure 4: Distribution of Added Annually Recurring City General Fund Expenditures from Project at Build Out



Summary of Net Fiscal Impact to the General Fund

Table 26 provides a summary of the annual recurring net fiscal impact of the Project at full build out and occupancy in constant 2015 dollars. As shown, the Project would generate approximately $2.3 million annually in new General Fund revenues to the City and increase the City's General Fund expenditures by $1.2 million annually, resulting in an annual net positive fiscal impact of approximately $1.2 million annually at build out and full occupancy. The Project Alternative would generate approximately $1.9 million in revenues and $749,600 in expenditures annually, resulting in an annual net positive fiscal impact of approximately $1.2 million.

Table 26: Summary of Net Fiscal Impact to the City of Menlo Park General Fund at Build Out

	Project	Project Alternative
Total Revenues	**$2,291,600**	**$1,943,300**
Sales Tax (a)	($31,600)	($48,700)
Property Tax	$456,900	$337,200
ILVLF	$131,000	$96,700
TOT (b)	$1,220,400	$1,220,400
Utility Users Tax	$30,600	$16,900
Other Revenues	$484,300	$320,800
Total Expenditures	**$1,106,800**	**$749,600**
Human Resources	$62,100	$42,100
Community Development	$89,800	$60,800
Community Services	$160,200	$108,500
Library	$51,900	$35,100
Police	$742,800	$503,100
Net Fiscal Impact	**$1,184,800**	**$1,193,700**

Notes:
Figures presented are constant 2015 dollars.
(a) Sales tax figure represents conservative estimate shown in Table 4.
(b) Transit Occupancy Tax figure represents average estimate shown in Table 13.
Source: BAE, 2015.

Total 20 Year Impact

The analysis in Table 26 does not account for the long-term impact of inflation on revenues, expenditures, and the resulting net fiscal impact to the City. Table 27 provides a long-term view of the possible total fiscal impact to the City's General Fund of the Project over a 20-year timeframe. It provides the projected revenues and expenditures on a year-by-year basis, adjusted for inflation each year, with revenues and expenses prorated in the initial years prior to full build out and occupancy of the Project. While this type of projection can be useful because it accounts for the effect of inflation on revenues and expenses over time, it should be noted that this type of long-term analysis is sensitive to changes in inflation and other factors.

Several inflation assumptions were formulated for this FIA. Sales tax revenues were inflated two percent per year, which represents the 10-year average annual projected increase in the City's budget forecast. Property tax and ILVLF revenues were inflated two percent per year, which is the maximum allowed by the Proposition 13 limit on annual increases in tax assessments. Expenditures were inflated at a four percent annual rate, which is consistent with California municipal experiences in terms of personnel benefits costs.[15]

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

As shown in Table 27, the net positive fiscal impact of the Project is expected to increase over the projection period. There is a slight negative fiscal impact in 2017 and 2018, which results from increased expenditures to serve the service population associated with the completion of Building 21 and prior to full buildout of the Project. Beginning in 2019, TOT revenue accounts for over half of all revenues generated by the Project in each year. After the completion of Building 22 and the hotel in 2019, the Project has a net positive fiscal impact to the City's General Fund totaling approximately $1.3 million. Thereafter, the net positive fiscal impact of the Project increases each year through the end of the projection period in 2035. In 2035, the Project has a net positive fiscal impact totaling approximately $2.2 million. The net fiscal impact of the Project Alternative at full build out in 2035 would be approximately $2.3 million per year.

Table 27: Projected Net Fiscal Impact to the City of Menlo Park General Fund, 2015-2035

Project	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Revenues	**$0**	**$0**	**($194,000)**	**$476,100**	**$2,632,300**	**$2,725,400**	**$2,822,100**	**$2,922,600**	**$3,026,700**	**$3,134,700**	**$3,246,900**
Sales Tax (a)	$0	$0	($92,300)	($62,000)	($34,200)	($34,900)	($35,600)	($36,300)	($37,000)	($37,800)	($38,500)
Property Tax	$0	$0	($800)	$224,900	$494,600	$504,500	$514,500	$524,800	$535,300	$546,000	$557,000
ILVLF	$0	$0	($200)	$64,500	$141,800	$144,600	$147,500	$150,500	$153,500	$156,600	$159,700
TOT (b)	$0	$0	$0	$0	$1,427,700	$1,484,800	$1,544,200	$1,606,000	$1,670,200	$1,737,000	$1,806,500
Utility Users Tax	$0	$0	($17,600)	$9,100	$35,800	$37,200	$38,700	$40,300	$41,900	$43,600	$45,300
Other Revenues	$0	$0	($83,100)	$239,600	$566,600	$589,200	$612,800	$637,300	$662,800	$689,300	$716,900
Total Expenditures	**$0**	**$0**	**$120,700**	**($585,600)**	**($1,294,800)**	**($1,346,600)**	**($1,400,500)**	**($1,456,500)**	**($1,514,700)**	**($1,575,300)**	**($1,638,200)**
Human Resources	$0	$0	$6,800	($32,800)	($72,600)	($75,600)	($78,600)	($81,700)	($85,000)	($88,400)	($91,900)
Community Development	$0	$0	$9,800	($47,500)	($105,100)	($109,300)	($113,600)	($118,200)	($122,900)	($127,800)	($132,900)
Community Services	$0	$0	$17,500	($84,800)	($187,400)	($194,900)	($202,700)	($210,800)	($219,200)	($228,000)	($237,100)
Library	$0	$0	$5,600	($27,400)	($60,700)	($63,100)	($65,700)	($68,300)	($71,000)	($73,900)	($76,800)
Police	$0	$0	$81,000	($393,100)	($869,000)	($903,700)	($939,900)	($977,500)	($1,016,600)	($1,057,200)	($1,099,500)
Net Fiscal Impact	**$0**	**$0**	**($73,300)**	**($109,500)**	**$1,337,500**	**$1,378,800**	**$1,421,600**	**$1,466,100**	**$1,512,000**	**$1,559,400**	**$1,608,700**
Project Alternative											
Total Revenues	**$0**	**$0**	**($194,000)**	**$273,400**	**$2,239,800**	**$2,321,000**	**$2,405,300**	**$2,492,900**	**$2,583,600**	**$2,678,100**	**$2,775,900**
Sales Tax (a)	$0	$0	($92,300)	($71,600)	($52,700)	($53,800)	($54,800)	($55,900)	($57,100)	($58,200)	($59,400)
Property Tax	$0	$0	($800)	$157,200	$365,000	$372,300	$379,700	$387,300	$395,100	$403,000	$411,000
ILVLF	$0	$0	($200)	$45,100	$104,700	$106,800	$108,900	$111,100	$113,300	$115,600	$117,900
TOT (b)	$0	$0	$0	$0	$1,427,700	$1,484,800	$1,544,200	$1,606,000	$1,670,200	$1,737,000	$1,806,500
Utility Users Tax	$0	$0	($17,600)	$900	$19,800	$20,600	$21,400	$22,200	$23,100	$24,100	$25,000
Other Revenues	$0	$0	($83,100)	$141,800	$375,300	$390,300	$405,900	$422,200	$439,000	$456,600	$474,900
Total Expenditures	**$0**	**$0**	**$120,700**	**($372,400)**	**($877,000)**	**($912,000)**	**($948,500)**	**($986,400)**	**($1,025,800)**	**($1,066,900)**	**($1,109,600)**
Human Resources	$0	$0	$6,800	($20,900)	($49,300)	($51,200)	($53,300)	($55,400)	($57,600)	($59,900)	($62,300)
Community Development	$0	$0	$9,800	($30,300)	($71,100)	($74,000)	($76,900)	($80,000)	($83,200)	($86,500)	($90,000)
Community Services	$0	$0	$17,500	($53,900)	($126,900)	($132,000)	($137,300)	($142,800)	($148,500)	($154,400)	($160,600)
Library	$0	$0	$5,600	($17,400)	($41,100)	($42,700)	($44,400)	($46,200)	($48,000)	($50,000)	($52,000)
Police	$0	$0	$81,000	($249,900)	($588,600)	($612,100)	($636,600)	($662,000)	($688,500)	($716,100)	($744,700)
Net Fiscal Impact	**$0**	**$0**	**($73,300)**	**($99,000)**	**$1,362,800**	**$1,409,000**	**$1,456,800**	**$1,506,500**	**$1,557,800**	**$1,611,200**	**$1,666,300**

Notes:
Figures presented are adjusted for inflation.

Revenue Escalation factor:	4.0%
Sales Tax Escalation factor:	2.0%
Property Tax Inflation Rate:	2.0%
Expenditure Inflation Rate:	4.0%

(a) Sales tax figure represents conservative estimate shown in Table 4.
(b) Transit Occupancy Tax figure represents average estimate shown in Table 13.

(Continued on following page)

Table 27: Projected Net Fiscal Impact to the City of Menlo Park General Fund, 2015-2035 (continued)

Project	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Total Revenues	**$3,363,100**	**$3,483,800**	**$3,609,100**	**$3,739,100**	**$3,873,900**	**$4,013,800**	**$4,159,200**	**$4,310,000**	**$4,466,400**	**$4,628,800**
Sales Tax (a)	($39,300)	($40,100)	($40,900)	($41,700)	($42,500)	($43,400)	($44,200)	($45,100)	($46,000)	($47,000)
Property Tax	$568,100	$579,500	$591,000	$602,900	$614,900	$627,200	$639,800	$652,600	$665,600	$678,900
ILVLF	$162,900	$166,100	$169,500	$172,900	$176,300	$179,800	$183,400	$187,100	$190,800	$194,700
TOT (b)	$1,878,700	$1,953,900	$2,032,100	$2,113,300	$2,197,900	$2,285,800	$2,377,200	$2,472,300	$2,571,200	$2,674,000
Utility Users Tax	$47,100	$49,000	$51,000	$53,000	$55,100	$57,300	$59,600	$62,000	$64,500	$67,000
Other Revenues	$745,600	$775,400	$806,400	$838,700	$872,200	$907,100	$943,400	$981,100	$1,020,300	$1,061,200
Total Expenditures	**($1,703,800)**	**($1,772,000)**	**($1,842,800)**	**($1,916,600)**	**($1,993,200)**	**($2,073,100)**	**($2,156,000)**	**($2,242,100)**	**($2,331,800)**	**($2,425,200)**
Human Resources	($95,600)	($99,400)	($103,400)	($107,500)	($111,800)	($116,300)	($121,000)	($125,800)	($130,800)	($136,100)
Community Development	($138,200)	($143,800)	($149,500)	($155,500)	($161,700)	($168,200)	($174,900)	($181,900)	($189,200)	($196,800)
Community Services	($246,600)	($256,500)	($266,700)	($277,400)	($288,500)	($300,100)	($312,100)	($324,500)	($337,500)	($351,000)
Library	($79,900)	($83,100)	($86,400)	($89,900)	($93,500)	($97,200)	($101,100)	($105,100)	($109,300)	($113,700)
Police	($1,143,500)	($1,189,200)	($1,236,800)	($1,286,300)	($1,337,700)	($1,391,300)	($1,446,900)	($1,504,800)	($1,565,000)	($1,627,600)
Net Fiscal Impact	**$1,659,300**	**$1,711,800**	**$1,766,300**	**$1,822,500**	**$1,880,700**	**$1,940,700**	**$2,003,200**	**$2,067,900**	**$2,134,600**	**$2,203,600**
Project Alternative										
Total Revenues	**$2,877,500**	**$2,983,100**	**$3,092,700**	**$3,206,300**	**$3,324,400**	**$3,447,100**	**$3,574,400**	**$3,706,500**	**$3,843,900**	**$3,986,300**
Sales Tax (a)	($60,600)	($61,800)	($63,000)	($64,300)	($65,500)	($66,900)	($68,200)	($69,600)	($70,900)	($72,400)
Property Tax	$419,300	$427,700	$436,200	$444,900	$453,800	$462,900	$472,200	$481,600	$491,200	$501,100
ILVLF	$120,200	$122,600	$125,100	$127,600	$130,100	$132,700	$135,400	$138,100	$140,900	$143,700
TOT (b)	$1,878,700	$1,953,900	$2,032,100	$2,113,300	$2,197,900	$2,285,800	$2,377,200	$2,472,300	$2,571,200	$2,674,000
Utility Users Tax	$26,000	$27,100	$28,100	$29,300	$30,400	$31,700	$32,900	$34,200	$35,600	$37,000
Other Revenues	$493,900	$513,600	$534,200	$555,500	$577,700	$600,900	$624,900	$649,900	$675,900	$702,900
Total Expenditures	**($1,153,900)**	**($1,200,100)**	**($1,248,100)**	**($1,298,100)**	**($1,350,000)**	**($1,404,000)**	**($1,460,100)**	**($1,518,600)**	**($1,579,400)**	**($1,642,400)**
Human Resources	($64,800)	($67,400)	($70,100)	($72,900)	($75,800)	($78,900)	($82,000)	($85,300)	($88,700)	($92,200)
Community Development	($93,600)	($97,300)	($101,200)	($105,300)	($109,500)	($113,900)	($118,400)	($123,200)	($128,100)	($133,200)
Community Services	($167,000)	($173,700)	($180,700)	($187,900)	($195,400)	($203,200)	($211,300)	($219,800)	($228,600)	($237,700)
Library	($54,000)	($56,200)	($58,400)	($60,800)	($63,200)	($65,700)	($68,400)	($71,100)	($74,000)	($76,900)
Police	($774,500)	($805,500)	($837,700)	($871,200)	($906,100)	($942,300)	($980,000)	($1,019,200)	($1,060,000)	($1,102,400)
Net Fiscal Impact	**$1,723,600**	**$1,783,000**	**$1,844,600**	**$1,908,200**	**$1,974,400**	**$2,043,100**	**$2,114,300**	**$2,187,900**	**$2,264,500**	**$2,343,900**

Notes:
Figures presented are adjusted for inflation.

Revenue Escalation factor:	4.0%
Sales Tax Escalation factor:	2.0%
Property Tax Inflation Rate:	2.0%
Expenditure Inflation Rate:	4.0%

(a) Sales tax figure represents conservative estimate shown in Table 4.
(b) Transit Occupancy Tax figure represents average estimate shown in Table 13.
Source: BAE, 2015.

Net Present Value Calculation of Net Fiscal Impact

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

An NPV calculation was done to identify the current (2015) dollar value of the annual net fiscal impacts from the Project as shown in Table 27. This was done by identifying a discount factor that represents the time value of money for the City of Menlo Park, based on the potential return that it might obtain from other risk-free investments available to it.[16] A discount factor of four percent was used, which is common for municipal financial analysis.

Table 28 presents two separate figures. The first column shows the cumulative net fiscal impact for the period in current (inflated) dollars. The second column shows the NPV of the net fiscal impacts through 2035. As shown, the cumulative net fiscal impact of the Project in constant 2015 dollars is positive $29.3 million and the NPV in constant 2015 dollars is $17.4 million. The cumulative net fiscal impact of the Project Alternative is positive $30.6 million and the NPV in constant 2015 dollars is approximately $18.1 million.

Table 28: Total Net Fiscal Impact and Net Present Value of Fiscal Impacts to General Fund, 2015-2035

Project	**Total Net Impact, 2015 Dollars**	**Net Present Value of Total Net Impact, 2015 Dollars** (a)
Revenues	$60,440,000	$35,835,991
Expenditures	($31,148,100)	($18,485,000)
Net Fiscal Impact	**$29,291,900**	**$17,350,991**
Project Alternative		
Revenues	$51,618,200	$30,540,522
Expenditures	($21,032,600)	($12,464,062)
Net Fiscal Impact	**$30,585,600**	**$18,076,460**

Note:
(a) Discount rate used for municipal financial analysis: 4.0%
Source: BAE, 2015.

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

Special District Fiscal Impact Analysis

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

Menlo Park Fire Protection District

The Menlo Park Fire Protection District (MPFPD) provides fire protection services to Menlo Park, Atherton, East Palo Alto, portions of unincorporated San Mateo County, and federal facilities such as the veteran's hospital, United States Geological Survey facility, and the Stanford Linear Accelerator, covering approximately 30 square miles. The MPFPD also has agreements with the neighboring departments, including the cities of Palo Alto, Redwood City, Fremont, and the Woodside Fire District, to provide automatic aid. The MPFPD serves approximately 87,980 residents and 41,150 employees, with a service population of 101,697.

The District operates three fire stations in Menlo Park, two fire stations in unincorporated San Mateo County, one station in Atherton, and one station in East Palo Alto. Station 77, located at 1467 Chilco Street in Menlo Park, is the closest fire station to the Project Area, at a distance of approximately 200 feet from the edge of the Project site, and would be the first to respond to calls for service at the Project site. The Station operates a fire engine, specialized rescue vehicles, and other various District-owned utility vehicles. The District is currently reconstructing Station 2, located at 2290 University Avenue in East Palo Alto, which may also provide service to the Project site as needed.

The MPFPD currently employs 113.8 full-time equivalent employees. Based on the MPFPD's service population of 101,700 residents, the current service ratio of the MPFPD is 1.12 staff members per thousand members of the service population. According to staff, Station 77 would need to be remodeled or rebuilt in order to accommodate any significant service population growth. Currently, Station 77 can only house and support 3 personnel at any given time.

Revenues

After accounting for the ERAF shift, the MPFPD receives 11.8 percent of the 1.0 percent base property tax for the Project site. Based on the estimated increase in property values that would be generated by the Project, the MPFPD would receive $642,300 in additional property taxes annually after build out of the Project.

Other sources of General Fund revenues for the MPFPD include licenses and permits, monies from intergovernmental transfers, current service charges, and use of money and property.

The MPFPD expects to generate $985,800 from licenses, permits, and service charges in FY 2015-2016. For this FIA, revenues from licenses, permits, and service charges are estimated on a per service population basis and other revenues are assumed to be unaffected by new development. Based on the estimated increases in service population, it is expected that the Project would generate $19,200 per year in revenues from licenses, permits, and service charges.

The MPFPD has completed a nexus study on the establishment of a Fire Services development impact fee. The impact fee is intended to cover the cost of new equipment, station expansion, and other items (e.g., signal preemption) that arise from new development in the MPFPD's service area. The impact fee was approved by the MPFPD Board of Directors in February 2016. If the fee schedule is adopted by the Menlo Park City Council before building permits are issued for the Project, the Project developer would be responsible for payment of the fee.

Expenditures

Costs to the MPFPD generated by the Project are estimated on a per service population basis, which tends to overestimate the impacts of new development on fire protection services and therefore provides a conservative analysis of the potential fiscal impacts to the MPFPD. The MPFPD budget for the 2015-2016 fiscal year includes $33 million in expenditures in its General Fund, at an average rate of $325 per member of the service population, as shown in Table 29. Assuming that costs increase in accordance with service population, the Project would generate an estimated $644,100 in annual costs to the District.

Net Fiscal Impact

Based on the revenues and expenditures estimated in Table 29, the Project would have a marginal positive fiscal impact on the MPFPD. The net fiscal impact associated with the Project is estimated to total $17,400 annually. The net fiscal impact associated with the Project Alternative is estimated to total $50,600 annually.

Table 29: Projected Impacts to the Menlo Park Fire Protection District at Build Out

Project	Net Change
Net Fiscal Impact	**$17,400**
New License, Permit, Service Charge Revenues	$19,200
New Property Tax Revenues	$642,300
Less: Projected Expenditures	($644,100)
Fire Services Development Impact Fee (a)	**TBD**
Project Alternative	
Net Fiscal Impact	**$50,600**
New License, Permit, Service Charge Revenues	$13,000
New Property Tax Revenues	$473,900
Less: Projected Expenditures	($436,300)
Fire Services Development Impact Fee (a)	**TBD**
Assumptions	**FY 2015-16**
Service Population	101,697
Revenues	
License and Permit Revenues	$925,000
Current Service Charges	$60,800
Licenses, Permits, and Service Charges per Service Population	$9.69
Fire District Share of Property Taxes	11.8%
General Fund Expenditures	
Operating Expenditures	$33,027,200
Expenditures per Service Population	$324.76

Notes:
(a) The Menlo Park Fire Protection District has completed a study to establish an impact fee to fund cost of increased services tied to new development. The impact fee was approved by the MPFPD Board of Directors in February 2016. If the fee schedule is adopted by the Menlo Park City Council before building permits are issued for the Project, the Project developer would be responsible for payment of the fee.

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

School Districts Serving the Project

This study evaluates the fiscal impacts for the Ravenswood Elementary and Sequoia Union High school districts, which are the two school districts that serve the Project site. Because the Project does not include any residential component, it would not generate any new students or associated additional expenditures for either district. The Project would generate additional property tax revenues for both districts; however, due to the complexities of the State's educational funding system, the net impact to the two school districts that serve the Project site would differ with respect to ongoing revenues. A primary distinction between the two districts is that Ravenswood Elementary is a "Revenue Limit" district, while the Sequoia Union High School District is a "Basic Aid" district.

California School Financing

Revenue Limit Districts

Source: EdSource.org

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

Source: EdSource.org

Basic Aid Districts

By comparison, if local property taxes are sufficient to exceed the Revenue Limit established by the State, a district can choose to become a "Basic Aid" district and receive only minimal State funding, traditionally $120 per student per year. Within Basic Aid districts, as assessed property values increase, the district can keep additional property tax revenues. While this can support higher levels of student spending in districts with a strong property tax base, it also means that property taxes from new development are the primary source of funds for additional annual operating costs to educate any new students. Therefore, the distinction between Revenue Limit and Basic Aid districts is important, as it determines whether a district can retain new operating revenues as a result of new development that increases the local property tax rolls.

Fiscal Impacts to the Ravenswood Elementary School District

Revenues

The Project site is within TRA 008-063, which contributes 33 percent of the base one percent property tax to the Ravenswood Elementary School District. Using this percentage and the estimated increase in assessed values shown in Table 9, at build out the increase in annual property tax revenues to the District is estimated to total approximately $1.8 million as a result of the Project, and $1.3 million as a result of the Project Alternative.

Net Impact

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

Table 30: Projected Impacts to the Ravenswood School District at Build Out

Project	Net Change
Net Fiscal Impact to District	**$0**
Increase in Assessed Value	$545,909,600
Projected Annual Property Tax Revenues	$1,785,800
Change in Annual Revenues from ADA (a)	($1,785,800)
Less: Projected Annual Expenditures	$0
Net Increase in Students	0
Project Alternative	
Net Fiscal Impact to District	**$0**
Increase in Assessed Value	$402,835,800
Projected Annual Property Tax Revenues	$1,317,800
Change in Annual Revenues from ADA (a)	($1,317,800)
Less: Projected Annual Expenditures	$0
Net Increase in Students	$0
Assumptions	
District Share of 1% Property Tax Revenue	32.7%
Expenditures	
FY 15-16 Budget	$46,522,928
2015-16 Estimated ADA	4,083
Average Cost per Student	$11,394

Notes:
(a) Ravenswood Elementary is a Revenue Limit District, which means that the district receives an allotted amount of State Aid per student and any changes in the amount of property tax revenues per student lead to an adjustment in State aid to maintain the allotted amount of per-student revenue received by the District.
Sources: Ravenswood School District, 2015; BAE, 2015.

Sequoia Union High School District

Revenues

As a Basic Aid district, the Sequoia Union High School District gets the bulk of its revenue from property taxes, with minimal amounts of funding from other state and local sources. In the

TRA that encompasses the Project site, the District receives 13 percent of the base one percent property tax. Based on this percentage and the estimated increase in assessed values shown in Table 9, at build out the increase in annual property tax revenues to the District as a result of the Project is estimated to total $717,100. Annual property tax revenues to the District from the Project Alternative would total $529,100.

Net Impact

Since the Project does not generate additional expenditures for the District and the Sequoia Union High School District is a Basic Aid district, the increase in property taxes to the District represents a net increase in revenue, as shown in Table 31.

Table 31: Projected Impacts to the Sequoia Union High School District at Build Out

Project	**Net Change**
Net Fiscal Impact to District	**$717,100**
Increase in Assessed Value	$545,909,600
Projected Annual Property Tax Revenues	$717,100
Change in Annual Revenues from ADA (a)	$0
Less: Projected Annual Expenditures	$0
Net Increase in Students	0
Project Alternative	
Net Fiscal Impact to District	**$529,100**
Increase in Assessed Value	$402,835,800
Projected Annual Property Tax Revenues	$529,100
Change in Annual Revenues from ADA (a)	$0
Less: Projected Annual Expenditures	$0
Net Increase in Students	0
Assumptions	
District Share of 1% Property Tax Revenue	13.1%
Expenditures	
FY 12-13 Budget	$127,987,287
2015-16 Estimated ADA	8,887
Average Cost per Student	$14,402

Notes:
(a) Sequoia Union High School District is a Basic Aid district, which means the that the school district does not recieve revenues based on ADA to compensate for any changes in the District's per-student property tax revenue.
Sources: Sequoia Union High School District, 2015; BAE, 2015.

Appendix A: Project Phasing

Table A-1: Project Phasing, 2015-2035

Project	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gross New Square Footage	**0**	**0**	**0**	**512,900**	**1,137,200**	**1,137,200**	**1,137,200**	**1,137,200**	**1,137,200**	**1,137,200**	**1,137,200**
Office	0	0	0	512,900	962,400	962,400	962,400	962,400	962,400	962,400	962,400
Hotel	0	0	0	0	174,800	174,800	174,800	174,800	174,800	174,800	174,800
Net New Hotel Rooms	0	0	0	0	200	200	200	200	200	200	200
Demolition of Existing	**0**	**0**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**
Industrial	0	0	447,048	447,048	447,048	447,048	447,048	447,048	447,048	447,048	447,048
Warehouse	0	0	0	0	0	0	0	0	0	0	0
Office	0	0	64,639	64,639	64,639	64,639	64,639	64,639	64,639	64,639	64,639
Net New Service Population (a)	**0**	**0**	**(200)**	**933**	**1,983**	**1,983**	**1,983**	**1,983**	**1,983**	**1,983**	**1,983**
Gross New Employees (b)	0	0	0	3,400	6,550	6,550	6,550	6,550	6,550	6,550	6,550
Less: Existing Employment on Site (c)	0	0	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
Net New Employees	0	0	(600)	2,800	5,950	5,950	5,950	5,950	5,950	5,950	5,950
Project Alternative											
Gross New Square Footage	**0**	**0**	**0**	**359,030**	**848,480**	**848,480**	**848,480**	**848,480**	**848,480**	**848,480**	**848,480**
Office	0	0	0	359,030	673,680	673,680	673,680	673,680	673,680	673,680	673,680
Hotel	0	0	0	0	174,800	174,800	174,800	174,800	174,800	174,800	174,800
Net New Hotel Rooms	0	0	0	0	200	200	200	200	200	200	200
Demolition of Existing	**0**	**0**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**
Industrial	0	0	447,048	447,048	447,048	447,048	447,048	447,048	447,048	447,048	447,048
Warehouse	0	0	0	0	0	0	0	0	0	0	0
Office	0	0	64,639	64,639	64,639	64,639	64,639	64,639	64,639	64,639	64,639
Net New Service Population (a)	**0**	**0**	**(200)**	**593**	**1,343**	**1,343**	**1,343**	**1,343**	**1,343**	**1,343**	**1,343**
Gross New Employees (b)	0	0	0	2,380	4,630	4,630	4,630	4,630	4,630	4,630	4,630
Less: Existing Employment on Site (c)	0	0	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
Net New Employees	0	0	(600)	1,780	4,030	4,030	4,030	4,030	4,030	4,030	4,030

Notes:
(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, employees are multiplied by: 1/3
(b) According to the Draft EIR for the Project, the worker generation associated with the Project is: 6,550
The worker generation associated with the Project Alternative is: 4,630
(c) Current employment at project site estimated to total: 600
Sources: City of Menlo Park, 2015; ICF, 2016; BAE, 2015.

(Continued on following page)

Table A-1: Project Phasing, 2015-2035 (continued)

Project	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Gross New Square Footage	**1,137,200**	**1,137,200**	**1,137,200**	**1,137,200**	**1,137,200**	**1,137,200**	**1,137,200**	**1,137,200**	**1,137,200**	**1,137,200**
Office	962,400	962,400	962,400	962,400	962,400	962,400	962,400	962,400	962,400	962,400
Hotel	174,800	174,800	174,800	174,800	174,800	174,800	174,800	174,800	174,800	174,800
Net New Hotel Rooms	200	200	200	200	200	200	200	200	200	200
Demolition of Existing	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**
Industrial	447,048	447,048	447,048	447,048	447,048	447,048	447,048	447,048	447,048	447,048
Warehouse	0	0	0	0	0	0	0	0	0	0
Office	64,639	64,639	64,639	64,639	64,639	64,639	64,639	64,639	64,639	64,639
Net New Service Population (a)	**1,983**	**1,983**	**1,983**	**1,983**	**1,983**	**1,983**	**1,983**	**1,983**	**1,983**	**1,983**
Gross New Employees (b)	6,550	6,550	6,550	6,550	6,550	6,550	6,550	6,550	6,550	6,550
Less: Existing Employment on Site (c)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
Net New Employees	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,950
Project Alternative										
Gross New Square Footage	**848,480**	**848,480**	**848,480**	**848,480**	**848,480**	**848,480**	**848,480**	**848,480**	**848,480**	**848,480**
Office	673,680	673,680	673,680	673,680	673,680	673,680	673,680	673,680	673,680	673,680
Hotel	174,800	174,800	174,800	174,800	174,800	174,800	174,800	174,800	174,800	174,800
Net New Hotel Rooms	200	200	200	200	200	200	200	200	200	200
Demolition of Existing	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**	**511,687**
Industrial	447,048	447,048	447,048	447,048	447,048	447,048	447,048	447,048	447,048	447,048
Warehouse	0	0	0	0	0	0	0	0	0	0
Office	64,639	64,639	64,639	64,639	64,639	64,639	64,639	64,639	64,639	64,639
Net New Service Population (a)	**1,343**	**1,343**	**1,343**	**1,343**	**1,343**	**1,343**	**1,343**	**1,343**	**1,343**	**1,343**
Gross New Employees (b)	4,630	4,630	4,630	4,630	4,630	4,630	4,630	4,630	4,630	4,630
Less: Existing Employment on Site (c)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
Net New Employees	4,030	4,030	4,030	4,030	4,030	4,030	4,030	4,030	4,030	4,030

Notes:
(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, employees are multiplie 1/3
(b) According to the Draft EIR for the Project, the worker generation associated with the Project is: 6,550
The worker generation associated with the Alternative is: 4,630
(c) Current employment at project site estimated to total: 600
Sources: City of Menlo Park, 2015; ICF, 2016; BAE, 2015.

Appendix B: Fiscal Impact for Other Special Districts

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

Water and Sanitary Districts

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

The West Bay Sanitary District provides wastewater treatment services to areas in Menlo Park, Atherton, Portola Valley, East Palo Alto, Woodside, and unincorporated San Mateo County and Santa Clara County. The District owns and operates the Silicon Valley Clean Water treatment facility in Redwood City in conjunction with the cities of Redwood City, Belmont, and San Carlos.

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

The Project would generate connection fees for both districts, providing one-time fee revenue to cover the cost of service connections. The MPMWD assesses connection fees based on the water meter size, while the West Bay Sanitary District collects connection fees that vary based on land use and volume of wastewater discharge. One-time impact fee revenues are listed in Table 19.

San Mateo County Community College District

The San Mateo County Community College District (SMCCCD) offers Associate in Arts and Science degrees and Certificates of Proficiency at three campuses: Cañada College in Redwood City, College of San Mateo in the City of San Mateo, and Skyline College in San Bruno. The District currently has 18,915 Full Time Equivalent Students (FTES)[17], which amounts to approximately 0.02 FTES per member of the service population. Assuming the same the proportion of new service population members enrolls in District community

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

colleges, the Project would result in 43 additional students and the Project Alternative would result in 29 students.

Revenues

The San Mateo Community College District became a Basic Aid district beginning in FY 2012-2013. Similar to elementary and high school Basic Aid Districts, this means that property tax revenues in the District exceed the State's revenue limit, and therefore monetary contributions from the State are limited mainly to categorical funds that do not contribute to the District's Unrestricted General Fund. As a result, most of the District's Unrestricted General Fund revenues are derived from local property taxes and student enrollment fees. As shown in Table B-1, at build out the Project is projected to result in a $311,400 increase in annual property tax revenue to the District. The Project Alternative is projected to result in an increase of $229,800 in annual property tax revenue to the District.

For FY 2012-2013, SMCCCD's enrollment fees and other miscellaneous student fees are projected to total $13 million, or approximately $691 per Full-Time Equivalent Student (FTES). Based on this figure, at build out the Project is projected to result in $29,400 per year in additional student fees. The Project Alternative would result in $19,900 per year in additional student fees.

Expenditures

According to the FY 2012-2013 budget, expenditures from the Unrestricted General Fund were projected to total $162.6 million in FY 2012-2013, or approximately $8,594 per FTES. Based on the projected increase in FTES, expenditures from the Project are estimated to total $365,400 per year, while expenditures from the Project Alternative are estimated total $247,500 per year.

Net Impact

Table B-1 shows that the Project would result in a slight net negative fiscal impact on SMCCD, totaling $24,600. This does not represent a significant difference in a District with annual operating expenses over $160 million. The Project Alternative would result in a marginal positive fiscal impact on SMCCD, totaling $2,200.

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

Project	Net Change
Net Fiscal Impact	**($24,600)**
Property Tax Revenues	$311,400
Student Fees	$29,400
Less: Projected Costs	($365,400)
Net New Service Population	1,983
New FTES	43
Project Alternative	
Net Fiscal Impact	**$2,200**
Property Tax Revenues	$229,800
Student Fees	$19,900
Less: Projected Costs	($247,500)
Net New Service Population	1,343
New FTES	29

Assumptions	FY 2012-2013 Budget (a)
Full-Time Equivalent Students	
Total Existing Full Time Equivalent Student (FTES) (b)	18,915
Service Population	882,284
FTES per Service Population Unit	0.02
Revenues	
Enrollment Fees	$9,895,153
Miscellaneous Student Fees	$3,172,825
Total Student Fee Revenues (c)	$13,067,978
Student Fees per FTES	$691
Share of One-Percent Basic Property Tax	5.7%
Expenditures	
Certificated Salaries	$57,141,011
Classified Salaries	$34,520,181
Employee Benefits	$37,020,256
Materials and Supplies	$6,728,549
Operating Expenses	$27,150,568
Total Expenditures (d)	**$162,560,565**
Expenditures per FTES	$8,594

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

Other Districts

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

County Office of Education

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

The Project is not expected to have a fiscal impact to the Office of Education. The Office of Education operates as a Revenue Limit District, meaning that increases in local property taxes do not translate into an increase in District revenues. Since the Project does not include residential units, it would not generate additional students and therefore would not have an impact on the revenues or costs typically associated with an increase in the number of students served by the District.

Midpeninsula Regional Open Space District

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

The Project is anticipated to have minimal impact on the Midpeninsula Regional Open Space District. According to District staff, the District does not maintain a per capita service standard for the acreage of land preserved and is therefore unlikely to increase its land acquisition efforts as a direct result of the Project. In addition, the District's debt service expenditures would not increase due to development at the Project site. As a result, salaries, benefits, services, and supplies, which total $21.2 million in the FY 2015-2016 budget, are the only District expenditures that are likely to be impacted by growth. This results in estimated expenditures equal to $26.22 per member of the service population. After receiving its share of property tax revenues from new development and other miscellaneous revenues expected to increase due to the new service population, the Project would result in an annual fiscal surplus of approximately $32,300, as shown in Table B-2. The Project Alternative would result in an annual fiscal surplus of $27,000.

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

Project	Net Change
Net Projected Fiscal Surplus/(Deficit)	**$32,300**
Property Tax Revenues	$84,300
Less: Projected Costs	($52,000)
Net Increase in Service Population	1,983
Project Alternative	
Net Projected Fiscal Surplus/(Deficit)	**$27,000**
Property Tax Revenues	$62,200
Less: Projected Costs	($35,200)
Net Increase in Service Population	1,343
Assumptions	
Existing Service Population	807,943
Revenues	
Share of 1% Base Property Tax	1.54%
Expenditures	
Salaries and Benefits	$15,393,844
Services and Supplies	$5,789,463
Total Expenditures (b)	**$21,183,307**
Expenditures per Service Population	$26.22

Notes:
(a) Other revenues do not include property taxes or revenues that are not expected to increase with service population, i.e. grant income, interest income, and land donation.
(b) Total expenditures do not include expenditures that are not expected to increase with service population, i.e. debt service and fixed assets.
Sources: Midpeninsula Regional Open Space District, 2015; BAE, 2015.