

Memorandum

To: Erin Efner and Jessica Viramontes, ICF

From: Chelsea Guerrero and Stephanie Hagar, BAE Urban Economics

Date: August 9, 2017

Re: Addendum to Fiscal Impact Analysis for the Proposed Revised Facebook Campus Expansion Project

Introduction and Purpose

The City Council of the City of Menlo Park (City) approved the Facebook Campus Expansion Project (Approved Project) in November 2016. The Approved Project involved the demolition of existing buildings located at the former TE Connectivity (TE) campus located at 301-309 Constitution Drive (Project site), and the construction of two new office buildings and a hotel. BAE analyzed the fiscal impacts of the Adopted Project in the Fiscal Impact Analysis (FIA) Report for the proposed Facebook expansion, which was completed in September 2016.

In February 2017, the Project Sponsor submitted an application to modify the Approved Project (Proposed Revised Project). Under the Proposed Revised Project, the site plan would be modified to allow the building located at 305 Constitution Drive (Building 305) to remain occupied on site while Building 22 is constructed. Although Facebook is not obligated to build the hotel, it is assumed based on the application for the Proposed Revised Project that construction of the hotel would begin within one year of the date when Building 305 is vacated by TE. Under the current lease, TE will vacate no later than September 2022. The Project Sponsor has indicated that TE could choose to vacate Building 305 in September 2020, instead of September 2022 when the current lease ends.

This memorandum serves as an addendum to the 2016 FIA Report for the Approved Project, with revised findings based on the Proposed Revised Project. As noted above, there are two vacation dates that could trigger the demolition of Building 305 and the construction of the hotel – September 2022 or potentially September 2020. The analysis presented in this memorandum evaluates both of these potential phasing dates for the Proposed Revised Project.

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New York City

49 West 27th St., Suite 10W
New York, NY 10001
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Proposed Revised Project Phasing

The Proposed Revised Project would consist of three phases. Phase 1 would include the construction of Building 21, which is currently under construction. Phase 2 would involve the demolition of Buildings 301-304, 306, and the Chemical Transfer Facility (CTF) and the construction of Building 22. Phase 3 would begin with the demolition of Building 305 and would be followed by the construction of the hotel. Construction on the hotel would take approximately 18 months.

The analysis presented in this memorandum incorporates two phasing assumptions related to the demolition of Building 305, reflecting two potential completion dates for the hotel. The two phasing scenarios are detailed in Table 1, on the next page. Under Scenario 1, TE would vacate Building 305 at the expiration of their current lease in September 2022, with full buildout of the hotel occurring by mid-2024. Under Scenario 2, TE would terminate their lease early and vacate Building 305 in September 2020. Construction of the hotel could then start in late 2020 and would be completed by mid-2022.

At project completion, the Proposed Revised Project would result in the same gross square footages and generate the same number of employees as the Approved Project. Consistent with the FIA prepared for the Approved Project, the baseline existing employment at the Project site is estimated at 600 employees. The analysis presented in this memorandum also accounts for the portion of this employment that would remain in Building 305 during the interim period while Building 22 is constructed. According to information provided by the Project Sponsor in the Proposed Revised Project application materials, employment at Building 305 is estimated at approximately 330 employees.

Table 1: Proposed Revised Project Phasing, 2015-2035

Scenario 1	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gross New Square Footage	0	0	0	512,900	962,400	962,400	962,400	962,400	962,400	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	0	0	0	0	0	174,800	174,800
Net New Hotel Rooms	0	0	0	0	0	0	0	0	0	200	200
Demolition of Existing	0	0	221,969	221,969	221,969	221,969	221,969	511,687	511,687	511,687	511,687
301 Constitution Dr.	0	0	34,465	34,465	34,465	34,465	34,465	34,465	34,465	34,465	34,465
302 Constitution Dr.	0	0	30,174	30,174	30,174	30,174	30,174	30,174	30,174	30,174	30,174
303, 304, and 306 Constitution Dr.	0	0	155,095	155,095	155,095	155,095	155,095	155,095	155,095	155,095	155,095
305 Constitution Dr.	0	0	0	0	0	0	0	289,718	289,718	289,718	289,718
Chemical Transfer Facility	0	0	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235
Net New Service Population (a)	0	0	(90)	1,043	2,043	2,043	2,043	1,933	1,933	1,983	1,983
Gross New Employees (b)	0	0	0	3,400	6,400	6,400	6,400	6,400	6,400	6,550	6,550
Less: Existing Employment on Site (c)	<u>0</u>	<u>0</u>	<u>(270)</u>	<u>(270)</u>	<u>(270)</u>	<u>(270)</u>	<u>(270)</u>	<u>(600)</u>	<u>(600)</u>	<u>(600)</u>	<u>(600)</u>
Net New Employees	0	0	(270)	3,130	6,130	6,130	6,130	5,800	5,800	5,950	5,950
Scenario 2											
Gross New Square Footage	0	0	0	512,900	962,400	962,400	962,400	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	0	0	0	174,800	174,800	174,800	174,800
Net New Hotel Rooms	0	0	0	0	0	0	0	200	200	200	200
Demolition of Existing	0	0	221,969	221,969	221,969	511,687	511,687	511,687	511,687	511,687	511,687
301 Constitution Dr.	0	0	34,465	34,465	34,465	34,465	34,465	34,465	34,465	34,465	34,465
302 Constitution Dr.	0	0	30,174	30,174	30,174	30,174	30,174	30,174	30,174	30,174	30,174
303, 304, and 306 Constitution Dr.	0	0	155,095	155,095	155,095	155,095	155,095	155,095	155,095	155,095	155,095
305 Constitution Dr.	0	0	0	0	0	289,718	289,718	289,718	289,718	289,718	289,718
Chemical Transfer Facility	0	0	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235
Net New Service Population (a)	0	0	(90)	1,043	2,043	1,933	1,933	1,983	1,983	1,983	1,983
Gross New Employees (b)	0	0	0	3,400	6,400	6,400	6,400	6,550	6,550	6,550	6,550
Less: Existing Employment on Site (c)	<u>0</u>	<u>0</u>	<u>(270)</u>	<u>(270)</u>	<u>(270)</u>	<u>(600)</u>	<u>(600)</u>	<u>(600)</u>	<u>(600)</u>	<u>(600)</u>	<u>(600)</u>
Net New Employees	0	0	(270)	3,130	6,130	5,800	5,800	5,950	5,950	5,950	5,950

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

(c) Consistent with the FIA prepared for the Approved Project, total existing employment at the Project site is estimated at 600 employees.

This total includes 330 employees in Building 305 and 270 employees in Buildings 301-304, 306, and the CTF.

Sources: City of Menlo Park, 2015; ICF, 2016; BAE, 2017.

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

Scenario 1	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
301 Constitution Dr.	34,465	34,465	34,465	34,465	34,465	34,465	34,465	34,465	34,465	34,465
302 Constitution Dr.	30,174	30,174	30,174	30,174	30,174	30,174	30,174	30,174	30,174	30,174
303, 304, and 306 Constitution Dr.	155,095	155,095	155,095	155,095	155,095	155,095	155,095	155,095	155,095	155,095
305 Constitution Dr.	289,718	289,718	289,718	289,718	289,718	289,718	289,718	289,718	289,718	289,718
Chemical Transfer Facility	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235
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
Scenario 2										
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
301 Constitution Dr.	34,465	34,465	34,465	34,465	34,465	34,465	34,465	34,465	34,465	34,465
302 Constitution Dr.	30,174	30,174	30,174	30,174	30,174	30,174	30,174	30,174	30,174	30,174
303, 304, and 306 Constitution Dr.	155,095	155,095	155,095	155,095	155,095	155,095	155,095	155,095	155,095	155,095
305 Constitution Dr.	289,718	289,718	289,718	289,718	289,718	289,718	289,718	289,718	289,718	289,718
Chemical Transfer Facility	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235
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

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

(c) Consistent with the FIA prepared for the Approved Project, total existing employment at the Project site is estimated at 600 employees.

This total includes 330 employees in Building 305 and 270 employees in Buildings 301-304, 306, and the CTF.

Sources: City of Menlo Park, 2015; ICF, 2016; BAE, 2017.

Fiscal Impact Methodology for Addendum

The analysis presented in this memorandum draws heavily from the assumptions in the FIA Report that BAE completed in September 2016. Except as noted, the methodology used for this addendum is the same as the methodology used in the 2016 FIA Report.

The analysis presented in this memorandum incorporates the revised phasing assumptions related to the demolition of Building 305 and the subsequent construction of the hotel. BAE adjusted the phasing for this addendum to show completion of the hotel in 2024 (Scenario 1) and 2022 (Scenario 2), five years and three years later respectively than the projected hotel completion year (2019) shown in the 2016 FIA Report. As a result, this addendum anticipates that revenues to the City in the form of transient occupancy tax (TOT) and other revenues from the hotel will not begin in 2019 as shown in the 2016 FIA Report, but will begin in 2024 for Scenario 1 and 2022 for Scenario 2.

The revised phasing schedule also required that this analysis estimate the impacts of the demolition of Building 305 separately from the impacts of the demolition of the other buildings on site. The 2016 FIA assumed that Buildings 301-309 would all be demolished within the same year, which reflected the anticipated phasing at the time the 2016 FIA was completed. Consequently, the 2016 FIA addressed all revenue and expenditure impacts resulting from the demolition of buildings that existed on site prior to initiation of the Project on a site-wide basis, rather than for individual buildings. However, the Proposed Revised Project phasing anticipates demolition of Building 305 at a later date than the other buildings that were on site prior to the start of the Project, creating impacts from demolition of separate buildings in two separate years.

To analyze the impacts of the demolition across multiple years, BAE prorated the total site-wide revenue and expenditure impacts from the 2016 FIA Report. Property tax and property tax in-lieu of vehicle license fees were prorated based on the square footage of Building 305 as a share of the total square footage on site prior to initiation of the Project. For sales tax revenues, business license fee revenues, UUT revenues, and City expenditures, estimates from the 2016 FIA were prorated based on the number of employees in Building 305 as a share of the total number of employees on the Project site prior to initiation of the Project.

Consistent with the original FIA, this analysis does not consider the fiscal impacts to the City that would result from any Development Agreement between the Project Sponsor and the City of Menlo Park. For reference, a Development Agreement was adopted by the City Council for the Approved Project. The Development Agreement will be modified with the Proposed Revised Project for consistency with the requested CDP amendment. However, consistent with the previous report, the amendment of the Development Agreement is not considered in this analysis.

City General Fund Fiscal Impact Analysis

This section presents the findings from the FIA, revised to reflect the phasing of the Proposed Revised Project. Since the Proposed Revised Project would include the same uses and result in the same gross square footage and number of employees as the Approved Project at build out, the annual revenue and expenditure impacts from of the Proposed Revised Project at project completion would be the same as the impacts at buildout that were identified in the 2016 FIA Report. This section provides a summary of the fiscal impacts at full build out, which are the same as shown in the 2016 FIA Report. In addition, this section shows year-by-year estimates of the net fiscal impacts of the Proposed Revised Project through 2035, the cumulative impact of the net fiscal impacts through 2035, and the net present value of the net fiscal impacts through 2035, all of which would be affected by the changes to phasing for the Proposed Revised Project.

Summary of Net Fiscal Impact to the General Fund at Build Out

Table 2 provides a summary of the annual recurring net fiscal impact of the Proposed Revised Project at full build out and occupancy in constant 2015 dollars. At project completion, the annual fiscal impacts of both phasing scenarios would be the same as the annual fiscal impacts of the Approved Project, generating approximately \$2.3 million annually in new General Fund revenues and increasing the City's General Fund expenditures by \$1.1 million annually, resulting in an annual net positive fiscal impact of approximately \$1.2 million annually.

Table 2: Summary of Net Fiscal Impact to the City of Menlo Park General Fund at Build Out, Proposed Revised Project

	<u>Scenario 1</u>	<u>Scenario 2</u>
Total Revenues	\$2,291,600	\$2,291,600
Sales Tax (a)	(\$31,600)	(\$31,600)
Property Tax	\$456,900	\$456,900
ILVLF	\$131,000	\$131,000
TOT (b)	\$1,220,400	\$1,220,400
Utility Users Tax	\$30,600	\$30,600
Other Revenues	\$484,300	\$484,300
Total Expenditures	\$1,106,800	\$1,106,800
Human Resources	\$62,100	\$62,100
Community Development	\$89,800	\$89,800
Community Services	\$160,200	\$160,200
Library	\$51,900	\$51,900
Police	\$742,800	\$742,800
Net Fiscal Impact	<u>\$1,184,800</u>	<u>\$1,184,800</u>

Notes:

Figures presented are in constant 2015 dollars.

(a) Sales tax figure represents the conservative estimate shown in Table 4 of the prior FIA report.

(b) Transit Occupancy Tax figure represents average estimate shown in Table 13 of the prior FIA report.

Source: BAE, 2017.

As with the 2016 FIA Report for the Approved Project, the analysis shown in this addendum estimates that the Proposed Revised Project would provide an annual fiscal surplus due largely to the TOT revenues from the hotel component of the project. The hotel would generate approximately \$1.2 million per year in TOT revenue, which is approximately equal to the total fiscal surplus generated by either the Approved Project or the Proposed Revised Project. As identified in this report, prior to construction of the hotel (or without the construction of the hotel), the Project would essentially have a neutral impact on the City's General Fund. Since the Proposed Revised Project anticipates a later hotel construction date than the Approved Project, the Proposed Revised Project will take longer to generate a net positive fiscal impact to the City (until 2024 for Scenario 1 or 2022 for Scenario 2, as detailed below).

Total 20 Year Impact

Table 3 summarizes the projected annual net fiscal impacts to the Menlo Park General Fund through 2035. The analysis in Table 3 relies on a set of inflation assumptions to forecast the long-term impact of price increases on revenues, expenditures, and the resulting net fiscal impact to the City. While this type of analysis can be useful, it should be noted that this type of long-term analysis is highly sensitive to changes in the projected rate of inflation.

As shown in Table 3, under both scenarios, the Proposed Revised Project would initially have a small net negative fiscal impact on the City's General Fund. The net fiscal impact would turn positive after the completion of the hotel in 2024 (Scenario 1) or 2022 (Scenario 2). After the completion of the hotel, the City's General Fund surplus would increase each year through the end of the projection period. In 2035, both scenarios would each have a net positive fiscal impact totaling \$2.2 million.

Although this analysis did not include an evaluation of a development program that would not include the hotel, these findings suggest that if the hotel is not constructed there would be a small net negative fiscal impact to the City. However, the magnitude of the negative fiscal impact would be minimal relative to the City's overall annual General Fund expenditures, which totaled \$48.2 million in the 2015/2016 fiscal year and are projected to increase over time. Because the magnitude of the fiscal impact is relatively small and the fiscal analysis uses conservative assumptions to avoid overestimating potential revenues or underestimating potential costs to the City, the negative fiscal impact to the City from a hypothetical scenario that would not include a hotel would essentially represent a neutral net fiscal impact to the City.

The projected annual net fiscal impact of the Approved Project from the 2016 FIA Report, which is shown in Table 4, was also estimated at \$2.2 million at the end of the forecast period in 2035. However, the 2016 FIA Report estimated that the Approved Project would begin to have a positive net fiscal impact in 2019 due to completion of the hotel in 2019 under the

anticipated phasing for the Approved Project, which is five (Scenario 1) or three (Scenario 2) years before the Proposed Revised Project would begin to have a net positive fiscal impact.

Table 3: Projected Net Fiscal Impact to the City of Menlo Park General Fund, Proposed Revised Project, 2015-2035

Scenario 1	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Revenues	\$0	\$0	(\$87,200)	\$586,100	\$1,216,900	\$1,254,100	\$1,292,400	\$1,208,000	\$1,245,300	\$3,134,700	\$3,246,900
Sales Tax (a)	\$0	\$0	(\$41,500)	(\$10,200)	\$18,600	\$19,000	\$19,400	(\$36,300)	(\$37,000)	(\$37,800)	(\$38,500)
Property Tax	\$0	\$0	(\$400)	\$225,400	\$431,700	\$440,300	\$449,100	\$457,500	\$466,700	\$546,000	\$557,000
ILVLF	\$0	\$0	(\$100)	\$64,600	\$123,800	\$126,300	\$128,800	\$131,200	\$133,800	\$156,600	\$159,700
TOT (b)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,737,000	\$1,806,500
Utility Users Tax	\$0	\$0	(\$7,900)	\$19,200	\$45,200	\$47,000	\$48,800	\$39,000	\$40,500	\$43,600	\$45,300
Other Revenues	\$0	\$0	(\$37,300)	\$287,100	\$597,600	\$621,500	\$646,300	\$616,600	\$641,300	\$689,300	\$716,900
Total Expenditures	\$0	\$0	\$54,300	(\$654,900)	(\$1,333,900)	(\$1,387,200)	(\$1,442,700)	(\$1,419,800)	(\$1,476,600)	(\$1,575,300)	(\$1,638,200)
Human Resources	\$0	\$0	\$3,000	(\$36,800)	(\$74,900)	(\$77,900)	(\$81,000)	(\$79,700)	(\$82,900)	(\$88,400)	(\$91,900)
Community Development	\$0	\$0	\$4,400	(\$53,100)	(\$108,200)	(\$112,500)	(\$117,000)	(\$115,100)	(\$119,700)	(\$127,800)	(\$132,900)
Community Services	\$0	\$0	\$7,900	(\$94,800)	(\$193,000)	(\$200,700)	(\$208,800)	(\$205,500)	(\$213,800)	(\$228,000)	(\$237,100)
Library	\$0	\$0	\$2,600	(\$30,700)	(\$62,500)	(\$65,000)	(\$67,600)	(\$66,600)	(\$69,200)	(\$73,900)	(\$76,800)
Police	\$0	\$0	\$36,400	(\$439,500)	(\$895,300)	(\$931,100)	(\$968,300)	(\$952,900)	(\$991,000)	(\$1,057,200)	(\$1,099,500)
Net Fiscal Impact	\$0	\$0	(\$32,900)	(\$68,800)	(\$117,000)	(\$133,100)	(\$150,300)	(\$211,800)	(\$231,300)	\$1,559,400	\$1,608,700
Scenario 2											
Total Revenues	\$0	\$0	(\$87,200)	\$586,100	\$1,216,900	\$1,137,100	\$1,172,000	\$2,922,600	\$3,026,700	\$3,134,700	\$3,246,900
Sales Tax (a)	\$0	\$0	(\$41,500)	(\$10,200)	\$18,600	(\$34,900)	(\$35,600)	(\$36,300)	(\$37,000)	(\$37,800)	(\$38,500)
Property Tax	\$0	\$0	(\$400)	\$225,400	\$431,700	\$439,800	\$448,600	\$524,800	\$535,300	\$546,000	\$557,000
ILVLF	\$0	\$0	(\$100)	\$64,600	\$123,800	\$126,100	\$128,600	\$150,500	\$153,500	\$156,600	\$159,700
TOT (b)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,606,000	\$1,670,200	\$1,737,000	\$1,806,500
Utility Users Tax	\$0	\$0	(\$7,900)	\$19,200	\$45,200	\$36,000	\$37,500	\$40,300	\$41,900	\$43,600	\$45,300
Other Revenues	\$0	\$0	(\$37,300)	\$287,100	\$597,600	\$570,100	\$592,900	\$637,300	\$662,800	\$689,300	\$716,900
Total Expenditures	\$0	\$0	\$54,300	(\$654,900)	(\$1,333,900)	(\$1,312,800)	(\$1,365,200)	(\$1,456,500)	(\$1,514,700)	(\$1,575,300)	(\$1,638,200)
Human Resources	\$0	\$0	\$3,000	(\$36,800)	(\$74,900)	(\$73,700)	(\$76,700)	(\$81,700)	(\$85,000)	(\$88,400)	(\$91,900)
Community Development	\$0	\$0	\$4,400	(\$53,100)	(\$108,200)	(\$106,500)	(\$110,700)	(\$118,200)	(\$122,900)	(\$127,800)	(\$132,900)
Community Services	\$0	\$0	\$7,900	(\$94,800)	(\$193,000)	(\$190,000)	(\$197,600)	(\$210,800)	(\$219,200)	(\$228,000)	(\$237,100)
Library	\$0	\$0	\$2,600	(\$30,700)	(\$62,500)	(\$61,600)	(\$64,000)	(\$68,300)	(\$71,000)	(\$73,900)	(\$76,800)
Police	\$0	\$0	\$36,400	(\$439,500)	(\$895,300)	(\$881,000)	(\$916,200)	(\$977,500)	(\$1,016,600)	(\$1,057,200)	(\$1,099,500)
Net Fiscal Impact	\$0	\$0	(\$32,900)	(\$68,800)	(\$117,000)	(\$175,700)	(\$193,200)	\$1,466,100	\$1,512,000	\$1,559,400	\$1,608,700

Notes:

Figures presented are adjusted for inflation.

Revenue Escalation factor: 4.0%

Sales Tax Escalation factor: 2.0%

Property Tax Escalation factor: 2.0%

Expenditure Escalation factor: 4.0%

(a) Sales tax figure represents conservative estimate shown in Table 4 of the FIA report for the Approved Project.

(b) Transient Occupancy Tax figure represents average estimate shown in Table 13 of the FIA report for the Approved Project.

Source: BAE, 2017.

Table 3: Projected Net Fiscal Impact to the City of Menlo Park General Fund, Proposed Revised Project, 2015-2035 (continued)

Scenario 1	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
Scenario 2										
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

Notes:

Figures presented are adjusted for inflation.

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

(a) Sales tax figure represents conservative estimate shown in Table 4 of the FIA report for the Approved Project.

(b) Transient Occupancy Tax figure represents average estimate shown in Table 13 of the FIA report for the Approved Project.

Source: BAE, 2017.

Table 4: Projected Net Fiscal Impact to the City of Menlo Park General Fund, Approved Project, 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) Transient Occupancy Tax figure represents average estimate shown in Table 13.

Source: BAE, 2015.

Table 4: Projected Net Fiscal Impact to the City of Menlo Park General Fund, Approved Project, 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) Transient Occupancy Tax figure represents average estimate shown in Table 13.

Source: BAE, 2015.

Net Present Value Calculation of Net Fiscal Impact

The first column of Table 5 provides the cumulative fiscal impact of the Proposed Revised Project over a 20-year timeframe in current (inflated) dollars. As shown, the cumulative net fiscal impact of the Proposed Revised Project during this period would be approximately \$21.4 million under Scenario 1 and approximately \$24.7 million under Scenario 2. Column 2 shows the NPV of the net fiscal impacts of the Proposed Revised Project over the 20-year timeframe. Based on a discount rate of 4 percent, the NPV under Scenario 1 would be approximately \$11.4 million. Under Scenario 2, the NPV would be approximately \$13.8 million.

Table 5: Total Net Fiscal Impact and Net Present Value of Fiscal Impacts to General Fund, Proposed Revised Project and Approved Project, 2015-2035

	Total Net Impact, 2015 Dollars	Net Present Value of Total Net Impact, 2015 Dollars (a)
Scenario 1		
Revenues	\$52,744,400	\$30,031,943
Expenditures	(\$31,330,900)	(\$18,645,975)
Net Fiscal Impact	\$21,413,500	\$11,385,968
Scenario 2		
Revenues	\$56,003,000	\$32,352,412
Expenditures	(\$31,253,800)	(\$18,581,867)
Net Fiscal Impact	\$24,749,200	\$13,770,544
Approved Project		
Revenues	\$60,440,000	\$35,835,991
Expenditures	(\$31,148,100)	(\$18,485,000)
Net Fiscal Impact	\$29,291,900	\$17,350,991

Note:

(a) Discount rate used for municipal financial analysis:
4.0%

Source: BAE, 2017.

Table 5 also shows the total net fiscal impact and NPV for the Approved Project. As shown, the Approved Project would have a higher cumulative fiscal impact (approximately \$29.3 million) and NPV (approximately \$17.4 million). The NPV for the Approved Project is approximately \$6.0 million higher than the NPV for Scenario 1 and approximately \$3.6 million higher than the NPV for Scenario 2. The higher cumulative fiscal impact and NPV from the Approved Project are due to the earlier anticipated hotel construction date for the Approved Project, which results in TOT and other hotel revenues over a longer period prior to 2035.

Summary

The Approved Project and the Proposed Revised Project would both generate a net fiscal surplus of approximately \$1.2 million annually. This fiscal surplus would be largely dependent on the successful development and operation of the hotel. The hotel would generate approximately \$1.2 million per year in TOT revenue, which is approximately equal to the total

fiscal surplus generated by both the Approved Project or the Proposed Revised Project. Since the Proposed Revised Project anticipates a later hotel construction date than the Approved Project, the Proposed Revised Project could take up to five years longer to generate a net positive fiscal impact to the City.