Public Review Draft
Fiscal Impact Analysis
Proposed Facebook Project

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Overview • December 8, 2011

Purpose of the Fiscal Impact Analysis (FIA)

- **Understand net fiscal impact on all local government budgets for proposed Project**
  - Project as set forth in Draft Environmental Impact Report (DEIR)
- **Evaluate other potential indirect impacts**
  - New housing demand created by Project
- **Provide an alternate analysis of potential business-to-business sales tax generation**
- **Draft FIA has full tables, details on methodology, data sources, assumptions, limiting conditions, and findings**

Scope of the FIA: Jurisdictions Studies

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

Fiscal Cost Methodology

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

Fiscal Revenue Methodology

- **Calculate major revenue sources: new property taxes, sales taxes, transient occupancy tax (TOT)**
  - Evaluate factors affecting collections: tenant type for sales/use tax; hotel demand and occupancy rates
  - Two scenarios for sales tax, TOT based on how much Facebook employee, interviewee, visitor spending occurs in Menlo Park
    - Scenario 1: 50% capture of sales tax, 25% capture of TOT
    - Scenario 2: 75% capture of sales tax, 65% capture of TOT
- **Calculate other revenue sources: vehicle license, utility user tax, licenses and permits; franchise fees**
- **Calculate one-time revenue sources: property transfer taxes, impact fees / capital facilities charges**

Findings: Net Fiscal Impact to the City

- **General Fund "stabilized" revenues – net fiscal impact after project built and fully occupied -- for two scenarios:**
  - Scenario 1: positive $75,100/year
  - Scenario 2: positive $168,100/year
  - Difference due to assumptions on sales tax, TOT
- **Reduced trip generation alternative in DEIR, with same building envelope, has a net fiscal impact of:**
  - Scenario 1: positive $62,000/year
  - Scenario 2: positive $117,000/year
- **One-time facility, development impact fees paid to City, other agencies: $8.6 million**

Findings: Las Pulgas Redevelopment Area

- **City established redevelopment project area in 1981 to address blight. East Campus included in the area**
  - Redevelopment allocates property tax growth (increment) above a baseline figure to improvement projects that address blight
- **Project would generate $728,000 in new increment/year:**
  - Affordable housing set-aside (by law): $146,000
  - Pass-through to schools, Fire District, other agencies: $274,0000
  - Increment left for redevelopment projects: $308,000
- **Redirects money that would go to City's General Fund**
  - When project area expires in 2032, property taxes to City's General Fund increase $120,000/year (inflated dollars)

Findings: Net Fiscal Impact to Fire District

- **Fire District stabilized revenues, service costs:**
  - Positive $100,357/year
  - Include cost of added firefighter/safety person per DEIR
- **West Campus would pay future Fire Services development impact fee if it is in effect when work starts**
  - Amount TBD based on upcoming impact fee nexus study
- **Assumptions regarding Project capital, operating costs:**
  - Fire District identified need for added ladder truck, additional staffing and station improvements
  - These additional costs could be considered in impact fee study

Findings: Net Fiscal Impact to Schools

- **Project is in Ravenswood Elementary, Sequoia Union High school districts**
- **Project has no residential, creates no direct impacts**
- **Ravenswood is a "Revenue Limit" district, any additional property tax revenue is offset by reduced State aid**
  - No net benefit
- **Sequoia Union High School is a "Basic Aid" district, gets minimal State funds, keeps increased property tax revenue**
  - Net benefit of $309,000 per year

Findings: Net Fiscal Impact to All Other Special Districts

- **Water, sewer districts recover costs through fees, so no ongoing fiscal impact. Connection fees cover capital costs:**
  - $165,000 in water capital facilities charges
  - $1 million in sewer connection fee
- **San Mateo Co. Community College District is not accepting additional students, so no increase in costs**
  - Increase in property tax revenue it receives of $137,000/year
- **San Mateo Co. Office of Education is a Revenue Limit district, so no increase in revenue, no net fiscal impact**
- **Midpeninsula Open Space District would see no increase in costs, increase in property tax revenues of $33,000/year**

Potential Induced Housing Demand

- **Separate Housing Needs Analysis identified potential induced housing demand of up to 254 units**
  - These units are allocated among various categories of Area Median Income (AMI), based on positions created by the Project
- **Same fiscal impact analysis conducted on potential induced housing demand as for Project. Findings include:**
  - Net fiscal impact to City of negative $20,000/year
  - Lesser amount than positive net fiscal impact from the Project
  - Based on City averages for costs, revenues -- actual net fiscal impact from particular new residential developments may be less

School District Induced Housing Fiscal Impact

- **Analyzed potential induced housing units for impact**
  - All units are in Sequoia Union High School District; for analysis assume 50% in Ravenswood; 50% in Menlo Park City elementary
  - Ravenswood, Sequoia Union districts get revenue from Project and new housing; Menlo Park City only gets revenue from new housing

School District Induced Housing Fiscal Impact

- **Difference in net fiscal impact findings:**
  - Ravenswood has no impact since Revenue Limit district; Sequoia is Basic Aid and has a positive fiscal impact of $120,000/year
  - For Menlo Park City, a Basic Aid district, negative fiscal impact of $270,000/year
  - Menlo Park City impact due to limits of analysis, since it looks at average costs, doesn't consider bigger picture for the entire district
    - For example, El Camino Real/Downtown Specific Plan FIA showed positive $275,000/year for Menlo Park City considering all development

Alternative Business-to-business Sales Tax Revenues Analysis

- **Business-to-business sales tax analyzed because Sun at the East Campus was a major sales tax revenue generator**
  - Facebook's business does not generate these revenues
- **Used two methods to evaluate potential alternative business(es) sales tax revenue generation**
  - 10-year trend for other Menlo Park Class A office tenants
  - Average per employee taxable sales for Silicon Valley high-tech companies
- **Results in a potential range of business-to-business sales tax revenues of $431,000 to $827,000 per year**
  - Based on averages -- a particular company(ies) could be lower (or zero), or higher than this range

Discussion