Public Review Draft
Fiscal Impact Analysis
Proposed Facebook Project

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
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 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 alternatives
  - 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
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 -- service costs after project built and fully occupied -- for two scenarios:**
  - Scenario 1: positive $74,000/year
  - Scenario 2: positive $167,000/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: $274,000
  - 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 increases $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

- **Differences between DEIR and FIA:**
  - Fire District identified need for added ladder truck, additional staffing and station improvements
  - These additional costs could be considered in impact fee
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, gets additional property tax revenue, but it is offset by reduced State aid
  - No net benefit
- Sequoia Union High School is a “Basic Aid” district, 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.
  - 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 negative fiscal impact $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 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) sale 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
Next Steps