

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**

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 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

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 -- 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