Memorandum

To: Rachel Grossman, City of Menlo Park
From: Ron Golem, BAE
Date: April 13, 2012
Re: Consultant response to comments on the Public Review Draft Facebook Fiscal Impact Analysis (FIA) Study

This memorandum sets forth 29 questions and comments on the Public Review Draft Facebook Fiscal Impact Analysis (FIA) received from the City of Menlo Park Planning Commissioners, at their meeting of January 9, 2012, accompanied by responses from BAE Urban Economics (BAE), the author of the Public Review Draft FIA Study. All comments and questions are in *italics*, and BAE responses are in standard text. Revisions have been made in the final FIA Study as appropriate to address these comments.

S-80 The Commissioner notes that the Menlo Park City School District enrollment data used in the FIA is one year out of date, and that enrollment has increased since the enrollment data was collected, and therefore the FIA should be recalculated based on current enrollment. The Commissioner further asks if there is a way that the City’s team negotiating the Development Agreement could work with school district leadership to address its concerns. The Commissioner asks if the data can be updated and if the City Development Agreement team can work with the School District to address any concerns.

Current year data became available after preparation of the public review draft of the FIA. That data shows 29 more students than in the FIA. The effect of this change is to decrease the District’s per student cost of instruction, while leaving revenues unchanged, thereby resulting in a slightly lower net fiscal impact to the District than is shown in the FIA (approximately 1.6 percent less). This means that the FIA finding on net fiscal impact is slightly more conservative than actual, however the increase in students is not considered a material difference that changes the FIA findings. A decision on what type of discussion, if any, should occur between the City’s Development Agreement team and representatives of the Menlo Park City School District regarding the Project is outside the scope of the FIA.
The Commissioner asks if the two scenarios presented in the analysis represent high and low estimates or realistic figures.

The two scenarios represent alternate combinations of assumptions for sales tax and transient occupancy tax revenues, as set forth in the FIA, regarding: (1) how much of Facebook employee and visitor taxable retail sales spending would occur in the City of Menlo Park given the unique onsite offerings of food service and other goods and services provided by Facebook; and (2) how much of the hotel room demand created by Facebook visitors and interviewees would occur in Menlo Park, given the current nature of Menlo Park’s limited inventory of business-class hotels. The lower figures should be considered the likeliest case, based on current conditions; while the higher figures represent a best case that assumes an increase in the City’s inventory of business class hotels (e.g., with the construction of the Menlo Gateway project with its hotel component).

The Commissioner comments that the State legislature has been discussing a change to tax law that would result in a sales tax charged on services.

The FIA was prepared based on the State laws regarding relevant taxes in effect at the time of its preparation. Future changes in State law that increase sales taxes on services, such as for companies similar to Facebook that provide services rather than manufacture and sell taxable goods, could produce additional revenues for the City from Facebook and other businesses, depending upon the particular provisions of those future laws. It is not appropriate to consider speculative future tax law changes in this analysis.

The Commissioner asks how large is the worker population in Menlo Park.

As shown on page 3 of the FIA, there were 30,321 workers in Menlo Park according to the Census American Community Survey, 2008 – 2010.

The Commissioner comments that the estimated recurring expenses are larger for administrative services than for police and library combined.

The analysis of costs for items within Administrative Services is focused on those items that do experience increased costs as the City gains an increase in service population, and associated revenues and expenses from the project. The calculation is done on an average cost basis as the only practicable method, using the increase in service population. By comparison, with Police and Library services it was possible to apply a marginal cost approach that identifies specific impacts that would be expected from the Project. It is possible that the average cost...
approach used for Administrative Services may somewhat overstate those costs.

**FIA-5**  
The Commissioner states that costs for administrative services, which includes finance and revenue management, are projected to increase by $1.2 million, and asks if this increase is consistent with the cost of an increase in employment in the City.

The FIA projects that costs for administrative services will increase by approximately $245,000 per year, not $1.2 million. The increase that is projected in the FIA is based on the service population increase, and is expected to be associated with an increase in demand for these services.

**FIA-6**  
The Commissioner states that costs to administrative services are projected to increase by 20 percent because the City has a new business with additional employees.

The Commissioner is incorrect. Administrative Services are projected to increase by approximately $245,000 per year, which represents an approximately six percent increase over the current fiscal year budget of $4 million.

**FIA-7**  
The Commissioner asks if the calculation of fiscal impact to the school districts accounts for the State ruling that eliminated redevelopment.

The FIA was prepared prior to the State Supreme Court ruling that upheld the statute leading to the dissolution of redevelopment. Therefore, the FIA does not account for the additional funds that will accrue to the Ravenswood Elementary and Sequoia Union High School districts that have the Facebook campus within their boundaries. As discussed in the FIA, because Ravenswood is a Revenue Limit district, the additional funds it receives from dissolution of redevelopment will be offset by a reduction in State aid, leading to no net fiscal change for that district. Sequoia Union High School District, as a Basic Aid district, will receive additional funds it can spend, leading to a greater positive fiscal impact (surplus) than what is shown in the FIA report.

**FIA-8**  
The Commissioner asks if the property tax increase resulting from the project would go to the Ravenswood School District or if it would be distributed countywide, considering that redevelopment has been eliminated.

Please refer to the prior answer (FIA-7). As discussed in the FIA, because the Ravenswood School District is a basic aid district, any increase it receives in property tax revenues is offset by a reduction in State aid, resulting in no net effect.
San Mateo County and other property-tax receiving agencies would receive additional funds due to the dissolution of redevelopment, in the same proportion as the base one percent property tax revenues are distributed.

FIA-9  *The Commissioner asks for confirmation that any additional property tax revenues going to schools would be allocated to the Ravenswood School District.*

Please refer to the prior two answers (FIA-7 and FIA-8). The Ravenswood School District does not benefit from the receipt of any additional property tax revenues due to offsetting reductions in State aid.

FIA-10  *The Commissioner notes that the housing location preferences expressed by current Facebook employees differ from preferences expressed by employees of other companies and asks if these differences were factored into the calculation of induced housing demand.*

The FIA calculation of the net fiscal impact associated with induced housing demand is based upon the calculation of induced housing demand contained in the Keyser Marston Associates (KMA) Housing Needs Analysis. That report outlines the methodology for how KMA projected what percentage of Facebook employees would seek to live in Menlo Park.

FIA-11  *The Commissioner comments that the fiscal analysis makes an assumption regarding the number of students that would be generated in each school district.*

This is correct. Student generation figures that are used by each school district are applied to the new housing units that would be built in each district to project the number of new students. All high school students would be located in the Sequoia Union High School District, while elementary school students are evenly split between the Ravenswood and Menlo Park City Elementary School Districts, as there is no other basis at this time for assuming where the induced housing demand units would be located.

FIA-12  *The Commissioner states that new students attributable to the Project are not likely to be split equally between the two school districts, and that the impact is likely to be higher for the Menlo Park City School District than for Ravenswood.*

It is not possible at this time to estimate what proportion of new students would be in each district, as that depends upon the percentage of Project employees who decide to live in Menlo Park, how many of these households will have school age children, and where future housing production in Menlo Park will occur at the time.
that these households are seeking units. For this reason, a neutral assumption was made that splits the new units between the two districts. However, irrespective of the actual split between the districts, there will always be a relatively greater impact on the Menlo Park City School District since it is a Basic Aid district that: (1) relies upon property tax revenues to fund its operations, but receives no increase in property taxes from the Project as it is outside the District’s boundaries; and (2) has much higher per student expenditures. By comparison, the Ravenswood Elementary School District is a Revenue Limit district that receives additional funds from the State as its student population increases, and its per student expenditures are lower and in line with State funding.

FIA-13 The Commissioner states that some induced housing demand is likely to be met through the sale of existing housing units, some of which are currently assessed at low rates and would be reassessed at a higher rate at sale, and asked if the FIA accounts for property tax increases resulting from the transfer of these properties.

The FIA assumes that the induced housing demand is met by new construction, and does not consider the extent to which new demand from Facebook employees might be accommodated in the City’s existing housing stock. However, to the extent this occurs, it is reasonable to expect an increase in property tax revenues.

FIA-14 The Commissioner asks for clarification on the source of the increase in property tax revenue to the Menlo Park City School District, and whether this increase results from turnover of existing housing units or construction of new units.

The identified increase in revenues for the Menlo Park City Elementary School District is based solely on the new construction that is assumed to satisfy the induced housing demand. The District would also benefit from turnover of existing housing units and their subsequent reassessment to current market values. This issue illustrates some of the limitations of looking at just the fiscal impact to the district from induced housing demand from Facebook, as opposed to the full range of factors that would shape its future revenues and expenditures.

FIA-15 The Commissioner comments that a portion of new Menlo Park residents are likely to move into existing homes and that the increase in administrative services costs was likely overestimated in the FIA, and that as a result the City is not likely to lose money overall due to the Project.

See the answer to FIA-13. Facebook employees are one of many different components of demand for Menlo Park housing. To the extent that Facebook employees move into an existing Menlo Park housing unit, they create the ability for another household to occupy a unit of new construction, thereby potentially
resulting in the same increase in Administrative Service and other City General Fund expenditures. Please refer to the prior answer (FIA-4). Administrative Services costs could be overstated, but the FIA as written reflects a conservative fiscal scenario.

FIA-16  *The Commissioner states that the City’s General Fund is overall not negatively impacted by the Project.*

This is a correct conclusion.

FIA-17  *The Commissioner states that the most important information contained in the fiscal analysis is that while the Project would not be a revenue generator for the City, it would also not create a net fiscal loss.*

The FIA analyzed two scenarios for transient occupancy taxes and sales tax revenue. As noted in the FIA (pg. 38) the two scenarios project that the City would be likely to experience a positive net fiscal impact (surplus) of between $75,100 to $168,100 per year at stabilization, in 2011 dollars.

FIA-18  *The Commissioner asks for clarification as to whether the City must include its revenue target for the Project into the development agreement with Facebook, or if there is another mechanism that the City can use to meet its revenue goals.*

Additional revenues beyond those the City would collect pursuant to relevant statutes, as well as development impact fees authorized pursuant to law, would represent discretionary funds whose payment would need to be negotiated as part of a Development Agreement.

FIA-19  *The Commissioner says that the City needs to determine whether the fiscal impacts of the project should be dealt with through a mitigation measure or a different mechanism.*

Fiscal impacts are not physical environmental impacts addressed by mitigation measures. The FIA analysis shows that there would be a slight positive net fiscal impact (surplus) to the City’s General Fund. Should the City wish to mitigate the negative net fiscal impacts to other agencies (e.g. Menlo Park City Elementary School District), it would represent a non-CEQA item that would need to be addressed in a Development Agreement.

FIA-20  *The Commissioner notes that, in the process of reviewing the proposed Menlo Gateway project, there was a lot of discussion related to whether the fiscal impact
of that project would be negative.

The FIA for the Menlo Gateway project showed a substantial positive net fiscal impact (surplus) for the City, based on the substantial transient occupancy tax revenues that would be generated by the hotel component of the project. This project is separate and distinct from the Menlo Gateway project.

FIA-21 The Commissioner suggests that the student generation rates and associated fiscal impacts be calculated and presented as a range, which is developed by altering various assumptions.

The student generation rates that were used are the ones provided by the school districts, with the exception of the Ravenswood School District. For that district, the student generation rate of the Menlo Park City Elementary district was used. Because the Ravenswood School District is a Revenue Limit district (unlike the Menlo Park City Elementary School District), any positive or negative net fiscal impact would be associated with a corresponding reduction or increase in State aid to the district, to ensure that its revenues on a per student basis remain the same. Therefore, there is no need to alter assumptions and develop a range.

FIA-22 The Commissioner commented that, apart from Facebook, other projects in the City would also create economic impacts.

Each new development project in the City will create a positive, neutral, or negative net fiscal impact, depending upon its particular mix of uses and the associated increases in fiscal revenues and expenditures. Each project will also create economic impacts, as measured by both County-wide increases in construction period and permanent regional income and employment. Some of this economic impact will accrue to the City of Menlo Park, and the indirect and induced economic impacts would be expected to lead to some additional new fiscal revenues and expenditures to the City. These indirect and induced economic impacts were not included in the scope of work for the FIA.

FIA-23 The Commissioner asks how many Facebook employees have children.

No data on the number of children of Facebook employees was available for the FIA. It should be noted that the FIA analysis includes a 20-year projection of changes in City General Fund fiscal revenues and expenditures associated with the project, and over a 20-year period as Facebook continues to expand and mature as a company, the composition of its employees in the area, and the number and ages of their children, may change. Therefore, no snapshot of the current number of
children was necessary for this analysis.

FIA-24  The Commissioner states that if Facebook currently tends to employ younger workers, this trend could continue into the future, which would result in low rates of households with children.

See the answer to FIA-23. It seems equally reasonable to conclude that as Facebook’s long-term employees continue to get older, and form families and have children, and as the company expands and matures, the demographic profile of its employees may become more similar to other long-standing Silicon Valley companies.

FIA-25  The Commissioner comments that Facebook employees differ from employees of other Menlo Park companies, at least in terms of housing location preference.

This topic is relevant to the Housing Needs Analysis, rather than the FIA. As described in that report, it uses a combination of County, State, and national data for firms within the same NAICS (industry) code as Facebook to derive its findings.

FIA-26  The Commissioner mentions a previously proposed housing project that was not expected to generate school-aged children, and suggested that the proposed Facebook project might be similar in that respect.

Development of small condominiums or other types of new housing would not be expected to generate significant numbers of new students (school district student generation rates are lower for multifamily units than they are for single-family units). As noted in the KMA Housing Needs Analysis, Facebook employees are distributed in different income categories, and this affects their housing choices. For the FIA, housing types that would be built to respond to induced housing demand was identified in Table 28 (pg. 54) based on the income category by percent of Area Median Income (AMI) of Facebook employees, with the type of housing unit that would be expected to be produced:

150 percent AMI and above: single-family detached units;

120 percent - 150 percent AMI: multifamily units (condominiums or market rate rental apartments);

80 percent - 120 percent AMI: single-family attached units (townhouses), targeted to households eligible for the City’s affordable homeownership program for households at 110 percent of AMI;
50 percent - 80 percent AMI: multifamily units (rental units built using Low Income Housing Tax Credit financing); and

0 percent - 50 percent AMI: multifamily units (rental units built using Low Income Housing Tax Credit financing.)

FIA-27  The Commissioner expresses the opinion that the estimated student generation for the Menlo Park City School District does not overstate the potential impact to the District, given the estimated increase in Menlo Park workers.

The FIA uses the student generation rates provided by the Menlo Park City Elementary School District, and assumes that the District has developed rates that provide the most appropriate estimate of the student impact associated with development of new residential units.

FIA-28  The Commissioner states that the estimate of student generation attributable to the project is conservative, rather than on the high end.

See the answer to FIA-27.

See attached transcripts
the standard is E. So that's what the actual standard is. That's not necessarily what it is today.

COMMISSIONER FERRICK: Mm-hmm.

MR. TAYLOR: And so then you have the condition of level of service, which is at C.

COMMISSIONER FERRICK: Right.

MR. TAYLOR: So it doesn't mean that it's at E and it's going to go back to C. It's just that it's at C today.

COMMISSIONER FERRICK: Right. So it wouldn't even get to the point where it's below the standard --

MR. TAYLOR: It hasn't reached that threshold. It hasn't gone past that threshold of E.

COMMISSIONER FERRICK: All right. Thank you.

That helps me.

* And then the other concerns that I had -- the -- that I came across in both the EIR and an FIA, one that stood out for the -- both in the EIR and the FIA, the school district impact, and it's wonderful to hear the great work that Facebook has done thus far for Ravenswood School District and some others.

We haven't yet talked about the impact to Menlo Park City School District, and in it, one thing that stood out is the enrollment -- the current enrollment is already a year out of date.
I know that it says the data was collected on August 31st, 2001, and just for reference for everybody, I'm looking at the EIR page 3.15-7, and it's also in the FIA on page 63 and 4, but not the specific data that I'm talking about.

And this should have been brought up during the FIA discussion.

So, for example, Encinal School, it says: "Total capacity, 744, current enrollment, 746."

There's actually 773 students registered there this year. So things like that, what I'm asking is could the real current enrollment be recalculated as part of the FIA so that the City Council and the development agreement teams can have a better more timely figures?

One reason is the school district has been growing by leaps and bounds, 34 percent in the last five years, and it's -- it's become a very attractive school district, and I feel like one -- I know the EIR states that it doesn't rise to the level of a significant impact.

I -- I disagree with that conclusion and I think with proper figures, the EIR may come to different -- a different conclusion, and I'm worried that -- I just feel like the school district will have -- will be a big benefit to Facebook's ability to
attract and retain great employees because it benefits Facebook to have several great school districts in its proximity.

And so I just feel like I don't want to -- because that school district is a basic aid district, there is no additional dollars that go into that school district when additional students go to that school, unlike the other school districts that are part of the FIA and EIR.

So I just want to bring that up in terms of one, updating the figures to recalculate; and then two, if there is a way that the City Development Agreement team could work with the school district leadership to figure out what their concerns are.

If I was -- if I were the school district leadership, I'd be having some anxiety over the additional students that the project should generate.

And then lastly, I just wanted to support the many, many comments about improved bike and pedestrian improvements, the continuous bike routes, as the D-11 noted, and I do hope that the -- that the project ultimately fills in the entire Bay Trail gap as well as improvements along University Avenue, Willow Road and Bay Road in East Palo Alto.

That's all for now.
the baseline data versus the projected project data.

COMMISSIONER FERRICK: Thank you.

CHAIRPERSON BRESSLER: Okay. Anything else?

I think that we can close this item out, then.

We're going to move on to regular business item F. Review and comment on the draft for the Facebook campus project.

Justin or Rachel, we have -- I assume we have a presentation on this.

MS. GROSSMAN: We do have a presentation here. The City's consultant, BAE Consultant, Ron Golem will BAE will be presenting an overview of the Fiscal Impact Analysis prepared for the project.

CHAIRPERSON BRESSLER: Okay.

MR. GOLEM: Thank you, Rachel.

Good evening, Commissioners. In the interest of time, I'll try to make this as brief as I can.

Obviously the fiscal impact analysis is a fairly complex piece of analysis, and so I hope to do this this presentation is give you a feel for how we approached it and in kind of a big picture why it's done the way it is, and also share with you some of the key findings to -- to inform your consideration.

So to start with, the purpose of the Fiscal Impact Analysis, there's several things we're trying to
do. One is we're trying to understand what is the net fiscal impact.

By "net fiscal impact," I mean the relationship between new revenues that come in versus new expenses that occur for all the local government budgets. So we're dealing with the City of Menlo Park's general fund. We're also deal with special districts. We're dealing with the school district and so on.

And we did that for the project set forth in the Draft EIR.

Now beyond that, we're also trying to address what some of the indirect impacts are. Specifically, what is the implication of the potential new housing demand, looking at that in terms of fiscal impact for the City as well as some of the special districts.

One of the questions that was just asked which was about the alternative analysis of potential business and business sales tax, that was another task we were given.

And so finally to note that even though I'm going to do this in a fairly quick fashion, the Draft Fiscal Impact analysis does have a complete set of tables and details of methodology and so on, if you want to get into the particulars.

So in terms of the scope of the fiscal impacts
analysis, as I mentioned, we were addressing both the revenues plus the cost of new services as well as the potential facilities, equipment and staffing that we required.

I won't list through all the jurisdictions here, but you will see that it is really the City of Menlo Park, the then redevelopment project area, fire, water, sanitary school districts and various county functions.

So let me talk for a minute about how we approached the fiscal costs, fiscal impacts analysis study.

The beginning point for us is to look at the actual current year budgets for all of these jurisdictions so we can help identify where the current cost of service delivery.

We worked through a series of interviews with various department agency heads to help us identify what are the marginal costs of these services, and by marginal costs, what I'm referring to is the actual increment of costs that will be caused by the project. So that we can actually make that clear connection.

And again, looking at not just personnel, but the equipment, overhead, all these other factors.

Now, some of these services, it's not
practical to do this as a marginal cost, especially, for example, with sort of general government types of expenses and so one.

Some of those costs we actually do what we call an a costs methodology, and what that involves is coming up with a service population for the projects.

And so typically the rule of thumb that we use is that a serious population for a project represents residents plus non-resident workers at about fifty percent, and that fifty percent is because workers in the city aren't here as long throughout the day as residents are.

And so we define what the total current service population is. You can divide it by the cost to come up with a curve population figure and then you can apply it to a population associates with the project.

And again, in doing this methodology, we used these methods, we interview the department heads and then we reviewed it with them so we could fine-tune this and come up with figures so that we felt that the departments and special districts felt were accurate.

So in terms of revenue, the sources that we considered were really the major revenue sources. New property taxes, new sales taxes, transient occupancy taxes.
And in particular, one of the things that we did is we looked at what were some of the factors that might affect these receipts, and particularly how the nature of this operation might affect the collection of sales tax as well as the kind of demand that might occur from hotel rooms and occupancy and so on.

And as a result of that, we decided to come up with two scenarios that really dealt with alternative assumptions for sales tax and transit occupancy counts.

And the reason for that is that when you consider a sales tax, it really becomes a question of Facebook does provide a tremendous amount of services on their campus to their employees.

So there's really no convenient rule of thumb or clear examples you can look at well gee, for sure, they're going to spend this on campus versus off-campus.

And so we thought if it was appropriate in working through the project is to help with different sets of assumptions, and this was based on our discussions with Facebook's representatives as to what were reasonable assumptions.

Similarly, when you talk about hotel rooms, Facebook will generate a very definite demand for additional hotel rooms, both they pay for hotel rooms when they interview people, they have people coming to do
business with them and so on.

So it becomes a question of when you look at the existing supply of hotel rooms in Menlo Park, do those hotels match the type of hotels that their employees and visitors will want to use and how is that being captured from the city.

Obviously that becomes a function of what is the supply of hotel rooms in Menlo Park, and of course, as you know, we have projects that are lined up to potentially add hotel rooms to Menlo Park in the future. So it becomes part of the consideration.

So for the two scenarios, the first one was an assumption that of the sales tax increase associated from the Facebook project, that half that will be captured in the city, and that of the transient occupancy tax, 25 percent will be captured in the city.

For the second scenario, we assume that 75 percent of the potential sales tax will be captured in the city and 65 percent of the potential transient occupancy tax will be captured in the city.

Now, in addition to those resources, we also use sources — these are the full gamut of new revenue sources, so anything from vehicle license fees, utility user tax, various license and permits and franchise fees.

In addition to those ongoing annual sources,
we also calculated the one-time revenue sources. So those include items such as property transfer tax, various development impact fees and capital facility charges and so on.

So to get to our first set of findings, with respect to the general fund, you will see several different analyses in the report, including one that looks over a twenty-year period, but the first most simple way to present this is what we call the net fiscal impact stabilization, and by stabilization, we mean after the project's fully built out and after the full employees are there onsite.

And so with respect to the general fund, what we found for the two scenarios for that net fiscal impact is that in scenario one, there be a positive fiscal impact to the City's general fund of $74,000 per year.

In scenario two, that impact would be higher because of a higher sales tax and TOT, which will be $167,000.

COMMISSIONER O'MALLEY: Through the chair, could I ask you a question?

CHAIRPERSON BRESSLER: Yes.

COMMISSIONER O'MALLEY: Your scenarios one and scenario two, does scenario one represent a realistic figure or is that representing a low figure?
And likewise, is scenario two representing a high figure or somewhat less than that? Where are they with respect to reality in your judgment?

MR. GOLEM: I don't think it's much a question of reality. I think if I can explain the concept behind scenario one and scenario two, what I would say is that scenario one is more conservative with respect to how much of Facebook's employee spending occurs within the City of Menlo Park as opposed to other locations, and most significant on the transient occupancy tax, it assumes that there probably is not much of an increase any time soon in hotel rooms in Menlo Park.

So because of the nature of current hotel room inventory in the city, most of that hotel room activity occurs outside the city.

Whereas I would say that scenario two tends to assume that a little bit higher proportion of sales tax activity is captured within the city, but more importantly, that you do have an increase in the hotel inventory in Menlo Park, such as, for example, the Gateway project.

So that you have a much higher proportion of hotel rooms that Facebook is spending money on occurring in Menlo Park.
So in that sense, those are the two concepts. I don't think it's a matter of being realistic. It's just a matter of what circumstances lead to the two scenarios, but I do think that those two scenarios do bracket the likely outcomes with respect to --

COMMISSIONER O'MALLEY: That's what I was trying to get from you.

MR. GOLEM: Okay.

COMMISSIONER O'MALLEY: Okay. So it's likely -- the likely outcome is bracketed between those two?

MR. GOLEM: That would be our opinion, yes.

COMMISSIONER O'MALLEY: That's fine.

MR. GOLEM: Now, we also did do an analysis with respect to the reduced trip generation alternative to understand what will be the implication of that on these general fund fiscal impact findings, and as you'll see, it had a slight impact for the scenario one.

The net positive fiscal impact increased to 62,000 per year, and for scenario two, it decreased to 174,000 per year.

Now in addition to those general fund impacts, the one-time -- the total amount of various one-time facility, development impact fees and so on paid to not just the City, but also special districts ended up being
a total of 8.6 million dollars.

Now the next slide is actually already a perspective or a historical look at what might have been, in the sense as you know, because of the State Supreme Court's ruling, redevelopment agencies will be dissolved as of February 1st.

So that ruling had not occurred at the time we did the analysis, and so what we did is we looked at the Las Pulgas redevelopment project area, and we actually did a calculation based on the increase in property value and the tax income that flows from that, we'll do that amount of money and how that would be distributed to various agencies.

Now, what's going to happen is that these amounts are basically not going to occur, and what's going to happen is is rather than having them flow in the ways that this is laying out in terms of affordable housing and various kinds of aspects, incremental projects and so on, all of that money is going to basically be just ending up distributed as is general property tax revenue without redevelopment.

And so what it means is -- and we have not done the calculation. So there will not be tax increment available for redevelopment purposes, but the increase in property taxes that results from the Facebook project
will end up pulling through to not just the city, but the county, the schools and special districts just as all other property tax money does.

So the end result is that the numbers I just talked about a minute ago will actually end up being a little bit higher because of the additional general fund money that the City will get, but that additional increment will be nowhere near the amounts of money we're talking about here, because again, when you look at overall property tax revenues, the city only gets a small slice and most of it ends up going to the county and schools and -- and other agencies.

So I realize that's a little bit confusing and not terribly clear, but that's sort of the situation we're in right now with respect to redevelopment.

Next I'll talk about the impacts on some of the special districts. We went through a fairly exhaustive process of trying to understand what is the net fiscal impact to the fire district, and basically what we did is we looked at what are the property tax revenues that would flow to the fire district.

Now, again, there will be some additional money because of how redevelopment is changing, but we have not analyzed that. So this is a number that is based on the assumption that redevelopment was still in
place.

What we saw that the fire district would gain just over a hundred thousand dollars a year in new revenues.

Now, in addition to that, there are all of the needs per the Draft EIR that there would be a need for additional firefighter or fire safety person, and so we accounted for that cost, as well.

When we looked at the carbon tax revenues and the -- the cost of that, the actual net difference -- I should have said this more clearly -- is actually the net positive fiscal impact to the fire district is actually a hundred thousand dollars per year.

Now, that's on the operating basis. That does not address this other topic of what is the need for fire equipment and what you heard the chief talk about.

As you may know, there's currently a process going -- and the city is party to this -- where there is a development impact fee nexus study that is going to be prepared by the fire district in cooperation with the city and the other affected parties.

And the intent of that is to establish a development impact fee for fire services that will pay for the cost of new equipment and station improvements and so on that are identified to support not just
Facebook, but all the other potential development that will happen in the service area.

Since that nexus study has not been done, we don't know what that amount of money is, and so for our purposes, we just noted that if that fee is in place by the time when Facebook would be paying its building permits, that they would of course pay that particular fee.

Now, what it means is that when you look at some of costs the fire district identified, specifically the need for additional ladder truck, additional staffing and station improvements, we are making assumption that all those costs get pulled into the nexus study and will be part of that calculation. But this is a series of assumptions that we're making at this particular moment.

Next I'll talk about school districts. The Facebook project itself lies within the Ravenswood Elementary and Sequoia Union High School Districts. It's an office project, there's no residential, so there's no direct school impacts which occur.

Now, in talking about what this means -- and I think with the benefit of not everyone's clear on this -- is there's basically two different ways the school districts are dealt with financially in the state.

The largest number, the overwhelming majority
of districts in California are what are known as revenue limit districts. So what that means is the state guarantees a certain amount of per student funding.

And so what ends up happening is that the districts with a revenue limit district, it gets more property tax money.

The state funding is offset by a certain amount, so there's no net benefit for more property tax revenues to our revenue limit district, and the Ravenswood Elementary School District is a revenue limit district.

By comparison, the Sequoia Union High School District is a basic aid district, so that means that they do not receive that same guaranteed per pupil aid that the regular limit districts do.

Instead, they're relying upon the property tax money, but what it means is that when there's more property tax revenue, the basic aid district gets to keep that.

So we looked at what the Facebook project would generate for the Sequoia Union High School District, and what it means is they have a net benefit over $309,000 per year, and it's such a high number because there is a lot of value that's created and it does free a lot of additional prior kept money, and
there's no direct cost because there will not be students
in the Facebook project itself.

Just -- I'll go through this quickly. We
also looked at a wide range of the other special
districts, the water and sewer districts.

Those are self-funding through the various
connection fees and capital facilities charges, and so
Facebook would generate 165,000 in water capital facility
charges, a million dollars in sewer connection fee.

For the community college district, they are
not currently accepting any more community college
students, so there's no increase in students, so there's
no increase in costs, but they will receive an additional
137,000 per year.

The County Office of Education's a revenue
limit district, so there's impact for them. And then
finally the Mid-Peninsula Open Space District, they do
not expect to see any increase in cost. They would have
a slight increase in property tax revenues of 33,000 per
year.

And again, all of these amounts of money will
go up slightly as a result of the redevelopment project
area going away.

So now I'll shift and talk about the potential
in reduced housing demand.
The housing needs analysis that was done by Keyser Marston Associates identified a need for a potential reduced housing demand up to 254 units, and these 254 units are allocated among households at different levels of area median income corresponding to the assessment that Keyser Marston did on what the salaries of those positions would be.

So what we ended up doing was taking those household income levels and converting them to housing prices so that we could assign them to different kinds of housing prices and making assumptions about some of the houses would be, for example, potentially taxpayer projects.

You know, for households that earn sixty percent of the area median or less, they would potentially be living in new housing that we funded through low income housing tax credit projects, which are tax exempt -- typically tax exempt rental projects.

Other projects would be rental projects. Some units would be actually for-sale projects. So we sort of split those all out.

We went ahead and did the same type of fiscal impact analysis based on how we had assigned those different households to different types of housing units, and from that analysis, we found that the reduced housing
demand would actually have a net fiscal cost to the City of $20,000 per year.

So that is a negative amount, but it is still considerably less than the net positive fiscal impact from the project overall.

Now one thing to note is that this kind of analysis is based on averages. So that's not to say that each project has the same sort of impact.

The actual impact from any particular project makes a difference. So for example, if you're building a project in one particular location and it so happens that the police department has capacity as B structure, the fire appears to have capacity, from may be very minimal sorts of impact for that particular project even though the analysis that we did as an average cost basis assumes that each unit has a very proportional impact across the board.

So the next topic was to look at the reduced housing and what that fiscal impact would be for the school district.

Now the challenge is is that again we at this point don't have a way of saying where will these new housing units be built necessarily, and so we ended up making an assumption that first of all for the high school, all students be would be going to the Sequoia...
Union High School District, but with respect to the elementary/middle school, we assumed that fifty percent of the new housing will be the Ravenswood district and fifty percent would be within Menlo Park City Elementary, and again, that's not a forecast, that's not an expectation. That's really an analytical device to say if we have a mix of that two, how might that work?

Because it wasn't plausible to say they'll all be in Ravenswood, and we didn't think it was plausible to say that they would be in the Menlo Park city district, either.

So what that means is -- it creates an interesting dynamic, because as you heard me about, the project is giving property tax revenue to Ravenswood, even though they don't benefit from it, as well as to the Sequoia Union High School District.

For the Menlo Park City Elementary School District, which was part of the housing institute, does not get any new property tax revenues from the project.

So to jump to the bottom line, what we did is we looked at the net fiscal impact based on for each district, its consideration, considering both the amount of students that would come from the various housing units as well as the property tax rates received.

Because Ravenswood's revenue limit, there is
no net fiscal impact program with respect to the housing
units in the district.

With respect to Sequoia, because they are
basic aid, they would still have a positive fiscal impact
of $120,000 a year even after having to deal with the
education of the students for the reduced housing demand.

However, for the Menlo Park City District,
which is basic aid district, there is a negative fiscal
impact of $270,000 per year.

Now that's a pretty substantial number, and I
think what I would suggest is that this needs to be taken
in context a little bit and it needs to be understood as
the way that this exercise was set up, because it's
looking at just this project, and because the Facebook
project property tax revenues do not go to Menlo Park
city, you have a situation where you have no revenues and
all costs.

So that will lead to a very large negative
number, and when we looked at that, we started thinking
about what does that mean or what's the way of thinking
about that.

This is just one point of comparison, but, for
example, because we recently worked on the El Camino Real
Downtown Specific Plan, what we observed there, when we
were looking at a much broader range of projects that
involve both revenue and expenses for the Menlo Park City Elementary School District, that specific plan fiscal impact analysis actually showed a fairly substantial positive fiscal impact for the school district -- for Menlo Park City District of 275,000 per year.

So what I'm suggesting here is that this is an analysis, but you also have to understand that in a way, we're bumping up against some of the limits of how you do this kind of analysis.

The final topic is the topic of the business to business sales tax revenues. This is something we looked at because it's been mentioned before.

When Sun campus was at the East Campus, they were very substantial generator of sales tax revenue for the city.

The question came up, because although Sun generates those kinds of sales tax revenues, the nature of Facebook's business is that does not generate those revenues.

So we ended up coming up with two methods to estimate what might be the potential sales tax generation from an alternative tenant and of mix of tenant at both the East and West Campus than, for example, Facebook.

In the two methods we used, the first one was to actually work with the city and look at the
confidential sales tax data from class A office buildings in Menlo Park.

So we profiled basically class A office buildings in Menlo Park and their current tenant mix and looked at what is the type of sales tax generation that comes from those tenants with the idea that that is a good proxy for what might happen if the -- the East and West campus were opened up to similar types of office tenants.

The other method that we did -- and I think this has not been done before, as far as I know -- is we broadened our look because we wanted to look at Silicon Valley overall.

By Silicon Valley, I mean San Mateo and Santa Clara Counties, and what we did is we actually went to the state and did a custom data run from the State Board of Equalization where we looked at all of the different categories that represent high-tech companies in Silicon Valley.

We were able to use their data and to find out and calculate what is the average per employee taxable sales generated by high-tech companies in Silicon Valley, and once we had derived that per employee number, then we could apply it to the potential employment count that would occur at the East and West Campus.
So using those two methods, again, that defined a range in terms of what we could feel was the potential business to business to business sales tax revenues that could come from an alternative mix of tenants at the site, and we felt that that range would be between 431,000 to 827,000 per year.

Now it's important to understand that what I just described is a way of calculating an average. And so that's not to say that any particular tenant would necessarily fall from that range.

For example, you could have another single tenant come in that was not Facebook that did not generate any sales tax, so you'd be at zero.

Alternatively, you could have somebody have more, but again, this is just a way of trying to get at an answer to what is that potential range you might have if you had a different use on that campus.

I realize that was a lot of material in a short amount of time, and I look forward is to answering your questions.

CHAIRPERSON BRESSLER: I have a question about the revenue generation. I've read recently that there's consideration in Sacramento of revising the -- the revenue models so that revenue -- actually, sales tax-like revenue would be generated from companies like
1 Facebook.
2 Are you familiar with this?
3 MR. GOLEM: You know, there is discussion --
4 I think, you know, given the budget consideration and the
5 governor's proposal, there is a lot of discussion about
6 alternative mechanisms, including, as you're mentioning,
7 the idea that sales tax would charge in services.
8 I have not read any specific legislative
9 proposals, so I'm not clear as to what extent the
10 services that they're talking about would be personal
11 services like going to a dry cleaner, professional
12 services such as attorneys or what we do, or the kinds of
13 services that Facebook would do.
14 But certainly, you know, it's very plausible
15 that it would be part of the discussion. But at this
16 point, we're just relying on what's in the law, so we're
17 not really --
18 CHAIRPERSON BRESSLER: Right.
19 MR. GOLEM: -- doing anything that's trying
20 to forecast or speculate.
21 CHAIRPERSON BRESSLER: All right. Henry.
22 COMMISSIONER RIGGS: Maybe four questions,
23 and I'm going to start with a background one. Right now,
24 what is our worker population in Menlo Park? I think
25 I've read 15,000, and I think I also read a higher number
at one point.

MR. GOLEM: I don't have that offhand, but I'll look that up for you as you're going to your next question.

MR. MURPHY: I'm not sure we have that exact number tonight, but sometimes 15,000 may be private companies. I've also seen 30,000 that have business licenses with the city.

I think 30,000 is what includes the Federal Government, local government, things like that. So those are the two different reported numbers.

MR. GOLEM: Actually, I just looked it up. This is the number we use from the US census from the American Community Survey. I'm rounding, but 30,300 employees in Menlo Park.

COMMISSIONER RIGGS: All right. That is the other number that I thought I heard. Okay.

And therefore, it would be logical to look at them in terms of user services.

MR. GOLEM: Right. So our formula is that 30,300, we took half of them, so approximately 15,000 some, and the idea being that workers are typically here eight hours plus or minus, as opposed to residents. You know, if they don't work in the city, are maybe here sixteen hours a day, if they work and live here, they're
24 hours a day.

And so there's a lower level of service for workers who do not live in the city, and that's why we make that adjustment.

COMMISSIONER RIGGS: Understood. So if over the course of the next few years, we recover what had been on the Sun campus and then add to the West -- proposed West Campus, that 30,000 would move to 39,000, roughly.

MR. GOLEM: In terms of gross numbers, but again, when we do our calculations. We take the increase in employment above --

COMMISSIONER RIGGS: Right. I'm not looking at impacts right now. I'm just looking at proportion. It looks like Facebook will be 25 percent of our employee base in Menlo Park. Just an interesting observation.

I mean, assuming that their predicted growth actually occurs.

Under annual recurring expenses, and -- I think I'm looking at page 13 -- I'm sorry. Page 28. Administrative services is right about fifty percent, although these are net numbers, I believe, coming up with $245,000 net cost.

But when I look at the breakdown and proportionately, administrative services is notably
greater than the police department effect and the library combined, but the administrative services includes 1.2 million per category bulk asset preservation.

Are you familiar with what that category is?

MR. GOLEM: I would have to defer to the finance director to give you a detailed explanation of what that category is, but basically what that category represents is a lot of the staffing activities around the finance department and the functions that are done that involve kind of overall general management functions.

COMMISSIONER RIGGS: Well, I cheated. I asked, and it's all the finance, which includes budget, treasury. I didn't actually know we had a treasury department in Menlo Park, and we can get to how to solve budget problems later.

Revenue management, which includes account receivable, business licenses, taxes, water and garbage revenue management, accounting and reporting, accounts payable, purchasing, risk management and payroll.

So the costs for those departments are projected to rise by 1.2 million.

Is this something that you find is consistent with the costs of increasing employment in the city?

MR. GOLEM: Well, actually, what we found is that it would increase by just under 245,000 per year,
would be for the total of that entire function that includes both asset preservation and the other items that are listed under administrative expenses.

So if the question you're asking is do these expenses necessarily increase in a very linear way on a permanent employee basis, it's a fair question.

This is one of these items where we are using the average cost methodology, and I think that may be something that could potentially be somewhat debatable.

From our perspective, we were trying to be a little bit conservative with respect to the potential costs to the city.

And so we are making the argument that when we look at these costs, that, you know, there is some incremental amount of additional services that the city provides based on the increasing population and that therefore it's appropriate to calculate it as we have.

COMMISSIONER RIGGS: So it would be a twenty percent increase because we have a new business, an additional business with more employees.

MR. GOLEM: I think the more appropriate way to look at it is that for administrative services, the current budget is just over four million dollars a year, and so what we're saying is that if $245,000 increase against four million, not doing math in my head right
now, but it's probably around a six or seven percent increase.

COMMISSIONER RIGGS: Okay. Okay. And then you spoke earlier about redevelopment funds, which is something that I did want to ask about.

You indicated that -- perhaps I should say confirmed that the redevelopment funds end up assuming taxes continue to be collected, since they're no longer a target of redevelopment so they go into the pool, for which perhaps one of the -- perhaps the largest recipient is the school system.

MR. GOLEM: Mm-hmm.

COMMISSIONER RIGGS: Right. So when you looked at the net loss, what was it? 270 something thousand for the Menlo Park School District as opposed to the Sequoia High School District, that was prior to figuring in --

MR. GOLEM: All -- all the figures I shared was prior to when the State Supreme Court made its ruling.

And so we would need to go back and revise that based on what's happened.

COMMISSIONER RIGGS: Okay. But unlike the tax base, which is in the Ravenswood District, this property tax increase, would this also go to Ravenswood
or go countywide?

MR. GOLEM: It would be distributed -- we're talking about the property taxes that come from where the units are located as well as the Facebook project.

So you still have the same relationship where the Facebook project does not result in any increased property tax revenues for the Menlo Park City School district.

So when we're talking about redevelopment, all of that money as being distributed would not result in any more money for the Menlo Park City School District because they're not within that particular boundary.

COMMISSIONER RIGGS: All right. So if it's cooks in another one percent or something, that also goes to Ravenswood?

MR. GOLEM: Right. So they'd see no net impact because their amount is going to be offset. Sequoia would receive additional funding, though, because they are a basic aid district.

COMMISSIONER RIGGS: Right. And then finally, on the housing impacts, you used -- actually, you have -- you have a chart there. You looked at some assumptions on where the housing would be located, but did you use or refer to the current preferences for Facebook employees which as I recall differ markedly from
1 the average Menlo Park employee, preferences for housing
2 location?
3 For example, the preference for San Francisco,
4 whereas the average Menlo Park employee prefers -- or the
5 lead city preference is Redwood City.
6 MR. GOLEM: The Keyser Marston housing needs
7 analysis went through an exercise where it calculated
8 what percentage of Menlo Park -- I'm sorry.
9 What percentage of Facebook residents would be
10 interested in living in Menlo Park, and I can't quote
11 chapter and verse on that particular methodology, but I
12 know that in a round way, I believe it was about 7.8
13 percent of Facebook employees they felt would be
14 interested in living and would demand housing units in
15 Menlo Park.
16 COMMISSIONER RIGGS: All right. And when you
17 looked specifically at the East Palo Alto impacts --
18 MR. GOLEM: Our scope did not involve looking
19 at East Palo Alto impacts.
20 COMMISSIONER RIGGS: All right. I apologize.
21 No more questions.
22 CHAIRPERSON BRESSLER: Katie.
23 COMMISSIONER FERRICK: Just follow on to what
24 Henry was saying. Good evening. On page 54, there was a
25 housing demand table that's broken out by income.
MR. GOLEM: Mm-hmm.

COMMISSIONER FERRICK: And I'm wondering if that is incorporated with the -- I guess you were explaining earlier why you kind of have to make an estimate on which school district those housing units might end up producing students from within either Ravenswood or Menlo Park City --

MR. GOLEM: I think there's two separate things going on. There's a question about where the units are located.

And again, we did a fifty percent to Ravenswood and fifty percent to Menlo Park City School District, and of course a hundred percent to Sequoia.

That was how the allocation went.

The other part of the calculation is how the tax revenues are generated, which is a function of what is the value of the housing unit, which in turn is the function of what type of housing unit is and what the household can afford.

For example, just to briefly walk you through this, starting at the bottom of the table, when you see the units that we identify as being for very low income and low income units, we're assuming that those are associated with tax credit affordable housing type project, and most commonly those are projects that
generate zero property tax revenues because they're tax exempt.

As you go up the scale, for moderate income, we assume that those are for sale units, because of the City's 110% AMI affordable housing program.

When you go up to the next one, for above moderate income, we assume those are rental units based upon what those household and other income levels can afford relative to current market rates for both rental and for sale housing in Menlo Park.

And then finally for the highest category of upper income units, we assume that those were all new for sale market rate housing in the city.

COMMISSIONER FERRICK: Okay. I guess I'm -- that's helpful to figure out for the income categories. Definitely good clarification, but I guess what I'm wondering is why -- I guess it's just not part of your methodology, but the -- it seems like it would make sense to look at the housing stock within the city and make an assessment based on the school district lines and how much might fall into which category.

Because just looking at this, it -- it seems like it's not a 50/50 split of just the existing housing stock for a 50/50 split on where the students will end up that are generated from these households, which is what
the school district estimates were.

Like I guess I'm saying is that I feel like it
will be a higher school impact to Menlo Park City School
District than Ravenswood.

MR. GOLEM: Right. You're -- because you're
assuming that there would be more interest in housing
being built in Menlo Park City School District and
therefore that's where the units will be.

COMMISSIONER FERRICK: I mean, right here, it
says: Projected housing units. 104 of them are upper
income units, and there's just simply -- the reality is
there's more stock of units, but that that income
category would probably buy -- things could change.

MR. GOLEM: Right.

COMMISSIONER FERRICK: Who knows?

MR. GOLEM: Yeah. The challenge in doing
this is that when you're dealing with a small number of
units, in some ways you can start making assumptions.

When we're dealing with this number of units,
it's a function of both where sites are available and
when they're available and when the market demand occurs,
and there's a lot of interaction back and forth.

So I think that to be quite honest with you,
it's a very interesting thing to say for sure well, here
is some sort of refined estimate that is going to be x
percentage in one district versus in another one.

There's a lot of different scenarios you can lay out and I'm not sure that I have a good enough knowledge in presenting which one of those scenarios would be any more likely an another one.

COMMISSIONER FERRICK: Right. Thank you.

CHAIRPERSON BRESSLER: I just want to quickly follow up on that.

So to the extent that Facebook employees drive demand, let's say, for houses in Menlo Park that aren't new, but have been assessed at very low tax rate because somebody's lived this for a long time.

Now this demand's coming in, people are buying these houses, these houses obviously are being reassessed so that their property taxes go up a lot.

We're not -- we're not covering that scenario here, really; are we?

MR. GOLEM: That amount is not included in here. Part of the challenge is is that we are focusing on incrementally what is the additional new housing demand.

When you look at what's happening to the city in general, you know, lots of people who are homeowners in Menlo Park are some houses really away from being able to buy some housing units.
So what I would say is that, you know, if you look at the overall housing market in Silicon Valley, that the effect that you're describing does occur and is driven by both the economy here and when Facebook does come in, to the extent they buy an existing housing units, they're contributing to that dynamic that as housing is turned over, it gets reappraised, but the property revenue stays up quite a bit.

But trying to calculate that amount on a citywide basis and trying to figure out how much of that will be broken out to Facebook employees was not something that we tried to do.

COMMISSIONER FERRICK: Through the chair, though, I thought -- and maybe I need a clarification from -- from you.

On the table on page 64, I thought the 94,000 additional projected annual revenues for Menlo Park City School District was that incremental increase in property tax revenue based on the -- and that the offset --

MR. GOLEM: What that 94,000 is, it's for the new housing units that will be built in that district.

COMMISSIONER FERRICK: Oh. It's not for turnover. Okay.

MR. GOLEM: It's not existing housing.

But if you have fifty percent of units in that...
district, those new housings do generate property taxes.

COMMISSIONER FERRICK: Okay. Thanks.

CHAIRPERSON BRESSLER: I mean, my basic contention is that it's probably not as bad as what your report says --

MR. GOLEM: Right.

CHAIRPERSON BRESSLER: -- based on the dynamic I'm talking about there.

MR. GOLEM: Right. I mean, the only point I would make is that, you know, if we step back and we looked at the City's overall financial picture and looked at all the sources of revenue of how they're changing, that would be a different study than the one we did.

CHAIRPERSON BRESSLER: Okay.

COMMISSIONER EIREF: Two short -- just to follow that up, this is kind of a conservation of math situation. In Menlo Park, there's not a hundred empty lots waiting to be built out.

So there's gonna be a dynamic where if people are going to move in, it's most likely they're going already buying other properties in Menlo Park that's already there or something.

I, I guess, kind of went through all this and it seemed like -- I picked up on the same thing. The administrative services number seemed, I guess to your
point, very conservative because I'm not sure how many financial controllers and various other things we need to support one more business kind of thing.

So I kind of netted it all out with the bottom line. I said, worst case scenario, there's not a lot of additional net revenue to the city, but it doesn't look like it's being negative, which is a good thing.

There's no scenario here that says that we end up losing money overall in the city.

MR. GOLEM: So, for example, the feeling is that we were overly conservative in overestimating the administrative services cost. Those costs should be lower, then that means our findings would actually be more favorable for the city than what I laid out.

COMMISSIONER EIREF: Correct. I mean, it doesn't seem like there's a scenario here that you laid out where we end up impacting the general fund negatively overall.

That's what -- that's kind of the way that I read this whole report at the end of the day.

MR. GOLEM: Right. Based on the assumptions in terms of the value of the project and the sales tax generation, the transit occupancy tax generation and so on, that is correct.

COMMISSIONER EIREF: It's not a big boon to
us, but on the other hand, it doesn't look like we're
going to end up losing, and to me, that was almost the
most important aspect of this is that we -- we
acknowledge that we're not -- it's not another computer
company that's going to come in and build tons of
infrastructure and sell it to other businesses, but on
the other hand, we're not going to end up losing out at
the same time, which would have been a difficult
situation.

MR. GOLEM: In terms of the baseline.

Of course, the other part of this discussion is there
will be a development renegotiation.

So the final picture for the city will be a
function of the outcome of those Development Agreement
negotiations.

CHAIRPERSON BRESSLER: We're running up to
almost 11:30, and I realize at this point that I have not
opened this item up for public comment which I'm required
to do, so that's what I'm going to do right now.

Would anyone like to make a public comment on
this item?

Okay. No one's coming forward. I'm going to
close the public comment.

John.

COMMISSIONER KADVANY: I think I know the
answer to this question, but just to -- to clarify it. Suppose after all is said and done, we sort of look and say just for purposes of -- of thinking or argument we have the city, as a policy judgment has a general fund target that they'd like to associates with the project.

It sounds like we -- we can't -- if we want to go, for example, you provide us with this good information -- for example, the business to business taxes, that we can't use that. We can't just make up our own.

We can't go this kind of -- if we have a target like that, we have to put it into the Development Agreement just specifically as a number, goal, but we don't -- we shouldn't waste -- is it true we shouldn't waste time looking for some kind of instrument or mechanism?

Are those only for illustrative calculating value to say look at the number of workers, look at the square footage and so one. Just think about that.

MR. GOLEM: What the Fiscal Impact Analysis does is that on the revenue side, there is formulas that are set in long-term how the city obtains property taxes, revenues since housing is built, sales tax revenue, transit occupancy tax revenues and so on. So that's what we were calculating.
On the service positive side, we're trying to think what we think is an estimate of what that's going to cost and what's the relationship. That's kind of one way of answering the question.

I think the other part that you're asking about, this part I would defer to Bill, but basically that there's other goals that the city has, revenues or otherwise, is that becomes part of the agreement and that's not a function of what's this relationship of the formulas for revenues or costs for providing services, but it's a matter of what the parties agree to.

COMMISSIONER KADVANY: Okay. I think I understand. I just wanted to confirm that, make sure.

MR. GOLEM: All right.

COMMISSIONER KADVANY: It's kind of the same issue we were dealing with earlier with where is it -- is it a mitigation or is it some other entity.

MR. McCLURE: Exactly. His sales tax analysis, that bracketed sales tax analysis was done simply to try to see if there were some metrics out there to look at.

If Facebook wasn't there and this was some other time of user, what would be the potential sales tax revenue that we're giving up by Facebook being there and to provide information.
COMMISSIONER KADVANY: Yeah. Understand, and it is very useful information, too, and I'm glad it's there.

Thanks.

COMMISSIONER EIREF: So through the chair, so there was some discussion somewhere in the appropriation journals about there being -- the City Council is going to be developing a concept for public benefit, and this was actually ideas through this -- this medium.

Is that -- is that where this concept would -- would need to be addressed?

MR. McCLURE: Yes.

COMMISSIONER EIREF: Public benefit?

MR. McCLURE: Well, public benefit is revenue generation. There are a lot of different ways of looking at public benefit, one of which is ongoing revenue.

COMMISSIONER EIREF: Creating an endowment for computer education in Menlo Park or something as a result of this project.

That would be a project benefit or how would that be --

MR. McCLURE: It could be annual revenue payable to the city. We've done that in the development agreements in the past, guaranteed revenue streams.

I mean, there are a number of different
things, or it could be paying for the Bay Trail --
MR. McCLURE: Right. Completion of the Bay Trail. I mean, it could be a lot of different things.
COMMISSIONER EIREF: In the Gateway project -- you know, I wasn't on the Commission at that point in time -- there was a lot of discussion about making sure the city didn't end up getting the short end of the stick or there were other expectations, right?
MR. McCLURE: Yes.
COMMISSIONER EIREF: That's another big project that was very recent and fresh in everyone's mind.
So that would be done through the public benefit.
MR. McCLURE: That's correct, and that is essentially part of what you will be doing on Thursday evening is having some discussion around those topics.
CHAIRPERSON BRESSLER: All right. Peipei.
COMMISSIONER YU: I was kind of agreeing with Greg how I think the outlook for Menlo Park city schools will be weaker than is in the report.
So I wonder if there's, you know, a way to -- much as you've bracketed the impact, you know, on other sites as it pertains to schools.
You know, because I'm looking at page 54 in
the chart, if I assume that households with over a
hundred thousand dollars in income would prefer to go to
Menlo Park schools versus Ravenswood, we're looking at 72
percent going to Menlo Park versus twenty percent to
Ravenswood.

That's much different than fifty percent do
tonight, you know.

So I know that there's no great way to project
these things, but I think that you've bracketed other
things because you don't -- you can't get a precise
number.

I think it would make sense if schools were
bracketed, as well. Maybe it could mean, you know,
income level or something like that.

MR. GOLEM: You know, We can run as many
scenarios as the city directs us to do. I think the
point I was trying to make before is that if you want to
understand the context of the Menlo Park City School
District, obviously, you know, depending on what scenario
you use, this is one impact, but you might want to
consider the citywide impact, because, as is the case,
there are some projects that generate revenues and some
projects that generate cost.

And so it's really -- if you look at their
overview future, it's going to be all the projects and
how the pluses and minuses balance each other out.

This project by itself is going to have this amount of impact where other projects would probably have a plus amount, as well.

COMMISSIONER YU: I think for the other -- for the other items we were looking at, we were looking at as though we didn't have Facebook.

So I think -- you know, I understand that you're saying there's going to be other impacts for downtown plan and all that, but if we're looking at just Facebook, but the other items may appear, too.

CHAIRPERSON BRESSLER: Henry.

COMMISSIONER RIGGS: Short question. Has anyone asked the Facebook population, worker population how many have children.

MR. GOLEM: Our calculation was based on the average number of children per household. We did not survey the Facebook worker population as it exists today.

The other point to make is that the population's going to change as both the work force increases in size and also the work force potentially ages.

So we felt the current average population per house in Menlo Park was the right place to start.

COMMISSIONER RIGGS: Okay. I guess I would
suggest that maybe if you look at otherwise, because if
the character of Facebook as a company tends to be
younger, then even across maybe the next five or ten
years, there would potentially be a cycle of employees
that will keep it younger.

MR. GOLEM: Right.

COMMISSIONER RIGGS: And it does appear, at
least from the data we have on preferred housing
locations, that Facebook employees are not a mirror of
the average Menlo Park employee.

MR. GOLEM: Right. So, for example, if we
obtain that information, and as you're suggesting, it
might be fewer people per household in Menlo Park, that
would reduce the costs that we identified.

And so some of the impacts that we're seeing
to, for example, Menlo Park City School District would
decline.

COMMISSIONER RIGGS: Just for example, when
we had a housing project before us where the developer
indicated that his likely market -- and theoretically he
knew his market because he was putting a lot of money
into it -- would not have school-aged children.

We then had a district superintendent review
the project and said I'm not even going to pay attention
to this. They won't have any children.
We have our doubts because it's our job to be concerned, but anecdotal review proved that to be true. So this might be an example where we are making assumptions that -- that are not appropriate.

CHAIRPERSON BRESSLER: Okay. Katie.

COMMISSIONER FERRICK: Well, I mean, obviously there are assumptions to be made, but contrary to what Henry just said, I feel like the assumptions are incredibly conservative.

If you have 9,000 employees and you think that there's going to be a total of thirty students to the Menlo Park City School District generated from that, that's pretty conservative.

So I don't think we're, you know, overstating the potential school impact here.

COMMISSIONER RIGGS: No, but first you have to live in Menlo Park and then --

COMMISSIONER FERRICK: Right.

COMMISSIONER RIGGS: -- you have to have children.

COMMISSIONER FERRICK: I'm not saying there's going to be 5,000 more children in Menlo Park City School district as a result of this project, but I just -- I understand we have to make assumptions, but I definitely don't think that these were on the side of a high
assumption. I think they're incredibly conservative
assumptions.

CHAIRPERSON BRESSLER: Anybody else?
Okay. I think that's -- that's going to do it
for that item, and we're going to do the Development
Agreement discussion -- I forget what it's called.
Are we going to do the next item?
MR. McCCLURE: Study session on the project.
CHAIRPERSON BRESSLER: On Thursday, 7:00 PM.
Be here. With that, I'm going to adjourn the meeting.
(The meeting concluded at 11:39 PM).

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* Per correspondence from Mrs. Ferrick dated January 10,
2012: "When I brought up my concern about the financial
impact to the Menlo Park City School District and the
concern that some figures used in the the calculation by
BAE having been out of date -- specifically the
enrollment number -- I brought this up initially during
the EIR discussion. I want to clarify that it should
have been brought up as part of the FIA discussion"
STATE OF CALIFORNIA  )
COUNTY OF SAN FRANCISCO  )

I, the undersigned, hereby certify that the discussion in the foregoing meeting was taken at the time and place therein stated; that the foregoing is a full, true and complete record of said matter.

I further certify that I am not of counsel or attorney for either or any of the parties in the foregoing meeting and caption named, or in any way interested in the outcome of the cause named in said action.

IN WITNESS WHEREOF, I have hereunto set my hand this ________day of ____________, 2012.

__________________________________________
MARK I. BRICKMAN CSR 5527