



MEMORANDUM

DATE: August 16, 2011

TO: Planning Commission

FROM: Thomas Rogers, Associate Planner
Community Development Department

RE: El Camino Real/Downtown Specific Plan – Fiscal Impact Analysis (FIA)

BACKGROUND

The Planning Commission is currently in the process of reviewing and providing recommendations on the Draft El Camino Real/Downtown Specific Plan. The Planning Commission's tentative recommendations for individual geographic areas will be reviewed comprehensively and finalized at the meeting of August 22, 2011. The Planning Commission's recommendation will form the framework for the City Council's subsequent consideration of the draft plan (tentatively scheduled to commence August 30, 2011 and to continue through one or two additional meetings).

Along with environmental impacts, fiscal impacts have been discussed throughout the multi-year planning process, in particular at the third Specific Plan Community Workshop (September 17, 2009), at which a high-level analysis of the impact of the "emerging plan" on the City's General Fund was presented and considered. This workshop also featured analyses testing how the variables of building heights and parking requirements can affect the financial feasibility of individual projects.

As noted in the July 11, 2011 Planning Commission staff report, the project's full Fiscal Impact Analysis (FIA) was intended to be published in advance of the start of the Planning Commission's review of the Draft Specific Plan, in order to more fully inform the Commission's discussion. However, the initial administrative drafts required more work than anticipated. In particular, staff added an analysis of the impact on non-City special districts (fire and school districts, specifically), which was not originally scoped but which has been a topic of interest on related

FIAs. Both the City General Fund and Special Districts FIAs are now available and are presented publicly for review and consideration. Key elements of both FIAs are highlighted in the Analysis section. The FIAs are intended to inform both the Planning Commission's August 22 meeting and the City Council's subsequent review.

ANALYSIS

FIA Basics

FIAs are not required or structured in the same way that Environmental Impact Reports (EIRs) and other environmental analyses are in California. However, an FIA may be considered similar to an EIR in that it is primarily an informational document meant to disclose likely impacts to the public and decision makers. Like an EIR, an FIA does not necessarily dictate a particular outcome, as communities can take into account other factors along with projected fiscal effects.

As noted in the staff report for the July 21, 2011 Planning Commission meeting, an FIA examines the potential impact of a project or plan on a city or special district's ongoing revenues (such as property and sales taxes) and costs (such as maintenance and personnel). FIAs do not undertake independent market studies, conduct 'pro forma' analyses of the profitability of potential individual development proposals, or analyze the potential capital costs and financing options for various public improvements. However, the third Specific Plan Community Workshop featured a financial feasibility analysis for prototype developments (excerpted as part of the July 21 staff report and available on the project web page), and the Specific Plan itself includes a market overview (Chapter B: Plan Context - pages B23-B30) and discusses financing methods and phasing options (Chapter G: Implementation - pages G17-G27).

The FIAs acknowledge that the overall planning process has taken place during a severe global economic downturn, but state that the analysis assumes the economy will recover over time, and that performance of revenues and expenses will be generally in keeping with longer-term economic patterns.

City General Fund FIA

The core fiscal analysis is made up of the City General Fund FIA (Attachment A), prepared by Strategic Economics, the primary economic subconsultant for the Specific Plan process. This analysis looks at impacts to the City's General Fund expenses and revenues from the build-out of the plan's conceptual development program over time. As noted earlier, a high-level analysis of the Specific Plan's precursor (the "emerging plan") was conducted during the community workshop process in late 2009, and this analysis forms the core of the FIA. Although the

FIA retains the earlier analysis' presentation of data in 2009 dollars, it has been comprehensively reviewed and updated in 2011.

Key findings from the City General Fund FIA include:

- Upon full buildout, the Specific Plan development program is projected to generate \$2.17 million of new General Fund net revenue (\$3.9 total revenues minus \$1.7 total expenses).
- The majority of revenues (60%) would come from transient occupancy (hotel) tax.
- Operations and maintenance expenses for the proposed parking garages would be significant increases over current surface parking plaza expenses. Additional user fees and/or highly efficient designs could reduce these expenses, but they were not assumed for a conservative analysis.
- Timing of the hotel and garage elements would affect overall performance for the plan area. Most scenarios would be positive, although a scenario where no hotels were developed and both garages were built (with no changes to parking fees) would generate a deficit.

Additional details are available within the FIA.

Special Districts FIA

The City General Fund FIA is supplemented by an analysis of other affected districts and agencies (Attachment B), prepared by BAE Urban Economics. This analysis looks at independent entities that can expect revenues and expenses associated with implementation of the Specific Plan. The Special Districts FIA uses assumptions consistent with the City General Fund FIA and the Draft EIR, unless otherwise noted.

Key findings from the Special Districts FIA include:

- The Menlo Park Fire Protection District projects a number of costs associated with the Specific Plan, although these cannot be quantified in detail at this time. However, the Fire District has stated that they believe these costs can be covered by a combination of property tax increases and a pending Fire Services development impact fee, making for no net fiscal impact.
- The elementary and secondary school district analysis uses the Draft EIR assumptions, which were based in part on enrollment projections conducted by the elementary school district running through 2019 (longer-term projections aren't available, as they are based on existing enrollments and birth data). The Draft EIR analysis found that new Specific Plan student growth would happen concurrently with partly reduced student generation from existing housing stock. In fiscal terms,

these trends would result in annual surpluses to both school districts, although it should be noted that the shorter-term nature of enrollment projections means that the school impacts cannot be accurately projected over the full Specific Plan timeframe, although additional future analysis could be considered.

- All other districts see surpluses of varying degrees, with the exception of the San Mateo County Office of Education, which would see an annual fiscal deficit of approximately \$13,800.
- Certain one-time impact fees and capital facility charges are described. These fees have been established to offset impacts of new development, and are thus different than potential ongoing operational surpluses

Additional details are available within the FIA.

ATTACHMENTS

- A. [Fiscal Impact Analysis \(FIA\): City General Fund – Prepared by Strategic Economics](#)
- B. [Fiscal Impact Analysis \(FIA\): Special Districts – Prepared by BAE Urban Economics](#)

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