

bae urban economics

Fiscal Impact Analysis Report for
Proposed Commonwealth Corporate Center
Submitted to City of Menlo Park, CA
December 20, 2013



Summary of Findings

This Fiscal Impact Analysis (FIA) presents the findings by BAE Urban Economics (BAE), a consultant hired by the City of Menlo Park, regarding the fiscal impacts of the proposed Commonwealth Corporate Center Project (the Project) located at 151 Commonwealth Drive. The Project would consist of two four-story office buildings totaling 259,919 square feet with flexible floor plans to allow for office, biotech, and R&D uses, and could accommodate an estimated 1,300 employees of one or more tenants. The FIA also provides an analysis of a Project Alternative consisting of a 75 percent reduction in project size, resulting in a project totaling 194,939 square feet. The Project Alternative could accommodate an estimated 975 employees.

The FIA addresses the net increase in revenues and expenditures and resulting net fiscal impact of the Project and the Project Alternative, for the:

- City of Menlo Park General Fund,
- Menlo Park Fire Protection District,
- Ravenswood Elementary School District and Sequoia Union High School District, and
- Other special districts serving the site.

Selected FIA findings are summarized in the following table (other special districts are not included below because of the negligible fiscal impact or benefits they would experience; information on the fiscal impact they would experience is presented in Appendix B of this FIA).

Selected Fiscal Impact Findings for the Proposed Commonwealth Corporate Center Project and the Project Alternative, Menlo Park, CA

All figures in 2013 dollars

ANNUAL IMPACTS	City of Menlo Park	Menlo Park Fire Protection District	Sequoia Union High School District	Ravenswood Elementary District
Project				
New Revenues	\$311,300	\$102,800	\$111,700	\$278,100
New Expenditures	<u>\$172,400</u>	<u>\$87,600</u>	<u>\$0</u>	<u>\$0</u>
Net Fiscal Impact	\$138,900	\$15,200	\$111,700	N/A
Project Alternative				
New Revenues	\$232,800	\$79,600	\$86,700	\$216,000
New Expenditures	<u>\$121,200</u>	<u>\$61,600</u>	<u>\$0</u>	<u>\$0</u>
Net Fiscal Impact	\$111,600	\$18,000	\$86,700	N/A
IMPACT FEES				
Project	\$2,698,500	TBD	\$4,500	\$6,800
Project Alternative	\$1,393,000	TBD	\$0	\$0

- Impact fees paid to the Menlo Park Fire Protection District are subject to approval of a pending Fire Services development impact fee and adoption of the fee schedule by Menlo Park City Council.
- The Ravenswood Elementary School District is a revenue limit district, so all new property tax revenues offset payments to the District by the State, and do not result in increased revenue to the District.
- See report for explanation of Project and Project Alternative, methodologies, and limiting conditions.

Source: BAE, 2013.

As shown above, both the Project and the Project Alternative are estimated to result in a net positive annual fiscal impact to the City of Menlo Park, the Menlo Park Fire Protection District, and the Sequoia Union High School District. There would be no net fiscal impact to the Ravenswood Elementary School District because it is a revenue limit district. The City's General Fund would receive an estimated annual net positive fiscal impact of \$138,900 from the Project, and a net positive fiscal impact of \$111,600 from the Project Alternative.

Total one-time impact fee generation for the Project and Project Alternative were calculated, as shown above. The Project would generate an estimated \$2.7 million in impact fees, while the Project Alternative would generate an estimated \$1.4 million in impact fees. There would be minimal impact fee generation for the Sequoia Union High School and Ravenswood Elementary School Districts. Potential impact fees for the Menlo Park Fire Protection District were not estimated because its current nexus study to determine a future fee has been placed on hold, however, it is assumed that the Project and Project Alternative would pay an adopted fire services development impact fee that is in effect at the time building permits are issued.

The total net fiscal impact was estimated from Project completion in 2015 through 2030, in order to understand the effect of differential rates of increase for City revenues (including Proposition 13 limitations on property tax revenues) versus increases in City service costs. As shown below, the Project would generate almost \$3 million in net positive fiscal impact and the Project Alternative \$2.4 million in net positive fiscal impact. Calculated on a Net Present Value, to account for the time value of money (using a four percent discount rate), the Project would generate just under a \$2 million net positive fiscal impact, and the Project Alternative a \$1.6 million net positive fiscal impact.

Total Net Fiscal Impact and Net Present Value of Fiscal Impact, Project and Project Alternative, 2015-2030

Project	Total Net Impact, 2013 Dollars	Net Present Value of Total Net Impact, 2013 Dollars (a)
Revenues	\$6,894,900	\$4,493,776
Expenditures	(\$3,925,300)	(\$2,522,869)
Net Fiscal Impact	\$2,969,600	\$1,970,906
Project Alternative		
Revenues	\$5,135,500	\$3,345,128
Expenditures	(\$2,744,400)	(\$1,759,800)
Net Fiscal Impact	\$2,391,100	\$1,585,328

Note:

(a) Discount rate used for municipal financial analysis:
4%

Source: BAE, 2013.

Report Organization

The FIA report on the following pages provides a fuller description of the proposed Project, the methodology and analysis used to determine these findings, and discussion of limiting conditions.

Table of Contents

Introduction	1
Fiscal Impact Methodology	2
Service Population	2
Revenue Items.....	4
Expenditure Items	5
Report Organization.....	6
Development Program Overview	7
City General Fund Fiscal Impact Analysis.....	10
Annually Recurring General Fund Revenues.....	10
One-Time/Non-Recurring Revenues	26
General Fund Expenditures	29
Summary of Net Fiscal Impact to the General Fund.....	37
Special District Fiscal Impact Analysis.....	42
Menlo Park Fire Protection District	42
School Districts Serving the Project.....	44
Appendix A: Project Phasing	49
Appendix B: Fiscal Impact for Other Special Districts	52
Water and Sanitary Districts.....	52
San Mateo County Community College District.....	52
Other Districts.....	55

Table of Tables

Table 1: Existing Service Population, 2012.....	4
Table 2: Projected Change to Menlo Park Service Population at Build Out.....	9
Table 3: Estimated Annual Sales Tax Revenues from New Employee Spending at Build Out.....	11
Table 4: Comparable Office Developments, Menlo Park	12
Table 5: Business-to-Business Sales Tax Generation from Existing Large Office Developments in Menlo Park	13
Table 6: Estimated Annual Business-to-Business Sales Tax Revenues at Build Out.....	14
Table 7: Distribution of Property Tax Assessment by Jurisdiction	15
Table 8: Current Assessed Value of the Project Site, 2012	15
Table 9: Projected Increase in Assessed Property Values at Build Out.....	16
Table 10: Projected Increase in Annual Property Tax Revenues to the City of Menlo Park General Fund at Build Out.....	17
Table 11: Projected Increase in Property Tax In Lieu of VLF Revenues at Build Out.....	18
Table 12: Projected Transient Occupancy Tax Revenues at Build Out	20
Table 13: Per Capita and Per Employee Utility User Tax Revenues, FY 2012-2013	21
Table 14: Projected Increase in Annual Utility User Tax Revenues at Build Out.....	22
Table 15: Other Projected Annually Recurring Revenues.....	24
Table 16: Summary of Annually Recurring General Fund Revenues at Build Out.....	25
Table 17A: Impact Fees and Facilities Charges from the Project	27
Table 17B: Impact Fees and Facilities Charges from the Project Alternative	28
Table 18: Projected Annual Administrative Services Department Expenditures at Build Out.....	30
Table 19: Projected Annual Community Development Department Expenditures at Build Out.....	31
Table 20: Projected Annual Community Services Department General Fund Expenditures at Build Out.....	32

Table 21: Projected Annual Library Department General Fund Expenditures at Build Out	33
Table 22: Projected Annual Police Department Expenditures at Build Out.....	34
Table 23: Summary of Annual Recurring General Fund Expenditures at Build Out	36
Table 24: Summary of Net Fiscal Impact to the City of Menlo Park General Fund at Build Out.....	37
Table 25: Projected Net Fiscal Impact to the City of Menlo Park General Fund, 2013-2030	39
Table 26: Total Net Fiscal Impact and Net Present Value of Fiscal Impacts to General Fund, 2013-2030	41
Table 27: Projected Impacts to the Menlo Park Fire Protection District at Build Out	44
Table 28: Projected Impacts to the Ravenswood School District at Build Out	47
Table 29: Projected Impacts to the Sequoia Union High School District at Build Out.....	48
Table A-1: Project Phasing, 2013-2030	50
Table A-1: Project Phasing, 2013-2030 (continued)	51
Table B-1: Projected San Mateo County Community College District Impacts at Build Out	54
Table B-2: Projected Impact to the Midpeninsula Regional Open Space District at Build Out.....	56

Table of Figures

Figure 1: Proposed Development Plan, 151 Commonwealth Drive	7
Figure 2: Distribution of Added Annual City General Fund Revenues from Project at Build Out.....	26
Figure 3: Distribution of Annually Recurring City General Fund Expenditures from Project at Build Out.....	36

Introduction

New development brings with it increased demands on local government services and infrastructure, but also generates new local government revenues through additional taxes and fees. A fiscal impact analysis describes a systematic approach to analysis of these increased expenditures and revenues in order to evaluate whether proposed new development would generate sufficient new fiscal revenues to cover new fiscal costs associated with provision of public services.

The City of Menlo Park (City) retained BAE Urban Economics (BAE) to conduct a Fiscal Impact Analysis (FIA) for the proposed Commonwealth Corporate Center at 151 Commonwealth Drive (Project). The Project consists of two four-story buildings totaling 259,919 square feet on 12.3 acres. The proposed buildings would have flexible floor plans designed to accommodate office, biotech, or research and development (R&D) uses. Along with the Project, the Draft Environmental Impact Report (DEIR) for the Project analyzes an alternative that would consist of a 25 percent reduction in Project size, resulting in a 194,939-square foot project, which is also be analyzed in this FIA as the Project Alternative.

The FIA addresses the fiscal impact for the City's General Fund from the Project and Project Alternative as defined in the DEIR, as well as the fiscal impact to special districts that provide services to residents and businesses in Menlo Park. The following sections of the FIA address a series of revenue and expense topics in turn, outlining the methodology used for the FIA, and presenting the findings from the analysis. The appendices contain additional technical information on selected topics.

Fiscal Impact Methodology

The objective of any fiscal impact analysis is the projection of changes in public revenues and costs associated with development of a project. This FIA examines the potential impact that the proposed new development would have on revenues and expenditures accruing to the City's General Fund and the following affected special districts¹:

- Menlo Park Fire Protection District
- Menlo Park Municipal Water District
- West Bay Sanitary District
- Ravenswood Elementary School District
- Sequoia Union High School District
- San Mateo County Office of Education Special District
- San Mateo County Community College District
- Midpeninsula Regional Open Space District
- Sequoia Healthcare District

This analysis focuses on impacts to the City's General Fund and special district operating funds, which represent the portion of municipal and district budgets that finance the ongoing provision of basic services. To pay for these services, the City's General Fund and operating funds are dependent on discretionary revenue sources such as property taxes, sales taxes, transient occupancy taxes, and various local taxes, as well as revenues allocated by the State of California and the federal government.

Within this FIA, except as otherwise noted in the text, the annual ongoing fiscal impact of the Project and Project Alternative is described in constant 2013 dollars, based on the future point in time when the Project or Project Alternative would be fully built out and would have achieved stabilized operations. In addition, an inflation-adjusted annual projection of fiscal impact through Fiscal Year (FY) 2030-2031² is provided to describe year-by-year fiscal impacts that could result from the Project and Project Alternative.

Service Population

The cost of providing government services is often based on the number of persons served. In general, as the "service population" increases, there is a need to hire additional public safety

¹ The State's dissolution of redevelopment agencies, including the City's former Community Development Agency, means that there has been an increase in the share of base property tax revenues received by the City's General Fund and special districts, which is reflected in this analysis. Other one-time revenues will flow to these agencies as the dissolution is finalized, however these are not included in the FIA as they do not impact fiscal revenues resulting from new development.

² The fiscal year runs from July 1 to June 30.

and other government employees, as well as a need to increase spending on equipment and material budgets.

Accepted practice in fiscal impact analysis is to define the service population as 100 percent of residents residing within a jurisdiction plus one third of the employees who work at firms located within the jurisdiction. Calculating service population in this manner is intended to reflect that local employment contributes to a jurisdiction's daytime population, thereby increasing demands for governmental services. The residential population is generally considered to generate a larger share of demand for services and is located within the jurisdiction for a longer portion of each day.

While a fiscal impact methodology based on service population is an important and useful means for estimating increased expenditures, in some instances other approaches are more appropriate, such as estimation of the increase in revenue or costs directly attributable to a project. Where other methodologies are used for specific revenues, such as property taxes, these are explained in the relevant sections. Shown in Table 1 are the service populations for Menlo Park, the County, and relevant special districts³.

³ The Table 1 figures are based on 2013 service population as it relates to FY2012-2013 budgets. The FIA commenced during FY2012-2013 and the initial analysis was done before the end of that fiscal year. Other timing considerations resulted in the draft FIA being completed in the FY2013-14 budget year. It is assumed that service population and other calculations for FY2013-14 are similar to those for FY2012-2013.

Table 1: Existing Service Population, 2013

<u>Jurisdiction</u>	2013	2013
	<u>Residents (a)</u>	<u>Employment (b)</u>
Menlo Park	32,679	28,599
Menlo Park Fire Protection District (c)	85,906	39,431
San Mateo County	735,678	355,031
Midpeninsula Regional Open Space District (d)	680,500	408,737
Sequoia Healthcare District (e)	183,782	110,166

<u>Jurisdiction</u>	2012
	<u>Service Population (f)</u>
Menlo Park	42,212
Menlo Park Fire Protection District	99,050
San Mateo County	854,022
Mid Peninsula Open Space District	816,746
Sequoia Healthcare District	220,504

NOTE: Service Population = total residents + 1/3 of employment

Notes:

- (a) Population estimates for Menlo Park, San Mateo County, the Midpeninsula Regional Open Space District, and the Sequoia Healthcare District per CA Dept. of Finance, 2013. Population estimate for the Menlo Park Fire Protection District provided by the Fire District based on analysis from Siefel Consulting.
- (b) Due to differences between jurisdictions in the availability of employment data, employment estimates come from a variety of sources. Employment in Cupertino, Menlo Park, Mountain View, Palo Alto, Redwood City, and Sunnyvale per ACS, 2009-2011. Employment in Atherton, Belmont, East Palo Alto, Half Moon Bay, Los Altos Hills, Los Gatos, Portola Valley, San Carlos, Saratoga, and Woodside per ACS, 2007-2011. Employment in Monte Sereno per OnTheMap 2010. All employment figures assumed to be within the margin of error for 2012.
- (c) The Menlo Park Fire Protection District serves Atherton, East Palo Alto, Meno Park, portions of unincorporated San Mateo County and some Federal facilities. Population and employment figures for the District are based on analysis by Seifel Consulting for the draft MPPFD Impact Fee Nexus Study.
- (d) Midpeninsula Open Space District includes Atherton, Cupertino, East Palo Alto, Half Moon Bay, Los Altos Hills, Los Gatos, Menlo Park, Monte Sereno, Mountain View, Palo Alto, Portola Valley, Redwood City, San Carlos, Saratoga, Sunnyvale, and Woodside.
- (e) Sequoia Healthcare District includes Redwood City, San Carlos, Belmont, Menlo Park, Woodside, Atherton, and Portola Valley.
- (f) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population for this analysis, each employee is multiplied by: 1/3

Sources: U.S. Census ACS 2007-2011; ACS 2009-2011; California State Department of Finance, 2013; Seifel Consulting Inc, 2013; BAE, 2013.

Revenue Items

This FIA uses a variety of techniques to estimate revenues. As appropriate, estimates for many revenue items rely on per capita, per employee, or per service population calculations, depending on which populations are associated with particular revenue sources. Other estimation methodologies are based on statutory requirements, such as those for property tax

revenues. Detailed information regarding revenue estimation methodologies is provided in each of the relevant sections below.

All revenue figures are presented in constant 2013 dollars, except as noted, in order to facilitate comparisons.

Expenditure Items

Expenditure estimates are based on one of two estimation methods. Where practical, specific incremental or “marginal costs” were identified. Marginal costs represent direct estimates of the costs associated with the addition of staff, equipment, and/or supplies needed to provide services to new development. BAE contacted representatives of the affected City departments, including the Finance, Community Development, Community Services, Library, Police, and Public Works departments, as well as representatives of the special districts providing fire protection and other services to determine whether marginal cost estimates could be reasonably calculated. Discussions with department and district staff addressed issues related to the adequacy of existing staffing levels and equipment to serve new development and specific needs for increased personnel, equipment, supplies, and facilities.

In cases where it was impractical to identify specific marginal costs, an “average cost” method was used to calculate the impact to public service costs. Calculation of average costs involves the calculation of unit costs on a per service population basis, such as the cost to provide library services in Menlo Park. This unit cost is calculated by dividing the entire library system budget by the jurisdiction’s current service population. The unit cost is then applied to an estimate of the increase in service population projected from new development. Detailed information regarding expenditure estimation methodologies is provided in each of the relevant sections below.

All expenditure figures are presented in constant 2013 dollars, except as noted, in order to facilitate comparisons.

Report Organization

This report is organized into the following sections:

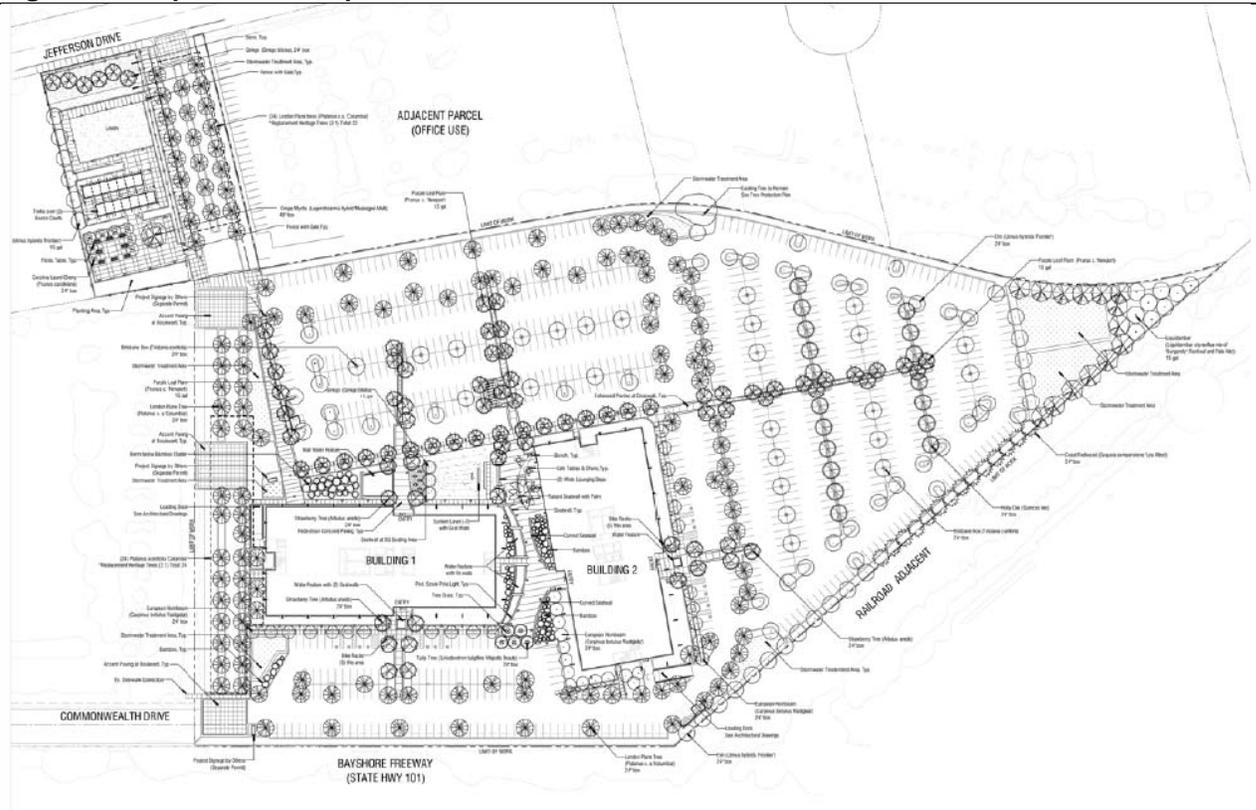
- ***Development Program Overview.*** This section provides an overview of the Project.
- ***City's General Fund Fiscal Impact Analysis.*** This section provides an analysis focused on the City's General Fund. Specific topics are listed below.
 - *General Fund Revenues.* This section describes methodologies for estimating revenues and provides a detailed source-by-source estimate of the City's revenues.
 - *General Fund Expenditures.* This section describes methodologies for estimating expenditures and provides a detailed, department-by-department estimate of the City's General Fund expenditures.
 - *Summary of Annual Ongoing Net Fiscal Impact.* This section provides an estimate of the annual ongoing net fiscal impact to the City's General Fund resulting from the Project by comparing the findings of the two preceding sections.
 - *20-Year Projection.* This section presents the year-by-year and total net fiscal impact of the Project across a 1-year period (2013-2030), expressed in nominal dollars adjusted for inflation, along with a net present value calculation in constant 2013 dollars.
- ***Special District Fiscal Impact Analysis.*** This section presents methodologies for estimating special district revenues and expenditures and presents the net annual fiscal impact to the operating budget of each of the affected special districts for the Project.

Development Program Overview

The Sobrato Organization has proposed redeveloping two adjacent sites (collectively referred to as the Project site) at 151 Commonwealth Drive (the Commonwealth site) and 164 Jefferson Drive (the Jefferson site) in the City of Menlo Park. The Sobrato Organization has proposed development of two four-story buildings consisting of 259,919 square feet with flexible floor plans to allow for office, biotech, and R&D uses (the Project), which could accommodate an estimated 1,300 employees of one or more tenants (the actual number of employees and tenants would be determined by the tenant leases the Sobrato Organization enters into in the future). Site plans for the Project include surface parking, a courtyard with outdoor seating and tables, and a lawn area intended for recreational purposes. The proposed site development plan for the Project is shown in Figure 1.

The Project Alternative identified in the DEIR consists of a 25 percent reduction in the size of the project, resulting in a project totaling 194,939 square feet. Accordingly, the Project Alternative is assumed to accommodate 25 percent fewer workers, for a total of 975 employees.

Figure 1: Proposed Development Plan, 151 Commonwealth Drive



Source: City of Menlo Park Notice of Preparation of Environmental Impact Report, 2012.

The redevelopment of the Project site would include demolition of existing manufacturing space on both the Commonwealth site and the Jefferson site. Existing development on the Commonwealth site consists of three manufacturing warehouse buildings totaling approximately 217,396 square feet. The site was most recently occupied by Diageo North America, which used the site as a spirits distilling, bottling, and distribution plant, but it has been unoccupied since July 2011. Existing development on the Jefferson site consists of a single 20,462-square foot warehouse building occupied by several businesses that are using the space for office or light industrial purposes.

According to data provided by the City of Menlo Park, the median employment count at the Commonwealth site was 175 workers between 1999 and 2011, while current employment at the Jefferson site is estimated to total 30 employees. The FIA uses the sum of these two figures to estimate total employment at the Project site, prior to the Project, at 205 workers.

The construction schedule for the Project envisions demolition of the existing structures on site in 2014 and completion of construction in 2015. For the purposes of the FIA, it is assumed that the Project is 50 percent occupied (i.e. it has half of the total projected employees on site) during 2015 and reaches stabilization and full occupancy during 2016. The same demolition, construction, and occupancy schedule is assumed for the Project Alternative.

Employment Generation

The DEIR prepared by ICF International estimates that the Project would have a capacity of approximately 1,300 employees. As shown in Table 2, this results in a net increase of 1,095 employees (1,300 new employees minus 205 existing employees), or a net increase of 365 service population⁴. The Project Alternative would have a capacity of approximately 975 workers, resulting in a net increase of 770 employees or 257 service population.

⁴ As discussed in the methodology section, each new employee is counted as an increase in service population of one-third.

Table 2: Projected Change to Menlo Park Service Population at Build Out

	Project	Project Alternative
Gross New Square Footage	259,919	194,939
Office/R&D/Biotech	259,919	194,939
Demolition of Existing	237,858	237,858
Manufacturing	163,058	163,058
Warehouse	55,627	55,627
Office	19,173	19,173
Net New Service Population (a)	365	257
Gross New Employees (b)	1,300	975
Less: Existing Employment on Site (c)	<u>(205)</u>	<u>(205)</u>
Net New Employees	1,095	770

Notes:

(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, employees are multiplied by 1/3

(b) According to the Draft EIR for the Project, the worker generation associated with the Project will total 1,300.

(c) According to data provided by the City of Menlo Park, employment at the Jefferson site currently totals 30. The median employment count for the Commonwealth site between 1999 and 2011 was 175.

Sources: City of Menlo Park, 2012; BAE, 2013.

City General Fund Fiscal Impact Analysis

Annually Recurring General Fund Revenues

The Project would generate revenue for the City and various special districts from a variety of sources, including sales tax and property tax, as well as business licenses, fines, fees, and charges for services.

The following section details the methodology for calculating these revenues and provides an estimate of revenues that would be generated by the Project or Project Alternative.

Sales and Use Tax

According to the State Board of Equalization (SBOE), the City receives sales tax revenues equal to 0.95 percent of local taxable expenditures that occur within the City limits. Although the Bradley-Burns Local Sales and Use Tax specifies that one percent of the total sales tax is distributed to the local jurisdiction, cities within many California counties, including San Mateo County, share five percent of sales tax revenues with the county government to cover administrative and other costs, retaining 95 percent of the one percent sales tax, or 0.95 percent of total taxable sales, for themselves. Sales tax revenues associated with the Project or Project Alternative would be expected to accrue from new employees' taxable retail spending at local retailers elsewhere in the City as well as business-to-business taxable transactions resulting from business activity in the Project or Alternative.

Employee Sales Tax Revenues

Sales tax revenues associated with new employees' taxable retail spending generally consists of on- and off-site food purchases (e.g., lunches) and other convenience goods retail purchases. The International Council of Shopping Centers (ICSC) publishes a detailed survey of office worker spending patterns, which provides a useful estimate of likely spending by Project employees. According to these data, employees at suburban office locations spend approximately \$7,300 annually on food and retail purchases near their place of work (both taxable and non-taxable retail sales). Of this total, approximately \$1,500 is spent in drug or grocery stores. Purchases in drug and grocery stores typically consist largely of sales of items that are not taxable in California, with roughly 30 percent of sales in these stores falling into taxable categories. Based on these assumptions, the annual taxable sales per employee is estimated at \$6,305. As shown in Table 3, the new employee spending is estimated to generate \$32,800 in sales tax revenue to the City of Menlo Park per year from the Project or \$23,100 per year from the Project Alternative.

Table 3: Estimated Annual Sales Tax Revenues from New Employee Spending at Build Out

Project	Net Change
Sales Tax Receipts to City of Menlo Park	\$32,800
Net Additional Employment	1,095
Estimated Annual Taxable Retail Spending in Menlo Park	\$3,451,800
Project Alternative	
Sales Tax Receipts to City of Menlo Park	\$23,100
Net Additional Employment	770
Estimated Annual Taxable Retail Spending in Menlo Park	\$2,427,300
Assumptions	
Annual Spending per Office Worker (a)	\$7,326
Spending per Office Worker in Drug and Grocery Stores (a)	\$1,459
Percent of Drug and Grocery Store Sales that are Taxable	30%
Taxable Retail Sales per Office Worker (b)	\$6,305
Local Share of Sales Tax Receipts	0.95%
Share of Spending in Menlo Park (c)	50%

Notes:

(a) Based on data from International Council of Shopping Centers (ICSC), Office-Worker Retail Spending in a Digital Age, 2012, pg. 14.

(b) Includes only one third of purchases at drug and grocery stores because the remaining sales at these stores are assumed to be non-taxable.

(c) Assumption for which portion of spending would occur in Menlo Park rather than East Palo Alto, Redwood City, Atherton, Palo Alto, or other neighboring areas.

Sources: ICSC, 2012; BLS, 2012; BAE, 2013.

Business-to-Business Sales Tax Revenues

The Project could potentially generate a significant amount of sales tax revenue through business-to-business and other non-retail transactions for which the Project is identified as the point of sale. As opposed to retail transactions where the point of sale is at the retail location, for non-retail sales of taxable goods to final users, the State Board of Equalization defines the point of sale for non-retail transactions as the seller’s location where the principal sales negotiations are carried out – typically the company sales office. This can be a significant source for Silicon Valley companies that sell computers, telecommunications hardware, and other equipment subject to sales tax.

To estimate non-retail sales taxes, BAE examined confidential sales tax data provided by the City of Menlo Park Finance Department for several comparable, multi-tenant office developments in the City. These developments are listed below and are considered a representative sample of the City’s newer and higher quality office developments. In total, these developments include approximately 1.2 million square feet of space.

**Table 4: Comparable Office Developments,
Menlo Park**

Address(es)	Gross Floor Area (Sq. Ft.)
275 Middlefield Rd & 155 Linfield Dr	140,830
333 Middlefield Rd	44,386
120-160 Scott Dr	121,940
180-200 Jefferson Dr	210,000
2800 Sand Hill Rd	65,325
2725-2775 Sand Hill Rd	146,000
1000 El Camino Real	38,100
1600 El Camino Real	51,915
3850 Bohannon Dr & 990 Marsh Rd	11,646
3805 Bohannon Dr & 1000 Marsh Rd	40,250
4100-4700 Bohannon Dr	360,000
TOTAL	1,230,392

Sources: City of Menlo Park; BAE, 2012.

For each of these developments, the Finance Department provided total annual sales tax revenue between 2000 and 2010, excluding sales tax revenues generated in any ground floor retail space. BAE inflated data to 2013 dollars using the All Urban Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area, and determined the average annual sales tax revenue during each of the prior years. As shown in Table 5, business-to-business sales tax revenues ranged from a high of \$763,400 in 2003 to a low of \$75,900 in 2002. Divided by the total amount of square footage in these developments, revenues ranged from \$62 to \$620 per 1,000 square feet of gross floor area. The dramatic year-to-year differences result from sales amounts recorded by a very small number of tenants. When a tenant leaves or enters a development, or when its sales are unusually high or low during a given year, or when the location of the point of sale changes, the amount of business-to-business sales taxes generated varies widely.⁵

⁵ State law protects the confidentiality of sales tax data to protect the proprietary information of businesses. Hence individual business names are not provided in this report and all data is aggregated.

Table 5: Business-to-Business Sales Tax Generation from Existing Large Office Developments in Menlo Park

Historic Business-to-Business Sales Tax Revenues (a)	Total Revenues (b)	Gross Floor Area (sq.ft.) (c)	\$ Per 1,000 Sq. Ft.
2000	\$111,729	1,230,392	\$91
2001	\$213,003	1,230,392	\$173
2002	\$75,892	1,230,392	\$62
2003	\$763,405	1,230,392	\$620
2004	\$216,656	1,230,392	\$176
2005	\$87,555	1,230,392	\$71
2006	\$206,261	1,230,392	\$168
2007	\$157,798	1,230,392	\$128
2008	\$366,032	1,230,392	\$297
2009	\$237,749	1,230,392	\$193
2010	\$258,925	1,230,392	\$210
Low-Range	\$75,892		\$62
Median (Mid-Range)	\$213,003		\$173
High-Range	\$763,405		\$620

Notes:

(a) All figures have been adjusted to 2013 dollars based on Bay Area CPI for All Urban Consumers.

(b) Revenues generated in existing large office developments in Menlo Park.

(c) Total gross floor area per City of Menlo Park Planning Department.

Sources: City of Menlo Park, 2012; BAE, 2012.

Based on these data, a range of potential annual sales tax revenue generation from the Project and the Project Alternative was estimated, as shown in Table 6. Assuming revenues at the high end of the range, the Project would annually generate \$161,300 in sales tax revenue, compared to \$45,000 in the middle range, and \$16,000 at the low end. The Project Alternative would generate an estimated annual range of \$12,000 to \$121,000 in sales tax revenue. Actual sales tax revenue generation would depend on the specific mix of tenants who occupy the space in the Project. Certain types of office tenants tend to generate substantial sales tax revenues, including high technology hardware corporations sales offices, while social media and professional and financial services firms tend to generate little or no sales tax revenues. The median values shown in Table 6 are used in the FIA to estimate total sales tax revenue generated by the Project and the Project Alternative

Table 6: Estimated Annual Business-to-Business Sales Tax Revenues at Build Out

Project	Net Change
Estimated Business-to-Business Sales Tax	
Low Estimate	\$16,000
Median (Mid-Range) Estimate	\$45,000
High Estimate	\$161,300
Square footage	259,919
Project Alternative	
Estimated Business-to-Business Sales Tax	
Low Estimate	\$12,000
Median (Mid-Range) Estimate	\$33,700
High Estimate	\$121,000
Square footage	194,939
Estimated Business-to-Business Sales Tax per 1,000 sq. ft.	
Low Range	\$62
Median	\$173
High Range	\$620

Source: BAE, 2013.

Property Taxes

Property taxes are a key source of the City’s General Fund revenues, as well as the primary revenue source for a number of special districts. Property taxes are applicable to real property, defined as land and the buildings attached to it, and certain types of personal property, including furniture, fixtures, and equipment (FF&E) owned by businesses.⁶ Property in California is subject to a base 1.0 percent property tax rate, which is shared among various local jurisdictions including the County, City, and special districts, as well as the State, which is allocated a portion of funds known as Education Revenue Augmentation Funds (“ERAF”). Table 7 shows the ERAF shift for jurisdictions that receive property tax revenue from the Project site.

In addition to the base 1.0 percent tax rate, within certain areas of the County and local jurisdictions supplemental property taxes apply. The Project site is subject to supplemental property taxes to pay for bonds issued for school district and community college district purposes, as well as City assessments for landscaping and storm water management. Supplemental property taxes are restricted for specific uses and apply only to real property and not to business personal property. This analysis focuses on the City’s General Fund revenues and does not calculate supplemental taxes for non-discretionary services.

⁶ All San Mateo County businesses with personal property worth \$100,000 or more are required to file an annual personal property tax statement.

The distribution of the base 1.0 percent property tax revenues varies based on the Tax Rate Area (TRA) that a property is located in, as do the supplemental taxes that apply to the property. In the TRA that includes the Project site (TRA 008-063), approximately 8.3 percent of the base 1.0 percent property tax revenues accrue to the City of Menlo Park, as shown in Table 7.

Table 7: Distribution of Property Tax Assessment by Jurisdiction

Jurisdiction	Distribution Before ERAF	ERAF Shift (a)	Effective Distribution
City of Menlo Park	10.11%	18.01%	8.29%
San Mateo County	19.93%	41.84%	11.59%
Ravenswood Elementary School District	32.71%	0.00%	32.71%
Sequoia Union High School District	13.14%	0.00%	13.14%
San Mateo Community College District	5.70%	0.00%	5.70%
Menlo Park Fire District	13.25%	11.21%	11.77%
Midpeninsula Regional Open Space District	1.54%	0.00%	1.54%
Bay Area Air Quality Management	0.18%	0.00%	0.18%
County Harbor District	0.30%	23.48%	0.23%
Mosquito Abatement	0.16%	16.89%	0.13%
County Office of Education	2.97%	0.00%	2.97%
ERAF shift	<u>0.00%</u>	0.00%	<u>11.74%</u>
	100.00%		100.0%

Note:

(a) The ERAF shift shown represents the percentage reduction of property taxes to each jurisdiction to fund ERAF, based on FY 2012-13 figures provided by the San Mateo County Controller's Office.

Sources: San Mateo County Controller; BAE, 2013.

The assessed value of real property consists of two components: land value and improvement value. Proposition 13 provides that the value of each of these components cannot increase by more than two percent per year, except when a property is transferred to a new ownership entity, in which case it is reappraised to current market value; or for construction of new improvements, in which case the assessed value is increased by the value of the construction. Table 8 shows the current assessed value of the Project site, according the San Mateo County Assessor.

Table 8: Current Assessed Value of the Project Site, 2012

Site	Parcel Number	Current Assessed Value, 2012		
		Improvements	Land	Total Value
Commonwealth Site	055-243-240	\$500,000	\$19,500,000	\$20,000,000
Jefferson Site	055-243-050	\$807,613	\$164,428	\$972,041
Total		\$1,307,613	\$19,664,428	\$20,972,041

Sources: City of Menlo Park; San Mateo County Assessor's Office; BAE, 2013.

The projected assessed value of the Project at build out is based on construction costs, which were estimated to total \$106 million. The use of construction costs to project assessed value

provides a conservative estimate, since assessed value is typically slightly higher than the cost of construction. Table 9 shows the total projected assessed value of the Project and the net projected increase in assessed value generated by the Project (i.e. the new assessed value net of the current assessed value). As shown, the net increase in assessed value associated with the Project at build out totals \$85 million.

The assessed value of the Project Alternative is also based on the projected development costs for the Project, with costs that would change based on project size (e.g. construction costs) reduced by 25 percent to reflect the 25 percent reduction in project size for the Project Alternative. Items in the development budget that are not expected to change based on project size (e.g. land costs, landscaping costs, and geotechnical consultants) were assumed to be the same for the Project and the Project Alternative. The net increase in assessed value associated with the Project Alternative at build out totals \$66 million.

Since the tenants that would occupy the Project are not known at this time, the assessed values shown in Table 9 do not include the value of items that would be subject to personal property tax, which would vary substantially in value depending on the type of tenant occupying the Project. This leads to a more conservative analysis because the inclusion of the value of personal property would increase the assessed value and property tax revenues associated with the Project and the Project Alternative.

These figures provide the basis for calculating the projected increase in property tax revenues resulting from the Project.

Table 9: Projected Increase in Assessed Property Values at Build Out

Project	Net Change
Net Increase in Property Value	\$85,028,000
Projected New Assessed Value (a)	\$106,000,000
Less: Existing Property Value	\$20,972,000
New Office/R&D/Biotech (sq. ft.)	259,919
Project Alternative	
Net Increase in Property Value	\$66,028,000
Projected New Assessed Value (a)	\$87,000,000
Less: Existing Property Value	\$20,972,000
New Office/R&D/Biotech (sq. ft.)	194,939

Note:

(a) Projected new assessed value is based on total Projects costs, according to information provided by the Sobrato Organization.

Source: BAE, 2013.

Based on the City's share of property tax revenues as shown in Table 7, the City would receive approximately \$70,200 in annual property tax revenues from the Project at build out, as

shown in Table 10. The Project Alternative would result in \$54,600 per year in property tax revenue to the City.

Table 10: Projected Increase in Annual Property Tax Revenues to the City of Menlo Park General Fund at Build Out

Project	Net Change
City of Menlo Park Property Tax Revenue	\$70,200
Net Change in Assessed Value	\$84,612,396
1% Property Tax Base	\$846,124
Project Alternative	
City of Menlo Park Property Tax Revenue	\$54,600
Net Change in Assessed Value	\$65,834,053
1% Property Tax Base	\$658,341
Menlo Park Share of 1% Property Tax Base	
TRA 008-063	8.3%

Sources: San Mateo County Assessor's Office, 2012 & 2013; BAE, 2013.

Property Tax In-Lieu of Vehicle License Fee Revenues

Beginning in FY2005-2006, the State ceased to provide “backfill” funds to counties and cities in the form of Motor Vehicle In-Lieu Fees (VLF) as it had through FY2004-2005. As a result of the complicated financial restructuring enacted as part of the State’s budget balancing process, counties and cities now receive revenues from the State in the form of what is known as property tax in-lieu of vehicle license fees, or ILVLF. This State-funded revenue source is tied to a city’s total assessed valuation. In FY2005-2006, former VLF revenues were swapped for ILVLF revenues, which set the local jurisdiction’s ILVLF “base.” The base increases each year thereafter in proportion to the increase in total assessed valuation within the jurisdiction. For example, if total assessed valuation increases by five percent from one year to the next, the ILVLF base and resulting revenues would increase by five percent.

In order to calculate the incremental increase in ILVLF revenues that would result from the Project, the analysis first determines the total assessed value within the City, and the City’s current ILVLF revenues. The analysis then determines the percentage by which the Project would increase the City’s assessed valuation, and applies the percentage increase to the current ILVLF revenues in order to determine the incremental amount of ILVLF attributable to the Project.

The Project would generate a 0.80 percent increase in the City’s total assessed value. Applied to the ILVLF payment for FY 2012-2013, this would result in Project-generated ILVLF revenues of approximately \$19,500 per year. The Project Alternative would generate a 0.62 percent increase in the City’s total assessed value, resulting in \$15,100 in ILVLF revenues per year.

Table 11 shows the projected ILVLF revenues from the Project and the Project Alternative based on the current allocation formula.

Table 11: Projected Increase in Property Tax In Lieu of VLF Revenues at Build Out

Project	Net Change
ILVLF Revenue to City of Menlo Park (a)	\$19,500
Projected Net Increase in Assessed Value	\$85,028,000
Percent Increase in Total Menlo Park Assessed Value	0.80%
Project Alternative	
ILVLF Revenue to City of Menlo Park (a)	\$15,100
Projected Net Increase in Assessed Value	\$66,028,000
Percent Increase in Total Menlo Park Assessed Value	0.62%
Assumptions	
Total Assessed Value in Menlo Park, FY 12-13	\$10,621,332,502
ILVLF Payment FY 12-13	\$2,432,181

Notes:

(a) Percent increase in total Citywide assessed value multiplied by the 2012-2013 payment.

Sources: City of Menlo Park, BAE; 2013.

Transient Occupancy Taxes (TOT)

The City collects Transient Occupancy Taxes (TOT), or lodging “room taxes”, when visitors stay in local hotels. Although the Project does not include a hotel component, office and R&D developments in Menlo Park often account for a portion of hotel room stays in the City due to visits from prospective employees and visitors traveling to do business or attend special events at local companies. As a result, the Project is likely to generate new hotel demand in Menlo Park, thereby generating new TOT revenues for the City’s General Fund. The City’s current TOT rate is 12 percent, applicable to all room and parking revenues.

The FIA estimates new hotel room demand generated by the Project based on the existing inventory of office space and hotel rooms in San Mateo and Santa Clara Counties, which provides a means to quantify the demand for hotel rooms that can be attributed to office development. Total office square footage in the two counties (92 million square feet) was provided by research reports published by Cassidy/Turley for the first quarter of 2013. The number of hotel rooms was estimated based on the inventory of hotel rooms in the database maintained by Smith Travel Research (STR). Since a portion of hotels are not included in the STR inventory, the STR figure for San Mateo County was compared to the San Mateo County hotel room inventory as reported by the San Mateo County Convention and Visitors Bureau, which indicated that the STR inventory includes approximately 97 percent of all hotel rooms in San Mateo County. The FIA assumes that the STR inventory includes 97 percent of all hotels in each county to estimate the total number of hotel rooms in both San Mateo and Santa Clara Counties (approximately 42,000 rooms).

STR data for hotel markets in San Mateo and San Clara Counties indicate that, over long time periods, hotels in these markets average 70 to 75 percent occupancy rates. To provide a conservative estimate of future revenues, the FIA assumes 70 percent occupancy on average. Using the total estimated hotel rooms in San Mateo and Santa Clara Counties and the estimated occupancy rate, the FIA estimates that existing demand for hotels in San Mateo and Santa Clara Counties totals approximately 11 million room-nights per year. Assuming that 70 percent of all room nights in the area are generated by business-related travel, which is consistent with information provided by local hotel operators and the San Mateo County Convention and Visitors' Bureau, this indicates that each square foot of office space has the potential to support an average of 0.08 room-nights per year. This proportion was applied to the net increase in office square footage to arrive at an estimated total number of room nights attributable to the Project and the Project Alternative. As shown in Table 12, the Project would be expected to generate 19,800 hotel room stays each year, while the Project Alternative would be expected to generate 14,400 hotel room stays each year.

A key question for the analysis of TOT from the Project is what percentage of the new Project-generated room night demand would be in Menlo Park hotels. Menlo Park currently has a small inventory of lodging facilities, ranging from the five-star Rosewood Sand Hill hotel, to mid-to-lower end motel properties along El Camino Real. The planned 230-room hotel at the Menlo Gateway project and the planned 138-room Marriott Residence Inn at 555 Glenwood Avenue would increase the City's share of the local hotel market and therefore allow the City to capture a larger portion of hotel room demand; however the opening date is not known for either project.

Based on the existing inventory of three, four, and five-star hotels in Menlo Park, Palo Alto, East Palo Alto, and Redwood City, which represent the properties most likely to appeal to business travelers, the FIA estimates that 25 percent of new hotel room night demand generated by the Project would be in Menlo Park hotels. This is consistent with the FIA for the proposed Facebook campus extension in Menlo Park, which is geographically close to the Project and therefore likely to generate a similar distribution of hotel room demand between Menlo Park and neighboring cities. After build out of one or both of the planned new hotels in Menlo Park, the City's share of new demand would likely be higher than the 25 percent capture rate shown in Table 12.

The assumption for average room rate, at \$150 per night, is consistent with STR data for the local market.

Table 12 shows the estimated TOT generated by the Project and the Project Alternative. As shown, the Project is estimated to generate approximately \$88,900 per year in TOT revenue to the City of Menlo Park. The Project Alternative is estimated to generate approximately \$64,900 per year in TOT revenue to the City of Menlo Park. TOT revenues could be

substantially higher than shown in the table after completion of the planned new hotels at the Menlo Gateway project and 555 Glenwood Avenue.

Table 12: Projected Transient Occupancy Tax Revenues at Build Out

Project	Net Change
Estimated Increase in TOT Revenues	\$88,900
Increase in Office Square Footage	240,746
Room Nights Generated by Project (Annually) (a)	19,754
Annual Hotel Revenues Subject to TOT	\$740,800
Project Alternative	
Estimated Increase in TOT Revenues	\$64,900
Increase in Office Square Footage	175,766
Room Nights Generated by Project (Annually) (a)	14,423
Annual Hotel Revenues Subject to TOT	\$540,800
Assumptions	
Number of Hotel Rooms, San Mateo and Santa Clara Counties (b)	42,323
Average Annual Occupancy Rate (c)	70%
Estimated Room Nights per Year	10,813,527
Portion of Regional Hotel Demand Driven by Office	70%
Total Office Space, San Mateo and Santa Clara Counties (sq. ft.) (d)	92,248,341
Annual Room Nights per Sq. Ft. of Office Space	0.08
Average Daily Room Rate (e)	\$150
City of Menlo Park TOT Rate	12%
Menlo Park Hotel Demand Capture Rate (f)	25%

Notes:

(a) The number of room nights generated by the Project per year is estimated by multiplying the number of room nights per year per square foot of office space by the net increase in office square footage.

(b) The number of hotel rooms in San Mateo and Santa Clara Counties is based on the total inventory in each county according to Smith Travel Research (STR) and the San Mateo County inventory as reported by the San Mateo County Convention and Visitors Bureau.

(c) Occupancy rate is based on the 2012 occupancy rate for the San Francisco/San Mateo market area reported by STR, adjusted slightly downward to provide a conservative estimate.

(d) Estimated office square footage is from research published by Cassidy/Turley.

(e) Estimated average daily room rate is based on STR research for hotels in San Mateo and Santa Clara Counties.

(f) Menlo Park hotel demand capture rate used for this FIA is the consistent with the capture rate used for the Facebook campus FIA.

Source: City of Menlo Park, 2013; Smith Travel Research, 2013; Cassidy/Turley, 2013; San Mateo County Convention and Visitors Bureau, 2013; BAE, 2013.

Utility User Tax

The City currently collects a Utility User Tax (UUT) assessed on gas, electric, water, wireless, cable, and telephone bills. The UUT ordinance sets a maximum 3.5 percent tax on gas, electrical and water usage, and a maximum 2.5 percent tax on cable, telephone and wireless services. However, since its inception in 2007, the UUT has been set at a single 1.0 percent rate, which for the purposes of this analysis is assumed to continue. For businesses that

generate more than \$1.2 million in water, gas, and electricity utility expenditures, combined, the City caps the total combined water, gas, and electricity utility tax bill at \$12,000 annually per business entity per address.

Table 13 shows estimated UUT revenues per resident and per employee, based on total estimated revenues in the 2012-2013 fiscal year. UUT revenues were split between residential and commercial users based on information provided by utility service providers for the 2011-2012 fiscal year, the most recent year for which these estimates are available.

Table 13: Per Capita and Per Employee Utility User Tax Revenues, FY 2012-2013

<u>Citywide Revenues</u>	<u>Estimated Revenues, FY 2012-13</u>		
	<u>Total</u>	<u>Residential (b)</u>	<u>Commercial (b)</u>
Water, Gas, and Electric User Tax Revenues (a)			
Electric	\$414,580	\$103,341	\$311,239
Gas	\$108,387	\$66,237	\$42,150
Water	<u>\$135,469</u>	<u>\$99,846</u>	<u>\$35,623</u>
Total Water, Gas, and Electric User Tax Revenues	\$658,436	\$269,424	\$389,012
Est. Annual Water, Gas, & Electric Expenditures in Residential, per Resident			\$824
Est. Annual Water, Gas, & Electric Expenditures in Non-Residential, per Employee			\$1,360
Other Utility Tax Revenues			
Telecommunications	\$139,957	\$57,269	\$82,688
Wireless	\$210,000	\$85,929	\$124,071
Cable	<u>\$90,000</u>	<u>\$81,000</u>	<u>\$9,000</u>
Total Other Utility Tax Revenues	\$439,957	\$224,198	\$215,759
Est. Annual Other Utility Expenditures in Residential, per Resident			\$686
Est. Annual Other Utility Expenditures in Non-Residential, per Employee			\$754
Utility Tax Rate	1.0%		

Note:

(a) The City of Menlo Park caps the combined total of electric, gas, and water expenditures that are subject to UUT at \$1,200,000 per year per address (\$12,000 in UUT revenue); other utility taxes are based on 1% of expenditures (no cap).

(b) Split between residential and commercial use is based on split in the 2011-2012 fiscal year, the most recent year for which this information is available.

Sources: City of Menlo Park, 2011; BAE, 2013.

As Table 14 shows, based on typical utility usage, the Project would result in a net increase in annual City UUT revenues of approximately \$23,200 at build out and the Project Alternative would result in a net increase in annual City UUT revenues of approximately \$16,300 at build out.

Table 14: Projected Increase in Annual Utility User Tax Revenues at Build Out

Project	Net Change
Projected Total Utility User Tax Revenues	\$23,200
Net New Employees	1,095
Projected New Gas, Electric, and Water Expenditures	\$1,489,500
New Other Utility Expenditures	\$826,100
Total Expenditures Subject to Utility User Tax (a)	\$2,315,600
Project Alternative	
Projected Total Utility User Tax Revenues	\$16,300
Net New Employees	770
Projected New Gas, Electric, and Water Expenditures	\$1,047,400
New Other Utility Expenditures	\$580,900
Total Expenditures Subject to Utility User Tax (a)	\$1,628,300

Note:

All figures are in net constant 2013 dollars. Figures may differ slightly from results shown by manual calculation due to rounding.

(a) The City of Menlo Park caps the combined total of electric, gas, and water expenditures that are subject to UUT at \$1,200,000 per year per address (\$12,000 in UUT revenue); other utility taxes are based on 1% of expenditures (no cap).

Sources: City of Menlo Park, 2011; BAE, 2013.

Other Revenues

Franchise Fees and Fines

The City generates approximately 5 percent of General Fund revenues from franchise fees⁷ and 3 percent of General Fund revenues from fines. Both types of revenues tend to increase as the City’s service population grows. In the case of franchise fees, these are generally set as a percentage of gross receipts and increase as expenditures on utilities, such as gas and electricity, increase. In the case of fine revenues, these are primarily collected by the Police Department for parking and traffic citations, and can be expected to increase as the residential and employment base of the City grows.

According to the FY2012-2013 budget, the City would receive approximately \$61 per person in the service population in fines and franchise fee revenues, excluding cable TV franchise fees, which are not typically generated by commercial development. Once complete and fully occupied, the Project would be expected to generate new service population based on the calculations set forth in Table 2. Assuming a commensurate increase in the amount of franchise fees and fines collected each year, the Project would generate additional fines and

⁷ Franchise fees or local access fees are paid by utilities to local governments in exchange for the right to provide service within a community. PG&E is the largest payer of franchise fees in the City.

franchise fees revenues of \$31,400 annually, as shown in Table 15. The Project Alternative would generate \$24,900 annually in fines and franchise fees.

Business License Revenues

The City of Menlo Park typically charges business license fees to businesses operating in the City based on gross revenues. Annual business license fees range from \$50 to \$750 for businesses with annual gross receipts up to \$2 million. Businesses with annual gross receipts exceeding \$2 million are charged \$750 plus \$250 for each additional \$1 million or portion thereof, with a fee cap of \$8,000. Based on the current business license fee structure, this fee cap applies to all businesses with gross revenues of \$31 million per year or more.

To estimate business license fee revenue from the Project, the FIA estimated annual gross revenues from businesses that would occupy the Project. As shown in Table 15, the FIA makes a conservative assumption that the Project would be occupied by only two businesses (one business per building), with 650 employees each. Since large businesses are more likely to reach the business license fee cap, assuming two large businesses provides a more conservative approach than assuming a greater number of small businesses. Given the assumed business sizes for the Project, any business with gross revenues totaling at least \$48,000 per year (a fairly conservative figure) will reach the \$8,000 fee cap. The FIA assumes that employees generate an average of \$100,000 in gross revenues per person annually.

Current business license fee revenue generated by businesses at the Project site was estimated based on the number of existing businesses and employees at the Project site, according to information provided by City staff.

As shown, the Project is projected to generate \$31,400 in additional business license fee revenue to the City. The Project Alternative is projected to generate \$24,900 in additional business license fee revenue to the City.

Table 15: Other Projected Annually Recurring Revenues

Project	Net Change
Total Other Revenue	\$31,400
New Fines and Franchise Fee Revenues	\$22,100
New Service Population (a)	365
Net New Business License Fee Revenue (b)	\$9,300
Est. Number of Businesses	2
Avg. Number of Employees per Business	650
Est. Annual Gross Receipts	\$65,000,000
Business License Fee Revenue per Business	\$8,000
Project Alternative	
Total Other Revenue	\$24,900
New Fines and Franchise Fee Revenues	\$15,600
New Service Population (a)	257
Net New Business License Fee Revenue (b)	\$9,300
Est. Number of Businesses	2
Avg. Number of Employees per Business	488
Est. Annual Gross Receipts	\$48,750,000
Business License Fee Revenue per Business	\$8,000
Assumptions	
Franchise Fees and Fines	FY 2012- 2013
Franchise Fees	\$1,873,500
Fines	\$1,085,200
Less Cable TV Franchise Fees (c)	(\$400,000)
Total Fines and Franchise Fee Revenues	\$2,558,700
Citywide Service Population	42,212
Revenue Per Service Population	\$60.62
Business License Fee Assumptions	
Estimated Average Gross Annual Revenue per Employee	\$100,000
Estimated number of businesses (d)	2
Employees per business (e)	650
Existing businesses - Commonwealth Site	1
Existing employees - Commonwealth Site	175
Average # of employees per business - Commonwealth Site	175
Existing businesses license fee revenues - Commonwealth Site	\$4,800
Existing businesses - Jefferson Site	8
Existing employees - Jefferson Site	30
Average # of employees per business - Commonwealth Site	3.8
Existing businesses license fee revenues - Jefferson Site	\$1,900

Notes:

(a) Service Population defined as all residents plus one third of all employment.

(b) Business License Fee revenues are calculated according to the City fee schedule. Net change reflects revenues from new development less the estimated revenues from the existing uses.

(c) Cable Franchise Fees primarily paid by residential users are calculated on a per-resident basis rather than a per-service population basis.

(d) Estimated number of businesses is based on a conservative assumption that each building included in the Project will have a single tenant, which results in lower overall business license revenues to the City.

(e) Employees on site based on projected employment generated by Project, as presented in the DEIR.

Sources: City of Menlo Park, 2012; BAE, 2012.

Summary of Annually Recurring Revenues

Based on the revenues and two scenarios discussed in this section, Table 16 shows that the Project would generate \$311,300 annually in new revenues for the City's General Fund, while the Project Alternative would generate \$232,800 annually in new revenues. The actual amount would depend on a number of factors, including the extent to which the Project generates business-to-business sales tax revenues and additional hotel room stays in Menlo Park and extent to which new employees make taxable purchases in the City.

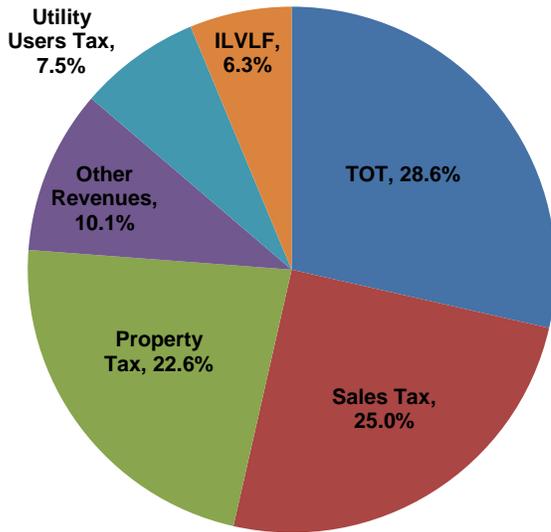
Table 16: Summary of Annually Recurring General Fund Revenues at Build Out

Project	Net Change
Total Revenues	\$311,300
Sales Tax	\$77,800
Property Tax	\$70,500
ILVLF	\$19,500
TOT	\$88,900
Utility Users Tax	\$23,200
Other Revenues	\$31,400
Project Alternative	
Total Revenues	\$232,800
Sales Tax	\$56,800
Property Tax	\$54,800
ILVLF	\$15,100
TOT	\$64,900
Utility Users Tax	\$16,300
Other Revenues	\$24,900

Source: BAE, 2013.

Figure 2 shows the relative share of annual revenues generated by the Project from each of the categories in Table 16.

Figure 2: Distribution of Added Annual City General Fund Revenues from Project at Build Out



Source: BAE, 2013.

One-Time/Non-Recurring Revenues

In addition to recurring revenues, there are certain revenues that occur only when property is sold, developed, or substantially renovated. The following section discusses these revenue sources. These revenues are relatively small in comparison to recurring revenues, or in the case of development impact fees, are charged to offset the anticipated impacts of new development, including increased traffic and demands on sewer, water, and other infrastructure systems.

Property Transfer Taxes

The City receives a property transfer tax of \$0.55 per \$1,000 of assessed value when properties in the City are sold or transferred. This value is ordinarily the sale price of the property; however, where a property is not sold as part of an arm's length transaction, the Assessor's office would determine the current market value of the property through an appraisal process. The Sobrato Organization currently owns both the Commonwealth site and the Jefferson site, so development of the Project would not include a property sale that would lead to payment of property transfer taxes. This analysis assumes that the Sobrato Organization would retain the Project in its property portfolio for the long-term, rather than selling the property after development, and therefore no property transfer tax has been calculated for this FIA.

Impact Fees and Capital Facilities Charges

The City and some special districts collect impact fees and capital facilities charges for public services such as water, sewer, traffic mitigation, below market rate housing, and schools. These impact fees are established pursuant to State law, and represent a one-time revenue source from the Project and are intended to offset impacts to infrastructure systems that are generated by new development. Based on the current impact fee rates as of 2013, the Project would generate a total of \$2.7 million in impact fees and capital facilities charges to the City of Menlo Park, as shown in Table 17A. Impact fees paid to the two school districts that serve the Project site would total \$11,300. It should be noted that impact fees are adjusted periodically, and that payment is based on the fees in effect at the time building permits are issued. The revenues shown below are an estimate based on current impact fee schedules.

Table 17A: Impact Fees and Facilities Charges from the Project

Impact Fees and Facility Charges	Rate	Unit	Existing Quantity	Project	
				Quantity	Total Fees
Storm Drainage Connection					
Commercial	\$0.24	Impervious Surface sf	(a)	(a)	(a)
Transportation					
Office	\$4.19	Net New sf	19,173	240,746	\$1,008,700
Manufacturing	\$2.06	Net New sf	163,058	(163,058)	(\$335,900)
Warehouse	\$0.90	Net New sf	55,627	(55,627)	(\$50,100)
Total					\$622,700
BMR Housing In-Lieu Fee					
Office and R&D	\$14.92	Net New sf	19,173	240,746	\$3,591,900
Other Commercial or Industrial	\$8.10	Net New sf	218,685	(218,685)	(\$1,771,300)
Total					\$1,820,600
Building Street Repair Fee	0.58%	Construction Value	N/A	\$44,000,000	\$255,200
Total City of Menlo Park Impact Fees					\$2,698,500
Water Capital Facilities Charge (b)		Varies by meter size	N/A	(b)	(b)
Sewer Connection Fee (b)	\$19.50	Gallons/Day+\$585	N/A	(b)	(b)
Ravenswood Elementary School District					
Commercial	\$0.306	Net New sf	237,858	22,061	\$6,800
Sequoia Union High School District					
Commercial	\$0.204	Net New sf	237,858	22,061	\$4,500
Menlo Park Fire Protection District (d)	TBD	TBD		TBD	TBD

Notes:

(a) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. Since the Project will decrease the square footage of impervious surface on site, the fee will not apply.

(b) This analysis assumes that Water Facilities Charges and Sewer Connection Fees cover the cost of extending services to new development.

(c) The Project Alternative represents a net decrease in commercial square footage on site and therefore would not generate any school impact fees.

(d) Rate for the proposed Menlo Park Fire Protection District Impact Fee has not yet been determined.

Sources: City of Menlo Park, 2013; Sequoia Union School District, 2013; BAE, 2013.

As shown in Table 17B, the Project Alternative would generate a substantially smaller amount of impact fee revenue, totaling \$1.4 million to the City of Menlo Park. Since the Project

Alternative represents a net decrease in the building square footage on site after accounting for demolition of the existing buildings, the Project Alternative would not generate school impact fees.

Table 17B: Impact Fees and Facilities Charges from the Project Alternative

Impact Fees and Facility Charges	Rate	Unit	Existing Quantity	Project Alternative	
				Quantity	Total Fees
Storm Drainage Connection					
Commercial	\$0.24	Impervious Surface sf	(a)	(a)	(a)
Transportation					
Office	\$4.19	Net New sf	19,173	175,766	\$736,500
Manufacturing	\$2.06	Net New sf	163,058	(163,058)	(\$335,900)
Warehouse	\$0.90	Net New sf	55,627	(55,627)	(\$50,100)
Total					\$350,500
BMR Housing In-Lieu Fee					
Office and R&D	\$14.92	Net New sf	19,173	175,766	\$2,622,400
Other Commercial or Industrial	\$8.10	Net New sf	218,685	(218,685)	(\$1,771,300)
Total					\$851,100
Building Street Repair Fee	0.58%	Construction Value	N/A	\$33,000,000	\$191,400
Total City of Menlo Park Impact Fees					\$1,393,000
Water Capital Facilities Charge (b)		Varies by meter size	N/A	(b)	(b)
Sewer Connection Fee (b)	\$19.50	Gallons/Day+\$585	N/A	(b)	(b)
Ravenswood Elementary School District					
Commercial	\$0.306	Net New sf	237,858	(42,919)	N/A (c)
Sequoia Union High School District					
Commercial	\$0.204	Net New sf	237,858	(42,919)	N/A (c)
Menlo Park Fire Protection District (d)	TBD	TBD		TBD	TBD

Notes:

(a) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. Since the Project will decrease the square footage of impervious surface on site, the fee will not apply.

(b) This analysis assumes that Water Facilities Charges and Sewer Connection Fees cover the cost of extending services to new development.

(c) The Project Alternative represents a net decrease in commercial square footage on site and therefore would not generate any school impact fees.

(d) Rate for the proposed Menlo Park Fire Protection District Impact Fee has not yet been determined.

Sources: City of Menlo Park, 2013; Sequoia Union School District, 2013; BAE, 2013.

The figures in Table 17A and Table 17B do not include a potential Fire Services development impact fee that may be implemented in the future, as discussed in the subsequent section on the Menlo Park Fire Protection District. New development associated with the Project would pay any new Fire Services development impact fee that is in effect as of the date that it secures building permits.

General Fund Expenditures

Administrative Services

Administrative Services include a number of City Departments that provide services to support the overall operation of the City. These include the City Clerk, City Manager's Office, Finance Department, Information Services and Human Resources Department. As the City's service population expands, costs for administrative services are also expected to expand. For example, increases in City personnel to serve population increases create the need for additional employee support.

The Administrative Services budget includes expenditures for Policy Development and City Council Support, which is not expected to increase with new development. These costs were excluded from the per service population calculations of Department expenditures. After exclusion of these costs, the City's General Fund expenditures per service population for Administrative Services is \$95 in FY2012-2013, as shown in Table 18. Assuming the City's General Fund expenditures per service population unit remain at current levels, at build out the Project's increase in service population would generate additional annual Administrative Services expenditures of \$34,800. The Project Alternative would generate \$24,500 in additional Administrative Services expenditures annually.

Table 18: Projected Annual Administrative Services Department Expenditures at Build Out

Project	Net Change
Net New Service Population (a)	365
Total New Expenditures	\$34,800
Project Alternative	
Net New Service Population (a)	257
Total New Expenditures	\$24,500
Administrative Services Functions	
	FY 2012-13 (b)
Policy Development and City Council Support	\$0
Service Excellence	\$287,198
Elections and Records	\$120,507
Community Engagement	\$222,967
Asset Preservation (c)	\$1,356,732
Information Support	\$782,102
Internet and World Wide Web	\$84,450
Employee Support	\$824,565
Legal Services	\$322,465
Business Development	<u>\$290,201</u>
Total Administrative Services Expenditures	\$4,291,187
Less: General Fund Charges for Service	<u>(\$261,450)</u>
Net Administrative Services Expenditures	\$4,029,737
Total Service Population	42,212
Administrative Services Expenditures Per Service Population	\$95.46

Notes:

- (a) Service Population defined as all residents plus one third of all employees.
- (b) Only includes General Fund expenditures, net of revenues from charges for service and licenses and permits. Policy Development and City Council Support expenditures are not included because these expenses would not increase with new development.
- (c) Asset Preservation figures are shown net of transfers out.

Sources: City of Menlo Park Budget FY 12-13; BAE, 2013.

Community Development

Interviews with Community Development Department staff indicate that many functions performed by the Department operate on a cost-recovery basis; application fees have been structured to cover the costs of staff time required for application processing. Development associated with the Project would pay necessary application, license, and permit fees that would offset the costs of staff time dedicated to processing of development applications.

In FY 2012-2013, the City's General Fund contribution to the Community Development Department was budgeted to be \$2.9 million. However, service charges and license and permit fees that the Department collects offset a large part of the City's General Fund contribution. After subtracting out charges for services and license and permit fees, the total City General Fund costs impacted by growth is \$245,638, or \$5.82 per member of the service population. As shown in Table 19, the Project would result in \$2,100 in annual Community

Development Department General Fund expenditures at build out and the Project Alternative would result in \$1,500 in annual Community Development Department General Fund expenditures at build out.

Table 19: Projected Annual Community Development Department Expenditures at Build Out

Project	Net Change
Net New Service Population (a)	365
Total New Expenditures	\$2,100
Project Alternative	
Net New Service Population (a)	257
Total New Expenditures	\$1,500
Community Development Department Functions	
	FY 2012-13 (b)
Comprehensive Planning	\$124,597
Land and Development Services	\$121,041
Total Community Development Expenditures	\$245,638
Total Service Population	42,212
Community Development Expenditures Per Service Population	\$5.82

Notes:

(a) Service Population defined as all residents plus one third of all employees.

(b) Only includes General Fund expenditures, net of charges of service.

Sources: City of Menlo Park Budget FY 12-13; BAE, 2013.

Community Services

The Community Services Department operates 14 parks, two community centers, two swimming pools, four childcare centers, a senior center, and two gymnasiums, and provides recreational and cultural programs for children, adults, and seniors. The facilities are open to Menlo Park residents and workers as well as residents of adjacent cities. Many Community Services Department programs operate on a cost recovery basis, though some programs located east of Highway 101 are partially subsidized in order to increase access for lower-income households in the Belle Haven neighborhood. Staff from the Community Services Department indicate that the current population of the City is not sufficient to fully utilize all of the City's recreational facilities, and that additional members of the service population could help to support programs that operate on a cost-recovery basis.

According to Community Services Department staff, although employees generated by the Project are expected to utilize some of the programs and services that the Department offers, utilization rates among workers are expected to be fairly low due to the location of the Project site relative to Department facilities. As a result, the Community Services service population generated by the Project is estimated at 15 percent of the increase in employment generated by the Project, rather than one third of the increase in employment.

General Fund expenditures for the Community Services Department in FY 2012-2013 are \$7 million, but General Fund expenditures for Community Services programs that are likely to be impacted by the Project total approximately \$995,000, or \$24 per member of the service population. Assuming commensurate additional expenditures per net new increase in service population, at build out the Project would result in \$3,900 in additional General Fund expenditures for the Community Services Department and the Project Alternative would result in \$2,700 in additional General Fund expenditures for the Community Services Department.

Table 20: Projected Annual Community Services Department General Fund Expenditures at Build Out

Project	Net Change
Net New Service Population (a)	164
Total New Expenditures	\$3,900
Project Alternative	
Net New Service Population (a)	116
Total New Expenditures	\$2,700
Community Services Department Functions	
	FY 2012-13 (b)
Social Services & Childhood Programs	\$728,054
Recreation/Physical Activities	<u>\$267,285</u>
Total Community Services Expenditures	\$995,339
Total Service Population	42,212
Community Services Expenditures Per Service Population	\$23.58

Notes:

(a) Service Population defined as all residents plus a portion of the employment population. Since employees typically have little impact on Community Services expenditures, service population for this department is calculated by multiplying net new employees by: 15%

(b) Includes only General Fund expenditures.

Sources: City of Menlo Park Budget FY 12-13; BAE, 2013.

Library

The City Library system operates a main library at the Civic Center and a branch library at Belle Haven Elementary School. The main library is open daily, offering a wider range of materials, services, and programs than the branch library. The Belle Haven Library is small and open Tuesday through Saturday. The City is a member of the Peninsula Library System, a consortium that allows any resident of San Mateo County to use City and County branch libraries.

The Menlo Park Library indicated that there is a shortage of reading room space and overcrowding at children's story times because of an increasing number of children. There is also an increasing demand for e-books and access to online services. As future development occurs in Menlo Park, new or expanded library facilities may be needed to meet the needs of the associated population growth.

Since the Project would not include a residential component, the impact on the Library is expected to be relatively small, similar to the impact on the Community Services Department. According to Menlo Park Library staff, employees generated by the Project are unlikely to utilize the City libraries at high rates because the Project is located east of Highway 101 with inconvenient access to the main library. As a result, the Library service population generated by the Project is estimated at 15 percent of the increase in employment generated by the Project, rather than one third of the increase in employment.

In FY 2012-2013, the City's General Fund contribution to the Library was \$1.9 million, or \$44 per service population. At build out, the Project would result in \$7,300 in additional annual General Fund expenditures to the Library Department and the Project Alternative would result in \$5,100 in additional annual General Fund expenditures to the Library Department.

Table 21: Projected Annual Library Department General Fund Expenditures at Build Out

Project	Net Change
Net New Service Population (a)	164
Total New Expenditures	\$7,300
Project Alternative	
Net New Service Population (a)	116
Total New Expenditures	\$5,100
Library Expenditures	
	FY 2012-13 (b)
Library Collections and Online Materials	\$1,494,226
Reading Promotion and Life Skills	\$375,940
Total Library Expenditures	\$1,870,166
Total Service Population	42,212
Library Expenditures Per Service Population	\$44.30

Note:

(a) Service Population defined as all residents plus a portion of the employment population. Since employees typically have little impact on Library expenditures, service population for this department is calculated by multiplying net new employees by: 15%

(b) Includes only General Fund expenditures.

Sources: City of Menlo Park Budget FY 12-13; BAE, 2013.

Police

The Police Department currently employs 68.75 Full Time Equivalent personnel (FTE)⁸, comprised of 47 sworn FTE and 21.75 professional staff FTE, all of which are funded through the City's General Fund. The Department's General Fund cost per sworn officer is \$200,000

⁸ A full time equivalent corresponds to one full-time position, and is used as a standard measure for describing staffing levels so that full- and part-time positions can be combined into a single figure.

in the year an officer is hired and \$187,000 for each year thereafter. Increased costs during the first year of hire arise from additional equipment and training needed when an officer joins the Department.

According to Police Department staff, the impacts to the Department resulting from the Project would depend on the users that occupy the space; however, the Project is not expected to have a significant impact on the Department or to require the Department to hire additional personnel. In FY 2012-2013, the City's net General Fund contribution to the Police Department was \$14.4 million, or \$341 per service population. Assuming that expenditures per service population would be similar for new development, additional Police Department General Fund expenditures generated by the Project would total \$124,300 per year at build out. Additional Police Department General Fund expenditures generated by the Project Alternative would total \$87,400 per year at build out.

Table 22: Projected Annual Police Department Expenditures at Build Out

Project	Net Change
Net New Service Population (a)	365
Total New Expenditures	\$124,300
Project Alternative	
Net New Service Population (a)	257
Total New Expenditures	\$87,400
Administrative Services Functions	
	FY 2012-13 (b)
Community Safety	\$10,060,072
Patrol Support	\$3,158,024
Emergency Preparedness	\$245,537
Traffic and School Safety	<u>\$1,243,300</u>
Total Police Department Expenditures	\$14,706,933
Less: General Fund Charges for Service	<u>(\$331,400)</u>
Net Police Department Expenditures	\$14,375,533
Total Service Population (a)	42,212
Police Department Expenditures Per Service Population	\$341

Note:

(a) Service Population defined as all residents plus one third of all employees.

(b) Only General Fund expenditures are calculated.

Sources: City of Menlo Park Budget FY 12-13; BAE, 2013.

Public Works

The Department of Public Works is responsible for constructing, repairing, and maintaining City streets, sidewalks, storm drains, buildings, and other facilities. The Department includes the City's Engineering, Transportation, Maintenance, and Environmental Programs Divisions. Generally, the Public Works Department would see increased costs if new streets or other facilities are needed or if maintenance needs increase as a result of the Project.

The Project is anticipated to result in added employment at the Project site, which can be expected to cause an increase in vehicle trips in the area and could potentially lead to additional maintenance needs on the roads that serve the Project site. However, depending on the tenants that occupy the Project, the Project is likely to result in a reduction in heavy truck traffic compared to the use of the site by Diageo North America as a spirits distilling, bottling, and distribution plant. Annual operating costs associated with traffic impacts are not anticipated to result in a significant net fiscal impact to the City's Public Works Department. The Project would generate one-time revenues to the Department through Transportation Impact Fees and Building Street Repair Fees, which would provide funding to mitigate some of the potential impacts to the roads that serve the Project site, as shown in Table 17.

The Department also manages Menlo Park's stormwater drainage system, which is a component of the Stormwater Management program. According to the City's Grading and Drainage Guideline, new developments in Menlo Park are required to provide for stormwater retention on site to the extent possible. Furthermore, developers are required to pay a stormwater impact fee for any increases in impervious area on a project site and pay for any needed extension of stormwater infrastructure to new projects. However, the Project would reduce the amount of impervious area on the Project site through increased landscaped areas and other features of the Project site, and it is already served by stormwater infrastructure. As a result, the Project is not expected to generate increased operating costs for the City's stormwater system.

Summary of Annually Recurring Expenditures

Table 23 shows that, at build out, the Project would result in \$172,400 in total annually recurring expenditures from the City's General Fund. The Project Alternative would result in \$121,200 in total annually recurring expenditures from the City's General Fund.

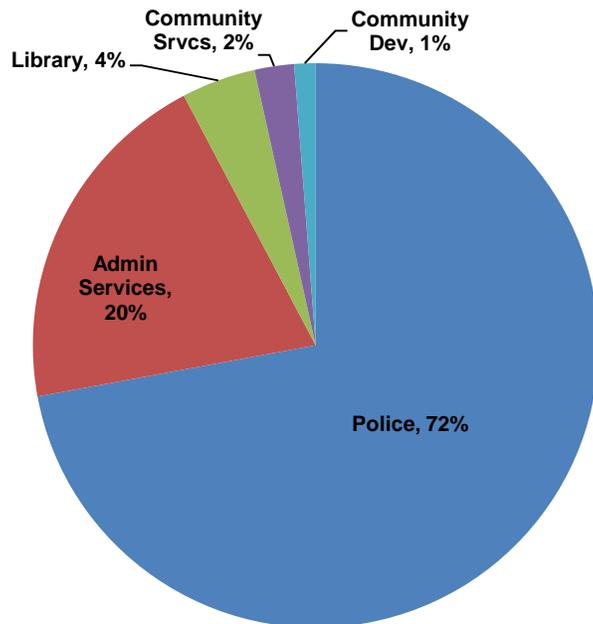
Table 23: Summary of Annual Recurring General Fund Expenditures at Build Out

Project	2030
Total Expenditures	\$172,400
Administrative Services	\$34,800
Community Development	\$2,100
Community Services	\$3,900
Library	\$7,300
Police	\$124,300
Project Alternative	
Total Expenditures	\$121,200
Administrative Services	\$24,500
Community Development	\$1,500
Community Services	\$2,700
Library	\$5,100
Police	\$87,400

Source: BAE, 2012.

Figure 3 shows the distribution of these expenditures for the Project. As shown, the majority of expenditures are for Police (72 percent), followed by Administrative Services (20 percent), Library (4 percent), Community Services (2 percent) and Community Development (1 percent).

Figure 3: Distribution of Annually Recurring City General Fund Expenditures from Project at Build Out



Source: BAE, 2013.

Summary of Net Fiscal Impact to the General Fund

Table 24 provides a summary of the annual recurring net fiscal impact of the Project and Project Alternative at full build out and occupancy, in constant 2013 dollars. As shown, the Project would generate \$311,300 annually in new General Fund revenues to the City and increase the City's General Fund expenditures by \$172,400 annually, resulting in an annual net positive fiscal impact of \$138,900 at build out and full occupancy. The Project Alternative would generate \$232,800 annually in new General Fund revenues to the City and increase the City's General Fund expenditures by \$121,200 annually, resulting in an annual net positive fiscal impact of \$111,600, approximately 80 percent of the net positive fiscal impact of the Project.

Table 24: Summary of Net Fiscal Impact to the City of Menlo Park General Fund at Build Out

	Project	Project Alternative
Total Revenues	\$311,300	\$232,800
Sales Tax	\$77,800	\$56,800
Property Tax	\$70,500	\$54,800
ILVLF	\$19,500	\$15,100
TOT	\$88,900	\$64,900
Utility Users Tax	\$23,200	\$16,300
Other Revenues	\$31,400	\$24,900
Total Expenditures	\$172,400	\$121,200
Administrative Services	\$34,800	\$24,500
Community Development	\$2,100	\$1,500
Community Services	\$3,900	\$2,700
Library	\$7,300	\$5,100
Police	\$124,300	\$87,400
Net Fiscal Impact	<u>\$138,900</u>	<u>\$111,600</u>

Figures presented are constant 2012 dollars.
Source: BAE, 2013.

Total 20 Year Impact

The analysis in Table 24 does not account for the long-term impact of inflation on revenues, expenditures, and the resulting net fiscal impact to the City. Table 25 provides a long-term view of the possible total fiscal impact to the City's General Fund of the Project over a 20 year timeframe. It provides the projected revenues and expenditures on a year-by-year basis, adjusted for inflation each year, with revenues and expenses beginning at full build out and occupancy of the Project. This type of projection can be useful because it accounts for the effect of inflation on revenues and expenses over time. It should be understood that this type of long-term analysis is sensitive to changes in the assumptions for inflation and other factors.

Several inflation assumptions were formulated for this FIA. Sales tax revenues were inflated four percent per year, which represents the 10-year average annual increase in the City's budget forecast. Property tax and ILVLF revenues were inflated two percent per year, which is the maximum allowed by the Proposition 13 limit on annual increases in tax assessments⁹. Expenditures were inflated at a four percent annual rate, which represents recent California municipal experience with increases in personnel benefits costs.¹⁰

As shown in Table 25, the net positive fiscal impact of the Project and the Project Alternative is expected to increase over the projection period. There is a slight positive fiscal impact in 2014, which results from reduced service costs for the site as existing structures are demolished and the service population associated with the site decreases. After completion and partial occupancy in 2015, the Project has a net positive fiscal impact to the City's General Fund totaling \$207,000, while the net positive fiscal impact of the Project Alternative is \$159,900. After full occupancy in 2016, the net positive fiscal impact of the Project and the Project Alternative decreases somewhat, reflecting the increase in service costs associated with the increase in service population on site; however the net fiscal impact remains positive for both projects. The net positive fiscal impact of the Project and the Project Alternative increases each year beginning in 2015 and continuing through the end of the projection period in 2030, with a larger rate of increase associated with the Project compared to the Project Alternative. In 2030, the Project has a net positive fiscal impact totaling \$221,300, while the Project Alternative has a net positive fiscal impact totaling \$179,100.

⁹ In order to provide a conservative analysis, increases in property tax revenues from sale and subsequent reassessment of existing Menlo Park housing is not included. The amount of these proceeds may vary for a wide range of reasons, and a more detailed analysis that is beyond the scope of this study would be needed to formulate a reasonable assumption.

¹⁰ These costs have continued to increase even as salaries have been flat or reduced, due to increasing costs for health care, pensions, and other employment-related expenses. A four percent annual increase in expenditures is consistent with many cities budgeting practices throughout the Bay Area.

Table 25: Projected Net Fiscal Impact to the City of Menlo Park General Fund, 2013-2030

Project	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Revenues	\$0	(\$23,900)	\$282,900	\$344,400	\$356,200	\$368,600	\$381,400	\$394,600	\$408,400
Sales Tax	\$0	(\$6,300)	\$63,100	\$87,500	\$91,000	\$94,700	\$98,400	\$102,400	\$106,500
Property Tax	\$0	(\$1,100)	\$73,300	\$74,800	\$76,300	\$77,800	\$79,400	\$81,000	\$82,600
ILVLF	\$0	(\$300)	\$20,300	\$20,700	\$21,100	\$21,500	\$22,000	\$22,400	\$22,800
TOT	\$0	(\$7,400)	\$96,200	\$100,000	\$104,000	\$108,200	\$112,500	\$117,000	\$121,700
Utility Users Tax	\$0	(\$4,500)	\$10,200	\$26,100	\$27,100	\$28,200	\$29,400	\$30,500	\$31,800
Other Revenues	\$0	(\$4,300)	\$19,800	\$35,300	\$36,700	\$38,200	\$39,700	\$41,300	\$43,000
Total Expenditures	\$0	\$33,600	(\$75,900)	(\$193,900)	(\$201,700)	(\$209,700)	(\$218,100)	(\$226,900)	(\$235,900)
Administrative Services	\$0	\$6,800	(\$15,400)	(\$39,100)	(\$40,700)	(\$42,300)	(\$44,000)	(\$45,800)	(\$47,600)
Community Development	\$0	\$400	(\$1,000)	(\$2,400)	(\$2,500)	(\$2,600)	(\$2,700)	(\$2,800)	(\$2,900)
Community Services	\$0	\$700	(\$1,700)	(\$4,400)	(\$4,600)	(\$4,700)	(\$4,900)	(\$5,100)	(\$5,300)
Library	\$0	\$1,500	(\$3,200)	(\$8,200)	(\$8,500)	(\$8,900)	(\$9,200)	(\$9,600)	(\$10,000)
Police	\$0	\$24,200	(\$54,600)	(\$139,800)	(\$145,400)	(\$151,200)	(\$157,300)	(\$163,600)	(\$170,100)
Net Fiscal Impact	\$0	\$9,700	\$207,000	\$150,500	\$154,500	\$158,900	\$163,300	\$167,700	\$172,500
Project Alternative									
Total Revenues	\$0	(\$23,900)	\$208,000	\$257,400	\$266,100	\$275,400	\$284,800	\$294,500	\$304,800
Sales Tax	\$0	(\$6,300)	\$45,600	\$63,900	\$66,400	\$69,100	\$71,900	\$74,700	\$77,700
Property Tax	\$0	(\$1,100)	\$57,000	\$58,200	\$59,300	\$60,500	\$61,700	\$62,900	\$64,200
ILVLF	\$0	(\$300)	\$15,700	\$16,000	\$16,300	\$16,700	\$17,000	\$17,300	\$17,700
TOT	\$0	(\$7,400)	\$70,200	\$73,000	\$75,900	\$79,000	\$82,100	\$85,400	\$88,800
Utility Users Tax	\$0	(\$4,500)	\$6,500	\$18,300	\$19,100	\$19,800	\$20,600	\$21,400	\$22,300
Other Revenues	\$0	(\$4,300)	\$13,000	\$28,000	\$29,100	\$30,300	\$31,500	\$32,800	\$34,100
Total Expenditures	\$0	\$33,600	(\$48,100)	(\$136,300)	(\$141,900)	(\$147,400)	(\$153,400)	(\$159,500)	(\$165,900)
Administrative Services	\$0	\$6,800	(\$9,700)	(\$27,600)	(\$28,700)	(\$29,800)	(\$31,000)	(\$32,200)	(\$33,500)
Community Development	\$0	\$400	(\$500)	(\$1,700)	(\$1,800)	(\$1,800)	(\$1,900)	(\$2,000)	(\$2,100)
Community Services	\$0	\$700	(\$1,100)	(\$3,000)	(\$3,200)	(\$3,300)	(\$3,400)	(\$3,600)	(\$3,700)
Library	\$0	\$1,500	(\$2,100)	(\$5,700)	(\$6,000)	(\$6,200)	(\$6,500)	(\$6,700)	(\$7,000)
Police	\$0	\$24,200	(\$34,700)	(\$98,300)	(\$102,200)	(\$106,300)	(\$110,600)	(\$115,000)	(\$119,600)
Net Fiscal Impact	\$0	\$9,700	\$159,900	\$121,100	\$124,200	\$128,000	\$131,400	\$135,000	\$138,900

Note:

Figures presented are adjusted for inflation.

Revenue Escalation factor: 4.00%

Property Tax Inflation Rate: 2.00%

Expenditure Inflation Rate: 4.00%

Source: BAE, 2013.

(Continued on following page)

Table 25: Projected Net Fiscal Impact to the City of Menlo Park General Fund, 2013-2030 (continued)

Project	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenues	\$422,500	\$437,300	\$452,600	\$468,400	\$484,800	\$501,900	\$519,600	\$538,100	\$557,100
Sales Tax	\$110,700	\$115,200	\$119,800	\$124,600	\$129,500	\$134,700	\$140,100	\$145,700	\$151,500
Property Tax	\$84,300	\$85,900	\$87,700	\$89,400	\$91,200	\$93,000	\$94,900	\$96,800	\$98,700
ILVLF	\$23,300	\$23,800	\$24,200	\$24,700	\$25,200	\$25,700	\$26,200	\$26,800	\$27,300
TOT	\$126,500	\$131,600	\$136,900	\$142,300	\$148,000	\$153,900	\$160,100	\$166,500	\$173,200
Utility Users Tax	\$33,000	\$34,300	\$35,700	\$37,100	\$38,600	\$40,200	\$41,800	\$43,500	\$45,200
Other Revenues	\$44,700	\$46,500	\$48,300	\$50,300	\$52,300	\$54,400	\$56,500	\$58,800	\$61,200
Total Expenditures	(\$245,400)	(\$255,200)	(\$265,400)	(\$276,000)	(\$287,100)	(\$298,500)	(\$310,500)	(\$322,900)	(\$335,800)
Administrative Services	(\$49,500)	(\$51,500)	(\$53,600)	(\$55,700)	(\$57,900)	(\$60,300)	(\$62,700)	(\$65,200)	(\$67,800)
Community Development	(\$3,000)	(\$3,100)	(\$3,200)	(\$3,400)	(\$3,500)	(\$3,600)	(\$3,800)	(\$3,900)	(\$4,100)
Community Services	(\$5,600)	(\$5,800)	(\$6,000)	(\$6,200)	(\$6,500)	(\$6,800)	(\$7,000)	(\$7,300)	(\$7,600)
Library	(\$10,400)	(\$10,800)	(\$11,200)	(\$11,700)	(\$12,200)	(\$12,600)	(\$13,100)	(\$13,700)	(\$14,200)
Police	(\$176,900)	(\$184,000)	(\$191,400)	(\$199,000)	(\$207,000)	(\$215,200)	(\$223,900)	(\$232,800)	(\$242,100)
Net Fiscal Impact	\$177,100	\$182,100	\$187,200	\$192,400	\$197,700	\$203,400	\$209,100	\$215,200	\$221,300
Project Alternative									
Total Revenues	\$315,300	\$326,400	\$337,600	\$349,500	\$361,700	\$374,300	\$387,500	\$401,000	\$415,100
Sales Tax	\$80,800	\$84,100	\$87,400	\$90,900	\$94,600	\$98,400	\$102,300	\$106,400	\$110,600
Property Tax	\$65,500	\$66,800	\$68,100	\$69,500	\$70,900	\$72,300	\$73,800	\$75,200	\$76,700
ILVLF	\$18,000	\$18,400	\$18,800	\$19,200	\$19,500	\$19,900	\$20,300	\$20,700	\$21,100
TOT	\$92,400	\$96,100	\$99,900	\$103,900	\$108,100	\$112,400	\$116,900	\$121,600	\$126,400
Utility Users Tax	\$23,200	\$24,100	\$25,100	\$26,100	\$27,100	\$28,200	\$29,400	\$30,500	\$31,800
Other Revenues	\$35,400	\$36,900	\$38,300	\$39,900	\$41,500	\$43,100	\$44,800	\$46,600	\$48,500
Total Expenditures	(\$172,500)	(\$179,400)	(\$186,600)	(\$194,000)	(\$201,800)	(\$209,800)	(\$218,300)	(\$227,100)	(\$236,000)
Administrative Services	(\$34,900)	(\$36,300)	(\$37,700)	(\$39,200)	(\$40,800)	(\$42,400)	(\$44,100)	(\$45,900)	(\$47,700)
Community Development	(\$2,100)	(\$2,200)	(\$2,300)	(\$2,400)	(\$2,500)	(\$2,600)	(\$2,700)	(\$2,800)	(\$2,900)
Community Services	(\$3,800)	(\$4,000)	(\$4,200)	(\$4,300)	(\$4,500)	(\$4,700)	(\$4,900)	(\$5,100)	(\$5,300)
Library	(\$7,300)	(\$7,500)	(\$7,900)	(\$8,200)	(\$8,500)	(\$8,800)	(\$9,200)	(\$9,600)	(\$9,900)
Police	(\$124,400)	(\$129,400)	(\$134,500)	(\$139,900)	(\$145,500)	(\$151,300)	(\$157,400)	(\$163,700)	(\$170,200)
Net Fiscal Impact	\$142,800	\$147,000	\$151,000	\$155,500	\$159,900	\$164,500	\$169,200	\$173,900	\$179,100

Note:

Figures presented are adjusted for inflation.

Revenue Escalation factor: 4.00%
 Property Tax Inflation Rate: 2.00%
 Expenditure Inflation Rate: 4.00%

Source: BAE, 2013.

Net Present Value Calculation of Net Fiscal Impact

Net Present Value (NPV) calculation is a financial method for determining what a stream of future payments (or costs) would be worth measured in today's dollars. In other words, it calculates an up-front lump sum dollar amount that is equivalent to a series of payments (or costs) occurring over a number of years in the future. It accounts for the time value of money which exists due to the fact that each year interest payments increase the value of each dollar of investment.

An NPV calculation was done to identify the current (2013) dollar value of the annual net fiscal impacts from the Project as shown in Table 25. This was done by identifying a discount factor that represents the time value of money for the City of Menlo Park, based on the potential return that it might obtain from other risk-free investments available to it¹¹. A discount factor of four percent was used, which is common for municipal financial analysis.

Table 26 presents two separate figures. The first column shows the net fiscal impact for each year in current (inflated) dollars. The second column shows the NPV of the net fiscal impacts through 2030. As shown, the total net fiscal impact of the Project in current dollars is positive \$3.0 million and the NPV in constant 2013 dollars is positive \$2.0 million (i.e. a payment in 2013 of \$2 million, that earns a return of four percent, would be equal to the net revenues each year as shown in Table 25 that total \$3 million by 2035). The total net fiscal impact of the Project Alternative in current dollars is positive \$2.4 million and the NPV in current dollars is \$1.6 million.

Table 26: Total Net Fiscal Impact and Net Present Value of Fiscal Impacts to General Fund, 2013-2030

Project	Total Net Impact, 2013 Dollars	Net Present Value of Total Net Impact, 2013 Dollars (a)
Revenues	\$6,894,900	\$4,493,776
Expenditures	(\$3,925,300)	(\$2,522,869)
Net Fiscal Impact	\$2,969,600	\$1,970,906
Project Alternative		
Revenues	\$5,135,500	\$3,345,128
Expenditures	(\$2,744,400)	(\$1,759,800)
Net Fiscal Impact	\$2,391,100	\$1,585,328

Note:

(a) Discount rate used for municipal financial analysis:

4%

Source: BAE, 2013.

¹¹ Private investors, who have a higher tolerance for risk and therefore can earn a higher return, would typically use a higher discount rate for NPV calculations than a public agency.

Special District Fiscal Impact Analysis

In addition to impacts to the City's General Fund, the Project would generate fiscal impacts to various special districts. The following section describes impacts to the Menlo Park Fire Protection District and the two school districts that serve the Project site. Fiscal impacts to other special districts that serve Menlo Park would be much less significant and are described in Appendix B of this study.

Menlo Park Fire Protection District

The Menlo Park Fire Protection District (MPFPD) provides fire protection services to Menlo Park, Atherton, East Palo Alto, portions of unincorporated San Mateo County, and federal facilities such as the veteran's hospital, United States Geological Survey facility, and the Stanford Linear Accelerator, covering approximately 30 square miles. The MPFPD also has agreements with the neighboring departments, including the cities of Palo Alto, Redwood City, Fremont, and the Woodside Fire District, to provide automatic aid. The MPFPD serves approximately 85,900 residents and 39,400 employees, with a service population of approximately 99,000.

The District operates three fire stations in Menlo Park, two fire stations in unincorporated San Mateo County, one station in Atherton, and one station in East Palo Alto. Station 77, located at 1467 Chilco Street in Menlo Park, is the closest fire station to the Project Area, at a distance of less than one mile, and would be the first to respond to calls for service at the Project site. The Station includes a new modern shop facility and operates a 2001 Pierce Saber engine, an air boat, USAR vehicles, and other various District-owned utility vehicles. The District plans to reconstruct Station 2, located at 2290 University Avenue in East Palo Alto, which may also provide service to the Project site as needed.

The MPFPD currently employs 110 full-time employees, consisting of 87 line safety employees, three fire inspectors, seven chief officers, and 13 staff personnel. Each of the division chiefs' responsibilities includes operations, training and fire prevention. Each battalion chief supervises one of the three suppression shifts. Based on the MPFPD's service population of 99,000 residents, the current service ratio of the MPFPD is 1.11 staff members per thousand members of the service population.

Revenues

The 2012-2013 budget for the MPFPD projected a total of \$31.4 million in General Fund revenues. Property taxes are the primary source of General Fund revenues for the District, comprising 91 percent of projected District General Fund revenues in FY2012-2013. After accounting for the ERAF shift, the MPFPD receives 11.8 percent of the 1.0 percent base property tax for the Project site. Based on the estimated increase in property values that would be generated by the Project, the MPFPD would receive \$100,100 in additional property taxes

annually after build out of the Project or \$77,700 in additional property taxes annually after build out of the Project Alternative.

Other sources of General Fund revenues for the MPFPD include licenses and permits, monies from intergovernmental transfers, current service charges, and use of money and property. The MPFPD expects to generate \$711,000 from licenses, permits, and service charges in FY2012-2013, accounting for approximately two percent of its General Fund revenues. For this FIA, revenues from licenses, permits, and service charges are estimated on a per service population basis and other revenues are assumed to be unaffected by new development. Based on the estimated increases in service population, it is estimated that the Project would generate \$2,700 per year in revenues from licenses, permits, and service charges and the Project Alternative would generate \$1,900 in revenues from licenses, permits, and service charges.

The MPFPD has commissioned a nexus study on the establishment of a Fire Services development impact fee. The impact fee is intended to cover the cost of new equipment, station expansion, and other items (e.g., signal preemption) that arise from new development in the MPFPD's service area. This fee could also include costs to cover increased personnel expenditures to meet increased service needs. The draft impact fee nexus study was released in 2013, however further consideration has since been placed on hold. If an impact fee is approved and finalized by the MPFPD Board of Directors and the fee schedule is adopted by the Menlo Park City Council before building permits are issued for the Project, the Project developer would be responsible for payment of the fee, generating additional one-time revenues to the District.

Expenditures

Costs to the MPFPD generated by the Project are estimated on a per service population basis, which tends to overestimate the impacts of new development on fire protection services and therefore provides a conservative analysis of the potential fiscal impacts to the MPFPD. The MPFPD budget for the 2012-2013 fiscal year includes \$23.8 million in expenditures in its General Fund, at an average rate of \$240 per member of the service population, as shown in Table 27. Assuming that costs increase in accordance with service population, the Project would generate an estimated \$87,600 in annual costs to the District and the Project Alternative would generate an estimated \$61,600 in annual costs to the District.

Net Fiscal Impact

Based on the revenue and expenditure estimated shown in Table 27, both the Project and the Project Alternative would have a slight positive fiscal impact on the MPFPD. The net positive fiscal impact associated with the Project is estimated to total \$15,200 annually while the net positive fiscal impact associated with the Project Alternative is estimated to total \$18,000 annually.

Table 27: Projected Impacts to the Menlo Park Fire Protection District at Build Out

Project	Net Change
Net Fiscal Impact	\$15,200
New License, Permit, Service Charge Revenues	\$2,700
New Property Tax Revenues	\$100,100
Less: Projected Expenditures	(\$87,600)
Fire Services Development Impact Fee (a)	TBD
Alternative 1	
Net Fiscal Impact	\$18,000
New License, Permit, Service Charge Revenues	\$1,900
New Property Tax Revenues	\$77,700
Less: Projected Expenditures	(\$61,600)
Fire Services Development Impact Fee (a)	TBD
Assumptions	FY 2012-2013
Service Population	99,050
Revenues	
License and Permit Revenues	\$711,000
Current Service Charges	\$11,200
Licenses, Permits, and Service Charges per Service Population	\$7.29
Fire District Share of Property Taxes	11.8%
General Fund Expenditures	
Operating Expenditures	\$23,780,600
Expenditures per Service Population	\$240.09

Notes:

(a) The Menlo Park Fire Protection District has commissioned a study to establish an impact fee to fund cost of increased services tied to new development. Payment by the project may be subject to timing of the nexus study and issuance of building permits

Sources: Menlo Park Fire Protection District, 2012; BAE, 2013.

School Districts Serving the Project

This study evaluates the fiscal impacts for the Ravenswood Elementary and Sequoia Union High school districts, which are the two school districts that serve the Project site. Because the Project does not include any residential component, it would not generate any new students or associated additional expenditures for either district. The Project would generate additional property tax revenues for both districts; however, due to the complexities of the State’s educational funding system, the net impact to the two school districts that serve the Project site would differ with respect to ongoing revenues. A primary distinction between the two districts is that Ravenswood Elementary is a “Revenue Limit” district while the Sequoia Union High School District is a “Basic Aid” district.

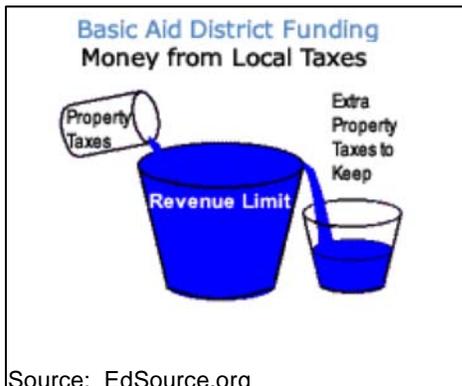
California School Financing

Revenue Limit Districts

In California, a majority of public schools are subject to the “Revenue Limit,” a per-student funding amount determined by the State. Within Revenue Limit districts, local property taxes are not sufficient to meet the State funding requirement. Hence, in Revenue Limit districts, local property taxes are supplemented with State funds in order to meet required per-pupil funding levels. Within Revenue Limit districts, as local property tax revenues increase



(including from new development), State funding is reduced by a commensurate amount so that these districts do not realize increased revenues as property tax revenues increase. Conversely, any increase in the gap between the State-mandated per-pupil spending minimum and property tax revenues, due to either increased enrollment or reduced property tax revenue, is met with a commensurate increase in State aid.



Basic Aid Districts

By comparison, if local property taxes are sufficient to exceed the Revenue Limit established by the State, a district can choose to become a “Basic Aid” district and receive only minimal State funding, traditionally \$120 per student per year. Within Basic Aid districts, as assessed property values increase, the district can keep additional property tax revenues. While this can support higher levels of student spending in districts with a strong property tax base, it also means that property taxes from new development are the primary

source of funds for additional annual operating costs to educate any new students. Therefore, the distinction between Revenue Limit and Basic Aid districts is important as it determines whether a district can retain new operating revenues as a result of new development that increases the local property tax rolls.

Fiscal Impacts to the Ravenswood Elementary School District

Revenues

The Project site is within TRA 008-063, which contributes 33 percent of the base one percent property tax to the Ravenswood Elementary School District. Using this percentage and the estimated increase in assessed values shown in Table 9, at build out the increase in annual

property tax revenues to the District as a result of the Project is estimated to total \$278,100. The increase in annual property taxes to the District resulting from the Project Alternative is estimated to total \$216,000.

Net Impact

The Ravenswood Elementary School District is a Revenue Limit district, meaning that revenues are unaffected by changes in assessed property tax values within the district and are instead determined on a per student basis according to a schedule determined by the State. Any additional property tax revenues that would pass through to the District as a result of the Project would then result in an offset to payments by the State, and therefore would not generate additional revenues per student. In other words, new fiscal revenues from the Project would benefit the State, but not the Ravenswood City School District.

Table 28: Projected Impacts to the Ravenswood School District at Build Out

Project	Net Change
Net Fiscal Impact to District	\$0
Increase in Assessed Value	\$85,028,000
Projected Annual Property Tax Revenues	\$278,100
Change in Annual Revenues from ADA (a)	(\$278,100)
Less: Projected Annual Expenditures	\$0
Net Increase in Students	0
Project Alternative	
Net Fiscal Impact to District	\$0
Increase in Assessed Value	\$66,028,000
Projected Annual Property Tax Revenues	\$216,000
Change in Annual Revenues from ADA (a)	(\$216,000)
Less: Projected Annual Expenditures	\$0
Net Increase in Students	0
Assumptions	
District Share of 1% Property Tax Revenue	32.7%
Expenditures	
FY 12-13 Budget	\$38,557,192
2012-13 Estimated ADA	3,384
Average Cost per Student	\$11,394

Notes:

(a) Ravenswood Elementary is a Revenue Limit District, which means that the district receives an allotted amount of State Aid per student and any changes in the amount of property tax revenues per student lead to an adjustment in State aid to maintain the allotted amount of per-student revenue received by the District.

Sources: Ravenswood School District, 2012; BAE, 2013.

Sequoia Union High School District

Revenues

As a Basic Aid district, the Sequoia Union High School District gets the bulk of its revenue from property taxes, with minimal amounts of funding from other state and local sources. In the TRA that encompasses the Project site, the District receives 13 percent of the base one percent property tax. Based on this percentage and the estimated increase in assessed values shown in Table 9, at build out the increase in annual property tax revenues to the District as a result of the Project is estimated to total \$111,700. The increase in annual property tax revenues to the District as a result of the Project Alternative is estimated to total \$86,700.

Net Impact

Since the Project does not generate additional expenditures for the District and the Sequoia Union High School District is a Basic Aid district, the increase in property taxes to the District represents a net increase in revenue, as shown in Table 29.

Table 29: Projected Impacts to the Sequoia Union High School District at Build Out

Project	Net Change
Net Fiscal Impact to District	\$111,700
Increase in Assessed Value	\$85,028,000
Projected Annual Property Tax Revenues	\$111,700
Change in Annual Revenues from ADA (a)	\$0
Less: Projected Annual Expenditures	\$0
Net Increase in Students	0
Project Alternative	
Net Fiscal Impact to District	\$86,700
Increase in Assessed Value	\$66,028,000
Projected Annual Property Tax Revenues	\$86,700
Change in Annual Revenues from ADA (a)	\$0
Less: Projected Annual Expenditures	\$0
Net Increase in Students	0
Assumptions	
District Share of 1% Property Tax Revenue	13.1%
Student Generation Rate, Single Family & Townhouse (b)	0.20
Student Generation Rate, Multifamily (b)	0.13
Expenditures	
FY 12-13 Budget	\$104,811,241
2012-13 Estimated ADA	8,305
Average Cost per Student	\$12,620
Revenues per Student from ADA (a)	\$120

Notes:

(a) Sequoia Union High School District is a Basic Aid district, which means that the school district receives the state-guaranteed minimum of \$120 per student, but does not receive revenues based on ADA to compensate for any changes in the District's per-student property tax revenue.

Sources: Sequoia Union High School District, 2012; BAE, 2013.

Appendix A: Project Phasing

Table A-1: Project Phasing, 2013-2030

Project	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross New Square Footage	0	0	259,919						
Office/R&D/Biotech	0	0	259,919	259,919	259,919	259,919	259,919	259,919	259,919
Demolition of Existing	0	237,858							
Manufacturing	0	163,058	163,058	163,058	163,058	163,058	163,058	163,058	163,058
Warehouse	0	55,627	55,627	55,627	55,627	55,627	55,627	55,627	55,627
Office	0	19,173	19,173	19,173	19,173	19,173	19,173	19,173	19,173
Net New Service Population (a)	0	(68)	148	365	365	365	365	365	365
Gross New Employees (b)	0	0	650	1,300	1,300	1,300	1,300	1,300	1,300
Less: Existing Employment on Site (c)	0	(205)	(205)	(205)	(205)	(205)	(205)	(205)	(205)
Net New Employees	0	(205)	445	1,095	1,095	1,095	1,095	1,095	1,095
Project Alternative									
Gross New Square Footage	0	0	194,939						
Office/R&D/Biotech	0	0	194,939	194,939	194,939	194,939	194,939	194,939	194,939
Demolition of Existing	0	237,858							
Manufacturing	0	163,058	163,058	163,058	163,058	163,058	163,058	163,058	163,058
Warehouse	0	55,627	55,627	55,627	55,627	55,627	55,627	55,627	55,627
Office	0	19,173	19,173	19,173	19,173	19,173	19,173	19,173	19,173
Net New Service Population (a)	0	(68)	94	257	257	257	257	257	257
Gross New Employees (b)	0	0	488	975	975	975	975	975	975
Less: Existing Employment on Site (c)	0	(205)	(205)	(205)	(205)	(205)	(205)	(205)	(205)
Net New Employees	0	(205)	283	770	770	770	770	770	770

Notes:

(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, employees are multiplied by: 1/3

(b) According to the Draft EIR for the Project, the worker generation associated with the Project will total: 1300

(c) According to data provided by the City of Menlo Park, employment at the Jefferson site currently totals: 30

The median employment count for the Commonwealth site between 1999 and 2011 was: 175

Sources: City of Menlo Park, 2012; BAE, 2013.

(Continued on following page)

Table A-1: Project Phasing, 2013-2030 (continued)

Project	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gross New Square Footage	259,919								
Office/R&D/Biotech	259,919	259,919	259,919	259,919	259,919	259,919	259,919	259,919	259,919
Demolition of Existing	237,858								
Manufacturing	163,058	163,058	163,058	163,058	163,058	163,058	163,058	163,058	163,058
Warehouse	55,627	55,627	55,627	55,627	55,627	55,627	55,627	55,627	55,627
Office	19,173	19,173	19,173	19,173	19,173	19,173	19,173	19,173	19,173
Net New Service Population (a)	365								
Gross New Employees (b)	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Less: Existing Employment on Site (c)	<u>(205)</u>								
Net New Employees	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095
Project Alternative									
Gross New Square Footage	194,939								
Office/R&D/Biotech	194,939	194,939	194,939	194,939	194,939	194,939	194,939	194,939	194,939
Demolition of Existing	237,858								
Manufacturing	163,058	163,058	163,058	163,058	163,058	163,058	163,058	163,058	163,058
Warehouse	55,627	55,627	55,627	55,627	55,627	55,627	55,627	55,627	55,627
Office	19,173	19,173	19,173	19,173	19,173	19,173	19,173	19,173	19,173
Net New Service Population (a)	257								
Gross New Employees (b)	975	975	975	975	975	975	975	975	975
Less: Existing Employment on Site (c)	<u>(205)</u>								
Net New Employees	770	770	770	770	770	770	770	770	770

Notes:

(a) Service population equals the resident population plus a portion of the employment population to reflect the reduced demand from commercial uses. To estimate service population, employees are multiplied by: 1/3

(b) According to the Draft EIR for the Project, the worker generation associated with the Project will total: 1300

(c) According to data provided by the City of Menlo Park, employment at the Jefferson site currently totals: 30

The median employment count for the Commonwealth site between 1999 and 2011 was: 175

Sources: City of Menlo Park, 2012; BAE, 2013.

Appendix B: Fiscal Impact for Other Special Districts

In addition to impacts to the fire and school districts, the Project would have fiscal impacts on several other special districts, as described below.

Water and Sanitary Districts

The Menlo Park Municipal Water District (MPMWD), which is part of the City's Department of Public Works, owns and operates its distribution system and purchases water from the San Francisco Public Utilities Commission. The MPMWD serves approximately one-half of the City's population, covering the Sharon Heights area and portions of the City north of El Camino Real, including the Project site.

The West Bay Sanitary District provides wastewater treatment services to areas in Menlo Park, Atherton, Portola Valley, East Palo Alto, Woodside, and unincorporated San Mateo County and Santa Clara County. The District owns and operates the South Bayside System Authority Regional Treatment Plant in San Carlos in conjunction with the cities of Redwood City, Belmont, and San Carlos.

Both the MPMWD and the West Bay Sanitary District operate on a cost recovery basis, covering operational costs through user fees. As such, the Project is not anticipated to have an ongoing fiscal impact to the two districts.

The Project would generate connection fees for both districts, providing one-time fee revenue to cover the cost of service connections. The MPMWD assesses connection fees based on the water meter size, while the West Bay Sanitary District collects connection fees that vary based on land use and volume of wastewater discharge. One-time impact fee revenues are listed in Table 17.

San Mateo County Community College District

The San Mateo County Community College District (SMCCCD) offers Associate in Arts and Science degrees and Certificates of Proficiency at three campuses: Cañada College in Redwood City, College of San Mateo in the City of San Mateo, and Skyline College in San Bruno. The District currently has 19,521 Full Time Equivalent Students (FTES)¹², which amounts to approximately 0.02 FTES per member of the service population. Assuming the same the proportion of new service population members enrolls in District community

¹² Enrollment for revenue calculation purposes is measured in Full Time Equivalent Students (FTES). A FTES is equal to 15 course credits.

colleges, the Project would result in 8 additional students and the Project Alternative would result in 6 additional students.

Revenues

The San Mateo Community College District became a Basic Aid district beginning in FY2012-2013. Similar to elementary and high school Basic Aid Districts, this means that property tax revenues in the District exceed the State's revenue limit, and therefore monetary contributions from the State are limited mainly to categorical funds that do not contribute to the District's Unrestricted General Fund. As a result, most of the District's Unrestricted General Fund revenues are derived from local property taxes and student enrollment fees. As shown in Table B-1, at build out the Project is projected to result in a \$48,500 increase in annual property tax revenue to the District and the Project Alternative is projected to result in a \$37,700 increase in annual property tax revenue to the District.

For FY2012-2013, SMCCCD's enrollment fees and other miscellaneous student fees are projected to total \$11 million, or approximately \$580 per Full-Time Equivalent Student (FTES). Based on this figure, at build out the Project is projected to result in \$4,800 per year in additional student fees and the Project Alternative is projected to result in \$3,400 per year in additional student fees.

Expenditures

According to the FY 2012-2013 budget, expenditures from the Unrestricted General Fund were projected to total \$127 million in FY2012-2013, or approximately \$6,500 per FTES. Based on the projected increase in FTES, expenditures from the Project are estimated to total \$54,400 per year and expenditures from the Project Alternative are estimated to total \$38,200 per year.

Net Impact

Table B-1 shows that the Project would result in a slight net negative fiscal impact on SMCCCD, totaling \$1,100. The Project Alternative would result in a slight net positive fiscal impact on SMCCCD, totaling \$2,900. This does not represent a material difference in a District with an annual budget of \$127 million.

Table B-1: Projected San Mateo County Community College District Impacts at Build Out

Project	Net Change
Net Fiscal Impact	(\$1,100)
Property Tax Revenues	\$48,500
Student Fees	\$4,800
Less: Projected Costs	(\$54,400)
Net New Service Population	365
New FTES	8
Project Alternative	
Net Fiscal Impact	\$2,900
Property Tax Revenues	\$37,700
Student Fees	\$3,400
Less: Projected Costs	(\$38,200)
Net New Service Population	257
New FTES	6
	FY 2012-2013
Assumptions	Budget (a)
Full-Time Equivalent Students	
Total Existing Full Time Equivalent Student (FTES) (b)	19,521
Service Population	854,022
FTES per Service Population Unit	0.02
Revenues	
Enrollment Fees	\$8,798,321
Miscellaneous Student Fees	<u>\$2,514,439</u>
Total Student Fee Revenues (c)	\$11,312,760
Student Fees per FTES	\$580
Share of One-Percent Basic Property Tax	5.7%
Expenditures	
Certificated Salaries	\$46,221,463
Classified Salaries	\$27,674,180
Employee Benefits	\$29,334,823
Materials and Supplies	\$6,462,499
Operating Expenses	<u>\$17,476,355</u>
Total Expenditures (d)	\$127,169,320
Expenditures per FTES	\$6,514

Notes:

(a) Budget for the Unrestricted General Fund, which is the district's primary operating fund. All other funds are restricted or and/or are required to be self-supporting.

(b) FTES - Full Time Equivalent Student equals 525 class hours.

(c) Does not include revenues that are not expected to increase with added enrollment, e.g. interest, non-resident tuition.

(d) Does not include capital outlay.

Sources: San Mateo County Community College District, 2012; BAE 2013.

Other Districts

Potential fiscal impacts to the San Mateo County Office of Education, the Midpeninsula Regional Open Space District, and the Sequoia Healthcare District were also analyzed. Local property taxes are a major revenue source for each of these districts, and each receives a share of the base one percent property tax.

County Office of Education

The San Mateo County Office of Education provides support for public schools throughout the County through instructional services, fiscal and operational services, and student services. The Office's instructional services include teacher support, educational technology, and professional development. The fiscal services division assists school districts with accounting, budgeting, payroll functions, and maintaining compliance. The County Office also operates Special Education programs for students with severe disabilities, Court and Community Schools for at-risk students, and career technical preparation programs for high school students.

Neither the Project nor the Project Alternative is expected to have a fiscal impact to the Office of Education. The Office of Education operates as a Revenue Limit District, meaning that increases in local property taxes do not translate into an increase in District revenues. Since the Project does not include residential units, it would not generate additional students and therefore would not have an impact on the revenues or costs typically associated with an increase in the number of students served by the District.

Midpeninsula Regional Open Space District

The Midpeninsula Regional Open Space District preserves open space and provides opportunities for low-intensity recreation and environmental education. The District covers an area of 550 square miles and consists of 17 cities, including the City of Menlo Park. To date, the District has preserved over 57,000 acres of open space and created 26 open space preserves, of which 24 are open to the public.

The Project is anticipated to have minimal impact on the Midpeninsula Regional Open Space District. According to District staff, the District does not maintain a per capita service standard for the acreage of land preserved and is therefore unlikely to increase its land acquisition efforts as a direct result of the Project. In addition, the District's debt service expenditures would not increase due development at the Project site. As a result, salaries, benefits, services, and supplies, which total \$17.2 million in the FY2012-2013 budget, are the only District expenditures that are likely to be impacted by growth. This results in estimated expenditures equal to \$21 per member of the service population. After receiving its share of property tax revenues from new development and other miscellaneous revenues expected to increase due to the new service population, the Project would result in an annual fiscal surplus

of approximately \$6,000 and the Project Alternative would result in an annual fiscal surplus of approximately \$5,200, as shown in Table B-2.

**Table B-2: Projected Impact to the
Midpeninsula Regional Open Space District at
Build Out**

Project	Net Change
Net Projected Fiscal Surplus/(Deficit)	\$6,000
Property Tax Revenues	\$13,100
Other Revenues	\$600
Less: Projected Costs	(\$7,700)
Net Increase in Service Population	365
Project Alternative	
Net Projected Fiscal Surplus/(Deficit)	\$5,200
Property Tax Revenues	\$10,200
Other Revenues	\$400
Less: Projected Costs	(\$5,400)
Net Increase in Service Population	257
Assumptions	
Existing Service Population	816,746
Revenues	
Share of 1% Base Property Tax	1.54%
Total Other Annual Revenues (a)	\$1,314,000
Revenues per Service Population	\$1.61
Expenditures	
Salaries and Benefits	\$12,877,586
Services and Supplies	\$4,278,923
Total Expenditures (b)	\$17,156,509
Expenditures per Service Population	\$21.01

Notes:

(a) Other revenues do not include property taxes or revenues that are not expected to increase with service population, i.e. grant income, interest income, and land donation.

(b) Total expenditures do not include expenditures that are not expected to increase with service population, i.e. debt service and fixed assets.

Sources: Midpeninsula Regional Open Space District, 2012; BAE, 2013.

Sequoia Healthcare District

The Sequoia Healthcare District serves Redwood City, San Carlos, Belmont, Menlo Park, Woodside, Atherton, and Portola Valley. The Redwood City Council formed the District to operate the Sequoia Hospital, which opened in 1950. Today, the Healthcare District jointly governs the Hospital with Catholic Healthcare West, but is not actively involved in operating

the Hospital.¹³ The Healthcare District provides community grants, nursing education, and ongoing support for various long-term healthcare initiatives.

Neither the Project nor the Project Alternative is anticipated to have a fiscal impact on the District. According to District staff, the District primarily serves its residents, so the Project is not expected to increase District expenditures. The District does not receive a share of property taxes from the TRA in which the Project is located, so the Project would not generate any additional revenue for the District.

¹³ In 1996, the Sequoia Hospital became a member of Catholic Healthcare West (CHW). CHW, a nonprofit organization, funds the operational costs of the Hospital primarily through hospital revenues; it does not receive any public funds.