

bae urban economics

Fiscal Impact Analysis Report for
Proposed 1350 Adams Court Project

Prepared for the City of Menlo Park
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EXECUTIVE SUMMARY

The following Fiscal Impact Analysis (FIA) report presents the findings from an evaluation of the fiscal impacts associated with the proposed development project at 1350 Adams Court in Menlo Park (the proposed project). The proposed project would consist of an approximately 260,400-square-foot research and development (R&D) building.

The FIA addresses the net increase in revenues and expenditures and resulting net fiscal impact of the proposed project for the:

- City of Menlo Park General Fund,
- Menlo Park Fire Protection District,
- School districts that serve the project area, and
- Other special districts that serve the project area.

Selected FIA findings are summarized in the following table. As shown below, the FIA estimates that the proposed project would have a slight positive net fiscal impact on the City of Menlo Park’s annual General Fund operating budget, totaling approximately \$19,700 annually. The proposed project would generate a net negative fiscal impact for the Menlo Park Fire Protection District. The proposed project would have a positive net fiscal impact on the Sequoia Union High School District. The proposed project would not have a fiscal impact on the Ravenswood City Elementary School District, which is a non-basic-aid district and therefore receives a varying amount of State aid to offset any changes in per-student property tax revenues.

Selected Net Fiscal Impact Findings for the Project at Buildout

All figures in 2021 dollars

	City of Menlo Park	Menlo Park Fire Protection District	Sequoia Union High School District	Ravenswood City Elementary District
ANNUAL IMPACTS				
Project				
New Revenues	\$191,432	\$69,316	\$177,627	N/A
New Expenditures	(\$171,742)	(\$118,493)	\$0	N/A
Net Fiscal Impact	\$19,690	(\$49,176)	\$177,627	N/A

The Ravenswood Elementary School District is a non-basic-aid district, and therefore the State offsets changes in per-student property tax revenues by adjusting State funding to the District, resulting in a neutral fiscal impact from the Project.

See report for explanation of Project, methodology, and limiting conditions.

Source: BAE, 2021.

INTRODUCTION

The City of Menlo Park (City) is in the process of evaluating the proposed 1350 Adams Court project (the proposed project) in Menlo Park and retained BAE Urban Economics, Inc. (BAE) to conduct a Fiscal Impact Analysis (FIA) to inform the City’s evaluation of the proposed project. Like most new development, the proposed project is expected to increase demands on local government services and infrastructure and generate new revenues for local government through additional taxes and fees. This report provides an analysis of the effects that the proposed project will have on local expenditures and revenues in order to estimate the net fiscal impact that the proposed project would generate. The FIA addresses the fiscal impacts to the City’s General Fund as well as impacts to special districts that provide services to residents and businesses in Menlo Park. Except as otherwise noted in the text, the annual ongoing fiscal impact of the proposed project is described in constant 2021 dollars, based on the future point in time when the project would be fully built out and would have achieved stabilized operations.

Project Development Program

The proposed project would include construction of one five-story building on an undeveloped portion of an existing parcel located within the Menlo Park Labs Campus at 1350 Adams Court in Menlo Park. The 11.2-acre project site currently contains an existing Pacific Biosciences-California (PacBio) building at 1305 O’Brien Drive. This existing building would remain as-is following completion of the proposed project.

Table 1 summarizes the development program for the proposed project at buildout. The proposed development program consists of 260,400 square feet of research and development (R&D) uses. The building would be designed to accommodate a single life science tenant or multiple tenants. Parking would be provided in one level under the proposed building and in three above-grade levels at the west end of the building.

Table 1: Development Program at Buildout

	1350 Adams Court Project
New Research & Development (R&D) Sq. Ft.	260,400
New Employees	650
New Service Population (a)	217

Note:

(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, each new employee is multiplied by 1/3.

Sources: ICF; BAE, 2021.

Table 1 also includes assumptions about the anticipated employment and service population associated with the proposed project. This analysis defines the City's service population as all residents plus one third of the workers who work within the City. Calculating service population in this way reflects the fact that employees, who generally spend less time in the community than residents, tend to generate a smaller share of demand for services. As shown, the proposed project is anticipated to accommodate 650 new employees at full buildout, or a net increase of 217 service population members. The anticipated employment count (650) for the project was provided by the project applicant and is consistent with the Draft Environmental Impact Report for the project.

GENERAL FUND FISCAL IMPACTS

This section of the report summarizes the projected ongoing annual fiscal impacts from the proposed project. The analysis is focused on the City of Menlo Park’s General Fund, as this represents the portion of the City’s budget that finances key public services. To pay for these services, the City’s General Fund is dependent on discretionary revenue sources such as property taxes, sales taxes, transient occupancy taxes, and various local fees and taxes. The following sections detail the scope of the analysis and the underlying methodologies and assumptions used to estimate fiscal impacts from the proposed project.

Fiscal Impact Analysis Methodology

This fiscal impact analysis (FIA) uses a variety of methods to estimate the projected change in City revenues and service costs that would be associated with the proposed project. The cost of providing municipal services is often based on the number of persons served, as are some sources of municipal revenues. In general, as the “service population” increases, there is a need to hire additional public safety and other government employees, as well as a need to increase spending on equipment and supply budgets. Some municipal revenues, such as franchise fees and fines, also generally increase as the service population increases. The analysis therefore relies in large part on an average cost and average revenue approach, based on the City’s current costs and revenues per member of the current service population. This approach is based on the assumption that future development will generate costs and revenues at the same average rate as the existing service population.

As shown in Table 2, the City of Menlo Park’s daytime population consists of 34,929 residents and 36,682 employees, resulting in a service population of 47,156 (100 percent of residents plus one-third of workers). The fiscal impact analysis uses this service population figure to derive current expenditures and revenues per service population member.

Table 2: Current Service Population, City of Menlo Park

City of Menlo Park	2020
Residents	34,929
Employees	36,682
Service Population (a)	47,156

Note:

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

Sources: Esri Business Analyst; BAE, 2021.

While an average revenue approach is appropriate for some revenue sources, the fiscal analysis presented in this report bases projected revenues from most major sources of revenue on statutory requirements and other factors governing each source of revenue. The projections for property tax, property tax in-lieu of vehicle license fees, and sales tax revenue are based on the specific attributes of the proposed project and factors used to allocate revenues from these sources to the City of Menlo Park. Additional methodological details and assumptions are provided in the discussions of individual cost and revenue projections below.

All cost and revenue projections are expressed in constant 2021 dollars at a future point in time when the proposed project would be fully built out.

Projected Annual Revenue Impacts

The following subsections provide an overview of the major City General Fund revenue sources that would be impacted by the proposed project and the estimated revenue that the proposed project would generate from each source. This section also details the assumptions and methodology used to estimate the revenue impacts associated with the proposed project.

Sales Taxes

The proposed project would generate sales tax revenue for the City of Menlo Park as the workers employed in the project make taxable purchases at City retailers, such as purchasing lunch and other convenience goods. Taxable transactions that take place in the City of Menlo Park are subject to a 9.25-percent sales tax. This total includes the statutory 1.0-percent Bradley-Burns sales tax, of which 95 percent (i.e., 0.95 percent of the sale price) accrues to the City of Menlo Park while the remaining five percent (i.e., 0.05 percent of the sale price) accrues to San Mateo County. Apart from the City's share of the Bradley-Burns sales tax, all other sales tax revenues from taxable transactions that take place in Menlo Park accrue to other governmental agencies, including the State of California.

To estimate taxable expenditures made by workers, this analysis uses data from the International Council of Shopping Centers (ICSC) survey of office worker spending. The ICSC survey provides estimates of worker spending near work by store category, including both taxable and non-taxable purchases. The taxable expenditure estimate used in this analysis reflects adjustments to the ICSC survey findings to remove a portion of spending at drug and grocery stores, most of which is typically not subject to sales tax under California State law, as well as all spending on services and entertainment, which is generally not taxable. The analysis makes an assumption that Menlo Park will capture one-half of the estimated total annual worker spending on taxable purchases. This results in an estimate that workers in Menlo Park spend an average of approximately \$3,118 per year on taxable purchases in Menlo Park.

Table 3 shows the estimated net change in total taxable sales from worker spending in Menlo Park that would be attributable to the proposed project. As shown, the 650 new workers in the Project are expected to spend approximately \$2.0 million per year on taxable purchases in Menlo Park. Based on the City’s share of sales tax revenue, annual General Fund sales tax revenue would increase by approximately \$19,300 at buildout of the project due to this spending.

Table 3: Projected Net Change in Annual General Fund Sales Tax Revenue from Worker Spending at Buildout

	1350 Adams Court Project
Worker Spending	
Net Change in Workers	650
Taxable Sales in Menlo Park per Worker (a)	\$3,118
New Annual Taxable Worker Spending in City	\$2,026,976
Annual Sales Tax Revenue	
Menlo Park Share of Sales Tax Receipts	0.95%
Net Change in General Fund Sales Tax Revenue	\$19,256

Note:

(a) Based on data from International Council of Shopping Centers (ICSC), Office-Worker Retail Spending in a Digital Age, 2012. Spending estimates were adjusted to 2021 dollars and adjusted to remove non-taxable spending on services and entertainment as well as a portion of spending at drug and grocery stores. Figures assume that retail establishments in Menlo Park will capture 50 percent of total new employee spending. Sources: ICSC, 2012; BAE, 2021.

Business-to-Business Sales Tax Potential. This analysis does not include any City revenues from business-to-business sales tax from the project. Prior BAE analysis of business-to-business taxable sales from life sciences developments in Menlo Park indicates that City sales tax revenues from these properties can exceed one dollar per square foot per year. However, some life sciences properties generate no business-to-business sales tax and most of those that do generate revenues that are somewhat lower than one dollar per square foot per year, with more typical revenues in the range of \$0.25 to \$0.30 per square foot per year. If the project were to generate property tax revenues within the typical range, annual City General Fund revenues from business-to-business sales tax from the project would total approximately \$65,000 to \$78,000. Due to a lack of information about the specific future tenant or tenants in the project and the possibility that the tenant or tenants would not generate any business-to-business sales tax, this analysis excludes business-to-business sales tax revenue to avoid potentially overstating the total General Fund revenues from the project.

Property Taxes

The property taxes that accrue to a City are a function of the assessed value of real property and the City’s share of the property tax collected for each parcel. Property in California is subject to a base 1.0 percent property tax rate, which is shared among local jurisdictions including the County, City, and special districts. The State requires that a portion of property

tax revenues also be allocated to countywide Education Revenue Augmentation Funds (“ERAF”) to offset state expenditures on local public schools. In addition to the base 1.0 percent tax rate, additional taxes and special assessments apply to most properties to pay for local voter-approved debt or other special purposes. These additional taxes and charges vary by location and are restricted for specific uses. This analysis evaluates impacts to the City’s General Fund operating budget, which receives a share of the base 1.0 percent property tax but does not receive revenue from additional taxes and special assessments.

The share of property tax that is allocated to each taxing jurisdiction is based on the Tax Rate Area (TRA) where a property is located. Table 4 shows the effective distribution of the base 1.0 percent property tax to the taxing jurisdictions in the TRA where the Project site is located after accounting for estimated ERAF reductions. As shown, the City receives 9.2 percent of the base 1.0 percent tax, with the remainder going to various other taxing jurisdictions.

Table 4: Distribution of Base 1% Property Tax Revenue, TRA 08-031

Jurisdiction	Distribution Before ERAF	ERAF Shift (a)	Effective Distribution
City of Menlo Park	11.0%	16.3%	9.2%
San Mateo County	21.6%	40.0%	13.0%
Ravenswood Elementary School District	35.5%	0.0%	35.5%
Sequoia Union High School District	14.2%	0.0%	14.2%
San Mateo Community College District	6.2%	0.0%	6.2%
Menlo Park Fire District	5.9%	11.0%	5.2%
Ravenswood Slough Flood Zone	0.0%	21.9%	0.0%
Midpeninsula Regional Open Space District	1.7%	0.0%	1.7%
Bay Area Air Quality Management	0.2%	0.0%	0.2%
County Harbor District	0.3%	22.4%	0.2%
San Mateo County Mosquito & Vector Control District	0.2%	15.9%	0.1%
County Office of Education	3.2%	0.0%	3.2%
ERAF	<u>0.0%</u>		<u>11.2%</u>
	100.0%		100.0%

Note:

(a) Represents the percentage reduction in property taxes to each jurisdiction to fund ERAF, based on FY 2019-20 figures provided by the San Mateo County Controller’s Office.

Sources: San Mateo County Controller; BAE, 2021.

To estimate future property tax revenues resulting from the proposed project, this analysis estimates the new assessed value that the County assessor would assign to the property and then applies the applicable tax rate. In California, Proposition 13 provides that the assessed value of land and improvements cannot increase by more than two percent per year, except when a property is transferred to a new ownership entity, in which case the County re-assesses the property at the current market value; or for construction of new improvements, in which case the County re-assesses the property by the value of the construction. The County Assessor bases the assessed value of new improvements on: 1) the construction cost of new improvements, 2) the income value of the property and/or 3) the sale price of recently-sold, comparable properties. The Assessor may use one, two, or all three of these methods to assign an assessed improvement value to a project following construction.

The project applicant currently owns the site and intends to retain ownership of the proposed project following construction. As a result, the project would not lead to a reassessment of the land value for the project site.

Construction of the proposed project would trigger an assessment of the value of the new improvements on the project site, leading to an overall increase in the assessed improvement value for the project site. To estimate the assessed value of the new improvements, this analysis uses estimated construction costs provided by the applicant in early 2021 for the proposed project. The construction cost approach typically leads to a conservative estimate of assessed value compared to the other two approaches that the County Assessor might use.

Table 5 shows the total net increase in assessed value generated by the project after completion. According to information provided by the project applicant, construction costs for the proposed project will total an estimated \$125 million. BAE evaluated this construction cost estimate and determined that these costs are reasonable based on cost estimates that BAE has received for other proposed R&D developments in San Mateo County. Therefore, this analysis assumes that the assessed improvement value associated with the project will total \$125 million. Based on the City’s share of the base 1.0 percent property tax in the TRA in which the project site is located (9.2 percent), this would result in a net increase of approximately \$114,400 in annual General Fund property tax revenue from the proposed project.

Table 5: Projected Change in Annual Property Tax Revenue at Buildout

	1350 Adams Court Project
Projected Increase in Assessed Value of Improvements (a)	\$124,654,083
Projected Increase in Base 1% Property Tax Revenue	\$1,246,541
Menlo Park Share of 1% Property Tax Base (b)	9.2%
Net Change in Annual Property Tax Revenue	\$114,439

Notes:

- (a) Based on the construction cost estimate provided by the applicant in early 2021. The FIA assumes no net increase in the assessed value of land.
 - (b) City's share of the base 1.0 percent property tax in the TRA where the project site is located (TRA 08-031), after accounting for ERAF. For more information, see Table 4.
- Sources: San Mateo County Controller; BAE, 2021.

Property Tax In-Lieu of Vehicle License Fee Revenues

Beginning in FY 2005-2006, 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 FY 2004-2005. As a result of the 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 FY 2005-2006, 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.

As shown in Table 6, in fiscal year 2019-20 the City received approximately \$4.8 million in property tax ILVLF revenue. This amounts to approximately \$0.23 per \$1,000 in assessed value. Since the proposed project would increase the City's total assessed value by approximately \$125 million, annual ILVLF revenues would increase by approximately \$28,700.

Table 6: Projected Change in Annual Property Tax In-Lieu of Vehicle License Fee Revenue at Buildout

	1350 Adams Court Project
Projected Net Increase in Assessed Value	\$124,654,083
Net Change in ILVLF Revenue	\$28,652
Assumptions	
Total Taxable Assessed Value, FY 19-20	\$20,790,416,078
FY 19-20 ILVLF Payment	\$4,778,757
ILVLF Per \$1,000 in Assessed Value	\$0.23

Sources: City of Menlo Park; San Mateo County Controller; BAE, 2021.

Business License Tax

Business license fees are charged to businesses operating in the City at varying rates based on business types. The City charges administrative offices based on the number of employees at the business, with fees ranging from \$50 per year for businesses with five employees or less to \$1,250 per year for businesses with over 200 employees. Most businesses, including retail outlets and rental apartments, are charged based on annual gross receipts, ranging from \$50 per year for businesses with annual gross receipts of \$25,000 or less to a cap of \$8,000 per site per year.¹

To estimate business license tax revenues, it was assumed that the proposed project would include three new R&D tenants. This analysis assumes that the City will assess business license taxes for each tenant based on the number of employees in each business. Based on these assumptions shown in Table 7, the proposed project would result in a net increase of approximately \$3,750 in annual business license tax revenue at buildout.

¹ Menlo Park Municipal Code section 5.12.020.

Table 7: Projected Change in Annual Business License Tax Revenue at Buildout

	1350 Adams Court Project
Number of New Businesses (a)	3
Avg. Business License Tax Revenue per Business	\$1,250
New Business License Tax Revenue	\$3,750

Assumptions

New Business License Tax Revenue

Number of New R&D Tenants (a)	3
Average Number of Employees per Business (b)	217
Avg. Business License Tax Revenue per Business	\$1,250

Notes:

(a) BAE assumption.

(b) Equals the total employment projected for the proposed Project (650 employees) divided by the anticipated number of new tenants.

Sources: ICF; BAE, 2021.

Utility Users Tax

The City currently collects a Utility User Tax (UUT) at a rate of one percent, assessed on gas, electric, water, wireless, cable, and telephone bills. For business entities with more than \$1.2 million in annual combined electric, gas and water bills, the City Council has established a maximum combined electric, gas, and water UUT payment of \$12,000 (i.e., one percent of \$1.2 million) per year. According to City staff, there are only a few entities in Menlo Park that have utility expenditures in excess of \$1.2 million. The proposed project would not be among the largest developments in Menlo Park, and is therefore unlikely to be among the few projects in which utility expenditures are high enough to meet the cap. Hence, this analysis assumes that all utility expenditures generated by the project would be taxed at the normal rate of one percent of expenditures.

To estimate UUT revenue from the proposed project, BAE utilized historical data provided by utility service providers for the 2011-2012 fiscal year, which was the most recent year for which this information was available. The historical data reflect typical utility usage patterns of residential and commercial utility consumers in Menlo Park. BAE utilized this data to estimate UUT revenues per resident and per employee based on the projected revenues in the FY 2019-20 Adopted Budget (see Table 8).

Table 8: Per Capita and Per Employee Utility User Tax Revenues, FY 2019-20

UUT Revenue	FY 2019-20 Adopted Budget	Estimated Share of Total Taxable Utility Charges (a)		UUT Revenue per Resident	UUT Revenue per Employee
		Residential	Commercial		
Electric Utility Users Tax	\$501,000	25%	75%	\$3.58	\$10.25
Water Utility Users Tax	\$153,000	57%	43%	\$2.49	\$1.80
Gas Utility Users Tax	\$128,000	61%	39%	\$2.24	\$1.36
Wireless Svcs Utility Users Tax	\$163,000	40%	60%	\$1.87	\$2.67
Telephone Utility Users Tax	\$149,000	40%	60%	\$1.71	\$2.44
Cable Utility Users Tax	\$93,000	90%	10%	\$2.40	\$0.25
Total	\$1,187,000			\$14.27	\$18.77

Note:

(a) The split between residential and commercial is based information provided by the City for the 2011-12 fiscal year, the most recent year for which most of this information is available. For water, the split is based on the consumption by type of customer data in the City of Menlo Park Comprehensive Annual Financial Report for the 2019-20 fiscal year. Sources: City of Menlo Park; BAE, 2021.

As shown in Table 9, based on typical current utility usage, the proposed project would result in a net increase in annual UUT revenues of approximately \$12,200 at buildout. It is important to note that the proposed project would be required to use electricity as the only source of energy for all appliances used for water heating, cooking, and other activities, consistent with the City's reach code ordinance approved in September 2019, though the project will use an exemption that allows for natural gas space heating in the laboratories as permitted under the City's reach code. Since it is unclear how reach code requirements will ultimately impact how much UUT revenue is generated on-site, this analysis assumes that increases in electricity expenditures due to these requirements would be comparable to the resulting decrease in gas expenditures. Actual UUT revenue generated by the proposed project would depend on a number of factors, including the extent to which reach code ordinance requirements impact energy usage patterns on-site.

Table 9: Projected Change in Annual Utility User Tax Revenue at Buildout

	1350 Adams Court Project
Net Change in Employees	650
UUT Revenue per Employee	\$18.77
Net Change in UUT Revenue	\$12,202

Sources: City of Menlo Park, BAE, 2021.

Other Revenues

According to the FY 2019-20 Adopted Budget, the City generates approximately three percent of General Fund revenues from franchise fees and one percent of General Fund revenues from fines. Both of these revenue sources tend to increase as the City's service population grows. Franchise fees are generally set as a percentage of gross receipts and increase as expenditures on utilities, such as gas and electricity, increase. Fine revenues are primarily collected by the Police Department for parking and traffic citations and would be expected to increase as the residential base of the City grows. As shown in Table 10, General Fund revenues from franchise fees and fines in FY 2019-20 totaled approximately \$2.9 million, or

\$61.87 per member of the service population. Assuming a commensurate increase in the amount of revenue collected each year, the proposed project would generate additional franchise fee and fines revenues of approximately \$13,400 per year at buildout.

Table 10: Projected Change in Annual Franchise Fee and Fines Revenues at Buildout

	1350 Adams Court Project
Net Change in Service Population	217
Franchise Fee and Fines Revenue per Service Population	\$61.87
Net Change in Franchise Fee and Fines Revenue	\$13,405
<hr/>	
Assumptions	FY 2019-20 (a)
Franchise Fee Revenue	\$2,067,466
Fines Revenue	\$850,000
Total Franchise Fee and Fines Revenue	\$2,917,466
<hr/>	
Current (2020) Citywide Service Population (b)	47,156
Revenue Per Service Population	\$61.87

Notes:

(a) Revenues based on the FY 2019-20 Adopted Budget.

(b) Service population is defined as all residents plus one-third of employmen

Sources: City of Menlo Park; BAE, 2021.

Summary of Annually Recurring General Fund Revenues

As shown in Table 11, the proposed project would result in a net increase of approximately \$191,700 in annual General Fund revenues to the City of Menlo Park at buildout. Most (approximately 75 percent) of these revenues would be from property tax and property tax in lieu of vehicle license fees. The remaining 25 percent would consist of revenues from sales tax (10 percent), franchise fees and fines (7 percent), utility users tax (6 percent), and business license tax (2 percent). To avoid overstating the potential revenues from the project, the revenues shown in Table 11 below do not include potential business-to-business sales tax revenue from the project due to a lack of information about whether the future tenant or tenants will generate business-to-business sales tax revenue. To the extent that tenants in the project generate business-to-business sales tax revenue, City General Fund revenue from the project would be higher than shown in the table below.

Table 11: Summary of Net Change in Annual General Fund Revenues at Buildout

General Fund Revenue	1350 Adams Court	
	Annual Revenue	Percent of Total
Property Tax	\$114,439	60%
ILVLF	\$28,652	15%
Sales Tax	\$19,256	10%
Franchise Fees and Fines	\$13,405	7%
Utility Users Tax	\$12,202	6%
Business License Tax	\$3,750	2%
Total Revenues	\$191,704	100%

Source: BAE, 2021.

One-Time/Non-Recurring Revenue Impacts

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 a project, intended to offset impacts to infrastructure systems that are generated by new development. Based on impact fee rates as of March 2021, the proposed project would generate approximately \$7.4 million in impact fees to the City of Menlo Park, as shown in Table 12. Impact fees to Sequoia Union High School District would total approximately \$98,400, while fees to Ravenswood Elementary School District would total approximately \$73,400.

Table 12: Impact Fees from the Project

	Rate	Unit	1350 Adams Court Project	
			Quantity	Total Fees
<u>Transportation</u>				
Research and Development	\$7.91	per net sf	260,400	\$2,059,764
<u>BMR Housing Commercial In-Lieu Fees</u>				
Office/R&D	\$18.69	per net sf	260,400	\$4,866,876
<u>Storm Drainage Fees</u>				
Commercial	\$0.24	per sf imperv.	(a)	(a)
Construction Street Impact Fee (b)	0.58%	of construction value	\$80,908,141	\$469,267
Total City of Menlo Park Impact Fees				\$7,395,907
<u>Sequoia Union High School Dist.</u>				
Residential	\$2.30	per net sf	0	\$0
Commercial	\$0.38	per net sf	260,400	\$98,431
Total				\$98,431
<u>Ravenswood Elementary School Dist.</u>				
Residential	\$1.78	per net sf	0	\$0
Commercial	\$0.28	per net sf	260,400	\$73,433
Total				\$73,433

Notes:

(a) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. According to the Initial Study prepared by ICF, the Project would result in a net decrease in impervious surface coverage.

(b) The City of Menlo Park uses ICC building valuation data to calculate the Construction Street Impact Fee. The ICC building valuation differs from the estimated total project construction cost shown in Table 5 above.

Sources: City of Menlo Park; Sequoia Union School District; ICF; BAE, 2021.

Projected Annual Service Cost Impacts

The City's General Fund expenditures generally increase as the service population increases, with some exceptions for General Fund expenditures that tend to be relatively fixed and do not

change based on changes in the service population. To estimate the costs that would likely increase as the service population increases, BAE analyzed the City's budgeted General Fund expenditures from the 2019/2020 Fiscal Year budget, as shown in the City's OpenGov portal. This analysis uses the 2019/2020 Fiscal Year budget, rather than the more current 2020/2021 Fiscal Year budget, because the 2020/2021 budget shows a decrease in City General Fund expenditures due to the impacts of the COVID-19 pandemic. Therefore, this analysis uses the 2019/2020 Fiscal Year budget to reflect the level of City General Fund expenditures in a more typical year. This analysis focused on expenditures for the Human Resources, Library and Community Services, Public Works, and Police Departments, as these departments are most likely to experience increases in demand for services that are financed using the General Fund as the City's service population increases.

Adjustments were made to deduct the portion of costs that would not be expected to be impacted by the proposed project. The adjustments account for fixed personnel costs for certain executive positions, such as department heads and the Chief of Police, as well as costs for the three non-personnel expenditure categories that are not expected to be impacted by the proposed project (fixed assets and capital outlay, utilities, and most special projects). The analysis also accounts for the charges for service and other department revenues that offset variable costs in each department. Table 13 shows the resulting estimated variable costs, net of these adjustments and offsetting revenues.

Table 13: Current City of Menlo Park Annual General Fund Operating Expenditures, FY 2019-20

<u>Department/Division</u>	<u>FY 2019-20 Adopted Budget General Fund Expenditures</u>	<u>Less: Executive Salary and Benefits (a)</u>	<u>Less: Fixed Assets and Capital Outlay, Utilities, and Special Projects (b)</u>	<u>Less: Charges for Service and Other Offsetting Revenues (c)</u>	<u>Net Variable General Fund Expenditures</u>
Human Resources	\$1,866,127	(\$120,692)	(\$8,487)	\$0	\$1,736,948
Library & Community Svcs	\$14,135,406	(\$540,820)	(\$701,285)	(\$5,209,100)	\$7,684,201
Police	\$21,128,633	(\$349,393)	(\$251,169)	(\$2,796,100)	\$17,731,971
Public Works	\$13,370,660	(\$279,430)	(\$1,213,610)	(\$1,652,100)	\$10,225,520
Total Expenditures (Impacted Departments)	\$50,500,826	(\$1,290,335)	(\$2,174,551)	(\$9,657,300)	\$37,378,640

Notes:

(a) Salary and benefits costs for department heads and administrative division heads are considered fixed costs that are not expected to increase with new development in the City. Data reflect 2019 General Fund salaries and benefits for the following positions: Administrative Services Director, Library Services Director, Community Services Director, and Police Chief. General Fund portion of Administrative Services Director salary is split between Human Resources and Finance, and therefore the amount shown for Human Resources includes half of the General Fund portion of the Administrative Services Director salary. The Administrative Services Director position was eliminated in FY 2020/21, though this change does not effect the service cost estimates presented in this table because the table removes the cost associated with this position.

(b) Reflects General Fund expenditures for Fixed Assets, Capital Outlay, and Utilities, as well as all Special Projects expenditures net of vehicle replacement internal service fund costs. Costs included in this column are not anticipated to increase with new development.

(c) Some expenditures are directly recovered through charges for services, license fees, and permit fees. Revenues from these sources offset variable expenditures in each department.

Sources: City of Menlo Park; California State Controller; BAE, 2021.

As shown in Table 14, the City's net variable costs for the impacted departments currently total an estimated \$792.65 annually per member of the service population. This means that the City would need to add \$792.65 to its annual budget for each new member of the service population (i.e., \$792.65 per resident and \$264.22 per worker) to maintain current levels of service provided by these departments.

Table 14 applies the current net variable costs per member of the service population to the service population associated with the proposed project to estimate the General Fund expenditure impacts associated with the project. The projected expenditures account for increases in ongoing operating costs (e.g., salaries), but do not account for any one-time capital improvements that would be necessary to serve the project. As shown, the proposed project would increase the City's total annual General Fund expenditures by approximately \$171,700. Police Department expenses account for the largest share of this increase (47 percent). The expenditures shown for each department below reflect the City's budgeting priorities as reflected in the FY 2019-20 budget and could shift between departments over time if the City modifies its budgeting priorities.

Table 14: City of Menlo Park General Fund Expenditure Impacts from the Project

Department	General Fund	1350 Adams Court	
	Expenditures Per Service Population (a)	General Fund Impacts Total (b)	% of Total
Human Resources	\$36.83	\$7,981	5%
Library and Community Services	\$162.95	\$35,306	21%
Police	\$376.03	\$81,472	47%
Public Works	<u>\$216.84</u>	<u>\$46,983</u>	<u>27%</u>
Total Expenditures (Impacted Departments)	\$792.65	\$171,742	100%

Assumptions

Service Population from Project (c)	217
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Notes:

(a) Based on the citywide service population shown in Table 2.

(b) Equal to net variable General Fund operating expenditures per service population multiplied by the new service population associated with the proposed Project.

(c) Net change in service population from the Project as shown in Table 1.

Sources: City of Menlo Park Adopted Budget, FY 2019-20; BAE, 2021.

Summary of Net Fiscal Impact to the City of Menlo Park General Fund

Table 15 summarizes the annual recurring net General Fund fiscal impact of the proposed project at full build out and occupancy in 2021 dollars. The proposed project would increase the City's annual General Fund revenues by approximately \$191,700 and increase the City's annual General Fund expenditures by approximately \$171,700, resulting in a net positive fiscal impact of approximately \$20,000 per year once the project is complete. This net impact is equal to approximately 0.03 percent of the City's total 2019/20 Fiscal Year Adopted General Fund budget. The fiscal impacts shown in the table below reflect the impacts of the proposed project itself, irrespective of other changes in the City's population, workforce, property tax base, and other factors that could impact the City's budget. To avoid overstating the potential revenues from the project, the revenues shown in Table 15 below do not include potential business-to-business sales tax revenue from the project due to a lack of information about whether the future tenant or tenants will generate business-to-business sales tax revenue. To the extent that tenants in the project generate business-to-business sales tax revenue, the positive net fiscal impact of the project on the City's General Fund would be more positive than shown in the table below.

Table 15: Annual Net Fiscal Impact to the City of Menlo Park General Fund

	1350 Adams Court Project
Total Net Change in Revenues	\$191,704
Property Tax	\$114,439
ILVLF	\$28,652
Sales Tax	\$19,256
Franchise Fees and Fines	\$13,405
Utility Users Tax	\$12,202
Business License Tax	\$3,750
Total Net Change in Expenditures	(\$171,742)
Human Resources	(\$7,981)
Library and Community Services	(\$35,306)
Police	(\$81,472)
Public Works	(\$46,983)
Net Fiscal Impact	\$19,962

Note: Figures presented in 2021 dollars.

Source: BAE, 2021.

Total 10-Year Impact

The estimates in Table 15 do not account for the long-term impact of inflation on revenues, expenditures, and the resulting net fiscal impact to the City. Table 16 provides a long-term view of the potential net fiscal impact to the City's General Fund from the proposed project over a 10-year timeframe. The table presents revenues and expenditures on a year-by-year basis, adjusted for projected increases in revenues and costs in each year, over a 10-year period beginning in year 2021. Consistent with standard City Finance Division budgeting practices, the analysis escalates most revenues and expenditures at a rate of three percent per year. The one exception is property tax revenues, which the analysis inflates at a rate of two percent per year, the maximum allowed by the Proposition 13 limit on annual increases in tax assessments unless a property is transferred or sold. As shown, the proposed project would generate an annual fiscal surplus following buildout of the project in 2023. The surplus would decrease throughout the period to approximately \$10,300 (in nominal dollars) in year 2030. The projected decrease in the net fiscal impact over time is due to the two percent limit on property taxes, the primary source of revenue from the proposed project, which would not keep pace with the projected increase in expenses during this period.

While 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 these long-term estimates are subject to uncertainty and are sensitive to changes in inflation and other factors. Perhaps most importantly, the property tax and property tax ILVLF revenues shown in Table 16 are based on an assumption that the same entity would retain ownership of the project following the initial site acquisition, through completion of construction and the end of the ten-year period shown below. As a result, these revenues would increase by two percent per year following construction in accordance with Proposition 13. If ownership of the project is transferred to a different entity during this period, that transfer would trigger a reassessment

of the project based on market value, which would likely increase the property tax and property tax ILVLF to a greater extent than shown in the table below.

Table 16: Projected Net Fiscal Impact to the City of Menlo Park General Fund, 2021-2030

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Net Change in Revenues	\$0	\$0	\$200,400	\$204,800	\$209,600	\$214,100	\$219,300	\$224,200	\$229,400	\$234,400
Property Tax	\$0	\$0	\$119,100	\$121,400	\$123,900	\$126,300	\$128,900	\$131,500	\$134,100	\$136,800
ILVLF	\$0	\$0	\$29,800	\$30,400	\$31,000	\$31,600	\$32,300	\$32,900	\$33,600	\$34,200
Sales Tax	\$0	\$0	\$20,400	\$21,000	\$21,700	\$22,300	\$23,000	\$23,700	\$24,400	\$25,100
Franchise Fees and Fines	\$0	\$0	\$14,200	\$14,600	\$15,100	\$15,500	\$16,000	\$16,500	\$17,000	\$17,500
Utility Users Tax	\$0	\$0	\$12,900	\$13,300	\$13,700	\$14,100	\$14,600	\$15,000	\$15,500	\$15,900
Business License Tax	\$0	\$0	\$4,000	\$4,100	\$4,200	\$4,300	\$4,500	\$4,600	\$4,800	\$4,900
Total Net Change in Expenditures	\$0	\$0	(\$182,200)	(\$187,600)	(\$193,300)	(\$199,100)	(\$205,100)	(\$211,200)	(\$217,500)	(\$224,100)
Human Resources	\$0	\$0	(\$8,500)	(\$8,700)	(\$9,000)	(\$9,300)	(\$9,500)	(\$9,800)	(\$10,100)	(\$10,400)
Library and Community Services	\$0	\$0	(\$37,500)	(\$38,600)	(\$39,700)	(\$40,900)	(\$42,200)	(\$43,400)	(\$44,700)	(\$46,100)
Police	\$0	\$0	(\$86,400)	(\$89,000)	(\$91,700)	(\$94,400)	(\$97,300)	(\$100,200)	(\$103,200)	(\$106,300)
Public Works	\$0	\$0	(\$49,800)	(\$51,300)	(\$52,900)	(\$54,500)	(\$56,100)	(\$57,800)	(\$59,500)	(\$61,300)
Net Fiscal Impact	\$0	\$0	\$18,200	\$17,200	\$16,300	\$15,000	\$14,200	\$13,000	\$11,900	\$10,300

Note: Figures have been inflated based on the following rates:

Property Tax Inflation Rate:	2%
Other Revenue Inflation Rate:	3%
Expenditure Inflation Rate:	3%

All values shown in nominal dollars (i.e., not adjusted to 2021 dollars).

Source: BAE, 2021.

Net Present Value Calculation of Net Fiscal Impact

The Net Present Value (NPV) calculation is a financial method for determining what a stream of cash flows would be worth measured in today’s dollars. In other words, it identifies an up-front lump sum dollar amount that is equivalent to a series of cash flows occurring over a number of years in the future. It accounts for the time value of money by discounting the flow of future revenues and expenditures each year based on a selected discount rate. This analysis uses a four percent nominal discount rate to calculate the NPV of the net fiscal impacts from the proposed project. The four percent nominal discount rate reflects an expectation that long-term investments of an up-front lump sum dollar amount would generate a return to the City at a rate that is slightly higher than the typical long-term rate of inflation.

Table 17 shows the cumulative total net fiscal impacts from the proposed project for the 10-year period from 2021 to 2030 and the resulting NPV of these values. As shown, the project would have a positive cumulative 10-year net fiscal impact totaling \$116,100. Based on a four percent discount rate, the resulting NPV would be positive \$91,743. It should be noted that the figures below would be subject to variation based on the same factors that would affect the figures shown in Table 16 above, including rates of increases in revenues and expenditures as well as impacts from any property sale that could occur during the ten-year period.

Table 17: Total Net Fiscal Impact and Net Present Value of Fiscal Impacts from Project, 2021-2030

1350 Adams Court Project	Total 10-Year Cumulative Impact, Nominal Dollars	Net Present Value of 10-Year Fiscal Impacts, Nominal Dollars (a)
Revenues	\$1,736,200	\$1,344,697
Expenditures	(\$1,620,100)	(\$1,252,954)
Net Fiscal Impact	\$116,100	\$91,743

Note:

(a) Nominal discount rate used for net present value analysis: 4%

Source: BAE, 2021.

SPECIAL DISTRICT FISCAL IMPACT ANALYSIS

This section of the report provides analysis and findings related to the fiscal impact that the proposed project would have on the special districts that serve the project site.

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. According to population and employment figures from Esri Business Analyst, the MPFPD serves approximately 89,197 residents and 48,186 employees, with a service population of 105,259.²

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. Each of the seven fire stations is equipped with a heavy fire engine and is continuously staffed by three crew members. Two stations—Station 2 in East Palo Alto and Station 6 in downtown Menlo Park—were recently reconstructed. Station 77 is located at 1467 Chilco Street in the Bayfront Area of Menlo Park. The District plans to rebuild Stations 4 and 1 within the next decade, though District leadership reports that plans are currently on hold due to the impact of the COVID-19 pandemic. Station 1 is located on Middlefield Road in Menlo Park, while Station 4 is located outside of the City limits in the unincorporated community of West Menlo Park.

Revenue Impacts from the Project

After accounting for the ERAF shift, the MPFPD receives approximately 5.2 percent of the 1.0 percent base property tax collected in the TRA in which the proposed project is located. Based on the estimated increase in property values that would be generated by the proposed project, the MPFPD would receive \$65,000 in additional property taxes annually after buildout of the project.

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. For this FIA, revenues from licenses, permits, and service charges are estimated on a per service population basis and are assumed to be the only revenue source other than property tax that would be affected by new development. MPFPD's FY 2019-20 Adopted Budget projected \$2.1 million in license, permit, and service charge revenues, averaging \$19.71 per member of the service population. Based on the estimated increases in service population, it

² Service population is defined as all residents plus one third of all employees.

is expected that additional MPFPD revenues from licenses, permits, and service charges would total \$4,300 per year from the proposed project.

Expenditure Impacts from the Project

This study estimates the costs that the proposed project will generate for the MPFPD on a per service population basis. Unlike the analysis of City expenditures presented above, the analysis of the MPFPD included all MPFPD General Fund expenditures in the variable cost estimate, including executive compensation, which may overestimate the potential cost impacts for the MPFPD. This approach provides a relatively conservative assessment to avoid underestimating potential impacts on the District. The MPFPD budget for the 2019-2020 fiscal year includes \$57.6 million in expenditures from its General Fund, at an average rate of \$567 per member of the service population, as shown in Table 18. Assuming that costs increase in accordance with service population, the proposed project would generate an estimated \$118,500 in annual costs to the District.

Net Fiscal Impact from the Project

Based on the revenue and expenditure estimates shown in Table 18, the proposed project would have a negative net fiscal impact on the MPFPD. The negative net fiscal impact associated with the proposed project is estimated to total \$49,200 annually, which amounts to approximately 0.09 percent of MPFPD's FY 2019-20 General Fund operating budget. As with the analysis of the fiscal impacts to the City, the fiscal impacts shown in the table below reflect the impacts of the proposed project itself, irrespective of other changes in the District that could potentially counterbalance the impacts of the project.

The negative net fiscal impact to the MPFPD is due to the District's small share of property tax revenues in the tax rate area where the project would be located. While the MPFPD receives approximately 5.2 percent of the one percent base property tax revenues in this tax rate area, in most areas of Menlo Park the MPFPD receives at least 12 percent of the base one percent property tax, after accounting for the ERAF shift. If the District's share of property tax revenues from the project site was comparable to the share that is more typical within Menlo Park, the project would have a net positive fiscal impact on the MPFPD.

The Menlo Park Fire Protection District has adopted an Emergency Services and Fire Protection Impact Fee to fund the District's fire protection capital facilities. While the City of Menlo Park has not adopted the fee, for illustrative purposes this analysis includes a calculation of the impact fee revenue that the project would generate for the MPFPD if the City of Menlo Park adopted the impact fee proposed by the MPFPD and if this fee applied to the project. Based on the fee rates that the MPFPD has proposed, the proposed project would generate approximately \$149,000 in one-time impact fee revenue to the District if these fees applied. However, the fee will not apply to the proposed project unless the City adopts the fees and determines that the fee applies to the project.

Table 18: Projected Net Fiscal Impact to Menlo Park Fire Protection District

	1350 Adams Court Project
Net Change in Property Tax Revenues	\$65,046
Net Change in License, Permit, and Service Charge Revenues	\$4,270
Less: Net Change in Projected Expenditures	(\$118,493)
Projected Net Fiscal Impact to MPFPD	(\$49,176)
Assumptions	FY 2019-20
Menlo Park Fire Protection District Service Population, 2020	105,259
Project Net Change in Service Population	217
Revenues	
Net Change in Assessed Value from Project	\$124,654,083
Base 1% Property Tax Revenue	\$1,246,541
Fire District Share of Base 1% Property Tax	5.2%
Net Change in Fire District Property Tax Revenue	\$65,046
License and Permit Revenues, FY 19-20 Adopted Budget	\$1,223,046
Current Service Charge Revenues, FY 19-20 Adopted Budget	\$851,530
Licenses, Permits, and Service Charges per Service Population	\$19.71
Net Change in License, Permit, and Service Charge Revenue	\$4,270
General Fund Expenditures	
Operating Expenditures, FY 2019-20 Adopted Budget	\$57,564,946
Expenditures per Service Population	\$546.89
Net Change in Expenditures	\$118,493

Sources: Menlo Park Fire Protection District, San Mateo County Controller; Esri Business Analyst; BAE, 2021.

School Districts Serving the Project Site

This study evaluates the fiscal impacts for the Ravenswood City 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.

California School District Operating Revenues

Under California's funding system for public school districts, the impact that new development has on instructional operating costs depends in part on whether a district is a "Basic Aid" district. In California, most public school districts are not Basic Aid districts, meaning that local property taxes are not sufficient to meet the minimum funding requirement for the district based on the statewide Local Control Funding Formula (LCFF). Therefore, in non-Basic Aid districts, local property taxes are supplemented with State funds to meet required funding levels. Within non-Basic Aid districts, as local property tax revenues increase (including from new development), State funding is reduced by a commensurate amount such that these districts do not realize increased revenues. Conversely, any increase in the gap between the

minimum funding requirement and property tax revenues, due to either increased enrollment or reduced property tax revenue, is met with a commensurate increase in State aid.

By comparison, if local property taxes are sufficient to exceed the funding requirement established by the State LCFF, a district becomes a “Basic Aid” district and receives only minimal State funding. Within Basic Aid districts, as assessed property values increase, the district retains any 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, a district’s Basic Aid or non-Basic Aid status determines whether it can retain new operating revenues as a result of new development that increases the local property tax rolls.

Ravenswood City School District

The Ravenswood City School District is a non-Basic Aid district, meaning that its local revenues are supplemented by State aid to achieve the LCFF minimum funding target. Due to the District’s non-Basic Aid status, its unrestricted revenue level is effectively determined by the LCFF and funded up to that target level through a combination of local property taxes and State aid. The proposed project would generate property tax revenues toward that target. In the TRA where the project site is located, the District’s share of the base one-percent property tax is approximately 35 percent. Based on this percentage and the estimated increase in assessed values shown in Table 19, the increase in annual property tax revenues to the District as a result of the proposed project would be approximately \$442,400.

Net Fiscal Impact from the Project. Ravenswood City Elementary School District is a non-Basic Aid district, meaning that total operating revenues are unaffected by changes in assessed property values within the district and are instead determined on a per student basis according to a schedule determined by the State. Any additional annual property tax revenues that would pass through to the District as a result of the project would be offset by a decrease in payments made to the District by the State.

As shown in Table 12 above, the project would generate one-time impact fees to the District totaling an estimated \$73,400.

Table 19: Projected Fiscal Impacts of the Project on the Ravenswood City School District

	1350 Adams Court Project
Net Change in Property Tax Revenues	\$442,358
Net Change in State Revenues from ADA	(\$442,358)
Less: Net Change in Projected Expenditures from Enrollment	\$0
Projected Net Fiscal Impact to Sequoia Union HSD	\$0
One-Time Impact Fee Revenue	\$73,433
Assumptions	
Project Net Change in Enrolled Students	0
Revenues	
Net Change in Assessed Value from Project	\$124,654,083
Base 1% Property Tax Revenue	\$1,246,541
Ravenswood City ESD Share of Base 1% Property Tax (a)	35%
Net Change in Sequoia Union HSD Property Tax Revenue	\$442,358
Expenditures	
Unrestricted General Fund Expenditures, FY 2019-20 Adopted Budget	\$22,537,875
Enrolled Students, FY 2019-20 Adopted Budget	2,114
Unrestricted Expenditures per Enrolled Student	\$10,661

Note:

(a) This is Ravenswood City ESD's share of the base 1.0 percent property tax in the TRA where the Project site is located.

Sources: Ravenswood City Elementary School District; San Mateo County Controller; BAE, 2021.

Sequoia Union High School District

Because the Sequoia Union High School District is a Basic Aid district, the District gets the bulk of its annual operating revenue from property taxes, with a minimal amount of funding from other state and local sources. In the TRA where the project site is located, the District's share of the base one percent property tax is approximately 14 percent. Based on this percentage and the estimated increase in assessed values shown in Table 20, the increase in annual property tax revenue to the District as a result of the proposed project is estimated to total \$177,600. This represents the total net fiscal impact from the project.

As shown in Table 12 above, the project would also generate one-time impact fees to the District totaling an estimated \$98,400.

Table 20: Projected Fiscal Impacts of the Project to the Sequoia Union High School District

	1350 Adams Court Project
Net Change in Property Tax Revenues	\$177,627
Net Change in State Revenues from ADA	\$0
Less: Net Change in Projected Expenditures from Enrollment	\$0
Projected Net Fiscal Impact to Sequoia Union HSD	\$177,627
One-Time Impact Fee Revenue	\$98,431
Assumptions	
Project Net Change in Enrolled Students	0
Project Net Change in ADA	0
Revenues	
Net Change in Assessed Value from Project	\$124,654,083
Base 1% Property Tax Revenue	\$1,246,541
Sequoia Union HSD Share of Base 1% Property Tax (a)	14%
Net Change in Sequoia Union HSD Property Tax Revenue	\$177,627
Unrestricted Revenues per ADA, FY 2019-20 Adopted Budget	\$413
Unrestricted State Local Control Funding Formula (LCFF) Funds per ADA (b)	\$0
Unrestricted State Educational Protection Account Funds per ADA	\$200
Unrestricted State Lottery Funds per ADA	\$151
Unrestricted State Mandated Costs Block Grant per ADA	\$62
Expenditures	
Unrestricted General Fund Expenditures, FY 2019-20 Adopted Budget	\$122,802,512
Enrolled Students, FY 2019-20 Adopted Budget	9,428
Estimated ADA, FY 2019-20 Adopted Budget	8,205
Unrestricted Expenditures per Enrolled Student	\$13,025

Notes:

(a) This is Sequoia Union HSD's share of the base 1.0 percent property tax in the TRA where the Project site is located.

(b) Sequoia Union HSD is a "basic aid" district. Basic aid districts, also known as "community-funded" districts, collect enough property tax revenues to meet their state-determined LCFF minimum funding targets without state support. Though basic aid districts are entitled to other state funds tied to ADA (listed separately) and a minimum level of guaranteed state support (not tied to growth), they will not receive LCFF state aid to offset the costs generated by additional ADA.

Sources: Sequoia Union High School District; San Mateo County Controller; BAE, 2021.

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 includes 17 cities, including the City of Menlo Park. To date, the District has preserved nearly 64,000 acres of public land and created 26 open space preserves, of which 24 are open to the public year-round.

Revenue Impacts from the Project

Property taxes are the primary source of revenue to the District, accounting for over 90 percent of operating revenues. The District's other sources of revenue, such as grants,

interest income, and rental income, are comparatively small and not projected to be impacted by the project. The proposed project at buildout is projected to generate approximately \$20,900 in property tax revenues for the District annually.

Expenditure Impacts from the Project

This analysis assumes that the District is unlikely to increase its land acquisition efforts as a direct result of increases in service population, and that debt service expenditures would not increase due to changes in service population. As a result, salaries, benefits, services, and supplies, which total approximately \$37.0 million in the FY 2019-20 budget, are the only District expenditures that are likely to be impacted by growth. This results in estimated expenditures equal to \$41 per member of the service population. The new service population from the proposed project would thus be expected to produce approximately \$8,900 in additional annual expenditures for the District.

Net Fiscal Impact from the Project

As detailed in Table 21, the Project is expected to produce a positive net fiscal impact of approximately \$12,000 per year to the District.

Table 21: Projected Net Fiscal Impact to Midpeninsula Regional Open Space District

	1350 Adams Court Project
Net Change in Property Tax Revenues	\$20,884
Less: Net Change in Projected Expenditures	(\$8,882)
Projected Net Fiscal Impact to Open Space District	\$12,002
Assumptions	
Open Space District Service Population, 2020	902,690
Project Net Change in Service Population	217
Property Tax Revenue	
Net Change in Assessed Value from Project	\$124,654,083
Base 1% Property Tax Revenue	\$1,246,541
Open Space District Share of Base 1% Property Tax (a)	1.7%
Net Change in Open Space District Property Tax Revenue	\$20,884
General Fund Expenditures	
Expenditures, FY 2019-20 Adopted Budget (b)	\$37,003,848
Expenditures per Service Population	\$40.99
Net Change in Expenditures	\$8,882

Notes:

(a) This is the District's share of the base 1.0 percent property tax in the TRA where the Project site is located. Open Space District property tax revenues are not reduced to fund ERAF.

(b) Includes salaries, benefits, services, and supplies only.

Sources: Midpeninsula Regional Open Space District; San Mateo County Controller; Esri Business Analyst; BAE, 2021.

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 16,321 Full Time Equivalent Students (FTES)³, which amounts to approximately 0.02 FTES per member of the District's total service population. Assuming the same proportion of new service population members enrolls in District community colleges, the proposed project would result in four additional students.

Revenue Impacts from the Project

SMCCCD became a Basic Aid district beginning in FY 2012-2013. Similar to Basic Aid elementary and high school districts, Basic Aid community college districts collect local property taxes and student enrollment fees in excess of their State-determined funding target and, therefore, do not receive a general apportionment of funds from the State. State funding is mainly limited to specific small entitlements, several of which accrue to the District's unrestricted General Fund, and categorical funds, which do not contribute to the 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.

The proposed project at buildout is projected to generate a \$77,100 increase in annual property tax revenue to the District, as detailed in Table 22. For FY 2019-20, SMCCCD's student enrollment fees are projected to total \$8.5 million, or approximately \$519 per FTES.⁴ Based on this figure and the proposed project's estimated student generation, described above, the project at buildout is projected to result in \$2,100 in additional student fees from new enrollment. The new enrollment would also increase funding from three state entitlements, which are unrestricted and allocated on a per-FTES basis. These are the Educational Protection Account funds (\$100 per FTES), unrestricted State Lottery funds (\$153 per FTES), and State Mandated Cost Block Grant funds (\$30 per FTES). The proposed project at buildout would be projected to generate an additional \$1,100 from these sources.

Expenditure Impacts from the Project

For FY 2019-20, the District budgeted approximately \$204.3 million in unrestricted General Fund expenditures, or \$12,500 per FTES. Assuming the District maintains this per-FTES spending, the new enrollment associated with the Project would generate \$50,600 in additional expenditures for the District.

³ Enrollment for revenue calculation purposes is measured in Full Time Equivalent Students (FTES). A FTES is equal to 15 course credits.

⁴ The District reports a reduction in student fee revenues in recent years due to fee waivers offered through the Promise Scholars Program. This program offers, among other benefits, full tuition and fee waivers for the first and second year of coursework for qualifying students. The State provides a portion of the funding to support the Promise Scholars Program, but these funds do not accrue to the District's unrestricted General Fund.

Net Fiscal Impact from the Project

As shown in Table 22, the proposed project would result in a positive net fiscal impact to SMCCCD, totaling approximately \$29,700 per year. This amounts to less than one-hundredth of one percent of the District's FY 2019-20 General Fund expenditures.

Table 22: Projected Net Fiscal Impact to San Mateo County Community College District

	1350 Adams Court Project
Net Change in Property Tax Revenue	\$77,134
Net Change in Student Fee Revenue	\$2,098
Net Change in State Revenue from FTES	\$1,145
Less: Net Change in Projected Expenditures	(\$50,636)
Projected Net Fiscal Impact to SMCCCD	\$29,742
Assumptions	
SMCCCD Service Population, 2020	874,233
SMCCCD Full-Time Equivalent Students (FTES), FY 2019-20 Adopted Budget	16,321
FTES per Service Population Member	0.02
Project Net Change in Service Population	217
Project Net Change in Full-Time Equivalent Students (FTES)	4.04
Revenues	
Project Net Change in Assessed Value	\$124,654,083
Project Net Change in Base 1% Property Tax Revenue	\$1,246,541
SMCCCD Share of Base 1% Property Tax Revenue (a)	6.2%
Net Change in SMCCCD Property Tax Revenue	\$77,134
SMCCCD Student Fee Revenues, FY 2019-20 Adopted Budget	\$8,466,977
Student Fee Revenues per FTES	\$519
Unrestricted State Revenues per FTES, FY 2019-20 Adopted Budget	\$283
Unrestricted State Educational Protection Account Funds per FTES	\$100
Unrestricted State Lottery Funds per FTES	\$153
Unrestricted State Mandated Costs Block Grant per FTES	\$30
Expenditures	
Unrestricted General Fund Expenditures, FY 2019-20 Adopted Budget (b)	\$204,314,183
Unrestricted Expenditures per FTES	\$12,518

Notes:

(a) This is the San Mateo County CCD's share of the base 1.0 percent property tax in the TRA where the Project site is located.

(b) This figure omits capital outlay expenditures as they are not impacted by growth in FTES.

Sources: San Mateo County Community College District; San Mateo County County Controller; Esri Business Analyst; BAE, 2021.

San Mateo County Office of Education

The San Mateo County Office of Education (SMCOE) 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. SMCOE also

provides direct educational services to students with severe disabilities, incarcerated students through juvenile court schools, and at-risk students through community schools.

Net Fiscal Impact from the Project

Like K-12 school districts, SMCOE is funded through a combination of local property taxes and State funds, as determined by the LCFF. SMCOE is a Basic Aid entity, meaning that its property tax revenues exceed its LCFF funding entitlement. The State provides a fixed minimum level of funding, as well as some minor unrestricted and categorical funds, but does not adjust its funding to offset changes in SMCOE’s revenues or expenditures. Consequently, SMCOE could potentially experience fiscal impacts from new development, including the proposed project. Because the project does not include a residential component, it would not generate any new students or associated additional expenditures for the SMCOE.

SMCOE receives 3.2 percent of the base one-percent property tax in the TRA where the proposed project is located. The proposed project at buildout is estimated to result in an assessed value increase of approximately \$125 million, which would generate approximately \$40,100 in annual property tax revenues to SMCOE. This represents the total net fiscal impact from the project on the SMCOE.

Table 23: Projected Net Fiscal Impact to San Mateo County Office of Education

	1350 Adams Court Project
Net Change in Property Tax Revenues	\$40,138
Less: Net Change in Projected Expenditures from Enrollment	\$0
Projected Net Fiscal Impact to San Mateo COE	\$40,138
Assumptions	
Project Net Change in Enrolled Students	0
Project Net Change in Enrolled Students, Ravenswood City ESD	0
Project Net Change in Enrolled Students, Sequoia Union HSD	0
Project Net Change in Assessed Value	\$124,654,083
Project Net Change in Base 1% Property Tax Revenue	\$1,246,541
San Mateo COE Share of Base 1% Property Tax Revenue (a)	3.2%
Unrestricted Central Office Expenditures, FY 2019-20 Adopted Budget (b)	\$41,826,786
Service Population (i.e., Enrolled Students Countywide) (c)	93,554
Unrestricted Expenditures per Service Population	\$447

Notes:

- (a) This is San Mateo COE’s share of the base 1.0 percent property tax in the TRA where the project site is located.
- (b) Expenditures for "Central Office" functions only, excluding capital outlay and transfers. Figure does not include expenditures related to operating court and community schools or providing direct services to a specific student populations.
- (c) 2019-2020 academic year Census day enrollment for all K-12 public schools, including charter schools, in San Mateo County, as reported by the California Department of Education.

Sources: San Mateo County Office of Education; San Mateo County Controller; California Department of Education; BAE, 2021.