bae urban economics

Fiscal Impact Analysis Report for Proposed Menlo Flats Project

Prepared for the City of Menlo Park

October 25, 2021

bae urban economics

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Kyle Perata
Acting Planning Manager
City of Menlo Park
701 Laurel St.
Menlo Park, CA 94025

Dear Mr. Perata:

BAE is pleased to submit this fiscal impact analysis for the proposed Menlo Flats development in Menlo Park. We hope that this report is helpful in the City's evaluation of the proposed project.

Sincerely,

Stephanie Hagar, MCP
Associate Principal

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Table of Contents

List of Tables

EXECUTIVE SUMMARY

This report presents the findings from a Fiscal Impact Analysis of the proposed Menlo Flats development in Menlo Park (the proposed project). The proposed project includes 158 residential units and 14,999 square feet of nonresidential space on a 1.38 acre site at 165 Jefferson Drive.

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 result in a net negative fiscal impact on the City of Menlo Park's annual General Fund operating budget, totaling $148,000, equal to approximately 0.21 percent of the City's 2019-2020 General Fund operating budget. The proposed project would also generate a net negative fiscal impact for the Menlo Park Fire Protection District, equal to approximately 0.14 percent of the District's 2019-2020 General Fund operating budget, and for the Sequoia Union High School District, equal to approximately 0.19 percent of the District's budget. The proposed project would not have a fiscal impact on the Ravenswood 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 **ANNUAL IMPACTS**	**City of Menlo Park**	**Menlo Park Fire Protection District**	**Sequoia Union High School District**	**Ravenswood Elementary District**
Project				
New Revenues	$195,119	$160,584	$180,324	$626,625
New Expenditures	($342,684)	($239,246)	($411,599)	($626,625)
Net Fiscal Impact	**($147,565)**	**($78,662)**	**($231,275)**	**$0**

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

Source: BAE, 2021.

INTRODUCTION

The City of Menlo Park (City) is evaluating the proposed Menlo Flats project located at 165 Jefferson Drive, and engaged BAE Urban Economics, Inc. (BAE) to conduct a Fiscal Impact Analysis (FIA) of the development. Like most new development, the proposed project is expected to increase demand for city services and infrastructure, as well as generate new revenues for 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 a future point in time when the project would be fully built out and would have achieved stabilized operations.

Project Description

The proposed project is an eight-story, mixed-use building that includes 158 residential units and 14,999 square feet of nonresidential space on a 1.38 acre site at 165 Jefferson Drive. The project will replace the existing 24,300 square foot commercial building that is used primarily for storage by its one tenant. The residential portion of the project will include 113 studio apartments and 45 four-bedroom apartments, adding approximately 406 new city residents.[1] Twenty-one of the 158 units will be below market rate (BMR) units with rents that are restricted to remain affordable to very low-, low-, and moderate-income households. The nonresidential portion of the project consists of 1,600 square feet assumed to be operated as a café and 13,400 square feet of office space. Accounting for two building services employees, the development is estimated to add 53 new employees to the city, or 44 net new employees after accounting for the demolition of the existing commercial use on the project site. Table 1 summarizes the anticipated development program for the Project.

Table 1 also includes assumptions about the anticipated employment associated with the 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 public services. Based on the estimate of 406 net new residents and 44 net new workers on the site, the project would add 424 to the city's service population.

[1] Consistent with the ConnectMenlo Final EIR, this analysis assumes 2.57 persons per household for the proposed project. Given the mix of unit types and sizes of the project, the analysis in this section is conservative and may overestimate the population growth that would occur with development of the proposed project.

Table 1: Development Program at Project Buildout

	Menlo Flats Project
Residential	
New Residential Units	**158**
Multifamily Apartments	158
Market-Rate Units	*137*
Affordable Units	*21*
New Residential Building Area (sf)	**154,835**
Multifamily Apartments	154,835
Commercial	
New Commercial Building Area (sf)	**14,999**
Office	13,399
Café	1,600
Existing Office/Industrial Building Area (sf)	**24,300**
Net Change in Commercial Building Area (sf)	**(9,301)**
Service Population (a)	
New Service Population (a)	**424**
New Residents	406
New Employees	53
Existing Service Population (a)	**(3)**
Existing Residents	0
Existing Employees	(9)
Net Change in Service Population (a)	**421**
Net Change in Residents (b)	406
Net Change in Employees	44

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.
(b) Consistent with the ConnectMenlo Final EIR, this analysis assumes 2.57 persons per household for the proposed project. Given the mix of unit types and sizes of the project, the analysis in this section is conservative and may overestimate the population growth that would occur with development of the proposed project.

Sources: City of Menlo Park; Keyser Marston Associates, Inc., 2021; BAE, 2021.

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 uses a variety of methods to estimate the projected change in City revenues and operating 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 utility user taxes, franchise fees, fines, and forfeitures, also generally increase as the service population increases. The fiscal impact analysis therefore relies in 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 that future development will generate costs and revenues at the same average rate as the existing service population.

Although this report was written during the 2021-22 fiscal year, the analysis utilizes the 2019-20 fiscal year budget for some revenue and expenditure assumptions. The 2020-21 and 2021-2022 fiscal year budgets show lower levels of general fund expenditures than the 2019-20 fiscal year budget due to the impact of the COVID-19 pandemic in reducing revenues and demanding unique reallocations of spending for the government to respond to the crisis. While the longer-term consequences of the COVID-19 pandemic on the City budget remain unclear, many local revenue sources are recovering from the COVID-19-related economic downturn, potentially enabling local jurisdictions to anticipate future restoration of pre-pandemic service and spending levels. As a result, this analysis assumes that as the economy recovers, budget levels were return to pre-pandemic levels, meaning the FY19 budget is currently the best indicator of revenues and expenses under normal economic conditions.

As shown in Table 2, the City of Menlo Park's daytime population consists of 35,072 residents and 32,438 employees, resulting in a service population of 45,885 (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 Menlo Park Service Population, 2019

City of Menlo Park	2019
Residents	35,072
Employees	32,438
Service Population (a)	**45,885**

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 fiscal analysis projects property taxes, property tax in-lieu of vehicle license fee revenues, and sales taxes based on 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 annual fiscal impacts at buildout of the project but expressed in constant 2021 dollars. This report also presents the cumulative ten-year fiscal impact to Menlo Park, accounting for a two-year construction phase.

Projected Annual Revenue Impacts

The project would have an impact on various city revenues, including sales and property taxes. The following section details the methodology for calculating the impacts to these revenues and provides an estimate of the revenue impacts.

Sales Taxes

The proposed project would generate sales tax revenue from new taxable retail spending by both the new residents and the new employees. 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.

Taxable Sales from Resident Spending. According to data from the California Department of Tax and Fee Administration shown in Table 3, annual taxable retail sales averaged $6,231 per person in Menlo Park and $14,486 per person in San Mateo and Santa Clara Counties in 2020. Based on these data, this analysis assumes that Santa Clara and San Mateo County residents, including residents of Menlo Park, average approximately $14,486 per person in annual taxable purchases. This discrepancy in spending per person in the city compared to San Mateo and Santa Clara Counties implies there is retail leakage, meaning Menlo Park residents generally leave the City to make at least some purchases in most retail categories, likely due to the limited availability of goods in the City in these categories. There is an injection of retail spending at food and beverage establishments and gas stations, suggesting Menlo Park is a destination for non-city residents for spending in these categories.

As shown in Table 3, this analysis assumes Menlo Park will continue to capture the portion of San Mateo and Santa Clara Counties' spending that occurs in the City in the retail categories with leakage. For the two categories with a sales injection (i.e., food and beverage and gasoline stations), this analysis conservatively assumes the city will capture up to 85 percent of new residents spending in these categories even though the injection of sales implies that the city could capture 100 percent of new resident spending in these categories. In total, new residents are estimated to generate $4,900 in new sales per capita in the City of Menlo Park. This amount provides an estimate of annual average taxable expenditures by Menlo Park residents at outlets located in Menlo Park, and is lower than the total taxable sales per capita in Menlo Park because the total City taxable sales figure includes purchases by people who do not live in Menlo Park.

Table 3: Estimated Annual Taxable Expenditures per Resident

Business Category	2020 Taxable Sales per Capita (a) Menlo Park	San Mateo & Santa Clara Counties	Sales Leakage (b)	Estimated % of Resident Taxable Sales in City (c)	Estimated New Sales in City (d)
Retail and Food Services					
Home Furnishings and Appliance Stores	$506	$1,038	51%	49%	$506
Food and Beverage Stores	$1,666	$800	-108%	85%	$680
Gasoline Stations	$1,013	$786	-29%	85%	$668
Clothing and Clothing Accessories Stores	$221	$915	76%	24%	$221
Food Services and Drinking Places	$1,470	$1,809	19%	81%	$1,470
Other Retail	$1,355	$9,138	85%	15%	$1,355
Total (e)	**$6,231**	**$14,486**			**$4,900**

Notes:
(a) 2020 data inflated to 2021 dollars. Population estimates per the California Department of Finance:
Menlo Park: 34,825
San Mateo County: 765,245
Santa Clara County: 1,934,171
(b) Retail spending for Menlo Park residents is assumed to be equal to per capita spending patterns for the two counties. If Menlo Park residents spend fewer dollars per capita than in San Mateo and Santa Clara Counties, the analysis assumes the difference leaks out to other shopping centers in the two counties. A zero percent leakage indicates that residents can get all shopping needs met in Menlo Park. Negative figures indicate that Menlo Park receives a net injection, i.e., more sales than are likely attributable to just Menlo Park residents.
(c) Based on data in column (b); estimates the percentage of resident spending within a category that will occur in Menlo Park. While zero percent or negative leakage indicates residents could meet their shopping needs within the City, shoppers are still likely to seek goods and services outside Menlo Park. To be conservative, the maximum capture has been estimated at 85 percent of sales.
(d) Equals (Taxable Sales per Capita in San Mateo & Santa Clara Counties) x (Estimated % of Resident Sales in City). Assumes that Menlo Park will capture most of new residents' retail spending in categories with low/no leakage and will capture little spending in high leakage categories, based on current spending patterns, and assumes that the mix of retail offerings in Menlo Park remains relatively consistent.
(e) Total does not include taxable sales in the category classified as "All Other Outlets", as these taxable sales consist primarily of business-to-business sales taxes that would not be impacted by resident population growth.

Sources: CA Department of Finance; CA Department of Tax and Fee Administration; BAE, 2021.

Taxable Sales from Worker Spending. 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 $3,153 per year on taxable purchases in Menlo Park.

Net Change in General Fund Sales Tax Revenue from Resident and Worker Spending. Table 4 shows the estimated net change in total taxable sales from resident and worker spending in Menlo Park attributable to the proposed project. As shown, new residents would spend approximately $2.0 million per year on taxable purchases in Menlo Park. Annual taxable expenditures among workers would increase by approximately $138,700 due to the net gain in on-site employment. Applying the city's share of sales tax revenue to the $2.1 million increase in annual taxable sales results in an additional $20,200 in sales tax revenue.

Table 4: Projected Net Change in Annual General Fund Sales Tax Revenue from Resident and Worker Spending at Buildout

	Menlo Flats Project
Resident Spending	
Net Change in Residents	406
Per Capita Taxable Sales in Menlo Park (a)	$4,900
Net Change in Annual Taxable Resident Spending	**$1,989,391**
Worker Spending	
Net Change in Workers	44
Taxable Sales in Menlo Park per Worker (b) (c)	$3,153
Net Change in Annual Taxable Worker Spending	**$138,735**
Annual Sales Tax Revenue	
Net Change in Annual Citywide Taxable Sales	$2,128,126
Menlo Park Share of Sales Tax Receipts	0.95%
Net Change in General Fund Sales Tax Revenue	**$20,217**

Notes:
(a) See Table 3.
(b) 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.
(c) Accounts for the inflation factor of 1.284 from 2012 to 2021.

Sources: ICSC, 2012; CA Department of Finance; CA Department of Tax and Fee Administration; BAE, 2021.

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 Educational Revenue Augmentation Funds ("ERAF") to offset state expenditures on local K-12 education. In addition to the base 1.0 percent tax rate, additional property taxes and special assessments apply to most properties to pay for school district bonds or other special purposes, which vary by property 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 any additional taxes or special assessments.

The share of base 1.0 percent property tax that is allocated to each taxing jurisdiction and the supplemental taxes that apply are based on the Tax Rate Area (TRA) where each property is located. Table 5 shows the base property tax distribution and ERAF shift for the project site, which is located in TRA 08-063.

Table 5: Distribution of Base 1% Property Tax Revenue, TRA 08-063

Jurisdiction	Pre-ERAF Distribution	ERAF Shift (a)	Effective Distribution
City of Menlo Park	10.1%	16.3%	8.5%
County of San Mateo	19.9%	40.0%	12.0%
Ravenswood Elementary School District	32.7%	0.0%	32.7%
Sequoia Union High School District	13.1%	0.0%	13.1%
San Mateo Community College District	5.7%	0.0%	5.7%
Menlo Park Fire District	13.3%	11.0%	11.8%
Midpeninsula Regional Open Space District	1.5%	0.0%	1.5%
Bay Area Air Quality Management	0.2%	0.0%	0.2%
County Harbor District	0.3%	22.4%	0.2%
San Mateo Co. Mosquito & Vector Control Dist.	0.2%	15.9%	0.1%
County Office of Education	3.0%	0.0%	3.0%
ERAF	0.0%		11.2%
	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.

The projected change in property tax revenue accounts for the existing assessed value of the project site. As shown in Table 6, the site is located on a single parcel valued at $473,757, comprised on $222,222 in land value and $251,535 in improvements. The total assessed value is subtracted from the total assessed value of the new project to estimate the net increase in property tax revenue attributable to the project.

Table 6: Current (2021) Assessed Value of Project Site

	2021 Assessed Value		
Parcel	Land	Improvements	Total
055-242-090	$222,222	$251,535	$473,757
Total Project Site	**$222,222**	**$251,535**	**$473,757**

.
Sources: San Mateo County Tax Collector; 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 upon completion of the project 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. This analysis estimates the assessed value of the project after construction using assumed construction costs, which is the most conservative of the three methods used by the County Assessor.

The project applicant intends to enter into a 99-year ground lease with the current owner of the project site as part of the redevelopment process. Although this does not technically constitute a sale of the property, the San Mateo County Tax Assessor treats any ground lease agreement term over 35 years as a change of ownership for the purposes of reassessment. Therefore, the ground lease agreement would trigger a reassessment of the land value of the property to market value, while the development of the proposed project would trigger an assessment of the value of the new improvements on the project site.

To estimate the new assessed land value of the project site, this analysis uses an average land sale price of $16.7 million per acre, which is the market value of the site at the bonus level development as estimated in the Community Amenities Appraisal Report prepared by Fabbro, Moore & Associates, Inc. To estimate the assessed value of the new improvements, this analysis uses the estimated construction costs for the proposed project, which typically leads to a conservative estimate of assessed value compared to the other two approaches that the County Assessor might use. As shown in Table 7 below, this analysis assumes that construction costs for the proposed project will total an estimated $106.2 million.

Table 7: Estimated Assessed Value of Improvements

			Menlo Portal Project	
Construction Costs (Hard and Soft Costs)			**Quantity**	**Total Costs**
Site Improvements	$40	per site sf (a)	60,113	$2,404,512
Multifamily Apartments	$520	per sf	154,835	$80,514,304
Retail/Office Shell	$550	per sf	14,999	$8,249,450
Retail/Office TI	$155	per sf	14,999	$2,324,845
Podium Parking (b)	$72,000	per space	176	$12,672,000
Total Assessed Value of Improvements				**$106,165,111**

Notes:
(a) Total site area of the parcel.

Sources: City of Menlo Park; Keyser Marston Associates; BAE, 2021.

Table 8: Projected Change in Annual Property Tax Revenue at Buildout

	Menlo Flats Project
Assessed Value	
Projected Assessed Value of Improvements (a)	$106,165,111
Projected Assessed Value of Land (b)	$23,100,000
Total Projected Assessed Value of Project Site	**$129,265,111**
Less: Current (2021) Assessed Value of Project Site	($473,757)
Net Change in Assessed Value of Project Site	**$128,791,354**
Annual Property Tax Revenue	
Net Change in Base 1% Property Tax Revenue	$1,287,914
Menlo Park Share of Base 1% Property Tax (c)	8.5%
Net Change in City Property Tax Revenue	**$108,995**
Assumptions	
Estimated Land Sale Price per Acre (b)	$16,739,130

Notes:
(a) Equal to the improvements costs shown in Table 7.
(b) The assessed land value estimate for the multifamily parcels shown in this table is consistent with the Community Amenities Appraisal Report prepared by Fabbro, Moore & Associates, Inc.
(c) This is the City's share of the base 1.0 percent property tax in the TRA where the Project site is located (TRA 08-063), after accounting for ERAF.

Sources: San Mateo County Controller, 2021; Fabbro, Moore & Associates, Inc., 2021; 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 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 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 each 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 9, 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 $129 million, annual ILVLF revenues would increase by approximately $29,600.

Table 9: Projected Change in Annual Property Tax In-Lieu of Vehicle License Fee Revenue at Buildout

	Menlo Flats Project
Net Change in Assessed Value at Buildout	$128,791,354
Net Change in ILVLF Revenue	**$29,603**
Assumptions	
Total Taxable Assessed Value, FY 19-20	$20,790,416,078
FY 19-20 ILVLF Payment	$4,778,757
ILVLF Revenue per $1,000 in Assessed Value	$0.23

Sources: City of Menlo Park; San Mateo County Controller's Office; 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.[2]

To estimate business license tax revenues for the proposed rental apartments, BAE estimated total annual gross receipts based on 2021 maximum rents for BMR units and the market rate rents provided in the June 2021 Draft Housing Needs Assessment for the proposed project. For the café use, BAE assumed a $350 sales per square foot figure to determine total annual sales ($560,000). Based on this level of annual gross receipts, the café would pay $310 in business license taxes. To estimate business license taxes for the office use, this analysis assumes that the office space will be occupied by a single tenant with all 43 new office employees that are anticipated on the project site. At this threshold, the office portion of the project would pay $500 in business license taxes, assuming that the office tenant would pay business license taxes based on the number of employees. The existing nine-employee business on the site is estimated to pay $200 in business license taxes, yielding a net new business license revenue of $2,600, as shown in Table 10.

[2] Menlo Park Municipal Code section 5.12.020.

Table 10: Projected Change in Annual Business License Tax Revenue at Buildout

	Menlo Flats Project
New Business License Tax Revenue	**$2,810**
Rental Apartments	$2,000
Office	$500
Café	$310
Existing Business License Tax Revenue	**($200)**
Net Change in Annual Business License Tax Revenue	**$2,610**
Assumptions	
New Business License Tax Revenue - Rental Apartments	
Number of New Rental Units	158
Weighted Average Monthly Rent per Unit (a)	$3,376
Number of Residential (Tenant) Parking Spaces	138
Monthly Parking Rent per Space	$125
Vacancy Adjustment	5%
Estimated Total Annual Gross Receipts from Rental Apartments	$6,277,421
Total Annual Business License Tax Revenue from Apartments	$2,000
New Business License Tax Revenue - Café	
Café SF	1,600
Sales per Square Foot	$350
Total Annual Sales	$560,000
Annual Business License Tax Revenue per Establishment	$310
New Business License Tax Revenue - Office	
Number of New Office Establishments	1
Number of Employees (b)	43
Annual Business License Tax Revenue per Establishment	$500
Existing Business License Tax Revenue - Office	
Number of Existing Office Establishments	1
Number of Employees	9
Annual Business License Tax Revenue per Establishment	$200

Notes:
(a) Based on 2021 maximum rents for BMR units and market rate rents estimated by KMA in the June 2021 Draft Housing Needs Assessment for the proposed Project.
(b) Based on assumptions in the Menlo Flats Housing Needs Assessment.
Sources: City of Menlo Park, 2021; Keyser Marston Associates, 2021; 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, it is not likely that any entity that would occupy the proposed project would have utility expenditures in excess of $1.2 million. Hence, all utility expenditures generated by the project would be taxed at the normal rate of one percent of expenditures (under the cap).

To estimate UUT revenue from the proposed project, BAE analyzed the projected utility expenditures in each utility category as shown in the City's FY 2019-2020 Adopted Budget. This analysis also used data provided to the City of Menlo Park by utility service providers for the 2011-2012 fiscal year, which was the most recent year for which this information was available, that provide estimates of the split between residential and commercial utility expenditures in Menlo Park in each utility category. BAE applied the same splits between residential and commercial utility expenditures to the UUT revenues in each utility category as projected the FY 2019-20 Adopted Budget to estimate current UUT revenues per resident and per employee, as shown in Table 11. This analysis indicates that annual UUT revenues average approximately $14.89 per resident and $20.50 per worker in Menlo Park.

Table 11: 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%	$3.56	$11.59
Water Utility Users Tax	$153,000	72%	28%	$3.15	$1.31
Gas Utility Users Tax	$128,000	61%	39%	$2.23	$1.53
Wireless Svcs Utility Users Tax	$163,000	40%	60%	$1.86	$3.01
Telephone Utility Users Tax	$149,000	40%	60%	$1.70	$2.76
Cable Utility Users Tax	$93,000	90%	10%	$2.39	$0.29
Total	**$1,187,000**			**$14.89**	**$20.50**

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 this information is available.

Sources: City of Menlo Park; BAE, 2021.

Table 12 applies the average utility expenditures per resident and per worker to the projected net increase in workers and residents due to the project. As shown, the proposed project would generate an estimated $6,900 in annual UUT revenues to the City of Menlo Park General Fund.

Table 12: Projected Change in Annual Utility User Tax Revenue at Buildout

	Menlo Flats Project
Residential Uses	
Net New Residents	406
UUT Revenue per Resident	$14.89
Net Change in UUT Revenue from Residential Uses	**$6,045**
Commercial Uses	
Net New Employees	44
UUT Revenue per Employee	$20.50
Net Change in UUT Revenue from Commercial Uses	**$902**
Total Net Change in General Fund UUT Revenue	**$6,946**

Sources: City of Menlo Park, BAE, 2021.

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. 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 corresponding 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 of residential and commercial consumers on-site.

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 also generally increase commensurate with growth in the service population. As shown in Table 13, General Fund revenues from franchise fees and fines in FY 2019-20 totaled approximately $2.9 million, or $63.58 per member of the service population. Multiplying the average fee and fines revenues by the net growth in service population yields an annual fiscal impact of $26,700.

Table 13: Projected Change in Annual Franchise Fee and Fines Revenues at Buildout

	Menlo Flats Project
Net Change in Service Population	421
Franchise Fee and Fines Revenue per Service Population	$63.58
Net Change in Franchise Fee and Fines Revenue	**$26,747**
Assumptions	**FY 2019-20** (a)
Franchise Fee Revenue	$2,067,466
Fines Revenue	$850,000
Total Franchise Fee and Fines Revenue	**$2,917,466**
Current (2019) Citywide Service Population (b)	45,885
Revenue Per Service Population	**$63.58**

Notes:
(a) Revenues based on the FY 2019-20 Adopted Budget.
(b) Service population is defined as all residents plus one-third of employment.

Sources: City of Menlo Park; BAE, 2021.

Summary of Annually Recurring General Fund Revenues

As shown in Table 14, the proposed project would result in a net increase of approximately $195,100 in annual General Fund revenues to the City of Menlo Park at buildout. Approximately 71 percent of these revenues would be generated through the property tax and property tax in lieu of vehicle license fees. Revenues from sales tax, franchise fees, and fines would make up approximately 29 percent of the total.

Table 14: Summary of Net Change in Annual General Fund Revenues at Buildout

	Menlo Flats Project	
General Fund Revenues	**Annual Revenue**	**Percent of Total**
Property Tax	$108,995	55.9%
ILVLF	$29,603	15.2%
Sales Tax	$20,217	10.4%
Business License Tax	$2,610	1.3%
Utility Users Tax	$6,946	3.6%
Other Revenues	$26,747	13.7%
Total Revenues	**$195,119**	**100.0%**

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 that are generated by new development. Based on impact fee rates as of FY 2020-21, the proposed project would generate approximately $895,500 million in impact fees to the City of Menlo Park, as shown in Table 15. Impact fees to Sequoia Union High School District would total approximately $352,600, while fees to Ravenswood Elementary School District would total approximately $273,000.

Table 15: Impact Fees from the Project

			Menlo Flats Project	
FY 2020-21 Impact Fees	**Rate**	**Unit**	**Quantity**	**Total Fees**
Transportation				
Retail	$10.81	per net sf	1,600	$17,296
Office	$18.55	per net sf	(10,901)	($202,214)
Multifamily	$5,383.85	per unit	158	$850,648
Total				**$665,731**
Storm Drainage Fees				
Multifamily	$150	per unit	(a)	(a)
Commercial	$0.24	per sf imperv.	(a)	(a)
Construction Street Impact Fee (b)	0.58%	of construction value	$39,622,053	$229,808
Total City of Menlo Park Impact Fees				**$895,539**
Sequoia Union High School Dist.				
Residential	$2.300	per net sf	154,835	$356,121
Commercial	$0.378	per net sf	(9,301)	($3,516)
Total				**$352,605**
Ravenswood Elementary School Dist.				
Residential	$1.780	per net sf	154,835	$275,607
Commercial	$0.282	per net sf	(9,301)	($2,623)
Total				**$272,984**

Note:
(a) The storm drainage connection fee applies only when a project results in a net increase in impervious square footage. According to City staff, this fee will not apply to this project.
(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 total project construction cost shown in Table 7 above.

Sources: City of Menlo Park; Sequoia Union School District; LSA; 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 FY 2019-20, as obtained from the City's OpenGov portal. 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. However, not all costs within departmental budgets change with respect to growth. These "fixed costs," such as salaries for certain executive positions (i.e., department heads, Chief of Police, etc.) as well as costs to maintain fixed assets, capital outlays, utilities, and most special projects, are excluded from this analysis. The analysis also accounts for the charges for service and other department revenues that offset variable costs in each department.

Table 16: Current City of Menlo Park Annual General Fund Operating Expenditures, FY 2019-20

Department/Division	FY 2019-20 Adopted Budget General Fund Expenditures	Less: Executive Salary and Benefits (a)	Less: Fixed Assets and Capital Outlay, Utilities, and Special Projects (b)	Less: Charges for Service and Other Ofsetting Revenues (c)	Net Variable General Fund Expenditures
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	**$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 affect 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 17, the City's net variable costs for the impacted departments currently total an estimated $815 annually per member of the service population. This means that the City would need to add $815 to its annual budget for each new member of the service population (i.e., $815 per resident and $272 per worker) to maintain current levels of service provided by these departments.

Table 17 applies the resulting net variable costs per member of the service population to the net increase in service population associated with the proposed project to estimate the General Fund expenditure impacts. 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. The proposed project would increase the City's total annual General Fund expenditures by approximately $342,700. Growth-related police department expenditures account for nearly half of the total cost impact to the General Fund.

Table 17: City of Menlo Park General Fund Expenditure Impacts from the Project

Department	General Fund Expenditures Per Service Population (a)	Menlo Flats General Fund Impacts Total (b)	% of Total
Human Resources	$38	$15,924	4.6%
Library and Community Services	$167	$70,448	20.6%
Police	$386	$162,565	47.4%
Public Works	$223	$93,747	27.4%
Total Dept. Expenditures	**$815**	**$342,684**	**100.0%**
Assumptions			
Existing Service Population, 2019	**45,885**		
Net Change in Service Population from Project	421		

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 18 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 have an annual net fiscal impact of negative $147,600, composed of a net increase of $195,100 in revenues and a $342,700 net increase in expenditures. The net fiscal impact is equal to approximately 0.21 percent of the City's total 2019/20 Fiscal Year Adopted General Fund budget.

Table 18: Annual Net Fiscal Impact to the City of Menlo Park General Fund

	Menlo Flats Project
Total Net Change in Revenues	**$195,119**
Property Tax	$108,995
ILVLF	$29,603
Sales Tax	$20,217
Business License Tax	$2,610
Utility Users Tax	$6,946
Other Revenues	$26,747
Total Net Change in Expenditures	**($342,684)**
Human Resources	($15,924)
Library and Community Services	($70,448)
Police	($162,565)
Public Works	($93,747)
Net Fiscal Impact	**($147,565)**

Note: Figures presented in 202 dollars.

Source: BAE, 2021.

Total 10-Year Impact

The estimates in Table 18 do not account for the long-term impact of inflation on revenues, expenditures, and the resulting net fiscal impact to the City. Table 19 provides a long-term view of the potential net fiscal impact to the City's General Fund of the proposed project over the next ten years. The table presents revenues and expenditures on a year-by-year basis, adjusted for projected increases in revenues and costs in each year from 2022 to 2031. Consistent with standard City Finance Department budgeting practices, the analysis escalates most revenues and expenditures based on an inflation 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.

The proposed project would generate an annual fiscal surplus in years 2022 and 2023 during the construction period because, despite a loss in some revenue, demolition of the existing uses on site would reduce the overall service population and associated costs. Starting in 2024, the analysis projects a negative net fiscal impact as the service population increases. The deficit would increase throughout the period to approximately $215,700 (in nominal dollars) in year 2031. The projected increase in the negative 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, these long-term estimates are ultimately 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 19 assume 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 any portion of the project is transferred to a different entity during this period, that transfer would trigger a reassessment of that portion 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 19: Projected Net Fiscal Impact to the City of Menlo Park General Fund, 2021-2030

Menlo Flats Project	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2030	2031
Total Net Impact to Revenues	**($1,400)**	**$71,200**	**$208,900**	**$213,600**	**$218,500**	**$223,400**	**$228,700**	**$234,000**	**$239,500**	**$244,900**	**$239,500**	**$244,900**
Property Tax	($400)	$56,700	$115,700	$118,000	$120,300	$122,700	$125,200	$127,700	$130,300	$132,900	$130,300	$132,900
ILVLF	($100)	$15,400	$31,400	$32,000	$32,700	$33,300	$34,000	$34,700	$35,400	$36,100	$35,400	$36,100
Sales Tax	($300)	($300)	$22,100	$22,800	$23,400	$24,100	$24,900	$25,600	$26,400	$27,200	$26,400	$27,200
Business License Tax	($200)	($200)	$2,900	$2,900	$3,000	$3,100	$3,200	$3,300	$3,400	$3,500	$3,400	$3,500
Utility Users Tax	($200)	($200)	$7,600	$7,800	$8,100	$8,300	$8,500	$8,800	$9,100	$9,300	$9,100	$9,300
Other Revenues	($200)	($200)	$29,200	$30,100	$31,000	$31,900	$32,900	$33,900	$34,900	$35,900	$34,900	$35,900
Total Net Impact to Expenditures	**$2,500**	**$2,500**	**($374,400)**	**($385,700)**	**($397,400)**	**($409,100)**	**($421,400)**	**($434,100)**	**($447,100)**	**($460,600)**	**($447,100)**	**($460,600)**
Human Resources	$100	$100	($17,400)	($17,900)	($18,500)	($19,000)	($19,600)	($20,200)	($20,800)	($21,400)	($20,800)	($21,400)
Library and Community Services	$500	$500	($77,000)	($79,300)	($81,700)	($84,100)	($86,600)	($89,200)	($91,900)	($94,700)	($91,900)	($94,700)
Police	$1,200	$1,200	($177,600)	($183,000)	($188,500)	($194,100)	($199,900)	($205,900)	($212,100)	($218,500)	($212,100)	($218,500)
Public Works	$700	$700	($102,400)	($105,500)	($108,700)	($111,900)	($115,300)	($118,800)	($122,300)	($126,000)	($122,300)	($126,000)
Net Fiscal Impact	**$1,100**	**$73,700**	**($165,500)**	**($172,100)**	**($178,900)**	**($185,700)**	**($192,700)**	**($200,100)**	**($207,600)**	**($215,700)**	**($207,600)**	**($215,700)**

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 20 shows the cumulative total net fiscal impacts from the proposed project for the 10-year period from 2022 to 2031 and the resulting NPV of these values. As shown, the analysis projects a cumulative 10-year net fiscal impact of the project totaling negative $1.9 million. Based on a four percent discount rate, the resulting NPV would be negative $1.4 million. 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 20 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 20: Total Net Fiscal Impact and Net Present Value of Fiscal Impacts from Project, 2021-2030

Menlo Portal Project	**Total 10-Year Net Impact, Nominal Dollars**	**Net Present Value of Total 10-Year Net Impact, Nominal Dollars** (a)
Revenues	$2,365,700	$1,775,955
Expenditures	($4,232,500)	($3,148,605)
Net Fiscal Impact	**($1,866,800)**	**($1,372,649)**

Note:
(a) Nominal discount rate used for 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 school districts that serve the project site and the Menlo Park Fire Protection District. Appendix A provides findings from the fiscal impact analysis of the Midpeninsula Regional Open Space District, San Mateo County Community College District and the San Mateo County Office of Education.

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 87,886 residents and 39,992 employees, for a service population of 101,217.[3]

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 11.8 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 by the proposed project, the MPFPD would receive $152,000 in additional annual property taxes at project buildout.

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

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[3] Service population is defined as all residents plus one third of all employees.

projected $1.2 million in license, permit, and service charge revenues, averaging $20.50 per member of the service population. Applying this estimate to the net increase in service population would total $8,600 per year.

Expenditure Impacts from the Project

Unlike the analysis of City expenditures presented above, the analysis considers all MPFPD General Fund expenditures to be variable, 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 $569 per member of the service population, as shown in Table 21. Assuming that costs increase in accordance with service population, the proposed project would generate approximately $239,000 in annual costs to the District.

Net Fiscal Impact from the Project

Based on the revenue and expenditure estimates shown in Table 21, the proposed project would have a negative net fiscal impact on the MPFPD. The net negative fiscal impact associated with the proposed project would total approximately $78,700 annually, which amounts to approximately 0.14 percent of MPFPD's FY 2019-20 General Fund operating budget.

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 $97,000 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 21: Projected Net Fiscal Impact to Menlo Park Fire Protection District

	Menlo Flats Project
Net Change in Property Tax Revenues	$151,961
Net Change in License, Permit, and Service Charge Revenues	$8,622
Less: Net Change in Projected Expenditures	($239,246)
Projected Net Fiscal Impact to MPFPD	**($78,662)**
Assumptions	
Project Net Change in Assessed Value	$128,791,354
Project Net Change in Base 1% Property Tax Revenue	$1,287,914
Project Net Change in Service Population	421
MPFPD Service Population, 2019	101,217
MPFPD Share of Base 1% Property Tax Revenue (a)	11.8%
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	$20.50
General Fund Expenditures, FY 2019-20 Adopted Budget	$57,564,946
Expenditures per Service Population	$568.73

Notes:
(a) This is the MPFPD's share of the base 1.0 percent property tax in the TRA where the project site is located, after accounting for the reduction in property tax revenues to fund ERAF. This figure does not account for excess ERAF revenues that the County refunds to the District when its ERAF balance exceeds K-14 educational funding needs. Many taxing entities do not consider excess ERAF to be a reliable revenue source due to its volatility, difficulty to predict, and likelihood of being eliminated by State action in coming years. Not including excess ERAF when determining property tax share results in a slightly lower, more conservative property tax revenue estimate.

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

School Districts Serving the Project Site

In addition to evaluation of the fiscal impacts on the City's General Fund departments, this study also evaluates the fiscal impacts that the proposed project would have on the school districts that serve the project site. Elementary and middle school students that live in the project would be assigned to the Ravenswood School District, while high school students that live in the project would be assigned to the Sequoia Union High School District. In general, potential impacts that can arise from growth in households in these districts can include additional costs of instruction for new students, which are typically wholly or partially offset by property tax revenues or State funding. In addition, growth in households could lead to a need for additional facilities to accommodate more students. This analysis focuses on ongoing operating costs associated with providing instruction for new students, though some information regarding potential new facilities needs is also summarized below.

In addition to the proposed project, there are a range of other demographic and socioeconomic factors that are also affecting near- and long-term school district enrollment. Thus, the findings on school district impacts indicate the general order-of-magnitude of the potential fiscal impacts to schools from the proposed project, but not as a projection of the future fiscal and facility impacts that will be experienced by the school districts that serve Menlo Park residents.

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. New enrollment from the proposed project would be expected to increase the District's LCFF funding target and, to the extent new property tax revenues fall short of this increase, the State would contribute additional funds. This analysis assumes the new enrollment from the proposed project would not impact the District's LCFF funding target on a per-student basis, which would enable the District to preserve per-student spending at FY 2019-20 levels.[4]

According to the District's Facility Fee Justification Study, published in June 2020, the District calculates student generation at a rate of 0.372 students per housing unit. This student generation rate applied to the proposed project results in an estimate of 59 additional students for the District.

The proposed project is unlikely to generate a need for additional Ravenswood City Elementary School District facilities. The District reports that enrollment capacity exceeds actual enrollment by a total of 118 students at the two elementary schools that serve the project site and 103 students at the middle school that serves the project site. The District has experienced decreases in enrollment during recent years, leading the school board to vote in early 2020 to close two elementary schools, and the District's FY 2019-20 Second Interim Budget Report and other District documents report that the District expects enrollment to continue to decline in coming years. The District's projected enrollment does not currently exceed the District's capacity, indicating that the District has the physical capacity to accommodate growth from the project without the need to construct new facilities. While the District reports a significant need to upgrade existing facilities, these needs are attributable to the age of the existing facilities rather than actual or projected increases in enrollment.

Revenue Impacts from the Project. 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 33 percent. Based on this percentage and the estimated increase in assessed values shown in Table 8, the increase in annual property tax revenues to the District as a result of the proposed project would be approximately $421,300.

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[4] A district's LCFF funding target is determined by the number and demographic composition of students it serves. The base per-student funding varies by grade level, and districts are entitled to additional funding based on the percentage of their students who are English learners, low-income, and/or foster youth. Thus, changes to a district's demographic profile may alter its overall LCFF funding target per student. This analysis assumes the new enrollment from the Project would have no significant impact on the District's demographic profile as it relates to determining LCFF funding targets.

The proposed project would also generate additional State aid for the District insofar as the expenditures the project would create for the District would exceed the property tax revenues it delivers. State aid is evaluated in the Net Fiscal Impacts subsection, below.

Expenditure Impacts from the Project. The District budget for FY 2019-20 includes $22.5 million in total unrestricted General Fund expenditures, at a rate of $10,700 per student. As noted above, this analysis assumes the District's LCFF target entitlement will support the same level of unrestricted per-student spending when the proposed project is built out and its students enroll in District schools. Given the proposed project's estimated student generation, the project would be expected to produce an estimated $626,600 in additional expenditures for the District.

Net Fiscal Impact from the Project. The proposed project would result in annual expenditures to the Ravenswood City School District that exceed the increase in property tax revenues by $205,300. Because the District is non-Basic Aid, the State will allocate additional aid to preserve per-student funding at the LCFF target, thus eliminating this fiscal deficit to the District. As shown in Table 15 above, the project would also generate one-time impact fees to the District totaling an estimated $273,000.

Table 22: Projected Fiscal Impacts of the Project on the Ravenswood City School District

	Menlo Flats Project
Net Change in Property Tax Revenues	$421,311
Net Change in State Revenues from ADA	$205,315
Less: Net Change in Projected Expenditures from Enrollment	($626,625)
Projected Net Fiscal Impact to Ravenswood City ESD	**$0**
One-Time Impact Fee Revenue	**$272,984**
Assumptions	
Ravenswood City ESD Student Generation per Unit (a)	0.372
Number of New Units	158
Project Net Change in Enrolled Students	59
Revenues	
Net Change in Assessed Value from Project	$128,791,354
Base 1% Property Tax Revenue	$1,287,914
Ravenswood City ESD Share of Base 1% Property Tax (a)	33%
Net Change in Ravenswood City ESD Property Tax Revenue	$421,311
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

Unlike the Ravenswood Elementary School District, the Sequoia Union High School District is a Basic Aid district and therefore gets the bulk of its revenue from property taxes, with a minimal amount of funding from other state and local sources.

The Sequoia Union High School District has not established its own student generation rate, and instead uses the statewide figure of 0.2 students per dwelling unit for high school districts established by the State's School Facility Program. This rate is often considered to overstate high school student generation from multifamily dwellings, and therefore could overestimate the number of high school students that the proposed project would generate. Using the 0.2 student per unit ratio results in an estimated increase of 32 students from the proposed project that would attend school at the Sequoia Union High School District. The estimated ADA associated with this new enrollment is 27, based on the District's budgeted attendance rate of 87 percent.

The Sequoia Union High School District reports concerns regarding the capacity for District facilities to accommodate the cumulative growth from potential future residential developments in the District, including the proposed project, though projected future decreases in District enrollment may offset existing capacity constraints prior to the completion of the project. The schools that serve the project site are the newly-completed TIDE Academy and Menlo-Atherton High School, which have a total capacity of 400 and 2,600 students, respectively. As of the 2019-2020 school year, enrollment in these schools totaled 103 and 2,433, respectively, though the enrollment at TIDE Academy reflected the school's first year of operations and is therefore not necessarily indicative of longer-term capacity at the school site.[5] These figures suggest that the District may currently have capacity to accommodate the estimated enrollment growth attributable to the proposed project. In addition, the District's FY 2020-21 Budget Plan shows projected decreases in District enrollment, with a small decrease starting in 2020 and more significant decreases in following years. Overall, the enrollment projections show a decrease of 1,165 students between 2019 and 2025, which could create the capacity necessary to accommodate growth from the proposed project as well as other future residential developments in the District, though this capacity will be spread across all District schools rather than just the two the serve the project site.[6]

Revenue Impacts from the Project. Because the Sequoia Union High School District is a Basic Aid district, the District gets the bulk of its 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 is 13.1 percent. Based on this percentage and the estimated increase in assessed values shown in Table 8, the increase in annual property tax revenues to the District as a result of the proposed project would be approximately $169,200.

In addition to funding from property tax revenues, the Sequoia Union High School District would receive a small amount of State funding per student on an annual basis. These sources include the minimum State Educational Protection Account entitlement, State Lottery Funds, and the State Mandated Costs Block Grant, all of which are allocated based on ADA. Revenues from this source would total approximately $11,100 from the project.

Expenditure Impacts from the Project. As shown in Table 22, the District budget for FY 2019-20 includes $123 million in total unrestricted General Fund expenditures, at a rate of $13,000 per student. Applying this figure to the increase in students attributable to the proposed project yields an estimate of $411,600 in additional Sequoia Union High School District expenditures.

Net Fiscal Impact from the Project. After accounting for the projected increase in annual revenues and the projected increase in annual educational expenditures, the proposed project would result in a net negative annual fiscal impact to the Sequoia Union High School District

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[5] Across all schools in the Sequoia Union High School District, enrollment totaled 9,428.
[6] The District 2020-2021 Budget Plan is available at:
https://go.boarddocs.com/ca/seq/Board.nsf/files/BQQUVA7DDD23/$file/Budget%20Book.pdf

$231,300. This is equivalent to approximately 0.19 percent of the District's FY 2019-20 unrestricted General Fund budget. This result is driven by the District's high per-student spending rates, which would require extremely high residential property values to generate the property tax revenues necessary to keep pace with current spending levels. To the extent that the District experiences an increase in property tax revenues that does not lead to additional student enrollment, such as from new non-residential development projects, this revenue could help to offset the negative fiscal impact associated with the proposed project. Moreover, if the District experiences declining enrollment, the decline in enrollment could also offset the fiscal impact associated with the project. 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

As shown in Table 15 above, the project would also generate one-time impact fees to the District totaling an estimated $352,600.

Table 23: Projected Fiscal Impacts of the Project to the Sequoia Union High School District

	Menlo Flats Project
Net Change in Annual Property Tax Revenues	$169,175
Net Change in Annual State Revenues from ADA	$11,149
Less: Net Change in Projected Annual Expenditures from Enrollment	($411,599)
Projected Net Fiscal Impact to Sequoia Union HSD (Annual)	**($231,275)**
One-Time Impact Fee Revenue	**$352,605**
Assumptions	
Sequoia Union HSD Student Generation per Unit (a)	0.20
Project Net Change in Multifamily Residential Units	158
Project Net Change in Enrolled Students	32
Estimated Average Daily Attendance (ADA) per Enrolled Student (b)	0.87
Project Net Change in ADA	27
Project Net Change in Assessed Value	$128,791,354
Project Net Change in Base 1% Property Tax Revenue	$1,287,914
Sequoia Union HSD Share of Base 1% Property Tax Revenue (c)	13.1%
Unrestricted Revenues per ADA, FY 2019-20 Adopted Budget	$413
Unrestricted State Local Control Funding Formula (LCFF) Funds per ADA (d)	$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
Unrestricted General Fund Expenditures, FY 2019-20 Adopted Budget	$122,802,512
Enrolled Students, FY 2019-20 Adopted Budget	9,428
ADA, FY 2019-20 Adopted Budget	8,205
Unrestricted Expenditures per Enrolled Student	$13,025

Notes:
(a) This student generation rate was reported by the District Associate Superintendent of Administrative Services and is derived from the statewide yield average calculated by the State Office of Public School Construction.
(b) This figure was calculated by dividing the District's FY 2019-20 projected ADA by its projected enrollment.
(c) This is Sequoia Union HSD's share of the base 1.0 percent property tax in the TRA where the project site is located.
(d) 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. For that reason, BAE assumes zero state LCFF funds per ADA.

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

APPENDIX A: FISCAL IMPACTS ON OTHER SPECIAL DISTRICTS

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

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 $19,900 in property tax revenues for the District annually.

Expenditure Impacts from the Project

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 proposed project. In addition, the District's debt service expenditures would not increase due to the proposed project. 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 $40 per member of the service population. The new service population from the proposed project would thus be expected to produce $16,800 in additional annual expenditures for the District.

Net Fiscal Impact from the Project

As detailed in Table A- 1, the project is expected to produce a positive net fiscal impact of approximately $3,100 per year to the District.

Table A- 1: Projected Net Fiscal Impact to Midpeninsula Regional Open Space District

	Menlo Flats Project
Net Change in Property Tax Revenues	$19,892
Less: Net Change in Projected Expenditures	($16,837)
Projected Net Fiscal Impact to Open Space District	**$3,055**
Assumptions	
Project Net Change in Assessed Value	$128,791,354
Project Net Change in Base 1% Property Tax Revenue	$1,287,914
Project Net Change in Service Population	421
Open Space District Service Population, 2019	924,530
Open Space District Share of Base 1% Property Tax Revenue (a)	1.5%
General Fund Expenditures, FY 2019-20 Adopted Budget (b)	$37,003,848
Expenditures per Service Population	$40.02

Notes:
(a) This is the Open Space 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, 2020.

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)[7], which amounts to approximately 0.02 FTES per member of the District's total service population. Assuming the same the proportion of new service population members enrolls in District community colleges, the proposed project would result in 8 additional students.

Revenue Impacts from the Project

SMCCD 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.

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

The proposed project at buildout is projected to generate a $73,500 increase in annual property tax revenue to the District, as detailed in Table A-2. For FY 2019-20, SMCCCD's student enrollment fees are projected to total $8.5 million, or approximately $519 per FTES.[8] Based on this figure and the proposed project's estimated student generation, described above, the project at buildout is projected to result in $4,000 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 is projected to generate an additional $2,200 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 $97,300 in additional expenditures for the District.

Net Fiscal Impact from the Project

As reported in Table A-2, the proposed project would result in a negative net fiscal impact to SMCCCD, totaling $17,600 per year. This amounts to less than one-hundredth of one percent of the District's FY 2019-20 General Fund expenditures.

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[8] 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.

Table A-2: Projected Net Fiscal Impact to San Mateo County Community College District

	Menlo Flats Project
Net Change in Property Tax Revenues	$73,464
Net Change in Student Fee Revenues	$4,031
Net Change in State Revenues from FTES	$2,200
Less: Net Change in Projected Expenditures	($97,268)
Projected Net Fiscal Impact to SMCCCD	**($17,573)**
Assumptions	
Project Net Change in Assessed Value	$128,791,354
Project Net Change in Base 1% Property Tax Revenue	$1,287,914
Project Net Change in Service Population	421
SMCCCD Service Population, 2019	883,625
SMCCCD Full-Time Equivalent Students (FTES), FY 2019-20 Adopted Budge	16,321
FTES per Service Population Member	0.02
Project Net Change in Full-Time Equivalent Students (FTES)	8
SMCCCD Share of Base 1% Property Tax Revenue (a)	5.7%
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
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 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.

Revenue Impacts 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.

This analysis assumes that property tax is the only unrestricted SMCOE revenue source that would be impacted by the proposed project. Though SMCOE receives several minor unrestricted state funds, such as lottery and Educational Protection Account funds, these funds are tied to ADA for SMCOE-operated schools only. The proposed project is unlikely to generate new enrollment for SMCOE-operated schools, as indicated by the very low enrollment these schools constitute as a percentage of countywide enrollment.[9]

SMCOE receives 3.0 percent of the base one-percent property tax in the TRA where the proposed project is located. The project at buildout is estimated to result in an assessed value increase of approximately $129 million, which would generate $38,200 in annual property tax revenues to SMCOE.

Expenditure Impacts from the Project

To evaluate the proposed project's potential impact on SMCOE operations and expenditures, it is useful to distinguish between SMCOE's two service populations. One service population consists of the students enrolled in SMCOE-operated schools, to whom SMCOE provides direct educational services. As noted above, the proposed project is unlikely to produce any change in this particular service population. The other service population is all enrolled K-12 public school students in San Mateo County. This population receives indirect services through the administrative support, training, and other functions SMCOE provides to school districts in the County. The proposed project would be expected to generate 90 additional K-12 students—59 in Ravenswood ESD and 32 in Sequoia Union HSD, as tabulated in their respective fiscal impact models—which would be counted toward SMCOE's broader service population.

In FY 2019-20, SMCOE budgeted $41.8 million in unrestricted expenditures to service its central office operations, omitting capital outlay and transfers. This figure does not include unrestricted expenditures related to operating court and community schools. These expenditures amount to $447 per enrolled student in San Mateo County. Given the project's estimated student generation, the proposed project would be expected to produce approximately $40,400 in additional costs to SMCOE.

[9] SMCOE-operated schools enroll about 300, or 0.32 percent, of San Mateo County's approximately 93,500 students, according to 2019-2020 Census day enrollment data from the California Department of Education. Applying this rate to the Project's estimated student generation yields only 0.37 students.

Net Fiscal Impact from the Project

The proposed project is expected to produce an annual negative net fiscal impact of $2,200 to SMCOE, as detailed in Table A-3.

Table A-3: Projected Net Fiscal Impact to San Mateo County Office of Education

	Menlo Flats Project
Net Change in Property Tax Revenues	$38,232
Less: Net Change in Projected Expenditures from Enrollment	($40,406)
Projected Net Fiscal Impact to San Mateo COE	**($2,174)**
Assumptions	
Project Net Change in Enrolled Students	90
Project Net Change in Enrolled Students, Ravenswood ESD (a)	59
Project Net Change in Enrolled Students, Sequoia Union HSD (b)	32
Project Net Change in Assessed Value	$128,791,354
Project Net Change in Base 1% Property Tax Revenue	$1,287,914
San Mateo COE Share of Base 1% Property Tax Revenue (c)	3.0%
Unrestricted Central Office Expenditures, FY 2019-20 Adopted Budget (d)	$41,826,786
Service Population (i.e., Enrolled Students Countywide) (e)	93,554
Unrestricted Expenditures per Service Population	$447

Notes:
(a) Assumes student generation of 0.14 students per project housing unit. See Redwood City ESD fiscal impact table for details.
(b) Assumes student generation of 0.20 students per project housing unit. See Sequoia Union HSD fiscal impact table for details.
(c) This is San Mateo COE's share of the base 1.0 percent property tax in the TRA where the project site is located.
(d) 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 population.
(e) 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.